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(Address of principal executive offices)

**Securities registered or to be registered pursuant to Section 12(b) of the Act.**

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Shares without par value	New York Stock Exchange*
American Depositary Shares, (as evidenced by American Depositary Receipts), each representing one share of Common Stock	New York Stock Exchange

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\* Not for trading purposes, but only in connection with the registration of American Depositary Shares pursuant to the requirements of the Securities and Exchange Commission.

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**Securities registered or to be registered pursuant to Section 12(g) of the Act:**

None

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:**

None

**Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the period covered by the annual report:**

Common Shares, without par value. 1,483,033,685, including 25,063,577 common shares held in treasury. This amount takes into account the cancellation of 27,325,535 common shares held in treasury in November 2010. For further information, see "Item 7A. Major Shareholders," "Item 9A. Offer and Listing Details" and "Item 10B. Memorandum and Articles of Association."

**Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.**

**R Yes 1 No**

**If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.**

**1 Yes R No**

**Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.**

**R Yes 1 No**

**Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).**

**R Yes 1 No**

**Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):**

**Large Accelerated Filer R**

**Accelerated Filer 1**

**Non-accelerated Filer 1**

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting  
Standards as issued by the  
International Accounting Standards  
Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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## Introduction

Unless otherwise specified, all references in this annual report to:

- “we,” “us,” “our” or “CSN” are to Companhia Siderúrgica Nacional and its consolidated subsidiaries;
- “Brazilian government” are to the federal government of the Federative Republic of Brazil;
- “*real*,” “*reais*” or “R\$” are to Brazilian *reais*, the official currency of Brazil;
- “U.S. dollars,” “\$,” “US\$” or “USD” are to United States dollars;
- “billions” are to thousands of millions, “km” are to kilometers, “m” are to meters, “mt” or “tons” are to metric tons, “mt/yr” are to metric tons per year and “MW” are to megawatts;
- “TEUs” to twenty-foot equivalent units;
- “consolidated financial statements” are to the consolidated financial statements of Companhia Siderúrgica Nacional and its consolidated subsidiaries reported in International Financial Reporting Standards as issued by the IASB – IFRS as of December 31, 2009 and 2010 and for the years ended December 31, 2009 and 2010, together with the corresponding Report of Independent Registered Public Accounting Firm;
- “ADSs” are to CSN’s American Depositary Shares and “ADRs” are to CSN’s American Depositary Receipts; and
- “Brazil” is to the Federative Republic of Brazil.







## Forward-Looking Statements

This annual report includes forward-looking statements, within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, principally under the captions “Item 3. Key Information,” “Item 4. Information on the Company,” “Item 5. Operating and Financial Review and Prospects” and “Item 11. Quantitative and Qualitative Disclosures About Market Risk.” We have based these forward-looking statements largely on our current expectations and projections about future events, industry and financial trends affecting our business. Many important factors, in addition to those discussed elsewhere in this annual report, could cause our actual results to differ substantially from those anticipated in our forward-looking statements, including, among other things:

- general economic, political and business conditions in Brazil and abroad, especially in China;
- the ongoing effects of the recent global financial markets and economic crisis;
- changes in competitive conditions and in the general level of demand and supply for our products;
- management’s expectations and estimates concerning our future financial performance and financing plans;
- our level of debt;
- availability and price of raw materials;
- changes in international trade or international trade regulations;
- protectionist measures imposed by Brazil and other countries;
- our capital expenditure plans;
- inflation, interest rate levels and fluctuations in foreign exchange rates;
- our ability to develop and deliver our products on a timely basis;
- lack of infrastructure in Brazil;
- electricity and natural gas shortages and government responses to them;
- existing and future governmental regulation; and
- other risk factors as set forth under “Item 3D. Risk Factors.”

The words “believe,” “may,” “will,” “aim,” “estimate,” “forecast,” “plan,” “continue,” “anticipate,” “intend,” “expect” and similar words are intended to identify forward-looking statements. Forward-looking statements speak only as of the date they were made, and we undertake no obligation to publicly update or to revise any forward-looking statements after we distribute this annual report because of new information, future events or other factors. In light of the risks and uncertainties described above, the forward-looking events and circumstances discussed in this annual report might not occur and are not an indication of future performance. As a result of various factors, such as those risks described in “Item 3D. Risk Factors,” undue reliance should not be placed on these forward-looking statements.









## **Presentation of Financial and Other Information**

Our consolidated financial statements as of December 31, 2010 and 2009 and for the years ended December 31, 2009 and 2010 contained in “Item 18. Financial Statements” have been presented in thousands of reais (R\$) and prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). See Note 2(a) to our consolidated financial statements.

For certain purposes, such as providing reports to our Brazilian shareholders, filing financial statements with the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or CVM, and other distributions and tax liabilities in Brazil, we have prepared and will continue to be required to prepare financial statements in accordance with the accounting principles required by Brazilian laws No. 6,404, dated December 15, 1976, as amended, and No. 11,638 dated December 28, 2007, as amended, or the Brazilian Corporate Law, and the rules and regulations of the CVM, or Brazilian GAAP.

## **Changes on Regulatory Requirements for Presentation of Financial Statements – Convergence to International Financial Reporting Standards (“IFRS”)**

Starting with the year ended December 31, 2010, Brazilian listed companies are required to publish their consolidated financial statements in accordance with IFRS. Those consolidated financial statements must be prepared based on IFRS as issued by the IASB.

Consequently, the financial statements and other financial information for the years ended December 31, 2010 and 2009 included elsewhere in this Form 20-F, unless otherwise indicated, were prepared and presented in accordance with IFRS.

Previously published consolidated financial statements in our annual report on Form 20-F for our financial year ended December 31, 2009, as well as all prior financial periods, were prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”). IFRS differs in certain material respects from U.S. GAAP and, accordingly, the consolidated financial statements for our financial years ended December 31, 2010 and 2009 prepared in accordance with IFRS are not comparable to our consolidated financial statements prepared in accordance with U.S. GAAP for 2009 and prior years presented in our reports on Form 20-F. See “Item 5. Operating and Financial Review and Prospects—Change in Accounting from U.S. GAAP to IFRS” and Note 4 to our consolidated financial statements included elsewhere in this Form 20-F.

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

## **PART I**

### **Item 1. Identity of Directors, Senior Management and Advisors**

Not applicable.

### **Item 2. Offer Statistics and Expected Timetable**

Not applicable.

### **Item 3. Key Information**

#### **3A. Selected Financial Data**

We present in this section the summary financial and operating data derived from our audited consolidated financial statements as of and for the year ended December 31, 2009 and 2010.

The consolidated financial statements included in this annual report have been prepared in accordance with IFRS, as issued by the IASB, in *reais*. However, we have translated some of the *real* amounts contained in this annual report into U.S. dollars. The rate used to translate such amounts in respect of the year ended December 31,

2010 was R\$1.6662 to US\$1.00, which was the commercial rate for the purchase of U.S. dollars in effect as of December 31, 2010, as reported by the Central Bank. The U.S. dollar equivalent information presented in this annual report is provided solely for the convenience of investors and should not be construed as implying that the *real* amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate. See “Exchange Rates” for more detailed information regarding the translation of *reais* into U.S. dollars.

*IFRS Summary and Financial Data*

The following tables present summary historical consolidated financial and operating data for us for each of the periods indicated. Solely for the convenience of the reader, *real* amounts as of and for the year ended December 31, 2010 have been translated into U.S. dollars at the commercial market rate in effect as of December 31, 2010 as reported by the Brazilian Central Bank of R\$1.6662 to US\$1.00 The selected financial data below should be read in conjunction with “Item 5. Operating and Financial Review and Prospects.”

<b>Statement of income data:</b>	<b>2010</b> <i>(in million of US\$, except per share data)</i>	<b>Year Ended December 31,</b>	
		<b>2010</b> <i>(in million of R\$, except per share data)</i>	<b>2009</b>
<b>Net operating revenues</b>	<b>8,673</b>	<b>14,451</b>	<b>10,978</b>
Cost of products sold	(4,613)	(7,687)	(7,022)
<b>Gross Profit</b>	<b>4,060</b>	<b>6,764</b>	<b>3,956</b>
<b>Operating expenses</b>	-		
Selling	(407)	(678)	(636)
General and Administrative	(322)	(537)	(480)
Equity in results of affiliated companies	0	0	0
Other Expenses	(386)	(643)	(696)
Other Income	55	92	1,417
<b>Total</b>	<b>(1,060)</b>	<b>(1,766)</b>	<b>(395)</b>
<b>Operating income</b>	<b>3,000</b>	<b>4,998</b>	<b>3,561</b>
<b>Non-operating income (expenses), net</b>			
Financial Income (expenses), net	(1,147)	(1,911)	(246)

<b>Income Before Taxes</b>	<b>1,853</b>	<b>3,087</b>	<b>3,315</b>
<b>Income Tax</b>			
Current	(188)	(313)	(582)
Deferred	(154)	(257)	(118)
<b>Total</b>	<b>1,511</b>	<b>2,517</b>	<b>2,615</b>
<b>Net income</b>	<b>1,511</b>	<b>2,517</b>	<b>2,615</b>
<b>Net loss attributable to noncontrolling interest</b>	-	-	(4)
<b>Net income attributable to Companhia Siderúrgica Nacional</b>	<b>1,511</b>	<b>2,517</b>	<b>2,619</b>
Basic earnings per common share	1.03586	1.72594	1.75478
Diluted earnings per common share	1.03586	1.72594	1.75478

<b>Balance Sheet Data:</b>	<b>As of December 31,</b>		
	<b>2010</b> <i>(in million of US\$)</i>	<b>2010</b> <i>(in million of R\$)</i>	<b>2009</b>
Current assets	9,479	15,794	12,835
Investments	1,263	2,104	322
Property, plant and equipment	8,269	13,777	11,133
Other assets	3,676	6,126	6,436
<b>Total assets</b>	<b>22,687</b>	<b>37,801</b>	<b>30,726</b>
Current liabilities	2,674	4,456	3,998
Non-current liabilities <sup>(1)</sup>	15,317	25,522	20,139
Stockholders' equity	4,696	7,823	6,589
<b>Total liabilities and stockholders' equity</b>	<b>22,687</b>	<b>37,801</b>	<b>30,726</b>

Common stock	2,447	2,447	2,447
Dividends declared and interest on stockholders' equity (in millions of <i>reais</i> ) <sup>(1)</sup>	937	1,561	2,571
Dividends declared and interest on stockholders' equity per common share (in <i>reais</i> ) <sup>(1)</sup>	0.64	1.07	1.76

(1) Amounts consist of dividends declared and accrued interest on stockholders' equity during the year. For a discussion of our dividend policy and dividend and interest payments made in 2010, see "Item 8A. Consolidated Statements and Other Financial Information-Dividend Policy."

## Exchange Rates

The Brazilian foreign exchange system allows the purchase and sale of foreign currency and the international transfer of reais by any person or legal entity, regardless of the amount, subject to certain regulatory procedures. The Brazilian currency has during the last decades experienced frequent and substantial variations in relation to the U.S. dollar and other foreign currencies.

Between 2000 and 2002, the *real* depreciated significantly against the U.S. dollar, reaching an exchange rate of R\$3.53 per US\$1.00 at the end of 2002. Between 2003 and mid-2008, the *real* appreciated significantly against the U.S. dollar due to the stabilization of the macroeconomic environment and a strong increase in foreign investment in Brazil, with the exchange rate reaching R\$1.56 per US\$1.00 in August 2008. In the context of the crisis in the global financial markets after mid-2008, the *real* depreciated 31.9% against the U.S. dollar over the year 2008, reaching R\$2.34 per US\$1.00 on December 31, 2008. Since 2009, the *real* appreciated against the U.S. dollar and on December 31, 2010 the exchange rate was R\$1.67 per US\$1.00 and on June 14, 2011, the exchange rate was 1.58 per US\$1.00. The Central Bank has intervened occasionally to control instability in foreign exchange rates. We cannot predict whether the Central Bank or the Brazilian government will continue to allow the *real* to float freely or will intervene in the exchange rate market through a currency band system or otherwise. The *real* may depreciate or appreciate against the U.S. dollar substantially.

The following tables present the selling rate, expressed in *reais* per U.S. dollar (R\$/US\$), for the periods indicated.

	Low	High	Average (1)	Period-end
<b>Year ended</b>				
December 31, 2006	2.059	2.371	2.177	2.138
December 31, 2007	1.733	2.156	1.948	1.771
December 31, 2008	1.559	2.500	1.837	2.337
December 31, 2009	1.702	2.422	1.994	1.741
December 31, 2010	1.655	1.881	1.759	1.666

	Low	High	Average	Period-end
<b>Month ended</b>				
December 2010	1.655	1.881	1.759	1.666
January 2011	1.651	1.691	1.674	1.673
February 2011	1.661	1.677	1.668	1.661
March 2011	1.628	1.675	1.659	1.629
April 2011	1.565	1.619	1.586	1.573
May 2011	1.580	1.634	1.613	1.580
June 2011 (through June 14, 2011)	1.574	1.594	1.583	1.582

Source: Central Bank.

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



We will pay any cash dividends and make any other cash distributions with respect to our common shares in Brazilian currency. Accordingly, exchange rate fluctuations may affect the U.S. dollar amounts received by the holders of ADSs on conversion by the depositary of such distributions into U.S. dollars for payment to holders of ADSs. Fluctuations in the exchange rate between the *real* and the U.S. dollar may also affect the U.S. dollar equivalent of the *real* price of our common shares on the BM&FBOVESPA.

### **3B. Capitalization and Indebtedness**

Not applicable.

### **3C. Reasons for the Offer and Use of Proceeds**

Not applicable.

### **3D. Risk Factors**

*An investment in our ADSs or common shares involves a high degree of risk. You should carefully consider the risks described below before making an investment decision. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of our ADSs could decline due to any of these risks or other factors, and you may lose all or part of your investment. The risks described below are those that we currently believe may materially affect us.*

#### **Risks Relating to Brazil**

*The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. This involvement, as well as, Brazilian political and economic conditions, could adversely affect our business and the trading prices of our ADSs and common shares.*

The Brazilian government frequently intervenes in the Brazilian economy and occasionally makes significant changes in policy and regulation. The Brazilian government's actions, policies and regulations to control inflation have often involved, among other measures, increases in interest rates, changes in tax policies, price controls (such as those imposed on the steel sector prior to privatization), currency devaluations, capital controls and limits on imports. Our business, financial condition and results of operations may be adversely affected by political, social, and economic developments in or affecting Brazil, and by changes in policy or regulations involving or affecting factors, such as:

- interest rates;
- exchange controls;
- currency fluctuations;
- inflation;
- lack of infrastructure in Brazil;
- energy shortages and rationing programs;
- liquidity of the domestic capital and lending markets;
- environmental policies and regulations;

- tax policies and regulations; and
- other political, social and economic developments in or affecting Brazil.

Uncertainty over whether the Brazilian government will make changes affecting these and other factors may create instability. This may also adversely affect our business, financial condition and results of operations.

***Exchange rate instability may adversely affect our financial condition, results of operations and the market price of our common shares and ADSs.***

The Brazilian currency has long experienced frequent and substantial variations in relation to the U.S. dollar and other foreign currencies. Between 2000 and 2002, the *real* depreciated significantly against the U.S. dollar, reaching an exchange rate of R\$3.53 per US\$1.00 at the end of 2002. Between 2003 and mid-2008, the *real* appreciated significantly against the U.S. dollar due to the stabilization of the macroeconomic environment and a strong increase in foreign investment in Brazil, with the exchange rate reaching R\$1.56 per US\$1.00 in August 2008. In the context of the crisis in the global financial markets after mid-2008, the *real* depreciated 31.9% against the U.S. dollar over the year 2008 and reached R\$2.34 per US\$1.00 at year end. Since 2009, the *real* appreciated against the U.S. dollar, mainly due to the strong economic recovery of Brazil and high domestic real interest rate, and on December 31, 2010 the exchange rate was R\$1.66 per US\$1.00. On June 14, 2011, the exchange rate was R\$1.58 per US\$1.00.

Depreciation of the *real* against major foreign currencies could create inflationary pressures in Brazil and contribute to Central Bank increases in interest rates, which could negatively affect the growth of the Brazilian economy as a whole and harm our financial condition and results of operations, may curtail access to foreign financial markets and may prompt government intervention, including recessionary governmental policies. Depreciation of the *real* against the U.S. dollar can also, as in the context of the global economic and financial crisis in 2008 and 2009, lead to decreased consumer spending and reduced growth of the economy as a whole.

On the other hand, appreciation of the *real* relative to major foreign currencies could lead to a deterioration of the Brazilian foreign exchange current accounts, as well as dampen export-driven growth. Depending on the circumstances, either depreciation or appreciation of the *real* could materially and adversely affect the growth of the Brazilian economy and our business, financial condition and results of operations.

In the event the *real* depreciates in relation to the U.S. dollar, the cost in *reais* of our foreign currency-denominated borrowings and imports of raw materials, particularly coal and coke, will increase. To the extent that we do not succeed in promptly reinvesting the funds received from such borrowings in dollar-denominated assets, we are exposed to a mismatch between our foreign currency-denominated expenses and revenues. On the other hand, if the *real* appreciates in relation to the U.S. dollar, it will cause *real*-denominated production costs to increase as a percentage of total production costs and cause our exports to be less competitive. We had total U.S. dollar-denominated or –linked indebtedness of US\$5,804 million, or 48% of our total indebtedness, at December 31, 2010.

Depreciation of the *real* may also reduce the U.S. dollar value of distributions and dividends on the ADSs and the U.S. dollar equivalent of the market price of our common shares and, as a result, the ADSs.

***Government efforts to combat inflation may hinder the growth of the Brazilian economy and could harm our business.***

Brazil has in the past experienced extremely high rates of inflation and has therefore followed monetary policies that have resulted in one of the highest real interest rates in the world. Since the implementation of the *Real Plan* in 1994, the annual rate of inflation in Brazil has decreased significantly, as measured by the National Broad Consumer Index (*Índice Nacional de Preços ao Consumidor Amplo*, or IPCA). Inflation measured by the IPCA index was 4.31 and 5.91 in 2009 and 2010, respectively.

Between 2004 and 2010, the base interest rate, or SELIC rate, in Brazil varied between 19.25% p.a. and 8.75% p.a.. Inflation and the Brazilian government's measures to fight it, principally through the Central Bank, have had and may have significant effects on the Brazilian economy and our business. Tight monetary policies with high interest rates may restrict Brazil's growth and the availability of credit. Conversely, more lenient government and Central Bank

policies and interest rate decreases may trigger increases in inflation, and, consequently, growth volatility and the need for sudden and significant interest rate increases, which could negatively affect our business. In addition, we may not be able to adjust the price of our products in the export markets to offset the effects of inflation in Brazil on our cost structure, given that most of our costs are incurred in *reais*.

***Developments and perception of risk in other countries, especially in the United States, China and other emerging market countries, may adversely affect the trading price of Brazilian securities, including our common shares and ADSs.***

The market value of securities of Brazilian companies is affected to varying degrees by economic and market conditions in other countries, including the United States, China, other Latin American and emerging market countries. Although economic conditions in these countries may differ significantly from economic conditions in Brazil, investors' reactions to developments in these other countries may have an adverse effect on the market value of securities of Brazilian issuers. Crisis in other emerging market countries or economic policies of other countries may diminish investor interest in securities of Brazilian issuers, including ours. This could adversely affect the trading price of our common shares and/or ADSs, and could also make it more difficult or impossible for us to access the capital markets and finance our operations in the future, on acceptable terms.

### **Risks Relating to Us and the Industries in Which We Operate**

***We are exposed to substantial changes in the demand for steel and iron ore, which has a substantial impact in the prices for our products.***

The steel and mining industries are highly cyclical, both in Brazil and abroad. To the extent the Brazilian economy cannot absorb our entire steel production capacity, we are dependent on exporting our steel products, as in 2005 and 2006, for example. The demand for our steel and mining products (international commodities) and, thus, the financial condition and results of operations of companies in the steel and mining industries, including us, are generally affected by macroeconomic fluctuations in the world economy and the economies of steel-producing countries, including trends in the automotive, construction, home appliances, packaging and distribution industries. In recent years, the price of steel and iron ore in world markets has been at historically high levels, with the exception of 2009, when these prices decreased as a result of lower domestic and international demand and the effects of the 2008 worldwide financial crisis, but with consistent recovery over 2010 due to product mix and recovery of international economy and prices. Reduced demand can lead to overcapacity and excessive downtime, lower utilization of our significant fixed assets and therefore reduced operating profitability. Any material decrease in demand for steel and iron ore in the domestic or export markets served by us could have a material adverse effect.

***The availability and the price of raw materials that we need to produce steel, particularly coal and coke, may adversely affect our results of operations.***

In 2010 and 2009, raw material costs accounted for 56.4% and 53.6% , respectively, of total production costs. Our principal raw materials include iron ore, coal, coke (a portion of which we produce from coal), limestone, dolomite, manganese, zinc, tin and aluminum. We depend on third parties for some of our raw material requirements. In addition, we import all of the coal required to produce coke and approximately 28% of our coke requirements.

Global developments, for example the dramatic increase in 2008 in Chinese and Indian demand for raw materials used in steel manufacturing, may cause severe shortages and/or substantial price increases in key raw materials and ocean transportation capacity. Our inability to pass those cost increases on to our customers or to meet our customers' demands because of non-availability of key raw materials may cause a material adverse effect on us.

In addition, we require significant amounts of energy, both in the form of natural gas and electricity, to power our plant and equipment. Any prolonged interruption in the supply of raw materials, natural gas or energy, or substantial increases in their costs, could also materially and adversely affect us. These interruptions in the supply of raw materials, natural gas or energy may be a result of changes in laws or trade regulations, the availability and cost of transportation, suppliers' allocations to other purchasers, interruptions in production by suppliers or accidents or similar events on suppliers' premises or along the supply chain.



***We face significant competition, including price competition and competition from other domestic or foreign producers, which may adversely affect our profitability and market share.***

The global steel industry is highly competitive with respect to price. Brazil exports steel products and is influenced by several factors: the protectionist policies of other countries, questioning of WTO (World Trade Organization), the Brazilian government's exchange rate policy and the growth rate of world economy. Further, continuous advances in materials sciences and resulting technologies have given rise to improvements in products such as plastics, aluminum, ceramics and glass that permit them to substitute steel. Due to high start-up costs, the economics of operating a steelworks facility on a continuous basis may encourage mill operators to maintain high levels of output, even in times of low demand, which increases the pressure on industry profit margins. In addition, downward pressure on steel prices by our competitors may affect our profitability.

The steel industry is also highly competitive with respect to product quality and customer service, as well as technological advances that enable the steel manufacturer to reduce its production costs. In 2010 the steel companies in Brazil have faced strong competition of imported products. Some of the factors that facilitated this scenario were the reduction of steel products demand in mature markets, the exchange rate appreciation and some state tax incentives. The necessary measures were taken to contain imported products and domestic and imported prices were equated.

Over the past years, China has become a major steel producer. If we are not able to remain competitive in relation to China or other steel-producing countries, in the future we may be materially and adversely affected. Recently steel imports in Brazil have increased in light of idle installed capacity in foreign markets, then if the Brazilian Government were to remove current protective measures or fails to act against cheap subsidized steel imports, our results of operation may be adversely affected.

***Protectionist and other measures adopted by foreign government could adversely affect our export sales.***

In response to the increased production and export of steel by many countries, anti-dumping, countervailing duties and safeguard measures were imposed in the late 1990s and early 2000s by foreign governments representing the main markets for our exports which are in force until nowadays. Foreign countries continue to impose restrictions on the exports to certain countries, such as the restrictions on exports of hot-rolled products from Brazil to the United States, Canada and Argentina. The imposition of these and other protectionist measures by foreign countries may materially and adversely affect our export sales.

***Changes of laws and regulation and government measures could adversely affect us.***

Our activities depend on authorizations from and concessions by governmental regulatory agencies of the countries in which we operate. If related laws and regulations change, modifications to our technologies and operations could be required, and we could be required to make unexpected capital expenditures. The loss of any such authorization or changes in the regulatory framework we operate in may materially and adversely affect us.

Mining is subject to government regulation in the form of taxes and royalties, which can have an important financial impact on our operations. In the countries where we operate, governments may impose new taxes, raise existing taxes and royalties, or change the basis on which they are calculated in a manner unfavorable to us.

Furthermore, in response to the increased production and export of steel by many countries, anti-dumping, countervailing duties and safeguard measures were imposed in the late 1990s and early 2000s by governments of the principal foreign markets for our steel exports in that period. Some of these restrictions are still in force, such as the restrictions on exports of hot-rolled products from Brazil to the United States, Canada and Argentina and the restrictions imposed by the European Union on exports of certain chemical substances contained either in products

used to protect the steel products or in products used to pack them, effective as of January 2009. These and other restrictions could materially and adversely affect us, especially to the extent we rely on exporting our iron ore and steel production.

***Malfunctioning equipment or accidents on our premises, railways or ports may decrease or interrupt production, internal logistics or distribution of our products. Our insurance policies may not be sufficient to cover all our losses.***

The steel and iron ore production processes depend on certain critical equipment, such as blast furnaces, steel converters, continuous casting machines, drillers, crushing and screening equipments and shiploaders, internal logistics and distribution channels, such as railways and seaports. This equipment and infrastructure may be affected in the case of malfunction or damage. In 2006, there was an accident involving the gas cleaning system adjacent to Blast Furnace No. 3 at the Presidente Vargas steelworks, which prevented us from operating this blast furnace for approximately six months and resulted in losses of approximately US\$520 million, all of which was reimbursed by our insurers. Similar or any other significant interruptions in our production process, internal logistics or distribution channels (including our ports and railways) could materially and adversely affect us.

We maintain several types of insurance policies in line with our view to managing risk, but the coverage obtained in these may not be sufficient to cover all our risks which may adversely affect our financial position. We have an operational risks policy for the Presidente Vargas Steelworks and some other branches and subsidiaries, but for an insured value of R\$ 850 million out of a total risk amount of R\$ 25.1 billion. Despite this coverage, CSN remains responsible for the first tranche of R\$ 170 million in losses (material damages and loss of profits), in excess to the deductibles, and shall be responsible for 64% of the losses above this first tranche.

We may not be able to successfully contract or renew our insurance policies in terms satisfactory to us, which may adversely affect our financial position.

***Our projects are subject to risks that may result in increased costs or delay or prevent their successful implementation.***

We are investing to further increase our steel, mining and cement production capacity, as well as our logistics capabilities. Our expansion and projects are subject to a number of risks that may adversely affect our growth prospects and profitability, including the following:

- we may encounter delays or higher than expected costs in obtaining the necessary equipment or services to build and operate a project;
- our efforts to develop projects according to schedule may be hampered by a lack of infrastructure, including a reliable power supply;
- we may fail to obtain, or experience delays or higher than expected costs in obtaining the required permits and/or regulatory approvals to build a project; and
- changes in market conditions or regulations may make a project less profitable than expected at the time we initiated work on it.

Any one or a combination of factors described above may materially and adversely affect us.

***New or more stringent environmental and health regulations imposed on us may result in increased liabilities and increased capital expenditures.***

Our steel making, mining, cement and logistics facilities are subject to a broad range of laws, regulations and permit requirements in Brazil relating mainly to the protection of health and the environment. Brazilian pollution standards are expected to continue to change, including new effluent and air emission standards and solid waste-handling regulations. New or more stringent environmental (including measures seeking to address global warming) and health standards imposed on us can require us to make increased capital expenditures. We could be exposed to civil penalties, criminal sanctions and closure orders for non-compliance with these regulations. Waste disposal and emission practices may result in the need for us to clean up or retrofit our facilities at substantial costs and/or could result in substantial liabilities. Environmental legislation restrictions imposed by foreign markets to which we export our products, may also materially and adversely affect our export sales and us.

***Our governance and compliance processes may fail to prevent regulatory penalties and reputational harm.***

We operate in a global environment, and our activities straddle multiple jurisdictions and complex regulatory frameworks with increased enforcement activities worldwide. Our governance and compliance processes may not prevent future breaches of law, accounting or governance standards. We may be subject to breaches of our Code of Ethics, business conduct protocols and instances of fraudulent behavior and dishonesty by our employees, contractors or other agents. Our failure to comply with applicable laws and other standards could subject us to fines, loss of operating licenses and reputational harm, which may materially and adversely affect us.

***Some of our operations depend on joint ventures, consortia and other forms of cooperation, and our business could be adversely affected if our partners fail to observe their commitments.***

We currently operate parts of our business through joint-ventures with other companies. We have established a joint-venture with an Asian consortium at our 60% consolidated investee Nacional Minérios S.A., or Namisa, to mine iron ore; a joint-venture with other Brazilian steel and mining companies at MRS Logística S.A., or MRS, to explore railway transportation in the Southeastern region of Brazil, a joint-venture with Tractebel and Itambe at Itá Energética S.A., or ITASA and a consortium with Vale, Votorantim Metais, CEMIG and Anglo Gold Ashant at Igarapava Hydroelectric Power Plant to produce electricity.

Our forecasts and plans for these joint-ventures and consortia assume that our partners will observe their obligations to make capital contributions, purchase products and, in some cases, provide managerial personnel or financing. In addition, many of the projects contemplated by our joint-ventures or consortia rely on financing commitments, which contain certain preconditions for each disbursement. If any of our partners fails to observe their commitments or we fail to comply with all preconditions required under our financing commitments, the affected joint-venture, consortium or other project may not be able to operate in accordance with its business plans, or we may have to increase the level of our investment to implement these plans. Any of these events may have a material adverse effect on us.

***Our mineral reserve estimates may materially differ from mineral quantities that we may be able to actually recover; our estimates of mine life may prove inaccurate; and market price fluctuations and changes in operating and capital costs may render certain ore reserves uneconomical to mine.***

Our reported ore reserves are estimated quantities of ore and minerals that we have determined can be economically mined and processed under present and anticipated conditions to extract their mineral content. There are numerous uncertainties inherent in estimating quantities of reserves and in projecting potential future rates of mineral production, including many factors beyond our control. Reserve engineering involves estimating deposits of minerals that cannot be measured in an exact manner, and the accuracy of any reserve estimate is a function of the quality of available data and engineering and geological interpretation and judgment. As a result, no assurance can be given that the indicated amount of ore will be recovered or that it will be recovered at the rates we anticipate. Estimates of different engineers may vary, and results of our mining and production subsequent to the date of an estimate may lead to revision of estimates. Reserve estimates and estimates of mine life may require revision based on actual production experience and other factors. For example, fluctuations in the market prices of minerals and metals, reduced recovery rates or increased operating and capital costs due to inflation, exchange rates or other factors may render proven and probable reserves uneconomic to exploit and may ultimately result in a restatement of reserves.

***We may not be able to adjust our mining production volume in a timely or cost-efficient manner in response to changes in demand.***

Revenues from our mining business represented in 2009 and 2010, respectively, 17% and 24% of our total net revenues. Our ability to rapidly increase production capacity is limited, which could render us unable to fully satisfy demand for our products. When demand exceeds our production capacity, we may meet excess customer demand by purchasing iron ore from unrelated parties and reselling it, which would increase our costs and narrow our operating margins. If we are unable to satisfy excess customer demand in this way, we may lose customers. In addition, operating close to full capacity may expose us to higher costs, including demurrage fees due to capacity restraints in our logistics systems.

Conversely, operating at significant idle capacity during periods of weak demand may expose us to higher unit production costs since a significant portion of our cost structure is fixed in the short-term due to the high capital intensity of mining operations. In addition, efforts to reduce costs during periods of weak demand could be limited by labor regulations or existing labor or government agreements.

***Adverse economic developments in China could have a negative impact on our revenues, cash flow and profitability.***

China has been the main driver of global demand for minerals and metals over the last few years. In 2010, Chinese demand represented 60% of global demand for seaborne iron ore. The percentage of our mining operating revenues attributable to sales to consumers in China was 47% in 2010. A contraction of China's economic growth could result in lower demand for our products, leading to lower revenues, cash flow and profitability. Poor performance in the Chinese real estate sector, one of the largest consumers of carbon steel in China, could also negatively impact our results.

***Drilling and production risks could adversely affect the mining process.***

Once mineral deposits are discovered, it can take a number of years from the initial phases of drilling until production is possible, during which the economic feasibility of production may change. Substantial time and expenditures are required to:

- establish mineral reserves through drilling;
- determine appropriate mining and metallurgical processes for optimizing the recovery of metal contained in ore;
- obtain environmental and other licenses;
- construct mining, processing facilities and infrastructure required for greenfield properties; and
- obtain the ore or extract the minerals from the ore.

If a project proves not to be economically feasible by the time we are able to exploit it, we may incur substantial write-offs. In addition, potential changes or complications involving metallurgical and other technological processes arising during the life of a project may result in cost overruns that may render the project not economically feasible.

***We may not be able to consummate proposed acquisitions successfully or integrate acquired businesses successfully.***

From time to time, we may evaluate acquisition opportunities that would strategically fit our business objectives. If we are unable to complete acquisitions, or integrate successfully and develop these businesses to realize revenue growth and cost savings, our financial results could be adversely affected. In addition, we may incur asset impairment charges related to acquisitions, which may reduce our profitability. Finally, our acquisition activities may present financial, managerial and operational risks, including diversion of management attention from existing core businesses, difficulties integrating or separating personnel and financial and other systems, adverse effects on existing business relationships with suppliers and customers, inaccurate estimates of fair value made in the accounting for acquisitions and amortization of acquired intangible assets which would reduce future reported earnings, potential loss of customers or key employees of acquired businesses, and indemnities and potential disputes with the buyers or sellers. Any of these activities could affect our product sales, financial condition and results of operations.

***We have experienced labor disputes in the past that have disrupted our operations, and such disputes may recur.***

A substantial number of our employees and some of the employees of our subcontractors are represented by labor unions and are covered by collective bargaining or other labor agreements, which are subject to periodic renegotiation. Strikes and other labor disruptions at any of our facilities or labor disruptions involving third parties who may provide us with goods or services, have in the past and may in the future materially and adversely affect the operation of facilities, or the timing of completion and the cost of our projects.

## **Risks Relating to our Common Shares and ADSs**

***Our controlling shareholder has the ability to direct our business and affairs and its interests could conflict with yours.***

Our controlling shareholder has the power to, among other things, elect a majority of our directors and determine the outcome of any action requiring shareholder approval, including transactions with related parties, corporate reorganizations, dispositions, and the timing and payment of any future dividends, subject to minimum dividend payment requirements imposed under the Brazilian corporation law. Our controlling shareholder may have an interest in pursuing acquisitions, dispositions, financings or similar transactions that could conflict with your interests as a holder of our common shares and ADSs.

***If you surrender your ADSs and withdraw common shares, you risk losing the ability to remit foreign currency abroad and certain Brazilian tax advantages.***

As an ADS holder, you benefit from the electronic certificate of foreign capital registration obtained by the custodian for our common shares underlying the ADSs in Brazil, which permits the custodian to convert dividends and other distributions with respect to the common shares into non-Brazilian currency and remit the proceeds abroad. If you surrender your ADSs and withdraw common shares, you will be entitled to continue to rely on the custodian's electronic certificate of foreign capital registration for only five business days from the date of withdrawal. Thereafter, upon the disposition of or distributions relating to the common shares, you will not be able to remit abroad non-Brazilian currency unless you obtain your own electronic certificate of foreign capital registration or you qualify under Brazilian foreign investment regulations that entitle some foreign investors to buy and sell shares on Brazilian stock exchanges without obtaining separate electronic certificates of foreign capital registration. If you do not qualify under the foreign investment regulations you will generally be subject to less favorable tax treatment of dividends and distributions on, and the proceeds from any sale of, our common shares.

If you seek to obtain your own electronic certificate of foreign capital registration, you may incur expenses or suffer delays in the application process, which could delay your ability to receive dividends or distributions relating to our common shares or the return of your capital in a timely manner. The depository's electronic certificate of foreign capital registration may also be adversely affected by future legislative changes.

***Holders of ADSs may not be able to exercise their voting rights.***

Holder of ADSs may only exercise their voting rights with respect to the underlying common shares in accordance with the provisions of the deposit agreement. Under the deposit agreement, ADS holders must vote by giving voting instructions to the depository. Upon receipt of the voting instructions of the ADS holder, the depository will vote the underlying common shares in accordance with these instructions. Otherwise, ADS holders will not be able to exercise their right to vote unless they surrender the ADS for cancellation in exchange for our common shares. Pursuant to our bylaws, the first call for a shareholders' meeting must be published at least 15 days in advance of the meeting, the second call must be published at least eight days in advance of the meeting. When a shareholders' meeting is convened, holders of ADSs may not receive sufficient advance notice to surrender the ADS in exchange for the underlying common shares to allow them to vote with respect to any specific matter. If we ask for voting instructions, the depository will notify ADS holders of the upcoming vote and will arrange to deliver the proxy card. We cannot assure that ADS holders will receive the proxy card in time to ensure that they can instruct the depository to vote the shares. In addition, the depository and its agents are not liable for failing to carry out voting instructions or for the manner of carrying out voting instructions. As a result, holders of ADSs may not be able to exercise their voting rights.

***The relative volatility and illiquidity of the Brazilian securities markets may substantially limit your ability to sell the common shares underlying the ADSs at the price and time you desire.***

Investing in securities that trade in emerging markets, such as Brazil, often involves greater risk than investing in securities of issuers in the United States, and such investments are generally considered to be more speculative in nature. The Brazilian securities market is substantially smaller, less liquid, more concentrated and can be more volatile than major securities markets in the United States. Accordingly, although you are entitled to withdraw the common shares underlying the ADSs from the depositary at any time, your ability to sell the common shares underlying the ADSs at a price and time at which you wish to do so may be substantially limited. There is also significantly greater concentration in the Brazilian securities market than in major securities markets in the United States. The ten largest companies in terms of market capitalization represented 55.3% of the aggregate market capitalization of the BM&FBOVESPA as of December 31, 2010. The top ten stocks in terms of trading volume accounted for 43.4% and 49.7% and 53.2% of all shares traded on the BM&FBOVESPA in 2010, 2009 and 2008, respectively.

***Holders of ADSs may be unable to exercise preemptive rights with respect to our common shares.***

We may not be able to offer our common shares to U.S. holders of ADSs pursuant to preemptive rights granted to holders of our common shares in connection with any future issuance of our common shares unless a registration statement under the Securities Act is effective with respect to such common shares and preemptive rights, or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement relating to preemptive rights with respect to our common shares, and we cannot assure you that we will file any such registration statement. If such a registration statement is not filed and an exemption from registration does not exist, The JP Morgan Chase Bank, N.A., as depositary, will attempt to sell the preemptive rights, and you will be entitled to receive the proceeds of such sale. However, these preemptive rights will expire if the depositary does not sell them, and U.S. holders of ADSs will not realize any value from the granting of such preemptive rights.

***Substantial sales of our ADSs could cause the price of our ADSs to decrease significantly.***

The sale of a substantial number of common shares, or the belief that this may occur, could decrease the trading price of our common shares and our ADSs. Holders of our common shares and/or ADSs may not be able to sell their securities at or above the price they paid for them.

**Item 4. Information on the Company**

**4A. History and Development of the Company**

**History**

Companhia Siderúrgica Nacional is a Brazilian corporation (*sociedade por ações*) incorporated in 1941 pursuant to a decree of Brazilian President at the time, Getúlio Vargas. The Presidente Vargas steelworks, located in the city of Volta Redonda, in the State of Rio de Janeiro, started production of coke, pig iron castings and long products in 1946.

Three major expansions were undertaken at the Presidente Vargas steelworks during the 1970s and 1980s. The first, completed in 1974, increased installed annual production capacity to 1.6 million tons of crude steel. The second, completed in 1977, increased annual production capacity to 2.4 million tons of crude steel. The third, completed in 1989, increased annual production capacity to 4.5 million tons of crude steel.

We were privatized through a series of auctions held in 1993 and early 1994, through which the Brazilian government sold its 91% ownership interest in us.

From 1993 through 2002, we implemented a capital improvement program aimed at increasing our annual production of crude steel, improving the quality of our products and enhancing our environmental protection and cleanup programs. As part of the investments, since February 1996, all our production has been based on the continuous casting process, rather than ingot casting, an alternative method that results in higher energy use and metal loss. From 1996 through 2002, we spent the equivalent of US\$2.4 billion under the capital improvement program and on maintaining our operational capacity, culminating with the renovation in 2001 of Blast Furnace No. 3 and Hot Strip Mill No. 2 at the Presidente Vargas steelworks. These measures resulted in the increase of our annual production capacity to 5.6 million tons of crude steel and 5.1 million tons of rolled products.

**General**

We are one of the largest fully integrated steel producers in Brazil and in Latin America in terms of crude steel production. Our current annual crude steel capacity and rolled product capacity is 5.6 million and 5.1 million tons, respectively. Production of crude steel and rolled steel products, increased in 2010 by 12% to 4.9 million tons and finished steel production increased in 2010 by 14% to 4.7 million tons, as compared to 2009, due to a recovery from the global economic and financial crisis in 2008 and 2009. In addition to our steel business, we operate in the mining and cement businesses, which have become increasingly important to our operations and growth.

## *Steel*

Our fully integrated manufacturing facilities produce a broad line of steel products, including slabs, hot- and cold-rolled, galvanized and tin mill products for the distribution, packaging, automotive, home appliance and construction industries. In 2010, we accounted for approximately 46% of the coated steel products market share in Brazil. We are also one of the world's leading producers of tin mill products for packaging containers. In 2010, we accounted for approximately 98% of the tin mill products market share in Brazil.

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

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

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

## *Mining*

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

CSN owns a number of high quality iron ore mines, all located within the Quadrilátero Ferrífero, in the State of Minas Gerais. Casa de Pedra Mining, located in Congonhas – MG, produces high quality iron ore. As far as it concerns quality, the previous statement is also applicable to Namisa – Nacional Minérios S.A. In addition to that, the company's mining assets also include TECAR (two deep-sea water terminals), located in Porto de Itaguaí (RJ), Mineração Bocaina, located in Arcos (MG), which produces dolomite and limestone, and Estanho de Rondônia SA - ERSA, which mines and casts tin.

## *Logistics*

The verticalization strategy and intense synergies among the Company's business units are strongly dependent on the logistics created to guarantee the transportation of the inputs at a low operating cost.

A number of railroads and port terminals make up the logistics system integrating CSN's mining and steelmaking units.

CSN manages two port terminals at Itaguaí, in Rio de Janeiro — bulk solids (Tecar) and Containers (Sepetiba Tecon).

CSN has interests in two railroad companies: MRS Logística, which operates the former Southeast Network of the Federal Railroad Network, along the Rio de Janeiro-São Paulo-Belo Horizonte axis, and the Transnordestina Logística S/A. With 1,728km of track, Nova Transnordestina railway, when completed, will connect the northeastern cerrado to Pecém and Suape Ports.

## ***Cement***

In May 2009, CSN entered the cement market driven by the high synergy between this new activity and its current business. This project takes advantage of the slag generated by our blast furnaces and of our limestone reserves, located in the city of Arcos, in the State of Minas Gerais. The limestone, which is transformed into clinker, and the slag, account for approximately 95% of the production cost to produce cement.

CSN plans to increase its share of the segment in Brazil aiming to diversify its products and markets and help reduce risk and adding value for its shareholders.

## ***Energy***

CSN is one of Brazil's largest industrial electric power consumers only behind the aluminum producers. Since 1999, we have been investing in power generation projects in order to ensure self-sufficiency. Its electrical assets are the Itá Hydroelectric Power Plant, in Santa Catarina (CSN holding a 29.5% stake), corresponding to 167 MW, the 210-MW Igarapava Hydroelectric Power Plant in Minas Gerais (holding a 17.9% interest) and the 238-MW cogeneration thermoelectric power plant in Presidente Vargas Steelworks, in Volta Redonda, which is fueled by the waste gases from the steel production process. These three plants give CSN an average generation capacity of 430 MW, supplying the group's total need for power.

## **Other Information**

CSN's legal and commercial name is Companhia Siderúrgica Nacional. CSN is organized for an unlimited period of time under the laws of the Federative Republic of Brazil. Our head offices are located at Av. Brigadeiro Faria Lima, 3400, 20° floor, Itaim Bibi, Sao Paulo, Brazil, CEP04538-132 our telephone number is +55-11-3049-7100. CSN's agent for service of process in the United States is CT Corporation, with offices at 111 Eighth Avenue, New York, New York 10011.

## **4B. Business Overview**

### ***Competitive Strengths***

We believe that we have the following competitive strengths:

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

***Profitable mining business*** The Mining business has received investments in recent years, lifting CSN into a prominent position among the country's leading mining firms. Additional investments will increase capacity to approximately 89 mtpy, including third parts purchases in the next years, thereby strengthening CSN's position as an

important player in the iron ore worldwide market. The Company has reserves of high-quality iron ore in Casa de Pedra mine and Namisa, both located in Minas Gerais. Our mining activities provide us with strong revenue generation and have significantly increased production of iron ore in the last four years. In 2007 we sold 10.5 million tons, 18.4 million tons in 2008, 22.4 million tons in 2009 and 25.3 million tons in 2010 (considering a 100% stake in Namisa throughout this period). All these factors contribute to the high EBITDA margins of this segment. The company's mining assets also include TECAR (two deep-sea water terminals) with 30Mtpy capacity, located in Porto de Itaguai (RJ), Mineração Bocaina, located in Arcos (MG), which produces dolomite and limestone, and Estanho de Rondônia SA - ERSA, which mines and casts tin.

***Thoroughly developed transport infrastructure.*** We have a thoroughly developed transport infrastructure, from our iron ore mine to our steel mill to our ports. The location of our steelworks facility is next to railroad systems and port facilities, facilitating the supply of raw material, the shipment of our production and easy access to our principal clients. The concession for the main railroad used and operated by us is owned by MRS, a company in which we hold, directly and indirectly, a 33.27% ownership interest. The railway connects the Presidente Vargas steelworks to the container terminal at Itaguaí Port, which handles most of our steel exports. Since we obtained the concession to operate MRS' railway in 1996, we have significantly improved its tracks and developed its business, with strong cash generation. We also own concessions to operate two deep-sea water terminals from which we export our products and also import coal and small amounts of coke, which are the only important raw materials that we need to purchase from third-parties.

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

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

***Diverse product portfolio and product mix.*** We have a diversified product mix that includes: hot-rolled, cold-rolled, galvanized and steel tin mill products. We offer many kinds of steel packaging produced in Brazil, accounting for approximately 98.0% of the steel tin mill products and 46.0% of coated flat steel produced in Brazil. We also produce a diversified portfolio of products to meet a wide range of customer needs across all steel consuming industries. We focus on selling high margin products, such as tin plate, pre-painted, galvalume and galvanized products, in our product mix. Our galvanized product provides material for exposed auto parts, using hot-dip galvanized steel and laser-welded blanks. Our branch CSN Paraná provides us additional capacity to produce high-quality galvanized, galvalume and pre-painted steel products for the construction and home appliance industries. In addition, our subsidiary, Prada, the largest flat steel distributor in Brazil, is a strong sales channel in the domestic market, enabling us to meet demands from smaller customer, and therefore to have a strong presence in this market.

***Strong presence in domestic market and strategic international exposure.*** We have a strong presence in the domestic market for steel products, with approximately 98.0% market share of the steel tin mill product industry in Brazil and a large market share for galvanized flat steel. In addition, our subsidiaries CSN LLC and Lusosider constitute sales channels for our products, selling in the United States and in Europe kept stable in 5.0% of our total sales in 2010 and 2009.

## Strategies

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

### *Steel*

Our strategy for our steel business involves:

- ü focus on domestic markets, in which we have historically recorded higher profit margins and better competitiveness, by expanding our market-share in flat steel and by entering in the long steel market as a relevant player;
- ü constant pursuit of operational excellence, by implementing cost reduction projects (eg. pellet plant, coque battery revamp, energy efficiency) and programs (eg, internal logistic optimization, inventories reduction, project development and implementation disciplines);
- ü emphasis on high value-added steel products, such as galvanized, pre-painted and tin-coated, in addition to enhancing service centers and finished goods offering;
- ü explore synergic markets and profitability, by employing flat steel distribution units and portfolio complementarily to accelerate entrance in longs market, capturing synergies with cement and others products; and
- ü gain market-share in services and distribution network, via new deposits and service centers regions.

For information on our planned investments relating to our steel activities, see “Item 4D. Property, Plant and Equipment – Capital Expenditures – Planned Investments”.

### *Mining*

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

We expect to reach an annual production level of approximately 89 mtpy of iron ore products in the next years, including third parts purchases, which represents roughly 3 times the volume observed in 2010, by increasing capacity to 50 mtpy in Casa de Pedra and 33 mtpy in Namisa, thereby strengthening CSN's position as an important player in the iron ore worldwide market.

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

Regarding our infrastructure to sustain this growth, we will increase capacity in TECAR (our private port in the State of Rio de Janeiro) from 30 mtpy to 84 mtpy in the next years, and we are analyzing other capacity additions. In addition to the port expansion, we are also studying seaborne shipping opportunities, focused on gaining

competitiveness in the Asian market.

For information on our planned investments relating to our mining activities, see “Item 4D. Property, Plant and Equipment – Capital Expenditures – Planned Investments”.

*Logistics*

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

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

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

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

### *Cement*

Our strategy for cement business includes greater utilization of by-products by continuing construction of our cement grinding and the clinker facility that we expect will produce 2.4 million tons per year of cement in the next years. We are evaluating other organic growth initiatives to expand our capacity in additional 3 million tons per year, in order to capture the strong growth expected with the Soccer World Cup of 2014 and the Olympic Games in 2016, besides the strong pace of construction of new housing units, commercial and infrastructure projects. For information on our planned investments relating to our cement activities, see “Item 4D. Property, Plant and Equipment – Capital Expenditures – Planned Investments”.

### *Additional Investments*

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

### **Our Steel Segment**

We produce carbon steel, which is the world’s most widely produced type of steel, representing the vast bulk of global steel consumption. From carbon steel, we sell a variety of steel products, both domestically and abroad, to manufacturers in several industries.

The following chart reflects our production cycle in general terms.

Our Presidente Vargas steelworks produces flat steel products — slabs, hot-rolled, cold-rolled, galvanized and tin mill products. For further information on our production process, see “—Product Process.”

### ***Slabs***

Slabs are semi-finished products used for processing hot-rolled, cold-rolled or coated coils and sheet products. We are able to produce continuously cast slabs with a standard thickness of 250 millimeters, widths ranging from 830 to 1,600 millimeters and lengths ranging from 5,250 to 10,500 millimeters. We produce high, medium and low carbon slabs, as well as micro-alloyed, ultra-low-carbon and interstitial free slabs.

### ***Hot-Rolled Products***

Hot-rolled products comprise heavy-gauge hot-rolled coils and sheets, and light-gauge hot-rolled coils and sheets. A heavy gauge hot-rolled product, as defined by Brazilian standards, is a flat-rolled steel coil or sheet with a minimum thickness of 5.01 millimeters. We are able to provide coils of heavy gauge hot-rolled sheet having a maximum thickness of 12.70 millimeters. Heavy gauge sheet steel is used to manufacture automobile parts, pipes, mechanical construction and other products. Light gauge hot-rolled coils and sheets produced by us have a minimum thickness of 1.20 millimeters and are used for welded pipe and tubing, automobile parts, gas containers, compressor bodies and light cold-formed shapes, channels and profiles for the construction industry.

### ***Cold-Rolled Products***

Cold-rolled products comprise cold-rolled coils and sheets. A cold-rolled product, as defined by Brazilian standards, is a flat cold-rolled steel coil or sheet with thickness ranging from 0.30 millimeters to 3.00 millimeters. Compared to

hot-rolled products, cold-rolled products have more uniform thickness and better surface quality and are used in applications such as automotive bodies, home appliances and construction. In addition, cold-rolled products serve as the base steel for our galvanized and tin mill products. We supply cold-rolled coils in thicknesses of 0.30 millimeters to 2.99 millimeters.

***Galvanized Products***

Galvanized products comprise flat-rolled steel coated on one or both sides with zinc or a zinc-based alloy applied by either a hot-dip or an electrolytic process. We use the hot-dip process, which is approximately 20% less expensive than the electrolytic process. Galvanizing is one of the most effective and low-cost processes used to protect steel against corrosion caused by exposure to water and the atmosphere. Galvanized products are highly versatile and can be used to manufacture a broad range of products, such as:

- bodies for automobiles, trucks and buses;
- manufactured products for the construction industry, such as panels for roofing and siding, dry wall and roofing support frames, doors, windows, fences and light structural components;
- air ducts and parts for hot air, ventilation and cooling systems;
- culverts, garbage containers and other receptacles;
- storage tanks, grain bins and agricultural equipment;
- panels and sign panels; and
- pre-painted parts.

Galvanized sheets, both painted and bare, are also frequently used for gutters and downspouts, outdoor and indoor cabinets, all kinds of home appliances and similar applications. We produce galvanized sheets and coils in continuous hot-dip processing lines, with thickness ranging from 0.30 millimeters to 3.00 millimeters. The continuous process results in products with highly adherent and uniform zinc coatings capable of being processed in nearly all kinds of bending and heavy machinery.

In addition to standard galvanized products, we produce *Galvanew*®, galvanized steel that is subject to a special annealing process following the hot-dip coating process. This annealing process causes iron to diffuse from the base steel into the zinc coating. The resulting iron-zinc alloy coating allows better welding and paint performance. The combination of these qualities makes our *Galvanew*® product particularly well suited for manufacturing automobile and home appliance parts including high gloss exposed parts.

At CSN Paraná, one of our branches, we produce galvalume, a cold-rolled material coated with a zinc-aluminum alloy. The production process is similar to hot-dip galvanized coating, and galvalume has at least twice the corrosion resistance of standard galvanized steel. Galvalume is primarily used in outdoor construction applications that may be exposed to severe acid corrosion environments like marine uses.

The added value from the galvanizing process permits us to price our galvanized products with a higher profit margin. Our management believes that our value-added galvanized products present one of our best opportunities for profitable growth because of the anticipated increase in Brazilian demand for such high margin products.

Through our branch CSN Paraná, we also produce pre-painted flat steel, which is manufactured in a continuous coating line. In this production line, a layer of resin-based paint in a choice of colors is deposited over either cold-rolled or galvanized base materials. Pre-painted material is a higher value-added product used primarily in the construction and home appliance markets.

### ***Tin Mill Products***

Tin mill products comprise flat-rolled low-carbon steel coils or sheets with, as defined by Brazilian standards, a maximum thickness of 0.45 millimeters, coated or uncoated. Coatings of tin or chromium are applied by electrolytic process. Coating costs place tin mill products among the highest priced products that we sell. The added value from the coating process permits us to price our tin mill products with a higher profit margin. There are four types of tin mill products, all produced by us in coil and sheet forms:

- tin plate - coated on one or both faces with a thin metallic tin layer plus a chromium oxide layer, covered with a protective oil film;

- tin free steel - coated on both faces with a very thin metallic chromium layer plus a chromium oxide layer, covered with a protective oil film;
- low tin coated steel - coated on both faces with a thin metallic tin layer plus a thicker chromium oxide layer, covered with a protective oil film; and
- black plate - uncoated product used as the starting material for the coated tin mill products.

Tin mill products are primarily used to make cans and other containers. With six electrolytic coating lines, we are one of the biggest producers of tin mill products in the world and the sole producer of coated tin mill products in Brazil.

### ***Production***

#### ***Production Process***

The principal raw materials for steel production in an integrated steelworks are iron ore, coal, coke, and fluxes like limestone and dolomite. The iron ore consumed at the Presidente Vargas steelworks is extracted, crushed, screened and transported by railway from our Casa de Pedra mine located in the city of Congonhas, in the State of Minas Gerais, 328 km from the Presidente Vargas steelworks. The high quality ores mined and sized at Casa de Pedra, with iron content of approximately 60%, and their low extraction costs are major contributors to our low steel production costs.

Because Brazil lacks quality coking coals, we import all the coal required for coke production. The coal is then charged in coke batteries to produce coke through a distillation process. See “—Raw Materials and Suppliers—Raw Materials and Energy Requirements.” This coal distillation process also produces coke oven gas as a byproduct, which we use as a main source of fuel for our thermoelectric co-generation power plant. After being screened, coke is transported to blast furnaces, where it is used as a combustion source and as a component for transforming iron ore into pig iron. In 2010, we produced approximately 75% of our coke needs and imported the balance. At sintering plants, fine-sized iron ore and coke or other fine-sized solid fuels are mixed with fluxes (limestone and dolomite) to produce sinter. The sinter, lump iron ore, fluxing materials and coke are then loaded into our two operational blast furnaces for smelting. We operate a pulverized coal injection, or PCI, facility, which injects low-cost pulverized coal directly into the blast furnaces as a substitute for approximately one-third of the coke otherwise required.

The iron ore is reduced to pig iron through successive chemical reactions with carbon monoxide (from the coke and PCI) in two blast furnaces that operate 24 hours a day. The ore is gradually reduced, then melts and flows downward. Impurities are separated from the iron to form a liquid slag with the loaded fluxes (limestone and dolomite). From time to time, white-hot liquid iron and slag are drawn off from the bottom of the furnace. Slag (containing melted impurities) is granulated and now is being used to produce cement.

The molten pig iron is transported to the steelmaking shop by 350-ton capacity torpedo cars and charged in basic oxygen furnaces together with scrap and fluxes. In the basic oxygen furnaces, oxygen is blown onto the liquid burden to oxidize its remaining impurities and to lower its carbon content, thus producing liquid steel. The molten steel is conveyed from the basic oxygen furnaces to the secondary refining equipment (degasser, ladle furnace and Argon Stirring Station). After adjusting the chemical composition, the molten steel is transferred to the continuous casting machines from which crude steel (i.e., rectangular shaped slabs) is produced. A portion of the slab products is sold directly in the export market.

The hot-rolling, reheated slabs from the continuous casting machines are fed into hot strip mills to reduce the thickness of the slabs from 250 millimeters to a range between 1.2 and 12.7 millimeters. At the end of the hot strip

mill, the long, thin steel strip from each slab is coiled and conveyed to a cooling yard. Some hot-rolled coils are dispatched directly to customers in the as-rolled condition. Others are further processed in the pickling line, in a hydrochloric bath, to remove surface oxides and improve surface quality. After pickling, the hot-rolled coils selected to produce thinner materials are sent to be rolled in cold strip mills. The better surface characteristics of cold-rolled products enhance their value to customers as compared to hot-rolled products. Additional processing related to cold-rolling may further improve surface quality. Following cold-rolling, coils may be annealed, coated (by a hot dip or electrolytic tinning process) and painted, to enhance medium-and long-term anti-corrosion performance and to add characteristics that will broaden the range of steel utilization. Coated steel products have higher profit margins than bare steel products. Of our coated steel products, tin mill and galvanized products are our highest margin products.

Steel plant equipment regularly undergoes scheduled maintenance shutdowns. Typically the rolling mills and coating lines are maintained on a weekly or monthly basis whereas the blast furnaces and other special equipment are scheduled for routine maintenance on a semi-annual or annual basis.

Our business encompasses operations and commercial activities. Our operations activities are undertaken by our production sector, which is composed of the following two units:

- the operations unit is responsible for steel production operations, repair shops, in-plant railroad, and process development at Volta Redonda;
- the support unit is responsible for production planning, management of product stockyards, energy and utility facilities and work force safety assistance at the Presidente Vargas steelworks.

The production sector is also responsible for environment and quality consultancy, new products development, capital investment implementation for steel production and processing, as well as the supervision of CSN Porto Real's and CSN Paraná's operations.

### ***Quality Management Program***

We practice Total Quality Management, a set of techniques that have been adopted by many leading companies in our industry. We also maintain a Quality Management System that has been certified to be in compliance with the ISO 9001 standards set forth by the International Standardization Organization, or ISO. In October 2003, we were awarded the ISO 9000: 2000 certificate for the design and manufacture of hot-rolled, pickled and oiled products, cold-rolled, galvanized and tin mill products, which replaced the ISO 9001 Certificate that we were awarded in December 1994. In October 2003, we were also awarded the automotive industry's Technical Specification - 16949: 2002, for the design and manufacture of hot-rolled, pickled and oiled, cold-rolled and galvanized products, which replaced the QS 9000 standards that we were awarded in 1997. Some important automotive companies, like Volkswagen, General Motors and Ford, require their suppliers to satisfy the QS 9000 standards.

### ***Production Output***

The following table sets forth, for the periods indicated, the annual production of crude steel within Brazil and by us and the percentage of Brazilian production attributable to us.

<b>Crude Steel Production</b>	<b>Brazil</b> <i>(In millions of tons)</i>	<b>CSN</b>	<b>CSN% of Brazil</b>
2010	32.8	4.9	14.9%
2009	26.5	4.4	16.6%
2008	33.7	5.0	14.8%
2007	33.8	5.3	15.7%
2006	30.9	3.5 *	11.3%

Source: Brazilian Steel Institute (*Instituto Aço Brasil*), or IABr..

\* Lower production due to accident at Blast Furnace No. 3 on January 22, 2006.

The following table contains some of our operating statistics for the periods indicated.

**Certain Operating Statistics**

	<b>2010</b> <i>(In millions of tons)</i>	<b>2009</b> <i>(In millions of tons)</i>	<b>2008</b> <i>(In millions of tons)</i>
Production of:			
Iron Ore *	21.6	17.1	17.0
Molten Steel	5.0	4.5	5.1
Crude Steel	4.9	4.4	5.0
Hot-Rolled Coils and Sheets	5.0	4.1	4.7
Cold-Rolled Coils and Sheets	2.5	2.4	2.6
Galvanized Products	1.1	0.7	1.1
Tin Mill Products	0.7	0.6	0.7
Consumption of Coal for Coke Batteries	2.2	2.1	2.3
Consumption of Coal for PCI *Casa de Pedra	0.7	0.6	0.8

### ***Raw Materials and Suppliers***

The principal raw materials we use in our integrated steel mill include iron ore, coke, coal (from which we make coke), limestone, dolomite, aluminum, tin and zinc. In addition, our production operations consume water, gases, electricity and ancillary materials.

### ***Raw Materials and Energy Requirements***

In light of the global economic and financial crisis, which resulted in lower economic activity in 2009 as compared to 2008 and decrease demand for various commodity type industrial segments, coal and iron ore miners, and coke producers charged customers lower prices. At the end of 2009 we noticed a recovery in the economy of certain countries, including Brazil. Consequently, there was a pressure for increase in prices of certain raw materials.

In 2010, prices of main raw materials increased due to increased post crisis demand and a strengthening of steel industry worldwide.

These commodity segments are highly concentrated in the hands of a few global players and there can be no assurance that price increases will not be imposed on steel producers in the future.

### ***Iron Ore***

We are able to obtain all of our iron ore requirements from our Casa de Pedra mine located in the State of Minas Gerais. For a description of our iron ore segment see “– Our Mining Segment.”

### ***Coal***

In 2010, our coal consumption totaled 2.9 million tons and accounted for 22% of our production cost.

After the post-crisis demand recovery in the end of 2009, 2010 was a year of consolidation in terms of coal demand, especially from Asia. Because of the cyclical and volatile nature of the coal industry, price negotiation of coking coal and PCI coal switched from an annual to a quarterly basis, as of April 2010. CSN’s coking coal and PCI coal costs during 2010 increased significantly compared with previous year due to a demand recovery. The prices in 2010 varied from quarter to quarter, following the benchmark price settled between BHP Billiton and Japanese Steel producers prior to the beginning of each quarter.

In addition the 2010 average spot prices of coking coal and PCI Coal increased significantly compared to 2009, affected by demand fluctuation and unexpected heavy rains in Australia during fourth quarter, when some major exporters started to face serious operational issues at their mines as well as logistics constraints.

CSN uses a PCI system that allows its production area to use less coke in the blast furnaces during the process, substituting a portion of the coke with lower grade coal. The PCI system has reduced our need for imported coking coal and imported coke, thereby reducing production costs. In 2010, we used 710,940 tons of imported PCI coal.

### ***Coke***

In 2010, in addition to the approximately 1.6 million tons of coke we produced, we also consumed 440,696 tons of coke bought from third parties in China, India, Colombia and in the domestic market. This figure represents an increase of 47% as compared to our consumption in 2009 and is similar to our historical level of consumption. The market for coke has been very competitive since 2002, because China, a major player in the sea-borne trade, has increased its internal consumption and adopted restrictive export quotas. In addition, India has become a major consumer of coke, considerably increasing its consumption in the past years. Due to logistical reasons, China supplies most of India's coke and this increase in consumption tightened even more the worldwide supply-demand balance of metallurgical coke.

### ***Limestone and Dolomite***

Our Bocaina mine is located in the town of Arcos in the State of Minas Gerais and it has been supplying, since the early '70s, limestone (calcium carbonate) and dolomite (dolomitic limestone) to our Presidente Vargas Steelworks in Volta Redonda. These products are used in the process of sintering and calcination. Arcos has one of the biggest and best world's reserves of limestone, and it's used for the production of various products, including cement.

The annual production of limestone and dolomite to our steelworks is approximately 2 million tons.

The main products obtained from limestone and dolomite that are transferred to our steelworks in Volta Redonda are:

- limestone and dolomite calcination: they have granulometry between 32 and 76 mm, and they are used in the lime plant in Volta Redonda to produce calcitic and dolomitic lime, for further use, in the steelmaking process and sintering. At the steelworks, lime is used for chemical controlling of liquid slag, in order to preserve the refractory of the converters and assist in the stabilization of the chemical reactions that occur during the manufacturing process of steel. In the sintering, the purpose of lime is to increase the performance of this process and final quality of the sinter that is produced.
- limestone and dolomite sintering: used in the production of "sinter", in our steelworks. The sinter is composed by fine ores, solid fuel and flux, which enable the semi-melting and sintering ore. The sinter is used in blast furnace as a source of Fe for the production of pig iron.
- From 2009 on, with our entry in the cement market, Arcos' mine also became responsible for supplying limestone for the cement manufacturing process in Volta Redonda.

With the startup of clinker production in 2011, our Bocaina mining will also be in charge of providing non steel limestone (limestone with high silica content), in approximately 1.3 million tons / year for clinker production, the main raw material for cement production.

### ***Aluminum, Zinc and Tin***

Aluminum is mostly used for steelmaking. Zinc and tin are important raw materials used in the production of certain higher-value steel products, such as galvanized and tin plate, respectively. We purchase aluminum, zinc and tin typically from third-party domestic suppliers under one or two-year contracts. We maintain approximately a 50-day reserve of such materials at the Presidente Vargas steelworks.

### ***Other Raw Materials***

In our production of steel, we also consume, on an annual basis, significant amounts of spare parts, refractory bricks and lubricants, which are generally purchased from domestic suppliers.

We also consume significant amounts of oxygen, nitrogen, hydrogen, argon and other gases at the Presidente Vargas steelworks. These gases are supplied by a third-party under long-term contracts from its gas production facilities located on the Presidente Vargas steelworks site. In 2010, we used 786,746 tons of oxygen to produce 4.9 million tons of crude steel.

### ***Water***

Large amounts of water are also required in the production of steel. Water serves as a solvent, a catalyst and a cleaning agent. It is also used to cool, to carry away waste, to help produce and distribute heat and power, and to dilute liquids. Our source of water is the Paraíba do Sul River, which runs through the city of Volta Redonda. Over 80% of the water used in the steelmaking process is recirculated and the balance, after processing, is returned to the Paraíba do Sul River. Since March 2003, the Brazilian government has imposed a monthly tax for our use of water from the Paraíba do Sul River, based on an annual fee of approximately US\$1.6 million.

### ***Electricity***

Steelmaking also requires significant amounts of electricity to power rolling mills, production lines, hot metal processing, coking plants and auxiliary units. In 2010, the Presidente Vargas steelworks consumed approximately 2.97 million MWh of electric energy or 664 kilowatt hours per ton of crude steel. This consumption made us one of the largest consumers of electricity in Brazil, accounting for approximately 12% of the overall consumption of electricity in the State of Rio de Janeiro.

Our main current source of electricity is our 238 MW thermoelectric co-generation power plant at the Presidente Vargas steelworks, besides the Itá and Igarapava hydroelectric facilities held by us, from which we have a take capacity available of 167 MW and 22 MW, respectively. In addition, we have approved the construction of a new turbine generator at the Presidente Vargas steelworks, which will increase 20 MW to our existing installed capacity. This turbine will be allocated near to our Blast Furnace No. 3, using the outlet gases from the iron making process to generate energy.

### ***Natural Gas***

In addition to electricity, we consume natural gas, mainly in our hot strip mill. Companhia Estadual de Gás do Rio de Janeiro S.A., or CEG Rio, which was privatized in 1997, is currently our major source of natural gas. Variations in the supply of gas can affect the level of steel production. We have not experienced any significant stoppages of production due to a shortage of natural gas. We also purchase fuel oil from Petrobras. See “Item 3D. Risk Factors—Risks Relating to the Steel Industry and CSN—Interruptions in the supply of natural gas and power transmission over the government power grid may adversely affect our business, financial condition and results of operations.”

### ***Diesel Oil***

In mid-October 2006 and July of 2008, we entered into an agreement to receive diesel oil from the Companhia Brasileira de Petróleo Ipiranga, or Ipiranga, in order to supply our equipment in Casa de Pedra, Arcos and Namisa in the State of Minas Gerais, which are the plants responsible for our mining activity. In 2009 and 2010, we had a consumption of 57,177 kiloliters and 66,237 kiloliters of diesel oil, respectively. This increase was mainly due to the

growth of our mining activity to support our growing iron ore production, which required us to enlarge our mining equipment fleet. In 2009 and 2010, we paid US\$60.4 million and US\$37.8 million, respectively, for the diesel oil we consumed.

***Clinker***

We are importing Clinker in order to supply our cement mill in Presidente Vargas steelworks in the state of Rio de Janeiro. Additionally, as from April 2011, we started producing our own clinker in our plant in Arcos, Minas Gerais.

***Suppliers***

We acquire the inputs necessary for the production of our products in Brazil and abroad, with aluminum, zinc, tin, spare parts, refractory bricks, lubricants, oxygen, nitrogen, hydrogen and argon being the main inputs acquired in Brazil. Coal and coke are the only inputs acquired abroad.

Our main raw materials suppliers are set forth below:

**Main Suppliers**

**Raw Material**

BHP Billiton, Jim Walter Resources, Alpha Natural Resources,  
Rio Tinto, Marubeni and Jellinbah  
Noble, Glencore and CI Milpa  
Reciclagem Brasileira de Metais Ltda.  
Votorantim Metais<sup>(1)</sup>  
White Solder and Melt  
Sotreq, P & H Minepro and MTU do Brasil .  
Magnesita, RHI and Saint Gobain

Coal  
Coke  
Aluminum  
Zinc  
Tin  
Spare parts  
Refractory bricks

Petrobras, Ipiranga and Quaker

Lubricants

<sup>(1)</sup> We depend on Votorantim Metais as they are the only suppliers of zinc in Brazil

***Facilities***

***Steel Mill***

The Presidente Vargas steelworks, located in the city of Volta Redonda, in the State of Rio de Janeiro, began operating in 1946. It is an integrated facility covering approximately 4.0 square km and containing five coke batteries (three of which are currently in operation), three sinter plants, two blast furnaces, a basic oxygen furnace steel shop, or BOF shop, with three converters, three continuous casting units, one hot strip mill, three cold strip mills, two continuous pickling lines, one continuous annealing line, three continuous galvanizing lines, four continuous annealing lines exclusively for tin mill products and six electrolytic tinning lines.

Our major operational units and corresponding effective capacities as of December 31, 2010, including CSN LLC and Lusosider, are set forth in the following chart:

**Effective Capacity**

<b>Tons per year</b>	<b>Equipment in operation</b>
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**Process:**

Coking plant	1,680,000	3 batteries
Sintering plant	6,930,000	3 machines
Blast furnace	5,380,000	2 furnaces
BOF shop	5,750,000	3 converters
Continuous casting	5,600,000	3 casters

**Finished Products:**

Hot strip mill	5,100,000	1 mill
Cold strip mill	4,550,000	6 mills
Galvanizing line	2,095,000	7 lines
Electrolytic tinning line	1,190,000	7 lines

### ***Downstream Facilities***

#### ***CSN Paraná***

Our branch CSN Paraná produces and supplies plain regular galvanized, *Galvalume*® and pre-painted steel products for the construction and home appliance industries. The plant has an annual capacity of 330,000 tons of galvanized products and *Galvalume*® products, 100,000 tons of pre-painted products, which can use cold-rolled or galvanized steel as substrate, and 220,000 tons of pickled hot-rolled coils in excess of the coils required for the coating process.

#### ***Metalic***

We have a 99.99% ownership interest in Cia. Metalic Nordeste, or Metalic. Metalic is one of the few two-piece steel can producer in all the Americas. It has approximately 48% of the packaging market for carbonated drinks in the Northeastern regions of Brazil. Currently, we are the only supplier to Metalic of the steel used to make two-piece cans. The development of drawn-and-wall-ironed steel for the production of two-piece cans is an important achievement in the production process at the Presidente Vargas steelworks. In 2010, the company sold 831 million cans of 350 ml, 60 million cans of 250 ml and 1,284 million ends, and of these 13% were exported to Latin America.

#### ***Prada***

We have a 99.99% ownership interest in Cia. Matelúrgica Prada, or Prada. Established in 1936, Prada is the largest Brazilian steel can manufacturer and has an annual production capacity of over one billion cans in its three industrial facilities located in the states of São Paulo, Rio Grande do Sul and Minas Gerais. Currently, we are the only Brazilian producer of tin plate, Prada's main raw material, which makes Prada one of our major customers of tin plate products. Prada has important clients in the food and chemical industries, including packages of vegetables, fishes, dairy products, meat, aerosols, paints and varnishes, and other business activities. On December 30, 2008, we merged one of our subsidiaries, Indústria Nacional de Aços Laminados S.A., or INAL, into Prada. INAL was a distributor of laminated steel founded in 1957 and, after the merger, it became a branch of Prada responsible for distribution of Prada's products, or Prada Distribuição.

Prada Distribuição is also the leader in the Brazilian distribution market, with 460,000 tons per year of installed processing capacity. Prada Distribuição has two steel service centers and five distribution centers strategically located in Brazil. Its main service center is located in the city of Mogi das Cruzes between the cities of São Paulo and Rio de Janeiro. Its product mix also includes sheets, slit coils, sections, tubes, and roofing in standard or customized format, according to client's specifications. Prada Distribuição processes all range of products produced by us and services 4,000 customers annually from the civil construction, automotive and home appliances sectors, among others.

#### ***Inal Nordeste***

Inal Nordeste, or INOR, is our subsidiary and a distributor of laminates located in Northeastern Region. INOR has a service center located in the city of Camaçari, in the State of Bahia, to support sales in the Northeastern and North regions of Brazil, with 155,000 tons per year of installed processing capacity. On May 30, 2011, INOR was merged into the Company, then allowing the optimization of processes and operations as well as reduction of costs.

#### ***Companhia Siderurgica Nacional, LLC***

CSN LLC holds the assets of former Heartland Steel, a flat-rolled steel processing facility in Terre Haute, Indiana. This facility has an annual production capacity of 180,000 tons of cold-rolled products and 315,000 tons of galvanized products. Currently, CSN LLC is obtaining hot coils by buying slabs from CSN and then having them converted into hot coils by local steel companies or buying hot rolled coils directly from mills in the United States. See "Item 4B. Government Regulation and Other Legal Matters—Anti-Dumping Proceedings—United States" for a discussion about

anti-dumping issues on Brazilian hot coils exports to the United States.

***Lusosider, Aços Planos, S.A.***

We own 99.94% of Lusosider, a producer of hot-dip galvanized products and cold-rolled located in Seixal, near Lisbon, Portugal. Lusosider produces approximately 240,000 tons of galvanized products and 50,000 tons of cold-rolled annually. Its main customers include service centers and tube making industries.

**Our Mining Segment**

Our mining activities are one of the largest in Brazil and are mainly driven by exploration of one of the richest Brazilian iron ore reserves, Casa de Pedra, in the State of Minas Gerais. We sell our iron ore products mainly in Asia, Europe and Brazil with sales and marketing taking place through our principal hubs of Minas Gerais, in Brazil, Madeira Islands, in Portugal, and Hong Kong.

***Our Mines***

***Location, Access and Operation***

***Casa de Pedra***

Casa de Pedra mine is an open pit mine located next to the city of Congonhas in the State of Minas Gerais, Brazil, approximately 80 km South of the city of Belo Horizonte and 360 km North of the city of Rio de Janeiro. The site is approximately 1,000 meters above sea level and accessible from the cities of Belo Horizonte or Congonhas through mostly paved roads.

Casa de Pedra mine is a hematite-rich iron deposit of an early proterozoic banded iron formation in Brazil's Iron Ore Quadrangle region (*Quadrilátero Ferrífero*), which is located in the central part of the State of Minas Gerais in the Southeastern region of Brazil and has been one of the most important iron producing regions for the last 50 years.

Our iron ore at Casa de Pedra is currently excavated by a fleet composed of Marion 191M electric shovels, P&H 1900AL electric shovels, PC 5500 Demag hydraulic shovels, wheel loaders (different brands) and then hauled by a fleet of Terex MT3300AC (150 tons), Caterpillar CAT793 (240 tons) and Terex Unit Rig MT4400 (240 tons).

Casa de Pedra mine is wholly-owned by us and accounts for all our iron ore supply, producing lump ore, sinter feed and pellet feed fines with high iron content.

The maps below illustrate the location of our Casa de Pedra mine:



*Namisa*

We own additional iron ore assets through Namisa, our 60% consolidated investee, which acquired CFM in July, 2007. CFM was incorporated in 1996 with the purpose of utilizing and enhancing the ore treatment facilities of the Itacolomy mines, for the beneficiation of crude ore extracted from its deposit, the Engenho mine.

The Engenho mine is located at the Southwestern region of the Iron Ore Quadrangle, 60 km South of the city of Belo Horizonte.

The maps below illustrate the location of our Engenho mine:



The Fernandinho mine, an asset that we also hold through Namisa, is located in the city of Itabirito, in the State of Minas Gerais. This town is located in the Middle-East region of the State of Minas Gerais and approximately 43 km from the city of Belo Horizonte.

The maps below illustrate the location of our Fernandinho mine:

### ***Limestone and Dolomite Mine***

Our extraction and preparation of limestone and dolomite is done at our Bocaína mining facility located in the city of Arcos, in the State of Minas Gerais. This mining facility has an installed annual production capacity of approximately 4.0 million tons. We believe this mining facility has sufficient limestone and dolomite reserves to adequately supply our steel production, at current levels, for more than 45 years. The mining facility is located 455 km from the Presidente Vargas steelworks.

### ***Tin***

We own a tin mine and a smelter located in the State of Rondônia. The inventory of the geological reserves has been prepared from a review of the major reports from the Santa Barbara Mine Document Center. The majority of the deposits and/or target areas are within Mining Leases that have been consolidated into Mining Group (Grupamento Mineiro No. 131/92). The reserves provided were recognized by the DNPM. The reserves and resources presented are “in situ.”

### ***Mineral Rights and Ownership***

The Mining Code and the Brazilian Federal Constitution impose requirements on mining companies relating to, among other things, the manner in which mineral deposits are exploited, the health and safety of workers, the protection and restoration of the environment, the prevention of pollution and the promotion of the health and safety of local communities where the mines are located. The Mining Code also imposes certain notifications and reporting requirements.

We hold concessions to mine iron ore, limestone and dolomite. We purchase manganese in the local market. Except for Namisa's mines, in which we have a 60% ownership interest, we own 100% of each of our mines. In addition, each mine is an "open pit" mine. Iron ore extraction, crushing, screening and concentration are done in three different sites: Casa de Pedra (CSN's property), Pires Beneficiation Plant and Fernandinho Mine (both Namisa's property).

**Casa de Pedra**

Our mining rights for Casa de Pedra mine include the mine, beneficiation plant, roads, loading yard and railway branch and are duly registered with the Brazilian Department of Mineral Production (*Departamento Nacional de Produção Mineral*), or DNPM. We have also been granted by DNPM easements in 15 mine areas located in the surrounding region, which are not currently part of Casa de Pedra mine, and hold title to all our proved and probable reserves.

We believe we have obtained and are in compliance with all licenses and authorizations for our operations and projects at Casa de Pedra mine.

The exploitation in Casa de Pedra mine is subject to mining lease restrictions, which were duly addressed in our iron ore reserve calculations. Quality requirements (chemical and physical) are the key “modifying factors” in the definition of ore reserves at Casa de Pedra and were properly accounted for by the CSN mine planning department.

**Mineral Reserves**

The following table sets forth the type of each of our mines, period of operation, projected exhaustion dates and percentage of our interest:

<b>Mine</b>	<b>Type</b>	<b>Operating Since</b>	<b>Projected exhaustion date</b>	<b>CSN % interest</b>
<b>Iron:</b>				
Casa de Pedra (Congonhas, Minas Gerais)	Open pit	1913	2041	100
Engenho (Congonhas, Minas Gerais)	Open pit	2007 (Start of operation by Namisa)	2041	60
Fernandinho (Itabirito, Minas Gerais)	Open pit	2007 (Start of operation by Namisa)	2030	60
<b>Limestone and Dolomite:</b>				
Bocaina (Arcos, Minas Gerais)	Open pit	1946	2052	100
<b>Tin:</b>				
(Itapoã do Oeste, Rondônia)	Open pit	1950	-	100

The following table sets forth our estimates of proven and probable reserves and other mineral deposits at our mines reflecting the results of reserve study. They have been calculated in accordance with the technical definitions contained in the SEC’s Industry Guide 7, and estimates of mine life described herein are derived from such reserve estimates.

**MINERAL RESOURCES – As of December 31, 2010**

Mine Name and Location	Proven and Probable Reserves(1)			Rock Type	Recoverable Product <sup>(5)</sup> (millions of tons)	Mineral Deposits Resources <sup>(2)</sup>  Tonnage (millions of tons)
	Ore Tonnage <sup>(3)</sup> (millions of tons)		Grade(4)			
	<b>Probable<sup>(7)</sup></b>					
<b>Iron:</b>						
Casa de Pedra(Congonhas, Minas Gerais)	1,016	514	47.79% Fe	Hematite (21%) Itabirite (79%)	891	8,285
Engenho (Congonhas, Minas Gerais)			46.07%	Itabirite (100%)		857
Fernandinho (Itabirito, Minas Gerais)			40.21%	Itabirite (100%)		582
<b>Total Iron:</b> (Congonhas, Minas Gerais)	<b>1,016</b>	<b>514</b>			<b>891</b>	<b>9,724</b>
<b>Limestone and Dolomite:</b>						
	<b>Proven<sup>(6)</sup></b>	<b>Probable<sup>(7)</sup></b>				
Bocaina (Arcos, Minas Gerais)	117.71	41.9	41.3%CaO 5.99%MgO	Limestone (86%) Dolomite (14%)	156	1,187.5
	<b>Proven+Probable Reserves(Mm3)</b>				<b>Recoverable Product<sup>5</sup> (in tons)</b>	<b>Resources (Mm<sup>3</sup>) (in million cubic meters)</b>
<b>Tin</b>						
(Itapoã do Oeste, Rondônia)		40,31		Paleo valley and shallow	23,509	94,85

- (1) Reserves means that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination.
- (2) Includes inferred tonnages.
- (3) Represents ROM material.
- (4) Grade is the proportion of metal or mineral present in ore or any other host material.
- (5) Represents total product tonnage after mining and processing losses.
- (6) Means reserves for which: (i) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling; and (ii) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well- established.
- (7) Means reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measure) reserves, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven (measure) reserves, is high enough to assume continuity between points of observation.

*Casa de Pedra*

We have concluded an extensive, multi-year study of our iron ore reserves at Casa de Pedra. The study consisted of three phases. Phase one, which was completed in 1999, covered the ore bodies that are currently being mined or are close to the current operating open pits. Phase two, which was completed in early 2003, covered the other iron ore deposits at Casa de Pedra site. Phase three started in 2005 and involved a complete revaluation of our mineral reserves at Casa de Pedra.

We conducted extensive work throughout 2006 to document and classify all information related to both the current and future operations of the Casa de Pedra mine.

In 2006, we hired Golder Associates S.A., or Golder, to undertake an independent analysis of the Casa de Pedra iron ore reserves. Golder carried out a full analysis of all available information and has independently validated our reported reserves.

Golder accepts as appropriate the estimates regarding proven and probable reserves made by us, totaling 1,631 million tons of iron ore (as of December 31, 2006) at a grade of 47.79% Fe and 26.63% SiO<sub>2</sub>. This new estimate of our iron ore reserves at Casa de Pedra is significantly larger than our estimate of 444 million tons, reported on an appraisal report prepared in 2003.

In 2010, we had a total drilling of 8,489 meters. We are extending our drilling campaign with additional 66,000 meters to increase and improve our knowledge about the iron ore deposits at Casa de Pedra. Of this total, we have already concluded 8,271 meters. When this drilling campaign is concluded, we intend to conduct a new ore reserve audit.

### *Namisa*

An initial study was conducted at Fernandinho and Engenho mines to define the geological resources and final pits. In 2008 and 2009, we extended our drilling campaign with additional 5,179 meters at Engenho mine and 2,771 meters at Fernandinho mine (totalizing a campaign of 7,950 meters) to increase and improve our knowledge about the iron ore deposits at these mines. We expect that, as soon as a new model and final pit is finished, this reserve could be audited and incorporated in our mineral deposits.

### *Production*

#### *Casa de Pedra*

The Casa de Pedra facilities are located in the city of Congonhas, in the State of Minas Gerais. The Casa de Pedra mine is located 350 km from the Presidente Vargas steelworks and supplies iron ore products to our steel mill, as well as for export through the Itaguai Port. Casa de Pedra's equipment fleet and treatment facilities have an installed annual ROM capacity of approximately 85.0 million tons and 21.5 million tons, respectively. In 2010 Casa de Pedra produced 21.6 million tons of iron ore.

#### *Namisa*

The beneficiation plant at Pires also processed crude ore acquired from other companies, which along with its own ROM, generates final products such as: lump ore, small lump ore (hematitinha), sinter feed and concentrates. The beneficiation plant at the Fernandinho unit generated 0.5 million tons of small lump ore and sinter feed products, in which the sinter feed practically corresponded to the total production.

Most of the ROM of the Pires Beneficiation Plant comes from Engenho mine (Namisa's property), which is located at the northern border of the Casa de Pedra mine. Pires Beneficiation Plant has the capacity to process 10.3 million tons per year. From this total, approximately 3 million tons are currently provided by the Engenho mine and the balance is purchased from third parties.

Namisa complements our strategy to be a world leading producer of high quality iron ore. Namisa remains fully integrated with our railway and port logistics corridor, through long-term contracts, which provide sufficient railway and port logistics capacity for Namisa's current and future production. Namisa is a leading company in iron ore mining and trading, with mining and processing operations in the State of Minas Gerais. Trading iron ore is obtained from small mining companies in the neighborhood and other trading companies. For information on the sale of 40% of our ownership interest in Namisa, see "Item 4. Information on the Company —A. History and Development of the Company—Acquisitions and Dispositions."

Our steelmaking operations consumed 6.9 million tons of iron ore during 2010, consisting of 5.1 million tons of sinter-feed material and 1.8 million tons of lump ore. As we do not have pelletizing plants, the total amount of pellets has been acquired in the Brazilian market.

### *Distribution*

Transportation costs are a significant component of our steel and iron ore production costs and are a factor in our price-competitiveness in the export market. Railway transportation is the principal means by which we transport raw materials from our mines to the Presidente Vargas steelworks and steel and iron ore products to ports for shipment overseas. Iron ore, limestone and dolomite from our two mines located in the State of Minas Gerais are transported by

railroad to the Presidente Vargas steelworks for processing into steel. The distances from our mines to the Presidente Vargas steelworks are 328 km and 455 km. The distances from our mines to the ports are 440 km and 160 km. Imported coal and coke bought from foreign suppliers are unloaded at the port of Itaguaí, 90 km west of the city of Rio de Janeiro, and shipped 109 km by train to the Presidente Vargas steelworks. Our finished steel products are transported by train, truck and ships to our customers throughout Brazil and abroad. Our principal Brazilian markets are the cities of São Paulo (335 km from the Presidente Vargas steelworks), Rio de Janeiro (120 km) and Belo Horizonte (429 km).

Until recently, Brazil's railway system (including railcars and tracks) was principally government-owned and in need of repair, but has now been largely privatized. In an attempt to increase the reliability of our rail transportation, we indirectly hold concessions for the main railway systems we use. For further information on our railway concessions, see "—Facilities—Railways."

We export mainly through the ports of Itaguaí and Rio de Janeiro, and import coal and coke through the Itaguaí Port, all in the State of Rio de Janeiro. The coal and container terminals have been operated by us since August 1997 and 1998, respectively.

## **Our Logistics Segment**

Our logistics segment is comprised of railway and port facilities.

### ***Railways***

#### *Southeastern Railway System*

MRS has a concession to operate, through the year 2026, Brazil's Southeastern railway system. As of December 31, 2010, we held directly and indirectly 33.27% of MRS' total capital. The Brazilian Southeastern railway system, with 1,674 km of track, serves the São Paulo – Rio de Janeiro – Belo Horizonte industrial triangle in Southeast Brazil, and links our mines located in the State of Minas Gerais to the ports located in the states of São Paulo and Rio de Janeiro and to the steel mills of CSN, Companhia Siderúrgica Paulista, or Cosipa, and Gerdau Açominas. In addition to serving other customers, the line transports iron ore from our mines at Casa de Pedra in the State of Minas Gerais and coke and coal from the Itaguaí Port in the State of Rio de Janeiro to the Presidente Vargas steelworks and transports our exports to the ports of Itaguaí and Rio de Janeiro. The railway system connects the Presidente Vargas steelworks to the container terminal at Itaguaí Port, which handles most of our steel exports. Our transport volumes represent approximately 28% of the Brazilian Southeastern railway system's total volume. While we are jointly and severally liable with the other principal MRS shareholders for the full payment of the outstanding amount (See "Item 5E. Off-Balance Sheet Arrangements"), we expect that MRS will make the lease payments through internally generated funds and proceeds from financing.

#### *Northeastern Railway System*

As of December 31, 2010, we hold 76.45% of the capital stock of Transnordestina Logística S.A. Transnordestina Logística S.A. has a 30-year concession granted in 1998 to operate Brazil's Northeastern railway system. The Northeastern railway system includes 4,238 km of track and operates in the states of Maranhão, Piauí, Ceará, Paraíba, Pernambuco, Alagoas and Rio Grande do Norte. It also connects with the region's leading ports, thereby offering an important competitive advantage through opportunities for intermodal transportation solutions and made-to-measure logistics projects.

For more information on the merger and financings for Transnordestina, see "Item 4D. Property, Plant and Equipment – Capital Expenditures – Planned Investments".

### ***Port Facilities***

#### *Solid Bulks Terminal*

We hold the concession to operate TECAR, a solid bulks terminal, one of four terminals that form the Itaguaí Port, located in the State of Rio de Janeiro, for a term expiring in 2022 and renewable for another 25 years. Itaguaí Port, in turn, is connected to the Presidente Vargas steelworks, Casa de Pedra and Namisa by the southeastern railway system. Our imports of coal and coke are made through this terminal. Under the terms of the concession, we undertook to load and unload at least 3.0 million tons of bulk cargo annually. Among the approved investments that we announced is the development and expansion of the solid bulks terminal at Itaguaí to also handle up to 84 million tons of iron ore per year. For further information, see “Item 4. Information on the Company —A. History and Development of the Company —Planned Investments—Iron Ore Project.”

### *Container Terminal*

We own 99.99% of Sepetiba Tecon S.A., or TECON, which has a concession to operate, for a 25-year term that is renewable for another 25 years, the container terminal at Itaguaí Port. As of December 31, 2010, US\$183 million of the cost of the concession remained payable over the next 15 years of the lease. For more information, see “Item 5E. Off-Balance Sheet Arrangements”. The Itaguaí Port is located in the heart of Brazil’s Southeast Region, with all major exporting and importing areas of the states of São Paulo, Minas Gerais and Rio de Janeiro within 500 km from the port. This area represents more than 60% of the Brazilian gross domestic product, or GDP, according to the Brazilian Geography and Statistics Institute (Instituto Brasileiro de Geografia e Estatística). The Brazilian Federal Port Agency spent US\$48 million in port infrastructure projects such as expanding the maritime access channel and increasing the depth. In addition, significant investments were made by the Brazilian federal government in adding two extra lanes to the Rio Santos road, and are being made in constructing the Rio de Janeiro Metropolitan Bypass, a beltway that will cross the Rio de Janeiro metropolitan area. Also, MRS railway is investing in an extra rail track along the way to the Itaguaí Port. These factors, combined with favorable natural conditions, like natural deep waters and low urbanization rate around port area, allow the operation of large vessels as well as highly competitive prices for all the services rendered, resulting in the terminal being a major hub port in Brazil. For further information on our planned investments relating to our Itaguaí CSN Logistics Platform Project, see “Item 4. Information on the Company —A. History and Development of the Company —Planned Investments—Itaguaí CSN Logistics Platform Project”.

The figures show the effect of investments made since 2007 in two Super Post Panamax Portainers and two Rubber Tired Gantry, or RTG, cranes. These investments, along with a focused marketing and sales strategy, enabled the terminal to rank first in market share among the three terminals of the state of Rio de Janeiro, with 40% of the total moves in those terminals.

We plan to carry out new infrastructure and equipment investments in Sepetiba TECON, as the Berth 301 Equalization and the acquisition of two new Super Post Panamax Portainers and four new RTG cranes to yard operations. These investments will increase TECON’s capacity from 320,000 containers (or 480,000 TEUs) to 410,000 containers (or 610,000 TEUs) a year and from 2.0 million tons to 6.0 million tons a year of steel products. We intend to use this port to ship all our exports of steel products. In 2010, 69% of the exported steel products (or 147,691 tons), was shipped from this port, as compared to 91.6% in 2009.

In 2010, the terminal has resumed the growth that had been affected by the global downturn. It achieved 196,313 units handled (or 298,417 TEUS), which represents an increase of 27% compared to 2009.

### **Our Energy Segment**

Our energy segment is comprised of generation plants and is aimed at enabling us to maintain our self-sufficiency in energy, reducing our production cost and our exposure to fluctuations or availability of certain energy sources.

Our energy related assets include:

#### *Thermoelectric Co-Generation Power Plant*

We completed the construction of a 238 MW thermoelectric co-generation power plant at the Presidente Vargas steelworks in December 1999. Since October 2000, the plant has provided the Presidente Vargas steelworks with approximately 60% of the electric energy needs for its steel mills. Aside from operational improvements, the power plant supplies our strip mills with electric energy, processed steam and forced air from the blast furnaces, benefiting the surrounding environment through the elimination of flares that burn steel-processing gases into the atmosphere.

*Itá Hydroelectric Facility*

Each of Tractebel and we own 48.75%, and Companhia de Cimento Itambé, or Itambé, owns the remaining 2.5% of ITASA, a special-purpose company formed for the purpose of owning and operating, under a 30-year concession, 60.5% of the Itá hydroelectric facility on the Uruguay river in Southern Brazil. Tractebel directly owns the remaining 39.5% of the Itá hydroelectric facility.

The power facility was built under a project finance structure with an investment of approximately US\$860 million. The long-term financing for the project was closed in March 2001 and consisted of US\$78 million of debentures issued by ITASA, a US\$144 million loan from private banks and US\$116 million of direct financing from BNDES, all of which are due by 2013. The sponsors of the project have invested approximately US\$306 million in this project.

Itá has an installed capacity of 1,450 MW, with a firm guaranteed output of 668 MW, and became fully operational in March 2001.

We and the other shareholders of ITASA have the right to take our pro rata share (proportionally to our ownership interest in the project) of Itá's output pursuant to 30-year power purchase agreements at a fixed price per megawatt hour, adjusted annually for inflation. Since October 2002, we have been using our entire Itá take internally.

#### *Igarapava Hydroelectric Facility*

We own 17.9% of a consortium that built and has the right to operate for 30 years the Igarapava hydroelectric facility. Other consortium members are Vale, Companhia Mineira de Metais, Votorantim Metais Zinco, AngloGold Ashanti Mineração Ltda., and Companhia Energética de Minas Gerais, or CEMIG. The plant has an installed capacity of 210 MW, corresponding to 136 MW of firm guaranteed output as of December 31, 2010. We have been using part of our 22.8 MW take from Igarapava to supply energy to the Casa de Pedra and Arcos mines and to the Presidente Vargas steelworks. From time to time, we also sell the excess energy in the spot energy market.

### **Marketing Organization and Strategy**

#### *Steel*

Our steel products are sold both domestically and abroad as a main raw material for several different manufacturing industries, including the automotive, home appliance, packaging, construction and steel processing industries.

Our sales approach is to establish brand loyalty and achieve a reputation for quality products by developing relationships with our clients and focusing on their specific needs.

Our commercial area is responsible for sales of all of our products. This area is divided into two major teams, one focused on international sales and the other on domestic sales. The domestic market oriented sales team is divided into six market segments: packaging, distribution, automotive, home appliances, original equipment manufacturer, or OEM, and construction. Each one of these segments has a specific strategic goal to provide tailor-made steel solutions that meet the specific needs of each client they serve.

The distribution division is responsible for supplying large steel processors and distributors, as well as some industries that produce small diameter pipe and light profiles. The packaging unit acts in an integrated way with suppliers, representatives of the canning industry and distributors to respond to customer needs for finished-products. The automotive unit is supplied by a specialized mill, CSN Porto Real, and also by a portion of the galvanized material produced at Presidente Vargas steelworks, benefiting from a combined sales strategy.

In 2010, more than a half of our domestic sales were made through our own sales force directly to customers. The remaining sales were to independent distributors for subsequent resale to smaller clients.

Historically, our export sales were made primarily through international brokers. However, as part of our strategy to establish direct, longer-term relationships with end-users, we have decreased our reliance on such brokers. We have focused our international sales to more profitable markets in order to maximize revenues and shareholder returns.

All of our sales are on an order-by-order basis and have an average delivery time of 45 days. As a result, our production levels closely reflect our order log book status. We forecast sales trends in both the domestic and export markets based on the historical data available from the last two years and the general economic outlook for the near future. We have our own data systems to remain informed of worldwide and Brazilian market developments. Further, our management believes that one of the keys to our success is maintaining a presence in the export market. Such presence gives to us the flexibility to shift between domestic and export markets, thereby allowing us to maximize our profitability.

Unlike classic commodity products, there is no exchange trading of steel, or uniform pricing, as wide differences exist in terms of size, quality and specifications. In general, exports are priced based on international spot prices of steel at the time of sale in U.S. dollars or Euros, depending on the destination. Sales are normally paid at sight, or within 14 or 28 days, and, in the case of exports, usually backed by a letter of credit and an insurance policy. Sales are made primarily on cost and freight terms.

#### *Sales by Geographic Region*

In 2010, we sold steel products to customers in Brazil and 35 other countries. The fluctuations in the portion of total sales assigned to domestic and international markets, which can be seen in the table below, reflect our ability to adjust sales in light of variations in the domestic and international economies, as well as steel demand and prices, domestically and abroad.

The four main export markets for our products are Europe, Latin America, Asia, and North America, representing 40%, 33%, 12% and 7%, respectively, of our export sales volume in 2010.

In North America, we take advantage of our subsidiary CSN LLC, which acts as a commercial channel for our products. In order to gain a cost advantage among our U.S. competitors, CSN is able to export slabs to CSN LLC which are processed at third parties into hot-rolled coil and then transformed into more added value products at CSN LLC's plant, such as cold-rolled coil and galvanized. Moreover, we are able to export cold-rolled coils which can be directly sold or processed by CSN LLC in order to manufacture galvanized products.

#### CSN – Sales of Steel Products by Destination (In thousands of metric tons and millions of R\$)

	<b>2010</b>				<b>2009</b>			
	<b>Tons</b>	<b>% of Total</b>	<b>Net Operating Revenues<sup>(2)</sup></b>	<b>% of Total</b>	<b>Tons</b>	<b>% of Total</b>	<b>Net Operating Revenues<sup>(2)</sup></b>	<b>% of Total</b>
Brazil	4,135	86.2	8,575	88.6	3,243	78.9	6,770	85.8
Export	661	13.8	1,107	11.4	867	21.1	1,124	14.2
<b>Total</b>	<b>4,796</b>	<b>100.0</b>	<b>9,682</b>	<b>100.0</b>	<b>4,110</b>	<b>100.0</b>	<b>7,894</b>	<b>100.0</b>
<b>Exports by Region</b>								
Asia	29	0.6	41	0.4	259	6.3	249	3.9
North America <sup>(1)</sup>	15	0.3	407	4.2	243	5.9	307	3.9
Latin America	55	1.1	187	1.9	55	1.3	115	1.5
Europe	46	1.0	432	4.5	290	7.1	411	5.2
All Others	32	0.7	41	0.4	20	0.5	42	0.5

(1) Sales to Mexico are included in North America.

(2) Total net operating revenues presented above differ from amounts in our IFRS consolidated financial statements because they do not include revenues from non-steel products (non-steel products include mainly by-products, iron ore, logistics services and cement), which in 2010 represented R\$ 4,750 million and in 2009 represented R\$ 3,044 million. .

*Sales by Product*

The following table sets forth our market shares for steel sales in Brazil of hot-rolled, cold-rolled, galvanized and tin mill products for the past three years. The data of 2008 and 2009 were filled based on IABr (*Instituto Aço Brasil*) and 2010 considered internal data gathered by CSN.

**CSN Domestic Market Share**

	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<i>(As a percentage of the market for each product)</i>		
Hot-Rolled Products	36.2%	33.0%	34.0%
Cold-Rolled Products	27.9%	29.0%	26.0%
Galvanized Products	45.8%	47.0%	49.0%
Tin Mill Products	100.0%	98.0%	99.0%

*Sales by Industry*

We sell our steel products to manufacturers in several industries. Following is a breakdown of our domestic shipments by volume for the last three years among our market segments:

*Sales by Industrial Segment in Brazil*

	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<i>(In percentages of total domestic volume shipped)</i>		
Distribution	43.6%	38.9%	44.7%
Packaging	12.7%	15.4%	15.1%
Automotive	21.3%	20.6%	19.6%
Home Appliances/OEM	11.6%	14.6%	12.1%
Construction	10.8%	10.5%	8.5%

We believe we have a particularly strong domestic and export position in the sale of tin mill products used for packaging. Our customers for these products include some of the world's most important food processing companies, as well as many small and medium-sized entities. We also maintain a strong position in the sale of galvanized products for use in the automobile manufacturing, construction and home appliance industries in Brazil and abroad, supplied by CSN Porto Real and CSN Paraná. No single customer accounts for more than 10% of our net operating revenues.

For further information on steel sales, see "Item 5A. Operating Results - Results of Operations - Year 2010 Compared to Year 2009 – Net Operating Revenues".

*Seasonality*

The seasonality item was not identified in the Company activity, as our production is continuous during the year.

**Iron Ore**

Iron ore products are commercialized by our commercial team located in Brazil and overseas. In Europe (Portugal) and Asia (Hong Kong), our offices also include our technical assistance management. These three marketing units allow us to stay in close contact with our customers worldwide, understand the environment where they operate, monitor their requirements and provide all necessary assistance in a short period of time. Domestic sales, market intelligence analysis, planning and administration of sales are handled from Brazil by the staff in our Nova Lima office, which is located approximately 70 km from the Casa de Pedra mine, in the State of Minas Gerais.

We supply our iron ore to the steel industry and our main targets are the Brazilian, European, Middle Eastern and Asian markets. Prevailing and expected levels of demand for steel products directly affect demand for iron ore. Demand for steel products is correlated to many factors, such as GDP, global manufacturing production, urbanization, civil construction and infrastructure spending.

We believe our competitiveness has been improved by our customer service and market intelligence. It is paramount for us to have a clear understanding of our customers' businesses in order to address their needs, surpass their expectations and build long-term relationships. We have a customer-oriented marketing policy and specialized local personnel in direct contact with our clients to help determine the mix that best suits each particular customer.

### *Iron Ore Sales*

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

In 2010, CSN's iron ore sales reached 25.3 million tons, a 13% increase compared to 2009 (including 100% of our investee Namisa). According to our consolidated financial statements, total mining revenue increased by 84% over the year, due to rising iron ore prices as well as the increase in sales volume. The share of mining revenue in CSN's total net revenue increased from 24% in 2010 to 17% in 2009.

In 2010, the Asian markets accounted for 61% of our sales – of which 34% correspond to China and 27% to other Asian countries – followed by the Middle East (19%) and Europe (14%). While 83% of our sinter feed and 56% of our lump ore were directed to Asia, 90% of our pellet feed and 66% of our concentrated were consumed by Europe and the Middle East.

This result was notably influenced by world economic recovery in 2010. All of our major markets – Asia, Europe, Middle East and Domestic Market – had significant GDP increases, after slowdowns or even decreases experienced in 2009. We expect the iron ore market to maintain a bullish trend supported by growing emerging market demand, high cost Chinese production, and infrastructure bottlenecks for low cost producers. The continued urbanization process in many regions as India, Middle East, Latin America and China should support this tendency.

As global iron ore markets are highly competitive, we focus on our flexibility, reliability and efficient manner of supplying iron ore to the world market.

Through our marketing offices, we have long term relationship with most players of the steel industry in China, Japan, Taiwan, South Korea, Europe and Brazil.

For further information on iron ore sales, see “Item 5A. Operating Results - Results of Operations - Year 2010 Compared to Year 2009 – Net Operating Revenues.”

### **Insurance**

We and our subsidiaries maintain several types of insurance policies. These insurances are contracted in line with the risk management of our business and attempt to follow the market practices for similar activities. Coverage in such policies encompasses domestic, international, import and export cargo transport (by road, rail sea or air), carrier liability, life insurance, personal accident, health, auto insurance, D&O, general liability, erection risks, boiler coverage, export credit insurance, surety, ports and terminal liabilities. The coverage in these policies may be not sufficient to all risks we are exposed to.

We have insurance policy to cover operational risks, material damage and loss of profits as of March 23, 2011, to March 22, 2012, for a total insured value of R\$ 850 million (out of a total risk amount of R\$ 25.1 billion), applicable to the following CSN's branches and subsidiaries: Presidente Vargas Steelworks, Casa de Pedra Mine, Arcos Mine, Paraná Branch, CSN Porto Real (former Galvasud), Coal Terminal TECAR, Container Terminal TECON, Namisa e CSN Cimentos. Such policy was negotiated with domestic and foreigners insurers and reinsurers. Despite this coverage, CSN remains responsible for the first tranche of R\$ 170 million in losses (material damages and loss of profits), in excess to the deductibles, and shall be responsible for 64% percent of the losses above this first tranche. We continue to analyze alternatives to further reduce our co-responsibility.

**Intellectual Property**

We have several technical cooperation agreements with universities and research institutes in order to provide us with special technical reports and advice related to specific products and processes. In addition to several patents previously approved by the Brazilian National Institute of Industrial Property (*Instituto Nacional da Propriedade Industrial*), in 2010 we requested the granting of 3 new patents on the field of product applications.

**'Competition in the Steel Industry**

Both the worldwide and the Brazilian steel markets are intensely competitive. The primary competitive factors in these markets include quality, price, payment terms and customer service. Further, continuous advances in materials sciences and resulting technologies have given rise to improvements in products such as plastics, aluminum, ceramics, glass and concrete that permit them to substitute steel for certain purposes.

***Competition in the Brazilian Steel Industry***

The primary competitive factors in the domestic market include quality, price, payment terms and customer service. Several foreign steel companies, however, are significant investors in Brazilian steel mills.

The following table sets forth the production of crude steel by Brazilian companies for the years indicated:

	2010		2009		2008	
	Ranking	Production (In million tons)	Ranking	Production (In million tons)	Ranking	Production (In million tons)
Gerdau <sup>(1)</sup>	1	7.8	1	6.1	1	8.7
Usiminas	2	7.3	2	5.6	2	8.0
ArcelorMittal Tubarão	3	6.0	3	5.3	3	6.2
CSN	4	4.9	4	4.4	4	5.0
ArcelorMittal Aços						
Longos	_(2)	-	5	3.2	5	3.5
Others	_(2)	-		1.9		2.3
<b>Total</b>		<b>32.8</b>		<b>26.5</b>		<b>33.7</b>

Source: IABr

(1) Data from Aços Villares have been merged into data from Gerdau.

(2) Data not available

***Competitive Position — Global***

During 2010, Brazil maintained its place as the largest producer of crude steel in Latin America, with a production output of 32.8 million tons and a 2.3% share of total world production, according to data from Instituto Aço Brasil (IABr). In 2010, Brazil was the ninth largest steel producer globally, accounting for approximately two-thirds of total production in Latin America, approximately twice the size of Mexico's and approximately 40% of U.S. steel production, according to data from the World Steel Association, or WSA. According to IABr Brazilian exports in 2010 amounted to 9.0 million tons of finished and semi-finished steel products.

We compete on a global basis with the world's leading steel manufacturers. We have positioned ourselves in the world market with a product mix characterized by high margin and strong demand, such as, tin mill and galvanized. We

have relatively low-cost and sufficient availability of labor and energy, and own high-grade iron ore reserves that we believe more than meet our production needs. These global market advantages are partially offset by costs of transporting steel throughout the world, usually by ship. Shipping costs, while helping to protect our domestic market, put pressure on our export price. To maintain our position in the world steel market in light of the highly competitive international environment with respect to price, our product quality and customer service must be maintained at a high level. We have continually monitored the quality of our products by measuring customer satisfaction with our steel in Europe, Asia and the Americas. See “Item 4B. Business Overview—Government Regulation and Other Legal Matters—Proceedings Related to Protectionist Measures” for a description of protectionist measures being taken by steel-importing countries that could negatively impact our competitive position.

***Competitive Advantages of the Brazilian Steel Industry***

Brazil’s principal competitive advantages are its abundant supply of low-cost, high-grade iron ore and energy resources. Brazil also benefits from a vast internal market with a large growth potential, a privatized industry making investments in plant and equipment, and deep water ports that allow the operation of large ships, which facilitates access to export markets.

Brazilian domestic steel prices have historically been higher than its export price. However, in 2010, due to lower demand in mature markets, the appreciation of the *real* against U.S. dollar and tax incentives, imported steel products caused Brazilian steel producers to adjust prices closer to export price levels in order to maintain competitiveness.

## **Government Regulation and Other Legal Matters**

### ***Environmental Regulation***

We are subject to Brazilian federal, state and municipal environmental laws and regulations governing air emissions, waste water discharges, and solid and hazardous waste handling and disposal. We are committed to controlling the substantial environmental impact caused by our steelmaking, mining, cement and logistics operations, in accordance with international standards and in compliance with environmental laws and regulations in Brazil. We believe we are currently in substantial compliance with applicable environmental requirements.

The Brazilian Federal Constitution provides both the federal and state governments authority to enact environmental protection laws and issue regulations under such laws. In addition, we are subject to municipal environmental laws and regulations. While the Brazilian government has authority to promulgate environmental regulations setting forth minimum standards of environmental protection, state and local governments have the power to enact more stringent environmental regulations. Most of the environmental regulations in Brazil are thus at the state and local level complemented by a current process of regulations reviews and new propositions at the federal level. The environmental regulations of the State of Rio de Janeiro, in which the Presidente Vargas steelworks is located, are plant-specific. Thus, specific goals and standards are established in operating permits or environmental accords issued to each company or plant. These specific operation conditions complement the standards and regulations of general applicability and are required to be observed throughout the life of the permit or accord. The terms of such operating permits are subject to change and are likely to become stricter. All of our facilities currently have operating permits.

In 2010, we requested and obtained several emissions permits and renewals of environmental permits, both for current operations and for the development of new projects regarding steel and cement manufacturing, iron ore and limestone mining and logistics, including: (i) the expansion of the Casa de Pedra mine; (ii) the construction of the Transnordestina Railroad, to explore railway transportation in the Northeastern region of Brazil; (iii) the operation of a cement mill at Volta Redonda; and (iv) the expansion of the Solid Bulks Terminal of Itaguaí Port, in the State of Rio de Janeiro, or TECAR, to 45 million tons per year.

### ***Environmental Expenditures and Claims***

Promoting responsible environmental and social management is part of our business. We prioritize processes and equipments that offer the most modern and reliable technologies on environmental risks monitoring and control. We operate a corporate environmental department managed under an Environmental Management System, or EMS, compliant with ISO 14001:2004 requirements. In addition, we have a factory committee for environmental management composed of professionals from all departments of CSN's units. This factory committee usually meets every week to discuss any problem and to identify risks and aspects of the operations in which the group can act pro-actively, in order to prevent possible environmental harm.

Since our privatization, we have invested heavily in environmental protection and remediation programs. We had environmental expenditures (capitalized and expensed) of R\$336.0 million in 2010, R\$290.5 million in 2009 and R\$330.7 million in 2008

Our investments in environmental projects during 2010 were related mainly related to: (i) operation, maintenance and retrofit of environmental control equipments; (ii) development of environmental studies for permit applications and (iii) studies, monitoring and remediation of environmental liabilities due to prior operations, especially before our privatization. In 2010, we had a total of R\$336.0 million in environmental expenditures, of which R\$116.2 million was capital expenditures and R\$219.8 million was operational expenditures.

In 2010, we signed with the Rio de Janeiro State government a Term of Undertaking, or TAC, that requires investments of R\$260.0 million in our Presidente Vargas steelworks for the next 3 years. This TAC preview new investments and studies to retrofit our environmental control equipments. Our main environmental claims on December 31, 2010 were associated with clean-up obligations at former coal mines decommissioned in 1989 in the state of Santa Catarina; legal environmental compensation projected for new projects at the States of Minas Gerais and Rio de Janeiro; and clean-up obligations due to previous operations in our Presidente Vargas steelworks. We do not include in our reserves environmental liabilities related to ERSA, as these are contractually supported by its seller.

We record a reserve for remediation costs and environmental lawsuits when a loss is probable and the amount can be reasonably estimated. As of December 31, 2010, we had provisions for environmental liabilities in the total amount of R\$278.1 million, as compared to R\$ 116.5 million as of December 31, 2009, which we believe are sufficient to cover all probable losses. For further information, see Note 22 to our consolidated financial statements included in “Item 18. Financial Statements.”

### ***Brazil – mining regulation***

Under the Brazilian Constitution, all mineral resources in Brazil belong to the federal government. The Brazilian Constitution and Mineral Code impose various regulatory restrictions on mining companies relating to, among other things:

- the manner in which mineral deposits must be exploited;
- the health and safety of workers and the safety of residential areas located near mining operations;
- the protection and restoration of the environment;
- the prevention of pollution; and
- the support of local communities where mines are located.

Mining companies in Brazil can only prospect and mine pursuant to prospecting authorizations or mining concessions granted by the National Department of Mineral Production (*Departamento Nacional de Produção Mineral*), or DNPM, an agency of the Ministry of Mines and Energy of the Brazilian Government. DNPM grants prospecting authorizations to a requesting party for an initial period of three years. These authorizations are renewable at DNPM’s discretion for another period of one to three years, provided that the requesting party is able to show that the renewal is necessary for proper conclusion of prospecting activities. On-site prospecting activities must start within 60 days of official publication of the issuance of a prospecting authorization. Upon completion of prospecting activities and geological exploration at the site, the grantee must submit a final report to DNPM. If the geological exploration reveals the existence of a mineral deposit that is economically exploitable, the grantee has one year (which DNPM may extend) from approval of the report by DNPM to apply for a mining concession or to transfer its right to apply for a mining concession to an unrelated party. When a mining concession is granted, the holder of the concession must begin on-site mining activities within six months. DNPM grants mining concessions for an indeterminate period of time lasting until the exhaustion of the mineral deposit. Extracted minerals that are specified in the concession belong to the holder of the concession. With the prior approval of DNPM, the holder of a mining concession can transfer it to an unrelated party that is qualified to own concessions. Under certain circumstances, mining concessions may be challenged by unrelated parties.

### ***Mining Concessions***

Our mining activities at Casa de Pedra mine are performed based on a *Manifesto de Mina*, which gives us full ownership over the mineral deposits existing within our property limits. Our mining activities at Engenho and Fernandinho mines are based on a concession by the Ministry of Mines and Energy, which grants us the right to exploit mineral resources from the mine for an indeterminate period of time lasting until the exhaustion of the mineral deposit. Our mining activities at the Bocaína mine are based on a concession under the same conditions. See “Item 4D. Property, Plant and Equipment” for further information on our reserves at Casa de Pedra mine and resources at Fernandinho and Engenho mines.

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Table of Contents*Mineral Rights and Ownership*

Our mineral rights for Casa de Pedra mine include the mining concession, beneficiation plant, roads, loading yard and railway branch and are duly registered with the National Department of Mineral Production (*Departamento Nacional de Produção Mineral - DNPM*). We have also been granted by DNPM easements in 15 mine areas located in the surrounding region, which are not currently part of Casa de Pedra mine, and hold title to all our proved and probable reserves.

In addition, we have obtained and are in compliance with all licenses and authorizations for our operations and projects at Casa de Pedra mine.

The exploitation in Casa de Pedra mine are subject to mining lease restrictions, which were duly addressed in our iron ore reserve calculations. Quality requirements (chemical and physical) are the key “modifying factors” in the definition of ore reserves at Casa de Pedra and were properly accounted for by the CSN mine planning department.

The Brazilian government charges us a royalty known as the Financial Compensation for Exploiting Mineral Resources (*Compensação Financeira pela Exploração de Recursos Minerais*), or CFEM, on the revenues from the sale of minerals we extract, net of taxes, insurance costs and costs of transportation. The current annual rates on our products are:

- 2% for iron ore, kaolin, copper, nickel, fertilizers and other minerals;
- 3% on bauxite, potash and manganese ore; and
- 1% on gold.

The Mineral Code and ancillary mining laws and regulations also impose other financial obligations. For example, mining companies must compensate landowners for the damages and loss of income caused by the use and occupation of the land (either for exploitation or exploration) and must also share with the landowners the results of the exploration (in a rate of 50% of the CFEM). Mining companies must also compensate the government for damages caused to public lands. A substantial majority of our mines and mining concessions are on lands owned by us or on public lands for which we hold mining concessions.

*Antitrust Regulation*

We are subject to various laws in Brazil which seek to maintain a competitive commercial environment in the Brazilian steel industry. For instance, under Law No. 8,884/94, the *Lei de Defesa da Concorrência*, or Competition Defense Law, the *Secretaria de Direito Econômico* of Brazil’s Ministry of Justice has broad authority to promote economic competition among companies in Brazil, including the ability to suspend price increases and investigate

collusive behavior between companies. In addition, if the Brazilian anti-trust agency (*Conselho Administrativo de Defesa Econômica*), or CADE, determines companies have acted collusively to raise prices, it has the authority to impose fines on the offending companies, prohibit them from receiving loans from Brazilian government sources and bar them from bidding on public projects. In addition, CADE has the authority to dissolve mergers and to require a company to divest assets should it determine that the industry in which it operates is insufficiently competitive.

For further antitrust-related information, see “Item 8A. Consolidated Statements and Other Financial Information-Legal Proceedings”.

***Proceedings Related to Protectionist Measures***

Over the past several years, exports of steel products from various countries and companies, including Brazil and us, have been the subject of anti-dumping, countervailing duty and other trade related investigations from importing countries. These investigations resulted in duties that limit our access to certain markets. Despite the imposed limitations, our exports have not been significantly affected, as we were able to re-direct our sales from restricted markets to other markets, and also because the volume of exports or products available for exports has been decreasing as a result of the increased demand from our domestic market and thus present participation of exports in our total sales was significantly reduced.

Below are summaries of the protectionist measures to which our exports are subject.

*United States*

*Anti-dumping (AD) and Countervailing Duties (CVD).* In September 1998, U.S. authorities initiated anti-dumping and countervailing duties investigations on hot-rolled steel sheet and coil imported from Brazil and other countries. In February 1999, the U.S. Department of Commerce, or DOC, reached a preliminary determination on the anti-dumping and countervailing duties margins. We were found to have preliminary margins of 50.66% for anti-dumping, and of 6.62% for countervailing duties. In July 1999, Brazil and the United States signed a five-year suspension agreement, suspending the anti-dumping investigation and establishing a minimum price of US\$327 per ton (delivery duty paid), subject to quarterly review by the DOC. In February 2002, the U.S. government terminated the anti-dumping suspension agreement and reinstated the anti-dumping margin of 41.27%. Also in July 1999, the Brazilian and U.S. governments signed a suspension agreement related to the countervailing duties investigation, which limited exports of hot-rolled sheets and coils from Brazil to 295,000 tons per year. At the request of the Brazilian government, the agreement was terminated in September 2004. Upon the termination of this agreement, countervailing duties of 6.35% became effective in September 2004, to be applied to imports of hot-rolled products from Brazil. In April 2004, we requested the DOC to conduct an administrative review of the anti-dumping investigation. Through this review, in April 2005, we obtained a favorable preliminary determination of “zero” margin of dumping from the DOC. Final determination was issued in October 2005 and the “zero” margin of dumping preliminarily found by the DOC was confirmed.

Simultaneously to the administrative review, we participated in an anti-dumping and countervailing duties expiry review which involved the exports of hot-rolled sheet and coils to the U.S. The expiry review was jointly developed by the International Trade Commission and the DOC, through the Import Administration- I.A., and was initiated in May 2004. A final determination was rendered in April 2005, retaining the anti-dumping and countervailing duties orders until May 12, 2010.

In October 2005, the DOC initiated an administrative review of the investigation of subsidies and countervailing duties involving hot-rolled products. When the petitioners denied their participation in the review, it was terminated by the DOC in February 2006.

In April 2010, an anti-dumping and countervailing duties expiry review was initiated jointly developed by the DOC and ITC through the IA. In November 2010, the DOC issued the final results of the CVD sunset review. Although it was decided that subsidization will continue or recur if the order is revoked, the DOC found that the likely margin of subsidization would be zero. The final determination for the AD and CVD orders are expected for June 2011.

*Canada*

*Anti-dumping.* In January 2001, the Canadian government initiated an anti-dumping investigation process involving hot-rolled sheets and coils exported from Brazil. The investigation was concluded in August 2001, with the imposition by Canada of an anti-dumping tax of 26.3% on imports of those products from Brazil, with minimum prices to be observed. In August 2002, the Canada Border and Services Agency, or the CBSA, initiated a revision of the values previously established and, in March 2003, the revised values were issued. These values are adjusted whenever there is an adjustment of the Canadian domestic prices. In February 2005, the CBSA initiated a reinvestigation of hot-rolled sheets and coils. We did not participate in this investigation.

In December 2005, the Canadian International Trade Tribunal, or CITT, initiated an expiry review of hot-rolled products, in which we participated. A final determination was issued in August 2006, determining the continuation of

the anti-dumping order for hot-rolled products. As a result, exports of our hot-rolled products to Canada are subject to anti-dumping duties of 77%.

In October 2010, the Canadian International Trade Tribunal, or CITT, initiated an expiry review of hot-rolled products, in which CSN decided not to participate.

## *Argentina*

*Anti-dumping – hot-rolled products.* Argentina commenced an anti-dumping investigation of hot-rolled products from Brazil, Russia and Ukraine in October 1998. In April 1999, the Argentinean government applied a provisional anti-dumping order on Brazilian imports, fixing a minimum price of US\$410 per ton FOB (free on board), for four months ending in August 1999.

In December 1999, the Argentine government accepted a suspension agreement of the anti-dumping measures, providing for quotas of 36,000 tons for the first year, 38,000 tons for the second and 39,000 tons for the third, fourth and fifth years, and minimum prices from US\$325 to US\$365 per ton CFR FO (cost, insurance and freight, free out), subject to quarterly adjustments based on the publication of the Argentine National Institute of Statistics and Census, or INDEC.

In December 2004, exporters were notified of the revision of resolution No. 1,420/1999 from the Economic, Work and Public Services Ministry of Argentina relating to the export of Brazilian hot-rolled products. In January 2005, an expiry review of the anti-dumping process was initiated to analyze the maintenance, modification and/or derogation of the action of the administrative authority of the Argentinean government. We participated in this review.

In June 2006, Argentina published resolution No. 412/2006 terminating the anti-dumping investigation for hot-rolled products from Brazil, Russia and Ukraine, determining a margin of 147.95% to Brazil. The application of anti-dumping duties was replaced by a suspension agreement set forth in that same resolution, valid for five years from its publication, on June 6, 2006.

## **Overview of Steel Industry**

### *World Steel Industry*

The worldwide steel industry comprises hundreds of steelmaking facilities divided into two major categories, integrated steelworks and non-integrated steelworks, characterized by the method used for producing steel. Integrated plants, which accounted for approximately 66% of worldwide crude steel production in 2008, typically produce steel by smelting in blast furnaces the iron oxide found in ore and refining the iron into steel, mainly through the use of basic oxygen furnaces or, more rarely, in electric arc furnaces. Non-integrated plants (sometimes referred to as mini-mills), which accounted for approximately 34% of worldwide crude steel production in 2008, produce steel by melting scrap metal, occasionally complemented with other metallic materials, such as direct reduction iron or hot-briquette iron, in electric arc furnaces. Industry experts expect that a lack of a reliable and continuous supply of quality scrap metal, as well as the high cost of electricity, may restrict the growth of mini- mills.

Steel continues to be the material of choice in the automotive, construction, machinery and other industries. Notwithstanding potential threats from substitute materials such as plastics, aluminum, glass and ceramics, especially for the automotive industry, steel continues to demonstrate its economic advantage. From 1990 through 2005, total global crude steel production ranged between approximately 770 million and 1.1 billion tons per year. In 2008, it reached 1.33 billion tons, representing a 1.2% decrease as compared to 2007. In 2010, worldwide production was 1.41 billion tons, an increase of 15% compared to 2009 and a new record for global steel industry.

China's crude steel production in 2010 reached 627 million tons, an increase of 9.3% as compared to 2009. Production volume in China has almost tripled in eight years, from 222 million tons in 2002. China's share of world steel production declined from 47% in 2009 to 44% in 2010, what is consequence of steelmaking recovery in rest of world

(-21% in 2009 and +20% in 2010).

Asia produced 898 million tons of crude steel in 2010, representing 63.5% of world total steel production and an increase of 11.6% as compared to 2009. Overall, steel production increased in Europe, North America, South America and Commonwealth of Independent States in 2010.

***Brazilian Steel Industry***

Since the 1940s, steel has been of vital importance to the Brazilian economy. During the 1970s, strong government investments were made to provide Brazil with a steel industry able to support the country's industrialization boom. After a decade of little to no investment in the sector in the 1980s, the government selected the steel sector as the first for privatization commencing in 1991, resulting in a more efficient group of companies operating today.

### *A Privatized Industry*

During almost 50 years of state control, the Brazilian flat steel sector was coordinated on a national basis under the auspices of *Siderbrás*, the national steel monopoly. The state had far less involvement in the non-flat steel sector, which has traditionally been made up of smaller private sector companies. The larger integrated flat steel producers operated as semi autonomous companies under the control of *Siderbrás* and were each individually privatized between 1991 and 1993. We believe that the privatization of the steel sector in Brazil has resulted in improved financial performance, as a result of increased efficiencies, higher levels of productivity, lower operating costs, a decline in the labor force and an increase in investment.

### *Domestic Demand*

Historically, the Brazilian steel industry has been affected by substantial fluctuations in domestic demand for steel. Although national per capita consumption varies with GDP, fluctuations in steel consumption tend to be more pronounced than changes in economic activity. Per capita crude steel consumption in Brazil has increased from 95 kilograms per capita in 1999 to 150 kilograms in 2010, which is considered low when compared to levels in developed countries such as the United States and Germany.

From 2005 to 2007, despite a good global conjuncture, the Brazilian economy exhibited an average growth GDP of 4.4%. Since September 2008, overall global economic activity has slowed significantly, which impacted our fourth quarter results. Apparent steel consumption in 2008 and 2009 were 24.0 million tons and 18.6 million tons, respectively. In 2010, the internal demand grew 43%, to 26.6 million tons.

The Brazilian flat steel sector is shifting production to the higher value-added consumer durable sector. This sector is highly dependent on domestic consumer confidence, which, in turn, is affected by economic policies and certain expectations of the current government administration. Over the past years, automobile manufacturers made significant investments in Brazil. In 2009 and 2010, the vehicles production recovered from the 2008 financial crisis in response of government incentives like tax cuts.

### *Market Participants*

According to IBS, the Brazilian steel industry is composed of 26 mills managed by 9 corporate groups, with an installed annual capacity of approximately 47 million tons, producing a full range of flat, long, carbon, stainless and specialty steel. For information on the production by the largest Brazilian steel companies, see “Item 4B. Business Overview—Competition—Competition in the Brazilian Steel Industry.”

### *Capacity Utilization*

Mean Brazilian nominal capacity in 2010 was estimated at 42 million tons (the 5 million tons CSA facility started production in the end of the year), what means that local steel industry operated at approximately 78%, higher than 63.4% of nominal crude steel capacity during 2009.

### *Exports/Imports*

Brazil has been playing an important role in the export market, primarily as an exporter of semi-finished products. The Brazilian steel industry has taken several steps towards expanding its capacity to produce value-added products. Brazil’s exports of semi-finished steel products reached 5.7 million tons in 2008 and 4.6 million tons in 2009, which represented 62% and 54% of total steel exports for each period, respectively. In 2010, slabs and billets exports summed 5.3 million tons (58% of tons exported in the year).

In 2010, Brazilian steel exports totaled 9.0 million tons, representing 38% of total Brazilian steelmakers sales (domestic plus exports) and accounting for US\$ 5.8 billion in export earnings for Brazil. Over the last 20 years, the Brazilian steel industry has been characterized by a structural need to export, which is demonstrated by the industry's supply demand curve. The Brazilian steel industry has experienced periods of overcapacity, cyclical and intense competition during the past several years. Demand for finished steel products, as measured by domestic apparent consumption, has consistently fallen short of total supply (defined as total production plus imports). In 2010, supply totaled 32.8 million tons, as compared to apparent consumption of 26.6 million tons.

Steel imports climbed 154% in 2010, to 5.93 million tons (22% of apparent domestic consumption) as compared to 2.3 million tons in 2009 (8.6% of steel consumption), according to IBS.

#### **4C. Organizational Structure**

We conduct our business directly and through subsidiaries. For more information on our organizational structure, see Note 2(b) to our consolidated financial statements included in “Item 18. Financial Statements.”

#### **4D. Property, Plant and Equipment**

Our principal executive offices are located in the city of São Paulo, the State of São Paulo at Avenida Brigadeiro Faria Lima, 3,400, 20th floor (telephone number 55-11-3049-7100), and our main production operations are located in the city of Volta Redonda, in the State of Rio de Janeiro, located approximately 120 km from the city of Rio de Janeiro. Presidente Vargas steelworks, our steel mill, is an integrated facility covering approximately 4.0 square km and located in the city of Volta Redonda in the State of Rio de Janeiro. Our iron ore, limestone and dolomite mines are located in the State of Minas Gerais, which borders the State of Rio de Janeiro to the north. Each of these mines is within 500 km of, and is connected by rail and paved road to, the city of Volta Redonda.

The table below sets forth certain material information regarding our property as of December 31, 2010.

<b>Facility</b>	<b>Location</b>	<b>Size</b>	<b>Use</b>	<b>Productive Capacity</b>	<b>Title</b>	<b>Encum</b>
Presidente Vargas steelworks	Volta Redonda, State of Rio de Janeiro	4.0 square km	steel mill	5.6 million tons per year	owned	N
CSN Porto Real (former GalvaSud)	Porto Real, State of Rio de Janeiro	0.27 square km	galvanized steel producer	350,000 tons per year	owned	mortg
CSN Paraná	Araucária, State of Paraná	0.98 square km	galvanized and pre-painted products	100,000 tons of pre-painted product and 220,000 tons of pickled hot-rolled coils	owned	N
Metalic	Maracanaú, State of Ceará	0.10 square km	steel can manufacturer	900 million cans per year	owned	mort
Prada	São Paulo, State of São Paulo and Uberlândia, State of Minas Gerais	SP – 0.14 square km; MG – 0.02 square km;	steel can manufacturer	1 billion cans per year	owned	N
CSN, LLC	Terre Haute, Indiana, USA	0.78 square km	cold-rolled and galvanized products	800,000 tons of cold-rolled products and 315,000 tons per year of galvanized products	owned	N
Lusosider	Seixal, Portugal	0.39 square km	hot-dip galvanized, cold-rolled and tin products	240,000 tons of galvanized products and 50,000 tons of cold-rolled products per year	owned	N
Prada	Mogi das Cruzes, State of São Paulo	0.20 square km	distributor	730,000 tons per year	owned	N

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Casa de Pedra mine	Congonhas, State of Minas Gerais	44.57 square km	iron ore mine	60.0 mtpy <sup>(4)</sup>	owned <sup>(5)</sup>	N
Engenho mine <sup>(6)</sup>	Congonhas, State of Minas Gerais	2.87 square km	iron ore mine	5.0 mtpy	concession	N
Fernandinho mine <sup>(6)</sup>	Itabirito, State of Minas Gerais	1.84 square km	iron ore mine	2.0 mtpy	concession	N
Bocaina mine	Arcos, State of Minas Gerais	4.11 square km	limestone and dolomite mines	4.0 mtpy	concession	N
ERSA mine	Ariquemes, State of Rondônia	0.015 square km	tin mine	1,800 tons	concession	N
Thermoelectric co- generation power plant	Volta Redonda, State of Rio de Janeiro	0.04 square km	power plant	238 MW	owned	N
Itá <sup>(7)</sup>	Uruguay River - Southern Brazil	9.87 square km	power plant	1,450 MW	concession	N
Igarapava <sup>(8)</sup>	State of Minas Gerais	5.19 square km	power plant	210 MW	concession	N
Southeastern Railway System <sup>(9)</sup>	Southern and Southeastern regions of Brazil	1,674 km of tracks	railway	--	concession	N
Transnordestina	Northern and northeastern regions of Brazil	4,238 km of tracks	railway	--	concession	N
TECAR at Itaguaí Port	Itaguaí, State of Rio de Janeiro	0.69 square km	raw materials	4 mtpy	concession	N
Container terminal - TECON at Itaguaí port	Itaguaí, State of Rio de Janeiro	0.44 square km	containers	2 mtpy	concession	N
Land	State of Rio de Janeiro	31.02 square km	undeveloped	--	owned	pledge <sup>(10)</sup> mort

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Land	State of Santa Catarina	6.22 square km	undeveloped	--	owned	pledge <sup>(10)</sup>
Land	State of Minas Gerais	29.09 square km	undeveloped	--	owned	N

(1) Pursuant to a loan agreement entered into by the State of Rio de Janeiro and Galvasud as of May 4, 2000.

(2) Pursuant to a loan agreement entered into by Kreditanstalt Für Wiederaufbau, Galvasud and Unibanco as of August 23, 1999.

(3) Pursuant to an industrial letter of credit issued by Banco do Nordeste do Brasil to Metalic, as of June 5, 2001, with maturity on February 5, 2011.

(4) Information on equipment fleet installed annual ROM capacity. For information on installed annual production of products capacity, and information on mineral resources at our Casa de Pedra mine, see “—Reserves at Casa de Pedra Mine” and table under “—Casa de Pedra Mine” below.

(5) Based on the Manifesto de Mina. See, “Item 4. Information on the Company —A. History and Development of the Company—Government Regulation and Other Legal Matters—Mining Concessions.”

(6) Property owned by our 60% consolidated investee Namisa.

(7) Property 29.5% owned by us.

(8) Property 17.9% owned by us.

(9) We indirectly hold the concession through MRS.

(10) Pledged pursuant to various legal proceedings, mainly related to tax claims.

For information on environmental issues with respect to some of the facilities described above, see “Item 4B. Business Overview—Government Regulation and Other Legal Matters—Environmental Expenditures and Claims.” In addition, for information on our plans to construct, expand and improve our facilities, see Planned Investments.” and Note 22 to our financial statements included elsewhere in this Form 20-F.

The map above shows the locations of the Presidente Vargas steelworks, the CSN Paraná, Prada, CSN Porto Real (former GalvaSud), Metalic, Lusosider, ERSA and CSN LLC facilities, our iron ore, limestone and dolomite mines, the power generating facilities in which we have an ownership interest, and the main port used by us to export steel products and import coal and coke, as well as the main railway connections.

### **Acquisitions and Dispositions**

#### ***Riversdale***

On November 24, 2009, we approved the acquisition, through our subsidiary CSN Europe, Ltda, of a 16.3% minority interest on Riversdale Mining Limited (“Riversdale”), a mining company listed on the Australian Stock Exchange (ASX). In January 2010, we obtained the approval of the Australian Government to acquire further shares of Riversdale, and we reached a total participation of 19.9% by means of several purchases in February 10, 2010. On April 20, 2011, we adhered to the public offering for the acquisition of Riversdale’s shares conducted by Rio Tinto and, as consequence, we sold 100% of our equity interest held in Riversdale’s capital stock, corresponding to 47,291,891 (forty-seven million, two hundred, ninety-one thousand, eight hundred, ninety-one ) shares, at the price of A\$16.50 (sixteen Australian dollars and fifty cents) per share, totaling A\$780,316,201.50 (seven hundred, eighty million, three hundred, sixteen thousand, two hundred, one Australian dollars and fifty cents).

#### ***Segregation of Mining Assets***

We are analyzing the possibility of segregating our iron ore business and correlated logistics activities into one of our subsidiaries. The segregation is expected to occur upon the transfer, by means of a capital increase, of assets, liabilities, rights and obligations comprising our mining and correlated logistics businesses as well as of investments in related operating companies. The implementation of the segregation depends on several aspects, including certain regulatory approvals.

*Alfonso Gallardo*

On May 19, 2011, we entered into, through our Spanish subsidiary CSN Steel SL, a share purchase agreement with the Spanish group Alfonso Gallardo (“AG Group”) to establish the acquisition of all the shares held by the AG Group in (i) Cementos Balboa S.A., a cement and clinker producer located in the Extremadura region in Spain; (ii) Corrugados Azpeitia, S.L. and Corrugados Lasao, S.L.U., long steel manufacturers with plants in the Basque Country; (iii) Stahlwerk Thüringen GmbH, a long steel manufacturer located in Unterwellenborn, Germany, specialized in the production of steel profiles, and; (iv) Gallardo Sections S.L.U., a AG Group steel distributor. Subject to adjustments, pursuant to the share purchase agreement, CSN Steel SL will pay €543 million for the acquisition of the above mentioned shares, and will assume approximately €403 million in indebtedness and further adjustments. The transaction will be submitted to necessary regulatory and/or antitrust approvals, and its closing is still subject to other conditions which are inherent to transactions of this nature.

### *Usiminas*

On April 20, 2011, the Company announced to the market that it had increased its interest in the capital stock of Usinas Siderúrgicas de Minas Gerais S.A. – Usiminas (“Usiminas”), through the acquisition of common and preferred shares, to total amount of 10.01% of the common shares and 5.25% of the preferred shares.

The Company is currently assessing strategic alternatives in relation to its investment in Usiminas, including potential additional acquisitions of shares in percentages higher than those mentioned above.

### **Capital Expenditures**

We invested R\$3,636 million in 2010, R\$2,201 million of which allocated as follows: Transnordestina Logística: R\$1,371 million; CSN Aços Longos: R\$275 million; CSN Cimentos: R\$249 million; MRS Logística: R\$199 million.

The remaining R\$1,435 million were expended in: maintenance and repair: R\$483 million; expansion of the Casa de Pedra mine: R\$275 million; expansion of the Port of Itaguaí: R\$139 million; and technological improvements: R\$125 million. For further information, see “Item 5B. Liquidity and Capital Resources-Short-Term Debt and Short-Term Investments.”

In 2009, we invested R\$1,860 million in capital expenditures.

In 2010, we continued to implement our strategy of developing downstream opportunities, new products and market niches by creating or expanding capacity of galvanized products for the automotive sector and by investing in a galvanizing and pre-painting plant in order to supply the construction and home appliance industries, as described in “Item 4B. Business Overview—Facilities.”

We also intend to control production costs and secure reliable sources of raw materials, energy and transportation in support of our steelmaking operations through a program of strategic investments. The principal strategic investments already made are set forth in “Item 4B. Business Overview—Facilities.”

### **Planned Investments**

Our operating activities require a regular schedule of investments focused on equipment maintenance, technological improvements, tools, vehicles, buildings, industrial plants, among others. In addition to current investments, the Company also makes investments to increase their operational efficiency and productivity, expand its production capacity in traditional businesses steel, mining and logistics, as well as new businesses such as cement and long steel.

In light of an improvement in the worldwide economic scenario since the second half of 2009 and higher growth projection for Brazil, and also considering our comfortable debt level and cash position, our board of directors approved, on December 2010, an investment plan for the period between 2011 and 2015.

Total planned investments amount to R\$29.1 billion over the next five years, of which:

- R\$13.0 billion in our mining segment, including capacity expansion of the Casa de Pedra mine to 50 Mtpa and the expansion of the Nacional Minérios SA (Namisa) capacity to 39 Mtpa, in addition to the expansion of shipping capacity of the port terminal of Bulk Solids in Itaguaí (TECAR) to 84 Mtpa;
- R\$4.0 billion in our steel segment, including installation of three plants of long products with total capacity of 1.5 million tones per year, besides completion / implementation of other projects, such as automotive service center, pre-painted capacity expansion , and implementation of projects for operational excellence with focus on cost reduction (eg. energy efficiency);
- R\$770 million in our cement segment, considering investment balances for the completion of the unit of clinker in Arcos, and the installation of a new integrated unit in Arcos (both grinding and clinker);
- R\$4.7 billion in our logistics segment, including the Transnordestina railway and our container terminal (TECON); and
- R\$6.7 billion in business continuity and programs to improve our performance.

The investments of MRS are not included in this plan.

Certain projects that were previously announced, such as the greenfield slab mills in the city of Itaguaí, in the State of Rio de Janeiro, and the greenfield slab mill in the city of Congonhas, in the State of Minas Gerais are being reconsidered, due to market conditions during and after the worldwide crisis in 2008 and 2009.

We expect to finance these investments through our own cash, public or private financing, or strategic partnerships.

Our planned investments in iron ore, steel, logistics and cement are described below.

## **Steel**

We are currently implementing a unit of 500 Kt / year of long steel in Volta Redonda, in the State of Rio de Janeiro, benefiting from the infrastructure and energy available, to produce rod bar (around 80%) and wire rod (around 20%). The production start is expected in 2013 representing the entrance of CSN in this new market segment.

We plan to install two other long steel plants, with similar scale and product mix. The equipments are already contracted. Detailed studies are currently being developed. Once these units are installed, we expect to have a capacity of 1.5 Mt / year of long steel

We are also investing in the expansion of service centers for the automotive market in which CSN market share has been successively expanded. Additionally we are implementing the expansion of our CSN Porto Real facility. The pre-painted plant operates at full capacity, and there are expansion projects in development to promote a significant expansion, with the prospect of doubling the current capacity.

The project portfolio also includes important projects of operational excellence in development and deployment, and that will represent a significant benefit of cost reduction, such as: the coke battery revamp project, which we expect will make us self-sufficient in coke; energy power substation, which will reduce our transmission electrical energy costs; the start-up of blast furnace turbine project, adding 17 MW of electricity self-generation. In addition, there are several projects in order to reduce the consumption of raw materials, increase productivity and efficiency.

Besides the organic portfolio, we constantly evaluate various options in order to accelerate our growth in the Brazilian flat steel market and to strength our competitiveness, including the implementation of new plants, expansion of the existing unities and M&A options, both in Brazil and abroad.

## **Mining**

We expect to achieve a capacity of 89 Mtpy in iron ore, of which 50 Mtpy in Casa de Pedra mine and 39 Mtpy in Namisa, in which the Company holds 60% share.

We are also investing in the expansion of TECAR to allow an annual export of 84 Mtpy of iron ore. The current capacity is 30 Mtpy. The implementation is accelerated, and the main equipments and services are already contracted. In Namisa, the projects are both concentration and pelletizing plants.

In addition to these projects, under implementation, we are evaluating further expansions, including increasing of the capacity of the Casa de Pedra mine and TECAR, and evaluating other options for growth, such as areas for mineral exploration, acquisition of advanced exploration projects and acquisition transactions, among others, especially in Brazil.

## **Logistics**

In August 2006, in order to enable the implementation of a major infrastructure project led by the Brazilian federal government, our Board of Directors approved a transaction to merge Transnordestina S.A., a company that at the time was state-owned, into and with Companhia Ferroviária do Nordeste – CFN, an affiliate of CSN that holds a 30-year concession granted in 1998 to operate the Northeastern Railroad of the RFFSA with 4,238 km of railway track. The surviving entity was later renamed Transnordestina Logística S.A., or Nova Transnordestina. The Nova Transnordestina Project includes an additional 1,728 km of large gauge, state-of-the-art railway track. We expect the investments will allow the company to increase the transportation of various products, such as iron ore, limestone, soy beans, cotton, sugar cane, fertilizers, oil and fuels. The investments will be financed through several agencies, such as FINOR – Northeastern Investment Fund, SUDENE - the Northeastern Development Federal Agency and BNDES. We have obtained certain of the required environmental permits, purchased parts of the equipments and services and implementation is advanced in certain regions.

Until 2008, Transnordestina was jointly controlled by us and Taquari Participações S.A., or Taquari, pursuant to a shareholders' agreement dated November 27, 1997, as amended on May 6, 1999 and on November 7, 2003. During 2009, we increased the capital of Transnordestina upon disbursing certain advances for future capital increases. Taquari decided not to participate in such capital increases, being diluted and relinquishing control over Transnordestina.

Transnordestina is currently a subsidiary fully controlled by us and has been consolidated in our financial statements since December 2009.

The current investment budget is R\$ 5.4 billion and it is funded through various agencies, such as FINOR - Investment Fund of the Northeast, SUDENE - Superintendency of Northeast Development and BNDES, and the contribution of equity.

The implementation of the project has been conducted by Odebrecht through an Alliance Model formed with CSN. In January, 2011, there were more than 11,000 employees working in 25 sites, 1,550 heavy equipment, daily, R\$ 1.7 billion already invested and around R\$ 3.0 billion in contracts entered.

## **Cement**

The cement plant in Volta Redonda is currently in the ramp-up phase, and we project that in the next years we will reach the full production at a pace of 2.4 million tons per year. The acceptance of the product and the brand exceed the original estimates as a new entrant.

With the start-up of the project to produce clinker, and gradual increase in the self-use of slag the company can significantly reduce costs, a critical element in the cement business. In 2010, we established four distribution centers and completed the structuring of the sales team.

Investments in these two projects and distribution centers will sum R\$ 837 million.

We are evaluating other organic growth initiatives to expand our capacity by an additional 3.0 million tons per year, in order to capture the strong growth expected with the Soccer World Cup of 2014 and the Olympic Games in 2016, considering the strong pace of construction of new housing units, commercial and infrastructure projects.

#### **Item 4A. Unresolved Staff Comments**

None.

#### **Item 5. Operating and Financial Review and Prospects**

The following discussion should be read in conjunction with our consolidated financial statements as of December 31, 2010 and 2009 and for each of the years ended December 31, 2010 and 2009 included in “Item 18. Financial Statements.” Our consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and are presented in thousands of reais (R\$), as explained in Note 2(a) to our consolidated financial statements included in “Item 18. Financial Statements.”

#### **5A. Operating Results**

##### **Overview**

##### *Macro-Economic Scenario*

##### *Brazil*

Brazil’s economic growth in 2010 was among the strongest in emerging countries according to IMF (International Monetary Fund), mainly due to the increased employment rate, higher individual income and the expansion of credit. According to the Brazilian Central Bank, GDP growth was 7.5% in 2010, the highest since the introduction of the Plano Real in 1994.

According to Ministry of Labour, in 2010 there were 2.52 million new jobs created in Brazil, 115% more than in 2009. In December 2010, the Brazilian Institute of Geography and Statistics, or IBGE, recorded an unemployment rate of 5.3%, the lowest since 2002. This decline, plus the increase in earnings, helped increase consumption. IBGE figures show that the real salaries increased by 8.6% year-over-year in December 2010, impacting retail sales which increase by 10.9% in 2010, the greatest increase in nine years.

However, investments in production did not increase by the same rate, according to Bacen, resulting in increased inflationary pressure. The IPCA consumer price index increased by 5.91%, 1.41 p.p. above the midpoint of the Central Bank’s target band, mainly pressured by services and food. According to the Brazilian Central Bank, the total volume of financial system credit reached R\$1.7 trillion in 2010, a 21% increase as compared to 2009, while the credit/GDP ratio increased to 47%, with default rate falling throughout the year. According to the IBGE, industrial output grew by 10.5% in 2010, another strong macroeconomic indicator. The sectors that contributed most to this performance were capital goods and consumer durables, especially vehicles and home appliance, as well as typically exporting sectors, led by commodities. Despite the government measures throughout the year, the *real* appreciated strongly against the dollar in 2010. At the beginning of the year, the Brazilian Central Bank’s FOCUS report estimated a year-end exchange rate of around R\$1.80; however, the actual rate was R\$1.67. In February 2011, foreign reserves reached the record level of US\$300 billion.

*USA*

The U.S. economy recovered towards the end of 2010 and, according to IMF the annual GDP growth in 2010 was 2.9%, the largest increase since 2005, mainly due to the government's fiscal incentives, higher exports and return of private investments. Nevertheless, according to IMF, unemployment remained high, recording 9.4% in December 2010, equivalent to approximately 14 million people out of work. A total of 900,000 jobs were created in 2010.

## *Europe*

The growth rate in Europe continues low and there is uncertainty regarding sovereign debt and the general health of the financial system, especially in Greece, Ireland, Spain, Portugal and Italy. According to CRU, these four nations hold 64% of all loans granted to financial institutions in the Eurozone. According to IMF, Eurozone unemployment is still approximately 10%, or nearly 15 million people, one of the highest levels in the last 12 years. However, according to IMF, this is expected to improve in the coming months due to a possible increase in exports, especially in Germany, and higher consumer spending. For the first time in more than two years, inflation exceeded the 2% target stipulated by the European Central Bank, reaching 2.2% in December, with the exceptionally cold weather pressuring food and energy prices. According to CRU, in 2011, commodity and energy prices should continue to exert inflationary pressure, although the ECB maintained the inflationary target at 2%.

## *Asia*

After fueling the recovery from the global financial crisis, China has gone through a cycle of strict monetary measures in an attempt to reduce inflation, which was 4.6% in 2010. Throughout 2010, the government adopted measures to contain growth by increasing interest rates and reserve requirements, limiting credit and introducing energy-saving targets. Despite their restrictive nature, however, all these measures are designed to ensure that the Chinese economy grows in a sustainable manner. According to IMF, China GDP grew by 10.3% in 2010, 2% above the Chinese government's target, and the country overtook Japan as the world's second largest economy, with GDP of US\$5.9 trillion. According to Peoples Bank of China, China has let the Yuan appreciate by approximately 6% against the U.S. dollar since June 2010, effectively ending its two-year-long rate-fixing between the two currencies.

## *Segments*

### *Steel*

According to the World Steel Association, or WSA, global crude steel production totaled 1.4 billion tons in 2010, a 15% increase as compared to 2009. Nevertheless, according to WSA, many steel-producing nations have still not recovered to their pre-crisis levels, China and certain other Asian countries being the exception. According to the WSA, the global steel industry capacity utilization rate at the end of 2010 was approximately 74%, although production capacity and global steel product consumption still remains unbalanced. As stated by the WSA, surplus production capacity is currently approximately 500 million tons. This imbalance, together with the appreciation of the real and the existence of state government import incentives fueled Brazil's flat steel imports in 2010. Supported by higher raw material prices, especially of coal, scrap and iron ore, international steel prices began to show signs of recovery at the end of 2010, leading some steel plants to consider reactivating their blast furnaces to benefit from the upturn.

### *Brazil*

According to the IABr, apparent consumption of steel products reached the record level of 26.1 million tons in 2010, 41% higher than the previous year, and the Institute expects the figure to increase by a further 6% in 2011, to 28 million tons. Annual consolidated production in 2010 totaled 32.9 million tons of crude steel and 15.2 million tons of rolled flat steel, an increase of 24% and 28% respectively, from the previous year. Consolidated domestic sales of rolled flat steel were 11.5 million tons in 2010, a 25% increase from 2009.

Annual flat steel exports totaled 2.3 million tons, in line with the previous year's figure.

*Automotive*

According to ANFAVEA (the Brazilian auto manufacturers' association), vehicle production reached 3.6 million units in 2010, a 14% increase as compared to 2009. Annual sales totaled 3.5 million units, 12% more than in 2009, the seventh consecutive year of growth. In addition, Brazil closed 2010 as the world's fourth largest vehicle manufacturer for the first time, behind China, the United States and Japan. Exported vehicles totaled 766,000 units in 2010, as compared to 475,000 in 2009. According to ANFAVEA, vehicle sales are expected to grow by 5% in 2011. Recently, the sector announced significant investments over the next years, for the expansion of product lines, increased output and the construction of new plants.

### *Construction*

According to a study by the Getulio Vargas Foundation (FGV), every year 1.5 million new Brazilian families intend to purchase a home. Demand for real estate has been fueled by the expansion of the emerging middle class, higher family income, more formal jobs and the greater availability of credit. Housing loans from the Caixa Econômica Federal (Brazilian Saving Bank), the mortgage lending leader, totaled R\$77.8 billion in 2010, an increase of 57.2% from 2009. LCA, a consulting firm, estimates that the sector grew by 13.9% in 2010.

### *Distribution*

According to INDA (the Brazilian steel distributors' association), flat steel sales by distributors totaled 3.8 million tons in 2010, an increase of 13% from 2009, with purchases of 4.3 million tons (+39%), resulting in increased inventories, which were sufficient for 4.3 months of sales in December 2010, higher than the historical average.

### *Agricultural machinery*

According to ANFAVEA, in 2010 production of agricultural machinery increased by 34% from the previous year to 89,000 units. Annual sales were 68,000 units, 24% higher than in 2009 and the sector's best performance since 1976, while exports increased by 27% to 19,000 units.

### *International*

According to the WSA, U.S. crude steel production totaled 80.6 million tons in 2010, 38.5% more than in 2009, while the U.S. Department of Commerce estimated steel imports of 21.7 million tons, up by 47%. According to WSA, U.S. steel distributors' inventories totaled 4.2 million tons in December 2010, equivalent to 2.6 months of sales.

According to the WSA, Eurozone steel production reached 315 million tons in 2010, 19% up on 2009. As in the U.S., raw material cost increases have been forcing the industry to revisit pricing, resulting in increases throughout the continent. Although demand for steel has been showing signs of recovery in certain countries, there are serious doubts concerning the sustainability of these prices, principally due to weak growth prospects in most European nations.

According to the WSA, crude steel output in China totaled 626 million tons in 2010, 9% up from the previous year and a new record, accounting for 44% of the global total. Japan's crude steel production increased by a substantial 25% over 2009, reaching 109 million tons.

### *Mining*

At the beginning of 2010, a number of incentives focused on the intensive use of steel, to support the global economy were still in force. The commitment of the leading global economies to overcoming the crisis was crucial to the recovery of the market as a whole. According to CRU, as a result of the recovery, iron ore sales, mostly concentrated in the Chinese market in 2009, became more fragmented in 2010. Nevertheless, China remains an important market player. In 2010, the country imported 619 million tons of iron ore, accounting for 60% of the seaborne market, and this figure is expected to reach 895 million tons by 2015, according to CRU.

2010 was a year of major changes in the iron ore market. The traditional pricing system, used for over 40 years, was replaced by a system that reflects market oscillations and is subject to periodic reviews over time. Demand continues to outpace supply on the seaborne market and certain factors in 2010 helped reduce supply even further, including government restrictions on iron ore exports in India, accompanied by the imposition of export taxes. According to

Macquire, the vast majority of new projects (brownfield and greenfield) were delayed and the expected increase in available market volume did not materialize. In light of this scenario, Brazil's iron ore exports reached the record level of 307 million tons in 2010, according to LBH Group, an increase of 15% as compared to 2009.

The Brazilian federal government recently launched a National Mining Program, which envisages investments of US\$270 billion over 20 years and is designed to triple the production of iron ore, copper ore and other minerals by 2030.

Prices increased in the first half in 2011, fueled by growing demand in China and the recovery of the European and North American markets.

#### *Logistics*

##### *Railway logistics*

2010 was a positive year for the Brazilian rail logistics sector. According to the ANTF (National Rail Transport Association), transported volume increased by 15% as compared to 2009, exceeding 455 million tons. The number of rail cars produced increased by 223% as compared to 2009 to 3,300, according to Abifer (Brazilian Railway Industry Association).

With investments by private enterprises and support from the government, the outlook is promising. The government believes the rail network will extend for 41,000 kilometers by 2020, 37% more than the current total.

##### *Port logistics*

According to Antaq (National Waterway Transport Agency), handled volume totaled 834 million tonnes in 2010, 14% up from 2009. In the same period, container volume increased by 12% year-over-year to 6.8 million TEUs.

##### *Cement*

Preliminary studies from SNIC (the Cement Industry Association) indicate local cement sales of 59 million tons in 2010, a 15% increase as compared to 2009. The Southeast region consumed half of this total and the North was the best performer in terms of growth, growing 58%. Annual exports decreased by 23%, as manufacturers prioritized the domestic market. According to SNIC, there are 70 plants operating in Brazil, belonging to 12 national and international groups, with a joint annual installed capacity of 67 million tons, sufficient to meet all of domestic demand.

Significant investments in capacity expansion were announced in 2010, the effects of which should become apparent in the second half of 2011.

*Energy*

In 2010, the electric power market was favored by Brazil's economic performance, led by the domestic market, driven by increased employment and income, as well as the greater availability of credit. Electricity consumption increased 7.8% from 2009, according to the Ministry of Mines and Energy's Energy Research Company.

Industrial consumption made the biggest contribution, increasing by 10.9% and consolidating the post-crisis recovery that begun in the second half of 2009. According to EPE (Empresa de Pesquisa Energética), residential and commercial consumption recorded consistent growth of 6.3% and 5.9%, respectively, in line with recent years.

Even with the growing demand for electric power, Brazil has been adequately incrementing its generating capacity and safely meeting the demand. According to the Annual Energy Operations Plan (PEN 2010), published by the National System Operator (ONS), the National Integrated System's structural energy balance for the next four years must ensure adequate supply, even in adverse hydrological conditions.

This situation is largely the result of the energy auctions promoted by the government, as well as the contracting and construction of new transmission lines, which has permitted greater energetic integration among Brazil's various regions.

**Steel Markets and Product Mix***Supply and Demand for Steel*

Prices of steel are sensitive to changes in worldwide and local demand, which in turn are affected by worldwide and country-specific economic cycles, and to available production capacity. While the export price of steel (which is denominated in U.S. dollars or Euros, depending on the export destination) is the spot price, there is no exchange trading of steel or uniform pricing. Unlike other commodity products, steel is not completely fungible due to wide differences in terms of size, chemical composition, quality and specifications, all of which impact prices. Many companies (including us) discount their list prices for regular customers, making their actual transaction prices difficult for us to determine.

Historically, export prices and margins have been lower than domestic prices and margins, because of the logistics costs, taxes and tariffs. The portion of production that is exported is affected by domestic demand, exchange rate fluctuations and the prices that can be charged in the international markets.

The following table shows Brazilian steel production and apparent consumption (domestic sales plus imports) and global production and demand for the periods indicated:

	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Brazilian Market</b> (in thousands of tons)			
<i>Total Flat and Long Steel</i>			
Production	25,401	20,223	24,726

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Apparent Consumption	26,104	18,576	24,048
<i>Hot-Rolled Coils and Sheets</i>			
Production	4,592	3,474	3,926
Apparent Consumption	3,823	2,615	3,481
<i>Cold-Rolled Coils and Sheets</i>			
Production	3,159	2,692	3,038
Apparent Consumption	3,419	2,497	2,849
<i>Galvanized Sheets</i>			
Production	2,449	2,004	2,343
Apparent Consumption	3,243	2,262	2,478
<i>Tin Plates</i>			
Production	774	665	724
Apparent Consumption	634	570	623
<b>Global Market</b> (in millions of tons)			
Crude Steel Production	1,414	1,224	1,330
Demand	1,284	1,134	1,309

Source: IABr and World Steel Association, or WSA.

***Product Mix and Prices***

Sales trends in both the domestic and export markets are forecasted monthly based on historical data of the preceding months. CSN uses its own information system to remain current on market developments so that it can respond swiftly to fluctuations in demand.

CSN considers its flexibility in shifting between markets, and its ability to monitor and optimize inventory levels in light of changing demand, as key to its success.

We have a strategy of increasing the portion of our sales attributable to higher value-added coated products, particularly galvanized and tin plate products. Galvanized products are directed at the automotive, construction and home appliance industries. Tin plate products are used by the steel packaging market.

Supported by higher raw material prices, especially of coal, scrap and iron ore, international steel prices increased at the close of 2010. Domestic prices are aligned with the price of imported products (including aggregated import costs).

***Sales Volume and Net Operating Revenues by Steel Products and Markets***

The following table sets forth our steel product sales volume and net operating revenues by product and market.

	Sales Volume						
	Tons		% of Sales Volume			Total	
	2010	2009	In Market		2010	2009	
<i>(in thousands of tons)</i>		<i>(in percentages)</i>					
<u>Domestic Sales</u>							
Slabs	51	25	1%	1%	1%	1%	
Hot-Rolled	1,801	1,204	44%	37%	38%	29%	
Cold-Rolled	707	639	17%	20%	15%	16%	
Galvanized	1,065	875	26%	27%	22%	21%	
Tin Mill	512	500	12%	15%	11%	12%	
Subtotal	<b>4,135</b>	<b>3,243</b>	<b>100%</b>	<b>100%</b>	<b>86%</b>	<b>79%</b>	
<u>Export Sales</u>							
Slabs	0	162	0%	19%	0%	4%	
Hot-Rolled	1	191	0%	22%	0%	5%	
Cold-Rolled	19	4	3%	0%	0%	0%	
Galvanized	488	397	74%	46%	10%	10%	
Tin Mill	152	114	23%	13%	3%	2%	
Subtotal	<b>661</b>	<b>868</b>	<b>100%</b>	<b>100%</b>	<b>14%</b>	<b>21%</b>	
Total	<b>4,796</b>	<b>4,111</b>			<b>100%</b>	<b>100%</b>	
<u>Total Sales</u>							

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Slabs	51	187	1%	4%
Hot-Rolled	1,803	1,395	38%	34%
Cold-Rolled	726	643	15%	16%
Galvanized	1,553	1,273	32%	31%
Tin Mill	664	614	14%	15%
Total	<b>4,796</b>	<b>4,111</b>	<b>100%</b>	<b>100%</b>

The following table sets forth our steel product net revenues by product and market.

	Net Operating Revenues		% of Net Operating Revenues			
	R\$ (Reais)		In Market		Total	
	2010	2009	2010	2009	2010	2009
	<i>(in millions of R\$)</i>		<i>(in percentages)</i>			
<u>Domestic Sales</u>						
Slabs	41	20	0%	0%	0%	0%
Hot-Rolled	3,011	1,982	35%	29%	31%	25%
Cold-Rolled	1,387	1,172	16%	18%	14%	15%
Galvanized	2,559	2,099	30%	31%	26%	27%
Tin Mill	1,576	1,511	18%	22%	16%	19%
Subtotal	<b>8,575</b>	<b>6,784</b>	<b>99%</b>	<b>100%</b>	<b>87%</b>	<b>86%</b>
<u>Export Sales</u>						
Slabs	0	123	0%	11%	0%	2%
Hot-Rolled	2	182	0%	16%	0%	2%
Cold-Rolled	27	8	2%	1%	0%	0%
Galvanized	778	553	70%	49%	8%	7%
Tin Mill	300	259	27%	23%	3%	3%
Subtotal	<b>1,107</b>	<b>1,125</b>	<b>99%</b>	<b>100%</b>	<b>11%</b>	<b>14%</b>
Total	<b>9,682</b>	<b>7,909</b>			<b>98%</b>	<b>100%</b>
<u>Total Sales</u>						
Slabs	41	143	0%	2%	0%	2%
Hot-Rolled	3,013	2,163	31%	27%	30%	26%
Cold-Rolled	1,414	1,180	15%	15%	14%	14%
Galvanized	3,337	2,637	34%	33%	34%	32%
Tin Mill	1,876	1,770	19%	22%	19%	22%
Subtotal	<b>9,682</b>	<b>7,894</b>	<b>99%</b>	<b>100%</b>	<b>98%</b>	<b>98%</b>
By-Product	244	307			2%	2%
Total	<b>9,926</b>	<b>8,219</b>			<b>100%</b>	<b>100%</b>

### *Brazilian Macro-Economic Scenario*

As a company with the vast majority of its operations currently in Brazil, we are affected by the general economic conditions of Brazil. We believe the rate of growth in Brazil is important in determining our future growth capacity and our results of operations.

The following table shows certain Brazilian economic indicators for the periods indicated:

**Year ended December 31,**

	2010	2009	2008
GDP growth	7.5%	(0.2%)	5.1%
Inflation (IPCA) <sup>(1)</sup>	5.9%	4.3%	5.9%
Inflation (IGP-M) <sup>(2)</sup>	11.3%	(1.7%)	9.8%
CDI <sup>(3)</sup>	9.8%	9.8%	12.4%
Appreciation (depreciation) of the <i>real</i> against the U.S. dollar	4.3%	25.5%	(32.0%)
Exchange rate at end of period (US\$1.00)	R\$1.666	R\$1.741	R\$2.337
Average exchange rate (US\$1.00)	R\$1.759	R\$1.994	R\$1.837

Sources: IBGE, Fundação Getúlio Vargas, Central Bank and Bloomberg.

(1)The IPCA is a consumer price index measured by the IBGE.

(2)The IGP-M is the general market price index measured by the Fundação Getúlio Vargas.

(3)The Interbank Deposit Rate, or CDI, represents the average interbank deposit rate performed during a given day in Brazil (accrued as of the last month of the period, annualized).

### Effects of Exchange Rate Fluctuations

Our export revenues are substantially denominated in U.S. dollars. Our domestic revenues are denominated in Brazilian *reais* (although domestic sales prices reflect international prices with a time lag of some months).

A significant portion of our cost of products sold are commoditized raw materials, the prices of which are denominated in U.S. dollars. The balance of our cost of products sold and our cash operating expenses (i.e., operating expenses other than depreciation and amortization) are denominated in *reais*.

The appreciation of the U.S. dollar against the *real* has the following effects on our results of operations expressed in U.S. dollars:

- domestic revenues tend to be lower (in comparison with prior years) and to the extent we sell more products than usual in the domestic as opposed to the export markets, this effect is magnified;
- the impact of *real* denominated costs of products sold and operating costs tend to be lower; and
- financial expenses are increased to the extent the exposure to dollar-denominated debt is not protected.

The appreciation of the *real* against the U.S. dollar has the following effects on our results of operations expressed in US dollars:

- domestic revenues tend to be higher (in comparison with prior years) and this effect is magnified to the extent that we sell more products than usual in the domestic markets;
- the impact of *real*-denominated costs of products sold and operating costs tends to be higher; and
- financial income is higher to the extent the exposure to dollar-denominated debt has not been protected.

The impact of fluctuations in the *real* exchange rate against other currencies on our results of operations can be seen in the “foreign exchange and monetary gain (loss), net” line in our income statement, although that amount is partially offset by the net financial income (or expense) attributable to the profit (or loss) on our derivative transaction of our foreign currency-denominated debt. In order to minimize the effects of the exchange rate fluctuations, we often engage in derivative transactions, including currency swap and foreign currency option agreements. For a discussion of the possible impact of fluctuations in the foreign currency exchange and interest rates on our principal financial instruments and positions, see “Item 11. Quantitative and Qualitative Disclosures About Market Risk.”

### Effects of Inflation and Interest Rates

Inflation rates in Brazil have been significantly volatile in the past. Inflation rates remained relatively stable from 2003 to 2004, decreased in 2005 and 2006 and increased in 2007 and 2008. In 2009, for the first time since its creation in 1989, the IGP-M inflation index recorded a deflation in a calendar year, equivalent to 1.71%. In 2010 the index increased again and closed the year at 11.3%.

Inflation affects our financial performance by increasing some of our costs and expenses denominated in *reais* that are not linked to the U.S. dollar. Our cash costs and operating expenses are substantially denominated in *reais* and

have tended to follow the Brazilian inflation ratio because our suppliers and service providers generally increase or decrease prices to reflect Brazilian inflation. In addition, some of our *real-denominated* debt is indexed to take into account the effects of inflation. Under this debt, the principal amount is generally adjusted with reference to inflation indexes. In addition, a significant portion of our *real-denominated* debt bears interest based on the Interbank Deposit Certificate (*Certificado de Depósito Interbancário*), or CDI, rate which is partially adjusted for inflation.

The table below shows the Brazilian general price inflation and the CDI for the periods shown.

**Year ended December 31,**

	<b>2010</b>	<b>2009</b>	<b>2008</b>
Inflation (IGP-M) <sup>(1)</sup>	11.3%	-1.7%	9.8%
CDI <sup>(2)</sup>	9.8%	9.8%	12.4%

Source: Fundação Getúlio Vargas, or FGV, and Bloomberg.

(1) The IGP-M inflation is the general market price index measured by the FGV.

(2) The Interbank Deposit Rate, or CDI, represents the average interbank deposit rate performed during a given day in Brazil (accrued as of the last month of the period, annualized).

**Accounting for mining production utilized by our steel production**

We are currently self-sufficient in iron ore used in the steel production. The iron ore is extracted from our Casa de Pedra mine, which in 2010 supplied approximately 6.9 million tons of its total iron ore production (approximately 21.6 million tons) to us. The remainder of the iron ore production is sold to third party clients in Brazil and throughout the world.

The cost of iron ore sold is recorded on our income statement in cost of goods sold line item at its extraction cost plus transport from the mine. In 2010 and 2009, these costs were R\$239 million and R\$221 million, respectively.

**Critical Accounting Estimates**

We prepared our consolidated financial statements as of and for the year ended December 31, 2010 in accordance with IFRS, as issued by the IASB. In preparing our consolidated financial statements, we make estimates concerning a variety of matters. Some of these matters are highly uncertain, and our estimates involve judgments we make based on the information available to us. In the discussion below, we have identified several of these matters for which our financial presentation would be materially affected if either (1) we used different estimates that we could reasonably have used or (2) in the future we change our estimates in response to changes that are reasonably likely to occur.

This discussion addresses only those estimates that we consider most important based on the degree of uncertainty and the likelihood of a material impact if we used a different estimate. There are many other areas in which we use estimates about uncertain matters, but the reasonably likely effect of changed or different estimates is not material to our financial presentation.

***Impairment of long-lived assets, intangible assets and goodwill***

In accordance with IAS 36 “Impairment of assets”, long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset.

A determination of the fair value of an asset requires management to make certain assumptions and estimates with respect to projected cash inflows and outflows related to future revenues and expenditures. These assumptions and

estimates can be influenced by different external and internal factors, such as economic and industry trends, interest rates and changes in the marketplace. A change in the assumptions and estimates that we use could change our estimate of the expected future net cash flows and lead to the recognition of an impairment charge in results of operations relating to our property, plant and equipment.

Assets that have an indefinite useful life, such as goodwill, are not subject to amortization and are tested annually for impairment in accordance with IAS 36 “ Impairment of assets” . Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Goodwill is allocated to Cash-Generating Units (CGUs) for impairment testing purposes. The allocation is made to Cash-Generating Units or groups of a 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.

### ***Depreciation and amortization***

The basis for calculation of depreciation is the cost of the asset less the estimated residual value upon sale. While no specific depreciation method is recommended, the method chosen should be applied consistently for all significant components of assets and allocation of the depreciation should be on a systematic basis for each one of the accounting periods that best represents the realization of the economic benefits during the usable lives of assets.

A review of the estimated useful life was conducted, and the adjustments in the depreciation of assets recorded in property, plant and equipment were made on a prospective basis as from January 1, 2010. See further details in Note 14 to our consolidated financial statements.

### ***Fair value of business combinations***

We estimate the fair value of assets acquired and liabilities assumed of our business combinations as required by IFRS 3 “Business Combination”. Accordingly, when determining the purchase price allocations of our business acquisitions, we adjust to fair value certain items such as inventories, property, plant and equipment, mines, present value of long-term assets and liabilities, among others, which are determined by independent appraisals that perform the valuations for us.

Goodwill represents the excess of the cost of an acquisition over the Company’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company. If there is any negative goodwill determined by the acquirer in the fair value of the assets, liabilities and contingent liabilities acquired in relation to the cost of acquisition, the Company should recognize it immediately in the statement of income.

The Company elected not to remeasure the business acquisitions that occurred prior to January 1, 2009, according to the business combination exemption permitted by IFRS 1. Acquisitions subsequent to January 1, 2009 have been recognized in accordance with IFRS 3, “Business Combinations”.

### ***Derivatives***

IAS 39, “Financial Instruments: Recognition and Measurement”, requires that we recognize all derivative financial instruments as either assets or liabilities on our balance sheet and measure such instruments at fair value. Changes in the fair value of derivatives are recorded in each period in the statement of income or in other comprehensive income, in the latter case depending on whether a transaction is designated as an effective hedge. Our derivative instruments do not qualify for hedge accounting. Changes in the fair value of any of these derivative instruments are immediately recorded in the statements of income under “Other gains (losses), net”. Although the Company uses derivative for hedging purposes, it does not apply hedge accounting. With respect to the fair value measurement, we must make assumptions such as to future foreign currency exchange and interest rates. For a discussion of the possible impact of fluctuations in the foreign currency exchange and interest rates on our principal financial instruments and positions, see “Item 11. Quantitative and Qualitative Disclosures About Market Risk.”

### ***Pension plans***

We sponsor defined benefit pension plans covering some of our retirees. We account for these benefits in accordance with IAS 19, "Employee Benefits,". The determination of the amount of our obligations for pension benefits depends on certain actuarial assumptions. These assumptions are described in Note 30 to our consolidated financial statements and include, among others, the expected long-term rate of return on plan assets and increases in salaries. In accordance with IFRS, when the benefits of a plan are increased, the portion of the increased benefit related to past services of employees is recognized under the straight-line method over the average period until the benefits become vested. When the benefits become immediately vested, the expense is immediately 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.

***Deferred taxes***

We compute and pay income taxes based on results of operations determined under Brazilian GAAP. A deferred income tax liability is recognized for all temporary tax differences, while a deferred income tax asset is recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax assets and liabilities are classified as long-term. Tax assets and liabilities are offset if the entity has a legally enforceable right to offset them and they are related to taxes levied by the same taxing authority. If the criterion for offset of current tax assets and liabilities is met, deferred tax assets and liabilities will also be offset. The income tax related to items recognized directly in equity in the current period or in a prior period is recognized directly in the same account. We regularly review the deferred income tax assets for recoverability and establish a valuation allowance if, under IFRS, it is not probable that the deferred income tax assets will be realized, based on historical taxable income, projected future taxable income, and the expected timing of the reversals of existing temporary differences. A change in the assumptions and estimates with respect to our expected future taxable income could result in the recognition of a valuation allowance being charged to income. If we operate at a loss or are unable to generate sufficient future taxable income, or if there is a material change in the actual effective tax rates or discount rates, the time period over which the underlying temporary differences become taxable or deductible, or any change in its future projections, we could be required to establish a valuation allowance against all or a significant portion of our deferred tax assets, resulting in a substantial increase of our effective tax rate and a material adverse impact on operating results.

***Contingencies and disputed taxes***

We record provisions for contingencies relating to legal proceedings with respect to which we deem the likelihood of an unfavorable outcome to be probable and the loss can be reasonably estimated. This determination is made based on the legal opinion of our internal and external legal counsel. We believe these contingencies are properly recognized in our financial statements in accordance with IAS 37 “Provision, Contingent Liabilities and Contingent Assets”. We are also involved in judicial and administrative proceedings that are aimed at obtaining or defending our legal rights with respect to taxes that we believe to be unconstitutional or otherwise not required to be paid by us. We believe that these proceedings will ultimately result in the realization of contingent tax credits or benefits that can be used to settle direct and indirect tax obligations owed to the Brazilian Federal or State Governments or to settle municipal tax obligations owed to the corresponding Municipality as per our laws. We do not recognize these contingent tax credits or benefits in our financial statements until realization of such gain contingencies has been resolved. This occurs when a final irrevocable decision is rendered by the courts in Brazil. When we use contingent tax credits or benefits based on favorable temporary court decisions that are still subject to appeal to offset current direct or indirect tax obligations, we maintain the legal obligation accrued in our financial statements until a final irrevocable judicial decision on those contingent tax credits or benefits is rendered. The accrual for the legal obligation related to the current direct or indirect tax obligations offset is not reversed until such time as the utilization of the contingent tax credits or benefits is ultimately realized. The accounting for the contingent tax credits is in accordance with accounting for contingent assets under IAS 37. Our accruals include interest on the tax obligations that we may offset with contingent tax credits or benefits at the interest rate defined in the relevant tax law. The recorded accruals for these disputed taxes and other contingencies may change in the future due to new developments in each matter, such as changes in legislation, irrevocable, final judicial decisions specific to us, or changes in approach, such as a change in settlement strategy in dealing with these matters. See “Item 8A. Consolidated Statements and Other Financial Information—Legal Proceedings” for further information on the judicial and administrative proceedings in which we are involved.

***Allowance for doubtful accounts***

We consider a provision for bad debts in our trade accounts receivable in order to reflect our expectation as to the net realizable value thereof. This provision is estimated based on an analysis of our receivables and is periodically reviewed to maintain real expectation of collectability of our accounts receivable.

**Recently Issued Accounting Pronouncements Adopted and Not Adopted by Us**

For a description on the recently issued accounting pronouncements, see Note 2 to our consolidated financial statements contained in “Item 18. Financial Statements” We prepared our consolidated financial statements as of and for the year ended December 31, 2010 in accordance with IFRS, as issued by the IASB. Our consolidated financial statements presented in our annual report on Form 20-F were previously prepared and presented in accordance with U.S. GAAP. Pursuant to IFRS 1 “First-time Adoption of International Reporting Standards”, we have used consistent accounting policies for both the current period, financial data as of and for the year ended December 31, 2010 and the comparative period, financial data as of and for the year ended December 31, 2009. These accounting policies comply with IFRS effective at December 31, 2010.

For the most significant differences and the reconciliation between our consolidated financial statements prepared in accordance with U.S. GAAP and IFRS, see, Note 4 to our consolidated financial statements included elsewhere in this Form 20-F.

**Results of Operations**

The following table presents certain financial information with respect to our operating results for each of the years ended December 31, 2010 and 2009 and the percentage change in each of these items comparing 2010 to 2009:

	<b>Year Ended December 31,</b>		<b>Increase (Decrease)</b>
	<b>2010</b>	<b>2009</b>	
<b>Net operating revenues</b>	<b>14,451</b>	<b>10,978</b>	32%
Cost of products sold	(7,687)	(7,022)	9%
<b>Gross profit</b>	<b>6,764</b>	<b>3,956</b>	71%
Operating expenses			
Selling	(678)	(636)	7%
General and administrative	(537)	(480)	12%
Other income	92	1,417	(93%)
Other expenses	(643)	(696)	(8%)

<b>Operating income</b>	<b>4,998</b>	<b>3,561</b>	40%
Finance income (expenses), net	(1,911)	(246)	677%
<b>Income before income taxes</b>	<b>3,087</b>	<b>3,315</b>	(7%)
Income Tax	<b>(571)</b>	<b>(700)</b>	(18%)
Current	(314)	(582)	(46%)
Deferred	(257)	(118)	118%
<b>Net income</b>	<b>2,516</b>	<b>2,615</b>	(4%)
<b>Non-controlling interests</b>	(0)	(4)	(95%)
<b>Owners of the Company</b>	<b>2,516</b>	<b>2,619</b>	(4%)

**Year 2010 Compared to Year 2009**

In addition to the consolidated figures reported above, the Company reports its integrated operations in five business segments: steel, mining, cement, logistics (including Port and Railway) and energy. The operating results of each segment are disclosed separately. 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.

Our consolidated results for the years ended December 31, 2010 and 2009 by business segment are presented below:

R\$ million Consolidated Results	Steel	Mining	Logistics		Cement	Energy	Eliminations	Year Ended
			Port Logistics	Railway Logistics				December 31, 2010
<b>Net operating revenues</b>	<b>9.926</b>	<b>3.615</b>	<b>119</b>	<b>838</b>	<b>202</b>	<b>114</b>	<b>(364)</b>	<b>14.451</b>
Domestic Market	8.763	574	119	838	202	114	(364)	10.247
Export Market	1.163	3.041						4.204
<b>Cost of goods sold</b>	<b>(6.095)</b>	<b>(1.187)</b>	<b>(70)</b>	<b>(522)</b>	<b>(164)</b>	<b>(42)</b>	<b>393</b>	<b>(7.687)</b>
<b>Gross profit</b>	<b>3.831</b>	<b>2.428</b>	<b>49</b>	<b>317</b>	<b>38</b>	<b>72</b>	<b>29</b>	<b>6.764</b>
								<b>Year Ended December 31, 2009</b>
R\$ million Consolidated Results	Steel	Mining	Logistics	Logistics	Cement	Energy	Eliminations	Consolidated
<b>Net operating revenues</b>	<b>8.201</b>	<b>1.964</b>	<b>144</b>	<b>823</b>	<b>60</b>	<b>117</b>	<b>(330)</b>	<b>10.978</b>
Domestic Market	7.046	247	144	823	60	117	(330)	8.107
Export Market	1.156	1.716						2.872
<b>Cost of goods sold</b>	<b>(5.572)</b>	<b>(1.179)</b>	<b>(76)</b>	<b>(464)</b>	<b>(61)</b>	<b>(43)</b>	<b>373</b>	<b>(7.022)</b>
<b>Gross profit</b>	<b>2.629</b>	<b>784</b>	<b>69</b>	<b>358</b>	<b>(1)</b>	<b>73</b>	<b>43</b>	<b>3.956</b>

**Net Operating Revenues**

Net operating revenues were R\$14,451 million in 2010, an increase of R\$3,473 million, or 31.6%, from R\$10,978 million recorded in 2009, mainly due to the increase in steel and mining revenues, segments that represent more than 90% of our total net revenues.

Net domestic revenues increased 26.4%, from R\$8,107 million in 2009 to R\$10,247 million in 2010, while total net export revenues increased 46.4%, from R\$2,872 million in 2009 to R\$4,204 million in 2010.

**Steel**

Steel net operating revenues increased R\$1,725 million, or 21.0%, from R\$8,201 million in 2009 to R\$9,926 million in 2010, mainly due to the 16.7% increase in steel sales volume from 4,110 million tons in 2009 to 4,796 million tons in 2010 and to the increase of 5.0% in the steel average prices.

Steel net domestic revenues increased 24.4%, from R\$7,046 million in 2009 to R\$8,763 million in 2010, due to the increase of 27.5% in domestic sales volume from 3,243 million in 2009 to 4,135 million in 2010, given the increase in demand.

Steel net export revenues increased 0.6%, from R\$1,156 million in 2009 to R\$1,163 million in 2010.

### ***Mining***

Mining net operating revenues increased R\$1,651 million, or 84.1%, from R\$1,964 million in 2009 to R\$3,615 million in 2010 primarily due to higher international prices and the increase in sales volume.

Mining net domestic revenues increased R\$327 million, or 132.4%, mainly due to the increase of 113.2% in domestic sales volume from 713 million tons in 2009 to 1,520 million in 2010, given the increase in demand.

Mining net export revenues increased R\$1,325 million, or 77.2%, from R\$1,716 million in 2009 to R\$3,041 million in 2010, primarily due to the increase in international iron ore prices driven by the strong demand, mainly from China.

### ***Logistics***

Total logistics net operating revenues in 2010 achieved R\$957 million, a reduction of 1.0% as compared with the net logistics operating revenues of R\$967 million reported in 2009. In 2010, net revenue from railway logistics totaled R\$838 million and net revenue from port logistics amounted to R\$119 million, while in 2009, net revenue from railway logistics totaled R\$823 million and net revenue from port logistics amounted to R\$144 million.

### ***Cement***

In May 2009, we began producing cement in our new plant in Volta Redonda, adjacent to the Presidente Vargas Steelworks, adding value to the slag generated during steel production.

As we operated the plant during the whole year, in 2010 we increased significantly the sales of cement, reaching 992 thousand tons, a 193.5% increase over 2009. This increase in sales does not consider the full operation of our cement segment, which is in process of growth.

As a consequence, in 2010, net revenue from cement segment totaled R\$202 million, an increase of 236.7% from 2009 net revenue of R\$60 million.

### ***Energy***

In 2010 our net operating revenues from the energy segment totaled R\$114 million, a decrease of R\$3 million as compared with the net operating revenues of R\$117 million reported in 2009 in this segment.

### **Cost of Products Sold**

In 2010, consolidated cost of products sold amounted to R\$7,687 million, representing a 9.5% increase as compared to R\$7,022 million recorded in 2009.

### ***Steel***

Consolidated steel costs were R\$6,095 million in 2010, representing a 9.4% increase as compared to the R\$5,572 million recorded in 2009, mainly as a result of higher sales, partially offset by the greater dilution of fixed costs.

Other than the sale of excess inventories from time to time and the purchase by our subsidiaries of semi-finished products from third parties for further processing, our cost of products sold is equivalent to our steel production cost.

The following table sets forth our steel production costs, the production costs per ton of steel and the portion of production costs attributable to the primary components of our costs of production. With the exception of coal and coke, which we import, and some metals (such as aluminum, zinc and tin) with domestic prices linked to international prices, our costs of production are mostly denominated in reais.

<b>R\$ million</b>	<b>2010</b>			<b>2009</b>		
<b>Raw Materials</b>	<b>R\$ million</b>	<b>R\$ / ton</b>	<b>%</b>	<b>R\$ million</b>	<b>R\$ / ton</b>	<b>%</b>
Iron Ore	239	47.0	4.3%	221	50.6	4.9%
Coal	1,239	243.7	22.1%	1,042	238.7	22.9%
Coke	382	75.1	6.8%	378	86.6	8.3%
Metals	244	48.0	4.3%	174	39.9	3.8%
Outsourced Slabs and Hot Coils	272	53.5	4.9%	62	14.2	1.4%
Pellets	169	33.2	3.0%	59	13.5	1.3%
Scrap	64	12.6	1.1%	100	22.9	2.2%
Other (1)	274	53.9	4.9%	201	46.0	4.4%
(1) Include limestone and dolomite						
<b>Energy / Fuel</b>	<b>561</b>	<b>110.3</b>	<b>10.1%</b>	<b>436</b>	<b>99.9</b>	<b>9.6%</b>
<b>Labor</b>	<b>570</b>	<b>112.1</b>	<b>10.2%</b>	<b>468</b>	<b>107.2</b>	<b>10.3%</b>
<b>Services and Maintenance</b>	<b>743</b>	<b>146.1</b>	<b>13.3%</b>	<b>657</b>	<b>150.5</b>	<b>14.4%</b>
<b>Tools and Supplies</b>	<b>269</b>	<b>52.9</b>	<b>4.8%</b>	<b>221</b>	<b>50.6</b>	<b>4.9%</b>
<b>Depreciation</b>	<b>489</b>	<b>96.2</b>	<b>8.7%</b>	<b>417</b>	<b>95.5</b>	<b>9.2%</b>
<b>Other</b>	<b>59</b>	<b>16.5</b>	<b>1.5%</b>	<b>120</b>	<b>27.5</b>	<b>2.6%</b>
<b>Total Steel Cost Production</b>	<b>5,574</b>	<b>1,101.3</b>	<b>100.0%</b>	<b>4,556</b>	<b>1,043.5</b>	<b>100.0%</b>

(\*) adjustment according to adoption of the International Financial Reporting Standards (IFRS)

In 2010, our steel production costs were R\$5,574 million, a 22.3% or R\$1,018 million increase from R\$4,556 million reported in 2009.

We are self-sufficient in almost all the raw materials used in the steel production. The principal raw materials we use in our integrated steel mill include iron ore, coke, coal (from which we produce most of our coke necessities), limestone, dolomite, aluminum, tin and zinc. In addition, our production operations consume water, gases, electricity and ancillary materials.

We obtain all of our iron ore requirements from our Casa de Pedra mine located in the State of Minas Gerais, and the limestone and dolomite from our Bocaina mine in the city of Arcos, in the State of Minas Gerais.

The coal and coke we consume are acquired from different international producers “See Item Raw Materials and Suppliers”. During 2010, given the higher global demand for steel products, there was a increase in the consumption and in the prices of some commodities used for steelmaking.

Our coal costs increased 18.9%, from R\$1,042 million in 2009 to R\$1,239 million in 2010, corresponding to 22.1% of our steel production cost, given the increase in consumption and higher average prices.

Production cost increased also due to the higher consumption of hot-rolled coils acquired from third parties in 2010. Those costs increased 338.7%, from R\$62 million in 2009 to R\$272 million in 2010 due to the acquisition, by the company, of semi-finished products from third-parties, to face the strong steel demand after the global economic crisis. This increase in steel demand was mainly noticed in the 1st half of 2010, as compared to the same period of 2009, when the world was in the middle of the economic crisis.

The costs of metals such as aluminum, zinc and tin also increased from R\$174 million in 2009 to R\$244 million in 2010, given the increase in consumption and higher prices.

Other raw materials include pellets and scrap purchased in the market and also limestone and dolomite that we extract from our own mines in the state of Minas Gerais.

### ***Mining***

Our mining costs totaled R\$1,187 million in 2010, in line with the R\$1,179 million reported in 2009, despite the 6.2% increase in sales volume, which was offset by the greater dilution of fixed costs.

### ***Logistics***

In 2010, cost of services attributable to our logistics segment totaled R\$592 million, representing a 9.6% (or R\$52 million) increase as compared to the R\$540 million reported in 2009, mainly due to the increase in the cost of services of our railway logistics, which totaled R\$522 million in 2010, a 12.5% increase (or R\$58 million) from the R\$464 million reported in 2009. The railway logistics represented 88% of the total logistics costs in 2010 and 86% of the total logistics costs in 2009.

On the other hand, cost of services from port logistics totaled R\$70 million, a 7.9% decrease from the R\$76 million reported in 2009.

### ***Cement***

Cost of products sold attributable to our cement segment achieved R\$164 million in 2010, R\$103 million, or 168.8%, more than the R\$61 million reported in 2009, due to increase in sales, as described above.

### ***Energy***

In 2010, cost of products sold attributable to our energy segment was R\$42 million, in line with the R\$43 million reported in 2009.

### **Gross Profit**

Gross profit increased R\$2,808 million, or 71.0%, from R\$3,956 million in 2009 to R\$6,764 million in 2010, due to the increase of R\$3,473 million in net operating revenues and the increase of R\$665 million in cost of products sold.

### ***Steel***

Gross profit in the steel segment increased R\$1,202 million, or 45.7%, from R\$2,629 million in 2009 to R\$3,831 million in 2010, due to the increase of R\$1,725 million in steel net revenues, driven by the increase in sales volume and in steel average prices, partially offset by the increase of R\$523 million in the cost of steel products sold.

### ***Mining***

Our gross profit in the mining segment increased R\$1,644 million, or 209.6% from R\$784 million in 2009 to R\$2,428 million in 2010, mainly due to the increase of R\$1,651 million in mining net operating revenues due to higher international prices and the increase in sales volume.

### ***Logistics***

Gross profit in the logistics segment decreased 14.3% in 2010, from R\$427 million in 2009 to R\$366 million in 2010, due to the decrease of 1.0% in net revenues and the increase of 9.6% in the cost of products sold.

***Cement***

Gross profit in the cement segment increased R\$39 million, from a negative result of R\$1 million in 2009 to a positive result of R\$38 million in 2010, due to the increase of 236.7% in net revenues, partially offset by a 168.8% increase in the cost of products sold.

### ***Energy***

The energy segment reported in 2010 a gross profit of R\$72 million, in line with the R\$73 million reported in 2009.

### ***Selling, General and Administrative Expenses***

In 2010, we recorded selling, general and administrative expenses of R\$1,215 million, a 9% increase from 2009.

Selling expenses increased 7% , from R\$636 million in 2009 to R\$ 678 million in 2010, reflecting the stronger sales efforts in 2010.

General and administrative expenses increased 12%, from R\$480 million in 2009 to R\$537 million in 2010.

### ***Other operating income (Expenses)***

In 2010, we recorded a net other expense of R\$551 million in the “Other Revenue and Expenses” line-item, as compared to a net revenue of R\$721 million in 2009. The R\$1,272 million reduction was principally due to the positive non-recurring effects in 2009 of the reverse merger of Big Jump Energy Participacoes SA by our investee Namisa in the amount of R\$ 835 million and our adherence of to the REFIS tax repayment program in the amount of R\$ 505 million.

### ***Operating Income***

Operating income increased by 40.3%, or R\$1,437 million, from R\$3,561 million in 2009 to R\$4,998 million in 2010. This increase was mainly due to the R\$3,473 million increase in net revenues, offset by the reduction on cost of product sold in the amount of R\$665 million and the R\$1,272 million reduction in the “Other Revenue and Expenses” line, principally due to the positive non-recurring effects in 2009 of the reverse merger of Big Jump Energy Participacoes SA by our investee Namisa in the amount of R\$ 835 million and our adherence of to the REFIS tax repayment program in the amount of R\$ 505 million.

### ***Financial expenses (income), net***

In 2010, our net financial expenses increased by 676.8%, or R\$1,665 million, from R\$246 million in 2009 to R\$1,911 million in 2010, mainly due to the following items:

- Interest income increased by 10%, or R\$57 million, from R\$586 million in 2009 to US\$643 million in 2010 mainly due to the increase of R\$118 million in returns on financial investments, due to the increases in cash and cash equivalents. This decrease was partially offset by the decrease of R\$58 million in other financial income;
- Interest expense increased by 16.3%, or R\$308 million, from R\$1,892 million in 2009 to US\$2,200 million in 2010 mainly due to the increase of R\$514 million in interests on loans and financing in local currency and the increase of R\$128 million in interests on loans and financing in foreign currency. This was partially offset by the increase of R\$130 million in capitalized interests and the decrease of R\$125 million in losses from derivatives instruments;
- Foreign exchange and monetary loss, net, including operations with derivatives decreased by 133.1%, or R\$1,414 million, from a gain of R\$1,060 million in 2009 to a loss of R\$354 million in 2010 mainly affected by

appreciation of the *real* against the *U.S. dollar*. This appreciation affects:

- Our U.S. dollar-denominated gross debt;
- Our U.S. dollar-denominated cash and cash equivalents; and
- Our trade accounts receivable and payable.

### *Income Taxes*

We recorded an expense for income tax and social contribution of R\$571 million in 2010, as compared to R\$700 million in 2009. Expressed as a percentage of pre-tax income, income tax expense decreased from 21.1% in 2009 to 18.5% in 2010. Income tax expense in Brazil refers to the collection of federal income tax and social contribution tax. The statutory rates for these taxes applicable to the periods presented herein were 25% for federal income tax and 9% for the social contribution. Therefore, the balances owed for these periods totaled R\$1,050 million in 2010 and R\$1,127 million in 2009 (34% of income before taxes and equity in affiliated companies). Adjustments are made to these rates in order to reach the actual tax expense for the years.

For the year ended December 31, 2010, adjustments totaled R\$479 million and were comprised of:

- a R\$121 million benefit from interest on stockholders' equity;
- a R\$216 million adjustment related to equity income of subsidiaries at different rates or which are not taxable;
- tax incentives that represented a net tax adjustment of R\$34 million;
- a R\$106 million benefit related to non taxable income from the Federal Tax Repayment Program, or REFIS, adjustments;

For the year ended December 31, 2009, adjustments totaled R\$427 million and were comprised of:

- a R\$109 million benefit from interest on stockholders' equity;
- a R\$169 million benefit related to equity income of subsidiaries at different rates or which are not taxable;
- tax incentives that represented a net tax adjustment of R\$12 million;
- a R\$252 million benefit related to non taxable income from the Federal Tax Repayment Program, or REFIS, adjustments; and
- These increases were offset by other permanent exclusions in the amount of R\$115 million, mainly by the constitution of deferred income tax on the tax loss carryforwards of the subsidiary Prada.

It is not possible to predict the future adjustments to the federal income tax and social contribution at statutory rates, as they depend on interest on stockholder's equity, non-taxable factors including income from offshore operations, and tax losses from offshore operations, especially when expressed as a percentage of income.

### *Net Income*

In 2010, we had net income of R\$ 2,516 million, a 4% decrease from 2009. The improved results in steel and mining segments were offset by the increase in other operating expenses due to non-recurring gains recorded in 2009 and the increase in financial expenses in 2010.

## **5B. Liquidity and Capital Resources**

### **Overview**

Our main uses of funds are for capital expenditures, repayment of debt and dividend payments. We have historically met these requirements by using cash generated from operating activities and through the issuance of short- and long-term debt instruments. We expect to meet our cash needs for 2011 primarily through a combination of operating cash flow, cash and cash equivalents on hand and newly issued long-term debt instruments.

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

## **Sources of Funds and Working Capital**

### ***Cash Flows***

Cash and cash equivalents as of December 31, 2010 and 2009 totaled R\$2,268 million and R\$ 1,181 million, respectively.

### ***Operating Activities***

Cash provided from operations was R\$ 2,482 million and cash used in operations was R\$ 773 million, in 2010 and 2009 respectively. The R\$ 3,255 million increase in cash flow from operating activities in 2010 as compared to 2009 was mainly due to an increase of R\$ 3,106 million in adjustments to reconcile net income mainly due to an increase of financial interests of R\$ 359 million, accrual for derivatives in the amount of R\$ 215 million and net foreign exchange gain of R\$ 2,082 million and gain with equity investment variation in 2009 in the amount of R\$ 835 million due to Namisa's results of operations, that did not occur in 2010.

### ***Investing Activities***

We used cash in our investing activities in the total amount of R\$ 4,636 million in 2010 and R\$ 617 million in 2009 . The increase of R\$ 4,019 million in 2010 as compared to 2009 was mainly due to acquisition of investment in Riversdale Mining Limited and acquisitions of fixed assets to supply the projects, mainly related to: (i) the Casa de Pedra expansion; (ii) the construction of the cement plant in the city of Volta Redonda (State of Rio de Janeiro) and of the clinker plant in the city of Arcos (State of Minas Gerais); (iii) the construction of the long steel mill in the city of Volta Redonda (State of Rio de Janeiro) and (iv) the extension of Transnordestina railroad

### ***Financing Activities***

Cash provided by financing activities was R\$ 4,651 million in 2010 and R\$ 1,510 million in 2009. The R\$ 3,141 million increase in cash provided by financing activities in 2010, as compared to 2009, was mainly due to a increase in long-term debt during the period to finance the current projects. Also in 2009, we acquired our own shares to be held in treasury in the amount of R\$ 1,350 million, a transaction not repeated in 2010.

### ***Trade Accounts Receivable Turnover Ratio***

Our receivable turnover ratio (the ratio between trade accounts receivable and net operating revenues), expressed in days of sales decreased to 26 on December 31, 2010 from 31 on December 31, 2009.

### ***Inventory Turnover Ratio***

Our inventory turnover ratio (obtained by dividing inventories by annualized cost of goods sold), expressed in days of cost of goods sold increased to 113 days in 2010, as compared to 88 days in 2009.

***Trade Accounts Payable Turnover Ratio***

The accounts payable turnover ratio (obtained by dividing trade accounts payable by annualized cost of goods sold), expressed in days of cost of goods sold, decreased to 25 on December 31, 2010 from 26 on December 31, 2009.

***Liquidity Management***

Given the capital intensive and cyclical nature of our industry, and the generally volatile economic environment in certain emerging markets, we have retained a substantial amount of cash on hand to run our operations, to satisfy our financial obligations, and to be prepared for potential investment opportunities. As of December 31, 2010, cash and cash equivalent totaled R\$ 10,239 million.

We were also taking advantage of the current liquidity conditions to extend the maturity profile of our debt. These activities are unrelated to the management of any interest rate, inflation and/or foreign exchange risk exposure. Given the lack of a liquid secondary market for our short term debt instruments, we have accumulated cash instead of prepaying our debt prior to final maturity. As of December 31, 2010, short-term and long-term indebtedness accounted for 6.51% and 93.49%, respectively, of our total debt, and the average life of our existing debt was equivalent to approximately nine years, considering 40 years-term for the perpetual bonds issued in September 2010.

### ***Capital Expenditures and Investments***

In 2010, our capital expenditures were R\$ 3,636 million used in acquisitions of equipment, of which R\$ 275 million was used in the Casa de Pedra mine expansion, R\$ 1.371 million relating to the expansion of the Transnordestina railroad, R\$ 249 million in construction of the cement plant in Volta Redonda (RJ), R\$ 139 million in projects relating to the Itaguaí Port expansion and R\$ 483 million in maintenance.

We expect to meet our liquidity requirements from cash generated from operations, and, if needed, the issuance of debt securities. For details on our Planned Investments see “Item 4D. Property, Plant and Equipment – Capital Expenditures – Planned Investments”.

### ***Company Debt and Derivative Instruments***

At December 31, 2010 and 2009, total debt (composed of current portion of long-term debt, accrued finance charges, long-term debt and debentures) aggregated R\$20,206 million and R\$ 14,356 million, respectively, equal to 258% and 218% of the stockholders’ equity at December 31, 2010 and 2009, respectively. At December 31, 2010, our short-term debt (composed of current portion of long-term debt including accrued finance charges and debentures) totaled R\$ 1,345 million and our long-term debt (composed of long-term debt and debentures) totaled R\$ 18,862 million. The foregoing amounts do not include debt of others for which we are contingently liable. See “Item 5E. Off-Balance Sheet Arrangements.”

At December 31, 2010, approximately 48% of our debt was denominated in *reais* and substantially all of the remaining balance was denominated in U.S. dollars.

Our current policy is to protect ourselves against foreign exchange losses and interest rate losses on our debt and currently our exposure is protected through foreign exchange derivative products, including futures, swaps, and FRA-Forward Rate Agreements. For a description of our derivative instruments, see Note 17 to our consolidated financial statements contained in “Item 18. Financial Statements.” Also see “Item 5A. Operating Results—Results of Operations—Year 2010 Compared to Year 2009”.

The major components of R\$ 1,345 million of our consolidated current portion of long-term debt outstanding at December 31, 2010 were:

	<b>Total</b>
<b>Components</b>	<b>Average interest rate (in million of R\$)</b>
Fixed rate notes	6.5% - 10.5% 108

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BNDES/Finame	1.5% - 3.2%	329
Prepayment financing	1.24% - 7.5%	676
Others	3.3% - 9.5%	232
<b>Total</b>		<b>1,345</b>

The major components of R\$ 18,862 million of our consolidated long-term debt outstanding at December 31, 2010 were (amounts are reflected in long-term debt):

<b>Components</b>	<b>Average interest rate</b>	<b>Total</b>
	<i>(in million of R\$)</i>	
Debenture	9.4% + IGPM and 1% + TJLP	1,761
Fixed rate notes	6.5% - 10.5%	4,499
BNDES/Finame	1.5% - 3.2%	1,963
Perpetual bonds	7% - 9.5%	1,666
Prepayment financing	1.24% - 7.5%	5,762
CCB	112.5% CDI	3,000
Others	3.52% - 8%	211
<b>Total</b>		<b>18,862</b>

The amount of interest paid in 2010 was R\$ 1,867 million.

The local debenture is a real-denominated debt instrument, issued in February 2006, of R\$600 million six-year debentures bearing interest at a rate of 103.6% of the CDI rate per annum.

Eurodollar and Euronotes issued in accordance with Rule 144A and Regulation S under the Securities Act reflect senior unsecured debt instruments issued by us and our offshore subsidiaries, including (i) the US\$300 million bonds, 10% per annum coupon, and the US\$300 million notes, 8.25% per annum coupon, issued in 1997 with final maturity in 2047; (ii) the issuance in December 2003 and January 2004 of US\$550 million notes, 9.75% per annum coupon with final maturity in 2013; (iii) the US\$400 million notes, 10% per annum coupon, issued in September 2004 and January 2005 with final maturity in 2015, and (iv) the US\$750 million notes, 6.875% per annum coupon, issued in September 2009 with maturity in 2019.

In July 2010, we issued US\$ 1 billion notes, 6.50% per annum coupon and maturity date in July 2020, and in September 2010 we issued a US\$ 1 billion Perpetual Bond, 7% per annum coupon.

Pre-export agreements include the two series of the export receivables securitization program.

The series issued in June 2004, in the amount of US\$ 59 million as of December 31, 2010, with maturity date on May 2012 and bearing interest at a rate of 7.43 per annum; and the series issued in June 2005, in the amount of US\$ 160 million as of December 31, 2010, with maturity in May 2015 and bearing interest at 6.15% per annum.

We issued export credit notes, or NCEs: (i) on April 11, 2008, in the amount of R\$100 million in favor of Banco do Brasil S.A., due 2013; (ii) on September 30, 2009, in the amount of R\$1.0 billion, in favor of Banco do Brasil S.A., due 2014; and (iii) on September 30, 2009, in the amount of R\$300 million, in favor of Banco do Brasil S.A., due 2014.

On August 18, 2009 we contracted a credit facility from Caixa Econômica Federal, or CEF, under its special credit for large companies, in the form of a bank credit bill, or CCB, in the amount of R\$2.0 billion and to be amortized in 36 months.

On February 9, 2010 we contracted an additional credit facility from CEF under its special credit for large companies, in the form of a CCB, in the amount of R\$1.0 billion and to be amortized in 36 month.

On May 21, 2010, our subsidiary Congonhas Minérios S.A. issued an NCE in the amount of R\$2.0 billion in favor of Banco do Brasil S.A. The NCE will be amortized over eight years and is guaranteed by us.

### ***Maturity Profile***

The following table sets forth the maturity profile of our long-term debt at December 31, 2010:

<b>Maturity in</b>	<b>Principal Amount</b> <i>(In millions of R\$)</i>
2012	2,166
2013	2,088

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2014	1,948
2015	2,188
2016	2,222
2017 and thereafter	6,584
Perpetual bonds	<u>1,666</u>
Total	<u>18,862</u>

## **5C. Research & Development and Innovation**

In the year of 2010, CSN has invested R\$ 57 million in Research & Development to develop new products and maintain the company in the vanguard of value-added products. CSN is committed to pursue technological innovation, continuous improvement and systemic production processes and the generation of attractive products to market.

To meet the new demands and expectations of the market CSN has been continuously investing in creating innovative projects aiming to surprise its clients with creative solutions involving products and services. The attitude of innovation associated with the workshop to reengineer the supply chain with the main customers, has been one of the main lines of action of the CSN R&D team to maintain and consolidate its growing market share.

CSN, a leading company in Brazil in coated flat steel products with high added value, has been continuously investing in improvements to its processes, products and services. In its activities management believes there is the strong performance in developing new products and applications that meet current and future market needs.

A project that demonstrates the innovative and pioneering the nature of CSN is the development of pre-painted steel to Organo-Metallic fuel tanks applied in automobiles, replacing the plastic tanks, with demand reaching a level of 500,000 tanks a year. The project was designed with new steel base and coating application, continuous painting line at its facilities CSN / PR Araucaria, giving properties of higher corrosion resistance, formability and weldability. Currently, CSN is working on improving the specification of the steel base in order to achieve weight reduction of the components.

Another project was developed and is finding increasing acceptance in the market is CSN Extra Thin ®” cold rolled steel “for new applications in white goods and steel furniture responding to a worldwide trend.

In the packaging segment, CSN has invested in consolidating a modern Center of Innovation that enables greater proximity to customers and bottlers presenting new concepts and design, in packages of 3 pieces cans expanded with innovative formats.

In the automotive segment the concept of innovation, product development and new applications has been the subject of priority and as an example we can cite the Dual Phase Steel, which has as a main feature the weight reduction of automobiles that enabling the industry to make vehicles more Lightweight, safe and with reduced CO2 emissions. Besides the Dual Phase Steel CSN has developed new high-strength steels such as Bake Hardening, Microalloyed and Rephosphorized steel as well as new high-formability steels for exposed parts such as Super Ultra Low Carbon Steel to Titanium stabilized.

In the Construction segment there was a significant consolidation and support of our customers for application of CSN Pre-painted Steel in the manufacture of new construction systems for rapid assembly used extensively in the UPP's - Police Units Pacifier and PSUs - Emergency Care Units in the city of Rio de Janeiro.

## **5D. Trend Information**

### *Overview*

The recovery of the global economy is being led by the emerging countries. According to the IMF, China and Brazil will maintain growth expectations in their economies until 2016 due to the size of Chinese economy and to Brazilian protectionist policy and strong domestic demand. The combination of gradual global economic recovery and the positive outlook of domestic consumption in Brazil provide a favorable scenario for our business.

We expect that investments will benefit from this favorable economic scenario. In addition to organic growth projects, we routinely review potential acquisition opportunities and strategic alliances in all segments in which we operate in Brazil and abroad, in order to accelerate our expansion and value generation.

We have consistently presented sound financial results, and reasonable indebtedness levels. Our comfortable current cash situation provides support for organic growth, financing possible acquisitions and at the same time maintaining a special policy of dividends distribution for our shareholders, resulting in a competitive and favorable position in relation to other groups of the sector.

## *Steel*

In accordance with World Steel Association (WSA), the global steel industry capacity utilization rate closed the year at around 74% in 2010, although production capacity and global steel product consumption still remain highly unbalanced. As stated by WSA, surplus production capacity is currently running around 500 million tonnes.

This imbalance, together with the appreciation of the real and the existence of state government import incentives fueled Brazil's flat steel imports in 2010.

WSA forecasts that apparent steel use will increase by 5.9% to 1,359 mmt in 2011, following the 13.2% growth in 2010. In 2012, it forecasts world steel demand will growth by 6.0%, reaching a new record of 1,441 mmt. The impact of the earthquake and tsunami in Japan may indicate a significant downward adjustment in steel use for 2011 and upward adjustment for 2012.

In view of Brazil's expected economic growth in the coming years, the Brazilian Development Bank (BNDES) believes steel output and apparent consumption will increase by 26.5% and 43.5%, respectively, through 2014.

In this context, we are assessing alternatives and increasing arrangements for new projects to optimize results per produced ton.

We increased our interest in higher added value products in 2010. In the next years, we will diversify our supply of greater added value products.

Continuing with the goal of diversifying and investing in the growth expectation of the civil construction in the domestic market, our 500 Kta capacity plant for long steel, including iron bar and wire rods in our portfolio, is under construction. Additionally, we are considering the implementation of two new plants in Brazil, of 500 kta capacity each, in addition to a cold rolled unit in order to offer a more complete product portfolio to the market.

## *Mining*

The forecast by Macquire for the iron ore market is that between 2013 and 2014 worldwide supply may exceed demand as a result of expansion projects in the industry.

The projected price in China for 2013 is US\$ 141.50 per dry tonnage, according to PLATTS and FIS.

According to information released by the CRU, exports in Brazil show a tendency to increase until at least 2015, due to the current investments in the sector.

Considering this scenario, in the next years, we expect to achieve an important landmark in our expansion in mining and will gain a pace of production of 50 million tons per year at our Casa de Pedra unit.

In addition, Namisa continues with its expansion leading to an expected sales level of 39 million tons per year, relying on projects of concentration and pelletizing.

To ensure the production outflow, we expect the Itaguaí Port will reach an 84 mtpy shipment capacity, in the next years.

This combined increase of production and shipment benefits from a favorable window of opportunity to the overseas iron ore market.

We are analyzing further expansions, such as production volume of 70 mtpy in Casa de Pedra and shipment volumes of 130 mtpy in TECAR.

***Cement***

SNIC (the Brazilian Cement Industry Association) indicates local cement sales in Brazil of 59 million tonnes in 2010, 15% up from the previous year. The Southeast region consumed half of this total and the North was the best performer in terms of growth, moving up by 58%. Estimates indicate a new record in 2011, with sales increasing between 8% and 9% to 65 million tonnes.

Annual exports decreased 23%, as manufacturers prioritized the domestic market.

Currently, there are 70 plants operating in Brazil, belonging to 12 national and international groups, with a joint annual installed capacity of 67 million tonnes, sufficient to meet all of domestic demand.

Strong investments in capacity expansion were also announced in 2010, the effects of which should become apparent in the second half of 2011.

In the coming years we expect the sector's growth will continue to be fueled by increased income and employment, incentives for homebuyers, the expansion of Brazil's infrastructure and the intensification of the works related to the World Cup and the Olympic Games.

Our product and brand have had excellent acceptance. With the conclusion of the clinker production project and the gradual increase in the use of own slag we expect to be able to significantly reduce our costs.

We are considering alternatives for organic growth in order to take advantage of our crushing capacity (2.8 million tons per year) through the increase of clinker production. Our goal is to produce approximately 5.4 million tons per year in Brazil in the next years, to capture the strong growth expected in the market due to the World Cup and the Olympic Games, in addition to the strong pace of construction of new housing and commercial units, as well as infrastructure projects. For details on our Plan Investments see "Item 4D. Property, Plant and Equipment – Capital Expenditures – Plan Investments".

## 5E. Off-Balance Sheet Arrangements

In addition to the debt that is reflected on our balance sheet, we are contingently liable for the off-balance concession payments related to the activities of TECON. The following table summarizes all of the off-balance sheet obligations for which we are contingently liable and which are not reflected under liabilities in our consolidated financial statements:

### Contingent Liability with Respect to Consolidated and Non-Consolidated Entities as of December 31, 2010

	<b>Aggregate Amount</b>	<b>Maturity</b>
	<i>(In million of R\$)</i>	
<b>Guarantees of Debt:</b>		
Transnordestina	1,152	2011-2028
<b>Contingent Liability for Concession Payments<sup>(1)</sup> :</b>		
Sepetiba Tecon	318	2026
Transnordestina	99	2027
Solid Bulks Terminal - TECAR	1,514	2022
MRS Logística S.A	3,502	2026
<b>Total</b>	<b>5,433</b>	
<b>"Take-or-Pay" Contractual Obligations</b>		

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MRS Logística S.A.	986	2016
White Martins Gases Industriais Ltda.	532	2016
Companhia Estadual de Gás do Rio de Janeiro – CEG Rio	529	2012
Ferrovias Centro Atlântica – FCA	438	2013
Vale S/A	519	2014
Companhia Paranaense de Gás - COMPAGÁS	165	2024
Companhia Paranaense de Energia - COPEL	98	2024
ALL	18	2012
K&K Tecnologia	79	2023
Harsco Metals Ltda	99	2014
<b>Total</b>	<b>3,463</b>	

**Total Contingent Liability with Respect to  
Consolidated and Non-consolidated Entities: 10,048**

(1) Other consortia members are also jointly and severally liable for these payments.

## **Guarantees**

We guarantee the loans BNDES has granted to Transnordestina in May and December 2005, and in January 2006, all of which mature by May 2028, adjusted based on the TJLP plus 1.5% per annum. The total outstanding amount of the debt as of December 31, 2010 was R\$1,152 million.

## **Concessions**

### ***Sepetiba Tecon***

We own 99.99% of Sepetiba Tecon S.A., or TECON, which holds a concession to operate, for a 25-year term (renewable for additional 25 years), the container terminal at the Itaguaí Port. As of December 31, 2010, R\$ 318 million of the cost of the concession was outstanding and payable over the next 18 years of the lease. For more information see “Item 4D. Property, Plant and Equipment – Capital Expenditures – Planned Investments”

### ***Transnordestina***

As of December 31, 2010, we held 76.45% of the capital stock of Transnordestina S.A., which has a 30-year concession granted in 1998 to operate Brazil’s Northeastern railway system. The Northeastern railway system covers 4,238 km of track and operates in the states of Maranhão, Piauí, Ceará, Paraíba, Pernambuco, Alagoas and Rio Grande do Norte. It also connects with the region’s leading ports, thereby offering an important competitive advantage through opportunities for intermodal transportation solutions and made-to-measure logistics projects. As of December 31, 2010, R\$ 99 million was outstanding over the remaining 16-year term of the concession.

### ***Solid Bulks Terminal***

We hold the concession to operate TECAR, a solid bulks terminal, one of four terminals that form the Itaguaí Port, located in the State of Rio de Janeiro, for a term expiring in 2022 and renewable for another 25 years. Itaguaí Port, in turn, is connected to the Presidente Vargas steelworks, Casa de Pedra and CFM by the southeastern railway system. Our imports of coal and coke are made through this terminal. Under the terms of the concession, we undertook to load and unload at least 3.0 million tons of bulk cargo annually. Among the approved investments that we announced is the development and expansion of the solid bulks terminal at the Itaguaí Port to also handle up to 84 million tons of iron ore per year.

### ***MRS Logística S.A***

Concession for a period of 30 years, renewable for another 30 years, for transporting iron ore from the mines of Casa de Pedra in MG and coke and coal from the Port of Itaguaí (RJ) to Volta Redonda and transportation of exports back to the Ports of Itaguaí and Rio de Janeiro. As of December 31, 2010, R\$ 3,502 million was outstanding.

## **Contractual Obligations**

### ***Namisa***

### ***Port Services***

On December 30, 2008, we received approximately R\$5.3 billion as prepayment under an agreement with Namisa with a term of 34 years. Under this agreement, we are required to render port services to Namisa, which consists of transporting from 18.0 million tons to 39.0 million tons of iron ore annually. The price of these port services is quarterly reviewed and prospectively adjusted considering the changes in price of iron ore.

### ***High Silica ROM***

On December 30, 2008, we received approximately R\$ 1.6 billion as prepayment for an agreement with Namisa with a term of 30 years. Under this agreement, we are required to provide high silica crude iron ore ROM to Namisa in a volume that ranges from 42.0 million tons to 54.0 million tons per year. Depending on the market price for high silica crude iron ore ROM, we may receive additional or lower amounts under this agreement.

### ***Low Silica ROM***

On December 30, 2008, we received approximately R\$ 424 million as prepayment for an agreement with Namisa with a term of 35 years. Under this agreement, we are required to provide low silica crude iron ore ROM to Namisa in a volume that ranges from 2.8 million tons to 5.04 million tons per year. Depending on the market price for low silica crude iron ore ROM, we may receive additional or lower amounts under this agreement.

### **“Take-or-Pay” Contractual Obligations**

#### ***MRS Logística S.A.***

##### ***Transportation of Iron Ore, Coal and Coke to Volta Redonda***

The volume set for iron ore and pellets is 8,280,000 tons per year and for coal, coke and other reduction products is 3,600,000 tons per year. It is accepted variation up to 10%, with a guarantee of payment of at least 90%, but the compromise is for each item individually. MRS, on the other hand, is required to transport at least 80% of the volume established by the agreement. The agreement expires on September 12, 2012.

##### ***Transportation of Iron Ore for Export from Itaguaí***

The volume set is 8,000,000 tons per year. It is accepted variation of up to approximately 5% of the volume set, with a guarantee of payment of at least 80%. We may increase or decrease the volume set in the agreement every year up to 10%, taking into consideration the volume actually transported in the previous year. The agreement expires on May 31, 2016.

For both contracts we have flexibility to renegotiate the Take or Pay if the volume is not reached. As we are a shareholder of MRS, the minimum amounts to be paid under the contract terms are calculated by a tariff model that assure competitive prices.

#### ***Cement Transportation - CSN CIMENTOS***

We and MRS are negotiating new values for this contract.

#### ***White Martins Gases Industriais Ltda.***

To secure gas supply (oxygen, nitrogen and argon), in 1994 we signed a 22-year “take-or-pay” agreement with White Martins Gases Industriais, by which we are committed to acquire at least 90% of the gas volume guaranteed in the agreement with White Martins’ plant. Under the terms of the agreement, we are not required to advance funds raised against future processing charges if White Martins is unable to meet its financial obligations.

*Companhia Estadual de Gás do Rio de Janeiro*

To secure natural gas supply, in 2007 we have signed a five-year “take-or-pay” agreement with CEG Rio, by which we are committed to acquire at least 70% of the gas volume guaranteed in the agreement with CEG Rio. Under the terms of the agreement, we are not required to advance funds raised against future processing charges if CEG Rio is unable to meet its financial obligations. In addition, if we do not acquire the minimum volume agreed, the amount paid which relates to that difference may be compensated in future years, including one year after the contract expiration.

***Ferrovias Centro Atlântica - FCA***

This agreement covers transportation of reduction products from the city of Arcos to the city of Volta Redonda. Volume set for reduction products is 1,900,000 tons per year, which may vary up or down by 5%. The agreement will expire on August 31, 2013.

***Vale S.A.***

To secure pellets supply, in 2009 we signed a 5-year “take-or-pay” agreement with Vale, by which we are committed to acquire at least 90% of the pellets volume guaranteed in an agreement with Vale. Under the terms of the agreement, we are not required to advance funds raised against future processing charges if Vale is unable to meet its financial obligations.

***Companhia Paranaense de Gás - COMPAGÁS***

We and Companhia Paranaense de Gás entered into a 20-year contract to secure natural gas supply. According to the “take or pay” clause, we are committed to acquire at least 80% of the annual natural gas volume contracted from Companhia Paranaense de Gás.

***Companhia Paranaense de Energia – COPEL***

To secure energy supply, we entered into a 20-year agreement with Companhia Paranaense de Energia. According to the “take or pay” clause, we are committed to acquire at least 80% of the annual energy volume contracted from Companhia Paranaense de Energia.

***América Latina Logística - ALL***

This agreement covers transportation of steel products from Volta Redonda to CSN Paraná. Volume set for steel products is 20,000 tons per month, which may vary up or down by 10%. The agreement will expire on March 30, 2012.

***K&K Tecnologia***

CSN undertakes to acquire at least 3,000 metric tons of blast furnace mud for processing at CSN's mud concentration plant.

***Harsco Metals Ltda***

The Harsco Metals Ltda. undertakes to perform the Scrap recovery Services resulting from the process of production of pig iron and steel from CSN / UPV, receiving by this process the equivalent in value the result of multiplying the unit price (U.S. \$ / t) by the total Liquid Steel CSN's Mill production, with a guarantee of a minimum production of liquid steel corresponding to 400,000 tons.

**5F. Tabular Disclosure of Contractual Obligations**

The following table represents our long-term contractual obligations as of December 31, 2010:

Contractual obligations	Total	Payment due by period (In millions of R\$)			More than 5 years
		Less than 1 year	1-3 years	3-5 years	
<b>Long-term accrued finance charges<sup>(1)</sup></b>	12,372	1,514	2,869	2,182	5,807
<b>Taxes payable in installments</b>	1,444	652	134	166	492
<b>Long-term debt</b>	18,781	2,133	4,013	4,385	8,250
<b>“Take-or-Pay” contracts</b>	3,463	920	1,773	535	235
<b>Concession agreements<sup>(5)</sup></b>	5,433	339	745	1,153	3,196
<b>Purchase obligations:</b>					
Raw materials <sup>(2)</sup>	1,228	811	359	36	22
Maintenance <sup>(3)</sup>	106	62	45	0	0
Utilities/Fuel <sup>(4)</sup>	1,553	445	616	244	247
<b>Total</b>	<b>2,887</b>	<b>1,317</b>	<b>1,020</b>	<b>280</b>	<b>269</b>

(1) These accrued finance charges refer to the cash outflow related to the contractual interest expense of our long-term debt and were calculated using the contractual interest rates taken forward to the maturity dates of each contract.

(2) Refer mainly to purchases of coal, tin, aluminum and zinc, which comprise part of the raw materials for steel manufacturing and take-or-pay contracts.

(3) We have outstanding contracts with several contractors in order to maintain our plants in good operation conditions; due to the strong demand for specialized maintenance service, the term of some contracts is for more than one year.

(4) Refer mainly to natural gas, power supply and cryogenics, which are provided by limited suppliers; and with some of which we maintain long-term contracts.

(5) Refers to TECON, TECAR, MRS and Transnordestina’s concessions agreements.

**5G. Safe Harbor**

See “Forward-Looking Statements.”

**Item 6. Directors, Senior Management and Employees****6A. Directors and Senior Management****General**

We are managed by our Board of Directors (*Conselho de Administração*), which consists of seven to eleven members, and our Board of Executive Officers (*Diretoria Executiva*), which consists of two to nine Executive Officers with no specific designation (one of which is the Chief Executive Officer). In accordance with our bylaws (*Estatuto Social*), each Director is elected for a term of one year by our shareholders at an annual shareholders’ meeting. Our bylaws require our employees to be represented by one Director on the Board of Directors. The members of the Board of Executive Officers are appointed by the Board of Directors for a two-year term.

Our Board of Directors is responsible for the formulation of business plans and policies and our Board of Executive Officers is responsible for the implementation of specific operating decisions. As of the date of this annual report, our Board of Directors was comprised of one Chairman, one Vice Chairman and five members, and our Board of Executive Officers was comprised of our Chief Executive Officer, our Chief Financial Officer and three Executive Officers.

Our Directors and Executive Officers as of the date of this annual report are:

<b>Name</b>	<b>Position</b>	<b>First Elected to our Board on</b>	<b>Last Elected to our Board on</b>
<b><i>Board of Directors</i></b>			
Benjamin Steinbruch	Chairman	April 23, 1993	April 29, 2011
Jacks Rabinovich	Vice Chairman	April 23, 1993	April 29, 2011
Fernando Perrone	Member	September 26, 2002	April 29, 2011
Antonio Francisco dos Santos	Member	December 23, 1997	April 29, 2011
Yoshiaki Nakano	Member	April 29, 2004	April 29, 2011
Gilberto Sayão da Silva	Member	April 30, 2009	April 29, 2011
Alexandre Gonçalves Silva*	Member	November 9, 2010	April 29, 2011
<b><i>Board of Executive Officers</i></b>			
Benjamin Steinbruch	Chief Executive Officer	April 30, 2002 May 7, 2009	August 06, 2009 May 12, 2009

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Paulo Penido Pinto Marques	Chief Financial Officer		
Enéas Garcia Diniz	Executive Officer	June 21, 2005	August 06, 2009
Alberto Monteiro de Queiroz Netto	Executive Officer	September 1, 2009	September 1, 2009
José Taragano	Executive Officer	December 15, 2009	December 15, 2009

\*Mr. Carneiro Neto used to be a member of our Board of Directors until July 2010, when he passed away. Mr. Gonçalves Silva was elected Director in place of Mr. Carneiro Neto.

The next election for our Board of Directors is expected to take place in April 2012, and we are unable to anticipate when the next election for our Board of Executive Officers is expected to take place.

### **Board of Directors**

*Benjamin Steinbruch.* Member of the Board of Directors since April 23, 1993, holding also the position of President of the Board since April 28, 1995 and CEO since April 30, 2002. He is also CEO of Vicunha Steel S.A., member of the Administrative Board of the Portuguese Chamber, 1<sup>st</sup> Vice-President of FIESP since September 2004, member of FIESP Superior Strategic Board, advisor to the Robert Simonsen Institute, director of IEDI - Institute for Industrial Development Studies. Over the past five years, he served as Director and CEO of Vicunha Siderurgia S.A., Director and Officer of Vicunha Steel S.A., Director and CEO of Vicunha Aços S.A., Officer of Rio Purus Participações S.A., and Officer of Rio Iaco (all these companies belong to the controlling group of CSN), Director of Prada Metallurgical Company, Inal Nordeste S.A. and Nacional Minérios S.A. (all controlled by CSN) and member of the Deliberative Council of the CSN Foundation. Graduated from the Business School of the Fundação Getúlio Vargas – SP and specialized in Marketing and Finance also from the Fundação Getulio Vargas - SP.

*Jacks Rabinovich.* Mr. Rabinovich was born on September 20, 1929, and has been member of our Board of Directors since April 23, 1993 and Vice Chairman since April 24, 2001, currently holding the position of Vice President. Graduated in Civil Engineering from Mackenzie University, with a specialization in Textile Engineering from Lowell Institute, Massachusetts - USA.

*Fernando Perrone.* Mr. Perrone has been member of our Board of Directors since September 26, 2002, and member of our Audit Committee since June 24, 2005, where he currently holds the position of President. He was our Infrastructure and Energy Executive Officer from July 10, 2002, to October 2, 2002. Over the past five years, he served as member of the Board of Directors of Profarma - Pharmaceuticals Distributor S.A., member of Board of Directors of João Fortes Engenharia S.A., and member of the Management Board of Energia Sustentável S.A.. Graduated in Business, sponsored by "Chimica" Bayer S.A., also holds a Law degree from the Universidade Federal Fluminense, and has a specialization in Economics in the area of Capital Markets from the Fundação Getulio Vargas.

*Antonio Francisco dos Santos.* Mr. Santos was born on December 6, 1950, and has been a member of our Board of Directors since November 23, 1997. Mr. Santos was Coordinator and Chief of Industrial Engineering, Chief of Production Planning and member of the Board of Directors of Caixa Beneficente dos Empregados of CSN, or CBS, our pension plan, until 2008. He is currently Chairman and Chief Executive Officer of the Board of the CSN Employee Investment Club (*Clube de Investimento CSN*). Over the past five years he served as Planning and Support Officer of CSN and President of CSN Invest. Graduated in Business with a specialization in Organization and Finance, both by the Coordinator of Graduate Studies and Research - CECOP, and MBA in Industrial Strategy and Business Management from Universidade Federal Fluminense - UFF.

*Yoshiaki Nakano.* Mr. Nakano has been member of our Board of Directors since April 29, 2004, and member of our Audit Committee since June 24, 2005. Over the past five years, Mr. Nakano has been professor at the School of Economics of Fundação Getulio Vargas and board member of the Fundação de Amparo à Pesquisa do Estado de São Paulo – FAPESP; board member of Conselho Superior de Economia (COSEC), of FIESP/IRS; member of the Consulting Board of the Grupo Pão de Açúcar. Previously, Mr. Nakano served as Special Secretary for Economic Affairs in the Ministry of Finance. Graduated in Business Administration from Fundação Getulio Vargas and MBA and Ph.D. from Cornell University, USA.

*Gilberto Sayão da Silva.* Mr. Sayão has been member of our Board of Directors since April 30, 2009. He is currently a partner at Vinci Partners Investimentos Ltda., and member of its Executive Committee. Between 2003 and 2009, Mr. Sayão served as the Chief Executive Officer of UBS Pactual Alternative Investments, a subsidiary of UBS Pactual Asset Management. He is currently on the Board of Directors of several companies, such as PDG Realty SA and Equatorial Energia S.A. (none of these being part of CSN's economic group). He graduated from the Engineering School of the Pontificia Universidade Catolica do Rio de Janeiro - PUC / RJ.

*Alexandre Gonçalves Silva.* Mr. Gonçalves Silva has been member of our Board of Directors and Audit Committee since November 9, 2010. Over the last five years he was CEO of General Eletric do Brasil Ltda. and member of the Board of Directors of TAM S.A., PDG Realty S.A. Empreendimentos e Participações, Equatorial Energia S.A., Fundições Tupy S.A. and Fibria Celulose S.A. Mr. Gonçalves Silva also was Advisor of the Global Infrastructure Partners (New York). He graduated from the Mechanical Engenireng School of Pontificia Universidade Católica do Rio de Janeiro – PUC/RJ.

#### **Board of Executive Officers**

In addition to Mr. Steinbruch, the following persons were members of our Board of Executive Officers as of the date of this annual report:

*Paulo Penido Pinto Marques.* Mr. Marques was elected our Chief Financial Officer on May 12, 2009 and is also responsible for the Controlling, Enterprise Risk Management and Insurance departments, holding the position of Executive Officer for Investors Relations. Prior to joining CSN, Mr. Marques was Finance, Investor Relations and Information Technology Vice-President of Usinas Siderúrgicas de Minas Gerais S.A. - USIMINAS, Financial Officer of Usiminas Mecânicas S.A., board member of *Associação Brasileira das Companhias Abertas*, Financial Officer of the Companhia Siderúrgica Paulista - COSIPA, Officer of Mineração J. Mendes, Controlling Officer of Fasal S.A. and Officer of Consórcio Siderurgia Amazonia Ltd. (controller of Sidor - Venezuela). Mr. Marques has also participated in the Board of Executive Officers or the Board of Directors of the following companies: Usiparts - automotive systems, Unigal, Rio Negro - steel trade and industrialization. He was also Vice-President at Financing Area, Credit and Risk of JP Morgan (Morgan Guaranty Trust Co. of New York), Officer of Relationship with companies and Financial Institutions Area of BankBoston, Officer of Investments of Corporate Banking of Citibank. Graduated from the Electrical Engineering School of the Federal University of Minas Gerais.

*Enéas Garcia Diniz.* Mr. Diniz holds the position of Executive Officer in charge of in charge of Production areasince June 21, 2005. He has been serving CSN since 1985, acting as General Manager of Hot Rolling, General Manager of Maintenance, Metallurgy Director and General Director of the Presidente Vargas steelworks. Graduated in Mechanical Engineering from the Pontificia Universidade Católica do Rio de Janeiro - PUC / RJ, further specialized in Business Management in the Universidade Federal Fluminense in Rio de Janeiro and has a MBA from the Fundação Dom Cabral Business School of Belo Horizonte.

*Alberto Monteiro de Queiroz Netto* was elected Executive Officer of the Treasury on September 01, 2009. He is also President of CBS Previdência. He was Chief Financial Officer of Bank of Brazil conglomerate, President of BB DTVM - Asset Management, President of BESC DTVM - Administradora de Recursos, Vice President of the

National Association Investment Bank's (ANBID) and Chairman of Best Practices for Marketing Industry Investment Funds. He was Director of the Board of BB Securities in London, and the Bank of Brazil Broker Dealer in New York and Officer of BB Fund in Cayman. He was also President of the Board of Directors of Petróleo Petrobahia, member of the Board of Directors of Eletricidade da Bahia – Coelba, Neoenergia e BESC TV, member of the Audit Committee of Gerdau, Cielo (formerVisanet), Coelba e Cosern e member Deliberative Committee of Fundo de Pensão do Banco do Brasil (PREVI). Graduated from the Business School of the Fundação Getulio Vargas (RJ), where he further specialized in Business Administration and obtained MBA in Corporate Finance. He also holds a Banking Specialist degree from the University of São Paulo Business School (FEA-USP).

*José Taragano* was elected Executive Officer on December 15, 2009, being the Chairman for Projects at CSN. He was COO - Executive VP of Operations of Brenco - Companhia Brasileira de Energia Renovável, Executive and Business Officer of Klabin SA. He was Worldwide Environment, Health & Safety Officer of Alcoa Inc. in New York / Pittsburgh, Officer of Primary Products /Aluminum, Alumina & Chemical Products, Director of Quality and Human Resources and Superintendent fo Production of Alcoa Latin America in São Paulo. He was also Chairman of CEMPRE – Compromisso Empresarial para a Reciclagem, served at Healthy People 2010 Business Advisory Comitee in Washington and as independent counsel at the Board of ECOSORB. He graduated in Metallurgical Engineering from PUC-RJ, has a MBA in Marketing from the FIA-USP and further education at MIT / Sloan Executive Program and Harvard Business School / Finance for Senior Executives.

There are no family relationships between any of the persons named above. The address for all of our directors and executive officers is Av. Brigadeiro Faria Lima, 3400, 20th floor, Itaim Bibi, city of São Paulo, State of São Paulo, Brazil (telephone number 55-11-3049-7100).

#### **Indemnification of Officers and Directors**

There is no provision for or prohibition against the indemnification of officers and directors in Brazilian law or in our bylaws. Officers are generally not individually liable for acts within the course of their duties. We either indemnify, or maintain directors and officers liability insurance insuring our Directors, our Chief Executive Officer, our Chief Financial Officer and our other Executive Officers and certain key employees against liabilities incurred in connection with their respective positions with us.

#### **6B. Compensation**

For the year ended December 31, 2010, the aggregate compensation paid by us to all members of our Board of Directors and the members of our Board of Executive Officers for services in all capacities was R\$17.9 million, which includes salaries, bonuses, profit sharing arrangements and benefits, such as medical assistance, pension plan and life insurance among others. See “—Item 6D. Employees” for a brief description of our profit sharing arrangements.

We are the principal sponsor of CBS, our employee pension plan. CBS had an excess of plan assets over pension benefit obligations of R\$ 333 million in 2010. The fair value of the resources of CBS, totaled R\$ 2,316 million as of December 31, 2010, and projected benefit obligations were R\$ 1,983 million. See Note 30 to our consolidated financial statements contained in “Item 18. Financial Statements.”

#### **6C. Board Practices**

##### **Fiscal Committee and Audit Committee**

Under Brazilian Corporate Law, shareholders may request the appointment of a Fiscal Committee (Conselho Fiscal), which is a corporate body independent of management and our external auditors. The primary responsibility of the Fiscal Committee is to review management’s activities and the financial statements, and report its findings to the shareholders. Our shareholders did not request the installation of a Fiscal Committee at the Annual Shareholders’ Meeting held on April 29, 2011.

In June 2005, an Audit Committee (Comitê de Auditoria) was appointed in compliance with SEC's rules, which is composed of three independent members of our Board of Directors.

The Audit Committee is responsible for recommending to the Board of Directors the appointment of the independent auditors, reporting on our auditing policies and our annual auditing plan prepared by our internal auditing team, as well as monitoring and evaluating the activities of the external auditors. Our Audit Committee has also been tasked with identifying, prioritizing and submitting actions to be implemented by our Executive Officers, and analyzing the annual report, and our financial statements and making recommendations to our Board of Directors.

The Audit Committee is currently composed of Mr. Perrone, Mr. Nakano and Mr. Alexandre Silva and is constantly assisted by an outside consultant.

For information on the date of election and term of office of the members of our Board of Directors and Board of Executive Officers, see “Item 6A. Directors and Senior Management.”

### **Service Contracts**

We permit our directors to continue to participate in our employee pension plan after ceasing to be a director of our Company.

### **6D. Employees**

As of December 31, 2008, 2009 and 2010, we had 16,549, 16,903 and 19,217 employees, respectively. As of December 31, 2010, approximately 3,213 of our employees were members of the steelworkers’ union of Volta Redonda and region, which is affiliated with the Central Única dos Trabalhadores, or CUT, a national union. We believe we have a good relationship with CUT. We have collective bargaining agreements, renewable annually every May 1. Moreover, we have members affiliated to other unions, such as the Engineer Union with 48 members, the Accountant Union with 6 members and the Workers Unions from Arcos, Casa de Pedra and Araucária, with a total of 312 members. On the others company’s controlled by CSN, as Prada, Ersa and Metalic, we have a total of 945 members.

In March 1997, we established an employee profit sharing plan. All employees participate in the plan, and earn bonuses based on our reaching certain goals for each year, including a minimum EBITDA margin, as well as other measures such as sales, cost control, productivity and inventory levels, as appropriate for each sector based on its nature.

### **6E. Share Ownership**

The Steinbruch family, which includes Mr. Benjamin Steinbruch, our Chairman and Chief Executive Officer holds an indirect majority ownership interest in Vicunha Siderurgia and Rio Iaco Participações, our controlling shareholder.

All our Executive Officers and members of our Board of Directors held an aggregate of 1,559 shares of our outstanding common shares as of April 30, 2011.

## **Item 7. Major Shareholders and Related Party Transactions**

### **7A. Major Shareholders**

On March 31, 2011, our capital stock was composed of 1,483,033,685 common shares, including 25,063,577 common shares held in treasury.

The following table sets forth, as of March 31, 2011, the number of our common shares owned by all persons known to us that own more than 5% of our outstanding common shares as of such date:

#### **Common Shares**

#### **Percent of**

<b>Name of Person or Group</b>	<b>Shares Owned</b>	<b>Outstanding Shares<sup>(2)</sup></b>
Vicunha Siderurgia S.A. <sup>(1)</sup>	697,719,990	47.86%
Rio Iaco Participações	58,193,503	3.99%

(1) Owned indirectly by the Steinbruch family, which includes Mr Benjamin Steinbruch, Chairman of our Board of Directors, and other members of his family.

(2) It does not include common shares held in treasury.

## **7B. Related Party Transactions**

From time to time we conduct transactions with companies directly or indirectly owned by our principal shareholders or members of our Board of Directors. See “Item 4. Information on the Company —A. History and Development of the Company,” “Item 4B. Business Overview,” “Item 4D. Property, Plant and Equipment – Acquisitions and Dispositions”, “Item 6A. Directors and Senior Management” and “Item 7A. Major Shareholders” and Note 5 to the consolidated financial statements included in “Item 18. Financial Statements.”

## **Item 8. Financial Information**

### **8A. Consolidated Statements and Other Financial Information**

See “Item 3. Key Information—Selected Financial Data” and “Item 18. Financial Statements” for our consolidated financial statements.

### **Legal Proceedings**

In the ordinary course of our business, we are party to several proceedings, both administrative and judicial, which we believe are incidental and arise out of our regular course of business. We believe that the outcome of the proceedings to which we are currently a party will not have a material adverse effect on our financial position, results of operations and cash flows. We have established provisions for all amounts in dispute that represent probable loss based on the legal opinion of our internal and external legal counsel.

### ***Labor Contingencies***

As of December 31, 2010, the Company is defendant in 11,238 labor claims, for which a provision has been recorded in the amount of R\$ 188.2 million. Most of the claims are related to alleged joint liability between us and our independent contractors, wage equalization, differences of 40% fine on the FGTS deposits due to inflation purge, additional payments for unhealthy and hazardous activities, overtime and profit sharing differences from 1997 to 1999 and from 2001 to 2003.

### ***Civil Contingencies***

These are mainly claims for indemnities within the civil judicial processes in which we are involved. Such proceedings, in general, result of occupational accidents, diseases and contractual disputes related to our industrial activities. As of December 31, 2010, the amount relating to probable losses for these contingencies was R\$ 80.3 million.

We also classify as civil contingencies the administrative and judicial proceedings filed against us for alleged violation of environmental statutes, mainly as a result of our industrial activities, claims for regularization, indemnification or imposition of fines. As of December 31, 2010, civil contingencies relating to environmental issues was R\$ 500 thousand.

### ***Tax Contingencies***

Among tax contingencies are income tax and social contribution taxes in Brazil, for which a provision of R\$ 1,911 million has been recorded in 2010.

#### ***IPI premium credit over exports***

The IPI premium tax credits relate to export sales made during 1992 to 2002. Tax laws allowed Brazilian companies to recognize IPI premium tax credits until 1983, when an act of the executive branch of the Brazilian government cancelled such benefits and prohibited companies from recognizing these credits. We challenged the constitutionality of the executive branch's action by obtaining, in August 2003, a favorable decision from a Brazilian trial court that authorized the use of IPI premium tax credits. However, in August, 2009, the Brazilian Federal Supreme Court issued a decision with effects of general repercussion establishing that the IPI premium credit was only effective until October 1990. Accordingly, the credits accrued after 1990 should not be recognized and, in view of this STF decision, the Company's Board of Directors approved including this matter in the tax recovery program for tax debts introduced by Provisional Measure 470/09 and Law 11941/09, which entails benefits in terms of reduction of fines, interest and legal charges.

*Social Contribution on Income from Export Revenues*

We filed a lawsuit challenging the assessment of Social Contribution on Income on export revenues, based on Constitutional Amendment No. 33/01 and in March 2004, we obtained an initial decision authorizing the exclusion of these revenues from referred calculation basis, as well as the offsetting of amounts paid as from 2001. The lower court decision was favorable and the proceeding is waiting for trial of the appeal filed by the Federal Government in the Regional Federal Court. At December 31, 2010, the amount of suspended liability and the offset credits based on the referred proceedings was R\$ 402 million, as compared to R\$ 1,240 million at December 31, 2009, already adjusted by the SELIC 2010. Such reduction arose out of the inclusion in REFIS of debts related to the offset of amounts paid as of 2001 and debts related to the exclusion of export revenues from taxable basis. The valid inclusion of such debts in REFIS is subject to ratification by the proper authorities, which we expect will take place as of mid-2011, as set forth in Ordinance No. 2/2011. We still claim the exclusion of profits derived from exports from the calculation basis of the Social Contribution, according to the initial decision obtained by us.

*Refis*

In November 2009, we adhered to the Tax Recovery Program (REFIS) established by Federal Government in order to settle its tax and social security liabilities through a special settlement and installment payment system. Management's decision took into consideration the economic benefits provided by the REFIS, such as discounts and fines exemptions, as well as the high costs of maintaining pending lawsuits. Joining the special tax programs reduced the amount of fines, interest and legal charges previously due. On December 31, 2010, the position of the debts under the Federal REFIS, recorded under taxes payable in installments, was R\$ 1,444.2 million (R\$ 826.8 million in 2009).

*Antitrust*

In October 1999, CADE fined us R\$22 million claiming that certain practices adopted by us and other Brazilian steel companies until 1997 allegedly comprised a cartel. We challenged the cartel allegation and the imposition of the fine judicially, and in June 2003 obtained a partially favorable judgment by a federal trial court. CADE appealed the trial court decision and on June 14, 2010 a federal appellate court in Brasília held a judgment reversing the trial court's decision and confirming the cartel allegation as well as the fine imposed by CADE. We have asked the appellate court to clarify its decision and we will only know the exact content of the judgment, including the rate for adjustment of the fine amount, when the appellate court clarifies its decision. Accordingly, we have not yet recorded any provision in connection with this fine. We believe we have grounds for reversal of the judgment and intend to appeal the decision of the appellate court to the Brazilian Superior Court of Justice.

*Other Legal Proceedings*

The company and its subsidiaries are defendants in other proceedings at administrative and judicial levels, in the approximate amount of R\$ 4.2 billion, of which R\$ 2.9 billion related to tax contingencies, R\$ 303 million to civil contingencies, and R\$ 958 million to labor and social security contingencies. The assessments made by legal counsel define these contingencies as entailing risk of possible loss and, therefore, no provision was recorded in conformity with Management's judgement.

For further information on our legal proceedings and contingencies, see Note 21 to our consolidated financial statements.

**Dividend Policy**

*General*

Subject to certain exceptions set forth in Brazilian Corporate Law, our bylaws require that we pay a yearly minimum dividend equal to 25% of adjusted net profits, calculated in accordance with Brazilian Corporate Law.

Proposals to declare and pay dividends in excess of the statutory minimum are generally made at the recommendation of our Board of Directors and approval by the vote of our shareholders. Any such proposal will be dependent upon our results of operations, financial condition, cash requirements for our business, future prospects and other factors deemed relevant by our Board of Directors. Until December 2000, it had been our policy to pay dividends on our outstanding common shares not less than the amount of our required distributions for any particular fiscal year, subject to any determination by our Board of Directors that such distributions would be inadvisable in view of our financial condition. In December 2000, our Board of Directors decided to adopt a policy of paying dividends equal to all legally available net profits, after taking into consideration the following priorities: (i) our business strategy; (ii) the performance of our obligations; (iii) the accomplishment of our required investments; and (iv) the maintenance of our good financial status.

Pursuant to a change in Brazilian tax law effective January 1, 1996, Brazilian companies are also permitted to pay limited amounts of interest on stockholders' equity to holders of equity securities and to treat these payments as an expense for Brazilian income tax purposes. These payments may be counted in determining if the statutory minimum dividend requirement has been met, subject to shareholder approval.

For dividends declared during the past two years, see "Item 3A. Selected Financial Data."

At our Annual Shareholders' Meeting of April 29, 2011, our shareholders approved the payment of dividends and interest on shareholders' equity relating to 2010, in the total amount of R\$1,856.8 million (R\$1,500 million as dividends and R\$356.8 million as interest on shareholders' equity).

#### ***Amounts Available for Distribution***

At each Annual Shareholders' Meeting, our Board of Directors is required to recommend how our earnings for the preceding fiscal year are to be allocated. For purposes of Brazilian Corporate Law, a company's net income after income tax and social contribution for any one fiscal year, net of any accumulated losses from prior fiscal years and amounts allocated to employees' and management's participation in earnings, represents its "net profits" for that fiscal year.

In accordance with Brazilian Corporate Law, an amount equal to our net profits as further (i) reduced by amounts allocated to the legal reserve; (ii) reduced by amounts allocated to the contingency reserve; and (iii) increased by reversion of the contingency reserves constituted in prior years, will be available for distribution to shareholders, or the Distributable Amount, in any particular year.

*Legal Reserve.* Under Brazilian Corporate Law, we are required to maintain a "legal reserve" to which we must allocate 5% of our "net profits" for each fiscal year until the amount of the reserve equals 20% of our paid-in capital. However, we are not required to make any allocations to our legal reserve in a year in which the legal reserve, when added to our other established capital reserves, exceeds 30% of our capital stock. Any net losses may be offset with the amounts allocated to the legal reserve. The amounts allocated to such reserve must be approved by our shareholders in the Annual Shareholders' Meeting, and may be used to increase our capital stock or to offset losses and, therefore, they are not available for the payment of dividends.

*Discretionary (or Statutory) Reserves.* Under Brazilian Corporate Law, any corporation may provide in its by-laws for additional reserves, provided that the maximum amount that may be allocated, the purpose and allocation criteria of the reserve are specified. These reserves may not be allocated for if such reserve affects the payment of the

Mandatory Dividend (as defined bellow). Our by-laws currently do not provide for this reserve.

*Contingency Reserve.* Under Brazilian Corporate Law, a percentage of our “net profits” may be allocated to a contingency reserve for estimable losses that are considered probable in future years. Any amount so allocated in a prior year must either be reserved in the fiscal year in which the loss had been anticipated if the loss does not occur as projected or be written off in the event that the anticipated loss occurs.

*Tax Incentive Reserve.* Our shareholders in a shareholders’ meeting may, as proposed by management, allocate to the tax incentive reserve part of our “net profits” resulting from donations or governmental grants for investments, which may be excluded from the taxable basis of a Mandatory Dividend (as defined bellow). Our by-laws currently do not provide for such reserve.

*Unrealized Income Reserve.* Under Brazilian Corporate Law, the amount by which the distributable amount exceeds realized net income in a given fiscal year may be allocated to unrealized profits reserves. Brazilian Corporate Law defines realized “net profits” for the period as the amount by which our “net profits” exceeds the sum of (i) positive equity results and (ii) the profits, gains or returns that will be received by us after the end of the subsequent fiscal year. “Net profits” allocated to the unrealized profits reserves must be added to the next mandatory dividend distribution after those profits have been realized, if they have not been used to absorb losses in subsequent periods.

*Retained Earnings Reserve.* Under Brazilian Corporate Law, our shareholders may decide at a general shareholders’ meeting to retain a portion of our net income that is provided for in a previously approved capital expenditure budget. No allocation of net income may be made to the retained earnings reserve in case such allocation affects the payment of a mandatory dividend.

The balance of our profit reserves, except those for contingencies, tax incentives and unrealized profits, shall not be greater than our capital stock. If such reserves reach this limit, the manner in which such surplus is used will be decided at a shareholders’ meeting.

For purposes of determining reserve amounts, the calculation of “net profits” and allocations to reserves for any fiscal year are determined on the basis of financial statements prepared in accordance with Brazilian Corporate Law. The consolidated financial statements included herein have been prepared in accordance with U.S. GAAP and, although our allocations to reserves and dividends will be reflected in the financial statements, investors will not be able to calculate the allocations or required dividend amounts from the consolidated financial statements.

*Capital Reserve.* Under Brazilian Corporate Law, the capital reserve consists of premium from the issuance of shares, goodwill reserves from mergers, sales of founders' shares, sales of warrants, premium from the issuance of debentures, tax and fiscal incentives and gifts. Amounts allocated to our capital reserve are not taken into consideration for purposes of determining Mandatory Dividends (as defined bellow). Our capital stock is not currently represented by founders' shares. In addition, the remaining balance in the capital reserve may only be used to increase our capital stock, to absorb losses that surpass accumulated profits and the profit reserves or to redeem, reimburse or purchase shares.

### ***Mandatory Dividend***

Under our bylaws, we are required to distribute to shareholders as dividends in respect of each fiscal year ending on December 31, to the extent profits are available for distribution, an amount equal to at least 25% of the Distributable Amount (the “Mandatory Dividend”) in any particular year (the amount of which shall include any interest paid on capital during that year). See “Additional Payments on Shareholders’ Equity” below. In addition to the Mandatory Dividend, our Board of Directors may recommend that shareholders receive an additional payment of dividends from other funds legally available therefore. Any payment of interim dividends will be netted against the amount of the Mandatory Dividend for that fiscal year. Under Brazilian Corporate Law, if the Board of Directors determines prior to the Annual Shareholders’ Meeting that payment of the Mandatory Dividend for the preceding fiscal year would be inadvisable in view of our financial condition, the Mandatory Dividend need not be paid. That type of determination must be reviewed by the Fiscal Council, if one exists, and reported, together with the appropriate explanations, to the shareholders and to the CVM.

### ***Payment of Dividends***

We are required to hold Annual Shareholders' Meetings within the first four months after the end of our fiscal year at which an annual dividend may be declared. Additionally, our Board of Directors may declare interim dividends. Under Brazilian Corporate Law, dividends are generally required to be paid to the holder of record on a dividend declaration date within 60 days following the date the dividend was declared, unless a shareholders' resolution sets forth another date of payment, which, in either case, must occur prior to the end of the fiscal year in which the dividend was declared. A shareholder has a three-year period from the dividend payment date to claim dividends (or interest on shareholders' equity as described under "Additional Payments on Shareholders' Equity" below) in respect of its shares, after which we will no longer be liable for the dividend payments.

Our payments of cash distributions on common shares underlying the ADSs will be made in Brazilian currency to our ADR custodian on behalf of our ADR depository, which will then convert the proceeds into U.S. dollars and will cause the U.S. dollars to be delivered to our ADR depository for distribution to holders of ADSs.

### ***Additional Payments on Shareholders' Equity***

Since January 1, 1996, Brazilian companies have been permitted to pay interest on shareholders' equity to holders of equity securities and to treat those payments as deductible expense for Brazilian income tax purposes. The amount of interest payable on capital is calculated based on the TJLP, as determined by the Central Bank, applied to each shareholder's portion of net equity. Brazilian Corporate Law establishes that current earnings are not included as part of the net equity.

The TJLP is determined by the Central Bank on a quarterly basis. The TJLP is based on the annual profitability average of Brazilian public internal and external debt. The TJLP rate for the fourth quarter of 2009 was 6%.

Interest on shareholders' equity is deductible to the extent it does not exceed 50% of either of the following amounts: (i) net income, as determined for accounting purposes, for the current period of interest payment before the provision for income tax and the deduction of the amount of interest; or (ii) accumulated earnings from prior years.

## **8B. Significant Changes**

None

## **Item 9. The Offer and Listing**

### **9A. Offer and Listing Details**

Our capital stock is comprised of common shares without par value (*ações ordinárias*). On January 22, 2008, our shareholders approved a one-for-three split of our common shares. As a result of this stock split, each common share of our capital stock as of January 22, 2008 became represented by three common shares after the split. The same ratio of one common share for each ADS was maintained.

On March 25, 2010, our shareholders approved a two-for-one split of our common shares. As a result of this stock split, each common share of our capital stock as of March 25, 2010 became represented by two common shares after the split. The same ratio of one common share for each ADS was maintained. See "Item 10.B. Memorandum and Articles of Association."

The following table sets forth information concerning the high and low closing sale prices and the average daily trading volume of our common shares on the BM&FBOVESPA (per common share) and the ADSs on the NYSE for the periods indicated.

**Common Shares<sup>(1)</sup>**

**American Depositary Shares<sup>(1)</sup>**

	US\$ per Share <sup>(2)</sup>		Volume	US\$ per ADS		Volume
	High	Low	(In thousands)	High	Low	(In thousands)
<b>2005:</b>						
Year end	4.49	2.45	5,771	4.47	2.47	5,095
<b>2006:</b>						
Year end	6.27	3.46	4,216	6.29	3.49	5,605
<b>2007:</b>						
Year end	15.00	4.58	5,330	15.35	4.58	6,980
<b>2008:</b>						
First quarter	20.93	11.88	5,171	20.99	12.16	8,521
Second quarter	26.21	17.76	4,617	26.23	17.75	6,895
Third quarter	21.87	8.24	6,323	21.78	9.21	11,038
Fourth quarter	10.51	4.07	6,887	10.41	3.93	10,390
Year end	26.21	4.07	5,761	26.23	3.93	9,219
<b>2009:</b>						
First quarter	9.27	6.03	5,967	9.30	5.92	9,217
Second quarter	13.29	7.31	5,039	13.25	7.27	7,088
Third quarter	15.45	9.83	4,573	15.53	9.73	6,226
Fourth quarter	19.20	14.57	4,145	19.07	14.47	6,417
Year end	19.20	6.03	4,930	19.07	5.92	7,214
<b>2010:</b>						
First quarter	18.38	13.08	4,800	19.17	13.86	6,742
Second quarter	19.09	12.67	4,114	19.90	13.24	6,524
Third quarter	16.46	13.77	3,253	17.49	14.44	4,555
Fourth quarter	16.85	14.42	2,687	18.02	15.49	4,533
Year end	19.09	12.67	3,713	19.90	13.24	5,589
<b>2011</b>						
January 31	17.03	15.66	1,119	18.14	16.45	1,729
<b>February</b>						
<b>28</b>	15.20	16.15	919	17.11	16.08	1,396
March 31	15.52	14.44	1,018	16.55	15.25	1,432
First quarter	17.03	14.44	3,055	18.14	15.25	4,556
April 30	15.93	14.35	995	17.04	15.21	1,126

Source: Economática.

- (1) Prices and volumes of our common shares and ADSs have been adjusted to reflect the two-for-one stock split occurred in March 2010 whereby each common share of our capital stock on March 25, 2010 became represented by two common shares. See “Item 10.B. Memorandum and Articles of Association.”
- (2) U.S. dollar amounts have been translated from *reais* at the exchange rates in effect on the respective dates of the quotations for the common shares set forth above. These U.S. dollar amounts may reflect exchange rate fluctuations and may not correspond to changes in nominal *reais* prices over time.



As of June 14, 2011, the closing sale price (i) per common share on the BM&FBOVESPA was R\$19.58 and (ii) per ADS on the NYSE was US\$12.59. The ADSs are issued under a deposit agreement and JP Morgan Bank serves as depositary under that agreement.

As of March 31, 2011, approximately 364 million, or approximately 24.6%, of our outstanding common shares were held through ADSs. Substantially all of these ADSs were held of record by The Depository Trust Company. In addition, our records indicate that on that date there were approximately 402 record holders (other than our ADR depositary) with addresses in the U.S., holding an aggregate of approximately 476 million common shares, representing 32.1% of our outstanding common shares.

## **9B. Plan of Distribution**

Not applicable.

## **9C. Markets**

The principal trading market for our common shares is the BM&FBOVESPA. Our ADSs trade on the NYSE under the symbol "SID."

### **Trading on the BM&FBOVESPA**

In 2000, the BM&FBOVESPA was reorganized through the execution of memoranda of understanding by the Brazilian stock exchanges. Under the memoranda, all securities in Brazil are now traded only on the BM&FBOVESPA, with the exception of electronically traded public debt securities and privatization auctions, which are traded on the Rio de Janeiro Stock Exchange.

When shareholders trade in common and preferred shares on the BM&FBOVESPA, the trade is settled in three business days after the trade date without adjustment of the purchase price for inflation. The seller is ordinarily required to deliver the shares to the exchange on the third business day following the trade date. Delivery of and payment for shares are made through the facilities of the clearinghouse, *Companhia Brasileira de Liquidação e Custódia*, or CBLC, a subsidiary of the BM&FBOVESPA.

The BM&FBOVESPA was a nonprofit entity owned by its member brokerage firms until August 2007. Since then, Bovespa Holding S.A. became a public company with shares negotiated on the BM&FBOVESPA. Trading on the BM&FBOVESPA is conducted through an electronic trading system called Megabolsa from 10:00 a.m. to 5:00 p.m., or from 11:00 a.m. to 6:00 p.m., São Paulo time, during daylight savings time in Brazil, for all securities traded on all markets. This system is a computerized system that links electronically with the seven smaller regional exchanges. The BM&FBOVESPA also permits trading from 5:45 p.m. to 7:00 p.m., or from 6:45 p.m. to 7:30 p.m., São Paulo time, during daylight savings time in Brazil, on an online system connected to traditional and internet brokers called the "after market." Trading on the after market is subject to regulatory limits on price volatility and on the volume of shares transacted through internet brokers. There are no specialists or officially recognized market makers for our shares in Brazil.



In order to better control volatility, the BM&FBOVESPA adopted a “circuit breaker” system pursuant to which trading sessions may be suspended for a period of 30 minutes, one hour or for a period to be determined by BM&FBOVESPA whenever the BM&FBOVESPA’s index, or Ibovespa index, falls below the limits of 10%, 15% or 20%, respectively, in relation to the index registered in the previous trading session.

The BM&FBOVESPA is significantly less liquid than the NYSE or other major exchanges in the world. As of December 2010, the aggregate market capitalization of the BM&FBOVESPA was equivalent to R\$2.6 trillion (or US\$1.5 trillion). In contrast, as of April 2010, the aggregate market capitalization of the NYSE was US\$25.44 trillion. The average daily trading volume of the BM&FBOVESPA and NYSE for April 2010 was approximately R\$5.6 billion (or US\$3.2 billion) and US\$80.1 billion, respectively. Although any of the outstanding shares of a listed company may trade on the BM&FBOVESPA, in most cases fewer than half of the listed shares are actually available for trading by the public, since the remaining shares are generally being held by small groups of controlling persons, by government entities or by one principal shareholder. See “Item 3. Risk Factors—Risks Relating to the ADSs and Our Common Shares—The relative volatility and illiquidity of the Brazilian securities markets may substantially limit the ability of holders of our common shares or ADSs to sell the common shares underlying the ADSs at the time and price they desire.”

As of December 31, 2010, we accounted for approximately 1.88% of the market capitalization of all listed companies on the BM&FBOVESPA.

The following table reflects the fluctuations in the Ibovespa index during the periods indicated:

#### **Ibovespa Index**

	<b>High</b>	<b>Low</b>	<b>Close</b>
2005	33,629	23,610	33,456
2006	44,674	32,057	44,473
2007	65,790	41,179	63,886
2008	73,516	29,435	37,550
2009	69,349	36,234	68,588
2010	72,995	58,192	69,304
2011 (through March 31)	71,632	64,217	68,586

The IBOVESPA index closed at 68,586 on March 31, 2011. Trading on the BM&FBOVESPA by nonresidents of Brazil is subject to certain limitations under Brazilian foreign investment legislation. See “Item 10D. Exchange Controls.”

#### **Regulation of the Brazilian Securities Markets**

The Brazilian securities markets are regulated by the CVM, which has authority over stock exchanges and the securities markets generally, and by the Central Bank, which has, among other powers, licensing authority over

brokerage firms and regulates foreign investment and foreign exchange transactions. The Brazilian securities market is governed by Law No. 6,385 dated December 7, 1976, as amended, or the Brazilian Securities Law, and Brazilian Corporate Law and regulations issued by the CVM.

Under Brazilian Corporate Law, a company is either public, a *companhia aberta*, such as us, or private, a *companhia fechada*. All public companies are registered with the CVM and are subject to reporting and regulatory requirements.

Trading in securities on the BM&FBOVESPA may be suspended at the request of a company in anticipation of a material announcement. The company should also suspend its trading on international stock exchanges where its securities are traded. Trading may also be suspended on the initiative of the BM&FBOVESPA or the CVM, among other reasons, based on or due to a belief that a company has provided inadequate information regarding a material event or has provided inadequate responses to the inquiries by the CVM or the BM&FBOVESPA.

The Brazilian Securities Law and the regulations issued by the CVM provide for, among other things, disclosure requirements, restrictions on insider trading and price manipulation, as well as protection of minority shareholders. However, the Brazilian securities markets are not as highly regulated and supervised as the United States securities markets or markets in certain other jurisdictions.

### **Disclosure Requirements**

According to Law No 6,385, a publicly held company must submit to the CVM and BM&FBOVESPA certain periodic information, including annual and quarterly reports prepared by management and independent auditors. This legislation also requires us to file with the CVM our shareholders' agreements, notices of shareholders' meetings and copies of the related minutes.

Pursuant to the CVM Resolution No. 358, of January 3, 2002, the CVM revised and consolidated the requirements regarding the disclosure and use of information related to material facts and acts of publicly held companies, including the disclosure of information in the trading and acquisition of securities issued by publicly held companies.

Such requirements include provisions that:

- establish the concept of a material fact that gives rise to reporting requirements. Material facts include decisions made by the controlling shareholders, resolutions of the shareholders at a shareholders' meeting and of management of the company, or any other facts related to our business (whether occurring within the company or otherwise somehow related thereto) that may influence the price of its publicly traded securities, or the decision of investors to trade such securities or to exercise any of such securities' underlying rights;
- specify examples of facts that are considered to be material, which include, among others, the execution of agreements providing for the transfer of control, the entry or withdrawal of shareholders that maintain any managing, financial, technological or administrative function with or contribution to the company, and any corporate restructuring undertaken among related companies;
- oblige the officer of investor relations, controlling shareholders, other officers, directors, members of the audit committee and other advisory boards to disclose material facts;
- require simultaneous disclosure of material facts to all markets in which the corporation's securities are admitted for trading;

- require the acquirer of a controlling stake in a corporation to publish material facts, including its intentions as to whether or not to de-list the corporation's shares, within one year;
- establish rules regarding disclosure requirements in the acquisition and disposal of a material ownership interest; and
- forbid trading on the basis of material non-public information.

Pursuant to the CVM Rule No. 480 of December 7, 2009, the CVM expand the quantity and improve the quality of information reported by issuers in Brazil. This Rule represents a significant step forward in providing the market with greater transparency over securities issuers. For that purpose, the Annual Information Report (*IAN*) was replaced by a more comprehensive and opinative reference form (*Formulário de Referência*), which comprised the information requested by *IAN* and added several other data required under CVM Rule No. 400 of December 29, 2003 that were only subject to disclosure upon a public offering.

The reference form (*Formulário de Referência*) is in line with the Shelf Registration System recommended by the International Organization Securities Commission (IOSCO) and adopted in other countries (England and the United States, among others), by means of which the information regarding an specific issuer is consolidated into one document and is subject to periodic update (the “Shelf Document”). This mechanism offers the investor the possibility to analyze one single document for relevant information about the issuer.

CVM Rule No. 480 also created two groups of issuers per type of securities traded. Group A issuers are authorized to trade in any securities, whereas Group B issuers must not trade in stocks, depositary receipts (BDRs, Units) and securities convertible or exchangeable into stocks or depositary receipts. The greater extend of Group A authorization is followed by more stringent disclosure and reporting requirements. We, as issuers of stocks, are part of Group A.

CVM has also enacted Rule No. 481 of December 17, 2009 to regulate two key issues involving general meetings of shareholders in publicly held companies: (i) the extent of information and documents to be provided in support of call notices (subject to prior disclosure to shareholders); and (ii) proxy solicitation for exercise of voting rights.

CVM Rule No. 481 is intended to (i) improve the quality of information disclosure by publicly held companies to shareholders and to the market in general, favoring the use of Internet as a vehicle to that end; (ii) make the exercise of voting rights less costly and foster the participation of shareholders in general meetings, specially for companies with widely dispersed capital; and, consequently (iii) facilitate the oversight of corporate businesses.

#### **9D. Selling Shareholders**

Not applicable.

#### **9E. Dilution**

Not applicable.

#### **9F. Expenses of the Issue**

Not applicable.

### **Item 10. Additional Information**

#### **10A. Share Capital**

Not applicable.

#### **10B. Memorandum and Articles of Association**

##### **Registration and Corporate Purpose**

We are registered with the Department of Trade Registration under number 15,910. Our corporate purpose, as set forth in Article 2 of our bylaws, is to manufacture, transform, market, import and export steel products and steel

derived by-products from the manufacturing plant, as well as to explore other activities that are directly or indirectly related to our corporate purpose, including: mining, cement and carbochemical business activities, the manufacture and assembly of metallic structures, construction, transportation, navigation and port activities.

## **Directors' Powers**

Pursuant to our bylaws, a director may not vote on a proposal, arrangement or contract in which the director's interests conflict with our interests. In addition, our shareholders must approve the total compensation of our management and our Board of Directors is responsible for allocating individual amounts of management compensation. There is no mandatory retirement age for our directors. Brazilian Corporate Law requires that a director must be a shareholder of the company, but there is no minimum amount of shares required. A detailed description of the general duties and powers of our Board of Directors may be found in "Item 6A. Directors and Senior Management."

## **Description of Capital Stock**

Set forth below is certain information concerning our capital stock and a brief summary of certain significant provisions of our bylaws and Brazilian Corporate Law applicable to our capital stock. This description does not purport to be complete and is qualified by reference to our bylaws and to Brazilian law. For further information, see our bylaws, which have been filed as an exhibit to this annual report.

### ***Capital Stock***

On December 31, 2010, our capital stock was composed of 1,483,033,685 common shares, including 25,063,577 common shares held in treasury.

On November 1, 2010 we cancelled 27,325,535 of our shares which were held on treasury at that time. On April 30, 2011 our capital stock was composed by 1,483,033,685 common shares including 25,063,577 common shares held in treasury. Our bylaws authorize the Board of Directors to increase the capital stock up to 2,400,000,000 common shares without an amendment to our bylaws by means of a vote at our shareholders' meeting. There are currently no classes or series of preferred shares issued or outstanding. We may purchase our own shares for purposes of cancellation or to hold them in treasury subject to certain limits and conditions established by the CVM and Brazilian Corporate Law. See "Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers."

### ***Liability for Further Capital Calls***

Pursuant to Brazilian Corporate Law, a shareholder's liability is generally limited to the issue price of the subscribed or purchased shares. There is no obligation of a shareholder to participate in additional capital calls.

### ***Voting Rights***

Each common share entitles the holder to one vote at our shareholders' meetings. According to a CVM ruling, shareholders that represent at least 5% of our common shares may request cumulative voting in an election of our Board of Directors. Pursuant to Brazilian Corporate Law, shareholders holding at least 15% of our common shares have the right to appoint a member of our Board of Directors.

### ***Shareholders' Meetings***

Pursuant to Brazilian Corporate Law, the shareholders present at an annual or extraordinary shareholders' meeting, convened and held in accordance with Brazilian Corporate Law and our bylaws are empowered to decide all matters

relating to our corporate purpose and to pass any resolutions they deem necessary for our protection and well-being.

In order to participate in a shareholders' meeting, a shareholder must be a record owner of the share on the day the meeting is held, and may be represented by a proxy.

Shareholders' meetings are called, convened and presided over by the Chairman or Vice-Chairman of our Board of Directors. Brazilian Corporate Law requires that our shareholders' meeting be convened by publication of a notice in the *Diário Oficial do Estado do Rio de Janeiro*, the official government publication of the State of Rio de Janeiro, and in a newspaper of general circulation in Brazil and in the city in which our principal place of business is located, currently the *Jornal Valor Econômico*, at least 15 days prior to the scheduled meeting date and no fewer than three times. We have changed to the *Jornal Valor Econômico* as our main means of disclosing legal notices after our shareholders approved by unanimous vote such change at our shareholders' meeting held on April 29, 2010. Both notices must contain the agenda for the meeting and, in the case of an amendment to our bylaws, an indication of the subject matter.

In order for a shareholders' meeting to be held, shareholders representing a quorum of at least one-fourth of the voting capital must be present. A shareholder may be represented at a shareholders' meeting by means of a proxy, appointed not more than one year before the meeting, who must be either a shareholder, a company officer or a lawyer. For public companies, such as we are, the proxy may also be a financial institution. If no quorum is present, notice must be given in the manner described above, no fewer than eight days prior to the scheduled meeting date. On second notice, the meeting may be convened without a specific quorum requirement, subject to the minimum quorum and voting requirements for certain matters, described below. A holder of shares with no voting rights may attend a shareholders' meeting and take part in the discussion of matters submitted for consideration.

Except as otherwise provided by law, resolutions passed at a shareholders' meeting require a simple majority vote, abstentions not considered. Pursuant to Brazilian Corporate Law, the approval of shareholders representing at least one-half of the issued and outstanding voting shares is required for the following actions: (i) to change a priority, preference, right, privilege or condition of redemption or amortization of any class of preferred shares or creation of any class of non-voting preferred shares that has a priority, preference, right, condition or redemption or amortization superior to an existing class of shares (in this case, a majority of issued and outstanding shares of the affected class is required); (ii) to reduce the mandatory dividend; (iii) to change our corporate purpose; (iv) to merge into or consolidate with another company or to spin-off our assets; (v) to dissolve or liquidate our Company; (vi) to cancel any liquidation procedure; (vii) to create founders' shares; and (viii) to participate in a centralized group of companies as defined under Brazilian Corporate Law.

Pursuant to Brazilian Corporate Law, shareholders voting at a shareholders' meeting have the power to: (i) amend our bylaws; (ii) elect or dismiss members of our Board of Directors (and members of the Fiscal Council) at any time; (iii) receive and approve the annual management accounts, including the allocation of net profits and the distributable amounts for payment of the mandatory dividends and allocation to the various reserve accounts; (iv) authorize the issuance of debentures in general; (v) suspend the rights of a shareholder who has violated Brazilian Corporate Law or our bylaws; (vi) accept or reject the valuation of assets contributed by a shareholder in consideration of the subscription of shares in our capital stock; (vii) authorize the issuance of founders' shares; (viii) pass resolutions to reorganize the legal form of, merge, consolidate or split the company, to dissolve and liquidate the company, to elect and dismiss its liquidators and to examine their accounts; and (ix) authorize management to declare the company insolvent and to request a *recuperação judicial* or *recuperação extrajudicial* (a procedure involving protection from creditors similar in nature to reorganization under the U.S. Bankruptcy Code), among others.

### ***Redemption Rights***

Our common shares are not redeemable, except that a dissenting and adversely affected shareholder is entitled, under Brazilian Corporate Law, to obtain redemption upon a decision made at a shareholders' meeting by shareholders representing at least one half of the issued and outstanding voting shares to: (i) create a new class of preferred shares or to disproportionately increase an existing class of preferred shares relative to the other classes of preferred shares (unless these actions are provided for or authorized by our bylaws); (ii) modify a preference, privilege or condition of redemption or amortization conferred on one or more classes of preferred shares, or to create a new class with greater privileges than an existing class of preferred shares; (iii) reduce the mandatory distribution of dividends; (iv) change our corporate purpose; (v) merge us with another company or consolidate us; (vi) transfer all of our shares to another company in order to make us a wholly-owned subsidiary of that company (*incorporação*); (vii) approve the acquisition of control of another company at a price that exceeds certain limits set forth under Brazilian Corporate

Law; (viii) approve our participation in a centralized group of companies as defined under Brazilian Corporate Law; (ix) conduct a spin-off that results in (a) a change of corporate purpose, (b) a reduction of the mandatory dividend or (c) any participation in a group of companies as defined under Brazilian Corporate Law; or (x) in the event that the entity resulting from (a) a merger or consolidation, (b) an *incorporação* as described above or (c) a spin-off of a listed company fails to become a listed company within 120 days of the shareholders' meeting at which the decision was taken. The right of redemption lapses 30 days after publication of the minutes of the relevant shareholders' meeting. We would be entitled to reconsider any action giving rise to redemption rights within 10 days following the expiration of those rights, if the redemption of shares of dissenting shareholders would jeopardize our financial stability. Law No. 9,457 dated May 5, 1997, which amended Brazilian Corporate Law, contains provisions which, among others, restrict redemption rights in certain cases and allow companies to redeem their shares at their market value, subject to certain requirements. According to our bylaws, the reimbursement value of the common shares must equal the market value, determined by a valuation report in accordance with Brazilian Corporate Law, of our capital stock divided by the total number of shares issued by us, excluding treasury shares.

### ***Preemptive Rights***

Except as provided for in Brazilian Corporate Law (such as, mergers and public offerings), our bylaws allow each of our shareholders a general preemptive right to subscribe to shares in any capital increase, in proportion to his or her ownership interest. A minimum period of 30 days following the publication of notice of a capital increase is allowed for the exercise of the right and the right is negotiable. In the event of a capital increase that would maintain or increase the proportion of capital represented by common shares, holders of ADSs will have preemptive rights to subscribe only to newly issued common shares. In the event of a capital increase that would reduce the proportion of capital represented by common shares, holders of ADSs will have preemptive rights to subscribe for common shares, in proportion to their ownership interest, only to the extent necessary to prevent dilution of their interest in us.

### ***Form and Transfer***

As our common shares are in registered form, the transfer of shares is governed by the rules of Article 31, paragraph 3, of Brazilian Corporate Law, which provides that a transfer of shares is effected by a transfer recorded in a company's share transfer records upon presentation of valid share transfer instructions to the company by a transferor or its representative. When common shares are acquired or sold on a Brazilian stock exchange, the transfer is effected on our records by a representative of a brokerage firm or the stock exchange's clearing system. Transfers of shares by a non-Brazilian shareholder are made in the same way and are executed by that shareholders' local agent.

The BM&FBOVESPA operates a central clearing system. A holder of our common shares may choose, at its discretion, to participate in this system and all shares elected to be put into this system will be deposited in the custody of the BM&FBOVESPA (through a Brazilian institution duly authorized to operate by the Central Bank and having a clearing account with the BM&FBOVESPA). The fact that those common shares are held in the custody of the BM&FBOVESPA will be reflected in our register of shareholders. Each participating shareholder will, in turn, be registered in our register of beneficial shareholders maintained by the BM&FBOVESPA and will be treated in the same way as registered shareholders.

### ***Limitations on Ownership and Voting Rights by non-Brazilians Shareholders***

There are no restrictions on ownership or voting of our common shares by individuals or legal entities domiciled outside Brazil. However, the right to convert dividend payments and proceeds from the sale of common shares into foreign currency and to remit those amounts outside Brazil is subject to exchange control restrictions and foreign investment legislation which generally require, among other things, obtaining a Certificate of Registration under the Brazilian National Monetary Council's Resolution No. 2,689 or its direct foreign investment regulations. See "Item 10D. Exchange Controls."

### ***Share Ownership Disclosure***

There are no provisions in our bylaws governing the ownership threshold above which shareholder ownership must be disclosed. CVM regulations require the disclosure of the acquisition of (i) 5% of the voting stock of a listed company, (ii) additional acquisitions by a controlling shareholder and (iii) shares by members of the Board of Executive Officers, members of the Fiscal Council (if any) and certain relatives of those persons.

## **10C. Material Contracts**

None



## 10D. Exchange Controls

There are no restrictions on ownership or voting of our common shares by individuals or legal entities domiciled outside Brazil. However, the right to convert dividend payments and proceeds from the sale of common shares into foreign currency and to remit those amounts outside Brazil is subject to exchange control restrictions and foreign investment legislation which generally require, among other things, obtaining a Certificate of Registration under the Brazilian National Monetary Council's Resolution No. 2,689 or its direct foreign investment regulations. Resolution No. 2,689 dated March 31, 2000, introduced new rules to facilitate foreign investment in Brazil. The principal changes for foreign investors entering the Brazilian market include:

- the removal of restrictions on investments by portfolio composition (e.g., equities, fixed income and derivatives); and
- permission for foreign individuals and corporations to invest in the Brazilian market, in addition to foreign institutional investors.

Prior to Resolution No. 2,689, foreign investors had to leave and reenter the country in order to switch their investments from equity to fixed income. Now foreign investors can freely switch their investments without leaving the local market. Foreign investors registered with the CVM and acting through authorized custody accounts and a legal representative may buy and sell any local financial product traded on the local exchanges and registered on the local clearing systems, including shares on the BM&FBOVESPA, without obtaining separate Certificates of Registration for each transaction. Pursuant to Resolution No. 2,689, as amended, investors are also generally entitled to favorable tax treatment. See "Item 10E. Taxation—Brazilian Tax Considerations."

A Certificate of Registration has been issued in the name of JP Morgan Chase Bank N.A., as our ADR depository, and is maintained by the *Itaú Corretora de Valores S.A.*, our ADR custodian, on behalf of our ADR depository. Pursuant to the Certificate, our ADR custodian and our ADR depository are able to convert dividends and other distributions with respect to the common shares represented by ADSs into foreign currency and remit the proceeds outside Brazil. In the event that a holder of ADSs surrenders its ADSs for common shares, that holder will be entitled to continue to rely on our ADR depository's Certificate of Registration for only five business days after the surrender, following which the holder must obtain its own Certificate of Registration. Thereafter, unless the common shares are held pursuant to Resolution No. 2,689 or direct foreign investment regulations, the holder may not be able to convert into foreign currency and remit outside Brazil the proceeds from the disposition of, or distributions with respect to, those common shares, and the holder generally will be subject to less favorable Brazilian tax treatment than a holder of ADSs. See "Item 10E. Taxation—Brazilian Tax Considerations."

A non-Brazilian holder of common shares may experience delays in obtaining a Certificate of Registration, which may delay remittances abroad. This kind of delay may adversely affect the amount, in U.S. dollars, received by the non-Brazilian holder.

Under current Brazilian legislation, the Brazilian government may impose temporary restrictions on remittances of foreign capital abroad in the event of a serious imbalance or an anticipated serious imbalance of Brazil's balance of payments. For approximately nine months in 1989 and early 1990, the Brazilian government froze all dividend and capital repatriations held by the Central Bank that were owed to foreign equity investors in order to conserve Brazil's foreign currency reserves. These amounts were subsequently released in accordance with Brazilian government directives. See "Item 3D. Risk Factors—Risks Relating to our Common Shares and ADSs—If holders of ADSs exchange

the ADSs for common shares, they risk losing the ability to remit foreign currency abroad and Brazilian tax advantages.”

For a description of the foreign exchange markets in Brazil, see “Item 3A. Selected Financial Data– Exchange Rates.”

#### **10E. Taxation**

The following is a summary of certain U.S. federal income and Brazilian tax consequences of the acquisition, ownership and disposition of our common shares or ADSs by an investor that holds the common shares or ADSs. This summary does not purport to address all material tax consequences of the acquisition, ownership and disposition of our common shares or ADSs, does not take into account the specific circumstances of any particular investors and does not address certain investors that may be subject to special tax rules.

This summary is based on the tax laws of the United States (including the Internal Revenue Code of 1986, as amended, or the Code, its legislative history, existing and proposed Treasury regulations thereunder, published rulings and court decisions) and Brazil as in effect on the date hereof, which are subject to change (or changes in interpretation), possibly with retroactive effect. In addition, this summary is based in part upon the representations of our ADR depository and the assumption that each obligation in our deposit agreement and any related agreement will be performed in accordance with its terms.

Although there is, at present, no income tax treaty between Brazil and the United States, the tax authorities of the two countries have had discussions that may result in such a treaty. Both countries have been accepting the offset of income taxes paid in one country against the income tax due in the other based on reciprocity. No assurance can be given, however, as to whether or when an income tax treaty will enter into force or how it will affect the U.S. Holders, as defined below, of common shares or ADSs.

The discussion does not address any aspects of U.S. taxation (such as estate tax, gift tax and Medicare tax on net investment income) other than federal income taxation or any aspects of Brazilian taxation other than income, gift, inheritance and capital taxation. Prospective investors are urged to consult their own tax advisors regarding the U.S. federal, state and local and regarding Brazilian and other tax consequences of the acquisition, ownership and disposition of our common shares and ADSs.

### **Brazilian Tax Considerations**

The following discussion summarizes the principal Brazilian tax consequences of the acquisition, ownership and disposition of common shares or ADSs by a holder that is not domiciled in Brazil for purposes of Brazilian taxation (a “Non-Resident Holder”). It is based on Brazilian law as currently in effect. Any change in such law may change the consequences described below, possibly with retroactive effect. This discussion does not specifically address all of the Brazilian tax considerations applicable to any particular Non-Resident Holder. Each Non-Resident Holder of common shares or ADSs should consult their own tax advisor concerning the Brazilian tax consequences of an investment in common shares or ADSs.

A Non-Resident Holder of ADSs may withdraw them in exchange for common shares in Brazil. Pursuant to Brazilian law, the Non-Resident Holder may invest in common shares under Resolution 2,689, of January 26, 2000, of the National Monetary Council, or a 2,689 Holder.

### ***Taxation of Dividends and Interest on Shareholders' Equity***

Dividends, including stock dividends and other dividends, paid by us (i) to our ADR depository in respect of the common shares underlying the ADSs or (ii) to a Non-Resident Holder in respect of common shares are currently not subject to Brazilian withholding income tax, as far as such amounts are related to profits generated on or after January 1, 1996. Dividends relating to profits generated prior to January 1, 1996 may be subject to Brazilian withholding income tax at varying rates, depending on the year the profits have been generated.

Since 1996, Brazilian companies have been permitted to pay limited amounts of interest on shareholders' equity to holders of equity securities and to treat those payments as a deductible expense for purposes of its Brazilian income tax and social contribution on net profits tax basis. For tax purposes, this interest is limited to the daily pro rata

variation of the Brazilian Federal Government's Long-Term Interest Rate ("TJLP"), as determined by the Central Bank from time to time, multiplied by the net equity value of the Brazilian company, and the amount of the deduction may not exceed the greater of (i) 50% of the net income (before taking into account the amounts attributable to shareholders as interest on shareholders' equity and the provision of corporate income tax but after the deduction of the provision of the social contribution on net profits) related to period in respect of which the payment is made; or (ii) 50% of the sum of retained profits and profits reserves as of the date of the beginning of the fiscal year in respect of which the payment is made. Payments of interest on shareholders' equity are decided by the shareholders on the basis of the recommendations of our Board of Directors.

Payment of interest on shareholders' equity to a Non-Resident Holder is subject to withholding income tax at the rate of 15%, or 25% if the Non-Resident Holder is domiciled in a tax haven. For this purpose, a "tax haven" is a country or location (1) that does not impose income tax, (2) where the income tax rate is lower than 20% or (3) where the local legislation imposes restrictions on disclosing the shareholding composition or ownership of the investment ("Tax Haven Jurisdiction"). These payments of interest on shareholders' equity may be included, at their net value, as part of any mandatory dividend. To the extent payment of interest on shareholders' equity is so included, the corporation is required to distribute to shareholders an additional amount to ensure that the net amount received by them, after payment of the applicable Brazilian withholding income tax, plus the amount of declared dividends is at least equal to the mandatory dividend.

In addition, Law No. 11,727, of June 23, 2008, or Law No. 11,727, introduced a broader concept of tax haven jurisdiction applicable to transactions subject to Brazilian transfer pricing rules, with the creation of the privileged tax regime concept (which came into effect on January 1, 2009).

Due to the recent enactment of this Law and the lack of relevant regulation issued by the Brazilian tax authorities, we are not able to ascertain if this privileged tax regime concept will also be applied to non-resident investors such as a Non-Resident Holder. We recommend prospective investors to consult their own tax advisors from time to time about the changes implemented by Law 11,727 and by any Brazilian tax law or regulation with respect to the concept of tax haven jurisdiction. If the tax authorities determine that payments of interest on shareholders' equity made to a Non-Resident Holder will benefit from a privileged tax regime, the withholding income tax rate applicable to such payments could be of 25%.

No assurance can be given that our board of directors will not recommend that future distributions of income should be made by means of interest on shareholders' equity instead of dividends.

### ***Taxation of Gains***

According to Law No. 10,833/03, the gains recognized on a disposition of assets located in Brazil, such as our common shares, by a Non-Resident Holder, are subject to withholding income tax in Brazil. This rule is applicable regardless of whether the disposition is conducted in Brazil or abroad and/or if the disposition is or is not made to an individual or entity resident or domiciled in Brazil.

As a general rule, capital gains realized as a result of a disposition transaction are the positive difference between the amount realized on the disposition of the common shares and the respective acquisition cost.

Capital gains realized by Non-Resident Holders on the disposition of common shares sold on the Brazilian stock exchange (which includes the transactions carried out on the organized over-the-counter market):

- are exempt, when realized by a Non-Resident Holder that (i) is a 2,689 Holder and (ii) is not resident or domiciled in a Tax Haven Jurisdiction;
- are subject to income tax at a rate of 15% in case of gains realized by (A) a Non-Resident Holder that (i) is not a 2,689 Holder and (ii) is not resident or domiciled in a Tax Haven Jurisdiction; or (B) a Non-Resident Holder that (i) is a 2,689 Holder and (ii) is resident or domiciled in a Tax Haven Jurisdiction; and

- are subject to income tax at a rate of up to 25% in case of gains realized by a Non-Resident Holder that (i) is not a 2,689 Holder and (ii) is resident or domiciled in a Tax Haven Jurisdiction.

A withholding income tax of 0.005% will apply and can be offset against any income tax due on the capital gain. Such withholding does not apply to a 2,689 Holder that is not resident or domiciled in a Tax Haven Jurisdiction.

Any other gains realized on the disposition of common shares that are not carried out on the Brazilian stock exchange:

- are subject to income tax at a rate of 15% when realized by any Non-Resident Holder that is not resident or domiciled in a Tax Haven Jurisdiction, whether or not such holder is a 2,689 Holder; and

- are subject to income tax at a rate of up to 25% when realized by a Non-Resident Holder that is resident or domiciled in a Tax Haven Jurisdiction, whether or not such holder is a 2,689 Holder.

In the cases described above, if the gains are related to transactions conducted on the Brazilian non-organized over-the-counter market with intermediation, the withholding income tax of 0.005% will also apply and can be offset against any income tax due on the capital gain.

Any exercise of preemptive rights relating to common shares will not be subject to Brazilian withholding income tax. Gains realized by a Non-Resident Holder on the disposition of preemptive rights will be subject to Brazilian income tax according to the same rules applicable to disposition of common shares.

In the case of a redemption of common shares or a capital reduction, the positive difference between the amount received by the Non-Resident Holder and the acquisition cost of the common shares redeemed in reais is treated as capital gain derived from the sale or exchange of shares not carried out on a Brazilian stock exchange market and is therefore subject to income tax at the rate of 15%, or 25%, as the case may be.

#### ***Sale of ADSs by U.S. Holders to Other Non-Residents in Brazil***

As discussed above, pursuant to Law No. 10,833, the sale of assets located in Brazil involving Non-Resident Holders is subject to Brazilian withholding income tax. We believe that the ADSs do not fall within the definition of assets located in Brazil for the purposes of Law No. 10,833, and, thus, should not be subject to the Brazilian withholding tax. However, due to the lack of any administrative or judicial guidance, there is no assurance that such position would prevail.

#### ***Gains on the Exchange of ADSs for Common Shares***

The withdrawal of ADSs in exchange for common shares is not subject to Brazilian income tax, assuming compliance with applicable regulation regarding the registration of the investment with Brazilian Central Bank.

#### ***Gains on the Exchange of Common Shares for ADSs***

The deposit of common shares in exchange for the ADSs may be subject to Brazilian withholding income tax on capital gains if the amount previously registered with the Central Bank as a foreign investment in common shares or, in the case of other market investors under Resolution No. 2,689, the acquisition cost of the common shares, as the case may be, is lower than:

- the average price per common share on the Brazilian stock exchange on which the greatest number of such common shares were sold on the day of deposit; or
- if no common shares were sold on that day, the average price on the Brazilian stock exchange on which the greatest number of common shares were sold during the 15 preceding trading sessions.

The difference between the amount previously registered, or the acquisition cost, as the case may be, and the average price of the common shares, calculated as set forth above, is considered a capital gain subject to income tax at a rate of

15%, or 25% if the Non-Resident Holder is resident or domiciled in a Tax Haven Jurisdiction.

***Tax on Financial Transactions***

The Tax on Financial Transactions (*Imposto sobre Operações de Crédito, Câmbio e Seguro ou relativas a Títulos ou Valores Mobiliários*), or “IOF”, is imposed on foreign exchange, securities, credit and insurance transactions.

***IOF on Foreign Exchange Transactions***

Tax on foreign exchange transactions, or “IOF/Exchange”, may be levied on foreign exchange transactions (conversion of foreign currency in reais and conversion of reais into foreign currency), affecting either or both the inflow or outflow of investments. Currently, the IOF/Exchange rate applicable to most foreign currency exchange transactions is 0.38%.

However, foreign exchange transactions entered into as of December 30, 2010 by foreign investors in connection with inflows of proceeds to Brazil related to investments carried out in the Brazilian financial and capital markets or under the regulations issued by the Monetary Council of Brazil are subject to the IOF/Exchange at rates ranging from 2% to 6% (outflow related to the return of such investment is subject to a zero percent rate). The 2% rate is levied on the trading in a Brazilian stock exchange (including over-the-counter transactions) except for fixed income transactions with derivatives. The acquisition or subscription of shares through public offerings registered for trading on a Brazilian stock exchange is also subject to such rate. A zero rate applies to payments of dividends and interest on shareholders' equity received by foreign investors with respect to investments in the Brazilian financial and capital markets, such as investments made by 2,689 Holders.

The Brazilian Government may increase the rate of the IOF/Exchange to a maximum rate of 25% of the amount of the foreign exchange transactions at any time, but such an increase will only apply in respect to future foreign exchange transactions.

#### ***IOF on Bonds and Securities Transactions***

IOF may also be levied on transactions involving bonds and securities, or "IOF/Securities", including those carried out on a Brazilian stock, futures or commodities exchanges. The IOF/Securities levies at a rate of 1.5% on transfer of shares traded on the Brazilian stock exchange with the specific purpose of enabling the issuance of depositary receipts to be traded outside Brazil starting November 19, 2009.

The rate of the IOF/Securities applicable to most transactions involving common shares is currently zero percent. In particular, the IOF/Securities levies at a rate of 1.5% on the transfer of shares traded in the Brazilian stock exchange with the purpose of the issuance of depositary receipts to be traded outside Brazil. The Brazilian Government may increase the rate of the IOF/Exchange up to 1.5% per day at any time, but such an increase will only apply in respect of future transactions.

#### ***Other Brazilian Taxes***

There are no Brazilian inheritance, gift or succession taxes applicable to the ownership, transfer or disposition of common shares or ADSs by a non-Brazilian holder, except for gift and inheritance taxes which are levied by some states of Brazil on gifts made or inheritances bestowed by individuals or entities not resident or domiciled in Brazil to individuals or entities resident or domiciled within that state in Brazil. There are no Brazilian stamp, issue, registration or similar taxes or duties payable by holders of common shares or ADSs.

#### **U.S. Federal Income Tax Considerations**

The summary discussion below is applicable to you only if you are a "U.S. Holder" (as defined below) that is not domiciled in Brazil (or domiciled or resident in a tax haven jurisdiction) for purposes of Brazilian taxation and, in the case of a holder of common shares, that has registered its investment in common shares with the Central Bank as a U.S. dollar investment.

For purposes of this discussion, a U.S. Holder is any beneficial owner of common shares or ADSs that is (i) an individual who is a citizen or resident of the United States, (ii) a corporation (or other entity taxable as a corporation

for U.S. federal income tax purposes) organized under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source, or (iv) a trust if a U.S. court is able to exercise primary supervision over administration of the trust and one or more U.S. persons have authority to control all substantial decisions of the trust or if the trust validly elects under applicable Treasury regulations to be taxed as a U.S. person. A “Non-U.S. Holder” is any beneficial owner of common shares or ADSs that is an individual, corporation, estate or trust who is neither a U.S. Holder nor a partnership for U.S. federal income tax purposes.

If a partnership holds our common shares or ADSs, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. A prospective investor who is a partner of a partnership holding our shares should consult its own tax advisor.

In general, and taking into account the earlier assumptions, for U.S. federal income tax purposes, holders of ADRs evidencing ADSs will be treated as the owners of the common shares represented by those ADSs, and exchanges of common shares for ADSs, and ADSs for common shares, will not be subject to U.S. federal income tax.

### ***Taxation of Dividends***

#### ***U.S. Holders***

Under the U.S. federal income tax laws, and subject to the passive foreign investment company (“PFIC”) rules discussed below, U.S. Holders will include in gross income, as dividend income, the gross amount of any distribution paid by us (including payments considered “interest” in respect of stockholders’ equity under Brazilian law) (before reduction for Brazilian withholding taxes) out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) when the distribution is actually or constructively received by the U.S. Holder, in the case of common shares, or by our ADR Depositary, in the case of ADSs. Distributions in excess of current and accumulated earnings and profits, as determined under U.S. federal income tax principles, will be treated as a return of capital to the extent of the U.S. Holder’s adjusted tax basis in the common shares or ADSs and thereafter as capital gain, which will be either long-term or short-term capital gain depending on whether the U.S. holder held the common shares or ADSs for more than one year. We do not intend to maintain calculations of our earnings and profits under U.S. federal income tax principles and, unless and until such calculations are made, U.S. Holders should assume all distributions are made out of earnings and profits and constitute dividend income.

The dividend income will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations. Subject to certain exceptions for short-term and hedged positions certain non-corporate U.S. Holders (including individuals) may qualify for a maximum 15% rate of tax in respect of “qualified dividend income” received before January 1, 2013. Dividend income with respect to the ADSs will be qualified dividend income, provided that, in the year that a non-corporate U.S. Holder receives the dividend, the ADSs are readily tradable on an established securities market in the United States, and we were not in the year prior to the year in which the dividend was paid, and are not in the year in which the dividend is paid, a PFIC. Based on existing Internal Revenue Service (“IRS”) guidance, it is not entirely clear whether dividends received with respect to the common shares will be treated as qualified dividend income, because the common shares are not themselves listed on a U.S. exchange.

The amount of the dividend distribution includible in gross income of a U.S. Holder will be the U.S. dollar value of the *real* payments made, determined at the spot *real*/U.S. dollar rate on the date such dividend distribution is includible in the gross income of the U.S. Holder, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is includible in gross income to the date such payment is converted into U.S. dollars will be treated as ordinary income or loss from sources within the United States and will not be eligible for the special tax rate applicable to qualified dividend income.

Dividends received by most U.S. holders will constitute foreign source “passive income” for foreign tax credit purposes. Subject to limitations under U.S. federal income tax law concerning credits or deductions for foreign income taxes and certain exceptions for short-term and hedged positions, any Brazilian income tax withheld from dividends paid by us would be treated as a foreign income tax eligible for credit against a U.S. Holder’s U.S. federal

income tax liability (or at a U.S. Holder's election, may be deducted in computing taxable income if the U.S. Holder has elected to deduct all foreign income taxes paid or accrued for the relevant taxable year). The rules with respect to foreign tax credits are complex and U.S. Holders are urged to consult their own tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

The U.S. Treasury Department has expressed concern that intermediaries in connection with depositary arrangements may be taking actions that are inconsistent with the claiming of foreign tax credits by U.S. persons who are holders of depositary shares. Accordingly, investors should be aware that the discussion above regarding the availability of foreign tax credits for Brazilian income tax withheld from dividends paid with respect to common shares represented by ADSs could be affected by future action taken by the U.S. Treasury Department.

Distributions of additional common shares to U.S. Holders with respect to their common shares or ADSs that are made as part of a pro rata distribution to all our stockholders generally will not be subject to U.S. federal income tax.

### ***Non-U.S. Holders***

Dividends paid to a Non-U.S. Holder in respect of common shares or ADSs will not be subject to U.S. federal income tax unless those dividends are effectively connected with the conduct of a trade or business within the United States by the Non-U.S. Holder (and are attributable to a permanent establishment maintained in the United States by the Non-U.S. Holder, if an applicable income tax treaty so requires as a condition for the Non-U.S. Holder to be subject to U.S. taxation on a net income basis in respect of income from common shares or ADSs), in which case the Non-U.S. Holder generally will be subject to U.S. federal income tax in respect of the dividends in the same manner as a U.S. Holder. Any such effectively connected dividends received by a corporate Non-U.S. Holder may also, under certain circumstances, be subject to an additional “branch profits tax” (at a 30% rate or at a reduced rate as may be specified by an applicable income tax treaty).

### ***Taxation of Capital Gains***

#### ***U.S. Holders***

Subject to the PFIC rules discussed below, upon a sale, redemption or other taxable disposition of common shares or ADSs, a U.S. Holder will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the U.S. dollar value of the amount realized (before deduction of any Brazilian tax) and the U.S. Holder’s adjusted tax basis (determined in U.S. dollars) in the common shares or ADSs. Generally, the U.S. Holder’s gain or loss will be capital gain or loss. Capital gain of a non-corporate U.S. Holder that is recognized before January 1, 2011 is generally taxed at a maximum rate of 15% where the property is held for more than one year. The deductibility of capital losses is subject to limitations under the Code.

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

*Non-U.S. Holders.* A Non-U.S. Holder will not be subject to U.S. federal income tax in respect of gain recognized on a sale, exchange or other taxable disposition of common shares or ADSs unless:

- the gain is effectively connected with a trade or business of the Non-U.S. Holder in the United States (and is attributable to a permanent establishment maintained in the United States by that Non-U.S. Holder, if an applicable

income tax treaty so requires as a condition for that Non-U.S. Holder to be subject to U.S. taxation on a net income basis in respect of gain from the sale or other disposition of the common shares or ADSs); or

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

Effectively connected gains realized by a corporate Non-U.S. Holder may also, under certain circumstances, be subject to an additional branch profits tax (at a 30% rate or at a reduced rate as may be specified by an applicable income tax treaty).

*Passive Foreign Investment Companies*

Based on current estimates of our gross income, gross assets and the nature of our business, we believe that our common shares and ADSs should not be treated as stock of a PFIC for U.S. federal income tax purposes. There can be no assurances in this regard, however, because the application of the relevant rules is complex and involves some uncertainty. The PFIC determination is made annually and is based on the portion of our assets and income that is characterized as passive under the PFIC rules. Moreover, our business plans may change, which may affect the PFIC determination in future years.

In general, we will be a PFIC with respect to a U.S. Holder if, for any taxable year in which the U.S. Holder held our ADSs or common shares, either (i) at least 75% of our gross income for the taxable year is passive income or (ii) at least 50% of the value (determined on the basis of a quarterly average) of our assets is attributable to assets that produce or are held for the production of passive income. For this purpose, passive income generally includes, among other things, dividends, interest, royalties, rents (other than certain rents and royalties derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income. If a foreign corporation owns at least 25% by value of the stock of another corporation, the foreign corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation, and as receiving directly its proportionate share of the other corporation's income.

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

If we are treated as a PFIC and, at any time, we invest in non-U.S. corporations that are classified as PFICs (each, a "Subsidiary PFIC"), U.S. Holders generally will be deemed to own, and also would be subject to the PFIC rules with respect to, their indirect ownership interest in that Subsidiary PFIC. If we are treated as a PFIC, a U.S. Holder could incur liability for the deferred tax and interest charge described above if either (1) we receive a distribution from, or dispose of all or part of our interest in, the Subsidiary PFIC or (2) the U.S. Holder disposes of all or part of its common shares or ADSs.

The special PFIC tax rules described above will not apply to a U.S. Holder if the U.S. Holder makes an election (i) to "mark-to-market" with respect to the common shares or ADSs (a "mark-to-market election") or (ii) to have us treated as a "qualified electing fund" (a "QEF election"). The QEF election is not available to holders unless we agree to comply with certain reporting requirements and provide the required annual information statements. The QEF and mark-to-market elections only apply to taxable years in which the U.S. Holder's common shares or ADSs are treated as stock of a PFIC. Our ADR Depositary has agreed to distribute the necessary information to registered holders of ADSs.

A U.S. Holder may make a mark-to-market election, if the common shares or ADSs are regularly traded on a “qualified exchange.” Under applicable U.S. Treasury regulations, a “qualified exchange” includes a national securities exchange, such as the New York Stock Exchange, that is registered with the SEC or the national market system established under the Exchange Act. Also, under applicable Treasury Regulations, PFIC securities traded on a qualified exchange are regularly traded on such exchange for any calendar year during which such stock is traded, other than in *de minimis* quantities, on at least 15 days during each calendar quarter. We cannot assure you that the common shares or ADSs will be eligible for a mark-to-market election.

A U.S. Holder that makes a mark-to-market election must include for each taxable year in which the U.S. Holder’s common shares or ADSs are treated as shares of a PFIC, as ordinary income, an amount equal to the excess of the fair market value of the common shares or ADSs at the close of the taxable year over the U.S. Holder’s adjusted tax basis in the common shares or ADSs, and is allowed an ordinary loss for the excess, if any, of the adjusted tax basis over the fair market value of the common shares or ADSs at the close of the taxable year, but only to the extent of the amount of previously included mark-to-market inclusions (not offset by prior mark-to-market losses). These amounts of ordinary income will not be eligible for the favorable tax rates applicable to qualified dividend income or long-term capital gains. A U.S. Holder’s tax basis in the common shares or ADSs will be adjusted to reflect any such income or loss amounts. Although a U.S. Holder may be eligible to make a mark-to-market election with respect to its common shares or ADSs, no such election may be made with respect to the stock of any Subsidiary PFIC that such U.S. Holder is treated as owning, because such Subsidiary PFIC stock is not marketable. Thus, the mark-to-market election will not be effective to avoid all of the adverse tax consequences described above with respect to any Subsidiary PFICs. U.S. Holders should consult their own tax advisors regarding the availability and advisability of making a mark-to-market election with respect to their common shares of ADSs based on their particular circumstances.

A U.S. Holder that makes a QEF election will be currently taxable on its pro rata share of our ordinary earnings and net capital gain (at ordinary income and capital gain rates, respectively) for each of our taxable years, regardless of whether we distributed the income and gain. The U.S. Holder's basis in the common shares or ADSs will be increased to reflect taxed but undistributed income. Distributions of income that had previously been taxed will result in a corresponding reduction of tax basis in the common shares or ADSs and will not be taxed again as a distribution to the U.S. Holder.

In addition, notwithstanding any election that a U.S. Holder makes with regard to the common shares or ADSs, dividends that a non-corporate U.S. Holder receives from us will not constitute qualified dividend income if we are a PFIC either in the taxable year of the distribution or the preceding taxable year.

Special rules apply with respect to the calculation of the amount of the foreign tax credit with respect to excess distributions by a PFIC or, in certain cases, QEF inclusions.

A U.S. Holder who owns common shares or ADSs during any year that we are a PFIC must file IRS Form 8621.

### ***Backup Withholding and Information Reporting***

#### ***U.S. Holders***

Dividends paid on, and proceeds from the sale, redemption or other taxable disposition of common shares or ADSs to a U.S. Holder generally will be subject to information reporting and backup withholding, unless, in the case of backup withholding, the U.S. Holder provides an accurate taxpayer identification number or in either case otherwise establishes an exemption. The amount of any backup withholding collected from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that certain required information is timely furnished to the IRS.

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

#### ***Non-U.S. Holders***

If common shares are held by a Non-U.S. Holder through the non-U.S. office of a non-U.S. related broker or financial institution, backup withholding and information reporting generally would not be required. Information reporting, and possibly backup withholding, may apply if the common shares are held by a Non-U.S. Holder through a U.S., or U.S.-related, broker or financial institution, or the U.S. office of a non-U.S. broker or financial institution and the Non-U.S. Holder fails to provide appropriate information. Information reporting and backup withholding generally will apply with respect to ADSs if the Non-U.S. Holder fails to timely provide appropriate information. Non-U.S. Holders should consult their tax advisors regarding the application of these rules.



**10F. Dividends and Paying Agents**

Not applicable.

**10G. Statement by Experts**

Not applicable.

**10H. Documents on Display**

We are subject to the information requirements of the Exchange Act and accordingly file reports and other information with the SEC. Reports and other information filed by us with the SEC may be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can obtain further information about the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Our SEC filings are also available to the public from the SEC's website at <http://www.sec.gov>. You may also inspect our reports and other information at the offices of the NYSE, 11 Wall Street, New York, New York 10005, on which our ADSs are listed. For further information on obtaining copies of our public filings at the NYSE, you should call (212) 656-5060. We also file financial statements and other periodic reports with the CVM.

**10I. Subsidiary Information**

Not required.

**Item 11. Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to a number of different market risks arising from our normal business activities. Market risk is the possibility that changes in interest rates, currency exchange rates, commodities prices will adversely affect the value of financial assets, liabilities, expected future cash flows or earnings. We developed policies aimed at managing the volatility inherent to certain of these natural business *exposures*. We use financial instruments, such as derivatives, in order to achieve the main goals established by our Board of Directors to minimize the cost of capital and maximize the returns on financial assets, while observing, as determined by our Board of Directors, parameters of credit and risk. Derivatives are contracts whose value is derived from one or more underlying financial instruments, indices or prices defined in the contract. Only well-understood, conventional derivative instruments are used for these purposes. These include futures and options traded on regulated exchanges and "over-the-counter" swaps, options and forward contracts.

**Market Risk Exposures and Market Risk Management**

Our treasury department is responsible for managing our market risk exposures. We use some internal controls in order to:

- help us understand market risks;
- reduce the likelihood of financial losses; and
- diminish the volatility of financial results.

The principal tools used by our treasury department are:

- “Sensitivity Analysis,” which measures the impact that movements in the price of different market variables such as interest rates and exchange rates will have in our earnings and cash flows; and
- “Stress Testing,” which measures the worst possible loss from a set of consistent scenarios to which probabilities are not assigned. The scenarios are deliberately chosen to include extreme changes in interest and currency exchange rates.

Following is a discussion of the primary market risk exposures that we face together with an analysis of the exposure to each one of them.

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## Interest Rate Risk

We are exposed to interest rate risk on short- and long-term instruments and as a result of refinancing of fixed-rate instruments included in our consolidated debt. Consequently, as well as managing the currency and maturity of debt, we manage interest costs through a balance between lower-cost floating rate debt, which has inherently higher risk, and more expensive, but lower risk, fixed-rate debt. We can use swaps, options and other derivatives to achieve the desired ratio between floating-rate debt and fixed-rate debt. The desired ratio varies according to market conditions: if interest rates are relatively low, we will shift towards fixed rate debt.

We are basically exposed to the following floating interest rates:

- U.S. dollar LIBOR, due to our floating rate U.S. dollar-denominated debt (usually trade-finance related), to our cash position held offshore in U.S. dollars, which is invested in short-term instruments,
- TJLP (Long Term Interest Rate), due to *real*-denominated debt indexed to this interest rate, and
- CDI (benchmark Brazilian real overnight rate), due to our cash held in Brazil (onshore cash) and to our CDI indexed debt.

Exposure as of							
December 2010* (amortization)	Notional	2011	2012	2013	2014	2015	Thereafter
US dollar LIBOR	<b>2,229</b>	488	460	130	271	279	<b>601</b>
US dollar fixed rate	<b>6,734</b>	134	113	1,011	77	702	<b>4,697</b>
CDI	<b>7,000</b>	0	1,033	533	1,433	1,000	<b>3,000</b>
TJLP	<b>1,268</b>	210	244	251	42	29	<b>492</b>

Exposure as of							
December 2009* (amortization)	Notional	2010	2011	2012	2013	2014	Thereafter
US dollar LIBOR	<b>2,679</b>	183	897	958	326	315	0
US dollar fixed rate	<b>5,224</b>	364	143	117	1,055	80	3,465
CDI	<b>3,999</b>	0	667	2,366	532	434	0

<b>TJLP</b>	<b>1,377</b>	200	200	235	242	40	460
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\* All figures in Reais (R\$) . Because we primarily use Brazilian GAAP controls, the numbers shown in the table do not add up to 100% of our debt and might differ, within some margin, from the numbers shown in this report.

Our cash and cash equivalent were as follows:

	<b>December 31, 2010</b>	<b>December 31, 2009</b>	<b>Exposure</b>
Cash in <i>reais</i> :	2,635	2,131	CDI
Cash in U.S. dollars:	4,556	1,850	LIBOR

The table below shows the average interest rate and the average life of our debt.

	<b>December 2010</b>		<b>December 2009</b>	
	<b>Average rate %</b>	<b>Average life</b>	<b>Average rate %</b>	<b>Average life</b>
U.S. dollar LIBOR*	2.23	3.15	2.52	2.36
U.S. dollar fixed rate	7.41	14.91 (with perpetual bond)	8.27	15.81 (with perpetual bond)
Euro fixed rate	N/A	N/A	N/A	N/A
UMBNDDES*	N/A	N/A	N/A	N/A
CDI	110.58 of CDI	4.61	112.53 of CDI	2.46
IGPM*	N/A	N/A	N/A	N/A
TJLP*	2.21	5.58	3.00	5.57

The Company entered into cross-currency swap agreements to hedge liabilities indexed to US Dollar from Brazilian Real fluctuations, which are mostly affected by market, economic, political, regulatory and geopolitical conditions, among others. The gains and losses from these contracts are directly related to exchange (dollar) and CDI fluctuations. The duration of our U.S. dollar fixed-rate derivatives increased from 40 days as of December 31, 2009 to 54 days as of December 31, 2010 (see tables below).

<b>As of December 31, 2010</b>	<b>Notional (in U.S. dollar million, unless otherwise indicated)</b>	<b>Average interest rate  (U.S. dollar)</b>	<b>Average maturity  (days)</b>
Swaps (U.S. dollar fixed - rate versus CDI)	1,178	2.29%	54
<b>As of December 31, 2009</b>	<b>Notional (in U.S. dollar million, unless otherwise indicated)</b>	<b>Average interest rate  (U.S. dollar)</b>	<b>Average maturity  (days)</b>
Swaps (U.S. dollar fixed - rate versus CDI)	1,520	0.8823%	40

\* daily reset

### Foreign Currency Exchange Rate Risk

Fluctuations in exchange rates can have significant effects on our operating results. Therefore, exchange rate fluctuations affect the values of our *real*-denominated assets, the carrying and repayment costs of our *real*-denominated financial liabilities, our *real*-denominated production costs, the cost of *real*-denominated capital items and the prices we receive in the Brazilian market for our finished steel products. We attempt to manage our net foreign exchange rate exposures, trying to balance our non-*real* denominated assets with our non-*real* denominated liabilities. We use derivative instruments to match our non-*real* denominated assets to our non-*real* denominated liabilities, but at any given time we may still have significant foreign currency exchange rate risk exposure.

Our exposure to U.S. dollar is due to the following contract categories:

- U.S. dollar-denominated debt;
- offshore cash;
- currency derivatives (in the case of options, we use the delta as a measure of exposure);
- U.S. dollar indexed accounts payable and receivable (usually related to international trade, i.e., imports and exports); and
- offshore investments: assets that we bought offshore and that are denominated in U.S. dollars on our balance sheet.

	<b>December 31, 2010</b>	<b>December 31, 2009</b>
<b>U.S. dollar Liabilities</b>	5,803	4,660
loans and financing	5,735	4,597
trade accounts payable	8	32
other	60	31
<b>U.S. dollar Assets</b>	5,903	4,530
offshore cash and cash equivalents	4,240	1,908
derivatives (swaps and NDFs)	1,402	2,170
trade accounts receivable	33	107
offshore investments (net of cash)	97	184
other	131	161
<b>Total U.S. dollar Exposure</b>	<b>100</b>	<b>131</b>

**Offshore investments**

We have capitalized our offshore subsidiaries domiciled in U.S. dollar-based countries with equity investments, and those investments are accounted as U.S. dollar investments. The result is that they work as assets indexed to U.S. dollar from an earnings perspective.

**Commodity Price Risk**

Fluctuations in the price of steel and some of the commodities used in producing steel, such as zinc, aluminum, tin, coal, coke and energy, can have an impact on our earnings. Currently, we are not hedging our exposure to commodity prices. Our biggest commodity price exposure is the price of steel and coal, but there are no liquid instruments that provide an effective hedge against their price fluctuations.

**Sensitivity analysis**

The economic environment in which we operate determines the main factors taken into consideration to establish risk scenarios. In the Brazilian economic environment exchange rate variation is the most notable market risk.

The *real* exchange rate has significant volatility. Between 1999 and 2008 the *real* exchange rate had an average annual volatility of 22% and in four years during this period volatility was of approximately 50%, including 2008.

To develop our sensitivity analysis we analyze five different scenarios of exchange rate variation. Based on the foreign exchange rate of December 31, 2010 of R\$1.6662 per US\$1.00, adjustments were estimated for five scenarios: scenario 1: Probable scenario, rate of R\$1.6736 per US\$1.00; scenario 2: (25% of Real appreciation) rate of R\$1.2497 per US\$1.00; scenario 3: (50% of Real appreciation) rate of R\$0.8331 per US\$1.00; scenario 4: (25% of Real devaluation) rate of R\$ 2.0828; scenario 5: (50% of Real devaluation) rate of R\$ 2.4993.

<b>December 31, 2010</b>	<b>Risk</b>	<b>Scenario</b>	<b>Reference Value</b> <i>(In million of US\$)</i>	<b>Exchange Rates</b>	<b>Additional Results</b> <i>(In million of R\$)</i>
			1,178	1.6662	
Foreign Exchange swaps	Fluctuation of US\$	1		1.6736	9
		2		1.2497	(491)
		3		0.8331	(981)
		4		2.0828	491
		5		2.4993	981
			(1,151)	1.6662	
Exchange position - BRL					
Functional currency	Fluctuation of US\$	1		1.6736	(9)
(not including exchange derivatives above)		2		1.2497	479
		3		0.8331	958
		4		2.0828	(479)

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		5	2.4993	(958)
			99	1.6662
Consolidated exchange position (including exchange derivatives above)	Fluctuation of US\$	1	1.6736	-
		2	1.2497	(41)
		3	0.8331	(83)
		4	2.0828	41
		5	2.4993	83

For consolidated exchange transactions with Euro fluctuation risk, based on the foreign exchange rate on December 31, 2010, of R\$ 2.2280 per €\$ 1.00, adjustments were estimated for five scenarios: scenario 1: Probable scenario, rate of R\$2.2188 per €\$ 1.00; scenario 2: (25% of Real appreciation) rate of R\$1.6710 per €\$ 1.00; scenario 3: (50% of Real appreciation) rate of R\$1.1140 per €\$ 1.00; scenario 4: (25% of Real devaluation) rate of R\$ 2.7850; scenario 5: (50% of Real devaluation) rate of R\$ 3.3420.

<b>December 31, 2010</b>	<b>Risk</b>	<b>Scenario</b>	<b>Reference Value</b> <i>(in million of EUR)</i>	<b>Exchange Rates</b>	<b>Additional Results</b> <i>(in million of R\$)</i>
			90	2.2280	
Foreign Exchange swaps	Fluctuation of EURO	1		2.2188	(1)
		2		1.6710	(50)
		3		1.1140	(100)
		4		2.7850	50
		5		3.3420	100
			6	2.2280	
Exchange position - BRL					
Functional currency	Fluctuation of EURO	1		2.2188	(0)
(not including exchange derivatives above)		2		1.6710	(3)
		3		1.1140	(6)
		4		2.7850	3
		5		3.3420	6
			96	2.2280	
Consolidated exchange position	Fluctuation of EURO	1		2.2188	(1)
(including exchange derivatives above)		2		1.6710	(53)
		3		1.1140	(106)
		4		2.7850	53
		5		3.3420	106

**Sensitivity analysis of interest rate swaps***In millions of R\$, except for notional amount*

	Nocional				2010
	US\$ million	Risk	Probable	25%	50%
Swaps of interest rate libor vs CDI	150	(Libor) US\$	(2)	(27)	(32)

**Sensitivity analysis of changes in interest rate**

The Company considers the effects of an increase or decrease of 5% in interest rates on its outstanding loans, financing and debentures as at December 31, 2010 in the consolidated financial statements.

*In millions of R\$*

	Impact on Profit or Loss	
	2010	2009
Variation on interest rates		
TJLP	6	6
Libor	7	7
CDI	42	17

**Share market price risk**

The Company is exposed to the risk of changes in the price of shares due to the investments made and classified as available-for-sale.

The sensitivity analysis is based on the assumption of maintaining the market values of 31/12/2010 as probable scenario. Therefore, not impacting on the above-mentioned financial instruments classified as available for sale. The Company considered the scenarios presented below for volatility of shares.

Scenario 1: (25% of shares appreciation);

Scenario 2: (50% of of shares appreciation);

Scenario 3: (25% of shares devaluation);

Scenario 4: (50% of shares devaluation).

*In millions of R\$*

Companies	Impact on Equity			
	25%	50%	25%	50%
Usiminas	205	410	(205)	(410)
Riversdale Mining Limited	103	206	(103)	(206)
Planatlântica	3	5	(3)	(5)
	<b>311</b>	<b>621</b>	<b>(311)</b>	<b>(621)</b>

## Item 12. Description of Securities Other Than Equity Securities

### *American Depositary Shares*

The JP Morgan Chase Bank, N.A. serves as the depository for our ADSs. ADR holders are required to pay various fees to the depository, and the depository may refuse to provide any service for which a fee is assessed until the applicable fee has been paid.

ADR holders are required to pay the depository amounts in respect of expenses incurred by the depository or its agents on behalf of ADR holders, including expenses arising from compliance with applicable law, taxes or other governmental charges, facsimile transmission or conversion of foreign currency into U.S. dollars. In this case, the depository may decide in its sole discretion to seek payment by either billing holders or by deducting the fee from one or more cash dividends or other cash distributions.

ADR holders are also required to pay additional fees for certain services provided by the depository, as set forth in the table below.

### **Depository service**

Issuance and delivery of ADRs, including in connection with share distributions, stock splits  
 Distribution of dividends  
 Deposit of securities, including in respect of share, rights and other distributions  
 Withdrawal of deposited securities

### **Fee payable by ADR holders**

USD 5.00 for each 100 ADSs (or portion thereof)  
 USD 5.00 for each 100 ADSs  
 USD 5.00 for each 100 ADSs (or portion thereof)  
 USD 5.00 for each 100 ADSs (or portion thereof)

### **Direct and indirect payments by the depository**

The depository reimburses us for certain expenses we incur in connection with the ADR program, subject to a ceiling

agreed between us and the depository from time to time. These reimbursable expenses currently include legal and accounting fees, listing fees, investor relations expenses and fees payable to service providers for the distribution of material to ADR holders. For the year ended December 31, 2010, such reimbursements totaled US\$520 thousand.

**Item 13. Defaults, Dividend Arrearages and Delinquencies**

None.

**Item 14. Material Modification to the Rights of Security Holders and Use of Proceeds**

None.

**PART II**

**Item 15. Controls and Procedures**

**Disclosure Controls and Procedures**

We have carried out an evaluation under the supervision of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that the design and operation of our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that we file and submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) collected and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure as of the end of our most recent fiscal year.

**MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Our management is responsible for establishing and maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting.

Our internal control over financial reporting is a process designed by, or under the supervision of, our Audit Committee, principal executive and principal financial officers, and effected by our board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the consolidated financial statements.

**Because of its inherent limitations, internal control over** financial reporting may not prevent or detect material misstatements on a timely basis. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2010 based on the criteria established in “Internal Control – Integrated Framework” issued by the Committee of Sponsoring Organizations – COSO – of the Treadway Commission. Based on the assessment, management has concluded that, as of December 31, 2010, our internal control over financial reporting is effective.

**Attestation Report of the Independent Registered Public Accounting Firm**

For the report of KPMG Auditores Independentes, our independent registered public accounting firm, dated June 17, 2011, on the effectiveness of our internal control over financial reporting as of December 31, 2010, see “Item 18. Financial Statements”.

**Changes in internal control over financial reporting**

There have been no changes in our internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Item 16. [Reserved]****16A. Audit Committee Financial Expert**

After reviewing the qualifications of the members of our Audit Committee, our Board of Directors has determined that all three members of our Audit Committee qualify as an “audit committee financial expert,” as defined by the SEC. In addition, all of the members of our Audit Committee meet the applicable independence requirements both under Brazilian Corporate Law and under the NYSE rules.

Our Audit Committee is permanently assisted by a consultant, who renders financial and consulting services, among others, to the members of our Audit Committee.

**16B. Code of Ethics**

We have adopted a Code of Ethics in 1998, reinforcing our ethical standards and values that apply to all of our employees, including executive officers and directors.

Given its importance, copies of the Code of Ethics were distributed to each employee of the organization, to our Board of Directors and our Audit Committee members, who have signed a Commitment Letter, which reinforces the compromise with the established values.

There was no amendment to or waiver from any provision of our Code of Ethics in 2010. Our Code of Ethics is in compliance with the SEC requirements for codes of ethics for senior financial officers. A copy of our Code of Ethics is available on our websites [www.csn.com.br](http://www.csn.com.br) or [www.csn.com.br/ir](http://www.csn.com.br/ir).

**16C. Principal Accountant Fees and Services**

Our interaction with our independent auditors with respect to the contracting of services unrelated to the external audit is based on principles that preserve the independence of the auditors and are otherwise permissible under applicable rules and regulations. For the fiscal years ended December 31, 2010 and 2009, KPMG Auditores Independentes acted as our independent auditors.

The following table describes the services rendered and the related fees.

	<b>Year ending December 31,</b>	
	<b>2010</b>	<b>2009</b>
	<i>(In thousands of R\$)</i>	
Audit fees	2,649	4,496
Audit – related fees	774	195
Tax fees	89	145
<b>Total</b>	<b>3,512</b>	<b>4,836</b>
Depository service		239

**Audit fees**

Audit fees in 2009 and 2010 consisted of the aggregate fees billed and billable by our independent auditors in connection with the audit of our consolidated financial statements, reviews of interim financial statements and attestation services that are provided in connection with statutory and regulatory filings or engagements.

**Audit-related fees**

Audit-related fees in the above table are fees billed by our independent auditors for services that are reasonably related to the performance of the audit or review of our financial statements. In 2009, audit-related fees refer mainly to due diligence services and in 2010 refer mainly to comfort letters for offering of bonds.

**Tax Fees**

Fees billed in 2010 and 2009 for professional services rendered by our independent auditors are for tax compliance services.

## **Pre-approval Policies and Procedures**

Our Board of Directors and Audit Committee must approve before we engage independent auditors to provide any audit or permitted non-audit services to us or our subsidiaries.

## **16D. Exemptions from the Listing Standards for Audit Committees**

We are in full compliance with the listing standards for audit committee pursuant to Exchange Act Rule 10A-3. For a discussion on our audit committee, see “Item 6. Directors, Senior Management and Employees—Board Practices—Fiscal Committee and Audit Committee.”

## **16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

Since the beginning of 2004, in accordance with the limits and provisions of CVM’s Instruction No. 10/80, our Board of Directors approved a number of share buyback programs.

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

## **16F. Change in Registrant’s Certifying Accountant**

None.

## **16G. Corporate Governance**

### **Significant Differences between our Corporate Governance Practice and NYSE Corporate Governance Standards**

We are subject to the NYSE corporate governance listing standards. As a foreign private issuer, the standards applicable to us are considerably different than the standards applied to U.S. listed companies. Under the NYSE rules, we are required only to: (i) have an audit committee or audit board, pursuant to an applicable exemption available to foreign private issuers, that meets certain requirements, as discussed below, (ii) provide prompt certification by our Chief Executive Officer of any material non-compliance with any corporate governance rules, and (iii) provide a brief description of the significant differences between our corporate governance practices and the NYSE corporate governance practice required to be followed by U.S. listed companies. The discussion of the significant differences between our corporate governance practices and those required of U.S. listed companies follows below.

### ***Majority of Independent Directors***

The NYSE rules require that a majority of the board of directors must consist of independent directors. Independence is defined by various criteria, including the absence of a material relationship between the director and the listed company. Brazilian law does not have a similar requirement. Under Brazilian law, neither our board of directors nor our management is required to test the independence of directors before their election to the board. However, both Brazilian Corporate Law and the CVM have established rules that require directors to meet certain qualification requirements and that address the compensation and duties and responsibilities of, as well as the restrictions applicable to, a company’s executive officers and directors. While our directors meet the qualification requirements of Brazilian

Corporate Law and the CVM, we do not believe that a majority of our directors would be considered independent under the NYSE test for director independence. Brazilian Corporate Law requires that our directors be elected by our shareholders at an annual shareholders' meeting.

*Executive Sessions*

NYSE rules require that the non-management directors must meet at regularly scheduled executive sessions without management present. Brazilian Corporate Law does not have a similar provision. According to Brazilian Corporate Law, up to one-third of the members of the board of directors can be elected from management. Mr. Benjamin Steinbruch, our Chief Executive Officer, is also the Chairman of our Board of Directors. There is no requirement that non-management directors meet regularly without management. As a result, the non-management directors on our Board of Directors do not typically meet in executive session.

### *Nominating and Corporate Governance Committee*

NYSE rules require that listed companies have a nominating and corporate governance committee composed entirely of independent directors and governed by a written charter addressing the committee's required purpose and detailing its required responsibilities, which include, among other things, identifying and selecting qualified board member nominees and developing a set of corporate governance principles applicable to the company. We are not required under Brazilian Corporate Law to have, and currently we do not have, a nominating and a corporate governance committee.

### *Compensation Committee*

NYSE rules require that listed companies have a compensation committee composed entirely of independent directors and governed by a written charter addressing the committee's required purpose and detailing its required responsibilities, which include, among other things, reviewing corporate goals relevant to the chief executive officer's compensation, evaluating the chief executive officer's performance, approving the chief executive officer's compensation levels and recommending to the board non-chief executive officer compensation, incentive-compensation and equity-based plans. We are not required under applicable Brazilian law to have, and currently do not have, a compensation committee. Under Brazilian Corporate Law, the total amount available for compensation of our directors and executive officers and for profit-sharing payments to our executive officers is established by our shareholders at the annual shareholders' meeting. The board of directors is then responsible for determining the individual compensation and profit-sharing of each executive officer, as well as the compensation of our board and committee members.

### *Audit Committee*

NYSE rules require that listed companies have an audit committee that (i) is composed of a minimum of three independent directors who are all financially literate, (ii) meets the SEC rules regarding audit committees for listed companies, (iii) has at least one member who has accounting or financial management expertise and (iv) is governed by a written charter addressing the committee's required purpose and detailing its required responsibilities. However, as a foreign private issuer, we need only to comply with the requirement that the audit committee meet the SEC rules regarding audit committees for listed companies to the extent compatible with Brazilian corporate law. We have established an Audit Committee, which is equivalent to a U.S. audit committee, provides assistance to our Board of Directors in matters involving our accounting, internal controls, financial reporting and compliance. Our Audit Committee recommends the appointment of our independent auditors to our Board of Directors and reviews the compensation of, and coordinates with, our independent auditors. They also reports on our auditing policies and our annual auditing plan prepared by our internal auditing team, Our Audit Committee also evaluates the effectiveness of our internal financial and legal compliance controls, and is comprised of up to three members elected by our Board of Directors for a one-year term of office. The current members of our Audit Committee are Fernando Perrone, Yoshiaki Nakano and Alexandre Gonçalves Silva. All members of our Audit Committee satisfy the audit committee membership independence requirements set forth by the SEC and the NYSE. All members of our Audit Committee have been determined by our Board of Directors to qualify as an "audit committee financial expert" within the meaning of the rules adopted by the SEC relating to the disclosure of financial experts on audit committees in periodic filings pursuant to the Exchange Act. For further information on our Audit Committee, see "Item 6. Directors, Senior Management and Employees—Board Practices—Fiscal Committee and Audit Committee."

*Code of Business Conduct and Ethics*

NYSE rules require that listed companies adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers. Applicable Brazilian law does not have a similar requirement. We have adopted a Code of Ethics applicable to all our employees, including our executive officers and directors. We believe this code addresses the matters required to be addressed pursuant to the NYSE rules. For a further discussion of our Code of Ethics, see “Item 16B. Code of Ethics.”

***Shareholder Approval of Equity Compensation Plans***

NYSE rules require that shareholders be given the opportunity to vote on all equity compensation plans and material revisions thereto, with limited exceptions. We currently do not have any such plan and, pursuant to our bylaws, we would require shareholder approval to adopt an equity compensation plan.

***Corporate Governance Guidelines***

NYSE rules require that listed companies adopt and disclose corporate governance guidelines. We have adopted the following corporate governance guidelines, either based on Brazilian law, our Code of Ethics or institutional handbook:

- insider trading policy for securities issued by us;
- disclosure of material facts;
- disclosure of annual financial reports;
- confidential policies and procedures; and
- Sarbanes-Oxley Disclosure Committee’s duties and activities.

**Item 17. Financial Statements**

We have responded to Item 18 in lieu of responding to this item. See “Item 18. Financial Statements.”

**PART III**

**Item 18. Financial Statements**

The following consolidated financial statements of the Registrant, together with the report of KPMG Auditores Independentes thereon, are filed as part of this annual report.

	Page
<u>Reports of Independent Registered Public Accounting Firm</u>	<u>FS-R1</u>
Consolidated financial statements:	
<u>Balance sheets as of December 31, 2010 and 2009 and January 1, 2009</u>	<u>FS- 1</u>
<u>Statements of income for the years ended December 31, 2010 and 2009</u>	<u>FS- 3</u>
<u>Statements of cash flows for the years ended December 31, 2010 and 2009</u>	<u>FS- 4</u>
<u>Statements of changes in shareholders’ equity for the years ended December 31, 2010 and 2009</u>	<u>FS-5</u>
<u>Statements of comprehensive income for the years ended December 31, 2010 and 2009.</u>	<u>FS-6</u>
<u>Notes to consolidated financial statements</u>	<u>FS-7</u>

**Item 19. Exhibits**

<b>Exhibit Number</b>	<b>Description</b>
<u>1.1+</u> 2.1	<p><u>Bylaws of CSN, as amended to date.</u></p> <p>Form of Amended and Restated Deposit Agreement dated as of November 1, 1997 as amended and restated as of November 13, 1997, among Companhia Siderúrgica Nacional, JP Morgan Chase Bank, N.A. (as successor to Morgan Guaranty Trust Company of New York), as successor depository, and all holders from time to time of American Depositary Receipts issued thereunder (incorporated by reference from the Registration Statement on Form F-6 (333-7818) filed with the SEC).</p> <p>Form of Amendment No. 1 to the Deposit Agreement (incorporated by reference from the Registration Statement on Form F-6EF (333-115078) filed with the SEC on April 30, 2004).</p> <p>Form of Amendment No. 2 to Deposit Agreement, including the form of American Depositary Receipt (incorporated by reference from the Registration Statement on Form F-6POS Filed filed with the SEC on January 5, 2011)</p>
<u>8.1+</u> 10.1*	<p><u>List of subsidiaries</u></p> <p>Equity Swap Agreement, originally dated as of July 11, 2008 between CSN Madeira Ltda. and Goldman Sachs International. (incorporated by reference from the Annual Report on Form 20-F for the year ended December 31, 2008, filed with the SEC on June 30, 2009).</p>
10.2*	<p>Share Purchase Agreement, dated October 21, 2008, among CSN, Big Jump Energy Participações S.A., Itochu Corporation, JFE Steel Corporation, Nippon Steel Corporation, Sumitomo Metal Industries, Ltd., Kobe Steel, Ltd., Nishin Steel Co., Ltd., and Posco. (incorporated by reference from Amendment No. 1 to the Annual Report on Form 20-F for the year ended December 31, 2008, filed with the SEC on March 18, 2010)</p>
10.3*	<p>Shareholders Agreement of Nacional Minérios S.A., dated October 21, 2008, between CSN and Big Jump Energy Participações S.A. (incorporated by reference from Amendment No. 1 to the Annual Report on Form 20-F for the year ended December 31, 2008, filed with the SEC on March 18, 2010)</p>
10.4*	<p>High Silica ROM Iron Ore Supply Contract, dated October 21, 2008, between CSN and Nacional Minérios S.A. (incorporated by reference from Amendment No. 1 to the Annual Report on Form 20-F for the year ended December 31, 2008, filed with the SEC on March 18, 2010)</p>
10.5*	

	Low Silica ROM Iron Ore Supply Contract, dated October 21, 2008, between CSN and Nacional Minérios S.A. (incorporated by reference from Amendment No. 1 to the Annual Report on Form 20-F for the year ended December 31, 2008, filed with the SEC on March 18, 2010)
10.6*	Iron Ore Supply Contract, dated October 21, 2008, between CSN and Nacional Minérios S.A. (incorporated by reference from Amendment No. 1 to the Annual Report on Form 20-F for the year ended December 31, 2008, filed with the SEC on March 18, 2010)
10.7*	Port Operating Services Agreement, dated October 21, 2008, between CSN and Nacional Minérios S.A. (incorporated by reference from Amendment No. 1 to the Annual Report on Form 20-F for the year ended December 31, 2008, filed with the SEC on March 18, 2010)
<u>12.1+</u>	<u>Section 302 Certification of Chief Executive Officer.</u>
<u>12.2+</u>	<u>Section 302 Certification of Chief Financial Officer.</u>
<u>13.1+</u>	<u>Section 906 Certification of Chief Executive Officer.</u>
<u>13.2+</u>	<u>Section 906 Certification of Chief Financial Officer.</u>
<u>15.1+</u>	<u>Management's report dated June 17, 2011, on the effectiveness of our internal control over financial reporting as of December 31, 2010.</u>
15.2	Consent of Golder Associates S.A. (incorporated by reference from the Annual Report on Form 20-F for the year ended December 31, 2008, filed with the SEC on June 30, 2009).

\* Portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission as part of an application for confidential treatment pursuant to the Securities Exchange Act of 1934, as amended.

+ Filed herewith.

**SIGNATURE**

The registrant hereby certifies that it meets all the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

June 17, 2011

Companhia Siderúrgica Nacional

By: /s/ Benjamin Steinbruch

Name: Benjamin Steinbruch

Title: Chief Executive Officer

By: /s/ Paulo Penido Pinto Marques

Name: Paulo Penido Pinto Marques

Title: Chief Financial Officer

## Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Companhia Siderúrgica Nacional

We have audited the accompanying consolidated balance sheets of Companhia Siderúrgica Nacional and subsidiaries (“the Company”) as of December 31, 2010 and 2009 and January 1, 2009, and the related consolidated statements of income, changes in shareholders’ equity, comprehensive income and cash flows for each of the years in the two-year period ended December 31, 2010. We also have audited the Company’s internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company’s internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Companhia Siderúrgica Nacional and subsidiaries as of December 31, 2010 and 2009 and January 1, 2009, and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 2010, in conformity with International Financial Reporting Standards, as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

KPMG Auditores Independentes

São Paulo, SP - Brazil  
June 17, 2011

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**Companhia Siderúrgica Nacional and Subsidiaries**

Consolidated Balance Sheets

Thousands of Brazilian reais

**Assets**

	Note	2010	2009	01/01/09
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	6	10,239,278	7,970,791	9,151,409
Trade accounts receivable	7	1,367,759	1,327,941	1,788,712
Inventories	8	3,355,786	2,605,373	3,621,249
Recoverable taxes		473,787	744,774	462,141
Prepaid expenses		12,997	15,814	27,945
Other current assets	9	344,081	170,780	2,893,049
<b>Total current assets</b>		<b>15,793,688</b>	<b>12,835,473</b>	<b>17,944,505</b>
<b>NON-CURRENT ASSETS</b>				
<b>Long-term receivables</b>				
Investment Securities		112,484		
Trade accounts receivable		58,485	212,486	375,772
Deferred income taxes	10	1,592,941	1,957,058	1,596,905
Prepaid pension cost		115,755	105,921	125,011
Receivables from related parties	5	479,120	479,120	11,828
Other non-current assets	11	3,306,094	3,222,637	2,598,233
		<b>5,664,879</b>	<b>5,977,222</b>	<b>4,707,749</b>

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Investments	12	2,103,624	321,902	1,512
Property, plant and equipment	14	13,776,567	11,133,347	10,071,834
Intangible assets	15	462,456	457,559	526,796
<b>Total non-current assets</b>		<b>22,007,526</b>	<b>17,890,030</b>	<b>15,307,891</b>
<b>TOTAL ASSETS</b>		<b>37,801,214</b>	<b>30,725,503</b>	<b>33,252,396</b>

The accompanying notes are an integral part of these consolidated financial statements.

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**Companhia Siderúrgica Nacional and Subsidiaries**

Consolidated Balance Sheets

Thousands of Brazilian reais

**Liabilities and shareholders' equity**

	Note	2010	2009	01/01/09
<b><u>SHAREHOLDERS' EQUITY AND LIABILITIES</u></b>				
<b>CURRENT LIABILITIES</b>				
Payroll and related charges		164,799	134,190	117,994
Trade accounts payable		521,156	504,223	1,939,205
Taxes payable		275,991	336,804	333,811
Current portion of long-term debt	16	1,308,632	1,113,920	3,302,055
Other accounts payables	18	1,854,952	1,618,574	3,563,466
Provisions for tax, social security, labor and civil risks	21	222,461	189,517	161,144
Other		107,964	100,838	76,688
<b>Total current liabilities</b>		<b>4,455,955</b>	<b>3,998,066</b>	<b>9,494,363</b>
<b>NON-CURRENT LIABILITIES</b>				
Long-term debt and debentures	16	18,780,815	13,153,681	8,681,098
Other accounts payables	18	4,067,435	3,666,323	3,930,613
Deferred income taxes	10		30,040	2,181
Provisions for tax, social security, labor and civil risks	21	2,016,842	2,838,670	3,747,601
Employee benefits	30	367,839	317,145	364,140
Other	22	289,640	132,068	85,649
<b>Total non-current liabilities</b>		<b>25,522,571</b>	<b>20,137,927</b>	<b>16,811,282</b>
<b>Shareholders' Equity</b>				
	<b>23</b>			
Common stock		1,680,947	1,680,947	1,680,947
Capital surplus		30	30	30
Earnings reserves		6,119,798	5,444,605	4,254,572
Retained earnings			(33,417)	1,011,804
Other comprehensive income		(168,015)	(585,715)	(602)
<b>Total shareholders' equity attributable to</b>				

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<b>owners of the Company</b>	<b>7,632,760</b>	<b>6,506,450</b>	<b>6,946,751</b>
Noncontrolling interests	189,928	83,060	
<b>Total shareholders' equity</b>	<b>7,822,688</b>	<b>6,589,510</b>	<b>6,946,751</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>37,801,214</b>	<b>30,725,503</b>	<b>33,252,396</b>

The accompanying notes are an integral part of these consolidated financial statements.

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**Companhia Siderúrgica Nacional and Subsidiaries**

Consolidated Statements of Income

Thousands of Brazilian reais

	Note	2010	2009
<b>NET OPERATING REVENUES</b>	25	<b>14,450,510</b>	<b>10,978,364</b>
Cost of products sold		(7,686,742)	(7,022,119)
<b>GROSS PROFIT</b>		<b>6,763,768</b>	<b>3,956,245</b>
<b>OPERATING EXPENSES</b>		<b>(1,765,422)</b>	<b>(395,013)</b>
Selling		(677,962)	(635,784)
General and administrative		(536,857)	(480,072)
Equity in results of affiliated companies			13
Other expenses	26	(643,081)	(695,905)
Other income	26	92,478	1,416,735
<b>Operating income</b>		<b>4,998,346</b>	<b>3,561,232</b>
Finance income (expenses), net	27	(1,911,458)	(246,435)
<b>Income before income taxes</b>		<b>3,086,888</b>	<b>3,314,797</b>
<b>Income tax benefit (expense)</b>			
Current	10	(313,371)	(581,735)
Deferred	10	(257,326)	(117,881)
<b>Net income</b>		<b>2,516,191</b>	<b>2,615,181</b>
<b>Net income attributable to:</b>			
Compania Siderúrgica Nacional		2,516,376	2,618,934
Noncontrolling interests		(185)	(3,753)
<b>Basic and diluted earnings per common share</b>			
Basic	29	1.72594	1.75478
Diluted	29	1.72594	1.75478

The accompanying notes are an integral part of these consolidated financial statements.

**Companhia Siderúrgica Nacional and Subsidiaries**

## Consolidated Statement of Cash Flows

Thousands of Brazilian reais

	<b>2010</b>	<b>2009</b>
- Net income for the year	2,516,191	2,615,181
- Provision for charges on loans and financing	1,489,191	1,130,089
- Depreciation and amortization	806,169	780,152
- Gain (loss) on disposal of assets	5,827	70,494
- Deferred income tax expense (benefit)	257,326	117,881
- Provision for swap/forward transactions	126,492	(88,986)
- Gain/loss on change in percentage equity interest	-	(835,115)
- Allowance for doubtful accounts	(46,675)	1,527
- Provision for actuarial liabilities	2,393	(47,622)
- Accrual for contingencies	199,558	99,157
- Inflation adjustment and foreign exchange gains (losses), net	57,119	(2,024,573)
- Other	(72,705)	416,265
<b>Cash flows from operating activities</b>	<b>5,340,886</b>	<b>2,234,450</b>
- Trade accounts receivables	143,250	(51,082)
- Inventories	(794,331)	926,260
- Taxes for offset	247,366	(313,697)
- Trade accounts payables	11,964	(1,137,203)
- Payroll and related charges	(36,757)	15,257
- Taxes payable	(101,723)	263,734
- Taxes payable in installments - Refis	(414,473)	(103,775)
- Judicial deposits	(33,822)	(737,041)
- Contingent liabilities	16,868	(422,375)
- Interest paid	(1,190,423)	(992,280)
- Interest paid on swap transactions	(676,163)	(742,700)
- Other	(30,107)	287,433
<b>Changes in assets and liabilities</b>	<b>(2,858,351)</b>	<b>(3,007,469)</b>
<b>Net cash provided by (used in) operating activities</b>	<b>2,482,535</b>	<b>(773,019)</b>
- Receipts/payments on derivative transactions	395,346	248,966
- Net effects of equity swap	-	1,420,322
- Investments	(1,370,016)	(284,232)
- Property, plant and equipment	(3,635,911)	(1,996,759)
- Intangible assets	(25,216)	(5,628)
<b>Net cash used in investing activities</b>	<b>(4,635,797)</b>	<b>(617,331)</b>
- Loans and financing	8,789,548	7,671,696
- Financial institutions - principal	(2,706,982)	(2,783,313)
- Dividends and interest on shareholders' equity	(1,560,795)	(2,027,600)
- Capital contribution in subsidiaries by non-controlling shareholders	128,811	-
- Treasury shares	-	(1,350,307)

<b>Net cash provided by financing activities</b>	<b>4,650,582</b>	<b>1,510,476</b>
<b>Effects of changes in exchange rates on cash and cash equivalents</b>	<b>(228,833)</b>	<b>(1,300,744)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>2,268,487</b>	<b>(1,180,618)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>7,970,791</b>	<b>9,151,409</b>
<b>Cash and cash equivalents, end of year</b>	<b>10,239,278</b>	<b>7,970,791</b>

The accompanying notes are an integral part of these consolidated financial statements.

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thousand shares)									
- Dividends proposed to the General Meeting (R\$842.06 per thousand shares)				1.227.703		1.227.703			(1.227.703)
Investment reserve					626.159	626.159			(626.159)
Cancellation of treasury shares				(621.417)		(621.417)	621.383		
Comprehensive income									
Non-controlling interests								-	
<b>Balances at December 31, 2010</b>	<b>1.680.947</b>	<b>30</b>	<b>336.190</b>	<b>3.779.357</b>	<b>1.227.703</b>	<b>1.346.724</b>	<b>6.689.974</b>	<b>(570.176)</b>	<b>-</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Companhia Siderúrgica Nacional and Subsidiaries**

Consolidated Statements of Comprehensive Income

Thousands of Brazilian reais

	2010	2009
<b>Profit for the year</b>	<b>2,516,191</b>	<b>2,615,181</b>
<b>Other comprehensive income</b>	<b>417,700</b>	<b>(585,113)</b>
Cumulative foreign currency translation adjustments and exchange gain on investments in foreign operations, net of taxes	(69,270)	(618,723)
Pension plan, net of taxes	(28,603)	(3,275)
Available-for-sale financial assets, net of taxes	515,573	36,885
<b>Comprehensive income for the year</b>	<b>2,933,891</b>	<b>2,030,068</b>
<b>Attributable to:</b>		
Company Siderúrgica Nacional	2,933,891	2,030,068
Non-controlling interests	-	-

The accompanying notes are an integral part of these consolidated financial statements.

(expressed in thousands of reais – R\$, except 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 and jointly-controlled subsidiaries collectively referred to herein as "CSN" or the "Company").

CSN is a Company with shares listed on the São Paulo Stock Exchange (IBOVESPA) and 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 main operating activities of CSN 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, metallic packaging and galvanized steel, with operations in Brazil, the United States and Portugal aimed at gaining markets and performing excellent services for final consumers. Its steels are used in the home appliance, 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 limestone and dolomite in branches in the State of Minas Gerais and 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 a concession to operate TECAR, a solid bulk maritime terminal, of the 4 (four) terminals that form the Port of Itaguaí, located 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 is already producing CP-III type cement by using slag produced by the UPV blast furnaces in Volta Redonda. At present the clinker used in manufacturing the cement is purchased from third parties, though it will begin to be produced by CSN Cimentos in 2011, with the conclusion of the first stage of the plant in Arcos (MG), where CSN further has a limestone quarry.

### •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 Port of Itaguaí. 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 strategic investments in the Company's segments, see Notes 12, 13 and 28 – Business Segment Reporting.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES**

**(a) Basis of presentation**

The consolidated 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).

These are the first financial statements presented by the Company in accordance with IFRS. The main differences between the accounting practices previously disclosed including the reconciliations of equity and profit for the year, are described in Note 4.2, 4.3 and 4.4.

The preparation of 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 financial statements, are disclosed in the notes to this report and refer to the allowance for doubtful accounts, 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 financial statements are presented in thousands of reais (R\$). Depending on the applicable IFRS standard, the measurement criterion used in preparing the financial statements considers the historical cost, net realizable value, fair value or recoverable amount.

The consolidated financial statements were approved by the Board of Directors and authorized for issue on June 16, 2011.

**(b) Consolidated financial statements**

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

The consolidated financial statements for the years ended December 31, 2009 and 2010 include the following direct and indirect subsidiaries and jointly-controlled subsidiaries, as well as the exclusive funds Diplic and Mugen:

Companies	Equity interest (%)		Main activities
	2010	2009	
<b>Direct interest: full consolidation</b>			
CSN Islands VII	100.00	100.00	Financial transactions
CSN Islands VIII	100.00	100.00	Financial transactions
CSN Islands IX	100.00	100.00	Financial transactions
CSN Islands X	100.00	100.00	Financial transactions
CSN Islands XI	100.00	100.00	Financial transactions
CSN Islands XII	100.00	100.00	Financial transactions
Tangua	100.00	100.00	Financial transactions
International Investment Fund	100.00	100.00	Equity interests and financial transactions
CSN Minerals (1)	100.00	100.00	Equity interests
CSN Export	100.00	100.00	Financial transactions, sale of products and equity interests
CSN Metals (2)	100.00	100.00	Equity interests and financial transactions
CSN Americas (3)	100.00	100.00	Equity interests and financial transactions
CSN Steel	100.00	100.00	Equity interests and financial transactions
TdBB S.A	100.00	100.00	Dormant company
Galvasud - Merged on 1/29/2010		99.99	Steel-making
Sepetiba Tecon	99.99	99.99	Port services
Mineração Nacional	99.99	99.99	Mining and equity interests
CSN Aços Longos - Merged on 1/28/2011	99.99	99.99	Manufacture and sale of steel and/or metallurgical products
Florestal Nacional (4)	99.99	99.99	Reforestation
Estanho de Rondônia - ERSA	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	99.99	99.99	Manufacture of cement
Inal Nordeste - Merged on 05/30/2011	99.99	99.99	Service center for steel products
CSN Gestão de Recursos Financeiros	99.99	99.99	Dormant company
Congonhas Minérios	99.99	99.99	Mining and equity interests
CSN Energia	99.99	99.90	Sale of electric power
Transnordestina Logística	76.45	84.34	Railroad logistics
Special partnership - Extinguished on 11/30/2010		39.47	Equity interests
<b>Indirect interest: full consolidation</b>			
CSN Aceros	100.00	100.00	Equity interests
CSN Cayman - Liquidated on 8/31/2010		100.00	Financial transactions, sale of products and equity interests

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CSN IRON - Extinguished on 1/31/2010		100.00	Financial transactions and equity interests
Companhia Siderurgica Nacional LLC	100.00	100.00	Steel-making
CSN Europe (5)	100.00	100.00	Financial transactions, sale of products and equity interests
CSN Ibéria	100.00	100.00	Financial transactions and equity interests
CSN Portugal (6)	100.00	100.00	Financial transactions and sale of products
Lusosider Projectos Siderúrgicos	100.00	100.00	Equity interests
Lusosider Aços Planos	99.94	99.94	Steel-making and equity interests
CSN Acquisitions	100.00	100.00	Financial transactions and equity interests
CSN Resources (7)	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
Energy I - Liquidated on 8/31/2010		99.99	Equity interests
Itamambuca Participações - Merged on 05/30/2011	99.99	99.99	Mining and equity interests
Special partnership - extinguished on 11/30/2010		60.53	Equity interests

**Direct interest: proportional consolidation**

Nacional Minérios (NAMISA)	59.99	59.99	Mining and equity interests
Itá Energética	48.75	48.75	Generation of electric power
MRS Logística	22.93	22.93	Railroad transportation
Consórcio da Usina Hidrelétrica de Igarapava	17.92	17.92	Electric power consortium
Aceros Del Orinoco	22.73	22.73	Dormant company

**Indirect interest: proportional consolidation**

Namisa International Minerios SLU	60.00	60.00	Equity interests and sale of products and ores
Namisa Europe	60.00	60.00	Equity interests and sale of products and ores
Pelotização Nacional - Merged on 12/30/2010		59.99	Mining and equity interests
MG Minérios - Merged on 12/30/2010		59.99	Mining and equity interests
MRS Logística	10.34	10.34	Railroad transportation
Aceros Del Orinoco	9.08	9.08	Dormant company

(1) New corporate name of CSN Energy, changed on December 15, 2010.

(2) New corporate name of CSN Overseas, changed on December 15, 2010.

(3) New corporate name of CSN Panamá, changed on December 15, 2010.

(4) New corporate name of Itaguaí Logística, changed on December 27, 2010.

(5) New corporate name of CSN Madeira, changed on January 8, 2010.

(6) New corporate name of Hickory, changed on January 8, 2010.

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



•Exclusive funds

Special purpose entities	2010	Equity interest in capital social (%)		Principal activities
		2009		
<b>Direct equity interest: full consolidation</b>				
DIPLIC - Fundo de investimento multimercado	100.00	100.00		Multimarket Investment fund
Mugen - Fundo de investimento multimercado	100.00	100.00		Multimarket investment fund

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

Unrealized gains on transactions with subsidiaries, jointly-controlled subsidiaries and affiliated companies 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 financial statements of the subsidiaries, jointly-controlled subsidiaries and affiliated companies 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.

•Affiliated companies

Affiliated companies are all entities over which the Company has significant influence, but not control, generally accompanying a shareholding of 20% to 50% of the voting rights. Investments in its affiliated companies are accounted for under the equity method of accounting and are initially recognized at cost. The Company's investment in affiliated companies includes goodwill identified on acquisition, plus the investor's share of the profit or loss of the investee after the acquisition and other changes in the value of the net assets, less any accumulated impairment loss.

•Jointly-controlled subsidiaries

The financial statements of jointly-controlled subsidiaries 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 subsidiaries are proportionally consolidated.

(c) Foreign currencies

i. Functional currency and reporting currency

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

ii. Transactions and balances

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

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settlement of these transactions and from the translation at exchange rates in effect as at December 31, 2010 of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income, except when they are recognized in shareholders' equity as qualifying cash flow hedges and qualifying net investment hedges.

The balances of balance sheet accounts are translated at the exchange rate in effect at the end of the reporting period, with US\$ 1.00 being equivalent to R\$ 1.6662 as at December 31, 2010 (R\$ 1.7412 as at December 31, 2009), Euro 1.00 being equivalent to R\$ 2.2280 (R\$ 2.5073 in 2009), and JPY 1.00 being equivalent to R\$ 0.0205 (R\$ 0.0188 in 2009).

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. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in equity.

Translation differences on non-monetary financial assets and liabilities, such as investments in shares 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. Translation differences on non-monetary financial assets, such as investments in shares classified as available-for-sale, are included in comprehensive income in equity.

### **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 of each balance sheet presented are translated at the closing rate at the balance sheet date.
- 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.

### **(d) Cash and cash equivalents**

Cash and cash equivalents include cash on hand and in banks and other short-term highly investments redeemable within 90 (ninety) 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.

### **(e) Trade accounts receivable**

Trade accounts receivable are recognized at the amounts billed, including the related taxes and ancillary expenses, and trade accounts receivable in foreign currency are inflation adjusted at the exchange rate in effect at the end of the reporting period. The allowance for doubtful accounts was recorded in an amount considered sufficient to cover any losses. Management's assessment takes into consideration the customer's history and financial situation, as well as the opinion of our legal counsel regarding the collection of these receivables for recording the allowance.

**(f) Inventories**

Inventories are stated 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 recorded when considered appropriate. The Company holds spare parts that will be used within its operating cycle which are classified as other current assets rather than inventories.

**(g) Investments in affiliated companies and other investments**

In the case of foreign exchange gains or losses on foreign investments that involve a functional currency different from the Company's, the changes in the value of the investment that result exclusively from foreign exchange gains or losses are recognized under "Cumulative foreign currency translation adjustments" in the Company's shareholders' equity and are only recognized in profit or loss when the investment is sold or written off as a loss. Other investments are stated at cost or fair value. When necessary, the accounting policies of the subsidiaries and jointly-controlled subsidiaries are changed to ensure consistency and uniformity of criteria with the policies adopted by the Company.

**(h) Property, plant and equipment**

Property, plant and equipment are stated at cost of acquisition, formation or construction, less accumulated depreciation or depletion and any impairment. Depreciation is calculated under the straight-line method based on the remaining economic useful economic lives of assets, as mentioned in note 14, and depletion of mines is calculated based on the quantity of ore mined. Land is not depreciated since their useful life is considered indefinite. 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 the property, plant and equipment have different useful lives, these components are recognized separately 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".

Costs for the development of new ore deposits or for the expansion of the capacity of mines already in operation are capitalized and amortized using the units produced (mined) method, based on the probable and proven quantities of ore. Exploration expenditures are recognized as expenses until the viability of mining activities is established; after this period subsequent development costs are capitalized.

**(i) 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 under the straight-line method 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 excess of the cost of an acquisition over the net fair value of assets and liabilities of the acquired subsidiary. Goodwill on acquisitions of subsidiaries is included in "Intangible assets" in the consolidated financial statements.



Negative goodwill is recognized as a gain in profit for the period at the acquisition date. Goodwill is tested annually 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 Cash-Generating Units (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.

•**Computer software**

Software licenses acquired are capitalized based on the costs incurred to buy the software and bring them to use. These costs are amortized under the straight-line method over the estimated economic useful lives.

**(j) Impairment of non-financial assets**

Assets that have an indefinite useful life, such as goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized in the amount by which the carrying amount of the 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 assessment purposes, assets are grouped at the lowest levels for which there are separately identified cash flows (CGUs). Non-financial assets, except goodwill, that are considered impaired are subsequently reviewed for possible reversal of the impairment at the reporting date.

**(k) 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 12 (twelve) 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 liquidation of the plan's liabilities.

When the benefits of a plan are increased, the portion of the increased benefit related to past services of employees is recognized under the straight-line method over the average period until the benefits become vested. When the benefits become immediately vested, the expense is immediately 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.

**ii. Profit sharing and bonuses**

Employee profit sharing is linked to the achievement of operating and financial targets, substantially allocated to the production cost when applicable and to general and administrative expenses.

**(l) 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, when appropriate, the specific risks of the liability. The increase in the provision due to passage of time is recognized as finance costs.

**(m) Concessions**

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

**(n) Share capital**

Common shares are classified as 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.

**(o) Operating revenue**

The operating revenue from the sale of goods in the normal course of the Company's business activities 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 incoterm of the contract.

**(p) Finance income and expenses**

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 the 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 when the Company's right to receive payment has been established. Distributions received from investees accounted for under the equity method reduce the investment value.

Finance costs comprise interest expenses on loans, 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.

**(q) Income tax and social contribution**

The current and deferred Income Tax and Social Contribution are calculated at the rates of 15% (plus a 10% surtax on taxable profit exceeding R\$ 240 for income tax and 9% on taxable profit for social contribution on net profit, and consider the offset of income tax and social contribution tax loss carry forwards, limited to 30% of the taxable profit.

The income tax and social contribution expense comprises current and deferred taxes. The current tax and the deferred tax 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 year 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.

Deferred tax assets and liabilities are offset if there is a legal right to offset current tax liabilities and assets and they relate to income taxes assessed by the same taxing authority on the same entity subject to the taxation.

A deferred income tax and social contribution asset is recognized for tax losses, tax credits and deductible temporary differences that have not been utilized when it is probable that future profits subject to taxation will be available against which they will be utilized.

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

**(r) Earnings per share**

Basic earnings per share are calculated by means of the profit for the year 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.

**(s) 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.

**(t) 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 year ended December 31, 2010 amounted to R\$ 4,314 (R\$ 2,515 in 2009).

**(u) Financial instruments**

**i) Classification**

Financial assets are classified under the following categories: 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 at 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 designed 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 12 months after the end of the reporting period (which are classified as non-current assets). Loans and receivables comprise loans to affiliated companies, trade accounts receivable, other 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 rate method.

**· Held-to-maturity financial 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.

**ii) Recognition and measurement**

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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. Translation differences on monetary securities are recognized in profit or loss, while translation 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.

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 the actual 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, references to other instruments that are substantially similar, analysis of discounted cash flows, and models for pricing options that make the greatest possible use of information generated by the market and contain the minimum possible amount of information generated by the management of the entity itself.

At the end of the reporting period the Company assesses whether there is objective evidence of impairment of a financial asset or group of financial assets. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security to a level below its cost is considered as an indication that the securities are impaired. If there is such evidence for 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 recognized in profit or loss – is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

**•Offset of financial instruments**

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

**•Impairment of financial assets**

**Assets measured at amortized cost**

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

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as a 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 consider;
- it becoming probable that the borrower will enter bankruptcy or financial reorganization;
- the disappearance of an active market for that financial asset due because of the financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows based on a portfolio of financial assets since the initial recognition of such assets, although the decrease cannot yet be identified with the individual assets in the portfolio, including:
  - adverse changes in the payment status of the 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 yet 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 can measure the impairment based on the fair value of an instrument using an observable market price.

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

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

CSN assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Company uses the criteria mentioned above. In the case of equity instruments (shares) classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If there is any evidence of this type for 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 recognized in profit or loss – is removed from equity and recognized in the income statement. If in a subsequent period the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event that occurred after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the income statement.

#### **iii) Derivative financial instruments and hedging activities**

##### **•Foreign exchange gain on foreign operations**

Any gain or loss on the instrument related to the effective portion is recognized in capital. 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.

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

Our 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". Although the Company uses derivatives for hedging purposes, it does not apply hedge accounting.

**(v) 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 28).

**(w) 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 for which the grants are intended.

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 and expenses.

**(x) New standards and interpretations that have not yet been adopted**

Several IFRS standards, amendments to standards and interpretations issued by the IASB are not yet effective for the year ended December 31, 2010, as follows:

- Limited exemption from Comparative IFRS 7 Disclosures for First-time Adopters;
- Improvements to IFRS 2010;
- IFRS 9 Financial Instruments;
- Prepayment of a minimum fund requirement (Amendment to IFRIC 14); and
- Amendments to IAS 32 Classification of rights issues.

The Company has not yet estimated the extent of the impact of these new standards on its financial statements.

**3. RESTATEMENT OF THE 2008 AND 2009 FINANCIAL STATEMENTS**

• **Restatement – Health Care Plan**

Up to December 31, 2009, costs on the health care plan provided by the Company to former employees retired up to 1997 were recorded monthly as incurred, without any recognition of the constructive obligation resulting from probable future payments to be made.

Upon adoption of the IFRS and the detailed review of the policies and contracts that link some post-retirement payment to employees, a need to recognize the constructive obligation was identified. Therefore, the Company decided to make retrospective adjustments to the financial statements for 2008 and 2009 issued in accordance with USGAAP.

The balances of the accounts affected by the restatement as at January 1, 2009 are as follows:

	Published (US\$ thousand)	Exchange rate	Published (R\$ thousand)	Adjustments (R\$ thousand)	Adjusted (R\$ thousand)	Adjusted (US\$ thousand)
<b>Non-Current Assets</b>						
Deferred income tax and social contribution	335,919	2.3370	785,043	100,847	885,889	379,071
<b>Non-Current Liabilities</b>						
Provision for pension fund - Post-employment benefits	60,343	2.3370	141,022	296,608	437,630	187,261
<b>Equity</b>	<b>3,315,687</b>	<b>2.3370</b>	<b>7,748,761</b>	<b>(195,762)</b>	<b>7,552,999</b>	<b>3,231,921</b>

The balances of the accounts affected by the restatement as at December 31, 2009 are as follows:

	Published (US\$ thousand)	Exchange rate	Published (R\$ thousand)	Adjustments (R\$ thousand)	Adjusted (R\$ thousand)	Adjusted (US\$ thousand)
<b>Non-Current Assets</b>						
Deferred income tax and social contribution	152,189	1.7412	264,991	107,829	372,820	214,117
<b>Non-Current Liabilities</b>						
Provision for pension fund - Post-employment benefits	-	1.7412	-	317,145	317,145	182,142
<b>Equity</b>	<b>4,263,762</b>	<b>1.7412</b>	<b>7,424,062</b>	<b>(209,316)</b>	<b>7,214,746</b>	<b>4,143,548</b>
<b>Income statement</b>						
Other income (expenses)	(46,854)	1.9935	(93,403)	(14,800)	(108,203)	(54,278)
Deferred income tax and social contribution	51,820	1.9935	103,303	5,032	108,335	54,344
<b>Profit for the year</b>	<b>1,280,778</b>	<b>1.9935</b>	<b>2,553,231</b>	<b>(9,768)</b>	<b>2,543,463</b>	<b>1,275,878</b>

In addition, the statements of comprehensive income, changes in equity, cash flows and value added, as well as Note 30 (Employee Benefits), Note 10 (Deferred Income Tax and Social Contribution) and Note 4.4 (Equity) have been adjusted to show the book balances and disclosures after the corrections mentioned in the paragraph and tables above.

#### 4. TRANSITION TO IFRS

##### 4.1. Application of the first-time adoption of IFRS

As disclosed in Note 2(a), the consolidated financial statements for the year ended December 31, 2010 are the first annual consolidated financial statements in conformity with IFRS. The Company has applied IFRS 1 in preparing these consolidated financial statements.

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The transition date is January 1, 2009. Management has prepared the opening balance sheets in accordance with IFRS at that date, pursuant to the accounting policies defined in Note 2.

In preparing these financial statements, the Company applied the relevant mandatory exceptions and certain optional exemptions in relation to full retrospective application.

In preparing its opening balance sheet under IFRS, as mentioned in Note 3, the Company adjusted the amounts previously presented in the financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), which are the accounting practices for the previously published consolidated financial statements in our annual report on Form 20-F.

### **4.2. Exemptions from some requirements of other IFRS**

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The Company elected to apply the following exemptions in relation to retrospective application of other IFRS, in accordance to IFRS 1:

**(a) Exemption from requirements for employee benefits – Defined benefit plan**

The Company elected to recognize all the past actuarial gains and losses up to the transition date against the retained earnings account. The application of this exemption is detailed in Note 30.

**(b) Exemption from requirements for business combination in accordance with IFRS 3**

The Company applied the exemption relating to the standard for business combinations described in IFRS 1 and, accordingly, elected not to remeasure and restate the business combinations that occurred prior to January 1, 2009, the transition date.

**(c) Exemption from requirements for fair value as deemed cost of property, plant and equipment:**

The Company elected not to measure its property, plant and equipment and intangible assets at fair value at the transition date, maintaining them at their historical costs of acquisition, adjusted by inflation indices through December 31, 1997, in conformity with standards IAS 21 and IAS 29. The application of this exemption is detailed in Note 14.

**4.3. Explanation of the transition to IFRS**

**(a) Business combinations**

Goodwill represents the excess of the cost of an acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company. If there is any negative goodwill determined by the acquirer in the fair value of the assets, liabilities and contingent liabilities acquired in relation to the cost of acquisition, the Company should recognize it immediately in the income statement.

As previously mentioned, the Company elected not to remeasure the business acquisitions that occurred prior to January 1, 2009, according to the business combination exemption permitted by IFRS 1. Acquisitions subsequent to January 1, 2009 have been recognized in accordance with IFRS 3, "Business Combinations".

**(b) Deferred charges**

With respect to the pre-operating expenses recorded prior to the transition date, the Company elected to recognize the net balance in retained earnings at the transition date.

Up to December 31, 2008, the Company adopted as accounting practice the capitalization of pre-operating expenditures in the group of deferred charges. Pre-operating expenditures that were not attributed to the cost of property, plant and equipment items or the formation of intangible assets were immediately expensed.

Part of the expenditures previously recorded as deferred charges related to pre-operating expenditures attributable to the cost of certain assets has been allocated to property, plant and equipment.

**(c) Deferred taxes**

The deferred income tax is recognized based on the estimated future effect of temporary differences and income tax and social contribution tax loss carryforwards. A deferred income tax liability is recognized for all temporary tax differences, while a deferred income tax asset is recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax assets and liabilities are classified as long-term. Tax assets and liabilities are offset if the entity has a legally enforceable right to offset them and they are related to taxes levied by the same taxing authority. If the criterion for offset of current tax assets and liabilities is met, deferred tax

assets and liabilities will also be offset. The income tax related to items recognized directly in equity in the current period or in a prior period is recognized directly in the same account.

**(d) Property, plant and equipment**

i. Cost

• **Option for adoption of historical cost**

The Company did not elect to use the deemed cost for measuring its property, plant and equipment, due to the fact that its property, plant and equipment as presented in accordance with previous accounting practices already met in a material manner the main requirements for recognition, measurement and presentation under IAS 16, based principally on the fact that: (i) the internal controls in the area of property, plant and equipment already included at the transition date (January 1, 2009) periodic reviews as to the best estimate of useful life and residual value of the main classes of its property, plant and equipment; (ii) the procedures in place for measurement of property, plant and equipment under previous accounting practices were reviewed and confirmed as to the compliance with the measurement requirements of IAS 16, including, but not limited to, regarding non-recording of foreign exchange gains (losses), non-indexation in periods in which Brazil's economy was considered hyper-inflationary, etc; and (iii) the segmentation and classification of the main items of the property, plant and equipment subject to depreciation already took into consideration the impacts of differentiated depreciation of the main components of the property, plant and equipment.

Moreover, the Company's Management believes that the accounting practice of measuring property, plant and equipment at historical cost less the best estimate of depreciation and the provision for impairment, when required, is an accounting practice that best reflects its property, plant and equipment.

• **Hyper-inflation during 1996 and 1997**

The accounting for hyper-inflation, in accordance with previous BR GAAP, was applied in line with IAS 29 during the period in which Brazil was classified as a hyper-inflationary economy, for local purposes, through 1995. However, in accordance with IFRS, the Brazilian economy still met the definition of hyper-inflationary in 1996 and 1997. The effect of the recognition of these two additional years has been reflected in the transition adjustments.

• **Loans costs**

Property, plant and equipment are stated at cost, including capitalized interest incurred during the construction of new facilities. Foreign exchange gains (losses) on loans denominated in foreign currency are capitalized to property, plant and equipment when they reflect an adjustment in the interest rate.

ii. **Depreciation**

The basis for calculation of depreciation is the cost of the asset less the estimated residual value upon sale. While no specific depreciation method is recommended, the method chosen should be applied consistently for all significant components of assets and allocation of the depreciation should be on a systematic basis for each one of the accounting periods that best represents the realization of the economic benefits during the usable lives of assets.

A review of the estimated useful life was conducted, and the adjustments in the depreciation of assets recorded in property, plant and equipment were made on a prospective basis as from January 1, 2010. See further details in Note 14.

**(e) Earnings per share**

The calculation of basic and diluted earnings per share (EPS) is required for entities with shares, or potential shares, traded on a stock exchange.

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Basic EPS are the amounts for profit or loss attributable to equity holders of the Parent Company in the period, divided by the weighted average number of shares outstanding.

Diluted EPS are calculated by adjusting the numerator used in calculating basic EPS and the average number of shares outstanding (denominator) for the effects all potential dilutive shares outstanding. CSN does not have any instruments that are potentially convertible into shares with a diluting effect in the reported periods and, therefore, diluted earnings per share are equal to basic earnings per share.

The data for the current period and prior periods for basic and diluted EPS are adjusted for those transactions that do not involve the conversion of potential shares that change the number of shares without a corresponding change in equity. Basic and diluted EPS also are adjusted for bonus issues and share splits or reverse share splits that occur after the end of the reporting period, but prior to the authorization for issue of the financial statements. The number of shares is adjusted as if the event had occurred at the beginning of the first reported period.

**(f) Dividends and interest on shareholders' equity**

Dividends proposed or declared after the end of the reporting period, but prior to the authorization for issue of the financial statements, should not be recognized as liabilities, unless they meet the definition of liabilities at the end of the reporting period.

**(g) Reclassifications**

Under IFRS, the following reclassifications to the consolidated financial statements have also been made:

i. Reclassifications in the balance sheet between BR GAAP and IFRS:

- Judicial deposits are presented as an item of non-current assets and not net of the provisions for contingencies;
- Restricted accounts are classified as judicial deposits;
- Taxes recoverable and payable are presented at their net amounts;
- Deferred taxes are reclassified as non-current;
- Deferred tax assets and liabilities will be offset only when the entity has a legally enforceable right to do so and if they are related to taxes levied by the same taxing authority.

ii. Reclassifications in the income statement between BR GAAP and IFRS:

- Finance income (expenses) is presented after operating profit in finance income (expenses), net.

## 4.4. Reconciliation of the consolidated financial statements adjusted to IFRS with those previously disclosed

i. Balance Sheet as at January 1, 2009

	BRGAAP Published	BRGAAP Republished	IFRS Reclassifications	IFRS Adjustments	1/1/2009 IFRS
<b>ASSETS</b>					
<b>Current assets</b>	<b>18,352,070</b>	<b>18,352,070</b>	<b>(432,746)</b>	<b>25,181</b>	<b>17,944,505</b>
Cash and cash equivalents	9,151,409	9,151,409			9,151,409
Trade accounts receivable	1,086,557	1,086,557			1,086,557
Inventories	3,622,775	3,622,775		(1,526)	3,621,249
Income tax and social contribution for offset	128,055	128,055			128,055
Deferred income tax and social contribution	739,227	739,227	(739,227)		
Proposed dividends receivable	42,890	42,890		26,707	69,597
Guarantee margin for financial instruments	2,570,050	2,570,050			2,570,050
Other current assets	1,011,107	1,011,107	306,481		1,317,588
<b>Non-current Assets</b>	<b>13,145,369</b>	<b>13,236,131</b>	<b>2,113,702</b>	<b>(41,942)</b>	<b>15,307,891</b>
<b>Long-term receivables</b>	<b>2,490,802</b>	<b>2,581,564</b>	<b>2,113,702</b>	<b>12,483</b>	<b>4,707,749</b>
Deferred income tax and social contribution	753,831	844,593	739,227	13,085	1,596,905
Recoverable taxes	302,831	302,831			302,831
Judicial deposits	740,341	740,341	1,366,910		2,107,251
Trade accounts receivable	376,374	376,374		(602)	375,772
Prepaid expenses	125,011	125,011			125,011
Other	192,414	192,414	7,565		199,979
<b>Investments in affiliated companies and other investments</b>	<b>1,512</b>	<b>1,512</b>			<b>1,512</b>
<b>Property, plant and equipment</b>	<b>10,083,777</b>	<b>10,083,777</b>	<b>21,708</b>	<b>(33,651)</b>	<b>10,071,834</b>
Depository service					287

<b>Intangible assets</b>	<b>526,796</b>	<b>526,796</b>			<b>526,796</b>
<b>Deferred charges</b>	<b>42,482</b>	<b>42,482</b>	<b>(21,708)</b>	<b>(20,774)</b>	
<b>TOTAL ASSETS</b>	<b>31,497,439</b>	<b>31,588,201</b>	<b>1,680,956</b>	<b>(16,761)</b>	<b>3,252,396</b>
<b><u>SHAREHOLDERS</u></b>					
<b><u>EQUITY AND</u></b>					
<b><u>LIABILITIES</u></b>					
<b>Current Liabilities</b>	<b>9,633,228</b>	<b>9,633,228</b>	<b>320,243</b>	<b>(459,108)</b>	<b>9,494,363</b>
Trade accounts payable	1,939,205	1,939,205			1,939,205
Loans and financing	2,916,759	2,916,759	340,868		3,257,627
Debentures	44,428	44,428			44,428
Payroll and related charges	117,994	117,994			117,994
Taxes payable	333,811	333,811			333,811
Taxes payable in installments	249,930	249,930			249,930
Provision for pension fund	54,818	54,818	(54,818)		
Dividends payable	1,790,642	1,790,642		(459,108)	1,331,534
Provisions for tax, social security, labor and civil risks	91,710	91,710	69,434		161,144
Equity swap financial instruments	1,596,394	1,596,394			1,596,394
Other	497,537	497,537	(35,241)		462,296
<b>Non-current Liabilities</b>	<b>15,201,622</b>	<b>15,468,569</b>	<b>1,360,713</b>	<b>(18,000)</b>	<b>16,811,282</b>
Loans and financing	8,040,773	8,040,773	7,565		8,048,338
Debentures	632,760	632,760			632,760
Provisions for tax, social security, labor and civil risks	2,450,126	2,450,126	1,297,475		3,747,601
Provision for environmental risks	71,425	71,425	14,224		85,649
Deferred income tax and social contribution			855	1,326	2,181
Taxes payable in installments	795,052	795,052			795,052
Amounts due to related parties	2,878,200	2,878,200			2,878,200
Depository service					288

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Employee benefits	62,750	329,697	54,818	(20,375)	364,140
Other	270,536	270,536	(14,224)	1,049	257,361
<b>Shareholders Equity</b>	<b>6,662,589</b>	<b>6,486,404</b>		<b>460,347</b>	<b>6,946,751</b>
Common stock	1,680,947	1,680,947			1,680,947
Capital reserve	30	30			30
Earnings reserve	3,682,865	3,682,865	85,891	485,816	4,254,572
Additional dividends proposed				485,816	485,816
Other	3,682,865	3,682,865	85,891		3,197,049
Retained earnings		(176,185)	1,212,855	(24,866)	1,011,804
Carrying value adjustment	1,298,747	1,298,747	(1,298,746)	(603)	(602)
<b>TOTAL SHAREHOLDERS EQUITY AND LIABILITIES</b>	<b>31,497,439</b>	<b>31,588,201</b>	<b>1,680,956</b>	<b>(16,761)</b>	<b>33,252,396</b>

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ii. Reconciliation of shareholders equity BRGAAP x IFRS as at January 1, 2009

	<b>Note</b>	<b>1/1/2009</b>
<b>Shareholders equity in accordance with BRGAAP</b>		<b>6,486,404</b>
IFRS adjustments:		
Deferred charges	<b>4.3 b</b>	(44,113)
Capitalized exchange gains (losses)	<b>4.3 d</b>	(194,368)
Inflation adjustment for hyperinflationary period	<b>4.3 d</b>	180,635
Depreciation	<b>4.3 d</b>	637
Excess dividends (mandatory minimum)	<b>4.3 f</b>	485,816
Pension plan - Private	<b>4.2 a</b>	50,035
Pension plan - Health care plan	<b>4.2 a</b>	(29,661)
Deferred income tax and social contribution on IFRS adjustments	<b>4.3 c</b>	11,759
Other adjustments, net		(393)
<b>Shareholders equity in accordance with IFRS</b>		<b>6,946,751</b>

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iii. Balance Sheet as at December 31, 2009

	<b>BRGAAP Published</b>	<b>BRGAAP Republished</b>	<b>IFRS</b>		<b>12/31/2009 IFRS</b>
			<b>Reclassifications</b>	<b>Adjustments</b>	
<b>ASSETS</b>					
<b>Current Assets</b>	<b>13,568,594</b>	<b>13,568,594</b>	<b>(749,273)</b>	<b>16,152</b>	<b>12,835,473</b>
Cash and cash equivalents	7,970,791	7,970,791			7,970,791
Trade accounts receivable	1,186,315	1,186,315			1,186,315
Inventories	2,588,946	2,588,946	(35)	16,462	2,605,373
Income tax and social contribution for offset	398,172	398,172			398,172
Deferred income tax and social contribution	749,272	749,272	(749,272)		
Other current assets	675,098	675,098	34	(310)	674,822
<b>Non-current Assets</b>	<b>15,598,630</b>	<b>15,695,676</b>	<b>2,241,576</b>	<b>(47,222)</b>	<b>17,890,030</b>
<b>Long-term receivables</b>	<b>3,640,162</b>	<b>3,737,208</b>	<b>2,241,573</b>	<b>(1,559)</b>	<b>5,977,222</b>
Deferred income tax and social contribution	1,112,299	1,209,345	749,272	(1,559)	1,957,058
Recoverable taxes	236,852	236,852			236,852
Judicial deposits	1,214,670	1,214,670	1,492,301		2,706,971
Trade accounts receivable	212,486	212,486			212,486
Receivables from subsidiaries	479,120	479,120			479,120
Prepaid expenses	105,921	105,921			105,921
Other	278,814	278,814			278,814
<b>Investments in affiliated companies and other investments</b>	<b>321,889</b>	<b>321,889</b>		<b>13</b>	<b>321,902</b>
<b>Property, plant and equipment</b>	<b>11,145,530</b>	<b>11,145,530</b>	<b>17,846</b>	<b>(30,029)</b>	<b>11,133,347</b>
<b>Intangible assets</b>	<b>457,580</b>	<b>457,580</b>		<b>(21)</b>	<b>457,559</b>
<b>Deferred charges</b>	<b>33,469</b>	<b>33,469</b>	<b>(17,843)</b>		

Depository service

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				(15,626)	
<b>TOTAL ASSETS</b>	<b>29,167,224</b>	<b>29,264,270</b>	<b>1,492,303</b>	<b>(31,070)</b>	<b>30,725,503</b>
<b><u>SHAREHOLDERS</u></b>					
<b><u>EQUITY AND</u></b>					
<b><u>LIABILITIES</u></b>					
<b>Current Liabilities</b>	<b>5,128,196</b>	<b>5,128,196</b>	<b>48,897</b>	<b>(1,179,027)</b>	<b>3,998,066</b>
Trade accounts payable	504,223	504,223			504,223
Loans and financing	1,160,407	1,160,407	(77,146)		1,083,261
Debentures	30,659	30,659			30,659
Amounts due to related parties	80,062	80,062			80,062
Payroll and related charges	134,190	134,190			134,190
Taxes payable	336,804	336,804			336,804
Taxes payable in installments	582,190	582,190			582,190
Provision for pension fund	57,158	57,158	(57,158)		
Dividends payable	1,562,085	1,562,085		(1,179,006)	383,079
Provisions for tax, social security, labor and civil risks	83,462	83,462	106,055		189,517
Other	596,956	596,956	77,146	(21)	674,081
<b>Non-current Liabilities</b>	<b>18,445,535</b>	<b>18,730,965</b>	<b>1,443,406</b>	<b>(36,444)</b>	<b>20,137,927</b>
Loans and financing	12,547,840	12,547,840	(18,729)		12,529,111
Debentures	624,570	624,570			624,570
Provisions for tax, social security, labor and civil risks	1,452,422	1,452,422	1,386,248		2,838,670
Provision for environmental risks	116,544	116,544	15,524		132,068
Deferred income tax and social contribution	28,325	28,325		1,715	30,040
Taxes payable in installments	437,231	437,231			437,231
Amounts due to related parties	2,980,772	2,980,772			2,980,772
Employee benefits	12,788	298,218	57,158	(38,231)	317,145
Other	245,043	245,043	3,205	72	248,320
<b>Shareholders Equity attributed to CSN</b>	<b>5,510,433</b>	<b>5,322,049</b>		<b>1,184,401</b>	<b>6,506,450</b>
Share capital	1,680,947	1,680,947			

Depository service

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					1,680,947
Capital reserve	30	30			30
Earnings reserve	4,211,770	4,211,770	54,200	1,178,635	5,444,605
Additional dividends proposed	-	-		1,178,635	1,178,635
Other	4,211,770	4,211,770	54,200		4,265,970
Retained earnings		(188,384)	150,604	4,363	(33,417)
Carrying value adjustment	(382,314)	(382,314)	(204,804)	1,403	(585,715)
<b>Non-controlling interests</b>	<b>83,060</b>	<b>83,060</b>			<b>83,060</b>
<b>Shareholders equity</b>	<b>5,593,493</b>	<b>5,405,109</b>		<b>1,184,401</b>	<b>6,589,510</b>
<b>TOTALSHAREHOLDERS EQUITY AND LIABILITIES</b>	<b>29,167,224</b>	<b>29,264,270</b>	<b>1,492,303</b>	<b>(31,070)</b>	<b>30,725,503</b>

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## iv. Reconciliation of equity BRGAAP x IFRS as at December 31, 2009

	Note	12/31/2009
<b>Shareholders equity in accordance with BRGAAP</b>		<b>5,405,109</b>
IFRS adjustments:		
Deferred charges	4.3 b	(37,163)
Capitalized exchange gains (losses)	4.3 d	(173,145)
Inflation adjustment for hyperinflationary period	4.3 d	164,323
Depreciation	4.3 d	637
Excess dividends (mandatory minimum)	4.3 f	1,178,635
Pension plan		69,947
Pension plan - Health care plan		(31,714)
Deferred income tax and social contribution on IFRS adjustments	4.3 c	(3,277)
Other adjustments, net		16,158
<b>Shareholders equity in accordance with IFRS</b>		<b>6,589,510</b>

## v. Income statement for the year ended December 31, 2009