NATIONAL STEEL CO
Form 6-K
December 28, 2010

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

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

For the month of December, 2010
Commission File Number 1-14732

COMPANHIA SIDERÚRGICA NACIONAL

(Exact name of registrant as specified in its charter)

National Steel Company

(Translation of Registrant's name into English)

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

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

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

Yes _______ No ___X____

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1.1 - Declaration and identification of the persons responsible for the content of this form

Name of the person responsible for the content of the form	PAULO PENIDO PINTO MARQUES
Position	Investor Relations Officer
Name of the person responsible for the content of the form	BENJAMIN STEINBRUCH
Position	Chief Executive Officer

The above Officers declare that:

a. they have reviewed this reference form;

b. all the information contained herein is in compliance with CVM Rule 480, particularly articles 14 to 19 of same;

c. said information gives a true, accurate and complete picture of the Company's economic and financial situation, the risks inherent to its activities and its securities.

2.1/2.2 - Identification and compensation paid to the independent auditors:

CVM code	418-9
Name	KPMG Auditores Independentes
Individual Taxpayer s Registry (CPF) or Corporate Taxpayer s ID (CNPJ)	57.755.217/0001-29
Services provided on	04/02/2007
Specialist responsible for the services	Anselmo Neves Macedo
Specialist s CPF (individual taxpayer s ID)	033.169.788-28
Address	Rua Dr. Renato Paes de Barros, 33, 17º andar, Itaim Bibi, São Paulo, SP, Brasil, CEP 04530-940
Description of services provided	Audit
Total compensation paid to the independent auditors by service	The total amount of compensation paid to KPMG Auditores Independentes for auditing services provided in the fiscal year ended December 31, 2009, was R$4,685 thousand

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2.3 Other material information:

None.

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3.1 - Financial information:

R$	December 31, 2009	December 31, 2008	December 31, 2007
Shareholders equity	5,510,433,000.00	6,662,589,000.00	7,542,261,000.00
Total assets	29,167,224,000.00	31,497,439,000.00	27,045,454,000.00
Net revenues	10,978,364,000.00	14,002,871,000.00	11,440,982,000.00
Gross profit	4,190,272,000.00	6,979,367,000.00	4,763,092,000.00
Net income	2,598,665,000.00	5,774,149,000.00	2,922,350,000.00
Number of ex-treasury shares (units)	728,958,000	758,670,000	256,490,000
Book value per share (R$)	7.560000	8.780000	29.410000
Earnings per share	3.560000	7.610000	11.390000

3.2 Non-Accounting Indicators

a) amount and b) conciliation between the amounts disclosed and the amounts in the audited financial statements:

		Consolidated		
		2009	2008	2007
	Net Income for the period	2,598,665	5,774,149	2,922,350
(-)	Net financial result	251,377	2,780,731	(316,237)
(-)	Social contribution	177,451	221,790	258,736
(-)	Income tax	513,607	733,009	755,800
(-)	Depreciation and amortization	787,249	840,303	1,132,276
(-)	Equity income	_	97,212	109,684
(-)	Other net revenue (expenses)	(722,148)	(3,901,307)	7,675
	Adjusted EBITDA	3,606,201	6,545,889	4,870,284

c) Reasons why the Company believes this indicator is more appropriate for the correct understanding of its financial situation and operating results.

Adjusted EBITDA represents net income (loss) before the financial result, income and social contribution taxes, depreciation and amortization and other revenue and expenses. Adjusted EBITDA should not be regarded as an alternative to net income (loss) as an indicator of the Company s operating performance or as an alternative to cash flow as an indicator of liquidity.

Management believes that adjusted EBITDA is a practical measurement of the Company s operating performance and enables comparisons with other companies. However, adjusted EBITDA is not a recognized by Brazilian accounting practices (Corporation Law or BR GAAP) or US GAAP and the manner in which it is defined or calculated may vary from company to company.

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3.3 Events subsequent to December 31, 2009, that could have a material effect on the financial statements for fiscal year 2009:

None.

3.4 Policy for the allocation of net income in the last three fiscal years:

	2007	2008	2009
a) Rules governing the retention of net income	Pursuant to article 33 of the Company s Bylaws, a minimum of 25% of annual net income, adjusted in accordance with Article 202 of Law 6404/76, must be distributed as dividends in each fiscal year.		
b) Rules governing the payment of dividends	The Company distributes dividends in accordance with Law 6404/76.		

c) Frequency of dividend payments	Pursuant to the Bylaws, dividends are paid annually. Occasionally, interim dividends are also paid.

3.4 Policy for the allocation of net income in the last three fiscal years:

d) Restrictions on the payment of dividends imposed by legislation or special regulations applicable to the Company in relation to contracts or legal, administrative or arbitration decisions	Not applicable	Not applicable	Not applicable

3.4 Policy for the allocation of net income in the last three fiscal years:

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3.5 Summary of dividends paid and net income retained:

R$	**December 31, 2009**	**December 31, 2008**	**December 31, 2007**
Adjusted net income	3,667,486,000.00	1,928,405,000.00	2,115,000,000.00
Dividends paid as a percentage of adjusted net income	40.900000	86.080000	90.280000
Return on equity	47.000000	87.000000	39.000000
Total dividends paid	1,820,000,000.00	1,928,405,000.00	2,115,000,000.00
Net income retained	561,657,000.00	2,747,121,000.00	1,097,710,000.00
Date retention was approved	April 30, 2010	April 30, 2009	April 18, 2008

Net income retained	**Amount**	**Payment of dividend**	**Amount**	**Payment of dividend**	**Amount**	**Payment of dividend**
Interest on equity						
Common shares	250,000,000.00	12/29/2009	268,405,000.00	05/11/2009	134,919,000.00	01/08/2008
Common shares	70,000,000.00	04/30/2010				
Common shares					70,672,000.00	05/05/2008
Mandatory dividend						
Common shares	642,144,000.00	06/25/2010	700,628,000.00	04/02/2009	528,750,000.00	01/08/2008
Common shares			468,254,000.00	06/26/2009		
Other						
Common shares	857,856,000.00	06/25/2010	160,000,000.00	11/27/2008	136,330,000.00	01/08/2008
Common shares			331,118,000.00	06/26/2009		
Common shares					1,244,329,000.00	05/05/2008

3.6 Dividends declared on retained income or reserves constituted in previous fiscal years:

No dividends were declared on retained income or reserves constituted in fiscal years prior to the payment year.

3.7 Level of indebtedness:

Fiscal Year	**Total debt, of any nature**	**Type of index**	**Debt Ratio**	**Description and reason for using another index**
December 31, 2009	14,363,476,000.00	Debt Ratio	4.27801790	

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3.8 Company s total obligations according to maturity date:

December 31, 2009					
Type of debt	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**More than 5 years**	**Total**
Real guarantees	21,337,803,00	24,293,204,00	5,733,052,00	0.00	51,364,059,00
Unsecured debt	1,853,312,192,00	8,268,949,885,00	1,650,083,576,00	1,839,108,250,00	13,611,453,903,00
Total	1,874,649,995.00	8,293,243,089.00	1,655,816,628.00	1,839,108,250.00	13,662,817,962.00

Notes

3.9 Other relevant information:

Adjusted net income for the purpose of dividends and other shareholder payments:

With the adoption of Accounting Pronouncement CPC 2 (R1), mentioned in item 10.4 (b) of this Form, the impact of the exchange variation on net investments in subsidiaries abroad was reclassified from the financial result to the Parent Company s shareholder s equity. The reclassification had a positive result on the Company s 2008 income of R$1,098,605 thousand. However, it is important to note that this positive effect had no impact on dividend payments in 2008 and 2009.

On February 9, 2010, the Company contracted a loan from Caixa Econômica Federal, through the issue of a bank letter of credit in the amount of one billion Reais (R$1,000,000,000.00), to be amortized over thirty-six (36) months.

On May 21, 2010, the Company guaranteed an Export Credit Note issued by its subsidiary Congonhas Minérios S.A. in favor of Banco do Brasil S.A., related to export financing of two billion Reais (R$2,000,000,000.00), to be amortized over eight (8) years.

4.1 Risk factors that could influence decisions to invest in the Company's securities:

a) Related to the Company

Malfunctioning equipment or accidents on the Company s premises, railways or ports may decrease or interrupt production, internal logistics or the distribution of its products. The Company does not have insurance policies to cover losses and liabilities in connection with operational risks, and may not have sufficient insurance coverage for certain other events.

The steel production process depends on certain critical equipment, such as blast furnaces, steel converters, continuous casting machines, drills, grinding and filtering equipment, ship loaders, and internal logistics and distribution channels such as railways and seaports. This equipment and infrastructure may be affected in the case of malfunction or damage. In 2006, there was an accident involving the gas cleaning system adjacent to Blast Furnace No. 3 at the Presidente Vargas steelworks, which prevented the Company from operating this blast furnace for approximately six months and resulted in losses of approximately US$520 million, all of which was reimbursed by the insurers. Similar or any other significant interruptions in the production process, internal logistics or distribution channels could have a material and adverse affect on the Company.

The Company s insurance policies for losses in connection with operating risks, covering damage to the installations linked to the Presidente Vargas Steelworks, including damage to port equipment and installations, as well as lost earnings, expired on February 22, 2009, and it is currently negotiating new insurance policies.

The lack of insurance coverage for operational risks exposes the Company to possible major obligations if accidents were to occur or if business were to be interrupted, which could have a material and adverse affect on it.

The Company s governance and compliance processes may fail to prevent regulatory penalties and reputational harm.

The Company operates in a global environment, and its activities straddle multiple jurisdictions and complex regulatory frameworks with increased enforcement activities worldwide. Its governance and compliance processes may fail to prevent future breaches of law, accounting or governance standards. It may also be subject to breaches of its Code of Ethics, business conduct protocols and instances of fraudulent behavior and dishonesty by its employees, contractors or other agents. The Company s failure to comply with applicable laws and other standards could subject it to fines, loss of operating licenses and reputational harm, which could have a material and adverse affect on it.

The Company may be unable to successfully conclude proposed acquisitions or integrate acquired businesses.

From time to time, the Company may evaluate acquisition opportunities that would strategically fit its business objectives. If it is unable to complete acquisitions, or successfully integrate and develop these businesses to generate revenue growth and cost savings, its financial result may be adversely affected. In addition, it may incur asset impairment charges related to acquisitions, which may reduce its profitability. Finally, its acquisition activities may present financial, managerial and operational risks, including diversion of management attention from existing core businesses; difficulties in integrating or separating personnel and financial and other systems; adverse effects on existing supplier or customer relations; inaccurate estimates of fair value when recognizing the acquisition or amortization of acquired intangible assets, which may lead to a reduction in future reported income; the loss of key clients or employees of the acquired companies; and indemnities and potential disputes with the buyers or sellers. Any of these factors may affect the Company, its financial situation or its operating results.

The Company has experienced labor disputes in the past that have disrupted its operations, and such disputes may recur.

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

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New environmental requirements, more rigorous interpretations of existing environmental requirements, or obligations related to the investigation and/or cleaning of contaminated areas may adversely affect the Company s operating results.

In regard to its operations, the Company is subject to numerous federal, state and municipal environmental laws and regulations governing, among other matters, the obtaining and maintenance of environmental licenses, controls over gas emissions, and the disposal of liquid effluents and solid waste, as well as the handling, disposal and treatment of hazardous waste. Any failure on its part to comply with these laws and regulations may result in civil or criminal sanctions, closure orders and, in certain circumstances, the need to investigate or clean any contaminated areas. Consequently, any new environmental requirements, more rigorous interpretations of existing environmental requirements, or obligations related to the investigation and/or cleaning of contaminated areas may substantially affect its business and/or operations. The Company may also incur additional costs and/or expenses related to compliance with environmental requirements resulting from any eventual acquisitions it may undertake.
b) Related to the Company s direct or indirect controlling shareholders or controlling group
The Company s controlling shareholder has the ability to direct its business and affairs and its interests may conflict with the interests of the Company.

Among other matters, the Company s controlling shareholder has the power to elect a majority of its directors and determine the outcome of any action requiring shareholder approval, including transactions with related parties, corporate restructurings, asset disposals, and the timing and payment of future dividends, subject to the minimum dividend payment requirements imposed by Brazilian Corporation Law. In addition, its controlling shareholder may have an interest in acquisitions, disposals, financings or similar transactions that conflict with the interests of the Company s common and preferred shareholders and ADS-holders.
c) Related to the Company s shareholders
A significant depreciation of the Company s common shares may cause its pension fund to have a deficit of plan assets over pension benefit obligations.

The Company is the principal sponsor of Caixa Beneficente dos Empregados da CSN, or CBS, its employee pension plan. On December 31, 2009, CBS invested a significant portion of its portfolio in the Company s common shares and held 4.70% of its capital. As a result, CBS s ability to honor its pension obligations is subject to fluctuations in the market value of its assets, including fluctuations in the market price of the Company s common shares

On December 31, 2009, CBS had a surplus of plan assets over pension benefit obligations totaling US$528 million. CBS s funding status is affected by, among other factors, fluctuations in the market value of its assets, which totaled US$2,199 million on December 31, 2009, while its accumulated and projected benefit obligations totaled US$1,671 million.

In the event of a depreciation of the Company s common shares, CBS may record a deficit, with a considerable adverse impact on its ability to fulfill its obligations. In this case, the Company may have to make substantial contributions to the fund to meet its benefit obligations, which may have a material and adverse effect on it.
Holders of American Depositary Shares may not be able to exercise their voting rights.

ADS-holders may only exercise their voting rights with respect to the underlying common shares in accordance with the provisions of the deposit agreement, under which ADS-holders must vote by giving voting instructions to the depositary institution. Upon receipt of the ADS-holder s voting instructions, the depositary institution will vote the underlying common shares in accordance with these instructions. Otherwise, ADS-holders will not be able to exercise their right to vote unless they surrender their ADSs for cancellation in exchange for the Company s common shares.

Pursuant to the Company s Bylaws, the first call for a shareholders meeting must be published at least 15 days in advance of the meeting and the second call at least eight days in advance of the meeting. When a shareholders meeting is convened, ADS-holders may not receive sufficient advance notice to surrender their ADSs in exchange for the underlying common shares to allow them to vote on any specific matter. If The Company asks for voting instructions, the depositary institution will notify ADS-holders of the upcoming vote and will arrange to deliver the proxy instrument. The Company cannot ensure that ADS-holders will receive the proxy instrument in time for them to instruct the depositary institution to vote the shares. In addition, the depositary institution and its agents are not liable for failing to carry out voting instructions or for the manner of carrying out voting instructions. As a result, ADS-holders may not be able to exercise their voting rights.

The relative volatility and illiquidity of the Brazilian securities markets may substantially limit the ability of holders of common shares or American Depositary Shares to sell them at the price and time they desire.

Investing in securities that are traded in emerging markets, such as Brazil, often involves greater risk than investing in securities of issuers in the United States, and such investments are generally considered to be more speculative in nature. The Brazilian securities market is substantially smaller, less liquid, more concentrated and can be more volatile than major securities markets in the United States. Accordingly, although ADS-holders are entitled to withdraw the common shares underlying their ADSs from the depositary institution at any time, their ability to sell these shares at the desired price and time may be substantially limited. There is also significantly greater concentration in the Brazilian securities market than in major securities markets in the United States. The ten largest companies in terms of market capitalization represented 52.5% of the BM&FBOVESPA s total market capitalization on December 31, 2009.

Holders of American Depositary Shares may be unable to exercise preemptive rights with respect to the Company s common shares.

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

Substantial sales of the Company s common shares and American Depositary Receipts could cause their price to decrease significantly.

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

The Company s pension fund CBS invests heavily in the Company s common shares, holding 4.70% of its capital stock on December 31, 2009. Brazilian government authorities are discussing regulatory limits on investments by pension funds in the shares of related parties with CBS and other pension funds. As a result, CBS may be required to diversify its portfolio, which, if not done in an organized manner, may cause a substantial amount of the Company s common shares to be sold in the market, with an adverse affect on their trading price.

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d) In relation to the Company s subsidiaries and affiliated companies

Some of the Company s operations depend on joint ventures, consortia and other cooperative arrangements, so its business may be adversely affected if its partners fail to comply with their commitments.

Part of the Company s business is conducted through joint ventures with other companies. The Company has established a joint venture with an Asian consortium in Nacional Minérios S.A., a jointly-owned subsidiary in which it holds a 60% interest, for the mining of iron ore; a joint venture with other Brazilian steel and mining companies in MRS Logística S.A. for the exploration of rail transport in the Northeast of Brazil; and a joint venture with Tractebel in Itá Energética S.A., for the generation of electricity.

The Company s forecasts and plans for these joint ventures and consortia assume that its partners will observe their obligations in regard to capital transfers, the purchase of products and, in certain cases, the provision of managerial personnel or financing. In addition, many of the projects contemplated by its joint ventures or consortia rely on financing commitments, which contain certain preconditions for each disbursement. If any of the partners fail to comply with their commitments or with all the preconditions required under the Company s financing commitments, the joint venture, consortium or other project in question may not be able to operate in accordance with its business plan, or the Company may have to increase the level of its investment to implement this plan. Any of these events may have a substantial adverse effect on it.

e) In relation to the Company s suppliers

The availability and the price of raw materials necessary to produce steel, particularly coal and coke, may adversely affect the Company s results and operations.

In 2009, raw material costs accounted for 49% of total production costs. The Company s main raw materials include iron ore, coal, coke (a portion of which is produced from coal), limestone, dolomite, manganese, zinc, tin and aluminum. The Company depends on third parties for some of its raw material requirements, such as coal and coke. In addition, it imports all the coal required to produce coke and part of its coke requirements.

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

In addition, the Company may be materially and adversely affected by any prolonged interruption in the supply of raw materials or energy, or substantial increases in their cost. These interruptions may be a result of changes in laws or trade regulations, the availability and cost of transportation, suppliers allocations to other purchasers, interruptions in production by suppliers or accidents or similar events on suppliers premises or along the supply chain.

Interruptions in the supply of natural gas and power transmission grid may adversely affect the Company s business, financial situation and operating results.

The Company requires significant amounts of energy in the form of natural gas and electricity to power its plant and equipment. It purchases natural gas from distributors who in turn acquire it from Petróleo Brasileiro S.A. Petrobras (Brazil s sole producer and supplier of natural gas). Petrobras, in turn, is heavily dependent on the supply of natural gas from Bolivia. On May 1, 2006, the president of Bolivia announced the nationalization of the country s gas reserves. The long-term effects of this measure on the supply of natural gas in Brazil are still uncertain. The events in Bolivia could disrupt supply to Petrobras or lead to an additional price increase. Any resulting interruption or reduction in supply by Petrobras to the distributors from which the Company acquires its natural gas, or a significant price

increase, may negatively affect production and production costs, and consequently have a material adverse effect on it.
f) In relation to the Company s clients
The Company has no control over adverse situations that may affect its clients.

The Company s clients may suffer from adverse economic and/or financial situations, in turn affecting its results. However, no client in the domestic or international market accounts for more than 10% of its total net revenue.

g) In relation to the Company s operating segment
The Company is exposed to substantial changes in steel and iron ore demand, which has a considerable impact on the price of its products.

The steel and mining industries are highly cyclical, both in Brazil and abroad. Should the Brazilian economy be unable to absorb its entire steel production capacity, the Company may depend on steel product exports, as in 2005 and 2006, for example. Demand for its steel and mining products (international commodities) and, thus, the financial situation and operating results of companies in the steel and mining industries, including the Company, are generally affected by oscillations in the global economy and the economies of the steel-producing countries, including trends in the automotive, construction, home appliance, packaging and distribution industries. In recent years, international steel and iron ore prices have been at historically high levels, but in 2009 they fell due to lower domestic demand and the effects of the 2008 global financial crisis. In addition, reduced demand can lead to overcapacity and excessive downtime and therefore reduced operating profitability. Any relevant decline in the demand for steel in its domestic or export markets could have a material adverse effect on the Company.
The Company faces significant competition, including price competition and competition from other domestic or foreign producers, which may adversely affect its profitability and market share.

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

The steel industry is also highly competitive with respect to product quality and customer service, as well as technological advances that enable steel manufacturers to reduce their production costs. Steelmakers in Brazil already face strong competition from imports and this may become even stronger due to increases in foreign steel installed capacity, the appreciation of the real against the U.S. dollar and a reduction in domestic steel demand in other markets.

Over the past three years, China has become a major steel exporter. If the Company is unable to remain competitive in relation to China or other competitive steel-producing countries, it may be materially and adversely affected in the future.

In response to the increase in Brazilian steel imports at highly competitive or subsidized prices, in 2007 the Brazilian government reinstated Mercosur s Common External Tariff (TEC) on certain steel products in order to defend the domestic steel industry. These tariffs had been reduced to zero in 2005 as part of the list of TEC exceptions permitted by the Mercosur agreement. The Brazilian government may reduce these tariffs again by December 2011. If they do so, the Company will face more competition from imported steel products and its operating results may be adversely affected.

Other factors also influence its competitiveness, including efficiency and operational ratios, and the availability, quality and cost of raw materials and labor.
The Company s projects are subject to risks that may result in increased costs or delay or prevent their successful implementation.

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

The Company may encounter delays or higher-than-expected costs in obtaining the necessary equipment or services to build and operate a project.

Its efforts to develop projects according to schedule may be hampered by a lack of infrastructure, including a reliable power supply;

It may fail to obtain, or experience delays or higher-than-expected costs in obtaining the required permits and/or regulatory approvals to build a project; and

Changes in market conditions or regulations may make a project less profitable than expected at the time the Company began work on it.

The Company may be adversely affected by any single factor or a combination of those factors described above.

The Company s mineral reserve estimates may differ materially from the volume it can actually recover; its estimates of mine life may prove inaccurate; and market price fluctuations and changes in operating and capital costs may render certain ore reserves uneconomical to mine.

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

The Company may not be able to adjust its mining production volume in a timely or cost-efficient manner in response to changes in demand.

In 2009, revenues from the Company s mining business accounted for 17% of its consolidated net revenues. Its ability to rapidly increase production capacity is limited, which could render it unable to fully satisfy demand for its products when demand is higher. When demand exceeds its production capacity, the Company may meet this excess by purchasing iron ore from unrelated parties and reselling it, increasing its costs and reducing its operating margins. If the Company is unable to satisfy excess demand in this way, it may lose customers. In addition, operating close to full capacity may expose it to higher costs, including demurrage fees due to capacity restraints in its logistics systems.

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

Drilling and production risks could adversely affect the Company s mining process.

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

Establish mineral reserves through drilling;

Determine appropriate mining and metallurgical processes for optimizing the recovery of metal contained in the ore;

Obtain environmental and other licenses;

Construct mines and the necessary processing facilities and infrastructure for greenfield properties; and

Obtain the ore or extract the minerals from the ore.

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

h) In relation to regulations in the Company s business sector
The Company may be adversely affected by government measures.

The Company s activities depend on authorizations and concessions from the governmental regulatory agencies in the countries where it operates. If these laws and regulations change, the Company may be required to modify its technologies and operations, resulting in unexpected capital expenditures. It may therefore be materially and adversely affected by the loss of any such authorization or changes in the regulatory framework it operates in.

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

Furthermore, in response to increased steel production and exports by many countries, anti-dumping, countervailing duty and safeguard measures were imposed in the late 1990s and early 2000s by governments in the Company s main foreign markets at that time. Some of these restrictions are still in force, such as those on exports of hot-rolled products from Brazil to the United States, Canada and Argentina and those imposed by the European Union on exports of certain chemicals contained in products used to protect or package steel products, effective as of January 2009. These and other restrictions could materially and adversely affect the Company, especially given its reliance on iron ore and steel exports.
New or more stringent environmental and health regulations imposed on the Company may result in increased liabilities and capital expenditures.

The Company s steelmaking, mining, cement and logistics facilities are subject to a broad range of laws, regulations and permit requirements in Brazil relating mainly to health and the environment. Brazilian pollution standards are expected to continue to change, including the introduction of new effluent and air emission standards and solid-waste-handling regulations. New or more stringent health and environmental standards imposed on the Company (including measures seeking to address global warming) may result in increased capital expenditures. The Company could also be exposed to civil penalties, criminal sanctions and closure orders for non-compliance with these regulations. Waste disposal and emission practices may result in the need for it to clean up or retrofit its facilities at substantial cost and/or could result in substantial liabilities. Environmental legislation restrictions imposed by foreign markets to which the Company export its products may also materially and adversely affect the Company and its exports.
i) In relation to foreign countries where the Company operates
Adverse economic developments in China could have a negative impact on the Company s revenues, cash flow and profitability.

China has been the main driver of global demand for minerals and metals in recent years. In 2009, Chinese demand represented 68% of global demand for seaborne iron ore. In the same year, 56% of the Company s revenues from iron ore exports, which accounted for 95% of its total revenues from iron ore, came from China. A slowing of China s economic growth could reduce demand for its products, leading to lower revenues, cash flow and profitability. A poor performance by the Chinese real estate sector, one of the largest consumers of carbon steel in China, could also negatively impact its results.

4.2 Expectations regarding a decrease or increase in the Company s exposure to relevant risks:

The Company has no control over the variables to which it is exposed, and these may vary in either direction. It therefore has no expectations regarding a decrease or increase in risk for many of the risks mentioned in this Reference Form. Nevertheless, it continues to monitor risk factors, responding according to the circumstances.

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4.3 Non-confidential and material lawsuits, administrative or arbitration proceedings to which the Company or its subsidiaries are party:

The Company and its subsidiaries are parties to civil, administrative, labor, fiscal, civil and environmental proceedings.

i. Labor proceedings

There are no labor proceedings deemed material for the Company s business.

ii. Fiscal proceedings

THE COMPANY AS PLAINTIFF:

inistrative Process 73.001576/2005-15	Federal Revenue Service in Volta Redonda/RJ	First	09/25/2007	CSN vs. the District Director of the Federal Revenue Service in Volta Redonda/RJ	R$61,744,441.67	IPI (federal VAT) reimbursement Credit related to the suspension of IPI on the acquisition of raw materials, intermediate products and packaging materials for use in products destined for export Decree-Law 1894/81: Art. 1, item I; Law 8402/92: Art. 1, item III; Law 7739/89: Art. 18; and Decree 4544/02: Articles 176 and 177.	Possible	Proprietary	N
inistrative Process. 70-000.522/98-55	Corporate Income Tax Department of	First administrative	04/28/98	CSN vs. the Federal Revenue	R$121,980,851.12	Request for reimbursement and/or ratification	Possible	Proprietary	N

	the Tax Guidance and Analysis Division of the Federal Revenue Service			Service		of the offsetting of tax debts due to the negative corporate income tax balances in fiscal years 1995 and 1996.			
t of Mandamus 1.004.01193 (Special rt of Justice Appeal 647.045; Federal reme Court rlocutory Appeal .465 and raordinary Appeal .539)	2nd Civil Court of Rio de Janeiro	Second	Writ of Mandamus filed on 01/09/2001	CSN vs. the State of Rio de Janeiro	R$122,669,726.39	Declaration that the petitioner has recognized the effects of the appellate decisions issued by the Rio de Janeiro State Board of Tax Appeals in the records of the administrative processes E-04/025.043/97, E-04/025.428/97, E-04/025.580/97, E-04/892.925/99 and E-04/892.826/99, and the devolution of the amounts deposited by the Company as a guarantee in regard to the above-mentioned processes.	Remote	Proprietary	N
inistrative Process 70-001.870/2000-63 ated to Voluntary eal 147.256/05)	Administrative Tax Appeal Board	Second administrative	12/20/00	CSN vs. the Federal Revenue Service	R$ 170,578,102.09	Request for reimbursement and/or offsetting of tax debts due to the negative corporate income tax balances in the first, second and third quarters of calendar year 2000, fiscal year 2001.	Possible	Proprietary	N
inistrative Process 70-002100/2001-90 ated to: Voluntary eal 140.788)	Administrative Tax Appeal Board	Second administrative	12/20/01	CSN vs. the Federal Revenue Service	R$ 251,920,148.35	Request for the offsetting of amounts overpaid by the Company	Possible	Proprietary	N

	as Contribution to the Social Integration Program and to the Public Service Employee Savings Program through tax debts.

[1] Not part of the REFIS tax anmesty program and not awaiting a decision by the STF (Federal Supreme Court) on IPI tax rebates (*crédito prêmio*). It is a reimbursement request (with the Company as plaintiff), so no provisions were constituted.

ministrative Proceeding 14244/2005	Tax Appeal Board of the Municipality of Volta Redonda/RJ	Second administrative	12/29/2005	CSN vs. the Volta Redonda Municipal Finance Department	R$ 458,096,118.30	Recognition of IPTU (property tax) related to the inscription of CSN s remaining area of 19,616,414.80 m², resulting from the difference between the industrial area included in Registration Certificate 3045 (23,462,402.00 m²), filed with the 2nd Barra Mansa Real Estate Registry Office and that already registered in the city (3,845,987.20 m²), retroactive to 2000 to 2005 (Registration 11310205000-5)	Possible	Proprietary	N
it of Mandamus 03.51.01.019930-Appeal m final judgment no. 03.51.01.019930-Special peal no. 1,135,239 raordinary Appeal .972	Second Panel of the Federal Supreme Court	Second	08/29/2003	CSN vs. INSS (National Social Security Institute)	R$ 916,198,595.03	Offsetting of amounts unduly collected as social contribution on the payroll before the issue of Constitutional Amendment 20	Possible	Proprietary	N
ministrative Process 34-001508/2002-16	Federal Revenue Service	Second	10/05/02	CSN vs. the Federal Revenue Service	R$67,820,510.55	Tax-deficiency notice (NFLD) 35.180.600-8 Social Security Contributions withholding of 11%	Possible	Proprietary	N

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THE COMPANY AS DEFENDANT:

oreclosure no. 066.005087-7	4th Civil Court Overdue Tax Liabilities of the Municipality of Volta Redonda/RJ	First	02/17/2009	State of Rio de Janeiro vs. CSN	R$98,091,296.69	ICMS Tax Deficiency Notice no. 03.026351-1 (Casa de Pedra) Taxable Events from 04/1999 to 07/2002. Discussion on the calculation basis for the interstate transfer of goods between establishments of the same taxpayer.	Possible	Proprietary	None
27502/1997. Tax ency Notice .618-8. [2]	Rio de Janeiro Finance Department Tax Appeal Board	Second administrative	10/07/1997	Rio de Janeiro Finance Department vs. CSN	R$99,479,250.94	ICMS	Possible	Proprietary	None
061143/08	Rio de Janeiro Finance Department Tax Appeal Board	Second administrative	03/12/2008	Rio de Janeiro Finance Department vs. CSN	R$114,369,104.78	Fine for alleged irregularities involving the transfer of ICMS credits between establishments, contrary to the legislation.	Possible	Proprietary	None
istrative Process 004051/2008-95	Supreme Chamber of the Administrative Tax Appeal Board	Second administrative	11/25 /2008	Tax Deficiency Notice	R$129,570,669.88	Offsetting of losses - reversal resulting from previous deficiency notices Deductibility of other taxes recognized + interest without	Remote	Proprietary	None

						penalty + Selic			
istrative Process 000268/2005-83	Supreme Chamber of the Administrative Tax Appeal Board	Second administrative	03/10/2005	Federal Revenue Service vs. CSN	R$211,239,409.16	COFINS	Possible	Proprietary	None
istrative Process 001795/2002-72	3rd Chamber of Chamber of the Administrative Tax Appeal Board	Second administrative	12/26/2002	Federal Revenue Service vs. CSN	R$403,688,336.81	COFINS	Remote	Proprietary	None
istrative Process 000859/2009-05	Tax Control and Monitoring Division - DERAT	First administrative	12/04/2009	Federal Revenue Service vs. CSN	R$497,739,011.83	Corporate income tax and social contribution on net income in 2004, 2005 and 2006 by four CSN subsidiaries headquartered in Luxembourg.	Remote	Proprietary	None
35.749.912-3 s 003656/2006-06	3rd Chamber of 2nd CARF/MF Session	Second	11/22/07	National Social Security Institute (INSS) vs. CSN	R$114,767,557.35	Profit Sharing (PLR) and Executive Profit Sharing (PLR-E).	Possible	Proprietary	None

[2] Tax Deficiency Notice related to ICMS (state VAT) and fine due to the delivery of blast furnace slag to cement companies (CIMENTO TUPI S/A and INDÚSTRIAS VOTORANTIN) without the appriopriate tax documentation.

iii. Civil Proceedings

THE COMPANY AS PLAINTIFF:

1st Instance 2008.001.075748-4; 2nd Instance -2008.002.11982 -	45th Civil Court of Rio de Janeiro	Second	04/02/2008	CSN vs. IRB Brasil Resseguros S.A	R$3,320,000,000.00	Action Seeking Specific Performance compelling IRB to render reinsurance services to enable the renewal of CSN s insurance program.	Remote	None	None
1st Instance 1995.001.124954-0; 2nd Instance 2002.001.3023-2 / Superior AIDD in Resp 553749	3rd Civil Court of Rio de Janeiro	Second	11/14/1995	CSN vs. Light Energia e Serviços S/A	R$162,000,000.00	Action for Damages Award of material damages and for loss of earnings due to constant interruptions in electricity supply to the Presidente Vargas Steelworks between January 1991 and June 2001.	Possible	None	None

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1st Instance 1999.001.143.956-8 and 2001.001.042412-0 (separate record); Superior Resp 2001.135.03771 and AIDD 2001.137.03159 (at the STJ, AI 434766)	35th Civil Court of Rio de Janeiro	Second	10/22/1999	CSN vs. Indumill S/A Indústria e Comércio and Jayde Ferreira de Almeida	R$154,000,000.00	Writ of execution filed against the debtors Jayde Ferreira de Almeida, Valeria Simões Pinto de Carvalho and Indumill S/A Indústria e Comércio as a result of the agreement ratified by the 6th Civil Court of Belo Horizonte involving overdue debt in the restated amount of R$48,549,235.06.	Possible	None	N
1st Instance 020.96.005454-5; 2nd Instance AC1999.008720-4; Superior - Resp 761082	2nd Civil Court of Criciúma/SC	Second	11/18/1996	CSN vs. Nova Próspera Mineração S/A	R$128,381,936.00	Execution proceedings against solvent debtor	Possible	None	N
1st Instance 2009.001.083275-7; 2nd Instance 2009.001.35791; Superior: ADD Resp 1268485	2nd Business Court of Rio de Janeiro	Second	04/02/2009	CSN vs. Brascan	R$100,000,000.00	To annul the ERSA purchase agreement entered into between the parties.	Possible	Proprietary	N
1st Instance 2005.51.01.003843-3; 2nd Instance - 2005.51.01.003843-3 A. O. 22.380 [96.001.067.673-4	2nd Federal Court of Rio de Janeiro	Second	03/03/2005	CSN vs. RFFSA	R$100,000,000.00	To recover amounts overpaid due to an iron ore transport contract under the claim that, due to the exclusivity of said transport, RFFSA imposed discriminatory tariffs and abusive prices, causing CSN to lose competitiveness in	Possible	None	N

Brazil and abroad.

iv. Environmental Proceedings

There are no environmental proceedings deemed material for the Company s business.

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4.4 Non-confidential and material lawsuits, administrative or arbitration proceedings to which the Company or its subsidiaries are party and whose counterparties are administrators or former administrators, controlling shareholders or former controlling shareholders, or investors of the Company or its subsidiaries:

1286-2006-060-02-00-7	São Paulo/SP	60th Labor Court	08/22/2006	Ana Maria Mendonça dos Santos vs. CSN	R$100,000.00	Wage claim due to accumulated duties; additional payment of 40% on compensation; wage claim due to normative adjustments in 2005, 2005 and 2066; profit sharing and executive profit sharing from 2004 until termination; declaration of annulment of dismissal and reintegration or indemnification; 477 and 467 fine; reimbursement of medical expenses; delivery of form for unemployment insurance and damages for pain and suffering.	Possible	Proprietary	None.

223-2007-343-01-00-6	Volta Redonda/RJ	1st Labor Court	08/08/2007	Antonio Lemos de Albuquerque vs. CSN	R$805,934.70	Writing of the date of exit on the Work and Social Security Card as 12/31/2005 or 09/30/2005; Workers Severance Fund (FGTS) for the period until December 2005 or delivery of form under code 01; payment of INSS; penalty of 40% on FGTS, penalty of Art. 477, par. 8 of Consolidation of the Labor Laws; indemnification for pain and suffering R$840,000.00; legal fees.	Possible	Proprietary	None.
005.001.047999-3	Rio de Janeiro/RJ	32nd Civil Court	04/07/2005	CSN vs. José Paulo Oliveira Alves	R$641,158.22	Return of checks issued by CSN and irregularly deposited in the defendant s personal checking account.	Possible	Proprietary	None.

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4.5 Impacts in case of loss and amounts involved in material confidential proceedings to which the Company or its subsidiaries are parties:

Not applicable, since there are no material confidential proceedings to which the Company or its subsidiaries are parties. ***4.6 Recurrent or related lawsuits, administrative and arbitration proceedings, based on similar facts and lawsuits, in which the Company or its subsidiaries are parties, which are not confidential and are jointly relevant to their business:***

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As of March 31, 2010, there were 9,238 labor claims in progress in which the Company and its subsidiaries were the defendants, and the amount of R$140,617,000 (R$131,032,000 on December 31, 2009). Most of the claims are related to subsidiary and/or joint liability, equal pay, hazardous working wage premium, overtime, difference of 40% fine on FGTS due to economic plans of the federal government and differences in profit sharing in 1997-1999 and 2001-2003.

4.7 Other material contingencies not covered by the previous items:

There are no other contingencies deemed material by the Company.

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4.8 Information on rules from the foreign issuer s country of origin and from the country where the securities of the foreign issuer are held in custody:

None.

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5.1 Quantitative and qualitative disclosure on the market risks to which the Company is exposed, including those related to foreign exchange and interest rates:

The Company is exposed to a number of different market risks arising from its normal business activities. Risks resulting from changes in interest rates, currency exchange rates and prices of goods may adversely affect the value of financial assets and liabilities, as well as expected future cash flows or earnings. The Company strives to reduce these exposures through several financial instruments, such as derivatives and, especially, forex and interest rate swaps.

Main Risk Factors

The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. This involvement, together with Brazilian political and economic conditions, could adversely affect the Company s business and the trading price of its common shares and ADSs.

The Brazilian government frequently intervenes in the Brazilian economy and occasionally makes significant changes in policy and regulations. The Brazilian government s actions to control inflation and other policies and regulations have often involved, among other measures, increases in interest rates, changes in tax policies, price controls (such as those imposed on the metals sector prior to privatization), currency devaluations, capital controls and limits on imports. The Company s business, financial situation and operating results may be adversely affected by changes in policy or regulations, involving or affecting factors such as:

- interest rates;
- monetary controls and restrictions on remittances abroad, such as those that were briefly imposed in 1989 and early 1990;
- changes in currency exchange rates;
- inflation;
- lack of infrastructure in Brazil;
- energy shortages and rationing programs;
- liquidity of the domestic capital and lending markets;
- environmental policies and regulations;
- tax policies and regulations; and
- other political, social and economic developments in or affecting Brazil.

Exchange rate instability may adversely affect the Company s financial situation and operating results, as well as the market price of its common shares and ADSs.

In recent decades, the Brazilian currency has experienced frequent and substantial variations in relation to the U.S. dollar and other foreign currencies. Between 2000 and 2002, the real depreciated significantly against the U.S. dollar, closing 2002 at R$3.53 per US$1.00. Between 2003 and mid-2008, however, it appreciated considerably against the U.S. dollar due to the stabilization of the macroeconomic environment and a strong increase in foreign investment in Brazil, reaching R$1.56 per US$1.00 in August 2008. During the global financial market crisis as of mid-2008, it depreciated by 31.9% against the U.S. dollar, closing the latter year at R$2.34 per US$1.00. In 2009, it appreciated by approximately 25%, reaching R$1.74 per US$1.00 at year-end, mainly due to Brazil s strong economic recovery. On May 26, 2010, the exchange rate was R$1.846 per US$1.00.

The depreciation of the real against the U.S. dollar could create inflationary pressure in Brazil, causing interest rates to move up, which could have an adverse effect on Brazilian economic growth and on the Company s financial situation and operating results, curtail access to foreign financial markets and prompt government intervention, including recessionary economic policies. Depreciation of the real against the U.S. dollar could also, as in the global economic and financial crisis in 2008 and 2009, lead to decreased consumer spending, deflationary pressure and reduced economic growth. On the other hand, the appreciation of the real against the U.S. dollar and other foreign currencies could lead to a deterioration in Brazil s foreign exchange accounts, as well as dampen export-driven growth. Depending on the circumstances, depreciation or appreciation of the real could materially and adversely affect the growth of the Brazilian economy, as well as the Company s business, financial situation and operating results.

If the real depreciates in relation to the U.S. dollar, the cost in reais of the Company s foreign currency-denominated borrowings and imports of raw materials, particularly coal and coke, will increase. If it is unable to promptly reinvest the funds received from such borrowings in dollar-denominated assets, it will be exposed to a mismatch between its foreign currency-denominated expenses and revenues. On the other hand, if the real appreciates in relation to the U.S. dollar, it will cause real-denominated production costs to increase as a percentage of total production costs, making the Company s exports less competitive.

Depreciation of the real may also reduce the U.S. dollar value of dividends and other shareholder payments on ADSs and the U.S. dollar equivalent of the market price of the Company s common shares and, consequently, its ADSs.
Government efforts to combat inflation could hinder the growth of the Brazilian economy and harm our business.

In the past, Brazil has experienced extremely high rates of inflation and has therefore followed monetary policies that have resulted in one of the highest real interest rates in the world. Between 2004 and 2008, Brazil s base rate, or SELIC, varied between 19.25% and 11.25% per year. Inflation and the Brazilian government s measures to fight it, principally through the Central Bank, have had and may have significant effects on the Brazilian economy and the Company s business. Tight monetary policies with high interest rates may restrict Brazil s growth and the availability of credit. Conversely, more lenient government and Central Bank policies and interest rate reductions may trigger increases in inflation, and, consequently, growth volatility and the need for sudden and significant interest rate increases, which could also negatively affect the Company s business. In addition, the Company may not be able to adjust the price of its products in the export markets to offset the effects of inflation in Brazil on its cost structure, given that most of its costs are incurred in Reais.
Developments and perception of risk in other countries, especially in the United States, China and other emerging nations, may adversely affect the trading price of Brazilian securities, including the Company s common shares and ADSs.

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

The global financial crisis had significant consequences in 2008 and 2009, including in Brazil, including stock and credit market volatility, unavailability of credit, higher interest rates, a general slowdown of the global economy, volatile exchange rates, and inflationary pressure, all of which has and may continue to, directly or indirectly, materially and adversely affect the Company s operating results and financial situation, as well as the price of its common shares and/or ADSs. Although the scenario has improved substantially since the second half of 2009, it is still not clear that the global economy has recovered.

5.2 Describe the market risk management policy adopted by the Company, its objectives, strategies and instruments:

a) Risks for which protection is sought, b) hedging strategy, and c) hedging instruments used by the Company

The Company has adopted a financial risk management policy which establishes guidelines related to transactions and requires diversification of transactions and counterparties. According to this policy, the nature and general position of the financial risks are regularly monitored and managed to evaluate the results and financial impact on cash flows. Credit limits and counterparty hedge quality are also reviewed periodically.

The Company s financial risk management policy was established by the Board of Directors. Pursuant to this policy, market risks are protected to minimize fluctuations in the value of its assets and liabilities, especially against changes in interest and currency exchange rates.

In accordance with its financial risk management policy, the Company manages some of the risks through the use of derivatives.

d) Risk management parameters

The treasury department is responsible for managing the Company s market risk exposure. It uses a Risk Management System, which aims to:

- help it understand market risks;
- reduce the probability of financial loss; and
- decrease the volatility of financial results.

The treasury department s main tools are:

- Sensitivity Analysis, which measures the impact that fluctuations in the price of different market variables, such as interest and exchange rates, will have on the Company s results and cash flows;
- Stress Tests, which measure the worse loss arising from a given set of compatible scenarios to which the probabilities were not attributed. The scenarios are chosen deliberately to include extreme changes in interest and exchange rates.

e) Does the issuer make use of financial instruments with various hedging objectives and, if so, what are these objectives?

The Company s financial policy reflects the liquidity and credit and market risk parameters approved by the Audit Committee and Board of Directors. The use of derivative instruments to prevent fluctuations in interest and exchange rates from having a negative impact on its balance sheet and income statement must follow these same parameters. The Board of Executive Officers and Board of Directors are aware of these operations and debate them at their respective meetings. In order to finance the Company s activities, it resorts to domestic and international capital markets, and, according to the profile of indebtedness that it is seeking, a portion of its debt is pegged to foreign currencies, mainly the U.S. dollar. As a result, it also seeks protection against indebtedness through derivative financial instruments.

To contract derivative financial instruments aimed at protection within the internal controls structure, the Company adopts the following policies:

- continuous monitoring of exchange exposure through a survey of assets and liabilities exposed to foreign currency;

- the regular presentation of its financial position and exchange exposure at those meetings of the Board of Executive Officers and Board of Directors that approve the hedging strategy.

The Company s consolidated net exposure on December 31, 2009 is shown below:

	2009
	Consolidated (R$ thousand)
Cash and cash equivalents abroad	1,925,602
Accounts receivable foreign market clients	**184,970**
Advances to suppliers	31,944
Securitization reserve fund	**72,416**
Other assets	240,192
Total assets	**2,455,124**
Loans and financing	(4,597,472)
Suppliers	**(33,642)**
Other liabilities	(36,073)
Total liabilities	**(4,667,187)**
Gross exposure	(2,212,063)
Notional value of contracted derivatives	**2,169,000**
Net exposure	(43,063)

The results obtained from these operations are in line with the policies and strategies defined by the Company s Management.

f) Organizational structure of risk management control

Financial risks are calculated by the controllership department and managed by the financial department.

g) Adequacy of the operational structure of internal controls to verify the effectiveness of the policy adopted

The responsibility for establishing and maintaining an adequate structure of internal controls over the Company s strategies, objectives and financial instruments, as well as for ensuring the effectiveness of these controls, their conformity with the prevailing laws/regulations and the reliability of the financial information, lies with the treasury department, the strategies having been duly approved by top management.

The main duties of the Company s corporate risk management department, which is subordinate to the Board of Executive Officers, is to map and assess, jointly with the process managers, the internal controls necessary to mitigate those operational, financial and strategic risks inherent to its activities, as well as ensuring their adherence to the prevailing laws/regulations and internal policies through the existing internal control structure. It is also responsible for reporting the results of this assessment to top management and monitoring the procedures to remedy any flaws detected in the processes.

The internal audit department, linked to the Board of Directors, is responsible for monitoring internal controls by performing independent tests, reporting their results to top management and the Audit Committee.

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5.3 Significant changes in the main market risks or in the policy for managing financial risks related to the last fiscal year:

None.

5.4 Other relevant information:

None.

6.1/6.2/6.4 - Incorporation of the Company, final maturity and date of registration with CVM:

Date of incorporation	04/09/1941
Form	Corporation
Country of incorporation	Brazil
Final maturity	Indefinite
Date of registration with the CVM	02/26/1943

6.3 Summary of the Company s history:

CSN was founded in 1941 and began operations in 1946 at the Presidente Vargas Steelworks in Volta Redonda, in the state of Rio de Janeiro. The Company pioneered the production of flat steel in Brazil, paving the way for the establishment of the national automotive sector. Privatized in 1993, when the Brazilian government sold 91% of its interest in the Company, it was entirely restructured, becoming one of the world s most competitive and profitable steelmakers.

Companhia Siderúrgica Nacional is a highly integrated company whose operations cover the entire steel production chain, from the mining of iron ore to the production and sale of coils, tinplate and steel packaging. It also has interests in railways, port terminals, cement production and power generation. Since it was privatized, the Company has modernized its plants, expanded its production capacity and reduced its costs.

6.5 Main corporate events such as incorporations, mergers, spin-offs, share mergers, the sale and acquisition of shareholding control and the sale and acquisition of important assets, which the Company and/or its subsidiaries or associated companies have undergone:

(i)

Event:	Acquisition of 100% of Companhia de Fomento Mineral e Participações CFM.
	On July 20, 2007, the Company s jointly-owned subsidiary Nacional Minérios S.A. entered into a purchase agreement with the shareholders of Companhia de Fomento Mineral e Participações CFM for the acquisition of 100% of the latter s shares.
Main conditions of the transaction:	The acquisition price amounted to US$440 million, of which US$100 million was paid upon the execution of the purchase agreement and US$250 million on August 1, 2007. The remaining US$90 million was paid in four installments over two years after certain conditions envisaged in the purchase agreement were met.
	The acquisition was 100% financed by funds raised in the financial markets.
Companies involved:	Nacional Minérios S.A. and Companhia de Fomento Mineral e Participações CFM
Effects of the transaction on the Company s shareholding structure:	None.
Shareholding structure before and after:	
	After the acquisition, Nacional Minérios S.A. held 100% of Companhia de Fomento Mineral e Participações CFM.

(ii)

Event:	Merger of Cayman Mineração do Brasil Ltda.
Main conditions of the transaction:	On December 30, 2007, Companhia de Fomento Mineral e Participações CFM merged Cayman Mineração do Brasil Ltda., which was legally wound up and its shareholders equity was transferred to Companhia de Fomento Mineral e Participações CFM, which became its general successor.
Companies involved:	Companhia de Fomento Mineral e Participações CFM and Cayman Mineração do Brasil Ltda.

Effects of the transaction on the Company s shareholding structure:	None.
Shareholding structure before and after:	After the merger, Cayman Mineração do Brasil Ltda. was legally wound up.

(iii)

Event:	Merger of Companhia de Fomento Mineral e Participações CFM
Main conditions of the transaction:	On March 30, 2008, Nacional Minérios S.A. merged Companhia de Fomento Mineral e Participações CFM, which was legally wound up, its shareholders equity being transferred to Nacional Minérios S.A, which became its general successor.
Companies involved:	Companhia de Fomento Mineral e Participações CFM and Nacional Minérios S.A.
Effects of the transaction on the Company s shareholding structure:	None.
Shareholding structure before and after:	After the merger, Companhia de Fomento Mineral e Participações CFM was legally wound up.

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(*iv*)

Event:	Sale of 40% of the voting and total capital stock of Nacional Minérios S.A.
	The sale of 40% of the voting and total capital stock of Nacional Minérios S.A. to the consortium Big Jump Energy Participações S.A., comprising ITOCHU Corporation, JFE Steel Corporation, Nippon Steel Corporation, Sumitomo Metal Industries, Ltd., Kobe Steel, Ltd., Nisshin Steel Co, Ltd. and POSCO.
	The acquisition of 40% of Nacional Minérios S.A. by the consortium Big Jump Energy Participações S.A. was duly approved by the Commission of the European Communities.
Main conditions of the transaction:	The acquisition of 40% of Nacional Minérios S.A. by Big Jump Energy Participações S.A. for approximately US$3.08 billion was concluded on December 30, 2008. Approximately US$3.04 billion of this total was used by the consortium to pay in shares subscribed in a capital increase of Nacional Minérios S.A. through an issue of new shares.
	The amounts received by Nacional Minérios S.A. were used to pay mounts owed to the Company in connection with the sale of crude iron ore (run of mine) and the provision of port services.
	On July 30, 2009, Nacional Minérios S.A. merged Big Jump Energy Participações S.A., which was legally wound up, its shareholders equity being transferred to Nacional Minérios S.A, which became its general successor.
Companies involved:	Big Jump Energy Participações S.A., Nacional Minérios S.A. and the Company.

Effects of the transaction on the Company s shareholding structure:	None.
Shareholding structure before and after:	After the sale of 40% of the voting and total capital of Nacional Minérios S.A., the Company held 60% of the latter s voting and total capital. After the merger of Big Jump into Nacional Minérios S.A., the shareholders of Big Jump Energy Participações S.A., then Brazil Japan Iron Ore Corporation and POSCO, held 39.99% of the capital stock of Nacional Minérios S.A., and the Company s shareholding structure remained unchanged.

(*v*)

Event:	Merger of CSN I S.A.
Main conditions of the transaction:	On October 30, 2008, the subsidiary Galvasud S.A. merged CSN I S.A., which was legally wound up and its shareholders equity was transferred to Galvasud S.A., which became the general successor to all its assets, rights and obligations.
Companies involved:	Galvasud S.A. and CSN I S.A.
Effects of the transaction on the Company s shareholding structure:	None.
Shareholding structure before and after:	After the merger, CSN I was legally wound up.

(*vi*)

Event:	Merger of Indústria Nacional de Aços Laminados Inal S.A.
Main conditions of the transaction:	On December 30, 2008, the subsidiary Companhia Metalúrgica Prada merged Indústria Nacional de Aços Laminados Inal S.A., which was legally wound up without liquidation, being succeeded in all its rights and obligations by Companhia Metalúrgica Prada.

Companies involved:	Companhia Metalúrgica Prada and Indústria Nacional de Aços Laminados Inal S.A.
Effects of the transaction on the Company s shareholding structure:	None.
Shareholding structure before and after:	After the merger, Indústria Nacional de Aços Laminados Inal S.A. was legally wound up.

(vii)

Event:	Acquisition of 100% of the shares of Taggia XLI Consultoria e Participações, Unipessoal Ltda.
Main conditions of the transaction:	On November 17, 2009, the Company acquired, through its subsidiaries CSN Steel S.à.r.l. and CSN Overseas S.à.r.l., Taggia XLI Consultoria e Participações, Unipessoal Ltda., currently CSN Ibéria Ltda. Located on the island of Madeira, it is a shelf company acquired for the sole purpose of merging Cinnabar Comércio de Produtos Siderúrgicos Ltda., thus generating a corporate event that would permit a change in the functional currency, pursuant to CPC 2.
Companies involved:	Taggia XLI Consultoria e Participações Unipessoal Ltda, CSN Overseas S.à.r. l. and CSN Steel S.à.r. l.
Effects of the transaction on the Company s shareholding structure:	None. After the merger, the Company, which up to then did not hold any interest in Taggia XLI Consultoria e Participações, Unipessoal Ltda., became the indirect holder of 100% of its capital stock.
Shareholding structure before and after:	CSN Steel S.à.r.l. and CSN Overseas S.à.r.l. became the holders of 53.8% and 46.2%, respectively, of the capital stock of Taggia XLI Consultoria e Participações, Unipessoal Ltda.

(viii)

Event:	Acquisition of 16.1% of Riversdale Mining Limited.
Main conditions of the transaction:	On November 26, 2009, CSN Europe, Ltda, acquired 28,750,598 shares in, or 14.99% of Riversdale Mining Limited, whose shares are listed on the Australian Stock Exchange. In January 2010, the Australian authorities allowed the acquisition of a further 2,482,729 Riversdale shares by CSN Europe for A$6.10 per share, concluding the second stage of the operation. Subsequently, due to the exercise of options on Riversdale s shares, the Company s indirect interest was reduced to 15.6%. On July 26, 2010, Riversdale issued new common shares to raise funds, 5,602,478 of which acquired by CSN Europe, which now holds 36,835,805 shares and a 15.6% interest in Riversdale.

Companies involved:	Riversdale Mining Limited and CSN Europe, Ltda.
Effects of the transaction on the Company s shareholding structure:	None.
Shareholding structure before and after:	After the transaction were concluded, the Company s interest in Riversdale Mining Limited increased from 14.99% to 15.6%.

(ix)

Event:	Merger of Cinnabar Comércio de Produtos Siderúrgicos Ltda.
Main conditions of the transaction:	On December 22, 2009, Taggia XLI Consultoria e Participações, Unipessoal Ltda, located on Madeira Island, merged Cinnabar Comércio de Produtos Siderúrgicos Ltda., upon which Taggia XLI changed its name to CSN Ibéria, Ltda;
Companies involved:	Cinnabar Comércio de Produtos Siderúrgicos Ltda. and Taggia XLI Consultoria e Participações, Unipessoal Ltda.
Effects of the transaction on the Company s shareholding structure:	None.
Shareholding structure before and after:	After the merger, Cinnabar Comércio de Produtos Siderúrgicos Ltda. was legally wound up and Taggia XLI Consultoria e Participações, Unipessoal Ltda became the holder of 100% of CSN Iron S.A., a subsidiary of the

wound-up company.

(*x*)

Event:	Acquisition of 100% of the shares of Seavon Holding S.a.r.l
Main conditions of the transaction:	On December 23, 2009, the Company s subsidiary CSN Steel S.a.r.l acquired 100% of Seavon Holding S.a.r.l, now CSN Cement S.a.r. l, a company with a capital of €12,500 represented by 1,250,000 shares with a face value of €0.01 each. The operation amounted to EUR17,500.
Companies involved:	Seavon Holding S.a.r.l and CSN Steel
Effects of the transaction on the Company s shareholding structure:	None.
Shareholding structure before and after:	After the acquisition, the Company, which up to then had no interest in Seavon Holding S.a.r.l, became the indirect holder of shares representing 100% of its capital stock.

(*xi*)

Event:	Acquisition of a minority interest in Panatlântica S.A.
Main Conditions of the Transaction:	On January 5, 2010, the Board of Directors approved the acquisition of 802,069 common shares of Panatlântica S.A., a publicly-held company whose object is the manufacture, sale, import, export and processing of steel and metals, representing 9.3963% of its capital stock, for R$10 million. Subsequently, on May 4, 2010, the Company received 16,131 new common shares as a bonus issue, due to Panatlântica s capital increase through the capitalization of profit reserves for fiscal year 2004, approved by the Extraordinary Shareholders Meeting of April 28, 2010. On June 2, 2010, the Company subscribed to 14,097 new common shares, accompanying Panatlântica s capital increase, through a private subscription, approved by the aforementioned Extraordinary Shareholders Meeting. Currently, the Company holds 832,297 common shares, representing 9.3963% of Panatlântica s total capital stock.
Companies involved:	The Company, L. P. Aços Comércio e Participações Ltda and Panatlântica S.A
Effects of the transaction on the Company s shareholding structure:	None.

(*xii*)

Event:	Merger of Galvasud S.A.
Main Conditions of the Transaction:	On January 29, 2010, Galvasud S.A. was merged into the Company and was subsequently legally wound up, its shareholders equity being transferred to the Company, which became its general successor.
Companies involved:	The Company and Galvasud S.A
Effects of the transaction on the Company s shareholding structure:	None.
Shareholding structure before and after:	After the merger, Galvasud S.A. was legally wound up.

6.6 Bankruptcy petitions involving significant amounts and requests for judicial or extra-judicial reorganization:

None.

6.7 Other relevant information:

None.

7.1 Summary description of the activities of the Company and its subsidiaries:

Companhia Siderúrgica Nacional is a highly integrated company whose operations cover the entire steel production chain, from the mining of iron ore to the production and sale of coils, tinplate and steel packaging. It also has interests in railways, port terminals, cement production and power generation.

Founded in 1941, it began operations in 1946, pioneering the production of flat steel in Brazil and paving the way for the establishment of the national auto industry. Privatized in 1993, it was entirely restructured, becoming one of the world s most competitive and profitable steelmakers.

Thanks to its production system and exemplary management, CSN s production costs are among the lowest in the global steel sector.

The Company strives to maximize shareholder returns through integrated operations in five key areas: mining, steel, logistics, cement and power generation.

7.1.1. Mining

- **Iron Ore**

CSN s Casa de Pedra mine, located in Congonhas, Minas Gerais, supplies the Company with the iron ore it needs to produce steel. With proven and probable reserves of more than 1.6 billion tonnes, Casa de Pedra has a current annual production capacity of 21 million tonnes of high-quality iron ore.

In July 2007, through its wholly-owned subsidiary, Nacional Minérios S.A., the Company acquired Companhia de Fomento Mineral, located in Minas Gerais state, whose mines are in the vicinity of the Casa de Pedra mine, effectively increasing its production capacity. Also in 2007, the Company began operating in the seaborne iron ore market through Nacional Minérios S.A.

It is important to note that Nacional Minérios S.A. was a wholly-owned Company subsidiary until December 29, 2008. On December 30, 2008 a consortium comprising ITOCHU Corporation, JFE Steel Corporation, Nippon Steel Corporation, Sumitomo Metal Industries, Ltd., Kobe Steel, Ltd., Nisshin Steel Co, Ltd. and POSCO, acquired 40% of the voting and total capital of Nacional Minérios S.A.

With the expansion of the Casa de Pedra mine, the Company has consolidated its position as an important player in the seaborne iron ore market, becoming Brazil s second largest iron ore producer, together with Nacional Minérios S.A. Most of the Company s net revenue from iron ore sales comes from exports, chiefly to Asia (especially China and Japan).

- **Limestone and Dolomite**

The Arcos mine, in Pedreira da Bocaina, Minas Gerais, is responsible for supplying the limestone and dolomite consumed by the Company s Presidente Vargas Steelworks in Volta Redonda.

As of October 2010, following the Company s entry into the cement market in 2009 through the construction of a plant in Volta Redonda adjacent to the Presidente Vargas facility, the Arcos mine will also be supplying limestone for the production of clinker, an important cement input.

Annual limestone production is estimated at 4 million tonnes.

As a result, the Company s activities will become even more integrated through the verticalization of production, thereby further enhancing its competitiveness and profitability.

- **Tin**

Tin, a tinplate raw material, is produced by ERSA - Estanho de Rondônia S.A., a Company subsidiary which owns the Santa Bárbara tin mine in Itapuã do Oeste and a smelting plant in Ariquemes, both in the state of Rondônia.

7.1.2. Steelmaking

Dominating the entire steel production chain, the Company supplies many segments of the industry with a diversified range of high value-added products. It produces various types of coated galvanized steels that are resistant to corrosion and less susceptible to international market price swings.

The Company s main markets are the automotive, construction, distribution, home appliance, OEM (capital goods, engines, etc), and metal packaging industries.

The Company has five galvanizing production lines in Brazil: three in the Presidente Vargas Steelworks, in Volta Redonda, one in GalvaSud, in Porto Real (Rio de Janeiro) and another in the Paraná facility, in Araucária, which also has cold-rolling and pre-painting facilities.

The Company also has two overseas subsidiaries: CSN LLC, based in Terre Haute, Indiana, USA, which produces cold-rolled and galvanized products, and Lusosider Projectos Siderúrgicos S.A., in Paio Pires, Portugal, which also produces coated steel.

The Company is Brazil s sole producer of tinplate, most of which is absorbed by the packaging industry, and one of the five largest producers in the world, with an installed capacity of 1 million tonnes per year.

It also produces Galvalume, a zinc-and-aluminum-coated steel which combines high luster and durability, and pre-painted steel, both of which have several applications in the construction and home-appliance industries.

- **Presidente Vargas Steelworks**

Located in Volta Redonda, Rio de Janeiro, the Presidente Vargas Steelworks has an annual production capacity of 5.6 million tonnes of crude steel.

- **Companhia Metalic Nordeste**

A CSN subsidiary, Companhia Metalic Nordeste is Latin America s sole manufacturer of aluminum lids and two-piece steel cans for the beverage industry. Currently, it has a 5% share of the national beverage can market and a 38% share in the Northeast region.

- **Companhia Metalúrgica Prada**

Prada Embalagens

Companhia Metalúrgica Prada joined the group in 2006. Latin America s leading manufacturer of steel packaging, it has 3 plants located in São Paulo (São Paulo), Uberlândia (Minas Gerais) and Pelotas (Rio Grande do Sul), and is an important client for the Company s tinplate.

Its production lines are equipped to deliver the high volumes and technical specifications demanded by the food, chemical and aerosol industries.

Prada Distribuição

The Company operates in the distribution and services market through Prada Distribuição, which maintains nationwide coverage through three service centers and seven distribution centers equipped to supply the vehicle, auto parts, home appliance, construction, machinery & equipment, sugar & ethanol, agricultural, resale and furniture industries. As one of the largest companies in the flat steel processing and distribution segment, Prada Distribuição sells a complete product line, adding value through its wide range of cutting, conformation and logistics services.

- **GalvaSud S.A.**

On January 29, 2010, the Company incorporated its subsidiary GalvaSud S.A., which became a branch of the Company (CSN Porto Real), seeking to optimize processes and maximize results by centralizing the sales, operational and administrative activities of both companies under a single organizational structure.

CSN Porto Real is located in Porto Real, between Rio de Janeiro and São Paulo, mainly serving the automotive sector and offering a wide range of world-class products and services. It has a hot galvanizing line and a cutting center, in addition to a state-of-the-art laser-welding facility.

- **CSN LLC**

CSN LLC runs a cold-rolling and galvanizing facility in Indiana, USA, which produces galvanized and cold-rolled coils.

- **Lusosider Projectos Siderúrgicos S.A**. Installed in Paio Pires, Portugal, Lusosider Projectos Siderúrgicos S.A. manufactures cold-rolled coils and galvanized products.

7.1.3. Other Activities

(i) Logistics

- **Ports**

The Company manages two terminals in the Port of Itaguaí, in Rio de Janeiro: a bulk solids terminal (Tecar) and a container terminal (Sepetiba Tecon).

CSN is a major iron ore exporter and Tecar loads its seaborne ore shipments. It also unloads coal, petroleum coke, sulphur and zinc concentrate for the Company and its clients.

Sepetiba Tecon, the Company s container and general cargo terminal, is the largest container terminal in Rio de Janeiro state and one of the largest in Brazil. Sepetiba is a hub port for cargo and one of the pillars of the Company s logistics platform in Itaguaí.

- **Railways**

The Company retains an interest in two railway companies:

MRS Logística S.A.

The Company holds a direct 22.93% interest in MRS Logística S.A., which operates the former Southeastern Network of Rede Ferroviária Federal S.A. (RFFSA) in the Rio de Janeiro - São Paulo- Belo Horizonte corridor. It also holds an indirect stake of 10.34%, giving it a total interest of 33.27%.

MRS Logística S.A. focuses most of its activities on heavy haul clients (ore, coal and coke), as well as long-term agreements, new businesses and projects aimed at leveraging the company s growth.

In 2009, in the container segment, MRS Logística S.A. maintained its position as Brazil s leading rail carrier.

Transnordestina Logística S.A.

Transnordestina Logística S.A. (former-Companhia Ferroviária do Nordeste CFN) operates the former Northeastern Network of Rede Ferroviária Federal S.A. in the states of Maranhão, Piauí, Ceará, Rio Grande do Norte, Paraíba, Pernambuco and Alagoas.

In partnership with the federal government, the Company is investing in the construction of 1,728 km of new track to create Nova Transnordestina Logística, which will play an essential role in the development of the Northeast region (see Item 10.2 of this Reference Form).

(ii) Cement

The cement industry complements steelmaking and supplies Brazil s entire construction sector, which is of fundamental importance for the country s economic development.

The Company entered the cement market in 2009, adding value to the slag generated during crude steel production. Its plant is located in Volta Redonda, adjacent to the Presidente Vargas Steelworks, which produces around 1.4 million tonnes of blast furnace slag per year. This slag is largely used to produce type CP III cement (with additives) by CSN Cimentos S.A.

To date, CSN Cimentos S.A. has been operating in the Baixada Fluminense region, the south of Rio de Janeiro state, the Vale do Paraíba and the São Paulo Metropolitan Region, as well as the south of Minas Gerais state.

(iii) Power generation

The Company is one of Brazil s largest industrial electric power consumers, behind only the aluminum producers. Consequently, it has been investing in power generation projects since 1999 in order to ensure self-sufficiency. Its generation assets are: a 29.5% interest in Itá Energética S.A., which owns the Itá Hydroelectric Power Plant, in Santa Catarina, corresponding to 167 MW; a 17.9% interest in the 210 MW Igarapava Hydroelectric Power Plant, in Minas Gerais; and the 238 MW Thermoelectric Cogeneration Center, installed in the Presidente Vargas Steelworks, in Volta Redonda. This unit is fueled by waste gases from the steel production process. All in all, the Company has a generating capacity of 428 MW, enough to meet all the group s power needs.

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7.2 Operating segments:

a) products and services

7.2.1 - Mining

Iron Ore

The Company has consolidated its position as an important player in the seaborne iron ore market, becoming Brazil s second largest iron ore producer together with Nacional Minérios S.A.

The Company s Casa de Pedra mine has a current annual production capacity of 21 million tonnes. The steel segment uses around 7.5 million tonnes of iron ore per year for steel production. Casa de Pedra s production has been growing steadily in recent years due to its expansion project. In 2009 the mine produced 17.1 million tonnes.

The main products from the mine s ore are lump ore, sinter feed and pellet feed:

- Lump ore: high iron content and a grain size of between 6.3 and 50 mm. In the steelworks, lump ore is added directly to the reduction furnaces, with no need for agglomeration;

- Sinter feed: represents the largest portion of processing plant output, with a grain size of between 6.3 and 0.15 mm. Due to the smaller grain size, the ore undergoes a sintering process, so that it is agglomerated before being added to the reduction furnaces;

- Pellet feed: due to its extra fine grain size less than 0.15 mm pellet feed undergoes a pelletizing process, so that it is agglomerated before being added to the reduction furnaces.

Nacional Minérios S.A. has an annual production capacity of around 7 million tonnes of iron ore and also acquires ore from third parties.

In 2009, Nacional Minérios S.A. sold approximately 14.6 million tonnes of ore (own and third-party).

Nacional Minérios S.A. sells lump ore, concentrate, sinter feed and pellet feed.

- Lump Ore: high iron content and a grain size of between 6.3 and 50 mm. In the steelworks, lump ore is added directly to the reduction furnaces;

- Pellet Feed and Concentrate: due to its extra fine grain size less than 0.15 mm pellet feed undergoes a pelletizing process;

- Sinter Feed: represents the largest portion of processing plant output, with a grain size of between 6.3 and 0.15 mm. Due to the smaller grain size, the ore undergoes a sintering process;

Limestone and Dolomite

The Arcos mine, in Pedreira da Bocaina, Minas Gerais, is responsible for supplying the limestone and dolomite consumed by the Company s Presidente Vargas Steelworks in Volta Redonda.

After the Company entered the cement market in 2009, the Arcos mine the Arcos mine will also be supplying limestone for the production of clinker, an important cement input.

Tin

Tin, a tinplate raw material, is produced by ERSA - Estanho de Rondônia S.A., a Company subsidiary.

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7.2.2 - Steelmaking

The Company produces a wide variety of rolled steel products. In 2009, rolled steel production totaled 4,109,000 tonnes.

Hot Rolled Products

Produced in the form of coils and sheets by the Presidente Vargas Steelworks, in Volta Redonda, with thicknesses ranging from 1.2 mm to 12.7 mm. Coils are used to make structural auto parts and tubes and in the mechanical construction industry, among other applications, while the other hot-rolled products are used in welded tubes, auto parts, gas containers, compressors, and cold-formed light shapes for the construction industry, among others.

Cold Rolled Products

Also produced in the form of coils and sheets. In comparison to their hot-rolled counterparts, cold-rolled products have a uniform thickness and a higher surface quality and are used in car bodies, home appliances, tubes and shapes for general use. They also serve as the basis for galvanized and tin-coated products. The thickness of the Company s cold-rolled coils varies between 0.30 mm and 2.99 mm.

Galvanized Steel Products

Galvanized steel products consist of rolled flat steel coated, on one or both sides, with zinc or a zinc alloy, obtained from hot-dipping or electrolysis. The Company uses the hot-dip process, which is around 20% cheaper than electrolysis. Galvanizing is one of the most effective and economical means of protecting steel against corrosion caused by water and exposure to the atmosphere. Galvanized steel products are highly versatile, and are used in the manufacture of a wide range of products, including:

Car, truck and bus bodies; Products for the construction industry, such as roofing and external wall panels; dry wall; support structures for roofing, doors, windows and grates, and components for light structures;

Air ducts and parts for hot air, ventilation and cooling systems;

•

Drains, trash cans and other receptacles; Storage tanks, grain silos and agricultural equipment; Panels and signs; and Pre-painted parts.

Galvanized sheets, whether painted or not, are used in gutters, guttering, tubes, and the external and internal cabinets of all types of home appliance, among other similar applications. The Company produces galvanized sheets and coils with thicknesses ranging from 0.30 to 3.00 mm through continuous processing lines using the hot-dip process, resulting in zinc-coated products with high adherence and uniformity that can be subjected to practically all types of curvature and can be processed by heavy machinery.

In addition to general purpose galvanized products, the Company produces Galvanew®, galvanized plates obtained from hot-dipping and subsequently submitted to annealing, which ensures that the iron in the steel base migrates to the surface, forming a ferrozinc alloy, which improves welding and painting performance. The combination of these qualities makes Galvanew® particularly appropriate for the manufacture of home appliances and auto parts, including the exposed parts of auto bodies.

CSN Paraná, a branch of the Company, produces Galvalume, a cold-rolled steel coated with an aluminum and zinc alloy. The production process is similar to hot-dip galvanizing, but the product s resistance to corrosion is at least twice that of standard galvanized steel. Galvalume is mainly used in construction applications involving exposure to severe conditions, such as corrosion by acid or salt air.

Galvanization allows the Company to add value to its products.

CSN Paraná also produces pre-painted steel sheets through a continuous coating process, through which a layer of colored resin-based paint is added to the base material (cold-rolled or galvanized sheets). Pre-painted products also have high added value and are mostly used in the construction industry and the production of home appliances.

Metallic Sheets for Packaging

Metallic sheets consist of flat, low-carbon coils or sheets, with a maximum thickness, in compliance with Brazilian standards, of 0.45 mm, and which may be coated or not. The coating may be of tin or chrome and is applied by the electrolytic process. The cost of coating puts tin-coated products among those with the highest added value. There are three types of metallic sheet, all of which are produced by the Company as coils and sheets:

- Tinplate coated on one or both sides with a fine layer of metallic tin and a layer of chrome oxide, covered by a protective layer of oil;
- Chromed steel - coated on both sides with a very fine layer of metallic chrome and a layer of chrome oxide, covered by a protective layer of oil;
- Uncoated plates used as basis for coated metallic sheets.

Metallic sheets for packaging are mainly used in cans and other receptacles. With six electrolytic coating lines, the Company is one of the largest manufacturers of metallic sheets in the world and the sole manufacturer of coated metallic sheets in Brazil.

Packaging

Companhia Metalúrgica Prada is Latin America s leading manufacturer of steel packaging, with three plants located in São Paulo (São Paulo), Uberlândia (Minas Gerais) and Pelotas (Rio Grande do Sul), and is an important client for the Company s tinplate. Its production lines are equipped to deliver the high volumes and technical specifications demanded by the food, chemical and aerosol industries (oil, grease, conserves, tomato-based products, meat products, sweets, powdered chocolate, powdered milk, etc). Companhia Metalic Nordeste produces aluminum lids and two-piece steel cans for the beverage industry.

Distribution

Prada Distribuição operates in the flat steel processing and distribution segment, with a wide range of products, including coils, rolls, plates, strips, blanks, metallic sheets, shapes, tubes and tiles, among others. It also specializes in steel processing services, meeting the demand of companies nationwide.

7.2.3. Other Activities and Products

(i) Logistics

- **Ports:**

ü **TECAR:** Tecar loads the seaborne ore shipments of the Company and Nacional Minérios S.A. and unloads coal, petroleum coke, sulphur and zinc concentrate for the Company and its clients.

ü **TECON**: Sepetiba Tecon, the Company s container and general cargo terminal, is the largest container terminal in Rio de Janeiro state and one of the largest in Brazil. Sepetiba is a hub port for cargo and one of the pillars of the Company s logistics platform in Itaguaí. It also handles the Company s steel products and general cargo.

• **Railways:**

ü **MRS:** The rail transportation services provided by MRS Logística S.A. play an essential role in supplying the Company s raw materials and shipping out its final products. All the iron ore exported and consumed by the Company, as well as the coal and coke consumed by the Presidente Vargas Steelworks is carried by MRS, as is part of the steel produced by the Presidente Vargas facility for the domestic market and exports.

(ii) Cement

Currently, the Company produces Blast Furnace Portland Cement CP III 40 at its factory in Volta Redonda. This product is sold on the bulk market and in 50 kg bags.

(iii) Power generation

The Company is one of Brazil s largest industrial electric power consumers. Through its Thermoelectric Cogeneration Center, installed at the Presidente Vargas Steelworks, in Volta Redonda, and its share in two hydroelectric power plants, the Company has an average generation capacity of 428 MW, meeting all the group s electricity needs.

b) revenue from the segments and their share of the Company s total net revenue

R$ million	**2009**		**2008**		**2007**	
Net Revenue	**10,978**	**100%**	**14,003**	**100%**	**11,441**	**100%**
Steelworks	7,894	72%	10,566	75%	9,545	83%
Mining	1,814	17%	2,085	15%	721	6%
Infrastructure/Cement/Others	1,270	11%	1,352	10%	1,174	11%
COGS	**(6,788)**		**(7,024)**		**(6,674)**	
Steelworks	(5,353)		(5,350)		(5,553)	
Mining	(1,003)		(565)		(376)	
Infrastructure/Cement/Others	(432)		(1,109)		(745)	
Gross Profit	**4,190**		**6,979**		**4,767**	
Steelworks	2,541		5,216		3,992	
Mining	811		1,520		345	
Infrastructure/Cement/Others	838		243		429	

c) income or loss resulting from the segments and their share of the Company s total net revenue
Based on gross profit, the Company does not have criteria for apportioning net income (loss) per segment.

7.3 Products and services:
a) characteristics of the production process

7.3.1- Mining

Casa de Pedra Mine

Extracting iron ore through three open pits, the Casa de Pedra mine operates with large-scale off-road trucks and bulldozers, controlled by a dynamic allocation system. The extracted ore is then sent for processing and the waste is sent to deposits outside the final pit.

Initially, the ROM (run of mine) ore is unloaded in two primary grinding units, followed by secondary and tertiary grinding. It is then transported by conveyor belt or truck to homogenization yards where it is stacked in large piles, according to its quality. It is subsequently transferred to the classification plant, where it is separated into the typical categories of lump ore, sinter feed and extra fine. The extra fine fraction is deslimed in hydrocyclones and concentrated via the flotation process. The flotation concentrate, with a high iron content, is then dewatered in thickeners and disc filters, giving the final product pellet feed. The lump ore, sinter feed and pellet feed then go to the storage yards, from where they are transferred to rail cars for transportation to the domestic market and to the Port of Itaguaí in the case of exports. Casa de Pedra s production and classification capacity is being expanded and should reach 40 million tonnes per year in 2010, while maintaining product quality. The tailings generated during desliming and flotation are disposed of in tailings dams.

Nacional Minérios S.A.

- *Engenho and Pires mines*

Located in the municipality of Congonhas, in Minas Gerais, the Engenho mine extracts iron ore from sloping open 10-meter pits, operating with 25-tonne haulage trucks and mid-sized bulldozers. The ore is sent for processing and the waste to deposits outside the final pit.

The ROM from the Engenho mine is taken to the Pires processing plant by bulldozers and trucks, where it undergoes primary grinding, followed by sieving. The retained material is then subjected to secondary grinding. The primary sieved material is classified by inclined sieves into lump ore and *hematitinha*. The material with a smaller grain size is classified by horizontal sieves and low-field magnetic separators, producing sinter feed. The retained material is concentrated through a spiral and cyclone process in order to produce concentrate. All unused material is allocated to containment dams.

The ROM from the dams is fed by bulldozers into a high intensity magnetic concentration plant, where it is first sieved. The retained material is disposed of and the sieved material undergoes a second sieving. Again the retained material is disposed of and the sieved material goes to the magnetic concentrator. The resulting tailings are disposed of in dams, the concentrate is deposited in bays and the intermediate material returns to the beginning of the process.

After all this, the company s products are transported by truck and stored in yards. After the drying period, they are taken to the company-owned Itacolomy Rail Terminal and loaded into railcars for transportation to the Port of Itaguaí.

- *Fernandinho mine*

Located in the municipality of Itabira, in Minas Gerais, the Fernandinho mine extracts iron ore from sloping open 10-meter pits, operating with 25-tonne haulage trucks and mid-sized bulldozers. The ore is sent for processing and the waste to deposits outside the final pit.

The ROM is unloaded into a homogenization pile, then taken by bulldozer to the processing plant, where it undergoes primary grinding and is classified by wet sieving, the material retained in the 1st deck being subjected to secondary grinding and then returned for sieving. The material retained in the 2nd deck is piled, forming part of the sinter feed, while the sieved material is concentrated in a low-field magnetic separator and spiral classifier and then incorporated into the sinter feed. The tailings are disposed of in containment dams by gravity and the sinter feed is taken to the Itacolomy Rail Terminal in Pires and from there to the Port of Itaguaí.

7.3.2 Steelmaking

The main raw materials for steel production in an integrated steel works are iron ore, coal, coke, and fluxes such as limestone and dolomite. The iron ore consumed at the Presidente Vargas Steelworks is extracted, crushed, screened and transported by rail from the Casa de Pedra mine in Congonhas, Minas Gerais, 328 km from the Steelworks. The high quality of Casa de Pedra s ore, which has an iron content of around 60%, and its low extraction costs are major contributors to the Company s low steel production costs.

Since Brazil lacks high-quality coking coal, the Company imports all its needs. The coal is distilled in batteries to produce coke and the by-product coke oven gas, which is the main source of fuel for the Company s thermoelectric cogeneration plant. After being crushed, the coke is transported to the blast furnaces, where it is used as a combustion source and as a component for transforming iron ore into pig iron. In the sintering plants, iron ore fines and coke or other fine-grained solid fuel are mixed with fluxes (limestone and dolomite) to produce sinter. The sinter, lump ore, fluxes and coke are then loaded into the two operational blast furnaces for smelting. The Company operates a PCI facility, which injects low-cost pulverized coal directly into the blast furnaces as a substitute for around one-third of the coke otherwise required.

The iron ore is gradually reduced to pig iron by successive chemical reactions with carbon monoxide (from the coke and PCI) in two blast furnaces that operate 24 hours a day, then melts and flows downwards, while the impurities separate out to form a liquid slag with the fluxes. From time to time, the white-hot molten iron and slag are drawn off from the bottom of the furnace. The slag is granulated and used to make cement.

The molten pig iron is transported to the steel mill in 350-tonne-capacity torpedo cars and discharged, together with scrap iron and fluxes, into basic oxygen converters, where oxygen is injected onto the liquid to oxidize its remaining impurities and lower its carbon content, thus producing crude steel, which is then poured into 230-tonne-capacity ladles and transported to the continuous casting machines where it is solidified into slabs.

In hot-rolling, reheated slabs from the continuous casting lines are fed into hot strip mills, where their thickness is reduced from 250 mm to between 1.2 and 12.7 mm. At the end of the process, the long, thin steel strip from each slab is coiled and conveyed to a cooling area. Some hot-rolled coils are dispatched directly to clients as they are, while others are further processed in the pickling line, where they are treated with hydrochloric acid to remove surface oxides and improve surface quality. After pickling, those hot-rolled coils selected to produce thinner materials are sent to be rolled in cold strip mills cold-rolled products have better surface characteristics and are therefore more expensive. Most output destined for cold rolling is annealed and tempered to give it the desired mechanical qualities.

Another part of output goes to the coating lines for the production of rolled galvanized products, a process that begins with unannealed cold-rolled steel. All the Company s lines use hot-dip galvanizing, in which the strip is dipped into liquid zinc and the required thickness of the coating is obtained by removing excess zinc with an air razor. The galvanizing lines also equipped with an annealing furnace and temper mill, ensuring the desired performance of the material.

In the painting line, cold-rolled or galvanized steel is coated with a layer of paint, conferring beauty, color and excellent resistance against corrosion.

The tinning process consists of depositing a layer of tin or chrome on cold-rolled steel by electrolytic precipitation and applying thermal treatment to ensure conformation conditions. Tin and chrome are noble metals that prevent the steel from oxidizing, enabling its use as a packaging material.

Steel plant equipment undergoes regular preventive maintenance shutdowns, normally on a weekly or monthly basis for rolling mills and a semi-annual or annual basis for blast furnaces and other special equipment.

The Company s business encompasses both operational and commercial activities. Operational activities are handled by the production sector, which is composed of two units:

• The production unit is responsible for steel production operations, repair shops, the internal railroad and process development at Volta Redonda;

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- The support unit is responsible for planning production; managing product stockyards, electrical installations and other utilities; factory assistance; and workforce safety at the Presidente Vargas Steelworks.

The production sector is also responsible for environmental and quality consulting, new product development, investments in steel processing and supervision of GalvaSud and CSN Paraná s operations.

Prada Embalagens manufactures steel cans and carries out tinplate printing.

Prada Distribuição has a production capacity of around 55,000 tonnes per month in its three service centers (Mogi das Cruzes SP, Camaçari - BA and Recife PE), which are equipped with latest-generation machinery (slitting lines for the production of rolls and strips and blanking lines for the production of plates and blanks, as well as lines for tiles, shapes and tubes). The materials are produced from hot-rolled, cold-rolled, hot-dip galvanized, chrome-coated, uncoated and pre-painted steel products, as well as tinplate and Galvalume.

7.3.3 Cement

The Company produces cement in its Volta Redonda plant through the grinding of clinker, gypsum, limestone and slag in a vertical grinder. There are two grinding producing CP III 40 cement.

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b) characteristics of the distribution process

I. Mining

In the foreign market, the Company and Nacional Minérios S.A. sell their products through proprietary sales teams in Brazil and abroad (Portugal and Hong Kong). The overseas offices are also staffed by a technical support team, which allows the Company to remain in direct contact with its foreign clients, accompany their needs and execute agreements, in addition to developing new markets.

Domestic market sales are handled by teams located at the office in Nova Lima, approximately 70 km from the Casa de Pedra mine.

II. Steelmaking

Domestic Market

With three strategically-located service centers and seven distribution centers, the Company operates in an efficient manner throughout Brazil, offering ready-made, made-to-order and Kanban products, in addition to specialized technical support. Prada Distribuição maintains partnerships with renowned transportation firms in order to speed up input reception and product delivery nationwide.

Foreign Market

The Company produces cement in its Volta Redonda plant through thegrinding of clinker, gypsum, limestone and sl

Most of the Company s exports are established directly with clients, without intermediaries (brokers or agents), or through the sales force of its subsidiaries Lusosider, in Portugal, and CSN LLC, in the USA.

III. Cement

CSN Cimentos products are distributed via road and rail. It has two distribution centers, one in Rio de Janeiro and the other in the ABC Paulista region, and will open a third, in São José dos Campos (SP), in mid-2010.

Transport to the distribution centers is primarily handled by MRS Logística S.A.

CSN Cimentos client portfolio includes building material stores, concrete manufacturers, construction firms, mortar companies and manufacturers of cement artifacts.

Sales are focused on retail, i.e. building material stores. This segment operates with small inventories, so the percentage of repurchases per month is substantial.

Cement is sold bagged or in bulk.

The Company produces cement in its Volta Redonda plant through thegrinding of clinker, gypsum, limestone and sl

c) characteristics of the operational markets:

The Company produces cement in its Volta Redonda plant through thegrinding of clinker, gypsum, limestone and sl

(i) share of each market

	Tonnes (thousand)	Net revenue (R$ million)	%
Steelmaking			
Domestic market	3,243	6,770	62%
Foreign market	867	1,124	10%
	4,110	**7,894**	**72%**
Mining			
Domestic market	3,942	97.8	1%
Foreign market	16,766	1,716	16%
	20,707	**1,814**	**17%**
Infrastructure/Cement/Other			
Domestic market		1,239	11%
Foreign market		31.6	0%
		1,271	**11%**
	TOTAL	**10,978**	**100%**

(ii) competitive conditions in the markets

Mining

In 2008-2009, due to the global financial crisis, the entire iron ore industry turned its attention to the only active market at that time China. As a result, 56% of the Company s ore exports in 2009 went to the China, versus 16% to Europe and 16% to the Middle East. It is worth noting that 95% of the Company s total iron ore revenue comes from exports.

Steelmaking

The steel industry is fiercely competitive in terms of price. Brazil exports steel products and is therefore subject to several conditioning factors, including trade barriers, WTO strictures, the Brazilian government s foreign exchange policy and the pace of global economic growth. In addition, continuous advances in materials sciences and technologies have given rise to new products that compete with traditional steel products. These steel substitutes include plastics, aluminum, ceramics and glass.

The steel industry is also intensely competitive in terms of product quality and customer service, as well as in terms of technological advances that reduce production costs. Other factors include competition from foreign companies and the appreciation of the Brazilian real against the U.S. dollar, as well as the productivity of the Company s own plants and the availability, quality and cost of raw materials and labor.

Cement

The quality of the cement produced the subsidiary CSN Cimentos S.A. is similar to that of its competitors. CSN Cimentos S.A. began operating in May 2009, and the Cimento CSN® brand is already well-known and widely accepted in many markets.

The Company produces cement in its Volta Redonda plant through thegrinding of clinker, gypsum, limestone and sl

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The Company produces cement in its Volta Redonda plant through thegrinding of clinker, gypsum, limestone and sl

d) possible seasonality

The Company produces cement in its Volta Redonda plant through thegrinding of clinker, gypsum, limestone and sl

I. Mining

Iron ore sales are subject to the seasonality of the steel industry. However, thanks to strong demand, the Company s shipments are well distributed over the year, in line with its port capacity.

II. Steelmaking

Domestic Market

Undue periods of seasonality have not been identified in the domestic market.

Foreign Market

There are periods of seasonality in the foreign market that cause demand to fluctuate, such as the northern hemisphere winter, the summer vacations in Europe, Chinese New Year, etc. However, due to the lower volume and export diversification (markets and clients), the Company s exposure to these seasonal factors has been reduced.

III. Cement

There is no undue seasonality.

e) main inputs and raw materials:

The Company produces cement in its Volta Redonda plant through thegrinding of clinker, gypsum, limestone and sl

The Company s main steel production raw materials are iron ore, coal, coke, aluminum, tin, zinc, limestone and dolomite. Others include liquid gases, natural gas, scrap metal, and refractories. It is important to note that the Company is self-sufficient in the main inputs, such as iron ore, tin, limestone and dolomite.

The Company has no significant inputs and raw materials in the mining segment.

The main cement production inputs and raw materials are blast furnace slag, obtained from the Company s steelmaking process, and clinker, which is currently acquired from third parties, but which will be produced by the Company in the future.

(i) Description of relations with suppliers, including whether they are subject to government control or regulations and, if so, listing the governmental bodies and the respective applicable legislation

Generally, the Company maintains supply or sales agreements with its main input suppliers and does everything possible to ensure long-term relations.

The Company s main input suppliers are:

BHP Billiton, Rio Tinto, Anglo Coal, Jim Walter Resources and Alpha Natural Resources	Coal
Noble, Glencore and Milpa	Coke
Imbra and Alubar (1)	Aluminum
Votorantim Metais(1)	Zinc
ERSA	Tin
Bardella Timken Serviços, Sulcromo Revestimentos Industriais and Mwl Brasil Rodas e Eixos Ltda	Spare parts
Magnesita, Saint Gobain and RHI	Refractories
Trufer and RFR	Scrap
VALE and Ferlig	Ferroalloys
Petrobras and Quaker	Lubricants

(1) We rely on these suppliers, since they are the only aluminum and zinc suppliers in Brazil.

The main material purchased by the Company is coal, all of which is imported.

(ii) possible dependence on a few suppliers

The Company only acquires natural gas from state concessionaires, who retain a legal monopoly. Nevertheless, these concessionaires have to comply with specific legislation that ensures supply to their contracted clients (see item 4.1 (e)).

There are other cases of dependence, such as zinc from Votorantim Metais, but in these cases, supply agreements are normally negotiated, and the Company actively seeks out new suppliers and alternatives.

The Company also relies on suppliers of clinker, a cement input, having entered into a supply agreement with Votoran for a determined period. However, it will begin producing its own clinker when the Arcos plant starts up at the end of 2010.

The Company produces cement in its Volta Redonda plant through thegrinding of clinker, gypsum, limestone and sl

(iii) possible price volatility

The steel industry is subject to price volatility in regard to certain production inputs, including iron ore, coal, coke, aluminum, tin and zinc.

Almost all inputs used by the Company are subject to international price variations.

The Company produces cement in its Volta Redonda plant through thegrinding of clinker, gypsum, limestone and sl

7.4 Relevant clients (accounting for more than 10% of the Company s total revenue):

a) total revenue from the client(s)

There is no client in the domestic or international market accounting for more than 10% of the Company s total net revenue.

b) operating segments affected by revenues from the client(s)

There is no client in the domestic or international market accounting for more than 10% of the Company s total net revenue.

7.5 Significant effects of government regulations on the Company s operations:
a) need for government authorization to carry out operations and the history of relations with the government in regard to obtaining such authorizations
Among the activities pursued by the Company, mining, logistics and energy are subject to several government authorizations, the most important of which are listed below.

- **Mining**

According to Brazilian legislation, the federal government owns all mineral resources. Therefore, in order to explore iron ore, whether for sale or steel production in Brazil, the Company depends on the authorization and/or concession of mining rights by the federal government, either through the Ministry of Mines and Energy or the National Department of Mineral Production. The Company s current mini