LOWES COMPANIES INC
Form DEF 14A
April 11, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

LOWE S COMPANIES, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials:

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Lowe s Companies, Inc.

Notice of
Annual Meeting
and
Proxy Statement

2008

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Important Notice Regarding the Availability of Proxy Materials for the Shareholders Meeting to Be Held on May 30, 2008 the Notice of Annual Meeting of Shareholders, Proxy Statement and Annual Report are available at *www.proxyvote.com.*

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Corporate Offices 1000 Lowe s Boulevard
Mooresville, North Carolina 28117

LOWE S COMPANIES, INC.

April 14, 2008

TO LOWE S SHAREHOLDERS:

It is my pleasure to invite you to our 2008 Annual Meeting to be held at the Ballantyne Resort, 10000 Ballantyne Commons Parkway, Charlotte, North Carolina, on Friday, May 30, 2008 at 10:00 a.m. Directions to the Ballantyne Resort are printed on the back of the Proxy Statement.

This year, we are pleased to be using the new U.S. Securities and Exchange Commission rule that allows companies to furnish their proxy materials over the Internet. As a result, we are mailing to many of our shareholders a Notice of Internet Availability of Proxy Materials instead of a paper copy of this Proxy Statement and our 2007 Annual Report. The Notice contains instructions on how to access those documents and vote online. The Notice also contains instructions on how each of those shareholders can receive a paper copy of our proxy materials, including this Proxy Statement, our 2007 Annual Report and a proxy card. All shareholders who do not receive a Notice of Internet Availability will receive a paper copy of the proxy materials by mail. We believe that this new process will conserve natural resources and reduce the costs of printing and distributing our proxy materials.

We intend to broadcast the meeting live on the Internet. To access the webcast, visit Lowe s website *(www.Lowes.com/investor)* where a link will be posted a few days before the meeting. A replay of the Annual Meeting will also be available beginning approximately three hours after the meeting concludes and will continue to be available for two weeks after the meeting.

The Notice of Annual Meeting of Shareholders and Proxy Statement are enclosed with this letter. The Proxy Statement tells you about the agenda and the procedures for the meeting. There are five items of business on this year s agenda, each as described in detail in the Proxy Statement. Your vote by proxy or in person at the meeting is important.

Yours cordially,

Robert A. Niblock
Chairman of the Board
and Chief Executive Officer

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Notice of
Annual Meeting of Shareholders
of Lowe s Companies, Inc.

Date: May 30, 2008

Time: 10:00 a.m.

Place: Ballantyne Resort
10000 Ballantyne Commons Parkway
Charlotte, North Carolina

Purpose: 1. To elect three Class I directors to a term of three years.

2. To ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of the Company for the 2008 fiscal year.

3. To approve amendments to Lowe s Articles of Incorporation eliminating the classified structure of the Board of Directors.

4. To consider and vote upon two shareholder proposals set forth at pages 33 through 37 in the accompanying Proxy Statement.

5. To transact such other business as may be properly brought before the Annual Meeting of Shareholders.

Only shareholders of record at the close of business on March 28, 2008 will be entitled to notice of and to vote at the Annual Meeting of Shareholders or any postponement or adjournment thereof.

The Company s Proxy Statement is attached. Financial and other information is contained in the Company s Annual Report to Shareholders for the fiscal year ended February 1, 2008, which accompanies this Notice of Annual Meeting of Shareholders.

By Order of the Board of Directors,

Gaither M. Keener, Jr.
Senior Vice President,
General Counsel, Secretary &
Chief Compliance Officer

Mooresville, North Carolina
April 14, 2008

Your vote is important. Whether or not you plan to attend the meeting, we hope you will vote promptly.

If you received a paper copy of the proxy materials by mail, you may vote your shares by proxy by doing any one of the following:

- **Vote at the internet site address listed on your proxy card;**
- **Call the toll-free number listed on your proxy card; or**
- **Sign, date and return in the envelope provided the enclosed proxy card.**

If you received only a Notice of Internet Availability of Proxy Materials by mail, you may vote your shares by proxy at the internet site address listed on your Notice. You may also request a paper copy of the Proxy Materials by visiting the internet site address listed on your Notice, or by calling the telephone number or sending an e-mail to the e-mail address listed on your Notice.

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Lowe s Companies, Inc.

Proxy Statement
for
Annual Meeting of Shareholders
May 30, 2008

GENERAL INFORMATION

This Proxy Statement is being furnished in connection with the solicitation by the Board of Directors (Board of Directors or Board) of Lowe s Companies, Inc. (Company or Lowe s) of proxies to be voted at the Annual Meeting Shareholders to be held at the Ballantyne Resort located at 10000 Ballantyne Commons Parkway, Charlotte, North Carolina on Friday, May 30, 2008 at 10:00 a.m.

In accordance with rules and regulations recently adopted by the Securities and Exchange Commission, instead of mailing a printed copy of our proxy materials to each shareholder of record, we are now furnishing proxy materials to our shareholders on the Internet. If you received only a Notice of Internet Availability of Proxy Materials by mail, you will not receive a printed copy of the proxy materials unless you request a copy. Instead, the Notice of Internet Availability of Proxy Materials will instruct you how you may access and review online all of the important information contained in the proxy materials. The Notice of Internet Availability of Proxy Materials will also instruct you as to how you may submit your proxy over the Internet. If you received only a Notice of Internet Availability of Proxy Materials by mail and would like to receive a printed copy of our proxy materials, however, you should follow the instructions for requesting those materials included in the Notice.

The Notice of Internet Availability of Proxy Materials is first being sent to shareholders on or about April 14, 2008. This Proxy Statement and the enclosed form of proxy relating to the 2008 Annual Meeting are also first being made available to shareholders on or about April 14, 2008.

Outstanding Shares

On March 28, 2008, there were 1,461,815,744 shares of Company common stock (Common Stock) outstanding and entitled to vote. Shareholders are entitled to one vote for each share held on all matters to come before the meeting.

Who May Vote

Only shareholders of record at the close of business on March 28, 2008 are entitled to notice of and to vote at the meeting or any postponement or adjournment thereof.

How To Vote

You may vote by proxy or in person at the meeting. If you received a paper copy of the proxy materials by mail, you may vote your shares by proxy by doing any one of the following: vote at the Internet site address listed on your proxy card; call the toll-free number set forth on your proxy card; or mail your signed and dated proxy card to our tabulator in the envelope provided. If you received only a Notice of Internet Availability of Proxy Materials by mail, you may vote your shares online by proxy at the internet site address listed on your Notice. Even if you plan to attend the meeting, we recommend that you vote by proxy prior to the meeting. You can always change your vote as described below.

How Proxies Work

The Board of Directors is asking for your proxy. By giving us your proxy, you authorize the proxyholders (members of Lowe s management) to vote your shares at the meeting in the manner you direct. If you do not specify how you wish the proxyholders to vote your shares, they will vote your shares **FOR ALL** director nominees, **FOR** ratification of the appointment of Deloitte & Touche LLP as the Company s independent registered public accounting firm, **FOR** the proposal to amend Lowe s Articles of Incorporation eliminating the classified structure of the Board of Directors, and **AGAINST** each of the two shareholder proposals. The proxyholders also will vote shares according to their discretion on any other matter properly brought before the meeting.

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You may receive more than one proxy card depending on how you hold your shares. Generally, in order to vote all of your shares, you need to vote on the Internet site address set forth on your proxy card, call the toll-free number set forth on your proxy card, or sign, date and return all of your proxy cards. For example, if you hold shares through someone else, such as a stockbroker, you may get proxy materials from that person. Shares registered in your name directly are covered by a separate proxy card.

If for any reason any of the nominees for election as director becomes unavailable for election, discretionary authority may be exercised by the proxyholders to vote for substitutes proposed by the Board of Directors.

Abstentions and shares held of record by a broker or its nominee (broker shares) that are voted on any matter are included in determining the number of votes present or represented at the meeting. Broker shares that are not voted on any matter at the meeting are not included in determining whether a quorum is present.

Under New York Stock Exchange (NYSE) rules, the proposals to elect directors, ratify the appointment of the independent registered public accounting firm and approve the proposed amendments to the Articles of Incorporation are considered discretionary items. This means that brokerage firms may vote in their discretion on these matters on behalf of clients who have not furnished voting instructions. The shareholder proposals are non-discretionary matters, which means that brokerage firms may not use their discretion to vote on such matters without express voting instructions from their customers.

Quorum

In order to carry out the business of the meeting, we must have a quorum. This means that at least a majority of the outstanding shares eligible to vote must be represented at the meeting, either by proxy or in person. Shares owned by the Company are not voted and do not count for this purpose.

Revoking Your Proxy

The shares represented by a proxy will be voted as directed unless the proxy is revoked. Any proxy may be revoked before it is exercised by filing with the Secretary of the Company an instrument revoking the proxy or a proxy bearing a later date. A proxy is also revoked if the person who executed the proxy is present at the meeting and elects to vote in person.

Votes Needed

Election of Directors. In uncontested elections, directors are elected by the affirmative vote of a majority of the outstanding shares of the Company s voting securities voted at the meeting, including those shares for which votes are withheld. In the event that a director nominee fails to receive the required majority vote, the Board of Directors may decrease the number of directors, fill any vacancy, or take other appropriate action. If the number of nominees exceeds the number of directors to be elected, directors will continue to be elected by a plurality of the votes cast by the holders of voting securities entitled to vote in the election.

Approval of Amendments to Articles of Incorporation. Approval of the proposal to amend Lowe s Articles of Incorporation to eliminate the classified structure of the Board of Directors requires the affirmative vote of a majority of the outstanding shares of the Company s Common Stock.

Other Proposals. Approval of the other proposals and any other matter properly brought before the meeting requires the favorable vote of a majority of the votes cast on the applicable matter at the meeting in person or by proxy.

Our Voting Recommendation

Our Board of Directors recommends that you vote:

FOR each of our nominees to the Board of Directors;

FOR ratifying Deloitte & Touche LLP as our independent registered public accounting firm;

FOR the proposal to approve amendments to Lowe s Articles of Incorporation eliminating the classified structure of the Board of Directors;

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AGAINST the shareholder proposal regarding supermajority vote requirements; and

AGAINST the shareholder proposal regarding executive compensation plan.

Proxy cards that are timely signed, dated and returned but do not contain instructions on how you want to vote will be voted in accordance with our Board of Directors recommendations.

Voting Results

The preliminary voting results will be announced at the meeting. The final voting results will be published in our quarterly report on Form 10-Q for the second quarter of fiscal year 2008.

Attending In Person

Only shareholders, their designated proxies and guests of the Company may attend the meeting.

PROPOSAL ONE
ELECTION OF DIRECTORS

The number of directors is currently fixed at 11. The Articles of Incorporation of the Company divide the Board into three classes, designated Class I, Class II and Class III, with one class standing for election each year for a three-year term. The three nominees standing for election as Class I directors at the 2008 Annual Meeting of Shareholders are: Robert A. Ingram; Robert L. Johnson; and Richard K. Lochridge. If elected, each Class I nominee will serve until his term expires in 2011 or until a successor is duly elected and qualified.

All of the nominees are currently serving as directors. Unless authority to vote in the election of directors is withheld, it is the intention of the persons named as proxies to vote **FOR ALL** of the three nominees. If at the time of the meeting any of these nominees is unavailable for election as a director for any reason, which is not expected to occur, the proxyholders will vote for such substitute nominee or nominees, if any, as shall be designated by the Board of Directors.

INFORMATION CONCERNING THE NOMINEES

Nominees for Election as Class I Directors Term to Expire in 2011

Robert A. Ingram — *Director Since*: 2001, *Age*: 65

Member of Compensation and Organization Committee and Governance Committee. Vice Chairman Pharmaceuticals, GlaxoSmithKline, a pharmaceutical research and development company, since January 2003. Chief Operating Officer and President, Pharmaceutical Operations of GlaxoSmithKline, January 2001-2002. Chief Executive Officer of Glaxo Wellcome plc, 1997-2000. Chairman of Glaxo Wellcome Inc. (Glaxo Wellcome plc s United States subsidiary), 1999-2000. Chairman, President and Chief Executive Officer of Glaxo Wellcome Inc., 1997-1999. He also serves on the boards of directors of Allergan, Inc.; Edwards Lifesciences Corporation; OSI Pharmaceuticals, Inc. (Chairman); Valeant Pharmaceuticals International (Lead Director); and Wachovia Corporation. Mr. Ingram is also a member of the board of advisors for the H. Lee Moffitt Cancer Center & Research Institute.

Robert L. Johnson *Director Since*: 2005
Age: 62

Member of Audit Committee and Governance Committee. Founder and Chairman of the RLJ Companies, which owns or holds interests in companies operating in professional sports (including the NBA Charlotte Bobcats), hospitality/restaurant, real estate, financial services, gaming and recording industries. Prior to forming the RLJ Companies, he was founder and chairman of Black Entertainment Television (BET), which was acquired in 2000 by Viacom Inc., a media-entertainment holding company. Mr. Johnson continued to serve as Chief Executive Officer of BET until 2005. He also serves on the board of directors of Strayer Education, Inc.

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Richard K. Lochridge *Director Since*: 1998
Age: 64

Member of Compensation and Organization Committee and Governance Committee. President, Lochridge & Company, Inc., a general management consulting firm, since 1986. He also serves on the boards of directors of Dover Corporation and PetSmart, Inc.

INFORMATION CONCERNING CONTINUING DIRECTORS

Class II Directors Term to Expire in 2009

Peter C. Browning *Director Since*: 1998
Age: 66

Member of Audit Committee and Governance Committee. Dean of the McColl Graduate School of Business at Queens University of Charlotte from March 2002 to May 2005. Non-Executive Chairman 2000-2006 and Lead Director since 2006, Nucor Corporation, a steel manufacturer. President and CEO of Sonoco Products Company, a manufacturer of industrial and consumer packaging products, 1998-2000. He also serves on the boards of directors of Acuity Brands, Inc.; EnPro Industries, Inc.; Nucor Corporation; The Phoenix Companies, Inc.; and Wachovia Corporation.

Marshall O. Larsen *Director Since*: 2004
Age: 59

Chairman of Compensation and Organization Committee and member of Executive Committee and Governance Committee. Chairman of Goodrich Corporation, a supplier of systems and services to the aerospace and defense industry, since October 2003, and President and Chief Executive Officer since February 2002 and April 2003, respectively. Chief Operating Officer of Goodrich Corporation from February 2002 to April 2003. Executive Vice President of Goodrich Corporation and President and Chief Operating Officer of Goodrich Aerospace Corporation, a subsidiary of Goodrich Corporation, 1995-2002. He also serves on the board of directors of Becton, Dickinson and Company.

Stephen F. Page *Director Since*: 2003
Age: 68

Chairman of Audit Committee and member of Executive Committee and Governance Committee. Served as Vice Chairman and Chief Financial Officer of United Technologies Corporation, manufacturer of high-technology products and services to the building systems and aerospace industries, from 2002 until his retirement in 2004. President and Chief Executive Officer of Otis Elevator Company, a subsidiary of United Technologies Corporation, from 1997 to 2002. He also serves on the boards of directors of Liberty Mutual Holding Company, Inc. and PACCAR Inc.

O. Temple Sloan, Jr. *Director Since*: 2004
Age: 69

Chairman of Governance Committee and member of Audit Committee and Executive Committee. Chairman and Chief Executive Officer of General Parts International, Inc., Raleigh, North Carolina, a distributor of automotive replacement parts. He also serves on the boards of directors of Bank of America Corporation (Lead Director), Golden Corral and Highwoods Properties, Inc., where he serves as Chairman of the Board.

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Class III Directors Term to Expire in 2010

David W. Bernauer *Director Since*: 2007
Age: 64

Member of Audit Committee and Governance Committee. Non-Executive Chairman of the board of directors of Walgreen Co., the nation s largest drugstore chain, from January 2007 until his retirement in July 2007. From January 2002 until July 2006, he served as Chief Executive Officer of Walgreen, at which time he stepped down from his executive duties with the company while remaining Chairman of the Board, a position he had held since January 2003. From 1999 to January 2002, he served as President and Chief Operating Officer of Walgreen. He has served in various management positions, with increasing areas of responsibility, at Walgreen since 1966. He also serves on the board of directors of Office Depot, Inc.

Leonard L. Berry *Director Since*: 1998
Age: 65

Member of Compensation and Organization Committee and Governance Committee. Distinguished Professor of Marketing, M.B. Zale Chair in Retailing and Marketing Leadership, and Professor of Humanities in Medicine, Texas A&M University, since 1982. He also serves on the boards of directors of Darden Restaurants, Inc. and Genesco Inc.

Dawn E. Hudson *Director Since*: 2001
Age: 50

Member of Compensation and Organization Committee and Governance Committee. President and Chief Executive Officer of Pepsi-Cola North America, a beverage maker and franchise company, from June 2002 to November 2007 and March 2005 to November 2007, respectively. Senior Vice President, Strategy and Marketing for Pepsi-Cola North America, 1997-2002. She also serves on the board of directors of Allergan, Inc.

Robert A. Niblock *Director Since*: 2004
Age: 45

Chairman of Executive Committee. Chairman of the Board and Chief Executive Officer of Lowe s Companies, Inc. since January 2005. President from March 2003 to December 2006. Executive Vice President and Chief Financial Officer, 2001-2003. Senior Vice President and Chief Financial Officer, 2000-2001.

INFORMATION ABOUT THE BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD

Governance Guidelines and Code of Conduct

The Board of Directors has adopted Corporate Governance Guidelines setting forth guidelines and standards with respect to the role and composition of the Board, the functioning of the Board and its committees, the compensation of directors, succession planning and management development, the Board s and its committees access to independent advisers and other matters. The Governance Committee of the Board of Directors regularly reviews and assesses corporate governance developments and recommends to the Board modifications to the Corporate Governance Guidelines as warranted. The Company has also adopted a Code of Business Conduct and Ethics for its directors, officers and employees. The Governance Guidelines and Code of Conduct are posted on the Company s website at (*www.Lowes.com/investor*). Shareholders and other interested persons may obtain a written copy of the Governance Guidelines and Code of Conduct by contacting Gaither M. Keener, Jr., Senior Vice President, General Counsel, Secretary and Chief Compliance Officer, at Lowe s Companies, Inc., 1000 Lowe s Boulevard, Mooresville, North Carolina 28117.

Director Independence

Lowe s Corporate Governance Guidelines provide that in accordance with long-standing policy, a substantial majority of the members of the Company s Board of Directors must qualify as independent directors. For a director to be considered independent, the Board must determine that the director does not have any direct or indirect material relationship with the Company. As permitted by NYSE rules, the Board has adopted Categorical Standards for Determination of Director Independence (Categorical Standards) to assist the Board in making determinations of independence. A copy of these Categorical Standards is attached as Appendix A to this Proxy Statement.

The Governance Committee and the Board have evaluated the transactions, relationships or arrangements between each director (and his or her immediate family members and related interests) and the Company in each of the most recent three completed fiscal years. They include the following, all of which were entered into by the Company in the ordinary course of business:

Temple Sloan is a member of the board of directors of Bank of America Corporation, and Peter Browning and Robert Ingram are members of the board of directors of Wachovia Corporation. The Company has commercial banking and capital markets relationships with subsidiaries of both of these bank holding companies.

Temple Sloan is Chairman of the board of directors of Highwoods Properties, Inc., a real estate investment trust from which the Company leases a facility for a data center.

Stephen Page is a director of Liberty Mutual Holding Company, Inc. The Company purchases insurance from several of its subsidiaries covering various business risks. Subsidiaries of this company also administer Lowe s short-term disability plan for its employees and have recently begun administering the family and medical leave program for Lowe s employees.

Robert Johnson is a director and controlling shareholder of Urban Trust Bank, which the Company uses as a depositary bank. Mr. Johnson also controls and is an officer of the organization that owns the Charlotte Bobcats NBA team. The Company has a multi-year sponsorship agreement with the team.

Richard Lochridge is a director of Dover Corporation, which, through several subsidiaries, is a vendor to Lowe s for various products.

David Bernauer is a director of Office Depot, Inc. from which the Company purchases office equipment and supplies.

Peter Browning is a director of Acuity Brands, Inc. from which the Company purchases various lighting products.

In addition, with respect to Messrs. Johnson, Larsen, Ingram and Sloan, the Board considered the amount of the Company s discretionary charitable contributions in each of the most recent three completed fiscal years to charitable organizations where each of them, or a member of their immediate family, serves as a director or trustee.

As a result of this evaluation, the Board has affirmatively determined, upon the recommendation of the Governance Committee, that currently each director, other than Robert Niblock, and all of the members of the Audit Committee, Compensation and Organization Committee, and Governance Committee, are independent within the Company s Categorical Standards and the NYSE rules, and, in the case of Audit Committee members, the separate Securities and Exchange Commission requirement, which provides that they may not accept directly or indirectly any consulting, advisory or other compensatory fee from the Company other than their compensation as directors.

Compensation of Directors

Annual Retainer Fees. Directors who are not employed by the Company are paid an annual retainer of $75,000, and non-employee directors who serve as a committee chairman receive an additional $15,000 annually, or $25,000 annually in the case of the Audit Committee Chairman, for serving in such position. Directors who are employed by the Company receive no additional compensation for serving as directors. The annual retainer amount was last increased in 2002.

Stock Awards. In May 2005, shareholders approved an amended and restated Director s Stock Option and Deferred Stock Unit Plan, allowing the Board to elect to grant deferred stock units or options to purchase Common Stock at the first directors meeting following the Annual Meeting of Shareholders each year (Award Date) to non-employee directors. Beginning with the directors meeting following the Annual Meeting of Shareholders held May 27, 2005, it has been the Board s policy to grant only deferred stock units. Each deferred stock unit represents the right to receive one share of Lowe s Common Stock. The annual grant of deferred stock units for each of the Company s directors who is not employed by the Company is determined by taking the annual grant amount of $115,000 and dividing it by the closing price of a share of Lowe s Common Stock as reported on the NYSE on the Award Date, which amount is then rounded up to the next 100 units. The deferred stock units receive dividend equivalent credits, in the form of additional units, for any cash dividends subsequently paid with respect to Common Stock. All units credited to a director are fully vested and will be paid in the form of Common Stock after the termination of the director s service.

Deferral of Annual Retainer Fees. In 1994, the Board adopted the Lowe s Companies, Inc. Directors Deferred Compensation Plan. This plan allows each non-employee director to defer receipt of all, but not less than all, of the annual retainer and any committee chairman fees otherwise payable to the director in cash. Deferrals are credited to a bookkeeping account and account values are adjusted based on the investment measure selected by the director. One investment measure adjusts the account value based on the Wachovia Bank, N.A. prime rate plus 1%, adjusted each quarter. The other investment measure assumes that the deferrals are invested in Lowe s Common Stock with reinvestment of all dividends. A director may allocate deferrals between the two investment measures in 25% multiples. Account balances may not be reallocated between the investment measures. Account balances are paid in cash in a single sum payment following the termination of a director s service.

The following table summarizes the compensation paid to non-employee directors during fiscal year 2007:

Director Compensation Table
Fiscal Year 2007

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($) (1)	Options Awards ($) (2)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (3)	Total ($)
David W. Bernauer	56,250(4)	115,668	0	0	171,918
Leonard L. Berry	75,000	115,668	0	0	190,668
Peter C. Browning	75,000	115,668	0	0	190,668
Dawn E. Hudson	75,000	115,668	0	0	190,668
Robert A. Ingram	75,000	115,668	0	0	190,668
Robert L. Johnson	75,000	115,668	0	0	190,668
Marshall O. Larsen	90,000	115,668	0	7,105	212,773
Richard K. Lochridge	75,000	115,668	0	0	190,668
Stephen F. Page	100,000	115,668	0	0	215,668
O. Temple Sloan, Jr.	90,000	115,668	0	0	205,668

(1) The dollar amount shown for these stock awards represents the dollar amount recognized for financial statement reporting purposes with respect to fiscal year 2007 in compliance with Statement of Financial Accounting Standards No. 123 (revised 2004) Share-Based Payment (SFAS 123R) for 3,600 deferred stock units granted to each director in fiscal year 2007. These amounts reflect Lowe s accounting expense for these awards and do not correspond to the actual value that may be recognized by a director with respect to these awards when they are paid in the form of Common Stock after the termination of the director s service. For information on the assumptions used to calculate the value of the deferred stock units awarded in fiscal year 2007, see Note 9, Accounting for Share-Based Payment, to the Company s consolidated financial statements in its Annual Report on Form 10-K for the fiscal year ended February 1, 2008. As of February 1, 2008, each non-employee director, with the exception of Mr. Bernauer, held 10,554 deferred stock units. As of February 1, 2008, Mr. Bernauer (who was first elected a director on May 25, 2007) held 3,634 deferred stock units.

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(2) As of February 1, 2008, non-employee directors held options, all of which are vested, to acquire shares of Lowe s Common Stock previously granted to them under the Lowe s Companies, Inc. Directors Stock Option Plan as shown in the table below.

Name	Total Outstanding (#)
David W. Bernauer	0
Leonard L. Berry	26,666
Peter C. Browning	32,000
Dawn E. Hudson	32,000
Robert A. Ingram	32,000
Robert L. Johnson	0
Marshall O. Larsen	8,000
Richard K. Lochridge	32,000
Stephen F. Page	8,000
O. Temple Sloan, Jr.	8,000

(3) Amount shown represents the above-market portion of interest credited on deferred annual retainer and committee chairman fees for Mr. Larsen, who has selected the investment measure that adjusts his account value based on the Wachovia Bank, N.A. prime rate plus 1%.

(4) Mr. Bernauer was first elected a director on May 25, 2007. The amount reported reflects fees earned for the period from May 25, 2007 through the end of the 2007 fiscal year.

Board Meetings and Committees of the Board

Attendance at Board and Committee Meetings. During fiscal year 2007, the Board of Directors held six meetings. All incumbent directors attended at least 75% of all meetings of the Board and the committees on which they served.

Executive Sessions of the Non-management Directors. The non-management directors, all of whom are independent, meet in regularly scheduled executive sessions. Mr. Sloan, Chairman of the Governance Committee, presides over these executive sessions and in his absence, the non-management directors may select another non-management director present to preside.

Attendance at Annual Meetings of Shareholders. Directors are expected to attend the Annual Meeting of Shareholders. All of the incumbent directors attended last year s Annual Meeting of Shareholders.

Committees of the Board of Directors and their Charters. The Board has four standing committees: the Audit Committee; the Compensation and Organization Committee; the Executive Committee; and the Governance Committee. Each of these committees, other than the Executive Committee, acts pursuant to a written charter adopted by the Board of Directors. The Executive Committee operates in accordance with specific provisions of the Bylaws. A copy of each written committee charter is available on our website at (*www.Lowes.com/investor*). You may also obtain a copy of each written committee charter by contacting Gaither M. Keener, Jr., Senior Vice President, General Counsel, Secretary and Chief Compliance Officer, at Lowe s Companies, Inc., 1000 Lowe s Boulevard, Mooresville, North Carolina 28117.

How to Communicate with the Board of Directors and Independent Directors. Interested persons wishing to communicate with the Board of Directors may do so by sending a written communication addressed to the Board or to any member individually in care of Lowe s Companies, Inc., 1000 Lowe s Boulevard, Mooresville, North Carolina 28117. Interested persons wishing to communicate with the independent directors as a group, may do so by sending a written communication addressed to O. Temple Sloan, Jr., as Chairman of the Governance Committee, in care of Lowe s Companies, Inc., 1000 Lowe s Boulevard, Mooresville, North Carolina 28117. Any communication addressed to a director that is received at Lowe s principal executive offices will be delivered or forwarded to the individual director as soon as practicable. Lowe s will forward all communications received from its shareholders or other interested persons that are addressed simply to the Board of Directors to the chairman of the committee of the Board of Directors whose purpose and function is most closely related to the subject matter of the communication.

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Audit Committee

Number of Members:	Five
Members:	Stephen F. Page (Chairman), David W. Bernauer, Peter C. Browning, Robert L. Johnson and O. Temple Sloan, Jr.
Number of Meetings in Fiscal Year 2007:	Eight
Purpose and Functions:	The primary purpose of the Audit Committee is to assist the Board of Directors in monitoring (A) the integrity of the financial statements, (B) compliance by the Company with its established internal controls and applicable legal and regulatory requirements, (C) the performance of the Company s internal audit function and independent registered public accounting firm, and (D) the independent registered public accounting firms qualifications and independence. In addition, the Audit Committee is responsible for preparing the Report of the Audit Committee included in this Proxy Statement. The Audit Committee is directly responsible for the appointment, compensation and oversight of the work of the Company s independent registered public accounting firm. In addition, the Audit Committee is solely responsible for pre-approving all engagements related to audit, review and attest reports required under the securities laws, as well as any other engagements permissible under the Securities Exchange Act of 1934, as amended (Exchange Act), for services to be performed for the Company by its independent registered public accounting firm, including the fees and terms applicable thereto. The Audit Committee is also responsible for reviewing and approving the appointment, annual performance, replacement, reassignment or discharge of the Vice President of Internal Audit. The Audit Committee reviews the general scope of the Company s annual audit and the fees charged by the independent registered public accounting firm for audit services, audit-related services, tax services and all other services; reviews with the Company s Vice President of Internal Audit the work of the Internal Audit Department; reviews financial statements and the accounting principles being applied thereto; and reviews audit results and other matters relating to internal control and compliance with the Company s Code of Business Conduct and Ethics. The Audit Committee has established procedures for the receipt, retention and treatment of complaints received regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding accounting or auditing matters. Each member of the Audit Committee is financially literate, as that term is defined under NYSE rules, and qualified to review and assess financial statements. The Board of Directors has determined that more than one member of the Audit Committee qualifies as an audit committee financial expert, as such term is defined by the Securities and Exchange Commission (SEC), and has designated Stephen F. Page, Chairman of the Audit Committee, as an audit committee financial expert. Each member of the Audit Committee is also independent as that term is defined under Rule 10A-3(b)(l)(ii) of the Exchange Act, the Categorical Standards and the current listing standards of the NYSE. No changes have been made to the Audit Committee Charter previously approved by the Board of Directors, a copy of which is available on our website. The members of the Audit Committee annually review the Audit Committee Charter and conduct an

annual performance evaluation of the Audit Committee performance with the assistance of the Governance Committee.

Compensation and Organization Committee

Number of Members:	Five
Members:	Marshall O. Larsen (Chairman), Leonard L. Berry, Dawn E. Hudson, Robert A. Ingram and Richard K. Lochridge

Number of Meetings in Fiscal Year 2007:	Six
Purpose and Functions:	The primary purpose of the Compensation and Organization Committee (Compensation Committee) is to discharge the responsibilities of the Board of Directors relating to compensation, organization and succession planning for the Company s executives. The Compensation Committee annually reviews and approves the corporate goals and objectives relevant to the compensation of the Chief Executive Officer, evaluates the Chief Executive Officer s performance in light of these established goals and objectives and, based upon this evaluation, recommends to the Board for approval by the independent directors, the Chief Executive Officer s annual compensation. The Compensation Committee also reviews and approves the compensation of all other executive officers of the Company, and reviews and approves all annual management incentive plans and all awards under multi-year incentive plans, including equity-based incentive arrangements authorized under the Company s equity incentive compensation plans. The Compensation Committee also has a role under the Company s Corporate Governance Guidelines in determining and reviewing the form and amount of Director compensation. The Compensation Committee is also responsible for reviewing and discussing with management the Company s compensation discussion and analysis (CD&A) and recommending to the Board that the CD&A be included in the Company s Annual Report and Proxy Statement. In addition, the Compensation Committee is responsible for preparing the Report of the Compensation Committee included in this Proxy Statement. The Compensation Committee conducts an annual performance evaluation of its performance with the assistance of the Governance Committee. Each member of the Compensation Committee is independent within the meaning of the Categorical Standards and the current listing standards of the NYSE.

Executive Committee

Number of Members:	Four
Members:	Robert A. Niblock (Chairman), Marshall O. Larsen, Stephen F. Page and O. Temple Sloan, Jr.
Number of Meetings in Fiscal Year 2007:	Three
Purpose and Functions:	The Executive Committee is generally authorized to have and to exercise all powers of the Board, except those reserved to the Board of Directors by the North Carolina Business Corporation Act or the Bylaws.

Governance Committee

Number of Members:	Ten

Members:	O. Temple Sloan, Jr. (Chairman), David W. Bernauer, Leonard L. Berry, Peter C. Browning, Dawn E. Hudson, Robert A. Ingram, Robert L. Johnson, Marshall O. Larsen, Richard K. Lochridge and Stephen F. Page
Number of Meetings in Fiscal Year 2007:	Five
Purpose and Functions:	The purpose of the Governance Committee, which functions both as a governance and as a nominating committee, is to (A) identify and recommend individuals to the Board for nomination as members of the Board and its committees consistent with the criteria approved by the Board, (B) develop and recommend to the Board the Corporate Governance Guidelines applicable to the Company, and (C) oversee the evaluation of the Board, its committees and the Chief Executive Officer of the Company. The Governance Committee also ensures that a succession plan is in place

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for the Chief Executive Officer and his direct reports. The Governance Committee s nominating responsibilities include (1) developing criteria for evaluation of candidates for the Board and its committees, (2) screening and reviewing candidates for election to the Board, (3) recommending to the Board the nominees for directors to be appointed to fill vacancies or to be elected at the next Annual Meeting of Shareholders, (4) assisting the Board in determining and monitoring whether or not each director and nominee is independent within the meaning of the Categorical Standards and applicable rules and laws, (5) recommending to the Board for its approval the membership and chairperson of each committee of the Board, and (6) assisting the Board in an annual performance evaluation of the Board and each of its committees.

The Governance Committee will consider nominees recommended by shareholders, and its process for doing so is no different than its process for screening and evaluating candidates suggested by directors, management of the Company or third parties. The Bylaws require that any such recommendation should be submitted in writing to the Secretary of the Company not less than 90 days nor more than 120 days prior to the first anniversary of the preceding year s Annual Meeting of Shareholders. If mailed, such notice shall be deemed to have been given when received by the Secretary. A shareholder s nomination for director shall set forth (i) as to each person whom the shareholder proposes to nominate for election or reelection as a director, (1) information relating to such person similar in substance to that required to be disclosed in solicitations of proxies for election of directors pursuant to Regulation 14A under the Exchange Act, (2) such person s written consent to being named as nominee and to serving as a director if elected, and (3) such person s written consent to provide information the Board of Directors reasonably requests to determine whether such person qualifies as an independent director under the Company s Corporate Governance Guidelines, and (ii) as to the shareholder giving the notice, (A) the name and address, as they appear on the Company s books, of such shareholder, and (B) the number of shares of Common Stock which are owned of record or beneficially by such shareholder. At the request of the Board of Directors, any person nominated by the Board for election as a director shall furnish to the Secretary that information required to be set forth in a shareholder s notice of nomination which pertains to the nominee. The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the provisions prescribed by the Bylaws and, if the chairman should so determine, the chairman shall so declare to the meeting and the defective nomination shall be disregarded. The Governance Committee considers a variety of factors when determining whether to recommend a nominee for election to the Board of Directors, including those set forth in the Company s Corporate Governance Guidelines. In general, candidates nominated for election or re-election to the Board of Directors should possess the following qualifications:

- high personal and professional ethics, integrity, practical wisdom and mature judgment;
- broad training and experience in policy-making decisions in business, government, education or technology;
- expertise that is useful to the Company and complementary to the background and experience of other directors;

- willingness to devote the amount of time necessary to carry out the duties and responsibilities of Board membership;
- commitment to serve on the Board over a period of several years in order to develop knowledge about the Company s principal operations; and
- willingness to represent the best interests of all shareholders and objectively appraise management performance.

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Under the Company s policy for review, approval or ratification of transactions with related persons, the Governance Committee reviews all transactions, arrangements or relationships that are not pre-approved under the policy and could potentially be required to be reported under the rules of the SEC for disclosure of transactions with related persons and either approves, ratifies or disapproves of the Company s entry into them.

Each member of the Governance Committee is independent within the meaning of the Categorical Standards and the current listing standards of the NYSE. The Governance Committee annually reviews and evaluates its own performance.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table shows the beneficial ownership of Common Stock as of March 20, 2008, except as otherwise noted, by each director, each nominee for election as a director, the named executive officers listed in the Summary Compensation Table, each shareholder known by the Company to be the beneficial owner of more than 5% of the Common Stock, and the incumbent directors, director nominees and executive officers as a group. Except as otherwise indicated below, each of the persons named in the table has sole voting and investment power with respect to the securities beneficially owned by them as set forth opposite their name, subject to community property laws where applicable.

Name or Number of Persons in Group	Number of Shares (#)[1]	Percent of Class
David W. Bernauer	13,634	*
Leonard L. Berry	53,020	*
Gregory M. Bridgeford	823,968	*
Peter C. Browning	50,046	*
Charles W. Canter, Jr.	709,792	*
Dawn E. Hudson	36,834	*
Robert F. Hull, Jr.	526,156	*
Robert A. Ingram	42,554	*
Robert L. Johnson	10,554	*
Marshall O. Larsen	20,554	*
Richard K. Lochridge	52,778	*
Robert A. Niblock	1,884,184	*
Stephen F. Page	22,554	*
O. Temple Sloan, Jr.	231,872	*
Larry D. Stone	1,734,474	*
Directors and Executive Officers as a Group (22 total)	8,102,583	*
State Street Bank and Trust Company, Trustee 225 Franklin Street Boston, MA 02110	108,441,651(2)	7.4%
Capital Research Global Investors 333 South Hope Street Los Angeles, CA 90071	172,592,500(3)	11.8%

Capital World Investors 333 South Hope Street Los Angeles, CA 90071	163,939,600(4)	11.2%

* Less than 1%

(1) Includes shares that may be acquired or issued within 60 days under the Company s stock option and award plans as follows: Mr. Bernauer 3,634 shares; Mr. Berry 34,554 shares; Mr. Bridgeford 423,061 shares; Mr. Browning 34,554 shares; Mr. Canter 330,712 shares; Ms. Hudson 34,554 shares; Mr. Hull 297,338 shares; Mr. Ingram 42,554 shares; Mr. Johnson 10,554 shares; Mr. Larsen 18,554 shares; Mr. Lochridge 34,554 shares;

Mr. Niblock 1,117,667 shares; Mr. Page 18,554 shares; Mr. Sloan 18,554 shares; Mr. Stone 1,008,031 shares; and all executive officers and directors as a group 4,427,337 shares.

(2) Shares held at December 31, 2007, according to a Schedule 13G filed on February 12, 2008 with the SEC, which total includes 63,211,709 shares held in trust for the benefit of the Company s 401(k) Plan participants. Shares allocated to participants 401(k) Plan accounts are voted by the participants by giving voting instructions to State Street Bank. The Company s fiduciary committee directs the Trustee in the manner in which shares not voted by participants are to be voted. This committee has seven members.

(3) Shares held at December 31, 2007, according to a Schedule 13G filed on January 10, 2008 with the SEC. That filing indicates that Capital Research Global Investors has sole dispositive power over all of the 172,592,500 shares shown. Capital Research Global Investors is a division of Capital Research and Management Company. Capital Research Global Investors and Capital World Investors, which is also a division of Capital Research and Management Company (see Footnote 4 below), make independent investment and proxy voting decisions.

(4) Shares held at December 31, 2007, according to a Schedule 13G filed on January 10, 2008 with the SEC. That filing indicates that Capital World Investors has sole dispositive power over all of the 163,939,600 shares shown. Capital World Investors is a division of Capital Research Management Company. Capital World Investors and Capital Research Global Investors, which is also a division of Capital Research and Management Company (see Footnote 3 above), make independent investment and proxy voting decisions.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Based solely upon a review of Forms 3 and 4, and any amendments thereto, furnished to the Company pursuant to Rule 16a-3(e) of the Exchange Act during fiscal year 2007, and Forms 5, and any amendments thereto, furnished to the Company with respect to fiscal year 2007, and other written representations from certain reporting persons, the Company believes that all filing requirements under Section 16(a) applicable to its officers, directors and greater than 10% beneficial owners have been complied with during fiscal year 2007 and prior fiscal years except as follows: Marshall O. Larsen, a director, filed a late Form 4 showing the purchase of Common Stock by a trust for the benefit of his spouse that is managed on a discretionary basis by an investment adviser. Gregory M. Bridgeford, an executive officer, filed a late Form 4 reporting both a sale and a gift of shares of Common Stock in a prior year.

EXECUTIVE OFFICER COMPENSATION

A. Compensation Discussion and Analysis

Compensation Philosophy and Objectives

The Compensation and Organization Committee of the Board of Directors (the Compensation Committee) is responsible for administering the Company s executive compensation program. The Compensation Committee believes that total compensation should support Lowe s key strategic objectives by:

Rewarding success in achieving financial performance goals, shareholder value creation, customer satisfaction and continuous improvement in the areas of quality and productivity.

Ensuring that shareholders and customers view Lowe s as a premier retail organization that demonstrates best practices in business, operations and personnel.

Role of the Compensation and Organization Committee

The executive compensation program administered by the Compensation Committee applies to all executive officers, including the executive officers named in the compensation disclosure tables that follow this section. There are currently five members of the Compensation Committee, all of whom are independent, non-employee directors. Members of the Compensation Committee are appointed by the Board of Directors and meet in person four times a year, telephonically as needed and also occasionally consider and take action by written consent. The Chairman of the Compensation Committee reports to the Board of Directors the Compensation Committee s actions and recommendations.

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The Compensation Committee has full discretionary power and authority to administer the executive compensation program. In carrying out its responsibilities, the Compensation Committee:

Communicates the Company s executive compensation philosophies and policies to shareholders;

Participates in the continuing development of, and approves any changes in, the program;

Monitors and approves annually the base salary and incentive compensation portions of the program, including participation, performance goals and criteria and determination of award payouts;

Initiates all compensation decisions for the Chairman and Chief Executive Officer of the Company, subject to final approval by the independent members of the Board of Directors; and

Reviews general compensation levels and programs for all other Section 16 officers to ensure competitiveness and appropriateness.

Role of the Independent Compensation Consultant

The Compensation Committee has engaged and regularly consults with an independent consultant for advice on executive compensation matters. For the fiscal year that ended February 1, 2008, the Compensation Committee consulted with senior members of the compensation consulting practice of Hewitt Associates. Hewitt was engaged to (i) help ensure that the Compensation Committee s actions are consistent with the Company s business needs, pay philosophy, prevailing market practices and relevant legal and regulatory mandates, (ii) provide market data as background against which the Compensation Committee can consider executive management base salary, bonus, and long-term incentive awards each year, and (iii) consult with the Compensation Committee on how best to make compensation decisions with respect to executive management in a manner that is consistent with shareholders long-term interests.

Hewitt does not perform any consulting services directly for the Company with respect to compensation, benefits or actuarial services. The Company has separately engaged Hewitt, however, to perform other consulting services through one of Hewitt s other business units over a two-year period in connection with the Company s human capital metrics program that focuses on the Company s recruiting and staffing efforts.

Role of Company Management

The Compensation Committee is also supported in its work by the Company s Human Resource Management executives and supporting personnel. The Company s Senior Vice President of Human Resources works most closely with the Compensation Committee, both in providing information and analysis for review and in advising the Compensation Committee concerning compensation decisions (except as it relates specifically to her compensation). The Chairman and Chief Executive Officer provides input to the Senior Vice President of Human Resources and her staff to develop recommendations concerning executive officer compensation, with the exception of himself, and presents these recommendations to the Compensation Committee.

General Principles of the Company s Executive Compensation Program

Competitive Pay for Performance. The program is designed to establish a strong link between the creation of shareholder value and the compensation earned by the Company s executive officers. The fundamental objectives of the program are to:

Maximize long-term shareholder value;

Provide an opportunity for meaningful stock ownership by executives;

Align executive compensation with the Company s vision, values and business strategies;

Attract and retain executives who have the leadership skills and motivation deemed critical to the Company s ability to enhance shareholder value;

Provide compensation that is commensurate with the Company s performance and the contributions made by executives toward that performance; and

Support the long-term growth and success of the Company.

Desired Position Relative to the Market. The program is intended to provide total annual compensation at market when the Company meets its financial performance goals. At the same time, the program seeks to provide *above-average* total annual compensation if the Company s financial performance goals are exceeded, and *below-average* total annual compensation if the Company s financial performance goals are not achieved.

At the beginning of each fiscal year, the Compensation Committee reviews survey information and a Hewitt-prepared analysis of executive compensation paid to executives by a comparable group of companies. The Compensation Committee uses the survey information and analysis to review the market and set total compensation targets under the Company s executive compensation program for the fiscal year.

The Compensation Committee also reviews each year the members of the comparable company group to ensure the group consists of companies that satisfy the Compensation Committee s guidelines and to make any changes in the group the Compensation Committee deems appropriate. The Compensation Committee believes the group s members should be similar in size and complexity to the Company and represent companies with whom the Company competes for employees. The Compensation Committee, upon the recommendation of Hewitt, used the following guidelines to select the members of the comparable company group for the Committee s 2007 fiscal year compensation decisions:

Major United States retailers with revenue in excess of $15 billion;

Large general industry companies in the consumer products and broader manufacturing and services industries with revenues in the $10 billion to $40 billion range;

Median total revenue for the group of $20.8 billion (compared to the Company s revenue of $46.9 billion); and

Median market capitalization of $24.7 billion (compared with Lowe s market capitalization of approximately $33 billion).

The companies included in the comparable company group approved by the Compensation Committee were: 3M Company; American Standard Companies, Inc.; Best Buy Co., Inc.; CVS Corporation; Deere & Company; Federated Department Stores, Inc.; General Mills, Inc.; The Home Depot, Inc.; J.C. Penney Corporation, Inc.; Kimberly-Clark Corporation; Masco Corporation; McDonald s Corporation; Sara Lee Corporation; Staples, Inc.; SUPERVALU, Inc.; Target Corporation; United Parcel Service, Inc.; Walgreen Co.; Wal-Mart Stores, Inc.; and Whirlpool Corporation.

Setting Total Annual Compensation Targets and Mix of Base and At Risk Compensation. The Compensation Committee sets a total annual compensation target amount for each executive at the beginning of each fiscal year. As part of this process, the Compensation Committee uses as a guideline the 65th percentile of the comparable company group to set each executive s (i) base salary, (ii) threshold, target and maximum annual non-equity incentive compensation award and (iii) equity incentive plan award.

In selecting the 65th percentile level, the Compensation Committee took into consideration that the median total revenue and the median market capitalization of the comparable company group were both less than the Company s total revenue and market capitalization. In prior years, the survey information and analysis from the comparable company group was adjusted to take into account the Company s larger size, and the Compensation Committee then set the total annual compensation target amounts at the 50th percentile of the adjusted survey data. The Compensation Committee decided to use unadjusted survey data for the 2007 fiscal year and to set the total annual compensation target amounts at the 65th percentile. The Compensation Committee believes that the 65th percentile is a better comparison of the size and complexity of the Company in comparison to the comparable company group. This percentile is also consistent with the financial performance of Company compared to the 65th percentile of performance of the comparable company group in several key areas, such as sales growth, growth in earnings per share, return on capital, return on equity and total shareholder return, over multiple measurement periods. The Compensation Committee also believes this approach is analogous to using size-adjusted data, but it eliminates the complexity of developing accurate size-adjusted survey data.

The program provides for larger portions of an executive s total compensation to vary based on the Company s performance for higher levels of executives (*i.e.*, the most senior executive officers have more of their total compensation at risk based on Company performance than do lower levels of executives). For example, 10% of the total annual compensation target amount for the Chairman and Chief Executive Officer is fixed and paid in the form

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of base salary and 90% of such total target compensation amount is at risk based on the Company s performance. For the President and Chief Operating Officer, 17% of the total annual compensation target amount is paid in the form of base salary and 83% of such amount is at risk based on the Company s performance. For Executive Vice Presidents, 18% of the total annual compensation target amount is paid in the form of base salary and 82% of such amount is at risk based on the Company s performance.

Stock Ownership Guidelines. The Compensation Committee strongly believes that executive officers should own appropriate amounts of the Company s Common Stock to align their interests with those of the Company s shareholders. The Company s 401(k) Plan, employee stock purchase plan and equity incentive plans provide ample opportunity for executives to acquire such Common Stock.

The Compensation Committee also has adopted a stock ownership and retention policy for all senior vice presidents and more senior officers of the Company. The ownership targets under the current policy are ten times base salary for the Chairman and Chief Executive Officer, six times base salary for the President and Chief Operating Officer, four times base salary for all executive vice presidents and two times base salary for all senior vice presidents. Executives who are subject to the policy must retain 100% of the net shares received from the exercise of any stock options or the vesting of restricted stock granted under the Company s equity incentive plans until the targeted ownership level is reached. The Compensation Committee reviews the share ownership of all executives subject to the policy at its meetings in March and November each year. All of the named executive officers were in compliance with the policy for fiscal year 2007.

Tax Deductibility of Compensation. Section 162(m) of the Internal Revenue Code limits the amount of non-performance based compensation paid to the named executive officers (other than Mr. Hull, the Chief Financial Officer) that may be deducted by the Company for federal income tax purposes in any fiscal year to $1,000,000. Performance-based compensation that has been approved by the Company s shareholders is not subject to the $1,000,000 deduction limit. All of the Company s equity and non-equity incentive plans have been approved by the Company s shareholders. Consequently, all awards under those plans, other than restricted stock awards that do not vest solely on the performance of the Company, should qualify as performance-based compensation that is fully deductible and not subject to the Code Section 162(m) deduction limit. The Compensation Committee has not adopted a formal policy that requires all compensation paid to the named executive officers to be deductible. But whenever practical, the Compensation Committee structures compensation plans to make the compensation paid thereunder fully deductible.

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Compensation Paid under the Executive Compensation Program

The program provides for payment of the following compensation elements:

Base Salary. Base salaries for executive officers are established on the basis of the qualifications and experience of the executive, the nature of the job responsibilities and the base salaries for competitive positions in the market as described above. The Compensation Committee reviews and approves executive officers base salaries annually. Any action by the Compensation Committee with respect to the base salary of the Chairman and Chief Executive Officer is subject to final approval by the independent members of the Board of Directors. For the fiscal year ended February 1, 2008, the Compensation Committee increased the base salaries of the named executive officers as follows:

Name and Principal Position	Fiscal Year 2006 Base Salary ($)	Fiscal Year 2007 Base Salary ($)	Percentage Increase
Robert A. Niblock Chairman of the Board and Chief Executive Officer	950,000	1,050,000	10.53%
Robert F. Hull, Jr. Executive Vice President and Chief Financial Officer	480,000	550,000	14.58%
Larry D. Stone * President and Chief Operating Officer	800,000	800,000	0.00%
Gregory M. Bridgeford. Executive Vice President, Business Development	480,000	500,000	4.17%
Charles W. Canter, Jr. Executive Vice President, Merchandising	500,000	525,000	5.00%

* The Company appointed Mr. Stone President and Chief Operating Officer effective December 16, 2006. His annual base salary rate increased from $765,000 to $800,000 effective as of that date and was not increased again in February, 2007 when the base salaries of the other named executives were reviewed and adjusted.

Non-Equity Incentive Plan Compensation. Executives earn non-equity incentive compensation under the program for each fiscal year based on the Company s achievement of one or more financial performance measures established at the beginning of the fiscal year by the Compensation Committee. For the fiscal year ended February 1, 2008, the performance measure selected by the Compensation Committee was the percentage increase in the Company s earnings before interest and taxes (EBIT) over the immediately preceding year. The Compensation Committee believes EBIT is an effective performance measure for the annual incentive compensation plan because it rewards growth in the profitability of existing stores and the development of new stores that contribute quickly to the Company s earnings.

The Compensation Committee established a threshold rate of 5% EBIT growth that must be achieved before any non-equity incentive compensation would be earned, a 9% EBIT growth rate for which target non-equity incentive compensation amounts would be earned and a 14% EBIT growth rate for which the maximum non-equity incentive compensation amounts would be earned. The Company s EBIT for the 2007 fiscal year decreased by 8.65%. Based on that EBIT result, none of the named executive officers were paid any non-equity incentive compensation for fiscal year 2007.

Equity Incentive Plan Awards. The Company s equity incentive plans authorize awards of stock options, performance- and time-vested restricted stock, performance accelerated restricted stock (PARS), performance shares and stock appreciation rights. Although the Compensation Committee generally has the discretion to establish the terms of all awards, the equity incentive plans limit certain award terms. For example, the Compensation Committee may not extend the original term of a stock option or, except as provided by the plans anti-dilution provision, reduce its exercise price. In addition, the plans generally require the vesting period for stock awards to be at least three years, although a period as short as one year is permitted if based on the satisfaction of financial performance objectives prescribed by the Compensation Committee.

At its meeting in January or February each year, the Compensation Committee makes its annual equity incentive award decisions. Currently, all store managers and employees in more senior positions are eligible to receive an annual equity incentive award. The effective date for the annual equity awards is the March 1 following the Compensation Committee s January or February meeting.

At the January or February meeting, the Compensation Committee considers and approves the following factors related to the awards:

The **base salary multiple** to be used to determine the total value of the equity incentive award. The multiple set by the Compensation Committee is multiplied by each executive s actual base salary amount to determine the target grant date value of the executive s equity incentive award. On January 25, 2007, after reviewing the market survey information, the Compensation Committee approved the following base salary multiples for the March 1, 2007 awards to the named executive officers: Mr. Niblock 7.0 times base salary; Mr. Stone 4.0 times base salary; and Messrs. Hull, Bridgeford and Canter 3.5 times base salary.

The **percentage** of the total target grant date value of the award to be awarded as stock options, shares of restricted stock, PARS or another form of award permitted by the equity incentive plans. On January 25, 2007, the Compensation Committee determined that 50% of the total grant date value of the awards to the named executive officers should be in the form of restricted stock and the remaining 50% should be in the form of stock options.

The **vesting** terms for the awards. The Compensation Committee previously approved a three-year vesting schedule for stock option awards, and the Committee made no change in that vesting schedule for the March 1, 2007 stock option awards.

The Compensation Committee did approve a significant change in the vesting terms applicable to the restricted stock awarded to the senior executive officers on March 1, 2007. The Compensation Committee decided that the restricted stock would be performance-vested restricted stock that will become vested only if the Company satisfies a performance objective set by the Compensation Committee. The performance objective selected by the Compensation Committee is the Company s return on non-cash average assets (RONCAA). The Compensation Committee set a threshold and target RONCAA for the vesting of the performance-based restricted stock. A threshold average RONCAA must be achieved over the three fiscal year performance period that includes fiscal years 2007 through 2009 before any of the performance-vested restricted stock awarded on March 1. 2007 will become vested.

RONCAA is computed on an annual basis by dividing the Company s EBIT for the year by the average of the Company s non-cash assets as of the beginning and end of the year. The return percentages for each year in the performance period are then averaged to yield a RONCAA for the three-year performance period. The Compensation Committee believes that RONCAA is an effective measure of Company and management performance as it measures the effective utilization of assets other than cash, cash equivalents and short term investments and it focuses management on strategic growth over a three-year period, rather than immediate return.

If the threshold three-year average RONCAA level is achieved, 25% of the restricted stock will vest. It the target average RONCAA level is achieved, 100% of the restricted stock will vest. The Compensation Committee believes it is likely that between 75% and 100% of the restricted stock granted will become vested at the end of the three-year performance period in 2010.

The **relative value factor** for each type of award. The market value of the Company s Common Stock is multiplied by the relative value factor for each type of award (for fiscal year 2007 awards, 0.33 for stock options and 0.688 for performance based restricted stock) to calculate the number of shares to be included in the awards. The market value of the Company s Common Stock as of March 1 is used to determine the number of shares included in the equity incentive awards to all executives who are not subject to Section 16 of the Securities Exchange Act of 1934. The

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Compensation Committee holds a telephonic meeting in February to approve the actual number of shares to be included in the equity incentive awards to Section 16 officers, and the value of the Company s Common Stock approximately one week before the telephonic meeting is used solely for purposes of determining the number of shares included in the awards. The exercise price for all stock options included in the equity awards is equal to the closing price of the Company s Common Stock on the March 1 grant date (or the most recent prior business day in the event March 1 falls on a non-business day).

Pursuant to authority delegated by the Compensation Committee, on May 1, August 1 and November 1 of each year, the Chairman and Chief Executive Officer makes equity incentive awards to all employees who are hired or promoted into a store manager or more senior position after the preceding March 1 annual grant date and who are not Section 16 officers. The same number of shares for each position as were granted on the preceding March 1 are granted on the succeeding May 1, August 1 or November 1 at the closing price of the Company s Common Stock on those dates.

Any other equity incentive grants, such as special retention grants or hiring package grants to Section 16 officers are reviewed and approved by the Compensation Committee at a meeting held prior to the grant effective date.

On December 12, 2007, the Compensation Committee held a telephonic meeting and approved a special retention restricted stock award of 8,000 shares to all Executive Vice Presidents and 4,000 shares to all Senior Vice Presidents. (The Chairman and Chief Executive Officer and the President and Chief Operating Officer did not receive a retention award.) The shares were awarded on December 14, 2007 and will become vested on December 14, 2010.

Other Compensation

The Company s executive officers participate in the Lowe s 401(k) Plan and the other employee benefit plans sponsored by the Company on the same terms and conditions that apply to all other employees. The Company makes only nominal use of perquisites in compensating its executive officers. The Company provides limited supplemental long-term disability coverage for all senior vice presidents and more senior officers whose annual compensation (base salary and target bonus) exceeds $400,000, provided the executive has also enrolled in and paid the cost for coverage under the Company s voluntary group long-term disability plan that is available to all employees. The Company s total cost for providing such supplemental coverage to the twenty-five executives in this category is approximately $35,750. All senior vice presidents and more senior officers of the Company are required to use professional tax preparation, filing and planning services, and the Company reimburses the cost of such services up to a maximum of $5,000 per calendar year (grossed up for taxes). Such officers are also required to receive an annual physical examination, at the Company s expense, subject to maximum amounts that are based on the officer s age. In March, 2007, the Compensation Committee approved a policy that permits the President and Chief Operating Officer to use Company-owned aircraft for up to 25 hours a year of personal travel. The Compensation Committee approved the policy to provide additional compensation to the President and Chief Operating Officer and to recognize his assumption and performance of additional duties and responsibilities. Finally, the independent members of the Board of Directors require the Chairman and Chief Executive Officer to utilize corporate aircraft for all business and personal travel for his safety, health and security, to enhance his effectiveness, to ensure immediate access to the Chairman and Chief Executive Officer for urgent matters and to maintain the confidentiality of the purpose of the travel. The Company does not provide any tax gross-up to the Chairman and Chief Executive Officer or the President and Chief Operating Officer for the taxable value of their use of corporate aircraft for personal travel.

Nonqualified Deferred Compensation Programs

The Company sponsors three nonqualified deferred compensation programs for senior management employees: the Benefit Restoration Plan, the Cash Deferral Plan and the Deferred Compensation Program.

The Company s Benefit Restoration Plan provides qualifying executives with benefits equivalent to those received by all other employees under the Company s 401(k) Plan. Qualifying executives are those whose contributions, annual additions and other benefits, as normally provided to all participants under the tax-qualified 401(k) Plan, would be curtailed by the effect of Internal Revenue Code limitations and restrictions.

The Cash Deferral Plan permits qualifying executives to voluntarily defer a portion of their base salary, non-equity incentive compensation and certain other bonuses on a tax-deferred basis. Qualifying executives are those employed by the Company in more senior positions. The Company does not make matching or any other contributions to the Cash Deferral Plan.

The Deferred Compensation Program is a part of all the Company s equity incentive plans. Prior to 2005, the Deferred Compensation Program allowed executives at or above the vice president level to defer receipt of certain equity incentive plan compensation (vested restricted stock awards and performance accelerated restricted stock awards and gains on non-qualified stock options) and required the deferral of equity incentive plan compensation to the extent that such compensation would not be deductible by the Company for federal income tax purposes due to the limitation imposed by Internal Revenue Code Section 162(m) on the deductibility of compensation that is not performance-based. The Deferred Compensation Program was amended in 2005 to provide that the only deferrals permitted after 2004 are mandatory deferrals of equity incentive plan compensation that is not deductible under Internal Revenue Code Section 162(m). Any shares representing stock incentives that are deferred under the Deferred Compensation Program are cancelled and tracked as phantom shares. During the deferral period, the participant s account is credited with amounts equal to the dividends paid on actual shares.

All of the Company s nonqualified deferred compensation programs are unfunded. Any deferred compensation payment obligations under the programs are at all times unsecured payment obligations of the Company.

Potential Payments Upon Termination or Change-in-Control

The Company has entered into Management Continuity Agreements with each of the named executive officers. Other than the termination compensation amounts, the agreements are identical.

The agreements provide for certain benefits if the Company experiences a change-in-control followed by termination of the executive s employment:

- by the Company s successor without cause;
- by the executive during the 30-day period following the first anniversary of the change-in-control; or
- by the executive for certain reasons, including a downgrading of the executive s position.

Cause means continued and willful failure to perform duties or conduct demonstrably and materially injurious to the Company or its affiliates.

All of the agreements provide for three-year terms. On the first anniversary, and every anniversary thereafter, the term is extended automatically for an additional year unless the Company elects not to extend the term. All agreements automatically expire on the second anniversary of a change-in-control notwithstanding the length of the terms remaining on the date of the change-in-control.

If benefits are paid under an agreement, the executive will receive (i) a lump-sum severance payment equal to the present value of (a) for Messrs. Niblock and Stone, three times the executive s annual base salary, non-equity incentive compensation and welfare insurance costs, and (b) for Messrs. Hull, Bridgeford and Canter, 2.99 times the executive s annual base salary, non-equity incentive compensation and welfare insurance costs, and (ii) any other unpaid salary and benefits to which the executive is otherwise entitled. In addition, the executive will be compensated for any excise tax liability he may incur as a result of any benefits paid to the executive being classified as excess parachute payments under Section 280G of the Internal Revenue Code and for income and employment taxes attributable to such excise tax reimbursement.

All legal fees and expenses incurred by the executives in enforcing these agreements will be paid by the Company.

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The following table shows the amounts that would have been payable to the named executive officers if a change in control of the Company had occurred on February 1, 2008 and the named executive officers employment was terminated by the Company s successor without cause immediately thereafter:

Name	Severance ($)[1]	Welfare Benefits ($)[1]	Stock Options ($)[2]	Restricted Stock ($)[3]	Excise Tax Gross-up ($)	Total ($)
Mr. Niblock	8,865,587	27,948	0	15,764,350	6,985,049	31,642,934
Mr. Hull	3,030,044	27,860	0	3,640,875	2,275,239	8,974,018
Mr. Stone	5,066,050	27,948	0	8,827,525	0	13,921,523
Mr. Bridgeford	2,805,597	27,860	0	5,071,675	0	7,905,132
Mr. Canter	2,945,877	27,860	0	3,223,030	1,889,675	8,086,442

(1) Payable in cash in a lump sum.

(2) Value (based on the closing market price of the Company s Common Stock on February 1, 2008) of unvested in-the-money stock options that would become vested upon a change-in-control of the Company.

(3) Value (based on the closing market price of the Company s Common Stock on February 1, 2008) of unvested shares of restricted stock that would become vested upon a change-in-control of the Company.

B. Executive Compensation Disclosure Tables

Summary Compensation Table This table shows the base salary, annual non-equity incentive compensation and all other compensation paid to the named executives. The table also shows the compensation expense the Company recognized for the 2006 and 2007 years for financial reporting purposes for the stock and option awards made to the named executives.

ame and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($) [1]	Option Awards ($) [1]	Non-Equity Incentive Plan Compensation [2]	All Other Compensation ($) [3]	Total ($)
obert A. Niblock	2007	1,050,000	0	2,965,305	2,027,320	0	104,707	6,147,332
hairman of the Board of irectors and hief Executive Officer	2006	950,000	0	3,020,463	1,494,537	1,037,875	97,495	6,600,370
obert F. Hull, Jr.	2007	550,000	0	802,413	601,195	0	29,953	1,983,561
xecutive Vice President nd Chief Financial Officer	2006	480,000	0	743,011	443,978	308,304	23,614	1,998,907
arry D. Stone	2007	800,000	0	1,838,397	1,085,421	0	57,438	3,781,256
resident and hief Operating Officer	2006	770,039	0	2,038,311	1,016,992	491,360	34,658	4,351,360
regory M. Bridgeford	2007	500,000	0	1,049,435	588,885	0	28,285	2,166,605

xecutive Vice President, usiness Development	2006	480,000	0	1,144,850	546,195	308,304	24,663	2,504,012
harles W. Canter, Jr.	2007	525,000	0	632,042	496,699	0	25,751	1,679,492
xecutive Vice President, Ierchandising	2006	500,000	0	661,249	349,568	321,150	30,743	1,862,710

(1) For financial statement reporting purposes, the Company determines the fair value of a stock or option award on the grant date. The Company then recognizes the fair value of the award as compensation expense over the requisite service period. The fair value of a stock award is equal to the closing market price of the Company s Common Stock on the date of the award. The fair value of an option award is determined using the Black-Scholes option-pricing model with assumptions for expected dividend yield, expected term, expected volatility, a risk-free interest rate and an estimated forfeiture rate. See Note 9, Accounting for Share-Based Payment, to the Company s consolidated financial statements in its Annual Report on Form 10-K for the fiscal year ended February 1, 2008 for additional information about the Company s accounting for share-based compensation arrangements, including the assumptions used in the Black-Scholes option-pricing model.

The amounts presented are the dollar amounts of compensation expense recognized for awards granted in the fiscal year ended February 1, 2008 and in previous fiscal years, except the compensation expense amounts have not been reduced by the Company s estimated forfeiture rate. Executives receive dividends on unvested shares of restricted stock and the right to receive dividends has been factored into the determination of the fair value of the stock awards and the resulting amounts presented above.

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(2) No amounts were earned under the Company s non-equity incentive plan for the fiscal year ended February 1, 2008 based on a decrease of 8.65% in the Company s net earnings before interest and taxes over the immediately preceding fiscal year, which was less than the threshold growth level of 5% required for any award. The terms of the plan are described in Footnote 1 to the Grants of Plan-Based Awards table.

(3) Amounts presented consist of the following for the 2007 fiscal year:

Name	Company Matching Contributions to 401(k) Plan ($)	Company Matching Contributions to Benefit Restoration Plan ($)	Reimbursement of Tax Compliance Costs Cost ($)	Reimbursement of Tax Compliance Costs Tax Gross-Up ($)	Personal Use of Corporate Aircraft ($)	Cost of Company Required Physical Exam ($)
Mr. Niblock	7,019	33,626	4,750	3,563	49,185	6,564
Mr. Hull	9,353	14,880	800	600	0	4,320
Mr. Stone	4,894	24,799	2,400	1,800	19,172	4,373
Mr. Bridgeford	5,640	12,971	4,218	3,164	0	2,292
Mr. Canter	5,565	13,910	2,300	1,725	0	2,251

All amounts presented above, other than the amount for personal use of corporate aircraft, equal the actual cost to the Company of the particular benefit or perquisite provided. The amount presented for personal use of corporate aircraft is equal to the incremental cost to the Company of such use. Incremental cost includes fuel, landing and ramp fees and other variable costs directly attributable to the personal use. Incremental cost does not include an allocable share of the fixed costs associated with the Company s ownership of the aircraft.

Grants of Plan-Based Awards This table presents the potential annual non-equity incentive awards the executives were eligible to earn in 2007 and the restricted stock and the stock options awarded to the named executives during 2007.

me	Grant Date	Date of Compensation Committee Action	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1) Threshold ($)	Target ($)	Maximum ($)	All Other Stock Awards: Number of Shares of Stock or Units (#) (2)	All Other Option Awards: Number of Securities Underlying Options (#) (3)	Exercise or Base Price of Option Awards ($/Sh)	Grant Da Fair Valu of Stock a Option Awards ($)
. Niblock			367,500	2,100,000	3,150,000				
	03/01/07	02/22/07				161,000	335,000	32.21	7,931,23
. Hull			192,500	550,000	1,100,000				

	03/01/07	02/22/07				42,000	88,000	32.21	2,074,00
	12/14/07	12/12/07				8,000			181,76
. Stone			280,000	1,000,000	2,000,000				
	03/01/07	02/22/07				70,000	146,000	32.21	3,451,21
. Bridgeford			175,000	500,000	1,000,000				
	03/01/07	02/22/07				38,000	80,000	32.21	1,879,60
	12/14/07	12/12/07				8,000			181,76
. Canter			183,750	525,000	1,050,000				
	03/01/07	02/22/07				40,000	84,000	32.21	1,976,80
	12/14/07	12/12/07				8,000			181,76

(1) The executives are eligible to earn annual non-equity incentive compensation under the Company s non-equity incentive plan for each fiscal year based on the Company s achievement of one or more performance measures established at the beginning of the fiscal year by the Compensation Committee. For the fiscal year ended February 1, 2008, the performance measure selected by the Compensation Committee was the percentage increase in the Company s earnings before interest and taxes over the immediately preceding year. The threshold, target and maximum amounts presented would be earned for increases of 5%, 9% and 14%, respectively in the Company s earnings before interest and taxes over the fiscal year that ended February 3, 2006. The actual percentage decrease in the Company s earnings before interest and taxes for the fiscal year ended February 1, 2008 was 8.65% and the executives earned none of the potential incentive compensation for the fiscal year.

(2) The stock awards granted on March 1, 2007 become vested based on the Company s achievement of a threshold and target average return on non-cash average assets for the three fiscal year period that includes fiscal years 2007 through 2009. If the Company achieves the threshold average return, 25% of the shares will become vested. All of the shares will become vested if the Company achieves the target average return. The stock awards granted on December 14, 2007 become vested on December 14, 2010.

In the event an executive terminates employment due to death, disability or retirement, (a) any unvested shares granted on December 14, 2007 will become vested (however, the shares granted to Messrs. Hull and Canter will not become transferable in the event of their retirement until December 14, 2010) and (b) any unvested shares awarded on March 1, 2007 will become vested based on the Company s achievement of the performance vesting requirements applicable to those shares. Retirement for this purpose is defined as termination of employment with the approval of the Board on or after the date the executive has satisfied an age and service requirement, provided the executive has given the Board advance notice of such retirement. Messrs. Niblock, Stone, Bridgeford and Canter have satisfied the age and service requirement for retirement. Mr. Hull will satisfy the age and service requirement for retirement upon attainment of age fifty-five (55). The executives receive all cash dividends paid with respect to the shares included in the stock awards during the vesting period.

(3) All options have a seven-year term and an exercise price equal to the closing price of the Company s Common Stock on the grant date. The options vest in three equal annual installments on each of the first three anniversaries of the grant date or, if earlier, the date the executive terminates employment due to death or disability or, in the case of Messrs. Niblock, Stone and Bridgeford, in the event of retirement, and remain exercisable until their expiration dates. The options granted to Messrs. Hull and Canter will become exercisable in the event of retirement in accordance with the original three-year vesting schedule and remain exercisable until their expiration dates. Retirement for this purpose has the same meaning as for the stock awards as described in Footnote 2 above.

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Outstanding Equity Awards at Fiscal Year-End This table presents information about unvested stock and option awards held by the named executives on February 1, 2008.

	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) (4)	Market Value of Shares or Units of Stock That Have Not Vested ($)
Mr. Niblock	170,000	0	22.85	02/01/09		
	152,000	0	21.99	03/01/09		
	298,000	0	19.65	03/01/10		
	102,000	0	28.37	03/01/11		
	96,000	48,000(1)	29.17	03/01/12		
	70,000	140,000(2)	34.16	03/01/13		
	0	335,000(3)	32.21	03/01/14		
					617,000	15,764,350
Mr. Hull	70,000	0	22.85	02/01/09		
	12,340	0	21.99	03/01/09		
	60,180	0	19.65	03/01/10		
	10,000	0	22.85	03/01/10		
	21,150	0	28.37	03/01/11		
	35,334	17,666(1)	29.17	03/01/12		
	20,668	41,332(2)	34.16	03/01/13		
	0	88,000(3)	32.21	03/01/14		
					142,500	3,640,875
Mr. Stone	170,000	0	22.85	02/01/09		
	199,452	0	21.99	03/01/09		
	316,912	0	19.65	03/01/10		
	98,000	0	28.37	03/01/11		
	66,000	33,000(1)	29.17	03/01/12		
	38,000	76,000(2)	34.16	03/01/13		
	0	146,000(3)	32.21	03/01/14		
					345,500	8,827,525
Mr. Bridgeford	120,000	0	22.85	02/01/09		

	48,060	0	21.99	03/01/09		
	82,000	0	19.65	03/01/10		
	52,000	0	28.37	03/01/11		
	35,334	17,666(1)	29.17	03/01/12		
	20,668	41,332(2)	34.16	03/01/13		
	0	80,000(3)	32.21	03/01/14		
					198,500	5,071,675
Mr. Canter	120,000	0	22.85	02/01/09		
	43,512	0	21.99	03/01/09		
	55,092	0	19.65	03/01/10		
	21,150	0	28.37	03/01/11		
	13,528	6,762(1)	29.17	03/01/12		
	21,334	42,666(2)	34.16	03/01/13		
	0	84,000(3)	32.21	03/01/14		
					126,146	3,223,030

(1) These options became vested on March 1, 2008.

(2) These options become vested in two equal annual installments on March 1, 2008 and March 1, 2009.

(3) These options become vested in three equal annual installments on March 1, 2008, March 1, 2009 and March 1, 2010.

(4) Executives receive dividends on unvested shares of restricted stock. The unvested stock awards become vested as follows:

Name	March 1, 2008 (#)	September 1, 2009 (#)	March 1, 2010 (#)(1)	March 1, 2010 (#)(2)	December 14, 2010 (#)	March 1, 2011 (#)(1)	Total (#)
Mr. Niblock	200,000	60,000	72,000	161,000	0	124,000	617,000
Mr. Hull	0	30,000	26,500	42,000	8,000	36,000	142,500
Mr. Stone	120,000	40,000	49,500	70,000	0	66,000	345,500
Mr. Bridgeford	60,000	30,000	26,500	38,000	8,000	36,000	198,500
Mr. Canter	0	30,000	10,146	40,000	8,000	38,000	126,146

(1) These shares are performance accelerated restricted shares or PARS. The PARS that are scheduled to vest on March 1, 2010 were granted on March 1, 2005. The PARS that are scheduled to vest on March 1, 2011 were granted on March 1, 2006. The vesting of 50% of the PARS that are scheduled to vest on March 1, 2010 and March 1, 2011 will be accelerated to March 1, 2008 and March 1, 2009, respectively, if the Company achieves an average return on non-cash beginning assets set by the Compensation Committee at the time the PARS were awarded during the three fiscal years after the grant date. The vesting of all of the PARS that are scheduled to vest on March 1, 2010 and March 1, 2011 will be accelerated to March 1, 2009 and March 1, 2010, respectively, if the Company achieves an average return on non-cash beginning assets set by the Compensation Committee at the time the PARS were awarded during the four fiscal years after the grant date.

(2) These shares are performance vested restricted shares awarded on March 1, 2007. These shares will become vested only if the Company achieves a target average return on non-cash average assets set by the Compensation Committee for the three year performance period that includes fiscal years 2007 through 2009. A portion of the shares will become vested if the Company achieves an average return on non-cash average assets that is at least the threshold level set by the Compensation Committee but less than the target level.

Option Exercises and Stock Vested at Fiscal Year-End This table presents information about stock options exercised by the named executive officers and the number and value of stock awards that became vested in the named executive officers during the 2007 fiscal year.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)

Mr. Niblock	114,720	1,791,043	51,000	1,642,710(2)
Mr. Hull	8,588	90,791(1)	10,576	340,653
Mr. Stone	268,732	5,093,139	49,000	1,578,290(2)
Mr. Bridgeford	91,800	1,444,812	26,000	837,460(2)
Mr. Canter	0	0	10,576	340,653

(1) Mr. Hull elected under the Company s Deferred Compensation Program to defer receipt of $9,411 of this amount.

(2) Delivery of all (in the case of Mr. Niblock) or a portion (in the case of Messrs. Stone and Bridgeford) of these shares was mandatorily deferred under the Company s Deferred Compensation Program. The shares will be delivered to the executive when the distribution is fully deductible by the Company for federal income tax purposes and not subject to the deduction limitation under Section 162(m) of the Internal Revenue Code. The Deferred Compensation Program is described in the introductory narrative to the Nonqualified Deferred Compensation table.

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Nonqualified Deferred Compensation

The Company sponsors three non-qualified deferred compensation plans for the benefit of senior management employees: the Benefit Restoration Plan (the BRP), the Cash Deferral Plan (the CDP) and the Deferred Compensation Program (the DCP).

BRP

The BRP allows any management employee who is classified as a highly compensated employee under the Internal Revenue Code to elect to defer receipt of the difference between (i) 6% of the sum of base salary and annual non-equity incentive plan compensation and (ii) the amount the employee is allowed to contribute to the Company s tax-qualified 401(k) Plan. The deferred amounts are credited to the employee s BRP account. The Company makes matching contributions to the employee s BRP account under the same matching contribution formula that applies to employee contributions to the 401(k) Plan. An employee s account under the BRP is deemed to be invested in accordance with the employee s election in one or more of the investment options available under the 401(k) Plan, except an employee may not elect to have any amounts deferred under the BRP after February 1, 2003 to be deemed to be invested in Company Common Stock. An employee may elect to change the investment of the employee s BRP account as frequently as each business day. An employee s account under the BRP is paid to the employee in cash after the end of the plan year in which the employee terminates employment but no earlier than 180 days after the employee s termination of employment.

CDP

The CDP allows a senior management employee to elect to defer receipt of up to 80% of his or her base salary, annual non-equity incentive plan compensation and certain other bonuses. The deferred amounts are credited to the employee s CDP account. The Company does not make any contributions to the CDP. An employee s CDP account is deemed to be invested in accordance with the employee s election in one or more of the investment options available under the 401(k) Plan, except an employee may not elect to have any amounts deferred under the CDP to be deemed to be invested in Company Common Stock. An employee may elect to change the investment of the employee s CDP account as frequently as each business day. An employee s account under the CDP is paid to the employee in cash after the end of the plan year in which the employee terminates employment but no earlier than 180 days after the employee s termination of employment. In addition, an employee may elect to have a portion of the employee s deferrals segregated into a separate sub-account that is paid at a date elected by the employee so long as the date is at least five years from the date of the employee s deferral election.

DCP

The DCP requires the deferral of any equity incentive compensation payable to a named executive officer to the extent the compensation would not be deductible for federal income tax purposes under Section 162(m) of the Code. The DCP also allowed executives to elect prior to January 1, 2005 to defer receipt of stock awards and gains from the exercise of stock options. The Company does not make any contributions to the DCP. All deferrals under the DCP are deemed to be invested in shares of the Company s Common Stock. Any dividends that would have been paid on shares of stock credited to an executive s DCP account are deemed to be reinvested in additional shares of Common Stock. The aggregate earnings on an executive s DCP account shown in the table below are attributable solely to fluctuations in the value of the Company s Common Stock and dividends paid with respect to the Company s Common Stock. Shares of Company Common Stock credited to an executive s DCP account that are attributable to mandatory deferrals are paid to the executive when the distribution is fully deductible by the Company for federal income tax purposes. Shares of Company Common Stock credited to an executive s DCP account that are attributable to pre-2005 elective deferrals are paid in accordance with the executive s election in a lump sum or five annual installments after the executive s termination of employment or attainment of a specified age.

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The following table presents information about the amounts deferred by the named executive officers under the Company s three deferred compensation plans.

Name	Plan Name	Executive Contributions in Last FY ($) (1)	Registrant Contributions in Last FY ($) (1)	Aggregate Earnings in Last FY ($) (1)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE ($) (1)
Mr. Niblock	BRP	114,538	56,978	(44,516)	0	2,282,101
	CDP	0	0	0	0	0
	DCP	1,642,710	0	(325,880)	0	1,316,830
Mr. Hull	BRP	41,952	21,817	(36,698)	0	619,286
	CDP	0	0	0	0	0
	DCP	9,411	0	(29,166)	0	102,213
Mr. Stone	BRP	67,439	35,854	(113,342)	0	1,800,143
	CDP	0	0	0	0	0
	DCP	1,441,398	0	(959,822)	27,464	3,202,092
Mr. Bridgeford	BRP	39,125	19,908	(21,735)	0	1,105,799
	CDP	0	0	0	0	0
	DCP	371,703	0	(1,401,664)	31,656	4,365,534
Mr. Canter	BRP	41,332	21,136	(18,950)	0	636,627
	CDP	0	0	0	0	0
	DCP	0	0	0	0	0

(1) The following table shows the extent to which the amounts presented above as Executive Contributions and Registrant Contributions are reported as compensation for the 2007 fiscal year in the Summary Compensation Table shown on page 21. Because none of the Company s deferred compensation plans provide above-market or preferential earnings on deferred amounts, none of the amounts presented above as Earnings are reported as compensation for the 2007 fiscal year in the Summary Compensation Table shown on page 21.

The Salary, Non-Equity Incentive Plan Compensation and All Other Compensation amounts in the Summary Compensation Table are presented on an accrual basis and include any Non-Equity Incentive Plan Compensation and Company matching contributions earned for the fiscal year ended February 1, 2008 but not paid until after the end of the year in March 2008. The amounts presented above as Executive Contributions and Registrant Contributions to the BRP are presented on a cash basis and include deferrals and Company matching contributions related to Non-Equity Incentive Plan Compensation earned for the fiscal year ended February 2, 2007 and paid in March 2007. The difference between the amounts presented above as Executive Contributions and Registrant Contributions to the BRP and the BRP contributions shown below are reported as compensation for the 2006 fiscal year compensation in the Summary Compensation Table.

The amounts presented in the Summary Compensation Table for Stock Awards and Options Awards are the amounts of compensation expense recognized by the Company for financial statement reporting purposes for the fiscal year ended February 1, 2008. The amounts presented above as Executive Contributions to the DCP represent the market value of stock awards that vested or gain from stock options that were exercised during the fiscal year ended February 1, 2008 and were deferred under the DCP. The amounts presented below as Executive Contributions to the DCP represent the compensation expense recognized by the Company for such deferred awards and stock option gains for the fiscal year ended February 1, 2008.

Name	Plan Name	Amount of Executive Contributions included in 2007 Fiscal Year Compensation in Summary Compensation Table on Page 21 ($)	Amount of Registrant Contributions included in 2007 Fiscal Year Compensation in Summary Compensation Table on Page 21 ($)
Mr. Niblock	BRP	52,265	33,626
	CDP	N/A	N/A
	DCP	37,106	N/A
Mr. Hull	BRP	23,454	14,880
	CDP	N/A	N/A
	DCP	0	N/A
Mr. Stone	BRP	37,957	24,799
	CDP	N/A	N/A
	DCP	32,559	N/A
Mr. Bridgeford	BRP	20,627	12,971
	CDP	N/A	N/A
	DCP	8,396	N/A
Mr. Canter	BRP	22,063	13,910
	CDP	N/A	N/A
	DCP	N/A	N/A

C. Report of the Compensation and Organization Committee

The Compensation and Organization Committee has reviewed and discussed the foregoing Compensation Discussion and Analysis with management of the Company. Based on such review and discussion, the Compensation Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company s Annual Report on Form 10-K for the fiscal year ended February 1, 2008.

Marshall O. Larsen, Chairman
Leonard L. Berry
Dawn E. Hudson
Robert A. Ingram
Richard K. Lochridge

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EQUITY COMPENSATION PLAN INFORMATION

The following table provides information about stock options outstanding and shares available for future awards under all of Lowe s equity compensation plans. The information is as of February 1, 2008.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (#) [1]	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights ($) [1]	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (#) [2]
Equity compensation plans approved by security holders	28,164,124	26.65	68,537,108(3)
Equity compensation plans not approved by security holders			
Total	28,164,124	26.65	68,537,108(3)

(1) This column contains information regarding employee stock options and deferred stock units only; there are no warrants or stock appreciation rights outstanding. However, the weighted average exercise price shown in column (b) does not take into account deferred stock units since they are granted outright and do not have an exercise price.

(2) In accordance with SEC rules, this column does not include shares available under the Lowe s 401(k) Plan.

(3) Includes the following:

* 45,122,168 shares available for grants of stock options, stock appreciation rights, stock awards and performance shares, and restricted stock units to key employees under the Company s 2006 Long Term Incentive Plan. Stock options granted under the 2006 Plan generally have terms of seven years, normally vest evenly over three years, and are assigned an exercise price of not less than the fair market value of the Common Stock on the date of grant. No awards may be granted under the 2006 Plan after 2016.

* 511,992 shares available under the Lowe s Companies, Inc. Amended and Restated Directors Stock Option and Deferred Stock Unit Plan. This Plan allows the award of stock options or deferred stock units to non-employee directors. No awards may be granted under this Plan after May, 2008. Options awarded under this Plan vest evenly over three years, expire after seven years and are assigned an exercise price equal to the fair market value of the Common Stock on the Award Date. Deferred stock units granted under this Plan are fully vested

and paid in the form of Common Stock after the termination of the director s service.

* 22,902,948 shares available under the Lowe s Companies Employee Stock Purchase Plan Stock Options for Everyone. Eligible employees may participate in the purchase of designated shares of the Company s Common Stock. The purchase price of this stock is equal to 85% of the closing price on the date of purchase for each semi-annual stock purchase period.

RELATED-PARTY TRANSACTIONS

Policy and Procedures for Review, Approval or Ratification

The Company has a written policy and procedures for the review, approval or ratification of any transactions that could potentially be required to be reported under the rules of the SEC for disclosure of transactions in which related persons have a direct or indirect material interest. Related persons include directors and executive officers of the Company and members of their immediate families. The Company s General Counsel and Chief Compliance Officer is primarily responsible for the development and implementation of processes and controls to obtain information from the directors and executive officers about any such transactions. He is also responsible for making a recommendation, based on the facts and circumstances in each instance, whether the Company or the related person has a material interest in the transaction.

The Policy, which is administered by the Governance Committee of the Board of Directors, includes several categories of pre-approved transactions with related persons, such as employment of executive officers and certain banking related services. For transactions that are not pre-approved, the Governance Committee, in determining whether to approve or ratify a transaction with a related person, takes into account, among other things, (A) whether the transaction would violate the Company s Code of Business Conduct and Ethics, (B) whether the transaction is on terms no less favorable than terms generally available to or from an unaffiliated third party under the same or similar circumstances and (C) the extent of the related person s interest in the transaction as well as the importance of the interest to the related person. No director may participate in any discussion or approval of a transaction for which he or she or a member of his or her immediate family is a related person.

Approved Related-Party Transactions

Steven M. Stone, Senior Vice President and Chief Information Officer of the Company, is the brother of Larry D. Stone, the Company s President and Chief Operating Officer. For the 2007 fiscal year, Steven M. Stone received a base salary of $420,000 and no non-equity incentive compensation award. He also received a matching contribution of $9,663 under the Company s Benefit Restoration Plan and a grant of (i) non-qualified options to purchase 16,000 shares at an exercise price of $32.21 per share (ii) 8,000 shares of performance-vested restricted stock and (iii) 4,000 shares of time-vested restricted stock. Steven M. Stone s compensation was established by the Company in accordance with its employment and compensation practices applicable to employees with equivalent qualifications and responsibilities and holding similar positions. The Compensation Committee of the Board, which is comprised entirely of independent directors, reviews and approves all compensation actions for the Company s executive officers, including Steven M. Stone. Larry D. Stone does not have a material interest in the Company s employment relationship with Steven M. Stone, nor does he share a home with him.

The Company paid $100.7 million in the fiscal year that ended February 1, 2008 to ECMD, Inc., a vendor to the Company for over 25 years, for millwork and other building products. A brother-in-law of Gregory M. Bridgeford, the Company s Executive Vice President of Business Development, is a senior officer and owner of less than five percent of the common stock of ECMD, Inc. Neither Mr. Bridgeford nor his brother-in-law, Todd Meade, has any direct business relationship with the transactions between ECMD, Inc. and the Company. We believe the terms upon which Lowe s makes its purchases from ECMD, Inc. are comparable to, or better than, the terms upon which ECMD, Inc. sells products to its other customers, and upon which Lowe s could obtain comparable products from other vendors. The Governance Committee of the Company s Board of Directors has reviewed all of the material facts and ratified the transactions with ECMD, Inc. that occurred in the last fiscal year and approved the transactions that will occur in the current fiscal year.

AUDIT MATTERS

Report of the Audit Committee

This report by the Audit Committee is required by the rules of the SEC. It is not to be deemed incorporated by reference by any general statement which incorporates by reference this Proxy Statement into any filing under the Securities Act of 1933 or the Exchange Act, and it is not to be otherwise deemed filed under either such Act.

The Audit Committee has five members, all of whom are independent directors as defined by the Categorical Standards, Section 303A.02 of the NYSE Listed Company Manual and Rule 10A-3(b)(1)(ii) of the Exchange Act. Each member of the Audit Committee is financially literate, as that term is defined by the rules of the NYSE, and qualified to review and assess financial statements. The Board of Directors has determined that more than one member of the Audit Committee qualifies as an audit committee financial expert as such term is defined by the SEC, and has designated Stephen F. Page, Chairman of the Audit Committee, as an audit committee financial expert.

The Audit Committee reviews the general scope of the Company s annual audit and the fees charged by the Company s independent registered public accounting firm, determines duties and responsibilities of the internal auditors, reviews financial statements and accounting principles being applied thereto, and reviews audit results and other matters relating to internal control and compliance with the Company s Code of Business Conduct and Ethics.

In carrying out its responsibilities, the Audit Committee has:

reviewed and discussed the audited financial statements with management;

met periodically with the Company s Vice President of Internal Audit and the independent registered public accounting firm, with and without management present, to discuss the results of their examinations, the evaluations of the Company s internal controls, and the overall quality of the Company s financial reporting;

discussed with the independent registered public accounting firm the matters required to be communicated to audit committees by Statement on Auditing Standards (SAS) No. 61 (Communications with Audit Committees), as amended by SAS No. 99;

received the written disclosures and letter from the independent registered public accounting firm required by Independence Standards Board Standard No. 1 (Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees), as may be modified or supplemented, and has discussed with the independent registered public accounting firm the independent registered public accounting firm s independence; and

reviewed and discussed with management and the independent registered public accounting firm management s report and the independent registered public accounting firm s report on our internal control over financial reporting and attestation on internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002.

Based on the review and discussions noted above and the report of the independent registered public accounting firm to the Audit Committee, the Audit Committee has recommended to the Board of Directors that the Company s audited financial statements be included in the Company s Annual Report on Form 10-K for the fiscal year ended February 1, 2008.

Stephen F. Page, Chairman
David W. Bernauer
Peter C. Browning
Robert L. Johnson
O. Temple Sloan, Jr.

Fees Paid to the Independent Registered Public Accounting Firm

The aggregate fees billed to the Company for the last two fiscal years by the Company s independent registered public accounting firm, Deloitte & Touche LLP (Deloitte), the member firms of Deloitte Touche Tohmatsu, and their respective affiliates, were:

	2007	2006
Audit Fees (1)	$ 2,554,922	$ 2,639,341
Audit-Related Fees (2)	361,303	166,091
Tax Fees (3)	0	51,414
All Other Fees	0	0

(1) Audit fees consist of fees billed for professional services for the audit of the Company s consolidated financial statements included in the Company s Annual Report on Form 10-K, review of financial statements included in the Company s Quarterly Reports on Form 10-Q and services provided by the independent registered public accounting firm in connection with the Company s statutory filings for the last two fiscal years. Audit fees also include fees for professional services rendered for the audit of our internal control over financial reporting.

(2)

Audit-related fees are fees billed by the independent registered public accounting firm for assurance and related services that are reasonably related to the performance of the audit or review of the Company s financial statements, and include audits of the Company s employee benefit plans and other consultations concerning financial accounting and reporting standards.

(3) Tax fees consist of fees billed for professional services rendered for tax compliance, tax advice, and tax planning.

The Audit Committee has considered whether the provision of this level of audit-related and tax compliance, advice and planning services is compatible with maintaining the independence of Deloitte. The Audit Committee, or the Chairman of the Audit Committee pursuant to a delegation of authority from the Audit Committee set forth in the Audit Committee s charter, approves the engagement of Deloitte to perform all such services before Deloitte is engaged to render them.

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PROPOSAL TWO
TO RATIFY THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has appointed Deloitte to serve as the Company s independent registered public accounting firm for fiscal year 2008. Deloitte has served as the Company s independent registered public accounting firm since 1982 and is considered by management to be well qualified.

Although shareholder ratification of the Audit Committee s appointment of Deloitte as our independent registered public accounting firm is not required by the Company s Bylaws or otherwise, the Board of Directors is submitting the appointment of Deloitte to the shareholders for ratification. If the shareholders fail to ratify the Audit Committee s appointment, the Audit Committee will reconsider whether to retain Deloitte as the Company s independent registered public accounting firm. In addition, even if the shareholders ratify the appointment of Deloitte, the Audit Committee may in its discretion appoint a different independent accounting firm at any time during the year if the Audit Committee determines that a change is in the best interests of the Company.

Representatives of Deloitte are expected to be present at the Annual Meeting of Shareholders, where they will have the opportunity to make a statement, if they desire to do so, and be available to respond to appropriate questions.

The Board of Directors recommends a vote **FOR** the ratification of the appointment of Deloitte as the Company s independent registered public accounting firm. Proxies received by the Board of Directors will be so voted unless shareholders specify in their proxies a contrary choice.

PROPOSAL THREE
TO APPROVE AMENDMENTS TO LOWE S ARTICLES OF INCORPORATION ELIMINATING THE CLASSIFIED STRUCTURE OF THE BOARD OF DIRECTORS

The Board of Directors has adopted, and recommends that Lowe s shareholders approve, amendments to Article 8. Board of Directors of the Company s Articles of Incorporation providing for:

- the phased-in elimination of the classified structure of the Board of Directors; and
- the removal of the supermajority vote requirements in Article 8.

A copy of Article 8 of the Company s Articles of Incorporation as modified by the proposed amendments is attached as Appendix B to this Proxy Statement. An explanation of the proposed amendments is included below.

Declassification of Board of Directors

A nonbinding shareholder proposal to declassify the Board of Directors was included in the Company s 2007 Proxy Statement and received favorable votes from a majority of the outstanding shares of the Company s Common Stock. The Governance Committee of Lowe s Board of Directors, which is composed entirely of independent directors, regularly considers and evaluates a broad range of corporate governance issues affecting the Company, including whether to maintain the Company s classified Board structure. While the Board believes that the classified Board structure has promoted continuity and stability and encouraged a long-term perspective on the part of directors, it recognizes the growing sentiment of the Company s shareholders and a number of institutional investor groups that the annual election of directors would enhance Lowe s corporate governance policies. In light of shareholder sentiment and corporate governance trends, Lowe s Board has determined that it is in the best interests of the Company and its shareholders to eliminate the Company s current classified Board structure.

The Company s Articles of Incorporation currently provides that the Board of Directors is divided into three classes, as nearly equal in number as possible, with the members of each class serving staggered three-year terms. If the proposed amendments are approved, current directors, including Class I directors elected to three-year terms at this year s Annual Meeting, will continue to serve the remainder of their elected terms. Class II directors with terms expiring at the 2009 Annual Meeting will be elected to two-year terms expiring at the 2011 Annual Meeting and Class III directors with terms expiring at the 2010 Annual Meeting will be elected to one-year terms expiring at the 2011 Annual Meeting. Beginning with the 2011 Annual Meeting of Shareholders, and at each Annual Meeting thereafter, all directors will be elected annually.

Removal of Supermajority Vote Requirements in Article 8

In conjunction with the amendments to declassify the Company s Board of Directors, the Board has also adopted, and is recommending to shareholders for approval, amendments that would result in the removal of the two supermajority vote provisions contained in Article 8 of the Company s Articles of Incorporation. These provisions require the vote of seventy percent (70%) of the Company s outstanding shares for (1) removing directors and (2) amending or repealing Article 8 (Board of Directors). Lowe s Board, in their continuing review of corporate governance matters, and after careful consideration, has concluded that in light of the proposed amendments to declassify the Board of Directors, it is appropriate to eliminate these supermajority vote requirements.

Votes Needed

The affirmative vote of a majority of the outstanding shares of the Company s Common Stock is required for approval of the proposed amendments. If approved, the amendments to the Company s Articles of Incorporation would become effective upon the filing of Articles of Amendment with the Secretary of State of the State of North Carolina, which Lowe s would do promptly after the Annual Meeting. The Board of Directors recommends a vote **FOR** the proposed amendments. Proxies received by the Board of Directors will be so voted unless shareholders specify in their proxies a contrary choice.

PROPOSAL FOUR
TO CONSIDER AND VOTE UPON THE SHAREHOLDER PROPOSAL
REGARDING SUPERMAJORITY VOTE REQUIREMENTS

John Chevedden, 2215 Nelson Ave., No. 205, Redondo Beach, CA 90278, owning more than $2,000 of Lowe s Common Stock, has informed us that he intends to submit the following shareholder proposal at the Annual Meeting. **The Board of Directors recommends voting AGAINST the proposal.** Unless otherwise specified, proxies will be voted **AGAINST** the proposal.

4 Adopt Simple Majority Vote

RESOLVED, Shareowners urge our company to take all steps necessary, in compliance with applicable law, to fully adopt simple majority vote requirements in our Charter and By-laws. This includes any special solicitations needed for adoption.

Simple majority vote won a remarkable 72% yes-vote average at 24 major companies in 2007. The Council of Institutional Investors www.cii.org recommends adoption of simple majority vote.

Adoption of this proposal will facilitate the adoption of annual election of each director which won 72%-support at our 2007 annual meeting. The Council of Institutional Investors recommends the adoption of shareholder proposals upon receiving their first majority vote.

Currently a 1%-minority can frustrate the will of our 69%-shareholder majority. Also our supermajority vote requirements can be almost impossible to obtain when one considers abstentions and broker non-votes.

While companies often state that the purpose of supermajority requirements is to protect minority shareholders, supermajority requirements are arguably most often used to block initiatives supported by most shareowners but opposed by management.

The merits of this proposal should also be considered in the context of our company s overall corporate governance structure and individual director performance. For instance in 2007 the following structure and performance issues *were identified:*

- *We did not have an Independent Board Chairman or even a Lead Director.*
- *Two directors served on 6 boards each Over-commitment concern.*

Mr. Ingram
Mr. Browning

- *We were allowed to vote on individual directors only once in 3-years Accountability concern.*
- *We would have to marshal a 70% shareholder vote to make certain key governance improvements Entrenchment concern.*
- *A 70%-vote was required to remove a director for cause.*

We had no shareholder right to:
1) Cumulative voting.
2) Act by written consent.
3) Call a special meeting.
Thus future shareholder proposals on the above topics could obtain significant support.
Poison pill: Our directors can adopt a poison pill that is never subject to a shareholder vote.
Our full board met only 6-times in a year.

Additionally:
Two directors owed [sic] zero stock:
Mr. Ingram
Mr. Johnson
Mr. Ingram was also designated as Accelerated Vesting director by The Corporate Library, http://www.thecorporatelibrary.com, an independent investment research firm, due to his involvement with a board that sped up stock option vesting to avoid recognizing the related cost.
Four of our directors also served on boards rated D by the Corporate Library:

1) Mr. Browning	*Wachovia (WB)*
	Acuity Brands (AYI)
2) Mr. Ingram	*Wachovia (WB)*
	Valeant Pharmaceuticals (VRX)
3) Mr. Page	*PACCAR (PCAR)*
4) Mr. Sloan	*Bank of America (BAC)*
	Highwoods Properties (HIW)

The above concerns show there is room for improvement and reinforces the reason to take one step forward to encourage our board to respond positively to this proposal:

Adopt Simple Majority Vote
Yes on 4

Lowe s Board of Directors Statement OPPOSING This Proposal

Few actions require a supermajority vote. Lowe s Board of Directors understands the concerns of the proponent regarding meaningful shareholder voting and effective corporate governance practices. Under the Company s existing governance documents, a simple majority vote requirement already applies to most matters submitted for shareholder approval. In fact, the Company has only four supermajority voting provisions, all contained in Articles 8 and 9 of its Articles of Incorporation, requiring the vote of seventy percent (70%) of the Company s outstanding shares. These limited provisions relate to: (1) removal of directors (Article 8); (2) amendment or repeal of Article 8; (3) certain business combinations (Article 9); and (4) amendment or repeal of Article 9.

We are recommending elimination of certain supermajority voting requirements. The Board of Directors has adopted, and is recommending to shareholders for approval at this Annual Meeting, amendments to the Company s Articles of Incorporation to eliminate the supermajority vote requirements related to removing directors and amending or repealing Article 8. Specifically, the Company s proposal (see Proposal Three in this Proxy Statement), if approved by shareholders, would eliminate the first and second supermajority provisions referred to above. A copy of Article 8 of the Company s Articles of Incorporation, as modified by the proposed amendments, is attached as Appendix B to this Proxy Statement.

The remaining supermajority vote provisions protect shareholder interests. The Board strongly believes, however, that the remaining supermajority voting provisions, which relate to the vote required for certain business combinations, should be maintained because they are intended to preserve and maximize the value of the Company for all shareholders. The provisions are not intended to and do not entrench management or reduce accountability. They are designed, instead, to protect all shareholders against self-interested actions by one large shareholder or several shareholders cooperating with one another. Without these supermajority provisions, it may be possible for one large shareholder, or a group of shareholders acting in concert, whose interests diverge from those of other shareholders, to approve an extraordinary transaction that is not in the best interests of Lowe s and that is opposed by nearly half of the Company s shareholders. Lowe s Board of Directors believes that such significant corporate events should have the support of a broad consensus of the Company s shareholders rather than a simple majority.

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The supermajority vote provisions also are designed to encourage any potential acquirer of the Company to negotiate directly with the Board of Directors. The Board has a fiduciary duty under the law to act in a manner that it believes to be in the best interests of the Company and its shareholders. The Company s Board of Directors, with ten of its eleven directors not being members of management, is independent. Each director, other than the Chairman of the Board who is also the Chief Executive Officer of the Company, and all of the members of the Audit Committee, Compensation and Organization Committee and Governance Committee are independent under the Company s Categorical Standards for Determination of Director Independence and the standards established by the New York Stock Exchange and the Securities and Exchange Commission. The Company believes its independent Board is in the best position to evaluate the adequacy and fairness of proposed offers, to negotiate on behalf of all shareholders and to protect shareholders against abusive tactics during a takeover process. Elimination of these supermajority provisions, especially when combined with the current proposal to eliminate the Company s classified Board structure, would make it more difficult for Lowe s independent Board to preserve and maximize shareholder value for all shareholders.

We are committed to effective governance. The proponent contends that approval of this proposal would serve as a means of improving the Company s corporate governance by lowering the required vote to approve governance changes. After careful consideration of the proposal, the Company s Board of Directors does not believe that implementation of this proposal would enhance the Company s corporate governance practices. Lowe s Governance Committee of the Board of Directors regularly considers and evaluates corporate governance developments and recommends to the Board modifications to the Company s corporate governance guidelines. For example, in 2006, Lowe s was one of the first companies to adopt majority voting in uncontested director elections. Moreover, in addition to the proposed amendments to the Company s Articles of Incorporation discussed above, the Board, in recognition of shareholder sentiment and corporate governance trends, has also adopted, and is recommending to shareholders for approval, amendments to the Company s Articles of Incorporation to eliminate the Company s current classified Board structure and provide for the annual election of all directors (see Proposal Three in this Proxy Statement). Additionally, as outlined in the section of this Proxy Statement on the Board of Directors, the Company s governance policies and practices comply with all requirements of the NYSE and SEC corporate governance standards.

For all these reasons, the Board of Directors recommends a vote **AGAINST** this proposal.

PROPOSAL FIVE
TO CONSIDER AND VOTE UPON THE SHAREHOLDER PROPOSAL
REGARDING EXECUTIVE COMPENSATION PLAN

Central Laborers Pension Fund, P.O. Box 1267, Jacksonville, IL 62651, owning more than $2,000 of Lowe s Common Stock, has informed us that it intends to submit the following shareholder proposal at the Annual Meeting. **The Board of Directors recommends voting AGAINST this proposal**. Unless otherwise specified, proxies will be voted **AGAINST** the proposal.

Pay for Superior Performance Principle Proposal

Resolved: *That the shareholders of Lowe s Companies, Inc. (Company) request that the Board of Director s Executive Compensation Committee adopt a Pay for Superior Performance principle by establishing an executive compensation plan for senior executives (Plan) that does the following:*

Sets compensation targets for the Plan s annual and long-term incentive pay components at or below the peer group median;

Delivers a majority of the Plan s target long-term compensation through performance-vested, not simply time-vested, equity awards;

Provides the strategic rationale and relative weightings of the financial and non-financial performance metrics or criteria used in the annual and performance-vested long-term incentive components of the Plan;

Establishes performance targets for each Plan financial metric relative to the performance of the Company s peer companies; and

Limits payment under the annual and performance-vested long-term incentive components of the Plan to when the Company s performance on its selected financial performance metrics exceeds peer group median performance.

Supporting Statement: *We feel it is imperative that executive compensation plans for senior executives be designed and implemented to promote long-term corporate value. A critical design feature of a well-conceived executive compensation plan is a close correlation between the level of pay and the level of corporate performance. The pay-for-performance concept has received considerable attention, yet all too often executive pay plans provide generous compensation for average or below average performance when measured against peer performance. We believe the failure to tie executive compensation to superior corporate performance has fueled the escalation of executive compensation and detracted from the goal of enhancing long-term corporate value.*

We believe that the Pay for Superior Performance principle presents a straightforward formulation for senior executive incentive compensation that will help establish more rigorous pay for performance features in the Company s Plan. A strong pay and performance nexus will be established when reasonable incentive compensation target pay levels are established; demanding performance goals related to strategically selected financial performance metrics are set in comparison to peer company performance; and incentive payments are awarded only when median peer performance is exceeded.

We believe the Company s Plan fails to promote the Pay for Superior Performance principle in several important ways. Our analysis of the Company s executive compensation plan reveals the following features that do not promote the Pay for Superior Performance principle:

The target performance levels for the annual incentive plan metrics are not peer group related.

The annual incentive plan provides for below target payout.

Options vest ratably over 3 years.

Target performance levels for the performance accelerated restricted stock metrics are not disclosed.

We believe a plan designed to reward superior corporate performance relative to peer companies will help moderate executive compensation and focus senior executives on building sustainable long-term corporate value.

Lowe s Board of Directors Statement OPPOSING this Proposal

Lowe s Board of Directors believes that Lowe s existing Executive Compensation Program (the Program) promotes the best interests of Lowe s shareholders by emphasizing pay for performance in achieving Lowe s corporate goals and strategies. The Program is administered, and compensation is set, by our Compensation Committee, which is comprised solely of independent directors who have no material relationship with the Company beyond their service as a member of the Board of Directors. The Program s fundamental objectives include:

maximizing shareholder value;

providing an opportunity for meaningful stock ownership by executives;

aligning executive compensation with Lowe s vision, values and business strategies;

attracting and retaining executives who have the leadership skills and motivation that are critical to Lowe s success in enhancing shareholder value;

providing compensation that is commensurate with Lowe s performance and the contributions made by executives toward Lowe s performance; and

supporting the long-term growth and success of Lowe s.

The Program emphasizes pay for performance by basing a substantial proportion of total compensation, especially for higher level executives, on the Company s performance. For example, in 2007, 90% of total target compensation for the Chairman and Chief Executive Officer was based upon Lowe s performance. A more complete description of the policies, practices and plans that comprise the Program is contained in the Executive Officer Compensation section of this Proxy Statement.

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In administering the Program, the Compensation Committee does take into account peer comparisons; however, the Committee and the Board believe that granting compensation based primarily on Lowe s performance as measured against the standards it sets for itself is better for Lowe s shareholders than the plan proposed by proponent. Peer companies, at any given time, may be in different circumstances or have different strategies than Lowe s.

If compensation is based solely on a comparison against peer companies performance on specific measures, there may be unintended and undesirable results. Under the proposal, in a year where all or certain peer companies are failing to meet their goals or standards or are otherwise under-performing, executives of Lowe s could be awarded significant compensation as long as Lowe s exceeded the performance of the members of its peer group, even if Lowe s was under-performing its own targets. Under Lowe s current Program, the executives are not rewarded for under-performing Lowe s targets merely because Lowe s is exceeding its peer group s performance. Similarly, the Compensation Committee and the Board believe that compensation plans that would pay nothing for outstanding performance at Lowe s simply because Lowe s did not match the performance of its peer companies in certain areas would not accomplish the purposes of performance-based compensation. In the Board s view, executives are motivated when their performance-based compensation is tied directly to something over which they exercise some measure of control, such as their company s performance, and not to the performance of peer companies over which they have no control. The Board therefore believes the best approach is to focus the Program primarily on Lowe s performance against the performance targets established each year by the Committee s independent directors.

The Program, as modified by the Committee in February 2007, does include performance-vested equity incentive awards. As more fully described in the Executive Officer Compensation section of this Proxy Statement the restricted stock awarded to the Lowe s senior executives is performance-vested restricted stock that will become vested only if Lowe s achieves a performance objective set by the Compensation Committee at the time of the awards. The stock options awarded to the senior executives are inherently performance-based, because each award s ultimate value to the executive is tied directly to the market price of Lowe s Common Stock.

Finally, the Board believes that it is in the best interest of shareholders to preserve the flexibility and discretion of the Compensation Committee to, from time to time, select and design compensation programs to attract and retain highly-qualified personnel and to align employee incentives with the overall objectives of Lowe s shareholders. This flexibility and discretion is critical to the Committee s ability to function effectively. Adoption of the proposal would place an unnecessary constraint on the Committee s ability to fulfill its role and to tailor executive compensation to the Company s goals and strategies. As a result, it could be detrimental to the long-term interests of Lowe s shareholders.

For all these reasons, the Board of Directors recommends a vote **AGAINST** this proposal.

ADDITIONAL INFORMATION

Solicitation of Proxies

The cost of the solicitation of proxies will be borne by the Company. In addition to the use of the mail, proxies may be solicited personally, by telephone or by certain employees of the Company without additional compensation. The Company may reimburse brokers or other persons holding stock in their names or in the names of nominees for their expense in sending proxy materials to principals and obtaining their proxies. The Company has engaged the proxy soliciting firm of Georgeson Shareholder Communications Inc. to assist in distributing proxy materials and soliciting proxies for the Annual Meeting of Shareholders at an anticipated cost of $8,000 (plus handling fees).

Voting of Proxies

When a choice is specified with respect to any matter to come before the Annual Meeting of Shareholders, the shares represented by the proxy will be voted in accordance with such specifications.

When a choice is not so specified, the shares represented by the proxy will be voted **FOR ALL** nominees named in Proposal One, **FOR** Proposals Two and Three, and **AGAINST** Proposals Four and Five, as set forth in the Notice of Internet Availability of Proxy Materials, Notice of Annual Meeting of Shareholders and Proxy Card.

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Management is not aware that any matters other than those specified herein will be presented for action at the Annual Meeting of Shareholders, but if any other matters do properly come before the Annual Meeting of Shareholders, the proxyholders will vote upon such matters in accordance with their best judgment.

In the election of directors, a specification to withhold authority to vote for the slate of nominees named on the proxy card will not constitute an authorization to vote for any other nominee.

Delivery of Proxy Statements

As permitted by the Exchange Act, only one copy of this Proxy Statement is being delivered to shareholders residing at the same address, unless such share owners have notified the Company of their desire to receive multiple copies of the Proxy Statement.

The Company will promptly deliver, upon oral or written request, a separate copy of the Proxy Statement to any shareholder residing at an address to which only one copy was mailed. Requests for additional copies and/or to request multiple copies of the Proxy Statement in the future should be directed to our Investor Relations Department, 1000 Lowe s Boulevard, Mooresville, North Carolina 28117, (704) 758-1000.

Shareholders residing at the same address and currently receiving multiple copies of the Proxy Statement may contact our Investor Relations Department, 1000 Lowe s Boulevard, Mooresville, North Carolina 28117, (704) 758-1000 to request that only a single copy of the Proxy Statement be mailed in the future.

Electronic Delivery of Proxy Materials

Shareholders can elect to view future proxy materials and annual reports over the Internet instead of receiving paper copies in the mail. If you received a paper copy of this year s proxy materials by mail, you may register for electronic delivery of future proxy materials by following the instructions provided on your proxy card. If you received only a Notice of Internet Availability of Proxy Materials by mail, you may register for electronic delivery of future proxy materials by following the instructions provided when you vote online at the internet site address listed on your Notice.

Choosing to receive your future proxy materials by e-mail will help us conserve natural resources and reduce the costs of printing and distributing our proxy materials. If you choose to receive future proxy materials by e-mail, you will receive an e-mail with instructions containing a link to the website where those materials are available and a link to the proxy voting website. Your election to receive proxy materials by e-mail will remain in effect until you terminate it.

SHAREHOLDER PROPOSALS FOR THE 2009 ANNUAL MEETING

Proposals of shareholders intended to be presented at the 2009 Annual Meeting of Shareholders must be received by the Board of Directors for consideration for inclusion in the Proxy Statement relating to that meeting on or before December 15, 2008. In addition, if the Company receives notice of a shareholder proposal after March 2, 2009, the proxyholders for the 2009 Annual Meeting of Shareholders will have discretionary voting authority to vote on such proposal at the 2009 Annual Meeting of Shareholders. Proposals should be addressed to the attention of Gaither M. Keener, Jr., Senior Vice President, General Counsel, Secretary and Chief Compliance Officer, at the Company s principal executive offices, 1000 Lowe s Boulevard, Mooresville, North Carolina 28117, or faxed to his attention at (704) 757-0598.

ANNUAL REPORT

The Annual Report to Shareholders accompanies this Proxy Statement. The Annual Report is also posted at the following website addresses: *www.Lowes.com/investor* and *www.proxyvote.com*. The Company s Annual Report to the SEC on Form 10-K for the fiscal year ended February 1, 2008 is posted at *www.Lowes.com/investor* and is available upon written request addressed to Lowe s Companies, Inc., Investor Relations Department, 1000 Lowe s Boulevard, Mooresville, North Carolina 28117.

MISCELLANEOUS

The information referred to in this Proxy Statement under the captions Report of the Compensation and Organization Committee and Report of the Audit Committee (to the extent permitted under the Exchange Act) (i) shall not be deemed to be soliciting material or to be filed with the SEC or subject to Regulation 14A or the liabilities of Section 18 of the Exchange Act, and (ii) notwithstanding anything to the contrary that may be contained in any filing by Lowe s under the Exchange Act or the Securities Act of 1933, shall not be deemed to be incorporated by reference in any such filing.

By order of the Board of Directors,

Gaither M. Keener, Jr.
Senior Vice President,
General Counsel, Secretary &
Chief Compliance Officer

Mooresville, North Carolina
April 14, 2008

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APPENDIX A

CATEGORICAL STANDARDS
FOR DETERMINATION
OF
DIRECTOR INDEPENDENCE

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APPENDIX A

CATEGORICAL STANDARDS FOR DETERMINATION OF DIRECTOR INDEPENDENCE

It has been the long-standing policy of Lowe s Companies, Inc. (the Company) to have a substantial majority of independent directors. No director qualifies as independent under the New York Stock Exchange (NYSE) corporate governance rules unless the board of directors affirmatively determines that the director has no material relationship with the Company. The NYSE s corporate governance rules include several bright line tests for director independence. No director who has a direct or indirect relationship that is covered by one of those tests shall qualify as an independent director.

* * * *

The Board of Directors has determined that the following relationships with the Company, either directly or indirectly, will not be considered material relationships for purposes of determining whether a director is independent:

Relationships in the ordinary course of business. Relationships involving (1) the purchase or sale of products or services or (2) lending, deposit, banking or other financial service relationships, either by or to the Company or its subsidiaries and involving a director, his or her immediate family members, or an organization of which the director or an immediate family member is a partner, shareholder, officer, employee or director if the following conditions are satisfied:

any payments made to, or payments received from, the Company or its subsidiaries in any single fiscal year within the last three years do not exceed the greater of (i) $1 million or (ii) 2% of such other organization s consolidated gross revenues

the products and services are provided in the ordinary course of business and on substantially the same terms and conditions, including price, as would be available either to similarly situated customers or current employees

the relationship does not involve consulting, legal, or accounting services provided to the Company or its subsidiaries

any extension of credit was in the ordinary course of business and was made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other similarly situated borrowers

Relationships with organizations to which a director is connected solely as a shareholder or partner. Any other relationship between the Company or one of its subsidiaries and a company (including a limited liability company) or partnership to which a director is connected solely as a shareholder, member or partner as long as the director is not a principal shareholder or partner of the organization. For purposes of this categorical standard, a person is a principal shareholder of a company if he or she directly or indirectly, or acting in concert with one or more persons, owns, controls, or has the power to vote more than 10% of any class of voting securities of the company. A person is a principal partner of a partnership if he or she directly or indirectly, or acting in concert with one or more persons, owns, controls, or has the power to vote a 25% or more general partnership interest, or more than a 10% overall partnership interest. Shares or partnership interests owned or controlled by a director s immediate family member who shares the director s home are considered to be held by the director.

Contributions to charitable organizations. Contributions made or pledged by the Company, its subsidiaries, or by any foundation sponsored by or associated with the Company or its subsidiaries to a charitable organization of which a director or an immediate family member is an executive officer, director, or trustee if the following conditions are satisfied:

within the preceding three years, the aggregate amount of such contributions during any single fiscal year of the charitable organization did not exceed the greater of $1 million or 2% of the charitable organization s consolidated gross revenues for that fiscal year

the charitable organization is not a family foundation created by the director or an immediate family member.

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For purposes of this categorical standard, contributions made to any charitable organization pursuant to a matching gift program maintained by the Company or by its subsidiaries or by any foundation sponsored by or associated with the Company or its subsidiaries shall not be included in calculating the materiality threshold set forth above.

Equity relationship. If the director, or an immediate family member, is an executive officer of another organization in which the Company owns an equity interest, and if the amount of the Company s interest is less than 10% of the total voting interest in the other organization.

Stock ownership. The director is the beneficial owner (as that term is defined under Rule 13d of the Securities Exchange Act of 1934, as amended) of less than 10% of the Company s outstanding capital stock.

Other family relationships. A relationship involving a director s relative who is not an immediate family member of the director.

Employment relationship. The director has not been an employee of the Company or any of its subsidiaries during the last five years.

Employment of immediate family members. No immediate family member of the director is a current employee, or has been an executive officer during the last five years, of the Company or any of its subsidiaries.

Relationships with acquired or joint venture entities. In the last five years, the director has not been an executive officer, founder or principal owner of a business organization acquired by the Company, or of a firm or entity that was part of a joint venture or partnership including the Company.

Voting arrangements. The director is not a party to any contract or arrangement with any member of the Company s management regarding the director s nomination or election to the Board, or requiring the director to vote with management on proposals brought before the Company s shareholders.

Definitions of Terms Used in these Categorical Standards

Immediate Family Member includes a person s spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person s home.

Executive Officer means the president, any vice-president in charge of a principal business unit, division or function (such as sales, administration or finance) or any other person who performs similar policy-making functions for an organization.

APPENDIX B

ARTICLE 8 OF LOWE S
ARTICLES OF INCORPORATION
AS MODIFIED BY
PROPOSED AMENDMENTS

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APPENDIX B

ARTICLE 8 OF LOWE S ARTICLES OF INCORPORATION AS MODIFIED BY PROPOSED AMENDMENTS

8. Board of Directors.

(a) Number, Election and Term of Directors. The Board of Directors of the Corporation shall consist of three or more individuals with the exact number to be fixed from time to time solely by resolution of the Board of Directors, acting by not less than a majority of the Directors then in office. ~~The Board of Directors shall be divided into three classes, Class I, Class II, and Class III, as nearly equal in number as possible, and with the term of each class expiring at the third annual shareholders meeting after its members are elected. At each Annual Meeting of Shareholders, the successors to the class of Directors whose term shall then expire shall be identified as being of the same class as the Directors they succeed and elected to hold office for a term expiring at the third succeeding Annual Meeting of Shareholders.~~ Each Director who is serving as a Director immediately following the 2008 Annual Meeting of Shareholders, or is thereafter elected a Director, shall hold office until the expiration of the term for which he or she has been elected, and until his or her successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification, or removal from office. At the 2009 Annual Meeting of Shareholders, the successors of the class of Directors whose terms expire at that meeting shall be elected for a two-year term expiring at the 2011 Annual Meeting of Shareholders. At the 2010 Annual Meeting of Shareholders, the successors of the class of Directors whose terms expire at that meeting shall be elected for a one-year term expiring at the 2011 Annual Meeting of Shareholders. At the 2011 Annual Meeting of Shareholders, and at each Annual Meeting of Shareholders thereafter, all Directors shall be elected for terms expiring at the next Annual Meeting of Shareholders. Continuing until after the Annual Meeting of Shareholders in 2010, whenever the Board of Directors changes the number of Directors of the Corporation, any newly-created Directorships or any decrease in the number of Directorships shall be so apportioned to or among the classes of Directors as to make all classes as nearly equal in number as possible.

(b) Standard for Election of Directors by Shareholders. Except as shall be otherwise permitted or authorized by these Articles of Incorporation, Directors are elected by the affirmative vote, at a meeting at which a quorum is present, of a majority of the Voting Shares voted at the meeting in person or by proxy (including those shares in respect of which votes are withheld pursuant to Rule 14a-4(b)(2) of the proxy solicitation rules and regulations promulgated under the Securities Exchange Act of 1934, as amended), unless the number of nominees exceeds the number of Directors to be elected, in which case, Directors are elected by a plurality of the votes cast by the Voting Shares entitled to vote in the election at a meeting at which a quorum is present. In the event that a Director nominee fails to receive a majority of the Voting Shares voted in an election where the number of nominees equals the number of Directors to be elected, the Board of Directors may decrease the number of Directors, fill any vacancy, or take other appropriate action.

(c) Newly-Created Directorships and Vacancies. Subject to the rights of the holders of Preferred Stock then outstanding, any vacancy occurring in the Board of Directors, including a vacancy resulting from an increase in the number of Directors, may be filled by the affirmative vote of the majority of the remaining Directors, though less than a quorum of the Board of Directors, and, continuing until after the 2010 Annual Meeting of Shareholders, the Directors so chosen shall hold office for a term expiring at the Annual Meeting of Shareholders at which the term of the class to which they have been elected expires, subject to any requirement that they be elected by the shareholders at the Annual Meeting of Shareholders next following their election by the Board of Directors. No decrease in the number of Directors constituting the Board of Directors shall shorten the term of any incumbent Director.

~~(d) Removal of Directors. Subject to the rights of the holders of Preferred Stock then outstanding, any Director may be removed, with or without cause, only by the affirmative vote of the holders of at least 70% of the outstanding Voting Shares.~~

~~(e) Amendment or Repeal. The provisions of this Article shall not be amended or repealed, nor shall any provision of this Charter be adopted that is inconsistent with this Article, unless such action shall have been approved by the affirmative vote of either:~~

~~(i) the holders of at least 70% of the outstanding Voting Shares; or~~

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~~(ii) a majority of those Directors who are Disinterested Directors and the holders of the requisite number of shares specified under the applicable provision of North Carolina law for the amendment of the charter of a North Carolina corporation.~~

~~(f) Certain Definitions. For purposes of this Article:~~

~~(i) Disinterested Director means any member of the Board of Directors who: (A) was elected to the Board of Direct~~ors ~~at the 1986 Annual Meeting of Shareholders; or (B) was recommended for election by a majority of the Disinterested Directors then on the Board, or was elected by the Board to fill a vacancy and received the affirmative vote of a majority of the Disinterested Directors then on the Board.~~

~~(ii) Voting Shares shall mean the outstanding shares of all classes or series of the Corporation s stock entitled to~~ vote ~~generally in the election of Directors.~~

<u>(d)</u>~~(g)~~ <u>Elimination of Liability of Directors.</u> To the full extent permitted by the North Carolina Business Corporation Act, a Director of the Corporation shall not be liable for monetary damages for breach of any duty as a Director of the Corporation, and the Corporation shall indemnify any Director from liability incurred as a Director of the Corporation.

Directions to the Ballantyne Resort

From Charlotte Douglas International Airport:

Take the airport freeway to Billy Graham Parkway South (you will exit to your right) and continue approximately 8 miles. Take I-77 South to I-485 East, take exit 61 Johnston Road and **turn right** onto Johnston Road. Ballantyne Resort is on your **left** at the **first traffic light**.

From 1-85 North:

Take I-85 North to I-485 South to exit 61 Johnston Road. **Turn right** onto Johnston Road and **turn left** at the next light into Ballantyne Resort.

From 1-85 South:

From I-85 South take the I-485 South/West exit at Concord, NC and continue on I-485 to exit 61 B Johnston Road (2nd exit under bridge). **Turn right** onto Johnston Road (headed South) and Ballantyne Resort is on your **left** at the **second traffic light**.

From 1-77 South:

Take I-77 South to I-485 East, take exit 61 Johnston Road and **turn right** onto Johnston Road. Ballantyne Resort is on your **left** at the **first traffic light**.

From 1-77 North:

Take I-77 North to I-485 East, take exit 61 Johnston Road and **turn right** onto Johnston Road. Ballantyne Resort is on your **left** at the **first traffic light**.

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1000 LOWE S BOULEVARD MAIL CODE: 5W1R MOORESVILLE, NC 28117 VOTE BY INTERNET -www.proxyvote.com Use the Internet to transmit your voting instructions and for electronic delivery of information up until 12:00 A.M. Eastern Time on May 30, 2008. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form. ELECTRONIC DELIVERY OF FUTURE SHAREHOLDER COMMUNICATIONS If you would like to reduce the costs incurred by Lowe s Companies, Inc. in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access shareholder communications electronically in future years. VOTE BY PHONE - 1-800-690-6903 Use any touch-tone telephone to transmit your voting instructions up until 12:00 A.M. Eastern Time on May 30, 2008. Have your proxy card in hand when you call and then follow the instructions. VOTE BY MAIL Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Lowe s Companies, Inc., c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717. IF VOTING BY MAIL, YOU MUST COMPLETE SECTIONS A C BELOW AND DATE AND SIGN IN SECTION D AT THE BOTTOM OF THIS CARD. TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: LOWEC1 KEEP THIS PORTION FOR YOUR RECORDS DETACH AND RETURN THIS PORTION ONLY THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED. To withhold authority to vote for any individual LOWE S COMPANIES, INC. For Withhold For All A B 2. 3. C 4. 5. D nominee(s), mark For All Except and write the All All Except Election of Directors Lowe s Board of Directors number(s) of the nominee(s) on the line below. recommends a vote FOR the listed nominees. Nominees: 000 01) Robert A. Ingram 02) Robert L. Johnson 03) Richard K. Lochridge Proposals of Management Lowe s Board of Directors recommends a vote FOR Proposals 2 and 3. To ratify the appointment of Deloitte & Touche LLP as the Company s Independent Registered Public Accounting Firm. To approve the amendments to Lowe s Articles of Incorporation eliminating the classified structure of the Board of Directors. Shareholder Proposals Lowe s Board of Directors recommends a vote AGAINST Proposals 4 and 5. Shareholder proposal regarding supermajority vote requirements. Shareholder proposal regarding executive compensation plan. Authorized Signatures This section must be completed for your instructions to be executed Date and Sign Below. Please sign exactly as your name appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, trustee, or guardian, please give full title as such, and where more than one name appears, each should sign. If a corporation, this signature should be that of an authorized officer who should state his or her title. Please indicate if you plan to attend this meeting. 00 Yes No Signature [PLEASE SIGN WITHIN BOX] Date Signature (Joint Owners) Date For Against Abstain 000 000 000 000

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Important Notice Regarding Internet Availability of Proxy Materials for the Annual Meeting: The Notice of Annual Meeting of Shareholders, Proxy Statement and Annual Report are available at www.proxyvote.com. 2008 Annual Meeting of Shareholders THIS PROXY IS SOLICITED ON BEHALF OF LOWE S BOARD OF DIRECTORS The undersigned hereby appoints Gaither M. Keener, Jr. and Robert F. Hull, Jr., and each of them, as proxies, each with the full power to appoint his substitute, and hereby authorizes each of them to represent and vote, as designated on the reverse side, all the shares of Common Stock of Lowe s Companies, Inc. held of record by the undersigned at the close of business on March 28, 2008, at the Annual Meeting of Shareholders to be held on May 30, 2008, or any adjournment or postponement thereof. The proxies are authorized to vote on such other business as may properly come before the meeting or any postponement or adjournment thereof, exercising their discretion as set forth in the 2008 Notice of Annual Meeting of Shareholders and Proxy Statement. This proxy, when properly executed, will be voted in the manner directed herein by the undersigned shareholder. If no direction is made, this proxy will be voted FOR ALL nominees named in Proposal 1, FOR Proposals 2 and 3 and AGAINST Proposals 4 and 5. This card also constitutes voting instruction to State Street Bank and Trust Company, the Trustee of the Lowe s 401 (k) Plan, to vote the shares of Common Stock of Lowe s Companies, Inc., if any, allocated to the undersigned s 401 (k) account pursuant to the instructions on the reverse side. Any allocated shares for which no instructions are timely received will be voted by the Trustee in the manner directed by a 401 (k) fiduciary committee. PLEASE MARK, SIGN AND DATE ON THE REVERSE SIDE, AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE, OR FOLLOW THE INSTRUCTIONS TO VOTE BY TELEPHONE OR INTERNET. (Items to be voted appear on reverse side.)

g=EN-US style="FONT-SIZE: 7pt" face=arial,sans-serif>Consolidated

	Goodwill	Brands	Total
Cash generating unity			
Segment			
			12/31/2015
			12/31/2014

	12/31/2015	**12/31/2014**	**12/31/2015**	**12/31/2014**
Packaging (*)				
Steel	158,748	158,748	158,748	158,748
Flat steel (**)				
Steel	13,091	13,091		

13,091

13,091

Long steel (***)

Steel

235,595

235,595

143,636

109,052

379,231

344,647

Mining (****)

Mining

3,691,031

3,691,031

4,098,465

407,434

143,636

109,052

4,242,101

516,486

(*) The goodwill of the Packaging cash-generating unit is shown net of impairment loss in the amount of R$109,330.

(**) Goodwill of flat steel is allocated to the steel operation CSN, considering the operation of the Presidente Vargas Steelworks and other assets involved in other product processing steps until its sale to the customer.

(***) The goodwill and trademark that are recorded in line item intangible assets at long steel segment, those transactions are derived from the business combination of Stahlwerk Thuringen GmbH ("SWT") and Gallardo Sections CSN. The assets mentioned are considered to have indefinite useful lives as they are expected to contribute indefinitely to the Company's cash flows.

(****) Refers to the goodwill based on expectations for future profitability, resulting from the acquisition of Namisa by Congonhas Minério, an operation that was concluded in December 2015. As from 2016, the balance will be tested annually for impairment. See further details relating to calculation of the goodwill in note 3 – Business Combination.

The impairment testing of the goodwill and the trademark include the balance of property, plant and equipment of the cash-generating units and also the intangible. The test is based on the comparison between the actual balances and the value in use of those units, determining based on the projections of discounted cash flows and use of such assumptions and judgements as: revenue growth rate, costs and expenses, discount rate, working capital, future Capex investment and macroeconomic assumptions observable in the market.

The main assumptions used in the test were as follows:

Segment	**Real Discount Rate**	**Revenue Growth Rate**
Long steel (*)	7.90%	3.53%
Metal packaging	9.39%	6.07%

(*) The assets tested are located in Germany. The discount rate is calculated in Euro and the growth rate is the expectation for the region of Europe, the market in which this CGU generates cash flows.

Based on the analyses conducted by Management, was not necessary to record losses by impairment to those assets in the year ended on December 31, 2015.

12. BORROWINGS, FINANCING AND DEBENTURES

As December 31, 2015 the balances of borrowings, financing and debentures, which are carried at amortized cost, are as follows:

		Consolidated					
		Current liabilities		Non-current liabilities		Current liabilities	
	Prepayment	12/31/2015	12/31//2014 Ajusted	12/31/2015	12/31/2014	12/31/2015	12/31//2014 Ajusted
FOREIGNCURRENCY							
Prepayment	1% to 3.5%	207,657	346,719	2,633,137	2,338,327	207,657	76,642
Prepayment	3.51% to 8%	286,487	12,411	3,429,716	1,713,249	372,474	158,915
Perpetual bonds	7%	5,315	3,615	3,904,800	2,656,200		
Fixed rate notes	4.14% to 10%	175,768	1,236,634	6,910,992	4,996,352	32,402	1,187,610
Intercompany	Libor 6M to 3%					1,261,861	73,839
Forfaiting	1.25% to 3.28%	288,772	414,442			288,772	414,442
Others	1.2% to 8%	115,594	51,634	425,635	387,240		
		1,079,593	**2,065,455**	**17,304,280**	**12,091,368**	**2,163,166**	**1,911,448**
LOCAL CURRENCY							
BNDES/FINAME	1.3% + TJLP and fixed rate 2.5% to 6% + 1.5%	55,435	85,373	1,018,189	965,849	27,847	48,308
Debentures	110.8% to 113.7% of CDI	60,670	847,411	1,750,000	1,550,000	60,670	847,411
Prepayment	109.5% to 116.5% CDI and fixed rate of 8%	522,418	118,870	5,200,000	5,345,000	473,139	93,087
CCB	112.5% and 113% CDI	92,976	101,841	7,200,000	7,200,499	92,976	101,841
Intercompany	110.79% CDI						148,686
Drawee risk		84,063	56,237			84,063	56,237
Others		6,229	9,422	12,107	11,549		2,258
		821,791	**1,219,154**	**15,180,296**	**15,072,897**	**738,695**	**1,297,828**
Total borrowings and financing		**1,901,384**	**3,284,609**	**32,484,576**	**27,164,265**	**2,901,861**	**3,209,276**
Transaction costs and issue premiums		(26,703)	(23,406)	(76,742)	(71,410)	(22,788)	(18,362)
Total borrowings and financing + transaction costs		**1,874,681**	**3,261,203**	**32,407,834**	**27,092,855**	**2,879,073**	**3,190,914**

The balances of forfaiting and drawee risk operations totaled R$ 372,835 at December 31, 2015 (R$ 470,679 at December 31, 2014), see Note 2aa.

The balances of prepaid related parties borrowings total R$5,929,037 as of December 31, 2015 (R$5,302,985 as of December 31, 2014) and the balances of Fixed Rate Notes and related parties Bonds total R$4,088,749 (R$2,781,330 as of December 31, 2014), see note 18b.

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

As of December 31, 2015, the inflation-adjusted principal of long-term borrowings, financing and debentures by maturity year is as follows:

		Consolidated		Parent Company
2017	1,458,605	4%	3,216,992	10%
2018	5,779,525	18%	4,932,702	16%
2019	7,870,087	24%	5,739,948	18%
2020	8,483,766	26%	5,153,209	17%
2021	2,320,721	7%	3,081,815	10%
After 2021	2,667,072	8%	9,053,246	29%
Perpetual bonds	3,904,800	13%		
	32,484,576	**100%**	**31,177,912**	**100%**

- **Debt renegotiation**

In September 2015, the Company completed the lengthening of part of its debts with Caixa Economica Federal amounting to R$ 2,570,000, and with Banco do Brasil SA, amounting to R$ 2,208,000, changing the maturities scheduled for the years 2016 and 2017 for the period between 2018 and 2022, in installments equally distributed.

- **Amortization and new borrowings, financing and debentures**

The table below shows the new funding transactions and redemption during the year:

		Consolidated		Parent Company
		12/31/2014		**12/31/2014**
	12/31/2015		**12/31/2015**	
		Adjusted		**Adjusted**
Opening balance	**30,354,058**	**27,788,695**	**29,560,826**	**25,291,619**
Funding transactions	978,206	1,907,479	2,694,533	3,401,090

Forfaiting funding / Drawee Risk	924,706	641,430	924,706	641,430
Repayment	(2,850,077)	(1,460,478)	(1,542,921)	(1,338,772)
Charges – payments	(1,146,306)	(276,754)	(1,146,306)	(276,754)
Forfaiting payments	(2,957,762)	(2,401,241)	(2,656,208)	(2,084,300)
Forfaiting charges	(7,064)	(2,078)	(7,064)	(2,078)
Provision of charges	3,052,164	2,524,849	2,996,662	2,309,311
Provision charges Forfaiting / Drawee Risk	2,032		2,032	
Other (1)	5,932,558	1,632,156	3,161,830	1,619,280
Closing balance	**34,282,515**	**30,354,058**	**33,988,090**	**29,560,826**

(1) Includes interests, unrealized foreign exchange and monetary gains and losses.

In 2015 the Group captures and amortizing loans as shown below:

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- **Funding**

Transaction	Financial institution	Date	Amount	Maturity
Promissory note	Banco do Brasil	March 2015	100,000	July 2015
Export Credit Note	Banco do Brasil	January 2015	200,000	December 2017
8th Issue of Debentures	Banco do Brasil	January 2015	100,000	January 2022
9th Issue of Debentures	Banco do Brasil	July 2015	100,000	March 2022
Pre - Export Payment	Caterpillar	April 2015	208,563	March 2020
Pre - Export Payment	Caterpillar	July 2015	260,375	March 2020
Other			9,268	
Total			**978,206**	

- **Amortization**

	Payment of principal	Debt charges
Fixed Rate Notes	**1,048,880**	**729,992**
Debentures	782,500	274,431
Bank Credit Bill		1,031,735
Export Credit Note		695,291
Advance Cambial Agreement	52,839	1,434
Pre - Export Payment	387,651	191,481
Promissory note	100,000	3,620
BNDES/FINAME	48,656	28,540
Pre - Debt Payment	416,269	
Others	13,282	1,238
Total	**2,850,077**	**2,957,762**

13. FINANCIAL INSTRUMENTS

I - Identification and measurement of financial instruments

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

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

- **Classification of financial instruments**

Consolidated	Notes	Available for sale	Fair value through profit or loss	Loans and receivables - effective interest rate	Other liabilities - amortized cost method	12/31/2015 Balances	Available for sale	F v thr pr l
Assets								
Current								
Cash and cash equivalents	4			7,861,052		7,861,052		
Short-term investments - margin deposit	5			763,599		763,599		
Trade receivables	6			1,500,812		1,500,812		
Derivative financial instruments	8		118,592			118,592		17
Trading securities	8		10,778			10,778		1
Loans - related parties	8							
Total			**129,370**	**10,125,463**		**10,254,833**		**18**
Non-current								
Other trade receivables	8			6,877		6,877		
Investments	9	471,674				471,674	1,441,032	
Short-term investments								
Loans - related parties	8			373,214		373,214		
Total		**471,674**		**380,091**		**851,765**	**1,441,032**	
Total assets		**471,674**	**129,370**	**10,505,554**		**11,106,598**	**1,441,032**	**18**
Liabilities								
Current								
Borrowings and financing	12				1,901,384	1,901,384		
Derivative financial instruments	14		26,257			26,257		
Trade payables					1,293,008	1,293,008		
Dividends and interest on capital					464,982	464,982		
Total			**26,257**		**3,659,374**	**3,685,631**		
Non-current								
Borrowings and financing	12				32,484,576	32,484,576		
Derivative financial instruments	14		-					2
Total			**-**		**32,484,576**	**32,484,576**		**2**

Total liabilities	**26,257**	**36,143,950**	**36,170,207**	**2**

- **Fair value measurement**

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

Consolidated	Level 1	Level 2	12/31/2015 Balances	Level 1	Level 2	12/31/2014 Balances
Assets						
Current assets						
Financial assets at fair value through profit or loss						
Derivative financial instruments		118,592	118,592		174,611	174,611
Trading securities	10,778		10,778	13,798		13,798
Non-current assets						
Available-for-sale financial assets						
Investments	471,674		471,674	1,441,032		1,441,032
Total assets	**482,452**	**118,592**	**601,044**	**1,454,830**	**174,611**	**1,629,441**
Liabilities						
Current liabilities						
Financial liabilities at fair value through profit or loss						
Derivative financial instruments		26,257	26,257		65	65
Non-current liabilities						
Financial liabilities at fair value through profit or loss						
Derivative financial instruments					21,301	21,301
Total liabilities		**26,257**	**26,257**		**21,366**	**21,366**

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Includes observable inputs in market such as interest rates, exchange etc., but not prices traded in active markets.

There are no assets and liabilities classified as level 3.

II – Investments in financial instruments classified as available-for-sale and measured at fair value through OCI

Consist mainly of investments in shares acquired in Brazil involving companies considered as top ranked by the Company, which are recognized in noncurrent assets, and any gains or losses are recognized in shareholders' equity, where they will remain until actual realization of the securities or when any loss is considered unrecoverable.

Potential impairment of available-for-sale financial assets

The Company has investments in common (USIM3) and preferred (USIM5) shares of Usiminas (“Usiminas Shares”), designated as available-for-sale financial assets. The Company adopts this designation because the nature of the investment is not comprised in any other categories of financial instruments (loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss). The asset is classified as a non-current asset in line item “investments” and is carried at fair value based on the quoted price on the stock exchange (BM&FBOVESPA). According to the Company's policy, the gains and losses arising from changes in the price of shares are recorded directly in equity, as other comprehensive income.

The Company's accounting policy requires a quarterly analysis based on quantitative and qualitative information available in the market from the moment the instrument demonstrates a drop of more than 20% of their market value or

from a significant drop in market value compared to their acquisition cost for more than 12 months. If the Company concludes that there was a significant drop in the price of the instrument, an impairment loss must be recognized. In 2012, considering the price of Usiminas shares on the BM&FBovespa, was recorded the first impairment loss on that shares. According to this policy, whenever the share price reached a level lower than the last record impairment, the Company should record further losses, redefining the new minimum threshold value of the shares.

In the year 2015 there was a reduction in the price of the shares to the level of the last recorded loss, therefore, the Company recorded the new losses to the income statement in the amount of R$555,298, in line item other operating expenses and constituted the total of R$33,269 as deferred taxes.

The market value of the shares was lower than the base price of the last impairment, as follows:

			Stock Exchange Market price(BM&FBovespa)			
Class of shares	**Quantity**	**Share Market Price of last impairment recorded in 2014**	**03/31/2015**	**06/30/2015**	**09/30/2015**	**12/31/2015**

Common	71,390,300	6.64				4.02
Preferred	105,215,700	5.05	4.97	4.12	3.35	1.55
	176,606,000					

The change in the carrying amount of Usiminas is presented below:

Class of shares	**Quantity**	**12/31/2014**		**12/31/2015**		**Market Variation as 2015**	
		Share price	**Closing Balance**	**Share price**	**Closing Balance**	**Share price**	**Closing Balance**
Common	71,390,300	12.30	878,101	4.02	286,989	(8.28)	(591,112)
Preferred	105,215,700	5.05	531,339	1.55	163,084	(3.50)	(368,255)
	176,606,000		**1,409,440**		**450,073**		**(959,367)**

The negative variation in the price of shares on 2015 amounting to R$959,367 were recognized in other comprehensive income, offsetting the gain that was recorded as of December 31, 2014 amounting to R$404,069. Subsequently, the loss of R$555,298 was recoded in profit/loss, in line item other operating expenses. In addition, refer to reconciliation below:

Class of shares	**Quantity**	**Share price basis for impairment**		**Accounting balance basis for impairment**		**I*mpairment Loss***
		2014	**2015**	**2014**	**2015**	**2015**
Common	71,390,300	6.64	4.02	474,032	286,989	(187,043)
Preferred	105,215,700	5.05	1.55	531,339	163,084	(368,255)
	176,606,000			**1,005,371**	**450,073**	**(555,298)**

- **Share market price risks**

The Company is exposed to the risk of changes in share prices due to the investments made and classified as available-for-sale.

According to the Company's accounting policies, any negative changes in the investment in Usiminas considered significant (impairment) are recognized in profit or loss, and positive changes are recognized in comprehensive income until the investment is realized.

As of December 2015, the amount recognized in comprehensive income for investments available for sale, net of taxes is R$(73).

III - Financial risk management

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

Under this policy, market risks are hedged when it is considered necessary to support the corporate strategy or when it is necessary to maintain a level of financial flexibility.

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

13.a) Foreign exchange and interest rate risks

- **Exchange rate risk**

The exposure arises from the existence of assets and liabilities generated in US dollars or Euro and is denominated natural currency exposure. Net exposure is the result of offsetting the natural currency exposure by hedging instruments adopted by CSN.

The consolidated net exposure as of December 31, 2015 is as follows:

		12/31/2015
Foreign Exchange Exposure	**(Amounts in US$'000)**	**(Amounts in €'000)**
Cash and cash equivalents overseas	1,625,202	5,197
Trade receivables	169,511	7,258
Other assets	57	20,743
Total assets	**1,794,770**	**33,198**
Borrowings and financing	(4,569,415)	(121,989)
Trade payables	(20,195)	(4,944)
Other liabilities	(25,005)	(92,363)
Total liabilities	**(4,614,615)**	**(219,296)**
Foreign exchange exposure	**(2,819,845)**	**(186,098)**
Notional amount of derivatives contracted, net	1,435,000	
Cash flow hedge accounting	1,557,667	
Net Investment hedge accounting		120,000
Net foreign exchange exposure	**172,822**	**(66,098)**

- **Interest rate risk**

Risk arises from short and long term liabilities with fixed or post fixed interest rates and inflation rates.

Item 13 b) shows the derivatives and hedging strategies to protect exchange and interest rates risks.

13.b) Hedging instruments: derivatives and hedge accounting

CSN uses several instruments for protection of foreign currency risk and interest rate risk, as shown in the following topics:

- **Portfolio of derivative financial instruments**

						12/31/2015			
				Appreciation (R$)		Fair value (market)		Appreciation (I	
Counterparties	**Maturity**	**Functional Currency**	**Notional amount**	**Asset position**	**Liability position**	**Amounts receivable/ (payable)**	**Notional amount**	**Asset position**	**Liabi posit**
Santander		Dólar					10,000	30,414	(25
Total dollar x CDI swap							**10,000**	**30,414**	**(25**
Itaú BBA		Dólar					340,000	900,795	(845
HSBC		Dólar					568,000	1,502,936	(1,430
HSBC		Dólar					10,000	26,416	(26
Deutsche Bank		Dólar					140,000	370,134	(361
Goldman Sachs		Dólar					130,000	344,207	(329
Santander		Dólar					30,000	79,224	(77
Total dollar x real swap (NDF)							**1,218,000**	**3,223,712**	**(3,070**
BM&FBovespa	03/03/2016	Dólar	1,435,000	110,075		110,075			
Total forward dollar			**1,435,000**	**110,075**		**110,075**			
HSBC		Euro					30,000	98,688	(96
Itaú BBA		Euro					60,000	197,366	(192
Total dollar x euro swap (NDF)							**90,000**	**296,054**	**(289**
BBVA	01/12/2016 to 03/31/2016	Dólar	39,450	154,017	(147,674)	6,343			
BNPP	01/29/2016 to 06/02/2016	Dólar	18,700	73,007	(71,703)	1,304	31,516	83,768	(80
Banco Novo		Dólar					18,009	47,866	(46
DB		Dólar					30,604	81,343	(77
Total dollar-to-euro swap			**58,150**	**227,024**	**(219,377)**	**7,647**	**80,129**	**212,977**	**(203**
Itaú BBA	03/01/16	Real	150,000	189,760	(200,680)	(10,920)	150,000	168,496	(177
HSBC		Real	185,000	233,125	(247,710)	(14,585)	185,000	206,843	(218

	02/05/2016 to 03/01/2016								
Deutsche Bank	03/01/16	Real	10,000	12,579	(13,331)	(752)	10,000	11,167	(11
Total Fixed rate-to-CDI interest rate swap			**345,000**	**435,464**	**(461,721)**	**(26,257)**	**345,000**	**386,506**	**(407**
Itaú BBA	03/01/16	Real	30,000	33,396	(33,232)	164			
HSBC	02/05/2016 to 03/01/2016	Real	120,000	133,508	(132,802)	706			
Total interest rate- to-CDI swap			**150,000**	**166,904**	**(166,034)**	**870**			
				939,467	**(847,132)**	**92,335**		**4,149,663**	**(3,996**

Forward exchange rate contracts

As part of the hedging strategy of natural exposure to dollar, CSN contracts foreign exchange derivative instruments. As of December 31, 2015 the Company held in its portfolio forward dollar contracts traded at BM&F Bovespa which totaled the notional amount of US$ 1.435 billion.

These contracts consist in negotiating the exchange rate of Reais to US dollar, for prompt delivery, contracted under Resolution 1.690/90 of the National Monetary Council (CMN) in standard contracts established by BM&F Bovespa. CSN determines the required volume of currency to be purchased in accordance with its foreign exchange management strategy and negotiates a sufficient volume of contracts to achieve this financial volume.

The maturity of the portfolio always occurs on the first business day of the contract´s maturity month, being renewable every 30 days, in average. The contract settlement is exclusively financial, on the due date and occurs daily until the maturity. The position held by the Company is set at the end of each session based on the difference of the day's settlement price (D0) compared to the previous day price (D-1), and is settled on the following day (D+1), according to the rules of BM&F.

For as much as the Company maintains contracts traded on the BM&F Bovespa, it is required by the clearing house a guarantee margin to cover those commitments in these contracts, which is only a percentage of the contract´s total amount. CSN maintains securities linked to this guarantee margin, consisting mainly of government bonds, which will be redeemed after the end position. The amounts of these investments are described in Note 5.

The contracts on the BM&F Bovespa have been carried out to replace the foreign exchange swap contracts (NDF - Non Deliverable Forward) traded in over the counter markets.

Dollar x Euro swap

The subsidiary Lusosider has derivative transactions to protect its dollar exposure versus euro.

Fixed rate-to-CDI swap

The purpose of this transaction is to peg obligations subject to a fixed rate to interest rates based on the average rate of interbank deposits of one day (CDI), calculated and disclosed by CETIP. Basically, the Company contracted swaps for its obligations indexed to fixed rates, in which it receives interest on the notional amount (long position) and pays a 100% of the certificate of deposit interbank - CDI (pre-fixed rate) on the notional amount of the contract date (short position). The gains and losses on this contract are directly related to CDI fluctuations. In general, these are transactions conducted in the Brazilian over-the-counter market that have as counterparty a prime financial institution.

CDI-to-Fixed rate swap

The purpose of this transaction is to peg obligations subject to a post-fixed rate (CDI) to a fixed rate. Basically, the Company contracted swaps for its obligations indexed to CDI, in which it receives interest on the notional amount (long position) and pays a pre-fixed rate on the notional amount of the contract date (short position). The gains and losses on this contract are directly related to CDI fluctuations. In general, these are transactions conducted in the Brazilian over-the-counter market that have as counterparty a prime financial institution.

Classification of the derivatives in the balance sheet and statement of income

Instruments	**Assets**			**Liabilities**			**12/31/2015**
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**	**Net Finance Income (Note 25)**
Dollar - to-CDI swap							(18)
Dollar- to- real swap (NDF)							785,702
Forward dollar	110,075		110,075				25,381
Dollar- to- euro swap (NDF)							39,668
Dollar - to- euro swap	7,647		7,647				(4,405)
Fixed rate- to- CDI swap				26,257		26,257	(4,956)
CDI -to- fixed rate swap	870		870				870
	118,592		**118,592**	**26,257**		**26,257**	**842,242**

Instruments	**Assets**			**Liabilities**			**12/31/2014**

	Current	Non-current	Total	Current	Non-current	Total	Net Finance Income (Note 25)
Dollar - to-CDI swap	5,346		5,346				(12,735)
Dollar- to-real swap (NDF)	153,316		153,316	65		65	213,602
Dollar- to-euro swap (NDF)	6,722		6,722				33,397
Dollar - to-euro swap	9,227		9,227				8,605
Fixed rate-to- CDI swap							(943)
Fixed rate-to- CDI swap					21,301	21,301	(3,926)
	174,611		**174,611**	**65**	**21,301**	**21,366**	**238,000**

- **Hedge accounting – cash flow**

Beginning November 1, 2014, the Company formally designated cash flow hedging relationships to protect highly probable future cash flows against US dollar fluctuations.

In order to better reflect the accounting impacts of this foreign exchange hedging strategy on its profit, CSN designated part of its US dollar-denominated liabilities as a hedging instrument of its future exports. As a result, foreign exchange differences arising on translating the designated liabilities will be temporarily recognized in shareholders' equity and allocated to profit or loss when such exports are carried out, which will allow recognizing the US dollar impact on liabilities and exports concurrently. Note that adopting hedge accounting does not entail contracting any financial instrument. As of December 31, 2015 the Company designated for hedge accounting US$1,558 million in exports to be carried out between October, 2016 and October, 2022.

To support these designated amounts, the Company prepared formal documentation indicating how hedging is aligned with the goal and strategy of CSN's Risk Management Policy by identifying the hedging instruments used, the hedging purpose, the nature of the hedged risk, and showing the expected high effectiveness of the designated relationships. The designated debt instruments total an amount equivalent to the portion of future exports. Thus, the exchange differences on translating the instrument and the hedged item are similar. According to the Company's accounting policy, continuous assessments of the prospective and retrospective effectiveness must be carried out by comparing the designated amounts with the expected amounts, approved in Management's budgets, and the actual export amounts.

Through hedge accounting, the exchange gains and losses of the debt instruments do not immediately affect the Company's profit or loss except to the extent that exports are carried out.

The table below shows a summary of the hedging relationships as of December 31, 2015:

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Designation Date	Hedging Instrument	Hedged item	Type of hedged risk	Hedged period	Exchange rate on designation	Designated amounts (US$'000)	12/31/2015 Impact on shareholders' equity
11/3/2014	Export prepayments in US$ to third parties	Part of the highly probable future monthly iron ore exports	Foreign exchange - R$ vs. US$ spot rate	October 2016- September 2019	2.4442	500,000	(730,300)
12/1/2014	Export prepayments in US$ to third parties	Part of the highly probable future monthly iron ore exports	Foreign exchange - R$ vs. US$ spot rate	October 2015- February 2019 (2)	2.5601	175,000	(235,556)
12/18/2014	Export prepayments in US$ to third parties	Part of the highly probable future monthly iron ore exports	Foreign exchange - R$ vs. US$ spot rate	May 2020	2.6781	100,000	(122,675)
7/21/2015	Export prepayments in US$ to third parties	Part of the highly probable future monthly iron ore exports	Foreign exchange - R$ vs. US$ spot rate	March 2021	3.1813	60,000	(43,410)
7/23/2015	Export prepayments in US$ to third parties	Part of the highly probable future monthly iron ore exports	Foreign exchange - R$ vs. US$ spot rate	March 2021	3.2850	100,000	(61,980)
7/23/2015	Export prepayments in US$ to third parties	Part of the highly probable future	Foreign exchange - R$ vs. US$ spot	October 2022	3.285	30,000	(18,594)

		monthly iron ore exports	rate				
7/24/2015	Export prepayments in US$ to third parties	Part of the highly probable future monthly iron ore exports	Foreign exchange - R$ vs. US$ spot rate	October 2022	3.3254	100,000	(57,940)
7/27/2015	Export prepayments in US$ to third parties	Part of the highly probable future monthly iron ore exports	Foreign exchange - R$ vs. US$ spot rate	October 2022	3.3557	25,000	(13,728)
7/27/2015	Export prepayments in US$ to third parties	Part of the highly probable future monthly iron ore exports	Foreign exchange - R$ vs. US$ spot rate	October 2022	3.3557	70,000	(38,437)
7/27/2015	Export prepayments in US$ to third parties	Part of the highly probable future monthly iron ore exports	Foreign exchange - R$ vs. US$ spot rate	October 2022	3.3557	30,000	(16,473)
7/28/2015	Export prepayments in US$ to third parties	Part of the highly probable future monthly iron ore exports	Foreign exchange - R$ vs. US$ spot rate	October 2022	3.3815	30,000	(15,699)
8/1/2015	Export prepayments in US$ to third parties	Part of the highly probable future monthly iron ore exports	Foreign exchange - R$ vs. US$ spot rate	(1)	3.3940	(9,000)	4,597
8/3/2015	Export prepayments in US$ to third parties	Part of the highly probable future monthly iron ore	Foreign exchange - R$ vs. US$ spot rate	October 2022	3.3940	355,000	(181,334)

		exports					
10/29/2015	Export prepayments in US$ to third parties	Part of the highly probable future monthly iron ore exports	Foreign exchange - R$ vs. US$ spot rate	(2)	2.5601	(8,333)	11,439
Total						**1,557,667**	**(1,520,090)**

(1) During the third quarter 2015, we reviewed the future export projections and identified that the amount of US$ 9 million designated previously were not highly probable. According to internal policy, the hedge relationship was discontinued prospectively, since the resume of exports in future periods is possible.

(2) On October, 2015 was settled the portion of debt designated as a hedge instrument. Therefore, we revert to the profit/loss the accumulated exchange rate variation related this installment.

In the hedging relationships described above, the amounts of the debt instruments were fully designated for equivalent iron ore export portions.

The movements in the hedge accounting amounts recognized in shareholders' equity as of December 31, 2015 are as follows:

	12/31/2014	Addition	Reversal
Cash flow hedge accounting	120,633	1,410,896	(11,439)
Income tax and social contribution on cash flow hedge accounting	(41,015)	(479,705)	3,889
Not recorded Income tax and social contribution on cash flow hedge accounting		357,951	
Fair value of cash flow hedge, net of taxes	**79,618**	**1,289,142**	**(7,550)**

As of December 31, 2015 the hedging relationships established by the Company were effective, according to the prospective tests conducted. Thus, no reversal for hedge accounting ineffectiveness was recognized.

- **Hedge of net investment in foreign subsidiaries**

CSN has natural foreign exchange exposure in euros arising significantly from loan made by a subsidiary abroad with functional currency in Reais, for the acquisition of investments abroad whose functional currency is Euro. Such exposure arises from converting the balance sheets of these subsidiaries for consolidation in CSN, and the exchange rate of the loans affected the income statement in the financial result item and exchange variation of the net assets of the foreign operation directly affected the equity in other comprehensive income.

As from 1 September 2015 CSN began to adopt hedge of net investment to eliminate exposure in order to cover future fluctuations of the euro on such loans. Non-derivative financial liabilities have been designated represented by loan agreements with financial institutions in the amount of € 120 million. The carrying amounts as of December 31, 2015 are:

Designation Date	Hedging Instrument	Hedged Item	Type of Hedged Risk	Exchange Rate on designation	Designated amounts (EUR'000)	**12/31/2015** Impact on shareholders' equity
09/01/2015	Non-derivative financial liabilities in EUR – Debt contract	Investments in subsidiaries which EUR is the functional currency	Foreign exchange - R$ vs. EUR spot rate	4.0825	120,000	(20,148)
Total					**120,000**	**(20,148)**

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Changes in amounts related to hedge of net investment recorded in equity as of December 31 2015 is presented below:

	12/31/2014	Addition	Reversal	12/31/2015
Net investment hedge in foreign operations		20,148		20,148
Fair value of net investment hedge in foreign operations		20,148		20,148

On December 31, 2015 hedge relationships established by the Company found to be effective, according to prospective tests. Therefore, no reversal by ineffectiveness of the hedge was recorded.

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13.c) Sensitivity analysis

We present below the sensitivity analysis for currency risk and interest rate.

- **Sensitivity analysis of Derivative Financial Instruments and consolidated Foreign Exchange Exposure**

The Company considered scenarios 1 and 2 as 25% and 50% of deterioration for volatility of the currency, using as reference the closing exchange rate as of December 31, 2015.

The currencies used in the sensitivity analysis and its scenarios are shown below:

				12/31/2015
Currency	**Exchange rate**	**Probable scenario**	**Scenario 1**	**Scenario 2**
USD	3.9048	3.9116	4.8810	5.8572
EUR	4.2504	4.2359	5.3130	6.3756
USD x EUR	1.0887	1.0856	1.3609	1.6331

			12/31/2015
Interest	**Interest rate**	**Scenario 1**	**Scenario 2**
CDI	14.14%	18.87%	22.64%

(*) The effects on income statement, considering both scenarios are shown below:

					12/31/2015
Instruments	**Notional amount**	**Risk**	**Probable scenario (*)**	**Scenario 1**	**Scenario 2**
Future dólar	1,435,000	Dólar	9,758	1,400,847	2,801,694

Hedge accounting of exports	1,557,667	Dólar	10,592	1,520,595	3,041,190
Currency position (not including exchange derivatives above)	(2,819,845)	Dólar	(19,175)	(2,752,733)	(5,505,466)
Consolidated exchange position (including exchange derivatives above)	**172,822**	**Dólar**	**1,175**	**168,709**	**337,418**
Hedge of net investments in foreign operations	120,000	Euro	(1,740)	127,511	255,022
Currency position	(186,098)	Euro	2,698	(197,747)	(395,494)
Consolidated exchange position (including exchange derivatives above)	**(66,098)**	**Euro**	**958**	**(70,236)**	**(140,472)**
Dollar-to-euro swap	58,150	Dólar	152,522	(10,682)	(17,804)

(*) The likely scenarios were calculated considering the following changes to the risks: Real x Dollar - Real depreciation of 0.17% / Real x Euro – Real depreciation of 0.34% / Dollar x Euro - Dollar depreciation of 0.28%. Source: prices Banco Central do Brasil and Central Bank of Europe in March 2, 2016.

- **Sensitivity analysis of interest rate swaps**

					12/31/2015
Instruments	**Notional amount**	**Risk**	**Probable scenario (*)**	**Scenario 1**	**Scenario 2**
Fixed rate-to-CDI interest rate swap	345,000	CDI	(26,257)	(5,456)	(10,806)
Dollar-to-CDI interest rate swap	150,000	CDI	870	2,208	4,375

(*) The sensitivity analysis is based on the assumption of maintaining as probable scenario the market values as of December 31, 2015 recognized in the company's assets and liabilities.

- **Sensitivity analysis of changes in interest rates**

The Company considered the scenarios 1, and 2 as 25% and 50% of evolution for volatility of the interest as of December 31, 2015.

			Impact on profit or loss	
Changes in interest rates	**% Yearly**	**Probable scenario(*)**	**Scenario 1**	**Scenario 2**
TJLP	7.00	(43,325)	(18,466)	(36,932)

Libor	0.85	(449,052)	(13,775)	(27,550)
CDI	14.14	1,359,986	(446,791)	(893,582)

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(*) The sensitivity analysis is based on the assumption of maintaining as probable scenario the market values at December 31, 2015 recorded in the Company´s assets and liabilities.

13.d) Liquidity risk

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

To manage cash liquidity in domestic and foreign currency, assumptions of future disbursements and receipts are established and daily monitored by the treasury area. The payment schedules for the long-term portions of borrowings, financing and debentures are shown in note 12.

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

At December 31, 2015	**Less than one year**	**From one to two years**	**From two to five years**	**Over five years**	**Total**
Borrowings, financing and debentures	1,901,384	7,238,130	18,674,574	6,571,872	34,385,960
Derivative financial instruments	26,257				26,257
Trade payables	1,293,008				1,293,008
Dividends and interest on capital	464,982				464,982

- **Fair values of assets and liabilities as compared to their carrying amounts**

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

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

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

		12/31/2015		12/31/2014
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Perpetual bonds	3,910,115	1,330,685	2,659,815	1,974,031
Fixed rate notes	7,086,760	3,915,310	6,232,986	6,267,272

14. OTHER PAYABLES

The group of other payables classified in current and non-current liabilities is comprised as follows:

	Consolidated					Parent Co		
	Current		Non-Current		Current		Non-Current	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014	12/31/2015	12/31/2014	12/31/2015	12/31/2
Payables to related parties (Note 19 b)	6,798	249,758		9,236,716	110,106	339,613	118,653	9,
Derivative financial instruments (Note 13 I)	26,257	65		21,301				
Exclusive funds (1)					25,387			
Dividends and interest on capital payable to controlling shareholders		152,966				152,966		
Dividends and interest on capital payable to non-controlling shareholders	464,982	124,131			2,262	124,131		
Advances from customers	49,505	22,905			40,988	14,932		
Taxes in installments	24,237	33,358	87,890	20,728	9,207	23,348	1,476	
Profit sharing - employees	171,695	120,278			121,423	108,902		
Provision for freight	105,104	64,349			10,190	14,719		
Provision industrial restructuring	122,854				74,382			
	30,784	21,873			10,289	9,673		

Other provisions								
Other payables	70,801	55,426	43,394	36,618	7,465	15,313	6,321	
	1,073,017	**845,109**	**131,284**	**9,315,363**	**411,699**	**803,597**	**126,450**	**9,**

(1) Refers to derivative transactions managed by exclusive funds.

(2) In connection with the business combination described in note 3, Namisa approved the dividend distribution in the amount of U$300 million, equivalent to R$1,157 million prior to its merger, in proportion to equity participation of CSN and JKTC immediately prior to the business combination, which were 60% and 40% respectively. This obligation was succeeded by the subsidiary Congonhas Minérios S.A. after incorporation of Namisa and has its liquidation scheduled for the last quarter of 2016.

15. INCOME TAX AND SOCIAL CONTRIBUTION

15.a) Income tax and social contribution recognized in profit or loss:

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

		Consolidated		**Parent Compan**
	12/31/2015	**12/31/2014**	**12/31/2015**	**12/31/201**
Income tax and social contribution income (expense)				
Current	(380,831)	(528,170)	2,469	(30,47
Deferred	192,207	679,323	557,443	622,51
	(188,624)	**151,153**	**559,912**	**592,04**

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The reconciliation of consolidated income tax and social contribution expenses and income and the result from applying the effective rate to profit before income tax and social contribution are as follows:

	Consolidated		Paren
	12/31/2015	**12/31/2014**	**12/31/2015**
(Loss) profit before income tax and social contribution	**1,804,575**	**(263,420)**	**1,057,881**
Tax rate	34%	34%	34%
Income tax and social contribution at combined statutory rate	**(613,556)**	**89,563**	**(359,680)**
Adjustment to reflect the effective rate:			
Equity pickup	394,518	112,594	2,151,781
Profit with differentiated rates or untaxed	829,265	1,772	
Transfer pricing adjustment	(66,447)	(2,350)	(70,083)
Tax loss carryforwards without recognizing deferred taxes	(176,795)	(29,259)	34,196
Indebtdness limit	(54,091)	(13,170)	(54,091)
Deferred taxes on temporary differences - non computed (1)	(1,143,365)		(1,133,091)
Refis Effect and early discharge	(2,586)	(14,649)	(2,589)
Deferred taxes on foreign profit	72,376		(1,784)
Fair value on Namisa participation of 60%	632,030		
Other permanent deductions (add-backs)	(59,973)	6,652	(4,747)
Income tax and social contribution in profit for the period	**(188,624)**	**151,153**	**559,912**
Effective tax rate	**10%**	**57%**	**-53%**

(1) As from third quarter of 2015 the Company no longer computes income tax and social contribution credits on tax losses and temporary differences. See details in note 15 (b).

15.b) Deferred income tax and social contribution:

The deferred income tax and social contribution are calculated on income tax and social contribution tax losses and the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements:

	Opening balance		Income tax losses			Conso Closing l
	12/31/2014	Comprehensive income	Profit or loss	Tax Crédits (**)	Others	12/
Deferred tax assets						
Income tax losses	383,185	11,629	(137,563)	6,910		
Social contribution tax losses	75,662		28,188	2,804		
Temporary differences	**2,157,211**	**250,519**	**599,285**		**(70,803)**	**2,**
- Provision for tax. social security, labor, civil and environmental risks	226,741		16,401		(12,088)	
- Provision for environmental liabilities	71,925		18,243		(1,667)	
- Asset impairment losses	68,981		138		(408)	
- Inventory impairment losses	32,366		(5,007)		(9,475)	
- (Gains)/losses on financial instruments	(6,419)		965			
- (Gains)/losses on available-for-sale financial assets	618,291	140,897	188,801			
- Income tax and social contribution non computed o/ available-for-sale financial assets			(155,533)			(1
- Actuarial liability (pension and healthcare plan)	163,627	(68)				

- Accrued supplies and services	68,483		10,481		(29,541)	
- Allowance for doubtful debts	29,852		20,653		(1,111)	
- Goodwill on merger	(102,659)	(8,435)	120,305			
- Unrealized exchange differences (*)	1,011,007		1,416,919			2,
- (Gain) on loss of control over Transnordestina	(224,096)					(2
- Cash flow hedge accounting	41,015	475,816				
- Income tax and social contribution non computed o/ cash flow hedge accounting		(357,951)				(3
- Deferred taxes non computed			(1,087,695)			(1,0
- Other	158,097	260	54,614		(16,513)	
Non-current assets	**2,616,058**	**262,148**	**489,910**	**9,714**	**(70,803)**	**3,**
Deferred tax liabilities						
Tax loss carryforwards			(385)			
Negative basis of social contribution			(138)			
Temporary differences	**238,892**	**67,652**	**298,226**		**(109,396)**	
- Provision for tax. social security, labor, civil and environmental risks			(567)		(14,302)	(
- Provision for environmental liabilities			878		(1,667)	
- Asset impairment losses			(7,743)		(10,698)	(
- Inventory impairment losses			(439)		(10,725)	(
- Actuarial liability (pension and healthcare plan)		(504)	(104)			
- Accrued supplies and services			21,102		(64,079)	(
- Allowance for doubtful debts			(17)		(1,111)	
- Fair value adjustment						
- SWT Aquisition	222,454	63,406	(33,311)			
Mining Business combination			317,041		19,402	
- Deferred Income taxes and social not constituted			614			
- Others	16,438	4,750	772		(26,216)	
Non-current liabilities	**238,892**	**67,652**	**297,703**		**(109,396)**	

	Opening balance		Movement			
	12/31/2014	**Comprehensive income**	**Profit or loss**	**Incorporation**	**Drop Down**	**Tax Crédits (****
Deferred tax assets						
Income tax losses	219,211		125			6,91
Social contribution tax losses	75,662		14,565			2,80
Temporary differences	**2,144,056**	**267,269**	**542,753**	**29,042**	**(73,436)**	
- Provision for tax. social security, labor, civil and environmental risks	218,645		4,152	6,153	(12,088)	
- Provision for environmental liabilities	71,925		18,243		(1,667)	
- Asset impairment losses	62,304		(769)	6,356	(408)	
- Inventory impairment losses	29,939		(6,717)	831	(10,296)	
(Gain)/loss in financial instruments	(5,037)		646	(1,063)		
- (Gains)/losses on available-for-sale financial assets	594,397	149,404	188,801	15,387		
- Income tax and social contribution non computed o/ available-for-sale financial assets			(155,533)			
- Actuarial liability (pension and healthcare plan)	163,763			(203)		
- Accrued supplies and services	66,619		10,554	1,408	(29,541)	
- Allowance for doubtful debts	25,987		3,060	151	(1,111)	
	1,011,007		1,416,919			

- Unrealized exchange differences (*)						
(Gain) in control loss on Transnorderstina	(224,096)					
- Cash flow hedge accounting	41,015	475,816				
- Income tax and social contribution non computed o/ cash flow hedge accounting		(357,951)				
- Deferred taxes non computed			(977,558)			
- Other	87,588		40,955	22	(18,325)	
Non-current assets	**2,438,929**	**267,269**	**557,443**	**29,042**	**(73,436)**	**9,71**

(*) The Company taxes foreign exchange differences on a cash basis to calculate income tax and social contribution.

(**) Reversal of Company´s tax credits and tax loss carryforwards to settle tax debts, as provided for in Law Nº. 12,865/13, 12,996/14 and 13,043/14, due to exclusion of contingences, related to tax installment program, on the consolidation of debts.

The Company has its corporate structure overseas subsidiaries, for which profits are taxed at income tax in the countries where they are domiciled by lower rates than those prevailing in Brazil.

From 2011 to 2015 some abroad subsidiaries generated profits amounting to R$4,025,071, in case tax authorities understand that these profits have already been distributed and, therefore, additional taxation in Brazil, if due, would amount approximately to R$1,356,111 in income tax and social contribution. The Company, based on its legal counsel's opinion, assessed the likelihood of loss in a potential challenge by tax authorities as possible and, therefore, no provision was recognized in the financial statements.

- **Law 12.973/14**

Law 12.973, enacted in May 2014, brought significant changes to tax legislation, which among others, revoked the Transition Tax Regime (RTT).Theses changes directly impact the determination of the income tax and social contribution basis. As from 2015, the application of the Law is mandatory and CSN applied the Law´s requirements.

- **Impairment test - Deferred taxes**

CSN approved by the Board of Directors´ Meeting of November 6 th2015, a study to demonstrate the generation of future taxable income with which it is expected that the credits currently registered in the balance sheet are offset.

The test was performed considering only the parent company, since the other group companies have no relevant credits for purposes of this test. The parent company consists of the following businesses:

• Flat Steel Brazil;

• Long Steel Brazil;

• Mining

• Cement;

• Investments in other entities.

The study was prepared based on the CSN´s financial model of long-term and considered several scenarios which vary according to different macroeconomic and operating assumptions. Furthermore, the model considers a combination of assets sales scenario and liquidity events in order to achieve a specific amount of resources to CSN allowing a leverage reduction of and consequently, the reduction of financial expenses.

In addition, a sensitivity analysis of tax credits utilization considering a change in macroeconomic assumptions, operational performance and liquidity events took place. This sensitivity analysis showed that the consumption of credits is sensitive to exogenous issues and outside the Company's control.

Thus, considering the study´s results, which indicates the probable future taxable income to compensate the deferred income tax and social contribution balances recognized until June 30, 2015, the Board of Directors agreed to not record the deferred income tax and social contribution as from the 3rd quarter of 2015. If we had recorded the deferred income tax and social contribution, on the second quarter its amount would be R$1.09 billion. Additionally, the study projects the compensation of the residual balance amounting R$3,229 million for the next periods according to the schedule below:

In millions of reais	**Parent Company**
2016	686
2017	622
2018	152
2019	192
2020	286
2021	464
2022	576
2023	251
	3,229

15.c) Income tax and social contribution recognized in shareholders' equity:

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

		Consolidated		**Parent Co**
	12/31/2015	**12/31/2014**	**12/31/2015**	**12/3**
Income tax and social contribution				
Actuarial gains on defined benefit pension plan	64,489	65,372	65,247	
Changes in the fair value on available-for-sale financial assets	38	(140,859)	19,269	(13
Actuarial gains and assets available for sale by incorporation			(19,349)	
Exchange differences on translating foreign operations	(425,510)	(425,510)	(425,510)	(42
Cash flow hedge accounting	158,880	41,015	158,880	

(202,103)	**(459,982)**	**(201,463)**	**(44**

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16. Taxes in installments

The position of the Refis debts and other tax installment payment plans, recorded in taxes in installments in current and non-current liabilities, as mentioned in note 14, is as follows:

	Consolidated						Pa
	Current		Non-Current		Current		No
	12/31/2015	12/31/2014	12/31/2015	12/31/2014	12/31/2015	12/31/2014	12/31/20
Federal REFIS Law 11.941/0(a)	11,891	9,942	19,247		9,173	9,173	
Federal REFIS Law 12.865/1(a)	4,830		56,661				
Other taxes in installments (b)	7,516	23,416	11,982	20,728	34	14,175	1,4
	24,237	**33,358**	**87,890**	**20,728**	**9,207**	**23,348**	**1,4**

16.a) Tax Recovery Program (Federal Refis)

- **Federal Law 11.941/09 Tax Installment Payment Program**

In November 2009 the Company joined the Tax Installment Payment Program introduced by Law 11.941/09, aiming at regularizing tax liabilities through a special payment system and installment of tax obligations and social security.

The Company indicated to liquidate immediately tax debts linked to judicial deposits. The Company awaits the approval by the Federal Revenue Service (RFB) and the National Treasury Attorney General's Office

(PGFN) of these amounts, which total R$9,942.

National Minerals SA (NAMISA), incorporated by Congonhas Ores on December 31, 2015, and now consolidated in these financial statements at December 27, 2013 and November 25, 2014 has chosen to include some debts in the program installment introduced by Law 11,941 / 2009, due to the reopening of the deadlines for accession brought by Law No. 12,865 / 13 and 12,996 / 14, respectively.

- **Installment Payment Program, Federal law 12.865/13**

NAMISA also chose to include in the tax installment plan established by Article 40 of Law No. 12,865 / 13, the income tax debts and based on the profits of subsidiaries located abroad from 2009 to 2012, resulting from the application of Article 74 MP 2158-35 / 2001.

16.b) Other tax installments (regular and other)

Some Group companies have installment payment plans with the Federal Revenue Service and state tax authorities.

17. PROVISION FOR TAX, SOCIAL SECURITY, LABOR, CIVIL AND ENVIRONMENTAL RISKS AND JUDICIAL DEPOSITS

Claims of different nature are being challenged at the appropriate courts. Details of the accrued amounts and related judicial deposits are as follows:

				Consolidated				**Parent Company**
	Accrued liabilities		**Judicial deposits**		**Accrued liabilities**		**Judicial deposits**	
	12/31/2015	**12/31/2014**	**12/31/2015**	**12/31/2014**	**12/31/2015**	**12/31/2014**	**12/31/2015**	**12/31/2014**
Tax	143,852	129,524	82,472	77,836	82,619	109,173	67,843	67,483
Social security	70,174	62,277	46,193	46,193	69,293	61,498	46,193	46,193
Labor	478,611	444,243	165,027	136,396	388,763	377,224	133,686	105,833
Civil	128,451	106,143	24,634	17,897	103,087	86,360	13,696	13,588
Environmental	17,646	3,981	1,697	1,697	12,536	3,978	1,628	1,628
Judicial deposits			8,519	8,785				5,177
	838,734	**746,168**	**328,542**	**288,804**	**656,298**	**638,233**	**263,046**	**239,902**

The changes in the provision for tax, social security, labor, civil and environmental risks in the year ended December 31, 2015 were as follows:

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Nature	12/31/2014	Additions	Accrued charges	Net utilization of reversal	Consolidated Current + Non-current 12/31/2015
Tax	129,524	120,673	7,841	(114,186)	143,852
Social security	62,277		7,897		70,174
Labor	444,243	213,543	61,445	(240,620)	478,611
Civil	106,143	34,951	35,372	(48,015)	128,451
Environmental	3,981	20,401	284	(7,020)	17,646
	746,168	**389,568**	**112,839**	**(409,841)**	**838,734**

Nature	12/31/2014	Additions	Accrued charges	Net utilization of reversal	Parent Company Current + Non- current 12/31/2015
Tax	109,173	78,645	6,305	(111,504)	82,619
Social security	61,498		7,795		69,293
Labor	377,224	191,422	54,483	(234,366)	388,763
Civil	86,360	28,133	32,368	(43,774)	103,087
Environmental	3,978	15,294	284	(7,020)	12,536
	638,233	**313,494**	**101,235**	**(396,664)**	**656,298**

The provision for tax, social security, labor, civil and environmental liabilities was estimated by management and is mainly based on the legal counsel’s assessment. Only proceedings for which the risk is classified as probable loss are accrued. This provision includes tax liabilities resulting from lawsuits filed by the Company, subject to SELIC (Central Bank’s policy rate).

Tax lawsuits

The main tax lawsuits assessed by the outside legal counsel as probable losses to which CSN or its subsidiaries are parties are as follows: (i) Municipal tax assessments (ISS) incident in lease contracts; (ii) ICMS Assessment Notice for the alleged nonpayment of this tax on product imports; (iii) Tax Forfeiture to collect ICMS reported but not paid; (iv) collection of income tax and social contribution for the offset of nonexistent tax credits.

Labor lawsuits

As of December 31, 2015, the Group is a defendant in 7,541 labor lawsuits, for which a provision has been recorded in the amount of R$478,611 (R$444,243 as of December 31, 2014). Most of the claims relate to subsidiary and/or joint liability, salary equalization, health hazard premiums and hazardous duty premiums, overtime pay, difference in the 40% fine for the severance pay fund (FGTS) related to period prior to retirement and as a result of federal government economic plans, health care plan, indemnity claims resulting from alleged occupational diseases or on-the-job accidents, breaks between working hours, and differences in profit sharing from 1997 to 1999 and from 2001 to 2003.

During the year ended December 31, 2015 there were addition or write-off movements in labor lawsuits, due to court orders issued to terminate lawsuits and the constant revision of the Company's accounting estimates related to the provision for contingencies that take into consideration the different nature of the claims made, as required by the Company's accounting policies.

Civil lawsuits

Among the civil lawsuits in which the Company is a defendant are claims for compensation. Generally these lawsuits result from on-the-job accidents, occupational diseases and contractual litigation related to the industrial activities of the Group, real estate actions, healthcare plan, and reimbursement of costs incurred in labor courts. For lawsuits involving civil matters, a provision has been recognized in the amount of R$128,451 as of December 31, 2015 (R$106,143 as of December 31, 2014)

Environmental lawsuits

The environmental administrative/judicial proceedings filed against the Company include mainly administrative proceedings for alleged environmental irregularities and the regularization of environmental permits; at the judicial level, the Company is a party to actions collecting the fines imposed for such alleged environmental irregularities and public civil actions claiming regularization coupled with compensation, in most cases claiming environmental recovery. In general these proceedings arise from alleged damages to the environment related to the Company's industrial activities. For lawsuits involving environmental matters, a provision has been recognized in the amount of R$17,646 as of December 31, 2015 (R$3,981 as of December 31, 2014)

In July 2012 the Company received a legal notice in the lawsuit filed by the State Attorney's Office of the State of Rio de Janeiro, related to Volta Grande IV district in the city of Volta Redonda-RJ, claiming, among others, the removal of two industrial waste cells and 750 (seven hundred and fifty) homes. This lawsuit is classified as probable loss risk, but there is not, until the moment, a complete diagnostic of the risks and so the Company has not estimated the costs for those claims.

As a result of the lawsuit mentioned in the paragraph above, after August 2012 the Company received legal notices related to some lawsuits filed by one of the dwellers of the Volta Grande IV district, who claims the payment of compensation for property damages and pain and suffering, whose amounts are illiquid at the moment, and this lawsuit is classified as possible loss risk.

On the same matter (Bairro Volta Grande IV), in August 2013 the Company received a subpoena about the lawsuits filed by the Federal Public Prosecution Office (Federal Courts), which has the same claim of the lawsuit filed by the State Public Prosecution Office, described above. This new lawsuit is classified as possible risk of loss since the trend is that the State courts' decision prevails also in the Federal courts. The risk amount in this new lawsuit is the same of the lawsuit filed by the State Public Prosecution Office.

§ Other administrative and judicial proceedings

The table below shows a summary of the balance of the main legal matters compared with the balance at December 31, 2014 and 2015.

	12/31/2015	**12/31/2014**
Tax assessment notice issued against the Company for an alleged sale of 40% of the shares of its joint venture NAMISA to a Japanese-Korean consortium,	7,743,501	7,068,252
Income tax / Social contribution - Assessment Notice and Imposition of Fine (AIIM) - - Disallowance of deductions of goodwill generated in the reverse incorporation of Big Jump by Namisa (*)	2,250,833	
Assessment Notice and Imposition of Fine (AIIM) - Income tax / Social contribution - gloss of interest on prepayment arising from supply contracts of iron ore and port services	1,105,793	
Tax foreclosures - ICMS - Electricity credits	785,043	742,727
Installments MP 470 - alleged insufficiency of tax losses	587,205	521,340
Offset of taxes that were not approved by the Federal Revenue Service - IRPJ/CSLL, PIS/COFINS e IPI	1,015,355	523,171
Assessment notice for an alleged nonpayment of taxes- IRPJ/CSLL - foreign subsidiaries (2010)	526,047	476,316
Assessment Notice and Imposition of Fine (AIIM) - Income tax / Social contribution - Profits earned abroad 2008 (*)	306,136	
Disallowance of the ICMS credits - Transfer of iron ore	516,581	446,907
Disallowance of the ICMS credits - ICMS - acquisition of subsidiary	277,389	257,536
ICMS - Refers to the transfer of imported raw material at an amount lower than the price disclosed in the import documentation	252,112	230,261
Disallowance of the tax losses arising on adjustments to the SAPLI	409,323	362,489
Assessment Notice - ICMS - shipping and return merchandise for Industrialization (*)	541,338	
Assessment Notice- Income tax- Capital Gain of CFM vendors located outside (*)	170,835	
Other tax (federal, state, and municipal) lawsuits.	2,537,626	2,870,796
Social security lawsuits	289,923	299,341
Annulment action filed by CSN against CADE	70,423	63,463
Other civil lawsuits	763,576	382,641
Labor and social security lawsuits	1,032,678	1,069,663
Environmental lawsuits	359,046	115,024

	21,540,763	**15,429,927**

(*) Namisa lawsuits that started to be consolidated due to business combination transaction, as described in note 3.

The assessments made by the legal counsel define these administrative and judicial proceedings as entailing risk of possible loss and, therefore, no provision was recorded in conformity with Management's judgment and accounting practices adopted in Brazil.

Environmental lawsuits

The environmental processes present high complexity for estimating the amount at risk, should be taken into consideration, among various aspects, procedural development, the extent of damage and the projection of

repair costs.

During the second quarter 2015, in line with the Company's accounting policy of prognostic losses of ongoing processes, the management has reevaluated its environmental contingencies, supported by its internal and external legal counsel.

As a result of this work, there was an increase of the possible risk of loss amounting R$ 244,022.

There are other environmental processes for which it is not yet possible to assess the risk and contingency value due to the aforementioned complexity estimation, the peculiarities of the matters involving them and also their procedural steps.

18. PROVISION FOR ENVIRONMENTAL LIABILITIES AND ASSET RETIREMENT OBLIGATIONS

The balance of the provision for environmental liabilities and asset retirement obligation - ARO is as follows:

		Consolidated		**Parent Company**
	12/31/2015	**12/31/2014**	**12/31/2015**	**12/31/2014**
Environmental liabilities	262,290	211,544	259,115	211,544
Asset retirement obligations	66,641	26,995		21,718
	328,931	**238,539**	**259,115**	**233,262**

18.a) Environmental liabilities

As of December 31, 2015, there is a provision recognized for expenditures relating to environmental investigation and recovery services for potentially contaminated areas surrounding establishments in the States of Rio de Janeiro, Minas Gerais and Santa Catarina. Estimated expenditures will be reviewed periodically and the amounts already recognized will be adjusted whenever necessary. These are Management's best estimates based on the environmental remediation studies and projects. This provision is recognized as other operating expenses.

The provision is measured at the present value of the expenditures required to settle the obligation, using a pretax rate that reflects current market assessments of the time value of money and the specific risks of the obligation. The increase in the obligation due to passage of time is recognized as other operating expenses.

The long-term interest rate used to discount the provision to present value through December 31, 2015 was 10.00%. The liability recognized is periodically updated based on the general market price index (IGPM) for the period.

Some contingent environmental liabilities are monitored by environmental department were not recorded in provisions due to its characteristics, they do not meet the recognition criteria present in CPC 25.

18.b) Asset retirement

Asset retirement obligations refer to estimated costs for decommissioning, retirement or restoration of areas upon the termination of activities related to mining resources. The initial measurement is recognized as a liability discounted to present value and subsequently through increase in expenses over time. The asset retirement cost equivalent to the initial liability is capitalized as part of the carrying amount of the asset, being depreciated over the useful life of the asset.

The accounting balances that refer to the provision for decommissioning were transferred to Congonhas Minérios,

The increase of liabilities in the period is due to an update on estimated cost of closing iron ore mines.

In 2015, the Company completed a new certification of iron mineral reserves in the Casa de Pedra and Engenho mines. This certification, prepared by a specialized company, has certified reserves of 3,021 million tons of iron ore, which represents an increase of 85% compared to the amounts certified in the last audit on April 2007.

Therefore, it indicated a need to review liabilities and update assumptions for mine closure, completion of mining activities in the future and decommissioning of assets linked to the mine, the result is an increase of liabilities amounting R$ 39,646.

19. RELATED-PARTY BALANCES AND TRANSACTIONS

19.a) Transactions with Holding Companies

Vicunha Siderurgia S.A. is the Company's main shareholder, with 51.41% of the voting shares.

The Rio Iaco Participações S.A. holds 4.29% of CSN's voting capital.

- **Liabilities**

Companies	**Proposed Dividends**	**Paid Dividends**
Vicunha Siderurgia		282,571
Rio Iaco		23,568
Total at 12/31/2015		**306,139**
Total at 12/31/2014	**152,966**	**220,349**

(*) As of June 30, 2015 Vicunha Steel began to directly control CSN due to the merger of Vicunha Siderurgia by Vicunha Aços on that date.

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

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

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

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

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

19.b) Transactions with subsidiaries, joint ventures, associates, exclusive funds and other related parties

- **By transaction**

	Current		Non-Current		Consolidated Total	
	12/31/2015	**12/31/2014**	**12/31/2015**	**12/31/2014**	**12/31/2015**	**12/31/2014**
Assets						
Trade receivables (note 6)	61,366	153,737			61,366	153,737
Dividends receivable (note 6)	27,817	59,470			27,817	59,470
Actuarial asset (note 8)			114,433	97,173	114,433	97,173
Loans (note 8)		517,493	373,214	117,357	373,214	634,850
Other receivables (note 8)	9,420	15,780	29,020	7,037	38,440	22,817
	98,603	**746,480**	**516,667**	**221,567**	**615,270**	**968,047**
Liabilities						
Other payables (Note 14)						
Accounts payable	6,798	2,681		546	6,798	3,227
Advances from customers		247,077		9,236,170		9,483,247
Trade payables	67,443	63,165			67,443	63,165
Actuarial liabilities			514,368	587,755	514,368	587,755
	74,241	**312,923**	**514,368**	**9,824,471**	**588,609**	**10,137,394**
Statement of income						
Revenues						
Sales	725,285	1,177,860				
Interest	65,084	50,631				
Expenses						
Purchases	(1,103,428)	(1,047,423)				
Interest	(1,333)	(423,621)				
	(314,392)	**(242,553)**				

- **By company**

										Consolidated
	Assets			Liabilities			Profit and loss			
	Current	Non-current	Total	Current	Non-current	Total	Sales	Purchases	Finance income (costs), net	Total
Subsidiaries										
Ferrovia Transnordestina Logística S.A. (1)		133,283	133,283					(4,559)	15,887	11,328
Others	14,151		14,151	2,742		2,742				
	14,151	**133,283**	**147,434**	**2,742**		**2,742**		**(4,559)**	**15,887**	**11,328**
Joint ventures										
CGPAR Construção Pesada S.A.	3,484		3,484	24		24				
Nacional Minérios S.A.							113,563	(198,378)	6,424	(78,391)
MRS Logística S.A.	26,415		26,415	32,284		32,284		(725,710)		(725,710)
CBSI - Companhia Brasileira de Serviços e Infraestrutura	7,380		7,380	11,015		11,015	48	(166,945)		(166,897)
Transnordestina Logística S.A (2)		222,727	222,727	26,880		26,880			23,380	23,380
	37,279	**222,727**	**260,006**	**70,203**		**70,203**	**113,611**	**(1,091,033)**	**29,804**	**(947,618)**
Other related parties										
CBS Previdência		114,433	114,433		514,368	514,368				
Fundação CSN				126		126		(2,152)	3	(2,149)
Banco Fibra									15,592	15,592
Usiminas	182		182				12,289	(1,230)		11,059
Panatlântica	46,991		46,991				597,998			597,998
Ibis Participações e Serviços								(4,324)		(4,324)

Taquari Participações S.A.								(130)		(130)
	47,173	**114,433**	**161,606**	**126**	**514,368**	**514,494**	**610,287**	**(7,836)**	**15,595**	**618,046**
Associates										
Arvedi Metalfer do Brasil S.A.		46,224	46,224	1,170		1,170	1,387		2,465	3,852
Total at 12/31/2015	**98,603**	**516,667**	**615,270**	**74,241**	**514,368**	**588,609**	**725,285**	**(1,103,428)**	**63,751**	**(314,392)**
Total at 12/31/2014	**746,480**	**221,567**	**968,047**	**312,923**	**9,824,471**	**10,137,394**	**1,177,860**	**(1,047,423)**	**(372,990)**	**(242,553)**

1. Refers to loans of the subsidiary FTL - Ferrovia Transnordestina Logística S.A to the joint venture Transnordestina Logística S.A. The contract has a 102.5% of CDI interest rate and maturity expected in June 2017.

2. Transnordestina Logística S.A: Refers mainly to contracts in R$: interest equivalent to 108.0% of CDI with final maturity in June 2017. As of December 31, 2015, borrowings total R$222,727 (R$141,358 as of December 31, 2014).

- **By transaction**

	Current		Non-Current		Parent Company Total	
	12/31/2015	**12/31/2014**	**12/31/2015**	**12/31/2014**	**12/31/2015**	**12/31/2014**
Assets						
Trade receivables (1) (nota 6)	1,140,172	969,343			1,140,172	969,343
Dividends receivable (nota 6)	737,668	67,553			737,668	67,553
Actuarial asset (note 8)			112,660	96,914	112,660	96,914
Loans (nota 8)		106,218	239,930	52,619	239,930	158,837
Financial investments (2)	1,412,428	252,896	28,078	87,475	1,440,506	340,371
Exclusive funds (nota 8)	110,075	144,018			110,075	144,018
Other receivables (3) (nota 8)	32,479	168,035	303,441	329,330	335,920	497,365
	3,432,822	**1,708,063**	**684,109**	**566,338**	**4,116,931**	**2,274,401**
Liabilities						
Borrowings and financing						
Pre-payment(nota12)	85,987	146,504	5,843,050	5,156,481	5,929,037	5,302,985
Fixed Rate Notes e Intercompany Bonds (nota12)	32,402	1,187,610	4,056,347	1,593,720	4,088,749	2,781,330
Intercompany loans(nota12)	1,261,861	222,525	2,137,040	2,670,457	3,398,901	2,892,982
Other payables (nota 13)						
Accounts payable (4)	110,090	62,536	118,653	574,478	228,743	637,014
Advances from customers	16	277,077		9,236,170	16	9,513,247
Exclusive funds (nota 14)	25,387				25,387	
Trade payables	153,559	250,104			153,559	250,104
Actuarial liabilities			514,367	587,740	514,367	587,740
	1,669,302	**2,146,356**	**12,669,457**	**19,819,046**	**14,338,759**	**21,965,402**

	12/31/2015	**12/31/2014**
Statement of income		
Revenues		
Revenues	5,852,639	5,903,875
Interest	26,073	14,421
Exclusive funds	812,079	251,834
Expenses		
Purchases	(1,636,308)	(1,646,256)

Interest	(983,541)	(1,712,508)
Net exchange rate variations	(3,780,650)	(1,025,243)
	290,292	**1,786,123**

(1) Accounts receivable derive from sales operations of goods and services between the parent company, subsidiaries and joint ventures.

(2) Assets: Financial investments classified as current totals R$1,412,428 at December 31, 2015 (R$252,896 at December 31, 2014) and investments in Usiminas shares classified as investments available for sale, non-current group, which amount to R$28,078 (R$87,475 at December 31, 2014).

Liabilities: Derivative transactions in the amount of R$25,387 at December 31, 2015.

(3) Current: Refers mainly to assignment of tax loss credits of income tax and social contribution, related to Metallurgical Prada companies, FTL - Transnordestina Railway Logistics and Company Packaging Metal MMSA.

Noncurrent: Refers mainly to advance for future capital increase, dividends receivable and accounts receivable related and acquisition of debentures.

(4) Non-current liabilities: Reduction on write-off related to purchase of clinker plant, due to the merger of subsidiary CSN Cimentos in the amount of R$403,431, as mentioned in note 9.

- **By company**

	Assets			**Liabilities**		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Subsidiaries						
Companhia Metalic Nordeste				1,569		1,56
Companhia Metalúrgica Prada	176,604	121,335	297,939	15,127	198	15,32
CSN Cimentos S.A.						
Estanho de Rondônia S.A.	10,920		10,920	1,242		1,24
Companhia Florestal do Brasil						
Sepetiba Tecon S.A.	10,569	85,066	95,635	13,138		13,13
Mineração Nacional		650	650			

Congonhas Minérios S.A. (1)	737,643		737,643	56,301	5,570	61,87
CSN Energia S.A.	15,732		15,732	40,880		40,88
Ferrovia Transnordestina Logística S.A.	3,125	22,510	25,635		112,887	112,88
ITA Energética S.A	1,618		1,618			
Companhia Brasileira de Latas	5,404		5,404			
Companhia Siderúrgica Nacional, LLC (2)	682,875		682,875	106,880		106,88
CSN Europe Lda.				12,343	119,954	132,29
CSN Resources S.A. (3)				1,356,268	8,790,433	10,146,70
CSN Export Europe, S.L.						
Lusosider Aços Planos, S.A.	192,871		192,871	195		19
CSN Handel GmbH						
CSN Islands XI Corp.					1,249,536	1,249,53
CSN Islands XII Corp. (4)				11,638	1,772,779	1,784,41
CSN Ibéria Lda.					103,733	103,73
Companhia de Embalagens Metálicas MMSA		44,859	44,859			
Stahlwerk Thüringen GmbH						
	1,837,361	**274,420**	**2,111,781**	**1,615,581**	**12,155,090**	**13,770,67**
Joint ventures						
CGPAR Construção Pesada S.A.	10,542		10,542			
Nacional Minérios S.A.						
MRS Logística S.A.	13,230		13,230	17,332		17,33
CBSI - Companhia Brasileira de Serviços e Infraestrutura	2,013		2,013	10,876		10,87
Transnordestina Logística S.A.		222,727	222,727			
	25,785	**222,727**	**248,512**	**28,208**		**28,20**
Other related parties						
CBS Previdência		112,660	112,660		514,367	514,36
Fundação CSN				126		12
Usiminas	182		182			
Panatlântica	46,991		46,991			
Ibis Participações e Serviços						
Taquari Participações S.A.						
	47,173	**112,660**	**159,833**	**126**	**514,367**	**514,49**
Associates						
Arvedi Metalfer do Brasil S.A.		46,224	46,224			
Exclusive Funds						
Diplic, Mugen, VR1 e BB Steel	1,522,503	28,078	1,550,581	25,387		25,38
Total at 12/31/2015	**3,432,822**	**684,109**	**4,116,931**	**1,669,302**	**12,669,457**	**14,338,75**
Total at 12/31/2014	**1,708,063**	**566,338**	**2,274,401**	**2,146,356**	**19,819,046**	**21,965,40**

(1) Congonhas Minérios: Refers mainly to dividends declared by Namisa and posteriorly assumed by Congonhas due to the merger at December 31, 2015.

(2) Companhia Siderurgica Nacional, LLC: Trade accounts receivable of R$682,875 at December 31, 2015 R$415,788 at December 31, 2014), related to sale of steel.

(3) CSN Resources SA: Contracts in US dollars of Prepayment Fixed Rate Notes and Intercompany Bonds, the interest is 9.13% and the maturity date on June 2047. On December 31, 2015, the loans amounted to R$10,146,701 (R$7,490. 873 on December 31, 2014).

(4) CSN Islands XI Corp.: Contracts in US dollars, without interest, maturing in August 2017. On December 31 December 2015, the loans amounted to R$1,249,536.

(5) CSN Islands XII Corp.: Contracts in US dollars, interest rate of 7.64% and maturing on February 2025. At December 31, 2015, the loans amounted to R$1,784,417 (R$1,363,481 on December 31, 2014).

(6) Namisa: Sales: Refers to services related to ore as internal movement and loading.

Purchases: Refers to services related to ore as port movement and shipment.

19.c) Other unconsolidated related parties

- **CBS Previdência**

The Company is the main sponsor of this non-profit entity established in July 1960, primarily engaged in the payment of benefits that supplement the official government Social Security benefits to participants. In its capacity as sponsor, CSN carries out transactions involving the payment of contributions and recognition of actuarial liabilities calculated in defined benefit plans, as detailed in note 27.

- **Fundação CSN**

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

- **Banco Fibra**

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

- **Ibis Participações e Serviços Ltda.**

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

- **Companhia de Gás do Ceará**

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

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19.d) Key management personnel

The key management personnel with authority and responsibility for planning, directing and controlling the Company's activities, include the members of the Board of Directors and statutory directors. The following is information on the compensation of such personnel and the related balances as of December 31, 2015.

	12/31/2015	**12/31/2014**
	Statement of Income	
Short-term benefits for employees and officers	47,578	34,861
Post-employment benefits	311	116
	47,889	**34,977**

20. SHAREHOLDERS' EQUITY

20.a) Paid-in capital

Fully subscribed and paid-in capital as of December 31, 2015 and 2014 is R$4,540,000 comprising 1,387,524,047 book-entry common shares without par value. Each common share entitles its holder to one vote in Shareholders' Meetings.

20.b) Authorized capital

The Company's bylaws in effect as of December 31, 2015 determine that the capital can be raised to up to 2,400,000,000 shares by decision of the Board of Directors.

20.c) Legal reserve

This reserve is recognized at the rate of 5% of the profit for each period, as provided for by Article 193 of Law 6.404/76, up to the ceiling of 20% of share capital.

20.d) Ownership structure

As of December 31, 2015, the Company's ownership structure was as follows:

	12/31/2015				
	Number of common shares	% of total shares	% of voting capital	Number of common shares	% of total shares
Vicunha Aços S.A. (*)	697,719,990	50.29%	51.41%	697,719,990	50.29%
Rio Iaco Participações S.A. (**)	58,193,503	4.19%	4.29%	58,193,503	4.19%
Caixa Beneficente dos Empregados da CSN - CBS	20,143,031	1.45%	1.48%	12,788,231	0.92%
BNDES Participações S.A. – BNDESPAR	8,794,890	0.63%	0.65%	8,794,890	0.63%
NYSE (ADRs)	336,435,464	24.25%	24.79%	342,466,899	24.68%
BM&FBovespa	235,846,169	17.00%	17.38%	239,010,634	17.23%
	1,357,133,047	**97.81%**	**100.00%**	**1,358,974,147**	**97.94%**
Treasury shares	30,391,000	2.19%		28,549,900	2.06%
Total shares	**1,387,524,047**	**100.00%**		**1,387,524,047**	**100.00%**

(*) As From June 30, 2015, CSN became directly controlled by Vicunha Aços, considering the incorporation of Vicunha Siderurgia by Vicunha Aços on that date.

(**) Rio Iaco Participação S. A. is a company part of the control group.

20.e) Treasury shares

The Board of Directors authorized various share buyback programs in order to hold shares in treasury for subsequent disposal and/or cancelation with a view to maximizing the generation of value to the shareholder through an efficient capital structure management, as shown in the table below:

Program	Board's Authorization	Authorized quantity	Program period	Average buyback price	Minimum and maximum buyback price	Number bought back
1º	3/13/2014	70,205,661	From 3/14/2014 to 4/14/2014	R$ 9.34	R$ 9.22 and R$ 9.45	2,350,000

2º	4/15/2014	67,855,661	From 4/16/2014 to 5/23/2014	R$ 8.97	R$ 8.70 and R$ 9.48	9,529,500
3º	5/23/2014	58,326,161	From 5/26/2014 to 6/25/2014	R$ 9.21	R$ 8.61 and R$ 9.72	31,544,500
4º	6/26/2014	26,781,661	From 6/26/2014 to 7/17/2014	R$ 10.42	R$ 9.33 and R$ 11.54	26,781,661
	7/18/2014			Not applicable	Not applicable	
5º	7/18/2014	64,205,661	From 7/18/2014 to 8/18/2014	R$ 11.40	R$ 11.40	240,400
	8/18/2014			Not applicable	Not applicable	
6º	8/18/2014	63,161,055	From 8/19/2014 to 9/25/2014	R$ 9.82	R$ 9.47 and R$ 10.07	6,791,300
7º	9/29/2014	56,369,755	From 9/29/2014 to 2/29/2014	R$ 7.49	R$ 4.48 and R$ 9.16	21,758,600
8º	12/30/2014	34,611,155	From 12/31/2014 to 3/31/2015	R$ 5.10	R$ 4.90 and R$ 5.39	1,841,100
9º (*)	03/31/2015	32,770,055	From 4/01/2015 to 6/30/2015			

(*) There were no share buyback in this program.

(1) On July 18, 2014 and August 19, 2014, the Board of Directors approved the cancelation of 60,000,000 and 10,446,061 treasury shares, respectively, without change in the Company's share capital.

As of December 31, 2015, the position of the treasury shares was as follows:

Bought back number (in units)	Amount paid for the shares	Share price			Share market price as of 12/31/2015 (*)
		Minimum	Maximum	Average	
30,391,000	R$ 238,976	R$ 4.48	R$ 10.07	R$ 7.86	R$ 121,564

(*) Using the last share quotation on BM&FBovespa as of December 31, 2015 of R$4.00 per share.

20.f) Policy on investments and payment of interest on capital and dividends

At a meeting held on December 11, 2000, the Board of Directors decided to adopt a profit distribution policy which, after compliance with the provisions in Law 6.404/76, as amended by Law 9.457/97, will entail the distribution of all the profit to the Company's shareholders, provided that the following priorities are observed, irrespective of their order: (i) carrying out the business strategy; (ii) fulfilling its obligations; (iii) making the required investments; and (iv) maintaining a healthy financial situation of the Company.

20.g) Earnings/(loss) per share:

Basic earnings per share were calculated based on the profit attributable to the owners of CSN divided by the weighted average number of common shares outstanding during the year, excluding the common shares purchased and held as treasury shares, as follows:

		Parent Company
	12/31/2015 Restated	**12/31/2014**
	Common Shares	
(Loss) profit for the year, net		
Attributable to owners of the Company	1,617,793	(105,218)
Weighted average number of shares	1,357,150	1,413,697
Basic and diluted EPS	1.19205	(0.07443)

21. PAYMENT TO SHAREHOLDERS

The Company's Bylaws provides for a minimum dividend distribution 25% of adjusted net income as provided by law, the holders of its shares.

On March 11, 2015 the Board of Directors approved the proposal for payment, as advance of mandatory minimum dividend concerning the period 2015, from the retained earnings reserve (statutory working capital reserve), the amount of R$275,000 in dividends, corresponding to R$0,202633043. The dividends were paid as from March 19, 2015, without inflation adjustment.

Dividends are calculated pursuant to the Company’s bylaws and in compliance with the Brazilian Corporate Law. The table below shows the calculation of dividends and interest on capital approved for 2015:

	12/31/2015
Profit for the year	1,617,793
Capital reserve	(80,890)
Profit for allocation	**1,536,903**
Allocation:	
Dividends approved on March 11, 2015	(275,000)
Destined to profits reserve to be realized (*)	(109,226)
Transferred to statutory reserve for investment and working capital	(1,152,677)
In current liabilities	
Balance of dividends payable as December 31, 2014	277,097
Dividends approved on March 11, 2015	275,000
Dividends paid in 2015	(549,835)
Balance of dividends payable as December 31, 2015	**2,262**
Weighted average number of shares	1,357,150
Dividends per share approved	0.20263

(*) The Company's management, supported by art. 197 of Law 6.404 / 76, is proposing ad referendum to the Annual General Meeting, in order to retain part of the minimum mandatory dividends in line account item Profit Reserve to realize, as there is no profit realized in 2015 year.

The difference disclosed in profit or loss resulted from the adjustments made in the financial statements of 2015, amounting to R$359,897, was recorded in the legal reserve, earnings reserve and statutory reserve, it will be considered for accounting purposes only.

The tables below show the history of dividends and interest on capital approved and paid:

Year	Approval Year	Dividends	Interest on capital	Total	Year	Payment Year	Dividends	Interest on ca

2013	2013	610,000	190,000	800,000	2013	2013	610,503	190
2014	2014	700,000		700,000	2014	2014	424,939	
2015	2015	275,000		275,000		2015	274,917	
					2015	2015	274,918	
Total approved		**1,585,000**	**190,000**	**1,775,000**		**Total paid**	**1,585,277**	**190**

22. NET SALES REVENUE

Net sales revenue is comprised as follows:

		Consolidated		**Parent Company**
	12/31/2015	**12/31/2014**	**12/31/2015**	**12/31/2014**
Gross revenue				
Domestic market	10,313,874	13,061,229	9,579,626	11,863,547
Foreign market	7,726,761	6,247,489	4,581,429	4,110,635
	18,040,635	**19,308,718**	**14,161,055**	**15,974,182**
Deductions				
Cancelled sales and discounts	(308,029)	(167,483)	(291,503)	(149,359)
Taxes on sales	(2,400,754)	(3,015,003)	(2,151,183)	(2,659,309)
	(2,708,783)	**(3,182,486)**	**(2,442,686)**	**(2,808,668)**
Net revenue	**15,331,852**	**16,126,232**	**11,718,369**	**13,165,514**

23. EXPENSES BY NATURE

	Consolidated		Parent Company	
	12/31/2015	**12/31/2014**	**12/31/2015**	**12/31/2014**
Raw materials and inputs	(4,902,546)	(5,125,417)	(3,354,125)	(3,557,893)
Labor cost	(1,900,260)	(1,716,995)	(1,569,791)	(1,419,068)
Supplies	(1,097,814)	(1,097,940)	(1,061,557)	(1,050,580)
Maintenance cost (services and materials)	(1,072,437)	(1,072,664)	(1,020,110)	(1,040,357)
Outsourcing services	(3,292,763)	(2,544,553)	(2,018,995)	(1,662,594)
Depreciation, amortization and depletion (Note 10 a)	(1,135,772)	(1,245,131)	(863,741)	(1,022,898)
Other	(304,534)	(270,040)	(306,978)	(221,548)
	(13,706,126)	**(13,072,740)**	**(10,195,297)**	**(9,974,938)**
Classified as:				
Cost of sales	(11,799,758)	(11,592,382)	(9,137,528)	(9,159,454)
Selling expenses	(1,436,000)	(1,041,975)	(683,516)	(455,525)
General and administrative expenses	(470,368)	(438,383)	(374,253)	(359,959)
	(13,706,126)	**(13,072,740)**	**(10,195,297)**	**(9,974,938)**

24. OTHER OPERATING INCOME (EXPENSES)

	Consolidated		
	12/31/2015	**12/31/2014**	**12/31/201**
Other operating income			
Indemnities/gains on lawsuits	5,189	39,693	4,67
Rentals and leases	1,150	1,080	1,15
Reversal of provisions	5,020	20,790	154,81
Dividends received	5,794	328	5,70
Untimely PIS/COFINS/ICMS credits	234,287		234,26
Contractual fines	2,200	7,963	2,66
Gain on business combination (note 3)	3,413,033		
Reversal of actuarial liability/provision for actuarial asset	8,702	166	8,59
Other revenues	50,507	20,468	4,96
	3,725,882	**90,488**	**416,83**
Other operating expenses			
Taxes and fees	(18,282)	(57,711)	(9,587
Write-off of judicial deposits	(24,145)	(77,892)	(23,164

Provision for environmental risks	(41,697)	160,980	(44,280
Provision for tax, social security, labor, civil and environmental risks, net of reversals	(279,619)	(191,127)	(252,589
Contractual fines	(309)	(7,464)	(26
Depreciation of unused equipment and amortization of intangible assets (Note 10 a)	(41,068)	(36,354)	
Residual value of permanent assets written off (Note 10)	(6,466)	(15,232)	(3,990
Provision for losses /reversals of slow-moving and obsolescence (Note 7)	1,154	(10,396)	15,835
Losses on spare parts	(55,790)	(26,432)	(49,970
Studies and project engineering expenses	(38,138)	(48,807)	(37,196
Research and development expenses	(3,363)	(3,406)	(3,363
Healthcare plan expenses	(56,838)	(54,319)	(56,838
Impairment of available-for-sale financial assets	(555,298)	(205,000)	(555,298
REFIS effect - Law 11,941/09 and Law 12,865/13, net	(4,801)	(37,308)	(4,801
Provisions for industrial restructuring	(122,854)	-	(74,382
Other expenses	(86,817)	(46,659)	(69,918
	(1,334,331)	**(657,127)**	**(1,169,567**
Other operating expenses, net	**2,391,551**	**(566,639)**	**(752,737**

25. FINANCE INCOME (COSTS)

	Consolidated		Parent Company	
	12/31/2015	**12/31/2014**	**12/31/2015**	**12/31/2014**
Finance income				
Related parties (Note 19 b)	65,084	50,631	838,152	266,255
Income from short-term investments	216,971	82,103	56,259	4,008
Gain from derivative (*)	870			
Other income (**)	209,062	38,818	19,939	30,289
	491,987	**171,552**	**914,350**	**300,552**
Finance costs				
Borrowings and financing - foreign currency	(938,047)	(718,281)	(204,942)	(117,011)
Borrowings and financing - local currency	(2,116,149)	(1,806,568)	(1,824,903)	(1,565,306)
Related parties (Note 19 b)	(1,333)	(423,621)	(983,541)	(1,712,508)
Capitalized interest (Notes 10 and 31)	166,366	165,789	160,777	165,789
Losses on derivatives (*)	(4,956)	(4,869)		(943)
Interest, fines and late payment charges	(20,560)	(76,704)	894	(40,791)
REFIS effect net - Law 11,941/09		(52,036)		(51,624)
Other finance costs	(210,568)	(187,688)	(172,608)	(166,267)
	(3,125,247)	**(3,103,978)**	**(3,024,323)**	**(3,488,661)**
Inflation adjustment and exchange differences, net				
Inflation adjustments, net	44,412	(109)	679	(22,942)
Exchange differences, net	(1,630,530)	(391,767)	(4,078,374)	(1,287,021)
Exchange gain (losses) on derivatives (*)	846,328	242,869	146,445	
	(739,790)	**(149,007)**	**(3,931,250)**	**(1,309,963)**
Finance costs, net	**(3,373,050)**	**(3,081,433)**	**(6,041,223)**	**(4,498,072)**
(*) Statement of gains and (losses) on derivative transactions				
Dollar-to-CDI swap	(18)	(12,735)		
Dollar-to-real swap (NDF)	785,702	213,602		
Future Dollar	25,381		146,445	
Dollar-to-euro swap (NDF)	39,668	33,397		
Dollar-to-euro swap	(4,405)	8,605		
	846,328	**242,869**	**146,445**	
Libor-to-CDI swap		(943)		(943)
Fixed rate-to-CDI swap	(4,956)	(3,926)		
CDI-to-Fixed rate swap	870			
	(4,086)	**(4,869)**		**(943)**

	842,242	**238,000**	**146,445**	**(943)**

(*)It refers mainly to gain on repurchase of debt securities amounting to R$166,642.

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26. SEGMENT INFORMATION

According to the Group’s structure, its businesses are distributed into five (5) operating segments.

- **Steel**

The Steel Segment consolidates all the operations related to the production, distribution and sale of flat steel, long steel, metallic containers and galvanized steel, with operations in Brazil, United States, Portugal and Germany. The Segment supplies the following markets: construction, steel containers for the Brazilian chemical and food industries, home appliances, automobile and OEM (motors and compressors). The Company’s steel units produce hot and cold rolled steel, galvanized and pre-painted steel of great durability. They also produce tinplate, a raw material used to produce metallic containers.

Overseas, Lusosider, which is based in Portugal, also produces metal sheets, as well as galvanized steel. CSN LLC in the U.S.A. meets local market needs by supplying cold rolled and galvanized steel. In January 2012, CSN acquired Stahlwerk Thüringen (SWT), a manufacturer of long steel located in Unterwellenborn, Germany. SWT is specialized in the production of shapes used for construction and has an installed production capacity of 1.1 million metric tons of steel/year.

In January 2014 the production of long steel products started with a capacity of 500,000 metric tons per year, which will consolidate the company as a source of complete construction solutions, complementing its portfolio of products with high value added in the steel chain.

- **Mining**

This segment encompasses the activities of iron ore and tin mining.

The high quality iron ore operations are located in the Iron Quadrilateral in MG, the Casa de Pedra mine in Congonhas, MG, as well as Congonhas Minérios S.A., which has its own mines and sells third party iron ore.

At the end of 2015, CSN and the Asian Consortium formalized a shareholders' agreement for the combination of assets linked to iron ore operations and the related logistics structure, forming a new company that has focused in mining activities from December 2015. In this context, the new company, called Congonhas Minérios S.A., holds the TECAR concession, the Casa de Pedra mine and all the shares of Namisa, which was incorporated on December 31, 2015.

Moreover, CSN controls a Estanho de Rondônia S.A. company mining units and tin casting.

- **Logistics**

i. Railroad

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

a) MRS

The railroad transportation services provided by MRS are fundamental to the supply of raw materials and the shipment of final products. The total amount of iron ore, coal and coke consumed by the Presidente Vargas Mill as well as part of the steel produced by CSN for the domestic market and for export are carried by MRS.

The Southeast Brazilian railroad system, encompassing 1,674 kilometers of tracks, serves the tri-state industrial area of São Paulo-Rio de Janeiro-Minas Gerais, linking the mines located in Minas Gerais to the ports located in São Paulo and Rio de Janeiro, and the steel mills of CSN, Companhia Siderúrgica Paulista, or Cosipa, and Gerdau Açominas. Besides serving other customers, the railroad system carries iron ore from the Company’s mines in Casa de Pedra, Minas Gerais, and coke and coal from the Itaguaí Port, in Rio de Janeiro, to Volta Redonda, and carries CSN’s export products to the ports of Itaguaí and Rio de Janeiro. Its volumes of cargo carried account for approximately 28% of the total volume carried by the Southeast railroad system.

b) TLSA and FTL

TLSA and FTL hold the concession of the former RFFSA’s Northeast Network. The Northeast Network totals 4,238 km, divided into two sections: i) Network I, which comprises the São Luiz–Mucuripe, Arrojado–Recife, Itabaiana–Cabedelo, Paula Cavalcante–Macau–Recife, and Propriá–Jorge Lins (Network I) sections, whose concession goes until 2027, held

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by FTL; and ii) Network II, which comprises the Missão Velha–Salgueiro, Salgueiro–Trindade, Trindade– Eliseu Martins, Salgueiro–Porto de Suape, and Missão Velha–Porto de Pecém sections, whose concession goes until 2057 or until the return of the investment adjusted by 6.75% of the sections, held by TLSA.

The Network links up with the main ports in the region, offering an important competitive advantage by means of opportunities for combined transportation solutions and logistics projects tailored to customer needs.

II. Port Logistics

The Port Logistics Segment consolidates the operation of the terminal built during the post-privatization period of the ports, Sepetiba Tecon.. The Sepetiba terminal features complete infrastructure to meet all the needs of exporters, importers and ship owners. Its installed capacity exceeds that of most other Brazilian terminals. It has excellent depths of 14.5 meters in the mooring berths and a huge storage area, as well as the most modern and appropriate equipment, systems and intermodal connections.

The Company’s constant investment in projects in the terminals consolidates the Itaguaí Port Complex as one of the most modern in Brazil, at present with capacity for handling 480 thousand containers and 30 million metric tons per year of bulk cargo.

- **Energy**

CSN is one of the largest industrial consumers of electric power in Brazil. As energy is fundamental in its production process, the Company invests in assets for generation of electric power to guarantee its self-sufficiency. These assets are as follows: Itá hydroelectric power plant, in the State of Santa Catarina, with rated capacity of 1,450 MW, where CSN has a share of 29.5%; Igarapava hydroelectric power plant, Minas Gerais, with rated capacity of 210 MW, in which CSN holds 17.9% of the capital; and a thermoelectric co-generation Central unit with rated capacity of 238 MW, which has been operating at the UPV since 1999. For fuel the Central Unit uses the residual gases produced by the steel mill itself. Through these three power generation assets, CSN obtains total rated capacity of 430 MW.

- **Cement**

The cement division consolidates the cement production, distribution and sale operations, which use the slag produced by the Volta Redonda plant's blast furnaces. In 2011, the clinker used in cement production was acquired from third parties; however, at the end of 2011, with the completion of the first stage of the Arcos Clinker plant, MG, this plant already supplied the milling needs of CSN Cimentos in Volta Redonda.

The information presented to Management regarding the performance of each business segment is generally derived directly from the accounting records, combined with some intercompany allocations.

- **Sales by geographic area**

Sales by geographic area are determined based on the customers' location. On a consolidated basis, domestic sales are represented by revenues from customers located in Brazil and export sales are represented by revenues from customers located abroad.

- **Profit per segment**

Beginning 2013, the Company no longer proportionately consolidates joint ventures Namisa, MRS and CBSI. For segment information preparation and presentation purposes, Management decided to maintain the proportionate consolidation of the joint ventures, as historically presented. For consolidated profit reconciliation purposes, the amounts of these companies were eliminated in the column “Corporate expenses/elimination”.

For the 2015 closure, after the combination of mining assets (Casa de Pedra, Namisa and Tecar), the consolidated results shall consider all of this new company.

Results	**Steel**	**Mining**	**Logistics**		**Energy**	**Cement**	**Corp expe elimi**
			Port	**Railroads**			
Metric tons (thou.) - (unaudited) (*)	4,990,299	23,861,003				2,181,731	
Net revenues							
Domestic market	6,757,186	175,223	212,729	1,156,933	244,549	431,820	(1,22
Foreign market	4,445,813	3,012,027					1
Total net revenue (note 22)	**11,202,999**	**3,187,250**	**212,729**	**1,156,933**	**244,549**	**431,820**	**(1,10**
Cost of sales and services	(9,126,889)	(2,323,687)	(141,809)	(788,046)	(195,644)	(330,263)	1,1
Gross profit	**2,076,110**	**863,563**	**70,920**	**368,887**	**48,905**	**101,557**	
General and administrative expenses	(955,247)	(69,602)	(20,473)	(89,678)	(23,186)	(72,894)	(67
Depreciation (note 10 a)	670,496	377,344	12,777	189,361	17,073	46,505	(17
Proportionate EBITDA of joint ventures							4
Adjusted EBITDA	**1,791,359**	**1,171,305**	**63,224**	**468,570**	**42,792**	**75,168**	**(30**
Sales by geographic area							
Asia	16,980	2,836,505					1
North America	1,901,989						
Latin America	376,458	42,730					
Europe	2,104,944	132,792					

Others	45,442						
Foreign market	**4,445,813**	**3,012,027**					**1**
Domestic market	**6,757,186**	**175,223**	**212,729**	**1,156,933**	**244,549**	**431,820**	**(1,22**
Total	**11,202,999**	**3,187,250**	**212,729**	**1,156,933**	**244,549**	**431,820**	**(1,1**

Results	**Steel**	**Mining**	**Logistics**		**Energy**	**Cement**	**Corp expe elimi**
			Port	**Railroads**			
Metric tons (thou.) - (unaudited) (*)	5,177,453	25,245,424				2,185,044	
Net revenues							
Domestic market	8,650,413	306,837	202,338	1,105,026	324,481	440,492	(1,06
Foreign market	2,841,271	3,802,566					(48
Total net revenue (note 22)	**11,491,684**	**4,109,403**	**202,338**	**1,105,026**	**324,481**	**440,492**	**(1,54**
Cost of sales and services	(8,671,935)	(2,985,930)	(137,634)	(753,394)	(186,750)	(295,264)	1,4
Gross profit	**2,819,749**	**1,123,473**	**64,704**	**351,632**	**137,731**	**145,228**	**(10**
General and administrative expenses	(686,936)	(61,129)	(7,016)	(113,042)	(20,097)	(66,848)	(52
Depreciation (note 10 a)	802,323	366,808	10,525	168,786	17,095	37,627	(15
Proportionate EBITDA of joint ventures							4
Adjusted EBITDA	**2,935,136**	**1,429,152**	**68,213**	**407,376**	**134,729**	**116,007**	**(30**
Sales by geographic area							
Asia	77,688	3,674,778					(48
North America	713,777						
Latin America	165,238						
Europe	1,868,280	127,788					
Others	16,288						
Foreign market	**2,841,271**	**3,802,566**					**(48**
Domestic market	**8,650,413**	**306,837**	**202,338**	**1,105,026**	**324,481**	**440,492**	**(1,00**
Total	**11,491,684**	**4,109,403**	**202,338**	**1,105,026**	**324,481**	**440,492**	**(1,54**

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(*) The ore sales volumes presented in this note take into consideration Company sales and the interest in its subsidiaries and joint ventures, corresponding Namisa 60% from January to November and Namisa 100% on December.

Adjusted EBITDA is the measurement based on which the chief operating decision maker assesses the segment performance and the capacity to generate recurring operating cash, consisting of profit for the year less net finance income (costs), income tax and social contribution, depreciation and amortization, equity in results of affiliated companies, and other operating income (expenses), plus the proportionate EBITDA of joint ventures.

Even though it is an indicator used in segment performance measurement, EBITDA is not a measurement recognized by accounting practices adopted in Brazil or IFRS, it does not have a standard definition, and may not be comparable with measurements using similar names provided by other entities.

As required by IFRS 8, the table below shows the reconciliation of the measurement used by the chief operating decision maker with the results determined using the accounting practices:

		Consolidated
	12/31/2015	**12/31/2014**
Profit (loss) for the year	1,615,951	(112,267)
Depreciation (Note 10 a)	1,135,772	1,245,131
Income tax and social contribution (Note 15)	188,624	(151,153)
Finance income (cost) (Note 25)	3,373,050	3,081,433
EBITDA	**6,313,397**	**4,063,144**
Other operating (expenses) income (Note 24)	(2,391,551)	566,639
Equity in results of affiliated companies	(1,160,348)	(331,160)
Proportionate EBITDA of joint ventures	489,922	430,547
Adjusted EBITDA (*)	**3,251,420**	**4,729,170**

(*) The Company discloses its adjusted EBITDA net of its share of investments and other operating income (expenses) because it understands that these should not be included in the calculation of recurring operating cash generation.

27. EMPLOYEE BENEFITS

The pension plans granted by the Company cover substantially all employees. The plans are administered by Caixa Beneficente dos Empregados da CSN (‘CBS”), a private non-profit pension fund established in July 1960 which has as members the employees (and former employees) of the Company and some subsidiaries who joined the fund through an agreement, and the employees of CBS itself. The Executive Officers of CBS is formed by a CEO and two other executive officers, all appointed by CSN, which is the main sponsor of CBS. The Decision-Making Board is the higher decision-making and guideline-setting body of CBS, presided over by the president of the pension fund and made up of ten members, six chosen by CSN in its capacity as main sponsor of CBS and four elected by the fund’s participants.

Until December 1995, CBS Previdência administered two defined benefit plans based on years of service, salary and Social Security benefits. On December 27, 1995 the then Private Pension Secretariat (“SPC”) approved the implementation of a new benefit plan, effective beginning that date, called Mixed Supplementary Benefit Plan (‘Mixed Plan”), structured in the form of a variable contribution plan. Employees hired after that date can only join the new Mixed Plan. In addition, all active employees who were participants of the former defined benefit plans had the opportunity to switch to the new Mixed Plan.

As of December 31, 2015 CBS had 33,065 participants (34,426 as of December 31, 204), of whom 18,430 were active contributors (19,279 as of December 31, 2014), 13,965 were retired employees (14,379 as of December 31, 2014), and 670 were related beneficiaries (788 as of December 31, 2014). Out of the total participants as of December 31, 2015, 12,091 belonged to the defined benefit plan, 14,960 to the mixed plan, 1,595 to the CBSPrev Namisa plan, and 4,419 to the CBSPrev plan.

The plan assets of CBS are primarily invested in repurchase agreements (backed by federal government securities), federal government securities indexed to inflation, shares, loans and real estate. As of December 31, 2015 CBS held 20,143,031 common shares of CSN (12,788,231 common shares as of December 31, 2014). The total plan assets of the entity amounted to R$4.5 billion as of December 31, 2015 (R$4.2 billion as of December 31, 2014). The administrators of the CBS funds seek to match plan assets with benefit obligations payable on a long-term basis. Pension funds in Brazil are subject to certain restrictions regarding their capacity for investment in foreign assets and, therefore, these funds invest mainly in Brazilian securities.

Plan Assets are all available assets and the benefit plans' investments, not including the amounts of debts to sponsors.

For the defined benefit plans "35% of the average salary" and "average salary supplementation plan", the Company holds a financial guarantee with CBS Previdência, the entity that administers said plans, to ensure their financial and actuarial balance, in the event of any future actuarial loss or actuarial gain.

As provided for in the prevailing law that governs the pension fund market, for the years ended December 31, 2014 and 2015, CSN did not have to pay the installments because the defined benefit plans posted actuarial gains for the period.

27.a) Description of the pension plans

Plan covering 35% of the average salary

This plan began on February 1, 1966 and is a defined benefit plan aimed at paying pensions (for length of service, special situations, disability or old age) on a lifetime basis, equivalent to 35% of the adjusted average of the participant’s salary for the last 12 months. The plan also guarantees sick pay to participants on Official Social Security leaves of absence and further ensures payments of savings fund, funeral allowance and pecuniary aid. This plan was discontinued on October 31, 1977 when the new supplementary plan based on average salary took effect.

Average salary supplementation plan

This plan began on November 1, 1977 and is a defined benefit plan aimed at complementing the difference between the adjusted average of the participant’s salary for the last 12 months and the Official Social Security benefit for retirement, also on a lifetime basis. As in the 35% plan, there is coverage for the benefits of sick pay, death and pension. This plan was discontinued on December 26, 1995 with the creation of the mixed supplementary benefit plan.

Mixed supplementary benefit plan

This plan began on December 27, 1995 and is a variable contribution plan. Besides the scheduled retirement benefit, it also covers the payment of risk benefits (pension paid while the participant is still working, disability compensation and sick/accident pay). Under this plan, the retirement benefit is calculated based on the amount accumulated by the monthly contributions of the participants and sponsors, as well as on each participant’s option for the manner in which they receive them, which can be lifetime (with or without continuity of pension for death) or through a percentage applied to the balance of the benefit-generating fund (loss for indefinite period). After retirement is granted, the plan takes on the characteristics of a defined benefit plan. This plan was discontinued on October 16, 2013 when the CBS Prev plan became effective.

CBS Prev Plan

The new CBS Prev Plan, which is a defined contribution plan, started on September 16, 2013. Under this plan, the retirement benefit is determined based on the accumulated amount by monthly contributions of participants and sponsors. To receive the benefit, each participant can opt for: (a) receiving part in cash (up to 25%) and the remaining balance through a monthly income through a percentage applied to the benefit-generating fund, not being applicable to death pension benefits, or (b) receive only a monthly income through a percentage applied to the benefit-generating fund.

With the creation of the CBS Prev Plan, the mixed supplementary benefit plan was discontinued for the entry of new participants as from September 16, 2013.

27.b) Investment policy

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The investment policy establishes the principles and guidelines that will govern the investments of funds entrusted to the entity, in order to foster the security, liquidity and profitability required to ensure equilibrium between the plan's assets and liabilities based on an ALM (Asset Liability Management) study that takes into consideration the benefits of participants and beneficiaries for each plan.

The investment plan is reviewed annually and approved by the Decision-Making Board considering a five-year horizon, as established by resolution CGPC 7 of December 4, 2003. The investment limits and criteria established in the policy are based on Resolution 3,792/09 published by the National Monetary Council ("CMN").

27.c) Employee benefits

The actuarial calculations are updated at the end of each annual reporting period by outside actuaries and presented in the financial statements pursuant to CPC33(R1)/IAS19 - Employee Benefits.

				Consolidated
	12/31/2015	**12/31/2014**	**12/31/2015**	**12/31/2014**
	Actuarial asset		**Actuarial liability**	
Pension plan benefits (Note 8 and 14)	114,443	97,173	25,294	11,275
Post-employment healthcare benefits			489,074	576,480
	114,443	**97,173**	**514,368**	**587,755**

The reconciliation of employee benefits' assets and liabilities is as follows:

	12/31/2015	**12/31/2014**
Present value of defined benefit obligation	2,430,381	2,508,441
Fair value of plan assets	(2,684,736)	(2,745,834)
Deficit	**(254,355)**	**(237,393)**
Restriction to actuarial assets due to recovery limitation	165,216	151,495
Liabilities (Assets), net	**(89,139)**	**(85,898)**
Liabilities	25,294	11,275

Assets	(114,433)	(97,173)
Net (assets) recognized in the balance sheet	**(89,139)**	**(85,898)**

The movement in the present value of the defined benefit obligation during 2015 is as follows:

	12/31/2015	**12/31/2014**
Present value of obligations at the beginning of the year	**2,508,441**	**2,263,012**
Cost of service	1,807	10,114
Interest cost	293,533	255,573
Benefits paid	(235,541)	(209,891)
Actuarial (gain) / loss	(137,859)	189,633
Present value of obligations at the end of the year	**2,430,381**	**2,508,441**

The movement in the fair value of the plan assets during 2015 is as follows:

	12/31/2015	**12/31/2014**
Fair value of plan assets at the beginning of the year	**(2,745,834)**	**(2,684,783)**
Expected return on plan assets	(322,460)	(305,469)
Benefits paid	235,830	209,891
Actuarial gains	147,728	34,527
Fair value of plan assets at the end of the year	**(2,684,736)**	**(2,745,834)**

The amounts recognized in the income statement for the year ended December 31, 2015 are comprised as follows:

	12/31/2015	**12/31/2014**
Cost of current service	1,807	10,114
Interest cost	293,533	255,573
Expected return on plan assets	(322,460)	(305,469)
Interest on the asset ceiling effect	18,422	39,733
	(8,698)	**(49)**
Total unrecognized costs (*)	4	117
Total (income) recognized in the income statement	(8,702)	(166)
Total (income), net (*)	**(8,698)**	**(49)**

(*) Effect of the limit of paragraph 58 (b) of CPC33 (R1)/IAS19 - Employee *Benefits.*

The (cost)/income is recognized in the income statement in other operating expenses.

The movement in the actuarial gains and losses in 2015 is as follows:

	12/31/2015	12/31/2014
Actuarial losses	**9,869**	**224,160**
Restriction due to recovery limitation	(4,208)	(224,099)
	5,661	**61**
Actuarial losses recognized in other comprehensive income	5,665	178
Unrecognized actuarial (gains)	(4)	(117)
Total cost of actuarial losses (*)	**5,661**	**61**

(*) Actuarial loss results from the fluctuation in the investments comprised in the CBS's asset portfolio.

Breakdown of actuarial gains or losses, required by paragraph 141 of CPC33(R1)/IAS19:

	12/31/2015
Loss due to change in demographic assumptions	(6,298)
Loss due to change in financial assumptions	(250,280)
Loss due to experience adjustments	118,718
Return on plan assets (less interest income)	147,729
Actuarial losses	**9,869**

The history of actuarial gains and losses is as follows:

	12/31/2015	12/31/2014	12/31/2013	12/31/2012	12/31/2011
Present value of defined benefit obligations	2,430,381	2,508,441	2,263,012	2,666,261	2,153,649
Fair value of plan assets	(2,684,736)	(2,745,834)	(2,684,783)	(2,923,483)	(2,384,450)
Surplus	**(254,355)**	**(237,393)**	**(421,771)**	**(257,222)**	**(230,801)**
Experience adjustments to plan obligations	(137,859)	189,633	(439,983)	484,524	141,674
Experience adjustments to plan assets	147,728	34,527	(293,159)	456,393	(81,038)

The main actuarial assumptions used were as follows:

	12/31/2015	
Actuarial financing method	Projected unit credit	Projected unit credit
Functional currency	Real (R$)	Real (R$)
Recognition of plan assets	Fair value	Fair value
Amount used as estimate of equity at the end of the year	Best estimate for equity at the end of the fiscal year, obtained based on a projection of the October amounts recorded	Best estimate for equity at the end of the fiscal year, obtained b amounts recorded
Nominal discount rate	13.43%	
Inflation rate	5.70%	
Nominal salary increase rate	6.76%	

Nominal benefit increase rate	5.70%	
Rate of return on investments	13.43%	
General mortality table	Milênio Plan and Healthcare Plan: AT 2000 segregated by gender 35% and Average Salary Supplementation Plans: AT 2000 segregated by gender (10% smoothed)	Milênio Plan and Healthcare Plan: AT 2000 segregated by gen 35% and Average Salary Supplementation Plans: AT 2000 seg
Disability table	Light Median	Mercer Disability with probabilities multiplied by 2
Disability mortality table	Winklevoss - 1%	Winklevoss - 1%
Turnover table	Millennium plan 5% p.a., nil for DB plans	Millennium plan 3% p.a., nil for DB plans
Retirement age	100% on the first date he/she becomes eligible for programmed retirement benefit under the plan	100% on the first date he/she becomes eligible for programmed
Household of active participants	95% will be married at the time of retirement, with the wife being 4 years younger than the husband	95% will be married at the time of retirement, with the wife bein

The assumptions related to the mortality table are based on published statistics and mortality tables. These tables represent an average life expectancy in years of employees who retire at the age of 65, as shown below:

	BD Plan (*)	12/31/2015 Milênio Plan (*)	BD Plan (*)	12/31/2014 Milênio Plan (*)
Longevity at age of 65 for current participants				
Male	20.45	19.55	20.45	19.55
Female	23.02	22.17	23.02	22.17
Longevity at age of 65 for current participants who are 40				
Male	42.69	41.59	42.69	41.59
Female	46.29	45.30	46.29	45.30

(*) The BD Plan is part of the 35% and Average Salary Supplementation Plan and the Milênio Plan is part of the Mixed Supplementary Benefit Plan.

Allocation of plan assets:

		12/31/2015		12/31/2014
Variable income	25,801	0.96%	38,167	1.61%
Fixed income	2,492,324	92.83%	2,538,297	93.59%
Real estate	124,306	4.63%	112,900	3.24%
Other	42,305	1.58%	56,470	1.56%
Total	**2,684,736**	**100.00%**	**2,745,834**	**100.00%**

Variable-income assets comprise mainly CSN shares.

Fixed-income assets comprise mostly debentures, Interbank Deposit Certificates (“CDI”) and National Treasury Notes (“NTN-B”).

Real estate refers to buildings appraised by a specialized asset appraisal firm. There are no assets in use by CSN and its subsidiaries.

For the mixed supplementary benefit plan, which has defined contribution components, the expense as of December 31, 2015 was R$29,887 (R$31,053 as of December 31, 2014).

For the defined contribution plan CBSPrev Namisa, the expense in 2015 was R$1,192 (R$1,637 as of December 31, 2014).

For the defined contribution plan CBSPrev, the expense in 2015 was R$4,460 (R$1,959 as of December 31, 2014).

27.d) Expected contributions

No contributions are expected to be paid to the defined benefit plans in 2016.

For the mixed supplementary benefit plan, which includes defined contribution components, contributions of R$30,498 are forecasted to be paid in 2016.

27.e) Sensitivity analysis

The quantitative sensitivity analysis regarding the significant assumptions for the pension plans as of December 31, 2015 is as follows:

	12/31/2015					
	Plan covering 35% of the average salary		**Average salary supplementation plan**		**Mixed supplementary benefit plan (Milênio Plan)**	
Assumption: Discount rate						
Sensitivity level	0.5%	-0.5%	0.5%	-0.5%	0.5%	-0.5%
Effect on current service cost and on interest on actuarial obligations	55	(69)	(188)	134	(945)	966
Effect on present value of obligations	(11,786)	12,640	(54,702)	58,756	(28,598)	31,054
Assumption: Salary growth						
Sensitivity level	0.5%	-0.5%	0.5%	-0.5%	0.5%	-0.5%
Effect on current service cost and on interest on actuarial obligations					500	(425)
Effect on present value of obligations			2	(2)	2,960	(2,516)
Assumption: Mortality table						
Sensitivity level	0.5%	-0.5%	0.5%	-0.5%	0.5%	-0.5%
Effect on current service cost and on interest on actuarial obligations	399	(373)	1,521	(1,418)		
Effect on present value of obligations	3,109	(2,908)	11,903	(11,099)		
Assumption: Benefit adjustment						
Sensitivity level	1.0%	-1.0%	1.0%	-1.0%	1.0%	-1.0%
Effect on current service cost and on interest on actuarial obligations	(955)	941	(3,849)	3,752	(434)	432
Effect on present value of obligations	(7,083)	6,981	(28,686)	27,964	(3,948)	3,878

The forecast benefit payments of the defined benefit plans for future years are as follows:

Forecast benefit payments	**2015**
Year 1	223,969
Year 2	240,938
Year 3	251,011
Year 4	261,150
Year 5	271,337
Next 5 years	1,507,452
Total forecast payments	**2,755,857**

27.f) Post-employment health care plan

Refers to a healthcare plan created on December 1, 1996 exclusively for former retired employees, pensioners, those who received an amnesty, war veterans, widows of employees who died as a result of on-the-job accidents and former employees who retired on or before March 20, 1997 and their dependents. Since then, the healthcare plan does not allow the inclusion of new beneficiaries. The plan is sponsored by CSN and administered by Caixa Beneficente dos Empregados da Cia. Siderúrgica Nacional - CBS.

The amounts recognized in the balance sheet were determined as follows:

	12/31/2015	**12/31/2014**
Present value of obligations	489,074	576,480
Liabilities	**489,074**	**576,480**

The reconciliation of the healthcare benefit liabilities is as follows:

	12/31/2015	**12/31/2014**
Actuarial liability at the beginning of the year	576,480	473,966
Cost of current service	67,620	53,707
Sponsor's contributions transferred in prior year	(57,525)	(46,191)
Recognition of (gain)/loss for the year	(97,501)	94,998
Actuarial liability at the end of the year	**489,074**	**576,480**

For the post-employment healthcare benefit plan, the expense as of December 31, 2015 was R$56,838 (R$54,319 as of December 31, 2014).

The actuarial gains and losses recognized in shareholders' equity are as follows:

	12/31/2015	**12/31/2014**
Actuarial gain (loss) on obligation	(97,501)	94,998
Gain (loss) recognized in shareholders' equity	**(97,501)**	**94,998**

The history of actuarial gains and losses is as follows:

	12/31/2015	**12/31/2014**	**12/31/2013**	**12/31/2012**	**12/31/2011**
Present value of defined benefit obligation	489,074	576,480	473,966	547,652	457,377
Deficit	**489,074**	**576,480**	**473,966**	**547,652**	**457,377**
Experience adjustments to plan obligations	(97,501)	94,998	(88,159)	77,182	84,575

The weighted average life expectancy based on the mortality table used to determined actuarial obligations is as follows:

	12/31/2015	**12/31/2014**
Longevity at age of 65 for current participants		
Male	19.55	19.55
Female	22.17	22.17
Longevity at age of 65 for current participants who are 40		
Male	41.59	41.59
Female	45.30	45.30

The actuarial assumptions used for calculating postemployment healthcare benefits were:

	12/31/2015	**12/31/2014**
Biometrics		
General mortality table	AT 2000 segregated by gender	AT 2000 segregated by gender
Turnover	N/A	n/a
Household	Actual household	Actual household
Financial		
Actuarial nominal discount rate	13.43%	12.20%
Inflation	5.70%	5.70%
Nominal increase in medical cost based on age	6,23% - 8,87%	6.23% - 8.87%

Nominal medical costs growth rate	8.87%	8.87%
Average medical cost	515.37	417.12

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27.g) Sensitivity analysis

The quantitative sensitivity analysis regarding the significant assumptions for the postemployment healthcare plans as of December 31, 2015 is as follows:

	12/31/2015 Healthcare Plan	
	Assumption: Discount rate	
Sensitivity level	0.5%	-0.5%
Effect on current service cost and on interest on actuarial obligations	119	(159)
Effect on present value of obligations	(16,615)	17,905
	Assumption: Medical Inflation	
Sensitivity level	1.0%	-1.0%
Effect on current service cost and on interest on actuarial obligations	5,449	(4,750)
Effect on present value of obligations	40,673	(35,471)
	Assumption: Mortality table	
Sensitivity level	1.0%	-1.0%
Effect on current service cost and on interest on actuarial obligations	(3,084)	3,184
Effect on present value of obligations	(22,967)	23,708

The forecast benefit payments of the postemployment healthcare plans for future years are as follows:

Forecast benefit payments	**2015**
Year 1	49,755
Year 2	51,975
Year 3	54,141
Year 4	56,219

Year 5	58,180
Next 5 years	314,470
Total forecast payments	**584,740**

28. GUARANTEES

The Company is liable for guarantees of its subsidiaries and joint ventures as follows:

	Currency	Maturities	Borrowings		Tax forec
			12/31/2015	12/31/2014	12/31/2015
Transnordestina Logísitca	R$	Up to 19/09/2056 and indefinite	2,544,600	2,451,682	39,559
FTL - Ferrovia Transnordestina	R$	15/11/2020	81,700	140,550	
CSN Cimentos (*)					
Cia Metalurgica Prada	R$	Minute 10/02/2016 and indefinite			333
CSN Energia	R$	Indefinite			2,829
Congonhas Minérios	R$	9/22/2022	2,000,000	2,000,000	
Fundação CSN	R$	Indefinite	1,003	1,003	
Estanho de Rondônia					
Outros (**)	R$	1/1/2016	12,000		
Total in R$			**4,639,303**	**4,593,235**	**42,721**
CSN Islands IX				400,000	
CSN Islands XI	US$	9/21/2019	750,000	750,000	
CSN Islands XII	US$	Perpetual	1,000,000	1,000,000	
CSN Resources	US$	7/21/2020	1,200,000	1,200,000	
CSN Handel				100,000	
Total in US$			**2,950,000**	**3,450,000**	
CSN Steel S.L.	EUR	1/31/2020	120,000	120,000	
Lusosider Aços Planos	EUR	Perpetual	25,000	25,000	
Total in EUR			**145,000**	**145,000**	
Total in R$			**12,135,468**	**9,631,805**	
			16,774,771	**14,225,040**	**42,721**

(*) Company incorporated in May 2015.

(**) Guarantees for the subsidiaries Companhia Metalurgica Prada, Cia Metalic Nordeste, Sepetiba Tecon, Nacional Minérios, CSN Energia and Ersa.

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29. COMMITMENTS

29.a) Take-or-pay contracts

As of December 31, 2015 and 2014, the Company was a party to take-or-pay contracts as shown in the following table:

	Payments in the period (in millions of R$)							
Type of service	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**After 2019**	**Total**
Transportation of iron ore, coal, coke, steel products, cement and mining products.	263,266	197,646	624,459	595,951	595,951	595,951	3,916,115	6,328,427
Unloading, storage, movement, loading and railroad transportation services.	5,570							
Supply of power, natural gas, oxygen, nitrogen, argon and iron ore pellets.	1,011,416	1,023,465	342,817	32,205	32,205	32,205	64,409	503,841
	49,739	104,013	18,743	8,507	8,507	7,074	22,988	65,819

Processing of slag generated during pig iron and steel production								
Manufacturing, repair, recovery and production of ingot casting machine units.	40,250	127,776	2,885					2,885
	1,370,241	**1,452,900**	**988,904**	**636,663**	**636,663**	**635,230**	**4,003,512**	**6,900,972**

29.b) Concession agreements

Minimum future payments related to government concessions as of December 31, 2015 fall due according to the schedule set out in the following table:

Concession	**Type of service**	**2016**	**2017**	**2018**	**2019**	**After 2019**	**Total**
FTL (Ferrovia Transnordestina Logística)	30-year concession granted on December 31, 1997, renewable for another 30 years, to develop public service and operating the railway system in northeastern Brazil. The northeastern railway system covers 4238 kilometers of railway network and operates in Maranhão, Piauí, Ceará, Paraíba, Pernambuco, Alagoas and	8,229	8,229	8,229	8,229	65,832	**98,748**

	Rio Grande do Norte.						
Tecar	Concession to operate the TECAR, a solid bulk terminal, one of the four terminals that make up the Port of Itaguai, located in Rio de Janeiro. The concession had an anticipated renewal and it will expires in 2047.	125,326	125,326	125,326	125,326	3,509,116	**4,010,420**
Tecon	25-year concession started in July 2001, renewable for another 25 years to operate the container terminal at the Port of Itaguai.	27,927	27,927	27,927	27,927	181,523	**293,231**
		161,482	**161,482**	**161,482**	**161,482**	**3,756,471**	**4,402,399**

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29.c) Projects and other commitments

- **Transnordestina project**

The Transnordestina project includes building 1,753 km of new, next-generation, wide-gauge tracks. The project posts a 55% progress and completion is estimated for 2017 (completion period currently under review and discussion with the responsible agencies). The Company expects that the investments will permit Transnordestina Logística S.A. to transport of several products, such as iron ore, limestone, soy, cotton, sugarcane, fertilizers, oil, and fuel. The concessionaire of the Transnordestina project holds the concession through no longer than 2057, and can be terminated before this date if the minimum return agreed with the Government is reached. Transnordestina has already obtained the required environmental permits, purchased part of the equipment, contracted some of the services, and in certain regions the project is at an advanced implementation stage.

The sources of financing for the project are: (i) financing granted by Banco do Nordeste/ FNE and the BNDES, (ii) debentures issued by FDNE, (iii) Permanent Track Use contracts, and (iv) interest in the capital of CSN and public shareholders. The approved construction investment is R$7,542,000 and the balance of disbursable funds will be adjusted using the IPCA as from April 2012. Should additional funds be required, they will be provided by CSN and/or third parties under Permanent Track Use contracts.

The budget to conclude the project is under review, currently it is being analyzed by the competent agencies (shareholders), and it is expected that the reviewed budget will be as follows: Missão Velha-Salgueiro: R$0.4 billion, Salgueiro-Trindade: R$0.7 billion, Trindade-Eliseu Martins: R$2.4 billion, Missão Velha-Porto de Pecém: R$3 billion, Salgueiro-Porto de Suape: R$4.7 billion, amounting R$ 11.2 billion.

The Company guarantees 100% of TLSA’s financing granted by Banco do Nordeste/FNE and the BNDES, and 50.97% of the debentures issued by FDNE (includes the corporate guarantee of 48.47%, a collateral letter of 1.25% issued to BNB and the corporate guarantee of 1.25% pledged to BNB). Under the FDNE charter, approved by Federal Decree 6,952/2009, and the Investment Agreement entered into with the public shareholders/ financiers, 50% of the debentures should be converted into TLSA shares.

30. INSURANCE

Aiming to properly mitigate risk and in view of the nature of its operations, the Company and its subsidiaries have taken out several different types of insurance policies. Such policies are contracted in line with the CSN Risk Management policy and are similar to the insurance taken out by other companies operating in the same lines of business as CSN and its subsidiaries. The risks covered under such policies include the following: Domestic Transportation, International Transportation, Life and Casualty, Health Coverage, Fleet Vehicles, D&O (Civil Liability Insurance for Directors and Officers), General Civil Liability, Engineering Risks, naming Risks, Export Credit, Performance Bond and Port Operator’s Civil Liability.

In 2015, after negotiation with insurers and reinsurers in Brazil and abroad, an insurance policy was issued for the contracting of a policy of Operational Risk of Property Damages and Loss of Profits, with effect from September 30, 2015 to September 30, 2016. Under the insurance policy, the LMI (Maximum Limit of Indemnity) is US$600,000,000 and covers the following units and subsidiaries of the Company: Presidente Vargas, Congonhas Minérios, CSN Handel and Namisa Handel. CSN takes responsibility for a range of retention of US$375 million in excess of the deductibles for property damages and loss of profits.

In view of their nature, the risk assumptions adopted are not part of the scope of an audit of the financial statements and, accordingly, were not audited by our independent auditors.

31. ADDITIONAL INFORMATION TO CASH FLOWS

In 2015, the Company incorporated the subsidiary CSN Cement and realized the drop down of Casa the Pedra, Tecar, investment in Namisa and MRS assets. Part of the net assets, shown in note 9, is not included in the statement of cash flows.

In addition, the following table provides additional information on transactions related to the statement of cash flows:

	Consolidated		Parent Company	
	12/31/2015	**12/31/2014**	**12/31/2015**	**12/31/2014**
Income tax and social contribution paid	134,920	98,040	120,075	20,470
Addition to PP&E with interest capitalization	166,366	165,789	160,777	165,789

Acquisition of fixed assets without adding cash	566,413		566,413	
Capital reduction with no cash effect			60,038	
Capitalization from advance to future capital increase	3,229		61,486	
Capital increase without cash effect			331,869	
	870,928	**263,829**	**1,300,658**	**186,259**

32. COMPREHENSIVE INCOME STATEMENT

		Consolidated		Parent Company
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
(Loss) Profit for the period	**1,615,951**	**(112,267)**	**1,617,793**	**(105,218)**
Other comprehensive income				
Items that will not be subsequently reclassified to the statement of income				
Actuarial gains on the defined benefit plan from investments in subsidiaries, net of taxes	230	2,221	(722)	2,243
Actuarial (losses) gains on defined benefit pension plan	92,221	(95,175)	93,663	(95,208)
Income tax and social contribution on actuarial (losses) gains on defined benefit pension plan	372	32,360	(118)	32,371
	92,823	**(60,594)**	**92,823**	**(60,594)**
Items that could be subsequently reclassified to the statement of income				
Cumulative translation adjustments for the period	530,540	28,227	530,540	28,227
Available-for-sale assets	(969,701)	(971,808)	(938,160)	(971,251)
Income tax and social contribution on available-for-sale assets	174,166	330,415	163,442	330,225
Available-for-sale assets from investments in subsidiaries, net of taxes			(20,817)	3,347
Impairment of available-for-sale assets	555,298	205,000	555,298	199,372
Income tax and social contribution on impairment of available-for-sale assets	(33,269)	(69,700)	(33,269)	(67,786)
(Loss) gain on percentage change in investments	1,980	(73,754)	1,980	(73,754)
(Loss) gain on cash flow hedge accounting	(1,399,457)	(120,633)	(1,399,457)	(120,633)
Income tax and social contribution on (loss) gain on cash flow hedge accounting	117,865	41,015	117,865	41,015
(Loss) gain on hedge of net investments in foreign subsidiaries			(20,148)	
(Loss) on net investment hedge	(20,148)			
	(1,042,726)	**(631,238)**	**(1,042,726)**	**(631,238)**
	(949,903)	**(691,832)**	**(949,903)**	**(691,832)**

Total comprehensive income for the period	**666,048**	**(804,099)**	**667,890**	**(797,050)**
Attributable to:				
Owners of the Company	667,890	(797,050)	667,890	(797,050)
Non-controlling interests	(1,842)	(7,049)		
	666,048	**(804,099)**	**667,890**	**(797,050)**

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33. SUBSEQUENT EVENTS

• **Usiminas**

As of March 2016, the Usiminas' Board of Directors approved a capital increase amounting to R$64,882, through the Issuance of 50,689,310 preferred shares. Consequently, on April 22, 2016 CSN exercised its right of subscription, paying R$11,603 by 9,064,856 preferred shares.

The Usiminas' Board of Directors approved in April 2016 an increase in its share capital amounting to R$1,000,000, through the issuance of 200,000,000 new common shares, with a deadline for exercising the preferential right to acquire the said shares up to May 23, 2016. On May 20, 2016 the Company exercised its preferential right of subscription, paying R$178,832 by 35,766,351 common shares. This capital increase was approved in the Extraordinary General Meeting of Usiminas held on July 19, 2016. The company continues to evaluate alternatives related to the investment in Usiminas, including additional purchases of shares.

On April 28, 2016, CSN elected, for two years term of office, two fixed and two alternate members in the Usiminas' Board of Directors and, for one year term, one fixed and one alternate member in the Usiminas' Fiscal Committee. The election was made possible through the flexibility and exceptional decision from CADE (Administrative Council for Economic Defense) in relation to the TCD (Performance Commitment Agreement) signed by CSN and the said Council in

2014. The mentioned decision´s flexibility was approved by the majority of CADE's Board at the meeting on 27 April 2016.

• **Conduct Adjustment Agreement**

On April 12, 2016 CSN entered into a Conduct Adjustment Agreement with the Environment Department of the State of Rio de Janeiro, the Environment Control Commission of the State of Rio de Janeiro and the Environment Institute of the State of Rio de Janeiro (INEA) comprising the resolution of all pending environmental issues related to the Presidente Vargas Steelworks (UPV), thereby ensuring the continuation of its operations. By September 2017, CSN will invest R$178 million in production process improvements and will pay R$22 million to INEA to be used in environmental programs in Volta Redonda region.

• **Metalic Discontinued Operations**

The Company signed on August 23, 2016 an agreement to sell its subsidiary Cia. Metalic do Nordeste at a base value of US$98 million, subject to certain adjustments. The closing is dependent upon certain precedent conditions contractually established as usual in transactions of this nature. The completion of the sale is expected to occur during the fourth quarter of 2016.

• **CGPar business combination**

On September 30, 2016 the Company acquired the remaining 50% of equity interest of its joint-venture CGPar. Under this acquisition, the Company acquired the majority control of CGPar.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Board of Directors and Shareholders of

Companhia Siderúrgica Nacional

São Paulo – SP

We have audited the accompanying individual and consolidated financial statements of Companhia Siderúrgica Nacional ("the Company"), identified as Parent and Consolidated, respectively, which comprise the balance sheet as of December 31, 2015, and the related statements of income, comprehensive income, changes in equity and of cash flows for the year then ended, and a summary of significant accounting policies, and other explanatory information.

Managements' responsibility for the financial statements

The Company's management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and in accordance with International Financial Reporting Standards – IFRS, as issued by the International Accounting Standards Board – IASB, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Companhia Siderúrgica Nacional as of December 31, 2015, its individual and consolidated financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with International Financial Reporting Standards – IFRS, as issued by the International Accounting Standards Board – IASB.

Emphasis of matter

Restatement of financial statements

We have issued our audit report on March 28, 2016, without modifications, on the Company´s individual and consolidated financial statements, which are being restated. As described in note 2.a.b) to the financial statements, the financial statements were adjusted and are being restated to reflect a change in interpretation in respect to the application of CPC15 (R1) / IFRS 3 – "Business Combination", as part of the business combination of the subsidiary Congonhas Minérios S.A. Our opinion remains unqualified.

Restatement of prior year financial information

The individual and consolidated values, related to the balance sheet as of December 31, 2014 and the statement of cash flows for the year then ended, presented for comparative purposes, are being restated due to the matter described in note 2.a.a).

Other matters

Statements of value added

We have also audited the individual and consolidated statements of value added ("DVA") for the year ended December 31, 2015, prepared under the responsibility of the Company's Management, the presentation of which is required by Brazilian Corporate Law for publicly-traded companies, supplemental information for IFRS, which do not require the presentation of DVA. These statements, which were amended and are being restated to reflect the adjustments described in note 2.a.b) to the financial statements, were subject to the same auditing procedures described above, and, based on our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

The accompanying individual and consolidated interim financial information has been translated into English for the convenience of readers outside Brazil.

São Paulo, November 14, 2016

DELOITTE TOUCHE TOHMATSU	Gilberto Grandolpho
Auditores Independentes	Engagement Partner

Opinions and Statements / Opinion of the Supervisory Board or Equivalent Body

Date: November 10, 2016, Report No. 135

The Audit Committee, management and the Company’s independent auditors reviewed the proposal of restatement and voluntary republication of the Company's Financial Statements for the fiscal year ended December 31, 2015 due to a change in the interpretation of application of the accounting standards CPC15/IFRS3 – Business Combination. The discussions held by the Company’s management and its independent auditors related to the accounting procedure to recognize the non-controlling interests of Congonhas Minérios S.A. in the company’s consolidated financial statements were reported, as well as the process of audit completion of the Company’s financial statements as of and for the fiscal year ended December 31, 2015 being restated.

After reviewing and discussing the audited financial statements and the Annual Management Report, the Audit Committee concluded that the reports mentioned above are, in all relevant aspects, fairly presented and decided to recommend to the Board of Directors that these audited financial statements as of and for the fiscal year ended December 31, 2015 to be restated/republished and submitted to the General Meeting approval

Antonio Bernardo Vieira Maia

Fernando Perrone

Claudia Maria Sarti – secretary

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STATEMENT OF DIRECTORS ON THE FINANCIAL STATEMENTS

As the Executive Directors of the Companhia Siderurgica Nacional, we declare pursuant to Article 25, paragraph 1, item VI of CVM Instruction 480 of December 7, 2009, that we reviewed, discussed and agreed to the Financial Statements ended at December 31, 2015

São Paulo, November 14, 2016.

Benjamin Steinbruch

CEO

Luis Fernando Barbosa Martinez

Executive Director

David Moise Salama

Executive Director of Investors Relations

Fábio Eduardo de Pieri Spina

Executive Director

Pedro Gutemberg Quariguasii Netto

Executive Director

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STATEMENT OF DIRECTORS ON AUDITORS´REPORT

As the Executive Directors of the Companhia Siderurgica Nacional, we declare pursuant to Article 25, paragraph 1, item V of CVM Instruction 480 of December 7, 2009, that we reviewed, discussed and agreed to the Financial Statements ended at December 31, 2015.

São Paulo, November 14, 2016.

Benjamin Steinbruch

CEO

Luis Fernando Barbosa Martinez

Executive Director

David Moise Salama

Executive Director of Investors Relations

Fábio Eduardo de Pieri Spina

Executive Director

Pedro Gutemberg Quariguasii Netto

Executive Director

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.
Date: November 14, 2016

COMPANHIA SIDERÚRGICA NACIONAL

By: /s/ Benjamin Steinbruch

Benjamin Steinbruch
Chief Executive Officer

By: /s/ David Moise Salama

David Moise Salama
Executive Officer

FORWARD-LOOKING STATEMENTS

This press release may contain forward-looking statements. These statements are statements that are not historical facts, and are based on management's current view and estimates of future economic circumstances, industry conditions, company performance and financial results. The words "anticipates", "believes", "estimates", "expects", "plans" and similar expressions, as they relate to the company, are intended to identify forward-looking statements. Statements regarding the declaration or payment of dividends, the implementation of principal operating and financing strategies and capital expenditure plans, the direction of future operations and the factors or trends affecting financial condition, liquidity or results of operations are examples of forward-looking statements. Such statements reflect the current views of management and are subject to a number of risks and uncertainties. There is no guarantee that the expected events, trends or results will actually occur. The statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations.