

NATIONAL STEEL CO  
Form 6-K  
April 03, 2012

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**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 6-K**

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

**For the month of April, 2012**  
**Commission File Number 1-14732**

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**COMPANHIA SIDERÚRGICA NACIONAL**

(Exact name of registrant as specified in its charter)

**National Steel Company**

(Translation of Registrant's name into English)

**Av. Brigadeiro Faria Lima 3400, 20º andar**  
**São Paulo, SP, Brazil**  
**04538-132**

(Address of principal executive office)

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

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

Yes  No

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

DFP – Annual Financial Statements - December 31, 2011 – CIA SIDERURGICA NACIONAL

**Company Information / Capital Breakdown**

<b>Number of Shares (Units)</b>	<b>Balance at 12/31/2011</b>
<b>Paid-in Capital</b>	
<b>Common</b>	1,457,970,108
<b>Preferred</b>	0
<b>Total</b>	1,457,970,108
<b>Treasury Shares</b>	
<b>Common</b>	0
<b>Preferred</b>	0
<b>Total</b>	0

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

DFP – Annual Financial Statements - December 31, 2011 – CIA SIDERURGICA NACIONAL

**Company Information / Cash Dividends**

<b>Event</b>	<b>Approval</b>	<b>Dividends</b>	<b>Initiation</b>	<b>Payment</b>	<b>Type of share</b>	<b>Class of share</b>	<b>Dividens per common share (R\$/share)</b>
Annual general meeting	04/29/11	Dividends	05/30/11		ordinary		1.02883
Annual general meeting	04/29/11	Interest on Capital	05/30/11		ordinary		0,24472
Provided by Company's Bylaw Proposal		Dividends			ordinary		0,63548
		Dividends			ordinary		0,18758

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

DFP – Annual Financial Statements - December 31, 2011 – CIA SIDERURGICA NACIONAL

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

<b>Code</b>	<b>Description</b>	<b>Current year</b>	<b>Previous year</b>
		<b>12/31/2011</b>	<b>12/31/2010</b>
1	Total assets	45,582,817	37,368,812
1.01	Current assets	8,886,953	5,264,859
1.01.01	Cash and cash equivalents	2,073,244	108,297
1.01.03	Trade receivables	3,516,800	2,180,972
1.01.04	Inventories	2,885,617	2,706,713
1.01.06	Recoverable taxes	296,394	257,559
1.01.08	Other current assets	114,898	11,318
1.02	Non-current assets	36,695,864	32,103,953
1.02.01	Long-term receivables	3,852,937	6,625,611
1.02.01.03	Trade receivables	10,202	18,982
1.02.01.06	Deferred taxes	1,300,650	854,437
1.02.01.08	Receivables from related parties	125,843	2,471,325
1.02.01.09	Other non-current assets	2,416,242	3,280,867
1.02.02	Investments	22,573,890	17,023,295
1.02.03	Property, plant and equipment	10,247,845	8,432,416
1.02.04	Intangible assets	21,192	22,631

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

DFP – Annual Financial Statements - December 31, 2011 – CIA SIDERURGICA NACIONAL

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

<b>Code</b>	<b>Description</b>	<b>Current year 12/31/2011</b>	<b>Previous year 12/31/2010</b>
2	Total liabilities and equity	45,582,817	37,368,812
2.01	Current liabilities	7,351,509	5,087,912
2.01.01	Payroll and related taxes	123,839	108,271
2.01.02	Trade payables	667,886	427,048
2.01.03	Taxes payable	122,648	74,967
2.01.04	Borrowings and financing	4,330,141	2,366,347
2.01.05	Other payables	1,872,865	1,910,991
2.01.06	Provisions	234,130	200,288
2.01.06.01	Provisions for tax, social security, labor and civil risks	225,997	200,288
2.01.06.02	Other provisions	8,133	0
2.02	Non-current liabilities	30,245,487	24,648,140
2.02.01	Borrowings and financing	19,005,495	12,817,002
2.02.02	Other payables	9,718,976	9,107,570
2.02.04	Provisions	1,521,016	2,723,568
2.02.04.01	Provisions for tax, social security, labor and civil risks	262,432	1,929,811
2.02.04.02	Other provisions	1,258,584	793,757
2.02.04.02.04	Pension and healthcare plan	469,027	367,839
2.02.04.02.06	Other provisions	789,557	425,918
2.03	Equity	7,985,821	7,632,760
2.03.01	Issued capital	1,680,947	1,680,947
2.03.02	Capital reserves	30	30
2.03.04	Earnings reserves	7,671,620	6,119,798
2.03.04.01	Legal reserve	336,190	336,190
2.03.04.02	Statutory Reserve	5,717,390	0
2.03.04.04	Unrealized earnings reserve	0	3,779,357
2.03.04.08	Additional dividends proposed	273,492	1,227,703
2.03.04.09	Treasury shares	0	-570,176
2.03.04.10	Retained earnings	1,344,548	1,346,724
2.03.08	Other comprehensive income/(loss)	-1,366,776	-168,015

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

DFP – Annual Financial Statements - December 31, 2011 – CIA SIDERURGICA NACIONAL

**Parent Company Financial Statements / Statements of Income****(R\$ thousand)**

Code	Description	YTD Current Year	YTD Previous Year
		01/01/2011 to 12/31/2011	01/01/2010 to 12/31/2010
3.01	Revenue from sales and/or services	10,754,587	10,451,970
3.02	Cost of sales and/or services	-7,257,670	-5,987,554
3.03	Gross profit	3,496,917	4,464,416
3.04	Operating expenses	3,502,173	280,298
3.04.01	Selling expenses	-335,302	-335,111
3.04.02	General and administrative expenses	-355,914	-330,631
3.04.04	Other operating income	133,020	77,295
3.04.05	Other operating expenses	-336,768	-569,425
3.04.06	Share of profits of affiliated companies	4,397,137	1,438,170
3.05	Profit before finance income (costs) and taxes	6,999,090	4,744,714
3.06	Finance income (costs)	-3,533,524	-2,063,221
3.06.01	Finance income	255,438	233,607
3.06.02	Finance costs	-3,788,962	-2,296,828
3.06.02.01	Net exchange gains (losses) on financial instruments	-794,544	136,625
3.06.02.02	Finance costs	-2,994,418	-2,433,453
3.07	Profit before taxes on income	3,465,566	2,681,493
3.08	Income tax and social contribution	240,467	-165,117
3.09	Profit from continuing operations	3,706,033	2,516,376
3.11	Profit for the year	3,706,033	2,516,376
3.99	Earnings per share - (reais/share)		
3.99.01	Basic earnings per share		
3.99.01.01	Common shares	2.54191	1.72594
3.99.02	Diluted earnings per share		
3.99.02.01	Common shares	2.54191	1.72594

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

DFP – Annual Financial Statements - December 31, 2011 – CIA SIDERURGICA NACIONAL

**Parent Company Financial Statements / Statement of Comprehensive Income**

**(R\$ thousand)**

<b>Code</b>	<b>Description</b>	<b>YTD Current Y</b>
		<b>01/01/2011</b>
		<b>12/31/20</b>
4.01	Profit for the year	3,706,0
4.02	Other comprehensive income	-1,198,7
4.02.01	Exchange differences arising on translation of foreign operations, net of taxes	195,0
4.02.02	Actuarial gains/(losses) on defined benefit plan, net of taxes	-74,3
4.02.03	Net change in fair value of available-for-sale financial assets, net of taxes	-621,3
4.02.04	Net change in fair value of available-for-sale financial assets transferred to profit or loss	-698,1
4.03	Comprehensive income for the year	2,507,2

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

DFP – Annual Financial Statements - December 31, 2011 – CIA SIDERURGICA NACIONAL

**Parent Company Financial Statements / Statement of Cash Flows – Indirect Method****(R\$ thousand)**

Code	Description	YTD Current Year	YTD Previous Year
		01/01/2011 to 12/31/2011	01/01/2010 to 12/31/2010
6.01	Net cash generated by (used in) operating activities	1,707,665	2,145,494
6.01.01	Cash generated from operations	3,326,955	3,847,775
6.01.01.01	Profit for the year	3,706,033	2,516,376
6.01.01.02	Accrued charges on borrowings and financing	2,767,087	2,013,881
6.01.01.03	Depreciation/ depletion / amortization	761,060	635,040
6.01.01.04	Proceeds from write-off and disposal of assets	15,601	788
6.01.01.05	Realization of available-for-sale investments	-4,397,137	-1,438,170
6.01.01.07	Deferred income tax and social contribution	-240,467	36,434
6.01.01.08	Provision of swaps/forwards	20,594	18,864
6.01.01.10	Provision for actuarial liabilities	-11,249	2,393
6.01.01.11	Provision for tax, social security, labor and civil risks	70,403	232,444
6.01.01.12	Inflation adjustment and exchange differences	794,544	-17,998
6.01.01.13	Allowance for doubtful debts	-116,336	-8,535
6.01.01.14	Other provisions	-43,178	-143,742
6.01.02	Increase (decrease) in assets and liabilities	-1,619,290	-1,702,281
6.01.02.01	Trade receivables	-324,125	56,984
6.01.02.02	Related parties receivables	-916,200	-132,702
6.01.02.03	Inventories	-197,446	-659,980
6.01.02.04	Receivables from related parties	1,022,436	79,256
6.01.02.05	Recoverable taxes	-32,919	382,075
6.01.02.06	Trade payables	143,683	-13,295
6.01.02.07	Payroll and related taxes	-61,070	-53,126
6.01.02.08	Taxes	139,505	45,448
6.01.02.09	Taxes in installments - REFIS	-295,125	-413,657
6.01.02.10	Accounts payables with controlled company	-23,690	-4,013
6.01.02.11	Dividends and interest on capital received	660,489	370,788
6.01.02.12	Judicial deposits	-25,662	-28,591
6.01.02.13	Contingent liabilities	58,802	-11,052
6.01.02.16	Interest paid	-1,757,687	-1,366,978
6.01.02.17	Interest on swap paid	-21,479	-18,038
6.01.02.18	Other	11,198	64,600
6.02	Net cash used in investing activities	-4,142,387	-4,962,075

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6.02.02	Capital reduction of controlled entity	0	234,172
6.02.06	Investments	-2,128,402	-3,944,867
6.02.07	Property, plant and equipment	-2,015,015	-1,549,303
6.02.08	Intangible assets	0	-1,309
6.02.09	Cash arising from controlled company merger	1,030	299,232
6.03	Net cash generated by financing activities	4,397,329	53,763
6.03.01	Borrowings	7,314,956	2,640,753
6.03.03	Repayments to financial institutions - principal	-1,061,246	-1,026,195
6.03.04	Dividends and interest on capital	-1,856,381	-1,560,795
6.04	Exchange rate changes on cash and cash equivalents	2,340	-1,804
6.05	Increase (decrease) in cash and cash equivalents	1,964,947	-2,764,622
6.05.01	Cash and cash equivalents at the beginning of the year	108,297	2,872,919
6.05.02	Cash and cash equivalents at the end of the year	2,073,244	108,297

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**Parent Company Financial Statements / Statement of Changes in Shareholders' Equity – 1/1/2011 to 12/31/2011**
**(R\$ thousand)**

<b>Code</b>	<b>Description</b>	<b>Paid-in Capital</b>	<b>Capital Reserve</b>	<b>Earning Reserve</b>	<b>Retained earnings</b>	<b>Other comprehensive income</b>
5.01	At December 31, 2010	1,680,947	30	6,119,798	0	-168,000
5.03	Adjusted opening balances (Impact of restatement of prior years)	1,680,947	30	6,119,798	0	-168,000
5.04	Capital transactions with shareholders	0	0	-954,211	-1,200,000	
5.04.06	Dividends	0	0	0	-926,508	
5.04.09	Additional dividends proposed	0	0	273,492	-273,492	
5.04.10	Approval of prior year's proposed dividends	0	0	-1,227,703	0	
5.05	Total comprehensive income	0	0	0	3,706,033	-1,198,000
5.05.01	Profit for the year	0	0	0	3,706,033	
5.05.02	Other comprehensive income	0	0	0	0	-1,198,000
5.05.02.04	Translation adjustments for the year	0	0	0	0	195,000
5.05.02.07	Gain/loss on pension plan	0	0	0	0	-74,000
5.05.02.08	Available-for-sale assets	0	0	0	0	-621,000
5.05.02.09	Sale of available-for-sale assets	0	0	0	0	-698,000
5.06	Internal changes in equity	0	0	2,506,033	-2,506,033	
5.06.01	Recognition of reserves	0	0	2,506,033	-2,506,033	
5.07	Balances At December 31, 2011	1,680,947	30	7,671,620	0	-1,366,000

## Parent Company Financial Statements / Statement of Changes in Shareholders' Equity – 1/1/2010 to 12/31/2010

(R\$ thousand)

Code	Description	Paid-in Capital	Capital Reserve	Earning Reserve	Retained earnings	Other comprehensive income
5.01	At December 31, 2009	1,680,947	30	5,444,605	-33,417	-585,700
	Adjusted opening balances (Impact of restatement of prior years)	1,680,947	30	5,444,605	-33,417	-585,700
5.03						
5.04	Capital transactions with shareholders	0	0	49,034	-1,856,800	
5.04.06	Dividends	0	0	0	-272,297	
5.04.07	Interest on capital	0	0	0	-356,800	
5.04.08	Other capital transactions	a0	0	-34	0	
5.04.09	Additional dividends proposed	0	0	1,227,703	-1,227,703	
5.04.10	Approval of prior year's proposed dividends	0	0	-1,178,635	0	
5.05	Total comprehensive income	0	0	0	2,516,376	417,700
5.05.01	Profit for the year	0	0	0	2,516,376	
5.05.02	Other comprehensive income	0	0	0	0	417,700
5.05.02.04	Translation adjustments for the year	0	0	0	0	-69,200
5.05.02.08	Available-for-sale assets	0	0	0	0	-28,000
5.05.02.09	Sale of available-for-sale assets	0	0	0	0	515,000
5.06	Internal changes in equity	0	0	626,159	-626,159	
5.06.01	Recognition of reserves	0	0	626,159	-626,159	
5.07	Balances At December 31, 2010	1,680,947	30	6,119,798	0	-168,000

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

Code	Description	YTD Current Year	YTD Previous Year
		01/01/2011 to 12/31/2011	01/01/2010 to 12/31/2010
7.01	Revenues	13,393,141	12,743,216
7.01.01	Sales of products and services	13,396,286	12,767,477
7.01.02	Other revenues	-5,367	-8,228
7.01.04	Recognition/reversal of allowance for doubtful debts	2,222	-16,033
7.02	Inputs purchased from third parties	-7,754,533	-6,812,018
7.02.01	Costs of sales and services	-6,953,404	-5,816,404
7.02.02	Materials, electric power, outside services and other	-784,079	-981,845
7.02.03	Impairment/recovery of assets	-17,050	-13,769
7.03	Gross value added	5,638,608	5,931,198
7.04	Retentions	-761,060	-635,040
7.04.01	Depreciation, amortization and depletion	-761,060	-635,040
7.05	Wealth created	4,877,548	5,296,158
7.06	Value added received as transfer	4,816,365	1,645,754
7.06.01	Share of profits of subsidiaries	4,397,137	1,438,170
7.06.02	Finance income	416,732	204,814
7.06.03	Other	2,496	2,770
7.07	Wealth for distribution	9,693,913	6,941,912
7.08	Wealth distributed	9,693,913	6,941,912
7.08.01	Personnel	1,051,880	837,185
7.08.01.01	Salaries and wages	827,001	613,139
7.08.01.02	Benefits	174,603	174,916
7.08.01.03	Severance pay fund (FGTS)	50,276	49,130
7.08.02	Taxes and fees	984,812	1,319,782
7.08.02.01	Federal	721,263	1,112,121
7.08.02.02	State	227,690	183,104
7.08.02.03	Municipal	35,859	24,557
7.08.03	Lenders and lessors	3,951,188	2,268,596
7.08.03.01	Interest	3,947,778	2,266,180
7.08.03.02	Leases	3,410	2,389
7.08.04	Shareholders	3,706,033	2,516,376
7.08.04.01	Interest on capital	0	356,800
7.08.04.02	Dividends	926,508	1,500,000
7.08.04.03	Retained earnings/(accumulated losses) for the year	2,779,525	659,576

**Consolidated Financial Statements / Balance Sheet - Assets****(R\$ thousand)**

Code	Description	Current year	Previous year
		12/31/2011 <i>2011</i>	12/31/2010 <i>2010</i>
1	Total assets	46,869,702	38,055,445
1.01	Current assets	21,944,306	15,793,688
1.01.01	Cash and cash equivalents	15,417,393	10,239,278
1.01.03	Trade receivables	1,616,206	1,367,759
1.01.04	Inventories	3,734,984	3,355,786
1.01.06	Recoverable taxes	584,273	473,787
1.01.08	Other current assets	591,450	357,078
1.02	Non-current assets	24,925,396	22,261,757
1.02.01	Long-term receivables	4,856,721	5,919,110
1.02.01.01	Short-term investments measured at fair value	139,679	112,484
1.02.01.03	Trade receivables	10,043	58,485
1.02.01.06	Deferred taxes	1,840,773	1,592,941
1.02.01.08	Receivables from related parties	0	479,120
1.02.01.09	Other non-current assets	2,866,226	3,676,080
1.02.02	Investments	2,088,225	2,103,624
1.02.03	Property, plant and equipment	17,377,076	13,776,567
1.02.04	Intangible assets	603,374	462,456

**Consolidated Financial Statements / Balance Sheet - Liabilities****(R\$ thousand)**

<b>Code</b>	<b>Description</b>	<b>Current year 12/31/2011</b>	<b>Previous year 12/31/2010</b>
2	Total liabilities and equity	46,869,702	38,055,445
2.01	Current liabilities	6,496,947	4,455,955
2.01.01	Payroll and related taxes	202,469	164,799
2.01.02	Trade payables	1,232,075	623,233
2.01.03	Taxes payable	325,132	275,991
2.01.04	Borrowings and financing	2,702,083	1,308,632
2.01.05	Other payables	1,728,445	1,854,952
2.01.06	Provisions	306,743	228,348
2.01.06.01	Provisions for tax, social security, labor and civil risks	292,178	222,461
2.01.06.02	Other provisions	14,565	5,887
2.02	Non-current liabilities	31,955,585	25,776,802
2.02.01	Borrowings and financing	25,186,505	18,780,815
2.02.02	Other payables	5,593,520	4,321,666
2.02.03	Deferred taxes	37,851	0
2.02.04	Provisions	1,137,709	2,674,321
2.02.04.01	Provisions for tax, social security, labor and civil risks	346,285	2,016,842
2.02.04.02	Other provisions	791,424	657,479
2.02.04.02.04	Pension and healthcare plan	469,050	367,839
2.02.04.02.06	Other provisions	322,374	289,640
2.03	Equity	8,417,170	7,822,688
2.03.01	Issued capital	1,680,947	1,680,947
2.03.02	Capital reserves	30	30
2.03.04	Earnings reserves	7,671,620	6,119,798
2.03.04.01	Legal reserve	336,190	336,190
2.03.04.02	Statutory reserves	5,117,390	0
2.03.04.04	Unrealized earnings reserve	0	3,779,357
2.03.04.08	Additional dividends proposed	273,492	1,227,703
2.03.04.09	Treasury shares	0	-570,176
2.03.04.11	Investment reserve	1,344,548	1,346,724
2.03.08	Other comprehensive income/(loss)	-1,366,776	-168,015
2.03.09	Non-controlling interests	431,349	189,928

**Consolidated Financial Statements / Statements of Income****(R\$ thousand)**

<b>Code</b>	<b>Description</b>	<b>YTD Current Year 01/01/2011 to 12/31/2011 2011</b>	<b>YTD Previous Year 01/01/2010 to 12/31/2010 2010</b>
3.01	Revenue from sales and/or services	16,519,584	14,450,510
3.02	Cost of sales and/or services	-9,800,844	-7,882,726
3.03	Gross profit	6,718,740	6,567,784
3.04	Operating expenses	-961,818	-1,569,438
3.04.01	Selling expenses	-604,108	-481,978
3.04.02	General and administrative expenses	-575,585	-536,857
3.04.04	Other operating income	719,177	48,821
3.04.05	Other operating expenses	-501,302	-599,424
3.05	Profit before finance income (costs) and taxes	5,756,922	4,998,346
3.06	Finance income (costs)	-2,005,803	-1,911,458
3.06.01	Finance income	717,450	643,140
3.06.02	Finance costs	-2,723,253	-2,554,598
3.06.02.01	Net exchange gains (losses) on financial instruments	160,668	-354,145
3.06.02.02	Finance costs	-2,883,921	-2,200,453
3.07	Profit before taxes on income	3,751,119	3,086,888
3.08	Income tax and social contribution	-83,885	-570,697
3.09	Profit from continuing operations	3,667,234	2,516,191
3.11	Profit for the year	3,667,234	2,516,191
3.11.01	Attributed to owners of the Company	3,706,033	2,516,376
3.11.02	Attributed to non-controlling interests	-38,799	-185
3.99	Earnings per share - (reais/share)		
3.99.01	Basic earnings per share		
3.99.01.01	Common shares	2.54191	1.72594
3.99.02	Diluted earnings per share		
3.99.02.01	Common shares	2.54191	1.72594



**Consolidated Financial Statements / Statement of Comprehensive Income****(R\$ thousand)**

<b>Code</b>	<b>Description</b>	<b>YTD Current Year</b>
		<b>01/01/2011</b>
		<b>12/31/2011</b>
4.01	Profit for the year	3,667,200
4.02	Other comprehensive income	-1,198,700
4.02.01	Exchange differences arising on translation of foreign operations, net of taxes	195,000
4.02.02	Actuarial gains/(losses) on defined benefit plan, net of taxes	-74,300
4.02.03	Net change in fair value of available-for-sale financial assets, net of taxes	-621,300
4.02.04	Net change in fair value of available-for-sale financial assets transferred to profit or loss	-698,100
4.03	Comprehensive income for the year	2,468,400
4.03.01	Attributed to owners of the Company	2,507,200
4.03.02	Attributed to non-controlling interests	-38,700

**Consolidated Financial Statements / Statement of Cash Flows – Indirect Method****(R\$ thousand)**

<b>Code</b>	<b>Description</b>	<b>YTD Current Year 01/01/2011 to 12/31/2011</b>	<b>YTD Previous Year 01/01/2010 to 12/31/2010</b>
6.01	Net cash generated by (used in) operating activities	4,201,780	2,517,304
6.01.01	Cash generated from operations	6,461,926	5,290,828
6.01.01.01	Profit for the year	3,667,234	2,516,191
6.01.01.02	Accrued charges on borrowings and financing	2,650,622	1,489,191
6.01.01.03	Depreciation/ depletion / amortization	948,251	814,034
6.01.01.04	Proceeds from write-off and disposal of assets	54,727	5,827
6.01.01.05	Realization of available-for-sale investments	-698,164	0
6.01.01.07	Deferred income tax and social contribution	-52,542	207,268
6.01.01.08	Provision of swaps/forwards	110,009	126,492
6.01.01.10	Provision for actuarial liabilities	-11,412	2,393
6.01.01.11	Provision for tax, social security, labor and civil risks	62,746	199,558
6.01.01.12	Inflation adjustment and exchange differences	-250,083	57,119
6.01.01.13	Allowance for doubtful debts	189	-46,675
6.01.01.14	Other provisions	-19,651	-80,570
6.01.02	Increase (decrease) in assets and liabilities	-2,260,146	-2,773,524
6.01.02.01	Trade receivables	-339,427	143,250
6.01.02.02	Inventories	-410,264	-794,331
6.01.02.04	Receivables from related parties	471,666	0
6.01.02.05	Recoverable taxes	16,700	297,424
6.01.02.06	Trade payables	544,300	11,964
6.01.02.07	Payroll and related taxes	-47,072	-36,757
6.01.02.08	Taxes	135,765	-101,723
6.01.02.09	Taxes in installments - REFIS	-296,304	-414,473
6.01.02.12	Judicial deposits	-20,253	-33,822
6.01.02.13	Contingent liabilities	120,951	16,868
6.01.02.16	Interest paid	-2,145,400	-1,190,423
6.01.02.17	Interest on swap paid	-360,976	-676,163
6.01.02.18	Other	70,168	4,662
6.02	Net cash used in investing activities	-5,275,011	-4,635,797
6.02.01	Receipt/payment in derivative transactions	-57,157	395,346
6.02.04	Disposal of investments	1,310,171	0
6.02.06	Investments	-2,126,493	-1,370,016
6.02.07	Property, plant and equipment	-4,400,825	-3,635,911
6.02.08	Intangible assets	-707	-25,216
6.03	Net cash generated by financing activities	4,740,715	4,615,813
6.03.01	Borrowings	7,824,012	8,754,779
6.03.03	Repayments to financial institutions - principal	-1,469,206	-2,706,982
6.03.04	Dividends and interest on capital	-1,856,381	-1,560,795
6.03.06	Capital contribution by non-controlling shareholders	242,290	128,811
6.04	Exchange rate changes on cash and cash equivalents	1,510,631	-228,833

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6.05	Increase (decrease) in cash and cash equivalents	5,178,115	2,268,487
6.05.01	Cash and cash equivalents at the beginning of the year	10,239,278	7,970,791
6.05.02	Cash and cash equivalents at the end of the year	15,417,393	10,239,278

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**Consolidated Financial Statements / Statement of Changes in Shareholders' Equity –  
1/1/2011 to 12/31/2011**

(R\$ thousand)

Code	Description	<i>Paid-in Capital</i>	<i>Capital Reserve</i>	<i>Earning Reserve</i>	<i>Retained earnings</i>	<i>Other comprehensive income</i>	<i>Equity</i>	<i>Non-Con in</i>
5.01	At December 31, 2010	1,680,947	30	6,119,798	0	-168,015	7,632,760	1
5.03	Adjusted opening balances (Impact of restatement of prior years)	1,680,947	30	6,119,798	0	-168,015	7,632,760	1
5.04	Capital transactions with shareholders	0	0	-954,211	-1,200,000	0	-2,154,211	
5.04.06	Dividends	0	0	0	-926,508	0	-926,508	
5.04.09	Additional dividends proposed	0	0	273,492	-273,492	0	0	
5.04.10	Approval of prior year's proposed dividends	0	0	-1,227,703	0	0	-1,227,703	
5.05	Total comprehensive income	0	0	0	3,706,033	-1,198,761	2,507,272	
5.05.01	Profit for the year	0	0	0	3,706,033	0	3,706,033	
5.05.02	Other comprehensive income	0	0	0	0	-1,198,761	-1,198,761	
5.05.02.04	Translation adjustments for the year	0	0	0	0	195,046	195,046	
5.05.02.07	Gain/loss on pension plan	0	0	0	0	-74,331	-74,331	
5.05.02.08	Available-for-sale assets	0	0	0	0	-621,312	-621,312	
5.05.02.09	Sale of available-for-sale assets	0	0	0	0	-698,164	-698,164	
5.06	Internal changes in equity	0	0	2,506,033	-2,506,033	0	0	2
5.06.01		0	0	2,506,033	-2,506,033	0	0	

	Recognition of reserves							
	Non-controlling interests in subsidiaries	0	0	0	0	0	0	0
5.06.04	Balances At December 31, 2011				0			
5.07		1,680,947	30	7,671,620		-1,366,776	7,985,821	

**Consolidated Financial Statements / Statement of  
Changes in Shareholders' Equity – 1/1/2010 to 12/31/2010**

(R\$ thousand)

Code	Description	<i>Paid-in Capital</i>	<i>Capital Reserve</i>	<i>Earning Reserve</i>	<i>Retained earnings</i>	<i>Other comprehensive income</i>	<i>Equity</i>	<i>Non-Cont int</i>
5.01	At December 31, 2009	1,680,947	30	5,444,605	-33,417	-585,715	6,506,450	8
	Adjusted opening balances (Impact of restatement of prior years)				-33,417			
5.03	Capital transactions with shareholders	1,680,947	30	5,444,605		-585,715	6,506,450	8
5.04	Dividends	0	0	49,034	-1,856,800	0	-1,807,766	
5.04.06	Interest on capital	0	0	0	-272,297	0	-272,297	
5.04.07	Other capital transactions	0	0	-34	0	0	-34	
5.04.08	Additional dividends proposed	0	0	1,227,703	-1,227,703	0	0	
5.04.09	Approval of prior year's proposed dividends	0	0		0	0		
5.04.10	Total comprehensive income	0	0	-1,178,635			-1,178,635	
5.05	Profit for the year	0	0	0	2,516,376	417,700	2,934,076	
5.05.01	Other comprehensive income	0	0	0	2,516,376	0	2,516,376	
5.05.02	Translation adjustments for the year	0	0	0	0	417,700	417,700	
5.05.02.04	Available-for-sale assets	0	0	0	0	-69,270	-69,270	
5.05.02.08	Sale of available-for-sale assets	0	0	0	0	-28,603	-28,603	
5.05.02.09	Internal changes in equity	0	0	626,159	-626,159	515,573	515,573	
5.06	Recognition of reserves	0	0	626,159	-626,159	0	0	10
5.06.01		0	0	626,159	-626,159	0	0	

5.06.05	Interest in subsidiaries by non-controlling shareholders	0	0	0	0	0	12
5.06.06	variation of percentage of non-controlling shareholders	0	0	0	0	0	-2
5.07	Balances At December 31, 2010	1,680,947	30	6,119,798	0	-168,015	7,632,760

**Consolidated Financial Statements / Statement of Value Added**

(R\$ thousand)

Code	Description	YTD Current Year	YTD Previous Year
		01/01/2011 to 12/31/2011	01/01/2010 to 12/31/2010
7.01	Revenues	20,157,662	17,038,272
7.01.01	Sales of products and services	19,525,854	17,054,701
7.01.02	Other revenues	632,798	-11,707
7.01.04	Recognition/reversal of allowance for doubtful debts	-990	-4,722
7.02	Inputs purchased from third parties	-10,027,982	-8,265,073
7.02.01	Costs of sales and services	-8,591,341	-6,950,839
7.02.02	Materials, electric power, outside services and other	-1,414,706	-1,296,373
7.02.03	Impairment/recovery of assets	-21,935	-17,861
7.03	Gross value added	10,129,680	8,773,199
7.04	Retentions	-948,251	-814,034
7.04.01	Depreciation, amortization and depletion	-948,251	-814,034
7.05	Wealth created	9,181,429	7,959,165
7.06	Value added received as transfer	2,827,069	61,772
7.06.02	Finance income	2,817,667	57,692
7.06.03	Other	9,402	4,080
7.07	Wealth for distribution	12,008,498	8,020,937
7.08	Wealth distributed	12,008,498	8,020,937
7.08.01	Personnel	1,485,903	1,325,117
7.08.01.01	Salaries and wages	1,132,384	996,392
7.08.01.02	Benefits	270,825	254,569
7.08.01.03	Severance pay fund (FGTS)	82,694	74,156
7.08.02	Taxes and fees	2,025,300	2,189,740
7.08.02.01	Federal	1,493,787	1,800,382
7.08.02.02	State	505,185	355,556
7.08.02.03	Municipal	26,328	33,802
7.08.03	Lenders and lessors	4,830,061	1,989,889
7.08.03.01	Interest	4,820,991	1,967,259
7.08.03.02	Leases	9,070	22,630
7.08.04	Shareholders	3,667,234	2,516,191
7.08.04.01	Interest on capital	10,400	356,800
7.08.04.02	Dividends	926,508	1,500,000
7.08.04.03	Retained earnings/(accumulated losses) for the year	2,769,125	659,576
7.08.04.04	Non-controlling interests in retained earnings	-38,799	-185



## **1 - THE COMPANY**

CSN is a highly integrated company, with steel, mining, cement, logistics and energy businesses. The Company operates throughout the entire steel production chain, from the mining of iron ore to the production and sale of a diversified range of high value-added steel products, including coated and galvanized, as well as tin plate. Thanks to its integrated production system and exemplary management, CSN's production costs are among the lowest in the global steel sector.

The Company's mine, Casa de Pedra, located in Congonhas, Minas Gerais, supplies it with high-quality iron ore needed to produce steel. With proven and probable reserves of more than 1.6 billion tonnes, its current production capacity is 21 million tonnes per year.

Together with its jointly-owned subsidiary Namisa, CSN has been selling iron ore on the seaborne market since the beginning of 2007. It also operates two port terminals in Itaguaí (RJ), a bulk solids terminal (Tecar), from where iron ore is shipped to the seaborne market, and a container terminal (Sepetiba Tecon). With the expansion of the Casa de Pedra mine, CSN has been consolidating its position as an important player in the iron ore market, and is currently, in conjunction with Namisa, Brazil's second-largest producer.

The complementary nature of the steel and cement industries led CSN to enter the cement market at the beginning of 2009, adding value to the slag generated by crude steel production.

The Company is also one of Brazil's largest industrial electricity consumers and has been investing in power generation assets and projects since 1999 in order to ensure self-sufficiency. CSN's average generating capacity of 428 MW is sufficient to meet all the Group's electricity needs.

## **2 – OUTLOOK, STRATEGIES AND INVESTMENTS**

CSN has been investing in modernizing its facilities in its five highly-integrated segments, as well as expanding production capacity, always seeking to maximize returns for its shareholders. In addition to investing in organic growth projects, the Company also analyzes opportunities for acquisitions and strategic alliances, both in Brazil and abroad.

## 2.1 - STEEL

In the flat steel segment, CSN has been expanding its service centers, investing in the expansion of the Porto Real unit, a Company branch focused on the automotive sector, as well as developing expansion projects for the pre-painting plant.

It has been diversifying its steel activities, entering the long steel segment through the construction of a plant in Volta Redonda, with a production capacity of 500,000 tonnes per year, including rebar and wire rods. The Company is also studying the feasibility of building another two long steel plants with a similar capacity, reaching 1.5 million tonnes per year.

The Company also has two subsidiaries abroad, CSN LLC, in Terre Haute, Indiana, U.S.A., which is a cold-rolling and galvanizing plant, and Lusosider, in Paio Pires, Portugal, which also produces coated rolled steel.

CSN is considering expanding its steel production through new plants and the expansion of existing ones, as well as acquisitions, both in Brazil and abroad. In January 2012, CSN acquired Stahlwerk Thüringen GmbH (SWT), a manufacturer of steel profiles, and Gallardo Sections S.L.U, both located in Germany. SWT has an annual steel production capacity of 1.1 million tonnes and specializes in profiles to be used in stadiums, buildings, bridges, viaducts, footbridges, foundations, sheds and overhead cranes, among others. It is exceptionally well-located, enjoys low raw material costs and has access to both developed and emerging markets. The total value of the transaction was €482.5 million.

At the same time, the Company has been developing important projects in the pursuit of operational excellence and lower costs, exemplified by the installation of new coke batteries, aiming at self-sufficiency, and the alteration of the Presidente Vargas Steelworks power feed from 138KV to 500KV, increasing the stability of the system and reducing energy transmission costs.

## **2.2 - MINING**

CSN is Brazil's second largest iron ore exporter. In 2011, finished iron ore product sales from the Casa de Pedra and Namisa mines totaled 29.3 million tonnes, 16% more than the previous year and a new record. The Company also produced 6.8 million tonnes of iron ore for its own consumption.

CSN is implementing expansion projects at both the Casa de Pedra and Namisa mines in order to reach a total annual production capacity of 89 million tonnes, 50 million of which from Casa de Pedra, with Namisa supplying the rest, including volumes purchased from third-parties and the concentration and pelletizing operations.

At the same time, CSN is expanding Tecar, its bulk solids terminal in Itaguaí Port, in order to reach an annual iron ore shipment capacity of 84 million tonnes.

## **2.3 - CEMENT**

In 2009, CSN Cimentos opened its first factory in Volta Redonda, with an annual capacity of 2.4 million tonnes. In 2011, the Company began producing clinker at the Arcos unit in Minas Gerais, with an annual capacity of 830,000 tonnes, to supply the Volta Redonda cement facility.

Given the expected growth of the domestic cement market, CSN Cimentos plans to expand its current grinding capacity of 2.4 million tonnes per year to 5.4 million tonnes, as well as increase its clinker production capacity from 830,000 to 3.0 million tonnes per year.

## **2.4 - LOGISTICS**

## **Ports**

Sepetiba Tecon, managed by CSN, is a hub port for cargo and is one of the biggest container terminals in Rio de Janeiro and one of the largest in its segment in Brazil.

**In order to expand the terminal, the Company is investing in infrastructure, including the equalization of Berth 301 and the acquisition of new equipment.**

## **Railways**

CSN retains an interest in two rail companies: MRS Logística and Transnordestina Logística S.A.

## **MRS**

CSN holds, directly and indirectly, a 33.27% voting-capital interest in MRS Logística, which operates the former Southeastern Network of the Federal Railways (RFFSA), in the Rio de Janeiro - São Paulo - Belo Horizonte corridor.

MRS' rail services are vital for the supply of raw materials and the outflow of finished products. It transports all the iron ore for export and all the coal and coke consumed by the Presidente Vargas Steelworks, as well as some of CSN's steel and cement output.

## **TRANSNORDESTINA**

With the support of the federal government, Transnordestina Logística S.A (TLSA) is building Nova Transnordestina, a 1,728 km-long railway connecting the rail terminal in Eliseu Martins (PI) to the Ports of Suape (PE) and Pecém (CE), crossing several cities in the states of Piauí, Pernambuco and Ceará.

The railway's projected annual operating capacity of 30 million tonnes will play a crucial role in the development of the Northeast and provide logistical support for the region's economic expansion, in the oil and by-product, grain, mining and agricultural sectors, among others.

CSN's interest in TLSA's capital stock totaled 70.91% at the end of 2011.

A complete account of investments in affiliated companies and subsidiaries, in addition to the changes that occurred during the fiscal year, can be found in Note 11 to the Company's financial statements.

## **3- CORPORATE GOVERNANCE**

### **Investor Relations**

In 2011, CSN continued to expand its communications with the capital market, improving investors' perception of its basic fundamentals and helping reduce funding costs. Regarding participation in conferences, road shows, meetings and conference calls, the Company took part in 325 meetings in all, involving some 600 analysts and investors.

### **Capital Stock**

CSN is controlled by Vicunha Siderurgia S.A. and Rio Iaco Participações S.A., which retain 47.86% and 3.99% of the Company's total capital, respectively. Management is exercised by the Board of Directors and Board of Executive Officers.

\* Controlling Group

- **All of CSN's shares are common shares, each share representing one vote at Shareholders' Meetings;**
- More than 45% of CSN's shares are traded on the stock markets, mainly the BOVESPA and the NYSE.

## **Annual Shareholders' Meeting**

Shareholders' Meeting, the Company's sovereign body, takes place once a year, in accordance with the prevailing legislation, to elect the members of the Board of Directors, examine management's accounts and the financial statements, and decide on the allocation of annual net income and the payment of dividends, among other matters. Whenever necessary, Extraordinary Shareholders' Meetings may be called to decide on specific issues that are not within the normal scope of the Annual Meeting.

## **Board of Directors**

The Board of Directors is composed of between seven (7) and eleven (11) members, who meet on a routine basis on pre-established dates throughout the year and on an extraordinary basis whenever necessary. Members are elected for a one-year term of office, re-election being permitted.

Its role is to define and monitor the Company's policies and strategies, oversee the activities of the Board of Executive Officers and decide on matters relevant to the Company's businesses and operations. The Board of Directors is also responsible for electing the executive officers and may, if necessary, constitute special advisory committees to help in the execution of these duties.

## **Board of Executive Officers**

The Board of Executive Officers is responsible for the day-to-day management of the business in line with the strategies and policies established by the Board of Directors. It currently comprises six officers, including the Chief Executive Officer. Board of Executive Officers' meetings take place whenever necessary, called by the CEO or two other Executive Officers. Each officer is responsible for conducting the business of his respective area. Officers are elected for a two-year term, re-election being permitted.

## **Audit Committee**

The Audit Committee has autonomy to make decisions on all matters concerning Sections 301 and 407 of the Sarbanes-Oxley Act. Its main responsibilities include reviewing, analyzing and making

- All of CSN's shares are common shares, each share representing one vote at Shareholders' Meetings.

recommendations to the Board of Directors on matters concerning the indication, hiring and compensation of the external auditors, as well as supervising the internal and external audits. Regarding the hiring of external auditors, special procedures are adopted to ensure that there are no conflicts of interest, dependence or loss of objectivity on the auditors' side in their relations with the Company.

### **Internal Audit**

CSN maintains an internal auditor, which acts independently within the organization to assist and communicate material facts to the Board of Directors, the Audit Committee and the Board of Executive Officers. This internal auditor is responsible for ensuring the appropriate allocation of resources and protecting the assets of the CSN Group companies, providing support for compliance with the planned results, upgrading processes and internal controls in order to enhance financial and operating performance, as well as preventing the risk of losses or fraud and, consequently, any damage to CSN's corporate image.

### **Independent Auditors**

The independent auditors, KPMG Auditores Independientes, who provided auditing services to CSN and its subsidiaries in 2011, were also hired to perform services in addition to those related to the audit of the financial statements. It is the belief of both the Company and its independent auditors that these services, essentially appraisal reports, technical support and reviews of income tax declarations, do not affect the latter's independence.

### Audit fees

Refers to the audit of the annual financial statements and the review of the Company's quarterly reports.



Audit-related fees

Refers to the preparation and issue of comfort letters for bonds issued by the Company's subsidiaries abroad.

Tax service fees

Services related to the review of income tax declarations and other tax consultancy services.

(In thousands of Reais)	
Audit fees	2,654
Audit-related fees	285
Tax service fees	142
<b>Total</b>	<b>3,081</b>

Services other than the examination of the financial statements are submitted for prior approval to the Audit Committee in order to ensure that, based on the pertinent legislation, they do not represent a conflict of interest or jeopardize the auditors' independence or objectivity.

In accordance with CVM Instruction 480/09, on March 26, 2012, the Board of Executive Officers declared that they had discussed, reviewed, and were in full agreement with the opinions expressed in the independent auditors' report and with the financial statements for the fiscal year ended December 31, 2011.

**Sarbanes-Oxley Law**

The Company is in the final stage of certification of internal controls related to the 2011 Consolidated Financial Statements (CSN and its subsidiaries), in compliance with Section 404 of the Sarbanes-Oxley Act (SOx).

In 2011, tests were carried out to evaluate the effectiveness of internal controls in CSN (Presidente Vargas Steelworks, Casa de Pedra mine and CSN Porto Real), CSN Cimentos, CSN LLC, CSN Export, CSN Europe, Prada (distribution and packaging), and Transnordestina Logística S.A - TLISA, which are

companies considered significant for SOx Certification. The evaluations of these companies began in August 2011. The managers of each process were responsible for carrying out the tests and monitoring existing points.

It is important to emphasize that the financial, entity level and accounts preparation and disclosure processes are corporate in nature, including all CSN companies except NAMISA, which has its own structure for executing these processes and activities.

## **Code of Ethics**

CSN has adopted a Code of Ethics since 1998, which was revised, updated and redistributed to all of the CSN Group's employees in 2011. The code is normally delivered to members of staff in corporate integration training courses.

The Code of Ethics for the Group's companies details the standards of personal and professional conduct expected of its employees in their relations with co-workers, clients, shareholders, suppliers, communities and competitors, as well as the environment, and also contains a declaration of our corporate conduct and our commitment to our employees. Its content is in the public domain and is available at [www.csn.com.br](http://www.csn.com.br).

One aspect that has been a permanent feature of the Code since its inception is the rules governing "Trading in the Company's Shares", based on CVM Instruction 358/2002.

## **Disclosure of Material Acts and Facts**

CSN maintains a Material Act or Fact Disclosure Policy, which determines that all such disclosures must contain information that is accurate, consistent, appropriate, transparent, unified and within the proper timeframes, in accordance with CVM Instruction 358/2002, and Section 409 of the Sarbanes-Oxley Act – Real Time Issuer Disclosure. All material acts or facts are disclosed in Brazil (BOVESPA) and the United States (NYSE), where the Company's shares are traded.

#### **4 – INNOVATION**

In order to meet new demand and market expectations, CSN constantly invests in the development of innovative projects in order to provide its clients with creative product and service solutions. This pioneering attitude, together with the restructuring of its production chain with its most important clients, are among the Company's main strategies for consolidating market share growth.

As Brazil's leading producer of high value-added coated flat steel products, CSN invests in innovation and the continuous improvement of its production procedures, developing new products and applications to meet the market's current and future needs. In 2011, the Company invested around R\$57 million in R&D activities.

#### **5 - PEOPLE**

CSN has a people management model based on five pillars – Attract; Align and Engage; Evaluate; Develop; Recognize and Reward – and invests in projects aimed at professional development and improvement, thereby contributing to the growth of the organization and its people.

In 2011, CSN, which has around 20,000 employees, directed its HR initiatives towards recognizing and developing the skills of its workers in order to ensure the Group's growth requirements and sustain the business.

One of the year's highlights was the launch of the Leadership School, which seeks to strengthen the corporate culture, align knowledge and create synergies among the Group's executives. In addition to propagating the competency management model, which is in full accordance with the Company's strategic pillars, it aims to ensure sustainable leadership, based on the Organization's mission, vision and values.

#### **6 - SOCIAL RESPONSIBILITY**

CSN's social responsibility is developed in partnership with government and civil society and is aimed at valuing the potential of each region where the Company operates and their respective communities. In

2011, the CSN Foundation celebrated its 50th anniversary, focusing on socially responsible policies and social and economic development. Between 2006 and 2011, investments in education, health, culture and sport totaled close to R\$93 million.

These investments are carried out through the sponsorship of cultural and sporting projects of other entities and companies, selected and approved by the tax incentive mechanisms, as well as the Foundation's own initiatives.

The beneficiaries in 2011 included the musical "Fiddler on the Roof", the University of São Paulo's Brazilian Library collection exhibition at the Pinacoteca, the Villa-Lobos Superstar project and the Voices of Peace Choir.

CSN also supported projects by NGOs registered with various Municipal Councils for Children and Teenagers' Rights, focusing on helping at-risk youngsters, including the APAE, which helps the mentally handicapped, the AACD, which focuses on the physically disabled, and the Instituto Deco 20, which concentrates on the socially vulnerable.

## **7 - ENVIRONMENTAL RESPONSIBILITY**

Sustainability is one of the pillars of CSN's business strategy, and concern for the environment is an integral part of its mission and values. The Company does everything possible to improve its social and environmental processes, in order to consolidate sustainable initiatives for local and regional development. All of its main units have received ISO 14,001 environmental certification and it is constantly striving to integrate its activities in this area, eliminating waste and optimizing energy efficiency and the use of natural resources. The Company's Sustainability Council issues guidelines to ensure that sustainability permeates every area of the Company.

## 8 - DISCLAIMER

Certain of the statements contained herein are forward-looking statements and projections, which express or imply results, performance or events that are expected in the future. Actual results, performance or events may differ materially from those expressed or implied by the forward-looking statements as a result of several factors, including general and economic conditions in Brazil and in other countries, interest rate and exchange rate levels, future renegotiations and prepayment of foreign-currency liabilities or loans, protectionist measures in Brazil, the United States and other countries, changes in laws and regulations and general competitive factors on a regional, national or global basis.

CSN's financial information presented herein is in accordance with international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB), and with the accounting practices adopted in Brazil. Non-financial information, as well as other operating information, has not been audited by the independent auditors.

**(expressed In thousands of reais – R\$, unless otherwise stated)**

## **1. DESCRIPTION OF BUSINESS**

Companhia Siderúrgica Nacional is a publicly-held company incorporated on April 9, 1941, under the laws of the Federative Republic of Brazil (Companhia Siderúrgica Nacional, its subsidiaries and jointly controlled entities collectively referred to herein as "CSN" or the "Company"). The Company's registered office social is located at Avenida Brigadeiro Faria Lima, 3400 – São Paulo, SP.

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

The 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. In addition to the facilities in Brazil, CSN has operations in the United States and Portugal aimed at gaining markets and performing excellent services for final consumers. Its steels are used in the home appliances, civil construction and automobile industries.

- **Mining:**

The production of iron ore is developed in the city of Congonhas, in the State of Minas Gerais. It further mines tin in the State of Rondônia to supply the needs of UPV, with the excess of these raw materials being sold to subsidiaries and third parties. CSN holds a concession to operate TECAR, a solid bulk maritime terminal, of the 4 (four) terminals that form the Itaguaí Port, 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 produces CP-III type cement by using slag produced by the UPV blast furnaces in Volta Redonda. In 2011, the clinker used in manufacturing the cement was purchased from third parties, however, at the end of 2011, with the completion of the first stage of the Clinker plant in Arcos, MG, this plant already supplied the milling needs of CSN Cimentos in Volta Redonda. Explores also limestone and dolomito Arches drive in the State of Minas Gerais, to feed the needs of UPV and CSN Cement, and the surplus of such raw materials is sold to subsidiaries and third parties.

During 2011, the Clinker used in the manufacture of cement was purchased from third parties, however, by the end of 2011, with the completion of the first stage of the Clinker plant in Arcos (MG), this has already filled the needs of grinding of Cement located in Volta Redonda, CSN.

- **Logistics:**

*Railroads:*

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

*Ports:*

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

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

- **Energy:**

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

For further details on strategic investments in the Company's segments, see Note 27 – Business Segment Reporting.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **(a) Basis of preparation**

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

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



The preparation of 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 debts, provision for inventory losses, provision for labor, civil, tax, environmental and social security risks, depreciation, amortization, depletion, provision for impairment, deferred taxes, financial instruments and employee benefits. Actual results may differ from these estimates.

The 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. When both IFRSs and CPCs include the option between acquisition cost and any other measurement criterion (for example, systematic remeasurement), we used the cost criterion.

Some balances for the financial year 2010 were reclassified to permit a better comparability with 2011.

The individual and consolidated financial statements were approved by the Board of Directors and authorized for issue on March 26, 2012.

**(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, 2011 and 2010 include the following direct and indirect subsidiaries and jointly-controlled subsidiaries, as well as the exclusive funds Diplic and Mugen:

- Companies**

Companies	Equity interest (%)		Main activities
	12/31/2011	12/31/2010	
<b>Direct interest: full consolidation</b>			
CSN Islands VII Corp.	100.00	100.00	Financial tra
CSN Islands VIII Corp.	100.00	100.00	Financial tra
CSN Islands IX Corp.	100.00	100.00	Financial tra
CSN Islands X Corp.	100.00	100.00	Financial tra
CSN Islands XI Corp.	100.00	100.00	Financial tra
CSN Islands XII Corp.	100.00	100.00	Financial tra
Tangua Inc.	100.00	100.00	Financial tra
International Investment Fund	100.00	100.00	Equity intere
CSN Minerals S. L.(1)	100.00	100.00	Equity intere
CSN Export Europe, S.L. (2)	100.00	100.00	Financial tra
CSN Metals S.L. (3)	100.00	100.00	Equity intere
CSN Americas S.L. (4)	100.00	100.00	Equity intere
CSN Steel S.L. (5)	100.00	100.00	Equity intere
TdBB S.A	100.00	100.00	Dormant cor
Sepetiba Tecon S.A.	99.99	99.99	Port services
Mineração Nacional S.A.	99.99	99.99	Mining and e
CSN Aços Longos S.A.- merged by Parent Company on 1/28/2011		99.99	Manufacture
Florestal Nacional S.A.(6)	99.99	99.99	Reforestation
Estanho de Rondônia S.A.	99.99	99.99	Tin mining
Cia Metalic Nordeste	99.99	99.99	Manufacture
Companhia Metalúrgica Prada	99.99	99.99	Manufacture
CSN Cimentos S.A.	99.99	99.99	Cement man
Inal Nordeste S.A.- merged by Parent Company on 5/30/2011		99.99	Service cent
CSN Gestão de Recursos Financeiros Ltda.	99.99	99.99	Dormant cor
Congonhas Minérios S.A.	99.99	99.99	Mining and e
CSN Energia S.A.	99.99	99.99	Sale of elect
Transnordestina Logística S.A.	70.91	76.45	Railroad logi
<b>Indirect interest: full consolidation</b>			
CSN Aceros S.A.	100.00	100.00	Equity intere
Companhia Siderurgica Nacional LLC	100.00	100.00	Steel
CSN Europe Lda.(7)	100.00	100.00	Financial tra
CSN Ibéria Lda.	100.00	100.00	Financial tra
CSN Portugal, Unipessoal Lda. (8)	100.00	100.00	Financial tra
Lusosider Projectos Siderúrgicos S.A.	100.00	100.00	Equity intere
Lusosider Aços Planos, S. A.	99.94	99.94	Steel and eq
CSN Acquisitions, Ltd.	100.00	100.00	Financial tra

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CSN Resources S.A.(9)	100.00	100.00	Financial tra
CSN Finance UK Ltd	100.00	100.00	Financial tra
CSN Holdings UK Ltd	100.00	100.00	Financial tra
CSN Handel GmbH(10)	100.00		Financial tra
Itamambuca Participações S. A. - merged by CSN Cimentos em 5/30/2011		99.99	Mining and e
Companhia Brasileira de Latas (11)	59.17		Sale of cans
Rimet Empreendimentos Industriais e Comerciais S. A.(11)	58.08		Production a
Companhia de Embalagens Metálicas MMSA (11)	58.98		Production a
Empresa de Embalagens Metálicas - LBM Ltda. (11)	58.98		Sales of con
Empresa de Embalagens Metálicas - MUD Ltda. (11)	58.98		Production a
Empresa de Embalagens Metálicas - MTM do Nordeste (11)	58.98		Production a
Companhia de Embalagens Metálicas - MTM (11)	58.98		Production a

**Direct interest: proportionate consolidation**

Nacional Minérios S.A.	60.00	60.00	Mining and e
Itá Energética S.A.	48.75	48.75	Generation o
MRS Logística S.A.	27.27	22.93	Railroad tran
Consórcio da Usina Hidrelétrica de Igarapava	17.92	17.92	Electric powe
Aceros Del Orinoco S.A.	22.73	22.73	Dormant con
CBSI - Companhia Brasileira de Serviços de Infraestrutura (12)	50.00		Provision of

**Indirect interest: proportionate consolidation**

Namisa International Minerios SLU	60.00	60.00	Equity intere
Namisa Europe, Unipessoal Lda.	60.00	60.00	Equity intere
MRS Logística S.A.	6.00	10.34	Railroad tran
Aceros Del Orinoco S.A.	9.08	9.08	Dormant con
Aloadus Handel GmbH (10)	60.00		Financial tra

- (1) New corporate name of CSN Energy S.à.r.l., changed on December 15, 2010.
- (2) New corporate name of CSN Export S.à.r.l., changed on August 9, 2011.
- (3) New corporate name of CSN Overseas S.à.r.l., changed on December 15, 2010.
- (4) New corporate name of CSN Panamá S.à.r.l., changed on December 15, 2010.
- (5) New corporate name of CSN Steel S.à.r.l., changed on December 17, 2010.
- (6) New corporate name of Itaguaí Logística S.A., changed on December 27, 2010.
- (7) New corporate name of CSN Madeira Lda., changed on January 8, 2010.
- (8) New corporate name of Hickory-Comércio Internacional e Serviços Lda., changed on January 8, 2010.
- (9) New corporate name of CSN Cement S.à.r.l., changed on June 18, 2010.
- (10) Companies that became subsidiaries on November 3, 2011.
- (11) Companies that became subsidiaries on July 12, 2011.

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

- **Exclusive funds**

Exclusive funds	Interest held		Main activities
	12/31/2011	12/31/2010	
<b>Direct interest: full consolidation</b>			
DIPLIC - Fundo de investimento multimercado	100,00	100,00	Investment fund
Mugen - Fundo de investimento multimercado	100,00	100,00	Investment fund

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

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

- **Joint controlled entities**

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

controlled entities are proportionately consolidated.

- **Transactions and non-controlling interests**

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

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

**(c) Individual financial statements**

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

**(d) Foreign currencies**

**i. Functional and presentation currency**

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

**ii. Balances and transactions**

Transactions in foreign currencies are translated into the functional currency using the exchange rates in effect at the dates of the transactions or valuation on which items are remeasured. Foreign exchange gains and losses resulting from the settlement of these transactions and from the translation at exchange rates in effect as of December 31, 2011 of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when they are recognized in equity as qualifying cash flow hedges and qualifying net investment hedges.

The asset and liability balances are translated at the exchange rate in effect at the end of the reporting period. As of December 31, 2011, US\$1 is equivalent to R\$1.8758 (R\$1.6662 as of December 31, 2010), EUR 1 is equivalent to R\$2.4342 (R\$2.2280 as of December 31, 2010), A\$1 is equivalent to R\$1.9116 (R\$1.6959 as of December 31, 2010) and JPY 1 is equivalent to R\$0.02431 (R\$0.0205 as of December 31, 2010).

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

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

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

**iii. Group companies**

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

- Assets and liabilities in each balance sheet presented have been translated at the exchange rate at the end of the reporting period.
- Income and expenses of each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates in effect at the transaction dates, in which case income and expenses are translated at the rate in effect at the transaction dates); and
- All resulting exchange differences are recognized as a separate component in other comprehensive income.

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



**(e) Cash and cash equivalents**

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

**(f) Trade receivables**

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

**(g) Inventories**

Inventories are 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 recognized when considered appropriate.

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

**(h) Investments**

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

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

**(i) Business combination**

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

**(j) Property, plant and equipment**

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

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

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

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

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

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

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

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

The development stage includes:

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

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

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

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

**(k) Intangible assets**

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

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

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

- **Goodwill**

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

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

- **Software**

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

**(l) Impairment of non-financial assets**

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

**(m) Employee benefits**

**i. Employee benefits**

**Defined contribution plans**

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

## **Defined benefit plans**

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

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

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

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

## **ii. Profit sharing and bonus**

Employee profit sharing and executives' variable compensation are linked to the achievement of operating and financial targets. The Company recognizes a liability and an expense substantially allocated to

production cost and, where applicable, to general and administrative expenses when such goals are met.

**(n) Provisions**

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

**(o) Concessions**

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

**(p) Share capital**

Common shares are classified in equity.

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

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



**(q) Revenue recognition**

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

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

**(r) Finance income and finance costs**

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

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

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

**(s) Income tax and social contribution**

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

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

Current tax is the expected tax payable or receivable on taxable profit or loss for the 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.

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

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

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

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

**(t) Earnings per share**

Basic earnings per share are calculated by means of the profit for the 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.

**(u) Environmental and restoration costs**

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

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

**(v) Research and development**

All these costs are recognized in the income statement when incurred, except when they meet the criteria for capitalization. Expenditures on research and development of new products for the year ended December 31, 2011 amounted to R\$6,532 (R\$4,314 for the year ended December 31, 2010).

**(w) Financial instruments**

**i) Financial assets**

Financial assets are classified into following categories: measured at fair value through profit or loss, loans and receivables, held-to-maturity, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets 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 include loans and receivables that are non-derivative financial assets with fixed or determinable payments not quoted in an active market. They are included in current assets, except those with maturity of more than 12 months after the end of the reporting period (which are classified as non-current assets). Loans and receivables include loans to associates, trade receivables and cash and cash equivalents, except short-term investments. Cash and cash equivalents are recognized at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

- **Held-to-maturity assets**

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

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

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

- **Recognition and measurement**

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

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

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

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

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

## ii) **Impairment of financial assets**

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

- **Assets measured at amortized cost**

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

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

- significant financial difficulty of the issuer or counterparty;
- a breach of contract, such as default or delinquency in interest or principal payments;

- the issue, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower a concession that the lender would not otherwise consider;
  
- it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
  
- the disappearance of an active market for that financial asset because of financial difficulties; or
  
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of such assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - adverse changes in the payment status of borrowers in the portfolio;
  - national or local economic conditions that correlate with defaults on the assets in the portfolio.

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

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



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

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment. Determining what is considered a “significant” or “prolonged” decline requires judgment. For this judgment we assess, among other factors, the historical changes in the equity prices, the duration and proportion in which the fair value of the investment is lower than its cost, and the financial health and short-term prospects of the business for the investee, including factors such as: industry and segment performance, changes in technology, and operating and financial cash flows. If there is any of this evidence of impairment of available-for-sale financial assets, the cumulative loss—measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the financial asset previously recorded in profit or loss—is reclassified from equity and recognized in the income statement. 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 occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the income statement.

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

- iii) **Financial liabilities**

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

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

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

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

- **Other financial liabilities**

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

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

- **Offsetting financial instruments**

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

- iv) **Derivative instruments and hedging activities**

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

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

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

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

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

- (x) **Segment information**

An operating segment is a component of the Group committed to the business activities from which it can obtain revenues and incur expenses, including revenues and expenses related to transactions with any other components of the Group. All the operating results of operating segments are reviewed regularly by the Executive Officers of CSN to make decisions regarding funds to be allocated to the segment and assessment of its performance, and for which there is distinct financial information available (see Note 27).

- (y) **Government grants**

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

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

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

Several standards, amendments and IFRS interpretations issued by the IASB have not yet become effective for the year ended December 31, 2011, as follows:

<b>Standard</b>	<b>Description</b>	<b>Effective date</b>
Amendments to IFRS 7	Disclosures – Transfers of Financial Assets	July 1, 2011
IFRS 9	Financial Instruments	January 1, 2013
IFRS 10	Consolidated Financial Statements	January 1, 2013
IFRS 11	Joint Arrangements	January 1, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2013
IFRS 13	Fair Value Measurement	January 1, 2013
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income	July 1, 2012
Amendments to IAS 12	Deferred Taxes - Recovery of Underlying Assets	January 1, 2012
IAS 19 (revised in 2011)	Employee Benefits	January 1, 2013
IAS 27 (revised in 2011)	Separate Financial Statements	January 1, 2013
IAS 28 (revised in 2011)	Investments in Associates and Joint Ventures	January 1, 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013

These standards, amendments and interpretations are effective for annual reporting periods beginning on or after 2012 and 2013 and were not used in preparing these financial statements. No material impact of these new Standards on the Group's financial statements are expected, except for IFRS 9 *Financial Instruments*, which can change the classification and measurement of the financial assets held by the Group, IFRIC 20 *Shipping Costs in the Production Phase of a Surface Mine*, which can impact the accounting of waste stripping in non-current assets, and IFRS 10, IFRS 11 and IFRS 12, which can impact the entities currently consolidated and/or proportionately consolidated by the Group. The Company does not expect to early adopt this standard and its impact has not yet been measured.

The CPC has not yet issued any pronouncements equivalent to the IFRSs above, but it is expected that such pronouncements will be issued before the IFRSs' effective date. The early adoption of IFRSs is contingent to their approval by the Brazilian Securities Commission and/or the Federal Accounting Council.

### 3. BUSINESS COMBINATION

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

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

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

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

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

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

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

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

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

**Goodwill arising on acquisition**

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

Goodwill arising on the acquisition comprises mainly the expected synergies generated by the business combination of Prada Embalagens with CBL, as described in note 13.

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

#### 4. RELATED-PARTY BALANCES AND TRANSACTIONS

##### a) Transactions with Holding Company

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

On December 27, 2010, Rio IACO acquired 58,193,503 shares of Caixa Beneficente dos Empregados da CSN ("CBS") and currently holds 3.99% of CSN's issued capital, and became part of the control group.

- **Liabilities**

Companies	Mandatory minimum dividend	Proposed additional dividend	Proposed interest on capital	Total	Paid	
					Dividends	Interest on capital
Vicunha Siderurgia	443,386	130,881		<b>574,267</b>	717,835	170,746
Rio Iaco	36,981	10,916		<b>47,897</b>	59,871	14,241
<b>Total at 12/31/2011</b>	<b>480,367</b>	<b>141,797</b>		<b>622,164</b>	<b>777,706</b>	<b>184,987</b>
<b>Total at 12/31/2010</b>	<b>141,174</b>	<b>636,509</b>	<b>184,985</b>	<b>962,668</b>	<b>717,834</b>	<b>33,499</b>

Vicunha Siderurgia's corporate structure is as follows (unaudited information):

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

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

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

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

CRio Purus Participações S.A. – holds 60% of National Steel S.A., 59.99% of Vicunha Steel S.A. and 99.99% of Rio Iaco Participações S.A.





**b) Transactions with subsidiaries and exclusive funds****• Assets**

<b>Companies</b>	<b>Trade receivables</b>	<b>Short-term and other investments (1)</b>	<b>Intercompany loans (2)</b>	<b>Dividends receivable</b>	<b>Advance for future capital increase</b>	<b>Derivative financial instruments (3)</b>	<b>Total</b>
CSN Islands VIII Corp.						374,455	374,455
CSN Portugal, Unipessoal Lda.	891,741						891,741
CSN Europe Lda.	739,154						739,154
CSN Export Europe, Sl.	48,248						48,248
Lusosider Aços Planos, S. A.	37,440						37,440
International Investment Fund			24,265				24,265
CSN Ibéria Lda. Companhia Metalúrgica Prada	51,689						51,689
CSN Cimentos S.A.	173,303				14,000		187,303
Cia. Metalic Nordeste	2,122				10,225		12,347
Transnordestina Logística S.A.	1						1
Florestal Nacional S.A.	84		53,440		21,981		75,505
Sepetiba Tecon S.A.			162,180				162,180
CSN Energia S.A.	20			10,400			10,420
Estanho de Rondônia S.A.					3,000		3,000
Exclusive funds Mineração Nacional S.A.		1,345,088		3,625			1,345,088
Companhia Brasileira de Latas	45,550			20			45,550

<b>Total at 12/31/2011</b>	<b>1,989,352</b>	<b>1,345,088</b>	<b>239,885</b>	<b>14,045</b>	<b>49,206</b>	<b>374,455</b>	<b>4,012,031</b>
<b>Total at 12/31/2010</b>	<b>814,409</b>	<b>204,677</b>	<b>141,639</b>	<b>5,555</b>	<b>1,252,801</b>	<b>254,231</b>	<b>2,673,312</b>

(1) The short-term investments and the investments in exclusive funds are managed by Banco BTG Pactual. Short-term investments total R\$1,207,318 and investments in Usiminas shares total R\$137,770, both classified as available-for-sale investments.

(2) International Investment Fund - US\$ contract: 4.3% p.a. interest with undefined maturity.

Transnordestina - R\$ contracts: interest equivalent to 101.5% to 102.5% of the interbank deposit rate (CDI) with final maturity extended to December 2013.

Florestal Nacional - R\$: interest equivalent to 100.5% to 105.5% of CDI with final maturity extended to January 2012.

(3) Financial instruments contract, specifically swap between CSN and CSN Islands VIII.

Intragroup receivables arise from product sales and service transactions between the parent and its subsidiaries.

The accounts receivable of Companhia Brasileira de Latas ("CBL"), relating to commercial transactions, amounted R\$ 292,369 in total, being accrued R\$ 246,819 on operations for the period before the acquisition, which is reversed only when received.

- Liabilities**

Companies	Borrowings and financing			Trade payables		Total
	Prepayment (1)	Fixed rate notes(2)	Borrowings and Intercompany Bonds (2)	Intercompany borrowings (3)	Other	
CSN Islands VIII Corp.		1,440,536		1,723		1,442,259
CSN Portugal, Unipessoal Lda.	289,796					289,796
			20,500	40,906		61,406

CSN Europe Lda.						
CSN Resources S.A.	1,955,131	830,413	1,766,684			4,552,228
CSN Ibéria Lda.				44,876		44,876
Estanho de Rondônia S.A.					10,688	10,688
Congonhas Minérios S.A.			1,356,010			1,356,010
Other(*)					7,464	7,464
<b>Total at 12/31/2011</b>	<b>2,244,927</b>	<b>2,270,949</b>	<b>3,143,194</b>	<b>87,505</b>	<b>18,152</b>	<b>7,764,727</b>
<b>Total at 12/31/2010</b>	<b>2,080,721</b>	<b>1,955,135</b>	<b>2,253,838</b>	<b>570,257</b>	<b>43,774</b>	<b>6,903,725</b>

(1) US\$ contracts - CSN Portugal: 6.15% and 7.43% interest p.a. maturing in May 2015.

US\$ contract - CSN Resources: 4.07% interest p.a. with maturity extended to August 2022.

(2) YEN contracts - CSN Islands VIII: 5.65% interest p.a. maturing in December 2013.

US\$ contracts - CSN Resources: 4.14% interest p.a. maturing in July 2015.

US\$ contracts - CSN Europe: semiannual LIBOR + 2.25% p.a. maturing in March 2012.

US\$ contracts - CSN Resources: intercompany bonds at 9.125% interest p.a. maturing in June 2047.

US\$ contracts - CSN Resources: interest of 2.01% to 3.99% p.a. maturing in December 2013.

R\$ contracts - Congonhas Minérios: interest equivalent to 100.3% to 105.5% of CDI p.a. with maturity extended to January 2012.

(3) US\$ contracts - CSN Ibéria: semiannual LIBOR + 3% p.a. with undefined maturity.

(\*)Other: CSN Cimentos, Companhia Metalúrgica Prada and Cia. Metalic Nordeste.

- **Profit or loss**

Companies	Revenues				Expenses			
	Sales	Interest	Exchange differences	Total	Purchases	Interest	Exchange differences	Total
CSN Islands VIII Corp.						73,530	115,236	188,766
CSN Portugal, Unipessoal Lda.	853,816		2,602	856,418		19,259		19,259
CSN Europe Lda.	669,503		56,270	725,773		1,361		1,361
CSN Resources S.A.						242,558	491,971	734,529
CSN Export Europe, S.L.	8,644		54,670	63,314				
Lusosider Aços Planos, S.A.	35,503		1,937	37,440				
International Investment Fund		1,242	2,300	3,542				
CSN Ibéria Lda.	49,099			49,099		1,102	2,012	3,114
CSN Aceros S.A.							916	916
Inal Nordeste S.A.	32,082			32,082	74			74
Companhia Metalúrgica Prada	1,007,945			1,007,945	17,359			17,359
CSN Cimentos S.A.	26,552			26,552	1,413			1,413
Cia. Metalic Nordeste	72,739			72,739	4,172			4,172
Estanho de Rondônia S.A. Florestal Nacional S.A.					67,902			67,902
Sepetiba Tecon S.A.		17,416		17,416				
Exclusive funds Congonhas Minérios S.A.	4,376			4,376	13,488			13,488
Transnordestina Logística S.A.		46,376		46,376		147,592		147,592
	129	1,257		1,386				
					128,281			128,281

CSN Energia S.A. Companhia Brasileira de Latas	85,814		85,814		1,290		1,290
<b>Total at 12/31/2011</b>	<b>2,846,202</b>	<b>66,291</b>	<b>117,779</b>	<b>3,030,272</b>	<b>233,979</b>	<b>485,402</b>	<b>610,135 1,329,516</b>
<b>Total at 12/31/2010</b>	<b>2,192,434</b>	<b>6,234</b>	<b>137,467</b>	<b>2,336,135</b>	<b>64,971</b>	<b>369,802</b>	<b>184,716 619,489</b>

The main transactions carried out by the Company with its subsidiaries are sales and purchases of products and services, which include the supply of iron ore and steel, and the provision of port services.

**c) Transactions with jointly controlled entities**

The Company's strategic areas of mining, logistics and energy maintain equity interests in companies under joint control. The characteristics, objectives and transactions with these companies are as follows. The consolidated information is presented according to the criteria set out in note 2.

- **Assets**

<b>Companies</b>	<b>Trade receivables</b>	<b>Dividends receivable</b>	<b>Intercompany loan (*)</b>	<b>Company Total</b>
Nacional Minérios S.A.	75,212	622,004		697,216
MRS Logística S.A.	603	33,875		34,478
Itá Energética		6,318		6,318
<b>Total at 12/31/2011</b>	<b>75,815</b>	<b>662,197</b>		<b>738,012</b>
<b>Total at 12/31/2010</b>	<b>47,268</b>	<b>616,989</b>	<b>1,241,095</b>	<b>1,905,352</b>

<b>Companies</b>	<b>Trade receivables</b>	<b>Intercompany loan (*)</b>	<b>Consolidated Total</b>
Nacional Minérios S.A.	31,338		31,338
MRS Logística S.A.	403		403
<b>Total at 12/31/2011</b>	<b>31,741</b>		<b>31,741</b>
<b>Total at 12/31/2010</b>	<b>19,115</b>	<b>496,438</b>	<b>515,552</b>

(\*) In 2011 total payments of Nacional Minérios S.A. to CSN amounted to R\$1,278,457 of which R\$53,800 was paid in January related to interest and R\$1,224,657 in April related to early settlement as provided for in the related agreement.

- **Liabilities**

<b>Companies</b>	<b>Advances from customers</b>	<b>Trade payables</b>	<b>Other payables</b>	<b>Company Total</b>
Nacional Minérios S.A.	8,176,658		6,011	8,182,669
MRS Logística S.A.		10,618	9,834	20,452
<b>Total at 12/31/2011</b>	<b>8,176,658</b>	<b>10,618</b>	<b>15,845</b>	<b>8,203,121</b>
<b>Total at 12/31/2010</b>	<b>7,924,542</b>	<b>18,423</b>	<b>68,340</b>	<b>8,011,305</b>

<b>Companies</b>	<b>Advances from customers</b>	<b>Trade payables</b>	<b>Other payables</b>	<b>Consolidated Total</b>
Nacional Minérios S.A.	3,270,663		2,404	3,273,067

MRS Logística S.A.		7,085	6,562	13,647
<b>Total at 12/31/2011</b>	<b>3,270,663</b>	<b>7,085</b>	<b>8,966</b>	<b>3,286,714</b>
<b>Total at 12/31/2010</b>	<b>3,169,817</b>	<b>7,369</b>	<b>6,725</b>	<b>3,183,911</b>

Nacional Minérios: The advance from customers received from jointly controlled entity Nacional Minérios S.A. refers to the contractual obligation for supply of iron ore and port services. The agreement is subject to interest rate of 12.5% p.a. and expires in September 2042.

MRS Logística: We have recorded in other payables the amount accrued to cover contractual expenses for take or pay and block rates relating to the railroad transportation agreement.

- **Profit or loss**

<b>Companies</b>	<b>Revenues</b>			<b>Purchases</b>	<b>Expenses</b>		<b>Company</b>
	<b>Sales</b>	<b>Interest</b>	<b>Total</b>		<b>Interest</b>	<b>Total</b>	
Nacional Minérios S.A.	945,048	42,412	987,460	15,740	964,056	979,796	
MRS Logística S.A.				418,916		418,916	
Itá Energética S.A.				55,155		55,155	
<b>Total at 12/31/2011</b>	<b>945,048</b>	<b>42,412</b>	<b>987,460</b>	<b>489,811</b>	<b>964,056</b>	<b>1,453,867</b>	
<b>Total at 12/31/2010</b>	<b>694,378</b>	<b>114,943</b>	<b>809,321</b>	<b>549,770</b>	<b>934,014</b>	<b>1,483,784</b>	

<b>Companies</b>	<b>Revenues</b>			<b>Purchases</b>	<b>Expenses</b>		<b>Consolidated</b>
	<b>Sales</b>	<b>Interest</b>	<b>Total</b>		<b>Interest</b>	<b>Total</b>	
Nacional Minérios S.A.	378,020	16,965	394,985	6,296	385,622	391,918	
MRS Logística S.A.				279,545		279,545	
Itá Energética S.A.				28,267		28,267	
<b>Total at 12/31/2011</b>	<b>378,020</b>	<b>16,965</b>	<b>394,985</b>	<b>314,108</b>	<b>385,622</b>	<b>699,730</b>	
<b>Total at 12/31/2010</b>	<b>277,751</b>	<b>45,977</b>	<b>323,729</b>	<b>336,623</b>	<b>373,606</b>	<b>710,229</b>	

The main transactions carried out by the Company with its jointly controlled entities are sales and purchases of products and services, which include the supply of iron ore, the provision of port services and railroad transportation, as well as the supply of electric power for operations.

**d) Other consolidated related parties**

- **CBS Previdência**

The Company is the main sponsor of this non-profit entity established in July 1960, primarily engaged in the payment of benefits that supplement the official government Social Security benefits to participants. In its capacity as sponsor, CSN carries out transactions involving the payment of contributions and recognition of actuarial liabilities calculated in defined benefit plans, as detailed in Note 29.

- **Fundação CSN**



The Company develops socially responsible policies concentrated today in Fundação CSN, of which it is the sponsor. The transactions between the parties relate to the operating and financial support for Fundação CSN to carry out the social projects undertaken mainly in the locations where the Company operates.

- **Banco Fibra**

Banco Fibra is under the control structure of Vicunha Siderurgia and the financial transactions carried out with this bank are limited to current account operations and investments in fixed-income securities.

- **Ibis Participações e Serviços**

Ibis Participações e Serviços is under the control of a Board member of the Company.

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

- **Companhia de Gás do Ceará**

A natural gas distributor under the control structure of Vicunha Siderurgia.

**I) Assets and liabilities**

Companies	Assets			Liabilities		
	Banks/Short-term investments	Trade receivables	Total	Actuarial liabilities	Trade payables	Total
CBS Previdência (Note 29)				11,673		11,673
Fundação CSN		1,504	1,504		321	321
Banco Fibra	72		72			
Usiminas (Note 11)		28,509	28,509		170	170
Panatlântica (Note 11)		24,858	24,858			
Companhia de Gás do Ceará					40	40
<b>Total at 12/31/2011</b>	<b>72</b>	<b>54,871</b>	<b>54,943</b>	<b>11,673</b>	<b>531</b>	<b>12,204</b>
<b>Total at 12/31/2010</b>	<b>86</b>	<b>25,881</b>	<b>25,967</b>		<b>16,133</b>	<b>16,133</b>

**ii) Profit or loss**

Companies	Revenues		Pension fund expenses	Expenses	
	Sales / Interest income	Total		Purchases/ Other expenses	Total
CBS Previdência (Note 29)			51,595		51,595
Fundação CSN				2,650	2,650
Banco Fibra	35	35			
Usiminas (Note 11)	310,479	310,479		7,971	7,971
Panatlântica (Note 11)	264,653	264,653			
Ibis Participações e Serviços				8,961	8,961
Companhia de Gás do Ceará				2,570	2,570
<b>Total at 12/31/2011</b>	<b>575,167</b>	<b>575,167</b>	<b>51,595</b>	<b>22,152</b>	<b>73,747</b>
<b>Total at 12/31/2010</b>	<b>413,401</b>	<b>413,401</b>	<b>82,041</b>	<b>58,651</b>	<b>140,692</b>

**e) Key management personnel**

The key management personnel, who have authority and responsibility for planning, directing and controlling the Company's activities, include the members of the Board of Directors and the executive officers. The following is information on the compensation of such personnel and the related balances as of December 31, 2011.

	<b>12/31/2011</b>	<b>12/31/2010</b>
	<b>P&amp;L</b>	<b>P&amp;L</b>
Short-term benefits for employees and officers	23,728	17,881
Post-employment benefits	91	81
Other long-term benefits	n/a	n/a
Severance benefits	n/a	n/a
Share-based compensation	n/a	n/a
	<b>23,819</b>	<b>17,962</b>
n/a – not applicable		

**f) Policy on investments and payment of dividends and interest on capital**

At a meeting held on December 11, 2000, the Board of Directors decided to adopt a profit distribution policy which, after compliance with the provisions contained in 6404/76, as amended by Law 9457/97, will entail the distribution of all the profit to the Company's shareholders, provided that the following priorities are preserved, irrespective of their order: (i) carrying out the business strategy; (ii) fulfilling its obligations; (iii) making the required investments; and (iv) maintaining a healthy financial situation of the Company.

**5. CASH AND CASH EQUIVALENTS**

		<b>Consolidated</b>		<b>Company</b>
	<b>12/31/2011</b>	<b>12/31/2010</b>	<b>12/31/2011</b>	<b>12/31/2010</b>
<b>Current</b>				
<b>Cash and cash equivalents</b>				
<b>Cash and banks</b>	<b>101,360</b>	<b>156,580</b>	<b>14,047</b>	<b>14,033</b>
<b>Short-term investments</b>				
<b>In Brazil:</b>				
Exclusive investment funds			1,207,318	
Investment funds (*)			747,001	
Government bonds	646,594	477,529		
Private securities and debentures (**)	2,017,019	2,134,364	60,363	93,062
	<b>2,663,613</b>	<b>2,611,893</b>	<b>2,014,682</b>	<b>93,062</b>
<b>Abroad:</b>				
Time deposits	12,652,420	7,470,805	44,515	1,202
<b>Total short-term investments</b>	<b>15,316,033</b>	<b>10,082,698</b>	<b>2,059,197</b>	<b>94,264</b>
<b>Cash and cash equivalents</b>	<b>15,417,393</b>	<b>10,239,278</b>	<b>2,073,244</b>	<b>108,297</b>

The funds available in the Company and subsidiaries set up in Brazil are basically invested in exclusive investment funds, with repurchase agreements backed by Brazilian government bonds with immediate liquidity. In addition, a significant part of the funds of the Company and its foreign subsidiaries is invested in time deposits with leading banks.

The exclusive funds managed by BTG Pactual Serviços Financeiros S.A. DTVM and their assets collateralize possible losses on investments and transactions carried out. The funds' unit holders also guarantee the funds' equity in the event of losses arising from changes in interest and exchange rates, or other financial assets.

(\*) Investment funds: the "Vértice" investment fund's portfolio is administered and managed by Caixa Econômica Federal (CEF).

(\*\*) Private securities: short-term investments in consolidated amounting to R\$1,952,274 as of December 31, 2011 (R\$2,079,549 as of December 31, 2010) and in Company amounting to R\$60,363 and R\$93,062 respectively, backed by Bank Certificates of Deposit, which yield pegged to the Interbank Certificates of Deposit rate (CDI).

Debentures: investments in consolidated amounting to R\$64,745 as of December 31, 2011 (R\$54,815 as of December 31, 2010), of jointly controlled entity MRS, which yield pegged to the Interbank Certificates of Deposit rate (CDI).

**6. TRADE RECEIVABLES**

	<b>Consolidated</b>		<b>Company</b>	
	<b>12/31/2011</b>	<b>12/31/2010</b>	<b>12/31/2011</b>	<b>12/31/2010</b>
<b>Trade receivables</b>				
<b>Third parties</b>				
Domestic market	982,129	846,507	675,297	577,589
Foreign market	701,807	530,356	4,869	14,948
Allowance for doubtful debts	(124,939)	(117,402)	(101,407)	(99,023)
	<b>1,558,997</b>	<b>1,259,461</b>	<b>578,759</b>	<b>493,514</b>
<b>Related parties (Note 4 - b and c)</b>			<b>2,065,167</b>	<b>861,677</b>
	<b>1,558,997</b>	<b>1,259,461</b>	<b>2,643,926</b>	<b>1,355,191</b>
<b>Other receivables</b>				
Dividends receivable (Note 4 - b and c)			676,242	622,544
Receivables from subsidiaries and jointly controlled entities	1,557	17,318	163,248	164,210
Other receivables	55,652	90,980	33,384	39,027
	<b>57,209</b>	<b>108,298</b>	<b>872,874</b>	<b>825,781</b>
	<b>1,616,206</b>	<b>1,367,759</b>	<b>3,516,800</b>	<b>2,180,972</b>

In order to meet the needs of some customers in the domestic market, related to the extension of the payment term for billing of steel, in common agreement with CSN's internal commercial policy and maintenance of its very short-term receipts (up to 14 days), at the request of the customer, transactions are carried out for assignment of receivables without co-obligation negotiated between the customer and banks with common relationship, where CSN assigns the trade notes/bills that it issues to the banks with common relationship.

Due to the characteristics of the transactions for assignment of receivables without co-obligation, after assignment of the customer's trade notes/bills and receipt of the funds from the closing of each transaction, CSN settles the trade receivables and becomes entirely free of the credit risk on the transaction.

This transaction totals R\$262,367 as of December 31, 2011 (R\$247,680 as of December 31, 2010), less the trade receivables.

The changes in the Company's allowance for doubtful debts are as follows:

	Consolidated			Company
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Opening balance	(117,402)	(164,077)	(99,023)	(107,558)
Allowance for losses on trade receivables	(20,005)	(7,439)	(11,628)	(8,535)
Recovery (reversal) of receivables	12,468	54,114	9,244	17,070
<b>Closing balance</b>	<b>(124,939)</b>	<b>(117,402)</b>	<b>(101,407)</b>	<b>(99,023)</b>

## 7. INVENTORIES

	Consolidated			Company
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Finished products	997,128	1,015,534	714,688	783,556
Work in process	776,918	588,668	680,997	550,824
Raw materials	847,598	638,857	693,155	517,085
Storeroom supplies	897,940	800,090	724,529	675,705
Iron ore	215,400	312,637	72,248	179,543
	<b>3,734,984</b>	<b>3,355,786</b>	<b>2,885,617</b>	<b>2,706,713</b>

Changes in the allowance for inventory losses are as follows:

	Consolidated			Company
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Opening balance	(64,115)	(50,306)	(61,702)	(48,458)
Allowance for obsolete or slow-moving inventories	(19,030)	(13,809)	(16,112)	(13,244)
<b>Closing balance</b>	<b>(83,145)</b>	<b>(64,115)</b>	<b>(77,814)</b>	<b>(61,702)</b>

Allowances for certain items considered obsolete or slow-moving were recognized.

As of December 31, 2011, the Company has long-term iron ore inventories amounting to R\$144,483, classified in other non-current assets (R\$130,341 as of December 31, 2010).

**8. OTHER CURRENT ASSETS**

The group of other current assets is comprised as follows:

	<b>Consolidated</b>		<b>Company</b>	
	<b>12/31/2011</b>	<b>12/31/2010</b>	<b>12/31/2011</b>	<b>12/31/2010</b>
Prepaid taxes	104,733	89,596	104,064	7,129
Guarantee margin on financial instruments (Note 15 V)	407,467	254,485		
Unrealized gains on derivatives (Note 15)	55,115			
Prepaid expenses	24,135	12,997	10,834	4,189
	<b>591,450</b>	<b>357,078</b>	<b>114,898</b>	<b>11,318</b>

**9. INCOME TAX AND SOCIAL CONTRIBUTION****(a) Income tax and social contribution recognized in profit or loss:**

The income tax and social contribution recognized in profit or loss for the year are as follows:

	<b>Consolidated</b>		<b>Company</b>	
	<b>12/31/2011</b>	<b>12/31/2010</b>	<b>12/31/2011</b>	<b>12/31/2010</b>
<b>Income tax and social contribution income (expenses)</b>				
Current	(136,427)	(363,429)		(128,683)
Deferred	52,542	(207,268)	240,467	(36,434)
	<b>(83,885)</b>	<b>(570,697)</b>	<b>240,467</b>	<b>(165,117)</b>

The reconciliation of Company and consolidated income tax and social contribution expenses and income and the result from applying the effective rate on profit before income tax (IRPJ) and social contribution (CSLL) are as follows:



	Consolidated		Company	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
<b>Profit before income tax and social contribution</b>	<b>3,751,119</b>	<b>3,086,888</b>	<b>3,465,566</b>	<b>2,681,493</b>
Tax rate	34%	34%	34%	34%
<b>Income tax and social contribution at combined statutory rate</b>	<b>(1,275,380)</b>	<b>(1,049,542)</b>	<b>(1,178,292)</b>	<b>(911,708)</b>
<b>Adjustment to reflect effective rate:</b>				
Interest on capital benefit		121,312		121,312
Equity in investees			1,497,347	508,987
Income subject to special tax rates or untaxed	1,279,431	216,529		
Tax incentives	73,134	33,824	68,767	33,824
Adjustments arising from Law 11941 and MP 470 installment plans	(16,060)	106,216	(16,088)	88,729
Sale of nondeductible securities	(189,946)		(126,299)	
Income tax and social contribution credits	44,434			
Other permanent deductions (additions)	502	964	(4,968)	(6,261)
<b>Income tax and social contribution in profit (loss) for the period</b>	<b>(83,885)</b>	<b>(570,697)</b>	<b>240,467</b>	<b>(165,117)</b>
<b>Effective rate</b>	<b>2%</b>	<b>18%</b>	<b>-7%</b>	<b>6%</b>

**(b) Deferred income tax and social contribution:**

The deferred income tax and social contribution are calculated on tax losses of income tax, the negative social contribution basis and related temporary differences between the tax bases of assets and liabilities and the accounting balances of the financial statements.

	Consolidated		Company	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
<b>Deferred tax assets</b>				
Income tax loss carryforwards	425,406	4,944	392,991	
Social contribution loss carryforwards	157,858	1,871	141,445	
<b>Temporary differences</b>	<b>1,257,509</b>	<b>1,586,126</b>	<b>766,214</b>	<b>854,437</b>
- Provision for contingencies	211,835	240,753	200,225	218,143
- Allowance for asset impairment losses	60,930	27,915	24,544	27,546
- Allowance for inventory losses	30,814	26,012	28,048	25,660
- Allowance for gains/losses on financial instruments	253,985	183,169	192,226	116,753
- Accrued pension plan payments	144,066	103,033	144,297	96,021
- Accrued interest on capital	74	121,351	74	121,351
- Allowance for long-term sales	1,221	1,221	1,221	1,221
- Accrued supplies and services	67,445	43,828	64,689	31,371
- Allowance for doubtful debts	45,342	145,390	41,854	145,271
- Goodwill on acquisition	371,153	599,730	23,406	36,780
- Other	70,644	93,726	45,630	34,318

<b>Non-current assets</b>	<b>1,840,773</b>	<b>1,592,941</b>	<b>1,300,650</b>	<b>854,437</b>
<b>Deferred tax liabilities</b>				
- Adjustment to PP&E useful lives (Law 11638/07)	37,776			
- Other (*)	75			
<b>Non-current liabilities</b>	<b>37,851</b>			

(\*) Related to a sole jurisdiction, thus presented at net amounts.

Some Group companies recognized tax credits on income tax and social contribution tax loss carryforwards not subject to statute of limitations and based on the history of profitability and expected future taxable profits determined in technical studies approved by Management.

In July 2010, the Company joined the REFIS (tax debt refinancing program) and elected to offset part of the balance of income tax and social contribution loss carryforwards as of December 31, 2009 recognized in part B of the LALUR (taxable income computation book), amounting to R\$110,192 and R\$39,669, respectively, against the four last installments of the tax refinancing plan, consisting of debts enrolled under Provisional Measure 470/09 and payable in 12 installments, as prescribed by relevant legislation.

Since they are subject to significant factors that may change the projections for realization, the carrying amounts of deferred tax assets are reviewed quarterly and projections are reviewed annually. These studies indicate the realization of these tax assets within the term stipulated by the mentioned instruction and the limit of 30% of the taxable profit.

Certain CSN subsidiaries have tax assets amounting to R\$536.886 and R\$167.504, related to income tax and social contribution loss carryforwards, for which no deferred taxes were set up, off which R\$54 expires in 2012, R\$9,726 in 2013, R\$696 in 2014, R\$27,976 in 2015, R\$15 in 2016, R\$46 in 2017 and R\$44.138 in 2025. The remaining tax assets refer to domestic companies and, therefore, are not subject to statute of limitations.

The tax benefit of goodwill of Nacional Minérios S.A., which arose on the merger of Big Jump in July 2009, amounted to R\$1,391,858. Up to December 2011 a total amount of R\$672,732 (R\$394,360 up to 2010) had been realized, leaving a remaining amount of R\$719,126, which will be realized through 2014. In 2012 and 2013, this realization will be R\$278,372 per year and in the last year, 2014, the benefit will be R\$162,382.

The undistributed profits of the Company's foreign subsidiaries have been invested and will continue to be indefinitely invested in their operations. These undistributed profits of the Company's foreign subsidiaries amounted to R\$8,033,902 as of December 31, 2011 (R\$2,434,537 as of December 31, 2010).

**(c) Income tax and social contribution recognized in equity**

The income tax and social contribution recognized directly in equity are as follows:

**Consolidated**

**Company**

	12/31/2011	12/31/2010	12/31/2011	12/31/2010
<b>Income tax and social contribution (losses)/gains</b>				
Gain/(loss) on defined benefit pension plan	163,931	125,065	163,867	125,065
Changes in the fair value on available-for-sale financial assets	241,484	75,522	179,725	11,242
Exchange variation on foreign operations	425,510	433,297	425,510	433,297

**(d) Tax incentives**

The Company enjoys Income Tax incentives based on the legislation in effect, such as: Worker Food Program, the Rouanet Law (tax incentives related to cultural activities), Tax Incentives for Audiovisual Activities, and Funds for the Rights of Children and Adolescents. As of December 31, 2011, these tax incentives total R\$1,914 (R\$8,160 as of December 31, 2010).

**10. OTHER NON-CURRENT ASSETS**

The group of other non-current assets is comprised as follows:

	<b>Consolidated</b>			<b>Company</b>
	<b>12/31/2011</b>	<b>12/31/2010</b>	<b>12/31/2011</b>	<b>12/31/2010</b>
Judicial deposits (Note 19)	1,760,814	2,774,706	1,683,775	1,704,026
Recoverable taxes (*)	257,977	247,910	101,859	122,868
Prepaid expenses	115,853	115,755	24,560	27,540
Unrealized gains on derivatives (Note 15)	376,344	254,231	374,455	254,231
Iron ore inventories	144,483	130,341	144,483	130,341
Northeast Investment Fund - FINOR	47,754		46,292	
Others	163,001	153,137	40,818	41,861
	<b>2,866,226</b>	<b>3,676,080</b>	<b>2,416,242</b>	<b>3,280,867</b>

(\*) Refers mainly to taxes on revenue (PIS/COFINS) and State VAT (ICMS) on the acquisition of fixed assets which will be recovered over a 48-month period.

**11. INVESTMENTS****a) Direct equity interests in subsidiaries and jointly controlled entities**

	<b>Number of shares</b>		<b>%</b>	<b>Profit</b>	<b>12/31/2011</b>			<b>Prof</b>		
	<b>(in units)</b>				<b>Direct</b>	<b>(loss)</b>	<b>Assets</b>		<b>Liabilities</b>	<b>Equity</b>
	<b>Common</b>	<b>Preferred</b>								
Cia. Metalic Nordeste	92,293,156		99.99	11,100	156,915	40,579	116,336	14,0		
INAL Nordeste S.A. (*)			99.99	(3,595)				(6,5		
CSN Aços Longos S. A.(**)			99.99	(334)				(3,9		
GalvaSud S.A.								8,		

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CSN Steel S.L.	1,204,072,527		100.00	425,720	4,042,029	268,566	3,773,463	(296,4
CSN Metals S.L.	256,951,582		100.00	173,097	1,147,456	6,682	1,140,774	(37,8
CSN Americas S.L.	151,877,946		100.00	576,562	1,394,255	5,598	1,388,657	124,
CSN Minerals S. L.	131,649,926		100.00	1,798,089	2,906,449	2,666	2,903,783	213,9
CSN Export Europe, S.L.	35,924,748		100.00	358,567	802,447	99,735	702,712	136,5
Companhia Metalúrgica Prada	3,877,929		99.99	(208,736)	527,885	276,475	251,410	(24,0
CSN Islands VII Corp.	20,001,000		100.00	(931)	407,707	382,240	25,467	(4,8
CSN Islands VIII Corp.	2,501,000		100.00	(8,842)	1,452,511	1,409,311	43,200	39,8
CSN Islands IX Corp.	3,000,000		100.00	1,420	786,167	784,908	1,259	(3,6
CSN Islands X Corp.	1,000		100.00	(5,215)	70	40,847	(40,777)	(3,2
CSN Islands XI Corp.	50,000		100.00	871	1,438,225	1,431,699	6,526	(5,6
CSN Islands XII Corp.	1,540		100.00	(112,535)	1,735,094	1,874,226	(139,132)	(29,1
Tangua Inc. International Investment Fund	10		100.00	2,806	23,983		23,983	6,
MRS Logística S.A.	188,332,687	151,667,313	27.27	523,045	5,542,786	3,243,844	2,298,942	435,
Transnordestina Logística S.A.	1,792,784,817	728,683,109	70.91	(56,578)	4,076,080	2,516,299	1,559,781	(8
Sepetiba Tecon S.A.	254,015,053		99.99	31,516	224,793	26,711	198,082	23,
Itá Energética S.A.	520,219,172		48.75	54,568	801,335	162,812	638,523	45,
CSN Energia S.A.	26,123		99.99	(1,689)	30,042	13,800	16,242	(20,9
Estanho de Rondônia S.A.	34,236,307		99.99	15,263	41,692	11,918	29,774	3,
Congonhas Minérios S.A.	64,610,863		99.99	(22,557)	2,014,364	2,015,562	(1,198)	(12,8
Mineração Nacional S.A.	1,000,000		99.99	85	1,090	23	1,067	
Nacional Minérios S.A.	475,067,405		60.00	2,105,113	13,857,646	1,684,561	12,173,085	1,974,0
CSN Cimentos S.A.	3,589,478,498		99.99	32,413	1,221,115	157,207	1,063,908	(15,3
Florestal Nacional S.A.	15,474,625		99.99	(69,731)	386,218	681,574	(295,356)	(23,2

(\*) Merged on May 30, 2011

(\*\*) Merged on January 28, 2011

The number of shares, the profit or loss amounts for the period, and the equity refer to 100% of the companies' performance.

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**b) Changes in investments in subsidiaries and jointly controlled entities**

	<b>12/31/2011</b>	<b>12/31/2010</b>
<b>Opening balance of investments</b>	<b>17,023,295</b>	<b>13,860,165</b>
<b>Opening balance of allowance for losses</b>	<b>(140,875)</b>	<b>(51,246)</b>
Capital increase/acquisition of shares	3,240,582	2,430,965
Dividends	(853,316)	(622,544)
Equity in investees	4,397,137	1,438,170
Comprehensive income (*)	(1,281,507)	(161,036)
Merger of subsidiary (**)	(290,789)	
Other	2,900	(12,054)
<b>Closing balance of investments</b>	<b>22,573,890</b>	<b>17,023,295</b>
<b>Closing balance of allowance for losses</b>	<b>(476,463)</b>	<b>(140,875)</b>

(\*) Refers to the mark-to-market of investments classified as available-for-sale and the translation into the presentation currency, and, as described in Note 11.f, the Company disposed of its interest in Riversdale;

(\*\*) Merger of CSN Aços Longos on January 28, 2011 and Inal Nordeste on May 30, 2011.

**c) Additional information on the main operating subsidiaries**

- CIA. METALIC NORDESTE

Headquartered in Maracanaú, State of Ceará, it is engaged in manufacturing metal containers basically sold to beverage industry.

Its operating unit is ranked as one of the most modern in the world with two different production lines: Cans - the raw material is tin-coated steel supplied by the parent company. Lids - the raw material is aluminum.

Its production is mainly sold in Brazil's North and Northeastern market, and the lid surplus is sold in the foreign market.



- INAL NORDESTE

Headquartered in Camaçari, State of Bahia, it is engaged in reprocessing and working as distributor of CSN steel products as a service and distribution center in the Northeast of Brazil.

On May 30, 2011, CSN merged subsidiary Inal Nordeste.

- CSN AÇOS LONGOS

Headquartered in Volta Redonda, State of Rio de Janeiro, it is engaged in the manufacture and sale of long steel, except tubes.

This company started the construction of its plant on October 2, 2009, and operations are scheduled to start in 2012.

This company was merged into CSN on January 28, 2011. The merger optimized processes, reduced and streamlined administrative costs, notably managerial costs, by concentrating all sales, operating and administrative activities of both companies in a single organizational framework.

- COMPANHIA METALÚRGICA PRADA

*Steel containers*

In the market since 1936, Companhia Metalúrgica Prada is engaged in the manufacture and sale of steel containers, producing the best and safest cans, pails and spray cans. It supplies containers and lithography services to the main companies in the chemical and food industries.

In its two production units—São Paulo and Uberlândia—Prada produces over one billion steel cans per year, a performance due to the combination of the qualities gathered throughout the company's history.

On July 12, 2011, Companhia Metalúrgica Prada conducted a capital increase in Companhia Brasileira de Latas ("CBL") through the capitalization of debentures and other receivables. As a result, Companhia Metalúrgica Prada became the holder of L's control, with an equity interest equivalent to 59.17% of its voting capital.

Companhia Brasileira de Latas is engaged in the manufacturing of steel containers supplied to the main companies in the chemical and food industries.

*Distribution*

The Distribution unit is engaged in the processing and distribution of steel sheet and plates and has a diversified product line. It supplies spools, rolls, plates, stripes, blanks, metal sheets, shapes, tubes, tiles, and other products to different manufacturing industries, from automotive to construction. The materials manufactured by the Distribution unit are produced using hot-rolled steel, cold-rolled steel, hot dip galvanized steel, tinplate, and chrome-plated, uncoated, pre-painted steel, and Galvalume. The Distribution unit is also specialized in providing steel processing services, meeting the demand from nationwide companies.

- SEPETIBA TECON

It is engaged in operating Container Terminal No. 1 of the Itaguaí Port, located in Itaguaí, State of Rio de Janeiro. The terminal is connected to UPV by the Southeast railroad network, the concession of which is granted to MRS Logística. The services provided under this agreement are the handling and storage of containers, vehicles, steel and other products, and container washing and sanitization.

Sepetiba Tecon won the auction held on September 3, 1998 for the terminal concession, which allows it to operate the terminal during a 25-year period, extendable for another 25 periods.

Upon concession termination, all rights and privileges transferred to Tecon will be handed back to the Federal Government, together with the assets owned by Tecon and those resulting from investments made by Tecon in leased assets, declared as returnable assets by the Federal Government as they are necessary to the continuity of the related services. Any assets declared as returnable assets will be compensated by the Federal Government at their residual value, calculated based on Tecon's accounting records, less depreciation.

- CSN ENERGIA

It is primarily engaged in the distribution and sale of electric power surpluses generated by CSN and companies, consortiums or other ventures in which the Company holds equity interests.

- TRANSNORDESTINA LOGÍSTICA

It is primarily engaged in the operation and development of the railroad freight transportation public service in the Northeast of Brazil network.

As of December 31, 2008 the Company's equity interest in the share capital on Transnordestina Logística S.A. ("TLSA") was 84.49%. Currently TLSA is a CSN subsidiary, consolidated into the Company's financial statements since December 2009, when CSN reached an 84.97% interest in its capital, equivalent to 740,372,383 common shares. The consolidation of TLSA into the Company's financial statements resulted in the capital increases conducted by CSN in 2009 and that were not followed up by the shareholder Taquari Participações S.A. In that year, Fundo de Investimentos do Nordeste – FINOR subscribed to 45,513,333 new preferred shares to hold 5.22% of TLSA's capital at the end of 2009.

In 2010, FINOR transferred its 45,513,333 preferred shares to CSN and subsequently subscribed to another 61,286,145 new preferred shares that had previously been transferred to BNDES and BNDESPAR, and zeroed its interest in that same year.

As of December 31, 2010 the Company held a total of 914,636,803 common shares and 45,513,333 preferred shares, representing 76.45% of TLSA's share capital.

As at June 30, 2011 the interest in TLSA's share capital was 82.91% because of the capital increase approved on February 28, 2011, when the Company subscribed to another 474,520,512 new common shares issued by Transnordestina.

In July 2011, VALEC subscribed to 257,187,500 preferred shares.

In the period from July to December 2011 FINOR paid in 215,631,956 preferred shares and transferred 156,507,002 to certain shareholders of Transnordestina, of which 35,116,275 were transferred to CSN.

Due to these changes in Transnordestina's share capital, as of December 31, 2011 CSN held 70.91% of this company's share capital.

- ESTANHO DE RONDÔNIA - ERSÁ

Headquartered in the State of Rondônia, this subsidiary operates two units, one in the city of Itapuã do Oeste and the other one in the city of Ariquemes. In Itapuã do Oeste, where the mining business unit is based, it mines cassiterite (tin ore) while in Ariquemes it operates a foundry to obtain metallic tin, the raw material used by UPV for the production of tin plates.

- CSN CIMENTOS

Headquartered in Volta Redonda, State of Rio de Janeiro, it is engaged in the production and sale of cement and uses as one of its raw materials the blast furnace slag from the pig iron production of UPV. CSN Cimentos started to operate on May 14, 2009.

At the beginning of 2011, CSN Cimentos started manufacturing clinker in its Arcos plant, in Minas Gerais.

### Investments in jointly controlled entities

The balances of the balance sheets and income statements of the companies under shared control are stated below and have been consolidated into the Company's financial statements according to the percentage equity interests described in item (b) of Note 2.

	12/31/2011			12/31/2010		
	Nacional Minérios (*)	MRS Logística	Itá Energética	Nacional Minérios (*)	MRS Logística	Itá Energética
Current assets	4,155,543	917,291	81,729	3,937,574	1,034,466	82,817
Non-current assets	9,526,804	4,625,495	719,606	9,519,584	3,769,877	769,422
Long-term receivables	8,422,434	336,439	44,239	8,570,421	476,757	48,850
Investments, PP&E and intangible assets	1,104,370	4,289,056	675,367	949,163	3,293,120	720,572
<b>Total assets</b>	<b>13,682,347</b>	<b>5,542,786</b>	<b>801,335</b>	<b>13,457,158</b>	<b>4,804,343</b>	<b>852,239</b>

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Current liabilities	1,260,068	1,108,938	100,175	1,273,436	1,015,234	115,454
Non-current liabilities	307,352	2,134,906	62,637	1,455,604	1,769,261	139,870
Total equity	12,114,927	2,298,942	638,523	10,728,118	2,019,848	596,915
<b>Total liabilities and equity</b>	<b>13,682,347</b>	<b>5,542,786</b>	<b>801,335</b>	<b>13,457,158</b>	<b>4,804,343</b>	<b>852,239</b>

(\*) Refer to the consolidated balances and profit or loss of Nacional Minérios S. A.

	12/31/2011				
	Nacional Minérios (*)	MRS Logística	Itá Energética	Nacional Minérios (*)	MRS Logística
Net operating revenue	3,766,712	2,862,337	242,913	2,937,169	2,244,000
Cost of sales and services	(1,646,011)	(1,732,552)	(81,692)	(1,109,067)	(1,326,000)
Gross profit	2,120,701	1,129,785	161,221	1,828,102	918,000
Operating (expenses) income	(634,475)	(199,754)	(66,223)	(476,621)	(306,000)
Finance income (costs), net	1,016,743	(134,272)	(12,327)	1,016,778	3,000
Profit before income tax and social contribution	2,502,969	795,759	82,671	2,368,259	615,000
Current and deferred income tax and social contribution	(429,226)	(272,714)	(28,103)	(412,989)	(216,000)
<b>Profit for the period</b>	<b>2,073,743</b>	<b>523,045</b>	<b>54,568</b>	<b>1,955,270</b>	<b>433,000</b>

- NACIONAL MINÉRIOS – NAMISA

Headquartered in Congonhas, State of Minas Gerais, this company is primarily engaged in the production, purchase and sale of iron ore and is mainly focused on foreign markets for sale of its products. Its major operations are carried out in the cities of Congonhas, Ouro Preto, Itabirito and Rio Acima, in the State of Minas Gerais, and in Itaguaí, in the State of Rio de Janeiro.

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

Due to the new corporate structure of the jointly controlled entity, where Big Jump holds 40% and CSN 60%, and in view of the shareholders' agreement signed by the parties, CSN consolidates it proportionately.

Such shareholders' agreement prescribes that certain situations of severe impasse between the shareholders that are not resolved after mediation and negotiation procedures between the executive officers of the parties may give CSN the right to exercise its call option and Big Jump the right to exercise its put option regarding the equity interest held by Big Jump in Namisa.

Other agreements signed, in order to make such association feasible, among them the agreement for purchase of shares and the long-term operating agreements between Namisa and CSN, provide for certain obligations to do that, if not complied with or remedied within the stipulated deadlines in certain extreme situations may give rise to the right on the part of the aggrieved party to exercise its put or call option, as the case may be, with respect to the equity interest held by Big Jump in Namisa.

Further to the process of restructuring Namisa, on July 30, 2009 this jointly controlled entity merged its parent Big Jump Energy Participações S.A., such that Posco and Brazil Japan Iron Corp. began holding a direct interest in Namisa. There was no change in the equity interest held by CSN as a result of this merger transaction.

In July and November 2011, respectively, Nippon Steel and Sumitomo Metal Industries, until then members of the BJIOC consortium, sold their interests to the other members and, with the entry of the new shareholder China Steel Corp. (CSC), the new corporate structure of Namisa started to be as follows: CSN 60%, BJIOC 32.52%, Posco 6.48% and CSC 1%.

- MRS LOGÍSTICA

This subsidiary is engaged in providing public railroad freight transportation services, on the basis of an onerous concession agreement, on the tracks of the Southeast Network, located between the cities of Rio de Janeiro, São Paulo and Belo Horizonte, previously belonging to Rede Ferroviária Federal S.A.- RFFSA, which was privatized on September 20, 1996. In 2008 CSN transferred to Namisa in the form of a capital contribution a 10% equity interest of MRS, decreasing its direct interest from 32.93% to 22.93%. Thus, CSN still holds indirect interests of 6%, through its subsidiary Nacional Minérios S.A.– Namisa, a proportionately consolidated entity.

In 2010 CSN held an indirect interest of 4.34% through its subsidiary International Investment Fund (IIF). On December 23, 2011 IIF distributed dividends to CSN, paid with the transfer of MRS shares to CSN.

As of December 31, 2011, the Company held a direct interest of 27.27%.

MRS can also engage in modal transportation services related to railroad transportation and also participate in projects aimed at expanding the railroad services granted on a concession basis.

For provision of the services covered by the concession agreement obtained for a period of 30 years starting on December 1, 1996, extendable for an equal period by exclusive decision of the concession grantor, MRS leased from RFFSA for the same concession period the assets required for operation and maintenance of the railroad freight transportation activities. Upon extinction of the concession, all leased assets will be transferred to the ownership of the railroad transportation operator designated in that same act.



- ITÁ ENERGÉTICA S.A. - ITASA

CSN holds 48.75% of the subscribed capital and all the common shares issued by Itasa, a special purpose company originally created to carry out the construction of the Itá hydroelectric power plant: contracting for the supply of goods and services necessary to carry out the project and raising funds, including posting the corresponding guarantees.

Itasa has a 60.5% stake in Consórcio Itá, which was created to operate the Itá hydroelectric power plant, pursuant to the concession agreement of December 28, 1995 and its 1st amendment, dated July 31, 2000, signed between the members of the consortium (Itasa and Centrais Geradoras do Sul do Brasil - Gerasul, formerly named Tractebel Energia S.A.), granted by the federal government through the Agência Nacional de Energia Elétrica, or ANEEL (National Electric Power Agency), which expires in October 2030.

Under the terms of the concession agreement, ITASA has the right to 60.5% of an average of 668 MW, the quantity corresponding to the project energy prorated among the consortium members, with the other consortium member Tractebel Energia S.A. ("Tractebel") being entitled to the remaining 39.5%. Of the average of 404.14 MW to which this subsidiary is entitled, an average of 342.95 MW is sold to its shareholders in proportion to their equity interest in the company, and an average of 61.19 MW is sold to consortium member Tractebel.

- CONSÓRCIO DA USINA HIDRELÉTRICA DE IGARAPAVA

Igarapava Hydroelectric Power Plant is located in Rio Grande, which is located 400 kilometers from Belo Horizonte and 450 kilometers from São Paulo, with installed capacity of 210 MW. It consists of 5 bulb type generating units and is considered a major mark for power generation in Brazil.

Igarapava stands out for being the first hydroelectric power plant built through a consortium involving five major companies.

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

The balance of property, plant and equipment less depreciation as of December 31, 2011 is R\$31,751 (R\$32,919 as of December 31, 2010) and the amount of the expense attributable to CSN is R\$6,366 (R\$7,333 as of December 31, 2010).

- **COMPANHIA BRASILEIRA DE SERVIÇOS DE INFRAESTRUTURA**

In December 2011, CSN subscribed to 1,876,146 common shares, corresponding to 50% of the capital of CBSI - Companhia Brasileira de Serviços de Infraestrutura (“CBSI”). The investment is the result of a joint venture between CSN and CKLS Serviços Ltda. based in the city of Araucária, PR. CBSI is primarily engaged in providing services to subsidiaries, associates, controlling companies and third-party entities, and can operate activities related to the assembly and installation of industrial machinery, construction, road recovery and paving, construction of plants, electric stations and substations, special engineering services to design structural projects, and other related activities.

**d) Additional information on indirect interests held abroad**

- **COMPANHIA SIDERURGICA NACIONAL – LLC (“CSN LLC”)**

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

- **LUSOSIDER**

Incorporated in 1996 in succession to Siderurgia Nacional – a company privatized by the Portuguese government that year. Lusosider is the only Portuguese steel company to produce cold-re-rolled flat steel, with a corrosion-resistant coating. The company provides in Paio Pires an installed capacity of around 550,000 metric tons per year to produce four large groups of steel products: galvanized plate, cold-rolled plate, pickled and oiled plate.

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



**e) Other investments**

- RIVERSDALE MINING LIMITED - Riversdale

On April 20, 2011, the Company adhered to the tender offer of Riversdale Mining Limited (“Riversdale”) shares conducted by Rio Tinto. Therefore, the Company sold 100% of its equity interest held in Riversdale’s share capital, corresponding to 47,291,891 shares at the price of A\$16.50 per share, totaling A\$780,316.

- PANATLÂNTICA

On January 5, 2010, the Company’s Board of Directors approved the acquisition of common shares representing 9.39% of the capital stock of Panatlântica S.A. (“Panatlântica”), a publicly-held company, headquartered in the city of Gravataí, State of Rio Grande do Sul, engaged in the manufacturing, trade, import, export and processing of steel and ferrous or non-ferrous metals, coated or not. This investment is carried at fair value.

- USIMINAS

Usinas Siderúrgicas de Minas Gerais S.A. – USIMINAS, headquartered in Belo Horizonte, State of Minas Gerais, is engaged in steel and related operations. USIMINAS produces flat rolled steel in the Intendente Câmara and José Bonifácio de Andrada e Silva plants, located in Ipatinga, Minas Gerais, and Cubatão, São Paulo, respectively, to be sold in the domestic market and also for exports, and it also exploits iron ore mines located in Itaúna, Minas Gerais, to meet its verticalization and production cost optimization strategies. USIMINAS also has service and distribution centers located in several regions of Brazil, and the Cubatão, São Paulo, and Praia Mole, Espírito Santo, ports, as well as in locations strategic for the shipment of its production.

As of December 31, 2011, the Company reached holdings of 11.97% in common shares and 20.14% in preferred shares of Usiminas’ share capital.

USIMINAS is listed on the São Paulo Stock Exchange (“Bovespa”: USIM3 and USIM5).

## 12. PROPERTY, PLANT AND EQUIPMENT

	<b>Consolidated</b>						
	<b>Land</b>	<b>Buildings</b>	<b>Machinery, equipment and facilities</b>	<b>Furniture and fixtures</b>	<b>Construction in progress</b>	<b>Other (*)</b>	<b>Total</b>
<b>Balance at December 31,2009</b>	<b>126,059</b>	<b>1,289,511</b>	<b>6,243,494</b>	<b>22,415</b>	<b>2,089,735</b>	<b>1,362,133</b>	<b>11,133,347</b>
Effect of foreign exchange differences	(1,659)	(175)	(2,762)	(50)	(746)	(10,373)	(15,765)
Acquisitions					3,481,249		3,481,249
Derecognized projects					(15,501)		(15,501)
Disposals			(5,065)	(22)		14,760	9,673
Transfers to other categories of assets	10,785	159,987	1,343,721	10,591	(1,040,761)	(484,323)	
Depreciation		(74,344)	(677,266)	(4,469)		(36,877)	(792,956)
Other	40,607	(161,371)	71,902	(38)	1,830	23,590	(23,480)
<b>Balance at December 31,2010</b>	<b>175,792</b>	<b>1,213,608</b>	<b>6,974,024</b>	<b>28,427</b>	<b>4,515,806</b>	<b>868,910</b>	<b>13,776,567</b>
Effect of foreign exchange differences	1,234	3,640	16,377	135	(157)	2,162	23,391
Acquisition through business combination	3,325	10,805	14,050	562	4,204	90,572	123,518
Acquisitions					4,400,828		4,400,828
Derecognized projects					(3,778)		(3,778)
Disposals		(6,719)	(30,059)	(17)		(13,294)	(50,089)
Depreciation		(39,364)	(821,672)	(4,931)		(65,441)	(931,408)
						4,774	4,774

Reversal of allowance for loss on asset disposal							
Transfers to other categories of assets	14,233	273,320	1,477,118	9,172	(1,848,785)	74,942	
Transfers to intangible assets					(11,104)	(383)	(11,487)
Other		(170)	(4,883)	54	(695)	50,454	44,760
<b>Balance at December 31,2011</b>	<b>194,584</b>	<b>1,455,120</b>	<b>7,624,955</b>	<b>33,402</b>	<b>7,056,319</b>	<b>1,012,696</b>	<b>17,377,076</b>

							Company
	Land	Buildings	Machinery, equipment and facilities	Furniture and fixtures	Construction in progress	Other (*)	Total
<b>Balance at December 31,2009</b>	<b>83,215</b>	<b>681,343</b>	<b>5,353,316</b>	<b>15,647</b>	<b>1,107,449</b>	<b>180,194</b>	<b>7,421,164</b>
Acquisitions through business combination	697	36,648	189,069	1,349		367	228,130
Acquisitions					1,394,641		1,394,641
Derecognized projects					(15,419)		(15,419)
Disposals			(407)	(5)		15,042	14,630
Transfers to other categories of assets	10,221	69,390	716,332	8,349	(840,380)	36,088	
Depreciation		(20,555)	(591,130)	(3,385)		(7,712)	(622,782)
Other			(15,523)	(2)	2,891	24,686	12,052
<b>Balance at December 31,2010</b>	<b>94,133</b>	<b>766,826</b>	<b>5,651,657</b>	<b>21,953</b>	<b>1,649,182</b>	<b>248,665</b>	<b>8,432,416</b>
Merger of subsidiaries (Note 11)	258	6,663	5,343	577	506,676	547	520,064
Acquisitions					2,015,015		2,015,015
Derecognized projects					(411)		(411)
Disposals			(16,247)	(18)			(16,265)
Depreciation		(23,421)	(718,246)	(3,925)		(11,507)	(757,099)
Reversal of allowance for loss on asset disposal						8,701	8,701
Transfers to other categories of	8,282	54,241	923,169	6,703	(1,027,494)	35,099	

assets								
Transfers to								
intangible assets						(2,522)		(2,522)
Other		(492)		23		(114)	48,529	47,946
<b>Balance at</b>								
<b>December 31,2011</b>	<b>102,673</b>	<b>804,309</b>	<b>5,845,184</b>	<b>25,313</b>	<b>3,140,332</b>	<b>330,034</b>	<b>10,247,845</b>	

(\*) In consolidated, refer basically to railway assets, such as yards, tracks and railway sleepers. In Company, it also includes leasehold improvements, vehicles, hardware, mines and fields and replacement storeroom supplies.

The breakdown of the projects comprising construction in progress is as follows:

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	Project objective	Start date	Scheduled completion	Consolidated	
				12/31/2010	12/31/2011
<b><u>Construction in Progress - Main projects</u></b>					
<b>Logistics</b>				<b>1,889,411</b>	<b>3,795,760</b>
	Expansion of Transnordestina railroad around 1,728 km to boost the transportation of varied products as iron ore, limestone, soybeans, cotton, sugarcane, fertilizers, oil and fuels.	2009	2014	1,774,875	3,489,871
	Expansion of MRS's capacity and current investments for maintenance of current operations			111,763	290,410
	Current investments for maintenance of current operations			2,773	15,479
<b>Mining</b>				<b>1,364,733</b>	<b>1,931,047</b>
	Expansion of Casa de Pedra Mine capacity production to 42 Mtpa	2007	2012/13 <sup>(1)</sup>	1,101,234	1,322,433
	Expansion of TECAR to permit an annual exportation of 60 Mtpa	2009	2013	167,163	425,134
	Expansion of Namisa capacity production to 39 Mtpa	2008	2015/16	81,172	137,059
	Current investments for maintenance of current operations			15,164	46,421
<b>Steel</b>				<b>803,798</b>	<b>1,164,239</b>
	Implementation of the long steel mill in the states of Rio de Janeiro, Minas Gerais and São Paulo for production of rebar and wire rod.	2008	2013 <sup>(2)</sup>	618,832	907,521
	Current investments for maintenance of current operations			184,966	256,718



	Expansion of TECAR to allow annual exports of 45 mtpy				
	Expansion of Namisa production capacity to 39 mpty				
Cement				<b>457,864</b>	<b>165,273</b>
	Construction of Cement plant in the Northeast and Southern region of Brazil and in the city of Arcos, Minas Gerais	2011	2013 <sup>(3)</sup>	98,258	132,986
	Construction of clinker plant in the city of Arcos, Minas Gerais	2007	2011 <sup>(4)</sup>	357,981	27,536
	Current investments for maintenance of current operations			1,625	4,751
	<b>Total construction in progress</b>			<b>4,515,806</b>	<b>7,056,319</b>
(1)	Expected date for completion of the 40 Mtpa and 42 Mtpa Stages				
(2)	Expected date for completion of the Rio de Janeiro unity				
(3)	Expected date for completion of new grinding on Arcos - MG				
(4)	Manufacturing plant in operation, in "ramp-up"				

The costs classified in construction in progress comprise basically the acquisition of services, purchase of parts to be used as investments for improvement of performance, upgrading of technology, enlargement, expansion and acquisition of assets that will be transferred to the relevant line items and depreciated as from the time they are available for use.

Current investments for maintenance are capitalized and depreciated on an accrual basis until the next maintenance event of the relevant asset, totaling R\$654,741 as of December 31, 2011 (R\$495,430 as of December 31, 2010).

Others repairs and maintenance expenses are charged to operating costs and expenses when incurred.

In view of the need to review the useful lives at least every financial year, in 2011 management performed the review for all the Company's units. As a result, the estimated useful lives for the current year are as follows:

	<b>Consolidated</b>	<b>Company</b>
Buildings	46	44

Machinery, equipment and facilities	13	13
Furniture and fixtures	10	10
Other	34	13

**a)** The Company capitalized borrowing costs amounting to R\$353,156 (R\$215,624 as of December 31, 2010) in consolidated and R\$248,012 (R\$179,626 as at December 31, 2010) in Company (see note 26). These costs are basically estimated for mining, cement, long steel and Transnordestina projects, mainly relating to: (i) Casa de Pedra Mine expansion; (ii) construction of the cement plant in Volta Redonda, RJ, and the clinker plant in the city of Arcos, MG; (iii) construction of the long steel mill in the city of Volta Redonda, RJ; and (iv) extension of Transnordestina railroad, which will connect the countryside of the northeast region to the Suape, State of Pernambuco, and Pecém, State of Ceará, ports.

The rates used to capitalize borrowing costs are as follows:

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<b>FEES</b>		
<b>Specific projects</b>	TJLP + 1.3% to 3.2%	<b>Non-specific projects</b>
	UM006 + 2.7%	10.56%

b) Additions to depreciation, amortization and depletion for the period were distributed as follows:

	<b>12/31/2011</b>	<b>Consolidated 12/31/2010</b>	<b>12/31/2011</b>	<b>Company 12/31/2010</b>
Production cost	892,297	770,542	730,030	614,679
Selling expenses	7,130	6,471	5,501	5,021
General and administrative expenses	29,941	29,156	7,352	8,152
Other operating expenses	18,883	7,865	18,177	7,188
	<b>948,251</b>	<b>814,034</b>	<b>761,060</b>	<b>635,040</b>

c) The Casa de Pedra mine is an asset that belongs to CSN, which has the exclusive right to explore such mine. Our mining activities of Casa de Pedra are based on the 'Mine Manifest', which grants CSN full ownership over the mineral deposits existing within our property limits.

As of December 31, 2011 the net property, plant and equipment of Casa de Pedra was R\$2,485,077 (R\$2,167,378 as of December 31, 2010), represented mainly by construction in progress amounting to R\$1,123,821 (R\$911,077 as of December 31, 2010). Up to December 31, 2011, interest capitalized in property, plant and equipment of Casa de Pedra totaled R\$82,607 (R\$48,590 as of December 31, 2010).

### 13. INTANGIBLE ASSETS

	<b>Goodwill</b>	<b>Intangible assets with finite useful lives</b>	<b>Software</b>	<b>Other</b>	<b>Consolidated Total</b>
<b>Balance at December 31, 2009</b>	<b>423,698</b>	<b>9,982</b>	<b>23,879</b>		<b>457,559</b>

Acquisitions and expenditures			25,239	1,002	26,241
Amortization		(4,991)	(16,353)		(21,344)
<b>Balance at December 31,2010</b>	<b>423,698</b>	<b>4,991</b>	<b>32,765</b>	<b>1,002</b>	<b>462,456</b>
Effect of foreign exchange differences			6	72	78
Acquisitions through business combination (*)	204,569				204,569
Acquisitions and expenditures			350	353	703
Disposals			(784)	(489)	(1,273)
Impairment losses	(60,861)				(60,861)
Transfer of property, plant and equipment			11,487		11,487
Transfer of long-term receivables				2,977	2,977
Amortization		(4,991)	(9,622)	(2,230)	(16,843)
Other movements			(2,113)	2,194	81
<b>Balance at December 31,2011</b>	<b>567,406</b>		<b>32,089</b>	<b>3,879</b>	<b>603,374</b>

(\*) Goodwill based on expected future earnings, arising on the Prada Embalagens and CBL business combination on July 12, 2011.

Recoverable amount of the Packaging cash-generating unit ("CGU"), determined based on the business valuation report prepared by independent appraisers. As a result of this valuation, the company recognized an impairment adjustment amounting to R\$60,861

The concession intangible asset with definite useful life refers to the amount originally paid by shareholders, whose economic basis was expected future earnings due to the concession right, recorded by the Company's jointly controlled entity. The amortization is calculated on a straight-line basis over the concession period.

	<b>Goodwill</b>	<b>Software</b>	<b>Company Total</b>
<b>Balance at December 31,2009</b>	<b>13,091</b>	<b>11,994</b>	<b>25,085</b>
Acquisitions and expenditures		1,330	1,330
Amortization		(3,784)	(3,784)
<b>Balance at December 31,2010</b>	<b>13,091</b>	<b>9,540</b>	<b>22,631</b>
Transfer of property, plant and equipment		2,522	2,522
Amortization		(3,961)	(3,961)
<b>Balance at December 31,2011</b>	<b>13,091</b>	<b>8,101</b>	<b>21,192</b>

The useful life of software is one to five years.

**Goodwill:** The economic basis of goodwill is the expected future earnings and, in accordance with the new pronouncements, these amounts are not amortized since January 1, 2009, when they became subject only to impairment testing.

<b>Goodwill on Investments</b>	<b>Balance at 12/31/2011</b>	<b>Investor</b>
Flat steel	13,091	CSN
<b>Subtotal Company</b>	<b>13,091</b>	
Mining	347,098	Namisa
Packaging	207,217	CSN
<b>Total consolidated</b>	<b>567,406</b>	

- Impairment testing for goodwill**

In order to conduct impairment testing, goodwill is allocated to CSN's operating divisions that represent the lowest level within the Company at which goodwill is monitored for internal management purpose, never above Operating Segments.

<b>Cash-generating unit</b>	<b>Segment</b>	<b>12/31/2011</b>	<b>12/31/2010</b>
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Mining (Namisa)	Mining	347,098	347,098
Packaging (*)	Steel	207,217	63,509
Flat steel	Steel	13,091	13,091
		<b>567,406</b>	<b>423,698</b>

(\*) Amount presented net of the impairment adjustment amounting to R\$60,861.

The recoverable amount of a Cash-Generating Unit ("CGU") is determined based on value-in-use calculations.

These calculations use cash flow projections, before income tax and social contribution, based on financial budgets approved by management for a three-year period. The amounts related to cash flows subsequent to the three-year period were extrapolated based on the estimated growth rates shown below. The growth rate does not exceed the average long-term growth rate of the industry in which the Cash-Generating Unit ("CGU") operates.

The main assumptions used in calculating the values in use as of December 31, 2011 are as follows:

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	<b>Mining</b>	<b>Packaging</b>	<b>Flat steel</b>
Gross margin (i)	For gross margin were used the expansion plans already approved in the Company's business plan, iron ore prices on the international market, based on projections prepared by official institutions of the mining industry and the projected US dollar (US\$) versus Brazilian reais (R\$) rate curve until 2020, made available by the Central Bank of Brazil (BACEN). After 2020, no variance was considered.	Average gross margin of each cash-generating unit based on its history and projections approved by the Board for the next three years;	Average gross margin of each cash-generating unit based on its history and projections approved by the Board for the next three years;
Cost adjustment	Cost adjustment based on long-term inflation projections;	Cost adjustment based on long-term inflation projections;	Cost adjustment based on long-term inflation projections;
Growth rate (ii)	Cash flows were made considering a projection period up to 2041, the maturity term of the main contracts and to which the Company's Business Plan is tied. Therefore it was not used a grow rate, given that the projection period exceeds 30 years.	Average growth rate of 2.1% p.a. used to extrapolate the cash flows after the budgeted period;	Average growth rate of 0.5% p.a. used to extrapolate the cash flows after the budgeted period;
Discount rate (iii)	Pretax US dollar 11% p.a. discount rate.	Pretax 16.75% p.a. discount rate.	Pretax 11% p.a. discount rate.

(\*) Assumptions used by independent experts.

(i) Budgeted gross margin.

(ii) Weighted average growth rate, used to extrapolate the cash flows after the budget period.

(iii) Pretax discount rate, applied to cash flow projections.

#### 14. BORROWINGS, FINANCING AND DEBENTURES

	<b>Consolidated</b>	
<b>Current liabilities</b>		<b>Current liabilities</b>

		Non-current Rates in liabilities (%)							
	Rates in (%)	12/31/2011	12/31/2010	12/31/2011	12/31/2010		12/31/2011	12/31/2010	12/31/2011
<b>FOREIGN CURRENCY</b>									
Prepayment	1% to 3.50% to 3.51%	381,333	473,255	573,388	1,840,269	3.50%	381,333	473,485	573,388
Prepayment	to 7.50%	148,597	138,210	1,281,171	522,116	3.51% to 7.50%	276,615	372,519	3,398,080
Prepayment						7.51% to 10.00%		15,596	
Guaranteed perpetual bonds	7.00%	2,553	2,268	1,875,800	1,666,200				
Fixed rate notes	9.75%	4,191	4,546	1,031,690	916,410	1.142%	7,292	2,702	823,120
Fixed rate notes						5.65%	4,058	3,911	1,436,470
Fixed rate notes	6.5%	53,851	47,834	1,875,800	1,666,200	9.125%	8,273	7,349	1,125,480
Fixed rate notes	6.875%	26,598	23,626	1,406,850	1,249,650				
Fixed rate notes	10.5%	34,390	32,074	750,320	666,480				
Financed imports	3.52% to 6.00% to 6.01%	261	57,293		59,322	6.00%	261	31,626	
Financed imports	to 8.00%	25,248	16,849	27,310	24,396	8.00% to 6.01%	6,254	16,849	5,750
CCB	1.54%	176,440				1.54%	176,440		
BNDES/FINAME	Interest R. Res. 635/87 + 1.7% and 2.7%	25,903	20,085	36,750	55,256	2.7%	23,425	17,875	33,460
Intercompany						Libor 6M + 2.25% and 3.9961%	534,185		119,240
Other	3.3% to 5.37% and CDI + 1.2%	105,181	85,790	145,438	103,587	Libor 6M + 2.56%	87,550	34,603	
		<b>984,546</b>	<b>901,830</b>	<b>9,004,517</b>	<b>8,769,886</b>		<b>1,505,686</b>	<b>976,515</b>	<b>7,515,010</b>
<b>LOCAL CURRENCY</b>									
BNDES/FINAME	TJLP + 3.2%	430,432	308,968	1,744,727	1,907,596	3.2%	226,891	196,176	782,410
Debentures	103.6% and 110.8% CDI and	672,073	41,750	2,822,424	1,760,846	103.6% and 110.8% CDI	655,755	26,755	1,150,000



	9.4% + IGPM and 1% + TJLP								
	104.8% and 109.5 %					104.8% and 109.5 %			
Prepayment	CDI	537,128	64,216	4,523,224	3,400,000	CDI	510,072	38,266	2,466,666
	112.5%					112.5%			
CCB	CDI	101,280	1,354	7,200,000	3,000,000	CDI	101,280	1,354	7,200,000
						100.5% to 105.5% CDI			
Intercompany							1,356,010	1,155,991	
Other		9,509	26,443	37,058	23,303		1,845	1,744	5,520
		<b>1,750,422</b>	<b>442,731</b>	<b>16,327,433</b>	<b>10,091,745</b>		<b>2,851,853</b>	<b>1,420,286</b>	<b>11,604,611</b>
<b>Total borrowings and financing</b>		<b>2,734,968</b>	<b>1,344,561</b>	<b>25,331,950</b>	<b>18,861,631</b>		<b>4,357,539</b>	<b>2,396,801</b>	<b>19,119,621</b>
Transaction costs		(32,885)	(35,929)	(145,445)	(80,816)		(27,398)	(30,454)	(114,133)
<b>Total borrowings and financing + transaction costs</b>		<b>2,702,083</b>	<b>1,308,632</b>	<b>25,186,505</b>	<b>18,780,815</b>		<b>4,330,141</b>	<b>2,366,347</b>	<b>19,005,488</b>

The balances of prepaid intragroup borrowings related to the Company total R\$2,244,927 as of December 31, 2011 (R\$2,080,721 as of December 31, 2010), see note 4.

- Funding transaction costs**

As of December 31, 2011 funding transaction costs are as follows:

	Short term	Long term						After 2017	Total	Consolidated	
		2013	2014	2015	2016	2017	TJ (1)			TIR (2)	
Fixed rate notes	4,067	4,779	3,478	3,100	2,203	2,203	4,852	20,615	6.5% to 10%	6.75% to 10.7%	
BNDES	553	491	423	389	389	389	3,491	5,572	1.3% to 1.7%	1.44% to 7.39%	
BNDES	1,578	1,578	284					1,862	2.2% to 3.2%	7.59% to 9.75%	
Prepayment	8,059	8,020	6,397	2,219	2,219	2,219	1,354	22,428	109.50% and 110.79% CDI	10.08% to 12.44%	
Prepayment	509	509	509	509	509	346		2,382	2.37% and 3.24% CDI	2.68% to 4.04%	
CCB	17,472	16,220	17,651	13,902	13,902	10,056	18,046	89,777	11.33% to 112.5% CDI	14.82%	
Other	647	427	427	427	427	427	674	2,809	110.8% and 103.6% CDI	12.59% and 13.27%	
	<b>32,885</b>	<b>32,024</b>	<b>29,169</b>	<b>20,546</b>	<b>19,649</b>	<b>15,640</b>	<b>28,417</b>	<b>145,445</b>			

	Short term	Long term						After 2017	Total	Company	
		2013	2014	2015	2016	2017	TJ (1)			TIR (2)	
Fixed rate notes	702	1,309						1,309	9.13%	10.01%	
BNDES	307	307	239	205	205	205	2,050	3,211	1.30% to 1.70%	1.44% to 7.39%	
BNDES	1,453	1,453	242					1,695	2.2% to 3.2%	7.59% to 9.75%	
Prepayment	6,309	6,270	4,647	469	469	469	625	12,949		10.08%	

									109.50%	
									CDI	
									2.37%	
									and	2.68% to
Prepayment	509	509	509	509	509	346		2,382	3.24%	4.04%
										11.33%
									112.5%	to
CCB	17,472	16,218	17,651	13,902	13,902	10,057	18,046	89,776	CDI	14.82%
									110.8 and	12.59%
									103.6%	and
Other	646	427	427	427	427	427	676	2,811	CDI	13.27%
	<b>27,398</b>	<b>26,493</b>	<b>23,715</b>	<b>15,512</b>	<b>15,512</b>	<b>11,504</b>	<b>21,397</b>	<b>114,133</b>		

(1) TJ – Annual interest rate contracted

(2) TIR – Annual internal rate of return

- Maturities of borrowings, financing and debentures presented in non-current liabilities**

As of December 31, 2011, the principal of long-term borrowings, financing and debentures by maturity year is as follows:

		<b>Consolidated</b>		<b>Company</b>
2013	2,263,889	9%	2,568,911	13%
2014	1,933,763	8%	1,862,694	10%
2015	2,346,461	9%	2,293,779	12%
2016	2,444,259	10%	1,580,733	8%
2017	3,166,273	12%	2,384,899	13%
After 2017	11,301,505	45%	8,428,612	44%
Perpetual bonds	1,875,800	7%		
	<b>25,331,950</b>	<b>100%</b>	<b>19,119,628</b>	<b>100%</b>

- Amortizations and new borrowings, financing and debentures**

The table below shows the amortizations and new funding in the current period:

	<b>12/31/2011</b>	<b>Consolidated</b>	<b>12/31/2011</b>	<b>Company</b>
		<b>12/31/2010</b>		<b>12/31/2010</b>
Opening balance	20,089,447	14,267,601	15,183,349	13,583,190
Funding	7,824,012	8,754,779	7,314,956	2,640,753
Amortization	(3,614,606)	(3,897,405)	(2,818,933)	(2,393,173)
Other (*)	3,589,735	964,472	3,656,264	1,352,579
Closing balance	<b>27,888,588</b>	<b>20,089,447</b>	<b>23,335,636</b>	<b>15,183,349</b>



(\*) Includes foreign exchange differences and inflation adjustments.

Loans and financing contracts with certain financial institutions contain some covenants that are usual in financial agreements in general and the Company is compliant with them at December 31, 2011.

In February 2011, the Company entered into with Caixa Econômica Federal a Corporate Loan Transaction - Large Corporations, by issuing a bank credit certificate of R\$2 billion, with final amortization maturity of 94 months. This CCB (bank credit note) bears interest equivalent to 112.5% of the CDI (interbank deposit rate), as released by CETIP (OTC Clearing House), per year, and interest is paid on a quarterly basis, in March, June, September and December.

In April 2011, the Company contracted an Export Credit Note amounting to R\$1.5 billion from Banco do Brasil, which will mature in April 2019.

This NCE (export credit note) bears interest equivalent to 110.8% of the CDI (interbank deposit rate), as released by CETIP, per year, and interest is paid on a semiannual basis, in April and October.

In August 2011, the Company entered into with Caixa Econômica Federal a Corporate Loan Transaction - Large Corporations, by issuing a bank credit certificate of R\$2.2 billion, with final amortization maturity of 108 months. This CCB (bank credit note) bears interest equivalent to 112.5% of the CDI (interbank deposit rate), as released by CETIP, per year, and interest is paid on a quarterly basis, in February, May, August and November.

In December 2011 the Company settled in advance its export receivables securitization program with the payment of R\$313,842 (R\$283,857 in principal, R\$2,373 in interest and R\$27,612 in premium paid to creditors for early settlement).

- **Debentures**

- i. Companhia Siderúrgica Nacional**

## 4th issue

As approved at the Board of Directors' meeting held on December 20, 2005 and ratified on April 24, 2006, the Company issued on February 1, 2006, 60,000 nonconvertible, unsecured debentures, in single series, with a unit face value of R\$10. These debentures were issued in the total amount of R\$600,000 and the proceeds from their trading with financial institutions were received on May 3, 2006.

The face value of these debentures earns interest equivalent to 103.6% of CDI rate, as released by Cetip, per year, and maturity of the face value is scheduled for February 1, 2012, with an early redemption option.

## 5th issue

As approved at the Board of Directors' meeting held on July 12, 2011, the Company issued on July 20, 2011, 115 nonconvertible, unsecured debentures, in single series, with a unit face value of R\$10 million. These debentures were issued in the total amount of R\$1,150,000 and the proceeds from their trading with financial institutions were received on August 23, 2011.

The face value of these debentures earns interest equivalent to 110.8% of CDI, as released by Cetip, per year, and maturity of the face value is scheduled for February 1, 2012, with an early redemption option.

### ii. Transnordestina Logística

On March 10, 2010 Transnordestina Logística S.A obtained approval from the Northeast Development Fund - FDNE for issue of the 1<sup>st</sup> Series of its 1<sup>st</sup> Private Issue of convertible debentures, consisting of eight series in the total amount of R\$2,672,400. The first, third, and fourth series refer to funds to be invested in the Missão Velha – Salgueiro – Trindade e Salgueiro – Porto de Suape module, which also includes the investments in the Suape Port, and the reconstruction of the Cabo to Porto Real de Colégio railroad section. The second, fifth and sixth series refer to funds to be invested in the Eliseu Martins – Trindade module. The seventh and eighth series refer to funds to be invested in the Missão Velha – Pecém module, which also includes the investments in the Pecém Port.

Issue	Series	General meeting	Number issued	Unit face value	Issue	Maturity	Charges	Balance (R\$) 12/31/2011
1st	1st	2/8/2010	336,647,184	R\$ 1.00	03/09/10	10/3/2027	TJLP + 0.85% p.a.	336,647
1st	2 <sup>a</sup>	2/8/2010	350,270,386	R\$ 1.00	11/25/2010	10/3/2027	TJLP + 0.85% p.a.	350,270
1st	3 <sup>a</sup>	2/8/2010	338,035,512	R\$ 1.00	1/12/2010	10/3/2027	TJLP + 0.85% p.a.	338,036
1st	4 <sup>a</sup>	2/8/2010	468,293,037	R\$ 1.00	10/04/11	10/3/2027	TJLP + 0.85% p.a.	468,293

- **Guarantees provided**

Guarantees provided for the borrowings comprise property, plant and equipment items and sureties, as shown in the table below, and do not include guarantees provided for subsidiaries and jointly controlled entities.

	12/31/2011	12/31/2010
Property, plant and equipment	19,383	30,288
Collateral	87,550	74,488
Securitizations (exports) (*)		113,936
	<b>106,933</b>	<b>218,712</b>

(\*) Because of the early settlement of export receivables, the securitization reserve fund amounts were redeemed.

## 15. FINANCIAL INSTRUMENTS

### I - Identification and measurement of financial instruments

The Company enters into transactions involving various financial instruments, mainly cash and cash equivalents, including short-term investments, marketable securities, trade receivables, trade payables, and borrowings and financing. Additionally, it also carries out transactions involving derivative financial instruments, especially exchange and interest rate swaps.

Considering the nature of these instruments, their fair value is basically determined by the use of Brazil's money market and mercantile and futures exchange quotations. The amounts recorded in current assets and current liabilities have immediate liquidity or short-term maturity, mostly less than three months. Considering the maturities and features of such instruments, their carrying amounts approximate their fair values.

- **Classification of financial instruments**

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Consolidated	Notes Available	12/31/2011							12/31/2010
		Fair value	Loans and receivables	Other Liabilities	Balances	Fair value	Loans and receivables	Other Liabilities	
		through profit or loss	- effective interest rate	- amortized cost method		through profit or loss	- effective interest rate	- amortized cost method	
<b>Assets</b>									
<b>Current</b>									
Cash and cash equivalents	5		15,417,393		15,417,393		10,239,278		10,239,278
Trade receivables, net	6		1,558,997		1,558,997		1,259,461		1,259,461
Guarantee margin on financial instruments	8 and 15		407,467		407,467		254,485		254,485
Derivative financial instruments	8 and 15	55,115			55,115				
Securitization reserve fund							22,644		22,644
<b>Non-current</b>									
Other trade receivables			57,797		57,797		58,485		58,485
Investments		2,089,309			2,089,309	2,102,112			2,102,112
Derivative financial instruments	10	376,344			376,344		254,231		254,231
Securitization reserve fund							32,031		32,031
Short-term investments			139,679		139,679		112,484		112,484
<b>Liabilities</b>									
<b>Current</b>									
Borrowings, financing and debentures	14			2,734,968	2,734,968			1,344,561	1,344,561
Derivative financial instruments	15 and 16	2,971			2,971		116,407		116,407
Trade payables				1,232,075	1,232,075			623,233	623,233
<b>Non-current</b>									
	14			25,331,950	25,331,950			18,861,631	18,861,631

Borrowings,  
financing and  
debentures

Derivative	15				
financial	and				
instruments	16	373,430		373,430	254,494

• **Fair value measurement**

The financial instruments recognized at fair value require the disclosure of fair value measurements at three hierarchy levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: other available inputs, except those of Level 1 that are observable for the asset or liability, whether directly (i.e., prices) or indirectly (i.e., derived from prices)
- Level 3: inputs unavailable due to slight or no market activity and which is significant for the definition of the fair value of assets.

The following table shows the financial instruments recognized at fair value using a valuation method:

Consolidated	12/31/2011			12/31/2010		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Assets</b>						
<b>Current</b>						
<b>Financial assets at fair value through profit or loss</b>						
Derivative financial instruments		55,115			55,115	
<b>Non-current</b>						
<b>Available-for-sale financial assets</b>						
Investments	2,089,309			2,089,309	2,102,112	

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

Derivative financial instruments	376,344	376,344	254,231	254,231
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**Liabilities****Current****Financial liabilities at fair value through profit or loss**

Derivative financial instruments	2,971	2,971	116,407	116,407
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**Non-current****Financial liabilities at fair value through profit or loss**

Derivative financial instruments	373,430	373,430	254,494	254,494
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**II – investments in financial instruments classified as available for sale and measured at fair value through OCI**

These consist mainly of investments in shares acquired in Brazil and abroad involving top ranked companies classified by international rating agencies as investment grade, which are recognized in non-current assets, and any gains or losses are recognized in equity, where they will remain until actual realization of the securities or when any loss is considered unrecoverable.

### **Potential impairment of financial assets classified available for sale**

During 2010 and 2011 CSN invested in ordinary (USIM3) and preferred (USIM5) shares of Usiminas, classified as financial instruments available for sale as they do not attend the criteria to be classified within any of the other categories of financial instruments (measured at fair value through profit and loss, held to maturity or loans and receivables). The instruments are classified under non-current financial instruments and measured at their fair value based on their quoted price at 31 December 2011 (IBOVESPA). The company is evaluating strategic alternatives with respect to its investment in Usiminas.

Considering the decline in market value of the shares Usiminas during the year, the Company has evaluated whether, at the balance sheet date, there is objective evidence of impairment of its investments in Usiminas. Management evaluated if the decline in market value of the shares Usiminas should be considered either significant or prolonged. Determining whether a decline is significant or prolonged requires judgment and according to CSN's accounting policy, which is based on national and international application, an instrument by instrument analysis is made based on quantitative and qualitative information from the moment on onwards that the decline either above 20% or more than 12 months.

Despite the Company's investment strategy and despite the fact that both the ordinary and preferred shares are equity instruments, management separately evaluated the ordinary and preferred shares for impairment considering the different rights attached to them. The policy of the Company requires a detailed analysis of the percentage and period of decline, characteristics of the instrument, the segment in which the entity operates and volatility of the instrument. Additionally, macro-economic factors, qualitative analyses and other relevant factors after the balance sheet date until the date of approval of the financial statements are taken into consideration to the extent that is possible within the context of the standards, their interpretations and application in practice.

To determine the period of decline of the market value of the instruments below their cost, the Company compared their respective weighted average cost of acquisition at balance sheet date with the last trading date on which the quoted maximum price was above this weighted average cost of acquisition. In case of the ordinary shares the period of decline was calculated at 1 month, while in the case of the preferred shares the period of decline was calculated at 7 months. Management is of the opinion that, considering its accounting policy, the decline is not prolonged.

Volatility measures the dispersions between returns of a share or index. Volatility is a measure of risk of a share, but also serves to evaluate to what extent price variations historically are within expectations. Historical volatility of the shares is calculated and considered in order to identify the expected fluctuation of the respective instruments, evaluate the expected future volatility and conclude if a decline in market value

of an instrument below its cost should be considered significant.

The following table shows these indicators for a period of 12 years, long period sufficient to eliminate volatility spikes caused by economic crises:

Period	Volatility	
	USIM3	USIM5
1/3/2000 to 12/31/2011	50.42%	48.57%

In light of this information, Management concluded that the decline in market value relative to their price of acquisition of the shares of USIM3 and USIM5 at 31 December 2011 of 30.8% and 34.5%, respectively, is not significant. At 23, March 2012 the decline of the shares had significantly reduced to 20.5% and 15.5% respectively.

Management considers that during the period under analysis there have not been significant changes with an adverse effect in the technological, market, economic and legal environment in which Usiminas operates. Further, while the market value of Usiminas at 31 December 2011 was below the value of its net assets at that date (R\$ 13.5 billion and R\$ 19 billion respectively) and the company therefore was required to evaluate impairment of its assets in accordance with IAS38.12(d) (CPC01.12(d)), the company did not register any such impairment.

Considering the quantitative and qualitative analyses above, Management is of the opinion that there is no objective evidence of impairment of the ordinary and preferred shares of Usiminas and consequently has not reclassified losses thus far recognized in other comprehensive income (R\$ 767,924, net of tax).

### III – Fair values of assets and liabilities as compared to their carrying amounts

Financial assets and liabilities at fair value through profit or loss are recognized in current and non-current assets and liabilities, and any gains and possible losses are recognized as finance income or finance costs, respectively.

The amounts are recognized in the financial statements at their carrying amounts, which are substantially similar to those that would be obtained if they were traded in the market. The fair values of other long-term assets and liabilities do not differ significantly from their carrying amounts, except the amounts below.

The estimated fair values of consolidated long-term borrowings and financing were calculated at prevailing market rates, taking into consideration the nature, terms and risks similar to those of the recorded contracts, as compared below:

		12/31/2011		12/31/2010	
	Carrying amount	Fair value	Carrying amount	Fair value	
Guaranteed perpetual bonds	1,878,353	1,819,903	1,668,468	1,663,701	
Fixed rate notes	5,183,690	5,832,364	4,606,820	4,966,629	

### IV – Financial risk management policy

The Company has and follows a policy of managing its risks, with guidelines regarding the risks incurred by the company. Pursuant to this policy, the nature and general position of financial risks are regularly monitored and managed in order to assess the results and the financial impact on cash flow. The credit limits and the quality of counterparties' hedge instruments are also periodically reviewed.

The risk management policy was established by the Board of Directors. Under this policy, market risks are hedged when it is considered necessary to support the corporate strategy or when it is necessary to maintain a level of financial flexibility.

Under the terms of the risk management policy, the Company manages some risks by using derivative financial instruments. The Company's risk policy prohibits any speculative deals or short sales.

- **Liquidity risk**

It is the risk that the Company may not have sufficient net funds to honor its financial commitments as a result of mismatching of terms or volumes between scheduled receipts and payments.

To manage cash liquidity in domestic and foreign currency, assumptions of future disbursements and receipts are established and daily monitored by the treasury area. The payment schedules for the long-term portions of borrowings, financing and debentures are shown in Note 14.

The following table shows the contractual maturities of financial liabilities, including estimated interest payments.

					<b>Consolidated</b>
	<b>Less than</b>	<b>From one</b>	<b>From two</b>	<b>Over five</b>	<b>Total</b>
<b>At December 31, 2011</b>	<b>one year</b>	<b>to two</b>	<b>to five</b>	<b>years</b>	
Borrowings, financing and debentures	2,734,968	2,263,889	6,724,483	16,343,578	28,066,918
Derivative financial instruments	2,971	373,430			376,401
Trade payables	1,232,075				1,232,075
<b>At December 31, 2010</b>					
Borrowings, financing and debentures	1,344,561	4,254,057	6,357,169	8,250,405	20,206,192
Derivative financial instruments	116,407	254,494			370,901
Trade payables	623,232				623,232

- **Foreign exchange rate risk**

The Company assesses its exchange exposure by subtracting its liabilities from its assets denominated in dollar, euro and Australian dollar, thus arriving at its net exchange exposure, which is the foreign currency exposure risk. Therefore, besides the trade receivables arising from exports and investments overseas that in economic terms constitute natural hedges, the Company further considers and uses various financial instruments, such as derivative instruments (US\$ to Real and euro to dollar swaps, and forward exchange contracts, etc.) to manage its risks of fluctuations in currencies other than the Brazilian real.

- **Policies on the use of hedging derivatives**

The Company's financial policy reflects the parameters of liquidity, credit and market risks approved by the Audit Committee and Board of Directors. The use of derivative instruments in order to prevent fluctuations in interest and exchange rates from having a negative impact on the company's balance sheet and income statement should consider the same parameters. As provided for in internal rules, this financial investment policy has been approved and is being managed by the finance officers.

At the meetings of the Executive Officers and Board of Directors, the officers and directors routinely present and discuss the Company's financial positions. Under the bylaws, transactions involving material amounts require the prior approval of management bodies. The use of other derivative instruments is contingent upon the express prior approval of the Board of Directors.

To finance its activities, the Company resorts to the capital markets, both locally and internationally, and based on the indebtedness profile it is seeking, part of the debt is pegged to foreign currency, basically to the US dollar, which causes Management to seek hedging for debt through derivative financial instruments.

To contract derivative financial instruments for hedging within the internal control structure, the following policies are adopted:

- ongoing calculation of exchange exposure that occurs by analyzing assets and liabilities exposed to foreign currency, under the following terms: (i) trade receivables and payables in foreign currency; (ii) cash and cash equivalents and debts in foreign currency considering the maturity of the assets and liabilities exposed to exchange fluctuations;



- presentation of the financial position and exchange exposure on a routine basis at meetings of the Executive Officers and Board of Directors that approve the hedging strategy;
- carrying out derivative hedging transactions only with leading banks, diluting the credit risk through diversification among these banks;

The consolidated net exposure as of December 31, 2011 is as follows:

	Amounts US\$ thousand)	Amounts EUR thousand)	12/31/2011 Amounts A\$ thousand)
<b>Foreign Exchange Rate Exposure</b>			
Cash and cash equivalents overseas	5,613,908		302,553
Derivative guarantee margin	217,223		
Trade receivables - foreign market	287,616	7,844	
Other assets	139,219	118	
<b>Total assets</b>	<b>6,257,966</b>	<b>7,962</b>	<b>302,553</b>
Borrowings and financing	(5,299,622)		
Trade payables	(10,779)	(1,450)	
Other liabilities	(56,479)	(16)	
<b>Total liabilities</b>	<b>(5,366,880)</b>	<b>(1,466)</b>	
<b>Gross exposure</b>	<b>891,086</b>	<b>6,496</b>	<b>302,553</b>
Notional amount of derivatives contracted	267,856	(90,000)	
<b>Net exposure</b>	<b>1,158,942</b>	<b>(83,504)</b>	<b>302,553</b>

Gains and losses on these transactions are consistent with the policies and strategies defined by management.

- **Exchange swap transactions**

The Company carries out exchange swap transactions in order to hedge its assets and liabilities against any fluctuations in the US dollar-real parity.

This hedge through exchange swaps provides the Company, through the long position of the contract, with a forward rate agreement (FRA) gain on the exchange coupon, which at the same time improves our investment rates and reduces the cost of our funding in the international market.

As of December 31, 2011, the Company had a long position in exchange swap of US\$367,856 thousand (US\$1,249,529 thousand as of December 31, 2010) where we received, in the long position, exchange rate change plus 3.4541% per year on average (in 2010, exchange rate change plus 2.29% per year), and paid 100% of CDI, in the short position of the exchange swap contract.

As of December 31, 2011 the Company held a short position in a foreign exchange swap of US\$100,000 thousand, where we paid foreign exchange change plus interest of 2.39% per year on average in the short position and received 100% of CDI in the long position of the foreign exchange swap.

As of December 31, 2011, the consolidated position of these contracts is as follows:

**a) Outstanding transactions**

- **US dollar-to-real exchange swap**

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Counterparties	Transaction maturity	Notional (US\$ thousand)	Appreciation (R\$)		12/31/2011
			Asset position	Liability position	Fair value Amount receivable / (payable)
JP Morgan	2/1/2012 to 3/1/2012	9,981	19,127	(18,556)	571
HSBC	4/22/2012 to 6/15/2012	101,317	192,919	(176,554)	16,365
Société Générale	02/1/2012 to 8/2/2012	16,635	30,554	(29,362)	1,192
Bradesco	1/8/2012	3,327	6,279	(5,743)	536
Banco do Brasil	7/2/2012 to 9/3/2012	6,654	12,605	(12,413)	192
Santander	2/1/2012 to 1/2/2015	14,990	28,900	(28,416)	484
Goldman Sachs	2/1/2015	190,000	371,174	(352,514)	18,660
Banco de Tokyo	12/15/2016	24,952	46,980	(47,960)	(980)
		<b>367,856</b>	<b>708,538</b>	<b>(671,518)</b>	<b>37,020</b>

Counterparties	Transaction maturity	Notional (US\$ thousand)	Appreciation (R\$)		12/31/2010
			Asset position	Liability position	Fair value Amount (market) (payable)
JP Morgan	11/1/2011 to '3/1/2012	6,654	11,078	(11,170)	(92)
HSBC	1/3/2011	223,000	372,794	(385,900)	(13,106)
Société Générale	2/1/2011 to '12/1/2011	23,289	39,687	(50,254)	(10,567)
Pactual	7/1/2011	3,327	5,847	(8,573)	(2,726)
Deutsche Bank	1/3/2011 to 2/1/2011	265,000	443,143	(468,544)	(25,401)
Santander	1/3/2011 to 1/2/2015	131,625	220,951	(239,169)	(18,218)
Goldman Sachs	1/3/2011 to 1/2/2015	130,000	215,302	(224,658)	(9,356)
Itau BBA	1/3/2011 to 12/1/2011	466,634	779,802	(809,381)	(29,579)
		<b>1,249,529</b>	<b>2,088,604</b>	<b>(2,197,649)</b>	<b>(109,045)</b>

- **Real-to-US dollar exchange swap**

Counterparties	Transaction maturity	Notional (US\$ thousand)	Appreciation (R\$)		12/31/2011 Fair value (market)
			Asset position	Liability position	Amount (payable)
<i>Santander</i>	2/1/2012	(70,000)	130,266	(130,787)	(521)
<i>Goldman Sachs</i>	2/1/2012	(30,000)	55,704	(56,030)	(326)
		<b>(100,000)</b>	<b>185,970</b>	<b>(186,817)</b>	<b>(847)</b>

- **lone-to-US dollar exchange swap**

Counterparties	Transaction maturity	Notional (iene)	Appreciation (R\$)		12/31/2011
			Asset position	Liability position	Fair value (market) Amount receivable
<i>Deutsche Bank</i>	12/12/2013	59,090,000	374,455	(373,430)	1,025
		<b>59,090,000</b>	<b>374,455</b>	<b>(373,430)</b>	<b>1,025</b>

Counterparties	Transaction maturity	Notional (iene)	Appreciation (R\$)		12/31/2010
			Asset position	Liability position	Fair value (market) Amount receivable/ (payable)
<i>Deutsche Bank</i>	12/12/2013	59,090,000	254,231	(254,231)	
		<b>59,090,000</b>	<b>254,231</b>	<b>(254,231)</b>	

## b) Settled US dollar-real transactions

Counterparties	Appreciation 2011				Appreciation 2010				Fair value in 2010	Impact on P&I in 2011
	Notional (US\$ thousand)	Asset position (R\$)	Liability position (R\$)	Amount received / (paid) in 2011	Notional (US\$ thousand)	Asset position (R\$)	Liability position (R\$)			
<i>Deutsche Bank</i>	2,352,000	3,809,284	(3,927,022)	(117,738)	265,000	443,143	(468,544)	(25,401)	(92,33)	
<i>Goldman Sachs</i>	100,000	2,978,316	(2,975,695)	2,621	100,000	167,243	(173,031)	(5,788)	8,4	
<i>HSBC</i>	1,843,000	3,022,397	(3,092,542)	(70,145)	223,000	372,794	(385,900)	(13,106)	(57,03)	
<i>Itau BBA</i>	809,635	1,345,353	(1,380,319)	(34,966)	466,635	779,802	(809,378)	(29,576)	(5,39)	
<i>Santander</i>	246,625	412,585	(434,164)	(21,579)	121,625	204,241	(221,856)	(17,615)	(3,96)	
<i>BTG Pactual</i>	3,327	5,542	(9,050)	(3,508)	3,327	5,847	(8,573)	(2,726)	(78)	
<i>Soci�t� G�n�rale</i>	23,289	41,093	(52,363)	(11,270)	23,289	39,687	(50,255)	(10,568)	(70)	
<i>JP Morgan</i>	3,327	5,737	(6,075)	(338)	6,654	11,078	(11,170)	(92)	(24)	
<i>Bradesco</i>	1,663	3,143	(2,755)	388					38	
	<b>5,382,866</b>	<b>11,623,450</b>	<b>(11,879,985)</b>	<b>(256,535)</b>	<b>1,209,530</b>	<b>2,023,835</b>	<b>(2,128,707)</b>	<b>(104,872)</b>	<b>(151,66)</b>	

The position of outstanding transactions was recorded in the Company's assets and liabilities and totals R\$37,020 in assets and R\$847 in liabilities as of December 31, 2011 (R\$109,045 in liabilities as of December 31, 2010) and its effects are recognized in the Company's finance income (costs) as loss totaling R\$115,490 as of December 31, 2011 (loss of R\$231,673 as of December 31, 2010) (see Note 26).

- **Euro-to-US dollar exchange swap**

In addition to the swaps above, the Company also contracted NDFs (non-deliverable forwards) to hedge its euro-denominated assets. Basically the Company contracted financial derivatives for its euro-denominated assets, where it will receive the difference between the US dollar exchange rate change for the period, multiplied by the notional amount (long position) and pay the difference between the exchange rate change in euro for the period on the notional euro amount on the contract date (short position). In general, these are transactions conducted in the Brazilian over-the-counter market that have as counterparties prime financial institutions, contracted under the exclusive funds.

As of December 31, 2011, the consolidated position of these contracts was as follows:

**a) Outstanding transactions**

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Counterparties	Transaction maturity	Notional (EUR thousand)	Appreciation (R\$)		12/31/2011
			Asset position	Liability position	Fair value (market) Amount receivable
HSBC	1/12/2012	25,000	51,469	(48,556)	2,913
Deutsche Bank	1/12/2012	25,000	51,521	(48,556)	2,965
Goldman Sachs	1/12/2012	40,000	128,761	(121,389)	7,372
		<b>90,000</b>	<b>231,751</b>	<b>(218,501)</b>	<b>13,250</b>

Counterparties	Transaction maturity	Notional (EUR thousand)	Appreciation (R\$)		12/31/2010
			Asset position	Liability position	Fair value (market) Amount receivable
HSBC	1/20/2011	15,000	34,029	(33,424)	605
Deutsche Bank	1/20/2011	25,000	56,648	(55,707)	941
Goldman Sachs	1/20/2011	50,000	113,295	(111,415)	1,880
		<b>90,000</b>	<b>203,972</b>	<b>(200,546)</b>	<b>3,426</b>

## b) Settled transactions

Counterparties	Appreciation 2011				Appreciation 2010			Fair value in 2010	Impact on P&L in 2011
	Notional (EUR thousand)	Asset position (R\$)	Liability position (R\$)	Received / (paid) in 2011	Notional (EUR thousand)	Asset position (R\$)	Liability position (R\$)		
Deutsche Bank	210,000	475,582	(481,504)	(5,922)	25,000	56,648	(55,707)	941	(6,863)
Goldman Sachs	140,000	321,800	(319,448)	2,352	50,000	113,295	(111,415)	1,880	472
HSBC	15,000	34,029	(33,413)	616	15,000	34,029	(33,424)	605	