

NATIONAL STEEL CO  
Form 6-K  
May 19, 2011

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

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**FORM 6-K**

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

**For the month of May, 2011**  
**Commission File Number 1-14732**

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**COMPANHIA SIDERÚRGICA NACIONAL**

(Exact name of registrant as specified in its charter)

**National Steel Company**

(Translation of Registrant's name into English)

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

(Address of principal executive office)

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

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

Yes  No

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

ITR — Quarterly Financial Information - March 31, 2011 – CIA SIDERURGICA NACIONAL **Version:**  
**1**

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**Company Information / Capital Breakdown**

<b>Number of Shares</b>	<b>Current Quarter</b>
<b>(units)</b>	<b>03/31/2011</b>
<b>Paid in Capital</b>	
Common	1,483,033,685
Preferred	0
Total	1,483,033,685
<b>Treasury Shares</b>	
Common	25,063,577
Preferred	0
Total	25,063,577

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

<b>Code</b>	<b>Description</b>	<b>Current Quarter</b>	<b>Previous Year</b>
		<b>03/31/2011</b>	<b>12/31/2010</b>
1	Total assets	40,067,801	37,368,812
1.01	Current assets	8,068,468	5,519,090
1.01.01	Cash and cash equivalents	1,519,645	108,297
1.01.03	Trade Accounts Receivables	3,553,077	2,180,972
1.01.03.01	Accounts receivables	1,543,518	1,355,191
1.01.03.02	Other receivables	2,009,559	825,781
1.01.04	Inventory	2,513,726	2,706,713
1.01.06	Taxes recoverable	237,268	257,559
1.01.07	Prepaid expenses	27,662	4,189
1.01.08	Other current assets	2 17,090	261,360
1.02	Non-current assets	31,999,333	31,849,722
1.02.01	Long-term assets	4,760,678	6,371,380
1.02.01.03	Receivables	14,485	18,982
1.02.01.06	Deferred taxes	922,961	854,437
1.02.01.07	Prepaid expenses	26,795	27,540
1.02.01.08	Receivables from related parties	790,329	2,471,325
1.02.01.09	Other non-current assets	3,006,108	2,999,096
1.02.02	Investments	18,165,639	17,023,295
1.02.03	Property, plant and equipment	9,051,273	8,432,416
1.02.04	Intangible assets	21 ,743	22,631

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**Parent Company Financial Statements / Balance Sheet – Liabilities****R\$ (in thousands)**

<b>Code</b>	<b>Description</b>	<b>Current Quarter</b>	<b>Previous Year</b>
		<b>03/31/2011</b>	<b>12/31/2010</b>
2	Total liabilities	40,067,801	37,368,812
2.01	Current liabilities	6,403,255	5,087,912
2.01.01	Social and labor liabilities	107,061	108,271
2.01.02	Suppliers	368,797	427,048
2.01.03	Tax liabilities	132,369	74,967
2.01.04	Loans and financing	3,576,099	2,366,347
2.01.05	Other liabilities	2,010,955	1,910,991
2.01.06	Provisions	207,974	200,288
2.02	Non-current liabilities	25,410,615	24,648,140
2.02.01	Loans and financing	14,024,949	12,817,002
2.02.02	Other liabilities	8,649,782	9,107,570
2.02.04	Provisions	2,735,884	2,723,568
2.02.04.01	Tax, social security, labor and civil provisions	2,339,997	2,297,650
2.02.04.01.01	Tax provisions	1,935,186	1,892,345
2.02.04.01.02	Social security and labor provisions	36,972	36,966
2.02.04.01.03	Provisions for employee benefits	367,839	367,839
2.02.04.01.04	Civil provisions	0	500
2.02.04.02	Other provisions	395,887	425,918
2.03	Shareholders' equity	8,253,931	7,632,760
2.03.01	Paid-up capital stock	1,680,947	1,680,947
2.03.02	Capital reserves	30	30
2.03.04	Profit reserves	6,119,798	6,119,798
2.03.04.01	Legal reserve	336,190	336,190
2.03.04.04	Unrealized profit reserve	3,779,357	3,779,357
2.03.04.08	Additional proposed dividend	1,227,703	1,227,703
2.03.04.09	Treasury shares	-570,176	-570,176
2.03.04.10	Investment reserve	1,346,724	1,346,724
2.03.05	Retained earnings/accumulated losses	500,507	0
2.03.08	Other comprehensive income	-47,351	-168,015



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ITR — Quarterly Financial Information - March 31, 2011 – CIA SIDERURGICA NACIONAL

**Version:  
1****Parent Company Financial Statements / Statement of Income****R\$ (in thousands)**

<b>Code</b>	<b>Description</b>	<b>Accrued in Current Year 01/01/2011 to 03/31/2011</b>	<b>Accrued in Previous Year 01/01/2010 to 03/31/2010</b>
3.01	Revenue from sales and/or services	2,570,165	2,549,343
3.02	Cost of goods sold and/or services rendered	-1,726,681	-1,426,717
3.03	Gross income	843,484	1,122,626
3.04	Operating expenses/income	203,013	-159,704
3.04.01	Selling expenses	-81,102	-171,723
3.04.02	General and administrative expenses	-73,873	-71,219
3.04.04	Other operating income	4,809	4,852
3.04.05	Other operating expenses	-143,583	-163,974
3.04.06	Equity pick-up	496,762	242,360
3.05	Income before financial result and taxes	1,046,497	962,922
3.06	Financial result	-470,929	-558,824
3.07	Income before taxes	575,568	404,098
3.08	Income and social contribution taxes	41,951	44,840
3.09	Net income of continued operation	617,519	448,938
3.11	Net income/loss for the period	617,519	448,938
3.99	Earnings per share - (in Reais)		
3.99.01	Basic earnings per share		
3.99.01.01	Common	0.42355	0.30792
3.99.02	Diluted earnings per share		
3.99.02.01	Common	0.42355	0.30792

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**Parent Company Financial Statements / Statement of Comprehensive Income****R\$ (in thousands)**

<b>Code</b>	<b>Description</b>	<b>Accrued in Current Year 01/01/2011 to 03/31/2011</b>	<b>Accrued in Previous Year 01/01/2010 to 03/31/2010</b>
4.01	Net income/loss for the period	617,519	448,938
4.02	Other comprehensive income	120,664	85,628
	Accumulated transation adjustments and foreign exchange gain		
4.02.01	of long term investment nature	-10,852	-29,119
4.02.02	Pension plans, net of taxes	0	3,834
4.02.03	Available-for-sale assets, net of taxes	131,516	110,913
4.03	Comprehensive income for the period	738,183	534,566

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ITR — Quarterly Financial Information - March 31, 2011 – CIA SIDERURGICA NACIONAL

**Version:  
1****Parent Company Financial Statements / Statement of Cash Flows – Indirect Method****R\$ (in thousands)**

<b>Code</b>	<b>Description</b>	<b>Accrued in Current Year 01/01/2011 to 03/31/2011</b>	<b>Accrued in Previous Year 01/01/2010 to 03/31/2010</b>
6.01	Net cash from operating activities	226,479	434,002
6.01.01	Cash generated in the operations	619,794	1,168,351
6.01.01.01	Net income for the year	617,519	448,938
6.01.01.02	Provision for charges on loans and financing	580,918	456,602
6.01.01.03	Depreciation , depletion and amortization	176,852	157,212
6.01.01.04	Equity pick-up	-496,762	-242,360
6.01.01.05	Deferred income and social contribution taxes	-90,362	-54,639
6.01.01.07	Provision for contingencies	8,435	34,881
6.01.01.08	Net monetary and exchange variations	-200,788	242,817
6.01.01.09	Other provisions	23,982	124,900
6.01.02	Variation on assets and liabilities	-393,315	-734,349
6.01.02.01	Receivables	-306,821	-197,402
6.01.02.02	Inventory	200,655	-263,221
6.01.02.03	Credit with subsidiaries and affiliated companies	51,414	20,417
6.01.02.04	Recoverable taxes	46,473	198,242
6.01.02.05	Suppliers	-63,328	-17,686
6.01.02.06	Salaries and payroll charges	-8,849	-3,786
6.01.02.07	Taxes	82,351	89,155
6.01.02.08	Accounts payable to subsidiaries	10,775	9,160
6.01.02.09	Contingent liabilities	48,198	-42,398
6.01.02.10	Financial institutions – interest rates	-338,748	-316,481
6.01.02.11	Tax installment payment - REFIS	-48,325	-157,236
6.01.02.12	Judicial deposits	-9,284	-6,538
6.01.02.14	Interest paid on swaps -	-5,519	0
6.01.02.15	Other	-52,307	-46,575
6.02	Net cash from investment activities	-929,522	-2,454,795
6.02.01	Investments	-583,886	-2,534,258

6.02.02	Property, plant and equipment	-345,648	-219,769
6.02.03	Cash from the merger of subsidiary	12	299,232
6.03	Net cash from financing activities	2,114,418	829,499
6.03.01	Loans and financing	2,351,379	1,228,350
6.03.02	Financial institutions - principal	-236,961	-398,851
6.04	Exchange variation over cash and cash equivalents	-27	21
6.05	Increase (decrease) of cash and cash equivalents	1,411,348	-1,191,273
6.05.01	Opening balance of cash and cash equivalents	108,297	2,872,919
6.05.02	Closing balance of cash and cash equivalents	1,519,645	1,681,646

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ITR — Quarterly Financial Information - March 31, 2011 – CIA SIDERURGICA NACIONAL **Version:**  
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**Parent Company Financial Statements / Statement of Changes in Shareholders' Equity / DMPL – 01/01/2011 to 03/31/2011**

R\$ (in thousands)

Code	Description	Paid-in Capital	Capital Reserves, Options Granted and Treasury Shares	Profit Reserves	Accumulated Profit/Losses	Other Comprehensive Income	Shareholders' Equity
5.01	Opening balances	1,680,947	306,119,798	0	0	-168,015	7,632,760
5.03	Adjusted opening balances	1,680,947	306,119,798	0	0	-168,015	7,632,760
5.04	Capital operations with shareholders	0	0	0	-117,012	0	-117,012
5.04.07	Interest on shareholders' equity	0	0	0	-117,012	0	-117,012
5.05	Total comprehensive income	0	0	0	617,519	120,664	738,183
5.05.01	Net income for the period	0	0	0	617,519	0	617,519
5.05.02	Other comprehensive income	0	0	0	0	120,664	120,664
5.05.02.04	Translation adjustments for the period	0	0	0	0	-10,852	-10,852
5.05.02.08	Available-for-sale assets	0	0	0	0	131,516	131,516
5.07	Closing balances	1,680,947	306,119,798	500,507	0	-47,351	8,253,931



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**1**

**Parent Company Financial Statements / Statement of Changes in Shareholders' Equity / DMPL – 01/01/2010 to 03/31/2010**

R\$ (in thousands)

Code	Description	Paid-in Capital	Capital Reserves, Options Granted and Treasury Shares	Profit Reserves	Accumulated Profit/Losses	Other Comprehensive Income	Shareholders' Equity
5.01	Opening balances	1,680,947	305,444,605		-33,417	-585,715	6,506,450
5.03	Adjusted opening balances	1,680,947	305,444,605		-33,417	-585,715	6,506,450
5.04	Capital operations with shareholders	0	0	0	-89,200	0	-89,200
5.04.07	Interest on shareholders' equity	0	0	0	-89,200	0	-89,200
5.05	Total comprehensive income	0	0	0	448,938	85,628	534,566
5.05.01	Net income for the period	0	0	0	448,938	0	448,938
5.05.02	Other comprehensive income	0	0	0	0	85,628	85,628
5.05.02.04	Translation adjustments for the period	0	0	0	0	-29,119	-29,119
5.05.02.07	Pension plan gain/loss	0	0	0	0	3,834	3,834
5.05.02.08		0	0	0	0	110,913	110,913

	Available-for-sale assets					
5.07	Closing balances	1,680,947	305,444,605	326,321	-500,087	6,951,816

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**Version:  
1****Parent Company Financial Statements / Statement of Added Value****R\$ (in thousands)**

<b>Code</b>	<b>Description</b>	<b>Accrued in Current Year 01/01/2011 to 03/31/2011</b>	<b>Accrued in Previous Year 01/01/2010 to 03/31/2010</b>
7.01	Revenues	3,217,361	3,201,460
7.01.01	Sales of goods, products and services	3,214,209	3,240,292
7.01.02	Other revenues	-9	2,005
7.01.04	Allowance for/reversal of doubtful accounts	3,161	-40,837
7.02	Input acquired from third parties	-1,948,397	-1,954,915
7.02.01	Costs of products, goods and services sold	-1,664,311	-1,528,273
7.02.02	Materials, energy, third party services and other	-275,055	-419,894
7.02.03	Loss/recovery of assets	-9,031	-6,748
7.03	Gross added value	1,268,964	1,246,545
7.04	Retention	-176,852	-157,212
7.04.01	Depreciation, amortization and depletion	-176,852	-157,212
7.05	Net added value produced	1,092,112	1,089,333
7.06	Added value received in transfers	546,838	357,526
7.06.01	Equity pick-up	496,762	242,360
7.06.02	Financial income	61,426	111,865
7.06.03	Other	-11,350	3,301
7.07	Total added value to distribute	1,638,950	1,446,859
7.08	Distribution of added value	1,638,950	1,446,859
7.08.01	Personnel	246,684	143,786
7.08.01.01	Direct compensation	195,330	108,225
7.08.01.02	Benefits	40,479	27,172
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	10,875	8,389
7.08.02	Taxes, fees and contributions	261,029	348,403
7.08.02.01	Federal	193,775	249,634
7.08.02.02	State	59,790	93,180
7.08.02.03	Municipal	7,464	5,589
7.08.03	Third party Capital Remuneration	513,718	505,732



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7.08.03.01	Interest	691,535	504,851
7.08.03.02	Rentals	30	881
7.08.03.03	Other	-177,847	0
7.08.04	Remuneration of shareholders' equity	617,519	448,938
7.08.04.01	Interest on shareholders' equity	117,012	89,204
7.08.04.03	Retained earnings / accumulated losses for the period	500,507	359,734

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

<b>Code</b>	<b>Description</b>	<b>Current Quarter</b>	<b>Previous Year</b>
		<b>03/31/2011</b>	<b>12/31/2010</b>
1	Total assets	40,271,285	37,801,214
1.01	Current assets	17,227,030	15,793,688
1.01.01	Cash and cash equivalents	11,115,047	10,239,278
1.01.03	Trade accounts receivables	1,992,827	1,367,759
1.01.03.01	Accounts receivables	1,396,690	1,259,461
1.01.03.02	Other receivables	596,137	108,298
1.01.04	Inventory	3,285,739	3,355,786
1.01.06	Taxes recoverable	475,735	473,787
1.01.07	Prepaid expenses	38,694	12,997
1.01.08	Other current assets	318,988	344,081
1.02	Non-current assets	23,044,255	22,007,526
1.02.01	Long-term assets	5,165,612	5,664,879
1.02.01.01	Financial investments valued at amortized cost	112,642	112,484
1.02.01.03	Receivables	51,397	58,485
1.02.01.06	Deferred taxes	1,559,215	1,592,941
1.02.01.07	Prepaid expenses	116,154	115,755
1.02.01.08	Receivables from related parties	0	479,120
1.02.01.09	Other non-current assets	3,326,204	3,306,094
1.02.02	Investments	3,104,520	2,103,624
1.02.03	Property, plant and equipment	14,309,434	13,776,567
1.02.04	Intangible assets	464,689	462,456

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**Consolidated Financial Statements / Balance Sheet – Liabilities****R\$ (in thousands)**

Code	Description	Current	Previous
		Quarter	Year
		<b>03/31/2011</b>	<b>12/31/2010</b>
2	Total liabilities	40,271,285	37,801,214
2.01	Current liabilities	5,312,080	4,455,955
2.01.01	Social and labor liabilities	164,643	164,799
2.01.02	Suppliers	598,556	623,233
2.01.03	Tax liabilities	277,607	275,991
2.01.04	Loans and financing	1,999,792	1,308,632
2.01.05	Other liabilities	1,999,978	1,854,952
2.01.06	Provisions	271,504	228,348
2.01.06.01	Tax, social security, labor and civil provisions	265,617	222,461
2.01.06.02	Other provisions	5,887	5,887
2.02	Non-current liabilities	26,517,398	25,522,571
2.02.01	Loans and financing	19,779,921	18,780,815
2.02.02	Other liabilities	4,059,565	4,067,435
2.02.03	Deferred taxes	10,321	0
2.02.04	Provisions	2,667,591	2,674,321
2.02.04.01	Tax, social security, labor and civil provisions	2,376,246	2,384,681
2.02.04.01.01	Tax provisions	1,940,983	1,911,260
2.02.04.01.02	Social security and labor provisions	64,655	82,373
2.02.04.01.03	Provisions for employee benefits	367,839	367,839
2.02.04.01.04	Civil provisions	2,769	23,209
2.02.04.02	Other provisions	291,345	289,640
2.03	Consolidated shareholders' equity	8,441,807	7,822,688
2.03.01	Paid-in capital	1,680,947	1,680,947
2.03.02	Capital reserves	30	30
2.03.04	Profit reserves	6,119,798	6,119,798
2.03.04.01	Legal reserve	336,190	336,190
2.03.04.04	Unrealized profit reserve	3,779,357	3,779,357
2.03.04.08	Additional proposed dividends	1,227,703	1,227,703
2.03.04.09	Treasury shares	-570,176	-570,176

2.03.04.10	Investment reserve	1,346,724	1,346,724
2.03.05	Retained earnings/accumulated losses	500,507	0
2.03.08	Other comprehensive income	-47,351	-168,015
2.03.09	Non-controlling interest	187,876	189,928

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

ITR — Quarterly Financial Information - March 31, 2011 – CIA SIDERURGICA NACIONAL **Version:**  
**1**

**Consolidated Financial Statements / Statement of Income****R\$ (in thousands)**

<b>Code</b>	<b>Description</b>	<b>Accrued in Current Year 01/01/2011 to 03/31/2011</b>	<b>Accrued in Previous Year 01/01/2010 to 03/31/2010</b>
3.01	Revenue from sales and/or services	3,789,008	3,184,630
3.02	Cost of goods sold and/or services rendered	-2,232,828	-1,781,066
3.03	Gross income	1,556,180	1,403,564
3.04	Operating expenses/income	-366,754	-447,263
3.04.01	Selling expenses	-120,002	-201,870
3.04.02	General and administrative expenses	-121,309	-111,301
3.04.04	Other operating income	15,585	24,305
3.04.05	Other operating expenses	-141,028	-158,397
3.05	Income before financial result and taxes	1,189,426	956,301
3.06	Financial result	-518,436	-477,907
3.07	Income before taxes	670,990	478,394
3.08	Income and social contribution taxes	-55,295	-31,124
3.09	Net income of continued operations	615,695	447,270
3.11	Consolidated income/loss for the period	615,695	447,270
3.11.01	To partners of the parent company	617,519	448,938
3.11.02	To non-controlling partners	-1,824	-1,668
3.99	Earnings per share - (in Reais)		
3.99.01	Basic earnings per share		
3.99.01.01	Common	0.42355	0.30792
3.99.02	Diluted earnings per share		
3.99.02.01	Common	0.42355	0.30792

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**Individual Financial Statements / Statement of Comprehensive Income****R\$ (in thousands)**

<b>Code</b>	<b>Description</b>	<b>Accrued in Current Year 01/01/2011 to 03/31/2011</b>	<b>Accrued in Previous Year 01/01/2010 to 03/31/2010</b>
4.01	Net income/loss for the period	615,695	447,270
4.02	Other comprehensive income	120,664	85,628
	Accumulated transation adjustments and foreign exchange gain		
4.02.01	of long term investment nature	-10,852	-29,119
4.02.02	Pension plans, net of taxes	0	3,834
4.02.03	Available-for sale assets, net of taxes	131,516	110,913
4.03	Comprehensive income for the period	736,359	532,898
4.03.01	Attributed to the parent company partners	736,359	532,898

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**Version:  
1****Consolidated Financial Statements / Statement of Cash Flows – Indirect Method****R\$ (in thousands)**

<b>Code</b>	<b>Description</b>	<b>Accrued in Current Year 01/01/2011 to 03/31/2011</b>	<b>Accrued in Previous Year 01/01/2010 to 03/31/2010</b>
6.01	Net cash from operating activities	917,687	272,038
6.01.01	Cash generated in the operations	1,374,274	1,172,086
6.01.01.01	Net income for the year	615,695	447,270
6.01.01.02	Provision for charges on loans and financing	462,403	351,320
6.01.01.03	Depreciation , depletion and amortization	221,519	202,298
6.01.01.05	Deferred income and social contribution taxes	-41,375	-6,511
6.01.01.06	Provision for swap/forward	111,584	-143,040
6.01.01.07	Provision for contingencies	-6,450	404
6.01.01.08	Net monetary and exchange variations	-38,381	214,025
6.01.01.12	Other provisions	49,279	106,320
6.01.02	Variation on assets and liabilities	-456,587	-900,048
6.01.02.01	Receivables	-123,176	48,583
6.01.02.02	Inventory	187,998	-431,918
6.01.02.03	Recoverable taxes	89,103	232,487
6.01.02.04	Suppliers	-27,658	41,850
6.01.02.05	Salaries and payroll charges	9,537	-1,631
6.01.02.06	Taxes	-11,711	-27,917
6.01.02.07	Contingent liabilities	17,664	-18,005
6.01.02.08	Financial institutions – interest rates	-353,345	-360,457
6.01.02.10	Tax installment payment - REFIS	-48,599	-157,532
6.01.02.11	Judicial deposits	-14,351	-7,568
6.01.02.12	Interest paid on swaps	-117,705	-176,223
6.01.02.13	Other	-64,344	-41,717
6.02	Net cash from investment activities	-1,663,848	-520,067
6.02.01	Receipt/payment from derivative operations	-30,845	153,486
6.02.02	Investments	-809,955	-222,689
6.02.03	Property, plant and equipment	-819,722	-433,980

6.02.04	Intangible assets	-3,326	-16,884
6.03	Net cash from financing activities	1,788,049	1,269,090
6.03.01	Loans and financing	2,129,169	1,651,374
6.03.02	Financial institutions - principal	-341,120	-382,284
6.04	Exchange variation over cash and cash equivalents	-166,119	41,104
6.05	Increase (decrease) of cash and cash equivalents	875,769	1,062,165
6.05.01	Opening balance of cash and cash equivalents	10,239,278	8,086,742
6.05.02	Closing balance of cash and cash equivalents	11,115,047	9,148,907



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**Individual Financial Statements / Statement of Changes in Shareholders' Equity / DMPL – 01/01/2011 to 03/31/2011**

R\$ (in thousands)

Code	Description	Paid-in Capital	Capital Reserves, Options Granted and Treasury Shares	Profit Reserves	Accumulated Profit/Losses	Other Comprehensive Income	Shareholders' Equity	Non-C
5.01	Opening balances	1,680,947	306,119,798		0	-168,015	7,632,760	
5.03	Adjusted opening balances	1,680,947	306,119,798		0	-168,015	7,632,760	
5.04	Capital operations with shareholders	0	0	0	-117,012	0	-117,012	
5.04.07	Interest on shareholders' equity	0	0	0	-117,012	0	-117,012	
5.05	Total comprehensive income	0	0	0	617,519	120,664	738,183	
5.05.01	Net income for the period	0	0	0	617,519	0	617,519	
5.05.02	Other comprehensive income	0	0	0	0	120,664	120,664	
5.05.02.04	Translation adjustments for the period	0	0	0	0	-10,852	-10,852	
5.05.02.08	Available-for-sale assets	0	0	0	0	131,516	131,516	
5.06		0	0	0	0	0	0	

	Internal changes to shareholders' equity							
5.06.04	Interest in subsidiaries by non-controlling shareholders	0	0	0	0	0	0	0
5.07	Closing balances	1,680,947	306,119,798	500,507	-47,351	8,253,931		

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**Individual Financial Statements / Statement of Changes in Shareholders' Equity / DMPL – 01/01/2010 to 03/31/2010**

R\$ (in thousands)

Code	Description	Paid-in Capital	Capital Reserves, Options Granted and Treasury Shares	Profit Reserves	Accumulated Profit/Losses	Other Comprehensive Income	Shareholders' Equity	Non-C
5.01	Opening balances	1,680,947	305,444,605		-33,417	-585,715	6,506,450	
5.03	Adjusted opening balances	1,680,947	305,444,605		-33,417	-585,715	6,506,450	
5.04	Capital operations with shareholders	0	0	0	-89,200	0	-89,200	
5.04.07	Interest on shareholders' equity	0	0	0	-89,200	0	-89,200	
5.05	Total comprehensive income	0	0	0	448,938	85,628	534,566	
5.05.01	Net income for the period	0	0	0	448,938	0	448,938	
5.05.02	Other comprehensive income	0	0	0	0	85,628	85,628	
5.05.02.04	Translation adjustments for the period	0	0	0	0	-29,119	-29,119	
5.05.02.07	Pension plan gain/loss	0	0	0	0	3,834	3,834	
5.05.02.08		0	0	0	0	110,913	110,913	

	Available-for-sale assets						
5.06	Internal changes to shareholders' equity	0	0	0	0	0	0
5.06.04	Interest in subsidiaries by non-controlling shareholders	0	0	0	0	0	0
5.07	Closing balances	1,680,947	305,444,605	326,321	-500,087	6,951,816	

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**Consolidated Financial Statements / Statement of Value Added****R\$ (in thousands)**

<b>Code</b>	<b>Description</b>	<b>Accrued in Current Year 01/01/2011 to 03/31/2011</b>	<b>Accrued in Previous Year 01/01/2010 to 03/31/2010</b>
7.01	Revenues	4,503,966	3,911,698
7.01.01	Sales of goods, products and services	4,506,855	3,949,987
7.01.02	Other revenues	-4,580	1,986
7.01.04	Allowance for/reversal of doubtful accounts	1,691	-40,275
7.02	Input acquired from third parties	-2,298,684	-2,205,565
7.02.01	Costs of products, goods and services sold	-1,968,417	-1,766,103
7.02.02	Materials, energy, third party services and other	-319,708	-433,289
7.02.03	Loss/recovery of assets	-10,559	-6,173
7.03	Gross added value	2,205,282	1,706,133
7.04	Retention	-221,519	-202,298
7.04.01	Depreciation, amortization and depletion	-221,519	-202,298
7.05	Net added value produced	1,983,763	1,503,835
7.06	Added value received in transfers	-117,402	190,247
7.06.02	Financial income	139,082	182,164
7.06.03	Other	-256,484	8,083
7.07	Total added value to distribute	1,866,361	1,694,082
7.08	Distribution of added value	1,866,361	1,694,082
7.08.01	Personnel	375,852	240,087
7.08.01.01	Direct compensation	296,564	183,865
7.08.01.02	Benefits	61,354	43,125
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	17,934	13,097
7.08.02	Taxes, fees and contributions	479,671	503,622
7.08.02.01	Federal	367,708	377,709
7.08.02.02	State	102,024	118,293
7.08.02.03	Municipal	9,939	7,620
7.08.03	Third party capital remuneration	395,143	499,767
7.08.03.01	Interest	563,726	495,462

7.08.03.02	Rentals	1,631	4,305
7.08.03.03	Other	-170,214	0
7.08.04	Remuneration of shareholders' equity	615,695	450,606
7.08.04.01	Interest on shareholders' equity	117,012	89,204
7.08.04.03	Retained earnings / accumulated losses for the period	500,507	359,734
7.08.04.04	Non-controlling interest in retained earnings	-1,824	1,668

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## **Comments on the Company's Consolidated Performance**

### **Economic and Sector Scenario**

The global economic recovery is gaining strength. According to the IMF, the prospects for 2011 and 2012 are improving and GDP growth in emerging and developed countries is expected to average 2.5% and 6%, respectively. Capital and trade flows between emerging and developed nations are moving up and both business and consumer confidence are increasing.

Despite the overall optimism, however, inflation is a growing concern for governments in many emerging markets. The upturn in commodity prices has been higher than expected, reflecting a strong growth in demand and reduced supply.

#### **- USA:**

The U.S. economy continues to recover in 2011. The IMF expects annual GDP growth of 2.8% and believes financial conditions in general are improving despite scarce credit and the deleveraging of the property market. The low level of corporate debt and easier access to bank loans, not only for major corporations, but also for small and medium enterprises, has had a positive impact on business confidence.

Also according to the IMF, U.S. capital flows are back to pre-crisis levels and are mostly directed to the emerging economies. According to the U.S. Treasury Department, the Consumer Price Index in March 2011 increased by 0.5% over the previous month and 2.7% over March 2010, basically due to the surge in commodity and gasoline prices.

According to the Federal Reserve, interest rates in March 2011 stood at 0.25%, having remained at that level since December 2008.

The IMF believes more attention should be given to lowering the projected deficit in 2011. Although measures to reduce maintenance costs and investments have contributed to this end, much broader initiatives, such as an overhaul of the tax and social security system, will be needed to substantially reduce the deficit in the medium term.

Although the creation of new jobs has increased, unemployment remains high, with more than 13.5 million people out of work, according to the Bureau of Labor Statistics, while the Treasury Department reported an unemployment rate of 8.8% in March 2011, 0.6 p.p. down on the 9.4% reported in December 2010.

- **Europe:**

Europe's economy has been marked by huge disparities between the various countries in terms of economic and industrial performance. Germany continues to head the growth rankings, with a strong industrial growth and increasing exports. On the other hand, the Portuguese, Spanish, Greek, Irish and Italian governments have had to cut spending drastically and increase taxes.

Although economic activity moved up at the beginning of 2011 following the seasonal slump in the final three months of last year, and job market conditions improved due to the expansion of the private sector, unemployment is still high, at 9.5%.

During the crisis, the European Central Bank maintained interest rates at 1% p.a. in order to fuel consumption and stimulate the economy. At its last meeting, however, it raised interest to 1.25% in order to curb inflation, which is expected to reach 2.6% in 2011, according to the European Confederation of Iron and Steel Industries (EUROFER) estimates.

The IMF expects GDP growth of 1.6 and 1.8%, respectively, in 2011 and 2012.



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- **Asia:**

The Chinese government's priorities in 2011 are controlling the public deficit and inflation. In the last six months, it has implemented a series of measures to stem rising prices, such as increasing interest rates and imposing stricter lending criteria. It also introduced measures to ensure that banks retain more capital, thereby reducing the surge in loans and financing. Interest rates are now 6.31% for one-year loans following two Central Bank hikes.

On the FX front, the yuan has appreciated by around 5% since the third quarter of 2010. As a result, the IMF estimates 2011 GDP growth of 9.7%, accompanied by a 3.1% upturn in inflation.

There are also some challenges to be overcome related to the environmental deterioration given the unbridled growth of the big urban centers, the need to create jobs for around 200 million rural workers who have migrated to the cities and the need to expand and diversify electric power infrastructure.

In mid-March, Japan was hit by an earthquake and tsunami that destroyed the north and northeast of the country. The true depth of the losses is still unknown, but the World Bank estimates a figure of between US\$120 and US\$230 billion, or between 2% and 4.5% of Japanese GDP.

Since the catastrophe, the Central Bank of Japan (BOJ) has injected around €330 billion into the economy in order to increase market liquidity, avoid investor panic and prevent a slide on the Tokyo Stock Exchange. Recently, the IMF reduced its 2011 GDP growth estimate from 1.6% to 1.4%.

- **Brazil:**

Following exceptionally strong growth in 2010, the economy is likely to record a more moderate upturn in 2011, according to the Central Bank's Focus report.

The government has adopted a series of fiscal and monetary measures in an attempt to reduce domestic liquidity and contain the credit expansion, aiming to curb household consumption and restrain inflation, which the Focus report indicates is already approaching the 6.5% ceiling stipulated by the Central Bank.

At its last meeting, the COPOM (Monetary Policy Committee) decided to raise interest rates by 25 bps to 12% p.a. This is the third increase this year and there may well be more. In its *communiqué*, the Bank states that this long-term measure is designed to ensure convergence with the 2012 target of 4.5%.

Despite expectations of a controlled economic downturn in 2011, business confidence remains high. According to the Getulio Vargas Foundation (FGV), March's industrial confidence index remained stable when compared to January 2011 at 112.4 points. Similarly, the FGV's capacity use index remained at 84% between January and March.

The job market also remains strong. According to CAGED (the employed and unemployed registry), 281,000 new registered jobs were created in February, 34% up year-on-year and the highest ever February figure.

According to IPEA (Institute of Applied Economic Research), industrial output grew by 2.2% in the first two months of 2011 despite increased costs due to the elevated exchange rate. The market expects the dollar to close the year at US\$1.65.

	<b>2011</b>	<b>2012</b>
<b>IPCA (%)</b>	6.37	5.00
<b>Commercial dollar (final) – R\$</b>	1.62	1.70
<b>SELIC (final - %)</b>	12.50	12.00
<b>GDP (%)</b>	4.00	4.25
<b>Industrial Production (%)</b>	4.04	4.58

Source: FOCUS BACEN

Base: April 29, 2011



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**Adoption of IFRS**

CSN's consolidated financial statements are presented in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and in accordance with Brazilian accounting practices, issued by the Accounting Pronouncements Committee (CPC) and approved by the Brazilian Securities and Exchange Commission (CVM), pursuant to CVM Instruction 485 of September 1, 2010.

**Net Revenue**

Consolidated net revenue totaled R\$3,789 million in 1Q11, 19% up on the R\$3,185 million posted in 1Q10, chiefly due to higher iron ore prices and sales volume, and 10% more than in 4Q10, basically thanks to the upturn in domestic steel product sales volume.

**Cost of goods sold (COGS)**

In 1Q11, consolidated COGS totaled R\$2,233 million, 16% more than the R\$1,929 million registered in 4Q10, primarily reflecting the increase in steel product sales volume.

In year-on-year terms, consolidated COGS grew 25% over the R\$1,781 million recorded in 1Q10, basically due higher iron ore sales volume.

**Selling, General, Administrative and Other Operating Expenses**

In the first quarter, SG&A expenses totaled R\$241 million, 14% down on 4Q10, chiefly due to the reduction in freight and general services expenses. In the 12-month comparison, SG&A expenses dropped by 23%.

CSN recorded a net expense of R\$125 million in the "Other Revenue and Expenses" line in 1Q11, a R\$55 million improvement over the previous quarter, basically due to non-recurring expenses with provisions for environmental contingencies in 4Q10, partially offset by additional REFIS payments. In annual terms, SG&A expenses fell by R\$9 million.

### **EBITDA**

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

Adjusted EBITDA totaled R\$1,529 million in 1Q11, 19% up on the R\$1,289 million recorded in 1Q10, while the adjusted EBITDA margin remained flat at 40%.

In relation to the previous quarter, adjusted EBITDA increased by 6%, while the margin decreased by 2 p.p.

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### **Financial Result and Net Debt**

The 1Q11 net financial result was negative by R\$518 million, chiefly due to the following factors:

- § Provisions for interest on loans and financing totaling R\$545 million;
- § Negative monetary and foreign exchange variations of R\$93 million, including the result of derivative operations;
- § The monetary restatement of tax provisions totaling R\$42 million.

These negative effects were partially offset by returns on financial investments and other financial revenue/expenses, totaling R\$162 million.

On March 31, 2011, the consolidated net debt stood at R\$10.7 billion, R\$0.8 billion more than the R\$9.9 billion recorded on December 31, 2010, essentially due to the following factors:

- § Investments of R\$0.8 billion in fixed assets;
- § A R\$0.5 billion effect related to the cost of debt;
- § The acquisition of bonds for trading and sale, totaling R\$0.8 billion.

These effects were partially offset by 1Q11 adjusted EBITDA of R\$1.5 billion.

The net debt/adjusted EBITDA ratio closed 1Q11 at 1.62x, based on LTM adjusted EBITDA of R\$6.6 billion, 0.07x up on the 1.55x ratio recorded at the end of the previous quarter.

In February 2011, CSN contracted a Special Corporate Credit – Major Corporations loan from Caixa Econômica Federal through the issue of a R\$2.0 billion bank credit bill, maturing in 94 months.

### **Consolidated Net Income**

CSN posted 1Q11 net income of R\$616 million, 37% up on 4Q10, chiefly reflecting the improved operating results in the steel and mining segments and the reduction in G&A expenses and “Other Revenue and Expenses”.

In year-on-year terms, net income improved by 38%.

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**Capex**

CSN invested R\$820 million in 1Q11, R\$488 million of which in subsidiaries or joint subsidiaries, allocated as follows:

- ü Transnordestina Logística: R\$350 million;
- ü MRS Logística: R\$51 million;
- ü CSN Cimentos: R\$28 million;

The remaining R\$332 million went to the parent company, mostly in the following projects:

- ü Maintenance and repairs: R\$114 million;
- ü Expansion of the Casa de Pedra mine: R\$43 million;
- ü Expansion of the Port of Itaguaí: R\$28 million;
- ü CSN Aços Longos: R\$19 million
- ü Technological improvements: R\$11 million.

**Working Capital**

Working capital closed March 2011 at R\$2,201 million, in line with the figure at the end of December 2010, basically due to increased sales in 1Q11, which reduced “Inventories” and pushed up “Accounts Receivable”. The average receivables period climbed from 25 days at the end of December 2010 to 29 days at the close of March 2011, while the average supplier payment period remained flat at 22 days.



<b>WORKING CAPITAL (R\$ MM)</b>	<b>1Q10</b>	<b>4Q10</b>	<b>1Q11</b>	<b>Change 1Q11 x 4Q10</b>	<b>Change 1Q11 x 1Q10</b>
<b>Assets</b>	<b>3,440</b>	<b>3,841</b>	<b>3,817</b>	<b>(24)</b>	<b>377</b>
<b>Accounts Receivable</b>	<b>1,099</b>	<b>1,259</b>	<b>1,397</b>	<b>137</b>	<b>298</b>
<b>Inventory (*)</b>	<b>2,323</b>	<b>2,492</b>	<b>2,378</b>	<b>(114)</b>	<b>55</b>
<b>Advances to Taxes</b>	<b>19</b>	<b>90</b>	<b>42</b>	<b>(48)</b>	<b>23</b>
<b>Liabilities</b>	<b>1,739</b>	<b>1,654</b>	<b>1,616</b>	<b>(38)</b>	<b>(124)</b>
<b>Suppliers</b>	<b>550</b>	<b>521</b>	<b>494</b>	<b>(27)</b>	<b>(56)</b>
<b>Salaries and Social Contribution</b>	<b>133</b>	<b>165</b>	<b>165</b>	<b>0</b>	<b>31</b>
<b>Taxes Payable</b>	<b>975</b>	<b>933</b>	<b>924</b>	<b>(9)</b>	<b>(51)</b>
<b>Advances from Clients</b>	<b>81</b>	<b>35</b>	<b>33</b>	<b>(2)</b>	<b>(48)</b>
<b>Working Capital</b>	<b>1,701</b>	<b>2,187</b>	<b>2,201</b>	<b>14</b>	<b>500</b>

<b>TURNOVER RATIO</b>	<b>1Q10</b>	<b>4Q10</b>	<b>1Q11</b>	<b>Change 1Q11 x 4Q10</b>	<b>Change 1Q11 x 1Q10</b>
<b>Average Periods</b>					
<b>Receivables</b>	<b>26</b>	<b>25</b>	<b>29</b>	<b>4</b>	<b>3</b>
<b>Supplier Payment</b>	<b>28</b>	<b>22</b>	<b>22</b>	<b>-</b>	<b>(6)</b>
<b>Inventory Turnover</b>	<b>91</b>	<b>111</b>	<b>102</b>	<b>(9)</b>	<b>11</b>

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

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## Results by Segment

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

<b>Steel</b>	<b>Mining</b>	<b>Logistics</b>	<b>Cement</b>	<b>Energy</b>
Presid. Vargas Steelworks	Casa de Pedra	Railways:	Volta Redonda	CSN Energia and
Porto Real	Namisa (60%)	- MRS	Arcos	Itasa
Paraná LLC	Tecar	- Transnordestina		
Lusosider	ERSA	Port:		
Prada (Distribution and Packaging)		- Sepetiba Tecon		
Metalic				

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

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

### **Net revenue by segment in 1Q11 (R\$ million)**



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**Each segment's share of adjusted EBITDA in 1Q11 (R\$ million)**

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

<b>R\$ million</b>								<b>1Q11</b>
<b>Consolidated Results</b>	<b>Steel</b>	<b>Mining</b>	<b>Logistics (Port)</b>	<b>Logistics (Railways)</b>	<b>Energy</b>	<b>Cement</b>	<b>Eliminations/Corporate</b>	<b>Consolidated</b>
<b>Net Revenue</b>	<b>2,305</b>	<b>1,210</b>	<b>37</b>	<b>232</b>	<b>29</b>	<b>63</b>	<b>(85)</b>	<b>3,789</b>
Domestic Market	1,966	195	37	232	29	63	(79)	2,441
Foreign Market	339	1,015	-	-	-	-	(6)	1,348
Cost of Goods Sold	(1,635)	(436)	(21)	(145)	(10)	(49)	63	(2,233)
<b>Gross Profit</b>	<b>670</b>	<b>774</b>	<b>16</b>	<b>87</b>	<b>19</b>	<b>13</b>	<b>(22)</b>	<b>1,556</b>
Selling, General and Administrative Expenses	(118)	(18)	(4)	(20)	(6)	(12)	(64)	(241)
Depreciation	141	36	1	26	6	4	1	215
<b>Adjusted EBITDA</b>	<b>693</b>	<b>792</b>	<b>13</b>	<b>92</b>	<b>19</b>	<b>6</b>	<b>(85)</b>	<b>1,529</b>
<b>Adjusted EBITDA Margin</b>	<b>30%</b>	<b>65%</b>	<b>36%</b>	<b>40%</b>	<b>64%</b>	<b>9%</b>		<b>40%</b>

<b>R\$ million</b>								<b>1Q10</b>
<b>Consolidated Results</b>	<b>Steel</b>	<b>Mining</b>	<b>Logistics (Port)</b>	<b>Logistics (Railways)</b>	<b>Energy</b>	<b>Cement</b>	<b>Eliminations/Corporate</b>	<b>Consolidated</b>
<b>Net Revenue</b>	<b>2,553</b>	<b>454</b>	<b>28</b>	<b>202</b>	<b>27</b>	<b>36</b>	<b>(116)</b>	<b>3,185</b>
Domestic Market	2,277	93	28	202	27	36	(116)	2,548
Foreign Market	276	361	-	-	-	-	-	637
Cost of Goods Sold	(1,514)	(190)	(17)	(110)	(8)	(37)	96	(1,781)
<b>Gross Profit</b>	<b>1,039</b>	<b>263</b>	<b>11</b>	<b>92</b>	<b>19</b>	<b>(1)</b>	<b>(20)</b>	<b>1,404</b>
Selling, General and Administrative Expenses	(147)	(32)	(4)	(16)	(6)	(7)	(101)	(313)
Depreciation	131	36	3	24	6	2	(3)	199
<b>Adjusted EBITDA</b>	<b>1,024</b>	<b>267</b>	<b>11</b>	<b>100</b>	<b>18</b>	<b>(6)</b>	<b>(124)</b>	<b>1,289</b>
<b>Adjusted EBITDA Margin</b>	<b>40%</b>	<b>59%</b>	<b>38%</b>	<b>49%</b>	<b>68%</b>	<b>-15%</b>		<b>40%</b>

**Adjusted EBITDA  
Margin**

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## **Steel**

### **Brazilian Scenario**

According to the Brazilian Steel Institute (IABr), 1Q11 consolidated production totaled 8.5 million tonnes of crude steel and 6.4 million tonnes of rolled flat steel, 6.2% and 2.0% up, respectively, on the same period in 2010.

Domestic steel product sales came to 5.3 million tonnes in the first quarter, a 5.6% year-on-year improvement, while exports jumped by 39.2% to 2.8 million tonnes.

Steel product imports totaled 866,200 tonnes, 34.3% down on 1Q10.

As a result, apparent consumption of steel products in the Brazilian market came to 6.2 million tonnes in the first three months of the year.

### **Segments**

#### **Automotive:**

According to ANFAVEA (the auto manufacturers' association), vehicle output reached record levels in 1Q11, increasing by more than 7.9% over 1Q10, when the IPI (federal VAT) discount was still in force.

Despite the restrictive measures that squeezed credit supply, vehicle sales climbed by 4.8% year-on-year (also according to ANFAVEA), reaching 825,300 units, a new record.

The auto industry posted revenue of US\$3.27 billion, 25.8% more than in 1Q10.

ANFAVEA estimates 2011 production of 3.68 million vehicles, higher than last year and yet another record.

### **Construction:**

The construction sector should maintain the strong growth pace of recent quarters, favored, as before, by the population's higher average income, the expansion of the government's housing programs, the 2014 World Cup and the 2016 Olympic Games. According to a survey by FGV/SEBRAE, the construction sector will absorb R\$22.8 billion of the R\$30 billion allocated to the World Cup budget.

However, there are obstacles to this growth, one of the main ones being higher costs, chiefly due to the shortage of skilled labor. In fact, the increase in costs has already impacted the Market Construction Price Index (INCC-M), which climbed by 1.21% in the first quarter.

Despite the credit restrictions, the volume of housing financing agreements continued to move up – Caixa Econômica Federal alone granted loans totaling R\$14.7 billion in 1Q11.

According to a survey by the National Confederation of Industry (CNI), sector businessmen are optimistic in regard to activity levels in the coming months.

SINDUSCON-SP (the São Paulo building industry association) and the Getulio Vargas Foundation (FGV) estimate sector growth of 6% in 2011.

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**Distribution:**

According to INDA (the Brazilian steel distributors' association), purchases by distributors totaled 1.089 million tonnes in 1Q11, 21% up on the previous quarter.

Flat steel sales increased by 20% over 4Q10, reaching 1.1 million tonnes.

Inventories ended the quarter at 3.1 months, slightly above the historical average of 2.8 months.

**Home Appliances:**

Geraldo Alckmin, the São Paulo state governor, signed a decree reducing ICMS (state VAT) on appliance manufacturers from 18% to 7%, which will have a positive impact on the sector.

According to PROVAR/FIA, annual per capita home appliance spending intentions in São Paulo state are expected to increase by 4.8% year-on-year in 2Q11 to R\$1,263.

According to Consultoria Tendências, sector growth in the second quarter should move up slightly, reaching 4.2% in 2011 as a whole.

**Net Revenue**

Net revenue from steel operations in 1Q11 totaled R\$2,305 million, 9% up on 4Q10, basically due to the increase in domestic sales volume, and 10% down on 1Q10, due to lower prices and domestic sales volume.



**Total Sales Volume**

CSN recorded total sales volume of 1.2 million tonnes in 1Q11, 17% more than in 4Q10. Of this total, 85% was sold on the domestic market and 12% by overseas subsidiaries, while 3% went to direct exports. In year-on-year terms, volume fell by 3%.

**Domestic Sales Volume**

Domestic sales totaled 1 million tonnes in 1Q11, a 20% improvement over the quarter before, fueled by stronger demand for flat steel in Brazil. In comparison with the same period last year, sales volume dropped by 6%, chiefly due to exceptionally strong demand in 1Q10.

**Exports**

CSN exported 186,000 tonnes in 1Q11, virtually identical to the 4Q10 figure. Sales by CSN LLC and Lusosider totaled 146,000 tonnes, while direct exports amounted to 40,000 tonnes.

In year-on-year terms, exports grew by 11%. CSN LLC and Lusosider's sales climbed by 18%, while direct exports fell by 7%.

**Prices**

Net revenue per tonne averaged R\$1,858 in 1Q11, 6% below the 4Q10 figure, mainly due to the product mix.

**Production**

Crude and rolled steel production totaled 1.1 million tonnes and 1.0 million tonnes in 1Q11, corresponding to quarter-on-quarter reductions of 12% and 5%, respectively.

Production (in thousand t)	1Q10	4Q10	1Q11	Change	
				1Q11 x 1Q10	1Q11 x 4Q10
Crude Steel (UPV)	1,178	1,292	1,132	-4%	-12%
Rolled Products	1,203	1,083	1,034	-14%	-5%



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**Cost of goods sold (COGS)**

Steel segment COGS stood at R\$1.63 billion in 1Q11, 10% up on the R\$1.48 billion recorded in 4Q10, chiefly due to the upturn in sales volume.

In relation to 1Q10, COGS increased by 8%, primarily due to the higher cost of certain raw materials, such as coal and coke.

**Production costs**

In 1Q11, total steel production costs came to R\$1.3 billion, 7% or R\$0.1 billion, less than the R\$1.4 billion reported in 4Q10.

**Raw materials:** reduction of R\$112 million, primarily in regard to:

- **Coal and coke:** decline of R\$93 million, basically due to lower consumption;
- **Iron ore:** reduction of R\$7 million due to lower consumption;
- **Scrap:** downturn of R\$12 million, also due to lower consumption;

**Labor:** decline of R\$16 million.

**Other production costs:** reduction of R\$21 million.

**Depreciation:** increase of R\$28 million due to new asset incorporations.

**Adjusted EBITDA**

Adjusted steel segment EBITDA totaled R\$693 million in 1Q11, 10% up on the R\$632 million recorded in 4Q10, basically due to higher domestic sales, accompanied by an adjusted EBITDA margin of 30%, stable in relation to the previous quarter.

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## **Mining**

### **Scenario**

The first three months of 2011 were marked by conflicts in the Middle East, earthquakes, tsunamis and floods in Australia, all of which had a direct impact on the iron ore and steel markets and some of which will continue to be felt for some time.

The prospects are still positive, with iron ore demand continuing to outstrip supply until 2014. After this, supply is likely to move up as the new ongoing projects progress and Chinese steel output begins to level off.

Despite the Chinese government's adoption of restrictive measures to curb economic growth, CRU believes the country will still respond for a major slice of the mining market thanks to its urbanization process, which has resulted in massive domestic consumption. According to the World Steel Association (WSA) and CRU, Chinese iron ore imports should reach 895 million tonnes in 2015.

In the short term, strong seasonal demand, punctured by supply breaks, may push spot prices up from their current US\$180/t to US\$190/t, also reflecting rapid demand growth in the emerging markets, high-cost production in China and infrastructure bottlenecks in the new mining projects.

According to the current pricing scenario, the basic Platts price (62%Fe CFR) should reach US\$179.26 in 2Q11, 20% up on 1Q11. Given the current level of global consumption, the prospects for the coming quarters are promising for both prices and sales volume.

In 1Q11, Brazil's iron ore exports remained stable over the same period last year at 71 million tonnes, but fell by 18% over 4Q10 due to the normal first-quarter seasonal supply restrictions.

## **Analysis of Results**

CSN's mining segment comprises the mining and sale of iron ore (the Casa de Pedra mine and a 60% interest in Namisa) in addition to port terminal operations (Tear) and tin (ERSA).

### **Iron ore sales**

In 1Q11, CSN and Namisa's total sales of finished iron ore products to third parties amounted to 6.6 million tonnes<sup>1</sup>, 17% and 3% up on 1Q10 and 4Q10, respectively. Of this total, exports accounted for 6.2 million tonnes, with 3.7 million tonnes sold by Namisa.

The Company's own consumption absorbed 1.7 million tonnes in 1Q11.

Considering CSN's 60% interest in Namisa, sales came to 5.1 million tonnes in 1Q11, 23% up on 1Q10 and 15% up on 4Q10.

### **Net Revenue**

Net revenue totaled R\$1.2 billion in 1Q11, 9% up on 4Q10, due to higher sales volume, and 167% more than in 1Q10, reflecting the price and volume upturn.

### **Cost of goods sold (COGS)**

COGS came to R\$436 million in 1Q11, 32% more than in 4Q10, reflecting the mix of products sold. In comparison with 1Q10, COGS jumped by 129%, due to higher sales volumes.

### **Adjusted EBITDA**

First-quarter adjusted EBITDA totaled R\$792 million, virtually identical to the 4Q10 figure, accompanied by an adjusted EBITDA margin of 65%, down by 6 p.p., basically due to the above-mentioned upturn in COGS.

In comparison with 1Q10, however, adjusted EBITDA climbed by a massive 196% and the adjusted EBITDA margin widened by 6 p.p., due to higher prices and volumes in 1Q11.

<sup>1</sup> Sales volumes include 100% of the stake in NAMISA.

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## **Logistics**

### **Scenario**

#### **2010 Overview:**

#### **Port logistics**

According to ANTAQ (National Waterway Transport Agency), handled volume totaled 834 million tonnes in 2010, 14% up on 2009, led by the 16% upturn in iron ore exports to 311 million tonnes. In the container segment, the Brazilian ports handled 6.8 million TEUs, 12% more than the year before.

#### **Railway logistics**

According to ANTT (National Rail Transport Association), transported volume totaled 471.1 million tonnes, 19% up on 2009, led by the 59% increase in iron ore and coal volume. In the same period, production grew by 15% to 280 billion tonne-kilometers.

The outlook remains highly promising. The ANTT estimates 2011 volume of 530 million tonnes, production of 315 billion tonne-kilometers and investments of R\$3 billion in private concessions.

#### **Analysis of Results**

This sector encompasses railway logistics, via the Company's interest in two companies (MRS Logística and Transnordestina Logística) and port logistics, through the Sepetiba Tecon terminal.

#### **1. Railway logistics**



## **Analysis of Results**

MRS and Transnordestina's individual results had not yet been announced up to the publication of this release. In 1Q11, consolidated net revenue from railway logistics totaled R\$232 million, COGS stood at R\$145 million and adjusted EBITDA came to R\$92 million, accompanied by an adjusted EBITDA margin of 40%.

### **2. Port logistics**

## **Analysis of Results**

Consolidated net revenue from port logistics amounted to R\$37 million in 1Q11, COGS came to R\$21 million and EBITDA totaled R\$13 million, with an EBITDA margin of 36%.

## **Cement**

### **Scenario**

The cement market remained buoyant in the first quarter of 2011. Preliminary figures from SNIC (the cement industry association) indicate domestic sales of 14.4 million tonnes, 6.6% up year-on-year. The Southeast Region of Brazil accounted for half of domestic consumption, followed by the Northeast, with 19%, and the South with 16%.

According to SNIC, LTM consolidated sales (April 2010 through March 2011) stood at 60 million tonnes, 12.4% up year-on-year.

## **Analysis of Results**

In 1Q11, net revenue from cement operations totaled R\$63 million, with sales volume of 335,000 tonnes and COGS of R\$49 million. Adjusted EBITDA came to R\$6 million in 1Q11, accompanied by an adjusted EBITDA margin of 9%.

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## **Energy**

### **Scenario**

Electric power consumption grew by a substantial 5.1% in January and February over the same period last year, according to the Ministry of Mines and Energy's Energy Research Company (EPE).

Despite soaring consumption, demand is still in line with structural supply for the next five years, according to the Projected Electricity Demand survey published recently by the EPE, largely thanks to the government's energy auctions, which have added supply in excess of estimated demand growth of 5% p.a.

### **Analysis of Results**

Net revenue totaled R\$29 million in 1Q11, COGS stood at R\$10 million and EBITDA came to R\$19 million, accompanied by an EBITDA margin of 64%.

## **Capital Market**

### **Share Performance**

In 1Q11, CSN's shares remained flat over the previous quarter, versus the 1% downturn recorded by the IBOVESPA in the same period.

On the NYSE, CSN's ADRs also remained flat over 4Q10, versus the Dow Jones' 6% upturn in 1Q11.

Daily traded volume in CSN's shares averaged R\$83.5 million, 12% more than in the previous quarter. On the NYSE, daily traded volume in CSN's ADRs averaged US\$73.4 million, 4% higher than in 4Q10.

The Annual Shareholders' Meeting of April 29, 2011 approved Management's proposal regarding the payment of R\$1,500 million in dividends and R\$356.8 million in interest on equity, totaling R\$1,856.8 million.

<b>Capital Markets - CSNA3 / SID / IBOVESPA / DOW JONES</b>			
	<b>1Q10</b>	<b>4Q10</b>	<b>1Q11</b>
<b>Shares</b>	<b>1,510,359,220</b>	<b>1,483,033,685</b>	<b>1,483,033,685</b>
<b>Market Capitalization</b>			
Closing Price (R\$/share)	34.53	26.67	26.68
Closing Price (US\$/ADR)	19.34	16.67	16.66
Market Capitalization (R\$ million)	50,348	38,884	38,899
Market Capitalization (US\$ million)	28,200	24,304	24,290
<b>Total return including dividends and interest on equity</b>			
CSNA3	27%	-9%	0%
SID	25%	-6%	0%
Ibovespa	3%	0%	-1%
Dow Jones	4%	7%	6%
<b>Volume</b>			
Average Daily (thousand shares)	4,739	2,666	3,036
Average Daily (R\$ thousand)	143,703	74,742	83,539
Average Daily (thousand ADRs)	6,577	4,202	4,377
Average Daily (US\$ thousand)	110,526	70,830	73,485

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### **Subsequent Events**

On April 20, 2011 CSN contracted a R\$1.5 billion loan from Banco do Brasil through the issue of Export Credit Notes in order to finance its exports.

On the same date, the Company adhered to the public offer for Riversdale Mining Limited, selling its entire total stake in Riversdale, equivalent to 47,291,891 shares, to Rio Tinto for A\$16.50 per share, amounting to A\$780 million.

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**Notes to the Financial Statements**

**(In thousands of Reais, unless otherwise stated)**

**1. OPERATIONS**

Companhia Siderúrgica Nacional “CSN” is a Corporation, established on April 9, 1941, in accordance with Brazilian laws (Companhia Siderúrgica Nacional and its subsidiaries, affiliated companies and jointly-owned subsidiaries, jointly called the “Company”).

CSN is a Company which holds shares listed on the São Paulo Stock Exchange (IBOVESPA index) and on the New York stock Exchange (NYSE), reporting its information on the Brazilian Securities and Exchange Commission (CVM) and on the *Securities and Exchange Commission* (SEC).

The main operating activities of CSN are divided in 5 segments:

**Steel:**

Its main industrial complex is the Presidente Vargas Steelworks (“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, metal packaging and galvanized steel. Besides facilities in Brazil, CSN has operations

in the United States and Portugal, aiming at gaining markets and ensuring excellent services to end consumers. Additionally, it operates in the home appliances, construction and the automobile segments.

**Mining:**

The iron ore production is developed in the city of Congonhas, in the State of Minas Gerais. CSN also explores limestone and dolomite in the branches in the State of Minas Gerais and tin in the State of Rondônia, in order to meet the needs of UPV and the surplus raw materials are traded with subsidiaries and third parties. CSN holds the concession to operate TECAR, a solid bulk terminal, one of the four terminals of the Itaguaí Port, located in the city of Rio de Janeiro. Coal and coke are imported through this terminal.

**Cement:**

The Company started in the cement market boosted by the synergy among this new activity and its already existing businesses. A new business unit has been set up beside Presidente Vargas Mill, city of Volta Redonda, state of Rio de Janeiro: CSN Cimentos, which is already producing CP-III cement, using the scrap produced from blast furnaces of Volta Redonda Plant itself. Currently, clinker used in cement production is bought from third parties, however, it will be manufactured by CSN Cimentos in 2011, upon the conclusion of the first stage of the plant in Arcos (MG), where CSN also has a limestone mine.

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**Logistics:**

Railways:

CSN holds interest in two railway companies: MRS Logística, which operates the former Southeast Network of Rede Ferroviária Federal S.A. and Transnordestina Logística, which operates the RFFSA's former Northeast Network, in the states of Maranhão, Piauí, Ceará, Rio Grande do Norte, Paraíba, Pernambuco and Alagoas.

Ports:

The Company operates in the State of Rio de Janeiro through its subsidiary Sepetiba Tecon, the Terminal for Containers (Tecon), at the Port of Itaguaí, located in Sepetiba bay, it has a privileged road, rail and sea access.

CSN steel products shipment, handling of containers, warehousing, consolidation and deconsolidation of cargo are carried out at Tecon.

**Energy:**

As energy is essential in its productive process, the company has invested in electricity generation assets to ensure its self-sufficiency.

For further details on the Company's strategic investments and segments, please refer to Note 26 –Business Segment Information.



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**2. SUMMARY OF MAIN ACCOUNTING PRACTICES**

**(a) Preparation basis**

The consolidated quarterly financial information was prepared and presented in accordance with the International Financial Reporting Standards (IFRS) and respective rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of the quarterly financial information.

The individual quarterly financial information was prepared according to the technical pronouncement issued by Brazilian Accounting Pronouncements Committee (CPCs), and rules issued by Brazilian Securities and Exchange Commission (CVM) applicable to the quarterly financial information.

The preparation of the quarterly financial information in accordance with IFRS and BR GAAP requires the use of certain critical accounting estimates and also the judgment by the Company's management team in the process to apply the Company's accounting policy. Those items requiring a higher judgment level and having greater complexity, as well as the items where assumptions and estimates are significant to the consolidated quarterly financial information, are being disclosed on the notes to this report and refer to the allowance for doubtful accounts, provision for inventory losses, provision for labor, civil, tax, environmental and social security liabilities, depreciation, amortization, depletion, provision for impairment, deferred taxes, financial instruments and employees benefits. Actual results may differ com these estimates.

The financial statements are presented in thousands of reais (R\$). Depending on the applicable IFRS pronouncement, the measurement criterion used in the preparation of the quarterly financial information considers historical cost, net value of realization, fair value, or recovery value. When IFRS and CPCs allow for the option between acquisition cost or other measurement criterion (for instance, systematic re-measurement), the acquisition cost criterion was applied.

The individual and consolidated quarterly financial information was approved by the Board of Directors on May 3, 2011.

**(b) Consolidated quarterly financial information**

The accounting practices have been treated on a uniform basis to all consolidated companies.

The consolidated quarterly financial information for the period ended March 31, 2011 and the year ended December 31, 2010 include the following subsidiaries and jointly-owned subsidiaries, both direct and indirect ones, in addition to exclusive funds Diplic and Mugen, as stated below:

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1**• **Companies**

Companies	Interest in the capital stock (%)		Main activity
	3/31/2011	12/31/2010	
<b>Direct interest: full consolidation</b>			
CSN Islands VII	100.00	100.00	Financial operations
CSN Islands VIII	100.00	100.00	Financial operations
CSN Islands IX	100.00	100.00	Financial operations
CSN Islands X	100.00	100.00	Financial operations
CSN Islands XI	100.00	100.00	Financial operations
CSN Islands XII	100.00	100.00	Financial operations
Tangua	100.00	100.00	Financial operations
International Investment Fund	100.00	100.00	Corporate interests and financial opera
CSN Minerals (1)	100.00	100.00	Corporate interests
CSN Export	100.00	100.00	Financial operations, sale of products a
CSN Metals (2)	100.00	100.00	Corporate interests and financial opera
CSN Americas (3)	100.00	100.00	Corporate interests and financial opera
CSN Steel	100.00	100.00	Corporate interests and financial opera
TdBB S.A	100.00	100.00	Inactive Company
Sepetiba Tecon	99.99	99.99	Port services
Mineração Nacional	99.99	99.99	Mining and corporate interests
CSN Aços Longos - merged on 01/28/2011		99.99	Product and sale of steel and/or metall
Florestal Nacional (4)	99.99	99.99	Reforestation
Estanho de Rondônia - ERSA	99.99	99.99	Tin minng
Cia Metalic Nordeste	99.99	99.99	Packaging production and distribution o
Companhia Metalúrgica Prada	99.99	99.99	Packaging production and distribution o
CSN Cimentos	99.99	99.99	Production of cement
Inal Nordeste	99.99	99.99	Steel product service center
CSN Gestão de Recursos Financeiros	99.99	99.99	Inactive Company
Congonhas Minérios	99.99	99.99	Mining and corporate interests
CSN Energia	99.99	99.99	Electricity trading
Transnordestina Logística	82.91	76.45	Railway logistics
<b>Indirect interest: full consolidation</b>			
CSN Aceros	100.00	100.00	Corporate interests

Companhia Siderurgica Nacional LLC	100.00	100.00	Steelmaking
CSN Europe (5)	100.00	100.00	Financial operations, sale of products a
CSN Ibéria	100.00	100.00	Financial operations and corporate inte
CSN Portugal (6)	100.00	100.00	Financial operations and sale of produ
Lusosider Projectos Siderúrgicos	100.00	100.00	Corporate interests
Lusosider Aços Planos	99.94	99.94	Steelmaking and corporate interests
CSN Acquisitions	100.00	100.00	Financial operations and corporate inte
CSN Resources (7)	100.00	100.00	Financial operations and corporate inte
CSN Finance UK Ltd	100.00	100.00	Financial operations and corporate inte
CSN Holdings UK Ltd	100.00	100.00	Financial operations and corporate inte
Itamambuca Participações	99.99	99.99	Mining and corporate interests

**Direct interest: proportional consolidation**

Nacional Minérios (NAMISA)	59.99	59.99	Mining and corporate interests
Itá Energética	48.75	48.75	Electricity generation
MRS Logística	22.93	22.93	Rail transport
Consórcio da Usina Hidrelétrica de Igarapava	17.92	17.92	Electricity consortium
Aceros Del Orinoco	22.73	22.73	Inactive Company

**Indirect interest: proportional consolidation**

Namisa International Minerios SLU	60.00	60.00	Corporate interests and sale of product
Namisa Europe	60.00	60.00	Corporate interests and sale of product
MRS Logística	10.34	10.34	Rail transport
Aceros Del Orinoco	9.08	9.08	Inactive Company

- (1) New corporate name of CSN Energy, changed as of December 15, 2010.
- (2) New corporate name of CSN Overseas, changed as of December 15, 2010.
- (3) New corporate name of CSN Panamá, changed as of December 15, 2010.
- (4) New corporate name of Itaguaí Logística, changed as of December 27, 2010.
- (5) New corporate name of CSN Madeira, changed as of January 8, 2010.
- (6) New corporate name of Hickory, changed as of January 8, 2010.
- (7) New corporate name of CSN Cement, changed as of June 18, 2010.

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- **Exclusive funds**

<b>Specific purpose companies</b>	<b>Interest in the capital stock (%)</b>		<b>Main activities</b>
	<b>3/31/2011</b>	<b>12/31/2010</b>	
<b>Direct interest: full consolidation</b>			
DIPLIC - Multimarket investment fund	100.00	100.00	Investment fund
Mugen - Multimarket investment fund	100.00	100.00	Investment fund

In the preparation of the consolidated quarterly financial information, the following consolidation procedures have been adopted:

Unrealized gains in transactions with subsidiaries, jointly-owned subsidiaries and affiliated are eliminated according to CSN's share in the entity in question in the consolidation process. Unrealized losses are eliminated in the same way as unrealized gains, however only to the extent there is no reduction to the recovery value (impairment). The reference date of the quarterly financial information of the subsidiaries, associated companies and jointly-owned subsidiaries is the same as of the parent company and their accounting policies are in line with the policies adopted by the Company.

- **Subsidiaries**

Subsidiaries are considered all entities (including special-purpose entities), whose financing and operating policies may be carried out by the Company, where usually there is a share ownership of more than a half of voting rights. The existence and the effect of potential voting rights, which are currently exercisable or convertible, are take into consideration by evaluation if the Company controls other entity. Subsidiaries are fully consolidated as of the date when the control is transferred to the Company and are no longer consolidated as of the date when the control ends.

- **Affiliated companies**

Affiliated companies are all entities where the Company holds a significant influence, but not the control, usually jointly with a share ownership of 20% to 50% from voting rights. Investments in affiliated companies are accounted for by the equity method and initially are recognized by their cost value. Company's investment in affiliated companies includes goodwill recognized from the business acquisition, plus the investors' share at retained post-acquisition profits and others changes in the net asset value, reduced by any accumulated impairment loss.

- **Jointly-owned subsidiaries**

The quarterly financial information of jointly-owned subsidiaries are included in the consolidated quarterly financial information as of the date when the shared control starts until the date the shared control no longer exists. Jointly-owned subsidiaries are proportionally consolidated.

- **Parent Company quarterly financial information**

In the parent company quarterly financial information, the subsidiaries and jointly-owned subsidiaries are accounted for by the equity method. The same adjustments are made both in the parent company quarterly financial information and in the consolidated quarterly financial information. Considering CSN, accounting practices adopted in Brazil applied in the parent company quarterly financial information differ from the IFRS applicable to the separated financial statements, only through the valuation of investments in subsidiaries and affiliated companies by the equity method of accounting while according to IFRS it would be cost or fair value.

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**(c) Foreign currencies**

**i. Functional and reporting currency**

Items included in the quarterly financial information of each one of the Company's companies are measured using the currency of the main economic environment, where the company operates ("functional currency"). Consolidated quarterly financial information is presented in R\$ (reais), which is the Company's functional currency and the Group's reporting currency.

**ii. Transactions and balances**

Foreign currency operations are converted into the functional currency, using foreign exchange rates effective on the transaction or evaluation dates, when items are remeasured. Exchange gains and losses resulting from the settlement of these transactions and the conversion by foreign exchange rates as of March 31, 2010, related to monetary assets and liability in foreign currencies, are recognized on the statement of income, except when recognized in shareholders' equity as a result of foreign operation monetary items characterized as foreign investment nature.

Balance accounts of assets and liabilities are converted by the exchange rate as of the balance sheet date, on March 31, 2011, US\$1 corresponding to R\$1.6287 (R\$1.6662 on December 31, 2010) EUR 1 corresponding to R\$2.3129 (R\$2.2280 on December 31, 2010) and JPY 1 corresponding to R\$0.01961 (R\$0.0205 on December 31, 2010).

All other exchange gains and losses, including exchange gains and losses related to loans, cash and cash equivalents are presented on the statement of income as income or financial expense.

Changes to fair value of monetary securities in foreign currency, classified as available for sale, are split into foreign exchange variations related to the security's amortized cost and other variations to the security's book value. Foreign exchange variations of amortized costs are recognized in the statement of income, and other variations in the security's book value are recognized in shareholders' equity.

Exchange variations from non-monetary financial assets and liabilities, for instance, investments in shares classified as measured at fair value through income statement, are recorded under result as part of fair value gain or loss. Exchange variations of non-monetary financial assets, for example, investments in shares classified as available for sale, are included in the comprehensive income under shareholders' equity.



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**iii. Group Companies**

Results and financial position of all of the Group's entities (none of them has currency from a hyperinflationary economy), whose functional currency is different from the reporting currency, are converted into the reporting currency, as follows:

- Assets and liabilities from each balance sheet presented are converted by the closing rate on the balance sheet date.
- Revenues and expenses from each income statement are converted by average exchange rates (unless this average is not a reasonable rounding to the cumulative effect of rates in force on the operations date, and, in this case, revenues and expenses are converted by the rate on the operations dates); and
- All resulting exchange rate differences are registered as a separate item under other comprehensive income.

Under the consolidation, exchange rate differences resulting from the conversion of monetary items of investment in foreign operations are recognized in shareholders' equity. When a foreign operation is partially disposed of or sold, exchange rate differences registered in other comprehensive income are recognized in the statement of income as part of gain or loss on sale.

**(d) Cash and cash equivalents**

Cash and cash equivalents include cash, bank deposits and other short-term investments of immediate liquidity, redeemable in up to 90 days from the balance sheet dates, immediately convertible into cash and with an insignificant risk of change in their market value. Deposit certificates that may be redeemed at any time without penalties are considered cash equivalents.

**(e) Trade accounts receivable**

Trade accounts receivable are recorded at the invoiced amount, including the respective taxes and ancillary expenses and credits from clients in foreign currency corrected at the exchange rate as of the date of the quarterly financial information. The allowance for doubtful accounts was recorded in an amount considered adequate to support possible losses. Management's assessment takes into account the client's history, the financial situation and the opinion of our legal advisors regarding the receipt of these credits for the recording of this provision.

**(f) Inventories**

These are recorded at the lowest value between the cost and the net realizable value. The cost is determined using the average weighted cost method in the acquisition of raw materials. Cost of both finished and under preparation products consists of raw material, labor, other direct costs (based on the normal production capacity). Net realization value is the sale price estimated on the normal course of business, net of estimated conclusion costs and estimates costs necessary to carry on the sale.

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**(g) Investments**

Investments in subsidiaries, jointly-owned subsidiaries and affiliated companies are recorded and measured by the equity accounting method and recognized initially by the cost. Gains or losses are recognized in income for the period as operating income (or expenses) in the parent company quarterly financial information. In the case of exchange variation of investment abroad whose functional currency is different to the Company's currency, variations in the amount of investments deriving solely from the exchange variation are recorded in the cumulative translation adjustment account, in the Company's shareholders' equity, and are only reclassified to income statement when the investment is sold or written-off by loss. Other investments are recorded and held at cost, or fair value.

When necessary, the accounting practices of the subsidiaries and jointly-owned subsidiaries are changed to ensure criteria, consistency and uniformity with the practices adopted by the Company.

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

Registered by acquisition, formation or construction costs, net of accumulated depreciation or depletion and reduction to recoverable value. Depreciation is calculated by the straight-line method based on the economic useful life remaining from assets according to Note 12 and depletion of mines is calculated based on the amount of ore extracted, and plots of land are not depreciated in view that are considered as undefined useful life. The Company records in the book value of property, plant, and equipment, the replacement cost, by writing-off the book value of the portion that has been replaced, if it is probable that future economic benefits incorporated therein will be reverted to the Company, and if the asset cost may be estimated reliably. All other expenses are registered to the expense account when incurred. Loan costs related to funds raised for work in progress are capitalized until these projects are concluded.

If some components of the assets from property, plant and equipment have different useful lives, these components are depreciated as a different item from property, plant and equipment.

Gains and losses from disposal are determined by the comparison of the sale value less the residual value and are registered in "other operating income/expenses".

Development costs of new iron ore fields or to expand the capacity of operating mines are capitalized and amortized by the method of units produced (extracted) based on probable and proven ore amounts. Exploitation expenditures are deemed as expenses until the mining activity is made feasible; after this period, the subsequent development costs are capitalized.

**(i) Intangible assets**

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

These assets are recorded at the acquisition or formation cost, less amortization calculated through the straight-line method based on exploitation or recovery terms.

Intangible assets with indefinite useful lives, as well as goodwill for expected future profitability, are not amortized.

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- **Goodwill**

Goodwill is represented by the positive difference between paid and/or payable value for the purchase of a business and the net amount of fair value of assets and liabilities of the subsidiary acquired. The goodwill from acquisition of subsidiaries is recorded as intangible asset in the consolidated quarterly financial information. In the parent company balance sheet, the goodwill is included in investments. Negative goodwill is recorded as gain in the result for the period, on the acquisition date. Goodwill is annually tested for impairment. Impairment losses recognized over goodwill are irreversible. Gains and losses from the disposal of a Cash Generating Unit (CGU) include goodwill book value relating to the CGU sold.

Goodwill is allocated to Cash Generating Units (CGUs) for the purpose of impairment test. The allocation is made for Cash Generating Units or groups of Cash Generating Units, which should benefit from the business combination goodwill came from, and the unit is not larger than the operational segment.

- **Software**

Software licenses purchased are capitalized based on incurred costs to buy software and to make them ready to be used. These costs are amortized by the straight-line method during the estimated economic useful life.

**(j) Impairment of non-financing assets**

Assets with an undefined useful life, such as goodwill, are not subject to amortization and are tested on an annual basis to verify impairment. Assets subject to amortization are reviewed to impairment verification whenever events or changes to circumstances show that book value may not be recoverable. Impairment loss is accounted for by book value of the asset exceeding its recoverable value. This last one is the highest value between an asset fair value net of sale costs and its value in use. For the purposes of

impairment valuation, assets are divided into the lowest levels to which there are inflow identifiable cash flows separately (Cash Generating Units (CGUs)). Non-financial assets, except goodwill, which have been impaired, are subsequently reviewed to analyze a possible impairment reversal on the reporting date.

**(k) Employee Benefits**

**i. Employee benefits**

**Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution to a separate entity (social security plan) and it will have no legal or constructive obligation to pay additional values. Liabilities for contributions to defined contribution pension plans are accounted for as employee benefit expenses to the result in the periods where services are provided by employees. Contributions paid in advance are recorded as an asset upon the cash repayment condition or the decrease in future payments is available. Contributions to a defined contribution plan whose maturity is expected for 12 months after the final period where the employee provides the service are discounted to their present values.

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**Defined benefit plans**

A defined benefit plan is a post-employment benefit plan other than the defined contribution plan. The Company's net liability as to defined benefit pension plans is individually calculated to each plan through the value estimate of the future benefit employees accounted for as return by services provided for in the current period and previous periods; that benefit is discounted at its present value. Any costs of unregistered previous services and fair values of any plan assets are discounted. Discount rate is the return shown on the reporting date of the quarterly financial information to first-tier debt securities, whose maturity dates are close to the Company's debt conditions and that are denominated in the same currency in which benefits are expected to be paid. The calculation is made on an annual basis by a qualified actuary through the project unit credit method. When calculation results in a benefit to the Company, asset to be recorded is limited to total of any unrecognized previous services costs and the present value of economic benefits available as future refund of the plan or decrease in future contribution to the plan. In order to calculate present value of economic benefits, a consideration is given to any minimum costing requirements applied to any plan in the Company. An economic benefit is available to the Company if it is realizable during the plan's life, or in the settlement of the plan liabilities.

When benefits of a plan are increased, the increased benefit portion relating to employee's previous service is registered in the result by the straight-line method during the average period until benefits become vested. Under the condition that benefits become immediately vested, expense is instantly recorded under result.

The Company chose to account for all actuarial gains and losses resulting from defined benefit plans directly in other comprehensive income.

**ii. Profit sharing and incentive compensation**

Profit sharing of employees is subject to achieving certain operating and financial targets, mainly allocated to the production cost when applicable and to general and administrative expenses.

**(l) Provisions**

Provisions are registered when: (i) the Company has a present liability either legal or acquired resulting from past events, (ii) it is likely to have a future disbursement to settle a present liability, and (iii) when the value may be estimated with reasonable safety. Provisions are determined by discounting future cash flows expected based on a discount rate before taxes that shows a market valuation of the cash value in time and, where appropriate, specific liability risks. The liability increase due to time is recorded as financial expense.

**(m) Concessions**

The Company has governmental concessions and payments are classified as operating lease.



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**(n) Capital Stock**

Common shares are classified under shareholders' equity.

Additional costs directly attributed to the issue of new shares or options are stated in shareholders' equity as a deduction of the amount raised, net of taxes.

When any company of the group buys shares from the Company's capital stock (treasury shares), the value paid, including any additional costs directly chargeable (net of income tax), is decreased from the shareholders' equity ascribed to the Company's shareholders until shares are cancelled or issued again. When these shares are subsequently issued again, any amount received, net of any additional costs of the transaction, directly chargeable and respective income tax and social contribution effects, it is included in the shareholders' equity ascribed to the Company's shareholders.

**(o) Operating revenue**

The revenue from the sale of goods in the normal course of operations is measured at the fair value of the consideration received or receivable. The operating revenue is recognized when there is persuasive evidence that the significant risks and rewards incidental to the ownership of the goods have been transferred to the buyer; it is probable that future economic benefits will flow to the entity, that the associated costs and the possible return of goods can be measured reliably; the entity does not retain continuing involvement with the goods sold and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be reliably measured, then such discounts are recognized as a reduction of operating revenue as sales are recognized. Service revenue is recognized when services are rendered.

The transfer of risks and rewards is determined by the individual terms of the contract of sale. For export sales, the transfer of risks and rewards of ownership depend on the terms of delivery set out in the incoterms governing the contract.

**(p) Financial income/expenses**

Financial income includes interest income on funds invested funds (including financial assets available for sale), dividend income (except for dividends received from investees stated under the equity method in the parent company), gains on sale of financial assets available for sale, gains and losses arising from the change in the fair value of financial assets measured at fair value through profit or loss, and gains on hedging derivatives that are recognized in income. Interest income is recognized in income (loss) using the effective interest method. Dividend income is recognized in income when the Company's right to receive the dividend is established. The dividend distributions received from investees recorded under the equity method reduce the investment amount.

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

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Exchange gains and losses are reported on a net basis.

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

Income tax and social contribution for current and deferred year are calculated at the rate of 15%, plus a surtax of 10% on taxable income exceeding R\$240, and at the rate of 9% on taxable income for the social contribution on net income. Tax losses and social contribution tax loss carryforward are offset, limited to 30% of the taxable income.

Income tax and social contribution expense comprise current and deferred tax. Current and deferred taxes are recognized in the income statement except to the extent that it relates to a business combination, or items recognized directly in shareholders' equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted, at the reporting date of the quarterly financial information and any adjustment to tax payable in respect of previous years.

Deferred taxation is recognized on temporary differences arising between the book values of assets and liabilities for accounting purposes and corresponding amounts applied for tax purposes. Deferred taxation is not accounted for on the following temporary differences: the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, and differences related to investments in subsidiaries and controlled entities when it is probable that they will not be reversed in the foreseeable future. In addition, deferred tax liability is not recognized for taxable temporary differences resulting in the initial recognition of goodwill. Deferred taxation is calculated using the rates that are expected to apply to the temporary differences when they are reversed, based on the laws that were enacted or substantively enacted until the financial statement reporting date.

Deferred tax assets and liabilities may be netted if there is a legal right to offset the current tax asset and liability amounts and they relate to the same taxing authority.

A deferred income tax and social contribution asset is recognized by unused tax losses, tax credits and deductible temporary differences when it is probable that future income subject to taxation will be available and against which they will be used.

Deferred income tax and social contribution assets are reviewed at each reporting date and will be reduced as their realization is no longer probable.

**(r) Earnings per share**

Earnings per share are calculated through the net income for the period attributable to the Company's controlling shareholders and the weighted average of the common shares outstanding in the respective period. Diluted earnings per share are calculated through the said average of the outstanding shares, adjusted by instruments potentially convertible into shares, with a diluting effect, in the reporting periods. The Company does not have instruments potentially convertible into shares and, consequently, diluted earnings per share are equal to basic earnings per share.

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**(s) Environmental costs and restoration of areas**

The Company recognizes a provision for recovery costs and fines when a loss is probable and the amounts of related costs can be reliably determined. Usually, a provision in the amount to be used in the recovery in the amount is recorded until the feasibility study is completed or the commitment to a formal action plan is fulfilled.

Expenses related to compliance with environmental regulations are charged to income (loss) or capitalized, as appropriate. The capitalization is considered as appropriate when the expenses refer to items that will continue to benefit the Company and that are basically pertinent to the acquisition and installation of equipment to control pollution and/or prevention.

**(t) Research and development**

All these costs are recognized in the statement of income when incurred, except when they meet the criteria for capitalization . Expenses on the research and development of new products for the period ended March 31, 2011 was R\$1,312 (R\$886 on March 31, 2010).

**(u) Financial instruments**

**i) Classification**

Financial assets are classified in the following categories: measured at fair value through profit and loss, loans and receivables, held to maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. The Company's Management sets forth the classification of its

financial assets at the initial recognition.

- **Financial assets measured at fair value through profit and loss**

Financial assets measured at fair value through profit and loss are financial assets held for active and frequent trading. Derivatives are also categorized as held for trading and, therefore, are classified in this category, unless they have been recorded as cash flow hedge. Assets in this category are classified as current.

- **Loans and receivables**

This category includes loans granted and receivables that are non-derivative financial assets with fixed payment or to be established, not priced at an active market. They are included as current assets, except those with a maturity term greater than 12 months after the balance sheet date (these are classified as noncurrent assets). Loans and receivables comprise loans to affiliated companies, trade accounts receivable, other accounts receivable and cash and cash equivalents, excluding short-term investments. Cash and cash equivalents are recognized by fair value. Loans and receivables are accounted for at the amortized cost, using the effective interest rate method.

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- **Financial assets held to maturity**

They are basically financial assets acquired with the financial purpose and financial capacity to be held in portfolio until maturity. Investments held to maturity are firstly recognized by value added by any directly attributable transaction costs. After their initial recognition, these are measured at the amortized cost through the effective interest rate method, decreased by any impairment loss.

- **Financial assets available for sale**

These are non-derivative financial assets designated as available for sale that are not classified in any other category. They are included in noncurrent assets when they are the Company's strategic investments, unless Management intends to dispose of the investment within 12 months after the balance sheet date. Financial assets available for sale are recorded at fair value.

**ii) Recognition and Measurement**

Regular way purchases and sales of financial assets are recognized on the trade date, i.e., on the date Company undertakes to buy or sell the asset. The investments are initially recognized at fair value, plus transaction costs for all the financial assets not classified at the fair value through income statement. Financial assets at fair value through income statement are initially recognized at their fair value and transaction costs are expensed in the income statement. Financial assets are written off when the rights to receive cash flow from the investments expire or are transferred; in the latter case, provided that the Company has transferred significantly all the risks and rewards of the ownership. Financial assets available for sale and the financial assets measured at fair value through income statement are subsequently recognized at fair value. Loans and receivables are accounted for at amortized cost, using the effective interest rate method.

Gains or losses arising from changes in the fair value of financial assets measured at fair value through income statement are presented in the income statement under financial income in the period when they occur. Revenue from dividends of financial assets measured at fair value through income statement is recognized in the income statement as part of other financial income, when the Company's right to receive the dividends is established.

The changes in the fair value of financial assets denominated in foreign current and classified as available for sale, are divided between the conversion differences resulting from the changes in the amortized cost of the financial assets and other changes in the financial assets' book value. The exchange rate changes in financial assets are recognized in income statement. The exchange rate changes in non-financial assets are recognized in shareholders' equity. The changes in the fair value of financial and non-financial assets, classified as available for sale are recognized in other comprehensive income.

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



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The fair value of publicly quoted investments is based on current purchase prices. If the market of a financial asset (and bonds not listed on the stock exchange) is not active, the Company establishes fair value through valuation techniques. These methods include the use of transactions recently contracted with third parties, reference other instruments that are substantially similar and an analysis of discounted cash flows and option pricing models that optimize the use of market generated information and minimize the use of information provided by the Company's management.

The Company measures at the balance sheet date if there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of available-for-sale bonds, a significant or long decrease in the fair value to below its cost value is an indicator that it is impaired. If there is any evidence of impairment of available-for-sale financial assets, the cumulative loss measured as the difference between cost of purchase and the current fair value, less any impairment loss for the financial asset previously recorded in income, is transferred from shareholders' equity and recognized in the income statement. Impairment losses recognized in the income statement of equity instruments are not reversed through the income statement.

- **Offsetting financial instruments**

A financial asset and a financial liability is offset and the net amount reported in the balance sheet when an entity has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

- **Impairment of financial assets**

**Assets measured at the amortized cost**

The Company evaluates at the end of each reporting period if there is objective evidence that the financial asset or group of financial assets is impaired. An asset or a group of financial assets is impaired and the impairment losses are incurred only if there is objective evidence of impairment as the result of one or more events occurred after the initial recognition of the assets (a "loss event") and that loss event (or events) has an impact on estimated future cash flows of the financial asset or group of financial assets that can be measured reliably.

The criteria CSN uses to determine if there is objective evidence of impairment loss include:

- relevant financial difficulty of the issuer or debtor;
- a contract breach, such as default or delinquency in interest or principal payments;
- the issuer, for economic or legal reasons related to the financial difficulty of the borrower, guarantees the borrower a concession that the creditor would not consider;
- it is likely that the borrower will undergo bankruptcy or another financial reorganization;
- the disappearance of an active market for that financial asset due to financial difficulties; or
- observable data indicating that there is a measurable reduction in estimated future cash flows from a portfolio of financial assets, since the initial recognition of these assets, although the reduction still cannot be identified with the individual financial assets in the portfolio, including:

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- Adverse change in the payment situation of the borrowers in the portfolio;
- National or local economic conditions that relate to the default on the portfolio's assets.

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

If, in a subsequent period, the impairment loss is reduced and the reduction can be objectively related to an event that occurred after the impairment was recognized (an improvement in the debtor's credit rating), the impairment loss reversal will be recognized in the consolidated income statement.

**Assets classified as available for sale**

At the end of each reporting period, CSN assesses whether there is objective evidence of a deteriorated financial asset or group of financial assets. For debt notes, CSN utilizes the criteria mentioned above. For equity instrument (shares) classified as available for sale, a material or extended drop in the fair value of the asset below its cost is also evidence that assets are deteriorated. Should any such evidence exist for financial assets available for sale, the accumulated loss - measured as the difference between the acquisition cost and its current fair value, less any impairment loss over the financial asset previously recognized in the income statement, will be reclassified from shareholders' equity and recognized in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases, and such increase can be objectively related to an event occurred after the impairment was recognized as loss, the impairment loss is reversed through the income statement.

**iii) Derivatives instruments and hedge activities**

- **Foreign exchange gain of long term investment nature**

Any gain or loss of the instrument related to the effective portion is recognized in shareholders' equity. The gain or loss related to the non-effective portion is immediately recognized in the statement of income under "Other net gains (losses)".

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

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

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

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**(v) Segment information**

An operational segment is a Group component committed to the business activities, from which it can obtain revenues and incur in expenses, including revenues and expenses related to transactions with any other Group component. All operating income from operational segments are regularly reviewed by CSN's Executive Board for decision-making about funds to be allocated to the segment and performance evaluation, to which there is distinctive financial information available (see Note 26).

**(w) Government grants**

Government grants are not recognized until there is reasonable safety that the Company will comply with related conditions and that grants will be received and then systematically recognized in the income statement during the periods in which the Company recognizes as expense corresponding costs that grants intend to offset.

The Company has state tax incentives in the North and Northeast regions, which are recognized in income as corresponding costs and expenses reduction.

**3. RELATED PARTIES TRANSACTIONS**

**a) Transactions with Parent Company**

Vicunha Siderurgia S.A. is a holding company whose purpose is to hold interest in other companies. It is the Company's main shareholder, with a 47.86% interest in the voting capital.

On December 27, 2010, Rio IACO acquired 3.99% of interest in CSN by Caixa Beneficiente dos Empregados da CSN ("CBS") becoming part of the controlling group.

CSN recorded interest on shareholders' equity for the period for Vicunha Siderurgia and Rio IACO, whose accumulated amount with the balance of December 31, 2010, is indicated in the table below, according to the interest percentage of Vicunha Siderurgia and Rio IACO in CSN until the closing date of this quarterly financial information.

Vicunha Siderurgia	Minimum mandatory dividends	Interest on shareholders' equity proposed	Additional proposed dividends	<b>Total</b>	Dividends distributed	Interest on shareholders' equity paid
Total on 3/31/2011	130,309	226,746	587,524	<b>944,579</b>		
Total on 12/31/2010	130,309	170,749	587,524	<b>888,582</b>	717,834	33,499

Rio IACO	Minimum mandatory dividends	Interest on shareholders' equity proposed	Additional proposed dividends	<b>Total</b>	Dividends distributed	Interest on shareholders' equity paid
Total on 3/31/2011	10,865	18,905	48,985	<b>78,755</b>		
Total on 12/31/2010	10,865	14,236	48,985	<b>74,086</b>		

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The corporate structure of Vicunha Siderurgia is described as follows (unreviewed information):

Rio Purus Participações S.A. – holds 60% in National Steel and 59.99% in Vicunha Steel S.A.

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

National Steel – holds 33.04% in Vicunha Aços

Vicunha Steel – holds 66.96% in Vicunha Aços

Vicunha Aços – holds 99.99% in Vicunha Siderurgia

**b) Transactions with jointly-owned subsidiaries**

The Company holds interest in jointly-owned subsidiaries in the strategic areas of mining, logistics and power generation. The characteristics, purposes and transactions with these companies are stated as follows:

- **Assets**

<b>Companies</b>	<b>Accounts receivable</b>	<b>Dividends receivable</b>	<b>Loans (*)</b>	<b>Total</b>
Nacional Minérios	147,382	587,770	1,214,928	1,950,080
MRS Logística	600	23,144		23,744
Itá Energética		5,321		5,321
<b>Total on 3/31/2011</b>	<b>147,982</b>	<b>616,235</b>	<b>1,214,928</b>	<b>1,979,145</b>
<b>Total on 12/31/2010</b>	<b>47,268</b>	<b>616,989</b>	<b>1,241,095</b>	<b>1,905,352</b>

(\*) Loan agreement in the amount of R\$1,197,800, starting on January 28, 2009, and interest rates of R\$17,128 on March 31, 2011 over the face value of this agreement is entitled to compensatory interest corresponding to 101% of CDI Cetip, with half-yearly maturities and principal will be paid on January 31, 2012.

- **Liabilities**

<b>Companies</b>	<b>Advance from clients</b>	<b>Checking account</b>	<b>Other</b>	<b>Total</b>
Nacional Minérios	7,972,708	29,259	55	8,002,022
MRS Logística			20,945	20,945
Itá Energética			14,633	14,633
<b>Total on 3/31/2011</b>	<b>7,972,708</b>	<b>29,259</b>	<b>35,633</b>	<b>8,037,600</b>
<b>Total on 12/31/2010</b>	<b>7,924,542</b>	<b>18,423</b>	<b>68,340</b>	<b>8,011,305</b>

Nacional Minérios: the advance from clients received from the jointly-owned subsidiary Nacional Minérios S.A. is related to the contractual obligation of iron ore supply and port services. The contract has a 12.5% p.a. interest rate and maturity expected for June 2042.

MRS Logística: in other accounts payable we recorded the amount provisioned to cover take-or-pay and block rates contractual expenses related to the rail transportation contract.



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Itá Energética: it is related to the electric power supply billed under normal market conditions of the Brazilian energy market, ruled by Electric Power Trade Chamber.

- **Income**

<b>Companies</b>	<b>Sales</b>	<b>Revenues Interest and monetary exchange variations</b>	<b>Total</b>	<b>Purchases</b>	<b>Expenses Interest and monetary exchange variations</b>	<b>Total</b>
Nacional Minérios	266,583	31,577	298,160	10,836	238,523	249,359
MRS Logística				103,127		103,127
Itá Energética				40,993		40,993
<b>Total on 3/31/2011</b>	<b>266,583</b>	<b>31,577</b>	<b>298,160</b>	<b>154,956</b>	<b>238,523</b>	<b>393,479</b>
<b>Total on 3/31/2010</b>	<b>121,998</b>	<b>24,580</b>	<b>146,578</b>	<b>182,594</b>	<b>230,092</b>	<b>412,686</b>

The Company's main operations with jointly-owned subsidiaries are purchase and sale of products and services that include iron ore supply, port service provision transactions, rail transportation as well as electric power supply for operations.

**c) Transactions with subsidiaries and special purpose entities (exclusive investment funds)**

- **Assets**

<b>Companies</b>	<b>Accounts receivable</b>	<b>Marketable securities / investments<sup>(1)</sup></b>	<b>Loans<sup>(2)</sup>/ Advances</b>	<b>Dividends receivable</b>	<b>Advance for future capital</b>	<b>Derivative financial instruments<sup>(3)</sup></b>	<b>To</b>
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				<b>increase</b>		
CSN Islands VIII				4,072	217,090	221,162
CSN Portugal	491,159					491,159
CSN Europe	219,141					219,141
CSN Export	90,136					90,136
Lusosider	27,534					27,534
International Investment Fund			20,457			20,457
Inal Nordeste	15,590					15,590
Companhia Metalúrgica Prada	85,887			41,000		126,887
CSN Cimentos	2,090			712,394		714,484
Cia. Metalic Nordeste	441					441
Estanho Rondônia			5,169			5,169
Transnordestina Logística				12,406		12,406
Florestal Nacional			140,733			140,733
Sepeitaba Tecon	144			5,555		5,699
Itamambuca Participações				301		301
Exclusive funds		1,167,568				1,167,568
<b>Total on 3/31/2011</b>	<b>932,122</b>	<b>1,167,568</b>	<b>166,359</b>	<b>5,856</b>	<b>769,872</b>	<b>3,258,587</b>
<b>Total on 12/31/2010</b>	<b>814,409</b>	<b>204,677</b>	<b>141,639</b>	<b>5,856</b>	<b>1,252,801</b>	<b>2,673,482</b>

(1) The financial investments and the investments in exclusive funds are managed by Banco BTG Pactual. Investments in Usiminas shares totaled R\$241,090 classified as investments.

(2) International Investment Fund – agreement in US\$ dollars: 4.3% p.a. interest with indeterminate maturity.

Florestal Nacional – agreement in Brazilian reais (R\$): 100.5% to 105.5% CDI with maturity extended to July 1, 2011 (previous maturity: April 1<sup>st</sup>, 2011)

(3) Financial instruments agreement, specifically Swap between CSN and Islands VIII.

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Accounts receivable derive from sales operations of products and services among the parent company and the subsidiaries.

- **Liabilities**

Companies	Loans and financing			Accounts payable		Total
	Pre-payment (1)	Fixed Rate Notes <sup>(2)</sup>	Loans and intercompany bonds <sup>(2)</sup>	Loans <sup>(3)</sup> / checking account	Other	
CSN Islands VIII		1,178,396		1,496		1,179,892
CSN Portugal	330,633					330,633
CSN Europe			17,125	35,517		52,642
CSN Resources	1,788,890	721,022	1,546,909			4,056,822
CSN Aceros				16,373		16,373
CSN Ibéria				38,151		38,151
Estanho Rondônia					5,686	5,686
Congonhas Minérios			1,267,639			1,267,639
Other (*)					1,880	1,880
<b>Total on 3/31/2011</b>	<b>2,119,523</b>	<b>1,899,418</b>	<b>2,831,673</b>	<b>91,537</b>	<b>7,566</b>	<b>6,949,718</b>
<b>Total on 12/31/2010</b>	<b>2,080,721</b>	<b>1,955,135</b>	<b>2,253,838</b>	<b>570,257</b>	<b>43,774</b>	<b>6,903,725</b>

Transactions with these subsidiaries are carried out under market conditions.

(1) Contracts in US\$ - CSN Resources: interest from 2.26% to 10.00% p.a. with maturity in June 2018.

Contracts in US\$ - CSN Portugal: interest from 6.15% to 7.43% p.a. with maturity in May 2015.

(2) Contracts in US\$ - CSN Resources: Intercompany Bonds, interest of 9.12% p.a. with maturity on June 1, 2047.

Contracts in US\$ - CSN Resources: interest of 3.99% p.a. with maturity in April 2013.

Contracts in US\$ - CSN Resources : 2.01% and 2.50% with maturity in December 2013.

Contracts in US\$ - CSN Resources: interest of 4.14% p.a. with maturity in July 2015.

Contracts in YEN – CSN Islands VIII: interest of 5.65% p.a. with maturity in December 2013.

Contracts in US\$ – CSN Europe: semiannual Libor + 2.25% p.a. with maturity on September 15, 2011.

Contracts in R\$ - Congonhas Minérios: 100.3% to 105.5% p.a. of CDI, with maturity postponed to July 1, 2011 (previous maturity: April 1, 2011).

(3) Contracts in US\$ - CSN Ibéria: semiannual Libor + 3% p.a. with indeterminate maturity.

(\*) Other: Companhia Metalúrgica Prada, Cia. Metalic Nordeste, Sepetiba Tecon and Inal Nordeste.

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1****• Income**

<b>Companies</b>	<b>Sales</b>	<b>Revenues Interest and monetary and exchange variations</b>	<b>Total</b>	<b>Purchases</b>	<b>Expenses Interest and monetary and exchange variations</b>	<b>Total</b>
CSN Islands VIII		15,481	15,481		16,219	16,219
CSN Portugal	235,141	7,483	242,624		16,023	16,023
CSN Europe	51,085	1,924	53,009		4,656	4,656
CSN Resources		96,081	96,081		61,212	61,212
CSN Export	8,644		8,644		3,385	3,385
Lusosider	27,497	35	27,532			
International Investment Fund		162	162		429	429
CSN Ibéria		1,284	1,284		264	264
CSN Aceros		377	377			
Inal Nordeste	17,050		17,050	74		74
Companhia Metalúrgica Prada	261,036		261,036	3,698		3,698
CSN Cimentos	5,035		5,035	75		75
Cia. Metalic Nordeste	17,769		17,769	685		685
Estanho de Rondônia				15,712		15,712
Florestal Nacional		3,588	3,588			
Sepetiba Tecon	1,041		1,041	264		264
Exclusive funds					80,176	80,176
Congonhas Minérios					33,566	33,566
<b>Total on 3/31/2011</b>	<b>624,298</b>	<b>126,415</b>	<b>750,713</b>	<b>20,508</b>	<b>215,930</b>	<b>236,438</b>
<b>Total on 3/31/2010</b>	<b>528,674</b>	<b>190,058</b>	<b>718,732</b>	<b>10,757</b>	<b>219,681</b>	<b>230,438</b>

The Company's main operations with subsidiaries are the purchase and sale of products and services, including iron ore, steel and port services.

**d) Other related parties**

- **CBS Previdência**

The Company is its main sponsor, a non-profit civil association set up in July 1960, whose main purpose is to pay supplementary benefits to those paid by social security. As a sponsor, CSN maintains payment transactions of contributions and actuarial liability recognition ascertained in defined benefit plans, Note 28.

- **Fundação CSN**

The Company develops socially responsible policies currently focused on Fundação CSN, whose sponsor is the Company. Transactions between the parties are related to operating and financial support for Fundação CSN to develop social projects, mainly in the localities where CSN operates.

- **Banco Fibra**

Banco Fibra is under the same control structure of Vicunha Siderurgia, and financial transactions with this bank are limited to transactions in checking accounts and financial investments in fixed income.

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1****• CBL – Companhia Brasileira de Latas**

CBL (Companhia Brasileira de Latas) operates in the metallic steel packages segment for the chemical and food segments, supplying packages to the main companies in the market. CSN holds 0.0053% interest considering it is a debenture holder of CBL.

On March 31, 2011, in the long-term, the Company had accounts receivable amounting to R\$239,039 (R\$239,039 on December 31, 2010), and debentures, amounting to R\$212,870 (R\$212,870 on December 31, 2010) which are duly accrued.

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

**Assets and Liabilities**

<b>Companies</b>	<b>Assets</b>				<b>Liabilities</b>		
	<b>Banks / marketable securities</b>	<b>Accounts receivable</b>	<b>Checking account</b>	<b>Total</b>	<b>Actuarial liabilities</b>	<b>Accounts payable</b>	<b>Total</b>
CBS Previdência					367,839	7	367,846
Fundação CSN			1,199	1,199		80	80
Banco Fibra	72			72			
Usiminas		25,826		25,826		12,839	12,839
Panatlântica		17,172		17,172			
<b>Total on 3/31/2011</b>	<b>72</b>	<b>42,998</b>	<b>1,199</b>	<b>44,269</b>	<b>367,839</b>	<b>12,926</b>	<b>380,765</b>
<b>Total on 12/31/2010</b>	<b>86</b>	<b>24,682</b>	<b>1,199</b>	<b>25,967</b>	<b>367,839</b>	<b>16,133</b>	<b>383,972</b>

**Income**

Companies	Interest / sales revenue	Revenues	Pension Fund expenses	Expenses	Total
		Total		Purchases / other expenses	
CBS Previdência			15,345		15,345
Fundação CSN				447	447
Banco Fibra	35	35			
CBL	16,900	16,900		12,304	12,304
Usiminas	79,971	79,971		6,038	6,038
Panatlântica	55,772	55,772			
<b>Total on 3/31/2011</b>	<b>152,678</b>	<b>152,678</b>	<b>15,345</b>	<b>18,789</b>	<b>34,134</b>
<b>Total on 3/31/2010</b>	<b>11,138</b>	<b>11,138</b>	<b>18,491</b>	<b>68</b>	<b>18,559</b>



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1****e) Key-management personnel**

Key management personnel are responsible for planning, directing and controlling the Company's activities and include the members of the Board of Directors and statutory directors. Information on compensation and balances existing on March 31, 2011 is shown below.

	<b>3/31/2011 Income</b>	<b>3/31/2010 Income</b>
Short-term benefits for employees and Management	1,913	1,925
Post-employment benefits	20	20
Other long-term benefits	n/a	n/a
Benefits of labor agreement termination	n/a	n/a
Share-based compensatin	n/a	n/a
	<b>1,933</b>	<b>1,945</b>

n/a – not applicable

**f) Policy for investments and payment of interest on shareholders' equity and distribution of dividends**

As of December 11, 2000, the CSN Board of Directors decided to adopt a profit sharing policy which will result in the full distribution of net income to its shareholders, in compliance with Law 6,404/76, as amended by Law 9,457/97, provided that the following priorities are preserved, irrespective of their order: (i) business strategy; (ii) compliance with liabilities; (iii) execution of the necessary investments; and (iv) maintenance of the Company's good financial standing.

**4. CASH AND CASH EQUIVALENTS**

	<b>Consolidated</b>		<b>Parent Company</b>	
	<b>3/31/2011</b>	<b>12/31/2010</b>	<b>3/31/2011</b>	<b>12/31/2010</b>
<b>Current assets</b>				
<b>Cash and cash equivalents</b>				
<b>Cash and banks</b>	<b>120,633</b>	<b>156,580</b>	<b>31,125</b>	<b>14,033</b>
<b>Marketable securities</b>				
<b>In Brazil:</b>				
Exclusive investment funds			926,478	
Investment funds			508,258	
Government bonds	1,344,041	477,529		
Fixed income and debentures (*)	2,366,653	2,134,364	52,625	93,062
	<b>3,710,694</b>	<b>2,611,893</b>	<b>1,487,361</b>	<b>93,062</b>
<b>Abroad:</b>				
Time Deposits	7,283,720	7,470,805	1,160	1,202
<b>Total marketable securities</b>	<b>10,994,414</b>	<b>10,082,698</b>	<b>1,488,520</b>	<b>94,264</b>
<b>Cash and cash equivalents</b>	<b>11,115,047</b>	<b>10,239,278</b>	<b>1,519,645</b>	<b>108,297</b>

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The available financial funds in the Parent Company and subsidiaries established in Brazil are primarily invested in exclusive investment funds, whose cash is mostly invested in repurchase operations pegged to government and private bonds, with immediate liquidity. Additionally, a significant portion of the financial funds of the Company and its subsidiaries abroad is invested in Time Deposits with first-tier banks.

The exclusive investment funds, managed by BTG Pactual Serviços Financeiros S.A DTVM, and its assets, are accountable for possible losses in investments and operations carried out. The fund quotaholders may be called to secure the shareholders’ equity in the event of losses resulting from interest rate, exchange rate or other financial asset variations.

“Vértice” investment fund portfolio is managed by Federal Savings Bank (CEF).

**(\*) Fixed Income:** financial investments in the amount of R\$1,978,029 in the consolidated and R\$52,6235 in the parent company, backed by Bank Deposit Certificates, with remuneration based on the variation of Interbank Deposit Certificates (CDI).

**(\*) Debentures:** Company’s investments totaling R\$388,624 in consolidated, R\$350,394 from subsidiary and R\$38,230 from jointly-owned subsidiary MRS, with remuneration based on the variation of the Interbank Deposit Certificates – CDI.

**5. TRADE ACCOUNTS RECEIVABLE**

	<b>Consolidated</b>		<b>Parent Company</b>	
	<b>3/31/2011</b>	<b>12/31/2010</b>	<b>3/31/2011</b>	<b>12/31/2010</b>
<b>Clients</b>				

**Third parties**

Domestic market	907,167	846,507	561,766	577,589
Foreign market	614,689	530,356	6,043	14,948
Allowance for doubtful accounts	(125,166)	(117,402)	(104,395)	(99,023)
	<b>1,396,690</b>	<b>1,259,461</b>	<b>463,414</b>	<b>493,514</b>

**Related parties (Note 3 - b and c)**

	<b>1,396,690</b>	<b>1,259,461</b>	<b>1,080,104</b>	<b>861,677</b>
	<b>1,396,690</b>	<b>1,259,461</b>	<b>1,543,518</b>	<b>1,355,191</b>

**Other accounts receivable**

Dividends receivable			621,790	622,544
Loans to subsidiaries and jointly-owned subsidiaries	529,980	17,318	1,360,830	164,210
Other receivables	66,157	90,980	26,939	39,027
	<b>596,137</b>	<b>108,298</b>	<b>2,009,559</b>	<b>825,781</b>
	<b>1,992,827</b>	<b>1,367,759</b>	<b>3,553,077</b>	<b>2,180,972</b>

In order to meet the needs of some domestic market clients, related to the extension of steel payment term, in common agreement with CSN's internal commercial policy and the maintenance of its short-term receivables (up to 14 days), as requested by the client, loan granting operations without co-obligation are negotiated between the client and common banks, where CSN grants trade bills/notes issued by it to common banks.

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Considering the type of the loan granting operations without co-obligation, CSN, after granting client trade bills/notes and receiving funds from closing each operation, settles accounts receivable and fully releases itself from the operation credit risk.

This operation amounts to R\$284,095 on March 31, 2011 (R\$247,680 on December 31,2010), deducted from accounts receivable.

Below, the breakdown of provision for trade accounts receivable losses of the Company:

	<b>Consolidated</b>		<b>Parent Company</b>	
	<b>3/31/2011</b>	<b>12/31/2010</b>	<b>3/31/2011</b>	<b>12/31/2010</b>
Opening balance	(117,402)	(164,077)	(99,023)	(107,558)
Provision for trade accounts receivable losses	(10,614)	(7,439)	(9,143)	(8,535)
Credits recovered	2,850	54,114	3,771	17,070
	<b>(125,166)</b>	<b>(117,402)</b>	<b>(104,395)</b>	<b>(99,023)</b>

**6. INVENTORIES**

	<b>Consolidated</b>		<b>Parent Company</b>	
	<b>3/31/2011</b>	<b>12/31/2010</b>	<b>3/31/2011</b>	<b>12/31/2010</b>
Finished products	847,239	1,016,594	611,004	783,556
Work in process	635,856	588,723	526,163	550,824