NATIONAL STEEL CO
Form 20-F
April 30, 2015

As filed with the Securities and Exchange Commission on April 30, 2015.

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

¨ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

R ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

¨ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-14732

COMPANHIA SIDERÚRGICA NACIONAL
(Exact Name of Registrant as Specified in its Charter)

NATIONAL STEEL COMPANY
(Translation of Registrant's name into English)

THE FEDERATIVE REPUBLIC OF BRAZIL
(Jurisdiction of incorporation or organization)

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(Address of principal executive offices)

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

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

_____

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

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

None

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

None

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

Common Shares, without par value.	1,358,974,147 common shares. For further information, see "Item 7A. Major Shareholders," "Item 9A. Offer and Listing Details" and "Item 10B. Memorandum and Articles of Association."

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

R **Yes** ¨**No**

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

¨**Yes** R**No**

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

R**Yes** ¨**No**

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

¨**Yes** ¨**No**

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

Large Accelerated Filer R **Accelerated Filer**¨ **Non-accelerated Filer** ¨

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

U.S. GAAP ¨ **Other** ¨

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

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

Item 17 ¨ **Item 18** ¨

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

¨ **Yes** R **No**

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Introduction

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

"we," "us," "our" or "CSN" are to Companhia Siderúrgica Nacional and its consolidated subsidiaries;

"Brazilian government" are to the federal government of the Federative Republic of Brazil;

"*real*," "*reais*" or "R$" are to Brazilian *reais*, the official currency of Brazil;

"U.S. dollars," "$," "U.S.$" or "USD" are to United States dollars;

"billions" are to thousands of millions, "km" are to kilometers, "m" are to meters, "mt" or "tons" are to metric tons, "mtpy" are metric tons per year and "MW" are to megawatts;

"TEUs" are to twenty-foot equivalent units;

"consolidated financial statements" are to the consolidated financial statements of Companhia Siderúrgica Nacional and its consolidated subsidiaries reported in International Financial Reporting Standards as issued by the IASB – IFRS as of December 31, 2013 and 2014 and for the years ended December 31, 2012, 2013 and 2014 together with the corresponding Reports of Independent Registered Public Accounting Firm;

"ADSs" are to CSN's American Depositary Shares and "ADRs" are to CSN's American Depositary Receipts; and

"Brazil" is to the Federative Republic of Brazil.

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Forward-Looking Statements

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

¨ general economic, political and business conditions in Brazil and abroad, especially in China, which is the largest world steel producer;

¨ the effects of the global financial markets and economic slowdowns;

¨ changes in competitive conditions and in the general level of demand and supply for our products;

¨ management's expectations and estimates concerning our future financial performance and financing plans;

¨ our level of debt;

¨ availability and price of raw materials;

¨ changes in international trade or international trade regulations;

¨ protectionist measures imposed by Brazil and other countries;

¨ our capital expenditure plans;

¨ inflation, interest rate levels and fluctuations in foreign exchange rates;

¨ our ability to develop and deliver our products on a timely basis;

¨ lack of infrastructure in Brazil;

¨ electricity and natural gas shortages and government responses to them;

¨ existing and future governmental regulation; and

¨ other risk factors as set forth under "Item 3D. Risk Factors."

The words "believe," "may," "will," "aim," "estimate," "forecast," "plan," "continue," "anticipate," "intend," "expect" and sim
intended to identify forward-looking statements. Forward-looking statements speak only as of the date they were made, and we undertake no obligation to publicly update or to revise any forward-looking statements after we distribute this annual report because of new information, future events or other factors. In light of the risks and

uncertainties described above, the forward-looking events and circumstances discussed in this annual report might not occur and are not an indication of future performance. As a result of various factors, such as those risks described in "Item 3D. Risk Factors," undue reliance should not be placed on these forward-looking statements.

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Presentation of Financial and Other Information

Our consolidated financial statements as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012 contained in "Item 18. Financial Statements" have been presented in thousands of *reais* (R$) and prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). See Note 2(a) to our consolidated financial statements.

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

PART I

Item 1. Identity of Directors, Senior Management and Advisors

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

3A. Selected Financial Data

We present in this section the summary financial and operating data derived from our audited consolidated financial statements as of and for the year ended December 31, 2014, 2013, 2012, 2011 and 2010.

The consolidated financial statements included in this annual report have been prepared in accordance with IFRS, as issued by the IASB, presented in *real*. However, we have translated some of the *real* amounts contained in this annual report into U.S. dollars for the convenience of readers outside of Brazil. The rate used to translate such amounts in respect of the year ended December 31, 2014 was R$2.656 to U.S.$1.00, which was the commercial rate for the purchase of U.S. dollars in effect as of December 31, 2014, as reported by the Central Bank of Brazil, or the Central Bank. The U.S. dollar equivalent information presented in this annual report is provided solely for the convenience of investors and should not be construed as implying that the *real* amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate. See "Exchange Rates" for more detailed information regarding the translation of *reais* into U.S. dollars.

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Summary and Financial Data

The following tables present summary historical consolidated financial and operating data for us for each of the periods indicated. Solely for the convenience of the reader, *real* amounts as of and for the year ended December 31, 2014 have been translated into U.S. dollars at the commercial market rate in effect as of December 31, 2014 as reported by the Central Bank of R$2.656 to U.S.$1.00. The selected financial data below should be read in conjunction with "Item 5. Operating and Financial Review and Prospects."

We have applied, beginning January 1, 2013, IFRS 10 - Consolidated Financial Statements, which establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more entities, and IFRS 11 - Joint Arrangements, which requires a new valuation of joint arrangements, focusing on the rights and obligations of the arrangement, instead of its legal form. The amendments provide additional transition relief, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. We applied this transition relief as described above with respect to the adoption of IFRS 10 and IFRS 11. The financial statements as of and for the year ended December 31, 2012 have been restated for the effects of the retrospective adoption of these new standards. Our financial statements as of and for the year ended December 31, 2011 remain unchanged and as disclosed previously. The selected financial data for the years ended December 31, 2011, and 2010 have not been retrospectively adjusted and, as a result, are not comparable with the information as of and for the years ended December 31, 2014, 2013 and 2012.

		Year Ended December 31,				
Income Statement Data:	**2014**	**2014**	**2013**	**2012**	**2011**	**2010**
	(in million of US$, except per share data)	*(in million of R$, except per share data)*				
Net operating revenues	**6,072**	**16,126**	**17,312**	**15,229**	**16,520**	**14,451**
Cost of sales and/or services	(4,365)	(11,592)	(12,423)	(11,259)	(9,801)	(7,883)
Gross Profit	**1,707**	**4,534**	**4,889**	**3,970**	**6,719**	**6,568**
Operating expenses						
Selling	(392)	(1,042)	(875)	(774)	(604)	(482)
General and administrative	(165)	(438)	(486)	(468)	(576)	(537)
Equity in results of affiliated companies	125	331	158	642	0	0
Other operating expenses	(247)	(657)	(1,134)	(2,763)	(501)	(599)
Other operating income	34	90	567	111	719	49
Total	**(646)**	**(1,716)**	**(1,770)**	**(3,252)**	**(962)**	**(1,569)**
Operating income	**1,061**	**2,818**	**3,120**	**719**	**5,757**	**4,998**
Financial results						
Financial income	65	172	171	391	717	643
Financial expenses	(1,225)	(3,253)	(2,683)	(2,543)	(2,723)	(2,555)
Income before taxes	**(99)**	**(263)**	**608**	**(1,433)**	**3,751**	**3,087**
Income taxes						

Current	(199)	(528)	(1,291)	(322)	(136)	(363)
Deferred	256	679	1,217	1,275	52	(207)
Total	**57**	**151**	**(74)**	**953**	**(84)**	**(570)**
Net income (loss) for the year	**(42)**	**(112)**	**534**	**(481)**	**3,667**	**2,516**
Net (loss) income attributable to noncontrolling interest	**(3)**	**(7)**	**25**	**(61)**	**(39)**	**-**
Net (loss) income attributable to Companhia Siderúrgica Nacional	**(40)**	**(105)**	**509**	**(421)**	**3.706**	**2,516**
Basic (loss) earnings per common share	-0.02802	-0.0744	0.34913	- 0.28815	2.54191	1.72594
Diluted (loss) earnings per common share	-0.02802	-0.0744	0.34913	- 0.28815	2.54191	1.72594

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	As of December 31,					
Balance Sheet Data:	**2014**	**2014**	**2013**	**2012**	**2011[2]**	**2010[2]**
	(in million of US$)			*(in million of R$)*		
Current assets	6,000	15,936	16,403	19,099	21,945	15,794
Investments	5,145	13,665	13,487	10,840	2,088	2,104
Property, plant and equipment	5,883	15,624	14,911	18,520	17,377	13,777
Other assets	1,710	4,542	5,602	4,825	5,460	6,38
Total assets	**18,738**	**49,767**	**50,403**	**53,284**	**46,870**	**38,055**
Current liabilities	2,396	6,363	5,564	6,551	6,497	4,456
Non -current liabilities	14,183	37,669	36,770	37,725	31,956	25,776
Shareholders' equity	2,159	5,735	8,069	9,008	8,417	7,823
Total liabilities and Shareholders' equity	**18,738**	**49,767**	**50,403**	**53,284**	**46,870**	**38,055**
Paid-in capital (in millions of *reais*)	1,709	4,540	4,540	4,540	1,681	1,681
Common shares (million of shares)	1,388	1,388	1,457	1,457	1,457	1,457
Dividends declared and interest on Shareholders' equity (in millions of *shares*)[1]	264	700	800	300	1,200	1,856
Dividends declared and interest on Shareholders' equity per common share (in *reais*)[1]	0.19	0.50	0.55	0.21	0.82	1.27

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

(2) The selected financial data as of and for the years ended December 31, 2011 and 2010 have not been retrospectively adjusted for the effects of the adoption of IFRS 10 and 11 as permitted by the transition guidance related to these standards.

(3) In 2013, the financial statement was substantially impacted by the deconsolidation of Transordestina Logística S.A. which began to be recognized under the equity accounting method, due to the partial spin-off and the entry into effect of the new shareholders'agreement. For further information, see Other operating income (expenses) included in Item 5A. Operating Results.

Exchange Rates

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

The Central Bank has intervened occasionally to mitigate volatility in foreign exchange rates. We cannot predict whether the Central Bank or the Brazilian government will continue to allow the *real* to float freely or will intervene in the exchange rate market through a currency band system or otherwise. The *real* may depreciate or appreciate against the U.S. dollar substantially.

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

Year ended	Low	High	Average [(1)]	Period-end
December 31, 2010	1.655	1.881	1.759	1.666
December 31, 2011	1.535	1.902	1.675	1.876
December 31, 2012	1.702	2.112	1.955	2.044
December 31, 2013	1.953	2.446	2.161	2.343
December 31, 2014	2.197	2.740	2.355	2.656

Month ended	Low	High	Average	Period-end
October 2014	2.391	2.534	2.448	2.444
November 2014	2.484	2.614	2.548	2.560
December 2014	2.561	2.740	2.639	2.656
January 2015	2.575	2.711	2.634	2.662
February 2015	2.689	2.881	2.816	2.878
March 2015	2.865	3.268	3.139	3.207
April 2015 (through April 28, 2015)	2.894	3.156	3.052	2.894

Source: Central Bank.

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

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

3B. Capitalization and Indebtedness

Not applicable.

3C. Reasons for the Offer and Use of Proceeds

Not applicable.

3D. Risk Factors

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

Risks Relating to Brazil

The Brazilian government exercises significant influence over the Brazilian economy. This influence, as well as Brazilian political and economic conditions, could materially and adversely affect us.

The Brazilian government frequently intervenes in the Brazilian economy and occasionally makes significant changes in policy and regulation. See "—Government efforts to combat inflation may hinder the growth of the Brazilian economy and could harm us" and "Item 5A. Operating Results—Brazilian Macro-Economic Scenario, Effects of Exchange Rate Fluctuations." The Brazilian government's actions, policies and regulations have involved, among other measures, increases in interest rates, changes in tax policies, price controls, currency devaluations, capital controls and limits on imports. Our business, financial condition and results of operations may be adversely affected by political, social, and economic developments in or affecting Brazil, and by changes in policy or regulations at the federal, state or municipal levels involving or affecting factors such as:

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interest rates;

exchange controls;

currency fluctuations;

inflation;

price volatility of raw materials and our final products;

lack of infrastructure in Brazil;

energy and water supply shortages and rationing programs;

liquidity of the domestic capital and lending markets;

regulatory policy for the mining,steel, cement, logistic and energy industries;

environmental policies and regulations;

tax policies and regulations, including frequent changes in tax regulations that may result in uncertainties as to future taxation; and

other political, social and economic developments in or affecting Brazil.

Recent economic and political instability may lead to legislative or regulatory changes that could negatively affect us. In addition, such changes may also lead to further economic uncertainty and to heightened volatility and negative perception of the Brazilian securities markets which may adversely affect us and the trading price of our common shares.

Political crises and deadlock in Brazil have in the past affected and are currently affecting the development of the Brazilian economy and the trust of foreign investors, as well as the public in general. Recent popular unrest has led to large demonstrations in the past three years, with the Brazilian populace expressing growing dissatisfaction with the country's deteriorating political climate, corruption, mounting inflation, slow GDP growth and high interest rates.

Exchange rate instability may adversely affect us and the market price of our common shares and ADSs.

The Brazilian currency has long experienced frequent and substantial variations in relation to the U.S. dollar and other foreign currencies. For example, the real appreciated 11.8%, 8.7% and 17.2% against the U.S. dollar in 2005, 2006 and 2007, respectively. In 2008, as a result of the worsening global economic crisis, the real depreciated 32% against the U.S. dollar, closing at R$2.337 to U.S.$1.00 on December 31, 2008. For the years ended December 31, 2009 and 2010, amid robust GDP growth and a strong local economy the real appreciated 25.5% and 4.2%, respectively, against the U.S. dollar, closing at R$1.741 and R$1.666 to U.S.$1.00 on December 31, 2009 and 2010, respectively. Since 2011, the real depreciated against the U.S. dollar due to external and internal factors, closing at R$2.044, R$2.343 and R$2.656 to U.S.$1.00 on December 31, 2012, 2013 and 2014, respectively. On April 28, 2015 the exchange rate was R$2.894 per U.S.$1.00.

Depreciation of the *real* against major foreign currencies could create inflationary pressures in Brazil and contribute to Central Bank increases in interest rates, which could negatively affect us and the growth of the Brazilian economy, may curtail access to foreign financial markets and may prompt government intervention, which could include recessionary measures. Depreciation of the *real* can also, as in the context of an economic slowdown, lead to decreased consumer spending, deflationary pressures and reduced growth of the economy as a whole.

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On the other hand, appreciation of the *real* relative to major foreign currencies could lead to a deterioration of Brazilian foreign exchange current accounts, as well as affect export-driven growth. Depending on the circumstances, either depreciation or appreciation of the *real* could materially and adversely affect the growth of the Brazilian economy and us, as well as impact the U.S. dollar value of distributions and dividends on, and the U.S. dollar equivalent of the market price of, our common shares and our ADSs.

In the event the *real* depreciates in relation to the U.S. dollar, the cost in *reais* of our foreign currency-denominated borrowings and imports of raw materials, particularly coal and coke, will increase. On the other hand, if the *real* appreciates in relation to the U.S. dollar, it will cause *real*-denominated production costs to increase as a percentage of total production costs and cause our exports to be less competitive. We had total U.S. dollar-denominated or -linked indebtedness of R$13.742 million, or 45.84% of our total indebtedness, as of December 31, 2014.

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

Brazil has in the past experienced extremely high rates of inflation, which has led the government to pursue monetary policies that have contributed to one of the highest real interest rates in the world. Since the implementation of the *Real* Plan in 1994, the annual rate of inflation in Brazil has decreased significantly, as measured by the National Broad Consumer Price Index (*Índice Nacional de Preços ao Consumidor Amplo*, or IPCA). Inflation measured by the IPCA index was 5.8%, 5.9% and 6.4% in 2012, 2013 and 2014, respectively and the tendency is increasing inflation for 2015. Inflation and the Brazilian government's inflation containment measures, mainly through monetary policies, have had and may have significant effects on the Brazilian economy and our business. Tight monetary policies with high interest rates may restrict Brazil's growth and the availability of credit. Conversely, more lenient policies and interest rate decreases may trigger increases in inflation, with the consequent reaction of sudden and significant interest rate increases, which could negatively affect Brazilian economic growth and us. In addition, we may not be able to adjust the price of our products in the foreign markets to offset the effects of inflation in Brazil on our cost structure, given that most of our costs are incurred in *reais*.

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

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

Risks Relating to Us and the Industries in Which We Operate

We are exposed to substantial changes in the demand for steel and iron ore, which has a substantial impact in the prices of our products and may adversely affect our results of operations.

The steel and mining industries are highly cyclical, both in Brazil and abroad. The demand for steel and mining products and, thus, the financial condition and results of operations of companies in the steel and mining industries, including us, are generally affected by macroeconomic fluctuations in the world economy and the economies of steel-producing countries, including trends in the automotive, construction, home appliances and packaging industries, as well as other industries which rely on steel distributors. A worldwide recession, an extended period of below-trend

growth in developed countries or a slowdown in the emerging markets that are large consumers of our products (such as the domestic Brazilian market for our steel products and the Chinese market for iron ore) could sharply reduce demand for our products. In addition, flat steel competes with other materials that may be used as substitutes, such as aluminum (particularly in the automobile industry), cement, composites, glass, plastic and wood. Government regulatory initiatives mandating the use of such materials in lieu of steel, whether for environmental or other reasons, as well as the development of other new substitutes for steel products, could also significantly reduce market prices and demand for steel products and thereby reduce our cash flow and profitability. Any material decrease in demand for steel and iron ore in the domestic or export markets served by us could have a material adverse effect on us.

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Prices charged for iron ore are subject to volatility. International iron ore prices have been decreasing significantly and may have a negative impact on our revenues, cash flow, profitability, as well as result in a need to change the way we operate or in the suspension of certain of our projects and operations.

Our iron ore prices are based on a variety of pricing terms, which generally use market price indices as a basis for determining the customer price. Our prices and revenues for iron ore are consequently volatile, which may adversely affect our results of operations and cash flow. Average iron ore prices decreased 28%, from US$135/dmt in 2013 to US$97/dmt in 2014, according to the average Platts IODEX (62% Fe CFR China). On April 28, 2015, the index stood at US$59.25/dmt. A continuous decrease in the market prices for iron ore may result in a need to change the way we operate or, depending on the level of price decreases, even in the suspension of certain of our projects and operations and impairment of assets, which could adversely affect our financial position and results of operations.

Adverse economic conditions in China and an increase in global iron ore production capacity could have a negative impact on our revenues, cash flow and profitability.

China has been the main driver of global demand for minerals and metals over the last past years, effectively driving global prices for iron ore and steel. In 2014, China accounted for 69% of the global seaborne iron ore trade. The percentage of our iron ore sales volume consumed in China was 60% in 2014.

A contraction of China's economic growth could result in lower global demand for iron ore and steel and increase the global steel industry over-capacity, leading to lower revenues, cash flow and profitability. Poor performance in the Chinese real estate sector and low investments in infrastructure, two of the largest consumers of carbon steel in China, could also negatively impact our results.

In addition, the recent strategy of the major iron ore suppliers to maintain their production targets and planned capacity increases could have a material adverse effect on us and adversely affect our results of operations.

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

Revenues from our mining business represented 29%, 31% and 25% of our total net revenues in 2012, 2013 and 2014, respectively. Operating at significant idle capacity during periods of weak demand may expose us to higher unit production costs since a significant portion of our cost structure is fixed in the short-term due to the high capital intensity of mining operations. In addition, efforts to reduce costs during periods of weak demand could be limited by labor regulations or existing labor or government agreements.

Conversely, our ability to rapidly increase production capacity is limited, which could render us unable to fully satisfy demand for our iron ore. When demand exceeds our production capacity, we may meet excess customer demand by purchasing iron ore from unrelated parties and reselling it, which would increase our costs and narrow our operating margins. If we are unable to satisfy excess customer demand in this way, we may lose customers. In addition, operating close to full capacity may expose us to higher costs, including demurrage fees due to capacity restraints in our logistics systems.

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

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In 2014, raw material costs accounted for 52.6% of our total steel production costs. Our main raw materials include iron ore, coal, coke, limestone, dolomite, manganese, zinc, tin and aluminum. We depend on third parties for some of our raw material requirements, including importing all of the coal required to produce coke and approximately 42% of our coke requirements. In addition, we require significant amounts of energy, in the form of natural gas and electricity, to power our plants and equipment.

Any prolonged interruption in the supply of raw materials, natural gas, or electricity, or substantial increases in their prices, could materially and adversely affect us. These interruptions and price increases 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. Our inability to pass those cost increases on to our customers or to meet our customers' demands because of non-availability of key raw materials could also have a material and adverse effect on us.

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

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

The steel industry has historically suffered from structural over-capacity which has worsened due to a substantial increase in production capacity in the developing world and particularly in China and India, as well as other emerging markets. China is now, by far, the largest global steel producer and, in addition, Chinese and certain steel exporting countries have favorable conditions (excess steel capacity, undervalued currency or higher market prices for steel in markets outside of such countries), which can have a significant impact on steel prices in other markets. If we are not able to remain competitive in relation to China or other steel-producing countries, our results may be adversely affected in the future.

Since 2010, steel companies in Brazil have faced strong competition from imported products, mainly as a result of the global excess in steel production, reduction in demand for steel products in mature markets, the exchange rate appreciation and tax incentives in some of the main exporting countries. Despite Brazilian import duties to protect domestic producers, a substantial volume of steel products is still being imported. If the Brazilian Government does not act against cheaper subsidized steel imports and there is an increase in imports, our results of operations may be materially and adversely affected. Apart from direct steel imports, the Brazilian industry has also been facing competition from imported finished goods, which affects the whole steel chain.

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

In response to the increased production and export of steel by many countries, anti-dumping and countervailing duties and safeguard measures were imposed in the late 1990s and early 2000s by foreign governments representing the main markets for our exports. In 2011, both the anti-dumping duties imposed by Argentina and the anti-dumping and countervailing duties imposed by the United States were terminated. Restrictions imposed by Canada on imports of

hot-rolled products from Brazil remain in effect. In addition, technical or safety measures, such as those imposed by the European Union on imports of certain chemical substances contained in products used to protect and/or pack steel products, may be adopted and as a result create barriers to steel exports. The imposition of these and other protectionist measures by foreign countries may materially and adversely affect our export sales.

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Our activities depend on authorizations, concessions, permits and licenses. Changes of laws and regulations and government measures could adversely affect us.

Our activities are subject to governmental authorizations, concessions, licenses or permits, which include environmental licenses for our infrastructure projects and concessions, such as for our railways. Although we believe that such authorizations, concession, licenses and permits will be granted and/or renewed as and when requested, we cannot guarantee that we will be able to maintain, renew or obtain any required authorization, concession, license or permit, as well as that no additional requirement will be imposed in connection with such request. Authorizations, concessions, licenses or permits required for the development of our activities may require that we meet certain performance thresholds or completion milestones. In case we are unable to meet these thresholds or milestones, we may lose or not be able to obtain or renew such authorizations, concessions, licenses or permits. We also cannot guarantee that our controlled entities that hold concessions will timely comply with their obligations under any relevant Concession Agreement or in Terms of Undertaking (Termos de Ajustamento de Conduta), or TACs, entered into with governmental regulatory agencies. Any of these events may result in the loss or early termination of concessions, the restriction of access to public financing for the concession or the amortization of the public financing before a project begins to operate. The loss or inability to obtain and/or renew any authorization, concession, permit or license, or changes in the regulatory framework that we operate in, may materially and adversely affect us.

In addition, if laws and regulations applicable to these authorizations, concessions, permits or licenses change, modifications to our technologies and operations could be required, and we may need to make unexpected capital expenditures. These changes and additional costs may have a negative impact on the profitability of our projects or even make certain projects economically or otherwise unfeasible.

Our activities are also subject to governmental regulation in the form of taxes, charges and royalties, which can have an important financial impact on our operations. The Brazilian Congress is currently reviewing a bill that proposes significant changes to the Mineral Code, including a potential increase of the royalties (CFEM) charged for our mining activities. See “Item 4B. Business Overview–Government Regulation and Other Legal Matters–Brazil – Mining Regulation –Mineral Rights and Ownership.”

We have a level of indebtedness which could make it more difficult or expensive to refinance our maturing debt and /or incur new debt.

As of December 31, 2014, our total debt outstanding amounted to R$29,978 million, consisting of R$2,814 million of short-term debt and R$27,164 million of long-term debt. See “Item 5B. Liquidity and Capital Resources” and “Item 18. Financial Statements.” Although we had R$8,686 million of cash and cash equivalents as of December 31, 2014, our planned investments in all of our business segments will require a significant amount of cash over the course of 2015 and following years. See “Item 4D. Property, Plant and Equipment – Capital Expenditures – Planned Investments.”

The level of our indebtedness could affect our credit rating and ability to obtain any necessary financing in the future and increase our cost of borrowing. In addition, our level of indebtedness could make us more vulnerable in the event of a downturn in our business. In these and other circumstances, servicing our indebtedness may use a substantial portion of our cash flow from operations, which could adversely affect our financial condition and results of operations and make it more difficult for us to make payments of dividends and other distributions to our shareholders, including the holders of our ADSs as well as to fund our operations and capital expenditures necessary for the maintenance and expansion of our business activities.

Malfunctioning equipment or accidents on our premises, railways or ports may decrease or interrupt production, internal logistics or distribution of our products.

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

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Our insurance policies may not be sufficient to cover all our losses

We maintain several types of insurance policies, in line with the risk management of our businesses, which attempt to follow industry market practices for similar activities. Coverage in such policies encompasses domestic and international (import and export) cargo transportation (road, rail, sea or air), life insurance, personal accidents, health, auto insurance, D&O, general liability, erection risks, boiler and machinery coverage, trade credit insurance, surety, named perils, ports and terminal liabilities. We also have an operational risks policy for the Presidente Vargas Steelworks and some of our branches and subsidiaries for a total insured value of U.S.$ 600 million out of a total risk amount of U.S.$ 16.2 billion. Under the terms of this policy we remain responsible for the first U.S.$ 375 million in losses (material damages and loss of profits). The coverage obtained in these insurance policies may not be sufficient to cover all risks we are exposed to. Additionally, we may not be able to successfully contract or renew our insurance policies in terms satisfactory to us. The occurrence of one or more of these events may adversely affect our financial position.

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

We are investing to further increase our steel, mining and cement production capacity, as well as our logistics capabilities. See “Item 4D. Property, Plant and Equipment—Capital Expenditures—Planned Investments”. These projects are subject to a number of risks that may adversely affect our growth prospects and profitability, including the following:

we may encounter delays, availability problems or higher than expected costs in obtaining the necessary equipment, services and materials to build and operate a project;

our efforts to develop projects according to schedule may be hampered by a lack of infrastructure, including availability of overburden and waste disposal areas as well as reliable power and water supplies;

we may fail to obtain, lose, or experience delays or higher than expected costs in obtaining or renewing the required permits, authorizations, licenses, concessions and/or regulatory approvals to build or continue a project; and

changes in market conditions, laws or regulations may make a project less profitable than expected or economically or otherwise unfeasible.

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

Current, new or more stringent environmental, safety and health regulations imposed on us may result in increased liabilities and increased capital expenditures.

Our steel making, mining, cement, energy and logistics facilities are subject to a broad range of laws, regulations and permit requirements in Brazil relating mainly to the protection of health, safety and the environment.

Brazilian pollution standards are expected to continue to change, including the introduction of new effluent and air emission standards, water management and solid waste-handling regulations, wildlife maintenance regulations, restrictions on business expansions, native forest preservation requirements and the obligation to create privately owned conservation areas (Reserva Particular do Patrimônio Natural), or RPPNs, as an environmental compensation for industrial and mining expansion projects. The Brazilian government has adopted a decree under the national policy for climate change (*Política Nacional de Mudanças Climáticas*) that contemplates a 5% reduction in carbon emissions projected for 2020 for the industrial sector (including steel making and cement sectors) and an action plan for the

sector is being developed by a technical committee composed of representatives from the government, industry associations and academia. The target reduction for the mining sector is yet to be established. In addition, the state of Rio de Janeiro, through its State Environmental Agency (*Instituto Estadual do Ambiente*), or INEA, issued a law that requires steel making and cement facilities to present action plans to reduce greenhouse gas emissions when renewing or applying for operational licenses. The federal government has also established a national policy for solid waste (*Política Nacional de Resíduos Sólidos*), which provides for more strict guidelines for solid waste management and industry targets for reverse logistics as part of the environmental licensing process. Finally, a new regulatory framework for mining operations is currently being developed by the Department of Geology, Mining and Mineral Processing from the Ministry of Mines and Energy, which may impose stricter regulations on our mining operations, including requests for environmental recovery of areas and investments for the granting of mining concessions.

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New or more stringent environmental, safety and health standards imposed on us could require us to make increased capital expenditures, create additional legal preservation areas in our properties, or make modifications in operating practices or projects. As a result, the amount and timing of future environmental and related expenditures may vary substantially from those currently anticipated. These additional costs may also have a negative impact on the profitability of the projects we intend to implement or may make such projects economically unfeasible. We 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 us to clean up or retrofit our facilities at substantial costs and/or could result in substantial liabilities. Environmental legislation restrictions imposed by foreign markets to which we export our products may also materially and adversely affect our export sales and us.

In addition, we may be requested to enter into TACs with Brazilian regulators and agencies that require us to minimize or eliminate the risk of environmental impacts in the areas where we operate. If we are unable to comply with a TAC in a timely manner, we may be exposed to penalties, such as fines, revocation of permits, or closure of facilities. See “Item 4B. Government Regulation and Other Legal Matters – Environmental Expenditures and Claims and Item 8A – Financial Information – Consolidated Statements and Other Financial Information – Legal Proceedings”.

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

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

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

We currently operate parts of our business through joint ventures and consortia with other companies. We have, among others, established a joint venture with an Asian consortium at our 60% joint controlled investee Nacional Minérios S.A., or Namisa, to mine iron ore; a joint venture with other Brazilian steel and mining companies at MRS Logística S.A., or MRS, to explore railway transportation in the Southeastern region of Brazil, a joint venture with certain Brazilian governmental entities at Transnordestina Logística S.A., or TLSA, to explore railway transportation in the Northeastern region of Brazil a joint venture with Tractebel Energia S.A. and Cia. de Cimento Itambé at Itá Energética S.A., or ITASA, to produce electricity, and a consortium with Vale S.A., Votorantim Metais Zinco S.A., CEMIG Geração e Transmissão S.A. and Anglo Gold Ashant Córrego do Sítio Mineração S.A. at Igarapava Hydroelectric Power Plant to produce electricity.

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

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Our mineral reserve estimates may materially differ from the mineral quantities that we may be able to actually recover; our estimates of mine life may prove inaccurate; market price fluctuations and changes in operating and capital costs may render certain ore reserves uneconomical to mine; and we may face rising extraction costs or investment requirements over time as our reserves deplete.

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

In addition, reserves are gradually depleted in the ordinary course of our exploration activities. As mining progresses, distances to the primary crusher and to waste deposits becomes longer and pits become steeper. Also, for some types of reserves, mineralization grade decreases and hardness increases at increased depths. As a result, over time we may experience rising unit extraction costs with respect to each mine, or we may need to make additional investments, including adaptation or construction of processing plants and expansion or construction of tailing dams. Our exploration programs may also fail to result in the expansion or replacement of reserves depleted by current production. If we do not enhance existing reserves or develop new operations, we may not be able to sustain our current level of production beyond the remaining lives of our existing mines. See “Item 4B—Business Overview—Our Mining Segment—Mineral Reserves”.

Drilling and production risks could adversely affect the mining process.

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

establish mineral reserves through drilling;

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

obtain environmental and other licenses;

construct mining, processing facilities and infrastructure required for greenfield properties; and

obtain the ore or extract the minerals from the ore.

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

Natural and other disasters could disrupt our operations.

Our business and operating results could be negatively impacted by social, technical and/or physical risks such as flooding, fire, power loss, loss or reduction of water supply, leakages, accidents, as well as telecommunications and information technology system failures. For example, flooding in Australia at the end of 2010 affected global coal supply and consequently increased our raw material costs. In addition, heavy rainfall in the Southeast Region of Brazil, as well as power and water supply shortages and rationing programs could affect our operations and consequently our revenues. Such events could affect our ability to conduct our business operations and, as a result, reduce our operating results and materially and adversely affect us.

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

From time to time, we may evaluate acquisition opportunities that would strategically fit our business objectives. If we are unable to complete acquisitions, or integrate successfully and develop these businesses to realize revenue growth and cost savings, our financial results could be adversely affected. Acquisitions also pose the risk that we may be exposed to successor liability involving an acquired company. Due diligence conducted in connection with an acquisition, and any contractual guarantees or indemnities that we receive, may not be sufficient to protect us from, or compensate us for, actual liabilities. A material liability associated with an acquisition, such as labor or environmental liability, could adversely affect our reputation and financial performance and reduce the benefits of the acquisition.

In addition, we may incur asset impairment charges related to acquisitions, which may reduce our profitability. Our acquisition activities may also present financial, managerial and operational risks, including diversion of management attention from existing core businesses, difficulties integrating or separating personnel, financial and other systems, failure to achieve the operational benefits that were anticipated at the time of the transaction, adverse effects on existing business relationships with suppliers and customers, inaccurate estimates of fair value made in the accounting for acquisitions and amortization of acquired intangible assets which would reduce future reported earnings, potential loss of customers or key employees of acquired businesses, and indemnities and potential disputes with the buyers or sellers. Finally, proposed acquisitions may also be subject to review from the competition authorities of the countries involved in the transaction, which may approve such transaction, approve such transaction with restrictions, including the divestment of assets, or reject it. Any of these activities or adverse regulatory decisions could negatively affect our reputation, product sales, financial condition and/or results of operations.

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

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

We are exposed to the risk of litigation

We are currently and may in the future be a party to legal proceedings and claims. For some of these legal proceedings and claims, we have not established any provision on our balance sheet or have only established provisions for part of the amounts in question, based on our external counsel’s judgment as to the likelihood of an outcome favorable to us.

Although we are contesting such proceedings and claims, the outcome of each specific proceeding and claim is uncertain and may result in obligations that could materially and adversely affect our business and the value of our shares and ADSs. See “Item 8A. Consolidated Statements and Other Financial Information—Legal Proceedings” for additional information.

Risks Relating to our Common Shares and ADSs

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

Our controlling shareholder has the power to, among other things, elect a majority of our directors and determine the outcome of any action requiring shareholder approval, including transactions with related parties, corporate reorganizations, acquisitions, dispositions, the destination and diversification of our investments, and the timing and payment of any future dividends, subject to minimum dividend payment requirements imposed under Brazilian Corporate Law. Our controlling shareholder may have an interest in pursuing acquisitions, dispositions, financings or similar transactions that could conflict with your interests as a holder of our common shares and ADSs. For a description of our ownership structure, see “Item 7A. Major Shareholders”.

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

As an ADS holder, you benefit from the electronic certificate of foreign capital registration obtained by the custodian for our common shares underlying the ADSs in Brazil, which allows the custodian to convert dividends and other distributions with respect to the common shares into non-Brazilian currency and remit the proceeds abroad. If you surrender your ADSs and withdraw common shares, you will be entitled to continue to rely on the custodian's electronic certificate of foreign capital registration for only five business days from the date of withdrawal. Thereafter, upon the disposition of, or distributions relating to, the common shares, you will not be able to remit abroad non-Brazilian currency unless you obtain your own electronic certificate of foreign capital registration or you qualify under Brazilian foreign investment regulations that entitle some foreign investors to buy and sell shares on Brazilian stock exchanges without obtaining separate electronic certificates of foreign capital registration. If you do not qualify under the foreign investment regulations you will generally be subject to less favorable tax treatment of dividends and distributions on, and the proceeds from any sale of, our common shares. For more information regarding exchange controls, see "Item 10.D. Exchange Controls". If you seek to obtain your own electronic certificate of foreign capital registration, you may incur expenses or suffer delays in the application process, which could delay your ability to receive dividends or distributions relating to our common shares or the return of your capital in a timely manner. The depositary's electronic certificate of foreign capital registration may also be adversely affected by future legislative changes.

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

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

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

Investing in securities that trade in emerging markets, such as Brazil, often involves greater risk than investing in securities of issuers in the United States, and such investments are generally considered to be more speculative in nature. The Brazilian securities market is substantially smaller, less liquid, more concentrated and can be more volatile than major securities markets in the United States. The ten largest companies in terms of market capitalization represented 50.7% of the total market capitalization of the BM&FBOVESPA as of December 31, 2014. The top ten stocks in terms of trading volume accounted for 47.2%, 36.9% and 43.0% of all shares traded on the BM&FBOVESPA in 2014, 2013 and 2012, respectively. Accordingly, although you are entitled to withdraw the common shares underlying the ADSs from the depositary at any time, your ability to sell the common shares underlying the ADSs at a price and time at which you wish to do so may be substantially limited.

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

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We may not be able to offer our common shares to U.S. holders of ADSs pursuant to preemptive rights granted to holders of our common shares in connection with any future issuance of our common shares unless a registration statement under the Securities Act is effective with respect to such common shares and preemptive rights, or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement relating to preemptive rights with respect to our common shares or to undertake steps that may be needed to find exemptions from registration available, and we cannot assure you that we will file any such registration statement or take any such steps. If such a registration statement is not filed and an exemption from registration does not exist, The JP Morgan Chase Bank, N.A., as depositary, may attempt to sell the preemptive rights, and you will be entitled to receive the proceeds of such sale. However, these preemptive rights will expire if the depositary does not sell them, and U.S. holders of ADSs will not realize any value from the granting of such preemptive rights. For a more complete description of preemptive rights with respect to the underlying shares, see "Item 10B. Memorandum and Articles of Association—Preemptive Rights".

Item 4. Information on the Company

4A. History and Development of the Company

History

Companhia Siderúrgica Nacional is a Brazilian corporation (*sociedade por ações*) incorporated in 1941 pursuant to a decree of the Brazilian president at the time, Getúlio Vargas. The Presidente Vargas Steelworks, located in the city of Volta Redonda, in the state of Rio de Janeiro, started the production of coke, pig iron and steel products in 1946. Also in 1946, we incorporated both the Casa de Pedra Mine, located in Congonhas, Minas Gerais, and the Arcos Mine, located in Arcos, Minas Gerais. The Casa de Pedra Mine assures us self-sufficiency in iron ore, whereas the Arcos Mine meets all our needs for flux, limestone and dolomite.

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

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

In 2007, CSN started to sell iron ore in the seaborne market. We are now an important exporter of iron ore, drawing from our high quality iron ore reserves in the Casa de Pedra and Namisa mines, located in the state of Minas Gerais. We also own the concession to operate the Terminal de Carvão, or TECAR, the solid bulks terminal, located in Itaguaí Port in the state of Rio de Janeiro, through which we export iron ore and import coal and coke.

In 2009, we entered the cement market with our first grinding mill, next to the Presidente Vargas Steel Mill in Volta Redonda, Rio de Janeiro, taking advantage of the synergies with our steel business.

In order to diversify our product portfolio, we entered in the long steel market in 2012, with the acquisition of Stahlwerk Thüringen Gmbh, or SWT, a long steel manufacturer located in Unterwellenborn, Germany.

In addition, a new plant for production of long steel products has been installed at Volta Redonda and started assisted operations in December 2013. The plant consists of an electric arc steelmaking furnace, continuous casting for billets and a hot rolling mill for round section long products. We expect this plant, which is in a ramp up process, to reach 500,000 t/year when fully operational, providing the domestic market with products for civil construction.

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General

We operate throughout the entire steel production chain, from the mining of iron ore to the production and sale of a diversified range of high value-added steel products. We divide our business into five segments: steel, mining, cement, logistics and energy businesses.

Steel

In our flat steel segment, we are an almost fully integrated steelmaker. Presidente Vargas Steelworks produce a broad line of steel products, including slabs, hot- and cold-rolled, galvanized and tin mill products for the distribution, packaging, automotive, home appliance and construction industries.

Our current annual crude steel capacity and rolled product capacity at the Presidente Vargas Steelworks is 5.6 million and 5.1 million tons, respectively. In 2014 production of crude steel remained stable when compared with 2013, while the production of rolled steel products decreased 6% when compared to 2013.

Our production process is based on the integrated steelworks concept. Below is a brief summary of the steel making process at our Presidente Vargas Steelworks:

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

We currently obtain all of our iron ore, limestone and dolomite requirements, and a portion of our tin requirements from our own mines. Using imported coal, we produce approximately 42% of our coke requirements at current production levels in our own coke batteries at Volta Redonda. Imported coal is also pulverized and used directly in the pig iron production process. Zinc, manganese ore, aluminum and a portion of our tin requirements are purchased in local markets. Our steel production and distribution processes also require water, industrial gases, electricity, rail and road transportation, and port facilities.

In addition to the production of flat steel, we entered into the long steel segment, with the acquisition of Stahlwerk Thüringen Gmbh (SWT) in 2012 for €483.4 million. SWT is a long steel producer in Germany with annual production capacity of approximately 1.1 million tons of steel sections.

We also completed a new plant for production of long steel products in Volta Redonda, in December 2013. The plant consists of an electric arc steelmaking furnace, continuous casting for billets and a hot rolling mill for round section long products – wire rod and rebar. We expect this plant to reach 500,000 t/year output when fully operational, providing the domestic market with products for civil construction.

Mining Activities

We own a number of high quality iron ore mines, all located within Brazil's Iron Ore Quadrangle (*Quadrilátero Ferrífero*), in the state of Minas Gerais, including the Casa de Pedra mine, located in Congonhas, and the mines and mining rights pertaining to our jointly controlled investee, Namisa, which includes the Fernandinho mines, located in Itabirito, the Engenho mines, located in Congonhas, the Cayman mining rights, located in Rio Acima, and the Pedras

Pretas mining rights, located in Congonhas. Our mining assets also include our cargo terminal in Port of Itaguaí, or TECAR, the Bocaina mines, located in Arcos, in the state of Minas Gerais, which produces dolomite and limestone, and Estanho de Rondônia S.A., or ERSA, located in Ariquemes, in the state of Rondônia, which mines and casts tin.

Logistics

Our verticalization strategy and intense synergies among our business units are strongly dependent on the logistics needed to guarantee the transportation of the inputs at a low operating cost. A number of railways and port terminals make up the logistics system integrating our mining, steelmaking and cement units.

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We manage two port terminals at Itaguaí, in Rio de Janeiro, one for bulk solids (TECAR) and one for containers (Sepetiba Tecon).

We also have interests in three railways: we share control in MRS Logística S.A., which operates the former Southeast System of the Federal Railway System, along the Rio de Janeiro-São Paulo-Belo Horizonte axis; we also have an interest in jointly controlled investee Transnordestina Logística S.A., or TLSA; and we control Ferrovia Transnordestina Logística S.A, or FTL, which operates the former Northeastern Railway System or RFFSA.

Cement

We entered the cement market in May 2009, driven by the high synergy with our steelmaking business. This segment takes advantage of the slag generated by our blast furnaces and of our limestone reserves, located in the city of Arcos, in the state of Minas Gerais. Limestone is used to produce clinker. Clinker and slag are the main inputs in cement production.

We plan to increase our market share in the cement segment in Brazil in order to diversify our product mix and markets, reducing risks and adding value for our shareholders.

Energy

Steelmaking requires significant amounts of electricity to power rolling mills, production lines, hot metal processing, coking plants and auxiliary units. In 2014, our Presidente Vargas Steelworks consumed approximately 3.08 million MWh of electric energy.

Our main source of electricity is our thermoelectric co-generation power plant at the Presidente Vargas Steelworks, which is fueled by the waste gases from the steel production process, with 235.2 MW installed capacity. In addition, we have a 29.5% interest in the Itá Hydroelectric Power Plant in Santa Catarina, through a 48.75% equity interest in ITASA, and a 17.9% interest in the Igarapava Hydroelectric Power Plant in Minas Gerais, from which we have ensured energy of 167 MW average and 23 MW average, respectively. These three plants give CSN an average generation capacity of 425 MW, supplying the group's total need for power. In 2014, we installed a new turbine generator at the Presidente Vargas Steelworks, which adds 21 MW to our existing installed capacity. This turbine is located near our Blast Furnace No. 3, using the outlet gases from the iron making process to generate energy.

Other Information

CSN's legal and commercial name is Companhia Siderúrgica Nacional. CSN is organized for an unlimited period of time under the laws of the Federative Republic of Brazil. Our head offices are located at Av. Brigadeiro Faria Lima, 3400, 19th and 20th floors and 15th floor - part, Itaim Bibi, São Paulo, Brazil, CEP 04538-132, and our telephone number is +55-11-3049-7100. CSN's agent for service of process in the United States is CT Corporation, with offices at 111 Eighth Avenue, New York, New York 10011.

4B. Business Overview

Competitive Strengths

We believe that we have the following competitive strengths:

Integrated business model. We are an almost fully integrated steelmaker. This is due to our captive sources of raw materials, principally iron ore, and our owned infrastructure, such as railways and deep-sea water port facilities. We own a number of high quality iron ore mines, all located within Brazil's Iron Ore Quadrangle (*Quadrilátero Ferrífero*), in the State of Minas Gerais, distinguishing us from our main competitors in Brazil which purchase their iron ore from mining companies such as Vale S.A., or Vale. In addition to our iron ore reserves, we have captive dolomite and limestone mines that supply our Presidente Vargas Steelworks. See "—Our mining segment" and "Item 4D—Property Plant and Equipment."

Profitable mining business. We have in recent years invested significantly in our mining business, placing CSN in a prominent position among the country's leading mining firms. In a first expansion phase, we are investing to increase Casa de Pedra's production capacity to 40 million tons per year and we expanded the iron ore shipment capacity of TECAR to 45 million tons in 2013.

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The Company has high-quality iron ore reserves in the Casa de Pedra and Namisa mines (Engenho and Fernandinho), all located in Minas Gerais. Our mining activities provide strong revenue generation. We sold 18.6 million tons in 2010, 23.8 million tons in 2011, 20.2 million tons in 2012, 21.5 million tons in 2013 and 25.2 million tons in 2014 (taking into account our proportional interest in Namisa throughout this period). The company's mining assets also include TECAR with a capacity for 45 mtpy, located in Itaguaí Port (RJ), Mineração Bocaina, located in Arcos (MG), which produces dolomite and limestone and ERSA, which mines and casts tin.

Thoroughly developed transport infrastructure. We have a thoroughly developed transport infrastructure, connecting our iron ore mine to our steel mill and to our ports. The Presidente Vargas Steelworks facility is located next to railway and port systems, facilitating the supply of raw materials, the shipment of our production and easy access to our principal clients. Our steelworks are close to the main steel consumer centers in Brazil, with easy access to port facilities and railway. The concession for the main railway we use and operate is owned by MRS, a company in which we hold a 33.27% ownership interest. The railway connects our Casa de Pedra mine to the Presidente Vargas Steelworks and to our terminals at Itaguaí Port, which handles our iron exports and most of our steel exports. Since we obtained the concession to operate MRS railway, in 1996, we have significantly improved its tracks and developed its business, with increased cash generation. We also own concessions to operate two deep-sea water terminals through which we export our products, and import coal and small amounts of coke, the only important raw materials that we need to purchase from third parties.

Self-sufficiency in energy generation. We are self-sufficient in energy, through our interests in the hydroelectric plants of Itá and Igarapava, as well as our own thermoelectric plant inside the Presidente Vargas Steelworks. We also sell the excess energy we generate in the energy market. Our 256 MW thermoelectric cogeneration plant provides the Presidente Vargas Steelworks with approximately 60% of its energy needs for its steel mills, using as its primary fuel the waste gases generated by our coke ovens, blast furnaces and steel processing facilities. We hold a 29.5% stake in the Itá Hydroelectric Power Plant, in Santa Catarina. This ownership grants us an assured energy of 167 MW, proportional to our interests in the project, pursuant to 30-year power purchase agreements at a fixed price per megawatt hour, adjusted annually for inflation. In addition, we own 17.9% of the Igarapava hydroelectric plant, with 210 MW fully installed capacity. We have been using part of our 23 MW of assured energy from Igarapava to supply energy to the Casa de Pedra and Arcos mines.

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

Diverse product portfolio and product mix. We have a diversified flat steel product mix that includes hot-rolled, cold-rolled, galvanized and steel tin mill products, in order to meet a wide range of customer needs across all steel consuming industries. We focus on selling high-margin products, such as tin-coated, pre-painted, galvalume and galvanized products. Our galvanized products provide material for exposed auto parts, using hot-dip galvanized steel and laser-welded blanks. Our CSN Paraná branch provides us with additional capacity to produce high-quality galvanized, galvalume and pre-painted steel products for the construction and home appliance industries. In addition, our distribution subsidiary, Prada, provides a strong sales channel in the domestic market, enabling us to meet demand from smaller customers, thus creating an important presence in this market.

Strong presence in domestic market and strategic international exposure for steel products. We have a strong presence in the domestic market for steel products, representing 72% of our steel sales in the domestic market. In addition, we use our subsidiaries CSN LLC and Lusosider as sales channels for our flat steel products in the United States and in Europe, which accounted for approximately 25% of our total sales in 2014. Direct exports accounted for

3% of our total sales in 2014. In 2012 we acquired SWT, a long steel producer in Germany with annual production capacity of approximately 1.1 million tons of steel profiles, strengthening our steel products mix and geographical diversification. In 2014, SWT accounted for 14% of our total sales.

Strategies

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

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The strategy for our steel business involves:

A focus on the domestic market, by increasing market share in the flat steel segment and entering into the long steel market;

Geographical diversification through our flat and long steel facilities abroad. We also intend to increase our exports, mainly to the United States;

The constant pursuit of operational excellence, by developing and implementing cost reduction projects (e.g. energy efficiency) and programs (e.g. internal logistic optimization, project development and implementation disciplines);

An emphasis on high margin coated steel products, such as galvanized, pre-painted and tin plate;

Exploring synergies by using our flat steel distribution network and product portfolio to accelerate entrance into the domestic long steel market; and

Increasing market share by expanding our services and distribution network.

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

Mining

In order to strengthen our position in the iron ore market, we plan to expand our mining assets, Casa de Pedra and Namisa, and search for investment opportunities, primarily in mines in operation or in an advanced stage of development.

In a first expansion phase, we are investing to increase Casa de Pedra’s production capacity to 40 million tons per year.

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

Logistics

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

We intend to continue to improve the delivery of our products in the domestic market (mainly steel and cement), with low cost and efficiency by integrating and increasing the use of rail transportation, and by providing more distribution centers.

In addition to investments in TECAR we completed the expansion project in TECON at Itaguaí Port in 2014. The project aims to equalize the Berth 301, thereby turning it into a continuous pier. We expect the project to enable us to operate large vessels simultaneously, increasing the terminal’s capacity to 440,000 containers.

In terms of railways, the Transnordestina Logística project is being developed to explore a logistic potential through terminals and regional cargo, focusing on iron ore, agricultural commodities, gypsum and fuel. We also plan to invest in increasing our efficiency and capacity in the south of Brazil through our interest in MRS.

On September 20, 2013 we entered into an investment agreement with our partners in TLSA, Valec Engenharia, Construções e Ferrovias S.A. and Fundo de Desenvolvimento do Nordeste – FDNE, two Brazilian federal government entities focused on infrastructure and the development of the northeastern region, to implement the partial spin-off of TLSA. The operation was part of a business reorganization and resulted in the segregation of the assets of the Northeastern railway system into two systems: (i) Railway System I, operated by FTL, comprising the stretches between the cities of São Luís – Mucuripe, Arrojado – Recife, Itabaiana – Cabedelo, Paula Cavalcante – Macau and Propiá – Jorge Lins and (ii) the Railway System II, operated by TLSA, comprising the stretches between Missão Velha – Salgueiro, Salgueiro – Trindade, Trindade – Eliseu Martins, Salgueiro – Porto de Suape and Missão Velha – Porto de Pecém.

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As a result of the partial spin-off and the subsequent entry into effect of the new shareholders' agreement, control of TLSA is now shared with other shareholders, who have veto rights over certain important corporate decisions. As a result, we ceased to consolidate TLSA and began recognizing it in accordance with the equity accounting method. See "Item 4B. Business—Our Logistics Segment—Railways—Northeastern Railway System."

Cement

Our cement business strategy involves the utilization of the limestone reserves in our Arcos mine and the slag generated by our blast furnaces in our cement plant in Volta Redonda, inaugurated in 2009, with capacity to produce 2.4 million tons per year. In 2011, we began producing clinker in the Arcos plant with the aim of reducing our production costs. We intend to expand our cement production capacity to 5.4 million tons per year over the next few years. We expect that the additional 3.0 million tons per year capacity will come from a new plant that will be integrated with a grinding unit and clinker furnace using limestone from our own mine in Arcos. For information on planned investments relating to our cement activities, see "Item 4D. Property, Plant and Equipment – Capital Expenditures – Planned Investments."

Additional Investments

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

Our Steel Segment

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

Flat Steel

The following chart reflects our flat steel production cycle in general terms.

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

Slabs

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

Hot-Rolled Products

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

construction industry.

Cold-Rolled Products

Cold-rolled products include cold-rolled coils and sheets. A cold-rolled product, as defined by Brazilian standards, is a flat cold-rolled steel coil or sheet with thickness ranging from 0.30 millimeters to 3.00 millimeters.Cold-rolled products have more uniform thickness and better surface quality when compared to hot-rolled products and their main applications are automotive parts, home appliances and construction. We supply cold-rolled coils in thicknesses of between 0.30 millimeters and 2.99 millimeters.

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Galvanized Products

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

automobiles, trucks and bus bodies;

manufactured products for the construction industry, such as panels for roofing and siding, dry wall and roofing support frames, doors, windows, fences and light structural components;

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

culverts, garbage containers and other receptacles;

storage tanks, grain bins and agricultural equipment;

panels and sign panels; and

pre-painted parts.

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

We produce *Galvanew*® in addition to the standard galvanized products. This product is produced by an additional annealing cycle just after the zinc hot-dip coating process. This annealing process causes iron to diffuse from the base steel into the zinc coating. The resulting iron-zinc alloy coating allows better welding and paint performance. The combination of these qualities makes our *Galvanew*® product particularly well suited for manufacturing automobile and home appliance parts including high gloss exposed parts.

At CSN Paraná, one of our branches, we produce *Galvalume*®, a continuous Al-Zn coated material. Although the production process is similar to the hot-dip galvanized coating, *Galvalume*® has at least twice the corrosion resistance of standard galvanized steel. *Galvalume*® is primarily used in outdoor construction applications that may be exposed to severe acid corrosion, like marine uses.

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

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

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Tin Mill Products

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

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

Tin free steel - coated on both sides with a very thin metallic chromium layer plus a chromium oxide layer, covered with a protective oil film;

Low tin coated steel - coated on both sides with a thin metallic tin layer plus a thicker chromium oxide layer, covered with a protective oil film; and

Black plate - uncoated product used as the starting material for the coated tin mill products.

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

Production Process

The main raw materials used in flat production in an integrated steelworks are iron ores, coals, coke, and fluxes such as limestone and dolomite. The iron ore consumed at the Presidente Vargas Steelworks is extracted, crushed, classified, screened (treatment process) and transported by railway from our Casa de Pedra mine, located in the city of Congonhas, in the State of Minas Gerais, 328 km away from the Presidente Vargas Steelworks. The high quality ores mined and sized at Casa de Pedra, with an iron content of approximately 60%, and its low extraction costs are major contributors to our low steel production costs.

We import all the hard coking coals required for coke production and PCI coals for the blast furnace process, due to the lack of hard coking and PCI coals with the appropriate quality in Brazil. The hard coking coals are then charged in coke batteries to produce coke through a distillation process. See “—Raw Materials and Suppliers—Raw Materials and Energy Requirements.” This coal distillation process also produces coke oven gas as a byproduct, which we use as a main source of fuel for our thermoelectric co-generation power plant. After being screened, coke is transported to blast furnaces, where it is used as a combustion source and also as a component to transform iron ore to hot metal. In 2014, we produced approximately 58% of our coke needs and imported the balance compared to 59% in 2013.

At sintering plants, fine-sized iron ore and coke breeze or other fine-sized solid fuels are mixed with fluxes (limestone and dolomite) to produce sinter. The sinter,,lump iron ore, iron ore pellets (which are 100% acquired in the domestic market), fluxing materials and coke are then loaded into our two operational blast furnaces for smelting. We operate a pulverized coal injection facility, or PCI, which allows to inject low-cost pulverized coals directly into the blast furnaces, replacing approximately one-third of the total coke demand.

The iron ore and iron ore pellets are reduced to pig iron through successive chemical reactions with carbon monoxide (from the coke and PCI coal) at the blast furnaces, which operate 24 hours a day. The iron and iron ore pellets are gradually reduced, then melts and flows downward. Impurities are separated from the hot metal to form a liquid slag

with the loaded fluxes (limestone and dolomite). From time to time, hot metal (white-hot liquid iron) and slag are drained from the bottom of the furnace. Slag (containing melted impurities) is granulated and used to produce cement.

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

In the hot rolling process, reheated slabs from the continuous casting machines are fed into hot strip mills to reduce the thickness of the slabs from 250 millimeters to a range of between 1.2 and 12.7 millimeters. At the end of the hot strip mill, the long, thin steel strip from each slab is coiled and conveyed to a cooling yard. Some hot-rolled coils are dispatched directly to customers in the as-rolled condition. Others are further processed at the pickling lines, in a hydrochloric bath, to remove surface oxides and improve surface quality. After pickling, the hot-rolled coils selected to produce thinner materials are sent to be rolled at cold strip mills. CSN has three cold strip mills, one of which was revamped in September 2011, adding 150,000 tons per year to CSN's cold rolling capacity. The better surface characteristics of cold-rolled products enhance their value to customers when compared to hot-rolled products. Additional processing related to cold-rolling may further improve surface quality. Following cold-rolling, coils may be annealed, coated (by hot dip galvanizing or electrolytic tinning process) and painted, to enhance medium-and long-term anti-corrosion performance and also to add characteristics that will broaden the range of steel utilization. Coated steel products have higher profit margins than bare steel products. Of our coated steel products, tin mill and galvanized products are our highest margin products.

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

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

The operational unit - responsible for steel production operations, repair shops, in-plant railway, and process development at our Presidente Vargas Steelworks; and

The support unit - responsible for production planning, management of product stockyards, energy and utility facilities and work force safety assistance at the Presidente Vargas Steelworks.

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

Quality Management System

We maintain a Quality Management System that is certified to be in compliance with the International Standardization Organization ISO 9001 standard and the automotive industry's Technical Specification ISO/TS 16949. Our Quality Management System has maintained certification of compliance to ISO 9000 standards since March 1993, when we were awarded the ISO 9002 certificate of compliance and in April 1996 when we were awarded the ISO 9001 certificate of compliance for the manufacture of our steel products. To attend the requirements of the automotive industry, we were awarded certification of compliance to QS 9000 standards in April 1998. In June 2004, we made the transition from the QS 9000 standard and were awarded the automotive industry's Technical Specification ISO/TS

16949. The most recent renewal to the ISO 9001:2008 version, awarded in August 2014, is for the design and manufacture of slabs, blooms, billets, hot rolled flat, pickled and oiled, cold rolled and galvanized steel, tin mill products and long steel products. In 2014, we were awarded the ISO/TS 16949:2009, third edition, for the manufacture of hot-rolled flat , pickled and oiled steel products, cold-rolled and galvanized steel products.

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Production Output

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

Crude Steel Production	**Brazil**	**CSN**	**CSN % of Brazil**
	(In millions of tons)		
2014	33.9	4.5	13.3%
2013	34.2	4.5	13.2%
2012	34.7	4.8	13.8%
2011	35.2	4.9	13.9%
2010	32.8	4.9	14.9%
2009	26.5	4.4	16.6%

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

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

Certain Operating Statistics

	2014 (In millions of tons)	**2013** (In millions of tons)	**2012** (In millions of tons)
Production of:			
Iron Ore *	21.65	15.4	19.8
Molten Steel	4.6	4.6	5.0
Crude Steel	4.5	4.5	4.9
Hot-Rolled Coils and Sheets	4.8	5.0	4.8
Cold-Rolled Coils and Sheets	2.5	2.7	2.6
Galvanized Products	1.6	1.5	1.2
Tin Mill Products	0.6	0.7	0.5
Consumption of Coal for Coke Batteries	1.6	1.5	1.9
Consumption of Coal for PCI	0.6	0.6	0.7

*Casa de Pedra

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Raw Materials and Suppliers

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

Raw Materials and Energy Requirements

In the first half of 2011, prices of the main raw materials used by CSN continuously increased due to unbalanced global supply and demand. In the second half of 2011, prices decreased, mainly due to the worsening of the European crisis.

In the first nine months of 2012, prices of the main raw materials used by CSN continued to fall due to the global crisis in the steel market caused mainly by the decline in China's growth rates and the European crisis. In the fourth quarter of 2012, prices increased, mainly due to the restocking of Chinese mills in preparation for the winter and Chinese holidays.

In 2013 and 2014, coal and coke prices continued decreasing. These commodity segments are highly concentrated in the hands of a few global players and there can be no assurance that price increases will not be imposed on steel producers in the future.

Iron Ore

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

Coal

In 2014, our metallurgical coal consumption totaled 2.2 million tons. Metallurgical coal includes coking coal and PCI coal, which is a lower grade coal injected into the blast furnaces, in a pulverized form, to reduce coke consumption. The PCI system reduces CSN's need for imported coke, thus reducing production costs. The total PCI coal consumption in 2014 totaled 0.6 million tons, all imported. The sources of the hard coking coal consumed in our plants in 2014 were as follows: USA (54.0%), Australia (40.0%) and Canada (6.0%) and for PCI: Russia (65.0%), Australia (35.0%).

During 2014, CSN's coking coal and PCI coal costs decreased when compared to 2012 and 2013. The quarterly benchmark price for metallurgical coal began its drop and ended the year at its lowest price (US$143.00) since 2010. The deals for the first quarter of 2014 were US$42.00/mt higher than for the fourth quarter of 2013. The previous lowest settlement amount had been for the fiscal year 2009, when it was priced at US$129.00/mt.

Coke

In 2014, in addition to the approximately 1.2 million tons of coke we produced, we also consumed 0.7 million tons of coke bought from third parties in China, Colombia and India, a decrease of 7.6% as compared to our consumption in 2013, due to an output recovery after the conclusion of first part of a revamping project in our coke plants, which will last through the next few years.

The demand for coke has been increasing significantly since 2002 because China, a major player in the sea-borne trade, has increased its internal consumption and adopted restrictive export quotas. In addition, India has become a major consumer of coke, considerably increasing its imports in the past years. In the last two years, China reduced its domestic consumption growth rate, which led to a partial relaxation of the worldwide supply-demand balance of metallurgical coke. In 2014, Chinese coke prices continued decreasing.

Limestone and Dolomite

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

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The annual production of limestone and dolomite for our steelworks is approximately 2.4 million tons.

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

- Limestone and dolomite calcination: with a granulometry between 32 and 76 mm, they are used in the lime plant in Volta Redonda to produce calcitic and dolomitic lime, for further use in the steelmaking process and sintering. At the steelworks, lime is used for chemical controlling of liquid slag, in order to preserve the refractory of the converters and assist in the stabilization of the chemical reactions that occur during the steel manufacturing process. During sintering, the purpose of lime is to increase the performance of this process and the final quality of the sinter that is produced.

- Limestone and dolomite fines for sintering: used in the production of “sinter”, in our steelworks. The sintering process mixes and heats together with fine ores, solid fuel and flux, producing a highly reactive granulated burden. The sinter is used in blast furnaces as the main source of iron for the production of pig iron.

Beginning in 2009, with our entry into the cement market, the mine in Arcos also became responsible for supplying limestone for cement manufacturing in Volta Redonda.

Aluminum, Zinc and Tin

Aluminum is mostly used for steelmaking. Zinc and tin are important raw materials used in the production of certain higher-value steel products, such as galvanized and tin plate, respectively. We typically purchase aluminum, zinc and tin from third-party domestic suppliers under one year contracts. Specifically in relation to tin, we purchase part of our demand from CSN’s subsidiary ERSA. We maintain approximately 17, 16 and 25 days inventory of tin, aluminum and zinc, respectively, at the Presidente Vargas Steelworks.

Other Raw Materials

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

We also consume significant amounts of oxygen, nitrogen, hydrogen, argon and other gases at the Presidente Vargas Steelworks. These gases are supplied by a third-party under a long-term contract from its gas production facilities located on the Presidente Vargas Steelworks site. In 2014, we used 691,000 tons of oxygen to produce 4.5 million tons of crude steel.

Water

Large amounts of water are also required in the production of steel. Water serves as a solvent, a catalyst and a cleaning agent. It is also used to cool, to carry away waste, to help produce and distribute heat and power, and to dilute liquids. Our source of water is the Paraíba do Sul River, which runs through the city of Volta Redonda. Over 92% of the water used in the steelmaking process is recirculated and the balance, after careful processing, is returned to the Paraíba do Sul River. Since March 2003, the Brazilian government has imposed a monthly tax for our use of water from the Paraíba do Sul River, based on an annual fee of approximately R$ 2.4 million.

Electricity

Steelmaking requires significant amounts of electricity to power rolling mills, production lines, hot metal processing, coking plants and auxiliary units. In 2014, our Presidente Vargas Steelworks consumed approximately 3.08 million MWh of electric energy.

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Our main source of electricity is our thermoelectric co-generation power plant at the Presidente Vargas Steelworks, which is fueled by the waste gases from the steel production process, with 235.2 MW installed capacity. In addition, we have a 29.5% interest in the Itá Hydroelectric Power Plant in Santa Catarina, through a 48.75% equity interest in ITASA, and a 17.9% interest in the Igarapava Hydroelectric Power Plant in Minas Gerais, from which we have ensured energy of 167 MW average and 23 MW average, respectively. These three plants give CSN an average generation capacity of 425 MW, supplying the group's total need for power. In 2014, we installed a new turbine generator at the Presidente Vargas Steelworks, which adds 21 MW to our existing installed capacity. This turbine is located near our Blast Furnace No. 3, using the outlet gases from the iron making process to generate energy.

Natural Gas

In addition to electricity, we consume natural gas, mainly in our hot strip mill. Companhia Estadual de Gás do Rio de Janeiro S.A., or CEG Rio, which was privatized in 1997, is currently our major source of natural gas. Variations in the supply of gas can affect the level of steel production. We have not experienced any significant stoppages of production due to a shortage of natural gas. We also purchase fuel oil from Petrobras and Raízen. In 2014, the Presidente Vargas Steelworks consumed 546 million m^3 of natural gas.

The market for natural gas is strongly correlated with the electricity market. Brazilian electricity generation is based principally on hydroelectric power, itself dependent on the level of Brazil's reservoirs. As a contingency against low levels of rainfall, there are several thermoelectric power plants which use natural gas. Due to low levels of rainfall in 2013 and 2014, reservoirs reached their lowest level in the past ten years; consequently the Brazilian Electricity System Operator (Operador Nacional do Sistema Elétrico), or ONS, increased the utilization of thermoelectric generation.

Diesel Oil

In mid-October 2006 and July 2008, we entered into agreements with Companhia Brasileira de Petróleo Ipiranga, or Ipiranga, to receive diesel oil in order to supply our equipment in our mining plants in the state of Minas Gerais, which provide the iron ore, dolomite and limestone used in our steel plant in Volta Redonda. In 2014, our consumption totaled 74,914 kiloliters of diesel oil, used to produce 21.65 million tons of iron ore, for which we paid US$53.6 million or R$151.5 million.

Suppliers

We acquire the inputs necessary for the production of our products in Brazil and abroad, with aluminum, zinc, tin, spare parts, refractory bricks, lubricants, oxygen, nitrogen, hydrogen and argon being the main inputs acquired in Brazil. Coal and coke are the only inputs acquired abroad. In 2014 we consumed 431,000 tons of third party slabs.

Our main raw materials suppliers are set forth below:

Main Suppliers	**Raw Material**
Açominas and CSA	Slabs
Walters Energy, Rio Tinto Coal, Alpha Resources, Carbo One Limited and Teck Coal	Coal

CI Milpa, ThyssenKrupp, Sinochen and Coeclerici	Coke
Ibrame, Latasa, Chanceller and Alumbras	Aluminum
Votorantim Metais [1]	Zinc
White Solder, ERSA and Melt Metais e Ligas SA	Tin
Sotreq, Ecolab, Veyance, MB Komatsu, GE, Minas Máquinas, Metso and Mason	Spare parts
Magnesita, RHI and Saint Gobain	Refractory bricks
Daido, Ipiranga, BR Distribuidora and Quaker	Lubricants

(1) We depend on Votorantim Metais as it is the only supplier of zinc in Brazil

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Flat Steel Mill

The Presidente Vargas Steelworks, located in the city of Volta Redonda, in the State of Rio de Janeiro, began operating in 1946. It is an integrated facility covering approximately 4.0 square km and containing five coke batteries (three of which are currently in operation), three sinter plants, two blast furnaces, a basic oxygen furnace steel shop, or BOF shop, with three converters, three continuous casting units, one hot strip mill, three cold strip mills, two continuous pickling lines, one continuous annealing line, 28 batch annealing furnaces, three continuous galvanizing lines, four continuous annealing lines exclusively for tin mill products and six electrolytic tinning lines.

Our major operational units and corresponding effective capacities as of December 31, 2014, including CSN LLC and Lusosider, are set forth in the following chart:

Effective Capacity

	Tons per year	**Equipment in operation**
Process:		
Coking plant	1,680,000	3 batteries
Sintering plant	6,930,000	3 machines
Blast furnace	5,380,000	2 furnaces
BOF shop	5,750,000	3 converters
Continuous casting	5,600,000	3 casters
Finished Products:		
Hot strip mill	5,100,000	1 mill
Cold strip mill	4,700,000	6 mills
Galvanizing line	2,095,000	7 lines
Electrolytic tinning line	1,030,000	6 lines

Downstream Facilities

CSN Paraná

Our CSN Paraná branch produces and supplies plain regular galvanized, Galvalume® and pre-painted steel products for the automotive, construction and home appliance industries. The plant has an annual capacity of 330,000 tons of galvanized products and Galvalume® products, 130,000 tons of pre-painted products, which can use cold-rolled or galvanized steel as substrate, 150,000 tons of sheets and narrow strips, and 220,000 tons of pickled hot-rolled coils in excess of the coils required for the coating process.

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CSN Porto Real

Our CSN Porto Real branch produces and supplies plain regular galvanized, Galvanew® and tailored blanks mainly for the automotive industry. The plant has an annual capacity of 350,000 tons of galvanized products, including Galvanew® products, and 150,000 tons of tailored blanks, sheets and narrow strips, which can use cold-rolled or galvanized steel as a substrate.

Metalic

We have a 99.99% ownership interest in Cia. Metalic Nordeste, or Metalic. Metalic is one of the few two-piece steel can producers in all the Americas. It has approximately 12% of the packaging market for carbonated drinks in the Northeastern region of Brazil. Currently, we are Metalic's only supplier of the steel used to make two-piece cans. The development of drawn-and-wall-ironed steel for the production of two-piece cans is an important achievement in the production process at the Presidente Vargas Steelworks.

Prada

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

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

Companhia Siderurgica Nacional, LLC

CSN LLC holds the assets of former Heartland Steel, a flat steel processing facility in Terre Haute, Indiana. This facility has an annual cold rolling production capacity of 800,000 tons of full hard cold rolled coils. Delivery capacity of cold-rolled and galvanized products are 280,000 and 315,000 tons/year, respectively. Currently, CSN LLC is obtaining raw materials by buying hot rolled coils directly from mills in the United States or importing from mills abroad. See "Item 4B. Government Regulation and Other Legal Matters—Anti-Dumping Proceedings—United States" for a discussion about anti-dumping issues on Brazilian hot coils exports to the United States.

Lusosider, Aços Planos, S.A.

We own 99.94% of Lusosider, a flat steel processing facility located in Seixal, near Lisbon, Portugal. Lusosider has the capacity to produce and sell approximately 50,000 tons of hot-rolled pickled coils, 240,000 tons of galvanized

products and 50,000 tons of cold-rolled per year. Its main customers include service centers and tube making industries.

CSN Distribuição

We have two service centers, one located in the city of Camaçari, in the State of Bahia and one in the city of Jaboatão dos Guararapes, in the state of Pernambuco, to support sales in the Northeastern and North regions. There is also a Distribution Center in the city of Canoas, in the state of Rio Grande do Sul, to support sales in the South region of Brazil.

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Long Steel SWT

In February 2012, we acquired Stahlwerke Thuringen, or SWT, located in Unterwellenborn, Germany, which marked our entrance into the long steel market. SWT specializes in the production of profiles, including IPE (European I Beams) and HE (European Wide Flange Beams) sections, channels and UPE (Channels with Parallel Flanges) sections and steel sleepers. In total, more than 200 types of sections are produced according to different German and international standards.

The following chart reflects SWT's production cycle in general terms.

Production Process

Scrap arrives at the mill by rail or road. Two gantry cranes are used to transfer the scrap to a stockyard. Two remote-controlled diesel-hydraulically driven transfer wagons carry the recycled steel in containers, which also function as charging vessels to the melting shop.

The electric arc of the DC-furnace is generated between a graphite electrode and the bottom of the furnace, which functions as the anode. This energy, supplemented by natural gas/oxygen burners, is used to convert this material into molten steel.

After the smelting process, the molten metal is tapped into the ladle in a wagon, which is then positioned under the ladle furnace. The purpose of this process is to achieve the desired composition, by the addition of alloys, and the necessary final temperature of the steel. The ladle is then transported to the casting shop with the transport wagon and is elevated onto the turret that rotates it into the casting position. The tundish distributes the steel to four strands of water-cooled copper moulds that provide the desired beam blank shape. As soon as the strands pass through the moulds they undergo an intensive cooling process. After solidification is complete, the strands pass through guides which transport and straighten the strands out of the casting arc into the horizontal plane, where they are then cut into pieces of the required length with automatic flame-cutting torches. A transfer manipulator passes the beam blanks to the roller table of the rolling mill.

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The rolling mill provides facilities for both duo and universal rolling processes. In contrast to the continuous operation where the sections are rolled in strands arranged one after the other, in this reversing mill the section bar is run forwards and backwards in several passes through rolls that either have “grooves” or function according to the universal rolling principle.

The three stand assemblies in the rolling mill include, a break down stand coupled with a cropping saw, a tandem group and a finishing group. After having passed the finishing strand, the dimensional accuracy of the rolled section is measured using laser technology.

The next stage is the finishing department, where the sections, which can be up to 100m long, cool down on a walking beam cooling bed, before being straightened. The sections are then cut on a cold saw plant to lengths between 6m and 28m, as requested by customers.

Production Output

Certain Operating Statistics

	2014	2013	2012
	(In thousands of tons)		
Production of:			
Beam Blank (Crude Steel)	844	813	885*
Long Steel (Finished Products)	758	765	827*

*2012 operating figures cover SWT’s production during the full year of 2012. As we have consolidated SWT’s results as of February 2012, its 2012 production after this date was 812 thousand tons of beam blank and 755 thousand tons of long steel (finished products).

Raw Materials and Suppliers

Raw Materials and Energy Requirements

The main raw material we use in our long steel operation is scrap. In addition, our production operations consume electricity, natural and technical gases and ancillary materials like ferroalloys, lime, dolomite and foaming coal.

Scrap

During 2010 and 2011, prices for scrap continuously increased due to unbalanced supply and demand in Europe and increasing globalization of scrap trading worldwide. Prices in the European market were particularly affected by prices in Turkey and Asia. In 2013, the scrap average price decreased significantly until the middle of the year and after that the prices increased slightly. In 2014, our scrap consumption totaled approximately 1.0 million tons and accounted for nearly 66% of our production cost. We are able to obtain 70% of our scrap needs from within a 250 km vicinity.

Ferroalloys, lime and foaming coal

Because we do not own any sources of alloys, lime and foaming coal we have to buy these materials from traders. Our traders are located mostly in Europe and the materials come from different producers around the world.

Rolls

We consume different types of rolls in our rolling mill, usually cast rolls which come from Germany, Italy, Slovenia and China.

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Graphite electrodes

In the smelting shop (electric arc furnace), we use graphite electrodes with a diameter of 750mm and in the ladle furnace, we use electrodes with a diameter of 400mm. The electrodes come from Europe, Japan and China.

Other raw materials

In our production of steel we consume, on an annual basis, amounts of electrodes, rolls, refractory materials and materials for packaging and spare parts, which are mostly purchased from domestic suppliers.

Water

Large amounts of water are required in the production process. Our source of water is the Saale river, located 5 km from the plant. We use our own water station to pump water via pipelines to the plant.

Electricity and Natural Gas

Steelmaking also requires significant amounts of electricity and natural gas, for which we have supply contracts. Under normal conditions, we consume approximately 450 GWh of electric energy and an equal amount of natural gas.

Suppliers

We acquire the inputs necessary for the production of our products in Germany and other countries.

Our main raw materials suppliers are set forth below:

Main Suppliers	**Raw Material**
Scholz, TSR	Scrap
Verbund	Electric Energy
E.on Ruhrgas	Natural gas
RHI	Refractory
SGL, Graftec, NCK	Electrodes
Siemens, Schneider, Voith	Spare parts
Irle, Walzengießerei Coswig	Rolls

Facilities

SWT possesses a 28 km internal railway system, and the logistics infrastructure to ensure supply of scrap and delivery of finished products. Main markets served by SWT include: non-residential construction, equipment industries, engineering and transport, in Germany and neighboring countries, including Poland and the Czech Republic.

Effective Capacity

	Tons per year	Equipment in operation
Process:		
EAF – Electric Arc Furnace	1,100,000	1 furnace
Ladle Furnace	1,100,000	1 furnace
Finished Products:		
Section mill	1,000,000	1 mill

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Long Steel – Volta Redonda

Plant Characteristics

We completed a new plant for production of long steel products in Volta Redonda and started assisted operations in December 2013 and in 2014 we started ramping up the production process. The plant consists of a 50 mt electric arc steelmaking furnace, continuous casting for billets and a hot rolling mill for round section long products – wire rod and rebar. We expect this plant to reach 500,000 t/year output when fully operational, providing the domestic market with products for civil construction and high quality drawing and cold heading applications.

Steelmaking Shop

Designed for an output of 400,000 t/year, this unit has main process equipment which includes one 50 mt AC electric arc furnace, one 50t ladle furnace, one continuous casting machine for billets with three strands and auxiliary equipment.

Rolling Mill

Designed for an output of 500,000 t/year, this unit has one walking-beam reheating furnace, or RHF, a 4-stand blooming mill, a 250t hot shear, a 6-stand roughing mill, a 6-stand intermediate mill, a 6-stand pre-finishing mill, internal water cooling, a double length flying shear, a stepping cooling bed, a 500t cold shear, transfer inspection stand, bundling machine, a water-cooling section before wire finishing mill, a 10-stand high-speed wire finishing mill, a water-cooling section after wire finishing mill, a laying head, a loose coil cooling line, reforming device, bundling machine, stripper and coil handling devices.

Production Process - Rebar and Wire-rod

Steelmaking

The process of steelmaking begins with the arrival of scrap metal at our facilities by wagons and trucks. After being benefited, the scrap metal is destined for scrap bucket preparation in the yard. The scrap buckets are prepared based on the type of steel that will be manufactured in the steelmaking shop.

The scrap bucket mixed with pig iron is, with the help of a crane, brought to the electric arc furnace. After loading, the furnace begins the melting process, which involves the creation of steel through use of electrodes, burners and oxygen injectors. In the furnace, the scrap metal becomes liquid steel after reaching the appropriate temperature and is tapped into a previously prepared ladle.

During tapping, alloys are added to the liquid steel and the mixture is placed in a ladle furnace. In the ladle furnace, chemical composition corrections are made to the mixture. The ladle, containing the liquid steel is then brought to the continuous casting machine.

The liquid steel is then poured into a tundish where it is cast into the molds, beginning the process of solidification and transformation of steel in billets. After being solidified, the billets are cut into particular sizes according to the intended application.

Rolling Mill

The rolling mill is comprised of a blooming mill, a roughing mill, an intermediate mill, a pre-finishing mill and a wire finishing mill in order to reduce the steel thickness and make the thickness uniform. When using 250x250mm blooms cut from BOF slabs, the blooms will be moved by a chain shifting device, which has heat insulation, that brings the blooms to the delivery table in the blooming mill before they are rolled into transfer bar of 150x150mm and then cropped and divided by a 250t hot shear. Afterwards the transfer bars are sent by the heat retaining table and chain shifting device to the roughing mill. Then, in line with product requirements, for straight pieces the transfer bar will be fed into roughing mill, intermediate rolling mill and pre-finishing mills to be rolled continuously into straight thread rebar or round bar. In order to produce wires, the rolling piece leaving the pre-finishing mill will be fed into high-speed wire finishing mill where it is rolled into the desired wire coils.

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The production flow chart is showed below:

Production Output

Certain Operating Statistics

	2014 (In thousands of tons)
Production of:	
Billets (Crude Steel)	105
Long Steel (Finished Products)	93

Raw Materials and Energy Suppliers

The main raw material we use in our long steel operation in Volta Redonda is scrap, in addition to pig iron. We also use blooms, which we produce at our BOF shop. In addition, our production operations consume electricity, natural and technical gases and ancillary materials like ferroalloys, lime, dolomite and foaming coal. The supply sources for these materials are the same used for our flat steel operations. See “Item 4B—Raw Materials and Suppliers.”

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Our Mining Segment

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

Our Mines

Location, Access and Operation

Casa de Pedra

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

Casa de Pedra mine is a hematite-rich iron deposit of an early proterozoic banded iron formation in Brazil's Iron Ore Quadrangle (*Quadrilátero Ferrífero*), which is located in the central part of the State of Minas Gerais in the Southeastern region of Brazil and has been one of the most important iron producing regions in Brazil for the last 50 years. It has been incorporated to CSN in 1941, but has been in operation since 1913.

Our iron ore at Casa de Pedra is currently excavated by a fleet composed of Komatsu PC5500 and Caterpillar 6060 hydraulic shovels, wheel loaders (Caterpillar 994F, Caterpillar 994H, Komatsu WA1200 and LeTourneau 1850) and then hauled by a fleet of Terex Unit Rig MT3300AC (150 tons), Caterpillar 793D (240 tons), Caterpillar 793F (240 tons) and Terex Unit Rig MT4400AC (240 tons). This fleet has an installed annual ROM capacity of approximately 89 million tons.

The ore is then processed in our treatment facilities, which have an installed capacity of 21 million tons of products per year in the main plant and five million tons of products per year in the mobile plants. We use in Casa de Pedra electrical power provided by hydroelectric plants.

Casa de Pedra mine is wholly-owned by us and supplies all of our iron ore needs, producing lump ore, sinter feed and pellet feed fines with high iron content. The maps below illustrate the location of our Casa de Pedra mine:

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Namisa

We own additional iron ore assets through Namisa, our 60% jointly controlled entity, which acquired CFM (Companhia de Fomento Mineral e Participações) in July 2007. CFM was formed in 1996 with the purpose of utilizing and enhancing the ore treatment facilities of the Itacolomy mines, for the beneficiation of crude ore extracted from the Engenho mine.

The Engenho mine was incorporated into the Namisa mine in 2007, but its operations started in 1950. It is an open pit mine located at the Southwestern region of the Iron Ore Quadrangle, 60 km south of the city of Belo Horizonte and is accessible from the cities of Belo Horizonte or Congonhas through mostly paved roads. The map below illustrates the location of our Engenho mine:

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The excavated ore is processed in Pires treatment facilities, which have an installed capacity of 7 million tons of products per year. We use electrical power provided by hydroelectric plants in the Engenho mine and Pires Complex.

The Fernandinho mine, which we also hold through Namisa, is located in the city of Itabirito, in the State of Minas Gerais. This city is located in the Middle-East region of the State of Minas Gerais and approximately 40 km from the city of Belo Horizonte. Fernandinho is an open pit mine and is accessible from the cities of Belo Horizonte or Itabirito through mostly paved roads. The map below illustrates the location of our Fernandinho mine:

The Fernandinho mine was incorporated into Namisa in 2007, but operation had already started in 1950.

The ore is then processed in Fernandinho treatment facilities, which have an installed capacity of 750 thousand tons of products per year. We use electrical power provided by hydroelectric plants in the Fernandinho mine as well.

The map below shows the location of Casa de Pedra, Engenho and Fernandinho Mines:

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Limestone and Dolomite Mine

Our extraction and preparation of limestone and dolomite is done at our Bocaina mining facility located in the city of Arcos, in the State of Minas Gerais. The Bocaina mine is an open pit mine and it can be accessed from the cities of Belo Horizonte, located approximately 230 km away, and Volta Redonda (where the Presidente Vargas Steelworks is situated), located approximately 462 km away, through mostly paved roads.

The ore in this mine is excavated by a fleet wheel loaders (Caterpillar 990, Caterpillar 980 and Caterpillar 950 Gll) and excavators (Komatsu PC350LC-8) and then hauled by a fleet of Iveco Trakker 8 x 4 and Caterpillar 775 trucks.

This mining facility has an installed annual production capacity of approximately 4.0 million tons. We use electrical power provided by a hydroelectric plant in Arcos. This mining facility has sufficient limestone and dolomite reserves to adequately supply our steel production, at current levels, for 40 years.

The Bocaina mine is wholly-owned by us. The map below illustrates the location of this mine:

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Tin

We own a tin mine in Itapuã do Oeste, in the State of Rondônia, through our subsidiary Estanho de Rondônia S.A. (ERSA). This facility has an installed annual production capacity of approximately 3,600 tons of tin, which we use substantially as a raw material to produce tin plate, a coated steel product. A small part of our tin production that is not used as raw material is sold to third parties; however, the results from these sales are insignificant to our consolidated results.

Mineral Rights and Ownership

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

We hold concessions to mine iron ore, limestone and dolomite. We purchase manganese in the local market. Except for Namisa's mines, in which we have a 60% ownership interest, we own 100% of each of our mines. In addition, each mine is an "open pit" mine. Iron ore extraction, crushing, screening and concentration are done in three different

sites: Casa de Pedra (CSN's property), Pires Beneficiation Plant and Fernandinho Mine (both Namisa's property).

Casa de Pedra

Our mining rights for Casa de Pedra mine include the mine, a beneficiation plant, roads, a loading yard and a railway branch and are duly registered with the Brazilian Department of Mineral Production (*Departamento Nacional de Produção Mineral*), or DNPM. DNPM has also granted us easements in 19 mine areas located in the surrounding region, which are not currently part of Casa de Pedra mine.

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

Exploration undertaken at the Casa de Pedra mine is subject to mining lease restrictions, which were reflected in our iron ore reserve calculations. Quality requirements (chemical and physical) are the key "modifying factors" in the definition of ore reserves at Casa de Pedra and were properly accounted for by us.

Mineral Reserves

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

Mine	Type	Operating Since	Projected exhaustion date	CSN % interest
Iron:				
Casa de Pedra (Congonhas, Minas Gerais)	Open pit	1913	2040	100
Engenho (Congonhas, Minas Gerais)	Open pit	2007 (Start of operation by Namisa)	2040	60
Fernandinho (Itabirito, Minas Gerais)	Open pit	2007 (Start of operation by Namisa)	2039	60
Limestone and Dolomite:				
Bocaina (Arcos, Minas Gerais)	Open pit	1946	2055	100
Tin				
Santa Barbara (Itapuã do Oeste, Rondonia)	Open pit	1950	2054	100

The following table sets forth our estimates of proven and probable reserves and other mineral deposits at our mines reflecting the results of reserve studies. They have been calculated in accordance with the technical definitions contained in the SEC's Industry Guide 7, and estimates of mine life described herein are derived from such reserve estimates. In the case of the Engenho and Fernandinho mines, where we own 60% of interests, the mineralized materials disclosed are for the entire mine, and not just for our proportional interest in the mine.

In our most recent reserve audit conducted in 2014 by Snowden do Brasil Consultoria Ltda., or Snowden, the losses for mine dilution and mining recovery considered were 5% for each for boththe Casa de Pedra and Engenho mines.In 2014 we audited the reserves for Casa de Pedra and Engenho mines. We do not have resources/reserves studies for our Bocaina mine and only disclose mineralized materials for this property. As for our Santa Barbara mine we do not have reserve estimates and do not currently plan to begin campaigns to complete a study in connection with this property in light of its low materiality to our business.

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	Proven and Probable Reserves(1)				
Mine Name and Location	**Ore Tonnage(2) (millions of tons)**		**Grade(3)**	**Rock Type**	**Recoverable Product(4) (millions of tons)**
	Proven(5)	**Probable(6)**			
Iron:					
Casa de Pedra(Congonhas, Minas Gerais)	1,043	1,662	41.36% Fe	Hematite (7%) Itabirite (93%)	1,493
Engenho (Congonhas, Minas Gerais)	108	209	39.48%	Hematite (3%) Itabirite (97%)	163
Fernandinho (Itabirito, Minas Gerais)			40.21%	Itabirite (100%)	
Total Iron:					
Limestone and Dolomite:	**Proven(5)**	**Probable(6)**			
Bocaina (Arcos, Minas Gerais)	311	38	43.84%CaO 3.71%MgO	Limestone (89.3%) Dolomite (10.7%)	263

(1) Reserves means the part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. We do not have reserve audits for the Engenho and Fernandinho. The reserves for the Casa de Pedra mine were audited in 2006 and we have reduced the amount of proven reserves by our annual production since then.

(2) Represents ROM material.

(3) Grade is the proportion of metal or mineral present in ore or any other host material.

(4) Represents total product tonnage after mining and processing losses.

(5) Means reserves for which: (i) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling; and (ii) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well- established.

(6) Means reserves for which quantity and grade and /or quality are computed from information similar to that used for proven (measure) reserves, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven (measure) reserves, is high enough to assume continuity between points of observation.

The metallurgical recovery factor is the proportion of iron in the ore delivered to the processing plant that is recovered by the metallurgical process. In 2013, the metallurgical recovery factor obtained by Casa de Pedra concentration plant was 78%. That same factor was 66. 3% for the Engenho plant and 58.6% for the Fernandinho plant.

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The cutoff grade is the minimum ore percentage that determines which material will be fed in the processing plant. The cutoff grade value for Casa de Pedra and Engenho mines calculated in the audit conducted by Snowden in 2014 is 23.37%.

The prices used in the 2014 audit for the estimation of Casa de Pedra reserves, are shown in the following table. As shown, the product price we assumed to estimate our reserves, is based on expectations of an average long term price of US$90 per ton.

	Price for the three years prior to the audit (US$/t)			Long-term average (US$/t)
	2011	2012	2013	Assumption
Platts 62Fe CFR N.China ($/dmt)	169	130	135	90

Casa de Pedra

In 2012, we started a multi-year study of our iron ore reserves at Casa de Pedra. The study consists of two phases, the first of which we concluded in December 2014. Phase two will involve more drillings and more thorough knowledge of the deposit. Phase one includes all drillholes used until October 2013, and phase two includes all drillholes from October 2013 to the end of the drilling campaign in December 2014. Both phases of this new study of the iron ore reserves at the Casa de Pedra mine will be performed in accordance with best practices in the iron ore industry.

We conducted extensive work throughout 2014 to document and classify all information related to both the current and future operations of the Casa de Pedra mine. In 2014, we hired Snowden Group, to undertake an independent analysis of the Casa de Pedra iron ore reserves. Snowden carried out a full analysis of all available information and has independently validated our reported reserves.

Snowden accepts as appropriate the estimates regarding proven and probable reserves made by us, totaling 2,705 million tons of iron ore (as of December 31, 2014) at a grade of 41.70% Fe and 36.08% SiO2. This new estimate of our iron ore reserves at Casa de Pedra is significantly larger than our estimate of 1,631 million tons, contained in an appraisal report prepared in 2006 by Golder Associates S.A..

Over the course of the Casa de Pedra Mine's life, we have executed different drilling campaigns and, in total, we drilled 106,791 meters until October, 2013, when the first phase of the iron ore reserves report was concluded. The last completed campaign started in October of 2012 and ended in November of 2014. During the course of that campaign, we drilled 15,752.25 meters, used in this first phase of the reserves audit. We are extending our drilling campaign by an additional 17,539.40 meters, which we will use for phase two of the reserves audit to deepen our knowledge of the iron ore deposits at Casa de Pedra.

Namisa

In 2012, we started in Namisa the same process used in Casa de Pedra to identify iron ore reserves at the Engenho and Fernandinho mines in two phases.

We conducted extensive work throughout 2014 to document and classify all information related to both the current and future operations of the Engenho and Fernandinho mines. In 2014, we hired Snowden to conduct an independent analysis of the Engenho and Fernandinho iron ore reserves. Snowden carried out a full analysis of all available information and has independently validated our reported proven and probable reserves of 317 million tons of iron ore

in Engenho at grades of 39.48% Fe and 40.01% SiO2 as of December 31, 2014.

In 2008 and 2009, we extended our drilling campaign with an additional 5,179 meters at Engenho mine. In November 2012, we started a new drilling campaign with an additional 11,899 meters in the Engenho mine. For this phase, we used information from drillings performed up until October 2013. For Engenho we use 4,085 meters of this last campaign, totaling 9,264 meters to report in phase one. For phase two, which will include drillings performed until December 2014, we will use 7,814 meters in the Engenho mine.

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Production

Casa de Pedra

The Casa de Pedra facilities are located in the city of Congonhas, in the State of Minas Gerais. The Casa de Pedra mine is located 350 km from the Presidente Vargas Steelworks and supplies iron ore products to our steel mill, as well as for export through the Itaguaí Port. Casa de Pedra's equipment fleet and treatment facilities have an installed annual ROM capacity of approximately 100.0 million tons and 26 million tons, respectively. The 26 million tons capacity consists of 21 million tons capacity from the central plant and 5 million tons capacity from mobile plants.

Namisa

Namisa has two beneficiation plants: one is the Pires Plant, which receives material from our Engenho mine (located at the northern border of the Casa de Pedra mine) and the other is the Fernandinho Plant, which receives material from our Fernandinho mine (located in the city of Itabirito). The beneficiation plant at Pires also processes crude ore acquired from other companies, which along with its own ROM, generates final products such as: lump ore, small lump ore (hematitinha), sinter feed and concentrates. The beneficiation plant at Fernandinho generates sinter feed and fines as final products.

Namisa complements our strategy to be a world leading producer of high quality iron ore. Namisa remains fully integrated with our railway and port logistics corridor, through long-term contracts, which provide sufficient railway and port logistics capacity for Namisa's current and future production. Namisa is a leading company in iron ore mining and trading, with mining and processing operations in the State of Minas Gerais. Trading iron ore is obtained from small mining companies in the neighborhood and other trading companies.

The table below sets forth production of iron ore of our mines for the last three years:

Casa de Pedra (Mt)	**19.8**	**15.4**	**21.65**
Grade (%)	64.4%	63.8%	63.8%
Pires [(2)] (Mt)	**4.1**	**3.4**	**3.8**
Grade (%)	62.2%	61.6%	62.1%
Fernandinho[(2)] (Mt)	**0.5**	**0.6**	**0.6**
Grade (%)	57.4%	59.4%	59.5%

(1) In addition to its own production, Namisa also purchases iron ore from third parties. Third party purchase volumes totaled 9.3 million tons, 11.9 million tons and 8.3 million tons in 2012, 2013 and 2014, respectively. Casa de Pedra used mobile plants to add production in 2014.

(2) Production information considers 100% of the mines, not just our 60% interest.

Consolidated Sales (Mt)	**20.2**	**21.5**	**25.2**

Consolidated Net Revenue Per Unit (US$/t)	**97**	**98**	**64**

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(1) Consolidated sales consider our proportional 60% interest in Namisa.

Distribution

Transportation costs are a significant component of our steel and iron ore production costs and are a factor in our price-competitiveness in the export market. Railway is the main means of transport by which we convey raw materials from our mines to the Presidente Vargas Steelworks and steel and iron ore products to ports for shipment overseas. Iron ore, limestone and dolomite from our two mines located in the State of Minas Gerais are transported by railroad to the Presidente Vargas Steelworks for processing into steel. The distances from our mines to the Presidente Vargas Steelworks are 328 km and 455 km. The distances from our mines to the ports are 440 km and 160 km. Imported coal and coke bought from foreign suppliers are unloaded at the port of Itaguaí, 90 km west of the city of Rio de Janeiro, and shipped 109 km by train to the Presidente Vargas Steelworks. Our finished steel products are transported by train, truck and ships to our customers throughout Brazil and abroad. Our most important local markets are the cities of São Paulo (335 km from the Presidente Vargas Steelworks), Rio de Janeiro (120 km) and Belo Horizonte (429 km).

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

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

Brazil – mining regulation

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

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

Mining companies in Brazil can only prospect and mine pursuant to prospecting authorizations or mining concessions granted by the National Department of Mineral Production (*Departamento Nacional de Produção Mineral*), or DNPM, an agency of the Ministry of Mines and Energy of the Brazilian Government. DNPM grants prospecting authorizations to a requesting party for an initial period of one to three years. These authorizations are renewable at

DNPM's discretion for another period of one to three years, provided that the requesting party is able to show that the renewal is necessary for proper conclusion of prospecting activities. On-site prospecting activities must start within 60 days of official publication of the issuance of a prospecting authorization. Upon completion of prospecting activities and geological exploration at the site, the holder of the prospecting authorization must submit a final report to DNPM. If the geological exploration reveals the existence of a mineral deposit that is economically exploitable, the grantee has one year (which DNPM may extend) from approval of the report by DNPM to apply for a mining concession by submitting an economic exploitation plan or to transfer its right to apply for a mining concession to an unrelated party. When a mining concession is granted, the holder of such mining concession must begin on-site mining activities within six months. DNPM grants mining concessions for an indeterminate period of time lasting until the exhaustion of the mineral deposit. Extracted minerals that are specified in the concession belong to the holder of the concession. With the prior approval of DNPM, the holder of a mining concession can transfer it to an unrelated party that is qualified to own concessions. Under certain circumstances, mining concessions may be challenged by unrelated parties.

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Mining Concessions

Our iron ore mining activities at Casa de Pedra mine are performed based on *Manifesto de Mina*, which gives us full ownership over the mineral deposits existing within our property limits. Our iron ore mining activities at Engenho and Fernandinho mines are based on a concession by the Ministry of Mines and Energy, which grants us the right to exploit mineral resources from the mine for an indeterminate period of time lasting until the exhaustion of the mineral deposit. Our limestone and dolomite mining activities at the Bocaína mine and our tin mining activities at Ariquemes (ERSA mine) are based on concessions under similar conditions. For further information, see "Item 4D. Property, Plant and Equipment".

Mineral Rights and Ownership

Our mineral rights for Casa de Pedra mine include the mining concession, a beneficiation plant, roads, a loading yard and a railway branch, and are duly registered with the DNPM. We have also been granted by DNPM easements in 19 mine areas located in the surrounding region, which are not currently part of Casa de Pedra mine, with the purpose to expand our operations, and hold title to all of our proved and probable reserves.

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

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

The Brazilian government charges us a royalty known as the Financial Compensation for Exploiting Mineral Resources (*Compensação Financeira pela Exploração de Recursos Minerais*), or CFEM, on the revenues from the sale of minerals we extract, net of taxes, insurance costs and costs of transportation. DNPM is responsible for enacting regulations on CFEM and auditing the mining companies to ensure the proper payment of CFEM. The current annual rates are:

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

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

Our Logistics Segment

Our logistics segment is comprised of railway and port facilities.

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Railways

Southeastern Railway System

MRS has a 30-year concession to operate, through the year 2026 and renewable for an equal period of 30 years, Brazil's Southeastern railway system. As of December 31, 2014, we held 33.27% of MRS's total capital. For more information see "Item 5E. Off-Balance Sheet Arrangements". The Brazilian Southeastern railway system, with 1,643 km of track, serves the São Paulo - Rio de Janeiro - Belo Horizonte industrial triangle in Southeast Brazil, and links our mines located in the State of Minas Gerais to the ports located in the states of São Paulo and Rio de Janeiro and to the steel mills of CSN, Companhia Siderúrgica Paulista or Cosipa, and Gerdau Açominas. In addition to serving other customers, the railway transports iron ore from our mines at Casa de Pedra in the State of Minas Gerais and coke and coal from Itaguaí Port in the State of Rio de Janeiro to the Presidente Vargas Steelworks and transports our exports to the ports of Itaguaí and Rio de Janeiro. The railway system connects the Presidente Vargas Steelworks to the container terminal at Itaguaí Port, which handles most of our steel exports. Our transport volumes represent approximately 20% of the Brazilian Southeastern railway system's total volume. We are jointly and severally liable, along with the other main MRS's shareholders, for the full payment of the outstanding amount of its indebtedness (See "Item 5E. Off-Balance Sheet Arrangements"). However we expect that MRS will make the lease payments through internally generated funds and proceeds from financing.

Northeastern Railway System

We hold interest in companies that have concessions to operate the Northeastern railway system, which operates in the states of Maranhão, Piauí, Ceará, Paraíba, Pernambuco, Alagoas and Rio Grande do Norte and connects with the region's leading ports, offering an important competitive advantage through opportunities for intermodal transportation solutions and made-to-measure logistics projects. Resolution No. 4,042/2013 issued by the transportation regulatory agency (Agência Nacional de Transportes Terrestres), or ANTT, authorized the partial spin-off of TLSA and, as a result, the Northeastern railway system is currently divided into the Railway System I, operated by FTL, and the Railway System II, operated by TLSA.

As of December 31, 2014, we held 88.41% of the capital stock of FTL, which has a concession to operate the Railway System I (which encompasses the stretches between the cities of São Luís – Mucuripe, Arrojado – Recife, Itabaiana – Cabedelo, Paula Cavalcante – Macau and Propiá – Jorge Lins) of Brazil's Northeastern railway system until 2027, renewable for an additional 30 years. The Railway System I consists of 4,238 km of railways. As of December 31, 2014, R$91,5 million in concession payments was outstanding over the remaining 14 years of the concession.

As of December 31, 2014, we held 62.64% of the capital stock of TLSA, which has a concession to operate the Railway System II (which encompasses the stretches between Missão Velha – Salgueiro, Salgueiro – Trindade, Trindade – Eliseu Martins, Salgueiro – Porto de Suape and Missão Velha – Porto de Pecém) of Brazil's Northeastern railway system. Once concluded, the Railway System II will have an extension of 1,728 km of tracks that will connect the interior of Northeast Brazil to Pecém and Suape Ports. This concession was granted in 1997 and recently had its original term extended until the earlier of 2057 or the date when TLSA reaches a rate of annual return of 6.75% of its total investment with monetary adjustments. For more information, see "Item 5E. Off-Balance Sheet Arrangements."

Port Facilities

Solid Bulks Terminal

We hold a wide and modern logistics structure. As part of this structure, we own and operate TECAR through a lease agreement expiring in 2022, renewable for another 25 years at our option..

TECAR is connected to road and rail system across Southeastern Brazil and is one of the four port terminals that make up the Port of Itaguaí facilities. With a strategic location and a total area of 732,911 m², the terminal consists of a concrete molded berthing pier superposed on jacketed stilts connected to the mainland by an access bridge perpendicular to the berthing pier. Its backyard includes conveyor belts, internal road system, bulk storage yards, railway looping, as well as industrial and administrative facilities.

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Our imports of coal and coke and exports of iron ore occur through this terminal. Under the terms of concession, we undertook to load and unload at least 3.0 million tons of bulk cargo annually. Among the approved investments that we had previously announced was the development and expansion of the solid bulks terminal at Itaguaí, which phase 1 expansion was completed in 2013 to handle up to 45 million tons of iron ore per year. For further information, see "—D. Property, Plant and Equipment—Planned Investments—Mining."

Container Terminal

We own 99.99% of Sepetiba Tecon S.A., or TECON, which has a concession to operate the container terminal at Itaguaí Port for a 25-year term expiring in 2026, that is renewable for another 25 years. As of December 31, 2014, approximately U.S.$109 million of the cost of the concession remained payable over the next 12 years of the lease. For more information, see "Item 5E. Off-Balance Sheet Arrangements." The Itaguaí Port is located in Brazil's Southeast Region, with all major exporting and importing areas of the states of São Paulo, Minas Gerais and Rio de Janeiro within 500 km from the port. This area represents more than 55% of the Brazilian gross domestic product, or GDP, according to the Brazilian Geography and Statistics Institute (*Instituto Brasileiro de Geografia e Estatística*). The Brazilian Federal Port Agency has spent more than U.S.$48 million in the past few years in port infrastructure projects such as expanding the maritime access channel and increasing its depth. In addition, significant investments were made by the Brazilian federal government in adding two extra lanes to the Rio-Santos road, and in constructing the Rio de Janeiro Metropolitan Bypass, a beltway that crosses the Rio de Janeiro metropolitan area. These factors, combined with favorable natural conditions, like natural deep waters and a low urbanization rate around the port area, allow the operation of large vessels as well as highly competitive prices for all services rendered, resulting in the terminal being a major hub port in Brazil.

We have invested in infrastructure and equipment at Sepetiba TECON, such as the Berth 301 Equalization, the acquisition of two new Super Post Panamax Ship-to-Shore Cranes and four new RTG cranes for yard operations, that were delivered in the first quarter of 2014. These investments, along with the previous ones, like the dredging of Sepetiba Tecon's Berths 302/303 and access channel to 15.5m depth, increased TECON's capacity from 320,000 containers (or 480,000 TEUs) to 440,000 containers (or 670,000 TEUs) per year.

In 2014, there was a decrease in the volume of containers operated by the terminal, which handled 172,736 units in 2014, a decrease of almost 33% compared to 2013, when we handled 257,045 units, mainly to the slowdown in Brazil's economic growth in 2014 and an increase in the container handling capacity in Brazil's Southeast Region, with the entry of two new players in the segment.

On the other hand, we exported 364,053 tons of steel products, an increase of 211% compared to 116,830 tons in 2013. We also increased the operations of other cargoes, reaching a volume of 110,348 tons, compared to 21,606 tons in 2013.

Our Cement Segment

Our cement segment is comprised of a cement plant in Volta Redonda, in the state of Rio de Janeiro, and a clinker plant in Arcos, in the state of Minas Gerais.

Production

The production process in our cement factory in Volta Redonda begins with the influx of raw materials: clinker, limestone, gypsum and slag. We consume clinker produced in our clinker plan in Arcos and eventually we will import clinker to supply demand. Limestone comes from Arcos by rail. Clinker is stored in a silo (capacity: 45,000 tons) and

limestone in a warehouse (capacity: 10,000 tons). Slag is a by-product of iron and steel, produced in the blast furnace, and is also stored in the warehouse (capacity: 20,000 tons), arriving at the plant by road. CSN uses natural gypsum, from Ouricuri, in the state of Pernambuco, which arrives at the plant by truck and is stored in the warehouse (capacity: 10,000 tons).

All transportation of raw materials within the plant is carried out by conveyor belts, placing inputs in scales according to a predefined formula and delivering them to the mills. There are two grinding lines and each mill has a nominal capacity of 170 tons/h. Annual plant capacity is 2.4 million tons of cement. The mill has a hydraulic roller system, which uses pressure to grind the layer of material on the turntable. Hot gas, derived from the combustion of natural gas or petroleum coke, is used in the mills to dry materials.

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The type of cement we produce is CP III-40 RS (Sulfator resistant), which is then taken through a bucket elevator to be stored in silos. The plant has four silos, two of them with 10,000 tons of capacity and two with 5,000 tons of capacity. Cement can be shipped in bagged and bulk forms. We have two baggers with 12 filling nozzles (nominal capacity of 3600 bags/hour) and two palletizers for bagging cement.

Our Energy Segment

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

Our energy related assets include:

Thermoelectric Co-Generation Power Plant

We completed the construction of a 235.2 MW thermoelectric co-generation power plant at the Presidente Vargas Steelworks in December 1999. Since October 2000, the plant has provided the steelworks with approximately 60% of the electric energy needed in its steel mills. Aside from operational improvements, the power plant supplies our strip mills with electric energy, processed steam and forced air from the blast furnaces, benefiting the surrounding environment through the elimination of flares that burn steel-processing gases into the atmosphere. In addition, we installed a new turbine generator in 2014, which added 21 MW to our existing installed capacity. This turbine is located near our Blast Furnace No. 3, and uses the outlet gases from the iron making process to generate energy.

Itá Hydroelectric Facility

Tractebel and CSN each own 48.75% of ITASA, a special-purpose company formed for the purpose of owning and operating, under a 30-year concession granted in 2000 60.5% of the Itá hydroelectric facility on the Uruguay river in Southern Brazil. Companhia de Cimento Itambé, or Itambé, owns the remaining 2.5% of ITASA. Tractebel directly owns the remaining 39.5% of the Itá hydroelectric facility.

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

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

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

Igarapava Hydroelectric Facility

We own 17.9% of a consortium that built and has the right to operate for 30 years the Igarapava hydroelectric facility. Other consortium members are Vale, Votorantim Metais Zinco, AngloGold Ashanti Mineração Ltda., and Companhia Energética de Minas Gerais, or CEMIG. The plant has an installed capacity of 210 MW, corresponding to 136 MW of firm guaranteed output as of December 31, 2013. We have been using part of our 23 MW take from Igarapava to

supply energy to the Casa de Pedra and Arcos mines.

Marketing Organization and Strategy

Flat Steel

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

Our sales approach is to establish brand loyalty and achieve a reputation for quality products by developing relationships with our clients and focusing on their specific needs, providing tailor-made solutions for each of our clients.

Our commercial area is responsible for sales of all of our products. This area is divided into two major teams, one focused on international sales and the other on domestic sales. The domestic market oriented sales team is divided into seven market segments: Packaging, Distribution Network, Automotive Industry (Automakers and Auto Parts), Home Appliances, Original Equipment Manufacturer, or OEM, Construction and Pipes. The commercial area also has a team called “Special Sales” which is responsible for selling all the process residues, such as blast furnace slag, pitch and ammonia, which are widely used as inputs in chemical and cement industries.

The Distribution Network division is responsible for supplying large steel processors and distributors. Besides the independent distributors, CSN also has its own distributor, called Prada Distribuição. The Pipes division supplies oil and gas pipe manufacturers as well as some industries that produce small diameter pipe and light profiles. The Packaging unit acts in an integrated way with suppliers, representatives of the canning industry and distributors to respond to customer needs for finished-products. The Automotive unit is supplied by a specialized mill, CSN Porto Real, and also by a portion of the galvanized material produced at Presidente Vargas Steelworks, benefitting from a combined sales strategy.

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

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

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

Sales by Geographic Region

In 2014, we sold steel products to customers in Brazil as well as to customers in 26 other countries. The fluctuations in the portion of total sales assigned to domestic and international markets, which can be seen in the table below, reflect our ability to adjust sales in light of variations in the domestic and international economies, as well as steel demand and prices, both domestically and abroad.

The two main export markets for our products are Europe and North America, representing 72% and 20%, respectively, of our export sales volume in 2014.

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

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

	2014				2013				2012			
	Tons	% of Total	Net Operating Revenues[2]	% of Total	Tons	% of Total	Net Operating Revenues[2]	% of Total	Tons	% of Total	Net Operating Revenues[2]	% of Total
Brazil	3,718	72.0%	8,493	75.4%	4,650	76.0%	9,529	78.5%	4,495	77.1%	8,338	78.5%
Export	1,460	28.0%	2,764	24.6%	1,467	24.0%	2,603	21.5%	1,334	22.9%	2,278	21.5%
Total	**5,117**	**100.0%**	**11,257**	**100%**	**6,117**	**100.0%**	**12,132**	**100%**	**5,829**	**100.0%**	**10,616**	**100.0%**
Exports by Region												
Asia	48	3.2%	78	2.8%	30	2.1%	45	1.7%	17	1.3%	31	1.3%
North America[1]	289	19.7%	669	24.2%	298	20.3%	597	22.9%	289	21.7%	552	24.2%
Latin America	59	4.0%	161	5.8%	59	4.0%	148	5.7%	81	6.1%	199	8.8%
Europe	1,057	72.1%	1,840	66.6%	1,071	73.0%	1,793	68.9%	942	70.6%	1,484	65.2%
All Others	7	0.5%	16	0.6%	9	0.6%	21	0.8%	5	0.3%	12	0.5%

(1) Sales to Mexico are included in North America.(2) Net operating revenues presented above differ from amounts in our IFRS consolidated financial statements because they do not include revenues from non-steel products (non-steel products include mainly by-products, iron ore, logistics services and cement).

Sales by Product

The following table sets forth our market shares for steel sales in Brazil of hot-rolled, cold-rolled, galvanized and tin mill products for 2013, 2012 and 2011. Market share information for 2014 was not yet available as of the date of this annual report.

CSN Domestic Market Share *	**2013**	**2012**	**2011**
Hot-Rolled Products	49.5%	61.9%	55.8%
Cold-Rolled Products	30.6%	29.7%	28.2%
Galvanized Products	39.1%	36.9%	35.5%
Tin Mill Products	88.1%	86.9%	82.5%

*Market share information for 2014 was not yet available as of the date of this annual report.
Source: IABr and CSN data

Sales by Industry

We sell our steel products to manufacturers in several industries. The table below shows our domestic shipments breakdown by volume for the last three years among our market segments:

Sales by Industrial Segment in Brazil

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	2014	2013	2012
	(In percentages of total domestic volume shipped)		
Distribution Network	37%	44%	44%
Packaging	11%	8%	7%
Automotive	18%	17%	15%
Home Appliances	9%	7%	7%
OEM	4%	5%	6%
Construction	20%	20%	21%

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

For further information on steel sales, see "Item 5A. Operating Results—Steel Markets and Product Mix— Sales Volume and Net Operating Revenues by Steel Products and Markets" and "Item 5A. Operating Results— Results of Operations—Year 2013 Compared to Year 2012—Net Operating Revenues."

Seasonality

Steel demand is stronger in the second quarter of the year and weaker in the last quarter. Nevertheless, our production is continuous throughout the year.

Long Steel – SWT

Our long steel products are sold both in Germany (about 30%) and other countries, mainly in Europe (60%), for industrial, infrastructure, civil construction and engineering industries.

Our sales approach is to establish brand loyalty and to maintain our reputation of high quality products and excellent delivery performance by developing long term relationships with our clients. SWT focuses on meeting specific customer needs, developing solutions for both low temperature and high temperature resistant applications, as well as optimized section shapes for special applications.

Our commercial area is responsible for sales of all of our products worldwide. This area is divided into the direct sales team which is organized in 13 agencies situated in Germany and our core markets in Europe, the commercial back office department (order management from entry via tracking to the final delivery and invoicing), logistics contracting (truck, rail, vessel, maritime, inventory worldwide) and a rail logistics department.

SWT does not possess its own distribution network, instead cooperating with the big steel distributors and traders in Europe and other countries. All of our sales are on an order-by-order basis. The delivery time is related to the logistics chain and varies between 2 to 6 weeks depending on Incoterm and section type. As a result, our production levels closely reflect our order log book status. We forecast sales trends in both the European and export markets based on the historical data available from the last two years and the general economic outlook for the near future. We believe

that our presence in the export market outside of Europe gives us more flexibility to optimize production and maximize our profitability.

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Sections are not sold based on uniform pricing in Europe, as wide differences exist in terms of size, quality and specifications. In general, exports are priced based on international spot prices of steel at the time of sale in U.S. dollars or Euros, depending on the destination. Sales are normally paid within 30 days, and, in the case of exports, usually backed by a letter of credit and an insurance policy. All SWT businesses are 100% covered by EulerHermes risk insurance, a bank guarantee or a letter of credit. Sales are made primarily on cost and freight terms.

Long Steel – Volta Redonda

In 2013, CSN started the production of long steel in Volta Redonda. We expect this plant to reach 500kt/y when fully operational, providing the domestic market with products for civil and industrial construction.

Divided in wire rod, rebar CSN 50 and rebar CSN 25, the products were developed using high technology and in accordance with the highest quality and sustainability standards, with all tradition and reliability of our products.

The commercial team is comprised of its own sales force ready to meet all the needs of the market, not only the needs of small clients, but also the needs of large wholesales. Following the model already successfully deployed by us, in which we seek a diversified and pulverized service to our customers, we will be able to count on a real partner to boost our business.

In order to optimize the process, the product's outflow will be made in operational synergy with the flat steel units, using the same distribution centers, strategically located so as to deliver to all national territory.

This is another addition for the products from our portfolio, which is already comprised of cement, structural section products derived by flat steel, such as tile, tube, among others, so as to offer a portfolio that thoroughly covers the civil construction segment.

Iron Ore

Iron ore products are commercialized by our commercial team located in Brazil and overseas. In Europe and Asia, our offices also include our technical assistance management. These three marketing units allow us to maintain close relations with our customers worldwide, understand the environment where they operate, monitor their requirements and provide all necessary assistance in a short period of time. Market intelligence analysis, planning and administration of sales are handled from Brazil by the staff in our São Paulo office, while our domestic sales team is located at Casa de Pedra mine, in the State of Minas Gerais.

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

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

CSN – Sales of Iron Ore Products by Destination
(In thousands of metric tons and millions of R$)

2014	2013	2012

	Tons	% of Total	Net Operating Revenues	% of Total	Tons	% of Total	Net Operating Revenues	% of Total	Tons	% of Total	Net Operating Revenues	% of Total
Brazil	138,436	0.5%	306,837	7.5%	157,041	0.7%	679,974	13%	478,626	2.4%	713,445	15.9%
Export	25,106,988	99.5%	3,802,566	92.5%	21,377,106	99.3%	4,616,754	87%	19,702,695	97.6%	3,772,102	84.1%
Total	**25,245,424**	**100%**	**4,109,403**	**100%**	**21,534,147**	**100%**	**5,296,728**	**100%**	**20,181,321**	**100%**	**4,485,549**	**100%**
Exports by												
Asia	24,334,337	97%	3.674.778	97%	16,956,231	79.3%	3.610.625	78%	15,230,579	77.3%	2,964,154	78.6%
North America	-	-	-	-		-		-	94,942	0.5%	16,589	0.4%
Europe	772,651	3%	127.788	3%	4,420,875	20.7%	1.006.129	22%	4,377,173	22.2%	791,361	21%

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(*) Iron ore sales volumes presented in this table take into consideration sales by CSN and by our subsidiaries and jointly controlled entities proportionally to our interest (Namisa 60%).

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

In 2014, our iron ore sales reached 25.2 million tons, a 17% increase compared to 2013. According to our consolidated financial statements, total mining net revenue decreased 22% over the past year, mainly due to lower iron ore prices. The share of mining revenue in CSN's total net revenue decreased from 31% in 2013 to 25% in 2014.

In 2014, 97% of our iron ore export sales went to the Asian market, mainly China and 3% were sold in the European market. Of our total sales, 82% were sinter feed, 8% pellet feed, 5% lump ore and 5% concentrated.

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

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

Cement

We sell cement type CPIII 40 RS in bagged and bulk forms We operate in the markets of Rio de Janeiro, Minas Gerais and São Paulo With the purpose of expanding and increasing competitiveness, we own seven distribution centers located in strategic points: two in São Paulo, four in Rio de Janeiro and one in Minas Gerais. Supply to these distribution centers is made through railways and road transport, using mainly the MRS railway.

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We have a diverse client base of over 12,000 clients, including construction material stores, home centers, concrete producers, construction companies, mortar industries and cement artifact producers.

The focus of our sales strategy is on retail. In this segment, we have a strong presence in sales points, where we reinforce the quality of the product to final customers. The retail segment operates with a low level of inventory, and a significant percentage of repurchase in the month, which highlights the competitive advantage of CSN's distribution centers.

In 2014, we significantly increased our sales, reaching 2,185 thousand tons, representing a growth of 7,5% when compared to 2013. All our cement production is sold in the local market.

CSN – Sales of Cement by Destination
(In thousands of metric tons and millions of R$)

	2014		2013		2012	
	Tons	Net Operating Revenues	Tons	Net Operating Revenues	Tons	Net Operating Revenues
Brazil	2,185	440	2,045	415	1,972	388

Insurance

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

We also have an insurance policy covering the operational risks, material damages and loss of profits of our following branches and subsidiaries: Presidente Vargas Steelworks, Casa de Pedra Mine, Paraná Branch, TECAR, Container Terminal TECON, Namisa, CSN Handel and Namisa Handel. This policy was negotiated with domestic and foreign insurers and reinsurers and is valid until September30, 2015 for a total insured value of U.S.$600 million (out of a total risk amount of U.S.$16.2 billion). Under the terms of the policy, we remain responsible for the first tranche of U.S.$375 million in losses (material damages and loss of profits).

Intellectual Property

We own intellectual property rights comprising: brands, patents, industrial designs, ensuring suitable business protection and the possibility of economically exploring, through technology transfer contracts, the results of our creative production. We also maintain cooperation agreements with universities and research institutes for the exchange of technical information and reports related to processes and/or products.

Competition in the Steel Industry

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

glass and concrete, permitting them to serve as substitutes for steel for certain purposes.

Competition in the Brazilian Steel Industry

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

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The following table sets forth the production of crude steel by Brazilian companies for the years indicated[1]:

	2013		2012		2011	
	Ranking	**Production** *(In million tons)*	**Ranking**	**Production** *(In million tons)*	**Ranking**	**Production** *(In million tons)*
Gerdau[2]	1	8.1	1	8.2	1	8.8
Usiminas	2	6.9	2	7.2	2	6.7
CSN	3	4.5	3	4.8	4	4.9
ArcelorMittal Tubarão	4	4.4	4	4.4	3	5.4
ArcelorMittal Aços Longos	5	3.5	5	3.4	5	3.5
Others		6.8		6.5		5.9
Total		34.2		**34.5**		**35.2**

Source: IABr

1. Information for 2014 was not yet available as of the date of this annual report.
2. Data from Aços Villares have been merged into data from Gerdau.

Competitive Position — Global

During 2014, Brazil maintained its place as the largest producer of crude steel in Latin America, with a production output of 33.9 million tons and a 2.0% share of total world production, according to data from the World Steel Association, or WSA. In 2014, Brazil also maintained its position as the ninth largest steel producer globally, accounting for around half of total production in Latin America, approximately twice the size of Mexico's or 38% of the U.S.' steel production, according to data from the WSA. According to IABr, Brazilian exports in 2014 amounted to 9.8 million tons of finished and semi-finished steel products.

We compete on a global basis with the world's leading steel manufacturers. We have positioned ourselves in the world market with a product mix characterized by high margin and strong demand, such as tin plate and galvanized products. We have relatively low-cost and sufficient availability of labor and energy, and own high-grade iron ore reserves. These global market advantages are partially offset by costs of transporting steel throughout the world, usually by ship. Shipping costs, while helping to protect our domestic market, put pressure on our export price. To maintain our position in the world steel market in light of the highly competitive international environment with respect to price, our product quality and customer service must be maintained at a high level. See "Item 4B. Business Overview—Government Regulation and Other Legal Matters—Proceedings Related to Protectionist Measures" for a description of protectionist measures being taken by steel-importing countries that could negatively impact our competitive position.

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Competitive Advantages of the Brazilian Steel Industry

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

Brazilian domestic steel prices have historically been higher than its export prices. However, in 2010 and 2011, lower demand in mature markets, the appreciation of the real against the U.S. dollar, certain tax incentives, and imported steel products forced Brazilian producers to adjust prices closer to export price levels in order to maintain competitiveness. In 2012, with the depreciation of the real against the U.S. dollar and protective government measures which raised taxes on steel imports, export prices fell and domestic prices increase again.

Despite the increase in the overall steel sheet demand in 2013, prices in the USA, Germany and China decreased by 5.2% compared to 2012 while, in 2014, the global average sheet prices decreased by 4.3% compared to 2013, due to surplus in global steel capacity.

The global steel overcapacity and the exchange rate volatility approximate the domestic to the international steel prices, which we expect to continue in the short term.

Government Regulation and Other Legal Matters

Environmental Regulation

We are subject to Brazilian federal, state and municipal environmental laws and regulations governing air emissions, waste water discharges, solid and hazardous waste handling and disposal, wildlife management, forest maintenance, dangerous products transportation, and preservation of traditional communities. We are committed to controlling the substantial environmental impact caused by our steelmaking, mining, cement and logistics operations, in accordance with international standards and in compliance with environmental laws and regulations in Brazil. We believe we are currently in substantial compliance with applicable environmental requirements. While the Brazilian government has authority to promulgate environmental regulations setting forth minimum standards of environmental protection, state and local governments have the power to enact more stringent environmental regulations. We are subject to regulation and supervision by the Brazilian Ministry of Environment, the Environmental National Council, or CONAMA, which is the federal body responsible for enacting technical regulations and environmental protection standards, and by the Brazilian Institute of Environment and Renewable Natural Resources, or IBAMA, which is responsible for enforcing environmental laws at the federal level. The environmental regulations of the State of Rio de Janeiro, in which the Presidente Vargas Steelworks is located, are enforced by the INEA. In the state of Minas Gerais, where our main mining operations are located, we are subject to regulations and supervision by the Environmental Policy Council, or COPAM, by the Regional Superintendent of Environment and Sustainable Development, or SUPRAM-CM, the Water Management Institute of Minas Gerais, or IGAM, the State Forestry Institute, or IEF, and the State Environmental Foundation, or FEAM, which are the competent bodies of the Secretary of State for the Environment and Sustainable Development of Minas Gerais, or SEMAD. Specific goals and standards are established in operating permits or

environmental accords issued to each company or plant. These specific operation conditions complement the standards and regulations of general applicability and are required to be observed throughout the life of the permit or accord. The terms of such operating permits are subject to change and are likely to become stricter. All of our facilities currently have or are in the process of obtaining/renewing their operating permits.

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Environmental Expenditures and Claims

Promoting responsible environmental and social management is part of our business. We prioritize processes and equipment that offer modern and reliable technologies on environmental risks monitoring and control. We operate a corporate environmental department managed under an Environmental Management System, or EMS, compliant with ISO 14001:2004 requirements. In addition, we have established (i) an internal committee for environmental management composed of professionals from different departments of CSN's units, whose goal is to regularly discuss any problems that may arise and to identify risks and aspects of the operations in which the group can act pro-actively in order to prevent possible environmental harm and (ii) a sustainability committee composed of external advisors, which provides guidelines for our strategic decisions. The environmental controls implemented since 2006 also contribute to mitigate the risks of environmental compliance of CSN's operations.

To further understand our potential social and environmental risks, we use mapping criteria in accordance with the Global Reporting Initiative (G4), or GRI, for all of our operations. Resulting data and indicators in environmental, social and economic categories allow us to track our performance, structure and monitor action plans, in an effort to improve and enhance our results.

Finally, in response to a law enacted by the State of Rio de Janeiro in effect since 2013 requiring steel making and cement facilities to present action plans to reduce greenhouse gas emissions when renewing or applying for operational licenses, we have been conducting a survey of greenhouse gas emissions at our main sites since 2010 following the guidelines of the GHG Protocol, and plan to use this information in the development of a corporate carbon management program and related strategies to reduce emissions as well as to identify current risks and opportunities for improvement.

Since our privatization, we have invested heavily in environmental protection and remediation programs. We had environmental expenditures (capitalized and expensed) of R$361.0 million in 2014, of which R$55.4 million relate to capital expenditures and R$305.6 million relate to operational expenditures. Our environmental expenditures were R$382.0 million in 2013 and R$436.2 million in 2012.

Our investments in environmental projects during 2014 were mainly related to: (i) operation, maintenance and retrofitting of environmental control equipment; (ii) development of environmental studies for permit applications; (iii) studies, monitoring, and remediation of environmental liabilities due to prior operations, especially before our privatization; and (iv) human resources (environmental team), Environmental Management System, sustainability projects and compliance programs.

In 2010, we signed with the Rio de Janeiro State Government a TAC that required new investments and studies to retrofit our environmental control equipment at the Presidente Vargas Steelworks. The TAC initially estimated the total amount to be disbursed in connection with implementation of the required projects thereunder to be R$216 million. This initial estimate was updated to R$260 million as we obtained more accurate cost estimates for completion of the projects. Although we have not yet concluded the process of obtaining updates for cost estimates for all projects under the TAC, we expect that investments required may exceed our last estimates. In 2013, we entered into an amendment to the TAC regarding certain items pending conclusion and also new items as determined by INEA. The total amount expected to be invested by us as a result of such amendment is R$165 million.

Our main environmental claims as of December 31, 2014 were associated with recovery services at former coal mines decommissioned in 1989 in the state of Santa Catarina, and recovery services due to previous operations in our Presidente Vargas Steelworks.

In July 2012, the Environmental Public Prosecutor of the State of Rio de Janeiro (Ministério Público Estadual do Rio de Janeiro) filed a judicial proceeding against us claiming that we must (i) remove all waste disposed in two areas used as an industrial waste disposal site in the city of Volta Redonda and (ii) relocate 750 residences located in the adjacent neighborhood Volta Grande IV Residential, also in the city of Volta Redonda. Later in 2012, we received notices for lawsuits brought by certain home owners at Volta Grande IV Residential claiming indemnification for alleged moral and material damages. Trial Courts in Rio de Janeiro have been adopting a split position as to whether the individual claims shall or not remain suspended until production of technical evidence on the Public Civil Action. Some cases remain suspended and others advanced to nomination of the judicial experts that will conduct the evidence production phase. For more information, please see "Item 8A. Consolidated Statements and Other Financial Information—Legal Proceedings—Other Legal Proceedings."

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We record a provision for remediation costs and environmental lawsuits when a loss is probable and the amount can be reasonably estimated. This provision is included in our statements of income in "Other Operating (Expenses) Income". We do not include in our reserves environmental liabilities related to ERSA, as these are contractually supported by its seller. As of December 31, 2014, we had provisions for environmental liabilities in the total amount of R$211.5 million, which we believe are sufficient to cover all probable losses. Such amount compares to R$346.5 million as of December 31, 2013, and R$383.4 million as of December 31, 2012.The decrease in our provisions for environmental liabilities in 2014 as compared to 2013 is mainly due to the critical review of the remediation strategy and environmental management for external landfills areas (Marcia II, III, IV e Wandir I e II), resulting in a new technical approach based on geotechnical confinement. This new approach is documented in an assessment report prepared by a third party specialist, resulting in a reduction of R$120.6 million in the amount recorded as a provision for the management of these areas.

The changes in the provision for environmental liabilities on our financial statements are as follows:

	Amounts
	(in millions of R$)
December 31, 2012	**383.4**
Term of Undertaking (TAC)[(1)]	-30.7
Decommissioned Coal Mines (Santa Catarina)	-2.5
Landfills and other[(2)]	-36
December 31, 2013	**346.5**
Term of Undertaking (TAC)[(1)]	5.7
Decommissioned Coal Mines (Santa Catarina)	-11.6
Landfills and other[(2)]	-129.0
December 31, 2014	**211.5**

(1) Refers to environmental compensation agreed in the TAC but not related to investments in equipment.

(2) Refers to an estimate calculation of recovery costs related to landfills remediation obligations.

Brazil – mining regulation

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

the manner in which mineral deposits must be exploited;

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the health and safety of workers and the safety of residential areas located near mining operations;

the protection and restoration of the environment;

the prevention of pollution; and

the support of local communities where mines are located.

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

Mining Concessions

Our iron ore mining activities at Casa de Pedra mine are performed based on *Manifesto de Mina*, which gives us full ownership over the mineral deposits existing within our property limits. Our iron ore mining activities at Engenho and Fernandinho mines are based on concessions granted by the Ministry of Mines and Energy, which grant us the right to exploit mineral resources from such mines for an indeterminate period of time lasting until the exhaustion of the mineral deposits. Our limestone and dolomite mining activities at the Bocaína mine and our tin mining activities at Ariquemes (ERSA mine) are based on concessions under similar conditions. For further information, see "Item 4D. Property, Plant and Equipment".

Mineral Rights and Ownership

Our mineral rights for Casa de Pedra mine include the mining concession, a beneficiation plant, roads, a loading yard and a railway branch, and are duly registered with the DNPM. We hold title to all of our proved and probable reserves. In addition, we have been granted by DNPM easements in 15 mine areas located in the surrounding region, which are not currently part of Casa de Pedra mine, with the purpose to expand our operations.

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

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

The Brazilian government charges us a royalty known as the Financial Compensation for Exploiting Mineral Resources (*Compensação Financeira pela Exploração de Recursos Minerais*), or CFEM, on the revenues from the sale of minerals we extract, net of taxes, insurance costs and costs of transportation. DNPM is responsible for enacting regulations on CFEM and auditing the mining companies to ensure the proper payment of CFEM. The current annual rates are:

3% on bauxite, potash and manganese ore;

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2% on iron ore, kaolin, copper, nickel, fertilizers and other minerals; and

1% on gold.

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

The Brazilian Congress is currently reviewing a bill that proposes significant changes in the Mineral Code, including a potential increase of the CFEM rates, which may have a material impact on our mining operations.

Antitrust Regulation

We are subject to various laws in Brazil which seek to maintain a competitive commercial environment. The competition law and practice in Brazil are governed by Law No. 12,529/11, which came into force on May 30, 2012 and provided for significant changes in the Brazilian Antitrust System's structure, including the creation of the new Conselho Administrativo de Defesa Econômica (CADE). Referred law introduced a mandatory pre-merger notification system, as opposed to the post-merger review system previously in force. The new CADE is now formed by an Administrative Tribunal of Economic Defense *(Tribunal Administrativo de Defesa Econômica)*, a General-Superintendence *(Superintendência-Geral)* and a Department of Economic Studies *(Departamento de Estudos Econômicos)*.

CADE is responsible for the control of anti-competitive practices in Brazil. If CADE determines that certain companies have acted collusively to raise prices, it has the authority to impose fines on the offending companies, prohibit them from receiving loans from Brazilian government sources and bar them from bidding on public projects. In addition, CADE has the authority to prevent or impose certain conditions to mergers and acquisitions and/or to impose certain restrictions or conditions on M&A transactions (for instance, require a company to divest assets or take other anti-dumping measures) should it determine that the industry in which it operates is insufficiently competitive or that the transaction creates a market concentration which can affect competition.

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

Regulation of Other Activities

In addition to mining, environmental and antitrust regulation, we are subject to comprehensive regulatory regimes for certain of our other activities, including railway transportation, electricity generation and ports.

Our railway business is subject to regulation and supervision by the Brazilian Ministry of Transportation and the ANTT and operates pursuant to concession contracts granted by the federal government, which impose certain limitations and obligations. As of December 31, 2014, we owned the following railway related assets: (i) a 33.27% participation in MRS Logística S.A., which holds a concession to operate Brazil's Southeastern railway system until 2026, renewable for an additional 30 years, (ii) a 62.64% participation in TLSA, which holds a concession to operate the Northeastern Railway System II (which encompasses the stretches between Missão Velha – Salgueiro, Salgueiro –

Trindade, Trindade – Eliseu Martins, Salgueiro – Porto de Suape and Missão Velha – Porto de Pecém) of Brazil's Northeastern railway system until the earlier of 2057, or the date when TLSA reaches a rate of annual return of 6.75% of its total investment and (iii) a 88.41% participation in FTL, which holds a concession to operate the Northeastern Railway System I (which encompasses the stretches between the cities of São Luís – Mucuripe, Arrojado – Recife, Itabaiana – Cabedelo, Paula Cavalcante – Macau and Propiá – Jorge Lins) of Brazil's Northeastern railway system until 2027, renewable for an additional 30 years.

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Our electricity generation business is subject to regulation and supervision by the Brazilian Ministry of Mines and Energy, the electricity regulatory agency (*Agência Nacional de Energia Elétrica*), or ANEEL, and the ONS. As of December 31, 2014, we owned the following energy related assets: (i) a 235.2 MW thermoelectric co-generation power plant at our Presidente Vargas Steelworks, (ii) a 48.75% participation in ITASA, which owns and operates 60.5% of the Itá hydroelectric facility on the Uruguay river in Southern Brazil under a renewable 30-year concession until 2030, and (iii) a 17.9% participation in the consortium that built and has the right to operate the Igarapava hydroelectric facility in Southeast Brazil under a renewable 30-year concession until 2028.

Our port business is subject to regulation and supervision by the Brazilian Ministry of Transportation and the ports and navigation agency (*Agência Nacional de Transportes Aquaviários*), or ANTAQ. As of December 31, 2014, we owned the following port related assets: (i) a concession to operate TECAR, which expires in 2022, renewable for an additional 25 years, and (ii) a 99.99% participation in TECON, which has a concession to operate the container terminal at Itaguaí Port for a 25-year term until 2026, renewable for an additional 25 years.

For further information on our logistics and energy segments, see “Item 4B. Business Overview.”

Proceedings Related to Protectionist Measures

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

In Brazil, we are subject to regulation and supervision by the Ministry of Development, Industry and Foreign Trade, the Secretary of Foreign Trade (*Secretaria de Comércio Exterior*), or SECEX, and the Commercial Defense Department (*Departamento de Defesa Comercial*), or DECOM. Worldwide, our exports are subject to the protectionist measures summarized below.

United States

Anti-dumping (AD) and Countervailing Duties (CVD). In the U.S., we are subject to regulation and supervision by the U.S. Department of Commerce, or DOC, the International Trade Commission, or ITC, the International Trade Administration, or ITA, and the Import Administration, or IA. In September 1998, U.S. authorities initiated anti-dumping and countervailing duties investigations on hot-rolled steel sheet and coil imported from Brazil and other countries. The result of this investigation was the imposition of an anti-dumping margin of 41.27% and countervailing duties of 6.35%.

On June 2011 the anti-dumping and countervailing orders were revoked by the ITC. The ITC’s decision was appealed to the U.S. Court of International Trade, or CIT, which issued its opinion upholding the ITC’s decision, this decision was also appealed to the U.S. Court of Appeals for the Federal Circuit, or CAFC, which decision was to finally maintain the revocation of both the anti-dumping and countervailing duties orders.

Canada

Anti-dumping. In Canada, we are subject to regulation and supervision by the Canadian International Trade Tribunal, or CITT, the Canada Border Services Agency, or CBSA and the Anti-dumping and Countervailing Directorate.

In January 2001, the Canadian government initiated an anti-dumping investigation process involving hot-rolled sheets and coils exported from Brazil. The investigation was concluded in August 2001, with the imposition by Canada of an anti-dumping order. Despite the limitations imposed by Canada, we are not currently affected by this anti-dumping order since we do not export hot rolled coil to Canada.

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Overview of Steel Industry

World Steel Industry

The worldwide steel industry comprises hundreds of steelmaking facilities divided into two major categories, integrated steelworks and non-integrated steelworks, depending on the method used for producing steel. Integrated plants, which accounted for approximately 2/3 of worldwide crude steel production in 2013, typically produce steel by smelting in blast furnaces the iron oxide found in ore and refining the iron into steel, mainly through the use of basic oxygen furnaces or, more rarely, in electric arc furnaces. Non-integrated plants (sometimes referred to as mini-mills), which accounted for approximately 1/3 of worldwide crude steel production in 2013, produce steel by melting scrap metal, occasionally complemented with other metallic materials, such as direct reduction iron or hot-briquette iron, in electric arc furnaces. Industry experts expect that a lack of a reliable and continuous supply of quality scrap metal, as well as the high cost of electricity, may restrict the growth of mini- mills.

Steel continues to be the material of choice in the automotive, construction, machinery and other industries. Notwithstanding potential threats from substitute materials such as plastics, aluminum, glass and ceramics, especially for the automotive industry, steel continues to demonstrate its economic advantage. From 2004 through 2014, total global crude steel production averaged approximately 1.4 billion tons per year.According to the WSA, in 2014, production reached a new record of 1.68 billion tons, which represents a 1.1% increase as compared to 2013. All major producing countries, except for Italy, Spain, , Turkey, Brazil and Ukraine, increased their production levels in 2014.

China's crude steel production in 2014 reached 823 million tons, an increase of 0.9% as compared to 2013. Production volume in China has more than tripled in the last ten years, from 222 million tons in 2002. China's share of world steel production decreased from 49.7% in 2013 to 49.5% in 2014. In 2014, Asian countries improved their production by 1.4%, reaching 1.11 billion tons, according to WSA.

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Brazilian Steel Industry

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

A Privatized Industry

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

Domestic Demand

Historically, the Brazilian steel industry has been affected by substantial fluctuations in domestic demand for steel. Although national per capita consumption varies with GDP, fluctuations in steel consumption tend to be more pronounced than changes in economic activity. Crude steel consumption per capita in Brazil has increased from 104 kilograms in 1999 to 147 kilograms in 2010. It is still considered low when compared to the levels of some developed countries, such as the United States and Germany.

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From 2005 to 2007, Brazilian GDP grew on average 4.4%. In 2008 and 2009, overall global economic activity slowed significantly and domestic apparent steel consumption amounted to 24.0 million tons and 19.1 million tons, respectively. In 2010, with the recovery of the global economy, domestic demand rose by 38.8% to 26.6 million tons. On the other hand, in 2011, domestic steel demand decreased 1.2% to 26.2 million tons, mainly due to high levels of inventory held by distributors and increased indirect imports. In 2012, the slowdown of the Brazilian economy led to another decrease in steel consumption of 17.6% to 21.6 million tons.

The Brazilian flat steel sector is shifting production to the higher value-added consumer durable sector. This sector is highly dependent on domestic consumer confidence, which, in turn, is affected by economic policies and certain expectations of the current government administration. Over the past years, automobile manufacturers made significant investments in Brazil. In 2009 and 2010, vehicle production recovered from the 2008 financial crisis in response to government incentives such as tax cuts. In 2012, the Brazilian market reached a record 3.8 million vehicles sold, reflecting a specific government measure, which reduced the industrialized products tax. On the other hand, exports decreased by 20.1%. In 2013, with the postponement of the reduction in industrialized products tax, the Brazilian market maintained the level of vehicles sales, but had an increase of 13.5% in exports, according to the Auto Manufacturers' Association, or ANFAVEA, data.

Market Participants

According to IABr (Instituto Aço Brasil), the Brazilian steel industry is composed of 29 mills managed by 11 corporate groups, with an installed annual capacity of approximately 48.4 million tons, producing a full range of flat, long, carbon, stainless and specialty steel.

Capacity Utilization

There were no significant changes in Brazilian nominal steel production capacity in 2014 compared to 2013. This capacity was estimated at 48.4 million tons. The local steel industry operated at approximately between 70% and 72% utilization in 2014, similar to the level recorded in 2013.

Exports/Imports

Brazil has been playing an important role in the export market, primarily as an exporter of semi-finished products. The Brazilian steel industry has taken several steps towards expanding its capacity to produce value-added products. Brazil's exports of slabs and billets reached 5.3 million tons in 2010, which represented 58% of total steel exports. In 2011, the exports of semi-finished products reached 7.2 million tons, representing 66% of total exports. In 2012, exports of semi-finished products were 6.6 million tons, a 7.4% decrease in relation to the previous year, representing 68% of total exports. In 2013, the exports of semi-finished products reached 5.3 million tons, representing 65% of total exports.

In 2014, Brazilian steel exports totaled 9.8 million tons, representing 24% of total Brazilian steelmakers' sales (domestic plus exports) and accounting for US$6.8 billion in export earnings for Brazil. Over the last 20 years, the Brazilian steel industry has been characterized by a structural need to export, which is demonstrated by the industry's supply demand curve. The Brazilian steel industry has experienced periods of overcapacity, cyclicality and intense competition during the past several years. Demand for finished steel products, as measured by domestic apparent consumption, has consistently fallen short of total supply (defined as total production plus imports). In 2014, steel imports were 4.0 million tons, or 16% of apparent domestic consumption, in line with the figures from 2013. In 2014, steel imports increased 7% as compared to 2013 , according to IABr.

For information on the production by the largest Brazilian steel companies, see “Item 4B. Business Overview—Competition—Competition in the Brazilian Steel Industry.”

4C. Organizational Structure

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

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4D. Property, Plant and Equipment

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

The table below sets forth certain material information regarding our property as of December 31, 2014.

Facility	Location	Size	Use	Productive Capacity	Title	Encumbrances
Presidente Vargas Steelworks [1]	Volta Redonda, State of Rio de Janeiro	4.0 square km	steel mill	5.6 million tons per year	owned	none
CSN Cimentos [2]	Volta Redonda, State of Rio de Janeiro	0.08 square km	cement plant	2.4 million tons per year	owned	none
CSN Porto Real	Porto Real, State of Rio de Janeiro	0.27 square km	galvanized steel producer	350,000 tons per year	owned	mortgage[3][4]
CSN Paraná	Araucária, State of Paraná	0.98 square km	galvanized and pre-painted products	100,000 tons of pre- painted product and 220,000 tons of pickled hot-rolled coils	owned	none
Metalic	Maracanaú, State of Ceará	0.10 square km	steel can manufacturer	900 million cans per year	owned	mortgage[5]
Prada	São Paulo, State of São Paulo and Uberlândia, State of Minas Gerais	SP – 0.14 square km; MG – 0.02 square km;	steel can manufacturer	1 billion cans per year	owned	none
CSN, LLC	Terre Haute, Indiana, USA	0.78 square km	cold-rolled and galvanized products	800,000 tons of cold-rolled products and 315,000 tons per year	owned	none

Lusosider	Seixal, Portugal	0.39 square km	hot-dip galvanized, cold-rolled and tin products	of galvanized products 240,000 tons of galvanized products and 50,000 tons of cold-rolled products per year	owned	none
Prada	Mogi das Cruzes, State of São Paulo	0.20 square km	distributor	730,000 tons per year	owned	none
Casa de Pedra mine	Congonhas, State of Minas Gerais	49.00 square km	iron ore mine	26.0 mtpy[6]	owned[7]	none
Engenho mine[8]	Congonhas, State of Minas Gerais	2.85square km	iron ore mine	5.6 mtpy[9]	concession	none
Fernandinho mine[8]	Itabirito, State of Minas Gerais	1.47 square km	iron ore mine	0.75 mtpy[6]	concession	none
Bocaina mine	Arcos, State of Minas Gerais	4.11 square km	limestone and dolomite mines	4.0 mtpy	concession	none
ERSA mine	Ariquemes, State of Rondônia	0.015 square km	tin mine	3,600 tons	concession	none
Thermoelectric co-generation power plant	Volta Redonda, State of Rio de Janeiro	0.04 square km	power plant	235.2 MW	owned	none
Itá[10]	Uruguay River - Southern Brazil	9.87 square km	power plant	1,450 MW	concession	none
Igarapava[10]	State of Minas Gerais	5.19 square km	power plant	210 MW	concession	none
Southeastern (MRS)	Southern and Southeastern regions of Brazil	1,674 km of tracks	railway	--	concession	none
FTL	Northern and northeastern regions of Brazil	4,238 km tracks of railway 1	railway	--	concession	none
TLSA	Northern and northeastern regions of Brazil	383 km tracks of railway 2	railway	--	concession	none
TECAR at Itaguaí Port	Itaguaí, State of Rio de Janeiro	0.69 square km	Iron ore shipment	45 mtpy	concession	none
Container terminal - TECON at Itaguaí port	Itaguaí, State of Rio de Janeiro	0.44 square km	containers	480 K TEUpy	concession	none
Namisa	State of Minas Gerais	11.56 square km	mine	-	Concession/ owned	none
Land	State of Rio de Janeiro	31.02 square km	undeveloped	--	owned	pledge[12]/Collateral / mortgage[4]
Land	State of Santa Catarina	6.22 square km	undeveloped	--	owned	pledge[12]/Collateral

Land	State of Minas Gerais	32.73 square km	undeveloped	--	owned	none
Land	State of Piaui	824.39 square km	undeveloped		owned	none
Steel plant with rolling mill (SWT)	Europa / Germany / Unterwellenborn	0.898 square km	production of sections	1 million tons per year	owned	none

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(1) Includes the Volta Redonda Long Steel Plant,which has an expect production capacity (when fully operational) of 500,000 tons per year.
(2) Our CSN Cimentos cement plant is included in the same area as our Presidente Vargas Steelworks.
(3) Pursuant to a loan agreement entered into by the State of Rio de Janeiro and Galvasud as of May 4, 2000.
(4) Pursuant to a loan agreement entered into by Kreditanstatt Für Wiederafbau, Galvasud and Unibanco as of August 23, 1999.
(5) Pursuant to a loan agreement entered into by Metalic and *Banco do Nordeste do Brasil S.A* as of 2007.
(6) Information on installed capacity of products. For information on mineral reserves at our Casa de Pedra mine, see "—Reserves at Casa de Pedra Mine" and table under "—Casa de Pedra Mine" below.
(7) Based on the *Manifesto de Mina*. See, "Item 4. Information on the Company — B. Business Overview — Government Regulation and Other Legal Matters — Mining Concessions."
(8) Property owned by our 60% consolidated investee Namisa.
(9) Information on equipment fleet installed annual ROM capacity.
(10) Property 29.5% owned by us.
(11) Property 17.9% owned by us.
(12) Pledged pursuant to various legal proceedings, mainly related to tax claims.

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For information on environmental issues with respect to some of the facilities described above, see “Item 4B. Business Overview—Government Regulation and Other Legal Matters—Environmental Expenditures and Claims.” In addition, for information on our plans to construct, expand and improve our facilities, see “Item 4. Information on the Company—D. Property, Plant and Equipment—Planned Investments” and Note 10 to our financial statements included elsewhere in this Form 20-F.

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

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Acquisitions and Dispositions

Stahlwerk Thüringen Gmbh (SWT)

On January 31, 2012, CSN Steel, S.L.U., one of our Spanish subsidiaries, entered into a share purchase agreement with the Spanish group Alfonso Gallardo ("AG Group") to establish the acquisition of all the shares held by the AG Group in (i) SWT, a long steel manufacturer located in Unterwellenborn, Germany, specialized in the production of steel sections; and (ii) Gallardo Sections S.L.U., a steel distributor of SWT's products. The total amount of the transaction was €483.4 million, without the assumption of any indebtedness.

The transaction involved an operational steel plant located in Germany, which was contemplated to be sold pursuant to a prior share purchase agreement executed on May 19, 2011 with the AG Group, amongst other assets. The transaction brought to an end the discussions between the parties regarding different interpretations of the previous agreement, including termination of the related arbitral proceeding which was pending before the *Cámara Oficial de Comercio e Industria de Madrid*.

Usiminas

On December 31, 2014 we owned, directly and indirectly, 20.69% of the preferred shares and 14.13% of the common shares of Usinas Siderúrgicas de Minas Gerais S.A. ("Usiminas"), resulting from various acquisitions in the market since mid-2010. For more information on the value of these assets, please see "Item 5A. Operating Results —Critical Accounting Estimates—Impairment of Long-Lived Assets, Intangible Assets, Goodwill and Financial Assets"**.** We are assessing strategic alternatives in relation to our investment in Usiminas. For more information on the antitrust matters regarding our investment in Usiminas see "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information Selected Financial Data—Legal Proceedings—Antitrust."

Namisa

In 2008, a consortium of Asian shareholders that currently includes Itochu Corporation, JFE Steel Corporation, Kobe Steel, Ltd, Nisshin Steel Co. Ltd., Posco and China Steel Corporation, or the Asian Consortium, made an investment in our subsidiary Namisa and currently holds a 40% interest in Namisa. We and the Asian Consortium have entered into a shareholders' agreement to govern our joint control of Namisa. In case of a dead-lock among the shareholders, a resolution process requires us to initiate mediation with our partners and, if no solution is reached, the matter is then submitted to be addressed directly by the senior executives of the companies in dispute. In the event the dead-lock remains, the shareholders' agreement provides for put and call options, which entitles the Asian Consortium to elect to sell all of its ownership interest in Namisa to us and we to elect to buy all ownership interest of the Asian Consortium in Namisa, in each case for the fair market value of the respective shares.

In addition, certain other agreements, including the share purchase agreement between us and the Asian Consortium and the long-term operational agreements between Namisa and us, provide for certain obligations that, in case breached and not cured within the relevant cure period, may give rise, in certain situations, to the right of the non-breaching party to exercise a call or a put option, as the case may be, with respect to the Asian Consortium's ownership interest in Namisa.

During the years of 2013 and 2014, we and the Asian Consortium have negotiated to resolve certain matters that (i) are subject to qualified quorum under the shareholders' agreement, and (ii) related to the fulfillment of certain obligations under the agreements mentioned above. In parallel we engaged in discussions with the Asian Consortium aiming at the combination of the iron ore business and related logistics of CSN and Namisa.

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In November 2014, we and the Asian Consortium reached an agreement providing for the combination of CSN's and Namisa's iron ore business and related logistics operations. The transaction consists in a joint venture whereby the Asian Consortium would contribute its 40% ownership interest in Namisa to Congonhas Minérios S.A. ("Congonhas Minérios"), a non-operational subsidiary of CSN, and CSN would contribute the Casa de Pedra iron ore mine, its 60% ownership interest in Namisa, an 8.63% ownership interest in MRS and the rights to manage and operate the port concession in the Itaguaí Port (TECAR) to Congonhas Minérios. In addition, a portion of Congonhas Minérios' iron ore production will be sold to the Asian Consortium members and to us. Such rights will be reflected in long-term "offtake" agreements.

Considering CSN´s and the Asian Consortium's contributions in the transaction, as well as the adjustments arising from the negotiations between the parties, immediately after the closing, CSN and the Asian Consortium will hold, respectively, an 88,25% and an 11,75% interest in Congonhas Minérios on a debt-free, cash-free basis. The final ownership interests will be adjusted considering debt, cash and working capital adjustments at closing. The transaction also includes an earn-out mechanism which, in the event of a qualified liquidity event under certain valuation parameters occurring within an agreed period of the closing of the transaction, could dilute the Consortium's ownership interest in Congonhas Minérios from 11.75% up to 8.21%.

The closing of the transaction, which is expected to occur by the end of 2015, is subject to the agreement between the parties on a business plan, regulatory approvals from antitrust authorities and governmental authorities in charge of mining rights, as well as other conditions precedent customary in this kind of transaction.

Following the closing of the transaction, Congonhas Minérios will be a fully integrated operation (mine, rail and port), which will include an 18.63% ownership interest in MRS (comprised of Namisa's 10% ownership interest in MRS and the 8.63% ownership interest that will be contributed by CSN), access to rail transportation in the form of long term agreements and the TECAR port concession.

The main purpose of the transaction is to capture synergies among the businesses involved in this reorganization, including process optimization, efficiencies in the operation and reduction of operational costs and capital expansion, and increase shareholder value in order to create a world class company.

The closing of the transaction will solve the aforementioned 2013 and 2014 discussions with the Asian Consortium. If the closing does not occur and the parties do not reach an agreement on such discussions, the put option and/or the call option mentioned above may be exercised.

Capital Expenditures

We intend to increase control of our main production costs and secure reliable and high quality sources of raw materials, energy and transportation supporting our steelmaking operations and other businesses such as cement, via strategic investment programs. Our main strategic investments being implemented or already in operation are set forth in "Item 4B. Business Overview—Facilities."

In 2014, we invested a total of R$2,236 million. Of this total, the main investments were R$699 million in mining, R$565 million in steel, R$506 million in cement and R$423 million in logistics.

In addition, the R$699 million in our mining business includes the R$75 million investment in our proportional interest in the jointly controlled investee Namisa. Also, the R$423 million in our logistic business includes the R$311

million investment in our proportional interest in MRS.

In 2014, we continued to implement our strategy of developing downstream opportunities and projects based on synergies, new product lines and market niches by creating or expanding current capacity of services centers, as described in “Item 4B. Business Overview—Facilities.”

In 2013, we invested a total of R$2,827 million, R$954 million of which was allocated as follows: jointly controlled investees TLSA: R$667 million; MRS Logística: R$247 million; and Namisa: R$40 million.

The remaining R$1,873 million was expended on: construction of a brownfield long steel mill at the Volta Redonda site: R$351 million; expansion of the Itaguaí Port (TECAR): R$108 million; expansion of the Casa de Pedra mine: R$172 million; expansion of our clinker plant: R$209 million; and current investments: R$ 1,033 million. For further information, see “Item 5B. Liquidity and Capital Resources-Short-Term Debt and Short-Term Investments.”

In 2012, we invested a total of R$3,144 million, R$1,517 million of which was allocated as follows: TLSA and FTL: R$984 million; MRS Logística: R$328 million; Namisa: R$77 million; TECON: R$43 million; and other projects: R$85 million.

The remaining R$1,627 million was expended on: construction of a brownfield long steel mill at the Volta Redonda site: R$454 million; expansion of the Itaguaí Port (TECAR): R$231 million; maintenance and repairs: R$219 million; expansion of the Casa de Pedra mine: R$150 million; expansion of our clinker plant: R$73 million; technological improvements: R$24 million; and others projects: R$476 million. For further information, see “Item 5B. Liquidity and Capital Resources-Short-Term Debt and Short-Term Investments.”

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Planned Investments

Our operating activities require regular investments in equipment maintenance, technological improvements, tools and spare parts, vehicles, buildings, and industrial plants, among others. These investments are classified as Sustaining (´Stay-in-Business´) Capex.

The Company also invests to increase its operational efficiency and productivity, and expand production capacity in steel, mining, cement and logistics businesses.

Our total planned investments for the next five years amount to R$9.7 billion (for projects that are currently under implementation or are in an advanced development stage. Due to the macroeconomic scenario, investments for new projects are under revision. The planned investments for the next five years are:

- R$1.6 billion in our mining segment;

- R$1.0 billion in our cement segment, allocated towards expansions of our grinding capacity and our clinker production capacity; and

- R$ 7.1 billion in projects to improve performance of current productive assets (“stay-in-business”).

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

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

Steel

In 2014, we started production at the long steel plant in Volta Redonda, in the State of Rio de Janeiro. The plant has an output capacity of 500,000 t/year and it is currently in the ramp up phase. This represents the entrance of CSN into the long steel market in Brazil.

We are investing in the expansion of the steel service center at our CSN Mogi das Cruzes (Prada) facility. The steel service center plant in Mogi das Cruzes currently operates at near full capacity. There are also expansion projects underway in our other steel service centers.

Mining

In Casa de Pedra mine we are investing to increase iron ore production capacity to 40 million tons per year.

Logistics

In August 2006, in order to enable the implementation of a major infrastructure project led by the Brazilian federal government, our Board of Directors approved the merging of TLSA–, a company that was state-owned at the time, into and with Companhia Ferroviária do Nordeste, or CFN, an affiliate of CSN that held a 30-year concession, granted in

1997, to operate the Northeastern railway system of the RFFSA. The surviving entity was later renamed TLSA. The Northeastern railway system operates in the states of Maranhão, Piauí, Ceará, Paraíba, Pernambuco, Alagoas and Rio Grande do Norte and connects with the region's leading ports, offering an important competitive advantage through opportunities for intermodal transportation solutions and made-to-measure logistics projects.

On September 20, 2013 we entered into an investment agreement with our partners in TLSA, Valec Engenharia, Construções e Ferrovias S.A. and Fundo de Desenvolvimento do Nordeste – FDNE, two Brazilian federal government entities focused on infrastructure and the development of the northeastern region. Resolution No. 4,042/2013 issued by the ANTT authorized the partial spin-off of TLSA and, as a result, the assets of the Northeastern railway system were segregated into two systems: (i) Railway System I, operated by FTL, comprising the stretches between the cities of São Luís – Mucuripe, Arrojado – Recife, Itabaiana – Cabedelo, Paula Cavalcante – Macau and Propiá – Jorge Lins and (ii) and Railway System II, operated by TLSA, comprising the stretches between Missão Velha – Salgueiro, Salgueiro – Trindade, Trindade – Eliseu Martins, Salgueiro – Porto de Suape and Missão Velha – Porto de Pecém.

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As a result of the partial spin-off of TLSA. and the subsequent entry into effect of the new shareholders' agreement, control of TLSA is now shared with other shareholders, who have veto rights over certain important corporate decisions. As a result, we ceased to consolidate TLSA. and began recognizing it in accordance with the equity accounting method. See "Item 4B. Business—Our Logistics Segment—Railways—Northeastern Railway System."

In 2014, we completed the expansion project in TECON at Itaguaí Port, which aims to equalize the Berth 301, therby turning it into a continuous pier. We expect the project will allow usto operate large vessels simultaneously, increasing the terminals shipping capacityto 440,000 containers.

Cement

The cement plant in Volta Redonda has a production capacity of 2.4 million tons per year, taking advantage of the slag generated by our blast furnaces and the clinker produced in the mine of Arcos.We are expanding our cement production capacity to 5.4 million tons per year over the next few years with a new grinding plant, which will be integrated with a grinding unit and clinker furnace, both in Arcos.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

The following discussion should be read in conjunction with our consolidated financial statements as of December 31, 2014 and 2013 and for each of the years ended December 31, 2014, 2013 and 2012 included in "Item 18. Financial Statements". Our consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and are presented in thousands of reais (R$), as explained in Note 2(a) to our consolidated financial statements included in "Item 18. Financial Statements."

We have applied, beginning January 1, 2013, IFRS 10 - Consolidated Financial Statements, which establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more entities, and IFRS 11 - Joint Arrangements, which requires a new valuation of joint arrangements, focusing on the rights and obligations of the arrangement, instead of its legal form. In accordance with the new standards, the proportionate consolidation method for jointly controlled entities is no longer permitted. As a result of the adoption of these new standards, the Company no longer consolidates its jointly controlled entities Nacional Minérios S.A., MRS Logística S.A., and CBSI - Companhia Brasileira de Serviços de Infraestrutura, and began accounting for these investments under the equity method.

The amendments provide additional transition relief, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. We applied this transition relief as described above with respect to the adoption of IFRS 10 and IFRS 11. As a result, the financial statements as of and for the year ended December 31, 2012 and the opening balance sheet as of January 1, 2012 have been restated for the effects of the retrospective adoption of these new standards. Our financial statements as of and for the year ended December 31, 2011 remain unchanged and as disclosed previously and, as a result, are not comparable with the information as of and for the years ended December 31, 2013 and 2012.

In addition, due to the partial spin-off of TLSA on December 27, 2013 and the consequent entry into effect of the new shareholders' agreement, we ceased to consolidate TLSA and began recognizing it in accordance with the equity

accounting method.

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5A. Operating Results

Overview

Brazilian Macro-Economic Scenario

As a company with the vast majority of its operations and a large portion of its sales in Brazil, we are affected by the general economic conditions of Brazil. The rate of growth in Brazil is important in determining our growth capacity and the results of our operations.

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

	Year ended December 31,		
	2014	**2013**	**2012**
GDP growth	0.1%	2.3%	0.9%
Inflation (IPCA)[(1)]	6.4%	5.9%	5.8%
Inflation (IGP-M)[(2)]	3.7%	5.5%	7.8%
CDI[(3)]	10.8%	8.1%	8.4%
Appreciation (depreciation) of the *real* against the U.S. dollar	(13.4)%	(14.6)%	(8.9)%
Exchange rate at end of period (U.S.$1.00)	R$2.656	R$2.343	R$2.044
Average exchange rate (U.S.$1.00)	R$ 2.357	R$ 2.160	R$1.955
Unemployment rate [(4)]	6.8%	7.1%	7.4%

Sources: IBGE, Fundação Getúlio Vargas, Central Bank and CETIP.
(1)The IPCA is a consumer price index measured by the IBGE.
(2)The IGP-M is the general market price index measured by the Fundação Getúlio Vargas.
(3)The Interbank Deposit Rate, or CDI, represents the average interbank deposit rate performed during a given day in Brazil (accrued as of the last month of the period, annualized).
(4)The unemployment rate (PNAD) is measured by IBGE

Steel

In the years ended December 31, 2012, 2013 and 2014, our steel segment represented 63%, 63% and 65% of our net revenues, respectively, and 42%, 44%, 61% of our gross profit, respectively. In 2014, 75% of our steel revenues were in Brazil, and 25% were abroad, as compared to 78% and 22%, respectively, in 2013, and 78% and 22%, respectively, in 2012.

According to the World Steel Association (WSA), global crude steel production totaled 1.7 billion tons in 2014, 1.1% higher than in 2013, with China, responsible for 823 million tons, or 48% of the global output, recording growth of 0.9%. Japan's crude steel production increased 0.1%, totaling 111 million tons in 2014. In the European Union, production reached 169 million tons in 2014, corresponding to a 1.7% increase as compared to 2013. In the U.S., crude steel production totaled 88 million tons in 2014, a 1.7% increase as compared to 2013. Existing global capacity usage decreased by 2.4% over the year before to 72.7%.

According to the Brazilian Steel Institute (IABr), domestic crude steel production was 33.9 million tons in 2014, 1% less than in 2013, while rolled flat output totaled 24.8 million tons, down by 5.5% in the same period.

Apparent domestic steel product consumption in Brazil amounted to 24.6 million tons in 2014, 7% less than in 2013, while domestic sales decreased 9% to 20.7 million tons. Annual imports to Brazil were 4.0 million tons, 7% more than the year before, while exports increased 21% to 9.8 million tons.

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According to ANFAVEA (the Auto Manufacturers' Association), vehicle production totaled 3.1 million units in 2014, 15.3% down from the year before. Annual sales of 3.5 million units were 7.1% down on 2013 and the lowest figure since 2009, reflecting the slowdown in domestic economic activity, while exports decreased by 41% to 334,000 units, principally due to the reduction in shipments to Argentina.

The São Paulo Residential Builders' Association or SECOVI estimates real estate launches of 30,000 units in São Paulo in 2014, 11% down on the previous year. According to ABRAMAT (the Construction Material Manufacturers' Association), domestic sales of building materials decreased 6.6% in 2014.

According to the Brazilian Steel Distributors' Association, or INDA, domestic flat steel purchases by distributors in 2014 totaled 4.2 million tons, while domestic market sales were 4.3 million tons, 10.1% and 5.8% down, respectively, from the previous year.

Mining

In the years ended December 31, 2012, 2013 and 2014, our mining segment represented 26%, 27% and 23% of our net revenues, respectively, and 45%, 44% and 24% of our gross profit, respectively. In 2014, 93% of our mining revenues came from exports and 7% of our mining revenues came from the domestic market, as compared to 87% and 13% , respectively, in 2013, and 84% and 16% , respectively, in 2012.

In 2014, the seaborne iron ore market was impacted by a the substantial 47% price slide, with Platts Fe62% CFR China index falling from US$134.50/dmt at the beginning of the year to US$71.75/dmt at end of December 2014. On April 28, 2015, the index stood at US$59.25/dmt.

On the supply side, the substantial upturn in exports by the main Australian mining companies and the resilience of the high-cost Chinese producers were mainly responsible for the decline. On the other hand, Chinese steel demand also slipped, due to the downturn in investments of the country's real estate sector. In addition, reduced access to credit by the Chinese steelmakers and high levels of stocks in the ports further increased the downward pressure on iron ore prices throughout the year.

Nevertheless, the seaborne market still recorded growth of 11% in 2014, reaching a record of 1.29 billion tonnes. China imported 897 million tons, a 13% increase when compared to 2013 and equivalent to almost 70% of total sales volume. Brazil, the world's second biggest iron ore exporter, shipped 344 million tonnes in 2014, 4% more than the year before.

Preliminary figures from the Chinese Bureau of Statistics suggest a gradual slowdown of the economy, with GDP growing 7.4% in 2014, versus 7.7% in 2013. According to HSBC, after reaching 51.0 points in December/2013, manufacturing PMI fell to 50.1 points in December/2014, while industrial production increased 7.9% in 2014, versus 9.7% in 2013. In 2014, investments in fixed assets moved up by 15.7%, below the 19.6% increase registered in 2013.

Logistics, Port Logistics, Cement and Energy

The performance of our logistics, cement and energy segments are directly related to the performance of our steel and mining segments. In the years ended December 31, 2012, 2013 and 2014, these segments represented an aggregate of 11%, 10%, 12% of our net revenues, respectively, and an aggregated of 13%, 12%, 15% of our gross profit, respectively. A material portion of the revenues in these segments is derived from our steel and mining operations, which utilize our logistics network and energy output.

Specific Events Affecting our Results of Operations

On September 20, 2013 we entered into an investment agreement with our partners in TLSA, Valec Engenharia, Construções e Ferrovias S.A. and Fundo de Desenvolvimento do Nordeste – FDNE, two Brazilian federal government entities focused on infrastructure and the development of the northeastern region, to implement the partial spin-off of TLSA. The operation was part of a business reorganization and resulted in the segregation of the assets of the Northeastern railway system into two systems: (i) Railway System I, operated by FTL, comprising the stretches between the cities of São Luís – Mucuripe, Arrojado – Recife, Itabaiana – Cabedelo, Paula Cavalcante – Macau and Propiá – Jorge Lins and (ii) the Railway System II, operated by TLSA, comprising the stretches between Missão Velha – Salgueiro, Salgueiro – Trindade, Trindade – Eliseu Martins, Salgueiro – Porto de Suape and Missão Velha – Porto de Pecém.

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As a result of the partial spin-off and the subsequent entry into effect of the new shareholders' agreement, control of TLSA is now shared with other shareholders, who have veto rights over certain important corporate decisions. As a result, since December 27, 2013, we ceased to consolidate TLSA and began recognizing it in accordance with the equity accounting method. See "Note 7 to our consolidated financial statements included elsewhere in this Annual Report.

Steel Markets and Product Mix

Supply and Demand for Steel

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

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

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

	2014[1]	**2013**	**2012**
Brazilian Market (in thousands of tons)[2]			
Total Flat and Long Steel			
Production	**24,832**	**26,264**	**25,696**
Apparent Consumption	**24,638**	**25,253**	**24,303**
Hot-Rolled Coils and Sheets			
Production		**4,262**	**4,377**
Apparent Consumption		**3,627**	**3,412**
Cold-Rolled Coils and Sheets			
Production		**2,753**	**2,860**
Apparent Consumption		**2,764**	**2,800**
Galvanized Sheets			
Production		**3,020**	**2,980**
Apparent Consumption		**3,175**	**2,994**
Tin Plates			
Production		**934**	**809**
Apparent Consumption		**560**	**512**
Global Market (in millions of tons)			

Crude Steel Production	**1,637**	**1,649**	**1,559**
Demand		**1,532**	**1,437**

Source: IABr and WSA.

(1) Some information for 2014 was not yet available as of the date of this annual report.

(2) Information about production excludes intra steel companies' sales.

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Product Mix and Prices

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

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

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

	Sales Volume								
	Tons			**% of Sales Volume**					
				In Market*			**Total**		
	2014	**2013**	**2012**	**2014**	**2013**	**2012**	**2014**	**2013**	**2012**
Domestic Sales									
Slabs	11	11	2	0%	0%	0%	0%	0%	0%
Hot-Rolled	1,521	2,107	2,111	41%	45%	47%	29%	34%	41%
Cold-Rolled	682	798	832	18%	17%	18%	13%	13%	16%
Galvanized	1,028	1,248	1,105	28%	27%	25%	20%	20%	22%
Tin Mill	423	486	445	11%	11%	10%	8%	9%	9%
Long Steel	52			1%			1%		
Subtotal	**3,718**	**4,650**	**4,495**	**100%**	**100%**	**100%**	**72%**	**76%**	**88%**
Sales abroad									
Slabs	-	-	-	0%	0%	0%	0%	0%	0%
Hot-Rolled	53	20	16	4%	1%	1%	1%	0%	0%
Cold-Rolled	65	66	52	4%	4%	4%	1%	1%	1%
Galvanized	481	468	413	33%	31%	31%	9%	8%	8%
Tin Mill	115	159	129	8%	10%	10%	2%	3%	2%
Long Steel	746	754	724	51%	54%	54%	14%	12%	
Subtotal	**1,460**	**1,467**	**1,334**	**100%**	**100%**	**100%**	**28%**	**24%**	**12%**
Total	**5,177**	**6,117**	**5,829**					**100%**	**100%**
Total Sales									
Slabs	11	11	2				0%	0%	0%
Hot-Rolled	1,574	2,127	2,127				30%	35%	37%
Cold-Rolled	747	864	884				14%	14%	15%
Galvanized	1,509	1,716	1,518				29%	28%	26%
Tin Mill	538	645	574				10%	11%	10%

Long Steel	798	754	724	15%	12%	12%
Total	**5,177**	**6,117**	**5,829**	**100%**	**100%**	**100%**

*% of Sales Volume in Market means the participation of each line of product into the group of domestic sales and sales abroad.

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	Net Operating Revenues								
	In millions of R$			% of Net Operating Revenues					
				In Market*			Total		
	2014	**2013**	**2012**	**2014**	**2013**	**2012**	**2014**	**2013**	**2012**
Domestic Sales									
Slabs	11	10	2	0%	0%	0%	0%	0%	0%
Hot-Rolled	2,769	3,471	3,093	33%	37%	37%	25%	29%	28%
Cold-Rolled	1,411	1,509	1,474	17%	16%	18%	13%	12%	14%
Galvanized	2,609	2,888	2,350	31%	30%	28%	23%	24%	22%
Tin Plate	1,589	1,651	1,419	19%	17%	17%	14%	14%	13%
Long steel	105			1%			1%		
Subtotal	**8,493**	**9,529**	**8,338**	**100%**	**100%**	**100%**	**75%**	**79%**	**79%**
Sales abroad									
Slabs	-	-	-	0%	0%	0%	0%	0%	0%
Hot-Rolled	81	30	24	3%	0%	0%	1%	0%	0%
Cold-Rolled	124	112	82	5%	4%	4%	1%	1%	1%
Galvanized	1,009	893	750	37%	33%	33%	9%	7%	6%
Tin Plate	280	345	293	10%	13%	13%	2%	3%	3%
Long steel	1,269	1,223	1,129	46%	50%	50%	11%	10%	11%
Subtotal	**2,764**	**2,603**	**2,278**	**100%**	**100%**	**100%**	**25%**	**21%**	**21%**
Total	**11,257**	**12,132**	**10,616**				**100%**	**100%**	**100%**
Total Sales									
Slabs	11	10	2						
Hot-Rolled	2,849	3,501	3,117						
Cold-Rolled	1,535	1,621	1,556						
Galvanized	3,618	3,781	3,100						
Tin Plate	1,869	1,996	1,712						
Long steel	1,375	1,223	1,129						
Subtotal	**11,257**	**12,132**	**10,616**				**0%**	**0%**	**0%**
By-Product	89	261	186				1%	2%	2%
Total	**11,346**	**12,393**	**10,802**				**100%**	**100%**	**100%**

*% of Sales Volume in Market means the participation of each line of product into the group of domestic sales and sales abroad.

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Effects of Exchange Rate Fluctuations

Our export revenues are substantially denominated in U.S. dollars. Our domestic revenues are denominated in Brazilian *reais*.

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

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

Domestic revenues tend to be lower (in comparison with prior years) and this effect is magnified to the extent to which we sell more products than usual in the domestic as opposed to the foreign market;

The impact of *real* denominated costs of products sold and operating costs tend to be lower; and

Financial expenses are increased to the extent to which the exposure to dollar-denominated debt is not protected.

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

Domestic revenues tend to be higher (in comparison with prior years) and this effect is magnified to the extent to which we sell more products than usual in the domestic market;

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The impact of *real* denominated costs of products sold and operating costs tends to be higher; and

Financial income is increased to the extent to which the exposure to dollar-denominated debt is not protected.

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

Effects of Inflation and Interest Rates

Inflation rates in Brazil have been significantly volatile in the past. Inflation rates remained relatively stable from 2003 to 2004, decreased in 2005 and 2006 and increased in 2007 and 2008. In 2009, for the first time since its creation in 1989, the IGP-M inflation index recorded a deflation in a calendar year, equivalent to 1.71%. In 2011 the index increased 5.1% and in 2012, 2013, and 2014, the IGP-M index increased 7.8%, 5.5%, and 5.9%, respectively driven by domestic factors (including the increase in regulated prices, such as gasoline and energy) as well external factors such as the strength of the U.S. dollar.

Inflation also affects our financial performance by increasing our costs and expenses denominated in *reais* that are not linked to the U.S. dollar. Our cash costs and operating expenses are substantially denominated in *reais* and have tended to follow the Brazilian inflation ratio because our suppliers and service providers generally increase or decrease prices to reflect Brazilian inflation. In addition, some of our *real*-denominated debt is indexed to take into account the effects of inflation. Under this debt, the principal amount is generally adjusted with reference to inflation indexes. In addition, a significant portion of our *real*-denominated debt bears interest based on the Interbank Deposit Certificate (*Certificado de Depósito Interbancário*), or CDI, rate which is partially adjusted for inflation.

The table below shows the Brazilian general price index and the CDI rates for the periods shown:

	Year ended December 31,		
	2014	**2013**	**2012**
Inflation (IGP-M) [1]	5.9%	5.9%	7.8%
CDI [2]	8.1%	8.1%	8.4%

Source: Fundação Getúlio Vargas, or FGV, and CETIP.
(1) The IGP-M inflation is the general market price index measured by the FGV.
(2) The Interbank Deposit Rate, or CDI, represents the average interbank deposit rate performed during a given day in Brazil (accrued as of the last month of the period, annualized).

Accounting for mining production utilized by our steel production

We are currently self-sufficient regarding the iron ore used in our steel production. The iron ore required is extracted from our Casa de Pedra mine, which in 2014 amounted to approximately 6.0 million tons of its total iron ore production of approximately 21.6 million tons**.** The remainder of the iron ore production is sold to third parties in Brazil and throughout the world.

The cost of iron ore regarding our steel production is recorded on our income statement in the cost of goods sold line item as its extraction cost plus transport from the mine. In 2014, 2013 and 2012, these costs were R$422 million, R$372 million and R$280 million, respectively.

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After the closing of the transaction between CSN and the Asian consortium, as announced on December 12, 2014, the cost of iron ore regarding our steel production will be recorded at adjusted market prices and conditions, instead of its extraction cost plus transport from the mine, as our mining operations will be concentrated in a new company, Congonhas Minérios S.A, which will sell iron ore to CSN to produce steel. Details of the transaction between CSN and the Asian consortium and related conditions precedent for closing are described on Item 4D. Property, Plant and Equipment, Acquisitions and Dispositions.

Critical Accounting Estimates

We prepared our consolidated financial statements as of and for the year ended December 31, 2014 in accordance with IFRS, as issued by the IASB. In preparing our consolidated financial statements, we make estimates concerning a variety of matters. Some of these matters are highly uncertain, and our estimates involve judgments we make based on the information available to us. In the discussion below, we have identified several of these matters for which our financial presentation would be materially affected if either (1) we used different estimates that we could reasonably have used or (2) in the future we change our estimates in response to changes that are reasonably likely to occur.

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

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

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

A determination of the fair value of an asset requires management to make certain assumptions and estimates with respect to projected cash inflows and outflows related to future revenues and expenditures. These assumptions and estimates can be influenced by different external and internal factors, such as economic and industry trends, interest rates and changes in the marketplace. A change in the assumptions and estimates that we use could change our estimate of the expected future net cash flows and lead to the recognition of an impairment charge in results of operations relating to our property, plant and equipment.

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

Financial assets are reviewed for impairment at the end of each reporting period and we assess whether there is objective evidence that a financial asset or a group of financial assets is impaired.

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

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On December 31, 2014, we owned, directly and indirectly, 20.69% of the preferred shares (USIM5) and 14.13% of the common shares (USIM3) of Usinas Siderúrgicas de Minas Gerais S.A. (“Usiminas”), resulting from various acquisitions on the stock exchange since mid-2010. The instruments are classified as financial instruments available for sale and measured at their fair value based on their quoted market price in the Brazilian stock exchange (BOVESPA) on December 31, 2014.

Depreciation and amortization

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

The useful lives are reviewed every fiscal year for all the Company’s units. See further details in Note 8 to our consolidated financial statements.

Fair value of business combinations

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

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

Derivatives

IAS 39, “ Financial Instruments: Recognition and Measurement”, requires that we recognize all derivative financial instruments as either assets or liabilities on our balance sheet and measure such instruments at fair value. Changes in the fair value of derivatives are recorded in each period in the statement of income or in other comprehensive income, in the latter case depending on whether a transaction is designated as an effective hedge. Our derivative instruments do not qualify for hedge accounting. Changes in the fair value of any of these derivative instruments are immediately recorded in the statements of income under “Finance income” and “Finance costs”. We use derivatives for hedging purposes. We apply hedge accounting on our cash flow hedge in order to protect ourselves against exposure to changes in cash flows due to foreign currency risk associated with our recognized debt and with highly probable forecast transactions that may affect our net results. Our hedging instrument are non-derivative monetary items. Therefore, the effective portion of the foreign exchange gains and losses are are accounted for in other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument, if any, is accounted for in income (loss). With respect to the fair value measurement, we must make assumptions such as to future foreign currency exchange and interest rates. For a discussion of the possible impact of fluctuations in the foreign currency exchange and interest rates on our principal financial instruments and positions, see “Item 11. Quantitative and Qualitative Disclosures About Market Risk.”

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Pension plans

We sponsor defined benefit pension plans covering some of our retirees. We account for these benefits in accordance with IAS 19, “Employee Benefits”. The determination of the amount of our obligations for pension benefits depends on certain actuarial assumptions. These assumptions are described in Note 25 to our consolidated financial statements and include, among others, the expected long-term rate of return on plan assets and increases in salaries. In accordance with IFRS, when the benefits of a plan are increased, the portion of the increased benefit related to past services of employees is recognized in profit or loss until the benefits become vested. The Company recognize all the actuarial gains and losses resulting from defined benefit plans immediately in other comprehensive income and then transferred within equity. If the plan is extinguished, actuarial gains and losses are recognized in profit or loss.

Some of the Company’s entities offered a postretirement healthcare benefit to their employees. The expected costs of these benefits were accumulated during the employment period, and are calculated using the same accounting method used for the defined benefit pension plans.

Deferred taxes

We compute and pay income taxes based on results of operations determined under Brazilian Corporate Law. A deferred income tax liability is recognized for all temporary tax differences, while a deferred income tax asset is recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax assets and liabilities are classified as long-term. Tax assets and liabilities are offset if the entity has a legally enforceable right to offset them and they are related to taxes levied by the same taxing authority. If the criterion for offset of current tax assets and liabilities is met, deferred tax assets and liabilities will also be offset. The income tax related to items recognized directly in equity in the current period or in a prior period is recognized directly in the same account. We regularly review the deferred income tax assets for recoverability and will only recognize these if we believe that it is probable that the deferred income tax assets will be realized, based on historical taxable income, projected future taxable income, and the expected timing of the reversals of existing temporary differences. If we operate at a loss or are unable to generate sufficient future taxable income, or if there is a material change in the actual effective tax rates or discount rates, the time period over which the underlying temporary differences become taxable or deductible, or any change in its future projections, we reduce the carrying amount of deferred income tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred income tax asset to be realized.

Contingencies and disputed taxes

We record provisions for contingencies relating to legal proceedings with respect to which we deem the likelihood of an unfavorable outcome to be probable and the loss can be reasonably estimated. This determination is made based on the opinion of our internal and external legal counsel. We believe these contingencies are properly recognized in our financial statements in accordance with IAS 37 “Provision, Contingent Liabilities and Contingent Assets”. We are also involved in judicial and administrative proceedings that are aimed at obtaining or defending our legal rights with respect to taxes that we believe to be unconstitutional or otherwise not required to be paid by us. We believe that these proceedings will ultimately result in the realization of contingent tax credits or benefits that can be used to settle direct and indirect tax obligations owed to the Brazilian Federal or State Governments or to settle municipal tax obligations owed to the corresponding Municipality as per our laws. We do not recognize these contingent tax credits or benefits in our financial statements until realization of such gain contingencies has been resolved. This occurs when a final irrevocable decision is rendered by the courts in Brazil. The accrual for the legal obligation related to the current direct or indirect tax obligations offset is not reversed until such time as the utilization of the contingent tax credits or benefits is ultimately realized. The accounting for the contingent tax credits is in accordance with accounting for

contingent assets under IAS 37. Our accruals include interest on the tax obligations that we may offset with contingent tax credits or benefits at the interest rate defined in the relevant tax law. The recorded accruals for these disputed taxes and other contingencies may change in the future due to new developments in each matter, such as changes in legislation, irrevocable, final judicial decisions specific to us, or changes in approach, such as a change in settlement strategy in dealing with these matters. For further information on the judicial and administrative proceedings in which we are involved, see “Item 8A. Consolidated Statements and Other Financial Information—Legal Proceedings”.

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Allowance for doubtful accounts

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

Mineral Reserves and Useful life of mine

The estimates of probable and proven reserves are periodically evaluated and updated. These reserves are determined using generally accepted geological valuation techniques. The method of calculation requires the use of different assumptions by internal specialists and changes in some of these assumptions may have significant impact on probable and proven iron ore reserves recorded and on the useful life of mines.

The tangible assets that are mine-specific, are depreciated over the shorter of the normal useful lives of such assets or the useful life of the mine.

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

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

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

The development stage includes:

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

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

Stripping costs in the production phase are included in the cost of the inventory produced, except when a specific extraction campaign is made to access deeper deposits of the ore body. In these cases, costs are capitalized and taken to noncurrent assets when the mineral ore deposit is extracted and are amortized over the useful life of the ore body.

Property, Plant and Equipment

In accordance with our accounting policy, the cost of maintenance in operating assets is capitalized when it does not occur annually and results in an increase in the useful life of the asset. Depreciation is recognized on an accrual basis until the next maintenance event of the relevant asset. Expenditures for maintenance and repairs in operating assets, that are necessary to maintain assets under normal conditions of use, are charged to operating costs and expenses, as incurred.

As of December 31, 2014 and 2013 the amount capitalized in property, plant and equipment was R$274 million and R$971 million respectively and the amount charged to operating costs and expenses was R$1,073 million and R$1,297 million, respectively.

Recently Issued Accounting Pronouncements Adopted and Not Adopted by Us

The standards, amendments to standards and interpretations that became effective as from January 1st, 2014 were not applicable to the Group.

Additionally, the standards, amendments to standards and IFRS interpretations issued by the IASB that are not yet effective and were not early adopted by the Group for the year ended December 31, 2014 is described in Note 2 to our consolidated financial statements contained in “Item 18. Financial Statements.”

Results of Operations

The following table presents certain financial information with respect to our operating results for each of the years ended December 31, 2014, 2013 and 2012:

		Year Ended December 31,		
Income Statement Data:	**2014**	**2014**	**2013**	**2012**
	(in millions of US$, except per share data)	*(in millions of R$, except per share data)*		
Net operating revenues	**6,072**	**16,126**	**17,312**	**15,229**
Cost of sales and/or services	(4,365)	(11,592)	(12,423)	(11,259)
Gross Profit	**1,707**	**4,534**	**4,889**	**6,719**

Operating expenses				
Selling	(392)	(1,042)	(875)	(774)
General and administrative	(165)	(438)	(486)	(468)
Equity in results of affiliated companies	125	331	158	642
Other operating expenses	(247)	(657)	(1,134)	(2,763)
Other operating income	31	90	567	111
Total	**(646)**	**(1,716)**	**(1,770)**	**(3,252)**
Operating income	**1,061**	**2,818**	**3,120**	**719**
Financial Results				
Financial income	65	172	171	391
Financial expenses	(1,225)	(3,253)	(2.683)	(2,543)
Income before taxes	**(99)**	**(263)**	**608**	**(1,433)**
Income taxes				
Current	(199)	(528)	(1,291)	(322)
Deferred	256	679	1,217	1,275
Total	**57**	**151**	**(74)**	**953**
Net income (loss) for the year	**(42)**	**(112)**	**534**	**(481)**
Net (loss) income attributable to noncontrolling interest	**(3)**	**(7)**	**25**	**(61)**
Net (loss) income attributable to Companhia Siderúrgica Nacional	**(40)**	**(105)**	**509**	**(421)**
Basic (loss) earnings per common share	-0.02802	-0.0744	0,34913	- 0.28815
Diluted (loss) earnings per common share	-0.02802	-0.0744	0,34913	- 0.28815

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Year 2014 Compared to Year 2013

We maintain integrated operations in five business segments: steel, mining, logistics, cement and energy. We manage and control the performance of our various business segments, considering the proportional interest in our jointly controlled entities, Nacional Minérios S.A., MRS Logística S.A., and CBSI - Companhia Brasileira de Serviços de Infraestrutura, reflected on figures described below, which may differ from those accounted according to IFRS.

In 2013, the financial statement was substantially impacted by the deconsolidation of Transordestina Logística S.A. which began to be recognized under the equity accounting method, due to the partial spin-off and the entry into effect of the new shareholders'agreement.

Our consolidated results for the years ended December 31, 2014 and 2013 by business segment are presented below:

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R$ million			Logistics					Year Ended December 31, 2014
Consolidated Results	**Steel**	**Mining**	**Port Logistics**	**Railway Logistics**	**Cement**	**Energy**	**Eliminations**	**Consolidated**
Net operating revenues	**11,492**	**4,109**	**202**	**1,105**	**440**	**324**	**(1,547)**	**16,126**
Domestic Market	8,650	307	202	1,105	440	324	(1,063)	9,966
Export Market	2,841	3,803					(484)	6,160
Cost of goods sold	**(8,672)**	**(2,986)**	**(138)**	**(753)**	**(295)**	**(187)**	**1,439**	**(11,592)**
Gross profit	**2,820**	**1,123**	**65**	**352**	**145**	**138**	**(109)**	**4,534**
Adjusted EBITDA*	**2,935**	**1,429**	**68**	**407**	**116**	**135**	**(361)**	**4,729**

R$ million			Logistics					Year Ended December 31, 2013
Consolidated Results	**Steel**	**Mining**	**Port Logistics**	**Railway Logistics**	**Cement**	**Energy**	**Eliminations**	**Consolidated**
Net operating revenues	**12,393**	**5,297**	**195**	**1,074**	**416**	**212**	**(2,274)**	**17,312**
Domestic Market	9,696	680	195	1,074	416	212	(1,025)	11,247
Export Market	2,697	4,617					(1,249)	6,065
Cost of goods sold	**(9,962)**	**(2,829)**	**(97)**	**(708)**	**(277)**	**(161)**	**1,612**	**(12,423)**
Gross profit	**2,431**	**2,468**	**97**	**366**	**139**	**50**	**(662)**	**4,890**
Adjusted EBITDA*	**2,454**	**2,618**	**82**	**406**	**101**	**47**	**(304)**	**5,404**

*For more information on Adjusted EBITDA see “Results of Operations—Adjusted EBITDA.”

Net Operating Revenues

Net operating revenues decreased R$1,186 million, or 7%, from R$17,312 million recorded in 2013 to R$16,126 million in 2014, due to a decrease in revenues from our steel and mining segments.

Net domestic revenues decreased 11%, from R$11,247 million in 2013 to R$9,966 million in 2014, while total net revenues of exports and sales abroad increased 2%, from R$6,065 million in 2013 to R$6,160 million in 2014.

Steel

Steel net operating revenues decreased R$902 million, or 7%, from R$12,393 million in 2013 to R$11,492 million in 2014, due to a decrease in sales volume of 15% from 6,117 thousand tons in 2013 to 5,177 thousand tons in 2014, partially offset by an increase of 10% in our average steel prices.

Steel net domestic revenues decreased R$1,045 million, or 11%, from R$9,696 million in 2013 to R$8,650 million in 2014, due to a decrease of 20% in sales volume from 4,650 thousand tons in 2013 to 3,718 thousand tons in 2014, mainly due to a reduction in domestic flat steel sales, impacted by the 3.2% downturn in industrial activity, as apparent steel consumption has a direct correlation with the GDP growth. This decrease in sales volume was partially offset by an increase of 11% in average domestic steel prices, driven principally by the real depreciation, which causes steel imports to become relatively more expensive.

Steel net revenues from exports and sales abroad increased R$144 million, or 5%, from R$2,697 million in 2013 to R$2,841 million in 2014, due to an increase of 7% in the average steel prices to the foreign market given the real depreciation, which results in more favorable conditions to compete abroad, as our foreign prices are sensitive to international prices and the exchange rate. Our sales volume to the foreign markets remained stable in 2014 at 1,460 thousand tons when compared to 2013.

Mining

Total mining net operating revenues decreased R$1,188 million, or 22%, from R$5,297 million in 2013 to R$4,109 million in 2014, mainly due to:

- A decrease of 28% in average international iron ore prices, from US$135/dmt in 2013 to US$97/dmt in 2014, principally due to a substantial upturn in exports by the main Australian mining companies coupled with a resilience of the high-cost Chinese producers, along with the downturn in investments in the China’s real estate setor due to the gradual slowdown of the economy.

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- The decrease in iron ore prices was partially offset by an increase of 17% in our iron ore sales, from 21.5 million tons in 2013 to 25.2 million tons in 2014. This volume increase came mainly from Casa de Pedra mine, which sales increased 29%, from 15.3 million tons in 2013 to 19.8 million tons in 2014, given the expansion of its iron ore production, which increased 40%, from 15.4 million tons in 2013 to 21.6 million tons in 2014, due to the ramp up of this mine.

Mining net export revenues decreased R$814 million, or 17%, from R$4,617 million in 2013 to R$3,803 million in 2014, mainly due to the decrease of 28% in average international iron ore prices, partially offset by an increase of 17% in our iron ore exports, from 21.4 million tons in 2013 to 25.1 million tons in 2014, mainly from Casa de Pedra, as aforementioned.

Mining net domestic revenues decreased R$373 million, or 59%, from R$680 million in 2013 to R$307 million in 2014, due to the decrease in iron ore prices and a reduction in domestic sales, from 157 thousand tons in 2013 to 138 thousand tons in 2014.

Logistics

Logistics net operating revenues increased R$38 million, or 3%, from R$1,269 million reported in 2013 to R$1,307 million in 2014. In 2014, net revenue from railway logistics totaled R$1,105 million and net revenue from port logistics amounted to R$202 million, while in 2013, net revenue from railway logistics totaled R$1,074 million and net revenue from port logistics amounted to R$195 million.

Our net revenue from logistic services to third parties was R$1,015 million, or 78% of total net revenue from logistic services, in 2014 and R$1,000million, or 79%, in 2013.

Cement

Cement net revenue increased R$25 million, or 6%, from R$416 million in 2013 to R$440 million in 2014, mainly due to an increase of 7% in cement sales volume from 2,046 thousand tons in 2013 to 2,185 thousand tons in 2014, with the ramp up of our cement grinding plant in Volta Redonda.

Energy

Our net operating revenues from the energy segment increased R$113 million, or 53% of total net revenue from the energy segment, from R$212 million in 2013 to R$324 million in 2014, mainly due to the sale of surplus energy on the market.

Our net revenue from energy sales to third parties were R$ 172 million, or 53%, in 2014 and R$62 million, or 29%, in 2013.

Cost of Products Sold

Consolidated cost of products sold decreased R$830 million, or 7% from $12,423 million in 2013 to R$11,592 million in 2014, mainly given a decrease in cost of products sold from our steel segment.

Steel

Consolidated steel costs of products sold were R$8,672 million in 2014, representing a 13% decrease as compared to the R$9,962 million recorded in 2013, mainly due to the decrease in steel sales volume.

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

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

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Steel Production Cost	2014		2013		Variation	
	R$ million	R$ / ton	R$ million	R$ / ton	R$ million	R$ / ton
Raw Materials	**3,390**	**701.6**	**3,702**	**736.2**	**-312**	**-34.6**
Iron Ore	422	87.3	372	74.1	50	13.2
Coal	748	154.8	800	159.1	-52	-4.3
Coke	694	143.6	772	153.5	-78	-9.9
Metals	335	69.4	310	61.6	25	7.8
Outsourced Slabs	467	96.7	678	134.9	-211	-38.2
Pellets	399	82.6	400	79.5	-1	3.1
Scrap	74	15.3	114	22.6	-40	-7.3
Other[1]	251	51.9	256	50.9	-5	1
Labor	**706**	**146.1**	**639**	**127.2**	**67**	**18.9**
Other Production Costs	**2,359**	**488.2**	**2,621**	**521.5**	**-262**	**-33.3**
Energy / Fuel	495	102.4	623	123.9	-128	-21.5
Services and Maintenance	910	188.3	911	181.2	-1	7.1
Tools and Supplies	260	53.9	294	58.4	-34	-4.5
Depreciation[2]	575	119.1	652	129.8	-77	-10.7
Other	119	24.5	141	28.2	-22	-3.7
Total	**6,455**	**1,336**	**6,962**	**1,385**	**-507**	**-49**

[1] Includes limestone and dolomite
[2] The decrease of the depreciation in 2014 refers mainly to the revision of the useful lives of the assets perfomance.

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

We obtain all of our iron ore requirements from our Casa de Pedra mine located in the state of Minas Gerais, and the limestone and dolomite from our Bocaina mine in the city of Arcos, in the state of Minas Gerais. The coal and coke we consume are acquired from different international producers “See Item 4B—Raw Materials and Suppliers.”

Our steel production costs decreased R$507 million, or 7%, from R$6,962 million in 2013 to R$6,455 million in 2014, mainly due to the reduction in costs with raw materials, mainly due to lower costs with slabs purchased from third parties and lower costs with coke and coal.

Our costs regarding purchase of outsourced slabs from third parties decreased R$211 million, or 31%, from R$678 million in 2013 to R$467 million in 2014, due to lower consumption of slabs purchased from third parties given the lower production of rolled products.

Our coke costs decreased R$78 million, or 10%, from R$772 million in 2013 to R$694 million in 2014, corresponding to 11% of our steel production cost, mainly due to lower international coke prices and a decrease of 5% in consumption, partially offset by the depreciation of the real.

Our coal costs decreased R$52 million, or 7%, from R$800 million in 2013 to R$748 million in 2014, corresponding to 12% of our steel production cost, mainly due to lower international coal prices, partially offset by an increase of 2% in consumption and by the depreciation of the real.

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Our scrap costs decreased R$40 million, or 35%, from R$114 million in 2013 to R$74 million in 2014, mainly due to lower consumption.

Other production costs regarding energy/fuel decreased R$128 million or 21%, from R$623 million in 2013 to R$495 million in 2014.

Mining

Our mining costs of products sold increased R$157 million, or 6%, from R$2,829 million in 2013 to R$2,986 million in 2014, mainly due to the increase in volume of iron ore sold. The unit cost per ton in 2014 decreased 10%, from R$131 in 2013 to R$118 in 2014 due to a dilution of fixed costs, given the higher production and sales volume.

Logistics

Cost of services attributable to our logistics segment increased R$85 million, or 11%, from R$806 million in 2013 to R$891 million in 2014, due to the increases of R$45 million and R$40 million in the costs of railway logistics and port logistic services, respectively. For railway logistics the increase of R$45 million was mainly due to an increase in costs from MRS. For port logistics services, the increase of R$ 40 million was the higher volume of steel products transported during the period.

Cement

Cost of products sold attributable to our cement segment increased R$19 million, or 7%, from R$277 million reported in 2013 to R$295 million in 2014, mainly due to the increase in sales volume. The unit cost per ton was R$135, remained stable in 2013 and 2014.

Energy

Cost of products sold attributable to our energy segment increased R$25 million, or 16%, from R$161 million in 2013 to R$187 million in 2014.

Gross Profit

Gross profit decreased R$355 million, or 7%, from R$4,889 million in 2013 to R$4,534 million in 2014, due to the decrease of R$1,186 million in net revenues partially offset by the decrease of R$830 million in cost of products sold, as discussed above.

Steel

Gross profit in the steel segment increased R$389 million, or 16%, from R$2,431 million in 2013 to R$2,820 million in 2014.

Mining

Our gross profit in the mining segment decreased R$1,344 million, or 55% from R$2,467 million in 2013 to R$1,123 million in 2014.

Logistics

Gross profit in the logistics segment decreased R$47 million, or 10%, from R$463 million in 2013 to R$416 million in 2014.

Cement

Gross profit in the cement segment increased R$6 million, or 4.6% from R$139 million in 2013 to R$145 million in 2014.

Energy

Gross profit in energy segment increased R$88 million, or 173%, from R$50 million in 2013 to R$138 million in 2014.

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Selling, general and administrative

Selling, general and administrative expenses increased R$120 million, or 9%, from R$1,360 million in 2013 to R$1,480 million in 2014. Selling expenses increased R$167 million, or 19%, from R$875 million in 2013 to R$1,042 million in 2014, mainly due to an increase of iron ore CIF sales (sales including insurance and freight costs), driven by our strategy of adding value to cargoes destined to Asian markets, while general and administrative expenses decreased R$47 million, or 10%, from R$485 million in 2013 to R$438 million in 2014.

Other operating income (expenses)

In 2014, we recorded a net expense of R$567 million in the "Other Revenue and Expenses" item, mainly due to the negative impact of R$205 million regarding the reclassification of accrued losses from investments in shares recorded as available for sale.

In 2013 net operating expenses of R$568 million were mainly due to a negative impact of R$254 million regarding provision for tax, social security, labor, civil and environmental risks, R$233 million regarding REFIS program and R$216 million regarding an impairment due to the spin-off of TLSA which were partially offset by a R$474 million gain on share of control of TLSA. For more information see Note 22 to the consolidated financial statements included in "Item 18. Financial Statements".

Equity Result in Results of Affiliated Companies

Equity result increased R$173 million, or 109%, from incomeof R$158 million in 2013 to R$331 million in 2014, mainly due to the increase on the result of the jointly-controlled investee Namisa of R$133 million in 2013 and R$291 million in 2014, both proportional to our interest in this subsidiary.

The investment in Namisa is currently accounted under the equity method. After the closing of the transaction between CSN and the Asian consortium, as announced on December 12, 2014, the accounting impact will be revised based on the final terms of control of the agreement. Details of the transaction between CSN and the Asian consortium and related conditions precedent for closing are described on Item 4D. Property, Plant and Equipment, Acquisitions and Dispositions.

Operating Income

Operating income decreased R$302 million, or 10%, from R$3,120 million in 2013 to R$2,818 million in 2014 due to:

- a decrease of R$355 million in gross profit and an increase of R$120 million in selling, general and administrative expenses, partially offset by;

- an increase of R$173 million in equity result.

Financial expenses (income), net

In 2014, our net financial expenses increased R$570 million, or 23%, from R$2,512 million in 2013 to R$3,081 million in 2014, mainly due to:

- an increase in interest expenses of R$364 million, or 13%, from R$2,740 million in 2013 to R$3,104 million in 2014, mainly due to the increase of R$549 million in financial expenses regarding borrowings and financing, due to an increase in gross debt. This increase was partially offset by a reduction of R$225 million from 2013 to 2014 due to a negative effect of R$277 million in 2013 regarding interest related to our adherence to the REFIS program.

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- a variation of R$205 million regarding monetary and exchange variations, from a revenue of R$56 million in 2013 to a loss of R$149 million in 2014, mainly due to the effect of the 13% average depreciation of the Real against the U.S. dollar.

Hedge Accounting

CSN regularly exports a large portion of its iron ore production, as well as steel products. The revenue in reais from these exports is impacted by the fluctuation of the exchange rate. On the other hand, CSN raises funds in foreign currency through loans and financing, in addition to imports of metallurgical coal and coke which are used in its steelmaking process, among other production inputs. These dollar liabilities act as a natural hedge for oscillations in export revenue.

In order to better reflect the effect of exchange fluctuations on its financial statements, as of 4Q14 CSN began to designate part of its dollar-denominated liabilities as a hedge for future exports. As a result, the exchange variation arising from these liabilities were temporarily booked under equity, being transferred to the income statement when said exports took place, thus allowing impacts from the exchange fluctuation on liabilities and exports to be recorded simultaneously. It is important to note that the adoption of hedge accounting does not involve the contracting of any type of financial instrument.For more information, see Note “11.d) Transactions with Derivative Financial Instruments” in our consolidated financial statements.

Income Taxes

Income tax expense in Brazil refers to federal income tax and social contribution tax. The statutory rates for these taxes applicable to the periods presented herein were 25% for federal income tax and 9% for the social contribution. Adjustments are made to the income in order to reach the effective tax expense or benefit in each fiscal year. As a result, our effective tax rate among exercises presents volatility.

The balances owed for these periods totaled a benefit of R$90 million in 2014 and an expense of R$207 million in 2013 (34% of income before taxes and adjustments to the income). After adjustments we recorded a benefit for income tax and social contribution of R$151 million in 2014, as compared to an expense of R$ 74million in 2013. Expressed as a percentage of pre-tax income, income tax moved from 12% in 2013 to 57% in 2014. For the year ended December 31, 2014, these adjustments totaled a benefit of R$61 million, comprised mainly of:

- a positive R$113 million adjustment related to equity result;

- a negative R$29 million adjustment related to tax loss and negative basis without deferred tax.

For further information, see Note 13 to our consolidated financial statements.”

For the year ended December 31, 2013, adjustments totaled an expense of R$133 million, comprised mainly of:

- a positive R$550 million adjustment related to tax credits from subsidiaries, which increased tax gains;

- a positive R$255 million adjustment related to interest on capital benefit, which increased tax gains;

- a positive R$173 million adjustment related to income subject to special tax rates or untaxed, which increased tax gains;

- a negative R$689 million adjustment related to the REFIS which increased tax expenses;

- a negative R$167 million adjustment related to tax loss and negative basis without constituted deferred tax, which decreased tax gains; and

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

Net Income (Loss) for the year

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In 2014, the Company recorded a net loss of R$112 million, as compared to a net income of R$534 million in 2013.

Year 2013 Compared to Year 2012

We maintain integrated operations in five business segments: steel, mining, logistics, cement and energy. We manage and control the performance of our various business segments, considering the proportional interest in our jointly controlled entities, Nacional Minérios S.A., MRS Logística S.A., and CBSI - Companhia Brasileira de Serviços de Infraestrutura, reflected on figures described below, which may differ from those accounted according to IFRS.

In 2013, the financial statement was substantially impacted by the deconsolidation of Transordestina Logística S.A. which began to be recognized under the equity accounting method, due to the partial spin-off and the entry into effect of the new shareholders'agreement.

Our consolidated results for the years ended December 31, 2013 and 2012 by business segment are presented below:

R$ million			**Logistics**					**Year Ended December 31, 2013**
Consolidated Results	**Steel**	**Mining**	**Port Logistics**	**Railway Logistics**	**Cement**	**Energy**	**Eliminations**	**Consolidated**
Net operating revenues	**12,393**	**5,297**	**195**	**1,074**	**416**	**212**	**(2,274)**	**17,312**
Domestic Market	9,696	680	195	1,074	416	212	(1,025)	11,247
Export Market	2,697	4,617					(1,249)	6,065
Cost of goods sold	**(9,962)**	**(2,829)**	**(97)**	**(708)**	**(277)**	**(161)**	**1,612**	**(12,423)**
Gross profit	**2,431**	**2,468**	**97**	**366**	**139**	**50**	**(662)**	**4,890**
Adjusted EBITDA*	**2,454**	**2,618**	**82**	**406**	**101**	**47**	**(304)**	**5,404**

R$ million			**Logistics**					**Year Ended December 31, 2012**
Consolidated Results	**Steel**	**Mining**	**Port Logistics**	**Railway Logistics**	**Cement**	**Energy**	**Eliminations**	**Consolidated**
Net operating revenues	**10,802**	**4,485**	**151**	**1,067**	**388**	**229**	**(1,894)**	**15,229**
Domestic Market	8,478	713	151	1,067	388	229	(567)	10,459
Export Market	2,324	3,772					(1,326)	4,770
Cost of goods sold	**(8,868)**	**(2,450)**	**(82)**	**(730)**	**(286)**	**(153)**	**1,311**	**(11,259)**
Gross profit	**1,934**	**2,035**	**69**	**337**	**102**	**76**	**(583)**	**3,970**
Adjusted EBITDA*	**2,068**	**2,166**	**55**	**381**	**60**	**71**	**(269)**	**4,532**

*For more information on Adjusted EBITDA see "Results of Operations—Adjusted EBITDA."

Net Operating Revenues

Net operating revenues increased R$2,084 million, or 13.7%, from R$15,229 million recorded in 2012 to R$17,312 million in 2013, due to an increase in revenues from our steel, mining, logistics and cement segments,

partially offset by a decrease in revenues from our energy segment.

Net domestic revenues increased 7.5%, from R$10,459 million in 2012 to R$11,247 million in 2013 and total net revenues of exports and sales abroad increased 27.1%, from R$4,770 million in 2012 to R$6,065 million in 2013.

Steel

Steel net operating revenues increased R$1,591 million, or 14.7%, from R$10,802 million in 2012 to R$12,393 million in 2013, due to an increase in sales volume of 4.9% from 5,829 thousand tons in 2012 to 6,117 thousand tons in 2013 and to an increase of 8.9% in average steel prices.

Steel net domestic revenues increased R$1,218 million, or 14.4%, from R$8,478 million in 2012 to R$9,696 million in 2013, due to an increase of 3.4% in sales volume from 4,495 thousand tons in 2012 to 4,650 thousand tons in 2013 and an increase in the average domestic steel prices.

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Steel net revenues from exports and sales abroad increased R$373 million, or 16.1%, from R$2,324 million in 2012 to R$2,697 million in 2013, with sales volume increasing 10.0% to 1,467 thousand tons in 2013, from 1,334 thousand tons in 2012 and to an increase in the average steel prices to the foreign market.

Mining

Mining net operating revenues increased R$812 million, or 18.1%, from R$4,485 million in 2012 to R$5,297 million in 2013, mainly due to an increase of 6.7% in the consolidated iron ore sales and due to higher iron ore prices.

Mining net export revenues increased R$845 million, or 22.4%, from R$3,772 million in 2012 to R$4,617 million in 2013, mainly due to an increase of 8.5% in iron ore sales volume and higher international iron ore prices.

Mining net domestic revenues decreased R$33 million, or 4.6%, from R$713 million in 2012 to R$680 million in 2013, mainly due to a decrease in iron ore domestic sales, as a result of our focus on sales to the foreign market.

Logistics

Logistics net operating revenues an increased R$51 million, or 4.2%, from R$1,218 million reported in 2012 to R$1,269 million in 2013. In 2013, net revenue from railway logistics totaled R$1,074 million and net revenue from port logistics amounted to R$195 million, while in 2012, net revenue from railway logistics totaled R$1,067 million and net revenue from port logistics amounted to R$151 million.

Cement

Cement net revenue increased R$28 million, or 7.2%, from R$388 million in 2012 to R$416 million in 2013, mainly due to an increase of 3.8% in sales volume from 1,972 thousand tons in 2012 to 2,046 thousand tons in 2013, as we continue the ramp up of our cement plant in Volta Redonda.

Energy

Our net operating revenues from the energy segment decreased R$17 million, or 7.4%, from R$229 million in 2012 to R$212 million in 2013.

Cost of Products Sold

Consolidated cost of products sold increased R$683 million, or 10.3% from $11,259 million in 2012 to R$12,423 million in 2013, due to an increase in cost of products sold from our steel, mining and energy segments, partially offset by a decrease in cost of products sold from our cement segment.

Steel

Consolidated steel costs of products sold were R$9,962 million in 2013, representing a 12.3% increase as compared to the R$8,868 million recorded in 2012, mainly due to the increase in steel sales volume and production costs.

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

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

Steel Production Cost	2013		2012		Variation	
	R$ million	R$ / ton	R$ million	R$ / ton	R$ million	R$ / ton
Raw Materials	**3.702**	**736,2**	**3.337**	**675,8**	**365,0**	**60,4**
Iron Ore	372	74,1	280	56,7	92,0	17,4
Coal	800	159,1	1244	252,0	-444,0	-92,9
Coke	772	153,5	672	136,1	100,0	17,4
Metals	310	61,6	258	52,2	52,0	9,4
Outsourced Slabs	678	134,9	144	29,2	534,0	105,7
Pellets	400	79,5	366	74,1	34,0	5,4
Scrap	114	22,6	131	26,5	-17,0	-3,9
Other[(1)]	256	50,9	242	49,0	14,0	1,9
Labor	**639**	**127,2**	**634**	**128,5**	**5,0**	**-1,3**
Other Production Costs	**2.621**	**521,5**	**2556**	**517,7**	**65,0**	**3,8**
Energy / Fuel	623	123,9	567	114,8	56,0	9,1
Services and Maintenance	911	181,2	911	184,5	0,0	-3,3
Tools and Supplies	294	58,4	274	55,6	20,0	2,8
Depreciation	652	129,8	688	139,3	-36,0	-9,5
Other	142	28,2	116	23,5	26,0	4,7
Total	**6.962**	**1.385**	**6.527**	**1.321,8**	**435,0**	**63,0**

[(1)] Includes limestone and dolomite

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Our steel production costs increased R$435 million, or 6.7%, from R$6,527 million in 2012 to R$6,962 million in 2013.

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

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

The coal and coke we consume are acquired from different international producers “See Item 4B—Raw Materials and Suppliers.”

Our coal costs decreased R$444 million, or 35.7%, from R$1,244 million in 2012 to R$800 million in 2013, corresponding to 11.5% of our steel production cost, mainly due to a decrease in consumption and lower average prices, partially offset by the depreciation of the *real*.

Our coke costs increased R$100 million, or 14.9%, from R$672 million in 2012 to R$772 million in 2012, corresponding to 11.1% of our steel production cost, due to an increase in consumption and the depreciation of the Brazilian *real,* partially offset by lower average prices.

The costs of pellets increased R$34 million, or 9.3%, from R$366 million in 2012 to R$400 million in 2013, mainly due to higher prices**.**

Our costs regarding purchase of outsourced slabs and hot coils from third parties increased R$534 million, or 370.8%, from R$144 million in 2012 to R$678 million in 2013, due to higher volumes of slabs purchased from third parties.

Our costs regarding metals increased R$52 million or 20.2%, from R$258 million in 2012 to R$310 million in 2013, mainly due to increase of 23.0% in the consumption of zinc which impacted the production cost in R$40 million.

Mining

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Our mining costs of products sold increased R$379 million, or 15.5%, from R$2,450 million in 2012 to R$2,829 million in 2013, mainly due to the increase in the volume of iron ore sold and in production costs.

Logistics

Cost of services attributable to our logistics segment decreased R$6 million, or 0.7%, from R$812 million in 2012 to R$806 million in 2013, mainly due to the decrease in the cost of railway logistics, which decreased R$22 million, or 3.0% from R$730 million in 2012 to R$708 million in 2013. The railway logistics represented 87.9% of the total logistics costs in 2013 and 89.8% of the total logistics costs in 2012. In addition, cost of services from port logistics increased R$15 million, or 18.0%, from R$82 million reported in 2012 to R$97 million in 2013.

Cement

Cost of products sold attributable to our cement segment decreased R$9 million, or 3.2%, from R$286 million reported in 2012 to R$277 million in 2013.

Energy

Cost of products sold attributable to our energy segment increased R$8 million, or 5.2%, from R$153 million in 2012 to R$161 million in 2013.

Gross Profit

Gross profit increased R$920 million, or 23.2%, from R$3,970 million in 2012 to R$4,890 million in 2013, due to the increase of R$2,084 million in net revenues partially offset by the increase of R$1,164 million in cost of products sold.

Steel

Gross profit in the steel segment increased R$497 million, or 25.7%. from R$1,934 million in 2012 to R$2,431 million in 2013, due to the increase of R$1,591 million in steel net revenues partially offset by the increase of R$1,094 million in the cost of steel products sold.

Mining

Our gross profit in the mining segment increased R$433 million, or 21.2% from R$2,035 million in 2012 to R$2,468 million in 2013, due to the increase of R$812 million in mining net operating revenues, partially offset by the increase of R$379 million in cost of products sold, as discussed above.

Logistics

Gross profit in the logistics segment increased R$57 million, or 14.0%, from R$406 million in 2012 to R$463 million in 2013, due to the increase of R$51 million in net revenues and by the decrease of R$6 million in cost of products sold, as discussed above.

Cement

Gross profit in the cement segment increased R$37 million, or 36.3% from R$102 million in 2012 to R$139 million in 2013, due to the increase of R$28 million in net revenues and by the R$9 million decrease in the cost of products sold, as discussed above.

Energy

Gross profit in energy segment decreased R$26 million, or 33.4%, from R$76 million in 2012 to R$50 million in 2013, due to the decrease of R$17 million in net operating revenues and the increase of R$9 million in the cost of products sold.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased R$119 million, or 9.6%, from R$1,241 million in 2012 to R$1,360 million in 2013. Selling expenses increased R$102 million, or 13.2%, from R$773 million in 2012 to R$875 million in 2013, mainly due to our stronger sales efforts while general and administrative expenses increased R$17 million, or 3.6%, from R$468 million in 2012 to R$485 million in 2013.

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Other operating income (expenses)

In 2013, we recorded a net expense of R$568 million in the “Other Revenue and Expenses” line-item, as compared to a net income of R$2,651 million in 2012. The R$2,083 million decrease was mainly due to the non-recurring impact of R$2,023 million in 2012 regarding the reclassification of accrued losses from investments in financial instruments classified as available for sale.

Equity Result

Equity result decreased R$483 million, or 75.4%, from R$641 million in 2012 to R$158 million in 2013, mainly due to the participation of the jointly-controlled investee Namisa in the Federal Tax Repayment Program, or REFIS, which had an impact of R$534 million, proportional to our interest in this subsidiary.

Operating Income

Operating income increased R$2,401 million, or 334.0%, from R$719 million in 2012 to R$3,120 million in 2013. This increase was mainly due to:

An increase of R$920 million in gross profit, as discussed above;

A decrease of R$2,083 million in other operating income (expenses);

Partially offset by:

An increase of R$119 million in selling, general and administrative expenses, as discussed above;

A decrease of R$483 million in equity result, as discussed above;

Financial expenses (income), net

In 2013, our net financial expenses increased R$361 million, or 16.7%, from R$2,151 million in 2012 to R$2,512 million in 2013, mainly due to:

an interest income decrease of R$220 million, or 56.1%, or, from R$392 million in 2012 to R$172 million in 2013, due to a reduction of R$52 million in returns on financial investments and the net effect of R$115 million of the REFIS in 2012 (Law 11,941/09 and MP 470/09);

an interest expense increase of R$192 million, or 7.5%, R$2,547 million in 2012 to R$2,740 million in 2013, mainly due to the effect of R$277 million regarding our adherence to the REFIS in 2013 (Law 11,941/09 and Law 12,865/13), partially offset by a decrease of R$85 million in monetary restatement of tax payment installments; and

a positive effect of R$52 million in exchange and monetary variation.

Income Taxes

We recorded an expense for income tax and social contribution of R$74 million in 2013, as compared to a gain of R$952 million in 2012. Expressed as a percentage of pre-tax income, income tax moved from -66.5% in 2012 to

-12.2% in 2013. Income tax expense in Brazil refers to federal income tax and social contribution tax. The statutory rates for these taxes applicable to the periods presented herein were 25% for federal income tax and 9% for the social contribution. Therefore, the balances owed for these periods totaled an expense of R$207 million in 2013 and a gain of R$487 million in 2012 (34% of income before taxes and equity in affiliated companies). Adjustments are made to these rates in order to reach the actual tax expense for the years.

For the year ended December 31, 2013, adjustments totaled an expense of R$133 million and were comprised of:

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a R$255 million adjustment related to interest on capital benefit, which increased tax gains;

a R$227 million adjustment related to income subject to special tax rates or untaxed, which increased tax gains;

a R$31 million adjustment related to transfer pricing adjustment, which increased tax expenses;

a negative R$689 million adjustment related to the REFIS which increased tax expenses;

a R$167 million adjustment related to tax loss and negative basis without constituted deferred tax, which decreased tax gains; and

a positive R$550 million adjustment related to tax credits from subsidiaries, which increased tax gains; and

a R$12 million effect related to other permanent deductions, which increased tax expenses.

For the year ended December 31, 2012, adjustments totaled a gain of R$465 million and were comprised of:

a R$444 million adjustment related to equity income of subsidiaries at different rates or which are not taxable, which increased tax gains;

a R$39 million adjustment related to non taxable income from the REFIS which increased tax gains;

R$43 million related to tax loss and negative basis without constituted deferred tax, which decreased tax gains; and

a R$24 million effect related to other permanent deductions, which increased tax gains.

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

Net Income (Loss)

In 2013, we had a net income of R$534 million, as compared to a net loss of R$481 million in 2012, mainly due to higher gross profit and the non-recurring effects aforementioned.

Adjusted EBITDA

The Company uses adjusted EBITDA to measure the performance of its various segments and the capacity to generate recurring operating cash. It comprises net income before net financial result, income and social contribution taxes, depreciation and amortization, share of profit (losses) of investees, proportional EBITDA of jointly controlled companies and other operating income (expenses). However, although it is used to measure segment results, adjusted EBITDA is not a measure recognized by Brazilian accounting practices or International Financial Reporting Standards (IFRS), has no standard definition and therefore should not be compared to similar indicators adopted by other companies. As required by IFRS 8, the table below shows the reconciliation of the adjusted EBITDA with the net income (loss) for the year.

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R$ Million	2014	2013	2012
Profit/(Loss) for the year	(112)	534	(481)
Depreciation and amortization	1,245	1,094	1,086
Income tax and social contribution	(151)	74	(952)
Net financial result	3,081	2,512	2,151
EBITDA	4,063	4,214	1,804
Other operating income (expenses)	567	568	2,651
Share of profit (losses) of investees	(331)	(158)	(641)
Proportional EBITDA of Jointly Controlled investees[1]	430	781	718
Adjusted EBITDA	**4,729**	**5,404**	**4,532**

[1]Proporcional EBITDA of Namisa, MRS Logística and CBSI were calculated based on the same method as detailed above, considering our interests on capital.

Adjusted EBITDA decreased R$675 million, or 12.5%, from R$5,404 million in 2013 to R$5,404 million in 2014, due to the decrease in the revenue from mining operations

Adjusted EBITDA increased R$872 million, or 19.2%, from R$4,532 million in 2012 to R$5,404 million in 2013, due to the increase in sales and average prices of iron ore and of steel.

5B. Liquidity and Capital Resources

Overview

Our main uses of funds are for capital expenditures, repayment of debt and dividend payments. We have historically met these requirements by using cash generated from operating activities and through the issuance of short- and long-term debt instruments. We expect to meet our cash needs for 2015 primarily through a combination of operating cash flow, cash and cash equivalents on hand and newly issued long-term debt instruments.

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

Sources of Funds and Working Capital

Year 2014 Compared to Year 2013

Cash Flows

Cash and cash equivalents decreased by R$1,310 million in 2014, compared to a decrease of R$1,896 million in 2013.

Operating Activities

Cash provided by operations was R$1,188 million and R$2,198 million, in 2014 and 2013, respectively. The R$1,010 million decrease was mainly due to a higher need of working capital, which increased R$1,277 million, from R$1,903 million in 2013 to R$3,180 million in 2014, as explained below:

- a decrease of the outstanding balance of the Tax Recovery Program (Refis) in the amount of R$1,103 million, due to the adherence to the Early Settlement of Tax Debts – Federal Law 13,043;

- an increase of R$1,176 million in inventories mainly due to an increase of 41 days in the average inventory turnover, mainly due to the decrease in steel sales;

These effects were partially offset by an increase of R$1,423 million in trade payables mainly due to an increase of 27 days in the supplier payment period.

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Investing Activities

We used cash in our investing activities in the total amount of R$1,658 million in 2014 and R$2,246 million in 2013. The decrease of R$588 million in cash used in investing activities was mainly due to R$642 million reduction of investments in fixed assets.

Financing Activities

Cash used in financing activities was R$896 million in 2014 compared to R$1,881 million in 2013. This R$985 million decrease was mainly due to:

- a decrease in R$1,235 million in dividends and interest on capital paid;
- a decrease of R$636 million in amortizations of borrowings and financings; and

These effects were partially offset by a disbursement of R$909 million in 2014 regarding the acquisition of our own shares, through buybacks programs, to be held in treasury for subsequent sale or cancellation.

Year 2013 Compared to Year 2012

Cash Flows

Cash and cash equivalents decreased by R$1,896 million in 2013, compared to a decrease of R$1,549 million in 2012.

Operating Activities

Cash provided by operations was R$2,198 million and R$2,529 million, in 2013 and 2012, respectively. The R$331 million decrease was due to the decrease of R$62 million in net income adjusted for items that do not impact cash and a higher need in the amount of R$269 million in working capital management, as explained by:

- a decrease of R$1,568 million in trade payables mainly due to decrease of 36 days in the supplier payment period, from 62 days in 2012 to 26 days in 2013, and also due to the completion of long steel plant in Volta Redonda, which generated greater settlement of supplier invoices;

This decrease was partially offset by:

- an increase of R$572 million due the decision to participate in REFIS, law n°11,941/09 and law n°12,865/13;
- an increase of R$314 million in recoverable taxes;
- a decrease of R$94 million in inventories mainly due to better inventory management. In 2013 the average inventory turnover period fell by 14 days (from 78 days on December 31, 2012 to 64 days on December 31, 2013);
- a decrease of R$71 million in interest paid in loans.

Investing Activities

We used cash in our investing activities in the total amount of R$2,246 million in 2013 and R$3,102 million in 2012. The decrease of R$856 million in cash used in investing activities was mainly due to:

A R$360 million increase in cash from certain derivative financial instrument contracts, especially from the release of funds deposited in margin accounts;

A R$246 million reduction of investments in fixed assets;

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A R$301 million decrease in investing activities from 2012 to 2013 due to the acquisition of SWT in 2012;

Financing Activities

Cash used in financing activities was R$1,881 million in 2013 compared to R$856 million in 2012. This R$1,025 million increase was mainly due to:

a decrease of R$505 million in amortizations of borrowings and financings; and

an increase of R$803 million in financing activities regarding the acquisition of SWT in 2012.

These effects were partially offset by:

a decrease of R$1,823 million in proceeds from borrowings and financings; and

an increase in R$461 million in dividends and interest on capital paid.

Trade Accounts Receivable Turnover Ratio

Our receivable turnover ratio (the ratio between trade accounts receivable and net operating revenues), expressed in days of sales increased 1 day to 31 days on December 31, 2014 from 30 days on December 31, 2013.

Days Sales in Inventory

Our days sales in inventory (obtained by dividing inventories by annualized cost of products sold), expressed in days of cost of products sold increased 41 days to 105 days in 2014 from 64 days in 2013, mainly due to a decrease in steel sales volume.

Trade Accounts Payable Turnover Ratio

The accounts payable turnover ratio (obtained by dividing trade accounts payable by annualized cost of products sold), expressed in days of cost of products sold, increased 27 days to 53 days on December 31, 2014 from 26 days on December 31, 2013, mainly due to renegotiation with suppliers.

Liquidity Management

Given the capital intensive and cyclical nature of our industry, and the generally volatile economic environment in certain emerging markets, we have retained a substantial amount of cash on hand to run our operations, to satisfy our financial obligations, and to be prepared for potential investment opportunities. As of December 31, 2014, cash and cash equivalent totaled R$8,686 million, compared to R$9,996 million as of December 31, 2013.

In 2013, we took advantage of the strong liquidity conditions to extend the maturity profile of our debt. These activities were unrelated to the management of any interest rate, inflation and/or foreign exchange risk exposure. Given the lack of a liquid secondary market for our short term debt instruments in 2013, we have accumulated cash instead of prepaying our debt prior to final maturity. As of December 31, 2013, short-term and long-term indebtedness accounted for 9.6% and 90.4%, respectively, of our total debt, and the average life of our existing debt was equivalent

to approximately seven years, considering a 40 year term for the perpetual bonds issued in September 2010. As of December 31, 2014, short-term and long-term indebtedness accounted for 9% and 91%, respectively, of our total debt, and the average life of our existing debt was equivalent to approximately seven years, considering a 40 year term for the perpetual bonds issued in September 2010.

Capital Expenditures and Investments

In 2014, we invested a total of R$ 2,405 million, R$872 million of which was allocated as follows: jointly controlled investees TLSA: R$512 million (100%); MRS Logística: R$301 million (33,3%); and Namisa: R$59 million (60%).

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The remaining R$ 1,533 million was expended on: construction of a brownfield long steel mill at the Volta Redonda site: R$77 million; expansion of the steel service center at our CSN Mogi das Cruzes (Prada) facility: R$ 39 million; expansion of the Itaguaí Port (TECAR and TECON): R$172 million; expansion of the Casa de Pedra mine: R$267 million; expansion of the cement plant: R$481 million; and stay-in-business capex: R$ 497 million.

In 2014, we continued to implement our strategy of developing downstream opportunities and projects based on synergies, new product lines and market niches by creating or expanding current capacity of services centers, as described in "Item 4B. Business Overview—Facilities."

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

In 2013, we invested a total of R$ 2,827 million, R$954 million of which was allocated as follows: jointly controlled investees TLSA: R$667 million; MRS Logística: R$247 million; and Namisa: R$40 million.

The remaining R$1,873 million was expended on: construction of a brownfield long steel mill at the Volta Redonda site: R$351 million; expansion of the Itaguaí Port (TECAR): R$108 million; expansion of the Casa de Pedra mine: R$172 million; expansion of our clinker plant: R$209 million; and current investments: R$ 1,033 million. In 2013, we continued to implement our strategy of developing downstream opportunities and projects based on synergies, new product lines and market niches by creating or expanding current capacity of services centers, as described in "Item 4B. Business Overview—Facilities."

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

Debt and Derivative Instruments

At December 31, 2014 and 2013, total debt (composed of current and non-current portions of borrowings and financings) summed R$29,978 million and R$27,864 million, respectively, equal to 523% and 345% of the Shareholders' equity at December 31, 2014 and 2013, respectively. At December 31, 2014, our short-term debt (composed of current borrowings and financings, which includes current portion of long-term debt) totaled R$2,814 million and our long-term debt (composed of non-current borrowings and financings) totaled R$27,164 million. The foregoing amounts do not include debt of others for which we are contingently liable. See "Item 5E. Off-Balance Sheet Arrangements."

At December 31, 2014, approximately 54% of our debt was denominated in *reais* and substantially all of the remaining balance was denominated in U.S. dollars.

Our current policy is to protect ourselves against foreign exchange losses and interest rate losses on our debt and currently our exposure is protected through foreign exchange derivative products, including futures and swaps**.** For a description of our derivative instruments, see Note 13.IV to our consolidated financial statements contained in "Item 18. Financial Statements." Also see "Item 5A. Operating Results—Results of Operations—Year 2014 Compared to Year 2013".

The components of R$2,814 million of our consolidated current portion of short-term debt outstanding at December 31, 2014 were:

Components	Average interest rate	Total *(in millions of R$)*
Fixed rate notes	4.14 - 10%	1,237
BNDES/Finame	TJLP +1.5% - 3.2% and Fixed 2.5% - 10%	85
Prepayment financing	1% - 7,5% and 106.5% - 110.79% - 105,8% - 111,2%	478
Debentures	105.8%-111.2% CDI	847
CCB	112.5% CDI	102
Perpetual bonds	7.00%	4
Others	1.2% - 8,00%	61
Total		**2,814**

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The components of R$27,164 million of our consolidated long-term debt outstanding at December 31, 2014 were (amounts are reflected in long-term debt):

Components	**Average interest rate**	**Total** *(in millions of R$)*
Debentures	105.8%-111.2% CDI	1,550
Fixed rate notes	4.14 - 10%	4,996
BNDES/Finame	TJLP +1.5% - 3.2% and Fixed 2.5% - 10%	967
Perpetual bonds	7.00%	2,656
Prepayment financing	1% - 7,5% and 106.5% - 110.79% - 105,8% - 111,2%	9,396
CCB	112.5% CDI	7,200
Others	1.2% - 8,00%	399
Total		**27,164**

Debentures issued in July 2011, of R$1,150 million bearing interest at a rate of 110.8% of the CDI rate per annum and maturity in 2019.

Debentures issued in September 2012, of R$1,565 million comprised of two series, one maturing in March 2015 and bearing interest at a rate of 105.8% of the CDI rate per annum, and one maturing in September 2015 and bearing interest at a rate of 106.0% of the CDI rate per annum.

Debentures issued in March 2014, of R$400 million bearing interest at a rate of 111,2% of the CDI rate per annum and maturity in 2021.

Eurodollar and Euronotes issued in accordance with Rule 144A and Regulation S under the Securities Act reflect senior unsecured debt instruments issued by us and our offshore subsidiaries, including

the U.S.$300 million bonds, 10% per annum coupon, and the U.S.$300 million notes, 8.25% per annum coupon, issued in 1997 with final maturity in 2047;

the U.S.$400 million bonds, 10% per annum coupon, issued in September 2004 and January 2005 with final maturity in 2015, and

the U.S.$750 million bonds, 6.875% per annum coupon, issued in September 2009 with maturity in 2019.

In July 2010, we issued U.S.$1 billion bonds, 6.50% per annum coupon and maturity date in July 2020, in January 2012, we priced, through our wholly-owned subsidiary CSN Resources S.A., an additional bond issuance in the amount of U.S.$200 million. The offering price was 106.00% and yield was 5.6% p.a.

We issued export credit notes, or NCEs:

on September 30, 2009, in the amount of R$1.0 billion, in favor of Banco do Brasil S.A., due 2018;

on September 30, 2009, in the amount of R$300 million, in favor of Banco do Brasil S.A., due 2018;

on May 21, 2010 in the amount of R$2.0 billion, in favor of Banco do Brasil S.A., through our subsidiary Congonhas Minérios S.A., due 2019.

in April 2011, we issued another NCE, in the amount of R$1.5 billion; in favor of Banco do Brasil S.A., due to 2019.

in February 2013, in the amount of R$ 200 million, in favor of Banco do Brasil S.A., due 2016.

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in February 2013, in the amount of R$ 45 million, in favor of HSBC Brasil., due 2016.

in February 2013, in the amount of R$ 100 million, in favor of Bradesco., due 2016.

in April 2013, in the amount of R$ 200 million, in favor of Banco do Brasil S.A., due 2017.

We contracted credit facilities from Caixa Econômica Federal (CEF), under its special credit for large companies, in the form of a bank credit bill, or CCB:

on December, 2009, in the amount of R$2.0 billion and to be amortized in 156 months;

on December, 2010, in the amount of R$1.0 billion and to be amortized in 156 months.

In 2011, we contracted two more CCBs:

in February 2011, in the amount of R$2.0 billion and to be amortized in 94 months;

in August 2011, in the amount of R$2.2 billion and to be amortized in 108 months.

In January 2012, we secured financing contracted through our subsidiary CSN Steel S.L., in the amount of €120 million, to partially fund the acquisition of all shares held by the Alfonso Gallardo Group, S.L.U. (“Grupo Gallardo”) in the following companies: SWT and Gallardo Sections S.L.U.

Maturity Profile

The following table sets forth the maturity profile of our long-term debt at December 31, 2014:

Maturity in	**Principal Amount** *(In millions of R$)*
2016	2,906
2017	4,170
2018	4,528
2019	6,034
2020	5,089
2021 and thereafter	1,781
Perpetual bonds	2,656
Total	27,164

5C. Research & Development and Innovation

CSN has continuously invested in Research and Development to improve its products and processes, thus meeting market demands and assuring customers' requirements.

In 2014 the total research and development expenditure for products and services amounted to US$5.4 million and new products and services research and development expenditure amounted to US$1.4 million.

Projects developed in 2014 include:

• Galvanized Advanced High Strength Steels for new applications in the Brazilian automotive market.

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• Tin-plated steel new applications in the Brazilian market.

• Wire Rod mesh - Drawing Quality - and Rebars for civil construction.

Projects under development include:

• Hot-dip Galvanized Advanced High Strength Steels (AHSS) and Press Hardened Steels (PHS).

• IF (Interstitial Free) Wire rod for special purposes; Wire rod – CSN CHQ (Cold Heading Quality) and CSN Low ohmic resistivity

• New slim shape design of packing for condensed milk with thickness reduction.

5D. Trend Information

Steel

The WSA expects apparent steel consumption to grow by 2.0% worldwide in 2015 and 0.8% in China. The IABr estimates domestic sales of 20.8 million tons in 2015, with apparent consumption of 24.2 million tons. Also, the institute expects imports in Brazil to reach 3.5 million tons in 2015.

Mining

In 2014, the seaborne iron ore market was adversely affected by a the substantial 47% price decrease, as the Platts Fe62% CFR China index fell from US$134.50/dmt at the beginning of the year to US$71.75/dmt at end of December. This decrease was due the substantial upturn in exports by the main Australian mining companies and the resilience of the high-cost Chinese producers along with the downturn in investments in the China's real estate setor due to the gradual slowdown of the economy.

Nevertheless, Chinese annual iron ore imports increased by 13% when compared to 2013, reaching 897 million tons, while the global seaborne iron ore market grew by 11% to 1.29 billion tons, a new record.

5E. Off-Balance Sheet Arrangements

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

Contingent Liability with Respect to Consolidated and Non-Consolidated Entities as of December 31, 2014

	Aggregate Amount	**Maturity**
	(In millions of R$)	

Guarantees of Debt:

Transnordestina	2,496	Until 09/19/2056 and indefinite	

Contingent Liability for Concession Payments[1] :

Concession	Type of service	2015	2016	2017	2018	After 2018	Total
Transnordestina Logística S.A.[2]	This concession has been granted in 1997 and recently had its original term extended to the earlier of 2057 or the date when Transnordestina Logística S.A. reaches a rate of annual return of 6.75% of its total investment.	-	-	-	-	-	-
MRS Logística S.A.	30-year concession, renewable for another 30 years, to provide iron ore railway transportation services from the Casa de Pedra mines, in Minas Gerais, coke and coal from the Itaguaí Port, in Rio de Janeiro, to Volta Redonda, transportation of export goods to the Itaguaí and Rio de Janeiro Ports, and shipping of finished goods to the domestic market.	90,697	90,697	90,697	90,697	658,345	1,021,133
FTL - Ferrovia Transnordestina Logística S.A,	30-year concession granted on December 31, 1997, renewable for another 30 years for the development of public utility to operate the Northeastern railway system. The railway system covers 4,238 kilometers of railroads in the states of Maranhão, Piauí, Ceará, Paraíba, Pernambuco, Alagoas and Rio Grande do Norte.	7,636	7,636	7,636	7,636	64,273	94,818
Tecar	Concession to operate TECAR, a solid bulk terminal, one of the four terminals that comprise the Itaguaí Port, in Rio de Janeiro, for a period ending 2022 and renew able for another 25 years.	263,858	263,858	263,858	263,858	1,055,432	2,110,864

Sepetiba Tecon	25-year concession granted in July 2001, renewable for another 25 years, to operate the container terminal at the Itaguaí Port.	25,965	25,965	25,965	25,965	181,758		**285,620**
		388,157	**388,157**	**388,157**	**388,157**	**7,959,808**		**8,512,435**

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

(2) There is no contingent liability for concession payments since the Railway System II is under construction.

"Take-or-Pay" Contractual Obligations

	Payments in the period (in millions of R$)							
Type of service	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**After 2018**	**Total**
Transportation of iron ore, coal, coke, steel products, cement and mining products.	300,381	263,266	658,028	584,926	515,816	515,813	3,910,967	7,185,551
Unloading, storage, movement, loading and railroad transportation services.	-	5,570	9,046	9,046	-	-	-	18,092
Supply of power, natural gas, oxygen, nitrogen, argon and iron ore pellets.	886,883	1,011,416	421,417	130,831	29,292	29,292	146,772	757,605
Processing of slag generated during pig iron and steel production	50,964	49,739	9,731	7,074	7,074	7,074	30,065	61,017
Manufacturing, repair, recovery and production of ingot casting machine units.	40,596	40,250	2,986	-	-	-	-	2,986
	1,278,824	**1,370,241**	**1,101,208**	**731,878**	**552,176**	**552,174**	**4,087,817**	**8,025,251**

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Guarantees of Debt

We guarantee the loans that BNDES has granted to Transnordestina in May and December 2005, and in January 2006, all of which mature by September 19, 2056, adjusted based on the TJLP plus 1.5% per annum. The total outstanding amount of the debt as of December 31, 2014 was R$2,496 million.

Contingent Liability for Concession Payments

MRS Logística S.A

As of December 31, 2014, we held a 33.27% participation in MRS Logística S.A., which holds a concession to operate Brazil's Southeastern railway system until 2026, renewable for an additional 30 years, We have contracts with MRS Logística S.A. for the transportation of iron ore from the mines of Casa de Pedra in Minas Gerais to Volta Redonda and coke and coal from the Port of Itaguaí (RJ) to Volta Redonda, and transportation of our exports to the Ports of Itaguaí (RJ) and Rio de Janeiro (RJ).

As of December 31, 2014, R$1,021 million was the amount corresponding to CSN´s participation in the outstanding over the remaining 12 years of the concession.

FTL - Ferrovia Transnordestina Logística S.A.and Transnordestina Logística S.A.

We hold interest in companies that have concessions to operate the Northeastern railway system, which operates in the states of Maranhão, Piauí, Ceará, Paraíba, Pernambuco, Alagoas and Rio Grande do Norte and connects with the region's leading ports, offering an important competitive advantage through opportunities for intermodal transportation solutions and made-to-measure logistics projects. Resolution No. 4,042/2013 issued by the ANTT authorized the partial spin-off of TLSA and, as a result, the Northeastern railway system is currently divided into the Railway System I, operated by FTL, and the Railway System II, operated by TLSA..

On September 20, 2013 we entered into an investment agreement with our partners in TLSA, Valec Engenharia, Construções e Ferrovias S.A. and Fundo de Desenvolvimento do Nordeste – FDNE, two Brazilian federal government entities focused on infrastructure and the development of the northeastern region. Under this investment agreement we and our partners have agreed on a revised budget of R$7,5 billion to complete the construction of the Railway System II. Such investment agreement also provides for indicative terms and conditions, including amounts, under which BNDES, Banco do Nordeste Brasileiro – BNB and certain Brazilian development agencies have agreed to provide long-term financing for the completion of Railway System II. Although we have received indicative terms, the financing is subject to several conditions, including the satisfactory completion of internal and credit approval processes by all lenders. If any of the conditions are not met, including final credit approval by all agencies involved in terms and costs reasonable to us, we may not be able to obtain the financing.

As of December 31, 2014, we held 88.41% of the capital stock of FTL, which has a concession to operate the Railway System I (which encompasses the stretches between the cities of São Luís – Mucuripe, Arrojado – Recife, Itabaiana – Cabedelo, Paula Cavalcante – Macau and Propiá – Jorge Lins) of Brazil's Northeastern railway system until 2027, renewable for an additional 30 years. The Railway System I consists of 4,238 km of railways. As of December 31, 2014, R$91.5 million in concession payments was outstanding over the remaining 14 years of the concession.

As of December 31, 2014, we held 62.64% of the capital stock of TLSA, which represents a 14.66% decrease from the 77.30% participation we held in TLSA in 2013. The investment agreement entered into on September 20, 2013 provides for, among other things, funding sources for the completion of the project, including capital contributions, which once implemented could further dilute our equity participation in TLSA TLSA has a concession to operate the Railway System II (which encompasses the stretches between Missão Velha – Salgueiro, Salgueiro – Trindade, Trindade – Eliseu Martins, Salgueiro – Porto de Suape and Missão Velha – Porto de Pecém) of Brazil's Northeastern railway system. Once concluded, the Railway System II will have an extension of 1,753 km of tracks that will connect the interior of Northeast Brazil to Pecém and Suape Ports. This concession was granted in 1997 and had its original term extended until the earlier of 2057 or the date when TLSA reaches a rate of annual return of 6.75% of its total investment.

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Tecar

We hold the concession to operate TECAR, a solid bulks terminal, one of four terminals that form the Itaguaí Port, located in the State of Rio de Janeiro, for a term expiring in 2022 and renewable for another 25 years. Itaguaí Port, in turn, is connected to the Presidente Vargas Steelworks, Casa de Pedra and Namisa by the Southeastern railway system. Our imports of coal and coke are made through this terminal. Under the terms of the concession, we undertook to load and unload at least 3.0 million tons of bulk cargo annually and to make available room to load and unload 2.0 million tons of third parties' iron ore and pellets cargoes. As of December 31, 2014, R$2,111 million was outstanding over the remaining 7 years of the concession.

Sepetiba Tecon

We own 99.99% of Sepetiba Tecon S.A., or TECON, which holds a concession to operate, for a 25-year term (renewable for additional 25 years), the container terminal at the Itaguaí Port, located in the State of Rio de Janeiro. As of December 31, 2014, R$ 286 million of the cost of the concession was outstanding and payable over the remaining 11 years of the concession. For more information see "Item 4D. Property, Plant and Equipment – Capital Expenditures – Planned Investments".

"Take-or-Pay" Contractual Obligations

Namisa

Port Operating Services Agreement

On December 30, 2008, CSN entered into an agreement for the provision of port services to Namisa for a 34-year period, consisting of receiving, handling, storing and shipping Namisa's iron ore in annual volumes that range from 18.0 million tons to 39.0 million tons. On December 30, 2008, CSN has received the amount of approximately R$5.3 billion as an advance for part of the payments due for the services to be provided under this agreement. The amounts charged for these port services are reviewed on a quarterly basis and adjusted considering the changes in the market price of iron ore.

High Silica ROM

On December 30, 2008, CSN entered into an agreement for the supply of high silica crude iron ore ROM to Namisa for a period of 30 years in volumes that range from 42.0 million tons to 54.0 million tons per year. CSN has received approximately R$1.6 billion as an advance for part of the payments due for the supplies to be made under this agreement. The supply price is reviewed on a quarterly basis and adjusted considering the changes in the market price of iron ore.

Low Silica ROM

On December 30, CSN entered into an agreement for the supply of low silica crude iron ore ROM to Namisa for an effective period of 35 years in volumes that range from 2.8 million tons to 5.04 million tons per year. CSN has received approximately R$424 million as an advance for part of the payments due for the supplies to be made under

this agreement. The supply price is reviewed on a quarterly basis and adjusted considering the changes in the market price of iron ore.

Transportation of iron ore, coal, coke, steel products, cement and mining products

Transportation of Iron Ore, Coal and Coke to Volta Redonda

The volume set for iron ore and pellets is 8,280,000 tons per year and for coal, coke and other reduction products is 3,600,000 tons per year. Variation of up to 10% is accepted, with a guarantee of payment of at least 90%, but the obligation is for each item individually.

Transportation of Iron Ore for Export from Itaguaí

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The volume set is 40,000,000 tons per year for the first three years, with gradual increases for the following years, with a guarantee of payment of at least 80%. We may increase or decrease the volume set in the agreement every year by up to 10% and 15%, respectively, taking into consideration the volume informed in the previous year. This agreement expires on November 30, 2026.

For both contracts we have flexibility to renegotiate the "take-or-pay," if the volume is not reached. The minimum amounts to be paid under the contract terms are calculated by a tariff model that assures competitive prices.

Transportation of Steel Products

The volume set is 2,750,000 tons per year, with an acceptable variation of up to 20%. The agreement covers the transportation of steel products from the Presidente Vargas Steelworks to third party terminals, and expires on May 31, 2016.

Cement Transportation - CSN CIMENTOS

This agreement covers transportation of bagged cement from UPV to Rio de Janeiro, São José dos Campos and São Paulo. For 2014, the volume set was 376,251 tons; for 2015 will be 520,000 and for 2016, will be 573,751 tons. The volume set is 633,600 from 2017 until 2026. Under the terms of the agreement, we are committed to provide at least 80% of the volume of cement to MRS. This agreement is valid until 2026.

Ferrovia Centro Atlântica - FCA

Transportation of Reduction Products

This agreement covers transportation of reduction products from the city of Arcos to the city of Volta Redonda.

The volume set for reduction products from January to April of 2012 was 633,333 tons, with an acceptable variation of up to 5%. The volume set from May to December of 2012 was 1,382,222 tons, with an acceptable variation of up to 10%.

As of 2014, volume set for reduction products is 1,805,000 tons per year, with an acceptable variation of up to 5%.

Transportation of Clinker

This agreement covers transportation of clinker products from the city of Arcos to the city of Volta Redonda.

The volume set for clinker transportation from January to April of 2012 was 250,000 tons, with an acceptable variation of up to 29%. The volume set from May to December of 2012 was 440,000 tons, with an acceptable variation of up to 10%.

As of 2014, the volume set for clinker is 660,000 tons per year, with an acceptable variation of up to 10%. This agreement will expire on April 19, 2020.

In 2014, the calculation of "take-or-pay" will consider the total volume performed in both contracts - clinker and reduction products – regardless of the percentage transported of each one.

Unloading, storage, movement, loading and railroad transportation services.

Unload services, storage, handling, loading and road transport on the route between the storage shed and the side of the ship. In 2014, we signed a three-year “take-or-pay” agreement by which we are committed to guarantee at least 75% of cargo for transport in the first year and at least 69% of volume through the end of the agreement.

Supply of power, natural gas, oxygen, nitrogen, argon and iron ore pellets.

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

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To secure natural gas supply, in 2007 we signed a five-year “take-or-pay” agreement, by which we are committed to acquire at least 70% of the gas volume provided by the supplier. Under the terms of the agreement, we are not required to advance funds raised against future processing charges if the supplier is unable to meet its financial obligations. In addition, if we do not acquire the minimum volume agreed, the amount paid which relates to that difference may be compensated in future years, including one year after the contract’s expiration. This agreement is valid until June 30, 2015.

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

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

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

Processing of slag generated during pig iron and steel production

CSN undertakes to acquire at least 3,000 metric tons of blast furnace mud for processing at CSN's mud concentration plant. This agreement is valid until March 31, 2023.

The supplier undertakes to perform the Scrap recovery Services resulting from the process of production of pig iron and steel from Presidente Vargas Steelworks, receiving by this process the equivalent in value the result of multiplying the unit price (U.S.$/t) by the total Liquid Steel CSN’s Mill production, with a guarantee of a minimum production of liquid steel corresponding to 400,000 tons. This agreement is valid until January 31, 2015.

Manufacturing, repair, recovery and production of ingot casting machine units.

The supplier provides Continuous Casting Machines Maintenance Services in steel production at Presidente Vargas Steelworks, with a guarantee of a minimum production of 350,000 tons per month. This agreement is valid until January 31, 2015.

5F. Tabular Disclosure of Contractual Obligations

The following table represents our long-term contractual obligations as of December 31, 2014:

		Payment due by period *(In millions of R$)*			
Contractual obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Long-term accrued finance charges[1]	18,470	2,653	4,858	3,155	7,804
	54	28	21	4	1

Taxes payable in installments					
Long-term debt [2]	27,094	2,882	8,664	11,112	4,436
"Take-or-Pay" contracts	7,025	1,101	1,284	1,104	3,536
Derivatives swap agreements[3]	148	170	-21	0	0
Concession agreements[4]	3,512	388	776	766	1,572
Purchase obligations:					
Raw materials[5]	6.483	2.304	2.654	471	1.054
Maintenance[6]	806	484	310	0	12
Utilities/Fuel[7]	1,760	832	680	183	66
Total	**9,050**	**3,620**	**3.644**	**654**	**1,132**

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(1) These accrued finance charges refer to the cash outflow related to the contractual interest expense of our long-term debt and were calculated using the contractual interest rates taken forward to the maturity dates of each contract.
(2) These amounts were presented net of transaction costs and issue premiums.
(3) Derivative swap agreements were calculated based on market prices, on December 31, 2014, for futures with similar maturity to our derivative swap agreements.
(4) Refers to TECON, TECAR, MRS and TLSA concessions agreements
(5) Refers mainly to purchases of coal, tin, aluminum and zinc, which comprise part of the raw materials for steel manufacturing and take-or-pay contracts.
(6) We have outstanding contracts with several contractors in order to maintain our plants in good operating conditions; due to the strong demand for specialized maintenance service, the term of some of these contracts is for more than one year.
(7) Refers mainly to natural gas, power supply and cryogenics, which are provided by limited suppliers; and with some of which we maintain long-term contracts.

5G. Safe Harbor

See “Forward-Looking Statements.”

Item 6. Directors, Senior Management and Employees

6A. Directors and Senior Management

General

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

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Our Board of Directors is responsible for setting general guidelines and policies for our business and our Board of Executive Officers is responsible for the implementation of such guidelines and policies and for our day-to-day operations. As of the date of this annual report, our Board of Directors was comprised of one Chairman and five members, and our Board of Executive Officers was comprised of our Chief Executive Officer and five Executive Officers.

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

Name	Position	First Elected on	Last Elected on
Board of Directors			
Benjamin Steinbruch	Chairman	April 23, 1993	April 28, 2015
Fernando Perrone	Member	September 26, 2002	April 28, 2015
Antonio Francisco dos Santos	Member	December 23, 1997	April 28, 2015
Yoshiaki Nakano	Member	April 29, 2004	April 28, 2015
Antonio Bernardo Vieira Maia	Member	April 30, 2013	April 28, 2015
Luis Felix Cardamone Neto	Member	April 25, 2014	April 28, 2015
Léo Steinbruch	Member	April 28, 2015	April 28, 2015
Board of Executive Officers			
Benjamin Steinbruch	Chief Executive Officer	April 30, 2002	July 3, 2013
Enéas Garcia Diniz	Executive Officer	June 21, 2005	July 3, 2013
Paulo Rogério Caffarelli	Executive Officer	March 10, 2015	March 10, 2015
David Moise Salama	Executive Officer	August 2, 2011	July 3, 2013
Luis Fernando Barbosa Martinez	Executive Officer	August 2, 2011	July 3, 2013
Gustavo Henrique dos Santos Sousa	Executive Officer	May 23, 2014	May 23, 2014

The next election for our Board of Directors is expected to take place in April, 2016. The next election for our Board of Executive Officers is expected to take place in July.

Board of Directors

Benjamin Steinbruch. Mr. Steinbruch has been a member of our Board of Directors since April 23, 1993, and has simultaneously held the positions of Chairman since April 28, 1995 and CEO since April 30, 2002. He is also a member of the Administrative Board of the Portuguese Chamber, 1st Vice-President of the Federation of Industries of the State of São Paulo - FIESP since September 2004, member of FIESP's Superior Strategic Board, advisor to the Robert Simonsen Institute and member of the Interinstitutional Advisory Board, or CCI, of the Superior Court of the State of São Paulo. Over the past five years, he also served as Chairman of the Board of Directors and CEO of Vicunha Siderurgia S.A., Vice Chaiman of the Board of Directors of Textília S.A., Chairman of the Board of

Directors of Vicunha Aços S.A., Vicunha S.A., Fibra Cia. Securitizadora de Créditos Financeiros and Fibra Cia. Securitizadora de Créditos Imobiliários, member of the Board of Directors of Elizabeth S.A. – Indústria Têxtil, Vicunha Participações S.A. and Vicunha Steel S.A., Officer of Rio Purus Participações S.A. and Officer of Rio Iaco Participações S.A. (all these companies belong to our controlling group), Chairman of the Board of Directors of Companhia Metalúrgica Prada and FTL – Ferrovia Transnordestina Logística S.A. (both companies are controlled by us), Chairman of the Board of Directors of Nacional Minérios S.A. and Transnordestina Logística S.A. (both companies are jointly controlled by us), Chairman of the Board of Directors of Banco Fibra S.A.,Chairman of the Deliberative Council of the CSN Foundation and Administrator of Fazenda Alvorada de Bragança Agro-Pastoril Ltda., Ibis Agrária Ltda., Ibis II Empreendimentos Ltda., Ibis Participações e Serviços Ltda. and Haras Phillipson Ltda.. Mr. Steinbruch graduated from the Business School of Fundação Getúlio Vargas – FGV/SP and specialized in Marketing and Finance also from Fundação Getúlio Vargas - FGV/SP.

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Fernando Perrone. Mr. Perrone has been a member of our Board of Directors since September 26, 2002, and a member of our Audit Committee since June 24, 2005. He was our Infrastructure and Energy Executive Officer from July 10, 2002, to October 2, 2002. Over the past five years, he served as member of the Board of Directors of Profarma - Distribuidora de Fármacos S.A., member of the Board of Directors of João Fortes Engenharia S.A., Energia Sustentável S.A., Libra Aeroportos – Aeroporto de Cabo Frio and FTL – Ferrovia Transnordestina Logística S.A., and deputy member of the Board of Directors of Transnordestina Logística S.A.. He also serves as an independent consultant in the infrastructure area. Mr. Perrone graduated in Business from a program sponsored by "Chimica" Bayer S.A., holds a Law degree from Universidade Federal Fluminense – UFF/RJ and has a graduate degree in Economics in the area of Capital Markets from Fundação Getulio Vargas – FGV/SP.

Antonio Francisco dos Santos. Mr. Santos has been a member of our Board of Directors since December 23, 1997. Over the past five years he served as Chairman of the Advisory Council of CSN's Employee Investment Club (*Clube de Investimento CSN*). He also served as Planning and Support Officer of CSN and Chairman of CSN Invest. Mr. Santos graduated in Business and holds a graduate degree in Organization and Finance, both from the Coordination of Graduate Studies and Research - CECOPE, and an MBA in Industrial Strategy and Business Management from Universidade Federal Fluminense – UFF/RJ.

Yoshiaki Nakano. Mr. Nakano has been a member of our Board of Directors since April 29, 2004, and a member of our Audit Committee since June 24, 2005. He also serves as a member of the Board of Directors of Transnordestina Logística S.A. and over the past five years, Mr. Nakano has been a professor and Officer at the School of Economics of Fundação Getúlio Vargas – FGV/SP, a board member of the Fundação de Amparo à Pesquisa do Estado de São Paulo – FAPESP, and a member of the Conselho Superior de Economia (COSEC) of FIESP/Instituto Roberto Simonsen. Previously, Mr. Nakano served as Special Secretary for Economic Affairs in the Ministry of Finance and as Finance Secretary of the State of São Paulo. Mr. Nakano graduated in Business Administration from Fundação Getulio Vargas and has an MBA and a Ph.D. from Cornell University, USA.

Antonio Bernardo Vieira Maia. Mr. Maia was elected member of our Board of Directors on April 30, 2013 and a member of our Audit Committee since August 08, 2013, serving as Chairman of the Audit Committee since May 06, 2014. He is also CEO of BRG Capital Ltda. since July, 2005 and member of the Board of Directors of Transnordestina Logística S.A. and of FTL – Ferrovia Transnordestina Logística S.A.. From April, 1995 to May, 2005 he was Officer of Credit Suisse/Banco Garantia de Investimentos S.A.. From April to December 2006, he served as a member of the Board of Directors of Banque Bénédict Hentsch & Cie SA, Geneva, Switzerland. He began his career in Citibank Brazil, as a trainee, in 1982 and moved to New York in 1986, where he first worked as an Institutional Investment Analyst of Citigroup in Latin America and later as Chief of Staff in the Latin America Wealth Management division. Prior to that, he worked as an associate of Banco Bozano Simonsen de Investimentos in Rio from August 1979 to December 1981. He graduated in 1981 in Business and Public Administration from the Fundação Getulio Vargas.

Luis Felix Cardamone Neto: Mr. Cardamone Neto was elected member of our Board of Directors on April 25, 2014 and is also the CEO of Banco Fibra since October 2013, and a deputy member of the Board of Directors of Transnordestina Logística S.A. since December 2013. In the past five years, he served as executive officer of Santander Financiamentos and CEO of Webmotors, from December 2011 to September 2012 he acted as Executive

Vice-President of Finance, from September 2012 to October 2013 he acted as Executive Vice-President of Finance, Insurance, Payroll-Deductible Loans and Real Estate Business, cumulatively holding the positions of (i) member of the Board of Directors of Banco RCI Brasil, (ii) member of the Board of Directors of TECBAN (iii) Head of the Vehicle Financing Division of FEBRABAN, and invited member of the Board of Directors of ZURICH. He has a degree in Business Administration from Faculdade de Administração de Empresas de Santos.

Léo Steinbruch: Mr. Steinbruch has been member of the Company's Board of Directors since April 28, 2015 and is also member of the Board of Directors of Elizabeth S.A. Indústria Têxtil, Vicunha Aços S.A., Vicunha Participações S.A., Vicunha Steel S.A., Vicunha Siderurgia and Textília S.A. and Executive Officer at CFL Participações S.A. and Taquari Participações S.A., and administrator of Fazenda Santa Otília Agropecuária Ltda.

Board of Executive Officers

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

Enéas Garcia Diniz. Mr. Diniz holds the position of Executive Officer in charge of the production area since June 21, 2005. He has been serving CSN since 1985, previously acting as General Manager of Hot Rolling, General Manager of Maintenance, Metallurgy Officer and General Officer of the Presidente Vargas Steelworks. Mr. Diniz is also currently a member of the Board of Directors of Arvedi Metalfer do Brasil S.A., Cia. Metalic Nordeste, Companhia Florestal do Brasil, Companhia Metalúrgica Prada, Congonhas Minérios S.A., Itá Energia S.A., Nacional Minérios S.A. and Sepetiba Tecon S.A..He is also currently serving as Officer of Cia. Metalic Nordeste, Companhia Florestal do Brasil, Companhia Metalúrgica Prada, CSN Cimentos S.A., CSN Energia S.A., Estanho Rondônia S.A., Itá Energática S.A., Mineração Nacional S.A. and Fundação CSN. Mr. Diniz graduated in Mechanical Engineering from Pontificia Universidade Católica do Rio de Janeiro - PUC / RJ, further specialized in Business Management from Universidade Federal Fluminense - UFF/RJ and has an MBA from the Fundação Dom Cabral Business School of Belo Horizonte.

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David Moise Salama. Mr. Salama was elected Executive Officer on August 2, 2011, being in charge of the investor relations area. He has been serving CSN since 2006, having previously acted as Investor Relations Manager. He is also currently serving as Executive Officer of CSN Cimentos, S.A. and of Estanho de Rondônia S.A. and member of the Board of Directors of Cia. Metalic Nordeste, Companhia Florestal do Brasil, Congonhas Minérios and Sepetiba Tecon S.A., and also a deputy member of the Deliberative Council of Caixa Beneficente dos Empregados of CSN, or CBS. Prior to joining CSN, Mr. Salama acted as Financial Controller Officer at Tecnisa Engenharia e Comércio, Birmann Comércio e Empreendimentos and Goldfarb Comércio e Construções, was the head of consolidated financial information of Unilever Brasil and acted as senior auditor at PricewaterhouseCoopers. He is a member of the National Investor Relations Institute and of the Brazilian Institute of Investor Relations. Mr. Salama graduated in Accounting and has an MBA in Finance, both from the School of Economics, Business and Accounting of the Universidade de São Paulo / FEA-USP. He complemented his academic education by attending the Oxford Advanced Management and Leadership Program of Saïd Business School at Oxford University, England, and the Program on Negotiation of Harvard Law School at Harvard University, United States.

Luis Fernando Barbosa Martinez. Mr. Martinez was elected Executive Officer on August 2, 2011, being in charge of the steel and cement products commercial area. He has been serving CSN since 2002, having previously acted as Sales Officer. Mr. Martinez is also President of the Brazilian Association of Steel Packaging – ABEAÇO, Officer of Cia. Metalic Nordeste, Congonhas Minérios S.A., Estanho de Rondônia S.A., Mineração Nacional S.A., CSN Energia, S.A. and CSN Cimentos, S.A., member of the Board of Directors of Associação Brasileira de Metalurgia, Materiais e Mineração, or ABM, Congonhas Minérios S.A., Nacional Minérios S.A., Companhia Florestal do Brasil, Companhia Metalúrgica Prada and MRS Logística S.A., and member of the Deliberative Council of Caixa Beneficente dos Empregados da Companhia Siderúrgica Nacional, or CBS. Prior to joining CSN, Mr. Martinez was a Sales Officer at Alcan Alumínio do Brasil S.A., having worked in such company for 14 years in different departments (processing, quality, product/market development and sales). He also acted as Executive Officer of the Brazilian Center of Steel Construction - CBCA and of the Brazilian Association of Metallic Construction, or ABCEM. Mr. Martinez graduated in Metallurgical Engineering from Instituto Mauá de Tecnologia, or IMT, has a graduate degree in Industrial Management from the School of Production Engineering of the Universidade de São Paulo, and also graduated from the Corporate Management Development Program at Alcan Aluminum Limited, Montreal, Canada.

Paulo Rogério Caffarelli. Mr. Caffarelli has been the Executive Officer responsible for the Company's corporate areas since March 10, 2015. He has been a member of the Board of Directors of CBSS Visavale (Alelo) since 2014 and of Banco Votorantim since 2009, and Chairman of the Board of Directors of Brasilcap Capitalização since 2010. He worked for more than 30 years at Banco do Brasil, in the last five years of which in the following areas: wholesale, international business, private bank, capital market, insurance, private pension plans, capitalization, credit cards and individual loans. In the last five years, he was Executive Secretary of the Ministry of Finance, between 2014 and 2015, an alternate member of the Advisory Board of the Deposit Insurance Fund (FGC) between 2013 and 2014, CEO of BB Banco de Investimentos (BB-BI) and BB Leasing between 2012 and 2014, and a member of the Board of Directors of Vale S.A., between 2014 and the beginning of 2015, BB Gestão de Recursos (BB DTVM) between 2010 and 2014, BB Mapfre SH1 Participações, between 2011 and 2012, and Mapfre BB SH2 Participações, between 2011 and 2012, Chairman of the Board of Directors of Brasilprev, between 2009 and 2012, IRB Brasil Resseguros, between 2010 and 2012 and CBSS Visavale (Alelo), between 2010 and 2012, Vice Chairman of the Board of Directors of Visanet (Cielo), between 2009 and 2012, President of Fenacap – National Capitalization Federation, between 2011 and 2012, BB Seguros Participações, between 2009 and 2012, BB Administradora de Cartões de Crédito, between 2009 and 2012, BB ELO Participações, between 2010 and 2012, and ABECS – Brazilian Association of Credit Card and Service Companies, between 2009 and 2012, Vice President of CNseg – National Confederation of Insurance Companies, between 2011 and 2012, a member of the Self-Regulating Board of Febraban – Brazilian Federation of Banks, between 2010 and 2011, a member of the Advisory Board of BBTUR, between 2009 and 2011, and a member of the Fiscal Council of Neoenergia between 2009 and 2010. Mr. Caffarelli has a degree in Law from the Pontifical

Catholic University of Curitiba, an MBA in Corporate Law and Finance from the Getulio Vargas Foundation (FGV), and has completed specialization courses in Foreign Trade at the FAE/CDE Business School in Curitiba, and in International Trade Law at IBEJ Curitiba. He also has a Master's degree in Business Administration and Economics from the University of Brasília.

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Gustavo Henrique dos Santos Sousa. Mr Sousa was elected Executive Officer on May 23, 2014, and is in charge of the controlling, tax and fiscal planning and information technology areas. Prior to joining CSN, Mr. Sousa worked at Banco do Brasil S.A. for 14 years, where he acted in the following areas during the past five years: Director of Banco do Brasil Securities LLC. in New York from 2008 until 2011; Investor Relations General Manager during 2012 and 2013; and Controlling Officer in 2013 and 2014. Mr. Sousa has a degree in Business Administration from the Business School of the Universidade Federal do Rio Grande do Norte, has an MBA in Finance from Fundação Getúlio Vargas – FGV, an MBA from the Executive Program of Columbia Business School of New York and a Master in Economic Management Business from Universidade de Brasília – UnB.

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

Indemnification of Officers and Directors

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

6B. Compensation

For the year ended December 31, 2014, the aggregate compensation paid by us to all members of our Board of Directors and the members of our Board of Executive Officers for services in all capacities was R$35 million, which includes salaries, bonuses, profit sharing arrangements and benefits, such as medical assistance, pension plan and life insurance, among others. See "—Item 6D. Employees" for a brief description of our profit sharing arrangements.

6C. Board Practices

Fiscal Committee and Audit Committee

Under Brazilian Corporate Law, shareholders may request the appointment of a Fiscal Committee (Conselho Fiscal), which is a corporate body independent of management and our external auditors. The primary responsibility of the Fiscal Committee is to monitor management's activities, review the financial statements, and report its findings to the shareholders. Currently, we do not have a Fiscal Committee in place.

In June 2005, an Audit Committee (*Comitê de Auditoria*) was appointed in compliance with SEC's rules, which is composed of independent members of our Board of Directors. The Audit Committee is responsible for recommending to the Board of Directors the appointment of the independent auditors, reporting on our auditing policies and our annual audit plan prepared by our internal auditing team, as well as monitoring and evaluating the activities of the external auditors. Our Audit Committee has also been tasked with identifying, prioritizing and submitting actions to be implemented by our Executive Officers, analyzing our annual report and our financial statements, and making recommendations to our Board of Directors.

The Audit Committee is currently composed of Mr. Fernando Perrone, Mr. Yoshiaki Nakano and Mr. Antonio Bernardo Vieira Maia and is constantly assisted by an outside consultant.

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

Service Contracts

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

6D. Employees

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As of December 31, 2012, 2013 and 2014, we had 21,232 and 21,962 and 22,801 employees, respectively. As of December 31, 2014, approximately 3,600 of our employees were members of the Steelworkers' Union of Volta Redonda and region, which is affiliated with the Força Sindical since 2012, a national union. We believe we have a good relationship with Força Sindical. We have collective bargaining agreements, renewable annually on May 1st of every year. Moreover, we have members affiliated with other unions, such as the Engineers' Union with 31 members, the Accountants' Union with 2 members and the Workers' Unions from Arcos, Casa de Pedra, Camaçari, Recife and Araucária, with a total of 292 members. At all other companies controlled by CSN, such as Prada, ERSA, Namisa and TLSA, we have a total of 1,347 members.

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

The Company is the main sponsor of this non-profit entity established in July 1960, primarily engaged in the payment of benefits that supplement the official government Social Security benefits to participants. In its capacity as sponsor, CSN carries out transactions involving the payment of contributions and recognition of actuarial liabilities calculated in defined benefit plans. See further details in Note 26 to our consolidated financial statements contained in "Item 18. Financial Statements."

6E. Share Ownership

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

All of our Executive Officers and members of our Board of Directors held an aggregate of 1,550 shares of our outstanding common shares as of December 31, 2014.

Item 7. Major Shareholders and Related Party Transactions

7A. Major Shareholders

On December 31, 2014, our capital stock was composed of 1,387,524,047 common shares. Our capital stock is entirely composed of common shares and each common share entitles the holder to one vote at our shareholders' meetings.

The following table sets forth, as of December 31, 2014, the number of our common shares owned by our major shareholders:

	Common Shares	
Name of Person or Group	**Shares Owned**	**Percent of Outstanding Shares**
Vicunha Siderurgia S.A.[(1)]	697,719,990	50.29%

Rio Iaco Participações S.A. [(1)]	58,193,503	4.19%

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

7B. Related Party Transactions

The Company's transactions with related parties consists of (i) Transactions with Holding Companies (ii) Transactions with subsidiaries, jointly controlled entities, associates, exclusive funds and other related parties and (iii) Other unconsolidated related parties, which are detailed described in Note 17 to the consolidated financial statements included in "Item 18. Financial Statements".

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(i) The Vicunha Siderurgia S.A is a holding company set up for the purpose of holding equity interests in other companies and is the Company's main shareholder, with 51.34% of the voting shares and Rio Iaco Participações S.A which holds 4.28% of CSN voting capital.

(ii) Our commercial and financial transactions with our subsidiaries, jointly controlled entities, associates, companies of the CSN Group and other related parties are carried out at normal market prices and conditions, based on usual terms and rates applicable to third parties. The Company's presents the details of the transactions in Note 17 item b) of our Consolidated Financial Statements.

(iii) The Company holds other unconsolidated related parties with CBS Previdência, Fundação CSN, Banco Fibra, Ibis Participações e Serviços Ltda and Companhia de Gás do Ceará.

Item 8. Financial Information

8A. Consolidated Statements and Other Financial Information

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

Legal Proceedings

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

Labor Contingencies

As of December 31, 2014, the Company and its subsidiaries were defendants in 7,503 labor claims, for which a provision has been recorded in the amount of R$ 444 million. Most of the claims relate to alleged subsidiary and/or joint liability with respect to our independent contractors, salary equalization, health hazard premiums and hazardous duty premiums, overtime pay, differences in the 40% fine on the severance pay fund (FGTS) deposits resulting from past federal government economic plans, and indemnity claims resulting from alleged occupational diseases or on-the-job accidents, breaks between working hours, and differences in profit sharing from 1997 to 1999 and from 2001 to 2003.

Civil Contingencies

These are mainly claims for indemnities within the civil judicial processes in which we are involved. Such proceedings, in general, result of occupational accidents, diseases and contractual disputes related to our industrial activities. As of December 31, 2014, the amount relating to probable losses for these contingencies was R$ 106 million.

We also classify as civil contingencies the administrative and judicial proceedings filed against us for alleged violation of environmental statutes, mainly as a result of our industrial activities, claims for regularization, indemnification or imposition of fines. As of December 31, 2014, the amount relating to probable losses for civil contingencies relating to environmental issues was R$ 4 million.

Tax Contingencies

Among our tax contingencies there are charges for alleged non-payment of income tax and social contribution taxes in Brazil, for which a provision of R$ 130 million has been recorded in 2014.

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REFIS I, REFIS II and Advance Tax Payment Program

In November 2009, we adhered to the REFIS I, a special settlement and installment payment program established by the Federal Government, to settle certain of our tax and social security liabilities due until November 2008. Law No. 12,865/2013 later extended the original deadline of the REFIS I (originally November 2009) to December 2013 and allowed the submission of additional tax and social security liabilities under the program. On December 31, 2013, the position of the debt under the REFIS I was R$1,142 million.

In November 2013, we adhered to the Tax Recovery Program for Profits of Foreign Subsidiaries, or REFIS II, a special settlement and installment payment program established by the Federal Government, to settle the Income Tax (IRPJ) and the Social Contribution on Net Income (CSLL) arising from the taxation of profits of foreign subsidiaries. We submitted to the REFIS II the outstanding debts related to the 2004-2009 fiscal years. On December 31, 2013, the position of the debt under the REFIS II was R$412 million.

Our decision to join both the REFIS I and the REFIS II took into consideration the economic benefits provided by such settlement programs, such as discounts in the amounts of fines, interest and legal charges due, as well as the high costs of maintaining pending lawsuits.

In November 2014, we adhered to the Advance Tax Payment Programs established by the Federal Government under Law 13.043/2014, which allowed settlement of active federal debts, including the debts that were covered by the REFIS I and REFIS II programs, through an advance payment of 30% of the total amount due in cash and the offset of the remaining amount due with tax losses. The total amount included in the program was R$1.603 million, resulting in an impact to the cash account of R$ 502 million and a positive result of R$ 79 million in our income statements. For more information, see Note 14 – Taxes Installments - to the consolidated financial statements included in “Item 14.a). Financial Statements

Antitrust

In October 1999, CADE fined us, claiming that certain practices adopted by us and other Brazilian steel companies up to 1997 allegedly comprised a cartel. We challenged the cartel allegation and the imposition of the fine judicially and, on June 2003, obtained a partially favorable judgment by a federal trial court. CADE appealed the trial court decision and, on June 2010, a federal appellate court in Brasília held a judgment reversing the trial court’s decision and confirming the cartel allegation as well as the fine imposed by CADE in the amount of R$65 million. We appealed the decision of the appellate court to the Brazilian Superior Court of Justice. We have not yet recorded any provision in connection with this fine.

In September 2011, we received a request from the SDE to provide information related to the acquisition of shares of Usinas Siderúrgicas de Minas Gerais S.A. – Usiminas which later evolved to the analysis by CADE of a concentration act. In October 2011, SDE involved the CADE and the SEAE on the subject and we provided the requested information to these antitrust bodies.

In April and July, 2012, CADE issued certain injunctive orders limiting our ability to, among other things, acquire more Usiminas shares or exercise our voting rights on the shares we already own.

On April 10, 2014 CADE issued its decision on the matter and a term of undertaking (*Termo de Compromisso de Desempenho*), or TCD, was executed by CADE and CSN. Under the terms of CADE's decision and the TCD, CSN shall reduce its interest in Usiminas, within a specified timeframe. The timeframe and reduction percentages are confidential. Furthermore, our political rights in Usiminas will continue to be suspended until we reach the thresholds established in the TCD.

Other Legal Proceedings

We are defendants in other proceedings at administrative and judicial levels, in the approximate amount of R$15,430 million, of which, R$ 13,500 million relate to tax contingencies, R$ 446 million to civil contingencies, R$ 1,369 million to labor contingencies and social security contingencies and R$115 million to environmental contingencies. The assessments made by legal counsel define these contingencies as entailing a risk of possible loss and, therefore, no provision has been recorded. Contingencies related to each of our subsidiaries are included proportionally to the percentage of these subsidiaries that we consolidate in our financial statements.

Our main tax contingency relates to a R$ 7,068 million tax assessment notice issued against the Company for having allegedly failed to submit to taxation the capital gain resulting from the alleged sale of 40% of the shares of its subsidiary Namisa to the Asian consortium. On May 2013, the São Paulo Regional Judgment Office (lower administrative court) issued a decision favorable to us and cancelled the tax assessment notice. Such decision was partially reviewed by the Administrative Board of Tax Appeals (CARF) and the tax assessment notice was partially reinstated. The Bureau of Federal Public Attorneys filed an administrative appeal against CARF's decision. We are waiting to receive formal notification of such decision to also file an administrative appeal.

In July 2012, the environmental public prosecutor of the State of Rio de Janeiro (Ministério Público Estadual do Rio de Janeiro) filed a judicial proceeding against us claiming that we must (i) remove all waste disposed in two areas used as an industrial landfill in the city of Volta Redonda and (ii) relocate 750 residences located in the adjacent neighborhood Volta Grande IV Residential, also in the city of Volta Redonda. The court denied these requests but ordered that we present a timetable to investigate the area and, if necessary, to remediate the potential issues raised by the public prosecutor. We presented a timetable considering the conclusion of all studies related to investigation phases, including the risk assessment and intervention plan, which were concluded in April 30, 2014. We presented the studies resulting from our investigation to INEA and are awaiting for their response. We have also received notices for lawsuits brought by certain home owners at Volta Grande IV Residential claiming indemnification for alleged moral and material damages.

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On April 8, 2013, the INEA fined us in the amount of R$35 million in connection with the matters involving Volta Grande IV Residential and requested that we perform the same actions already under discussion in the July 2012 public prosecutor lawsuit. In January 2014 we filed a lawsuit seeking to reverse this fine and are awaiting for the INEA to file its response.

In August 2013, the federal environmental public prosecutor (Ministério Público Federal) filed a judicial civil proceeding against us with the same claims requested on the lawsuit brought by the environmental public prosecutor of the State of Rio de Janeiro, described above.

After that, in May 2014, the state of Rio de Janeiro (INEA) filed a lawsuit to execute the debt. We are currently challenging both proceedings but no final decision on this matter has been issued to date.

Environmental and social contingencies for our logistics facilities and the implementation of the new railroad are being reviewed by the management in accordance to the emergency attendance and the risk management plans established in 2014.

For further information on our legal proceedings and contingencies, see Notes 17 and 18 to our consolidated financial statements.

Dividend Policy

General

Subject to certain exceptions set forth in Brazilian Corporate Law, our bylaws require that we pay a yearly minimum dividend equal to 25% of our adjusted net profits, calculated in accordance with Brazilian Corporate Law. Proposals to declare and pay dividends in excess of the statutory minimum dividend requirement are generally made at the recommendation of our Board of Directors and approved by the vote of our shareholders. Any such proposal will be dependent upon our results of operations, financial condition, cash requirements for our business, future prospects and other factors deemed relevant by our Board of Directors. Until December 2000, it had been our policy to pay dividends on our outstanding common shares not less than the amount of our required distributions for any particular fiscal year, subject to a determination by our Board of Directors that such distributions would be inadvisable in view of our financial condition. In December 2000, our Board of Directors decided to adopt a policy of paying dividends equal to all legally available net profits, after taking into consideration the following priorities: (i) our business strategy; (ii) the performance of our obligations; (iii) the accomplishment of our required investments; and (iv) the maintenance of our good financial status.

Pursuant to a change in Brazilian tax law effective January 1, 1996, Brazilian companies are also permitted to pay limited amounts of interest on Shareholders' equity to holders of equity securities and to treat these payments as an expense for Brazilian income tax purposes. These payments may be counted in determining if the statutory minimum dividend requirement has been met, subject to shareholder approval.

For dividends declared during the past four years, see "Item 3A. Selected Financial Data."

At our Annual Shareholders' Meeting of April 28, 2015, our shareholders ratified the payment of:

- R$425 million as dividends relating to 2014, which were already approved by the Board of Directors Meeting held on February 28 2014, and paid to the shareholders;

- R$275 million as dividends relating to 2014, which were already approved by the Board of Directors Meeting held on December 30 2014, and paid to the shareholders.

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Amounts Available for Distribution

At each Annual Shareholders' Meeting, our Board of Directors is required to recommend how our earnings for the preceding fiscal year are to be allocated. For purposes of Brazilian Corporate Law, a company's income net of income tax and social contribution for any one fiscal year, any accumulated losses from prior fiscal years and amounts allocated to employees' and management's participation in earnings, represents its "net profits" for that fiscal year.

In accordance with Brazilian Corporate Law, shareholders are entitled to receive as a mandatory dividend in each fiscal year, either (i) the portion of the profits as may be stated in the bylaws of the company or, in the event the latter is silent in this regard, (ii) an amount equal to 50% of the net profits as increased or reduced by: (a) amounts allocated to the legal reserve; (b) amounts allocated to the contingency reserve and the tax incentive reserve, if any; and (c) any reversion of contingency reserves constituted in prior years. The payment of dividends may be limited to the amount of net profits realized during the fiscal year, provided that the difference is recorded as a reserve for unrealized profits. Profits recorded in the reserve for unrealized profits, when realized and not absorbed by losses in subsequent years, have to be added to the first dividend declared after their realization. Under our bylaws, we are required to distribute to shareholders as dividends in respect of each fiscal year ending on December 31, to the extent profits are available for distribution, an amount equal to at least 25% of our adjusted net profits, which amount shall include any interest paid on capital during that year. See "Mandatory Dividends" below.

Legal Reserve. Under Brazilian Corporate Law, we are required to maintain a "legal reserve" to which we must allocate 5% of our "net profits" for each fiscal year until the amount of the reserve equals 20% of our paid-in capital. However, we are not required to make any allocations to our legal reserve in a year in which the legal reserve, when added to our other established capital reserves, exceeds 30% of our capital stock. The amounts allocated to such reserve must be approved by our shareholders in the Annual Shareholders' Meeting, and may be used to increase our capital stock or to offset losses and, therefore, are not available for the payment of dividends.

Discretionary (or Statutory) Reserves. Under Brazilian Corporate Law, any corporation may provide in its by-laws for the creation of additional reserves, provided that the maximum amount that may be allocated to such reserves, the purpose of such reserves and the allocation criteria of such reserves are specified. There cannot be any allocation to such reserves if it affects payment of the Mandatory Dividend (as defined below). Our by-laws currently provide that our Board of Directors may propose to our shareholders the deduction of at least 1% from our net profits to be allocated to a Working Capital and Investments Reserve. Constitution of such reserve will not affect payment of the Mandatory Dividend. Our by-laws do not provide for any other discretionary reserve.

Contingency Reserve. Under Brazilian Corporate Law, a percentage of our "net profits" may be allocated to a contingency reserve for estimable losses that are considered probable in future years. Any amount so allocated in a prior year must either be reserved in the fiscal year in which the loss had been anticipated if the loss does not occur as projected or be written off in the event that the anticipated loss occurs.

Tax Incentive Reserve. Our shareholders in a shareholders' meeting may, following a management's proposal, allocate to a tax incentive reserve the portion of our "net profits" resulting from donations or governmental grants for investments, which may be excluded from the taxable basis of the Mandatory Dividend.

Unrealized Profits Reserve. Under Brazilian Corporate Law, the amount by which the Mandatory Dividend exceeds our realized net profits in a given fiscal year may be allocated to an unrealized profits reserve. Brazilian Corporate Law defines "realized net profits" for the period as the amount by which our "net profits" exceeds the sum of (i) positive

equity net results and (ii) the net profits, gains or returns that will be realized after the end of the subsequent fiscal year. “Net profits” allocated to the unrealized profits reserve must be added to the next Mandatory Dividend distribution after those profits have been realized, if they have not been used to absorb losses in subsequent periods.

Retained Earnings Reserve. Under Brazilian Corporate Law, our shareholders may decide at a general shareholders’ meeting to retain a portion of our net profits as provided for in a previously approved capital expenditure budget. No allocation of net profits may be made to the retained earnings reserve in case such allocation affects payment of the Mandatory Dividend.

The balance of our profit reserves, except those for contingencies, tax incentives and unrealized profits, shall not be greater than our capital stock. If such reserves reach this limit, the manner in which such surplus is used will be decided at a shareholders’ meeting.

For purposes of determining reserve amounts, the calculation of “net profits” and allocations to reserves for any fiscal year are determined on the basis of financial statements prepared in accordance with Brazilian Corporate Law. The consolidated financial statements included herein have been prepared in accordance with IFRS and, although our allocations to reserves and dividends will be reflected in the financial statements, investors will not be able to calculate the allocations or required dividend amounts from the consolidated financial statements.

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Capital Reserve. Under Brazilian Corporate Law, the capital reserve consists of premiums from the issuance of shares, goodwill reserves from mergers, sales of founders' shares, and sales of warrants. Amounts allocated to our capital reserve are not taken into consideration for purposes of determining Mandatory Dividends. Our capital stock is not currently represented by founders' shares. In our case, any amounts allocated to the capital reserve may only be used to increase our capital stock, to absorb losses that surpass accumulated profits and profit reserves, or to redeem, reimburse or purchase shares.

Mandatory Dividend

Under our bylaws, we are required to distribute to shareholders as dividends in respect of each fiscal year ending on December 31, to the extent profits are available for distribution, an amount equal to at least 25% of our adjusted profits (the "Mandatory Dividend") in any particular year, which amount shall include any interest paid on capital during that year. See "Additional Payments on Shareholders' Equity" below. In addition to the Mandatory Dividend, our Board of Directors may recommend that shareholders receive an additional payment of dividends from other funds legally available. Any payment of interim dividends may be netted against the amount of the Mandatory Dividend for that fiscal year. Under Brazilian Corporate Law, if the Board of Directors determines prior to the Annual Shareholders' Meeting that payment of the Mandatory Dividend for the preceding fiscal year would be inadvisable in view of our financial condition, the Mandatory Dividend does not need to be paid. That type of determination must be reviewed by the Fiscal Committee, if one exists, and reported, together with the appropriate explanations, to the shareholders and to the CVM. Mandatory dividends not distributed as described above shall be registered as a special reserve and, if not absorbed by losses in subsequent fiscal years, shall be paid as a dividend as soon as our financial condition allows for it.

Payment of Dividends

We are required to hold Annual Shareholders' Meetings within the first four months after the end of our fiscal year at which an annual dividend may be declared. Additionally, our Board of Directors may declare interim dividends. Under Brazilian Corporate Law, dividends are generally required to be paid to the holder of record on a dividend declaration date within 60 days following the date the dividend was declared, unless a shareholders' resolution sets forth another date of payment, which, in either case, must occur prior to the end of the fiscal year in which the dividend was declared. A shareholder has a three-year period from the dividend payment date to claim dividends (or interest on shareholders' equity as described under "Additional Payments on Shareholders' Equity" below) in respect of its shares, after which we will no longer be liable for the dividend payments.

Our payments of cash distributions on common shares underlying the ADSs will be made in Brazilian currency to our ADR custodian on behalf of our ADR depositary. Our ADR custodian will then convert the proceeds into U.S. dollars and will cause the U.S. dollars to be delivered to our ADR depositary for distribution to holders of ADSs.

Additional Payments on Shareholders' Equity

Since January 1, 1996, Brazilian companies have been permitted to pay interest on shareholders' equity to holders of equity securities and to treat those payments as a deductible expense for Brazilian income tax purposes. The amount of interest payable on capital is calculated based on the TJLP – Long Term Interest Rate, as determined by the Central Bank, and applied to each shareholder's portion of net equity. Brazilian Corporate Law establishes that current earnings are not included as part of the net equity.

The TJLP is determined by the Central Bank on a quarterly basis. The TJLP is based on the annual profitability average of Brazilian public internal and external debt. The TJLP rate for 2014 was 5.0%.

Interest on shareholders' equity is deductible up to the greater of the following amounts: (i) 50% of the net profits, as determined for accounting purposes, for the current period of interest payment after the deduction of the social contribution on net profits and before the provision for income tax and the deduction of the amount of such interest; and (ii) 50% of the balance of accumulated earnings and profits reserves from prior years.

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8B. Significant Changes

None

Item 9. The Offer and Listing

9A. Offer and Listing Details

Our capital stock is comprised of common shares without par value (*ações ordinárias*). On January 22, 2008, our shareholders approved a one-for-three split of our common shares. As a result of this stock split, each common share of our capital stock as of January 22, 2008 became represented by three common shares after the split. The same ratio of one common share for each ADS was maintained.

On March 25, 2010, our shareholders approved a two-for-one split of our common shares. As a result of this stock split, each common share of our capital stock as of March 25, 2010 became represented by two common shares after the split. The same ratio of one common share for each ADS was maintained. See “Item 10.B. Memorandum and Articles of Association.”

The following table sets forth information concerning the high and low closing sale prices and the average daily trading volume of our common shares on the BM&FBOVESPA (per common share) and the ADSs on the NYSE for the periods indicated:

	Common Shares[1]			**American Depositary Shares[1]**		
	U.S.$ per Share[2]		**Volume**	**U.S.$ per ADS**		**Volume**
	High	**Low**	***(In thousands)***	**High**	**Low**	***(In thousands)***
2010						
Year end	20.81	13.37	3,637	20.76	13.38	5,36
2011						
Year end	17.98	7.23	3,422	18.33	7.31	4,84
2012						
Year End	10.83	4.56	4,817	10.88	4.55	6,148
2013						
First quarter	5.56	3.88	5,561	5.39	3.91	5,213
Second quarter	4.31	2.45	7,866	4.00	2.54	6,103
Third quarter	4.14	2.14	8,381	4.06	2.24	6,822
Fourth quarter	6.08	3.95	6,216	5.93	4.00	6,753
Year End	6.08	2.14	7,047	5.93	2.24	6,239
2014						
First quarter	6.08	3.66	6,407	5.47	3.39	6,080
Second quarter	4.45	3.83	5,727	4.17	3.58	3,919
Third quarter	5.24	3.55	5,679	4.88	3.30	5,513
Fourth quarter	3.69	1.71	6,054	3.49	1.54	5,277
Year End	2.41	2.17	5,839	2.05	1.82	5,907

2015						
First quarter	1.94	1.56	5,879	2.02	1.45	2,971
Month Ended:						
October 31, 2014	3.69	3.23	5,777	3.49	3.02	4,978
November 30, 2014	3.32	2.39	5,748	3.02	2.17	5,403
December 31, 2014	2.39	1.71	6,663	2.16	1.54	5,480
January 31, 2015	2.14	1.56	6,945	2.02	1.45	3,762
February 28, 2015	1.87	1.55	5,238	1.76	1.52	2,455
March 31, 2015	1.94	1.63	5,386	1.87	1.53	2,697

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Source: Economática.

(1) Prices and volumes of our common shares and ADSs have been adjusted to reflect the two-for-one stock split occurred in March 2010 whereby each common share of our capital stock on March 25, 2010 became represented by two common shares. See “Item 10.B. Memorandum and Articles of Association.”

(2) U.S. dollar amounts have been translated from *reais* at the exchange rates in effect on the respective dates of the quotations for the common shares set forth above. These U.S. dollar amounts may reflect exchange rate fluctuations and may not correspond to changes in nominal *reais* prices over time.

As of April 28, 2015, the closing sale price (i) per common share on the BM&FBOVESPA was of R$7.89 and (ii) per ADS on the NYSE was of US$2.61. The ADSs are issued under a deposit agreement and JP Morgan Bank serves as depositary under that agreement.

As of December 31, 2014, approximately 342,466 million, or approximately 24.7%, of our outstanding common shares were held through ADSs. Substantially all of these ADSs were held of record by The Depository Trust Company. In addition, our records indicate that on that date there were approximately 172 record holders (other than our ADR depositary) with addresses in the U.S., holding an aggregate of approximately 61 million common shares, representing 10.0% of our outstanding common shares.

9B. Plan of Distribution

Not applicable.

9C. Markets

The principal trading market for our common shares is BM&FBOVESPA. Our ADSs trade on the NYSE under the symbol “SID.”

Trading on the BM&FBOVESPA and NYSE

CSN shares traded in the market are comprised of ordinary shares without nominal value. Ordinary shares are traded on the Brazilian Stock Exchange, BM&FBOVESPA, under the code CSNA3. Our ADSs, each one representing an ordinary share, are traded on the New York Stock Exchange, NYSE, under the code SID.

In 2000, the BM&FBOVESPA was reorganized through the execution of a memoranda of understanding by the Brazilian stock exchanges. Under the memoranda, all securities in Brazil are now traded only on the BM&FBOVESPA. When shareholders trade in common and preferred shares on the BM&FBOVESPA, the trade is settled in three business days after the trade date without adjustment of the purchase price for inflation. The seller is ordinarily required to deliver the shares to the exchange on the third business day following the trade date. Delivery of and payment for shares are made through the facilities of BM&FBOVESPA’s clearinghouse.

The BM&FBOVESPA is significantly less liquid than the NYSE or other major exchanges in the world. As of December 2014, the aggregate market capitalization of the BM&FBOVESPA was equivalent to R$2.2 trillion (or US.$844 trillion). In contrast, as of December 2014, the aggregate market capitalization of the NYSE was US$26.97 trillion. The average daily trading volume of the BM&FBOVESPA and NYSE for December 2014 was of approximately R$7.2 billion (or US.$2.7 billion) and U.S.$126.1 billion, respectively. Although any of the outstanding shares of a listed company may trade on the BM&FBOVESPA, in most cases fewer than half of the listed shares are actually available for trading by the public, since the remaining shares are generally being held by small groups of controlling persons, by government entities or by one principal shareholder. See “Item 3. Risk Factors—Risks Relating to the ADSs and Our Common Shares— The relative volatility and illiquidity of the Brazilian securities markets may substantially limit your ability to sell the common shares underlying the ADSs at the price and time you desire”

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As of December 31, 2014, we accounted for approximately 0.35% of the market capitalization of all listed companies on the BM&FBOVESPA.

The following table reflects the fluctuations in the Ibovespa index during the periods indicated:

Ibovespa Index

	High	Low	Close
2010	72,995	58,192	69,304
2011	71,632	48,668	56,754
2012	68,394	52,481	60,952
2013	63,472	44,816	51,507
2014	62,304	44,904	50,007
2015 (through March 31)	51,966	48,293	51,150

The IBOVESPA index closed at 51,150 on March 31, 2015. Trading on the BM&FBOVESPA by nonresidents of Brazil is subject to certain limitations under Brazilian foreign investment legislation. See “Item 10D. Exchange Controls.”

Regulation of the Brazilian Securities Markets

The Brazilian securities markets are regulated by CVM, which has authority over stock exchanges and the securities markets in general, and by the Central Bank, which has, among other powers, licensing authority over brokerage firms and regulates foreign investment and foreign exchange transactions. The Brazilian securities market is governed by Law No. 6,385 dated December 7, 1976, as amended, or the Brazilian Securities Law, Brazilian Corporate Law and regulations issued by CVM.

Under Brazilian Corporate Law, a company is either public, a *companhia aberta*, such as CSN, or private, a *companhia fechada*. All public companies are registered with CVM and are subject to reporting and regulatory requirements.

Trading in securities on the BM&FBOVESPA may be suspended at the request of a company in anticipation of a material announcement. The company should also suspend its trading on international stock exchanges where its securities are traded. Trading may also be suspended on the initiative of the BM&FBOVESPA or CVM, among other reasons, based on or due to a belief that a company has provided inadequate information regarding a material event or has provided inadequate responses to the inquires by CVM or the BM&FBOVESPA.

The Brazilian Securities Law and the regulations issued by CVM provide for, among other things, disclosure requirements, restrictions on insider trading and price manipulation, as well as protection of minority shareholders. However, the Brazilian securities markets are not as highly regulated and supervised as the United States securities markets or markets in certain other jurisdictions.

Disclosure Requirements

According to Law No 6,385, a publicly held company must submit to CVM and BM&FBOVESPA certain periodic information, including annual and quarterly reports prepared by management and independent auditors. This legislation also requires companies to file with CVM shareholder agreements, notices of shareholders' meetings and copies of the related minutes.

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Pursuant to CVM Resolution No. 358, of January 3, 2002, as recently modified by CVM Instruction No. 547, of January 5, 2014, CVM revised and consolidated the requirements regarding the disclosure and use of information related to material facts and acts of publicly held companies, including the disclosure of information in the trading and acquisition of securities issued by publicly held companies.

Such requirements include provisions that:

Establish the concept of a material fact that gives rise to reporting requirements. Material facts include decisions made by the controlling shareholders, resolutions of the shareholders at a shareholders' meeting and of management of the company, or any other facts related to a company's business (whether occurring within the company or otherwise somehow related thereto) that may influence the price of its publicly traded securities, or the decision of investors to trade such securities or to exercise any of such securities' underlying rights;

Specify examples of facts that are considered to be material, which include, among others, the execution of agreements providing for the transfer of control of the company, the entry or withdrawal of shareholders that maintain any managing, financial, technological or administrative function with or contribution to the company, and any corporate restructuring undertaken among related companies;

Oblige the investor relations officer, controlling shareholders, other officers, directors, members of the audit committee and other advisory boards to disclose material facts;

Require simultaneous disclosure of material facts to all markets in which the corporation's securities are admitted for trading;

Require the acquirer of a controlling stake in a corporation to disclose material facts, including its intentions as to whether or not to de-list the corporation's shares within one year from the acquisition of such controlling stake;

Establish rules regarding disclosure requirements in the acquisition and disposal of a material ownership interest; and

Forbid trading on the basis of material non-public information.

Pursuant to CVM Rule No. 480, of December 7, 2009, CVM expanded the quantity and improved the quality of information reported by issuers in Brazil. This Rule represents a significant step forward in providing the market with greater transparency over securities issuers and provides for issuers to file annually a comprehensive and opinative reference form (*Formulário de Referência*).The reference form (*Formulário de Referência*) is in line with the Shelf Registration System recommended by the International Organization Securities Commission (IOSCO) and adopted in other countries (England and the United States, among others), by means of which the information regarding an specific issuer is consolidated into one document and is subject to periodic update (the "Shelf Document"). This mechanism offers the investor the possibility to analyze one single document for relevant information about the issuer.

CVM Rule No. 480 also created two groups of issuers per type of securities traded. Group A issuers are authorized to trade in any securities, whereas Group B issuers must not trade in stocks, depositary receipts (BDRs, Units) and securities convertible or exchangeable into stocks or depositary receipts. The greater extend of Group A authorization is followed by more stringent disclosure and reporting requirements. We, as issuers of stocks, are part of Group A and, as such, are subject to more stringent disclosure and reporting requirements.

CVM has also enacted Rule No. 481, of December 17, 2009 to regulate two key issues involving general meetings of shareholders in publicly held companies: (i) the extent of information and documents to be provided in support of call notices (subject to prior disclosure to shareholders); and (ii) proxy solicitation for exercise of voting rights.

CVM Rule No. 481 is intended to (i) improve the quality of information disclosed by publicly held companies to shareholders and to the market in general, favoring the use of Internet as a vehicle to that end; (ii) make the exercise of voting rights less costly and foster the participation of shareholders in general meetings, especially for companies with widely dispersed capital; and, consequently (iii) facilitate the oversight of corporate businesses.

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9D. Selling Shareholders

Not applicable.

9E. Dilution

Not applicable.

9F. Expenses of the Issue

Not applicable.

Item 10. Additional Information

10A. Share Capital

Not applicable.

10B. Memorandum and Articles of Association

Registration and Corporate Purpose

We are registered with the Department of Trade Registration under number 15,910. Our corporate purpose, as set forth in Article 2 of our bylaws, is to manufacture, transform, market, import and export steel products and steel derived by-products, as well as to explore other activities that are directly or indirectly related to our corporate purpose, including: mining, cement and carbochemical business activities, the manufacture and assembly of metallic structures, construction, transportation, navigation and port activities.

Directors' Powers

Pursuant to our bylaws, a director may not vote on a proposal, arrangement or contract in which the director's interests conflict with our interests. In addition, our shareholders must approve the compensation of our management and, in case a global amount is fixed, our Board of Directors is responsible for allocating individual amounts of management compensation. There is no mandatory retirement age for our directors. A detailed description of the general duties and powers of our Board of Directors may be found in "Item 6A. Directors and Senior Management."

Description of Capital Stock

Set forth below is certain information concerning our capital stock and a brief summary of certain significant provisions of our bylaws and Brazilian Corporate Law applicable to our capital stock. This description does not purport to be complete and is qualified by reference to our bylaws and to Brazilian law. For further information, see our bylaws, which have been filed as an exhibit to this annual report.

Capital Stock

On December 31, 2013 our capital stock was composed of 1,387,524,047 common shares. Our bylaws authorize the Board of Directors to increase the capital stock up to 2,400,000,000 common shares without an amendment to our bylaws. There are currently no classes or series of preferred shares issued or outstanding. We may purchase our own

shares for purposes of cancellation or to hold them in treasury subject to certain limits and conditions established by the CVM and Brazilian Corporate Law. See “Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.”

Liability for Further Capital Calls

Pursuant to Brazilian Corporate Law, a shareholder’s liability is generally limited to the issue price of the subscribed or purchased shares. There is no obligation of a shareholder to participate in additional capital calls.

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Voting Rights

Each common share entitles the holder to one vote at our shareholders' meetings. According to CVM regulations, shareholders that represent at least 5% of our common shares may request cumulative voting in an election of our Board of Directors. Pursuant to Brazilian Corporate Law, shareholders holding at least 15% of our common shares have the right to appoint a member of our Board of Directors.

Shareholders' Meetings

Pursuant to Brazilian Corporate Law, the shareholders present at an annual or extraordinary shareholders' meeting, convened and held in accordance with Brazilian Corporate Law and our bylaws are empowered to decide all matters relating to our corporate purpose and to pass any resolutions they deem necessary for our protection and well-being.

In order to participate in a shareholders' meeting, a shareholder must be a record owner of the share on the day the meeting is held, and may be represented by a proxy.

Shareholders' meetings are called, convened and presided over by the Chairman of our Board of Directors or, in his absence, by whom he appoints. Brazilian Corporate Law requires that our shareholders' meeting be convened by publication of a notice in the *Diário Oficial do Estado de São Paulo*, the official government publication of the State of São Paulo, and in a newspaper of general circulation in Brazil and in the city in which our principal place of business is located, currently the Jornal Valor Econômico, at least 15 days prior to the scheduled meeting date and no fewer than three times. Both notices must contain the agenda for the meeting and, in the case of an amendment to our bylaws, an indication of the subject matter.

In order for a shareholders' meeting to be held, shareholders representing a quorum of at least one-fourth of the voting capital must be present, except for meetings convened to amend our bylaws, where shareholders representing at least two-thirds of the voting capital must be present. A shareholder may be represented at a shareholders' meeting by means of a proxy, appointed not more than one year before the meeting, who must be either a shareholder, a company officer or a lawyer. For public companies, such as we are, the proxy may also be a financial institution. If no quorum is present, notice must be given in the manner described above, no fewer than eight days prior to the scheduled meeting date. On second notice, the meeting may be convened without a specific quorum requirement, subject to the minimum quorum and voting requirements for certain matters, as described below. A holder of shares with no voting rights may attend a shareholders' meeting and take part in the discussion of matters submitted for consideration.

Except as otherwise provided by law, resolutions passed at a shareholders' meeting require a simple majority vote, abstentions not considered. Pursuant to Brazilian Corporate Law, the approval of shareholders representing at least one-half of the issued and outstanding voting shares is required for the following actions: (i) to create a new class of preferred shares or disproportionately increase an existing class of preferred shares relative to the other classes of preferred shares, to change a priority, preference, right, privilege or condition of redemption or amortization of any class of preferred shares or to create any class of non-voting preferred shares that has a priority, preference, right, condition or redemption or amortization superior to an existing class of shares (in these cases, a majority of the issued and outstanding shares of the affected class is also required); (ii) to reduce the Mandatory Dividend; (iii) to change our corporate purpose; (iv) to merge into or consolidate with another company or to spin-off our assets; (v) to dissolve or liquidate our Company; (vi) to cancel any liquidation procedure; (vii) to authorize the issuance of founders' shares; and (viii) to participate in a centralized group of companies as defined under Brazilian Corporate Law.

Pursuant to Brazilian Corporate Law, shareholders voting at a shareholders' meeting have the power to: (i) amend our bylaws; (ii) elect or dismiss members of our Board of Directors (and members of the Fiscal Committee) at any time;

(iii) receive and approve the annual management accounts, including the allocation of net profits and payment of the mandatory dividends and allocation to the various reserve accounts; (iv) authorize the issuance of debentures in general; (v) suspend the rights of a shareholder who has violated Brazilian Corporate Law or our bylaws; (vi) accept or reject the valuation of assets contributed by a shareholder in consideration of the subscription of shares in our capital stock; (vii) authorize the issuance of founders' shares; (viii) pass resolutions authorizing reorganization of our legal form, a merger, consolidation or split of the company, dissolution and liquidation of the company, election and dismissal of our liquidators and to examine their accounts; and (ix) authorize management to declare the company insolvent and to request a *recuperação judicial* or *recuperação extrajudicial* (a procedure involving protection from creditors similar in nature to a reorganization under the U.S. Bankruptcy Code), among others.

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Redemption Rights

Our common shares are not redeemable, except that a dissenting and adversely affected shareholder is entitled, under Brazilian Corporate Law, to obtain redemption upon a decision made at a shareholders' meeting by shareholders representing at least one-half of the issued and outstanding voting shares to: (i) create a new class of preferred shares or to disproportionately increase an existing class of preferred shares relative to the other classes of preferred shares (unless these actions are provided for or authorized by our bylaws); (ii) modify a preference, privilege or condition of redemption or amortization conferred on one or more classes of preferred shares, or to create a new class with greater privileges than an existing class of preferred shares; (iii) reduce the mandatory distribution of dividends; (iv) change our corporate purpose; (v) merge us with another company or consolidate us; (vi) transfer all of our shares to another company in order to make us a wholly-owned subsidiary of that company (*incorporação*); (vii) approve the acquisition of control of another company at a price that exceeds certain limits set forth under Brazilian Corporate Law; (viii) approve our participation in a centralized group of companies as defined under Brazilian Corporate Law; (ix) conduct a spin-off that results in (a) a change of corporate purpose, (b) a reduction of the Mandatory Dividend or (c) any participation in a group of companies as defined under Brazilian Corporate Law; or (x) in the event that the entity resulting from (a) a merger or consolidation, (b) an *incorporação* as described above or (c) a spin-off of a listed company fails to become a listed company within 120 days of the shareholders' meeting at which the decision was taken. The right of redemption lapses 30 days after publication of the minutes of the relevant shareholders' meeting. We would be entitled to reconsider any action giving rise to redemption rights within 10 days following the expiration of those rights, if the redemption of shares of dissenting shareholders would jeopardize our financial stability. Law No. 9,457 dated May 5, 1997, which amended Brazilian Corporate Law, contains provisions which, among others, restrict redemption rights in certain cases and allow companies to redeem their shares at their market value, subject to certain requirements. According to Brazilian Corporate Law, the reimbursement value of the common shares must equal the book value, which is determined by dividing our net assets by the total number of shares issued by us, excluding treasury shares (if any).

Preemptive Rights

Except as provided for in Brazilian Corporate Law (such as in the case of mergers and public offerings), our bylaws allow each of our shareholders a general preemptive right to subscribe to shares in any capital increase, in proportion to his or her ownership interest. A minimum period of 30 days following the publication of notice of a capital increase is allowed for the exercise of the right and the right is transferable. In the event of a capital increase that would maintain or increase the proportion of capital represented by common shares, holders of ADSs will have preemptive rights to subscribe only to newly issued common shares. In the event of a capital increase that would reduce the proportion of capital represented by common shares, holders of ADSs will have preemptive rights to subscribe for common shares, in proportion to their ownership interest, only to the extent necessary to prevent dilution of their interest in us.

Form and Transfer

As our common shares are in registered form, the transfer of shares is governed by the rules of Article 31, paragraph 3, of Brazilian Corporate Law, which provides that a transfer of shares is effected by a transfer recorded in a company's share transfer records upon presentation of valid share transfer instructions to the company by a transferor or its representative. When common shares are acquired or sold on a Brazilian stock exchange, the transfer is effected on our records by a representative of a brokerage firm or the stock exchange's clearing system. Transfers of shares by a non-Brazilian shareholder are made in the same way and are executed by such shareholders' local agent.

The BM&FBOVESPA operates a central clearing system. A holder of our common shares may choose, at its discretion, to participate in this system and, in that case, all shares elected to be put into this system will be deposited in the custody of the BM&FBOVESPA (through a Brazilian institution duly authorized to operate by the Central Bank and having a clearing account with the BM&FBOVESPA). The fact that those common shares are held in the custody of the BM&FBOVESPA will be reflected in our register of shareholders. Each participating shareholder will, in turn, be registered in our register of beneficial shareholders maintained by the BM&FBOVESPA and will be treated in the same way as registered shareholders.

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Limitations on Ownership and Voting Rights by non-Brazilians Shareholders

There are no restrictions on ownership or voting of our common shares by individuals or legal entities domiciled outside Brazil. However, the right to convert dividend payments and proceeds from the sale of common shares into foreign currency and to remit those amounts outside Brazil is subject to exchange control restrictions and foreign investment legislation which generally require, among other things, obtaining a Certificate of Registration under the Brazilian National Monetary Council's Resolution No. 2,689 or its direct foreign investment regulations. See "Item 10D. Exchange Controls."

Share Ownership Disclosure

There are no provisions in our bylaws governing the ownership threshold above which shareholder ownership must be disclosed. CVM regulations require the disclosure of (i) the acquisition of 5% of any class of capital stock of a listed company and any subsequent acquisition or disposition of at least 5% of any such class of capital stock, (ii) acquisition of control of a listed company and (iii) the ownership of shares of capital stock of a listed company by members of such company's Board of Executive Officers, Board of Directors, Audit Committee, Fiscal Committee (if any) and any other consulting or technical body (if any) and certain relatives of those persons.

10C. Material Contracts

None.

10D. Exchange Controls

There are no restrictions on ownership or voting of our common shares by individuals or legal entities domiciled outside Brazil. However, the right to convert dividend payments and proceeds from the sale of common shares into foreign currency and to remit those amounts outside Brazil is subject to exchange control restrictions and foreign investment legislation which generally require, among other things, obtaining a Certificate of Registration under the Brazilian National Monetary Council's Resolution No. 2,689 or its direct foreign investment regulations.

Resolution No. 2,689 dated March 31, 2000, introduced new rules to facilitate foreign investment in Brazil. The principal changes for foreign investors entering the Brazilian market include:

the removal of restrictions on investments by portfolio composition (e.g., equities, fixed income and derivatives); and

permission for foreign individuals and corporations to invest in the Brazilian market, in addition to foreign institutional investors.

Prior to Resolution No. 2,689, foreign investors had to leave and reenter the country in order to switch their investments from equity to fixed income. Now foreign investors can freely switch their investments without leaving the local market. Foreign investors registered with the CVM and acting through authorized custody accounts and a legal representative may buy and sell any local financial product traded on the local exchanges and registered on the local clearing systems, including shares on the BM&FBOVESPA, without obtaining separate Certificates of Registration for each transaction. Pursuant to Resolution No. 2,689, as amended, investors are also generally entitled to favorable tax treatment. See "Item 10E. Taxation—Brazilian Tax Considerations."

A Certificate of Registration has been issued in the name of JP Morgan Chase Bank N.A., as our ADR depositary, and is maintained by the *Itaú Corretora de Valores S.A*., our ADR custodian, on behalf of our ADR depositary. Pursuant to the Certificate, our ADR custodian and our ADR depositary are able to convert dividends and other distributions with respect to the common shares represented by ADSs into foreign currency and remit the proceeds outside Brazil. In the event that a holder of ADSs surrenders its ADSs for common shares, that holder will be entitled to continue to rely on our ADR depositary's Certificate of Registration for only five business days after the surrender, following which the holder must obtain its own Certificate of Registration. Thereafter, unless the common shares are held pursuant to Resolution No. 2,689 or direct foreign investment regulations, the holder may not be able to convert into foreign currency and remit outside Brazil the proceeds from the disposition of, or distributions with respect to, those common shares, and the holder generally will be subject to less favorable Brazilian tax treatment than a holder of ADSs. See "Item 10E. Taxation—Brazilian Tax Considerations."

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A non-Brazilian holder of common shares may experience delays in obtaining a Certificate of Registration, which may delay remittances abroad. This kind of delay may adversely affect the amount, in U.S. dollars, received by the non-Brazilian holder.

Under current Brazilian legislation, the Brazilian government may impose temporary restrictions on remittances of foreign capital abroad in the event of a serious imbalance or an anticipated serious imbalance of Brazil's balance of payments. For approximately nine months in 1989 and early 1990, the Brazilian government froze all dividend and capital repatriations held by the Central Bank that were owed to foreign equity investors in order to conserve Brazil's foreign currency reserves. These amounts were subsequently released in accordance with Brazilian government directives. See "Item 3D. Risk Factors—Risks Relating to our Common Shares and ADSs—If you surrender your ADSs and withdraw common shares, you risk losing the ability to remit foreign currency abroad and certain Brazilian tax advantages."

For a description of the foreign exchange markets in Brazil, see "Item 3A. Selected Financial Data– Exchange Rates."

10E. Taxation

The following is a summary of certain U.S. federal income and Brazilian tax consequences of the acquisition, ownership and disposition of our common shares or ADSs by an investor that holds such common shares or ADSs. This summary does not purport to address all material tax consequences of the acquisition, ownership and disposition of our common shares or ADSs, does not take into account the specific circumstances of any particular investor and does not address certain investors that may be subject to special tax rules.

This summary is based on the tax laws of the United States (including the Internal Revenue Code of 1986, as amended, or the Code, its legislative history, existing and proposed Treasury regulations thereunder, published rulings and court decisions) and Brazil, as in effect on the date hereof, which are subject to change (or changes in interpretation), possibly with retroactive effect. In addition, this summary is based in part upon the representations of our ADSs depositary and the assumption that each obligation in our deposit agreement and any related agreement will be performed in accordance with its terms.

Although there is, at present, no income tax treaty between Brazil and the United States, the tax authorities of the two countries have had discussions that may result in such a treaty. Both countries have been accepting the offset of income taxes paid in one country against the income tax due in the other based on reciprocity. No assurance can be given, however, as to whether or when an income tax treaty will enter into force or how it will affect the U.S. Holders, as defined below, of our common shares or ADSs.

This discussion does not address any aspects of U.S. taxation (such as estate tax, gift tax and Medicare tax on net investment income) other than federal income taxation or any aspects of Brazilian taxation other than income, gift, inheritance and capital taxation. Prospective investors are urged to consult their own tax advisors regarding the Brazilian and U.S. federal, state and local tax consequences of the acquisition, ownership and disposition of our common shares and ADSs.

Brazilian Tax Considerations

The following discussion summarizes the principal Brazilian tax consequences of the acquisition, ownership and disposition of common shares or ADSs by a holder that is not domiciled in Brazil for purposes of Brazilian taxation ("Non-Resident Holder"). It is based on Brazilian law as currently in effect. Any change in such law may change the consequences described below, possibly with retroactive effect. This discussion does not specifically address all of the

Brazilian tax considerations applicable to any particular Non-Resident Holder. Each Non-Resident Holder of common shares or ADSs should consult their own tax advisor concerning the Brazilian tax consequences of an investment in our common shares or ADSs.

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A Non-Resident Holder of ADSs may withdraw them in exchange for common shares in Brazil. Pursuant to Brazilian law, the Non-Resident Holder may invest in common shares under Resolution 2,689, of January 26, 2000, of the National Monetary Council (a ”2,689 Holder”).

Taxation of Dividends and Interest on Shareholders’ Equity

Dividends, including stock dividends and other dividends, paid by us (i) to our ADSs depositary in respect of the common shares underlying the ADSs or (ii) to a Non-Resident Holder in respect of common shares, are currently not subject to Brazilian withholding income tax, as far as such amounts are related to profits generated on or after January 1, 1996. Dividends relating to profits generated prior to January 1, 1996 may be subject to Brazilian withholding income tax at varying rates, depending on the year such profits have been generated.

It is important to note that as from January 1st, 2008, Brazil has adopted new GAAP, following IFRS standards. As from such date, Brazilian income taxes were calculated under a temporary regime called Transitional Tax Regime (RTT, in the Portuguese acronym). The goal of such regime was to neutralize the impacts on the calculation of the corporate income tax in Brazil that could derive from the adoption of the new GAAP. Law 12.973 was then enacted in 2013, with the goal to adapt Brazilian tax legislation, based on the new GAAP, eliminating the RTT. With the introduction of the new rules, the law determined that, for fiscal year 2014, any dividends paid out of accounting profits which, for any reason, would be higher than the “tax profits” calculated according to the RTT, would be subject to withholding income tax in Brazil. Nonetheless, CSN does not have relevant accounting adjustments which could result in a lower “tax profit” as compared to the group’s accounting profit, reason why no withholding income tax shall be levied on any future distribution of dividends paid out of profits generated in 2014. As from fiscal year 2015, since there is no “tax profit” under the RTT, no potential exposure should exist, and the exemption for dividends is normally applicable again.

Since 1996, Brazilian companies have been permitted to pay limited amounts of interest on shareholders' equity to holders of equity securities and to treat those payments as a deductible expense for purposes of its Brazilian income tax and social contribution on net profits tax basis. For tax purposes, this interest is limited to the daily pro rata variation of the Brazilian Federal Government's Long-Term Interest Rate or TJLP, as determined by the Central Bank from time to time, multiplied by the net equity value of the Brazilian company, and the amount of the deduction may not exceed the greater of (i) 50% of the net income (before taking into account the amounts attributable to shareholders as interest on shareholders' equity and the provision of corporate income tax but after the deduction of the provision of the social contribution on net profits) related to the period in respect of which the payment is made; or (ii) 50% of the sum of retained profits and profits reserves as of the date of the beginning of the fiscal year in respect of which the payment is made. Payments of interest on shareholders' equity are decided by the shareholders on the basis of the recommendations of our Board of Directors.

Payment of interest on shareholders' equity to a Non-Resident Holder is subject to withholding income tax at the rate of 15%, or 25% if the Non-Resident Holder is domiciled in a tax haven.

For this purpose, a ”tax haven” or ”low-tax regime” is a country or location (1) that does not impose income tax, (2) where the income tax rate is lower than 20% or (3) where the local legislation imposes restrictions on disclosing the shareholding composition or ownership of the investment (”Tax Haven Jurisdiction”). These payments of interest on shareholders' equity may be included, at their net value, as part of any mandatory dividend. To the extent payment of interest on shareholders' equity is so included, the corporation is required to distribute to shareholders an additional amount to ensure that the net amount received by them, after payment of the applicable Brazilian withholding income tax, plus the amount of declared dividends is at least equal to the mandatory dividend.

No assurance can be given that our board of directors will not recommend that future distributions of income should be made by means of interest on shareholders' equity instead of dividends.

Taxation of Gains

Capital gains realized by Non-Resident Holders on the disposition of common shares sold on the Brazilian stock exchange (which includes the transactions carried out on the organized over-the-counter market):

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are exempt, when realized by a Non-Resident Holder that (i) is a 2,689 Holder and (ii) is not resident or domiciled in a Tax Haven Jurisdiction;

are subject to income tax at a rate of 15% in case of gains realized by (A) a Non-Resident Holder that (i) is not a 2,689 Holder and (ii) is not resident or domiciled in a Tax Haven Jurisdiction; or (B) a Non-Resident Holder that (i) is a 2,689 Holder and (ii) is resident or domiciled in a Tax Haven Jurisdiction; and

are subject to income tax at a rate of up to 25% in case of gains realized by a Non-Resident Holder that (i) is not a 2,689 Holder and (ii) is resident or domiciled in a Tax Haven Jurisdiction.

As a general rule, capital gains realized as a result of a disposition transaction are the positive difference between the amount realized on the disposition of the common shares and the respective acquisition cost.

According to Law No. 10,833/03, the gains recognized on a disposition of assets located in Brazil, such as our common shares, by a Non-Resident Holder, are subject to withholding income tax in Brazil. This rule is applicable regardless of whether the disposition is conducted in Brazil or abroad and/or if the disposition is or is not made to an individual or entity resident or domiciled in Brazil.

A withholding income tax of 0.005% will apply and can be offset against any income tax due on the capital gain. Such withholding does not apply to a 2,689 Holder that is not resident or domiciled in a Tax Haven Jurisdiction.

Any other gains realized on the disposition of common shares that are not carried out on the Brazilian stock exchange:

are subject to income tax at a rate of 15% when realized by any Non-Resident Holder that is not resident or domiciled in a Tax Haven Jurisdiction, whether or not such holder is a 2,689 Holder; and

are subject to income tax at a rate of up to 25% when realized by a Non-Resident Holder that is resident or domiciled in a Tax Haven Jurisdiction, whether or not such holder is a 2,689 Holder.

In the cases described above, if the gains are related to transactions conducted on the Brazilian non-organized over-the-counter market with intermediation, the withholding income tax of 0.005% will also apply and can be offset against any income tax due on the capital gain.

Any exercise of preemptive rights relating to common shares will not be subject to Brazilian withholding income tax. Gains realized by a Non-Resident Holder on the disposition of preemptive rights will be subject to Brazilian income tax according to the same rules applicable to disposition of common shares.

In the case of a redemption of common shares or a capital reduction, the positive difference between the amount received by the Non-Resident Holder and the acquisition cost of the common shares redeemed in *reais* is treated as capital gain derived from the sale or exchange of shares not carried out on a Brazilian stock exchange market and is therefore subject to income tax at the rate of 15%, or 25%, as the case may be.

Sale of ADSs by U.S. Holders to Other Non-Residents in Brazil

As discussed above, pursuant to Law No. 10,833, the sale of assets located in Brazil involving Non-Resident Holders is subject to Brazilian withholding income tax. We believe that the ADSs do not fall within the definition of assets located in Brazil for the purposes of Law No. 10,833, and, thus, should not be subject to the Brazilian withholding tax. However, due to the lack of any administrative or judicial guidance, there is no assurance that such position would

prevail.

Gains on the Exchange of ADSs for Common Shares

The withdrawal of ADSs in exchange for common shares is not subject to Brazilian income tax, assuming compliance with applicable regulation regarding the registration of the investment with Central Bank.

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Gains on the Exchange of Common Shares for ADSs

The deposit of common shares in exchange for the ADSs may be subject to Brazilian withholding income tax on capital gains if the amount previously registered with the Central Bank as a foreign investment in common shares or, in the case of other market investors under Resolution No. 2,689, the acquisition cost of the common shares, as the case may be, is lower than:

the average price per common share on the Brazilian stock exchange on which the greatest number of such common shares were sold on the day of deposit; or

if no common shares were sold on that day, the average price on the Brazilian stock exchange on which the greatest number of common shares were sold during the 15 preceding trading sessions.

The difference between the amount previously registered, or the acquisition cost, as the case may be, and the average price of the common shares, calculated as set forth above, is considered a capital gain subject to income tax at a rate of 15%, or 25% if the Non-Resident Holder is resident or domiciled in a Tax Haven Jurisdiction.

Tax on Financial Transactions

The Tax on Financial Transactions (*Imposto sobre Operações de Crédito, Câmbio e Seguro ou relativas a Títulos ou Valores Mobiliários*), or "IOF", is imposed on foreign exchange, securities, credit and insurance transactions.

IOF on Foreign Exchange Transactions

Tax on foreign exchange transactions, or "IOF/Exchange", may be levied on foreign exchange transactions (conversion of foreign currency in *reais* and conversion of *reais* into foreign currency), affecting either or both the inflow or outflow of investments. Currently, the general IOF/Exchange rate applicable to foreign currency exchange transactions is 0.38%.

The Brazilian Government may increase the rate of the IOF/Exchange to a maximum rate of 25% of the amount of the foreign exchange transactions at any time, but such an increase will only apply in respect to future foreign exchange transactions.

Currently, for most foreign exchange transactions related to this type of investment, the IOF/Exchange rate is zero.

IOF on Bonds and Securities Transactions

IOF may also be levied on transactions involving bonds and securities("IOF/Securities"), including those carried out on a Brazilian stock, futures or commodities exchanges. The rate of the IOF/Securities applicable to most transactions involving common shares is currently zero percent. The Brazilian Government may increase the rate of the IOF/Exchange up to 1.5% per day at any time, but such an increase will only apply in respect of future transactions.

Other Brazilian Taxes

There are no Brazilian inheritance, gift or succession taxes applicable to the ownership, transfer or disposition of common shares or ADSs by a non-Brazilian holder, except for gift and inheritance taxes which are levied by some states of Brazil on gifts made or inheritances bestowed by individuals or entities not resident or domiciled in Brazil to individuals or entities resident or domiciled within that state in Brazil. There are no Brazilian stamp, issue, registration

or similar taxes or duties payable by holders of common shares or ADSs.

U.S. Federal Income Tax Considerations

The summary discussion below is applicable to you only if you are a "U.S. Holder" (as defined below) that is not domiciled in Brazil (or domiciled or resident in a tax haven jurisdiction) for purposes of Brazilian taxation and, in the case of a holder of common shares, that has registered its investment in common shares with the Central Bank as a U.S. dollar investment. This summary is based upon the Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations, administrative pronouncements of the U.S. Internal Revenue Service (the "IRS") and judicial decisions, all as in effect on the date hereof, and all of which are subject to change (possibly with retroactive effect) and to differing interpretations. This summary does not describe any implications under state, local or non-U.S. tax law, or any aspect of U.S. federal tax law (such as the estate tax, gift tax or the Medicare tax on net investment income) other than U.S. federal income taxation.

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This summary does not purport to address all the material U.S. federal income tax consequences that may be relevant to the holders of the common shares or ADSs, and does not take into account the specific circumstances of any particular investors, some of which (such as tax-exempt entities, banks or other financial institutions, insurance companies, dealers in securities or currencies, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, regulated investment companies, real estate investment trusts, investors liable for the alternative minimum tax, partnerships and other pass-through entities, U.S. expatriates, investors that own or are treated as owning 10% or more of our voting stock, investors that hold the preferred shares or ADSs as part of a straddle, hedge, conversion or constructive sale transaction or other integrated transaction and persons whose functional currency is not the U.S. dollar) may be subject to special tax rules.

For purposes of this discussion, a U.S. Holder is any beneficial owner of common shares or ADSs that is (i) an individual who is a citizen or resident of the United States, (ii) a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source, or (iv) a trust if a U.S. court is able to exercise primary supervision over administration of the trust and one or more U.S. persons have authority to control all substantial decisions of the trust or if the trust validly elects under applicable Treasury regulations to be taxed as a U.S. person. A “Non-U.S. Holder” is any beneficial owner of common shares or ADSs that is an individual, corporation, estate or trust who is neither a U.S. Holder nor a partnership for U.S. federal income tax purposes.

If a partnership holds our common shares or ADSs, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. A prospective investor who is a partner of a partnership holding our shares should consult its own tax advisor.

In general, and taking into account the earlier assumptions, for U.S. federal income tax purposes, holders of American Depositary Receipts evidencing ADSs will be treated as the owners of the common shares represented by those ADSs, and exchanges of common shares for ADSs, and ADSs for common shares, will not be subject to U.S. federal income tax.

Taxation of Dividends

U.S. Holders

Under the U.S. federal income tax laws, and subject to the passive foreign investment company (“PFIC”) rules discussed below, U.S. Holders will include in gross income, as dividend income, the gross amount of any distribution paid by us (including (i) payments considered “interest” in respect of Shareholders’ equity under Brazilian law and (ii) amounts withheld in respect of Brazilian taxes) out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) when the distribution is actually or constructively received by the U.S. Holder, in the case of common shares, or by our ADSs depositary, in the case of ADSs. Distributions in excess of current and accumulated earnings and profits, as determined under U.S. federal income tax principles, will be treated as a return of capital to the extent of the U.S. Holder’s adjusted tax basis in the common shares or ADSs and thereafter as capital gain, which will be either long-term or short-term capital gain depending on whether the U.S. holder held the common shares or ADSs for more than one year. We do not intend to maintain calculations of our earnings and profits under U.S. federal income tax principles and, unless and until such calculations are made, U.S. Holders should assume all distributions are made out of earnings and profits and constitute dividend income.

The dividend income will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations. Subject to certain exceptions for short-term and hedged

positions certain non-corporate U.S. Holders (including individuals) may qualify for a maximum 20% rate of tax in respect of “qualified dividend income” received. Dividend income with respect to the ADSs will be qualified dividend income, provided that, in the year that a non-corporate U.S. Holder receives the dividend, the ADSs are readily tradable on an established securities market in the United States, and we were not in the year prior to the year in which the dividend was paid, and are not in the year in which the dividend is paid, a PFIC. Based on existing Internal Revenue Service (“IRS”) guidance, it is not entirely clear whether dividends received with respect to the common shares not held through ADSs will be treated as qualified dividend income, because the common shares are not themselves listed on a U.S. exchange.

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The amount of the dividend distribution includible in gross income of a U.S. Holder will be the U.S. dollar value of the *real* payments made, determined at the spot *real*/U.S. dollar rate on the date such dividend distribution is includible in the gross income of the U.S. Holder, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is includible in gross income to the date such payment is converted into U.S. dollars will be treated as ordinary income or loss from sources within the United States and will not be eligible for the special tax rate applicable to qualified dividend income.

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

The U.S. Treasury Department has expressed concern that intermediaries in connection with depositary arrangements may be taking actions that are inconsistent with the claiming of foreign tax credits by U.S. persons who are holders of depositary shares. Accordingly, investors should be aware that the discussion above regarding the availability of foreign tax credits for Brazilian income tax withheld from dividends paid with respect to common shares represented by ADSs could be affected by future action taken by the U.S. Treasury Department.

Distributions of additional common shares to U.S. Holders with respect to their common shares or ADSs that are made as part of a pro rata distribution to all our Shareholders generally will not be subject to U.S. federal income tax.

Non-U.S. Holders

Dividends paid to a Non-U.S. Holder in respect of common shares or ADSs will not be subject to U.S. federal income tax unless those dividends are effectively connected with the conduct of a trade or business within the United States by the Non-U.S. Holder (or are attributable to a permanent establishment maintained in the United States by the Non-U.S. Holder, if an applicable income tax treaty so requires as a condition for the Non-U.S. Holder to be subject to U.S. taxation on a net income basis in respect of income from common shares or ADSs), in which case the Non-U.S. Holder generally will be subject to U.S. federal income tax in respect of the dividends in the same manner as a U.S. Holder. Any such effectively connected dividends received by a corporate Non-U.S. Holder may also, under certain circumstances, be subject to an additional "branch profits tax" (at a 30% rate or at a reduced rate as may be specified by an applicable income tax treaty).

Taxation of Capital Gains

U.S. Holders

Subject to the PFIC rules discussed below, upon a sale, redemption or other taxable disposition of common shares or ADSs, a U.S. Holder will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the U.S. dollar value of the amount realized (before deduction of any Brazilian tax) and the U.S. Holder's adjusted tax basis (determined in U.S. dollars) in the common shares or ADSs. Generally, the U.S. Holder's gain or loss will be capital gain or loss taxed at a maximum rate of 20% where the property is held for more than one year. The deductibility of capital losses is subject to limitations under the Code.

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

Non-U.S. Holders

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

the gain is effectively connected with a trade or business of the Non-U.S. Holder in the United States (or is attributable to a permanent establishment maintained in the United States by that Non-U.S. Holder, if an applicable income tax treaty so requires as a condition for that Non-U.S. Holder to be subject to U.S. taxation on a net income basis in respect of gain from the sale or other disposition of the common shares or ADSs); or

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

Effectively connected gains realized by a corporate Non-U.S. Holder may also, under certain circumstances, be subject to an additional branch profits tax (at a 30% rate or at a reduced rate as may be specified by an applicable income tax treaty).

Passive Foreign Investment Companies

Based on current estimates of our gross income, gross assets and the nature of our business, we believe that our common shares and ADSs should not be treated as stock of a PFIC for U.S. federal income tax purposes. There can be no assurances in this regard, however, because the application of the relevant rules is complex and involves some uncertainty. The PFIC determination is made annually and is based on the portion of our assets and income that is characterized as passive under the PFIC rules. Moreover, our business plans may change, which may affect the PFIC determination in future years.

In general, we will be a PFIC with respect to a U.S. Holder if, for any taxable year in which the U.S. Holder held our ADSs or common shares, either (i) at least 75% of our gross income for the taxable year is passive income or (ii) at least 50% of the value (determined on the basis of a quarterly average) of our assets is attributable to assets that produce or are held for the production of passive income. For this purpose, passive income generally includes, among other things, dividends, interest, royalties, rents (other than certain rents and royalties derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income. If a foreign corporation owns at least 25% by value of the stock of another corporation, the foreign corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation, and as receiving directly its proportionate share of the other corporation's income.

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

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If we are treated as a PFIC and, at any time, we invest in non-U.S. corporations that are classified as PFICs (each, a "Subsidiary PFIC"), U.S. Holders generally will be deemed to own, and also would be subject to the PFIC rules with respect to, their indirect ownership interest in that Subsidiary PFIC. If we are treated as a PFIC, a U.S. Holder could incur liability for the deferred tax and interest charge described above if either (1) we receive a distribution from, or dispose of all or part of our interest in, the Subsidiary PFIC or (2) the U.S. Holder disposes of all or part of its common shares or ADSs.

The special PFIC tax rules described above will not apply to a U.S. Holder if the U.S. Holder makes an election (i) to "mark-to-market" with respect to the common shares or ADSs (a "mark-to-market election") or (ii) to have us treated as a "qualified electing fund" (a "QEF election"). The QEF election is not available to holders unless we agree to comply with certain reporting requirements and provide the required annual information statements. The QEF and mark-to-market elections only apply to taxable years in which the U.S. Holder's common shares or ADSs are treated as stock of a PFIC. Our ADR Depositary has agreed to distribute the necessary information to registered holders of ADSs.

A U.S. Holder may make a mark-to-market election, if the common shares or ADSs are regularly traded on a "qualified exchange." Under applicable U.S. Treasury regulations, a "qualified exchange" includes a national securities exchange, such as the New York Stock Exchange, that is registered with the SEC or the national market system established under the Exchange Act. Also, under applicable Treasury Regulations, PFIC securities traded on a qualified exchange are regularly traded on such exchange for any calendar year during which such stock is traded, other than in *de minimis* quantities, on at least 15 days during each calendar quarter. We cannot assure you that the common shares or ADSs will be eligible for a mark-to-market election.

A U.S. Holder that makes a mark-to-market election must include for each taxable year in which the U.S. Holder's common shares or ADSs are treated as shares of a PFIC, as ordinary income, an amount equal to the excess of the fair market value of the common shares or ADSs at the close of the taxable year over the U.S. Holder's adjusted tax basis in the common shares or ADSs, and is allowed an ordinary loss for the excess, if any, of the adjusted tax basis over the fair market value of the common shares or ADSs at the close of the taxable year, but only to the extent of the amount of previously included mark-to-market inclusions (not offset by prior mark-to-market losses). These amounts of ordinary income will not be eligible for the favorable tax rates applicable to qualified dividend income or long-term capital gains. A U.S. Holder's tax basis in the common shares or ADSs will be adjusted to reflect any such income or loss amounts. Although a U.S. Holder may be eligible to make a mark-to-market election with respect to its common shares or ADSs, no such election may be made with respect to the stock of any Subsidiary PFIC that such U.S. Holder is treated as owning, because such Subsidiary PFIC stock is not marketable. Thus, the mark-to-market election will not be effective to avoid all of the adverse tax consequences described above with respect to any Subsidiary PFICs. U.S. Holders should consult their own tax advisors regarding the availability and advisability of making a mark-to-market election with respect to their common shares of ADSs based on their particular circumstances.

A U.S. Holder that makes a QEF election will be currently taxable on its pro rata share of our ordinary earnings and net capital gain (at ordinary income and capital gain rates, respectively) for each of our taxable years, regardless of whether we distributed the income and gain. The U.S. Holder's basis in the common shares or ADSs will be increased to reflect taxed but undistributed income. Distributions of income that had previously been taxed will result in a corresponding reduction of tax basis in the common shares or ADSs and will not be taxed again as a distribution to the U.S. Holder.

In addition, notwithstanding any election that a U.S. Holder makes with regard to the common shares or ADSs, dividends that a non-corporate U.S. Holder receives from us will not constitute qualified dividend income if we are a PFIC either in the taxable year of the distribution or the preceding taxable year.

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Special rules apply with respect to the calculation of the amount of the foreign tax credit with respect to excess distributions by a PFIC or, in certain cases, QEF inclusions.

Under recently issued temporary regulations effective for taxable years ending on or after December 30, 2013, a U.S. Holder who owns common shares or ADSs during any taxable year that we are a PFIC in excess of certain de minimus amounts and fails to qualify for certain other exemptions would be required to file IRS Form 8621. In addition, under certain circumstances, the temporary regulations also require a "United States person" (as such term is defined in the Code) that owns an interest in a PFIC as an indirect shareholder through one or more United States persons to file Form 8621 for any taxable year during which such indirect shareholder is treated as receiving an excess distribution in connection with the ownership or disposition of such interest, or reports income pursuant to a mark-to-market election. U.S. holders should consult their own tax advisors regarding the application of the PFIC rules to the common shares or ADSs.

Backup Withholding and Information Reporting

U.S. Holders

Dividends paid on, and proceeds from the sale, redemption or other taxable disposition of common shares or ADSs to a U.S. Holder generally will be subject to information reporting and backup withholding, unless, in the case of backup withholding, the U.S. Holder provides an accurate taxpayer identification number or in either case otherwise establishes an exemption. The amount of any backup withholding collected from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that certain required information is timely furnished to the IRS.

Non-U.S. Holders

If common shares are held by a Non-U.S. Holder through the non-U.S. office of a non-U.S. related broker or financial institution, backup withholding and information reporting generally would not be required. Information reporting, and possibly backup withholding, may apply if the common shares are held by a Non-U.S. Holder through a U.S., or U.S.-related, broker or financial institution, or the U.S. office of a non-U.S. broker or financial institution and the Non-U.S. Holder fails to provide appropriate information. Information reporting and backup withholding generally will apply with respect to ADSs if the Non-U.S. Holder fails to timely provide appropriate information. Non-U.S. Holders should consult their tax advisors regarding the application of these rules.

"Specified Foreign Financial Asset" Reporting

Owners of "specified foreign financial assets" with an aggregate value in excess of U.S.$50,000 (and in some circumstances, a higher threshold), may be required to file an information report with respect to such assets with their U.S. federal income tax returns. "Specified foreign financial assets" generally include any financial accounts maintained by foreign financial institutions as well as any of the following, but only if they are not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-U.S. persons, (ii) financial instruments and contracts held for investment that have non-U.S. issuers or counterparties and (iii) interests in foreign entities.

Prospective purchasers should consult their own tax advisors regarding the application of the U.S. federal income tax laws to their particular situations as well as any additional tax consequences resulting from purchasing, holding or disposing of common shares or ADSs, including the applicability and effect of the tax laws of any state, local or foreign jurisdiction, including estate, gift, and inheritance laws.

10F. Dividends and Paying Agents

Not applicable.

10G. Statement by Experts

Not applicable.

10H. Documents on Display

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We are subject to the information requirements of the Exchange Act and accordingly file reports and other information with the SEC. Reports and other information filed by us with the SEC may be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can obtain further information about the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Our SEC filings are also available to the public from the SEC's website at http://www.sec.gov. You may also inspect our reports and other information at the offices of the NYSE, 11 Wall Street , New York, New York 10005, on which our ADSs are listed. For further information on obtaining copies of our public filings at the NYSE, you should call (212) 656-5060. We also file financial statements and other periodic reports with the CVM.

10I. Subsidiary Information

Not required.

Item 11. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to a number of different market risks arising from our normal business activities. Market risk is the possibility that changes in interest rates, currency exchange rates, commodities prices could adversely affect the value of financial assets, liabilities, expected future cash flows or earnings. We developed policies aimed at managing the volatility inherent to certain of these natural business *exposures*. We use financial instruments, such as derivatives, in order to achieve the main goals established by our Board of Directors to minimize the cost of capital and maximize the returns on financial assets, while observing, as determined by our Board of Directors, parameters of credit and risk. Derivatives are contracts whose value is derived from one or more underlying financial instruments, indices or prices defined in the contract. Only well-understood, conventional derivative instruments are used for these purposes. These include futures and options traded on regulated exchanges and "over-the-counter" swaps, options and forward contracts.

Market Risk Exposures and Market Risk Management

Our treasury department is responsible for managing our market risk exposures. We use some internal controls in order to:

help us understand market risks;

reduce the likelihood of financial losses; and

diminish the volatility of financial results.

The principal tools used by our treasury department are:

"Sensitivity Analysis," which measures the impact that movements in the price of different market variables such as interest rates and exchange rates will have in our earnings and cash flows; and

"Stress Testing," which measures the worst possible loss from a set of consistent scenarios to which probabilities are not assigned. The scenarios are deliberately chosen to include extreme changes in interest and currency exchange rates.

Following is a discussion of the primary market risk exposures that we face together with an analysis of the exposure to each one of them.

Interest Rate Risk

We are exposed to interest rate risk on short- and long-term instruments and as a result of refinancing of fixed-rate instruments included in our consolidated debt. Consequently, as well as managing the currency and maturity of debt, we manage interest costs through a balance between lower-cost floating rate debt, which has inherently higher risk, and more expensive, but lower risk, fixed-rate debt. We can use derivatives to achieve the desired ratio between floating-rate debt and fixed-rate debt. The desired ratio varies according to market conditions: if interest rates are relatively low, we will shift towards fixed rate debt.

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We are basically exposed to the following floating interest rates:

U.S. dollar LIBOR, due to our floating rate U.S. dollar-denominated debt (usually trade-finance related), to our cash position held offshore in U.S. dollars, which is invested in short-term instruments,

TJLP (Long Term Interest Rate), due to *real*-denominated debt indexed to this interest rate, and

CDI (benchmark Brazilian *real* overnight rate), due to our cash held in Brazil (onshore cash) and to our CDI indexed debt.

		Maturities					
Exposure as of December 2014* (amortization)	**Notional amount**	2015	2016	2017	2018	2019	**Thereafter**
U.S. dollar LIBOR	**4,364**	328	539	645	373	1,191	1,288
U.S. dollar fixed rate	**8,760**	1,108	-	-	-	1,992	5,660
CDI	**14,879**	783	2,207	3,380	4,011	2,694	1,804
Euro fixed rate	**385**	-	77	77	77	77	77
TJLP	**1,003**	53	61	61	61	77	690
Other	**79**	36	21	7	6	2	7

		Maturities					
Exposure as of December 2013* (amortization)	**Notional amount**	2014	2015	2016	2017	2018	**Thereafter**
U.S. dollar LIBOR	**2,743**	298	158	476	476	215	1,120
U.S. dollar fixed rate	**7,940**	52	977	-	-	-	6,911
CDI	**15,260**	1,783	1,949	2,563	2,991	3,623	2,351
Euro fixed rate	**386**	-	-	77	77	77	155
TJLP	**1,016**	70	75	81	81	81	628
Other	**80**	31	23	13	4	2	7

*All figures in R$ million.

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Our cash and cash equivalent were as follows:

	December 31, 2014	December 31, 2013	Exposure
Cash in *reais*:	747	449	CDI
Cash in U.S. dollars:	2,989	4,073	LIBOR

The table below shows the average interest rate and the average life of our debt.

	December 2014		December 2013	
	Average rate %	**Average life**	**Average rate %**	**Average life**
U.S. dollar LIBOR	3.08	4.26	3.54	5.04
U.S. dollar fixed rate	7.15	13.73 (with perpetual bond)	7.15	14.73 (with perpetual bond)
Euro fixed rate	3.88	3.09	3.88	4.09
Real Fixed	8.00	1.14	-	-
CDI	111.11% of CDI	3.54	110.88 of CDI	3.65
TJLP	1.36	7.89	1.36	8.45

We conduct Non Deliverable Forward (NDF) agreements to ensure the forward purchase of U.S. dollars, which are settled, without physical delivery, by the difference in contracted R$/U.S.$ buy parity against the R$/U.S.$ sell parity, with is the Sale Ptax T-1 to maturity and exchange swap agreements to hedge liabilities indexed to the U.S. dollar from Brazilian real fluctuations, which are affected by market, economic, political, regulatory and geopolitical conditions, among others. The gains and losses from these contracts are directly related to exchange (dollar) and CDI fluctuations. For the duration of our U.S. dollar fixed-rate derivatives, see tables below:

December 31, 2014 (In million, unless otherwise indicated)	**Functional Currency**	**Notional Amount**	**Average Interest**	**Average Maturity (days**
Dollar-to-CDI swap	U.S. Dollar	10	-	2
Dollar-to-real swap (NDF)	U.S. Dollar	1.218	-	20
Dollar-to-euro swap (NDF)	Euro	90	-	9
Fixed rate-to-CDI interest rate swap	Real	345	-	417

December 31, 2013	**Notional Amount**

(In million, unless otherwise indicated)	Functional Currency		Average Interest	Average Maturity (days
Dollar-to-CDI swap	U.S. Dollar	110	-	116
Dollar-to-real swap (NDF)	U.S. Dollar	293	-	128
Dollar-to-euro swap	U.S. Dollar	11,8	-	102
Dollar-to-euro swap (NDF)	Euro	90	-	50
LIBOR-to-CDI interest rate swap	U.S. Dollar	21,5	1.25%	132
Fixed rate-to-CDI interest rate swap	Real	345	-	782

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Foreign Currency Exchange Rate Risk

Fluctuations in exchange rates can have significant effects on our operating results. Therefore, exchange rate fluctuations affect the values of our *real*-denominated assets, the carrying and repayment costs of our *real*-denominated financial liabilities, our *real*-denominated production costs, the cost of *real*-denominated capital items and the prices we receive in the Brazilian market for our finished steel products. We attempt to manage our net foreign exchange rate exposures, trying to balance our non-*real* denominated assets with our non-*real* denominated liabilities. We use derivative instruments to match our non-*real* denominated assets to our non-*real* denominated liabilities, but at any given time we may still have significant foreign currency exchange rate risk exposure.

Our exposure to the U.S. dollar is due to the following contract categories:

U.S. dollar-denominated debt;

offshore cash;

currency derivatives;

U.S. dollar indexed accounts payable and receivable (usually related to international trade, i.e., imports and exports); and

offshore investments: assets that we bought offshore and that are denominated in U.S. dollars on our balance sheet.

	December 31, 2014	December 31, 2013
U.S. dollar Liabilities		
Loans and financing	4,999	4,590
Trade accounts payable	218	40
Intercompany loans	17	34
Others	19	9
Total Liabilities	**5,253**	**4,673**
U.S. dollar Assets		
Offshore cash and cash equivalents	2,943	4,087
Guarantee margin	-	-
Trade accounts receivable	203	303
Advances to suppliers	-	-
Intercompany loans	137	154
Other	0,2	21
Total Assets	**3,283**	**4,565**
Total U.S. dollar Exposure	**(1,970)**	**(108)**
Derivative notional	1,228	403
Cash Flow – Hedge Accounting	775	-

Total U.S. dollar Net Exposure	**33**	**295**

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Our exposure to the Euro is due to the following contract categories:

Euro-denominated debt;

offshore cash;

U.S. dollar indexed accounts payable and receivable (usually related to international trade, i.e., imports and exports); and

offshore investments: assets that we bought offshore and that are denominated in Euros on our balance sheet

	December 31, 2014	December 31, 2013
Euro Liabilities		
Loans and financing	121	121
Trade accounts payable	6	2
Others	44	17
Total Liabilities	**171**	**140**
Euro Assets		
Offshore cash and cash equivalents	5	1
Trade accounts receivable	10	34
Intercompany loans	-	78
Advances to suppliers	-	-
Other	12	54
Total Assets	**27**	**167**
Total Euro Exposure	**144**	**27**
Derivative notional	(90)	(90)
Total Euro Net Exposure	**(234)**	**(63)**

Offshore investments

We have capitalized our offshore subsidiaries domiciled in U.S. dollar-based countries with equity investments, and those investments are accounted as U.S. dollar investments. The result is that they work as assets indexed to the U.S. dollar from an earnings perspective.

Commodity Price Risk

Fluctuations in the price of steel and some of the commodities used in producing steel, such as zinc, aluminum, tin, coal, coke and energy, can have an impact on our earnings. Currently, we are not hedging our exposure to commodity prices. Our biggest commodity price exposure is the price of steel and coal, but there are no liquid instruments that provide an effective hedge against their price fluctuations.

Sensitivity analysis

The economic environment in which we operate determines the main factors taken into consideration to establish risk scenarios. In the Brazilian economic environment, exchange rate variation is the most notable market risk.

The *real* exchange rate is significantly volatile. Between 2004 and 2014 the exchange rate had an annual volatility around 14,5 %.

Sensitivity analysis of Derivative Financial Instruments and Foreign Exchange Exposure

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The Company considered scenarios (1 and 2) are 25% and 50% to the underlying asset appreciation, using as a benchmark the closing exchange rate as of December 31, 2014 for the dollar-to-real swap R$2.6562, the dollar-to-euro swap, R$1.2149, and the euro-to-real swap R$3.2270.

Instruments	Notional amount	Risk	Probable scenario (*)	Scenario 1	Scenario 2
Dollar-to-CDI swap	10,000	Dollar	30,414	(7,604)	(15,207)
Dollar-to-real swap (NDF)	1,218,000	Dollar	153,251	(805,928)	(1,611,856)
Hedge accounting of exports	775,000	Dollar	120,633	(514,639)	(1,029,278)
Exchange position functional currency BRL (not including exchange derivatives above)	(1,969,886)	Dollar		1,308,103	2,616,206
Consolidated exchange position (including exchange derivatives above)	**33,114**	**Dollar**		**(20,068)**	**(40,135)**
Dollar-to-euro swap (NDF)	(90,000)	Euro	6,722	67,068	132,297
Exchange position functional currency BRL (not including exchange derivatives above)	(143,723)	Euro		115,949	231,897
Consolidated exchange position (including exchange derivatives above)	**(233,723)**	**Euro**		**183,017**	**364,194**
Dollar-to-euro swap	80,129	Dollarr	9,227	43,511	167,089

Sensitivity analysis of interest rate swaps

The Company considered scenarios (1 and 2) are 25% and 50% on interest rate (CDI) appreciation on December 31, 2014.

Instruments	Notional amount	Risk	Probable scenario (*)	Scenario 1	12/31/2014 Scenario 2
Fixed rate-to-CDI interest rate swap	345,000	CDI	21,301	(15,239)	(30,633)
Dollar-to-CDI interest rate swap	10,000	CDI	25,068	(160)	(318)

Sensitivity analysis of changes in interest rate

The Company considers the effects of a 5% increase or decrease in interest rates on its outstanding borrowings, financing and debentures as of December 31, 2014 in the consolidated financial statements.

In millions of R$

		Impact on profit or loss	
Changes in interest rates	**% p.a**	**12/31/2014**	**12/31/2013**
TJLP	5.00	2,548	2,5
Libor	0.36	792	5,7
CDI	11.57	86,198	71,5

Share market price risk

The Company is exposed to the risk of changes in equity prices due to the investments made and classified as available-for-sale.

Item 12. Description of Securities Other Than Equity Securities

American Depositary Shares

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JP Morgan Chase Bank, N.A. serves as the depositary for our ADSs. ADR holders are required to pay various fees to the depositary, and the depositary may refuse to provide any service for which a fee is assessed until the applicable fee has been paid.

ADR holders are required to pay the depositary amounts in respect of expenses incurred by the depositary or its agents on behalf of ADR holders, including expenses arising from compliance with applicable law, taxes or other governmental charges, facsimile transmission or conversion of foreign currency into U.S. dollars. In this case, the depositary may decide at its sole discretion to seek payment by either billing holders or by deducting the fee from one or more cash dividends or other cash distributions.

ADR holders are also required to pay additional fees for certain services provided by the depositary, as set forth in the table below.

Depositary service	**Fee payable by ADR holders**
Issuance and delivery of ADRs, including in connection with share distributions, stock splits	U.S.$5.00 for each 100 ADSs (or portion thereof)
Distribution of dividends	U.S.$5.00 for each 100 ADSs
Deposit of securities, including in respect of share, rights and other distributions	U.S.$5.00 for each 100 ADSs (or portion thereof)
Withdrawal of deposited securities	U.S.$5.00 for each 100 ADSs (or portion thereof)

Direct and indirect payments by the depositary

The depositary reimburses us for certain expenses we incur in connection with the ADR program, subject to a ceiling agreed between us and the depositary from time to time. These reimbursable expenses currently include legal and accounting fees, listing fees, investor relations expenses and fees payable to service providers for the distribution of material to ADR holders. For the year ended December 31, 2014, such reimbursements totaled U.S.$0.7 million.

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modification to the Rights of Security Holders and Use of Proceeds

None.

PART II

Item 15. Controls and Procedures

Disclosure Controls and Procedures

We have carried out an evaluation under the supervision of our management, including our Chief Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and

procedures, as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934. Based on that evaluation, our Chief Executive Officer and our Principal Financial Officer concluded that the design and operation of our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that we file and submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) collected and communicated to management, including the Chief Executive Officer and the Principal Financial Officer, to allow timely decisions regarding required disclosure as of the end of our most recent fiscal year.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting.

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Our internal control over financial reporting is a process designed by, or under the supervision of, our Audit Committee, principal executive and principal financial officers, and effected by our board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Our internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect material misstatements on a timely basis. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2014 based on the criteria established in “Internal Control – Integrated Framework (1992)” issued by the Committee of Sponsoring Organizations, or COSO, of the Treadway Commission. Based on the assessment, management has concluded that, as of December 31, 2014, our internal control over financial reporting is effective.

Attestation Report of the Independent Registered Public Accounting Firm

For the report of Deloitte Touche Tohmatsu Auditores Independentes, our independent registered public accounting firm, dated April 27, 2015 on the effectiveness of our internal control over financial reporting as of December 31, 2014, see “Item 18. Financial Statements”.

Changes in internal control over financial reporting

There have been no changes in our internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 16. [Reserved]

16A. Audit Committee Financial Expert

After reviewing the qualifications of the members of our Audit Committee, our Board of Directors has determined that all three members of our Audit Committee qualify as an “audit committee financial expert,” as defined by the SEC. In addition, all of the members of our Audit Committee meet the applicable independence requirements both under Brazilian Corporate Law and under the NYSE rules.

Our Audit Committee is permanently assisted by a consultant, who renders financial and consulting services, among others, to the members of our Audit Committee.

16B. Code of Ethics

Adopted a Code of Ethics in 1998, reinforcing our ethical standards and values that apply to all of our employees, including executive officers and directors.

The Code of of Ethics was updated during 2011 and copies were distributed to each employee of the organization, to our Board of Directors and our Audit Committee members, who have signed a Commitment Letter, which reinforces the dedication to the established values.

There was no amendment to or waiver from any provision of our Code of Ethics in 2014. Our Code of Ethics is in compliance with the SEC requirements for codes of ethics for senior financial officers. A copy of our Code of Ethics is available on our websites www.csn.com.br or www.csn.com.br/ir.

16C. Principal Accountant Fees and Services

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Our interaction with our independent auditors with respect to the contracting of services unrelated to the external audit is based on principles that preserve the independence of the auditors and are otherwise permissible under applicable rules and regulations. For the fiscal year ended December 31, 2014 and 2013, Deloitte Touche Tohmatsu Auditores Independentes acted as our independent auditor.

The following table describes the services rendered and the related fees.

	Year Ended December 31,	
	2014	**2013**
	(In thousands of R$)	
Audit fees	3,527	3,399
Audit – related fees	3,882	767
Tax fees	-	-
Total	7,409	4,166

Audit fees

Audit fees in 2014 and 2013 consisted of the aggregate fees billed and billable by our independent auditors in connection with the audit of our consolidated financial statements, reviews of interim financial statements and attestation services that are provided in connection with statutory and regulatory filings or engagements.

Audit-related fees

Audit-related fees in the above table are fees billed and billable by our independent auditors for services that are reasonably related to the performance of the audit or review of our financial statements. In 2014 these fees refer mainly to due diligence process. In 2013 these fees refer mainly to comfort letters for offering of bonds and due diligence processes.

Services additional to the examination of the financial statements are submitted for prior approval to the Audit Committee in order to ensure that they do not represent a conflict of interest or affect the auditors' independence.

Tax Fees

In 2014 and 2013 there were no fees for tax services provided by our independent auditors.

16D. Exemptions from the Listing Standards for Audit Committees

We are in full compliance with the listing standards for audit committee pursuant to Exchange Act Rule 10A- 3. For a discussion on our audit committee, see "Item 6. Directors, Senior Management and Employees—Board Practices—Fiscal

Committee and Audit Committee."

16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Throughout the year of 2014, in accordance with the limits and provisions of CVM Instruction No. 10/80, our Board of Directors approved various share buyback programs with the purpose of hold in treasury for subsequent disposal or cancellation:

Program	Board´s Authorization	Authorized Quantity	Program Period	Number Bought back	Shares Cancellation	Balance in Treasury
1st	03/13/2014	70,205,661	03/14/2014-04/14/2014	2,350,000		2,350,000
2nd	04/15/2014	67,855,661	04/16/2014-05/23/2014	9,529,500		11,879,500
3rd	05/23/2014	58,326,161	05/26/2014-06/25/2014	31,544,500		43,424,000
4th	06/26/2014	26,781,661	06/26/2014-07/17/2014	26,781,661		70,205,661
	07/18/2014				60,000,000	10,205,661
5th	07/18/2014	64,205,661	07/18/2014-08/18/2014	240,400		10,446,061
	08/19/2014				10,446,061	
6th	08/19/2014	63,161,055	08/19/2014-09/25/2014	6,791,300		6,791,300
7th	09/29/2014	56,369,755	09/29/2014-12/29/2014	21,758,600		28,549,900
8th *	12/30/2014	34,611,155	12/31/2014-03/31/2015			

(*) After the end of the reporting period, the Company bought back 1,841,100 shares under this program.

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16F. Change in Registrant's Certifying Accountant

Not Applicable.

16G. Corporate Governance

Significant Differences between our Corporate Governance Practice and NYSE Corporate Governance Standards

We are subject to the NYSE corporate governance listing standards. As a foreign private issuer, the standards applicable to us are considerably different than the standards applied to U.S. listed companies. Under the NYSE rules, we are required only to: (i) have an audit committee or audit board, pursuant to an applicable exemption available to foreign private issuers, that meets certain requirements, as discussed below, (ii) provide prompt certification by our Chief Executive Officer of any material non-compliance with any corporate governance rules, and (iii) provide a brief description of the significant differences between our corporate governance practices and the NYSE corporate governance practice required to be followed by U.S. listed companies. The discussion of the significant differences between our corporate governance practices and those required of U.S. listed companies follows below.

Majority of Independent Directors

The NYSE rules require that a majority of the board of directors must consist of independent directors. Independence is defined by various criteria, including the absence of a material relationship between the director and the listed company. Brazilian law does not have a similar requirement. Under Brazilian law, neither our board of directors nor our management is required to test the independence of directors before their election to the board. However, both Brazilian Corporate Law and the CVM have established rules that require directors to meet certain qualification requirements and that address the compensation and duties and responsibilities of, as well as the restrictions applicable to, a company's executive officers and directors. While our directors meet the qualification requirements of Brazilian Corporate Law and the CVM, we do not believe that a majority of our directors would be considered independent under the NYSE test for director independence. Brazilian Corporate Law requires that our directors be elected by our shareholders at an annual shareholders' meeting.

Executive Sessions

NYSE rules require that the non-management directors must meet at regularly scheduled executive sessions without management present. Brazilian Corporate Law does not have a similar provision. According to Brazilian Corporate Law, up to one-third of the members of the board of directors can be elected from management. Mr. Benjamin Steinbruch, our Chief Executive Officer, is also the Chairman of our Board of Directors. There is no requirement that non-management directors meet regularly without management. As a result, the non-management directors on our Board of Directors do not typically meet in executive sessions without management present.

Nominating and Corporate Governance Committee

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NYSE rules require that listed companies have a nominating and corporate governance committee composed entirely of independent directors and governed by a written charter addressing the committee's required purpose and detailing its required responsibilities, which include, among other things, identifying and selecting qualified board member nominees and developing a set of corporate governance principles applicable to the company. We are not required under Brazilian Corporate Law to have, and currently we do not have, a nominating and a corporate governance committee.

Compensation Committee

NYSE rules require that listed companies have a compensation committee composed entirely of independent directors and governed by a written charter addressing the committee's required purpose and detailing its required responsibilities, which include, among other things, reviewing corporate goals relevant to the chief executive officer's compensation, evaluating the chief executive officer's performance, approving the chief executive officer's compensation levels and recommending to the board non-chief executive officer compensation, incentive-compensation and equity-based plans. We are not required under applicable Brazilian law to have, and currently do not have, a compensation committee. Under Brazilian Corporate Law, the total amount available for compensation of our directors and executive officers and for profit-sharing payments to our executive officers is established by our shareholders at the annual shareholders' meeting. The board of directors is then responsible for determining the individual compensation and profit-sharing of each executive officer, as well as the compensation of our board and committee members.

Audit Committee

NYSE rules require that listed companies have an audit committee that (i) is composed of a minimum of three independent directors who are all financially literate, (ii) meets the SEC rules regarding audit committees for listed companies, (iii) has at least one member who has accounting or financial management expertise and (iv) is governed by a written charter addressing the committee's required purpose and detailing its required responsibilities. However, as a foreign private issuer, we need only to comply with the requirement that the audit committee meet the SEC rules regarding audit committees for listed companies to the extent compatible with Brazilian corporate law. We have established an Audit Committee, which is equivalent to a U.S. audit committee, and provides assistance to our Board of Directors in matters involving our accounting, internal controls, financial reporting and compliance. Our Audit Committee recommends the appointment of our independent auditors to our Board of Directors and reviews the compensation of, and coordinates with, our independent auditors. They also report on our auditing policies and our annual audit plan prepared by our internal auditing team. Our Audit Committee also evaluates the effectiveness of our internal financial and legal compliance controls, and is comprised of up to three independent directors elected by our Board of Directors for a one-year term of office. The current members of our Audit Committee are Fernando Perrone, Yoshiaki Nakano and Antonio Bernardo Vieira Maia. All members of our Audit Committee satisfy the audit committee membership independence requirements set forth by the SEC and the NYSE. All members of our Audit Committee have been determined by our Board of Directors to qualify as an "audit committee financial expert" within the meaning of the rules adopted by the SEC relating to the disclosure of financial experts on audit committees in periodic filings pursuant to the Exchange Act. For further information on our Audit Committee, see "Item 6. Directors, Senior Management and Employees—Board Practices—Fiscal Committee and Audit Committee."

Code of Business Conduct and Ethics

NYSE rules require that listed companies adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers. Applicable Brazilian law does not have a similar requirement. We have adopted a Code of Ethics applicable to all our employees,

including our executive officers and directors. We believe this code addresses the matters required to be addressed pursuant to the NYSE rules. For a further discussion of our Code of Ethics, see “Item 16B. Code of Ethics.”

Shareholder Approval of Equity Compensation Plans

NYSE rules require that shareholders be given the opportunity to vote on all equity compensation plans and material revisions thereto, with limited exceptions. We currently do not have any such plan and, pursuant to our bylaws, we would require shareholder approval to adopt an equity compensation plan.

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Corporate Governance Guidelines

NYSE rules require that listed companies adopt and disclose corporate governance guidelines. We have adopted the following corporate governance guidelines, either based on Brazilian law, our Code of Ethics or institutional handbook:

insider trading policy for securities issued by us;

disclosure of material facts;

disclosure of annual financial reports;

confidential policies and procedures; and

Sarbanes-Oxley Disclosure Committee's duties and activities.

16H. Mine Safety Disclosure

Not applicable as none of our mines are located in the United States and as such are not subject to the Federal Mine Safety and Health Act of 1977 or the Mine Safety and Health Administration.

Item 17. Financial Statements

We have responded to Item 18 in lieu of responding to this item. See "Item 18. Financial Statements."

PART III

Item 18. Financial Statements

The following consolidated financial statements of the Registrant, together with the reports of Deloitte Touche Tohmatsu Auditores Independentes thereon, are filed as part of this annual report.

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Statements of income for the years ended December 31, 2014, 2013, and 2012	FS- 3
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The following consolidated financial statements of Namisa, together with the report of Deloitte Touche Tohmatsu Auditores Independentes thereon, are filed as part of this annual report.

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Item 19. Exhibits

Exhibit Number	Description
1.1+	Bylaws of CSN, as amended to date.
2.1	Form of Amended and Restated Deposit Agreement dated as of November 1, 1997 as amended and restated as of November 13, 1997, among Companhia Siderúrgica Nacional, JP Morgan Chase Bank, N.A. (as successor to Morgan Guaranty Trust Company of New York), as successor depositary, and all holders from time to time of American Depositary Receipts issued thereunder (incorporated by reference from the Registration Statement on Form F-6 (333-7818) filed with the SEC).
2.2	Form of Amendment No. 1 to the Deposit Agreement (incorporated by reference from the Registration Statement on Form F-6EF (333-115078) filed with the SEC on April 30, 2004).
2.3	Form of Amendment No. 2 to Deposit Agreement, including the form of American Depositary Receipt (corporate by reference from the Registration Statement on Form F-6POS filed with the SEC on January 5, 2011)
4.1*	Share Purchase Agreement, dated October 21, 2008, among CSN, Big Jump Energy Participações S.A., Itochu Corporation, JFE Steel Corporation, Nippon Steel Corporation, Sumitomo Metal Industries, Ltd., Kobe Steel, Ltd., Nishin Steel Co., Ltd., and Posco. (incorporated by reference from Amendment No. 1 to the Annual Report on Form 20-F for the year ended December 31, 2008, filed with the SEC on March 18, 2010)
4.2*	Amendment to the Share Purchase Agreement, dated June 30, 2011. (incorporated by reference from Amendment No. 1 to the Annual Report on Form 20-F for the year ended December 31, 2011, filed with the SEC on February 14, 2013)
4.3*	Shareholders Agreement of Nacional Minérios S.A., dated October 21, 2008, between CSN and Big Jump Energy Participações S.A. (incorporated by reference from Amendment No. 1 to the Annual Report on Form 20-F for the year ended December 31, 2008, filed with the SEC on March 18, 2010)
4.4*	Amendment to the Shareholders' Agreement of Nacional Minérios S.A., dated June 30, 2011. (incorporated by reference from Amendment No. 1 to the Annual Report on Form 20-F for the year ended December 31, 2011, filed with the SEC on February 14, 2013)
4.5*	High Silica ROM Iron Ore Supply Contract, dated October 21, 2008, between CSN and Nacional Minérios S.A. (incorporated by reference from Amendment No. 1 to the Annual Report on Form 20-F for the year ended December 31, 2008, filed with the SEC on March 18, 2010)

4.6*	Low Silica ROM Iron Ore Supply Contract, dated October 21, 2008, between CSN and Nacional Minérios S.A. (incorporated by reference from Amendment No. 1 to the Annual Report on Form 20-F for the year ended December 31, 2008, filed with the SEC on March 18, 2010)
4.7*	Iron Ore Supply Contract, dated October 21, 2008, between CSN and Nacional Minérios S.A. (incorporated by reference from Amendment No. 1 to the Annual Report on Form 20-F for the year ended December 31, 2008, filed with the SEC on March 18, 2010)
4.8*	Port Operating Services Agreement, dated October 21, 2008, between CSN and Nacional Minérios S.A. (incorporated by reference from Amendment No. 1 to the Annual Report on Form 20-F for the year ended December 31, 2008, filed with the SEC on March 18, 2010)
4.9*+	Investment Agreement, dated November 11, 2014, among Companhia Siderúrgica Nacional, Brazil Japan Iron Ore Corporation, POSCO, China Steel Corporation, Congonhas Minérios S.A. and Nacional Minérios S.A.
4.10+	Transitional Agreement, dated November 11, 2014, among Companhia Siderúrgica Nacional, Brazil Japan Iron Ore Corporation, POSCO, China Steel Corporation, ITOCHU Corporation, JFE Steel Corporation, Kobe Steel, Ltd., Nisshin Steel Co., Ltd., Congonhas Minérios S.A. and Nacional Minérios S.A.
8.1+	List of Subsidiaries
12.1+	Section 302 Certification of Chief Executive Officer.
12.2+	Section 302 Certification of Principal Financial Officer.
13.1+	Section 906 Certification of Chief Executive Officer.
13.2+	Section 906 Certification of Principal Financial Officer.
15.1+	Management's report dated April 27, 2015, on the effectiveness of our internal control over financial reporting as of December 31, 2014.
15.2+	Consent of Snowden do Brasil Consultoria Ltda.

* Portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission as part of an application for confidential treatment pursuant to the Securities Exchange Act of 1934, as amended.

+ Filed herewith.

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SIGNATURE

The registrant hereby certifies that it meets all the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

April 30, 2015

Companhia Siderúrgica Nacional

By:	/s/ Benjamin Steinbruch
Title:	Benjamin Steinbruch Chief Executive Officer
By:	/s/ Gustavo Henrique Santos de Sousa
Title:	Gustavo Henrique Santos de Sousa Principal Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Companhia Siderurgica Nacional

São Paulo – SP, Brazil

We have audited the internal control over financial reporting of Companhia Siderurgica Nacional and subsidiaries (the "Company") as of December 31, 2014, based on the criteria established in Internal Control — Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission - COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States) - PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board - IASB. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board - IASB, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the criteria established in Internal Control — Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission - COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) - PCAOB, the consolidated financial statements as of and for the years ended December 31, 2014 and 2013 of the Company and our report dated April 27, 2015 expressed an unqualified opinion on those financial statements.

/s/ Deloitte Touche Tohmatsu Auditores Independentes

DELOITTE TOUCHE TOHMATSU AUDITORES INDEPENDENTES

São Paulo – SP, Brazil

April 27, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Companhia Siderurgica Nacional

São Paulo – SP, Brazil

We have audited the accompanying consolidated balance sheets of Companhia Siderurgica Nacional and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2104. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) - PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Companhia Siderurgica Nacional and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board - IASB.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) - PCAOB, the Company's internal control over financial reporting as of December 31, 2014, based on the criteria established in Internal Control — Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission - COSO and our report dated April 27, 2015 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte Touche Tohmatsu Auditores Independentes

DELOITTE TOUCHE TOHMATSU AUDITORES INDEPENDENTES

São Paulo – SP, Brazil

April 27, 2015

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Companhia Siderúrgica Nacional and Subsidiaries
Consolidated Balance Sheet
Thousands of Brazilian reais

Assets

	Note	2014	2013
CURRENT ASSETS			
Cash and cash equivalents	3	8,686,021	9,995,672
Trade receivables	4	1,753,056	2,522,465
Inventories	5	4,122,122	3,160,985
Other current assets	6	1,374,303	722,920
Total current assets		**15,935,502**	**16,402,042**
NON-CURRENT ASSETS			
Investments measured at fair value		34,874	30,756
Deferred income taxes	13b	2,616,058	2,770,527
Other non-current assets	6	947,420	1,835,325
		3,598,352	**4,636,608**
Investments	7	13,665,453	13,487,023
Property, plant and equipment	8	15,624,140	14,911,426
Intangible assets	9	943,653	965,440
Total non-current assets		**33,831,598**	**34,000,497**
TOTAL ASSETS		**49,767,100**	**50,402,539**

The accompanying notes are an integral part of these consolidated financial statements.

Companhia Siderúrgica Nacional and Subsidiaries
Consolidated Balance Sheet
Thousands of Brazilian reais

Liabilities and shareholders´ equity

	Note	2014	2013
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Payroll and related taxes		219,740	208,921
Trade payables		1,638,505	1,102,037
Taxes payable		318,675	304,095
Borrowings and financing	10	2,790,524	2,642,807
Other payables	12	845,109	972,851
Provisions for tax, social security, labor and civil risks	15	550,385	333,519
Total current liabilities		**6,362,938**	**5,564,230**
NON-CURRENT LIABILITIES			
Borrowings and financing	10	27,092,855	25,103,623
Other payables	12	9,315,363	10,061,571
Deferred income taxes	13b	238,892	268,833
Provisions for tax, social security, labor and civil risks	15	195,783	479,664
Pension and healthcare plan	25c	587,755	485,105
Provision for environmental liabilities and decommissioning of assets	16	238,539	370,454
Total non-current liabilities		**37,669,187**	**36,769,250**
Shareholders Equity	18		
Issued capital		4,540,000	4,540,000
Capital reserves		30	30
Earnings reserves		1,131,298	2,839,568
Other comprehensive income		25,140	716,972
Total equity attributable to owners of the Company		**5,696,468**	**8,096,570**
Non-controlling interests		38,507	(27,511)
Total equity		**5,734,975**	**8,069,059**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**49,767,100**	**50,402,539**

The accompanying notes are an integral part of these consolidated financial statements.

Companhia Siderúrgica Nacional and Subsidiaries
Consolidated Statements of Income
Thousands of Brazilian reais

	Note	2014	2013	2012
Net Revenue from sales and/or services	**20**	**16,126,232**	**17,312,432**	**15,228,589**
Cost of sales and/or services	21	(11,592,382)	(12,422,706)	(11,258,667)
Gross profit		**4,533,850**	**4,889,726**	**3,969,922**
Operating expenses		**(1,715,837)**	**(1,769,972)**	**(3,251,353)**
Selling expenses	21	(1,041,975)	(874,875)	(773,488)
General and administrative expenses	21	(438,383)	(485,090)	(467,920)
Other operating income	22	90,488	566,063	110,901
Other operating expenses	22	(657,127)	(1,134,208)	(2,762,282)
Equity in results of affiliated companies		331,160	158,138	641,436
Profit before finance income (costs) and taxes		**2,818,013**	**3,119,754**	**718,569**
Financial income	23	171,552	171,984	391,844
Financial costs	23	(3,252,985)	(2,683,583)	(2,543,195)
(Loss) Profit before income taxes		**(263,420)**	**608,155**	**(1,432,782)**
Income tax and social contribution	13a	151,153	(74,161)	952,208
Net income (loss) for the year		**(112,267)**	**533,994**	**(480,574)**
(Loss) Profit for the year attributed to:				
Companhia Siderúrgica Nacional		(105,218)	509,025	(420,113)
Non-controlling interests		(7,049)	24,969	(60,461)
Earnings per common share - (reais/share)				
Basic	18g	(0.07443)	0.34913	(0.28815)
Diluted	18g	(0.07443)	0.34913	(0.28815)

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Companhia Siderúrgica Nacional and Subsidiaries
Consolidated Statements of Comprehensive Income
Thousands of Brazilian reais

	Note	2014	20
Consolidated profit for the year		**(112,267)**	**533**
Other comprehensive income		(691,832)	330
Cumulative translation adjustments for the year		28,227	218
Actuarial gains on defined benefit plan from investments in subsidiaries		2,221	
Actuarial (losses) gains on defined benefit pension plan		(95,175)	97
Income tax and social contribution on actuarial (losses) gains on defined benefit pension plan		32,360	(33,
Change in fair value of available-for-sale assets financial assets		(971,808)	66
Income tax and social contribution on available-for-sale financial assets		330,415	(22,
Impairment of available-for-sale assets	11	205,000	5
Income tax and social contribution on impairment of available-for-sale assets		(69,700)	(1,
(Loss) gain on percentage change in investments		(73,754)	
(Loss) gain on cash flow hedge accounting	11	(120,633)	
Income tax and social contribution on (loss) gain on cash flow hedge accounting	11	41,015	
Comprehensive income for the year		**(804,099)**	**864**
Attributable to:			
Attributed to owners of the Company		(797,050)	839
Attributed to non-controlling interests		(7,049)	24

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Companhia Siderúrgica Nacional and Subsidiaries
Consolidated Statement of Cash Flow
Thousands of Brazilian reais

	Note	2014	2013	2012
Profit for the year		(112,267)	533,994	(480,574)
Accrued charges on borrowings and financing		2,782,681	2,233,500	2,203,057
Charges on loans and financing granted		(41,373)	(54,217)	
Depreciation/ depletion / amortization	**8.b**	1,281,485	1,155,593	1,100,472
Equity in results of affiliated companies	**24**	(331,160)	(158,138)	(641,436)
Deferred income tax and social contribution		(679,323)	(1,216,594)	(1,274,207)
Provision for tax, social security, labor and civil risks		5,302	97,371	232,308
Monetary variations and exchange differences		1,185,761	1,638,653	1,010,237
Provision of swaps/forwards transactions		4,869	21,643	9,166
Impairment of available-for-sale assets	**11**	205,000	5,002	2,022,793
Proceeds from disposal of assets	**22**	15,232	31,660	9,759
Provision for actuarial liabilities		7,350	13,488	(30,655)
Impairment loss adjustment			48,469	
Gain on loss of control over Transnordestina	**7**		(473,899)	
Impairment of the Transnordestina old railway network	**7**		216,446	
Other provisions		44,825	7,985	47,945
Cash generated from operations		**4,368,382**	**4,100,956**	**4,208,865**
Trade receivables - third parties		88,736	(225,028)	55,349
Trade receivables - related parties		(143,218)	(62,795)	(318,080)
Inventories		(917,193)	259,301	164,755
Receivables from related parties		1,318	(54,931)	(4,393)
Recoverable taxes		(27,944)	486,787	172,402
Judicial deposits		203,065	5,821	32,595
Dividends received from related parties		262,251	324,180	247,403
Trade payables		581,951	(841,157)	727,337
Payroll and related taxes		9,777	148,556	(110,999)
Taxes in installments - REFIS		(567,000)	446,443	(125,896)
Payables to related parties		2,080	(3,063)	
Interest paid		(2,742,876)	(2,376,537)	(2,447,407)
Interest received		13,609	24,321	7,527
Interest on swaps paid		(1,279)	(4,617)	(39,040)
Other		(56,726)	(30,158)	(41,445)
Decrease in assets and liabilities		**(3,179,997)**	**(1,902,877)**	**(1,679,892)**
Net cash generated by operating activities		**1,188,385**	**2,198,079**	**2,528,973**
Investments		(8,376)	(5,131)	(166,915)
Purchase of property, plant and equipment	**8**	(1,848,496)	(2,489,569)	(2,736,452)
Cash from merger of subsidiaries				14,880
Receipt in derivative transactions		76,607	426,328	65,931
Acquisition of subsidiaries				(301,192)
Purchase of intangible assets	**9**	(727)	(635)	(1,388)

Cash and cash equivalents on the loss of control over Transnordestina			(146,475)	
Receipt loans from related-party		127,366		
Short-term investment, net of redeemed amount		(4,117)	(30,324)	22,926
Net cash used in investing activities		**(1,657,743)**	**(2,245,806)**	**(3,102,210)**
Borrowings and financing raised	**10**	1,898,606	1,697,363	3,520,263
Payment of borrowings		(1,241,461)	(1,923,703)	(2,429,046)
Payment of borrowings - related parties		(46,585)		
Payment of loans (principal) - acquisition of subsidiaries				(803,456)
Dividends and interest on capital paid		(424,939)	(1,660,503)	(1,199,734)
Capital contribution by non-controlling shareholders			5,424	56,194
Treasury shares		(909,204)		
Buyback of debt securities		(172,432)		
Net cash used in financing activities		**(896,015)**	**(1,881,419)**	**(855,779)**
Exchange rate changes on cash and cash equivalents		**55,722**	**32,997**	**(119,853)**
Decrease in cash and cash equivalents		(1,365,373)	(1,926,146)	(1,429,016)
Cash and cash equivalents at the beginning of the year		9,995,672	11,891,821	13,440,690
Cash and cash equivalents at the end of the year		**8,686,021**	**9,995,672**	**11,891,821**

The accompanying notes are an integral part of these consolidated financial statements.

Companhia Siderúrgica Nacional and Subsidiaries
Consolidated Statement of Changes in Shareholders´ Equity
Thousands of Brazilian reais

	Paid-in Capital	Capital Reserve	Earnings Reserve	Retained earnings	Other comprehensive S income
Balances at December 31, 2011	**1,680,947**	**30**	**7,671,620**		**(1,366,776)**
Capital transactions with shareholders	**2,859,053**		**(3,432,545)**		
Capital increase	2,859,053		(2,859,053)		
Declared dividends (R$205.77 per thousand shares)			(300,000)		
Interest on capital (R$384.10 per thousand shares)			(560,000)		
Interest on capital proposed			560,000		
Approval of prior year's proposed dividends			(273,492)		
Total comprehensive income				**(548,532)**	**1,753,100**
Profit for the year				(420,113)	
Other comprehensive income				**(128,419)**	**1,753,100**
Cumulative translation adjustments for the period					147,735
Actuarial gains on defined benefit pension plan					(22,210)
Available-for-sale assets, net of taxes					1,499,156
Actuarial losses reclassification				(128,419)	128,419
Internal changes in shareholders' equity			**(548,532)**	**548,532**	
Losses absorption for the period			(420,113)	420,113	
Actuarial losses absorption			(128,419)	128,419	
Non-controlling interests in subsidiaries					
Balances at December 31, 2012	**4,540,000**	**30**	**3,690,543**		**386,324**
Capital transactions with shareholders			**(560,000)**	**(800,000)**	
Declared dividends (R$418.39 per thousand shares)				(610,000)	
Interest on capital (R$130.32 per Thousand shares)				(190,000)	
Approval of prior year's proposed dividends			(560,000)		
Total comprehensive income				**509,025**	**330,648**
Profit for the year				509,025	
Other comprehensive income					**330,648**
Cumulative translation adjustments of the period					218,927
Actuarial (losses) on defined benefit pension plan					64,336
Available-for-sale assets, net of taxes					44,084
Impairment of available-for-sale assets					3,301
Internal changes in shareholders' equity			**(290,975)**	**290,975**	‘
Recognition of reserves			25,451	(25,451)	
Reversal of statutory working capital reserve			(316,426)	316,426	
Non-controlling interests in subsidiaries					
Balances at December 31, 2013	**4,540,000**	**30**	**2,839,568**		**716,972**
Capital transactions with shareholders			**(1,609,204)**		
Treasury shares acquired			(909,204)		
Declared dividends (R$493.53 per thousand shares)			(700,000)		
Total comprehensive income				**(99,066)**	**(691,832)**
Profit for the year				(105,218)	

Other comprehensive income				**6,152**	**(691,832)**
Cumulative translation adjustments for the period					28,227
Actuarial gains on defined benefit pension plan					(54,442)
Actuarial gain recycled to retained earnings				6,152	(6,152)
Available-for-sale assets, net of taxes					(506,093)
Gain on percentage change in investments					(73,754)
Gain on hedge accounting, net of taxes					(79,618)
Internal changes in shareholders' equity			**(99,066)**	**99,066**	
Reversal of statutory working capital reserve			(99,066)	99,066	
Non-controlling interests in subsidiaries					
Balances at December 31, 2014	**4,540,000**	**30**	**1,131,298**		**25,140**

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(Expressed in thousands of reais – R$, unless otherwise stated)

1. DESCRIPTION OF BUSINESS

Companhia Siderúrgica Nacional “CSN”, also referred to as the Company, is a publicly-held company incorporated on April 9, 1941, under the laws of the Federative Republic of Brazil (Companhia Siderúrgica Nacional, its subsidiaries, joint ventures, joint operations and associates collectively referred to herein as the "Group”). The Company’s registered office is located in São Paulo, SP, Brazil.

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

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

- **Steel:**

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

- **Mining:**

The production of iron ore is developed in the city of Congonhas, in the State of Minas Gerais. It further mines tin in the State of Rondônia to supply the needs of UPV, with the excess of these raw materials being sold to subsidiaries and third parties. CSN holds the concession to operate TECAR, a solid bulk

terminal, one of the four terminals that comprise the Itaguaí Port, in Rio de Janeiro. Importations of coal and coke are carried out through this terminal.

Iron ore is sold basically in the international market, especially in Europe and Asia. The prices charged in these markets are historically cyclical and subject to significant fluctuations over short periods of time, driven by several factors related to global demand, strategies adopted by the major steel producers, and the foreign exchange rate. All these factors are beyond the Company's control.

- **Cement:**

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

- **Logistics**

Railroads:

CSN has equity interests in three railroad companies: MRS Logística S. A., which manages the former Southeast Railway System of Rede Ferroviária Federal S.A., Transnordestina Logística S. A. ("TLSA") and FTL - Ferrovia Transnordestina Logística S.A. ("FTL"), which operate the Northeast Railway System of RFFSA, in the States of Maranhão, Piauí, Ceará, Rio Grande do Norte, Paraíba, Pernambuco and Alagoas, with TLSA being responsible for the sections of Missão Velha-Salgueiro, Salgueiro-Trindade, Trindade-Eliseu Martins, Salgueiro-Porto de Suape and Missão Velha-Porto de Pecém (Railway System II) and FTL being responsible for the sections of São Luiz-Mucuripe, Arrojado-Recife, Itabaiana-Cabedelo, Paula Cavalcante-Macau and Propriá-Jorge Lins (Railway System I).

Ports:

In the State of Rio de Janeiro, by means of its subsidiary Sepetiba Tecon S. A., the Company operates the Container Terminal (Tecon) at the Itaguaí Port. Located in the Bay of Sepetiba, this port has privileged highway, railroad and maritime access.

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

- **Energy:**

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

Note 24 - Segment Information details financial information per CSN business segment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.a) Basis of preparation

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

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

provision for impairment, deferred taxes, financial instruments and employee benefits. Actual results may differ from these estimates.

The financial statements are presented in thousands of Brazilian reais (R$). Depending on the applicable IFRS standard, the measurement criterion used in preparing the financial statements considers the historical cost, net realizable value, fair value or recoverable amount.

The consolidated financial statements were approved by the Board of Directors and authorized for issue on April 27, 2015.

2.b) Consolidated financial statements

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

The consolidated financial statements for the years ended December 31, 2014 and 2013 include the following direct and indirect subsidiaries, joint ventures and joint operations, as well as the exclusive funds Diplic, Mugen and Vértice, as follows:

- **Companies**

	Equity interests (%)		
Companies	**12/31/2014**	**12/31/2013**	**Core business**
Direct interest in subsidiaries: full consolidation			
CSN Islands VII Corp.	100.00	100.00	Financial transactions
CSN Islands VIII Corp. (1)		100.00	Financial transactions
CSN Islands IX Corp.	100.00	100.00	Financial transactions
CSN Islands X Corp.	100.00	100.00	Financial transactions
CSN Islands XI Corp.	100.00	100.00	Financial transactions
CSN Islands XII Corp.	100.00	100.00	Financial transactions
CSN Minerals S.L.U.	100.00	100.00	Equity interests
CSN Export Europe, S.L.U.	100.00	100.00	Financial transactions and equity interests
CSN Metals S.L.U.	100.00	100.00	Equity interests and financial transactions
CSN Americas S.L.U.	100.00	100.00	Equity interests and financial transactions
CSN Steel S.L.U.	100.00	100.00	Equity interests and financial transactions
TdBB S.A	100.00	100.00	Dormant company
Sepetiba Tecon S.A.	99.99	99.99	Port services
Mineração Nacional S.A.	99.99	99.99	Mining and equity interests
Companhia Florestal do Brasil	99.99	99.99	Reforestation
Estanho de Rondônia S.A.	99.99	99.99	Tin mining
Cia Metalic Nordeste	99.99	99.99	Manufacture of containers and distribution of steel products
Companhia Metalúrgica Prada	99.99	99.99	Manufacture of containers and distribution of steel products
CSN Cimentos S.A.	100.00	99.99	Cement manufacturing
CSN Gestão de Recursos Financeiros Ltda.	99.99	99.99	Dormant company
Congonhas Minérios S.A.	99.99	99.99	Mining and equity interests
CSN Energia S.A.	99.99	99.99	Sale of electric power
FTL - Ferrovia Transnordestina Logística S.A.	88.41	88.41	Railroad logistics
Indirect interest in subsidiaries: full consolidation			
CSN Aceros S.A. (1)		100.00	Equity interests
Companhia Siderúrgica Nacional LLC	100.00	100.00	Steel
CSN Europe Lda.	100.00	100.00	Financial transactions, product sales and equity interests

CSN Ibéria Lda.	100.00	100.00	Financial transactions, product sales and equity interests
CSN Portugal, Unipessoal Lda. (1)		100.00	Financial transactions and product sales
Lusosider Projectos Siderúrgicos S.A.	99.94	99.99	Equity interests and product sales
Lusosider Aços Planos, S. A.	99.99	99.98	Steel and equity interests
CSN Acquisitions, Ltd.	100.00	100.00	Financial transactions and equity interests
CSN Resources S.A.	100.00	100.00	Financial transactions and equity interests
CSN Holdings (UK) Ltd	100.00	100.00	Financial transactions and equity interests
CSN Handel GmbH	100.00	100.00	Financial transactions, product sales and equity interests
Companhia Brasileira de Latas	100.00	59.17	Sale of cans and containers in general and equity interests
Rimet Empreendimentos Industriais e Comerciais S. A.	100.00	58.96	Production and sale of steel containers and forestry
Companhia de Embalagens Metálicas MMSA	99.67	58.98	Production and sale of cans and related activities
Empresa de Embalagens Metálicas - LBM Ltda. (2)		58.98	Sales of containers and holding interests in other entities
Empresa de Embalagens Metálicas - MUD Ltda. (2)		58.98	Production and sale of household appliances and related products
Companhia de Embalagens Metálicas - MTM do Nordeste (2)		58.98	Production and sale of cans and related activities
Companhia de Embalagens Metálicas - MTM	99.67	58.98	Production and sale of cans and related activities
CSN Steel Comercializadora, S.L.U. (1)		100.00	Financial transactions, product sales and equity interests
CSN Steel Holdings 1, S.L.U.	100.00	100.00	Financial transactions, product sales and equity interests
CSN Steel Holdings 2, S.L.U.	100.00	100.00	Financial transactions, product sales and equity interests
Stalhwerk Thüringen GmbH	100.00	100.00	Production and sale of long steel and related activities
CSN Steel Sections UK Limited	100.00	100.00	Dormant company
CSN Steel Sections Czech Republic s.r.o. (1)		100.00	Financial transactions, product sales and equity interests
CSN Steel Sections Polska Sp.Z.o.o	100.00	100.00	Financial transactions, product sales and equity interests
CSN Asia Limited (3)	100.00		Commercial representation
Direct interest in joint operations: proportionate consolidation			
Itá Energética S.A.	48.75	48.75	Electric power generation
CGPAR - Construção Pesada S.A.	50.00	50.00	Mining support services and equity interests
Consórcio da Usina Hidrelétrica de Igarapava	17.92	17.92	Electric power consortium
Direct interest in joint ventures: equity method			
Nacional Minérios S.A.	60.00	60.00	Mining and equity interests

MRS Logística S.A.	27.27	27.27	Railroad transportation
Aceros Del Orinoco S.A. (4)	31.82	22.73	Dormant company
CBSI - Companhia Brasileira de Serviços de Infraestrutura	50.00	50.00	Provision of services
Transnordestina Logística S.A.	62.64	77.30	Railroad logistics
Indirect interest in joint ventures: equity method			
Namisa International Minérios SLU	60.00	60.00	Financial transactions, product sales and equity interests
Namisa Europe, Unipessoal Lda.	60.00	60.00	Equity interests and sales of products and minerals
Namisa Handel GmbH	60.00	60.00	Financial transactions, product sales and equity interests
MRS Logística S.A.	6.00	6.00	Railroad transportation
Aceros Del Orinoco S.A. (4)		9.08	Dormant company
Namisa Asia Limited (3)	60.00		Commercial representation
Direct interest in associates: equity method			
Arvedi Metalfer do Brasil S.A.	20.00	20.00	Metallurgy and equity interests

(1) Companies liquidated in 2014.

(2) Companies merged into Companhia de Embalagens Metálicas MMSA in 2014, see note 7.

(3) Companies established in 2014.

(4) Transfer to CSN of the rights to subscribe to the shares of Aceros del Orinoco S. A. held by CSN Aceros, S.A. in April 2014, without gain and loss effects.

- **Exclusive funds**

	Equity interests (%)		
Exclusive funds	**12/31/2014**	**12/31/2013**	**Core business**
Direct interest: full consolidation			
Diplic - Private credit balanced mutual fund	100.00	100.00	Investment fund
Mugen - Private credit balanced mutual fund	100.00	100.00	Investment fund
Caixa Vértice - Private credit balanced mutual fund	100.00	100.00	Investment fund

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

- **Transactions between subsidiaries, associates, joint ventures and joint operations**

Unrealized gains on transactions with subsidiaries, joint ventures and associates are eliminated to the extent of CSN's equity interests in the related entity in the consolidation process. Unrealized losses are eliminated in the same manner as unrealized gains, although only to the extent that there are indications of impairment. The Company eliminates the effect on profit or loss of transactions carried out with joint ventures and, as a result, reclassifies part of the equity in results of of joint ventures to finance costs, cost of sales and income tax and social contribution.

The base date of the financial statements of the subsidiaries and joint ventures is the same as that of the Company, and their accounting policies are in line with the policies adopted by the Company.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) whose financial and operating policies can be conducted by the Company and when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to use its power to affect its returns. The existence and

effect of potential voting rights that are actually exercisable or convertible are taken into consideration when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date when control is transferred to the Company and are deconsolidated from the date when such control ceases.

Joint ventures and joint operations

Joint arrangements are all entities over which the Company has joint control with one or more other parties. The investments in joint arrangements are classified as joint operations or joint ventures depending on the contractual rights and obligations of each investor.

Joint operations are accounted for in the financial statements in order to represent the Company's contractual rights and obligations. Therefore, the assets, liabilities, revenues and expenses related to its interests in joint operations are accounted for individually in the financial statements.

Joint ventures are accounted for under the equity method and are not consolidated.

The Company eliminates the effect on profit or loss of transactions carried out with joint ventures and, as a result, eliminates part of the equity in results of joint ventures to finance costs, cost of sales, net sales and income tax and social contribution.

Associates

Associates are all entities over which the Company has significant influence but not control, generally through a shareholding of 20% to 50% of the voting rights. Investments in associates are accounted for under the equity method and are initially recognized at cost.

- **Transactions and non-controlling interests**

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

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

2.c) Foreign currencies

i. Functional and presentation currency

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

ii. Transactions and balances

Transactions in foreign currencies are translated into the functional currency using the exchange rates in effect at the dates of the transactions or valuation on which items are remeasured. Foreign exchange gains and losses resulting from the settlement of these transactions and from the translation at exchange rates in effect as of December 31, 2014 of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when they are recognized in shareholders' equity as a result of monetary items of foreign operation characterized as foreign investment.

The balances of assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period. As of December 31, 2014, US$1 is equal to R$2.6562 (R$2.3426 at December 31, 2013) and €1 is equal to R$3.2270 (R$3.2265 at December 31, 2013).

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

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

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

iii. Group companies

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

- The assets and liabilities of each balance sheet presented are translated at the exchange rate at the end of the reporting period;

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

- All resulting exchange differences are recognized as a separate component in other comprehensive income; and

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

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

2.d) Cash and cash equivalents

Cash and cash equivalents include cash on hand and in banks and other short-term highly liquid investments redeemable within 90 days from the end of the reporting period, readily convertible into a known amount of cash and subject to an insignificant risk of change in value. Certificates of deposit that

can be redeemed at any time without penalties are considered as cash equivalents.

2.e) Trade receivables

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

2.f) Inventories

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

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

2.g) Investments

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

When necessary, the accounting policies of subsidiaries, joint ventures and associates are changed to ensure consistency with the policies adopted by the Company.

2h) Business combination

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

2.i) Property, plant and equipment

Property, plant and equipment are carried at cost of acquisition, formation or construction, less accumulated depreciation or depletion and any impairment loss. Depreciation is calculated under the straight-line method based on the remaining economic useful economic lives of assets, as mentioned in note 8. The depletion of mines is calculated based on the quantity of ore mined. Land is not depreciated since their useful life is considered indefinite. However, if the tangible assets are mine-specific, that is, used in the mining activity, they are depreciated over the shorter of the normal useful lives of such assets or the useful life of the mine. The Company recognizes in the carrying amount of property, plant and equipment the cost of replacement, reducing the carrying amount of the part that is replaced if it is probable that future

economic benefits embodied therein will revert to the Company, and if the cost of the asset can be reliably measured. All other disbursements are expensed as incurred. Borrowing costs related to funds obtained for construction in progress are capitalized until these projects are completed.

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

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

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

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

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

The development stage includes:

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

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

Stripping costs in the production phase are included in the cost of the inventory produced, except when a specific extraction campaign is made to access deeper deposits of the ore body. In these cases, costs are capitalized and taken to noncurrent assets when the mineral ore deposit is extracted and are amortized over the useful life of the ore body.

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

2.i) Intangible assets

Intangible assets comprise assets acquired from third parties, including through business combinations.

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

Mineral rights acquired are classified as other assets in intangible assets.

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

- **Goodwill**

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

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

- **Software**

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

2.k) Impairment of non-financial assets

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

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2.l) Employee benefits

i. Employee benefits

Defined contribution plans

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

Defined benefit plans

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

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

When the benefits of a plan are increased, the portion of the increased benefit related to past services of employees is recognized in profit or loss until the benefits become vested.

The Company recognizes all actuarial gains and losses resulting from defined benefit plans immediately in other comprehensive income, subsequently transferred to retained earnings or accumulated losses. If the plan is extinguished, actuarial gains and losses are recognized in profit or loss.

ii. Profit sharing and bonus

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

2.m) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.n) Concessions

The Company has governmental concessions to provide the following types of services: iron ore railway transportation and transportation of exports and finished goods to the domestic market; development of railway system operation public service in the Northeast of Brazil; operation of a solid bulk terminal, and a container terminal in the Porto of Itaguaí. All the Company’s current concession arrangements were valued at the time of the concession as operating leases.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.o) Share capital

Common shares are classified in shareholders' equity.

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

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

2.p) Revenue recognition

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

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

2.q) Finance income and finance costs

Finance income includes interest income from funds invested (except available-for-sale financial assets), dividend income not accounted for under the equity method, gains on disposal of available-for-sale financial assets, changes in the fair value of financial assets measured at fair value through profit or loss, and gains on derivative instruments that are recognized in profit or loss. Interest income is recognized in profit or loss under the effective interest method. Dividend income is recognized in profit or loss when the Company's right to receive payment has been established. Distributions received from investees accounted for under the equity method reduce the investment value.

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

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

2.r) Income tax and social contribution

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

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

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

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is not recognized for the following temporary differences: initial recognition of assets and liabilities in a transaction that is not a business combination and does not affect either the accounting or taxable profit or loss, and differences associated with investments in subsidiaries and joint ventures when it is probable that they will not reverse in the foreseeable future.

Moreover, a deferred tax liability is not recognized for taxable temporary differences resulting from the initial recognition of goodwill. The deferred tax is measured at the rates that are expected to be applied on temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the end of the reporting period.

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

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

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

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

2.s) Earnings/(Loss) per share

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

2.t) Environmental and restoration costs

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

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

2.u) Research and development

Research expenditures are recognized as expenses when incurred. Expenditures on project development (related to the design and testing stages of new or improved products) are recognized as intangible assets when it is probable that projects will be successful, based on their commercial and technological feasibility, and only when the cost can be reliably measured. When capitalized, development expenditures are amortized from the start of a product’s commercial production, on a straight-line basis and over the period of the expected benefit.

2.v) Financial instruments

i) Financial assets

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

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

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

- **Loans and receivables**

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

- **Held-to-maturity assets**

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

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

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

- **Recognition and measurement**

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

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

The changes in the fair value of available-for-sale financial assets are recognized as follows: (i) the effects of foreign exchange differences and the changes in the fair value of the investment in the investee’s capital are recognized directly in the Company’s shareholders’ equity, in “Other comprehensive income” and; (ii)

the effects of foreign exchange differences and the changes in the option's fair value are recognized in the income statement for the year.

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

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

ii) Impairment of financial assets

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

- **Assets measured at amortized cost**

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

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

- significant financial difficulty of the issuer or counterparty;

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

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

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

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

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

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

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

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

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

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

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

CSN tested for impairment its available-for-sale investment in Usiminas shares (see note 11).

iii) Financial liabilities

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

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

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

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

- **Other financial liabilities**

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

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

- **Offsetting of financial instruments**

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

iv) Derivative instruments and hedging activities

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

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value, and any changes are recognized as “Finance income (costs)” in the income statement.

- **Hedging activities**

The Company adopts hedge accounting and designates certain financial liabilities as a hedging instrument of a foreign exchange risk associated to the cash flows from forecast, highly probable exports (cash flow hedges).

At the inception of the transaction, the Company documents the relationships between the hedging instruments and the hedged items, as well as its risk management objectives and strategy for undertaking hedging transactions. The Company also documents its assessment, both at the inception of the hedge and on an ongoing basis, of whether the hedging transactions are highly effective in offsetting changes in the cash flows of the hedged items.

The effective portion of the changes in the fair value of financial liabilities designated and qualifying as cash flow hedge is recognized in shareholders' equity, in line item "Hedge accounting". Any gain or loss related to the ineffective portion is recognized immediately in profit or loss.

The amounts accumulated in shareholders' equity are realized in the income statement in the periods in which the forecast exports affect profit or loss.

When a hedging instrument expires or is settled in advance, or when the hedging relationship no longer meets the hedge accounting criteria, or even when Management decides to discontinue hedge accounting, all cumulative gains or losses recorded in shareholders' equity at the time remain recognized in shareholders' equity. When the forecast transaction is completed, the gain or loss is reclassified to profit or loss. When a forecast transaction is no longer expected to take place, the cumulative gain or loss previously recognized in shareholders' equity is immediately transferred to the income statement, in line item "Finance income (costs)".

The movements in the hedge amounts designated as export cash flow hedges are stated in note 11(iv).

2.w) Segment information

An operating segment is a component of the Group committed to the business activities from which it can obtain revenues and incur expenses, including revenues and expenses related to transactions with any other components of the Group. All the operating results of operating segments are reviewed regularly by the Executive Officers of CSN to make decisions regarding funds to be allocated to the segment and assessment of its performance, and for which there is distinct financial information available (see Note 24).

2.x) Government grants

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

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

2.y) New standards and interpretations issued and not yet adopted

The following standards, amendments to standards and IFRS interpretations issued by the IASB are not yet effective and were not early adopted by the Group for the year ended December 31, 2014:

Standard	Description	Effective date
IAS 16 and IAS 38	*Property, Plant and Equipment* and *Intangible Assets* – in May 2014 these accounting standards were revised to clarify that the revenue method will no longer be permitted for depreciation or amortization purposes.	2016
IAS 27	*Separate Financial Statements* – in August 2014 the standard that addresses separate financial statements was revised to permit the accounting of investments under the equity method of accounting. The Company already adopts this method as required by the Brazilian corporate law and this change will have no impacts on its financial statements.	2016
IFRS 10 and IAS 28	*Consolidated Financial Statements* and *Investments in Associates and Joint Ventures* – in September 2014 a revision was issued proposing that the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 to an investor's subsidiary or joint venture should only be recognized to the extent of the unrelated investors' interests in the subsidiary or joint venture.	2016
IFRS 7	*Financial Instruments: Disclosures* – in September 2014 the IASB revised IFRS 7 to provide guidance to clarify whether a servicing contract is continuing involvement and that the additional disclosure requirements are not specific for interim reporting periods.	2016
IFRS 9	*Financial Instruments*. IFRS 9 retains, but simplifies, the combined measurement model and establishes two main measurement categories of financial assets: amortized cost and fair value. The classification basis depends on the entity's business model and the characteristics of the financial asset's contractual cash flow. IFRS 9 retains most of IAS 39 requirements for financial liabilities. The main change refers to those cases where the fair value of the financial liabilities must be segregated so that the fair value portion related to the entity's credit risk is recognized in "Other comprehensive income" and not in profit or loss for	2018

	the period. The guidance on IAS 39 on the impairment of financial assets and hedge accounting is still applicable.	
	Revenue from Contracts with Customers. This new standard introduces the principles that an entity will apply to determine the revenue measurement and when such revenue shall be recognized.	
IFRS15		2017
	IFRS15 replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, and related interpretations.	

There are no other standards, amendments to standards and interpretations not yet effective that the Group expects to have a material impact on its financial statements

3. CASH AND CASH EQUIVALENTS

	Consolidated	
	12/31/2014	**12/31/2013**
Current		
Cash and cash equivalents		
Cash and banks	**192,595**	**178,920**
Short-term investments		
In Brazil:		
Government securities	246,407	48,206
Private securities	486,730	240,852
	733,137	**289,058**
Abroad:		
Time deposits	7,760,289	9,527,694
Total short-term investments	**8,493,426**	**9,816,752**
Cash and cash equivalents	**8,686,021**	**9,995,672**

The funds available in the Group set up in Brazil are basically invested in investment funds, classified as exclusive, which were consolidated, with repurchase agreements backed by government and private securities, with fixed rate yield and immediate liquidity.

Private securities are short-term investments in Bank Deposit Certificates (CDBs) with yields pegged to the Interbank Deposit Certificate (CDI) fluctuation, and government securities are basically repurchase agreements backed by National Treasury Notes and National Treasury Bills. The funds are managed by BTG Pactual Serviços Financeiros S.A. DTVM and Caixa Econômica Federal and their assets collateralize possible losses on investments and transactions carried out.

A significant part of the funds of the Company and its foreign subsidiaries is invested in time deposits with leading banks, bearing fixed rates.

4. TRADE RECEIVABLES

	Consolidated	
	12/31/2014	**12/31/2013**
Trade receivables		
Third parties		
Domestic market	861,518	790,225
Foreign market	762,935	950,145

	1,624,453	**1,740,370**
Allowance for doubtful debts	(127,223)	(114,172)
	1,497,230	**1,626,198**
Related parties (Note 17 - b)	153,737	107,443
	1,650,967	**1,733,641**
Other receivables		
Dividends receivable (*) (Note 17 - b)	59,470	717,595
Advances to employees	32,743	35,267
Other receivables	9,876	35,962
	102,089	**788,824**
	1,753,056	**2,522,465**

(*) Reversal of dividends of the joint venture Nacional Minérios S.A., in the amount of R$484,946, as mentioned in note 7 b.

The breakdown of gross trade receivables from third parties is as follows:

	Consolidated	
	12/31/2014	**12/31/2013**
Current	1,284,824	1,339,481
Past-due up to 180 days	236,843	216,392
Past-due over 180 days	102,786	184,497
	1,624,453	**1,740,370**

In accordance with Group' internal sales policy and the maintenance of its short-term receivables (up to 7 days), the Group has transactions relating to assignment of receivables without co-obligation in which, after assigning the customer's trade notes/bills and receiving the amounts from each transaction closed, CSN settles the trade receivables and becomes entirely free of the credit risk on the transaction. This transaction totals R$264,411 as of December 31, 2014 (R$386,732 as of December 31, 2013), less the trade receivables.

The movements in the Group's allowance for doubtful debts are as follows:

	Consolidated	
	12/31/2014	**12/31/2013**
Opening balance	**(114,172)**	**(111,532)**
Estimated losses	(25,305)	(17,988)
Recovery of receivables	12,254	15,348
Closing balance	**(127,223)**	**(114,172)**

5. INVENTORIES

	Consolidated	
	12/31/2014	**12/31/2013**
Finished goods	1,270,182	743,831
Work in progress	858,811	650,311

Raw materials	1,006,620	714,365
Storeroom supplies	949,062	1,003,473
Iron ore	147,699	139,275
Advances to suppliers	2,329	11,915
Provision for losses	(112,581)	(102,185)
	4,122,122	**3,160,985**

The movements in the provision for inventory losses are as follows:

	Consolidated	
	12/31/2014	**12/31/2013**
Opening balance	**(102,185)**	**(108,160)**
Provision for losses /reversals of slow-moving and obsolete inventories	(10,396)	5,975
Closing balance	**(112,581)**	**(102,185)**

6. OTHER CURRENT AND NON-CURRENT ASSETS

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

	Consolidated			
	Current		Non-current	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Judicial deposits (Note 15)			288,804	693,714
Credits with the PGFN [1]			81,792	88,921
Recoverable taxes [2]	598,497	480,495	155,616	112,788
Prepaid expenses	36,226	37,369	33,323	38,117
Actuarial asset - related party (Note 17 b)			97,173	97,051
Derivative financial instruments (Note 11 I)	174,611	9,681		3,879
Exclusive fund quotas [3]				
Securities held for trading (Note 11 I)	13,798	9,906		
Iron ore inventory [4]			144,483	144,483
Northeast Investment Fund - FINOR			8,452	8,452
Other receivables (Note 11 I)			1,347	9,970
Loans with related parties (Note 17 b)	517,493	147,273	117,357	603,862
Other receivables from related parties (Note 17 b)	15,780	15,658	7,037	18,129
Other	17,898	22,538	12,036	15,959
	1,374,303	**722,920**	**947,420**	**1,835,325**

1. Refers to the excess judicial deposit originated by the 2009 REFIS (Tax Debt Refinancing Program).

2. Refers mainly to taxes on revenue (PIS/COFINS) and State VAT (ICMS) on the purchase of fixed assets which will be recovered in a period of up to 48 months and income tax and social contribution for offset.

3. Refers to transactions with derivatives managed by the exclusive funds.

4. Long-term iron ore inventories that will be used after the construction of the processing plant, which will produce pellet feed, expected to start operating in the second half of 2017.

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7. INVESTMENTS

7.a) Direct equity interests in joint ventures, associates and other investments

	Classification	12/31/2014	12/31/2013
Joint Ventures and Associate			
Nacional Minérios S.A.	Joint venture	9,471,026	8,346,387
MRS Logística S.A.	Joint venture	776,691	726,825
CBSI - Companhia Brasileira de Serviços de Infraestrutura	Joint venture	3,482	4,350
Transnordestina	Joint venture	1,956,041	1,984,205
Arvedi Metalfer do Brasil	Associate	15,672	18,574
Other investments			
Panatlântica	Equity Instruments at fair value classified as Available for sale	31,589	24,819
Usiminas	Equity Instruments at fair value classified as Available for sale	1,409,440	2,380,355
Others		1,512	1,508
		13,665,453	**13,487,023**

7.b) Rollforward of investments balances in joint ventures, associates and other investments

	Consolidated	
	12/31/2014	**12/31/2013**
Opening balance of investments	**13,487,023**	**10,839,787**
Transnordestina Investment balance at fair value		1,984,204
Capital increase/acquisition of shares	10,279	11,968
Dividends [1)]	395,307	(85,998)
Comprehensive income [(2)]	(970,266)	71,791
Equity in results of affiliated companies [(3)]	743,119	670,777
Other	(9)	(5,506)
Closing balance of investments	**13,665,453**	**13,487,023**

1. On March 28, 2014, the Annual General Meeting of the joint venture Nacional Minérios S.A. decided to allocate fully the profit for 2012 to the Investment Reserve and Contingencies Reserve accounts. In view of this decision of the general meeting, the Company reversed the dividends receivable in the amount of R$484,946 that had been recorded according to NAMISA's management proposal and that were not approved by such meeting.

2. Refers to the mark-to-market of investments in Usiminas and Panatlantica classified as available-for-sale.

3. Equity in results of affiliated companies. The amounts recorded in investment balance are different of the amount presented in Income Statement due the eliminations made under IAS 28 that requires the elimination of gains and losses resulting from downstream and upstream transaction. However, the Standard does not specifically address the treatment of revenue derived from transactions with equity-method investees and whether that revenue should be eliminated from the consolidated financial statements. CSN has elected an accounting police to eliminate relevant downstream and upstream operations with its joint ventures as describe above. The table below shows the reconciliation of the equity in results of affiliated companies included on investment balance with the amount disclosed in the income statement:

Equity in results of affiliated companies
Nacional Minérios S.A.
MRS Logística S.A.
CBSI - Companhia Brasileira de Serviços de Infraestrutura
Transnordestina
Arvedi Metalfer do Brasil
Total as of December 31 included in investment balance
Eliminations under IAS 28
To cost of sales - Margin obtained by MRS on rendering railway transportation services to the Company. Approxima
To net revenues - Margin obtained by CSN on rendering port services and selling ROM to Namisa[a].
To finance costs - Our 60% share on interest income recognized by Namisa on advances made to the Company for
To taxes - Effect of taxes on the amounts above
Other
Equity in results of affiliated companies, as presented on Statements of Income
(a) In 2013 the margin obtained by CSN from these contracts were not relevant, therefore there was not elimination under the CSN's elimination policy.

7.c) Joint ventures and joint operations financial information

The balances of the balance sheets and income statements of joint venture and joint operation are presented as follows:

:

	12/31/2014								
	Joint Venture			Joint Operation			Joint Vent		
Equity interest (%)	Nacional Minérios (*) 60.00%	MRS Logística 27.27%	CBSI 50.00%	Transnordestina Logística 62.64%	Itá Energética 48.75%	CGPAR 50.00%	Nacional Minérios (*) 60.00%	MRS Logística 27.27%	5
Balance sheet									
Current assets									
Cash and cash equivalents	5,499,139	266,905	925	511,586	31,436	27,253	4,815,211	471,079	1
Advances to suppliers	250,469	13,994	98		364	337	423,246	8,423	
Other current assets	309,054	532,016	30,164	54,196	15,859	32,146	409,605	621,698	2
Total current assets	**6,058,662**	**812,915**	**31,187**	**565,782**	**47,659**	**59,736**	**5,648,062**	**1,101,200**	**3**
Non-current assets									
Advances to suppliers	9,236,170						8,522,067		
Other non-current assets	129,504	503,849	86	253,307	32,371	85	171,393	414,624	
Investments, PP&E and intangible assets	1,431,643	5,867,645	6,083	5,750,208	568,883	63,557	1,356,909	5,281,642	
Total non-current assets	**10,797,317**	**6,371,494**	**6,169**	**6,003,515**	**601,254**	**63,642**	**10,050,369**	**5,696,266**	
Total assets	**16,855,979**	**7,184,409**	**37,356**	**6,569,297**	**648,913**	**123,378**	**15,698,431**	**6,797,466**	**4**
Current liabilities									
Borrowings and financing	368,818	382,332		187,331		25,520	42,247	333,796	
Other current liabilities	429,345	851,850	27,718	84,594	29,986	52,744	1,318,884	841,681	2
Total current liabilities	**798,163**	**1,234,182**	**27,718**	**271,925**	**29,986**	**78,264**	**1,361,131**	**1,175,477**	**2**
Non-current liabilities									
Borrowings and financing	29,541	2,657,635		4,223,796		23,443	339,961	2,566,412	
Other non-current	243,231	444,379	2,674	3,172		8,551	86,694	390,228	1

liabilities									
Total non-current liabilities	**272,772**	**3,102,014**	**2,674**	**4,226,968**		**31,994**	**426,655**	**2,956,640**	**1**
Shareholders' equity	**15,785,044**	**2,848,213**	**6,964**	**2,070,404**	**618,927**	**13,120**	**13,910,645**	**2,665,349**	
Total liabilities and shareholders' equity	**16,855,979**	**7,184,409**	**37,356**	**6,569,297**	**648,913**	**123,378**	**15,698,431**	**6,797,466**	**4**

				01/01/2014 to 12/31/2014					
	Joint Venture			Joint Operation			Joint V		
Equity interest (%)	**Nacional Minérios (*) 60.00%**	**MRS Logística 27.27%**	**CBSI 50.00%**	**Transnordestina Logística 62.64%**	**Itá Energética 48.75%**	**CGPAR 50.00%**	**Nacional Minérios (*) 60.00%**	**MRS Logística 27.27%**	
Statements of Income									
Net revenue	1,474,633	3,063,061	161,372	14	136,565	278,855	2,369,836	3,038,142	1
Cost of sales and services	(1,214,196)	(2,013,846)	(150,411)		(86,751)	(234,944)	(1,346,658)	(1,926,923)	(9
Gross profit	260,437	1,049,215	10,961	14	49,814	43,911	1,023,178	1,111,219	
Operating (expenses) income	(277,648)	(282,736)	(8,934)	(28,459)	(46,182)	(3,572)	(192,863)	(277,814)	
Finance income (costs), net	1,651,891	(190,294)	69	(15,383)	2,972	(1,309)	1,621,386	(114,637)	
Profit before income tax and social contribution	1,634,680	576,185	2,096	(43,828)	6,604	39,030	2,451,701	718,768	
Current and deferred income tax and social contribution	(512,913)	(196,792)	(946)		(2,279)	(13,030)	(1,543,876)	(245,748)	
Profit for the year	**1,121,767**	**379,393**	**1,150**	**(43,828)**	**4,325**	**26,000**	**907,825**	**473,020**	

The balance sheet and income statement amounts refer to 100% of the companies' results.

- NACIONAL MINÉRIOS S.A. - ("Namisa")

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

In November 2008, 40% of Namisa's capital became held by Big Jump Energy Participações S.A ("Big Jump"), whose shareholders were Posco and Brazil Japan Iron Ore Corp, ("BJIOC" or "Consortium"), a consortium of Asian companies formed by Itochu Corporation, Nippon Steel, JFE Steel Corporation, Sumitomo Metal Industries Ltd., Kobe Steel Ltd., and Nisshin Steel Co. Ltd., as a result CSN became the holder of 60% of Namisa.

On July 30, 2009 Big Jump Energy Participações S.A. was merged into Namisa and as a result Posco and BJIOC became the holders of a direct interest in Namisa. In 2011, Nippon Steel and Sumitomo Metal Industries,Ltd. until then members of the Consortium, sold their interest to the other Consortium members, followed by the entry of a new shareholder, China Steel Corp. ("CSC"). After these transactions, the new corporate structure of Namisa is as follo ws: CSN 60%, BJIOC 32.52%, Posco 6.48%, and CSC 1%. CSN's interest in Namisa did not change as a result of any of these events.

Under IFRS 10, paragraph B55, when assessing whether an investor has control of an investee, the investor shall determine whether it is exposed to, or has rights, over the variable returns arising from its relationship with the investee. The Shareholders' Agreement entered into between the consortium and CSN grants both the Consortium and CSN, through substantive rights, the power to influence the ordinary course of Namisa's business, by being actively involved in setting the budget, accounting policies, capital expenditure, management compensation, dividend distribution policy, among other matters.

This Shareholders' Agreement also provides that certain situations of severe impasse between the shareholders that are not resolved after mediation and negotiation procedures between the executive officers of the parties may give CSN the right to exercise a call option and the Consortium the right to exercise its put option regarding the equity interest held by the Consortium in Namisa.

Other agreements executed to make such association feasible, among them the share purchase agreement and the long-term operational agreements between Namisa, CSN and the Consortium, provide for certain obligations that, in case breached or not cured within the relevant cure period may give rise in certain specific situations to the right of non- breached party to exercise a put or call option, as the case may be, with respect to the equity interest held by the Consortium in Namisa.

In 2013, the significant variation in Namisa's profit is mainly due to its adherence to the tax installment payment programs introduced by Law No 12.865/13 and Law 11.941/09, which generated a net negative impact in the amount of R$889,772, resulting in the consolidated a recognition of R$533,863, through equity accounting, corresponding to its 60% equity interest in Namisa.

At the Extraordinary Shareholders' Meeting held in December 2014, the shareholders approved the Company's capital reduction by R$777,930, without any share cancelation. At the end of the statutory 60-day period after the publication of the shareholders' meeting's minutes, the Company's capital reduction will become effective.

New strategic alliance with the Asian Consortium

On December 11, 2014, CSN's Board of Directors approved the formation of a strategic alliance with the Asian Consortium.

This transaction consists of creating a new entity between CSN and the Asian Consortium, under which the Asian Consortium will contribute its 40% stake in Namisa to Congonhas Minérios S.A. ("Congonhas Minérios"), a non-operating subsidiary of CSN, and to which CSN will contribute its Casa de Pedra iron ore mine, its 60% stake in Namisa, its 8.63% stake in MRS, and the assets of and the rights to manage and operate the TECAR Port concession.

As a result of CSN's and the Asian Consortium's contributions and the agreements reached during the negotiations between the parties, immediately after the transaction is closed CSN, and the Asian Consortium will hold 88.25% and 11.75% of Congonhas Minérios' capital on a debt free and cash basis, respectively. The final stakes will be determined taking into account the debt and cash adjustments, and the working capital difference on the closing date.

The transaction also provides for an earn-out mechanism, under which a qualifying liquidity event occurring within certain valuation parameters and a given period of time agreed after the transaction is closed could dilute the Consortium's equity interest in Congonhas Minérios from 11.75% up to 8.21%.

The transaction's primary purpose is to capture synergies among the businesses involved in this reorganization and generate shareholder value to create a world-class company. The main synergies identified are related to procedure optimization, increasing operation efficiencies and cutting operating costs, and capital expansion.

Part of Congonhas Minérios' iron ore production will be sold to members of the Asian Consortium and CSN. These rights are laid down in long-term supply agreements.

The transaction closing is subject to the parties reaching a consensus on a business plan, regulatory approvals by antitrust authorities and the governmental authorities responsible for regulating mining rights, and other conditions precedent usual in this type of transaction. The closing date is scheduled for the end of 2015.

There are no accounting impacts to be registered before the conclusion of this transaction.

- ITÁ ENERGÉTICA S.A. - ("ITASA")

ITASA is a corporation established in July 1996 that was engaged in building and operating, under a shared concession, the Itá Hydropower Plant (UHE Itá), with 1,450 MW of installed power, located on the Uruguay River, on the Santa Catarina and Rio Grande do Sul state border. This company was engaged in, but not limited to, contracting the supply of goods and services necessary to complete the project and raising funds by pledging the related guarantees.

- MRS LOGÍSTICA S.A. (“MRS”)

Located in Rio de Janeiro, RJ, is engaged in providing public railroad freight transportation services, on the basis of an onerous concession agreement, on the tracks of the Southeast Network, - RFFSA, located between the cities of Rio de Janeiro, São Paulo and Belo Horizonte, previously belonging to Rede Ferroviária Federal S.A.- RFFSA, which was privatized on September 20, 1996.

As of December 31, 2014 the Company directly held 27.27% and indirectly, through its joint venture Namisa, 6% of MRS’s capital.

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

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

- CONSÓRCIO DA USINA HIDRELÉTRICA DE IGARAPAVA

The Igarapava Hydroeletric Power Plant is located on the Grande River, in the city of Conquista, MG, and has installed capacity of 210 MW. It consists of 5 bulb-type generating units.

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

The balance of property, plant and equipment less depreciation as of December 31, 2014 is R$28,250 (R$29,417 as of December 31, 2013) and the expense in 2014 amounted to R$5,302 (R$6,024 in 2013).

- CBSI - COMPANHIA BRASILEIRA DE SERVIÇOS DE INFRAESTRUTURA (“CBSI”)

CBSI is the result of a joint operation between CSN and CKLS Serviços Ltda. Based in the city of Araucária, PR, CBSI is primarily engaged in providing services CSN and other third-party entities, and can operate activities related to the refurbishment and maintenance of industrial machinery and equipment, construction maintenance, industrial cleaning, logistic preparation of products, among other activities.

- CGPAR CONSTRUÇÃO PESADA S.A. (“CGPAR”)

CGPAR is the result of a joint venture between CSN and GPA Construção Pesada e Mineração Ltda. Based in the city of Belo Horizonte, MG, CGPAR is mainly engaged in providing services related to the support to the extraction of iron ore, earth leveling, earthmoving, and dam construction.

- TRANSNORDESTINA LOGÍSTICA S.A. (“TLSA”)

TLSA is primarily engaged in the operation and development of the railroad freight transportation public service in the Northeast of Brazil network, comprising the Missão Velha-Salgueiro, Salgueiro-Trindade, Trindade-Eliseu Martins, Salgueiro- Porto de Suape, and Missão Velha-Porto de Pecém sections (“Railway System II”).

On September 20, 2013, the Company signed (i) An Addendum to the Concession Agreement of the Northeast Railway System, which comprise the São Luís-Mucuripe, Arrojado-Recife, Itabaiana-Cabedelo, Paula Cavalcante-Macau, and Propriá- Jorge Lins sections (“Railway System I”) sections and the Missão Velha-Salgueiro, Salgueiro-Trindade, Trindade-Eliseu Martins, Salgueiro-Porto de Suape, and Missão Velha-Porto de Pecém sections (“Railway System II”), to include therein obligations assumed by TLSA related to the implementation of the Railway System II, as well as the adaptation of the sections of the Railway System and (ii) Conduct Adjustment Agreement between ANTT and TLSA, with the purpose of resolving pending items existing between the parties.

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On that date the following agreements were also signed (i) a new Shareholders' Agreement of TLSA between CSN, Valec Engenharia, Construções e Ferrovias S.A. (“Valec”), Fundo de Desenvolvimento do Nordeste – FDNE (“FDNE”) and BNDES Participações S.A. – BNDESPAR (“BNDESPAR”), with the intermediation of TLSA, whose effectiveness was conditioned to the disproportionate spin-off of TLSA, to be implemented under the terms of ANTT Resolution 4,042/2013; and (ii) Investment Agreement between CSN, Valec and FDNE, with the intermediation of TLSA, which besides other matters, deals with the new budget and the sources of funds that will have to be contributed to TLSA or financed for implementation of the Railway System II.

At the Extraordinary Shareholders' Meeting held on December 27, 2013, as part of the reorganization process described above, the shareholders approved the disproportionate spin-off of TLSA, completing the segregation of Network I and Network II. As a result of the spin-off, CSN became the holder of an 88.41% stake in FTL and a 77.30% stake in TLSA on December 31, 2013.

The purpose of this restructuring was to rebalance economically and financially the Northeast Railway System concession, leading to the extension of the Railway System II operation concession, which could reach 2057, and the segregation of the assets related to Railway System I, which were merged into subsidiary FTL - Ferrovia Transnordestina Logística S.A. (“FTL”), maintaining the assets related to Railway System II in TLSA.

Accounting impacts

As described above, in December, 2013, the Company’s shareholders approved the disproportionate spin-off of TLSA, completing the segregation of Railway System I and Railway System II. As a result, assets related to Railway System I were spun-off and merged into FTL at book value, net of the impairment loss recorded in October 2013. The remaining balance of TLSA at book value was compared with the fair value of the Railway System II and generated the gain on loss of control in the amount of R$473,899 thousand before taxes, that was recorded in December 2013. The complete accounting effects of the Northeast Railway System split were recorded in the fourth quarter of 2013.

Additionally, TLSA assessed the future performance of its operating assets related to Network I (in operation). The analysis resulted in the recognition of an impairment loss of R$216,446, recognized as “Other operating expenses”, in 2013. The recoverable amount of these assets was determined based on the value in use. The discount rate used to measure the value in use was 9.15% per year.

The table presents the resume of the events in the CSN's share on the net equity of TLSA as follows:

	Amount – R$
TLSA balance before spin-off	
(+) Capital increase	
(-) Equity in results of TLSA of the period between September and December, 2013, which includes the impairment on Railway System I on October, 2013 in amount of R$ 216,446	(112,680)
(-) other	
TLSA balance as of December, before spin-off	
(-) Spin-off of Railway System I merged into FTL	
TLSA net assets as of December, before the loss of control	**1,714,232**
CSN Interest on TLSA – 77.30%	1,325,099
(+) Capitalized interest under the Parent company (CSN)	185,206
TOTAL TLSA investment as of December, 2013, before the loss of control	**1,510,305**
(+) Gain on loss of control over TLSA	473,899
TLSA investment balance as of December, 2013	**1,984,204**

FTL received a capital increase from TLSA and another TLSA shareholder (Taquari Participações SA) in an amount equivalent to the equity of Network I, as follows:

Company	FTL's capital before the spin-off of TLSA	%	Capital increase	FTL's capital after the spin-off of TLSA	%
CSN	152,937	100%	153,305	306,242	88.41%
Taquari Participações			40,145	40,145	11.59%
Total	152,937	100%	193,450	346,387	100%

FTL's capital increase resulted from the partial spin off of TLSA and, therefore, had no impact on the Company's consolidated financial statements. Even though the Company's percentage equity interest in FTL decreased, the Company still holds the control over FTL, which is fully consolidated in the former's financial statements.

With the completion of the spin-off, the new Shareholders' Agreement became effective and control is now jointly held with the shareholders part of the public block, which became the holders of substantive rights to make certain material company decisions and influence the ordinary course of business, as well as CSN, by influencing budgeting, internal policies, capital expenditures, debt, etc., thus typifying the loss of control by CSN, pursuant to specific IFRS criteria.

Accordingly, as of December 31, 2013, in accordance with IFRS 10, CSN reversed all TLSA assets and liabilities and non-controlling interests and started to recognize the remaining stake in this investment at fair value on the date control was lost.

The fair value of the remaining investment in TLSA was determined pursuant to IFRS 13 *Fair Value Measurement*. The Company used the estimated revenue approach to determine the fair value of the investments' future cash flows, net revenue, and expenses, based on Railway System II operations, based on its business plan for TLSA, which included product volume capacity, prices, market conditions, etc. Additionally, the Company took the following facts into consideration to measure fair value: (i) TLSA's concession agreement expires in 2057, (ii) the return rate defined in TLSA's concession agreement cannot exceed 6.75% per year plus inflation calculated using the IPCA (Broad Consumer Price Index) during the entire concession period, and (iii) should the return rate reach the concession rate ceiling before 2057, the concession agreement will expire on that date.

After this initial recognition, the investment started to be measured under the equity method.

The gain generated by the loss of control over the investment recognized in the income statement, in other operating income in 2013, is broken down as follows:

		Consolidated 12/31/2013
(+)	Fair value of the remaining investment	1,984,204
(-)	Carrying amount of net assets	1,899,438
(+)	Carrying amount of non-controlling interests	389,133
	Gain on loss of control over Transnordestina (*)	**473,899**
(-)	Income tax and social contribution	161,126
	Gain on loss of control, net of income tax and social contribution (*)	**312,773**

(*) the goodwill will be amortized monthly, from the completion of the construction work to the final concession date.

Events in 2014

In April 2014, the shareholders of TLSA approved a capital increase of R$400,000, through the issuance of 7,278,020 class A preferred shares, which were fully subscribed by the shareholder Valec and paid in through the capitalization of receivables from Advances for Future Capital Increase held by such shareholder against TLSA. As a result of such increase CSN no longer holds a 77.30% interest, it currently holds 62.68% of the total capital of TLSA.

In October 2014 the BNDES (Brazilian development bank) exercised its call option on TLSA shares, as provided for by the Memorandum of Intentions entered into by the parties, and acquired 13,174 common shares held by CSN for R$13. As a result of this transaction, CSN’s stake in TLSA decreased to 62.64%. Due to the transactions described above, which resulted in changes in equity interests in 2014, the Company recognized a gain of R$647 in shareholders’ equity.

- ARVEDI METALFER DO BRASIL S.A. (“Arvedi”)

Arvedi, headquartered in Salto, State of São Paulo, is engaged in pipe production. As of December 31, 2014 and 2013 CSN held 20.00% of Arvedi's share capital.

7.d) Other investments

- PANATLÂNTICA S. A. ("Panatlântica")

Panatlântica is a publicly-held company, headquartered in the city of Gravataí, State of Rio Grande do Sul, engaged in the manufacturing, trade, import, export and processing of steel and ferrous or non-ferrous metals, coated or not. This investment is classified as available-for-sale and measured at fair value.

The Company currently holds 11.40% (9.41% as of December 31, 2013) of Panatlântica's total share capital.

- Usinas Siderúrgicas de Minas Gerais S.A. – USIMINAS ("USIMINAS")

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

On April 9, 2014, the Administrative Council for Economic Defense (CADE - Conselho Administrativo de Defesa Econômica) issued its decision on the matter and a commitment agreement (Performance Commitment Agreement), or TCD, was signed between CADE and CSN. Under the terms of the decision of CADE and TCD, CSN must reduce its interest in Usiminas within a specified term. The term and percentage of reduction are confidential. Moreover, the political rights at Usiminas will continue suspended until the Company reaches the limits established in the TCD.

The Company will continue to evaluate strategic alternatives with respect to its investment in Usiminas.

As of December 31, 2014 and 2013, the Company reached holdings of 14.13% in common shares and 20.69% in preferred shares of Usiminas' share capital.

USIMINAS is listed on the São Paulo Stock Exchange (“BM&F BOVESPA”: USIM3 and USIM5).

8. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery, equipment and facilities	Furniture and fixtures	Construction in progress	Other (*)	Total
Balance at December 31, 2012	**185,039**	**1,528,232**	**7,216,978**	**34,262**	**9,192,369**	**362,184**	**18,519,064**
Cost	185,039	1,828,492	11,358,581	145,255	9,192,369	683,889	23,393,625
Accumulated depreciation		(300,260)	(4,141,603)	(110,993)		(321,705)	(4,874,561)
Balance at December 31, 2012	**185,039**	**1,528,232**	**7,216,978**	**34,262**	**9,192,369**	**362,184**	**18,519,064**
Effect of foreign exchange differences	8,487	28,882	120,361	488	1,440	1,905	161,563
Acquisitions	69	1,555	320,845	3,562	2,152,462	11,076	2,489,569
Capitalized interest (Notes 23 and 30)					490,747		490,747
Write-offs	(15)	(71)	(9,316)	(12)	(21,423)	(823)	(31,660)
Depreciation		(60,122)	(1,015,895)	(5,867)		(35,488)	(1,117,372)
Asset impairment losses						(4,670)	(4,670)
Transfers to other asset categories	19,721	328,043	1,311,628	1,694	(1,841,181)	180,095	
Transfers to intangible assets					(74,958)		(74,958)
Loss of control over Transnordestina			(963)		(5,021,863)	(6)	(5,022,832)
					(185,206)		(185,206)

Capitalized interest written off							
Impairment in joint venture Transnordestina						(279,296)	(279,296)
Other			(160,805)		79,248	48,034	(33,523)
Balance at December 31, 2013	**213,301**	**1,826,519**	**7,782,833**	**34,127**	**4,771,635**	**283,011**	**14,911,426**
Cost	213,301	2,196,994	12,968,200	151,479	4,771,635	627,845	20,929,454
Accumulated depreciation		(370,475)	(5,185,367)	(117,352)		(344,834)	(6,018,028)
Balance at December 31, 2013	**213,301**	**1,826,519**	**7,782,833**	**34,127**	**4,771,635**	**283,011**	**14,911,426**
Effect of foreign exchange differences	27	1,449	13,383	(34)	(158)	1,425	16,092
Acquisitions	108	1,818	451,879	6,377	1,348,484	39,830	1,848,496
Capitalized interest (Notes 23 and 30)					165,789		165,789
Write-offs	(105)	(39)	(7,041)	(4)	(7,950)	(93)	(15,232)
Depreciation		(79,406)	(1,115,589)	(6,445)		(36,923)	(1,238,363)
Transfers to other asset categories	3,127	682,109	3,396,024	2,589	(4,010,497)	(73,352)	
Transfers to intangible assets				16	(20,743)	(919)	(21,646)
Other			(21,813)	7	(2,593)	(18,023)	(42,422)
Balance at December 31, 2014	**216,458**	**2,432,450**	**10,499,676**	**36,633**	**2,243,967**	**194,956**	**15,624,140**
Cost	216,458	3,021,437	16,791,750	167,410	2,243,967	414,276	22,855,298
Accumulated depreciation		(588,987)	(6,292,074)	(130,777)		(219,320)	(7,231,158)
Balance at December 31, 2014	**216,458**	**2,432,450**	**10,499,676**	**36,633**	**2,243,967**	**194,956**	**15,624,140**

(*) Refer basically to railway assets such as courtyards, tracks and railway sleepers, and leasehold improvements, vehicles, hardware, mines and ore deposits, and spare part inventories.

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

	Project description	Start date	Completion date		Consolidated 12/31/2014	Consolidated 12/31/2013
Logistics						
	Equalization of Berth 301.	2012	2014			151,932
	Current investments for maintenance of current operations.				45,522	231,832
					45,522	**383,764**
Mining						
	Expansion of Casa de Pedra Mine capacity production.	2007	2015/2016	(1)	462,075	1,090,568
	Expansion of TECAR export capacity.	2009	2017	(2)	332,394	404,374
	Current investments for maintenance of current operations.				60,236	42,866
					854,705	**1,537,808**
Steel						
	Construction of a long steel plant to produce rebar and machine wire.	2008	2014	(3)	95,991	1,592,016
	Implementation of the AF#3's gas pressure recovery.	2006	2015		1,140	74,337
	Expansion of the service center/Mogi.	2013	2015	(4)	46,993	11,000
	Current investments for maintenance of current operations.				159,499	668,495
					303,623	**2,345,848**
Cement						
	Construction of cement plants.	2011	2016	(5)	1,030,938	476,076
	Current investments for maintenance of current operations.				9,179	28,139
					1,040,117	**504,215**
Total construction in progress					**2,243,967**	**4,771,635**

(1) Expected date for completion of the Central Plant Stage 1 and Magnetic Separators;

(2) Estimated date for the completion of the 60 mtpa phase;

(3) Startup in the first half of 2014; negotiations in progress with advances for new plants;

(4) Expected date for completion of Service Center/Mogi;

(5) Expected date for completion of Minas Gerais unit.

Accordingly to the company's accounting police the useful lives is reassessed once a year for all the company's units. In 2014 the useful lives were extended mainly due to investment in the plant equipment maintenance. As a result, the reviewed estimated useful lives are as follows:

		Consolidated
	12/31/2014	**12/31/2013**
Buildings	43	43
Machinery, equipment and facilities	18	14
Furniture and fixtures	10	11
Other	29	26

8.a) Capitalized Interest

As of December 31, 2014, the Company capitalized borrowing costs amounting to R$165,789. These costs are basically estimated for the cement, mining and long steel projects, mainly relating to: new integrated cement plant, (ii) Casa de Pedra expansion (iii); long steel mill in the city of Volta Redonda (RJ), see notes 23 and 29.

The rates used to capitalize borrowing costs are as follows:

Rates	12/31/2014	12/31/2013
Specific projects		TJLP + 1.3% to 3.2% UM006 + 2.7%
Unspecified projects	10.03%	8.35%

8.b) Depreciation Expense:

Additions to depreciation, amortization and depletion for the year were distributed as follows:

	12/31/2014	12/31/2013	12/31/2012
Production cost	1,222,302	1,068,156	1,062,950
Selling expenses	9,066	8,248	8,041
General and administrative expenses	13,763	17,426	14,742
	1,245,131	**1,093,830**	**1,085,733**
Other operating expenses (*)	36,354	61,763	14,739
	1,281,485	**1,155,593**	**1,100,472**

(*) Refers to the depreciation of unused equipment (see note 22).

8.c) Mining Rights:

The Casa de Pedra mine is an asset belonging to CSN, which has the exclusive right to explore such mine. The mining activities of Casa de Pedra are based on the ‘Mine Manifest’, which grants CSN full ownership over the mineral deposits existing within its property limits.

As of December 31, 2014, the net balance of Casa da Pedra’s property, plant and equipment was R$3,452,947 (R$3,277,205 as of December 31, 2013).

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9. INTANGIBLE ASSETS

	Goodwill	Customer relationships	Software	Trademarks and patents	Other	Consolid Tota
Balance at December 31, 2012	**455,903**	**347,440**	**9,394**		**92,124**	**90**
Cost	666,768	347,440	41,849		92,124	1,14
Accumulated amortization	(150,004)		(32,455)			(182
Adjustment for accumulated recoverable value	(60,861)					(60
Balance at December 31, 2012	**455,903**	**347,440**	**9,394**		**92,124**	**90**
Effect of foreign exchange differences		64,570	148		18,127	8
Acquisitions and expenditures			635			
Disposals			(1)		(820)	
Impairment loss	(48,469)					(48
Transfer of property, plant and equipment			74,958			7
Loss of control over Transnordestina			(10,128)			(10
Amortization		(30,530)	(7,691)			(38
Other movements			39		(259)	
Balance at December 31, 2013	**407,434**	**381,480**	**67,354**	**109,035**	**137**	**96**
Cost	666,768	415,899	107,416	109,035	137	1,29
Accumulated amortization	(150,004)	(34,419)	(40,062)			(224
Adjustment for accumulated recoverable value	(109,330)					(109
Balance at December 31, 2013	**407,434**	**381,480**	**67,354**	**109,035**	**137**	**96**
Effect of foreign exchange differences		(1,060)	5	17		(1
Acquisitions and expenditures			727			
Transfer of property, plant and equipment			21,598		48	2
Amortization		(33,305)	(9,817)			(43
Other movements						
Balance at December 31, 2014	**407,434**	**347,115**	**79,867**	**109,052**	**185**	**94**
Cost	666,768	415,964	153,080	109,052	185	1,34
Accumulated amortization	(150,004)	(68,849)	(73,213)			(292
Adjustment for accumulated recoverable value	(109,330)					(109
Balance at December 31, 2014	**407,434**	**347,115**	**79,867**	**109,052**	**185**	**94**

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As a result, the estimated useful lives for the current year are as follows:

	Consolidated	
	12/31/2014	12/31/2013
Software	5	5
Customer relationships	13	13

- **Impairment testing of goodwill and trademarks and patents**

In order to conduct impairment testing, goodwill is allocated to CSN's operating divisions that represent the lowest level of assets or group of assets at which goodwill is monitored by the Company's senior management, never above Operating Segments.

Cash generating unit	Segment	12/31/2014	12/31/2013	Investor
Packaging (*)	Steel	158,748	158,748	CSN
Flat steel	Steel	13,091	13,091	CSN
Long steel	Steel	344,647	344,630	CSN Steel S.L.
		516,486	**516,469**	

(*) Goodwill of the cash-generating unit (CGU) Steel Containers is presented net of an impairment loss recognized in 2011 in other operating income and expenses in the income statement for the year, amounting to R$60,861. During the 4th quarter of 2013, the Company identified again an impairment of goodwill of the CGU Steel Containers and recorded the amount of R$48,469.

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

The main assumptions used in calculating the values in use as of December 31, 2014 are as follows:

	Flat steel	Long steel
Gross margin (i)	Average Gross Margin of each Cash-Generating Unit based on the history and forecast for the next three years. Price and foreign exchange curves obtained from industry reports used as long-term assumption.	Based on the forecast for the next three years, long-term price and foreign exc industry reports, and considering the production volume ramp up after plant st
Cost adjustment	Cost adjustment based on historical data and price and foreign exchange curves obtained from industry reports.	Cost adjustment based on historical data and price and foreign exchange curv industry reports.
Growth rate (ii)	Average growth rate of 2.0% p.a. used to extrapolate the cash flows after the budgeted period.	Average growth rate of 2.0% p.a. used to extrapolate the cash flows after the b
Discount rate (iii)	Effective discount rate of 8.07% p.a., before income tax and social contribution.	Effective discount rate of 7.6% p.a., before income tax and social contribution.

(i) Budgeted gross margin.
(ii) Weighted average growth rate, used to extrapolate the cash flows after the budgeted period.
(iii) Pretax discount rate, applied to cash flow projections.

(i) Budgeted gross margin.

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

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

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

For the Steel Containers CGU, the methodology used was the fair value of the assets measured by a firm specialized in the valuation of tangible assets.

10. BORROWINGS, FINANCING AND DEBENTURES

The balances of borrowings, financing and debentures, which are carried at amortized cost, are as follows:

		Consolidated			
	Rates p.a. (%)	Current liabilities		Non-current liabilities	
		12/31/2014	12/31/2013	12/31/2014	12/31/2013
FOREIGNCURRENCY					
Prepayment	1% to 3.5%	346,719	105,874	2,338,327	1,166,615
Prepayment	3.51% to 7.5%	12,411	207,331	1,713,249	1,276,717
Perpetual bonds	7%	3,615	3,189	2,656,200	2,342,600
Fixed rate notes	4.14% to 10%	1,236,634	156,868	4,996,352	5,505,110
Other	1.2% to 8%	51,634	61,662	387,240	442,843
		1,651,013	**534,924**	**12,091,368**	**10,733,885**
LOCAL CURRENCY					
BNDES/FINAME	TJLP + 1.5% to 3.2% and fixed rate of 2.5% to 10%	85,373	97,044	965,849	962,684
Debentures	105.8% to 111.2% of CDI	847,411	846,387	1,550,000	1,932,500
Prepayment	106.5% to 110.79% of CDI and fixed rate of 8%	118,870	101,330	5,345,000	5,345,000
CCB	112.5% of CDI	101,841	1,085,436	7,200,499	6,200,000
Other		9,422	8,527	11,549	15,505
		1,162,917	**2,138,724**	**15,072,897**	**14,455,689**
Total borrowings and financing		**2,813,930**	**2,673,648**	**27,164,265**	**25,189,574**
Transaction costs and issue premiums		(23,406)	(30,841)	(71,410)	(85,951)
Total borrowings and financing + transaction costs		**2,790,524**	**2,642,807**	**27,092,855**	**25,103,623**

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

As of December 31, 2014, the inflation-adjusted principal of long-term borrowings, financing and debentures by maturity year is as follows

	Consolidated	
2016	2,905,794	11%
2017	4,170,116	15%
2018	4,527,879	17%

2019	6,033,723	22%
2020	5,089,253	19%
After 2021	1,781,300	6%
Perpetual bonds	2,656,200	10%
	27,164,265	**100%**

- **New borrowings, financing and debentures**

The table below shows the new funding transactions and redemption during the current year:

		Consolidated
	12/31/2014	**12/31/2013**
Opening balance	**27,746,430**	**29,304,704**
Loans raised	1,898,606	1,697,363
Payments	(3,689,287)	(4,300,240)
Loss of control over Transnordestina		(3,180,821)
Other (*)	3,927,630	4,225,424
Closing balance	**29,883,379**	**27,746,430**

(*) Includes unrealized foreign exchange and monetary gains and losses.

The Company’s borrowing and financing agreements with certain financial institutions contain some covenants that are usual in agreements of this nature and the Company is compliant with them as of December 31, 2014.

- **Debentures**

Seventh issue

In March 2014 the Company issued 40,000 nonconvertible, unsecured debentures, in a single series, with a unit face value of R$10 totaling R$400,000 that pay interest equivalent to 111.20% of the CDI Cetip rate per year, maturing in March 2021, with early redemption option.

- **Guarantees provided**

Guarantees provided for the borrowings comprise property, plant and equipment items and sureties and do not include guarantees provided for subsidiaries and joint ventures. As of December 31, 2014, guarantees amount to R$2,256 (R$4,234 as of December 31, 2013).

11. FINANCIAL INSTRUMENTS

I - Identification and measurement of financial instruments

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

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

- **Classification of financial instruments**

Consolidated	Notes	Available-for-sale	Fair value through profit or loss	Loans and receivables - effective interest rate	Other liabilities - amortized cost method	12/31/2014 Balances	Avail
Assets							
Current assets							
Cash and cash equivalents	3			8,686,021		8,686,021	
Trade receivables, net	4			1,650,967		1,650,967	
Derivative financial instruments	6		174,611			174,611	
Trading securities	6		13,798			13,798	
Total			**188,409**	**10,336,988**		**10,525,397**	
Non-current assets							
Other trade receivables	6			1,347		1,347	
Investments		1,441,032				1,441,032	
Derivative financial instruments	6						
Short-term investments				34,874		34,874	

Total		**1,441,032**		**36,221**	**1,477,253**
Total assets		**1,441,032**	**188,409**	**10,373,209**	**12,002,650**
Liabilities					
Current liabilities					
Borrowings and financing	10			2,813,930	2,813,930
Derivative financial instruments	12		65		65
Trade payables				1,638,505	1,638,505
Dividends and interest on capital				277,097	277,097
Total			**65**	**4,729,532**	**4,729,597**
Non-current liabilities					
Borrowings and financing	10			27,164,265	27,164,265
Derivative financial instruments	12		21,301		21,301
Total			**21,301**	**27,164,265**	**27,185,566**
Total liabilities			**21,366**	**31,893,797**	**31,915,163**

- **Fair value measurement**

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either

directly (that is, as prices) or indirectly (that is, derived from prices).

- Level 3: inputs unavailable due to slight or no market activity and which is significant for the definition of the fair value of assets.

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

Consolidated	12/31/2014 Level 1	Level 2	Level 3	Balances	Level 1	Leve 2
Assets						
Current assets						
Financial assets at fair value through profit or loss						
Derivative financial instruments		174,611		174,611		9,68
Trading securities	13,798			13,798	9,906	
Non-current assets						
Available-for-sale financial assets						
Investments	1,441,032			1,441,032	2,405,174	
Financial assets at fair value through profit or loss						
Derivative financial instruments						3,87
Total assets	**1,454,830**	**174,611**		**1,629,441**	**2,415,080**	**13,56**
Liabilities						
Current liabilities						
Financial liabilities at fair value through profit or loss						
Derivative financial instruments		65		65		6,82
Non-current liabilities						
Financial liabilities at fair value through profit or loss						
Derivative financial instruments		21,301		21,301		17,37
Total liabilities		**21,366**		**21,366**		**24,19**

II – Investments in financial instruments classified as available-for-sale and measured at fair value through OCI

These refer mainly to investments in shares acquired in Brazil involving top ranked companies, which are recognized in non-current assets, and any gains or losses are recognized in shareholders' equity, where they will remain until actual realization of the securities or when any loss is considered unrecoverable.

Potential impairment of available-for-sale financial assets

The Company has investments in common (USIM3) and preferred (USIM5) shares of Usiminas (“Usiminas Shares”), designated as available-for-sale financial assets. The Company adopts this designation because the nature of the investment is not comprised in any other categories of financial instruments (loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss). The asset is classified as a non-current asset in line item “investments” and is carried at fair value based on the quoted price on the stock exchange (BM&FBOVESPA).

Considering the volatility of the quoted prices of Usiminas shares, the Company evaluated whether, at the end of the reporting period, there was objective evidence of impairment of these financial assets, that is, the Company's management evaluated if the decline in the market value of Usiminas shares should be considered either significant or prolonged. In turn, this valuation requires judgment based on CSN's policy, prepared according to practices used in the domestic and international markets, and consists of an instrument by instrument analysis based on quantitative and qualitative information available in the market, from the time an instrument indicates a drop of 20% or more in its market value or from the time there is a significant drop in its market value as compared to its purchase price during more than twelve months.

As of June 30, 2014 and 2013 there was a decline in the quoted price of the Company's common shares (USIM3) which, according to the Company's accounting policy, generated losses amounting to R$34,396 and R$3,302, net of income tax and social contribution, resulting in the recognition of R$52,115 and R$5,002 in other operating expenses and R$17,719 and R$1,701 in deferred taxes, respectively.

As of September 30, 2014, after a new decline in the quoted prices of the common shares (USIM3) as compared with the quoted prices as of June 30, 2014, the Company reclassified the accumulated losses for the quarter recognized in other comprehensive income, amounting to R$13,193, net of income tax and social contribution, to profit (loss) for the period, recognizing R$19,989 in other operating expenses and R$6,796 in deferred taxes.

As of December 31, 2014 there was a decline in the quoted prices of the Company’s preferred shares (USIM5) as compared to their quotation as of June 30, 2012. Accordingly, the Company reclassified the accumulated losses recognized in other comprehensive income, amounting to R$87,711, net of income tax and social contribution, and recognized R$132,896 in other operating expenses and R$45,185 in deferred taxes, respectively, accumulated reclassification loss during the year ended December 31, 2014 totaled R$205,000 as other operating expenses and R$69,700 as deferred taxes for 2014.

Beginning this date, pursuant to a Company's policy, gains and losses arising from the changes in the quoted prices of the shares are recognized in other comprehensive income.

- **Share market price risks**

The Company is exposed to the risk of changes in share prices due to the investments made and classified as available-for-sale.

The Company considers as probable scenario the amounts carried at market values as of December 31, 2014, net of tax of R$273,433. Therefore, there is no impact on the financial instruments classified as available-for-sale.

According to the Company’s accounting policies, any negative changes in the investment in Usiminas considered significant (impairment) are recognized in profit or loss, and positive changes are recognized in comprehensive income until the investment is realized.

III - Financial Instrument Policies:

11.a) Financial risk management

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

Under this policy, market risks are hedged when it is considered necessary to support the corporate strategy or when it is necessary to maintain a level of financial flexibility.

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

11.b) Use of derivatives

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

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

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

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

- ongoing calculation of exchange exposure by analyzing assets and liabilities exposed to foreign currency, under the following terms: (i) trade receivables and payables in foreign currency; (ii) cash and cash equivalents and debts in foreign currency considering the maturity of the assets and liabilities exposed to exchange fluctuations; iii) other financial instruments, such as derivative instruments (swap, dollar x real, euro x dollar, futures exchange contracts and hedge accounting);

- carrying out derivative transactions only with leading banks, diluting the credit risk through diversification among these banks;

- presentation of the financial position and exchange exposure on a routine basis in meetings of the Board of Executive Officers and Board of Directors that approve the hedging strategy;

11.c) Foreign exchange rate risk

The Company assesses its exchange exposure by subtracting its liabilities from its assets denominated in Dollar and Euro, thus arriving at its net exchange exposure, which is the foreign currency exposure risk, as mentioned above.

- **Foreign exchange exposure**

The consolidated net exposure as of December 31, 2014 is as follows:

Foreign Exchange Exposure	12/31/2014 (Amounts in US$'000)	12/31/2014 (Amounts in €'000)
Cash and cash equivalents overseas	2,943,232	4,957
Trade receivables	203,029	9,959
Intercompany loans	137,082	
Other assets	221	11,980

Total assets	**3,283,564**	**26,896**
Borrowings and financing	(4,999,530)	(121,203)
Trade payables	(218,366)	(5,787)
Intercompany borrowings	(17,038)	
Other liabilities	(18,516)	(43,629)
Total liabilities	**(5,253,450)**	**(170,619)**
Foreign exchange exposure	**(1,969,886)**	**(143,723)**
Notional amount of derivatives contracted, net	1,228,000	(90,000)
Cash flow hedge accounting	775,000	
Net foreign exchange exposure	**33,114**	**(233,723)**

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

- **Swap transactions**

The Company carries out currency swap transactions in order to hedge its assets and liabilities against any fluctuations in the US dollar-real parity. This hedge through currency swap transactions provides the Company, through the long position of the contract, with a forward rate agreement (FRA) gain on the exchange coupon, which at the same time improves our investment rates and reduces the cost of our funding in the international market.

As of December 31, 2014, the consolidated position of these contracts is as follows:

Counterparties	Transaction maturity	Functional currency	Notional amount	Appreciation (R$) Asset position	Liability position	12/31/2014 Fair value (market) Amounts receivable/ (payable)	Notional amount	Appreciatio Asset position	L p
Santander	01/02/15	Dollar	10,000	30,414	(25,068)	5,346	10,000	26,512	
Goldman Sachs		Dollar					10,000	23,697	
HSBC		Dollar					90,000	213,306	(
Deutche		Dollar							
Total dollar-to-CDI swap			**10,000**	**30,414**	**(25,068)**	**5,346**	**110,000**	**263,515**	**(**
Itaú BBA	1/05/2015 to 2/05/2015	Dollar	340,000	900,795	(845,425)	55,370	85,000	199,753	(
HSBC	1/05/2015 to 2/05/2015	Dollar	568,000	1,502,936	(1,430,394)	72,542	208,000	488,843	(
HSBC	1/30/2015	Dollar	10,000	26,416	(26,481)	(65)			
Deutsche Bank	1/05/2015 to 2/05/2015	Dollar	140,000	370,134	(361,327)	8,807			
Goldman Sachs	1/06/2015 to 2/03/2015	Dollar	130,000	344,207	(329,258)	14,949			
Santander	02/03/15	Dollar	30,000	79,224	(77,576)	1,648			
BTG Pactual		Dollar							
Total dollar-to-real swap (NDF)			**1,218,000**	**3,223,712**	**(3,070,461)**	**153,251**	**293,000**	**688,596**	**(**
Itaú BBA	01/09/15	Euro	60,000	197,366	(192,888)	4,478	30,000	94,858	
HSBC	01/09/15	Euro	30,000	98,688	(96,444)	2,244	30,000	94,900	
Goldman Sachs		Euro					30,000	94,880	
Total dollar-to-euro swap (NDF)			**90,000**	**296,054**	**(289,332)**	**6,722**	**90,000**	**284,638**	**(**
DB	1/30/2015 to 3/06/2015	Dollar	30,604	81,343	(77,054)	4,289	11,801	27,878	
Banco Novo	4/30/2015	Dollar	18,009	47,866	(46,481)	1,385			
BNPP	1/15/2015 to 7/06/2015	Dollar	31,516	83,768	(80,215)	3,553			
Total dollar-to-euro swap			**80,129**	**212,977**	**(203,750)**	**9,227**	**11,801**	**27,878**	
CSFB		Dollar					21,500	36,526	
Total LIBOR-to-CDI interest rate swap							**21,500**	**36,526**	
Itaú BBA	03/01/16	Real	150,000	168,496	(177,265)	(8,769)	150,000	152,610	(
HSBC	2/05/16 to 3/01/16	Real	185,000	206,843	(218,768)	(11,925)	185,000	187,395	(
Deutsche Bank	03/01/16	Real	10,000	11,167	(11,774)	(607)	10,000	10,114	
			345,000	**386,506**	**(407,807)**	**(21,301)**	**345,000**	**350,119**	**(**

Fixed rate-to-CDI interest rate swap						
	4,149,663	**(3,996,418)**	**153,245**	**1,651,272**	**(1,**	

11.d) Transactions with Derivative Financial Instruments:

- **Classification of the derivatives in the balance sheet and income statement**

Instruments	**Assets**			**Liabilities**			**12/31/2014 Finance income (costs), net (Note 23)**
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**	
Dollar-to-CDI swap	5,346		5,346				(12,735)
Dollar-to-real swap (NDF)	153,316		153,316	65		65	213,602
Dollar-to-euro swap (NDF)	6,722		6,722				33,397
Dollar-to-euro swap	9,227		9,227				8,605
Libor-to-CDI swap (*)							(943)
Fixed rate-to-CDI swap					21,301	21,301	(3,926)
	174,611		**174,611**	**65**	**21,301**	**21,366**	**238,000**

Instruments	**Assets**			**Liabilities**			**12/31/2013 Finance income (costs), net (Note 23)**
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**	
Dollar-to-CDI swap	9,033	3,879	12,912				11,172
Dollar-to-real swap (NDF)	631		631	1,228		1,228	(597)
Dollar-to-euro swap (NDF)				5,258		5,258	(13,190)
Yen-to-dollar swap (**)							(5,374)
Dollar-to-euro swap	17		17				4,035
				336		336	(4,268)

Libor-to-CDI swap							
Fixed rate-to-CDI swap					17,375	17,375	(17,375)
	9,681	**3,879**	**13,560**	**6,822**	**17,375**	**24,197**	**(25,597)**

(*) Swap positions were settled in May 2014, together with their prepayment.

(**) Swap positions were settled in December 2013, together with their guarantee deposit.

Dollar-to-CDI swap

As of December 31, 2014 the Company held a short position in a currency swap, where it receives exchange differences plus interest of 3.5% per year on average and pays 100% of CDI in the short position of the currency swap contract.

Dollar-to-real swap (NDF)

The Company entered into NDF (Non Deliverable Forward) transactions for the purpose of ensuring the forward purchase of US dollars, which are settled without physical delivery, by the difference in contracted R$/US$ buy parity against the R$/US$ sell parity, with is the Sale Ptax T-1 to maturity. The transactions are contracted with prime financial institutions, on the over-the-counter market, and allocated to the exclusive funds.

Dollar-to-euro swap (NDF)

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

Dollar-to-euro swap

The subsidiary Lusosider has derivative transactions to hedge its exposure against the euro-dollar fluctuation.

Fixed rate-to-CDI swap

The purpose of this transaction is to peg obligations subject to a fixed rate to the fluctuation of the average interest rate of the one-day interbank deposits (CDI) calculated and disclosed by CETIP. Basically, the Company contracted swaps for its obligations indexed to fixed rates, in which it receives interest on the notional amount (long position) and pays 100% of the Interbank Deposit Certificate (CDI) on the notional amount in reais of the contract date (short position). The gains and losses on this contract are directly related to CDI fluctuations. In general, these are transactions conducted in the Brazilian over-the-counter market that have as counterparty a prime financial institution.

- **Hedge accounting**

Beginning November 1, 2014, the Company formally designated cash flow hedging relationships to protect highly probable future cash flows against US dollar fluctuations.

In order to better reflect the accounting impacts of this foreign exchange hedging strategy on its profit, CSN designated part of its US dollar-denominated liabilities as a hedging instrument of its future exports. As a result, foreign exchange differences arising on translating the designated liabilities will be temporarily recognized in shareholders' equity and allocated to profit or loss when such exports are carried out, which will allow recognizing the US dollar impact on liabilities and exports concurrently. Note that adopting hedge accounting does not entail contracting any financial instrument. The Company designated for hedge accounting US$775 million in exports to be carried out between October 15, 2015 and May 20, 2020.

To support these designated amounts, the Company prepared formal documentation indicating how hedging is aligned with the goal and strategy of CSN's Risk Management Policy by identifying the hedging instruments used, the hedging purpose, the nature of the hedged risk, and showing the expected high effectiveness of the designated relationships. The designated debt instruments total an amount equivalent to the portion of future exports. Thus, the exchange differences on translating the instrument and the hedged item are similar. According to the Company's accounting policy, continuous assessments of the prospective and retrospective effectiveness must be carried out by comparing the designated amounts with the expected amounts, approved in Management's budgets, and the actual export amounts.

Through hedge accounting, the exchange gains and losses of the debt instruments do not immediately affect the Company's profit or loss except to the extent that exports are carried out.

The table below shows a summary of the hedging relationships as of December 31, 2014:

Designation Date	Hedging Instrument	Hedged item	Type of hedged risk	Hedged period	Designated amounts (US$'000)	12/31/2014 Impact on shareholders' equity
11/3/2014	Export prepayments in US$ to third parties	Part of the highly probable future monthly iron ore exports	Foreign exchange - R$ vs. US$ spot rate	October 2016-September 2019	500,000	(106,000)
12/1/2014	Export prepayments in US$ to third parties	Part of the highly probable future monthly iron ore exports	Foreign exchange - R$ vs. US$ spot rate	October 2015-February 2019	175,000	(16,818)
12/18/2014	Export prepayments in US$ to third parties	Part of the highly probable future monthly iron ore exports	Foreign exchange - R$ vs. US$ spot rate	May 2020	100,000	2,185
Total					**775,000**	**(120,633)**

In the hedging relationships described above, the amounts of the debt instruments were fully designated for equivalent iron ore export portions.

The movements in the hedge accounting amounts recognized in shareholders' equity as of December 31, 2014 are as follows:

	12/31/203	Addition	Reversal	12/31/2014
Cash flow hedge accounting		120,633		120,633

Income tax and social contribution on cash flow hedge accounting	(41,015)	(41,015)
Fair value of cash flow hedge, net of taxes	**79,618**	**79,618**

As of December 31, 2014 the hedging relationships established by the Company were effective, according to the prospective tests conducted. Thus, no reversal for hedge accounting ineffectiveness was recognized.

- **Sensitivity analysis of Derivative Financial Instruments and Foreign Exchange Exposure**

The Company considered scenarios 1 and 2 as 25% and 50% appreciation for volatility of the currency, using as benchmark the closing exchange rate as of December 31, 2014 for dollar-to-real swap R$2.6562, euro-to-dollar swap R$1.2149, dollar-to-euro swap R$1.2149, dollar-to-real swap R$2.6562, and euro-to-real swap 3.2270.

Instruments	Notional amount	Risk	Probable scenario (*)	Scenario 1	Scenario 2
Dollar-to-CDI swap	10,000	Dollar	30,414	(7,604)	(15,207)
Dollar-to-real swap (NDF)	1,218,000	Dollar	153,251	(805,928)	(1,611,856)
Hedge accounting of exports	775,000	Dollar	120,633	(514,639)	(1,029,278)
Exchange position functional currency BRL (not including exchange derivatives above)	(1,969,886)	Dollar		1,308,103	2,616,206
Consolidated exchange position (including exchange derivatives above)	**33,114**	**Dollar**		**(20,068)**	**(40,135)**
Dollar-to-euro swap (NDF)	(90,000)	Euro	6,722	67,068	132,297
Exchange position functional currency BRL (not including exchange derivatives above)	(143,723)	Euro		115,949	231,897
Consolidated exchange position (including exchange derivatives above)	**(233,723)**	**Euro**		**183,017**	**364,194**
Dollar-to-euro swap	80,129	Dollar	9,227	43,511	167,089

(*) The sensitivity analysis is based on the assumption of maintaining as probable scenario the market values as of December 31, 2014 recognized in the company's assets and liabilities.

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11.e) Interest rate risk

Short- and long-term liabilities indexed to floating interest rate and inflation indices. Due to this exposure, the Company entered into derivative transactions to better manage these risks.

- **Sensitivity analysis of interest rate swaps**

					12/31/2014
Instruments	**Notional amount**	**Risk**	**Probable scenario (*)**	**Scenario 1**	**Scenario 2**
Fixed rate-to-CDI interest rate swap	345,000	CDI	21,301	(15,239)	(30,633)
Dollar-to-CDI interest rate swap	10,000	CDI	25,068	(160)	(318)

(*) The sensitivity analysis is based on the assumption of maintaining as probable scenario the market values as of December 31, 2014 recognized in the company's assets and liabilities.

The Company considered scenarios 1 and 2 as 25% and 50% appreciation for volatility of the interest as of December 31, 2014.

- **Sensitivity analysis of changes in interest rates**

The Company considers the effects of a 5% increase or decrease in interest rates on its borrowings, financing and debentures as of December 31, 2014 in the consolidated financial statements.

		Impact on profit or loss
Changes in interest rates	**% p.a**	**12/31/2014**
TJLP	5.00	2,548
Libor	0.36	792

CDI	11.57	86,198

11.f) Liquidity risk

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

To manage cash liquidity in domestic and foreign currency, assumptions of future disbursements and receipts are established and daily monitored by the treasury area. The payment schedules for the long-term portions of borrowings, financing and debentures are shown in note 10.

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

	Consolidated				
At December 31, 2014	**Less than one year**	**From one to two years**	**From two to five years**	**Over five years**	**Total**
Borrowings, financing and debentures	2,813,930	7,075,910	15,650,855	4,437,500	29,978,195
Derivative financial instruments	65	21,301			21,366
Trade payables	1,638,505				1,638,505
Dividends and interest on capital	277,097				277,097
At December 31, 2013					
Borrowings, financing and debentures	2,673,648	6,391,523	11,439,993	7,358,058	27,863,222
Derivative financial instruments	6,822	17,375			24,197
Trade payables	1,102,037				1,102,037
Dividends and interest on capital	2,036				2,036

- **Fair values of assets and liabilities as compared to their carrying amounts**

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

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

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

	12/31/2014		12/31/2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Perpetual bonds	2,659,815	1,974,031	2,345,789	1,938,780
Fixed rate notes	6,232,986	6,267,272	5,661,978	6,032,207

- **Credit risks**

The exposure to credit risks of financial institutions is in line with the parameters established in the financial policy. The Company adopts the practice of analyzing in detail the financial position of its customers and suppliers, establishing a credit limit and conducting ongoing monitoring of the outstanding balance.

As regards short-term investments, the Company only makes investments in institutions with low credit risk as rated by credit rating agencies. As part of the funds is invested in repos (repurchase agreements) backed by Brazilian government bonds, there is also exposure to Brazil’s sovereign risk.

- **Capital management**

The Company manages its capital structure to ensure that it will be capable of providing return to its shareholders and benefits to other stakeholders, and maintain an optimal capital structure to reduce this cost.

12. OTHER PAYABLES

The group of other payables classified in current and non-current liabilities is comprised as follows:

	Consolida			
	Current		Non-current	
	12/31/2014	12/31/2013	12/31/2014	12/31/20
Payables to related parties (Note 17 b)	249,758	422,150	9,236,716	8,522,
Derivative financial instruments (Note 11 I)	65	6,822	21,301	17,
Dividends and interest on capital payable to Company owners	152,966			
Dividends and interest on capital payable non-controlling interests	124,131	2,036		
Advances from customers	22,905	28,213		
Taxes in installments (Note 14)	33,358	247,387	20,728	1,454,
Profit sharing - employees	120,278	121,631		
Other payables	141,648	144,612	36,618	66,
	845,109	**972,851**	**9,315,363**	**10,061,**

13. INCOME TAX AND SOCIAL CONTRIBUTION

13.a) Income tax and social contribution recognized in profit or loss:

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

	Consolidated		
	12/31/2014	12/31/2013	12/31/2012
Income tax and social contribution income (expense)			
Current	(528,170)	(1,290,755)	(321,999)
Deferred	679,323	1,216,594	1,274,207
	151,153	**(74,161)**	**952,208**

The reconciliation of consolidated income tax and social contribution expenses and income and the result from applying the effective rate to profit before income tax and social contribution are as follows:

	12/31/2014	12/31/2013	12/31/2012

(Loss) profit before income tax and social contribution	**(263,420)**	**608,155**	**(1,432,782)**
Tax rate	34%	34%	34%
Income tax and social contribution at combined statutory rate	**89,563**	**(206,773)**	**487,146**
Adjustment to reflect the effective rate:			
Interest on capital benefit		255,000	
Equity in results of affiliated companies	112,594	53,767	218,088
Income subject to special tax rate or untaxed	1,772	173,330	226,290
Transfer pricing adjustment	(2,350)	(31,404)	
Effect of REFIS and Early Settlement Program	(14,649)	(689,299)	39,256
Tax losses carryforward without recognized deferred tax	(29,259)	(166,734)	(42,683)
Subsidiaries' tax credit		550,270	
Indebtedness limit	(13,170)		
Other permanent deductions (add-backs)	6,652	(12,318)	24,111
Income tax and social contribution for the year	**151,153**	**(74,161)**	**952,208**
Effective tax rate	**57%**	**12%**	**-66%**

13.b) Deferred income tax and social contribution:

The deferred income tax and social contribution are calculated on income tax and social contribution tax losses and the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

	Opening balance 12/31/2013	Comprehensive income	Mov Profi
Deferred tax assets			
Income tax losses	1,132,296	(4,225)	
Social contribution tax losses	389,306		
Temporary differences	**1,248,925**	**335,650**	
- Provision for tax, social security, labor, civil and environmental risks	207,507		
- Provision for environmental liabilities	117,795		
- Asset impairment losses	53,450		
- Inventory impairment losses	28,556		
- (Gains)/losses on financial instruments	(4,722)		
- (Gains)/losses on available-for-sale financial assets	287,876	260,715	
- Actuarial liability (pension and healthcare plan)	131,938	32,360	
- Accrued supplies and services	91,807		
- Estimated losses on doubtful debts	27,749		
- Goowill on merger	(123,172)	(19)	
- Unrealized exchange differences (*)	546,041		
- (Gain) on loss of control over Transnordestina	(224,096)		
- Cash flow hedge accounting A23		41,015	
- Other	108,196	1,579	
Non-current assets	**2,770,527**	**331,425**	
Deferred tax liabilities			
- Fair value adjustment - Acquisition of SWT	252,109	(848)	
- Other	16,724	10	
Non-current liabilities	**268,833**	**(838)**	

(*) The Company taxes foreign exchange differences on a cash basis to calculate income tax and social contribution.

(**) Utilization of tax credits on the Company's tax losses to settle tax debts as prescribed by laws 12.865/13, 12.996/14 and 13.043/14, see note 14 a.

Some Group companies recognized tax credits on income tax and social contribution tax losses not subject to statutes of limitations and based on the history of profitability and expected future taxable profits determined in technical studies approved by Management, which take into consideration, among other economic and financial assumptions, the combination of CSN's mining business with Namisa, the repatriation of cash held abroad, and liquidity events related to nonstrategic assets.

Since they are subject to significant factors that may change the realization projections, the carrying amounts of deferred tax assets and projections are reviewed annually. These studies indicate the realization of these tax assets within the term stipulated by CVM Instruction 371/02 and the limit of 30% of the taxable profit for tax losses.

The deferred income tax and social contribution assets are estimated to be recovered as follows:

	Consolidated
2015	83,429
2016	94,099
2017	100,868
2018	57,565
2019	42,003
2020 onwards	80,883
	458,847

Certain group companies in Brazil have income tax and social contribution tax losses of R$268,164 and R$284,243, respectively, for which no deferred tax was recognized. Additionally, some Group companies domiciled abroad also hold tax losses of R$2,617,805, for which no deferred tax asset was recognized either. Pursuant to the laws prevailing in these subsidiaries' host countries, of total tax losses abroad R$147,647 expire in 2015, R$43,935 in 2017, R$7,972 in 2018, R$148,508 in 2025, R$19,101 in 2026, R$46,130 in 2027, R$ 69,959 in 2029, and R$13,553 in 2032.

From 2011 to 2014 some abroad subsidiaries generated profits amounting to R$3,788,574. Should tax authorities understand that these profits have already been distributed, additional taxation in Brazil, if due, would amount approximately to R$1,288,115 in income tax and social contribution. The Company, based on its legal counsel's opinion, assessed the likelihood of loss in a potential challenge by tax authorities as possible and, therefore, no provision was recognized in the financial statements.

- **Law 12.973/14**

Law 12,973, enacted in May 2014, revokes the Transition Tax Regime (RTT) and introduces other measures, among them: (i) amendments to Decree-Law 1.598/77 that addresses the corporate income tax; (ii) amendments to the law that addresses the social contribution; (ii) definition that any change in or adoption of accounting methods and criteria through administrative acts issued based on a competence attributed by the commercial law shall not have any impact on the calculation of federal taxes until it is properly regulated; (iii) inclusion of a specific treatment for taxation of profits or dividends for the calendar year 2014; (iv) inclusion of provisions on the calculation of interest on capital; and (v) new considerations about investments accounted for under the equity method of accounting. The provisions established in the law are effective starting 2015, however, companies may opt for their early adoption, on an irreversible basis, in 2014.

The Company prepared studies on the possible effects that could arise from the early application of the provisions of Law 12.973 and concluded that they do not result in material adjustments (or positive) to its financial statements as of December 31, 2014 and, therefore, elected not to adopt it.

13.c) Income tax and social contribution recognized in shareholders' equity:

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

	12/31/2014	12/31/2013	12/31/2012
Income tax and social contribution			
Actuarial gains on defined benefit pension plan	65.372	33,012	66,155
Changes in the fair value on available-for-sale financial assets	(140,859)	(401,574)	(377,164)
Exchange differences on translating foreign operations	(425,510)	(425,510)	(425,510)
Cash flow hedge accounting	41,015		
	(459,982)	**(794,072)**	**(736,519)**

13.d) Tax incentives

The Company benefits from Income Tax incentives based on the legislation in effect, such as: Workers' Food Program, the Rouanet Act (tax incentives to cultural sponsorship), Audiovisual Activity Tax Incentives, Funds for the Rights of Children and Adolescents, National Oncologic Care Support Program, National Disabled Care Support Program, and Senior Citizens Law. As of December 31, 2014, these tax incentives totaled R$3,487 (R$329 as of December 31, 2013).

14. TAXES IN INSTALLMENTS

The position of the Refis debts and other tax installment payment plans, recorded in taxes in installments in current and non-current liabilities, as mentioned in note 12, is as follows:

				Consolidated
	Current		Non-current	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Federal REFIS Law 11.941/0(a)	9,942	140,446		1,001,630
Federal REFIS Law 12.865/1(a)		27,124		384,872
Other taxes in installments (b)	23,416	79,817	20,728	68,336
	33,358	**247,387**	**20,728**	**1,454,838**

14.a) Tax Recovery Program (Federal Refis) – Law 11.941/09 and Law 13.043/14

- **Federal Law 11.941/09 Tax Installment Payment Program**

In November 2009 the Company joined the Tax Installment Payment Program introduced by Law 11.941/09 and decided to pay all tax debts with judicial deposits in cash. The Group awaits the approval by the Federal Revenue Service (RFB) and the National Treasury Attorney General's Office (PGFN) of these amounts, which total R$9,942.

- **Federal Law 12.865/13 Tax Installment Payment Program**

a. Reinstatement of the overseas profits installment payment program (Law 12.865/13)

The Company reported in Note 15, section "*Other administrative and judicial proceedings*", item (b), of the Notes to the Interim Financial Statements for the Third Quarter of 2014 (Provision for Tax, Social Security, Labor, Civil, Environmental Risks and Judicial Deposits) that it had been notified that its request to pay income tax and social contribution debts under an installment payment plan governed by Law 12.862/2013, also known as installment payment of taxes on overseas profits, amounting to R$1,585,174, had been rejected. In summary, this decision had been based on the inconsistency of the reported interest amounts. The Company filed an appeal against this decision where it asserted that said interest had been settled under the Law 11.941/2009 tax installment payment program, reinstated by Law 12.996/14.

Subsequently, due to the issue of Joint Administrative Rule 13/2014, which allowed the settlement of debts even if there was any discrepancy between the amount in installments determined by the Federal Revenue Service and the taxpayer's calculation, the Company paid R$18,083 and, therefore, it settled the down payment and the past-due installments.

Subsequently, the Federal Revenue Service accepted the payment and reinstated the installment payment plan and, therefore, the contingency reported in the Third Quarter of 2014 was written off from our controls.

b. Revision of the tax credits of the taxes on overseas profits installment payment plan (Law 12.865/13)

In November 2013 the Company joined the tax installment payment program. This resulted in a revision of the tax credit amounts—in qualitative terms—in December 2014. As a result, the adjusted amounts of credit from tax losses were R$25,507.

- **Deadline Extension (Federal Law 11.941/09) by Federal Law 12.996/14**

In August 2014 the Company joined the program that permitted the payment in installments of tax debts with a decrease in penalties and interest, and debt settlement with tax credits. The Company opted for the payment in 180 installments, utilizing credit from tax losses of R$26,905. This plan must be approved by tax authorities.

- **Early Settlement of Tax Debts – Federal Law 13.043/14**

In November 2014, the Company joined the Early Settlement of Tax Debts Program created by the Federal Government. The program's purpose is to allow taxpayers to settle all federal taxes in installments by paying no less than 30% of the total debt in cash and the remaining balance with credit from tax losses. The Company settled a total of R$1,603,970 in tax debts in installments. This has a cash impact equivalent to 30% of R$481,191 and due to the early settlement of the Law 11.941/09 installment payment plans totaling R$20,336. The remaining balance was settled with a tax credit amounting to R$1,083,702. The Group awaits the plan's approval by the RFB and the PGFN.

The table below shows the movements mentioned above:

	Consolidated
Amount of taxes in installments	1,603,970
Cash inflow (30%)	(481,191)
Tax credit (Tax loss)	(1,083,702)
Discounts on taxes in installments - Law 11.941/09	(39,077)
Prepayment of taxes in installments -Law11.941/09*	(20,336)

(*) Amounts paid in cash related to the early settlement required by Law 11.941/09 to allow the transfer of the tax debts to the Law 13.043/14 Early Settlement program.

14.b) Other tax installments (regular and other)

Some Group companies have installment payment plans with the Federal Revenue Service and state tax authorities.

15. PROVISION FOR TAX, SOCIAL SECURITY, LABOR, CIVIL AND ENVIRONMENTAL RISKS AND JUDICIAL DEPOSITS

Claims of different nature are being challenged at the appropriate courts. Details of the accrued amounts and related judicial deposits are as follows:

			Consolidated	
	12/31/2014		12/31/2013	
	Accrued liabilities	Judicial deposits	Accrued liabilities	Judicial deposits
Tax	129,524	77,836	428,141	469,692
Social security and labor	506,520	182,589	298,637	185,104
Civil	106,143	17,897	82,143	29,022
Environmental	3,981	1,697	4,262	961
Judicial deposits		8,785		8,935
	746,168	**288,804**	**813,183**	**693,714**

The changes in the provision for tax, social security, labor, civil and environmental risks in the year ended December 31, 2014 were as follows:

					Consolidated Current + Non- current
Nature	12/31/2013	Additions	Accrued charges	Net utilization of reversal	12/31/2014
Tax	428,141	51,983	13,324	(363,924)	129,524
Social security	47,261	9,952	5,064		62,277
Labor	251,376	313,634	47,711	(168,478)	444,243
Civil	82,143	5,845	30,062	(11,907)	106,143
Environmental	4,262	450	346	(1,077)	3,981
	813,183	**381,864**	**96,507**	**(545,386)**	**746,168**

The provision for tax, social security, labor, civil and environmental liabilities was estimated by management and is mainly based on the legal counsel's assessment. Only proceedings for which the risk is classified as probable loss are accrued. This provision includes tax liabilities resulting from lawsuits filed by the Company, subject to SELIC (Central Bank's policy rate).

Tax lawsuits

The main tax lawsuits assessed by the outside legal counsel as probable losses to which CSN or its subsidiaries are parties are as follows: (i) State VAT (ICMS) and State Poverty Suppression Fund Contribution (FECP) Assessment Notice due to the duplicate recordkeeping/import invoice issue; (ii) ICMS Assessment Notice for the alleged nonpayment of this tax on product imports; (iii) Tax Forfeiture to collect ICMS reported but not paid; (iv) ICMS Assessment Notice for the alleged nonpayment of the tax rate differences on interstate sales of consumables and capital assets; and (v) collection of income tax and social contribution for the offset of nonexistent tax credits.

The main decreases as compared to the 2013 financial statements result for joining the REFIS installment payment program due to the reopening, under Law 11.941/2009, of cases already assessed as probable losses, especially federal tax collection lawsuits due to unauthorized offsets, and the write-off of the provision for tax assessment notices related to the transfer of imported raw material at an amount lower than the price disclosed in the import documentation, issued by the Rio de Janeiro tax authority: (i) the ICMS difference levied of each transaction, (ii) disallowance of alleged ICMS credits claimed twice in the tax records, and (iii) fine for not recording invoices.

In the second case, in the third quarter of 2014, in line with the Company's accounting policy of continuously reviewing the likelihoods of unfavorable outcomes in ongoing lawsuits, Management, based on the in-house and outside legal counsel's opinion, revised the assumptions used to assess tax assessment notices and, based on favorable Superior Court of Justice rulings, case developments, and also on new, consistent arguments against such tax assessments, concluded that there are good chances of a favorable outcome in these lawsuits, and believes that the disbursement of resources incorporating future economic benefits to discharge a possible obligation due to an unfavorable outcome is less than probable.

Labor lawsuits

As of December 31, 2014, the Group is a defendant in 7,503 labor lawsuits, for which a provision has been recorded in the amount of R$444,243 (R$251,376 as of December 31, 2013). Most of the claims relate to subsidiary and/or joint liability, salary equalization, health hazard premiums and hazardous duty premiums, overtime pay, difference in the 40% fine for the severance pay fund (FGTS) related to period prior to retirement and as a result of federal government economic plans, health care plan, indemnity claims resulting from alleged occupational diseases or on-the-job accidents, breaks between working hours, and differences in profit sharing from 1997 to 1999 and from 2001 to 2003.

During the year ended December 31, 2014 there were significant addition or write-off movements in labor lawsuits, basically due to the substantial number of write-offs resulting from court orders issued to terminate lawsuits and the constant revision of the Company's accounting estimates related to the provision for contingencies that take into consideration the different nature of the claims made, as required by the Company's accounting policies.

Civil lawsuits

Among the civil lawsuits in which the Company is a defendant are claims for compensation. Generally these lawsuits result from on-the-job accidents, occupational diseases and contractual litigation related to the industrial activities of the Group, real estate actions, healthcare plan, and reimbursement of costs incurred in labor courts. For lawsuits involving civil matters, a provision has been recognized in the amount of R$106,143 as of December 31, 2014 (R$82,143 as of December 31, 2013)

Environmental lawsuits

The environmental administrative/judicial proceedings filed against the Company include mainly administrative proceedings for alleged environmental irregularities and the regularization of environmental permits; at the judicial level, the Company is a party to actions collecting the fines imposed for such alleged environmental irregularities and public civil actions claiming regularization coupled with compensation, in most cases claiming environmental recovery. In general these proceedings arise from alleged damages to the environment related to the Company’s industrial activities. For lawsuits involving environmental matters, a provision has been recognized in the amount of R$3,981 as of December 31, 2014 (R$4,262 as of December 31, 2013)

In July 2012 the Company received a legal notice in the lawsuit filed by the State Attorney's Office of the State of Rio de Janeiro, related to Volta Grande IV district in the city of Volta Redonda-RJ, claiming, among others, the removal of two industrial waste cells and 750 (seven hundred and fifty) homes. This lawsuit is classified as probable loss risk, but there is not an estimated amount due to the illiquidity of the claims.

As a result of the lawsuit mentioned in the paragraph above, after August 2012 the Company received legal notices related to some lawsuits filed by one of the dwellers of the Volta Grande IV district, who claims the payment of compensation for property damages and pain and suffering, whose amounts are illiquid at the moment, and this lawsuit is classified as possible loss risk.

On the same matter (Bairro Volta Grande IV), in August 2013 the Company received a subpoena about the lawsuits filed by the Federal Public Prosecution Office (Federal Courts), which has the same claim of the lawsuit filed by the State Public Prosecution Office, described above. This new lawsuit is classified as possible risk of loss since the trend is that the State courts’ decision prevails also in the Federal courts. The risk amount in this new lawsuit is the same of the lawsuit filed by the State Public Prosecution Office.

§ Other administrative and judicial proceedings

The Group is a defendant in other administrative and judicial proceedings (tax, social security, labor, civil, and environmental) classified as possible risk of loss, in the approximate amount of R$15,429,927, of which

(a) R$7,068,252 refers to the tax assessment notice issued against the Company for an alleged sale of 40% of the shares of its joint venture NAMISA to a Japanese-Korean consortium, thus failing to determine and pay taxes on the capital gain resulting from this transaction, and in May 2013, the São Paulo (SP) Regional Judgment Office (lower administrative court) issued a decision favorable to the Company and cancelled the tax assessment notice. In light of this decision, an ex-officio appeal was filed that will be judged by the Administrative Board of Tax Appeals (CARF). The appeal filed was partially upheld and the Company awaits the issue of the court decision to analyze a possible filing of a new appeal with the Superior Board of Tax Appeals.

(b) R$742,727 refers to tax foreclosures filed to require the Company to pay the ICMS, as liable party, allegedly due on the electricity purchased from a Generating Plant and fully consumed in the manufacturing of steel products. The tax auditors believe that the use of electricity in the production process does not exclude the Company responsibility for withholding ICMS levied on delivery of this input in the plant.

(c) R$521,340 refers to the decision issued by the Federal Revenue Service that partially approved the request to pay debts in installments governed by Provisional Act 470/09 due to the insufficiency of tax losses. When consolidating the tax installment payment plan, the Federal Revenue Service considered the existing outstanding balance in the Inflation-Based Profit Tax Return (SAPLI) as the correct amount: however, this balance already included the adjustments to tax losses as a result of the Overseas Profits tax assessment notice issued against the Company.

(d) R$523,171 refers to the offset of taxes that were not approved by the Federal Revenue Service for different reasons. The taxes involved are CSLL, IRPJ, IPI, PIS and COFINS. The analysis of the entire documentation evidences the right to claim credits and the right to file offset requests, processed at the time.

(e) R$476,316 refers to the assessment notice issued against the Company for an alleged nonpayment of income tax (IRPJ) and social contribution on net income (CSLL) on profits recognized in the balance sheets of its foreign subsidiaries in 2010.

(f) R$446,907 refers to the disallowance of the ICMS credits claimed by the Company in the period 04/1999-07/2002 on the transfer of iron ore between the Casa de Pedra mine and the Presidente Vargas Plant. According to the tax auditors, the tax base used on the transfer under the Minas Gerais State Law is not accepted under the Rio de Janeiro State Law, reason why the difference was disallowed

(g) R$257,536 refers to the disallowance of the ICMS credits on the acquisition of subsidiary INAL's units located in the State of Rio de Janeiro. According to the tax auditors, the acquisition of a unit does not entitle an entity to claim ICMS credits. In light of these tax assessments, the Company filed for an injunction at the time and its right to change its State taxpayer master file was recognized, to state that the units acquired belong to CSN. This decision was favorable to the Company and can be applied in the judgment of our appeals by the Rio de Janeiro State Taxpayers Board.

(h) R$230,261 refers to the transfer of imported raw material at an amount lower than the price disclosed in the import documentation, and the tax authority is claiming: (i) the ICMS difference levied on each transaction, (ii) disallowance of alleged ICMS credits claimed twice in the tax records, and (iii) fine for not recording invoices.

(i) R$362,489 refers to the disallowance of the tax losses arising on adjustments to the SAPLI (Inflation-based losses and profits monitoring system) made by the Federal Revenue Service due to the tax assessment notice issued in 2008-2010.

(j) R$2,870,796 refers to other tax (federal, state, and municipal) lawsuits.

(k) On June 14, 2010, the Regional Federal Court of Brasília rejected the annulment action filed by CSN against CADE, which aimed at annulling its fine for the alleged infringements laid down in Articles 20 and 21, I, of Law 8.884/1984. The Company filed appropriate appeals against this decision, which were dismissed, resulting in the filing of a Motion for clarification, which is pending judgment. The collection of the R$63,463 fine is suspended by a Court decision, which stays the collection as from the date CSN issued a guarantee letter.

(l) R$1,369,004 refers to labor and social security lawsuits; R$382,641 refers to civil lawsuits, and R$115,024 refers to environmental lawsuits.

The assessments made by the legal counsel define these administrative and judicial proceedings as entailing possible risk of loss and, therefore, no provision was recognized in conformity with Management's judgment and accounting practices adopted in Brazil.

16. PROVISION FOR ENVIRONMENTAL LIABILITIES AND ASSET RETIREMENT OBLIGATIONS

The balance of the provision for environmental liabilities and asset retirement obligations is as follows:

	Consolidated	
	12/31/2014	**12/31/2013**
Environmental liabilities	211,544	346,455
Asset retirement obligations	26,995	23,999
	238,539	**370,454**

16.a) Environmental liabilities

As of December 31, 2014, there is a provision recognized for expenditures relating to environmental investigation and recovery services for potentially contaminated areas surrounding establishments in the States of Rio de Janeiro, Minas Gerais and Santa Catarina. Estimated expenditures will be reviewed periodically and the amounts already recognized will be adjusted whenever necessary. These are Management's best estimates based on the environmental remediation studies and projects. This provision is recognized as other operating expenses. In the second quarter of 2014, the Company concluded a new study of remediation alternatives for some areas in Volta Redonda (RJ) which in the past were used as

landfill by the Company. The study comprised the change of the remediation technology, replacing the material removal by the on-site geotechnical confinement, as permitted by the Brazilian environmental legislation, resulting in a reversal of R$120,582.

The provision is measured at the present value of the expenditures required to settle the obligation, using a pretax rate that reflects current market assessments of the time value of money and the specific risks of the obligation. The increase in the obligation due to passage of time is recognized as other operating expenses.

The long-term interest rate used to discount the provision to present value through December 31, 2014 was 11.00%. The liability recognized is periodically updated based on the general market price index (IGPM) for the period.

16.b) Asset retirement

Asset retirement obligations refer to estimated costs for decommissioning, retirement or restoration of areas upon the termination of activities related to mining resources. The initial measurement is recognized as a liability discounted to present value and subsequently through increase in expenses over time. The asset retirement cost equivalent to the initial liability is capitalized as part of the carrying amount of the asset, being depreciated over the useful life of the asset.

17. RELATED-PARTY BALANCES AND TRANSACTIONS

17.a) Transactions with Holding Companies

Vicunha Siderurgia S.A. is a holding company set up for the purpose of holding equity interests in other companies and is the Company's main shareholder, with 51.34% of the voting shares.

Rio Iaco Participações S.A. holds 4.28% of CSN's voting capital.

- **Liabilities**

Companies	Proposed Dividends	Paid Dividends	Interest on capital
Vicunha Siderurgia	141,190	203,386	
Rio Iaco	11,776	16,963	
Total at 12/31/2014	**152,966**	**220,349**	
Total at 12/31/2013		**471,801**	**388,855**

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

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

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

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

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

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

17.b) Transactions with subsidiaries, joint ventures, associates, exclusive funds and other related parties

- **By transaction – Assets and Liabilities**

							Consolida
Assets	**Current**	**Non-current**	**Total**	**Liabilities**	**Current**	**Non-current**	**Total**
Trade receivables	153,737		153,737	**Other payables**			
Loans	517,493	117,357	634,850	Accounts payable	2,681	546	3,
Dividends receivable	59,470		59,470	Advances from customers	247,077	9,236,170	9,483,
Actuarial asset		97,173	97,173	Trade payables	63,165		63,
Other receivables (note 6)	15,780	7,037	22,817	Actuarial liability		11,275	11,
Total at 12/31/2014	**746,480**	**221,567**	**968,047**	**Total at 12/31/2014**	**312,923**	**9,247,991**	**9,560,**
Total at 12/31/2013	**987,969**	**719,042**	**1,707,011**	**Total at 12/31/2013**	**475,099**	**8,533,824**	**9,008,**

- **By transaction – Statement of Income**

					Consolidated
	12/31/2014		**12/31/2013**		**12/31/2012**
Revenues		**Revenues**		**Revenues**	
Sales	1,177,860	Sales	862,004	Sales	1,865,226
Interest	50,631	Interest	25,576	Interest	55,829
Expenses		**Expenses**		**Expenses**	
Purchases	(1,047,423)	Purchases	(917,469)	Purchases	(483,108)
Interest	(423,621)	Interest	(421,659)	Interest	(397,991)
Total	**(242,553)**	**Total**	**(451,548)**	**Total**	**1,039,956**

- **By company – Assets and Liabilities**

	Assets			**Liabilities**		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Subsidiaries						
Ferrovia Transnordestina Logística S.A. (1)	52,658	64,739	117,397			
	52,658	**64,739**	**117,397**			
Joint ventures						
CGPAR Construção Pesada S.A.	7,042		7,042	75		75
Nacional Minérios S.A. (2)	482,981		482,981	247,696	9,236,716	9,484,412
MRS Logística S.A.	24,632		24,632	39,515		39,515
CBSI - Companhia Brasileira de Serviços e Infraestrutura	4,776	3,808	8,584	11,196		11,196
Transnordestina Logística S.A (3)	100,397	40,961	141,358	14,110		14,110
	619,828	**44,769**	**664,597**	**312,592**	**9,236,716**	**9,549,308**
Other related parties						
CBS Previdência		97,173	97,173		11,275	11,275
Fundação CSN	320	148	468	234		234
Banco Fibra						
Usiminas	1,187		1,187	97		97
Panatlântica	72,487		72,487			
Ibis Participações e Serviços						
Taquari Participações S.A						
	73,994	**97,321**	**171,315**	**331**	**11,275**	**11,606**
Associates						
Arvedi Metalfer do Brasil S.A.		14,738	14,738			
Total at 12/31/2014	**746,480**	**221,567**	**968,047**	**312,923**	**9,247,991**	**9,560,914**

Total at 12/31/2013	**987,969**	**719,042**	**1,707,011**	**475,099**	**8,533,824**	**9,008,923**

- **By company – Statement of Income**

	12/31/2014				12/31/20			
	Sales	Purchases	Finance income and costs, net	Total	Sales	Purchases	Finance income and costs, net	Total
Parent Company								
Vicunha Steel S,A,							(1,849)	(1,8
							(1,849)	**(1,8**
Subsidiaries								
Ferrovia Transnordestina Logística S,A, (1)			11,684	11,684			(62)	(
			11,684	**11,684**			**(62)**	**(**
Joint ventures								
CGPAR Construção Pesada S,A,		(152,835)		(152,835)		(200,689)		(200,6
Nacional Minérios S,A, (2)	344,182	(15,733)	(399,739)	(71,290)	357,731	(3,519)	(394,456)	(40,2
MRS Logística S,A,		(668,295)		(668,295)		(555,261)		(555,2
CBSI - Companhia Brasileira de Serviços e Infraestrutura		(170,979)		(170,979)		(122,348)		(122,3
Transnordestina Logística S,A (3)			12,185	12,185	46		(883)	(8
	344,182	**(1,007,842)**	**(387,554)**	**(1,051,214)**	**357,777**	**(881,817)**	**(395,339)**	**(919,3**
Other related parties								
CBS Previdência		(7,199)		(7,199)		(13,392)		(13,3
Fundação CSN		(2,550)	64	(2,486)		(1,983)	83	(1,9
Banco Fibra			1,048	1,048				
Usiminas	58,845	(22,689)		36,156	50,722	(8,355)		42,3
Panatlântica	774,833			774,833	453,505			453,5
Ibis Participações e Serviços		(7,013)		(7,013)		(9,717)		(9,7
Taquari Participações S,A		(130)		(130)		(2,205)		(2,2
Companhia de Gás do Ceará								
	833,678	**(39,581)**	**1,112**	**795,209**	**504,227**	**(35,652)**	**83**	**468,6**
Associates								
Arvedi Metalfer do Brasil S,A,			1,768	1,768			1,084	1,0
Total	**1,177,860**	**(1,047,423)**	**(372,990)**	**(242,553)**	**862,004**	**(917,469)**	**(396,083)**	**(451,5**

1. Refers to loans of the subsidiary FTL - Ferrovia Transnordestina Logística S.A with the joint venture Transnordestina Logística S.A.

2. Nacional Minérios S.A: Asset: Refers mainly to prepayment transactions with the indirect subsidiaries CSN Europe, CSN Export and CSN Metals. Contracts in US$: interest of 5.37% to 6.80% p.a. with final maturity in June 2015. As of December 31, 2014, loans total R$364,118 (R$360,990 as of December 31, 2013) classified in current.

Liability: The advance from customer received from the joint venture Nacional Minérios S.A. refers to the contractual obligation of supply of iron ore and port services. The contract is subject to interest rate of 12.5% p.a. and expires in September 2042.

As disclosed in note 7.d), the Company signed an investment agreement for the new strategic alliance formed with the Asian Consortium. During the procedures required to close the transaction, the interest established in the agreements was canceled; however, a resolutive condition was introduced to reinstate the collection of interest retrospectively if the transaction is not closed.

The transaction closing is subject to the parties reaching a consensus on a business plan, regulatory approvals by antitrust authorities and the governmental authorities responsible for regulating mining rights, and other conditions precedent usual in this type of transaction. The closing date is scheduled for late 2015.

3. Transnordestina Logística S.A: Contracts in R$: interest of 108.00% of the CDI with final maturity in December 2016. As of December 31, 2014, borrowings total R$141,358 (R$270,693 as of December 31, 2013), of which R$100,397 is classified in current and R$40,961 is classified in long term

1. 17.c) Other unconsolidated related parties

- **CBS Previdência**

The Company is the main sponsor of this non-profit entity established in July 1960, primarily engaged in the payment of benefits that supplement the official government Social Security benefits to participants. In its capacity as sponsor, CSN carries out transactions involving the payment of contributions and recognition of actuarial liabilities calculated in defined benefit plans, as detailed in note 26.

- **Fundação CSN**

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

- **Banco Fibra**

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

- **Ibis Participações e Serviços Ltda.**

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

- **Companhia de Gás do Ceará**

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

17.d) Key management personnel

The key management personnel, who have authority and responsibility for planning, directing and controlling the Company's activities, include the members of the Board of Directors and statutory directors. The following is information on the compensation of such personnel and the related balances as of December 31, 2014.

	12/31/2014	12/31/2013
	Statement of Income	
Short-term benefits for employees and officers	34,861	29,540
Post-employment benefits	116	118

Other long-term benefits	n/a	n/a
Severance benefits	n/a	n/a
Share-based compensation	n/a	n/a
	34,977	**29,658**

n/a – not applicable

18. SHAREHOLDERS' EQUITY

18.a) Paid-in capital

Fully subscribed and paid-in capital as of December 31, 2014 and 2013 is R$4,540,000 comprising 1,387,524,047 (1,457,970,108 as of December 31, 2013) book-entry common shares without par value. Each common share entitles its holder to one vote in Shareholders' Meetings.

18.b) Authorized capital

The Company's bylaws in effect as of December 31, 2014 determine that the capital can be raised to up to 2,400,000,000 shares by decision of the Board of Directors.

18.c) Legal reserve

This reserve is recognized at the rate of 5% of the profit for each period, as provided for by Article 193 of Law 6.404/76, up to the ceiling of 20% of share capital.

18.d) Ownership structure

As of December 31, 2014, the Company's ownership structure was as follows:

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			12/31/2014		12/31/20
	Number of common shares	% of total shares	% of voting capital	Number of common shares	% of to shares
Vicunha Siderurgia S.A.	697,719,990	50.29%	51.34%	697,719,990	47.8
Rio Iaco Participações S.A. (*)	58,193,503	4.19%	4.28%	58,193,503	3.9
Caixa Beneficente dos Empregados da CSN - CBS	12,788,231	0.92%	0.94%	12,788,231	0.8
BNDES Participações S.A. - BNDESPAR	8,794,890	0.63%	0.65%	8,794,890	0.6
NYSE (ADRs)	342,466,899	24.68%	25.20%	356,019,691	24.4
BM&FBovespa	239,010,634	17.23%	17.59%	324,453,803	22.2
	1,358,974,147	**97.94%**	**100.00%**	**1,457,970,108**	**100.0**
Treasury shares	28,549,900	2.06%			
Total shares	**1,387,524,047**	**100.00%**		**1,457,970,108**	**100.0**

(*) Rio Iaco Participação S. A. is a company of the controlling group.

18.e) Treasury shares

The Board of Directors authorized various share buyback programs in order to hold shares in treasury for subsequent disposal and/or cancelation with a view to maximizing the generation of value to the shareholder through an efficient capital structure management, as shown in the table below:

Program	Board's Authorization	Authorized quantity	Program period	Average buyback price	Minimum and maximum buyback price	number bought back	ca
1st	3/13/2014	70,205,661	3/14/2014-4/14/2014	R$ 9.34	R$ 9.22 and R$ 9.45	2,350,000	
2nd	4/15/2014	67,855,661	4/16/2014-5/23/2014	R$ 8.97	R$ 8.70 and R$ 9.48	9,529,500	
3rd	5/23/2014	58,326,161	5/26/2014-6/25/2014	R$ 9.21	R$ 8.61 and R$ 9.72	31,544,500	
4th	6/26/2014	26,781,661	6/26/2014-7/17/2014	R$ 10.42	R$ 9.33 and R$ 11.54	26,781,661	
	7/18/2014			Not applicable	Not applicable		60,
5th	7/18/2014	64,205,661	7/18/2014-8/18/2014	R$ 11.40	R$ 11.40	240,400	
	8/19/2014			Not applicable	Not applicable		10,
6th	8/19/2014	63,161,055	8/19/2014-9/25/2014	R$ 9.82	R$ 9.47 and R$ 10.07	6,791,300	
7th	9/29/2014	56,369,755	9/29/2014-12/29/2014	R$ 7.49	R$ 4.48 and R$ 9.16	21,758,600	
8th (*)	12/30/2014	34,611,155	12/31/2014-3/31/2015				

(*) After the end of the reporting period, the Company bought back 1,841,100 shares under this program.

1. On July 18, 2014 and August 19, 2014, the Board of Directors approved the cancelation of 60,000,000 and 10,446,061 treasury shares, respectively, without change in the Company's share capital.

As of December 31, 2014, the position of the treasury shares was as follows:

Bought back number (in units)	Amount paid for the shares	Share price			Share market price as of 12/31/2014 (*)
		Minimum	Maximum	Average	
28,549,900	R$ 229,586	R$ 4.48	R$11.54	R$ 8.04	R$ 159,308

(*) Using the last share quotation on BM&FBovespa as of December 31, 2014 of R$5.58 per share.

18.f) Policy on investments and payment of interest on capital and dividends

At a meeting held on December 11, 2000, the Board of Directors decided to adopt a profit distribution policy which, after compliance with the provisions in Law 6.404/76, as amended by Law 9.457/97, will entail the distribution of all the profit to the Company's shareholders, provided that the following priorities are observed, irrespective of their order: (i) carrying out the business strategy; (ii) fulfilling its obligations; (iii) making the required investments; and (iv) maintaining a healthy financial situation of the Company.

18.g) Earnings/(loss) per share:

Basic earnings (loss) per share were calculated based on the profit attributable to the owners of CSN divided by the weighted average number of common shares outstanding during the year, excluding the common shares purchased and held as treasury shares, as follows:

	12/31/2014	12/31/2013	12/31/2012
		Common shares	
(Loss) profit for the year			
Attributable to owners of the Company	(105,218)	509,025	(420,113)
Weighted average number of shares	1,413,697	1,457,970	1,457,970
Basic and diluted EPS	(0.07443)	0.34913	(0.28815)

19. PAYMENT TO SHAREHOLDERS

On February 28, 2014 and December 30, 2014, the Board of Directors approved the proposal for payment, as advance of mandatory minimum dividend, from the retained earnings reserve (statutory working capital reserve), the amounts of R$425,000 and R$275,000 in dividends, corresponding to R$0.291501175 and R$0.202358522, respectively. The dividends approved in February were paid as from March 11, 2014 and the dividends approved in December will be paid as from January 15, 2015, without inflation adjustment, to shareholders domiciled in Brazil.

Dividends are calculated pursuant to the Company's bylaws and in compliance with the Brazilian Corporate Law. The table below shows the calculation of dividends and interest on capital approved for 2014:

	12/31/2014

Loss for the year	(105,218)
Reversal of statutory working capital reserve	805,218
Profit for allocation	**700,000**
Allocation:	
Dividends approved on 2/28/2014 and on 12/30/2014	700,000
Dividends paid in the year	(424,939)
Dividends and interest on capital from prior years	2,036
Total dividends payable	**277,097**
Weighted average number of shares	1,413,697
Dividends per share approved	0.19601

The tables below show the history of dividends and interest on capital approved and paid:

Year	Approval Year	Dividends	Interest on capital	Total	Year	Payment Year	Dividends	Interest on ca
2013	2013	610,000	190,000	800,000	2013	2013	610,503	190
2014	2014	700,000		700,000	2014	2014	424,939	
						2015	274,917	
Total Approved		**1,310,000**	**190,000**	**1,500,000**		**Total Total Approved**	**1,310,359**	**190**

20. NET SALES REVENUE

Net sales revenue is comprised as follows:

	12/31/2014	12/31/2013	12/31/2012
Gross revenue			
Domestic market	13,061,229	14,635,703	13,742,201
Foreign market	6,247,489	6,143,242	4,813,693
	19,308,718	**20,778,945**	**18,555,894**
Deductions			
Cancelled sales and discounts	(167,483)	(206,109)	(312,687)
Taxes levied on sales	(3,015,003)	(3,260,404)	(3,014,618)
	(3,182,486)	**(3,466,513)**	**(3,327,305)**
Net revenue	**16,126,232**	**17,312,432**	**15,228,589**

21. EXPENSES BY NATURE

	12/31/2014	12/31/2013	12/31/2012
Raw materials and inputs	(5,125,417)	(5,998,881)	(5,734,685)
Labor cost	(1,716,995)	(1,590,892)	(1,482,838)
Supplies	(1,097,940)	(1,145,772)	(979,894)
Maintenance cost (services and materials)	(1,072,664)	(1,297,377)	(1,018,545)
Outsourcing services	(2,544,553)	(2,117,701)	(1,521,275)
Depreciation, amortization and depletion (Note 8 b)	(1,245,131)	(1,093,830)	(1,085,733)
Other	(270,040)	(538,218)	(677,105)
	(13,072,740)	**(13,782,671)**	**(12,500,075)**
Classified as:			
Cost of sales (Note 24)	(11,592,382)	(12,422,706)	(11,258,667)
Selling expenses (Note 24)	(1,041,975)	(874,875)	(773,488)
General and administrative expenses (Note 24)	(438,383)	(485,090)	(467,920)
	(13,072,740)	**(13,782,671)**	**(12,500,075)**

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22. OTHER OPERATING INCOME (EXPENSES)

	12/31/2014	12/31/2013	12/31/2012
Other operating income			
Untimely PIS/COFINS/ICMS credits		404	26,860
Reversal of actuarial liability/provision for actuarial asset	166	985	43,749
Indemnities/gains on lawsuits	39,693	51,737	20,567
Rentals and leases	1,080	817	2,645
Reversal of provisions	20,790	7,972	1,953
Gain on loss of control over Transnordestina		473,899	
Other revenues	28,759	30,249	15,127
	90,488	**566,063**	**110,901**
Other operating expenses			
Taxes and fees	(58,344)	(103,446)	(72,999)
Provision for tax, social security, labor, civil and environmental risks, net of reversals	(110,059)	(254,062)	(295,665)
Nondeductible contractual fines	(7,464)	(6,479)	(61,439)
Depreciation of unused equipment and amortization of intangible assets (Note 8 b)	(36,354)	(61,763)	(14,739)
Residual value of permanent assets written off (Note 8)	(15,232)	(31,660)	(9,759)
Inventory impairment losses/reversals (Note 5)	(10,396)	5,975	(13,210)
Losses on spare parts	(26,432)		
Studies and project engineering expenses	(48,807)	(89,878)	(58,080)
Research and development expenses	(3,406)	(5,810)	
Impairment loss adjustment		(48,469)	
Pension plan expenses			(5,256)
Healthcare plan expenses	(54,319)	(55,720)	(51,234)
Impairment of available-for-sale financial assets	(205,000)	(5,002)	(2,022,793)
REFIS effect - Law 11,941/09 and Law 12,865/13, net	(37,308)	(129,743)	
Impairment of the Transnordestina old railway network (note 7 X)		(216,446)	
Other expenses	(44,006)	(131,705)	(157,108)
	(657,127)	**(1,134,208)**	**(2,762,282)**
Other operating expenses, net	**(566,639)**	**(568,145)**	**(2,651,381)**

23. FINANCE INCOME (COSTS)

	12/31/2014	12/31/2013	12/31/2012
Finance income			
Related parties (Note 17 b)	50,631	25,576	68,023
Income from short-term investments	82,103	125,685	177,328
Net effect of REFIS - Law 11,941/09 and MP 470/09			115,457
Other income	38,818	20,723	31,036
	171,552	**171,984**	**391,844**
Finance costs			
Borrowings and financing - foreign currency	(718,281)	(743,276)	(675,379)
Borrowings and financing - local currency	(1,806,568)	(1,559,312)	(1,531,514)
Related parties (Note 17 b)	(423,621)	(421,659)	(397,991)
Capitalized interest (Notes 8 and 29)	165,789	490,747	401,827
Losses on derivatives (*)	(4,869)	(21,643)	(9,166)
Interest, fines and late payment charges	(76,704)	(72,065)	(157,277)
REFIS effect - Law 11,941/09 and Law 12,865/13, net	(52,036)	(277,032)	
Other finance costs	(187,688)	(135,500)	(178,185)
	(3,103,978)	**(2,739,740)**	**(2,547,685)**
Inflation adjustment and exchange differences, net			
Inflation adjustments, net	(109)	(37,858)	(143,774)
Exchange differences, net	(391,767)	97,969	152,837
Exchange gain (losses) on derivatives (*)	242,869	(3,954)	(4,573)
	(149,007)	**56,157**	**4,490**
Finance costs, net	**(3,081,433)**	**(2,511,599)**	**(2,151,351)**
(*) Statement of gains and (losses) on derivative transactions			
Dollar-to-CDI swap	(12,735)	11,172	8,301
Dollar-to-real swap (NDF)	213,602	(597)	
Dollar-to-euro swap (NDF)	33,397	(13,190)	(5,116)
Dollar-to-euro swap	8,605	4,035	(8,065)
Yen-to-dollar swap		(5,374)	307
	242,869	**(3,954)**	**(4,573)**
Libor-to-CDI swap	(943)	(4,268)	(9,166)
Fixed rate-to-CDI swap	(3,926)	(17,375)	
	(4,869)	**(21,643)**	**(9,166)**
	238,000	**(25,597)**	**(13,739)**

24. SEGMENT INFORMATION

According to the Group’s structure, its businesses are distributed into five (5) operating segments.

- **Steel**

The Steel Segment consolidates all the operations related to the production, distribution and sale of flat steel, long steel, metallic containers and galvanized steel, with operations in Brazil, the United States, Portugal and Germany. The Segment supplies the following markets: construction, steel containers for the Brazilian chemical and food industries, home appliances, automobile and OEM (motors and compressors). The Company's steel units produce hot and cold rolled steel, galvanized and pre-painted steel of great durability. They also produce tinplate, a raw material used to produce metallic containers.

Overseas, Lusosider, which is based in Portugal, also produces metal sheets, as well as galvanized steel. CSN LLC in the U.S.A. meets local market needs by supplying cold rolled and galvanized steel. In January 2012, CSN acquired Stahlwerk Thüringen (SWT), a manufacturer of long steel located in Unterwellenborn, Germany. SWT is specialized in the production of shapes used for construction and has an installed production capacity of 1.1 million metric tons of steel/year.

In January 2014 the production of long steel products started with a capacity of 500,000 metric tons per year, which will consolidate the company as a source of complete construction solutions, complementing its portfolio of products with high value added in the steel chain.

- **Mining**

This segment encompasses the activities of iron ore and tin mining, The high quality iron ore operations are located in the Iron Quadrilateral in MG, the Casa de Pedra mine in Congonhas, MG, which produces high quality iron ore, as well as the joint venture Nacional Minérios S.A. (Namisa), which has its own mines, also of excellent quality, and which sells third party iron ore. CSN also controls Estanho de Rondônia S.A. (ERSA), a company that has both tin mining and casting units.

CSN holds the concession to operate TECAR, a solid bulk terminal, one of the four terminals that comprise the Itaguaí Port, in Rio de Janeiro. Importations of coal and coke are carried out through this terminal.

- **Logistics**

i. Railroad

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

a) MRS

The railroad transportation services provided by MRS are fundamental to the supply of raw materials and the shipment of final products. The total amount of iron ore, coal and coke consumed by the Presidente Vargas Mill as well as part of the steel produced by CSN for the domestic market and for export are carried by MRS.

The Southeast Brazilian railroad system, encompassing 1,674 kilometers of tracks, serves the tri-state industrial area of São Paulo-Rio de Janeiro-Minas Gerais, linking the mines located in Minas Gerais to the ports located in São Paulo and Rio de Janeiro, and the steel mills of CSN, Companhia Siderúrgica Paulista, or Cosipa, and Gerdau Açominas. Besides serving other customers, the railroad system carries iron ore from the Company's mines in Casa de Pedra, Minas Gerais, and coke and coal from the Itaguaí Port, in Rio de Janeiro, to Volta Redonda, and carries CSN's export products to the ports of Itaguaí and Rio de Janeiro. Its volumes of cargo carried account for approximately 28% of the total volume carried by the Southeast railroad system.

b) TLSA and FTL

TLSA and FTL hold the concession of the former RFFSA's Northeast Network. The Northeast Network totals 4,238 km, divided into two sections: i) Network I, which comprises the São Luiz–Mucuripe, Arrojado–Recife, Itabaiana–Cabedelo, Paula Cavalcante–Macau–Recife, and Propriá–Jorge Lins (Network I) sections, whose concession goes until 2027, held by FTL; and ii) Network II, which comprises the Missão Velha–Salgueiro, Salgueiro–Trindade, Trindade– Eliseu Martins, Salgueiro–Porto de Suape, and Missão Velha–Porto de Pecém sections, whose concession goes until 2057 or until the return of the investment adjusted by 6.75% of the sections, held by TLSA.

The Network links up with the main ports in the region, offering an important competitive advantage by means of opportunities for combined transportation solutions and logistics projects tailored to customer needs.

II. Port Logistics

The Port Logistics Segment consolidates the operation of the terminal built during the post-privatization period of the ports, Sepetiba Tecon.. The Sepetiba terminal features complete infrastructure to meet all the needs of exporters, importers and ship owners. Its installed capacity exceeds that of most other Brazilian terminals. It has excellent depths of 14.5 meters in the mooring berths and a huge storage area, as well as the most modern and appropriate equipment, systems and intermodal connections.

The Company's constant investment in projects in the terminals consolidates the Itaguaí Port Complex as one of the most modern in Brazil, at present with capacity for handling 480 thousand containers and 30 million metric tons per year of bulk cargo.

- **Energy**

CSN is one of the largest industrial consumers of electric power in Brazil. As energy is fundamental in its production process, the Company invests in assets for generation of electric power to guarantee its self-sufficiency. These assets are as follows: Itá hydroelectric power plant, in the State of Santa Catarina, with rated capacity of 1,450 MW, where CSN has a share of 29.5%; Igarapava hydroelectric power plant, Minas Gerais, with rated capacity of 210 MW, in which CSN holds 17.9% of the capital; and a thermoelectric co-generation Central unit with rated capacity of 238 MW, which has been operating at the UPV since 1999. For fuel the Central Unit uses the residual gases produced by the steel mill itself. Through these three power generation assets, CSN obtains total rated capacity of 430 MW.

- **Cement**

The cement division consolidates the cement production, distribution and sale operations, which use the slag produced by the Volta Redonda plant's blast furnaces. In 2011, the clinker used in cement production was acquired from third parties; however, at the end of 2011, with the completion of the first stage of the Arcos Clinker plant, MG, this plant already supplied the milling needs of CSN Cimentos in Volta Redonda.

The information presented to Management regarding the performance of each business segment is generally derived directly from the accounting records, combined with some intercompany allocations.

- **Sales by geographic area**

Sales by geographic area are determined based on the customers' location. On a consolidated basis, domestic sales are represented by revenues from customers located in Brazil and export sales are represented by revenues from customers located abroad.

- **Profit per segment**

Beginning 2013, the Company no longer proportionately consolidates joint ventures Namisa, MRS and CBSI. For segment information preparation and presentation purposes, Management decided to maintain the proportionate consolidation of the joint ventures, as historically presented. For consolidated profit reconciliation purposes, the amounts of these companies were eliminated in the column "Corporate expenses/elimination".

Profit or loss	Steel	Mining	Logistics		Energy	Cemen
			Port	Railroads		
Metric tons (thou.) - (unaudited) (*)	5,177,453	25,245,424				2,185,0
Net revenues						
Domestic market	8,650,413	306,837	202,338	1,105,026	324,481	440,4
Foreign market	2,841,271	3,802,566				
Total net revenue (Note 20)	**11,491,684**	**4,109,403**	**202,338**	**1,105,026**	**324,481**	**440,4**
Cost of sales and services (Note 21)	(8,671,935)	(2,985,930)	(137,634)	(753,394)	(186,750)	(295,26
Gross profit	**2,819,749**	**1,123,473**	**64,704**	**351,632**	**137,731**	**145,2**
General and administrative expenses (Note 21)	(686,936)	(61,129)	(7,016)	(113,042)	(20,097)	(66,84
Depreciation (Note 8 b)	802,323	366,808	10,525	168,786	17,095	37,6
Proportionate EBITDA of joint ventures						
Adjusted EBITDA	**2,935,136**	**1,429,152**	**68,213**	**407,376**	**134,729**	**116,0**
Sales by geographic area						
Asia	77,688	3,674,778				
North America	713,777					
Latin America	165,238					
Europe	1,868,280	127,788				
Other	16,288					
Foreign market	**2,841,271**	**3,802,566**				
Domestic market	**8,650,413**	**306,837**	**202,338**	**1,105,026**	**324,481**	**440,4**
TOTAL	**11,491,684**	**4,109,403**	**202,338**	**1,105,026**	**324,481**	**440,4**

Profit or loss	Steel	Mining	Logistics		Energy	Cemen
			Port	Railroads		
Metric tons (thou.) - (unaudited) (*)	6,116,944	21,534,147				2,045,8
Net revenues						
Domestic market	9,695,736	679,974	194,842	1,074,216	211,797	415,5
Foreign market	2,697,471	4,616,754				
Total net revenue (Note 20)	**12,393,207**	**5,296,728**	**194,842**	**1,074,216**	**211,797**	**415,5**
Cost of sales and services (Note 21)	(9,961,948)	(2,829,028)	(97,488)	(708,407)	(161,435)	(276,75
Gross profit	**2,431,259**	**2,467,700**	**97,354**	**365,809**	**50,362**	**138,8**
General and administrative expenses (Note 21)	(738,655)	(69,364)	(22,743)	(100,062)	(20,384)	(68,21
Depreciation (Note 8 b)	761,086	219,742	7,272	140,551	17,067	30,6
Proportionate EBITDA of joint ventures						
Adjusted EBITDA	**2,453,690**	**2,618,078**	**81,883**	**406,298**	**47,045**	**101,2**
Sales by geographic area						
Asia	45,105	3,610,625				
North America	635,749					

Latin America	153,027					
Europe	1,839,732	1,006,129				
Other	23,858					
Foreign market	**2,697,471**	**4,616,754**				
Domestic market	**9,695,736**	**679,974**	**194,842**	**1,074,216**	**211,797**	**415,5**
TOTAL	**12,393,207**	**5,296,728**	**194,842**	**1,074,216**	**211,797**	**415,5**

Profit or loss	Steel	Mining	Logistics Port	Railroads	Energy	Cement
Metric tons (thou.) - (unaudited) (*)	5,828,718	20,181,321				1,972,020
Net revenues						
Domestic market	8,478,244	713,445	151,514	1,066,756	228,667	387,672
Foreign market	2,324,038	3,772,104				
Total net revenue (Note 22)	**10,802,282**	**4,485,549**	**151,514**	**1,066,756**	**228,667**	**387,672**
Cost of sales and services (Note 23)	(8,867,820)	(2,449,839)	(82,585)	(729,684)	(153,031)	(286,316)
Gross profit	**1,934,462**	**2,035,710**	**68,929**	**337,072**	**75,636**	**101,356**
General and administrative expenses (Note 23)	(616,976)	(59,404)	(20,482)	(95,246)	(21,792)	(68,195)
Depreciation (Note 10 b)	750,507	190,019	6,653	139,386	17,238	26,902
Proportionate EBITDA of jointly controlled entities						
Adjusted EBITDA	**2,067,993**	**2,166,325**	**55,100**	**381,212**	**71,082**	**60,063**

Sales by geographic area	Steel	Mining	Logistics Port	Railroads	Energy	Cement	Corporate expenses/ elimination	Co
Asia	30,495	2,964,154						
North America	585,505	16,589						
Latin America	203,069							
Europe	1,491,195	791,361						
Other	13,774						(1,326,365)	
Foreign market	**2,324,038**	**3,772,104**					**(1,326,365)**	
Domestic market	**8,478,244**	**713,445**	**151,514**	**1,066,756**	**228,667**	**387,672**	**(567,486)**	
TOTAL	**10,802,282**	**4,485,549**	**151,514**	**1,066,756**	**228,667**	**387,672**	**(1,893,851)**	

(*) The ore sales volumes presented in this note take into consideration Company sales and the interest in its subsidiaries and joint ventures (Namisa 60%), MRS and CBSI.

Adjusted EBITDA is the measurement based on which the chief operating decision maker assesses the segment performance and the capacity to generate recurring operating cash, consisting of profit for the year less net finance income (costs), income tax and social contribution, depreciation and amortization, equity in results of affiliated companies, and other operating income (expenses), plus the proportionate EBITDA of joint ventures.

Even though it is an indicator used in segment performance measurement, EBITDA is not a measurement recognized by accounting practices adopted in Brazil or IFRS, it does not have a standard definition, and may not be comparable with measurements using similar names provided by other entities.

As required by IFRS 8, the table below shows the reconciliation of the measurement used by the chief operating decision maker with the results determined using the accounting practices.

	12/31/2014	12/31/2013	12/31/2012
(Loss) profit for the year	(112,267)	533,994	(480,574)
Depreciation (Note 8 b)	1,245,131	1,093,830	1,085,733
Income tax and social contribution (Note 13)	(151,153)	74,161	(952,208)
Finance income (cost) (Note 23)	3,081,433	2,511,599	2,151,351
EBITDA	**4,063,144**	**4,213,584**	**1,804,302**
Other operating income (expenses) (Note 22)	566,639	568,145	2,651,381
Equity in results of affiliated companies	(331,160)	(158,138)	(641,436)
Proportionate EBITDA of joint ventures	430,547	780,606	717,627
Adjusted EBITDA (*)	**4,729,170**	**5,404,197**	**4,531,874**

(*) The Company discloses its adjusted EBITDA net of its share of investments and other operating income (expenses) because it understands that these should not be included in the calculation of recurring operating cash generation.

25. EMPLOYEE BENEFITS

The pension plans granted by the Company cover substantially all employees. The plans are administered by Caixa Beneficente dos Empregados da CSN (‘CBS”), a private non-profit pension fund established in July 1960 which has as members the employees (and former employees) of the Company and some subsidiaries who joined the fund through an agreement, and the employees of CBS itself. The Executive Officers of CBS is formed by a CEO and two other executive officers, all appointed by CSN, which is the main sponsor of CBS. The Decision-Making Board is the higher decision-making and guideline-setting body of CBS, presided over by the president of the pension fund and made up of ten members, six chosen by CSN in its capacity as main sponsor of CBS and four elected by the fund’s participants.

Until December 1995, CBS Previdência administered two defined benefit plans based on years of service, salary and Social Security benefits. On December 27, 1995 the then Private Pension Secretariat (“SPC”) approved the implementation of a new benefit plan, effective beginning that date, called Mixed Supplementary Benefit Plan (‘Mixed Plan”), structured in the form of a variable contribution plan. Employees hired after that date can only join the new Mixed Plan. In addition, all active employees who were participants of the former defined benefit plans had the opportunity to switch to the new Mixed Plan.

As of December 31, 2014 CBS had 34,562 participants (33,939 as of December 31, 2013), of whom 20,252 were active contributors (19,325 as of December 31, 2013), 9,271 were retired employees (9,460 as of December 31, 2013), and 5,039 were related beneficiaries (5,154 as of December 31, 2013). Out of the total participants as of December 31, 2014, 12,559 belonged to the defined benefit plan, 16,604 to the mixed plan, 1,767 to the CBSPrev Namisa plan, and 3,632 to the CBSPrev plan.

The plan assets of CBS are primarily invested in repurchase agreements (backed by federal government securities), federal government securities indexed to inflation, shares, loans and real estate. As of December 31, 2014 CBS held 12,788,231 common shares of CSN (12,788,231 common shares as of December 31, 2013). The total plan assets of the entity amounted to R$4.2 billion as of December 31, 2014 (R$4.1 billion as of December 31, 2013). The administrators of the CBS funds seek to match plan assets with benefit obligations payable on a long-term basis. Pension funds in Brazil are subject to certain restrictions regarding their capacity for investment in foreign assets and, therefore, these funds invest mainly in Brazilian securities.

Plan Assets are all available assets and the benefit plans’ investments, not including the amounts of debts to sponsors.

For the defined benefit plans “35% of the average salary” and “average salary supplementation plan”, the Company holds a financial guarantee with CBS Previdência, the entity that administers said plans, to ensure their financial and actuarial balance, in the event of any future actuarial loss or actuarial gain.

As provided for in the prevailing law that governs the pension fund market, for the years ended December 31, 2013 and 2014, CSN did not have to pay the installments because the defined benefit plans posted actuarial gains for the period.

25.a) Description of the pension plans

Plan covering 35% of the average salary

This plan began on February 1, 1966 and is a defined benefit plan aimed at paying pensions (for length of service, special situations, disability or old age) on a lifetime basis, equivalent to 35% of the adjusted average of the participant’s salary for the last 12 months. The plan also guarantees sick pay to participants on Official Social Security leaves of absence and further ensures payments of savings fund, funeral allowance and pecuniary aid. This plan was discontinued on October 31, 1977 when the new supplementary plan based on average salary took effect.

Average salary supplementation plan

This plan began on November 1, 1977 and is a defined benefit plan aimed at complementing the difference between the adjusted average of the participant’s salary for the last 12 months and the Official Social Security benefit for retirement, also on a lifetime basis. As in the 35% plan, there is coverage for the benefits of sick pay, death and pension. This plan was discontinued on December 26, 1995 with the creation of the mixed supplementary benefit plan.

Mixed supplementary benefit plan

This plan began on December 27, 1995 and is a variable contribution plan. Besides the scheduled retirement benefit, it also covers the payment of risk benefits (pension paid while the participant is still working, disability compensation and sick/accident pay). Under this plan, the retirement benefit is calculated based on the amount accumulated by the monthly contributions of the participants and sponsors, as well as on each participant's option for the manner in which they receive them, which can be lifetime (with or without continuity of pension for death) or through a percentage applied to the balance of the benefit-generating fund (loss for indefinite period). After retirement is granted, the plan takes on the characteristics of a defined benefit plan. This plan was discontinued on October 16, 2013 when the CBS Prev plan became effective.

CBS Prev Plan

The new CBS Prev Plan, which is a defined contribution plan, started on September 16, 2013. Under this plan, the retirement benefit is determined based on the accumulated amount by monthly contributions of participants and sponsors. To receive the benefit, each participant can opt for: (a) receiving part in cash (up to 25%) and the remaining balance through a monthly income through a percentage applied to the benefit-generating fund, not being applicable to death pension benefits, or (b) receive only a monthly income through a percentage applied to the benefit-generating fund.

With the creation of the CBS Prev Plan, the mixed supplementary benefit plan was discontinued for the entry of new participants as from September 16, 2013.

25.b) Investment policy

The investment policy establishes the principles and guidelines that will govern the investments of funds entrusted to the entity, in order to foster the security, liquidity and profitability required to ensure equilibrium between the plan's assets and liabilities based on an ALM (Asset Liability Management) study that takes into consideration the benefits of participants and beneficiaries for each plan.

The investment plan is reviewed annually and approved by the Decision-Making Board considering a five-year horizon, as established by resolution CGPC 7 of December 4, 2003. The investment limits and criteria established in the policy are based on Resolution 3,792/09 published by the National Monetary Council (“CMN”).

25.c) Employee benefits

The actuarial calculations are updated at the end of each annual reporting period by outside actuaries and presented in the financial statements pursuant to IAS 19 Employee Benefits.

				Consolidated
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
	Actuarial asset		**Actuarial liability**	
Pension plan benefits (Note 6)	97,173	97,051	11,275	11,139
Post-employment healthcare benefits			576,480	473,966
	97,173	**97,051**	**587,755**	**485,105**

The reconciliation of employee benefits' assets and liabilities is as follows:

	12/31/2014	12/31/2013
Present value of defined benefit obligation	2,508,441	2,263,012
Fair value of plan assets	(2,745,834)	(2,684,783)
(Surplus)	**(237,393)**	**(421,771)**
Restriction to actuarial assets due to recovery limitation	151,495	335,859
(Assets), net	**(85,898)**	**(85,912)**
Liabilities	11,275	11,139
Assets	(97,173)	(97,051)
Net (assets) recognized in the balance sheet	**(85,898)**	**(85,912)**

The movement in the present value of the defined benefit obligation during 2014 is as follows:

	12/31/2014	12/31/2013
Present value of obligations at the beginning of the year	**2,263,012**	**2,666,261**
Cost of service	10,114	6,375
Interest cost	255,573	239,310
Benefits paid	(209,891)	(208,951)
Actuarial loss/(gain)	189,633	(439,983)
Present value of obligations at the end of the year	**2,508,441**	**2,263,012**

The movement in the fair value of the plan assets during 2014 is as follows:

	12/31/2014	12/31/2013
Fair value of plan assets at the beginning of the year	**(2,684,783)**	**(2,923,483)**
Expected return on plan assets	(305,469)	(263,410)
Benefits paid	209,891	208,951
Actuarial gains	34,527	293,159
Fair value of plan assets at the end of the year	**(2,745,834)**	**(2,684,783)**

The amounts recognized in the income statement for the year ended December 31, 2014 are comprised as follows:

	12/31/2014	12/31/2013
Cost of current service	10,114	6,375

Interest cost	255,573	239,310
Expected return on plan assets	(305,469)	(263,410)
Interest on the asset ceiling effect	39,733	16,908
	(49)	**(817)**
Total unrecognized costs (income) (*)	117	168
Total (income) recognized in the income statement	(166)	(985)
Total (income), net (*)	**(49)**	**(817)**

(*) Effect of the limit of paragraph 58 (b) of IAS 19 *Employee Benefits.*

The (cost)/income is recognized in the income statement in other operating expenses.

The movement in the actuarial gains and losses in 2014 is as follows:

	12/31/2014	**12/31/2013**
Actuarial losses and (gains)	**224,160**	**(146,823)**
Restriction due to recovery limitation	(224,099)	137,336
	61	**(9,487)**
Actuarial losses and (gains) recognized in other comprehensive income	178	(9,319)
Unrecognized actuarial (gains) (*)	(117)	(168)
Total cost of actuarial losses and (gains)	**61**	**(9,487)**

(*) Actuarial loss results from the fluctuation in the investments comprised in the CBS's asset portfolio.

Breakdown of actuarial gains or losses, required by paragraph 41 of IAS 19(R1):

	12/31/2014
Loss due to change in demographic assumptions	127
Loss due to change in financial assumptions	77,197
Loss due to experience adjustments	112,812
Return on plan assets (less interest income)	34,024
Actuarial losses	**224,160**

The history of actuarial gains and losses is as follows:

	12/31/2014	**12/31/2013**	**12/31/2012**	**12/31/2011**	**12/31/2010**
Present value of defined benefit obligations	2,508,441	2,263,012	2,666,261	2,153,649	1,982,556
Fair value of plan assets	(2,745,834)	(2,684,783)	(2,923,483)	(2,384,450)	(2,316,018)
(Surplus)	**(237,393)**	**(421,771)**	**(257,222)**	**(230,801)**	**(333,462)**
Experience adjustments to plan obligations	189,633	(439,983)	484,524	141,674	225,341
Experience adjustments to plan assets	34,527	(293,159)	456,393	(81,038)	40,669

The main actuarial assumptions used were as follows:

	12/31/2014	**12/31/2013**
Actuarial financing method	Projected unit credit	Projected unit credit
Functional currency	Real (R$)	Real (R$)
Recognition of plan assets	Fair value	Fair value
Amount used as estimate of equity at the end of the year	Best estimate for equity at the end of the fiscal year, obtained based on a projection of the October amounts recorded	Best estimate for equity at the end of the fiscal year, obtained based on a projection of the October amounts recorded
Nominal discount rate	12.20%	11.83%
Inflation rate	5.70%	5.00%
Nominal salary increase rate	6.76%	6.05%
Nominal benefit increase rate	5.70%	6.05%
Rate of return on investments	12.20%	11.83%
General mortality table	Milênio Plan and Healthcare Plan: AT 2000 segregated by gender 35% and Average Sslary Supplementation Plans: AT 2000 segregated by gender (10% smoothed)	Milênio Plan and Healthcare Plan: AT 2000 segregated by gender 35% and Average Salary Supplementation Plans: AT 2000 segregated by gender (smoothed)
Disability table		

	Mercer Disability with probabilities multiplied by 2	Mercer Disability with probabilities multiplied by 2
Disability mortality table	Winklevoss - 1%	Winklevoss - 1%
Turnover table	Millennium plan 3% p.a., nil for DB plans	Millennium plan 3% p.a., nil for DB plans
Retirement age	100% on the first date he/shed becomes eligible for programmed retirement benefit under the plan	100% on the first date he/shed becomes eligible for programmed retirement benefit under the plan
Household of active participants	95% will be married at the time of retirement, with the wife being 4 years younger than the husband	95% will be married at the time of retirement, with the wife being 4 years younger than the husband

The assumptions related to the mortality table are based on published statistics and mortality tables. These tables represent an average life expectancy in years of employees who retire at the age of 65, as shown below:

	12/31/2014		12/31/2013	
	BD Plan (*)	**Milênio Plan (*)**	**BD Plan (*)**	**Milênio Plan (*)**
Longevity at age of 65 for current participants				
Male	20.45	19.55	20.45	20.45
Female	23.02	22.17	23.02	23.02
Longevity at age of 65 for current participants who are 40				
Male	42.69	41.59	20.45	20.45
Female	46.29	45.30	23.02	23.02

(*) The BD Plan is part of the 35% and Average Salary Supplementation Plan and the Milênio Plan is part of the Mixed Supplementary Benefit Plan.

Allocation of plan assets:

		12/31/2014		12/31/2013
Variable income	38,167	1.61%	118,596	4.42%
Fixed income	2,538,297	93.59%	2,398,472	89.34%
Real estate	112,900	3.24%	107,386	4.00%
Other	56,470	1.56%	60,329	2.24%
Total	**2,745,834**	**100.00%**	**2,684,783**	**100.00%**

Variable-income assets comprise mainly CSN shares.

Fixed-income assets comprise mostly debentures, Interbank Deposit Certificates (“CDI”) and National Treasury Notes (“NTN-B”).

Real estate refers to buildings appraised by a specialized asset appraisal firm. There are no assets in use by CSN and its subsidiaries.

For the defined benefit plans, the expense as of December 31, 2014 was R$763 (R$740 as of December 31, 2013 and R$ 5,256 as of December 31, 2012).

For the mixed supplementary benefit plan, which has defined contribution components, the expense as of December 31, 2014 was R$31,053 (R$31,542 as of December 31, 2013 and R$31,657 as of December 31,2012).

For the defined contribution plan CBSPrev Namisa, the expense in 2014 was R$1,637 (R$1,427 as of December 31, 2013 and R$1,466 as of December 31, 2012).

For the defined contribution plan CBSPrev, the expense in 2014 was R$1,959 (R$1,122 as of December 31, 2013).

25.d) Expected contributions

No contributions are expected to be paid to the defined benefit plans in 2015.

For the mixed supplementary benefit plan, which includes defined contribution components, contributions of R$31,451 are forecasted to be paid in 2015.

25.e) Sensitivity analysis

The quantitative sensitivity analysis regarding the significant assumptions for the pension plans as of December 31, 2014 is as follows:

					12/31/2014	
	Plan covering 35% of the average salary		**Average salary supplementation plan**		**Mixed supplementary benefit plan (Milênio Plan)**	
Assumption: Discount rate						
Sensitivity level	0.5%	-0.5%	0.5%	-0.5%	0.5%	-0.5%
Effect on current service cost and on interest on actuarial obligations	77	(97)	(135)	56	(132)	132
Effect on present value of obligations	(13,448)	14,506	(61,965)	66,960	(33,825)	36,725
Assumption: Salary growth						
Sensitivity level	0.5%	-0.5%	0.5%	-0.5%	0.5%	-0.5%
Effect on current service cost and on interest on actuarial obligations					175	(154)
Effect on present value of obligations			2	(2)	5,096	(4,450)
Assumption: Mortality table						
Sensitivity level	1.0%	-1.0%	1.0%	-1.0%	1.0%	-1.0%
Effect on current service cost and on interest on actuarial obligations	(965)	955	(3,842)	3,763	167	(152)
Effect on present value of obligations	(7,884)	7,802	(31,519)	30,872	(3,645)	3,736
Assumption: Benefit adjustment						
Sensitivity level	0.5%	-0.5%	0.5%	-0.5%	0.5%	-0.5%
Effect on current service cost and on interest on actuarial obligations	590	(550)	1,595	(1,479)		
Effect on present value of obligations	5,033	(4,691)	13,665	(12,675)		

The forecast benefit payments of the defined benefit plans for future years are as follows:

Forecast benefit payments	**2014**
Year 1	206,507
Year 2	222,594
Year 3	232,195
Year 4	241,941
Year 5	251,782
Next 5 years	1,416,758
Total forecast payments	**2,571,777**

25.f) Post-employment health care plan

Refers to a healthcare plan created on December 1, 1996 exclusively for former retired employees, pensioners, those who received an amnesty, war veterans, widows of employees who died as a result of on-the-job accidents and former employees who retired on or before March 20, 1997 and their dependents. Since then, the healthcare plan does not allow the inclusion of new beneficiaries. The plan is sponsored by CSN and administered by Caixa Beneficente dos Empregados da Cia. Siderúrgica Nacional - CBS.

The amounts recognized in the balance sheet were determined as follows:

	12/31/2014	12/31/2013
Present value of obligations	576,480	473,966
Liabilities	**576,480**	**473,966**

The reconciliation of the healthcare benefit liabilities is as follows:

	12/31/2014	12/31/2013
Actuarial liability at the beginning of the year	473,966	547,652
Cost of current service	53,707	49,164
Sponsor's contributions transferred in prior year	(46,191)	(34,691)
Recognition of loss/(gain) for the year	94,998	(88,159)
Actuarial liability at the end of the year	**576,480**	**473,966**

For the post-employment healthcare benefit plan, the expense as of December 31, 2014 was R$54,319 (R$55,720 as of December 31, 2013 and R$51,234 as of December 31, 2012).

The actuarial gains and losses recognized in shareholders' equity are as follows:

	12/31/2014	12/31/2013
Actuarial gain (loss) on obligation	94,998	(88,159)
Gain (loss) recognized in shareholders' equity	**94,998**	**(88,159)**

The history of actuarial gains and losses is as follows

	12/31/2014	12/31/2013	12/31/2012	12/31/2011	12/31/2010
Present value of defined benefit obligation	576,480	473,966	547,652	457,377	367,839
Deficit	**576,480**	**473,966**	**547,652**	**457,377**	**367,839**
Experience adjustments to plan obligations	94,998	(88,159)	77,182	84,575	48,301

The weighted average life expectancy based on the mortality table used to determined actuarial obligations is as follows:

	12/31/2014	12/31/2013
Longevity at age of 65 for current participants		
Male	19.55	20.45
Female	22.17	23.02
Longevity at age of 65 for current participants who are 40		
Male	41.59	20.45
Female	45.30	23.02

The actuarial assumptions used for calculating postemployment healthcare benefits were:

	12/31/2014	12/31/2013
Biometrics		
General mortality table	AT 2000 segregated by gender	AT 2000 segregated by gender
Turnover	n/a	n/a
Household	Actual household	Actual household
Financial		
Actuarial nominal discount rate	12.20%	11.83%
Inflation	5.70%	5.00%
Nominal increase in medical cost based on age	6.23% - 8.87%	5.53% - 8.15%
Nominal medical costs growth rate	8.87%	8.15%
Average medical cost	417.12	380.05

25.g) Sensitivity analysis

The quantitative sensitivity analysis regarding the significant assumptions for the postemployment healthcare plans as of December 31, 2014 is as follows:

	12/31/2014 Healthcare Plan	
	Assumption: Discount rate	
Sensitivity level	0.5%	-0.5%
Effect on current service cost and on interest on actuarial obligations	(87)	63
Effect on present value of obligations	(24,062)	26,071
	Assumption: Medical Inflation	
Sensitivity level	1.0%	-1.0%
Effect on current service cost and on interest on actuarial obligations	7,070	(6,103)
Effect on present value of obligations	58,068	(50,136)
	Assumption: Mortality table	
Sensitivity level	1.0%	-1.0%
Effect on current service cost and on interest on actuarial obligations	(2,961)	3,029
Effect on present value of obligations	(24,284)	24,844

The forecast benefit payments of the postemployment healthcare plans for future years are as follows:

Forecast benefit payments	**2014**
Year 1	44,450
Year 2	47,549
Year 3	50,711
Year 4	53,908
Year 5	57,098
Next 5 years	332,203
Total forecast payments	**585,919**

26. GUARANTEES

The Company is liable for guarantees of its subsidiaries and joint ventures as follows:

	Currency	Maturities	Borrowings		Tax forecl	
			12/31/2014	12/31/2013	12/31/2014	12
Transnordestina Logísitca	R$	Up to 9/19/2056 and indefinite	2,451,682	1,875,360	38,766	
FTL - Ferrovia Transnordestina	R$	11/15/2020	140,550	125,250		
CSN Cimentos	R$	Up to 10/25/2015 and indefinite			26,423	
Prada	R$	Up to 2/10/2016 and indefinite			10,133	
CSN Energia	R$	Indefinite			2,829	
Congonhas Minérios	R$	5/21/2019	2,000,000	2,000,000		
Fundação CSN	R$	Indefinite	1,003	1,003		
Estanho de Rondônia	R$	1/1/2015				
Total in R$			**4,593,235**	**4,001,613**	**78,151**	
CSN Islands IX	US$	1/15/2015	400,000	400,000		
CSN Islands XI	US$	9/21/2019	750,000	750,000		
CSN Islands XII	US$	Perpetual	1,000,000	1,000,000		
CSN Resources	US$	7/21/2020	1,200,000	1,200,000		
Sepetiba Tecon	US$			15,708		
CSN Handel	US$	6/27/2015	100,000	100,000		
Total in US$			**3,450,000**	**3,465,708**		
CSN Steel S.L.	EUR	1/31/2020	120,000	120,000		
Lusosider Aços Planos	EUR	Indefinite	25,000			
Total in EUR			**145,000**	**120,000**		
Total in R$			**9,631,805**	**8,505,948**		
			14,225,040	**12,507,561**	**78,151**	

27. COMMITMENTS

27.a) Take-or-pay contracts

As of December 31, 2014 and 2013, the Company was a party to take-or-pay contracts as shown in the following table:

Type of service	Payments in the period 2013	2014	2015	2016	2017	2018	After 2018	Total
Transportation of iron ore, coal, coke, steel goods, cement, and mining goods.	300,381	263,266	658,028	584,926	515,810	515,810	3,910,977	6,185,551
Unloading, storage, handling, loading, and road transportation services.		5,570	9,046	9,046				18,092
Electricity, natural gas, oxygen, nitrogen, argon, and iron ore pellet supply.	886,883	1,011,416	421,417	130,831	29,292	29,292	146,772	757,604
Processing of blast furnace sludge generated during pig iron and steel production	50,964	49,739	9,731	7,074	7,074	7,074	30,065	61,018
Manufacture, repair, recovery and production of ingot casting machine units.	40,596	40,250	2,986					2,986
	1,278,824	**1,370,241**	**1,101,208**	**731,877**	**552,176**	**552,176**	**4,087,814**	**7,025,251**

27.b) Concession agreements

Minimum future payments related to government concessions as of December 31, 2014 fall due according to the schedule set out in the following table:

Concession	Type of service	2015	2016	2017	2018	After 2018	Total
MRS	30-year concession, renewable for another 30 years, to provide iron ore railway transportation services from the Casa de Pedra mines, in Minas Gerais, coke and coal from the Itaguaí Port, in Rio de Janeiro, to Volta Redonda, transportation of export goods to the Itaguaí and Rio de Janeiro Ports, and shipping of finished goods to the domestic market.	90,697	90,697	90,697	90,697	658,345	**1,021,133**
FTL (Ferrovia Transnordestina Logística)	30-year concession granted on December 31, 1997, renewable for another 30 years for the development of public utility to operate the Northeastern railway system. The railway system covers 4,238 kilometers of railroads in the states of Maranhão, Piauí, Ceará, Paraíba, Pernambuco, Alagoas and Rio Grande do Norte.	7,636	7,636	7,636	7,636	64,273	**94,817**
Tecar	Concession to operate TECAR, a solid bulk terminal, one of the four	263,858	263,858	263,858	263,858	1,055,432	**2,110,864**

	terminals that comprise the Itaguaí Port, in Rio de Janeiro, for a period ending 2022 and renewable for another 25 years.						
Tecon	25-year concession granted in July 2001, renewable for another 25 years, to operate the container terminal at the Itaguaí Port.	25,965	25,965	25,965	25,965	181,758	**285,618**
		388,156	**388,156**	**388,156**	**388,156**	**1,959,808**	**3,512,432**

27.c) Projects and other commitments

- **Steel – Flat and long steel**

CSN intends to produce 500,000 metric tons per year of long steel products, with an estimate of 400,000 t/year of rebar and 100,000 t/year of wire rod. The facilities will use scrap and pig iron as their main raw materials.

- **Iron ore project**

The expansion plan projects producing 89 Mtpa of iron ore products and increase port capacity by 84 Mtpa in TECAR. In the first stage, CSN projects producing up to 66 Mtpa of iron ore and is investing in expanding sea port capacity in Itaguaí, or TECAR, to 60 Mtpa. Coal and coke imports are carried out through the TECAR terminal.

Coal and coke imports are made using the TECAR terminal, whose concession agreement is 25 years, extendable for another 25 years.

Upon concession termination, all rights and privileges transferred to Tecon will be handed back to CDRJ (Companhia Docas do Rio de Janeiro), together with the assets owned by CSN and those resulting from investments made by CSN in leased assets, declared as returnable assets by CDRJ as they are necessary to the continuity of the related services. Any assets declared as returnable assets will be compensated by

CDRJ at their residual value, less related depreciation/amortization.

- **Transnordestina project**

The Transnordestina project includes building 1,728 km of new, next-generation, wide-gauge tracks. The project posts a 45% progress and completion is estimated for 2017. The Company expects that the investments will permit Transnordestina Logística S.A. to boost the transportation of several products, such as iron ore, limestone, soy, cotton, sugarcane, fertilizers, oil, and fuel. The concessionaire of the Transnordestina project holds the concession through no longer than 2057, and can be terminated before this date if the minimum return agreed with the Government is reached. Transnordestina has already obtained the required environmental permits, purchased part of the equipment, contracted some of the services, and in certain regions the project is at an advanced implementation stage.

The sources of financing for the project are: (i) financing granted by Banco do Nordeste/ FNE and the BNDES, (ii) debentures issued by FDNE, (iii) Permanent Track Use contracts, and (iv) interest in the capital of CSN and public shareholders. The approved construction investment is R$7,542,000 and the balance of disbursable funds will be adjusted using the IPCA as from April 2012. Should additional funds be required, they will be provided by CSN and/or third parties under Permanent Track Use contracts.

The budget to conclude the project is under review, currently it is being analyzed by the competent agencies (shareholders), and it is expected that the reviewed budget will be as follows: Missão Velha-Salgueiro: R$0.4 billion, Salgueiro-Trindade: R$0.7 billion, Trindade-Eliseu Martins: R$2.4 billion, Missão Velha-Porto de Pecém: R$3 billion, Salgueiro-Porto de Suape: R$4.7 billion.

The Company guarantees 100% of TLSA's financing granted by Banco do Nordeste/FNE and the BNDES, and 50.97% of the debentures issued by FDNE (includes the corporate guarantee of 48.47%, a collateral letter of 1.25% issued to BNB and the corporate guarantee of 1.25% pledged to BNB). Under the FDNE charter, approved by Federal Decree 6,952/2009, and the Investment Agreement entered into with the public shareholders/ financiers, 50% of the debentures should be converted into TLSA shares.

- **Expansion of Cimentos Sudeste**

In addition to the current production of approximately 2.4 Mtpa at the Presidente Vargas Plant in Rio de Janeiro, CSN plans to expand its cement operation to 5.4 Mtpa. This additional 3 Mtpa volume will be obtained through the construction of a plant integrated with the cement mill and the clinker furnace in the State of Minas Gerais, where the Company already operates a clinker furnace using limestone from its own mine. The Company is assessing growth opportunities in other regions.

- **Long-term agreements with Namisa**

The Company has signed long-term agreements with Namisa for the provision of port operation services and supply of run-of-mine (ROM) iron ore from the Casa de Pedra mine, as described below:

i. Port operation service agreement

On December 30, 2008, CSN entered into an agreement for the provision of port services to Namisa for a 34-year period, consisting of receiving, handling, storing and shipping Namisa's iron ore in annual volumes that range from 18.0 to 39.0 million metric tons. CSN has received approximately R$5.3 billion as an advance for part of the payments due for the services to be provided under this agreement. The amounts charged for these port services are reviewed on a quarterly basis and adjusted considering the changes in the market price for iron ore.

II. High silicon ROM

On December 30, 2008, CSN entered into an agreement for the supply of high silicon ROM ore to Namisa for a period of 30 years in volumes that range from 42.0 to 54.0 million metric tons per year. CSN has received approximately R$1.6 billion as an advance for part of the payments due for the supplies made under this agreement. The supply price is reviewed on a quarterly basis and adjusted considering the changes in the market price for iron ore.

III. Low silicon ROM

On December 30, 2008, CSN entered into an agreement for the supply of low silicon ROM ore to Namisa for a period of 35 years in volumes that range from 2.8 to 5.04 million metric tons per year. CSN has received approximately R$424 million as an advance for part of the payments due for the supplies made under this agreement. The supply price is reviewed on a quarterly basis and adjusted considering the changes in the market price for iron ore.

28. INSURANCE

Aiming to properly mitigate risk and in view of the nature of its operations, the Company and its subsidiaries have taken out several different types of insurance policies. Such policies are contracted in line with the CSN Risk Management policy and are similar to the insurance taken out by other companies operating in the same lines of business as CSN and its subsidiaries. The risks covered under such policies include the following: Domestic Transportation, International Transportation, Carrier's Civil Liability, Life and Casualty, Health Coverage, Fleet Vehicles, D&O (Civil Liability Insurance for Directors and Officers), General Civil Liability, Engineering Risks, Sundry Risks, Export Credit, Performance Bond and Port Operator's Civil Liability.

In 2014, after negotiation with insurers and reinsurers in Brazil and abroad, an insurance policy was issued for the contracting of a policy of Operational Risk of Property Damages and Loss of Profits, with effect from September 30, 2014 to September 30, 2015. Under the insurance policy, the LMI (Maximum Limit of Indemnity) is US$600,000,000 and covers the following units and subsidiaries of the Company: Presidente Vargas Mills, Casa de Pedra Mine, CSN Paraná, Tecar Terminal, Tecon Terminal, Namisa, CSN Handel and Namisa Handel. CSN takes responsibility for a range of retention of US$375,000,000 in excess of the deductibles for property damages and loss of profits.

In view of their nature, the risk assumptions adopted are not part of the scope of an audit of the financial statements and, accordingly, were not audited by our independent auditors.

29. ADDITIONAL INFORMATION TO CASH FLOWS

The table below shows additional information on transactions related to the statement of cash flows:

	12/31/2014	12/31/2013	12/31/2012
Income tax and social contribution paid	98,040	45,388	72,780
Addition to PP&E with interest capitalization	165,789	490,747	401,827
Capital reduction with no cash effect		153,305	
	263,829	**689,440**	**474,607**

30. STATEMENT OF COMPREHENSIVE INCOME

	12/31/2014	12/31/
(Loss) profit for the year	**(112,267)**	**533**
Other comprehensive income		
Items that will not be subsequently reclassified to the statement of income		
Actuarial gains on the defined benefit plan from investments in subsidiaries	2,221	
Actuarial (losses) gains on defined benefit pension plan	(95,175)	97
Income tax and social contribution on actuarial (losses) gains on defined benefit pension plan	32,360	(33
	(60,594)	**64**
Items that could be subsequently reclassified to the statement of income		
Cumulative translation adjustments for the period	28,227	218
Available-for-sale assets	(971,808)	66
Income tax and social contribution on available-for-sale assets	330,415	(22
Impairment of available-for-sale assets	205,000	5
Income tax and social contribution on impairment of available-for-sale assets	(69,700)	(1
(Loss) gain on percentage change in investments	(73,754)	
(Loss) gain on cash flow hedge accounting	(120,633)	
Income tax and social contribution on (loss) gain on cash flow hedge accounting	41,015	
	(631,238)	**266**
	(691,832)	**330**
Total comprehensive income for the year	**(804,099)**	**864**

Attributable to:		
Owners of the Company	(797,050)	839
Non-controlling interests	(7,049)	24
	(804,099)	**864**

31. EVENTS AFTER THE REPORTING PERIOD

- **Debentures**

- **Eighth Issue**

In January 2015 the Company issued 10,000 nonconvertible, unsecured debentures, in a single series, with a unit face value of R$10 totaling R$100,000 that pay interest equivalent to 113.70% of the CDI Cetip rate per year, and mature in January 2022, with early redemption option.

- **Optional partial buyback of the Sixth Issue**

In January 2015 the Company conducted optional buyback of the 1st series debentures of its Sixth Issue, totaling 60,000 debentures at their unit par value, plus interest accrued since the last interest payment through the optional partial buyback date. The optional buyback debentures are kept in treasury.

- **Dividends**

On March 11, 2015 the Board of Directors of Companhia Siderúrgica Nacional approved, in accordance with article 31 of the Company's Bylaws and 204, paragraph 2 of Law 6404/76, the payment to shareholders of dividends from the profit reserve totaling R$275,000,000.00, corresponding to R$ 0.202633043 per share of the capital stock. The liquidation of the dividend was made on March 19, 2015.

Nacional Minérios S.A.

Financial Statements

For the Year Ended
December 31, 2014 and

Independent Auditor's Report

Deloitte Touche Tohmatsu Auditores Independentes

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of

Nacional Minérios S.A.

São Paulo - SP - Brazil

We have audited the accompanying consolidated financial statements of Nacional Minérios S.A. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nacional Minérios S.A. and its subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of matter

As described on note 8 to the financial statements, the Company has significant transactions with related parties. Our opinion was not qualified regarding this subject.

São Paulo, March 31, 2015

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

NACIONAL MINÉRIOS S.A.

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2014 AND 2013
(In thousands of Brazilian reais - R$)

ASSETS	Note	2014	2013
CURRENT ASSETS			
Cash and cash equivalents	4	5,499,139	4,815,211
Trade receivables	5	126,726	220,739
Inventories	6	77,451	85,599
Advances to suppliers		250,469	423,245
Recoverable taxes	7	21,077	47,866
Loans and receivables		61,026	51,854
Other assets		22,775	3,549
Total current assets		6,058,663	5,648,063
NONCURRENT ASSETS			
Advances to suppliers	8	9,236,170	8,522,067
Loans and receivables	8	-	39,824
Deferred taxes	9	-	1,968
Recoverable taxes	7	123,678	124,596
Other assets		5,826	5,006
Investments	10	171,760	171,760
Property, plant and equipment	11	563,709	506,233
Intangible assets	12	583,110	584,140
Total noncurrent assets		10,684,253	9,955,594
TOTAL ASSETS		16,742,916	15,603,657

The accompanying notes are an integral part of these financial statements.

NACIONAL MINÉRIOS S.A.

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2014 AND 2013
(In thousands of Brazilian reais - R$)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	2014	2013
CURRENT LIABILITIES			
Loans and financing	13	368,818	42,247
Trade payables to third parties		37,901	40,089
Trade payables to related parties	8	13,872	17,487
Salaries and wages		12,662	11,522
Taxes payable		160,576	22,488
Proposed dividends	16	55,764	336,673
Other payables		148,569	82,229
Total current liabilities		798,162	552,735
NONCURRENT LIABILITIES			
Loans and financing	13	29,541	339,961
Provision for risks	14	1,126	5,020
Tax payable		73,828	65,981
Deferred taxes	9	151,874	-
Other payables		16,402	15,693
Total noncurrent liabilities		272,771	426,655
EQUITY			
Issued capital	16	2,800,000	2,800,000
Capital reserves		6,473,699	6,473,699
Earnings reserves		6,236,647	5,188,931
Other comprehensive income		161,637	161,637
Total equity		15,671,983	14,624,267
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		16,742,916	15,603,657

The accompanying notes are an integral part of these financial statements.

NACIONAL MINÉRIOS S.A.

INCOME STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 20, 2013 AND 2012
(In thousands of Brazilian reais - R$, except earnings per thousand shares)

	Note	2014	2013	2012
NET OPERATING REVENUE	18	1,475,058	2,369,836	3,836,415
COST OF GOODS SOLD	19	(995,192)	(1,090,901)	(2,203,494)
GROSS PROFIT		479,866	1,278,935	1,632,921
OPERATING EXPENSES				
Selling expenses	19	(433,424)	(419,915)	(828,646)
General and administrative expenses	19	(54,029)	(55,966)	(57,985)
Other expenses, net	19	(27,911)	(21,033)	(52,043)
		(515,364)	(496,914)	(938,674)
OPERATING PROFIT BEFORE FINANCIAL INCOME (EXPENSE)		(35,498)	782,021	694,247
FINANCIAL INCOME (EXPENSE)				
Financial income, net	20	1,115,587	1,131,149	1,034,301
Exchange rate and monetary variances, net	20	536,304	523,562	295,407
		1,651,891	1,654,711	1,329,708
PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		1,616,393	2,436,732	2,023,955
INCOME TAX AND SOCIAL CONTRIBUTION				
Current	9	(359,070)	(1,220,138)	(122,016)
Deferred	9	(153,843)	(323,738)	(285,453)
NET PROFIT FOR THE YEAR		1,103,480	892,856	1,616,486
BASIC AND DILUTED EARNINGS PER THOUSAND SHARES - R$		2.3228	1.8794	3.4026

The accompanying notes are an integral part of these financial statements.

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NACIONAL MINÉRIOS S.A.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 and 2012
(In thousands of Brazilian reais - R$)

	2014	2013	2012
NET PROFIT FOR THE YEAR	1,103,480	892,856	1,616,486
Other comprehensive income:			
Items that will not be reclassified subsequently to the income statement	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,103,480	892,856	1,616,486

The accompanying notes are an integral part of these financial statements.

NACIONAL MINÉRIOS S.A.

STATEMENTS OF CASH FLOWS - INDIRECT METHOD
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 and 2012
(In thousands of Brazilian reais - R$)

	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Profit for the year	1,103,480	892,856	1,616,486
Adjustments to reconcile profit before income tax and social contribution to net cash generated by operating activities:			
Inflation adjustments and exchange differences, net	(101,886)	(2,529)	(31,085)
Accrued charges on borrowings and financing	31,397	23,244	24,977
Depreciation/depletion/amortization	45,806	20,716	16,423
Income tax and social contribution	512,913	1,543,876	407,469
Provision for sales in installments	53,070	41,658	(42,175)
Provision for interest receivable	(711,818)	(692,349)	(656,686)
Dividends receivable - MRS Logística	(21,256)	(31,841)	(24,239)
Other provisions	27,328	12,795	88,522
	939,034	1,808,426	1,399,692
(Increase) decrease in operating assets:			
Trade receivables	64,622	238,369	(203,312)
Inventories	10,999	92,417	50,735
Advances to suppliers	164,753	194,358	(16,635)
Recoverable taxes	(31,085)	(16,585)	(179,839)
Other receivables	44,669	18,987	3,265
Increase (decrease) in operating liabilities:			
Trade payables to third parties	(3,137)	(55,768)	(1,715)
Trade payables to related parties	753	(112,664)	463,279
Accrued payroll and related taxes	1,140	892	2,815
Taxes payable	(318)	70,711	(1,733)
Other payables	(7,081)	(5,283)	(13,043)
Dividends received	23,480	33,171	26,057
Income taxes paid	(160,741)	(1,084,816)	(119,268)
Interest received	5,816	6,016	1,935
Interest paid	(23,017)	(21,837)	(27,855)
Net cash generated by operating activities	1,029,887	1,166,394	1,384,378
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(127,556)	(66,841)	(127,871)
Net cash used in investing activities	(127,556)	(66,841)	(127,871)
CASH FLOWS FROM FINANCING ACTIVITIES			

New borrowings and financing	15,747	-	12,989
Repayment of borrowings and financing	(49,408)	(2,655)	(1,414)
Dividends paid	(336,673)	(400,000)	(300,000)
Net cash used in financing activities	(370,334)	(402,655)	(288,425)
Effect of exchange rate changes on cash and cash equivalents	151,931	36,888	53,538
NET INCREASE IN CASH AND CASH EQUIVALENTS	683,928	733,786	1,021,620
Cash and cash equivalents at the beginning of the year	4,815,211	4,081,425	3,059,805
Cash and cash equivalents at the end of the year	5,499,139	4,815,211	4,081,425
	683,928	733,786	1,021,620

The accompanying notes are an integral part of these financial statements.

NACIONAL MINÉRIOS S.A.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 and 2012
(In thousands of Brazilian reais - R$)

			Capital reserves			Other	
	Note	Issued capital	Premium on share issuance	Special goodwill reserve on merger	Earnings Reserves	comprehensive Income	Re ea
BALANCES AT DECEMBER 31, 2011		1,173,954	6,707,886	1,391,859	2,679,589	161,637	
Net income							1,
Capital increase	16.a	1,626,046	(1,626,046)	-	-	-	
Allocations:							
Earnings reserves	16.d	-	-	-	1,616,486		(1,6
BALANCES AT DECEMBER 31, 2012		2,800,000	5,081,840	1,391,859	4,296,075	161,637	
Net Profit for the year		-	-	-	-	-	
Allocations:							
Earnings reserves	16.e	-	-	-	892,856	-	(8
BALANCES AT DECEMBER 31, 2013		2,800,000	5,081,840	1,391,859	5,188,931	161,637	
Net Profit for the year		-	-	-	-	-	1,
Allocations:							
Earnings reserves	16.e	-	-	-	1,047,716	-	(1,0
Proposed dividends (R$ 0.1174 per share)							(
BALANCES AT DECEMBER 31, 2014		2,800,000	5,081,840	1,391,859	6,236,647	161,637	

The accompanying notes are an integral part of these financial statements.

Nacional Minérios s.a.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(In thousands of Brazilian reais - R$, unless otherwise stated)

1. GENERAL INFORMATION

Nacional Minérios S.A. (“Company” or “Namisa”) is a private corporation, incorporated in November 2006 and domiciled in Brazil, with its registered head office located in Congonhas, State of Minas Gerais.

The Company is controlled under a Shareholders’ Agreement entered into Companhia Siderúrgica Nacional (“CSN”), which holds 60% of Namisa shares, and an Asian Consortium formed by the companies Itochu Corporation, JFE Steel Corporation, POSCO, Kobe Steel Ltd., Nisshin Steel Co. Ltd. and China Steel Corp, which jointly hold 40% of the Company’s shares.

The Company and its subsidiaries included in the consolidated financial statements operate under joint control and carry out their mining operations in the Ferriferous Quadrilateral, in the State of Minas Gerais, where they have ore mining rights and iron ore processing facilities. The Company also has an integrated logistics network, by means of long-term contracts with CSN, consisting on a railroad and port facilities used to ship its production. This integrated logistics network allows transporting the iron ore produced in Congonhas, Ouro Preto, Itabirito, Rio Acima, and Nova Lima, in the State of Minas Gerais, to Itaguaí, in the State of Rio de Janeiro.

Own iron ore, added to the iron ore purchased from third parties, is substantially sold in the international market, mostly in Europe and Asia. The prices charged in these markets are historically cyclical and subject to significant fluctuations over short periods of time, as a result of several factors related to worldwide demand, strategies adopted by the main steel producers and the foreign exchange rate. All these factors are beyond the Company’s control.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared based on the historical cost basis, except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The significant accounting policies adopted in the preparation of the financial statements are as follows:

a) Foreign currency translation

(i) *Functional and presentation currency*

The consolidated financial statements have been prepared and are presented in Brazilian reais (R$), which is Company's functional currency.

In 2012 the Company implemented changes in the management of its wholly-owned subsidiary Namisa International Minérios, S.L.U. (“Namisa International”) and, as a result, started to centralize its corporate strategy, which is now an extension of its parent company’s business. Accordingly, it was necessary to meet the requirements of IAS 21 - Effects of Changes in Exchange Rates, to determine this subsidiary’s functional currency, which until December 31, 2011 was the US dollar. Based on the standard’s requirements, the Company changed this subsidiary’s functional currency to Brazilian real and prospectively recognized, beginning 2012, the translation effects directly in profit or loss for the year.

(ii) Transactions and balances

Foreign currency-denominated transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction or the dates of valuation when such items are measured. Exchange gains and losses resulting from the settlement of such transactions and the translation at the foreign exchange rates at yearend, related to foreign currency denominated monetary assets and liabilities, are recognized in the income statement line item ‘Foreign exchange gains (losses), net’.

b) Use of estimates and judgments

Critical accounting estimates and assumptions are those deemed important to describe and record the Company’s financial position and require analysis and decision-making power, and more complex and subjective estimates and assumptions by Management. The application of these critical accounting policies frequently requires Management analysis and decision-making about the impacts of matters inherently uncertain with regard to the results from operations and the carrying amounts of assets and liabilities. Actual results may differ from these estimates.

The estimates and assumptions that present a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are disclosed in the notes to the financial statements and correspond to goodwill impairment testing, revenue recognition, review of useful lives and impairment of property, plant, and equipment, contingent assets and liabilities, legal obligations and obligations related to retirement and restoration of assets.

c) Cash and cash equivalents

Include cash, bank deposit accounts and short-term investments, which consist of highly liquid temporary investments, stated at cost plus income earned through the end of the reporting period, with an insignificant risk of change in fair value or realizable value.

d) Trade receivables

Refer to amounts receivable from customers for the sale of iron ore in the normal course of the Company's business. If the collection period is equivalent to one year or less, trade receivables are classified in current assets. Otherwise, they are recorded in noncurrent assets.

Trade receivables comprise invoices issued (quantities, humidity indexes and preliminary quality grades), valued based on the commodity price established by Platts, at the shipment date, according to the agreement with each customer.

Every month, when applicable, outstanding balances are marked to market based on the future quotation price of the commodities that would be used for the final settlement, when issuing the final invoices.

The final invoices, which finalize the export transactions and are generally issued after receiving and analyzing the commodities (approval of quantities, humidity indexes and metal grades by the customers) are valued as established in each contract.

The result of the adjustments required, both for issuing the final invoices and for marking to market, is recognized as proceeds from sale when occurred.

Based on the history of realization of receivables, Management does not consider necessary to recognize a provision for losses.

e) Inventories

Stated at the lower of cost and net realizable value. Iron ore is recognized from the time it is physically extracted at the mine. The Company uses the absorption costing method. Direct costs are allocated based on objective recording and indirect costs are allocated by apportionment, based on normal production capacity, and include costs incurred on purchase of inventories, production and processing costs, and other costs incurred to bring inventories to their current locations and conditions.

f) Advances to suppliers

Consist of long-term advances to CSN for purchases of raw materials and port services. The advances were initially recognized at fair value and are measured at amortized cost, they included contractually agreed interest until December 12, 2014 (see note 8.c)). The advances are realized when: (i) the raw materials are delivered and port services are provided; and (ii) 34% of the interest calculated monthly is received in cash. The portion not expected to be realized within 12 months is classified as noncurrent assets.

g) Property, plant and equipment

Property, plant and equipment are carried at historical cost, consisting of the acquisition, production or construction cost, less accumulated depreciation and impairment losses, if any.

The elements of cost of a property, plant and equipment item comprise: (i) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; (ii) any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management; and (iii) the initial estimate of dismantling costs and removing the item and restoring the site on which it is located. These costs represent the obligation incurred by the Company when the item is acquired.

Gains and losses on the disposal of a property, plant and equipment item are calculated by comparing the disposal proceeds with the carrying amount of the property, plant and equipment item, and are recognized as other expenses, net, in the income statement.

Depreciation is recognized in the income statement using the straight-line method, based on the estimated useful lives of each part of an item of property, plant and equipment, and ore deposits depletion is calculated based on the ore volume extracted as compared to the mineable reserve, as this is the method that most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

The depreciation methods, useful lives and residual values are reviewed at the end of each reporting period, and any adjustments are recognized as changes in accounting estimates.

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

- Research and analysis of exploration area historical data;
- Topographic, geological, geochemical and geophysical studies;
- Determine the mineral asset’s volume and quality;
- Examine and test the extraction processes and methods;
- Topographic surveys of the transportation and infrastructure needs;
- Market studies and financial studies.

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

h) Noncurrent assets held for sale

Noncurrent assets and assets groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such condition is met only when the asset (or assets group) is available for immediate sale in its present condition subject only to usual and customary terms for sales of such asset (or assets group) and its sale is considered highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Noncurrent assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. As of December 31, 2014, the Company has R$18,826 related to available-for-sale assets recognized in line item “Other assets”.

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

i) Intangible assets

Refer basically to goodwill arising on the acquisition of subsidiary already merged, as detailed in note 12, recognized as the positive difference between the price paid and the net fair value of the acquiree’s assets and liabilities.

Goodwill has an indefinite useful life, is not subject to amortization, and is tested for impairment at least annually. Impairment losses, if any, are not reversed in subsequent periods.

The Company has a single Cash-Generating Unit (CGU), dedicated exclusively to iron ore processing, to which goodwill was allocated for impairment test purposes.

j) Impairment of nonfinancial assets

The Company reviews annually, or in a shorter period when there is evidence of impairment, the carrying amount of nonfinancial assets subject to amortization to assess events or changes in economic, operating or technological circumstances that might indicate an impairment of assets. Whenever such evidences are identified and the carrying amount exceeds the recoverable amount, a provision for impairment is recognized to adjust the carrying amount to the recoverable amount. The recoverable amount of an asset is the higher of its value in use and its fair value less costs to sell.

k) Current and noncurrent assets and liabilities

An asset is recognized in the balance sheet when it is probable that its future economic benefits will flow to the Company and its cost or amount can be measured reliably. A liability is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of funds will be required to settle the obligation. Liabilities include charges, inflation adjustments or exchange differences incurred, when applicable. Assets and liabilities are classified as current when their realization or settlement within the next twelve months is probable. Otherwise, assets and liabilities are stated as noncurrent.

l) Loans and financing

Adjusted through the end of the reporting period for exchange fluctuations or inflation index, and the financial charges incurred, as contractually agreed.

m) Employee benefits – private pension fund and variable compensation program

The Company sponsors a pension plan created in 2012, managed by a private pension fund (CBSPREV Namisa), which grants employees defined contribution pension benefit and defined risk benefits (sickness allowance, disability retirement pensions, and survivors' pensions), funded by the sponsor (50%) and by the employees (50%).

The regular contributions to the pension plan cover the net costs and are recognized in the income statement for the period when they become due. The Company's obligation is limited to the monthly contributions made during the time an employee is working. In regards to the risk benefits, the Company only recognizes a liability when the fund accumulated for this purpose is insufficient to cover the benefits provided.

The Company recognizes a liability related to the variable compensation program and profit sharing and bonus payment expenses, calculated based on qualitative and quantitative goals set by Management and recognized in employee benefits line items, in the income statement.

n) Contingent assets and liabilities, and legal obligations

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Contingent assets are recognized only when there are collaterals or favorable, unappealable court decisions. Contingent assets with a probable favorable outcome are only disclosed in an explanatory note. Contingent liabilities are accrued for to the extent that the Company expects to disburse cash, losses are assessed as probable, and involved amounts can be reliably measured. When the expected likelihood of loss is assessed as possible, a description of the lawsuits and involved amounts are disclosed in the explanatory notes. Contingent liabilities whose likelihood of loss is assessed as remote are neither accrued for nor disclosed, and legal obligations are recognized as payables.

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o) Income tax and social contribution

Taxes on profit comprise current and deferred income tax (IRPJ) and social contribution (CSLL). These taxes are recognized in the income statement, except to the extent that they relate to items recognized directly in equity. In this case, they are also recognized in equity, in other comprehensive income.

Current taxes are calculated based on tax laws enacted or substantially enacted by the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable profit. In Brazil, the statutory income tax rate is 34%.

Deferred taxes are recognized on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except: (i) on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither the taxable nor the accounting profit; and (ii) differences associated with investments in subsidiaries when it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are only recognized to the extent that it is probable that taxable profits will be available to offset temporary differences, based on future projected earnings prepared and supported based on internal assumptions and future economic scenarios, which may, therefore, be subject to changes.

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

p) Investments

Investments are stated at cost, less a provision for impairment, where applicable.

q) Distribution of dividends

The distribution of dividends to the Company’s shareholders is recognized as a liability in the Company’s financial statements at the end of the year, according to its bylaws. Any amount in excess of the mandatory minimum dividend is accrued on the date it is approved by the shareholders at the General Meeting. However, the allocation of profits from 2012 on has been discussed under a specific approach, as detailed in Note 16(d) and 16(e).

r) Segment information

The financial statements do not include segment information because the Company operates only in the iron ore processing and sale operating segment, which is consistent with the internal reports used as basis for the Executive Committee's assessments and strategic decision-making.

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s) Net operating revenue

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

Due to the individual terms of the sales and freight agreement, the transfer of the risks and rewards usually takes place when the products are loaded into the ship, in the port of origin.

t) Finance income and finance costs

Finance income comprises interest earned on short-term investments and prepayments to related parties, dividends (except for dividends received by investees accounted for under equity method), and changes in the fair value of financial assets measured at fair value through profit or loss. Interest income is recognized in the income statement under the effective interest method. Dividend income is recognized in the income statement when the Company's right to receive the payment has been established. Distributions received from investees accounted for using the equity method reduce the value of the investment.

Finance costs include interest on loans, net of discount to present value of provisions, changes in the fair value of financial assets measured at fair value through profit or loss, and impairment losses recognized in financial assets. Loans costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are measured through the income statement using the effective interest method.

Exchange gains and losses are reported on a net basis.

u) Financial instruments

Financial assets and liabilities

- Financial assets

Financial assets can be classified in the following categories: (i) at fair value through profit or loss; (ii) held to maturity; (iii) loans and receivables; and (iv) available for sale. The classification depends on the nature and purpose of the financial assets and is determined on initial recognition. The Company does not have assets classified as held to maturity and available for sale.

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(i) At fair value through profit or loss

Financial assets are measured at fair value through profit or loss when they are held for trading, or are designated as measured at fair value through profit or loss on their initial recognition. Financial assets are classified as held for trading when acquired principally for the purpose of selling them in the short term. A financial asset that is not held for trading may be designated as at fair value through profit on initial recognition, when such designation eliminates or significantly reduces a measurement or recognition inconsistency.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses recognized in the income statement. Net gains or losses recognized in the income statement incorporate any dividends or interest earned on the financial asset.

(ii) Loans and receivables

These are financial assets with fixed or determinable payments that are not quoted in an active market, measured at amortized cost using the effective interest method, less any impairment, where applicable. Interest income is recognized using the effective interest method.

Effective interest method

It is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating interest income or interest expenses over the period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs, and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

- Financial liabilities

Financial liabilities can be classified as: (i) financial liabilities at fair value through profit or loss; or (ii) other financial liabilities. The Company does not have financial liabilities measured at fair value.

Other financial liabilities are initially measured at fair value, less transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on a yield basis. The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the year.

The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

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v) New standards, amendments to and interpretations of standards that are not yet effective

The following standards, amendments to and interpretations of standards were issued and will be effective starting 2016 and were not early adopted in the preparation of these financial statements:

IAS 16 and IAS 38 – Property, plant and equipment and intangible assets: these accounting standards were revised, clarifying that the revenue-based method will not be permitted for depreciation or amortization.

IAS 27 – Separate financial statements: the accounting standard that addresses separate financial statements was revised, permitting to account for investments under the equity method. The Company already adopts this method due to a Brazilian legislation requirement and this change will not have impacts on the financial statements.

IAS 10 and IAS 28 – Consolidated financial statements and Investments in associates, subsidiaries and joint ventures: a revision was issued proposing that the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business, as defined in technical pronouncement IFRS 3, between an investor and its subsidiary or joint venture is recognized only in the unrelated investors' share in the subsidiary or joint venture.

IFRS 7 – Financial instruments - Disclosure: the IASB revised the IFRS 7, providing a guide to decide when a service agreement has a continuing involvement and that the additional disclosure requirements are not specifically for interim periods.

IFRS 15 – Revenue from contracts with customers: This new standard brings the principles that an entity will apply to determine the revenue measurement and when it shall be recognized. The standard supersedes IAS 11 – Construction contracts and IAS 18 – Revenue and the related interpretations.

The Company's management does not expect these new standards and amendments to and interpretations of standards to have material impacts on its financial statements, except for the following:

IFRS 9 – Financial instruments: IFRS 9 retains but simplifies the combined measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis for classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The IAS 39 guidance on the impairment of financial assets and on hedge accounting continues to apply. The amendment to IFRS 9 postpones the effective date from 2013 to 2018. It also eliminates the requirement for restatement of comparative information and requires additional disclosures on the transition to IFRS 9.

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Nacional Minérios S.A.

3. CONSOLIDATED FINANCIAL STATEMENTS

The subsidiaries are included in the consolidated financial statements from the date control is obtained through the date the control ceases. The subsidiaries' accounting policies are aligned with the policies adopted by the Company.

The financial statements used in the consolidation process are prepared based on the accounting policies described above and include the financial statements of the Company and its subsidiaries listed below, and have been prepared in accordance with the following criteria: (a) elimination of intragroup balances between consolidated companies; (b) elimination of the Parent Company's investments against the related investee's equity, as applicable; (c) elimination of revenues and expenses arising from transactions between consolidated companies; and (d) elimination of profits on inventories, when applicable, arising from sales between consolidated companies.

	Equity interests (%)		
Companies	2014	2013	Main activities
Direct interest:			
Full consolidation			
Namisa International Minérios, S.L.U.	100.00	100.00	Financial transactions, product sales and holding equity interests
Indirect interests:			
Full consolidation			
Namisa Europe, LDA.	100.00	100.00	Ore sale and financial transactions
Namisa Handel GmbH	100.00	100.00	Ore sale and financial transactions
Namisa Ásia Limited	100.00	-	Commercial representation

4. CASH AND CASH EQUIVALENTS

	2014	2013
Cash and bank deposit accounts	2,105	3,626
Short-term investments		
In Brazil (a)	516,743	507,065
Abroad (b)	4,980,291	4,304,520
	5,497,034	4,811,585
Total	5,499,139	4,815,211

(a) Fixed income - are investments in Bank Deposit Certificates (CDBs) and debentures with yield linked to the variation of the Interbank Deposit Certificate (CDI). These investments yield approximately 100% of the CDI variation and can be immediately redeemed by the Company, without risks of significant changes in their carrying amount.

(b) Time deposits - temporary deposits in prime banks with daily liquidity, yielding fixed rates between 0.35% to 0.55% per year (0.8% in 2013).

5. TRADE RECEIVABLES

	2014	2013
Current:		
Trade receivables - related parties (note 8)	2,751	403
Domestic customers	-	1,868
Foreign customers	123,975	218,468
Total	126,726	220,739

As of December 31, 2014 and 2013, there were no past-due receivables and the average days on sales outstanding over the year was 41 days (47 days in 2013).

To determine the trade receivables recoverability, the Company takes into consideration any change in the customer's creditworthiness from the date the credit was originally granted through the end of the reporting period.

6. INVENTORIES

	2014	2013
Finished goods	37,546	42,192
Raw materials	8,974	9,259
Storeroom supplies	30,931	32,892
Inventories in transit	-	1,256
Total	77,451	85,599

The Company assesses periodically the need to recognize a provision for inventory losses and, as of December 31, 2014 and 2013, there was no need to recognize such a provision.

7. RECOVERABLE TAXES

	2014	2013
Income tax and social contribution overpaid	729	8,071
State VAT (ICMS)	137,386	148,974
Taxes on revenue (PIS and COFINS)	4,980	4,396
Withholding Income Tax (IRRF)	1,384	10,814
Other	276	207
Total	144,755	172,462
Current	21,077	47,866
Noncurrent	123,678	124,596
Total	144,755	172,462

The noncurrent portion refers basically to ICMS credits. Namisa is predominantly an export company, accumulating ICMS credits in its branches, mainly in Congonhas due to its mining processing operations with CSN and also in Ouro Preto and Fernandinho due to its purchases of electric power and diesel.

The Company's management periodically assesses the recovery of ICMS credits and concluded that it is not necessary to record any provision for impairment of these credits.

The Company has been successful in realizing the ICMS credits through the acquisition of trucks for iron ore transportation.

8. RELATED-PARTY BALANCES AND TRANSACTIONS

The Company’s operations are integrated with CSN, mainly the supply of iron ore from Casa Pedra, the port loading at the Coal Terminal (TECAR) in Itaguaí, RJ, and the use of railway transportation with MRS Logística S.A. (“MRS Logística”).

As of December 31, 2014 and 2013, the balances of assets and liabilities and the transaction amounts are as follows:

Nacional Minérios S.A.

a) Balance sheet accounts

	2014				2013			
	CSN	MRS Logística	Asian Consortium	Total	CSN	MRS Logística	Asian Consortium	Total
Assets								
Current assets:								
Trade receivables	2,752	-	-	2,752	403	-	-	403
Other receivables (1)	51,874	-	-	51,874	40,533	-	-	40,533
Dividends (1)	-	9,011	-	9,011	-	11,234	-	11,234
Prepayments (2)	247,077	-	-	247,077	421,550	-	-	421,550
Total	301,703	9,011	-	310,714	462,486	11,234	-	473,720
Noncurrent assets:								
Prepayments (2)	9,236,170	-	-	9,236,170	8,522,067	-	-	8,522,067
Loans and receivables	-	-	-	-	39,824	-	-	39,824
Total	9,236,170	-	-	9,236,170	8,561,891	-	-	8,561,891
Liabilities								
Current liabilities:								
Trade payables	11,558	2,314	-	13,872	11,125	6,362	-	17,487
Loans and financing (note 13)	364,118	-	-	364,118	40,054	-	-	40,054
Dividends (note 16)	33,458	-	22,306	55,764	202,004	-	134,669	336,673
Other payables	74,720	3,999	-	78,719	59,531	2,465	-	61,996
Total	483,854	6,313	22,306	512,473	312,714	8,827	134,669	456,210
Noncurrent liabilities:								
Loans and financing	-	-	-	-	320,936	-	-	320,936
Total	-	-	-	-	320,936	-	-	320,936

(1) Refer to amounts recorded in the balance sheet, in line item ‘Loans and receivables’.

(2) Refer to amounts recorded in the balance sheet, in line item ‘Advances to suppliers’.

b) Related-party transactions

	Consolidated			
	2014			
Income statement	CSN	MRS Logística	Asian Consortium	Total
Revenues	7,126	-	-	7,126
Costs	(316,355)	(174,329)	-	(490,684)
Finance income (expense), net	1,028,431	21,102	-	1,049,533
Exchange gains (losses), net	(50,412)	-	-	(50,412)
Total	668,790	(153,227)	-	515,563

	2013			
Income statement	CSN	MRs Logística	Asian Consortium	Total
Revenues	20,495	-	223,146	243,641
Costs	(330,910)	(206,826)	-	(537,736)
Finance income (expense), net	1,022,217	33,325	-	1,055,542
Exchange gains (losses), net	(43,854)	-	-	(43,854)
Total	667,948	(173,501)	223,146	717,593

	2012			
Income statement	CSN	MRs Logística	Asian Consortium	Total
Revenues	1,046,225	-	178,039	1,224,264
Costs	(1,291,860)	(456,290)	-	(1,751,150)
Finance income (expense), net	929,836	24,239	-	954,075
Exchange gains (losses), net	(11,275)	-	-	(11,275)
Total	672,926	(432,051)	178,039	415,914

c) Description of agreements with related parties

The following is a description of the main transactions with related parties:

i) CSN – prepayment and ore exports

The Company entered into long-term agreements with CSN for port operation services and raw iron ore supply ("ROM") from the Casa de Pedra mine, as described below:

- Port operation services and iron ore supply agreement

On December 30, 2008, the Company entered into an agreement to acquire port services and purchase iron ore with CSN, for an estimated 34-year period. The volume agreed is 1.7 billion metric tons of raw iron ore and port services for a volume of 1.1 billion metric tons. The Company prepaid the equivalent to approximately 50% of the value added of ROM and port services, amounting to R$7,300,000. Until December 12, 2014, the prepaid amounts were adjusted for interest at the rate of 12.5% per year. On December 12, 2014, the Company's shareholders approved the "Transitional Agreement", an investment agreement for a new strategic alliance between CSN and the Asian

Consortium aimed at consolidating the mining activities at Congonhas Minérios S.A., currently wholly-owned subsidiary of CSN, which will involve, among other actions, the merger of the Company ("transaction"). The "Transitional Agreement" canceled the clauses that established interest of 12.5% p.a. on these agreements, including the creation of a resolutory condition linked to the consummation of the transaction that will reestablish the collection of interest retroactively, if this transaction does not materialize. The consummation of the transaction is subject to a consensus reached between the parties on a business plan, regulatory approvals by antitrust authorities and government authorities responsible for regulating mining rights, and other conditions precedent usual in this type of transaction. The estimated closing date of the transaction is expected by the end of 2015.

ii) Loans (export prepayments)

The Company entered into export prepayment financial agreements with certain CSN subsidiaries, which are detailed in note 13.

iii) MRS Logística

The Company entered into a long-term railway transportation service agreement to ship and handle its production. The obligations assumed and the amounts involved as detailed in note 15.

iv) Asian Consortium

The Company exports its products to the members of the Asian Consortium, under long-term agreements and at prices based on market quotations.

v) Namisa Handel GmbH ("Namisa Handel")

The Company exports iron ore to Namisa Handel, which is its wholly-owned subsidiary, to sell the iron ore in the international market.

d) Management compensation

The key management personnel, who have the authority and responsibility for planning, managing and controlling Company operations, include the members of the Board of Directors, the statutory officers, and the other officers. The table below shows the breakdown of their compensation during 2014, 2013 and 2012:

	2014	2013	2012
Short-term benefits	3,467	2,549	2,631
Post-retirement benefits	24	22	16
Total	3,491	2,571	2,647

9. INCOME TAX AND SOCIAL CONTRIBUTION

a) Income tax and social contribution recognized in the income statement are as follows:

	2014	2013	2012
Current	(359,070)	(1,220,138)	(122,016)
Deferred	(153,843)	(323,738)	(285,453)
Total	(512,913)	(1,543,876)	407,469

b) The reconciliation of the consolidated income tax and social contribution expenses with the effective statutory rates is as follows:

	2014	2
Profit before income tax and social contribution	1,616,393	2,4
Income tax and social contribution expenses based on pretax profit, at their combined statutory rate	34%	
	(549,574)	(8
Effect of income tax on permanent differences:		
Tax-exempt foreign profit	67,930	2
Foreign profit taxable in Brazil	(68,386)	(
Transfer pricing adjustments (PECEX)	(3,954)	(
Adjustment to the 2013 provision for income tax and social contribution to calculate the effective obligation	23,808	
REFIS – Law 12,864/13 – reversal of fine and interest	-	1
REFIS – Law 12,864/13 – principal (income tax and social contribution)	-	(9
Other permanent differences	17,263	
Income tax and social contribution expenses	(512,913)	(1,5

c) Deferred income tax and social contribution are recognized to reflect the future tax effects attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts, as shown below:

	IRPJ/CSLL	
	2014	2013
Assets:		
Provision for losses - advances to suppliers	3,297	3,297
Operating provisions	33,371	20,712
Provision for losses on inventories	8,158	12,148
Tax asset – CVM 349/01 – merger of Big Jump	-	162,383
IRPJ/CSLL liability – goodwill Cayman and CFM deducted under the Transitional Tax Regime (RTT)	(196,700)	(196,572)
Total	(151,874)	1,968

The movement in the deferred taxes balance in the years ended December 31, 2014 and 2013 is as follows:

	IRPJ/CSLL	
	2014	2013
Opening balance	1,968	325,706
Goodwill amortization for tax purposes	(162,383)	(287,401)
Recognition (reversal) of operating provisions	12,531	(3,903)
Adjustments for temporarily nondeductible inventories	(3,990)	(17,822)
Exchange differences	-	(14,612)
Closing balance	(151,874)	1,968

In 2014 the Company utilized all the remaining balance of credits from deferred income tax and social contribution arising from goodwill of merged companies.

Law 12,973/14

Law 12,973, published in May 2014, repeals the Transitional Tax Regime (RTT) and introduces other provisions, including: (i) amendments to Decree-Law 1,598/77, which addresses the IRPJ legislation; (ii) amendments to the CSLL legislation, (iii) establishes that any change in or the adoption of accounting methods and criteria under administrative measures issued based on the jurisdiction attributed by the Commercial Law shall not have any impact on the calculation of federal taxes until a tax law addressing the matter is enacted; (iv) it includes a specific treatment for the taxation of profits or dividends related to calendar year 2014; (v) it includes provisions on the calculation of interest on equity; and (vi) it provides new considerations about investments accounted for under the equity method of accounting. The provisions of such Decree-Law are effective from January 2015, even though companies may opt for irrevocable early adoption in 2014.

The Company prepared studies on the possible effects that could arise from the application of the provisions of Law 12,973 and concluded that they would not result in material (nor positive) adjustments to its financial statements for the year ended December 31, 2014 and, for this reason, did not opt for early adoption.

10. INVESTMENTS

	2014 and 2013
Investment in equity securities:	
MRS Logística S.A.	171,760

The following is a brief description of the investments:

- *MRS Logística*

In November 2008, CSN capitalized at Namisa 10% of the nonvoting, nonconvertible class “A” preferred shares of MRS Logística, for R$172 million, as disclosed in the subscription report and share valuation report issued by MRS Logística.

MRS Logística is a corporation engaged in the operation and development of public cargo railway transportation services in the Southeast, which covers Rio de Janeiro, São Paulo, and Belo Horizonte.

The investment in MRS is stated at historical cost.

11. PROPERTY, PLANT AND EQUIPMENT

a) Breakdown of property, plant and equipment

	2014				2013			
	Depr.rate (% p.a.)	Cost	Accumulated depreciation	Net	Depr. rate (% p.a.)	Cost	Accumulated depreciation	Net
Land		4,442	-	4,442		4,443	-	4,443
Buildings	2.25	120,417	(10,251)	110,166	2.46	113,159	(7,353)	105,806
Furniture and fixtures	7.82	5,654	(2,328)	3,326	9.30	5,363	(1,800)	3,563
Vehicles	13.19	1,068	(458)	610	12.69	1,063	(317)	746
Machinery, equipment and facilities	11.12	208,844	(81,042)	127,802	6.14	202,818	(66,558)	136,260
Computer equipment	12.69	3,830	(2,843)	987	20.30	3,568	(2,287)	1,281
Mines and ore deposits	(*)	13,232	(1,625)	11,607	(*)	13,232	(1,320)	11,912
Improvements in infrastructure and drainage	4.00	10,465	(140)	10,325		-	-	-
Leasehold improvements	1.97	51,592	(2,577)	49,015	18.60	1,842	(1,716)	126
Third-party assets held by the Company		-	-	-	6.67	530	(68)	462
Other assets		4,766	-	4,766		7,477	-	7,477
Construction in progress		240,663	-	240,663		234,157	-	234,157
Total		664,973	(101,264)	563,709		587,652	(81,419)	506,233

(*) The depletion of ore deposits is calculated based on the volume of ore extracted as compared to the mineable reserve, and the Company estimates that the deposits will be depleted in 30 years.

b) Construction in progress

Costs classified as construction in progress are basically composed of services acquired and parts and pieces purchased, to be used as investments for performance improvement, technological upgrading, expansion, and acquisition of assets, which will be transferred to the related line items and depreciated from the moment they become available for use. As of December 31, 2014 and 2013, the balance is apportioned among the following projects:

Main projects	2014	2013
Expansion of administrative facilities	13,333	11,470
Expansion of production capacity - Pires	143,187	120,080
Pelletization plant	32,187	78,622
Expansion of production capacity - Fernandinho	17,074	11,868
Other	34,882	12,117
	240,663	234,157

c) Movement in property, plant and equipment:

	2013 Opening balance	Additions	Transfer	Depreciation	Other movements (*)	2014 Closing balance
Land	4,443	-	-	-	(1)	4,442
Buildings	105,806	1,472	5,786	(2,898)	-	110,166
Machinery, equipment and facilities	136,260	707	50,472	(39,158)	(20,479)	127,802
Furniture and fixtures	3,563	291	1	(529)	-	3,326
Vehicles	746	5	-	(141)	-	610
Computer equipment	1,281	261	-	(555)	-	987
Mines and ore deposits	11,912	-	-	(305)	-	11,607
	-	-	10,465	(140)	-	10,325
Leasehold improvements	126	-	49,750	(861)	-	49,015
Third-party assets held by us	462	-	-	68	(531)	-
Other assets	7,477	1,713	127	-	(4,551)	4,766
Construction in progress	234,157	123,107	(116,601)	-	-	240,663
Total	506,233	127,556	-	(44,519)	(25,561)	563,709

(*) During the year the Company reclassified R$20,479 in line item “Other assets” in current assets, related to trucks no longer in service and held for sale.

12. INTANGIBLE ASSETS

The carrying amounts of intangible assets as of December 31, 2014 and 2013 are as follows:

	Amortization rate (% p.a.)	2014 Cost	2014 Accumulated amortization	2014 Net
Goodwill – CFM	-	578,531	-	578,531
Software	19.94	6,442	(1,863)	4,579
Total		584,973	(1,863)	583,110

	Amortization rate (% p.a.)	2013 Cost	2013 Accumulated amortization	2013 Net
Goodwill – CFM	-	578,531	-	578,531
Software	21.05	6,186	(577)	5,609
Total		584,717	(577)	584,140

Origin of goodwill based on future earnings

In July 2007, Namisa acquired Companhia de Fomento Mineral e Participações - CFM ("CFM"), based in Ouro Preto, State of Minas Gerais, and its wholly-owned subsidiary Cayman Mineração do Brasil Ltda. ("Cayman"), which were engaged in the extraction of iron ore and also owned iron ore processing facilities in the same State. The goodwill arising on this transaction is based on expected future earnings and was allocated to a single CGU since the Company operates only in the mining segment and all its assets generate cash flows together. This amount has not been amortized since 2009 due to the adoption of the international financial reporting standards and its carrying amount represents the net amount existing when the amortization was discontinued.

Impairment test

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections, before income tax and social contribution, based on the business plan approved by Management.

To prepare the cash flow projection that supported this valuation, the Company adopted the following assumptions:

- Gross margin: this margin was calculated based on the expansion plans already approved in the Company's business plan. The iron ore prices in the international market were used as basis in projections prepared by official mining industry institutions and the foreign exchange rate was calculated using a projected US dollar curve in real terms through 2016, disclosed by the Central Bank of Brazil (BACEN), since from 2016 onward the change used is zero.

- Cost adjustment: cost adjustment was based on historical data and price and foreign exchange curves used in industry reports.

- Growth rate: the cash flow projection period extends to 2055 due to the length of some projects' implementation periods and the termination dates of the main agreements based on which the business plan was developed. It is not necessary, therefore, to take into consideration a growth rate since the projection period exceeds 30 years.

- Discount rate: set at 9.66% per year, before taxes on income.

13. LOANS AND FINANCING

	2014	2013
Current liabilities:		
PPE - related parties (note 8).	364,118	40,054
National Bank for Economic and Social Development (BNDES) – FINAME	4,700	2,193
	368,818	42,247
Noncurrent liabilities:		
PPE - related parties (note 8).	-	320,936
National Bank for Economic and Social Development (BNDES) – FINAME	29,541	19,025
	29,541	339,961
Total	398,359	382,208

Loans and financing from related parties refer basically to export prepayments, with the following characteristics and terms and conditions:

- CSN Portugal Lda. (former CSN Export S.à.r.l.) **:** US$100 million agreement (equivalent to R$169,000), bearing interest of 6.5% per year. In August and October 2008 two installments were paid, both amounting to US$20 million, and the US$60 million balance (equivalent to R$101,000) was restructured in December 2008, setting final maturity for March 2015.

- CSN Europe Lda. (former CSN Madeira): US$34,000 agreement (equivalent to R$80,000) with Namisa Europe, bearing interest of 5.37% per year and maturing in June 2015.

- CSN Iberia: US$60,000 agreement (equivalent to R$105,000), bearing interest of 6.8% per year, with final maturity in March 2015.

Finame – special credit transactions with the BNDES to purchase operating equipment, amounting to R$39,037 (R$23,290 in December 2013), with average repayment term of 100 months and bearing interest between 5.5% and 8.0% per year, payable on a monthly basis.

The maturities of the noncurrent portion of the loans are disclosed in note 23.d).

None of the existing loan agreements contain restrictive covenants. The agreements entered into with the BNDES are collateralized by the financed assets.

14. PROVISION FOR RISKS

The provisions for risks were estimated by Management based on information provided by its legal counsel (in-house and external), who analyzed the outstanding lawsuits. The provisions were set up in an amount considered sufficient to cover potential losses on the outstanding lawsuits, as follows:

	2014	2013
Labor	149	931
Environmental	977	4,089
Total	1,126	5,020

Additionally, the Company is party to other lawsuits classified by the legal counsel as possible losses, which totaled R$2,626,004 as of December 31, 2014 (R$2,393,829 as of December 31, 2013), of which R$21,381 (R$16,993 as of December 31, 2013) in labor lawsuits, R$1,786 (R$3,272 as of December 31, 2013) in civil lawsuits, R$2,593,015 (R$2,365,255 as of December 31, 2013) in tax lawsuits, and R$9,863 (R$8,309 as of December 31, 2013) in environmental lawsuits.

We present below a brief description of the most significant lawsuits:

a) Administrative proceeding - IRPJ/CSLL assessment notice on profits abroad amounting to R$285,825, including principal, fine, and interest: this tax assessment notice refers to the assessment of income tax and social contribution on 2008 profits reported by foreign subsidiaries.

b) Administrative proceeding - IRRF assessment notice of R$161,530, including principal, fine, and interest: this tax assessment notice refers to the assessment of a Withholding Income Tax (IRRF), allegedly due by Namisa as the taxpayer responsible for withholding and payment of the tax levied on the capital gain earned by a legal entity domiciled abroad, which sold an asset in Brazil.

c) Administrative proceeding - IRPJ/CSLL assessment notice of R$2,036,676, including principal, fine, and interest: this tax assessment refers to the disallowance of the amortization of goodwill expenses in 2009, 2010 and 2011, as a result of the merger of Big Jump Energy Participações S.A.

15. CONTRACTUAL OBLIGATIONS

In January 2011 the Company, together with the shareholder CSN, entered into an iron ore railway transportation agreement with MRS Logística, for a 16-year period. This agreement contains a clause that ensures a minimum payment of 80% of the volume contracted, irrespective of the volume carried (“take-or-pay”). The minimum future payment required until the termination of the agreement is approximately R$3,533,110, distributed as follows:

2015	160,799
2016	195,081
2017	129,416
2018	156,726
2019	236,119
Others years	2,654,969
Total	3,533,110

16. SHAREHOLDERS EQUITY

a) Issued capital

As of December 31, 2014 and 2013, the Company's capital is R$2,800,000, represented by 475,067,405 common shares without par value, of which 285,040,443 shares are held by CSN and 190,026,962 shares are held by the Asian Consortium.

Shareholders	Country	Number of shares	Equity interest (%)
Companhia Siderúrgica Nacional	Brazil	285,040,443	60.00
Brazil Japan Iron Ore Corporation	Japan	154,491,661	32.52
POSCO	South Korea	30,784,627	6.48
China Steel Corporation	China	4,750,674	1.00
Total		475,067,405	100.00

In 2013, at the Extraordinary Shareholders Meeting held on June 3, 2013 the shareholders unanimously approved the payment of an additional portion of the dividends proposed in 2011, amounting to R$ 400,000, settled on June 5, 2013.

In 2014, the main corporate acts analyzed in meetings were:

(i) At the Annual Shareholders Meeting held on March 28, 2014 the shareholders approved the consolidated financial statements of Namisa for the years ended December 31, 2013 and 2012. The allocation of the profit for the year ended December 31, 2013 to an earnings reserve was approved, as set out in Article 195 of Law 6,404/76. The shareholders also approved the payment of the remaining balance of the dividends proposed for the year ended December 31, 2011 amounting to R$336,673.

(ii) At the Extraordinary Shareholders Meeting held on July 17, 2014 the shareholders approved the proposal for bylaws of the recently created subsidiary Namisa Asia Limited.

(iii) At the Extraordinary Shareholders Meeting held on December 12, 2014, agreements were signed with related parties in order to consolidate the mining assets of the shareholder CSN with those of the Company, as described in note 8.c).

b) At the Extraordinary Shareholders Meeting held on December 12, 2014 the shareholders approved the Company's capital reduction by R$777,930, to be carried out within 60 days from the act publication date. With such capital reduction, the Company's capital will decrease from R$2,800,000 to R$2,022,070.

c) Capital reserve

The capital reserve of R$6,473,699 as of December 31, 2014 and 2013 comprises R$5,081,840 recognized on December 30, 2008 related to premium arising on the issueance of 187,749,249 new registered common shares, without par value, subscribed and paid in by Big Jump Energy Participações S.A., at the unit price of R$38.81, of which R$3.08 represents the unitary issuance price, set according to Article 170, II, of Law 6,404/76, and R$35.73 per share was allocated to the capital reserve; and special goodwill reserve on the merger of Big Jump Energy Participações S.A., amounting to R$1,391,859, as approved at the Extraordinary Shareholders Meeting held on July 30, 2009.

d) Legal reserve

Since 2012 the Company, in its interpretation of Article 193, paragraph 1, of the aforementioned Law, has not recognized the legal reserve as it understands that its capital reserves exceed 30% of the issued capital.

e) Allocation of results

As mentioned in note 8.c), the Company has long term agreements with its shareholder CSN for the purchase of iron ore and the use of port services, for which prepayments were made for the approximate term of 34 years and whose

balances were adjusted monthly by an interest rate contractually agreed between the parties.

During 2012 Management questioned the contractual system that is being used for adjusting such prepayment balances since Management understands that it causes distortions on the cash positions and on the results of the Company, which tend to repeat in future periods. Considering this, Management submitted to the Board of Directors a proposal to address the contractual interest issue; however, the proposal was not approved by the Board of Directors at that time and the discussions on these agreements and on any amendments thereto remained pending until the closing of these financial statements.

These financial statements have been prepared based on the existing agreements and included, until December 12, 2014, the monetary adjustment of the prepayment balances at the contractually established rate, as detailed in note 8.c) and do not consider any impacts arising from the outcome of these discussions on the estimates used to determine the values of the involved assets, whose judgment is complex according to Management's opinion. A change in these estimates, represented by the outcome of the discussions between the parties, will be recognized in the consolidated financial statements prospectively.

Therefore, the allocation of the results for the years ended December 31, 2014, 2013 and 2012 is stated below, being allocated to an earnings reserve the portion of the retained earnings exceeding the net profit for the years, deducted by the amount of finance income arising from the advances to suppliers agreement.

	2014	2013	2012
Profit for the year	1,103,480	892,856	1,616,486
Proposed dividends	(55,764)	-	(120,411)
Earnings reserve	(1,047,716)	(892,856)	(1,496,075)

f) Dividends

The Company's bylaws foresees for the payment of minimum dividends equivalent to 50% of the net profit for the year; however, in the years ended December 31, 2014, 2013 and 2012, in order to avoid the payment of dividends that may be affected by the above mentioned discussions that are still pending, no dividends were for proposed for 2013, such decision was ratified at the Shareholders Meeting held on March 28, 2014.

Regarding the result for the year ended December 31, 2014 dividends were proposed in the limit of the operating results, amounting to R$55,764.

g) Earnings reserve

In view of the scenario previously described, Company's Management proposes the allocation of a portion of the results for the years ended December 31, 2014 and 2013 for the recognition of earnings reserve as required by Article 195 of Law 6,404/76, amounting to R$1,047,716 and R$892,856, respectively.

17. EARNINGS PER SHARE

Basic earnings per share were calculated based on profit for the year divided by the weighted average number of common shares outstanding during the year. The Company does not have treasury shares. Earnings per share were calculated as shown in the table below:

	2014	2013	2012
Profit attributable to Namisa's owners	1,103,480	892,856	1,616,486
Weighted average number of shares	475,067	475,067	475,067
Basic earnings per share	2,3228	1,8794	3,4026

The Company does not have instruments convertible into shares in the reporting years, therefore, basic earnings per share are equal to diluted earnings per share.

18. NET OPERATING REVENUE

The reconciliation between gross revenues and net revenues disclosed in the income statement is detailed below. The decrease in net revenues in 2014 was basically due to the lower volume produced and, consequently, sold during the year:

	2014	2013	2012
Gross operating revenue:			
Domestic market	21,654	38,681	117,545
Foreign market	1,403,054	2,298,172	3,755,641
Accrual for price adjustment according to sales contracts	(53,070)	(41,658)	(17,186)
	1,477,778	2,378,511	3,856,000
Deductions:			
Taxes on sales	(2,719)	(7,596)	(19,405)
Returns and rebates	(1)	(1,079)	(180)
Net operating revenue	1,475,058	2,369,836	3,836,415

19. INFORMATION ON THE NATURE OF THE EXPENSES RECOGNIZED IN THE INCOME STATEMENT

	Consolidated		
	2014	2013	2012
Third-party material	(406,358)	(487,835)	(925,214)
Port handling	(219,429)	(255,767)	(526,583)
Railway freight	(168,863)	(221,459)	(456,290)
Processing services	-	-	(424,554)
Freight and insurance	(202,926)	(159,531)	(273,700)
Raw material	(152,262)	(97,179)	(110,004)
Labor	(108,256)	(102,149)	(98,484)
Operating services	(76,820)	(48,360)	(61,229)
Maintenance	(51,376)	(62,535)	(44,172)
Demurrage	(11,069)	(22,246)	(24,838)
Infrastructure services	(17,927)	(25,189)	(22,259)
Depreciation	(45,806)	(21,341)	(16,423)
Other	(49,464)	(84,224)	(158,418)
	(1,510,556)	(1,587,815)	(3,142,168)
Cost of sales	(995,192)	(1,090,901)	(2,203,494)
Selling expenses	(433,424)	(419,915)	(828,646)
General and administrative expenses	(54,029)	(55,966)	(57,985)
Other expenses, net	(27,911)	(21,033)	(52,043)
Total	(1,510,556)	(1,587,815)	(3,142,168)

As mentioned in note 18, the decrease in costs in 2014 reflects the lower volume produced and sold.

20. FINANCIAL RESULTS

	2014	2013	2012
Interest expenses:			
Related parties	(23,809)	(21,915)	(68,770)
Interest and fines – REFIS	(1,234)	(344,786)	-
Other interest expenses	(12,499)	(16,084)	(3,593)
	(37,542)	(382,785)	(72,363)
Interest income:			
Related parties	1,052,240	1,044,132	998,606
Dividends	21,102	33,325	24,239
Reversal of interest and fines - REFIS	1,043	336,967	-
Other finance income	78,744	99,510	83,819
	1,153,129	1,513,934	1,106,664
Financial income, net	1,115,587	1,131,149	1,034,301
Exchange rate differences:			
Gains:			
Related parties	12,092	2,207	43,268
Third parties	587,334	569,164	282,094
Losses:			
Related parties	(62,504)	(46,091)	(29,002)
Third parties	(97)	(61)	(208)
Exchange rate gains, net	536,825	525,219	296,122
Monetary rate losses, net	(521)	(1,657)	(715)
Exchange and monetary gains (losses), net	536,304	523,562	295,407

21. POSTEMPLOYMENT BENEFITS – PRIVATE PENSION FUND PROGRAM

The Company sponsors a pension plan created in 2012, managed by a private pension fund (CBSPREV Namisa), which grants to employees defined contribution plan and defined risk benefit plan (sickness allowance, disability retirement pensions, and survivors' pensions), funded by the sponsor (50%) and by the employees (50%).

22. TAX RECOVERY PROGRAM (REFIS)

On October 9, 2013, the federal government enacted Law 12,865/13, subsequently amended by Provisional Act 627, of December 11, 2013, which permitted companies to make the voluntary payment of IRPJ (corporate income tax) and CSLL (social contribution on net income) on profits generated by subsidiaries and/or foreign subsidiaries, as defined in Article 74 of Provisional Act 2,158-35/01, up to the year ended December 31, 2012.

Such program permitted the payment of taxes in up to 180 installments, offering discounts of 100% on fines and interest for payments made in cash and of 80% on fines and 50% on interest for payments made in installments. The legislation also permitted the utilization of tax losses of subsidiaries and of direct or indirect parent company, for settlement of the amounts included in the program.

In this regards, Company's management assessed its foreign operations, comparing them with several cases in the market that are being discussed at the administrative and judicial levels, and decided to include in the program the amounts related to profits earned by its foreign subsidiaries from 2009 to 2012.

The amounts of IRPJ and CSLL resulting from the enrollment in the plan totaled R$892,649, with R$554,485 related to the years from 2009 to 2011 being paid in cash and R$87,828 related to the year 2012 being paid in 180 installments, plus fine and interest, with a down payment of 20% of the total amount, plus fine and interest calculated net of the reductions provided for in the program, totaling R$17,566. Furthermore, the amount of R$258,157 related to the tax loss acquired from the indirect controlling shareholder Vicunha S.A. was paid in cash. The balance payable as of December 31, 2014 totaled R$60,139 (R$70,588 as of December 31, 2013), to be settled in 167 installments, where those payable during the fiscal year immediately subsequent to the balance sheet date being classified in current liabilities and the others in noncurrent liabilities. The enrollment in the program resulted in the recognition of an income tax expense of R$995,383 in the year ended December 31, 2013.

23. FINANCIAL INSTRUMENTS

a) Identification and measurement of financial instruments

The Company’s financial instruments consist of short-term investments, trade receivables, trade payables, and loans and financing. The Company does not use derivative financial instruments, such as currency swaps or interest swaps.

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

b) Classification of financial instruments

	2014		2013	
	Loans and receivables	Other liabilities at amortized cost	Loans and receivables	Other liabilities at amortized cost
Assets				
Current:				
Cash equivalents	5,499,139	-	4,815,211	-
Trade receivables	126,726	-	220,739	-
Advances to suppliers	250,469	-	423,245	-
Loans and receivables	61,026	-	51,854	-
Noncurrent:				
Advances to suppliers	9,236,170	-	8,522,067	-
Loans and receivables	-	-	39,824	-
Liabilities				
Current:				
Loans and financing	-	368,818	-	42,247
Trade payables	-	51,772	-	57,576
Advances from customers	-	8,912	-	-
Noncurrent:				
Loans and financing	-	29,541	-	339,961

c) Financial risk management policy

The Company has and follows a risk management policy, containing guidelines regarding the incurred risks. Pursuant to this policy, the nature and general position of financial risks are monitored and managed on a regular basis to assess the results and the financial impact on cash flow. The credit limits are also reviewed on a periodic basis.

The risk management policy was set by the Board of Directors. Under this policy, the market risks are hedged to maintain the corporate strategy or the financial flexibility level.

d) Liquidity risk

The liquidity risk is the risk that the Company may not have sufficient funds to honor its financial commitments as a result of mismatching of terms or volumes between expected amounts collectible and payable.

To manage cash liquidity both in domestic and foreign currencies, future disbursements and cash inflow assumptions are established and daily monitored by the treasury department.

The table below shows the contractual maturities of financial assets and liabilities, including the payment estimate:

As of December 31, 2014	Less than one year	From one to two years	From two to five years	Over five years
Loans and financing	368,818	9,237	18,429	1,875
Trade payables	51,773	-	-	-

As of December 31, 2013	Less than one year	From one to two years	From two to five years	Over five years
Loans and financing	42,247	326,858	12,224	879
Trade payables	57,576	-	-	-

e) Foreign exchange risk

The Company assesses its foreign exchange exposure by deducting its liabilities from its US dollar-denominated assets to obtain its net foreign exchange exposure, which is actually the foreign exchange exposure risk, and also takes into consideration the maturity of the related assets and liabilities subject to exchange fluctuation. Basically, the Company's financial instruments exposed to foreign exchange risk originate from exports and the investments abroad.

The consolidated net exposure as of December 31, 2014 is as follows:

	2014 (amounts in US$'000)
Cash and cash equivalents abroad	1,875,675
Trade receivables	46,674
Receivables from related parties	17,061
Total assets	1,939,410
Borrowings and financing	137,082
Trade payables	78
Advances from customers	8,912
Other liabilities	28
Total liabilities	146,100
Accounting foreign exchange exposure, net	1,793,310

Gains and losses on these transactions are consistent with the policies and strategies set by Management.

- Sensitivity analysis

We estimated the adjustments in four scenarios for the consolidated foreign exchange transactions exposed to US dollar fluctuation, using the exchange rate at December 31, 2014 of R$2.6562 per US$1.00, as follows:

– Scenario 1: (50% real depreciation) R$/US$ parity of 3.9843.

– Scenario 2: (25% real depreciation) R$/US$ parity of 3.3203.

– Scenario 3: (25% real appreciation) R$/US$ parity of 1.9922.

– Scenario 4: (50% real appreciation) R$/US$ parity of 1.3281.

		2014				
			Impacts estimated in Brazilian reais			
	Risk	US$ benchmark	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Exchange rate		2.6562	3.9843	3.3203	1.9922	1.3281
Assets:						
Cash and cash equivalents	US dollar fluctuation	1,875,675	2,491,085	1,245,542	(1,245,542)	(2,491,085)
Trade receivables	US dollar fluctuation	46,674	61,988	30,994	(30,994)	(61,988)
Receivables from related parties	US dollar fluctuation	17,061	22,659	11,329	(11,329)	(22,659)
		1,939,410	2,575,731	1,287,865	(1,287,865)	(2,275,731)
Liabilities:						
Loans and financing	US dollar fluctuation	137,082	182,059	91,030	(91,030)	(182,059)
Trade payables	US dollar fluctuation	8,912	11,837	5,918	(5,918)	(11,837)
Advances from customers	US dollar fluctuation	78	104	52	(52)	(104)
Other liabilities	US dollar fluctuation	28	37	19	(19)	(37)
		146,100	194,035	97,017	(97,017)	(194,035)
Net effect		1,793,310	2,381,696	1,190,848	(1,190,848)	(2,381,696)

	2013
Risk	Impacts estimated in Brazilian reais

		US$ benchmark	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Exchange rate		2.3426	3.5139	2.9283	2.9283	3.5139
Assets:						
Cash and cash equivalents	US dollar fluctuation	1,838,811	2,153,800	1,076,900	(1,076,900)	(2,153,800)
Trade receivables	US dollar fluctuation	93,259	109,234	54,617	(54,617)	(109,234)
Receivables from related parties	US dollar fluctuation	34,109	39,952	19,976	(19,976)	(39,952)
		1,966,179	2,302,985	1,151,493	(1,151,493)	(2,302,985)
Liabilities:						
Loans and financing	US dollar fluctuation	154,098	180,495	90,248	(90,248)	(180,495)
Trade payables	US dollar fluctuation	433	508	254	(254)	(508)
Other liabilities	US dollar fluctuation	292	342	171	(171)	(342)
		154,824	181,345	90,673	(90,673)	(181,345)
Net effect		1,811,355	2,121,640	1,060,820	(1,060,820)	(2,121,640)

f) Interest rate risk

The Company did not identify any material floating interest rate and inflation index risk to its long-term liabilities.

g) Credit risks

The exposure to the credit risks of financial institutions follows the parameters set out in the financial policy. The Company adopts the procedure of analyzing in detail the financial position of its customers and suppliers, defining a credit limit and constantly monitoring its outstanding balance.

By analyzing the geographical distribution of the exports, we can see a strong concentration of sales in Asia. This is due to the fact that China maintains a strong demand for iron ore and the fact that the shareholders are major steel mills located in Japan and Korea, with which the Company has long-term agreements.

Carrying out most of the sales against the presentation of credit letters and based on customer assessments, as well as the diversification of receivables and the control over sales financing are the usual procedures that the Company adopts to minimize possible credit risks of its business partners. In the year ended December 31, 2014, sales to customers that individually account for more than 10% of sales revenue totaled 58%.

As for short-term investments, the Company only makes investments in institutions with low credit risk awarded by rating agencies.

h) Capital management

The Company manages its capital structure for the purpose of safeguarding its ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, while maintaining an optimal capital structure to reduce this cost.

24. INSURANCE

Due to the nature of its operations, the Company renewed with a local insurer, for the period from September 30, 2014 to September 30, 2015, the coverage of named perils for the following locations: (a) mine, BR 040, km 602, Ouro Preto, MG; (b) mine, Inconfidentes Highway, km 40, no number, Itabirito, MG; (c) office, Rua Iguatemi, 192, 25º andar, Itaim, SP, with coverage of property damages against fire/lightening/any type of explosion, and loss of profits resulting from fire/lightening/any type of explosion, in the total risk amount of R$1,770,866 (property damages and loss of profits), and indemnity ceilings, in case of accidents, of R$50,000 (fire), and R$200,000 (loss of profits).

The risk assumptions adopted, in view of their nature, are not part of the scope of an audit of the financial statements and, therefore, were not audited by our independent auditors.

25. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were authorized for issue by the Executive Committee's meeting held on March 31st, 2015.