NATIONAL STEEL CO
Form 6-K
May 01, 2018

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

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

For the month of April, 2018
Commission File Number 1-14732

COMPANHIA SIDERÚRGICA NACIONAL

(Exact name of registrant as specified in its charter)

National Steel Company

(Translation of Registrant's name into English)

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

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

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

Yes _______ No ___X____

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

Annual Financial Statements – December 31, 2017 – CIA SIDERURGICA NACIONAL

Version: 1

Table of Contents

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

Annual Financial Statements – December 31, 2017 – CIA SIDERURGICA NACIONAL **Version: 1**

Company Information / Capital Breakdown

Number of Shares	**Current Quarter**
(Units)	**12/31/2017**
Paid-in Capital	
Common	1,387,524,047
Preferred	0
Total	1,387,524,047
Treasury Shares	
Common	30,391,000
Preferred	0
Total	30,391,000

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

Annual Financial Statements – December 31, 2017 – CIA SIDERURGICA NACIONAL

Version: 1

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

Code	Description	Current Quarter 12/31/2017	First prior year 12/31/2016	Second prior year 12/31/2015
1	Total assets	42,365,935	41,716,949	0
1.01	Current assets	7,642,103	7,989,806	0
1.01.01	Cash and cash equivalents	393,504	1,466,746	0
1.01.02	Financial investments	716,461	758,433	0
1.01.02.02	Financial investments measured at amortized cost	716,461	758,433	0
1.01.03	Trade receivables	2,966,706	2,624,853	0
1.01.04	Inventories	2,951,352	2,504,230	0
1.01.08	Other current assets	614,080	635,544	0
1.01.08.03	Others	614,080	635,544	
1.02	Non-current assets	34,723,832	33,727,143	0
1.02.01	Long-term receivables	2,267,226	1,395,962	0
1.02.01.09	Other non-current assets	2,267,226	1,395,962	0
1.02.02	Investments	22,894,885	22,703,508	0
1.02.03	Property, plant and equipment	9,502,411	9,580,126	0
1.02.04	Intangible assets	59,310	47,547	0

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

Annual Financial Statements – December 31, 2017 – CIA SIDERURGICA NACIONAL **Version: 1**

Parent Company Financial Statements / Balance Sheet – Liabilities (R$ thousand)

Code	Description	Current Quarter 12/31/2017	First prior year 12/31/2016	Second prior year 12/31/2015
2	Total liabilities	42,365,935	41,716,949	0
2.01	Current liabilities	9,175,980	4,108,798	0
2.01.01	Payroll and related taxes	133,774	135,676	0
2.01.02	Trade payables	1,787,392	1,312,183	0
2.01.03	Tax payables	86,496	66,445	0
2.01.04	Borrowings and financing	6,578,171	2,051,882	0
2.01.05	Other payables	515,561	464,531	0
2.01.06	Provisions	74,586	78,081	0
2.01.06.01	Provision for tax, social security, labor and civil risks	74,586	78,081	0
2.02	Non-current liabilities	26,162,582	31,413,623	0
2.02.01	Long term Borrowings and financing	22,454,846	28,196,893	0
2.02.02	Other payables	57,599	76,499	0
2.02.03	Deferred taxes	570,559	587,357	0
2.02.04	Provisions	3,079,578	2,552,874	0
2.02.04.01	Provision for tax, social security, labor and civil risks	555,459	548,537	0
2.02.04.02	Other provisions	2,524,119	2,004,337	0
2.02.04.02.03	Provision for environmental liabilities and decommissioning of assets	248,918	265,772	0
2.02.04.02.04	Pension and healthcare plan	908,721	719,266	0
2.02.04.02.05	Provision for losses on investments	1,366,480	1,019,299	0
2.03		7,027,373	6,194,528	0

	Consolidated Shareholders' equity			
2.03.01	Share Capital	4,540,000	4,540,000	0
2.03.02	Capital reserves	30	30	0
2.03.04.02	Earnings reserves	238,976	238,976	0
2.03.04.09	Treasury shares	(238,976)	(238,976)	0
2.03.05	Profits/losses acumulated	(1,291,689)	(1,301,961)	0
2.03.08	Other comprehensive income	3,779,032	2,956,459	0

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

Annual Financial Statements – December 31, 2017 – CIA SIDERURGICA NACIONAL

Version: 1

Parent Company Financial Statements / Statements of Income

(R$ thousand)

Code	**Description**	**Current Quarter 01/01/2017 to 12/31/2017**	**First prior year 01/01/2016 to 12/31/2016**	**Second prior year 01/01/2015 to 12/31/2015**
3.01	Revenues from sale of goods and rendering of services	10,386,836	8,999,915	0
3.02	Costs from sale of goods and rendering of services	(8,542,284)	(7,353,490)	0
3.03	Gross profit	1,844,552	1,646,425	0
3.04	Operating expenses/income	378,027	(1,432,043)	0
3.04.01	Selling expenses	(680,386)	(612,917)	0
3.04.02	General and administrative expenses	(204,521)	(264,235)	0
3.04.04	Other operating income	799,874	587,390	0
3.04.05	Other operating expenses	(438,776)	(771,938)	0
3.04.06	Equity in income of affiliates and join ventures	901,836	(370,343)	0
3.05	Profit before financial income (expenses) and taxes	2,222,579	214,382	0
3.06	Financial income (expenses)	(2,280,727)	(1,236,385)	0
3.06.01	Financial income	261,754	198,551	0
3.06.02	Financial expenses	(2,542,481)	(1,434,936)	0
3.06.02.01	Net exchange differences over financial instruments	(95,462)	2,001,588	0
3.06.02.02	Financial expenses	(2,447,019)	(3,436,524)	0
3.07	Profit (loss) before taxes	(58,148)	(1,022,003)	0
3.08	Income tax and social contribution	68,420	96,817	0
3.09	Profit (loss) from continued operations	10,272	(925,186)	0
3.10	Profit (loss) from discontinued operations	0	(9,561)	0

3.11	Consolidated Profit (loss) for the year	10,272	(934,747)	
3.99	Earnings per Share - (kings / share)			0
3.99.01	Basic earnings per share			
3.99.01.01	Common shares	0.00757	(0.68876)	0
3.99.02	Diluted earnings per share			
3.99.02.01	Common shares	0.00757	(0.68876)	0

Page 4

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

Annual Financial Statements – December 31, 2017 – CIA SIDERURGICA NACIONAL **Version: 1**

Parent Company Financial Statements / Statement of Comprehensive Income (R$ thousand)

Code	Description	Current Quarter 01/01/2017 to 12/31/2017	First prior year 01/01/2016 to 12/31/2016	Second prior year 01/01/2015 to 12/31/2015
4.01	Consolidated profit for the year	10,272	(934,747)	0
4.02	Other comprehensive income	822,573	1,165,766	0
4.02.01	Actuarial gains over pension plan of affiliates	2,168	5,403	0
4.02.02	Actuarial gains (losses) on defined benefit pension plan	(206,275)	(227,352)	0
4.02.04	Cumulative translation adjustments for the year	170,342	(486,890)	0
4.02.05	Available-for-sale assets	847,849	711,942	0
4.02.10	(Loss) / gain on the percentage change in investments	2,814	1,299	0
4.02.11	Gain (loss) on cash flow hedge accounting	(50,987)	1,005,968	0
4.02.12	Realization of cash flow hedge accounting reclassified to income statement	92,140	77.444	0
4.02.13	Gain (Loss) on net investment hedge from investments in affiliates	(39,893)	77,952	0
4.02.14	Gain (Loss) on business combination	4,415	0	0
4.03	Consolidated comprehensive income for the year	832,845	231,019	0

Page 5

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

Annual Financial Statements – December 31, 2017 – CIA SIDERURGICA NACIONAL

Version: 1

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

Code	Description	Current Year 01/01/2017 to 12/31/2017	First prior year 01/01/2016 to 12/31/2016	Second prior year 01/01/2015 to 12/31/2015
6.01	Net cash from operating activities	721,126	1,257,546	0
6.01.01	Cash from operations	1,255,369	290,446	0
6.01.01.01	Profit (loss) for the period	10,272	(934,747)	0
6.01.01.02	Financial charges in borrowing	2,115,117	2,537,652	0
6.01.01.03	Financial charges in lending	(98,511)	(40,557)	0
6.01.01.04	Depreciation, depletion and amortization	642,833	596,443	0
6.01.01.05	Equity in income (losses) of affiliates	(901,836)	370,343	0
6.01.01.06	Deferred income tax and social contribution	(68,420)	(59,299)	0
6.01.01.07	Provision for tax, social security, labor, civil and environmental risks	3,427	(29,680)	0
6.01.01.08	Exchange differences, net	270,944	(2,278,812)	0
6.01.01.11	Write-off of PPE and Intangible assets	2,112	39,397	0
6.01.01.12		(28,605)		0

	Provision for actuarial liabilities		(18,899)	
6.01.01.13	Provision for environmental liabilities and decommissioning of assets	(16,854)	6,657	0
6.01.01.14	Gain on business combination	0	(66,496)	0
6.01.01.15	Gain on disposal of available for sale assets	0	(252,023)	0
6.01.01.16	Impairment Fair Value of Transnordestina	0	387,989	0
6.01.01.17	Monetary adjustment related to the Eletrobrás's compulsory loan	(755,151)	0	0
6.01.01.18	Other provisions	80,041	32,478	0
6.01.02	Changes in assets and liabilities	(534,243)	967,100	0
6.01.02.01	Trade receivables - third parties	(420,153)	(172,057)	0
6.01.02.02	Trade receivables - related parties	202,105	204,070	0
6.01.02.03	Inventories	(447,122)	346,514	0
6.01.02.04	Receivables - related parties / Dividends	1,934,839	2,281,801	0
6.01.02.05	Tax assets	(114,878)	297,827	0
6.01.02.06	Judicial deposits	13,275	30,995	0
6.01.02.09	Trade payables	475,209	580,185	0
6.01.02.10	Payroll and related taxes	(1,902)	(6,129)	0
6.01.02.11	Taxes in installments - REFIS	19,863	63,783	0
6.01.02.13	Payables to related parties	93,598	10,278	0
6.01.02.15	Interest paid	(2,278,089)	(2,571,987)	0
6.01.02.18	Interest on swaps paid	1,984	69	0
6.01.02.19	Others	(12,972)		0

			(98,249)	
6.02	Net cash investment activities	(512,847)	(1,093,142)	0
6.02.01	Investments / AFAC / Acquisitions of Shares	(57,847)	(229,624)	0
6.02.02	Purchase of property, plant and equipment	(551,891)	(1,203,640)	0
6.02.04	Acquisition of intangible assets	-	(1,500)	0
6.02.10	Intercompany loans granted	(57,405)	(125,536)	0
6.02.11	Intercompany loans received	12,993	4,646	0
6.02.12	Exclusive funds	(121)	84,809	0
6.02.13	Financial Investments, net of redemption	41,972	5,166	0
6.02.14	Cash received by disposal of available for sale assets	0	372,537	0
6.02.15	Cash received by disposal of investments - CGPAR	99,452	0	
6.03	Net cash used in financing activities	(1,281,521)	(589,034)	0
6.03.01	Borrowings and financing	371,000	100,837	0
6.03.02	Borrowings of cost	(238)	(24,887)	0
6.03.03	Borrowings and financing, related parties	0	40,239	0
6.03.04	Amortization of borrowings and financing	(1,407,940)	(664,931)	0

6.03.05	Amortization of borrowings and financing - related parties	(244,343)	(40,239)	0
6.03.06	Payments of dividends and interests on shareholder´s equity	0	(53)	0
6.04	Exchange rate on translating cash and cash equivalents	0	6,177	0
6.05	Increase (decrease) in cash and cash equivalents	(1,073,242)	(418,453)	0
6.05.01	Cash and equivalents at the beginning of the year	1,466,746	1,885,199	0
6.05.02	Cash and equivalents at the end of the year	393,504	1,466,746	0

Page 6

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

Annual Financial Statements – December 31, 2017 – CIA SIDERURGICA NACIONAL **Version: 1**

Parent Company Financial Statements / Statement of Changes in Equity - 1/1/2017 to 12/31/2017

(R$ thousand)

Code	Description	Paid-in capital	Capital reserve, granted options and treasury shares	Earnings reserve	Retained earnings (accumulated losses)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	4,540,000	30	-	(1,301,961)	2,956,459	6,194,528
5.03	Ajusted opening balances	4,540,000	30	-	(1,301,961)	2,956,459	6,194,528
5.05	Total comprehensive income	-	-	-	10,272	822,573	832,845
5.05.01	Profit for the period	-	-	-	10,272	-	10,272
5.05.02	Other comprehensive income	-	-	-		822,573	822,573
5.05.02.04	Translation adjustments for the year	-	-	-	-	170,342	170,342
5.05.02.07	Actuarial (loss)/gain on pension plan, net of taxes	-	-	-	-	(204,107)	(204,107)
5.05.02.08	Available-for-sale assets, net of	-	-	-	-	847,849	847,849

	taxes						
5.05.02.12	(Loss) / Gain on the percentage change in investments	-	-	-	-	2,814	2,814
5.05.02.13	(Loss) / Gain on cash flow hedge accounting, net of taxes	-	-	-	-	41,153	41,153
5.05.02.14	(Loss) / Gain on net investment hedge in foreign subsidiaries	-	-	-	-	(39,893)	(39,893)
5.05.02,15	(Loss)/ Gain on business combination	-	-	-	-	4,415	4,415
5.07	Closing balance	4,540,000	30	-	(1,291,689)	3,779,032	7,027,373

Page 7

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

Annual Financial Statements – December 31, 2017 – CIA SIDERURGICA NACIONAL **Version: 1**

Parent Company Financial Statements / Statement of Changes in Equity - 1/1/2016 to 12/31/2016

(R$ thousand)

Code	Description	Paid-in capital	Capital reserve, granted options and treasury shares	Earnings reserve	Retained earnings (accumulated losses	Other comprehensive income	Shareholders' equity
5.01	Opening balances	4,540,000	30	-	(367,214)	1,790,693	5,963,509
5.03	Ajusted opening balances	4,540,000	30	-	(367,214)	1,790,693	5,963,509
5.05	Total comprehensive income	-	-	-	(934,747)	1,165,766	231,019
5.05.01	Profit for the period	-	-	-	(934,747)	-	(934,747)
5.05.02	Other comprehensive income	-	-	-		1,165,766	1,165,766
5.05.02.04	Translation adjustments for the year	-	-	-	-	(486,890)	(486,890)
5.05.02.06	Actuarial (loss)/gain on pension plan, net of taxes	-	-	-	-	(221,949)	(221,949)
5.05.02.07	Available-for-sale assets, net of	-	-	-	-	711,942	711,942

	taxes						
5.05.02.08	(Loss) / gain on the percentage change in investments	-	-	-	-	1,299	1,299
5.05.02.09	(Loss) / gain on cash flow hedge accounting, net of taxes	-	-	-	-	1,083,412	1,083,412
5.05.02.10	(Loss) / gain on net investment hedge in foreign subsidiaries	-	-	-	-	77,952	77,952
5.07	Closing balance	4,540,000	30	-	(1,301,961)	2,956,459	6,194,528

Page 8

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

Annual Financial Statements – December 31, 2017 – CIA SIDERURGICA NACIONAL **Version: 1**

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

Code	Description	Current year 01/01/2017 to 12/31/2017	First prior year 01/01/2016 to 12/31/2016	Second prior year 01/01/2015 to 31/12/2015
7.01	Revenues	13,596,257	11,441,279	0
7.01.01	Sales of products and rendering of services	12,790,843	11,214,780	0
7.01.02	Other revenues	821,455	238,348	0
7.01.04	Allowance for (reversal of) doubtful debts	(16,041)	(11,849)	0
7.02	Raw materials acquired from third parties	(9,814,665)	(8,623,098)	0
7.02.01	Cost of sales and services	(8,822,738)	(7,616,318)	0
7.02.02	Materials, electric power, outsourcing and other	(985,182)	(990,323)	0
7.02.03	Impairment/recovery of assets	(6,745)	(16,457)	0
7.03	Gross value added	3,781,592	2,818,181	0
7.04	Retentions	(642,833)	(596,443)	0
7.04.01	Depreciation, amortization and depletion	(642,833)	(596,443)	0
7.05	Wealth created	3,138,759	2,221,738	0
7.06	Value added received	1,253,363	(450,677)	0
7.06.01	Equity in income of affiliates	901,836	(370,343)	0
7.06.02	Financial income	261,754	198,551	0
7.06.03	Others	89,773	(278,885)	0
7.06.03.01	Others and exchange gains	89,773	(278,885)	0
7.07	Wealth for distribution	4,392,122	1,771,061	0
7.08	Wealth distributed	4,392,122	1,771,061	0
7.08.01	Personnel	1,196,031	1,129,727	0
7.08.01.01	Salaries and wages	891,355	872,840	0
7.08.01.02	Benefits	228,559	195,886	0
7.08.01.03	Severance payment (FGTS)	76,117	61,001	0
7.08.02	Taxes, fees and contributions	547,801	410,640	0
7.08.02.01	Federal	414,033	271,821	0

7.08.02.02	State	133,746	138,818	0
7.08.02.03	Municipal	22	1	0
7.08.03	Remuneration on third-party capital	2,638,018	1,155,880	0
7.08.03.01	Interest	2,450,250	3,436,377	0
7.08.03.02	Leases	11,104	10,721	0
7.08.03.03	Others	176,664	(2,291,218)	0
7.08.03.03.01	Others and exchange losses	176,664	(2,291,218)	0
7.08.04	Remuneration on Shareholders' capital	10,272	(934,747)	0
7.08.04.03	Retained earnings (accumulated losses)	10,272	(934,747)	0
7.08.05	Others	0	9,561	0
7.08.05.01	Gain (loss) on discontinued operations	0	9,561	0

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

Annual Financial Statements – December 31, 2017 – CIA SIDERURGICA NACIONAL **Version: 1**

Consolidated Financial Statements / Balance Sheet – Assets
(R$ thousand)

Code	**Description**	**Current Quarter 12/31/2017**	**First prior year 12/31/2016**	**Second prior year 12/31/2015**
1	Total Assets	45,209,970	44,153,623	0
1.01	Current assets	11,881,496	12,444,918	0
1.01.01	Cash and cash equivalent	3,411,572	4,871,162	0
1.01.02	Financial investments	735,712	760,391	0
1.01.02.02	Financial investments at amortized cost	735,712	760,391	0
1.01.03	Trade receivables	2,276,215	1,997,216	0
1.01.04	Inventory	4,464,419	3,964,136	0
1.01.08	Other current assets	993,578	852,013	0
1.01.08.03	Others	993,578	0	0
1.02	Non-current assets	33,328,474	31,708,705	0
1.02.01	Long-term assets	2,591,594	1,745,971	0
1.02.01.06	Deferred tax assets	63,119	70,151	0
1.02.01.09	Other non-current assets	2,528,475	1,675,820	0
1.02.02	Investments	5,499,995	4,568,451	0
1.02.03	Property, plant and equipmet	17,964,839	18,135,879	0
1.02.04	Intangible assets	7,272,046	7,258,404	0

Page 10

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

Annual Financial Statements – December 31, 2017 – CIA SIDERURGICA NACIONAL **Version: 1**

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

Code	**Description**	**Current Quarter 12/31/2017**	**First prior year 12/31/2016**	**Second prior year 12/31/2015**
2	Total liabilities	45,209,970	44,153,623	0
2.01	Current liabilities	10,670,050	5,496,683	0
2.01.01	Payroll and related taxes	252,418	253,837	0
2.01.02	Trade payables	2,460,774	1,763,206	0
2.01.03	Tax payables	264,097	231,861	0
2.01.04	Borrowings and financing	6,526,902	2,117,448	0
2.01.05	Other payables	1,059,901	1,021,724	0
2.01.06	Provisions	105,958	108,607	0
2.01.06.01	Provision for tax, social security, labor and civil risks	105,958	108,607	0
2.02	Non-current liabilities	26,251,691	31,272,419	0
2.02.01	Long term Borrowings and financing	22,983,942	28,323,570	0
2.02.02	Other payables	129,323	131,137	0
2.02.03	Deferred tax liabilities	1,173,559	1,046,897	0
2.02.04	Provisions	1,964,867	1,770,815	0
2.02.04.01	Provision for tax, social security, labor and civil risks	719,133	704,485	0
2.02.04.02	Other provisions	1,245,734	1,066,330	0
2.02.04.02.03	Provision for environmental liabilities and decommissioning of assets	337,013	347,064	0
2.02.04.02.04	Pension and healthcare plan	908,721	719,266	0
2.03	Consolidated Shareholders' equity	8,288,229	7,384,521	0
2.03.01	Share Capital	4,540,000	4,540,000	0
2.03.02	Capital reserves	30	30	0
2.03.04.02	Earnings reserves	238,976	238,976	0
2.03.04.09	Treasury shares	(238,976)	(238,976)	0
2.03.05	Profit/ losses acumulated	(1,291,689)	(1,301,961)	0
2.03.08	Other comprehensive income	3,779,032	2,956,459	0

2.03.09	Profit attributable to the non-controlling interests	1,260,856	1,189,993	0

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

Annual Financial Statements – December 31, 2017 – CIA SIDERURGICA NACIONAL **Version: 1**

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

Code	Description	Current year 01/01/2017 to 12/31/2017	Previous year 01/01/2016 to 12/31/2016	Second prior year 01/01/2015 to 12/31/2015
3.01	Revenues from sale of goods and rendering of services	18,524,601	17,148,949	0
3.02	Costs from sale of goods and rendering of services	(13,596,141)	(12,640,042)	0
3.03	Gross profit	4,928,460	4,508,907	0
3.04	Operating expenses/income	(1,944,495)	(2,563,431)	0
3.04.01	Selling expenses	(1,815,107)	(1,696,896)	0
3.04.02	General and administrative expenses	(415,841)	(518,232)	0
3.04.04	Other operating income	824,286	663,509	0
3.04.05	Other operating expenses	(646,944)	(1,076,730)	0
3.04.06	Equity in income of affiliates and jointly operations	109,111	64,918	0
3.05	Profit before financial income (expenses) and taxes	2,983,965	1,945,476	0
3.06	Financial income (expenses)	(2,463,627)	(2,522,427)	0
3.06.01	Financial income	295,074	643,590	0
3.06.02	Financial expenses	(2,758,701)	(3,166,017)	0
3.06.02.01	Net exchange differences over financial instruments	(16,450)	116,948	0
3.06.02.02	Financial expenses	(2,742,251)	(3,282,965)	0
3.07	Profit (loss) before taxes	520,338	(576,951)	0
3.08	Income tax and social contribution	(409,109)	(266,546)	0
3.09	Profit (loss) from continued operations	111,229	(843,497)	0
3.10	Profit (loss) from dicontinued operations	0	(9,561)	0
3.11		111,229	(853,058)	0

	Consolidated Profit (loss) for the year			
3.11.01	Profit attributable to the controlling interests	10,272	(934,747)	0
3.11.02	Profit attributable to the non-controlling interests	100,957	81,689	0
3.99.01.01	Common shares	0.00757	(0.68876)	0
3.99.02.01	Common shares	0.00757	(0.68876)	0

Page 12

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

Annual Financial Statements – December 31, 2017 – CIA SIDERURGICA NACIONAL

Version: 1

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

Code	Description	Current Quarter 01/01/2017 to 12/31/2017	First prior year 01/01/2016 to 12/31/2016	Second prior year 01/01/2015 to 12/31/2015
4.01	Consolidated profit for the year	111,229	(853,058)	0
4.02	Other comprehensive income	822,573	1,065,766	0
4.02.01	Actuarial gains over pension plan of affiliates	(12)	87	0
4.02.02	Actuarial gains (losses) on defined benefit pension plan	(203,022)	(219,417)	0
4.02.03	Income tax and social contribution on actuarial (losses) gains in pension plan	(1,073)	(2,619)	0
4.02.04	Cumulative translation adjustments for the year	170,342	(486,890)	0
4.02.05	Available-for-sale assets	847,849	711,942	0
4.02.09	(Loss) / gain on the percentage change in investments	2,814	1,299	0
4.02.10	Gain (loss) on cash flow hedge accounting	(50,987)	1,005,968	0
4.02.11	Realization of cash flow hedge accounting reclassified to income statement	92,140	77,444	
4.02.12	Gain (Loss) on net investment hedge in foreign subsidiaries	(39,893)	77,952	0
4.02.13	Gain(Loss) on business combination	4,415	0	0
4.03	Consolidated comprehensive income for the year	933,802	312,708	0
4.03.01	Attributed to controlling Shareholders	832,845	231,019	0
4.03.02	Attributed to non-controlling Shareholders	100,957	81,689	0

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

Annual Financial Statements – December 31, 2017 – CIA SIDERURGICA NACIONAL

Version: 1

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

Code	Description	Current Year 01/01/2017 to 12/31/2017	First prior year 01/01/2016 to 12/31/2016	Second prior year 01/01/2015 to 12/31/2015
6.01	Net cash from operating activities	571,851	275,918	0
6.01.01	Cash from operations	3,338,379	2,291,521	0
6.01.01.01	Profit attributable to the controlling interests	10,272	(934,747)	0
6.01.01.02	Results of non-controlling shareholders	100,957	81,689	0
6.01.01.03	Financial charges in borrowing	2,346,598	2,944,558	0
6.01.01.04	Financial charges in lending	(54,777)	(58,731)	0
6.01.01.05	Depreciation, depletion and amortization	1,453,335	1,322,497	0
6.01.01.06	Equity in gain (loss) of affiliates	(109,111)	(64,918)	0
6.01.01.08	Deferred tax	50,128	60,368	0
6.01.01.09	Provision for tax, social security, labor, civil and environmental risks	10,166	(25,642)	0
6.01.01.10	Exchange differences, net	250,660	(1,038,018)	0
6.01.01.11	Gain (loss) of derivative financial instruments	(28,503)	(5,467)	0
6.01.01.12	Monetary adjustment related to the Eletrobrás's compulsory loan	(755,151)	0	0
6.01.01.13	Residual value of permanent assets written off	28,127	88,339	0
6.01.01.14	Gain on repurchase of debt securities	0	(146,214)	0
6.01.01.15	Provision for actuarial liabilities	(36,953)	(18,803)	0

6.01.01.16	Gain on business combination	0	(66,496)	0
6.01.01.17	Gain on disposal of available for sale assets	0	(252,023)	0
6.01.01.18	Provision for environmental liabilities and decommissioning of assets	(10,051)	18,133	0
6.01.01.19	Impairment fair value of Transnordestina	0	387,989	0
6.01.01.20	Other provisions	82,682	(993)	0
6.01.02	Changes in assets and liabilities	(2,766,528)	(2,015,603)	0
6.01.02.01	Trade receivables - third parties	(300,449)	(388,469)	0
6.01.02.02	Trade receivables - related parties	14,449	(3,956)	0
6.01.02.03	Inventories	(442,109)	947,834	0
6.01.02.04	Receivables from related parties	68,224	34,082	0
6.01.02.05	Tax assets	(100,470)	275,018	0
6.01.02.06	Judicial deposits	(6,720)	38,910	0
6.01.02.08	Trade payables	667,032	482,009	0
6.01.02.09	Payroll and related taxes	(3,658)	(5,691)	0
6.01.02.10	Taxes in installments - REFIS	23,775	(253,374)	0
6.01.02.12	Payables to related parties	46,081	(9,726)	0
6.01.02.14	Interest paid	(2,634,931)	(3,050,036)	0
6.01.02.15	Interest on swaps paid	0	(3,999)	0
6.01.02.16	Interest received	0	19,636	0
6.01.02.17	Other	(97,752)	(97,841)	0
6.02	Net cash used in investing activities	(1,049,224)	(2,305,168)	0
6.02.01	Investments / Advances for future capital increase	0	(190,435)	0
6.02.02	Purchase of property, plant and equipment	(1,059,481)	(1,628,694)	0
6.02.04	Receipt/payment in derivative transactions	30,453	(722,443)	0
6.02.05	Purchase of intangible assets	(622)	(3,119)	0
6.02.06	Intercompany loans granted	(49,072)	(96,461)	0
6.02.07	Intercompany loans received	4,819	0	0
6.02.08	Financial Investments net of redemption	24,679	3.208	0
6.02.11	Cash and cash equivalents on acquisition of control	0	941	0
6.02.12	Cash received by disposal of the investment from discontinued operations	0	331,835	0
6.03	Net cash used in financing activities	(993,755)	(883,012)	0
6.03.01	Borrowings and financing	534,506	100,837	0

6.03.02	Cost of borrowing	(238)	(26,844)	0
6.03.05	Amortization of borrowings and financing	(1,528,023)	(805,854)	0
6.03.07	Payments of dividends and interests on shareholder´s equity	0	(53)	0
6.03.09	Buyback of debt securities	0	(151,098)	0
6.04	Exchange rate on translating cash and cash equivalents	11,538	(77,628)	0
6.05	Increase (decrease) in cash and cash equivalents	(1,459,590)	(2,989,890)	0
6.05.01	Cash and equivalents at the beginning of the year	4,871,162	7,861,052	0
6.05.02	Cash and equivalents at the end of the year	3,411,572	4,871,162	0

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

Annual Financial Statements – December 31, 2017 – CIA SIDERURGICA NACIONAL

Version: 1

Consolidated Financial Statements / Statement of Changes in Equity - 1/1/2017 to 12/31/2017 (R$ thousand)

Code	Description	Paid-in capital	Capital reserve, granted options and treasury shares	Earnings reserve	Retained earnings (accumulated losses	Other comprehensive income	Shareholders' equity	Non-con in
5.01	Opening balances	4,540,000	30	-	(1,301,961)	2,956,459	6,194,528	1,
5.03	Adjusted opening balances	4,540,000	30	-	(1,301,961)	2,956,459	6,194,528	1,
5.05	Total comprehensive income	-	-	-	10,272	822,573	832,845	
5.05.01	Profit for the year	-	-	-	10,272	-	10,272	
5.05.02	Other comprehensive income	-	-	-	-	822,573	822,573	
5.05.02.04	Translation adjustments for the year	-	-	-	-	170,342	170,342	
5.05.02.07	Actuarial (loss)/gains on pension plan, net of taxes	-	-	-	-	(204,107)	(204,107)	
5.05.02.08	Available-for-sale assets, net of taxes	-	-	-	-	847,849	847,849	
5.05.02.12	(Loss) /Gain on the percentage	-	-	-	-	2,814	2,814	

	change in investments							
5.05.02.13	(Loss) / Gain on cash flow hedge accounting, net of taxes	-	-	-	-	41,153	41,153	
5.05.02.14	(Loss) / Gain on net investment hedge in foreign subsidiaries.	-	-	-	-	(39,383)	(39,383)	
5.05.02.15	(Loss)/Gain on business combination	-	-	-	-	4,415	4,415	
5.06	Internal changes in shareholders' equity	-	-	-	-	-	-	(
5.06.07	Non-controlling interests in affiliates	-	-	-	-	-	-	(
5.07	Closing balance	4,540,000	30	-	(1,291,689)	3,779,032	7,027,373	1,2

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

Annual Financial Statements – December 31, 2017 – CIA SIDERURGICA NACIONAL **Version: 1**

Consolidated Financial Statements / Statement of Changes in Equity - 1/1/2016 to 12/31/2016

(R$ thousand)

Code	**Description**	**Paid-in capital**	**Capital reserve, granted options and treasury shares**	**Earnings reserve**	**Retained earnings (accumulated losses**	**Other comprehensive income**	**Shareholders' equit**	**Non-con in**
5.01	Opening balances	4,540,000	30	-	(367,214)	1,790,693	5,963,509	1,
5.03	Adjusted opening balances	4,540,000	30	-	(367,214)	1,790,693	5,963,509	1,
5.05	Total comprehensive income	-	-	-	(934,747)	1,165,766	231,019	
5.05.01	Profit for the year	-	-	-	(934,747)	-	(934,747)	
5.05.02	Other comprehensive income	-	-	-	-	1,165,766	1,165,766	
5.05.02.04	Translation adjustments for the year	-	-	-	-	(486,890)	(486,890)	
5.05.02.06	Actuarial gains on pension plan, net of taxes	-	-	-	-	(221,949)	(221,949)	
5.05.02.07	Available-for-sale assets, net of taxes	-	-	-	-	711,942	711,942	
5.05.02.08	(Loss) / gain on the percentage	-	-	-	-	1,299	1,299	

	change in investments							
5.05.02.09	(Loss) / gain on cash flow hedge accounting, net of taxes	-	-	-	-	1,083,412	1,083,412	
5.05.02.10	(Loss) / gain on net investment hedge in foreign subsidiaries.	-	-	-	-	77,952	77,952	
5.06	Internal changes in shareholders' equity	-	-	-	-	-	-	(
5.06.04	Non-controlling interests in affiliates	-	-	-	-	-	-	(
5.07	Closing balance	4,540,000	30	-	(1,301,961)	2,956,459	6,194,528	1,

Page 16

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

Annual Financial Statements – December 31, 2017 – CIA SIDERURGICA NACIONAL **Version: 1**

Consolidated Financial Statements / Statement of Value Added (R$thousand)

Code	Description	Current Year 01/01/2017 to 12/31/2017	First prior year 01/01/2016 to 12/31/2016	Second prior year 01/01/2015 to 12/31/2015
7.01	Revenues	21,945,416	19,793,391	0
7.01.01	Sales of products and rendering of services	21,204,594	19,587,410	0
7.01.02	Other revenues	759,964	227,979	0
7.01.04	Allowance for (reversal of) doubtful debts	(19,142)	(21,998)	0
7.02	Raw materials acquired from third parties	(14,196,504)	(13,596,651)	0
7.02.01	Cost of sales and services	(11,540,509)	(10,827,219)	0
7.02.02	Materials, electric power, outsourcing and other	(2,621,653)	(2,699,488)	0
7.02.03	Impairment/recovery of assets	(34,342)	(69,944)	0
7.03	Gross value added	7,748,912	6,196,740	0
7.04	Retentions	(1,453,335)	(1,322,497)	0
7.04.01	Depreciation, amortization and depletion	(1,453,335)	(1,322,497)	0
7.05	Wealth created	6,295,577	4,874,243	0
7.06	Value added received	538,744	(390,560)	0
7.06.01	Equity in income of affiliates	109,111	64,918	0
7.06.02	Financial income	295,074	643,590	0
7.06.03	Others	134,559	(1,099,068)	0
7.06.03.01	Others and exchange gains	134,559	(1,099,068)	0
7.07	Wealth for distribution	6,384,321	4,483,683	0
7.08	Wealth distributed	6,384,321	4,483,683	0
7.08.01	Personnel	2,230,733	2,031,183	0
7.08.01.01	Salaries and wages	1,746,040	1,623,744	0
7.08.01.02	Benefits	372,791	314,698	0
7.08.01.03	Severance payment (FGTS)		92,741	0

		111,902		
7.08.02	Taxes, fees and contributions	1,576,352	1,216,681	0
7.08.02.01	Federal	1,255,441	953,466	0
7.08.02.02	State	298,299	254,950	0
7.08.02.03	Municipal	22,612	8,265	0
7.08.03	Remuneration on third-party capital	2,916,007	2,079,316	0
7.08.03.01	Interest	2,745,482	3,282,816	0
7.08.03.02	Leases	28,991	23,848	0
7.08.03.03	Others	141,534	(1,227,348)	0
7.08.03.03.01	Others and exchange losses	141,534	(1,227,348)	0
7.08.04	Remuneration on Shareholders' capital	111,229	(853,058)	0
7.08.04.03	Retained earnings (accumulated losses)	10,272	(934,747)	0
7.08.04.04	Non-controlling interests in retained earnings	100,957	81,689	0
7.08.05	Others	0	9,561	0
7.08.05.01	Gain (loss) on discontinued operations	0	9,561	0

2017 MANAGEMENT REPORT

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

Annual Financial Statements – December 31, 2017 – CIA SIDERURGICA NACIONAL **Version: 1**

1- MESSAGE FROM MANAGEMENT

In 2017, Brazil started to show the first signs of economic recovery. The figures are still modest and indicate a slow recovery in employment, consumption and production. At the same time, the international market is still unfavorable, particularly the steel sector. In such a challenging environment, the word that best defined CSN's performance was ‘resilience’.

Within the Steel segment, CSN production totaled 4.4 million tons and sold 4.9 million tons. The domestic market's consumption reached 58%, and we exported 42% of our production, maintaining the market diversification strategy adopted in recent years. These figures demonstrate CSN's ability to remain competitive, with one of the world's lowest production costs, despite a still retracted domestic market and an international market marked by high steel supply and protective measures.

The efficiency of the Mining and Logistics segments ensured the expected results for the year. We sold 33 million tons of iron ore in 2017.

In the cement sector, in which the downturn in the Civil Construction market is significant, CSN continued to expand its markets and reached an annual production capacity of 4.7 million tons, with its production units in Minas Gerais (Arcos) and in the state of Rio de Janeiro (Volta Redonda).

It is still too early to say that Brazil has totally overcome the economic and political crisis. However, the outlook for 2018 is better than the previous year, which motivates us even more to remain resilient, determined and driven to contribute to Brazil's recovery process.

Benjamin Steinbruch

Chairman of the Board of Directors

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

2- THE COMPANY

With interests in steel, mining, cement, logistics and energy, CSN operates throughout the entire steel production chain, from the mining of iron ore to the production and sale of a diversified range of high value-added steel products. Thanks to this integrated production system and exemplary management, CSN's production costs are among the lowest in the sector where it operates.

CSN has an installed capacity of 6.9 million tons of crude steel, with 5.4 million of flat steel and 1.5 million of long steel (0.4 million at UPV and 1.1 million at SWT), reaching 4.9 million tons sold in 2017, 58% of which in the domestic market and 42% in exports and sales by our overseas subsidiaries.

In 2017, CSN produced and sold approximately 3.3 million tons of cement from two production units located in Volta Redonda (RJ) and Arcos (MG).

CSN is one of the largest industrial electricity consumers in Brazil, holding electricity generation assets through interest in consortiums of hydropower plants. It also generates energy integrated to its production process, thereby ensuring its energy self-sufficiency.

3- OUTLOOK, STRATEGY and INVESTMENTS

CSN has been investing in its five operational segments to enhance its units' competitive advantages and review the Company's business portfolio and projects to maximize the return to the shareholders.

3.1- STEEL

The Presidente Vargas Steelworks in Volta Redonda is CSN's most important steel production unit, with an installed crude steel production capacity of 5.8 million tons per year, of which 5.4 million is flat steel and 0.4 million is long steel. In 2017, the plant produced 4.4 million tons of crude steel, 4.2 million of flat steel and 0.2 million of long steel, representing 1.2 million tons more than in 2016 due to the return of the operation of blast furnace 2, and the production of rolled products reached 3.7 million tons. In addition to its units in Brazil, CSN has three subsidiaries abroad: CSN LLC, in the State of Indiana, U.S.A., Lusosider, in Portugal, and SWT - Stahlwerk Thuringen, in Germany.

3.2- MINING

In 2017, the Company sold approximately 33 million tons of iron ore, of which 5.2 million tons went to the Presidente Vargas Steelworks. In turn, Tecar, a port terminal operated by CSN Mineração and located in Itaguaí Port, shipped approximately 28 million tons of iron ore in 2017.

3.3- CEMENT

In 2017, CSN produced 3.3 tons of cement. Last year, the Company began the second clinker production line, in Arcos (MG). Currently, CSN is self-sufficient in the production of cement with an installed capacity of 4.7 million tons per year.

3.4 – LOGISTICS

Ports

Tecon, a port managed by Sepetiba Tecon, a subsidary of CSN, is the largest terminal in terms of container turnover in Rio de Janeiro and one of the largest in its segment in Brazil. Tecon has capacity to 600,000 TEUs (Twenty-Foot Equivalent Unit) per year.

Railways

CSN retains an interest in three rail companies: MRS Logística S.A., Transnordestina Logística S.A. and FTL Ferrovia Transnordestina Logística.

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

MRS

CSN holds, directly and indirectly, a 34.94% interest in MRS Logística, which operates the former Southeastern Network of the Federal Railways (RFFSA), in the Rio de Janeiro – São Paulo – Belo Horizonte corridor.

MRS's main business segment is the heavy haul client (cargoes of iron ore, coal and coke), which transported around 120 million tons in 2017, equivalent to 70% of the Company's total.

In the container segment, MRS maintained its position among the largest transporters in the national rail sector, transporting 1.84 million containers in 2017, compared to 1.78 million containers in 2016 and 1.53 million in 2015.

MRS' rail services play a vital role in supplying raw materials and the disposal of final products. Total iron ore, coke and coal consumed by the Presidente Vargas Steelworks is transported by MRS, as well as as part of the steel produced by CSN.

Transnordestina Logística S.A. (TLSA)

TLSA is the concession holder for the construction of Nova Transnordestina, a 1,753 km railway connecting the rail terminal in Eliseu Martins (PI) to the Ports of Suape (PE) and Pecém (CE), crossing several cities in the states of Piauí, Pernambuco and Ceará. The railway's projected annual operating capacity of 30 million tons will play a crucial role in the development of the Northeast region, providing logistical support for the oil and by-product, agriculture and mining sectors, among others.

FTL - Ferrovia Transnordestina Logística S.A. (FTL)

FTL operates the former Northeastern network of the RFFSA, traversing seven states: Maranhão, Piauí, Ceará, Rio Grande do Norte, Paraíba, Pernambuco and Alagoas, with a total extension of 4,534 km and a current operating capacity of around two million tons per year, with emphasis to fuel cargo, cement and pulp, among others. Currently, FTL's operational railway network connects the states of Maranhão, Piauí and Ceará through its 1,191 kilometers. The traffic on the remaining rail stretches has been suspended. Said stretches are under negotiations to return to the ANTT and DNIT.

4- MAIN CORPORATE EVENTS

In 2017, no relevant corporate event or transaction was held under the terms of the legislation in force.

5- CORPORATE GOVERNANCE

Investor Relations

CSN continues to expand its communication channels, aiming to increase the Company's transparency and exposure through new coverage by financial institutions and participation in events and conferences.

Capital Stock

CSN's capital stock is divided into 1,387,524,047 book-entry common shares with no par value, each common share having the right of one vote at the Company's Shareholders' Meetings.

Controlled by Vicunha Aços S.A., Rio Iaco Participações S.A., CFL Participações S.A. and Vicunha Têxtil S.A., which retain 49.21%, 4.19%, 0.29% and 0.36% of the Company's total capital, respectively, CSN's management is exercised by the Board of Directors and Board of Executive Officers.

Page 20

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

CSN – Ownership Breakdown on December 31, 2017 (%)

*Controlling Group

Annual Shareholders' Meeting

In accordance with the prevailing legislation, once a year the shareholders meet at the Annual Shareholders' Meeting to examine management's accounts and the financial statements, resolve on the allocation of annual net income and the eventual payment of dividends, and every two years, also deliberated on the election of the members of the board of Directors. Whenever necessary, Extraordinary Shareholders' Meetings may be called to resolve on specific issues that are not within the normal scope of the Annual Meeting.

Board of Directors

The Board of Directors comprises up to eleven members, who meet on a routine basis on the dates established by the annual calendar, at least on every quarter and on an extraordinary basis whenever necessary. Members are elected for a two-year term of office, re-election being permitted. The current Board of Directors is composed of six members. Its responsibilities include defining and monitoring the

Company’s policies and strategies, overseeing the activities of the Board of Executive Officers and deciding on relevant matters involving the Company’s businesses and operations. It is also responsible for electing and removing the Executive Officers and may, if necessary, constitute special advisory committees.

Board of Executive Officers

Currently composed of five Officers, one of whom is the CEO, the Board of Executive Officers is responsible for managing and administering the Company's social businesses, respecting the guidelines and resolutions of the Board of Directors and the Annual Shareholders’ Meeting. The members of the Board of Executive Officers meet whenever called to do so by the CEO or two other officers. Each officer is responsible for conducting the operations of his or her respective area. Officers are elected for a two-year term, re-election being permitted.

Audit Committee

The Audit Committee has autonomy to make decisions on all matters concerning Sections 301 and 407 of the Sarbanes-Oxley Act. Its main responsibilities include reviewing the financial statements and other public information about the Company’s operating performance and financial condition and making recommendations to the Board of Directors on matters concerning the indication, hiring and compensation of the external auditors, as well as accompanying the internal and external audits.

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Internal Audit

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

Independent Auditors

The independent auditors, Grant Thornton, who provided auditing services to CSN and its subsidiaries in 2017, were also hired to issue an opinion about the quarterly and annual financial statements and services in addition to the examination of the financial statements. It is the understanding of both the Company and its independent auditors that such services do not affect the independence of auditors.

Amounts related to services provided by the Company's auditors	**(R$ '000)**
External audit fees	5,889
External audit fees during year 12/31/2016*	3,073
Other services audit fees	354
Total	9,316

(*) refers to additional fees to the amount contracted for the conclusion of the auditing of the financial statements for the year ended 12/31/2016 by the independent auditors, Deloitte Touche Tohmatsu, who in 2016 rendered services to CSN and its subsidiaries. The review was closed on 10/27/2017.

Services additional to the examination of the financial statements are submitted for prior approval to the Audit Committee in order to ensure that, based on the pertinent legislation, they do not represent a conflict of interest or jeopardize the auditors' independence or objectivity. In accordance with CVM Instruction 480/09, the Board of Executive Officers declared on 03/26/2018 that they had discussed, reviewed, and were in full agreement with the opinions expressed in the independent auditors' report and with the financial statements for the fiscal year ended December 31, 2017.

Sarbanes-Oxley Act

The Company's governance structure includes Corporate Risk Management, which reports to the Risk and Compliance Department whose responsibilities include assessing the risks that may impact the financial statements and defining internal controls to mitigate such risks, together with the managers responsible for business processes. The Company evaluates the effectiveness of its internal control structure, in compliance with 2013 COSO principles and the Sarbanes-Oxley Act (SOX), and the result of this assessment is reported to senior management and to the Audit Committee.

The Company's governance structure also includes the Internal Audit department, responsible for auditing business processes and the independent monitoring of internal controls.

On December 31, 2016, the Company did not maintain effective controls related to the process of monitoring and reviewing complex and non-routine or uncommon transactions, which resulted in a material weakness identified in our control environment, and included the following areas or transactions: (i) recoverable amount of investments in jointly-owned subsidiaries; (ii) realization of deferred income tax; (iii) business combinations and the respective income tax impacts; (iv) recognition of revenue from a new type of sale; (v) impairment of goodwill and (vi) monitoring of non-financial obligations in loan agreements. This material weakness resulted in auditing adjustments to the Company's consolidated financial statements for previous periods. However, the Company assessed that this material weakness did not impact the financial statements of December 31, 2016, demonstrating, in all material respects, its financial position, operating results, capital position and cash flow.

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Code of Ethics

The CSN companies maintain a Code of Ethics, whose objective is to establish guidelines governing the personal and professional conduct expected in relations with employees, clients, shareholders, suppliers, communities, competitors and the environment. The code is made available to all stakeholders and business partners, and is used as a declaration of conduct in the company and of the commitments assumed. Its content is in the public domain and is available at www.csn.com.br.

The Company's Risk and Compliance Department is responsible for the Integrity Program aimed at ensuring business transparency and compliance with the standards of ethical conduct in the exercise of our activities. This process includes the continuous training of employees and the monitoring of compliance with laws, regulations, internal policies and standards. In 2016, the Company was granted the "Pro-Ética" Seal issued by the Ministry of Transparency, Surveillance and Comptroller-General of Brazil. The seal was the result of the annual evaluation of the Integrity Program, and it reflects the efforts made by the public and private sectors to foster a corporate environment that is fairer, more ethical and more transparency.

The Company also provides whistleblowing channels for reporting improper conduct or suspicions. The employees, third parties and external audiences can blow the whistle anonymously, or identify themselves. Secrecy, confidentiality and non-retaliation are assured. Complaints are handled by Compliance Investigation Management, which reports to the Risk and Compliance Department.

Disclosure of Material Acts and Facts

CSN maintains a Material Act or Fact Disclosure Policy, which determines that all such disclosures must contain information that is accurate, consistent, appropriate, transparent, unified and within the proper timeframes, in accordance with CVM Instruction 358/2002 and Section 409 – Real Time Issuer Disclosure of the Sarbanes-Oxley Act. In late 2016, the Company approved a new Disclosure and Trading Policy that changed the way it discloses its Material Acts and Facts, which are now published in the News Portal of the Folha de São Paulo newspaper, as well as on the websites of the Comissão de Valores Mobiliários [Brazilian Securities Commission], and the B3 S.A. – Brasil Bolsa, Balcão [São Paulo Stock Exchange], as well as on the Company's Investor Relations website.

6- INNOVATION

The Company has a tradition of pioneering spirit and innovation as an intrinsic part of its history. CSN's Research, Development and Innovation Center has been recognized for developing new products and new solutions to the market. This represents the true essence of its activities, turning innovation into the engine powering economic growth. CSN faces the daily challenge of meeting the market's demand with innovation.

Through the management of intellectual property rights, including trademarks, patents, and industrial designs, the adequate protection for the Company is ensured, as well as sales through contracts for the technological transfer of know-how resulting from its own innovation developments.

One of the highlights of CSN's Strategic Innovation Plan is the Product Innovation project with Industrial-Scale Development of Advanced High-Strength Steels used in the Automobile Industry, including development, commercial supply and technical services for its application. The goal is to reduce fuel consumption and its impact on the environment. The polyphase AHSS (Advanced High-Strength Steels) meets the global demand for materials produced in accordance with current processing methods, offering products of high mechanical strength and good forming ability, fully complying with the manufacturing requirements from automakers, vehicle safety, mass reduction and fuel consumption.

The new polyphase AHSS can be classified as Ferrite-Bainite, Dual-Phase (biphasic), steels with deformation-induced transformation or TRIP-Transformation-Induced-Plasticity, Complex-Phase (CP) steels and martensitic steels obtained in continuous production lines.

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7- PEOPLE

CSN’s People Management model is based on the conviction that human capital is our competitive advantage and the best way to ensure our performance in the market where we operate. We transform knowledge into a successful trajectory, based on passion, dedication and competence that generate opportunities, achievements and recognitions.

CSN’s integrated and efficient people management is based on five pillars: Attract; Align and Engage; Evaluate; Develop; Recognize and Reward, investing in projects aimed at professional development and improvement, thereby contributing to the growth of the organization and its people.

Faced with a challenging year, we reinforce our Essence of Do it Well, Do More and Do it Forever, contributing to the evolution of our leadership through the Leadership School. We highlight the implementation of the following modules: Self-knowledge for Coordinators, Supervisors and Managers, Challenges of First Management for Coordinators and Supervisors, Leading Leaders for Managers and Leadership Dimensions for Senior Management.

We once again reaffirm that we act as owners, choosing the best strategies to overcome the obstacles faced in 2017. We are working together for the sustainability of the business.

To maintain a high-performing and qualified team, each year, we improve our programs to attract, develop and retain talent at different levels. These programs are in line with our strategic guidelines. In 2017, we invested 31,835 thousand hours in training, with the goal of generating knowledge and developing the skills necessary to achieve corporate goals.

We received 923 applications in the Ciranda do Conhecimento Program, where the training modules are taught by internal employees who have specific knowledge in several academic areas.

The Company maintains several strategies to ensure the valorization and the incentive to the development of its employees. One of these initiatives is the SuperAção Program – Performance Evaluation system for all CSN Group employees. The results guide the Individual Development Plan, elect potential successors and support the recognition and reward process.

The great milestone of this year was the simultaneous conduction of the Career and Succession process, which aims to identify potential successors for CSN group's leadership positions. Through this program we obtained the succession trees of the Company’s leaders. A program to accelerate these potential successors through practical and real learning experiences was also developed. The 70/20/10 learning model will guide all the Company’s training actions.

Another highlight was the redesign of the Internship Program with focus on the development of these young people. Our model aims to accelerate the development of young people by training talents with potential to occupy effective positions in the medium and long term, in line with their development interests and organizational needs, as well as contribute to the country's development through education and professionalization.

We have established partnerships with several educational institutions for university extension and languages courses, with special prices to our employees, encouraging their qualification.

CSN closed 2017 with 24,045 direct employees and 10,509 indirect employees, representing a turnover rate of around 18.9%, one of the lowest in the industrial sector.

8 - SOCIAL RESPONSIBILITY

CSN’s social responsibility projects are created to value the potential of each region where it operates and their respective communities, in partnership with the local government and society. From 2006 to 2017, the amount invested by CSN surpassed R$181 million. In 2017 alone, investments amounted to R$14.2 million in the educational, cultural, sporting and health areas through CSN Foundation initiatives and through projects developed by partner institutions, supported by tax incentives.

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The CSN Foundation remains committed to the democratization of access to quality education. It maintains two technical schools: the Pandiá Calógeras Technical School, in Volta Redonda/RJ and the Technological Education Center, in Congonhas/MG. In 2017, these technical schools had 1,013 students enrolled, 529 of whom on scholarships. The international scholarship program for young women had 781 students enrolled, competing for 30 scholarships. The selected students attended the Prep-Program Course in partnership with the Estudar Foundation, which offers support for young people who want to study abroad. In addition, they had access to an online English language teaching platform for 12 months with exclusive support. In 2017, 21 scholarship holders traveled to New York for educational and cultural experiences. The CSN Foundation has an outstanding role in training young apprentices with the aim of encouraging them to enter the labor market and, in 2017, it has trained 422 young people. The Hotel-Escola Bela Vista and the Vila Business Hotel, CSN Foundation’s new unit, both in Volta Redonda, annually offer a training course in hospitality, providing professional qualification in several areas. In total, 1,123 young people have been trained since 2007. In 2017, 111 young people completed the course.

The Garoto Cidadão Project, in partnership with municipal governments, provides socially vulnerable children and teenagers, aged between 8 and 17 years old, with social and cultural activities in the hours before and after school, in the municipalities of Volta Redonda and Itaguaí, in Rio de Janeiro, Congonhas and Arcos, in Minas Gerais and Araucária, in Paraná. It offers music, theater, dance and visual arts classes, among other activities such as the Life Project, which prepares the students for after they leave the project, guiding them to pursuit their dreams and accomplish personal and professional goals. In 2017, the project provided social and cultural activities to 1,500 children and teenagers.

Among the initiatives sponsored by CSN, we highlight the implantation of the Jewish Museum and the Jewish Immigration Memorial program, as well as the sports training projects of the Grêmio Osasco Audax club. Within the Senior Citizens’ Fund, CSN sponsored the Cancer Hospital of Barretos; within the Children’s Fund, the GRAACC; and the Integrated Tumor Bank of the Albert Einstein Hospital, within the National Cancer Care Support Program (PRONON).

Throughout 2017, the Foundation closed 8 partnerships with municipal governments, state bodies and municipal councils with the goal of strengthening public policies related to the well-being of children and teenagers. The training was carried out by the Foundation's professionals, according to the needs of each community where CSN operates, and aimed at public managers and professionals who work directly with the management and construction of public policies for the protection and well-being of children and young people.

9 - SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

CSN maintains various social, environmental and sustainability management instruments in order to act in a purposeful way and meet the needs of the various stakeholders involved in the communities and businesses where it operates. The Company's sustainability practices have as main objectives the creation of sustainable values and the management of environmental risks; the optimization and efficiency in the use of natural resources and the control of potential impacts. The Company has an Environmental Management System (EMS), in compliance with the requirements of the international standard ISO 14001, managed by the Internal Environmental Management Committee, consisting of specialists from different areas of the Company's several units. The Committee acts proactively to prevent possible environmental damage. As the ISO 14001 was revised in 2015, the certified units migrated to the new version in 2017, and one unit will migrate in 2018.

The Environmental Management System development is under the responsibility of the Internal Environmental Management Committee (CIGA), which includes professionals of the environmental and operating areas of the units. This group meets periodically to exchange information and develop continuous improvement of the EMS, and to detect and prevent possible environmental impacts.

With the threat of water shortages, especially in the Southeast, CSN has been proceeding with various initiatives to ensure the more efficient use of water in its production processes, exemplified by a water reuse ratio of more than 94% at the Presidente Vargas Steelworks (UPV). In order to reach this figure, CSN implemented the recirculation and cooling water system of the UPV Carbochemical Unit in 2017, consequently reducing the collection of 3,0 thousand m^3/h of water from the Paraíba do Sul River. The project, budgeted at 80 million reais, in addition to increasing the water reuse ratio of the unit also eliminated any possibility of oil leakage from this unit to the Paraíba do Sul River. With the preparation of the Water Inventory in its main units, it was possible to develop plans and measures to improve their efficiency and reduce potential impacts.

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Since 2010, CSN has been undertaking an inventory of its greenhouse gas emissions in line with GHG Protocol guidelines, in order to provide input for managing carbon, mitigating risks and adapting to climate change. For the third consecutive year, the Company received the Gold Seal of the Brazilian GHG Protocol Program for having disclosed the emissions of all its units, which were submitted to external verification. As requested by investors, the Company reports on a yearly basis, to the Carbon Disclosure Project (CDP), the guidelines it follows regarding climate change, supply chain and water resources.

The Company has also adopted other sustainability strategies: since 2012, CSN has participated in the Climate Forum promoted by the Ethos Social Responsibility Institute. In 2015, the Company joined the “Open Letter to Brazil on Climate Change” initiative, according to which the Brazilian government would assume a leading role during the 21st United Nations Framework Convention on Climate Change (UNFCCC), or COP-21.

The Company’s environmental guidelines also include the monitoring of dams, used to contain tailings from the processing cycle of mining activities. Pursuant to DNPM Ordinance 70,389/2017, all the Company's dams are audited by independent companies specialized in the subject, aimed at certifying the stability of the dams and identifying preventive actions to ensure this stability. CSN Mineração’s Dam Safety Plan and Emergency Action Plan for Mining Dams (PAEBM) have been finalized with all necessary consolidated volumes, in compliance with the DNPM ordinance.

CSN always acts aimed at minimizing the negative impacts of its operations, as well as investing in environmental preservation and education initiatives, confirming its commitment to the quality of life of future generations. CSN has an important social front which is the Environmental Education Program (PEA), an initiative managed by the CSN Foundation, with focus on the Arcos (MG) and the Congonhas Minérios S.A. (MG) units, in order to reaffirm its commitment to the transformation of values and behaviors through new habits and knowledge. The environmental education project with a special focus on issues related to historical and natural heritage, in places where the Company operates and that are related to its activities, uses art as a dialogue tool between public school students, teachers and the Company's employees.

Finally, CSN has been constantly mapping its stakeholders and, since 2012, it uses mapping criteria to assess environmental, social and economic impacts, in accordance with the Global Reporting Initiative (GRI) guidelines, for all its operations. The data and indicators obtained in this process allow CSN to monitor its performance and assess its exposure to social and environmental risks and future opportunities.

10 - DISCLAIMER

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

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

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Annual Financial Statements – December 31, 2017 – CIA SIDERURGICA NACIONAL **Version: 1**

(Expressed in thousands of reais – R$, unless otherwise stated)

1. DESCRIPTION OF BUSINESS

Companhia Siderúrgica Nacional "CSN", also referred to as the Company or Parent Company, is a publicly-held company incorporated on April 9, 1941, under the laws of the Federative Republic of Brazil (Companhia Siderúrgica Nacional, its subsidiaries, joint ventures, joint operations and associates are collectively referred to herein as the "Group"). The Company's registered office is located in São Paulo, SP, Brazil.

CSN is listed on the São Paulo Stock Exchange (B3 S.A.- Brasil, Bolsa, Balcão) and on the New York Stock Exchange (NYSE). Accordingly, the Company reports its information to the Brazilian Securities Commission (CVM) and the U.S. Securities and Exchange Commission (SEC).

The Group's main operating activities are divided into five (5) operating segments as follows:

- **Steel:**

The Company's main industrial facility is the Presidente Vargas steelworks ("UPV"), located in the city of Volta Redonda, State of Rio de Janeiro. This segment consolidates production, distribution and sale of flat steel, long steel, metallic containers and galvanized steel. In addition to the facilities in Brazil, CSN has operations in the United States, Portugal and Germany, all of them are in line with the plan to achieve new markets and perform excellent services for final consumers. Its steel has been used in home appliances, civil construction and automobile industries.

- **Mining:**

The production of iron ore is developed in the city of Congonhas, State of Minas Gerais.

Iron ore is sold basically in the international market, especially in Europe and Asia. The prices charged in these markets are historically cyclical and subject to significant fluctuations over short periods of time, driven by several factors related to global demand, strategies adopted by the major steel producers, and the foreign exchange rate. All these factors are beyond the Company’s control. The ore transportation is accomplished by Terminal de Carvão e Minérios do Porto de Itaguai – (“TECAR”), a solid bulk terminal, one of the four terminals that compose the Port of Itaguai, located in the State of Rio de Janeiro. Imports of coal and coke are held through this terminal and directed to the steel industry of CSN.

The Company´s mining activities also comprises tin exploitation, which is based in the State of Rondônia, this facility is engaged to supply the needs of UPV, with the excess of raw materials being sold to subsidiaries and third parties.

- **Cement:**

CSN entered in the cement market boosted by the synergy between this new activity and its existing businesses. Next to the UPV in Volta Redonda (RJ) is installed the new business unit CSN Cimentos, which produces CP-III type of cement by using slag produced by the UPV blast furnaces in Volta Redonda. It also explores limestone and dolomite at the Arcos unit, located in the State of Minas Gerais, to satisfy the needs of UPV as of the cement plant.

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In the fourth quarter of 2016, the Company started the operation of its second clinker production line in Arcos/MG. As a result, the Company is self-sufficient in the production of cement, with an installed capacity of 4.7 million tons per year.

- **Logistics**

Railroads:

CSN has interests in three railroad companies: MRS Logística S.A., which manages the former Southeast Railway System of Rede Ferroviária Federal S.A ("RFFSA")., Transnordestina Logística S.A. ("TLSA") and FTL - Ferrovia Transnordestina Logística S.A. ("FTL"), which has the concession to operate the former Northeast Railway System of RFFSA, in the States of Maranhão, Piauí, Ceará, Rio Grande do Norte, Paraíba, Pernambuco and Alagoas, with TLSA being responsible for the rail links of Missão Velha-Salgueiro, Salgueiro-Trindade, Trindade-Eliseu Martins, Salgueiro-Porto de Suape and Missão Velha-Porto de Pecém (Railway System II), still under construction, and FTL being responsible for the rail links of São Luiz-Mucuripe, Arrojado-Recife, Itabaiana-Cabedelo, Paula Cavalcante-Macau and Propriá-Jorge Lins (Railway System I).

Ports:

In the State of Rio de Janeiro, by means of its subsidiaries Sepetiba Tecon S.A. and CSN Mineração S.A. ("CSN Mineração"), the Company operates the Container Terminal ("Tecon") and the solid bulk terminal (Tecar), respectively, both located at the Itaguaí Port. Established in the harbor of Sepetiba, the mentioned port has a privileged highway, railroad and maritime access.

(“Tecon”) is responsible for the shipments of CSN´s steel products, movement and storage of containers, consolidation and deconsolidation of cargo; The Tecar´s port terminal is engaged to the iron ore shipment overseas and to the landing of coal, petroleum, coke, sulfur and zinc concentrate for our own operation and for third parties.

- **Energy:**

Since the energy supply is fundamental in CSN´s production process, the Company owns and operates facilities to generate electric power for guaranteeing its self-sufficiency.

The note 27 - “Segment Information” details the financial information per each of CSN´s business segment.

- **Going Concern**

In 2017, the Company amortized principal and interest in the approximate amount of R$4.2 billion of its loans and financing. Until March 2019, loans and interest to be incurred next year, are expected to be paid in the approximate amount of R$8.9 billion, after the local debt reprofiling.

The financial leverage may adversely affect the businesses, financial conditions and operating results. Which can entail the following considerations:

- Allocation of a substantial part of the cash generated from operations for repayment of the borrowings.
- Exposure (i) to fluctuations in interest rates due to the renegotiation of debts and new borrowings taken, and fluctuations in exchange rates since a significant part of the borrowings is denominated in foreign currency.
- Increase in the economic and financial vulnerability due to adverse conditions of the industry and segment, limiting the funds available in the short term, considering the high financial leverage and the expected cash disbursements;
- Limitation of the Company’s ability to enter into new businesses (acquisitions) until the financial leverage is reduced;

- Limitation of the Company’s ability to obtain new credit lines under more favorable interest conditions due to the risks associated to the current financial leverage.

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The Company's ability to continue operating depends, therefore, on the achievement of operating targets defined by Management, in addition to refinancing of contracted debts, and/or actions related to financial deleveraging.

In addition to the continuous focus on improvement in operating income, Management has various actions in progress to increase the Company's liquidity through an extension of borrowing payment terms.

This plan was started in 2015, with the renegotiation of R$ 2.5 billion with Caixa Econômica Federal and R$ 2.2 billion with Banco do Brasil S.A, postponing the maturities from 2016 and 2017 to 2018 through 2022. In 2016, the Company extended the installments of certain NCE contracts amounting to R$ 100 million and prepayments of US$ 66 million with Bradesco, postponing the maturities from 2016 to 2019. In 2017, Management remained committed to the plan to extend it debt payment term, mainly those of short term, working on the renegotiation of borrowings at R$ 1.5 billion.

In February 2018 we concluded the renegotiation of R$4,98 billion of our outstanding debt with Banco do Brasil, postponing the maturities of 2018 through 2022 up to 2024. In February 2018 we issued debt instruments ("Notes") in the amount of US$350 million through our wholly-owned subsidiary CSN Resources S.A., with maturity date in 2023 and, in conjunction, we made a repurchase offer ("Tender Offer") of the Notes previously issued by CSN Islands XI Corp and CSN Resources S.A, having been repurchased US$350 million in Notes with maturities scheduled for 2019 and 2020.

Additionally, Management studies alternatives to financial deleverage from the disposal of non-strategic assets. However, it is not possible to affirm that the sale of assets will occur within a 12-month period. Thus, the Company did not segregate and did not reclassify any assets in the financial statements as discontinued operations in accordance with CPC 31 (IFRS 5).

Based on Management’s cash flow projections that covered the period until December 2018 as of the date of these financial statements, which depend on factors such as the achievement of production targets, sales volumes and prices, as well as on renegotiations of borrowings, Management believes that the Company has appropriate resources to continue as a going concern in a reasonably estimable period of time. Accordingly, the Company’s financial statements for the year ended December 31, 2017 have been prepared on the assumption that the Company will continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.a) Basis of preparation

The consolidated and parent company financial statements have been prepared and are being presented in accordance with accounting practices adopted in Brazil in compliance with Brazilian Corporate Law, pronouncements, guidelines and Interpretations issued CPC (Accounting Pronouncements Committee), rules issued by CVM (Brazilian Securities Commission) and International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (IASB) and highlight all the relevant information of the financial statements, and only this information, which correspond to those used by the Company's management.

The preparation of financial statements in conformity with IFRS and CPC requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. It is disclosed in the notes to this report all subjects involving a high degree of judgment or complexity, or when assumptions and estimates are significant to the consolidated financial statements, those subjects are related to the allowance for doubtful debts, provision for inventory losses, provision for labor, civil, tax, environmental and social security contingences, depreciation, amortization, depletion, provision for impairment, deferred taxes, financial instruments and employee benefits. Actual results may differ from these estimates.

The financial statements are presented in thousands of Brazilian reais (R$). Depending on the applicable IFRS standard, the measurement criteria used in preparing the financial statements considers the historical cost, net realizable value, fair value or recoverable amount. When the IFRS and the CPC allows us to option between acquisition cost and other measurement criteria, the acquisition cost was the criteria used.

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The consolidated and parent company interim financial statements were approved by the Board of Directors on March 26, 2018.

2.b) Consolidated financial statements

The accounting policies have been consistently applied to all consolidated companies. The consolidated financial statements for the years ended December 31, 2017 and 2016 include the following direct and indirect subsidiaries, joint ventures and joint operations, as well as the exclusive funds, as follows:

	Equity interests (%)		
Companies	**12/31/2017**	**12/31/2016**	**Core business**
Direct interest in subsidiaries: full consolidation			
CSN Islands VII Corp.	100.00	100.00	Financial transactions
CSN Islands XI Corp.	100.00	100.00	Financial transactions
CSN Islands XII Corp.	100.00	100.00	Financial transactions
CSN Minerals S.L.U. (1)	100.00	100.00	Equity interests
CSN Export Europe, S.L.U. (1)	100.00	100.00	Financial transactions and Equity interests
CSN Metals S.L.U. (1)	100.00	100.00	Equity interests and Financial transactions
CSN Americas S.L.U. (1)	100.00	100.00	Equity interests and Financial transactions
CSN Steel S.L.U.			

	100.00	100.00	Equity interests and Financial transactions
TdBB S.A (*)	100.00	100.00	Equity interests
Sepetiba Tecon S.A.	99.99	99.99	Port services
Minérios Nacional S.A.	99.99	99.99	Mining and Equity interests
Companhia Florestal do Brasil	99.99	99.99	Reforestation
Estanho de Rondônia S.A.	99.99	99.99	Tin Mining
Companhia Metalúrgica Prada	99.99	99.99	Manufacture of containers and distribution of steel products
CSN Gestão de Recursos Financeiros Ltda. (*)	99.99	99.99	Management of funds and securities portfolio
CSN Mineração S.A.	87.52	87.52	Mining and Equity interests
CSN Energia S.A. (2)	99.99	100.00	Sale of electric power
FTL - Ferrovia Transnordestina Logística S.A.	90.78	90.78	Railroad logistics
Nordeste Logística S.A.	99.99	99.99	Port services
CGPAR - Construção Pesada S.A. (3)	-	100.00	Mining support services and Equity interests
Indirect interest in subsidiaries: full consolidation			
Companhia Siderúrgica Nacional LLC	100.00	100.00	Steel
CSN Europe Lda.(4)	-	100.00	Financial transactions, product sales and Equity interests
CSN Ibéria Lda. (4)	-	100.00	Financial transactions, product sales and Equity interests
Lusosider Projectos Siderúrgicos S.A.	99.94	99.94	Equity interests and product sales
Lusosider Aços Planos, S. A.	99.99	99.99	Steel and Equity interests
CSN Resources S.A.	100.00	100.00	Financial transactions and Equity interests
Companhia Brasileira de Latas (2)	99.99	100.00	Sale of cans and containers in general and Equity interests
Companhia de Embalagens Metálicas MMSA	99.67	99.67	Production and sale of cans and related activities
Companhia de Embalagens Metálicas - MTM	99.67	99.67	Production and sale of cans and related activities
CSN Steel Holdings 1, S.L.U.	100.00	100.00	Financial transactions, product sales and Equity interests

CSN Productos Siderúrgicos S.L.	100.00	100.00	Financial transactions, product sales and Equity interests
Stalhwerk Thüringen GmbH	100.00	100.00	Production and sale of long steel and related activities
CSN Steel Sections UK Limited (*)	100.00	100.00	Sale of long steel
CSN Steel Sections Polska Sp.Z.o.o	100.00	100.00	Financial transactions, product sales and Equity interests
CSN Asia Limited	100.00	100.00	Commercial representation
CSN Mining Holding, S.L (5)	87.52	87.52	Financial transactions, product sales and Equity interests
CSN Mining GmbH	87.52	87.52	Financial transactions, product sales and Equity interests
CSN Mining Asia Limited	87.52	87.52	Commercial representation
Aceros México CSN	100.00	100.00	Commercial representation,sale of steel and related activity
Lusosider Ibérica S.A. (6)	99.94		Steel, commercial and industrial activities and equity interests
CSN Mining Portugal, Unipessoal Lda. (6)	87.52		Sale and commercial representation
Direct interest in joint operations: proportionate consolidation			
Itá Energética S.A.	48.75	48.75	Electric power generation
Consórcio da Usina Hidrelétrica de Igarapava	17.92	17.92	Electric power consortium
Direct interest in joint ventures: equity method			
MRS Logística S.A.	18.64	18.64	Railroad transportation
Aceros Del Orinoco S.A.	31.82	31.82	Dormant company
CBSI - Companhia Brasileira de Serviços de Infraestrutura	50.00	50.00	Equity interests and product sales and iron ore
Transnordestina Logística S.A.	46.30	49.02	Railroad logistics
Indirect interest in joint ventures: equity method			
MRS Logística S.A.	16.30	16.30	Railroad transportation
Direct interest in associates: equity method			
Arvedi Metalfer do Brasil S.A.	20.00	20.00	Metallurgy and Equity interests

(*) They are Dormant Companies therefore they do not appear in the note 8.a, where is disclosed business information under the equity method and classified as available for sale.

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

- **Events in 2017:**

(1) On February 6, 2018, the Spanish commercial registry recognized the merger by absorption of the companies by CSN Steel, S.L.U., date from which the companies were considered legally extinct. In addition, before third parties and for the purposes of commercial law, the merger is retroactive to the date of December 28, 2017;;

(2) Transfer of 1 share in August 2017;

(3) Company sold to the CSN Mineração and in August 2017 was incorporated by the same subsidiary.

(4) Companies liquidated in July 2017;

(5) New corporate name of Namisa International Minérios SLU, amended in September 2017;

(6) Companies constituted in 2017;

- **Exclusive funds**

	Equity interests (%)		
Exclusive funds	**12/31/2017**	**12/31/2016**	**Core business**
Direct interest: full consolidation			
Diplic II - Private credit balanced mutual fund	100.00	100.00	Investment fund
Caixa Vértice - Private credit balanced mutual fund	100.00	100.00	Investment fund
VR1 - Private credit balanced mutual fund	100.00	100.00	Investment fund

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

In preparing the consolidated financial statements, we have adopted the following consolidation procedures:

- **Transactions between subsidiaries, associates, joint ventures and joint operations**

Unrealized gains on transactions with subsidiaries, joint ventures and associates are eliminated to the extent of CSN's equity interests in the related entity by the consolidation process. Unrealized losses are eliminated in the same manner as unrealized gains, although only to the extent that there are not indications of impairment. The Company eliminates the effect on profit or loss of transactions carried out with joint ventures and, as a result, reclassifies part of the equity in results of joint ventures to financial costs, cost of sales and income tax and social contribution.

The base date to the financial statements of the subsidiaries and joint ventures is the same as of the Company, and their accounting policies are also in line with the policies adopted by the CSN.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) which financial and operating policies can be conducted by the Company and when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to use its power to affect its returns. The existence and effect of potential voting rights that are actually exercisable or convertible are taken into consideration when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date when the control is transferred to the Company and are deconsolidated from the date when such control ceases.

Joint ventures and joint operations

Joint arrangements are all entities over which the Company has joint control with one or more other parties. The investments in joint arrangements are classified as joint operations or joint ventures depending on the contractual rights and obligations of each investor.

Joint operations are accounted for in the financial statements in order to represent the Company's contractual rights and obligations. Therefore, the assets, liabilities, revenues and expenses related to its interests in joint operations are accounted for individually in the financial statements.

Joint ventures are accounted for under the equity method and are not consolidated.

The Company eliminates the effect on profit or loss of transactions carried out with joint ventures and, as a result, eliminates part of the equity in results of joint ventures to financial costs, cost of sales, net sales and income tax and social contribution.

Associates

Associates are all entities over which the Company has significant influence but not control, generally through a shareholding percentage from 20% up to 50% of the voting rights. Investments in associates are accounted for under the equity method and are initially recognized at cost.

- **Transactions and non-controlling interests**

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

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

2.c) Parent company financial statements

In the parent company financial statements, investments in subsidiaries and associates are accounted for by the equity method. To get the same result and equity attributable to equity holders in parent company and consolidated financial statements, are made in both financial statements, the same practice of adjustments upon adoption of IFRS and CPCs.

2.d) Foreign currencies

i. Functional and presentation currency

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

ii. Transactions and balances

Transactions in foreign currencies are translated into the functional currency using the exchange rates in effect at the dates of the transactions or valuations when their values are remeasured. Foreign exchange gains and losses resulting from the settlement of those transactions and from the translation at exchange rates in effect as of December 31, 2017 related to monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when they are recognized in shareholders' equity as a result of foreign operation characterized as foreign investment.

The balances of assets and liabilities are translated by exchange rates prevailing at the end of the reporting period. As of December 31, 2017, US$1 is equal to R$3.3080 (R$3.2591 at December 31, 2016) and €1 is equal to R$3.9693 (R$3.4384 at December 31, 2016), according to the rates obtained from Central Bank of Brazil website.

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

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

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

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

iii. Group companies

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

- The assets and liabilities of each balance sheet presented are translated by exchange rate at the end of the reporting period;

- The income and expenses of each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates at the transaction dates, in which case income and expenses are translated at the rate in effect at the transaction dates);

- All resulting exchange differences are recognized as a separate component in other comprehensive income; and

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

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

2.e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, in bank accounts and other short-term highly liquid investments redeemable within 90 days from the end of the reporting period, readily convertible into a known amount of cash and subject to an insignificant risk of change in value. Bank certificates of deposit and government securities that do not meet the above criteria are not considered cash equivalents and are classified as financial investments, according to note 4.

2.f) Trade receivables

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

2.g) Inventories

Inventories are carried at the lower of cost and net realizable value. Cost is determined using the weighted average cost method on the acquisition of raw materials. The costs of finished goods and work in process comprise raw materials, labor and other direct costs (based on the normal production capacity). Net realizable value represents the estimated selling price in the normal course of business, less estimated costs of completion and costs necessary to make the sale. The allowance for estimated losses on slow-moving or obsolete inventories are recognized when considered necessary.

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

2.h) Investments

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

When necessary, the accounting policies of subsidiaries, joint ventures and associates are changed to ensure consistency with the policies adopted by the Company.

2.i) Business combination

The acquisition method is used to account for on each business combination conducted by the Company. The payment obligation transferred by acquiring an entity is measured by the fair value of the assets transferred, liabilities incurred and equity instruments issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, where applicable. Acquisition-related costs are recognized in profit or loss for the year, as incurred. Identifiable assets acquired and liabilities assumed in a business combination are initially measured at their fair values at the acquisition date.

2.j) Property, plant and equipment

Property, plant and equipment are carried at cost of acquisition, formation or construction, less accumulated depreciation or depletion and any impairment loss. Depreciation is calculated under the straight-line method based on the remaining economic useful economic lives of assets, as mentioned in note 11. The depletion of mines is calculated based on the quantity of ore mined. Land is not depreciated since their useful life is considered indefinite. However, if the tangible assets are mine-specific, that is, used in the mining activity, they are depreciated over the shorter between the normal useful lives of such assets and the useful life of the mine. The Company recognizes in the carrying amount of property, plant and equipment the cost of replacement, and consequently reducing the carrying amount of the part that is replaced if it is probable that future economic benefits embodied therein will revert to the Company, and if the cost of the asset can be reliably measured. All other disbursements are expensed as incurred. Borrowing costs related to funds obtained for construction in progress are capitalized until these projects are completed.

If some components of property, plant and equipment have different useful lives, these components are accounted for in separate line items of property, plant and equipment.

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

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

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

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

The development stage includes:

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

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

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

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

2.k) Intangible assets

Intangible assets comprise assets acquired from third parties, including through business combinations.

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

Mineral rights acquired are classified in line item ''other assets'' in intangible assets.

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

- **Goodwill**

Goodwill represents the positive difference between the amount paid and/or payable for the acquisition of a business and the net fair values of the acquiree´s assets and liabilities. Goodwill on acquisitions from business combination is recognized as intangible assets in the consolidated financial statements. In the parent company statements, goodwill is included in investments. The gain on purchase is recognized as a gain in profit for the period at the acquisition date. Goodwill is annually tested for impairment. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of a Cash-Generating Unit (CGU) include the carrying amount of goodwill related to the CGU sold.

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

- **Software**

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

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

2.l) Impairment of non-financial assets

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

2.m) Employee benefits

i. Employee benefits

Defined contribution plans

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

Defined benefit plans

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

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

When the benefits of a plan are increased, the portion of the increased benefit related to past services of employees is recognized in profit or loss until the benefits become vested. Whenbenefits became vesting rights, all actuarial gains or losses are immediately recognized in profit or loss.

The Company recognizes all actuarial gains or losses resulting from defined benefit plans immediately in other comprehensive income. If the plan is extinguished, actuarial gains and losses are recognized in profit or loss.

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

ii. Profit sharing and bonus

Employee profit sharing and executives' variable compensation are linked to the achievement of operating and financial targets. The Company recognizes a liability and an expense substantially allocated to production cost and, where applicable, to general and administrative expenses when such goals are met.

2.n) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and it has reliable cost estimation.

The amount recognized as a provision is the best value estimation required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). Success fees are accrued to the extent that they make it probable that disbursements will occur . When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is probable that reimbursement will be received and that the amount of the receivable can be measured reliably.

2.o) Concessions

The Company has governmental concessions to provide the following types of services: railway and port transportation managed by Company´s subsidiaries and joint-ventures. The concessions included in the consolidated financial statements are related to the rail network in the Northeast area, managed by the subsidiary FTL, the container terminal in Itaguaí, managed by the subsidiary Sepetiba Tecon and the port terminal TECAR for exporting ore and importing coal, which is managed by the subsidiary CSN Mineração.

The Company´s concession contracts are not within the scope of the international interpretative standard ICPC01/IFRIC12, considering that the grantor (refers to the government) has effectively no control over what, to whom and at what price the services will be provided by the dealer (refers to the private part) to the customers. In essence, all concession contracts have operating leasing characteristics. Therefore, the accounting should follow the accounting rules applicable to leases, according CPC 06 - Leases. Our concession agreements provide for the use of a specific asset for an agreed period of time, but without any transfer of ownership to the Company or option to buy these assets after the completion of these contracts.

Payments made under operating leases are recognized in the income statement on a straight line basis over the period of the contracts.

There are assets related to our concessions which are subject to reversion to the grantor at the end of the concession agreement.

The residual carrying amounts of these assets on December 31, 2017 are listed below with an indication of their classification in our financial statements:

Concession	**Net book value (R$)**		**Classification in balance sheet**
Sepetiba Tecon S.A. (TECON)	313	million	Fixed assets intangible: Software
Tecar	1,528	million	Fixed assets intangible: Software
Ferrovia Transnordestina Logistica S.A. (FTL)	230	million	Fixed assets
Transnordestina Logística S.A. (TLSA)	7,934	million (1)	Investment
MRS Logística S.A. (MRS)	3,428	million (2)	Investment

(1) The amount of fixed and intangible assets is recognized in TLSA's financial statements. We recognize our interest in the net assets of TLSA under the equity method and our investment balance in TLSA as of December 31, 2017 was R$1,473,298

(2) The amount of fixed and intangible assets is recognized in MRS's financial statements. We recognize our interest in the net assets of MRS by the de equity method and our investment balance consolidated in MRS as of December 31, 2017 was R$1,325,032.

2.p) Share capital

Common shares are classified in shareholders' equity.

Incremental costs directly attributable to the issue of new shares or options are shown in shareholders' equity as a deduction to the amount received, net of taxes.

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

2.q) Revenue recognition

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

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

2.r) Financial income and financial costs

Financial income includes interest income from funds invested (except available-for-sale financial assets), dividend income not accounted for under the equity method, gains on disposal of available-for-sale financial assets, changes in the fair value of financial assets measured at fair value through profit or loss, and gains on derivative instruments that are recognized in profit or loss. Interest income is recognized in profit or loss under the effective interest method. Dividend income is recognized in profit or loss when the Company’s right to receive payment has been established. Distributions received from investees accounted for under the equity method reduce the investment value.

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

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

2.s) Income tax and social contribution

Current income tax and social contribution are calculated based on the tax laws enacted by the end of the reporting period, including in the countries where the Group entities operate and generate taxable profit. Management periodically assesses the positions taken in the tax calculations with respect to situations where applicable tax regulations are open to interpretations. The Group recognizes provisions where appropriate, based on the estimated payments to tax authorities. The income tax and social contribution expense comprises current and deferred taxes. Current and deferred taxes are recognized in profit or loss unless they are related to business combinations or items recognized directly in shareholders' equity.

Current tax is the expected tax payable or receivable on taxable profit or loss for the year at tax rates that have been enacted by the end of the reporting period and any adjustment to taxes payable in relation to prior years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is not recognized for the following temporary differences: initial recognition of assets and liabilities in a transaction that is not a business combination and does not affect either the accounting or taxable profit or loss, and differences associated with investments in subsidiaries and joint ventures when it is probable that they will not reverse in the foreseeable future.

Moreover, a deferred tax liability is not recognized for taxable temporary differences resulting from the initial recognition of goodwill. The deferred tax is measured at the rates that are expected to be applied on temporary differences when they reverse, based on the laws enacted by the end of the reporting period.

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

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

A deferred income tax and social contribution asset is recognized for all tax losses, tax credits, and deductible temporary differences to the extent that it is probable that taxable profits will be available against which those tax losses, tax credits, and deductible temporary differences can be utilized. Annually, the Company reviews and verifies the existence of future taxable income and a provision for loss is recognized when the realization of these credits is not likely.

2.t) Earnings/(Loss) per share

Basic earnings/loss per share are calculated by means of the profit/loss for the year attributable to owners of the Group and the weighted average number of common shares outstanding in the related period. Diluted earnings/loss per share are calculated by means of the average number of shares outstanding, adjusted by instruments potentially convertible into shares, with diluting effect, in the reported periods. The Group does not have any instruments potentially convertible into shares and, accordingly, diluted earnings/loss per share are equal to basic earnings/loss per share.

2.u) Environmental and restoration costs

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

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

2.v) Research and development

Research expenditures are recognized as expenses when incurred. Expenditures on project developments (related to the design and testing stages of new or improved products) are recognized as intangible assets when it is probable that projects will be successful, based on their commercial and technological feasibility, and only when the cost can be reliably measured. When capitalized, development expenditures are amortized from the start of a product commercial production, on a straight-line basis and over the period of the expected benefit.

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

2.w) Financial instruments

i) Financial assets

Financial assets are classified into the following categories: measured at fair value through profit or loss, loans and receivables, held-to-maturity, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

- **Recognition and measurement**

The Company classifies, at initial recognition, its financial assets into four categories: i) fair value through profit or loss, ii) loans and receivables, iii) held-to-maturity assets, and iv) available-for-sale financial assets. Assets are recognized at fair value, plus (with the exception of assets recognized at fair value through profit or loss) transaction costs that are directly attributable to the acquisition or issuance of financial asset.

In the subsequent measurement, the available-for-sale financial assets and financial assets measured at fair value through profit or loss are recognized at fair value through profit or loss. Loans and receivables are carried at amortized cost using the effective interest method.

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

The changes in the fair value of available-for-sale financial assets are recognized as follows: (i) the effects of foreign exchange differences and the changes in the fair value of the investment in the investee's capital are recognized directly in the Company's shareholders' equity, in "Other comprehensive income" and; (ii) the effects of foreign exchange differences and the changes in the option's fair value are recognized in the income statement for the year.

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

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

Regular purchases and sales of financial assets are recognized at the trading date on which the Company undertakes to buy or sell the asset.

- **Derecognized**

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred, in the latter case, provided that the Company has transferred significantly all risks and rewards of ownership.

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

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Financial assets at fair value through profit or loss are financial assets held for active and frequent trading. Derivatives are also categorized as held for trading and, accordingly, are classified in this category unless they have been designed as cash flow hedging instruments. Assets in this category are classified in current assets.

- **Loans and receivables**

This category includes loans and receivables that are non-derivative financial assets with fixed or determinable payments not quoted in an active market. They are included in current assets, except those with maturity of more than 12 months after the end of the reporting period (which are classified as non-current assets). Loans and receivables include loans to associates, trade receivables, other receivables and cash and cash equivalents, except short-term investments. Cash and cash equivalents are recognized at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

- **Held-to-maturity assets**

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

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

These are non-derivative financial assets, designated as available-for-sale, that are not classified in any other category established by CPC 38. They are included in non-current assets when they are strategic investments for the Company, unless Management intends to dispose of the investment within 12 months from the end of the reporting period. Available-for-sale financial assets are recognized at fair value.

ii) Impairment of financial assets

The Company evaluates in each reporting period whether there is an evidence of impairment in a financial asset or a group of financial assets.. This evaluation should consider objective evidence of the occurrence of events that may impact the estimated cash flows of an individual financial asset or group of financial assets.

- **Assets measured at amortized cost**

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

The criteria used by CSN to determine whether there are evidences of impairment loss includes:

- significant financial weakness related to the issuer or counterparty;

- a breach of contract, such as default or delinquency at interest or principal payments;

- the issuer, for economic or legal reasons relating to the borrower’s financial weakness, grants to the borrower a concession that the lender would not otherwise consider;

- it becomes probable that the borrower will incur in bankruptcy or other financial reorganization;

- the disappearance of an active market for the related financial asset because of financial weakness; or

- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of such assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

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- Adverse changes in the payment status of borrowers in the portfolio;

- National or local economic conditions that correlate with defaults on the assets in the portfolio.

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

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

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

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

CSN tested for impairment its available-for-sale investment in Usiminas shares, see note 14 – Financial Instruments.

iii) Financial liabilities

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

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

Financial liabilities classified in category fair value through profit or loss are financial liabilities held for trading or those designated at the time of initial recognition.

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

Gains and losses on financial liabilities classified at fair value through profit or loss are recognized in profit or loss

- **Other financial liabilities**

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

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

Write-off of financial liabilities

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

Financial liabilities are written off only when the obligations are terminated and canceled or when they mature. The difference between the carrying amount of the financial liability written off and the consideration paid and payable is recognized in profit or loss.

- **Offsetting of financial instruments**

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

iv) Derivative instruments and hedging activities

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

Derivatives are initially recognized at fair value on the date when a derivative contract is entered, thereafter they are subsequently measured at their fair value and any changes are recognized as “Financial income (costs)” in the income statement.

- **Cash flow Hedge**

The Company adopts hedge accounting and designates certain financial liabilities as a hedging instrument of a foreign exchange risk associated to the cash flows from forecast, highly probable exports (cash flow hedges).

At the inception of the transaction, the Company documents the relationships between the hedging instruments and the hedged items, as well as its risk management objectives and strategy for undertaking hedging transactions. The Company also documents its assessment, both at the inception of the hedge and on an ongoing basis, of whether the hedging transactions are highly effective in offsetting changes in the cash flows of the hedged items.

The effective portion of the changes in the fair value of financial liabilities designated and qualifying as cash flow hedge is recognized on equity, in line item "Hedge accounting". Any gain or loss related to the ineffective portion is recognized immediately in other expenses / revenues operational, if applicable.

The amounts accumulated in equity are realized at the on operating expenses/income in the periods when the forecast exports affect the result.

When a hedging instrument expires, is settled in advance or the hedging relationship no longer meets the hedge accounting criteria, or even when Management decides to discontinue hedge accounting, all cumulative gains or losses recorded in equity at the time remain recognized in equity and, from that moment, the exchange variations are recorded in the financial income (expenses). When the forecast transaction is completed, the gain or loss is reclassified to operating expenses/income. When a forecast transaction is no longer expected to take place, the cumulative gain or loss previously recognized in shareholders' equity is immediately transferred to the income statement, in line item "Other operational".

The movements in the hedge amounts designated as exporting cash flow hedges are stated in note 12 – Financial Instruments.

- **Net investment hedge**

For net investment hedge, the Company designates part of its financial liabilities as hedging instruments of its overseas investments with functional currencies other than the Group's functional currency, according to CPC38/IAS39. Such relationship occurs since the financial liabilities are related to the investments in the amounts required for the effective relationship.

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

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking out hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values of the hedged item.

The effective portion of changes in the fair value of financial liabilities that are designated and qualify as a net investment hedge is recognized in equity in line item “Hedge Accounting”. The gain or loss relating to the ineffective portion is recognized in other operating, when applicable. If at some point of the hedging relationship the balance of the debt is higher than the balance of the investment, the exchange variation on the excess debt will be reclassified to the statement of profit or loss as a other operating income / expenses (ineffectiveness of the hedge).

The amounts accumulated in equity will be realized in the statement of profit or loss upon disposal or partial disposal of the foreign operation.

The changes in the amounts of hedge denominated as Net investment hedge are shown in note 12 – Financial Instruments.

2.x) Segment information

An operating segment is a component of the Group committed to the business activities from which it can obtain revenues and incur expenses, including revenues and expenses related to transactions with any other components of the Group. All the operating results of operating segments are reviewed regularly by the Executive Officers of CSN to enable decisions regarding resources to be allocated to the segment and assessment of its performance. The Company maintains distinct financial information for the distinct segments.

2.y) Government grants

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

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

2.z) Noncurrent assets held for sale and discontinued operations

Noncurrent assets and groups of assets are classified as held for sale if their carrying amount is recovered mainly through a sale transaction and not through continued use.

The criteria for classification of items held for sale are considered to be met only when the sale is highly probable and the asset or group of assets is available for immediate sale.

Assets and liabilities classified as held for sale are presented separately as current items in the balance sheet.

Classification as a discontinued operation occurs through disposal, or when the transaction meets the criteria to be classified as held for sale if this occurs earlier. A discontinued operation is a component of a Group business which comprises operations and cash flows that may be clearly distinct from the rest of the Group and represent a separate separate business line or geographical area of operations.

The result of discontinued operations is presented in a single amount in the income statement, including the total income after income tax of these operations, less any impairment loss.

2.aa) Statement of value added

Page 45

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

Pursuant to Law 11,638/07, the presentation of the statement of value added is required for all publicly-held companies. These statements were prepared in accordance with CPC 09 - Statement of Value Added, approved by CVM Resolution 557/08. The IFRS does not require the presentation of this statement and for IFRS purposes is presented as additional information.

The statement of value added should highlight the wealth generated by the Company and demonstrate its distribution.

2.ab) New standards and interpretations issued and not yet adopted

The following standards and interpretations have been issued and will be mandatory for subsequent accounting periods and were not early adopted by the Group for the year ended December 31, 2017:

Standard	Main items introduced by the standard	Effective date
IFRS 9 – Financial Instruments	The standard retains, but simplifies, the combined measurement model and establishes two main measurement categories of financial assets: amortized cost and fair value. The classification basis depends on the entity's business model and the characteristics of the financial asset's contractual cash flow. IFRS 9 retains most of IAS 39 requirements for financial liabilities. .	January 1, 2018

	This pronouncement also introduces a new model for impairment and new rules for hedge accounting.	
IFRS15 – Revenue from Contracts with Customers	The standard establishes a five step model the principles that an entity will apply to determine the revenue measurement and when such revenue shall be recognized. IFRS15 replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, and related interpretations.	January 1, 2018
IFRS16 – Leases	This new standard defines the principles for recognition, measurement, presentation and disclosure of leases and introduces a single model for the accounting of leases in the balance sheet for the lessees. A lessee recognizes a right of use asset that represents his right to use the leased asset and a lease liability that represents his obligation to make lease payments. Optional exemptions are available for short-term leases and low-value items. For lessors, accounting treatment remains practically the same, with the classification of leases as operating leases or financial leases. IFRS 16 replaces existing lease standards, including IAS 17 / CPC 06 (R1) - Leasing operations and ICPC 03 (IFRIC 4, SIC 5 and SIC 27) - Complementary aspects of leasing operations	January 1, 2019
IFRIC 22 – Foreign Currency Transaction and Advance Consideration	The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income The Interpretation covers foreign currency transactions (or part of them) when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income (or part of it).	January 1, 2018
IFRIC 23 – Uncertainty over Income Tax Treatments	Can be unclear how tax law applies to a particular transaction or circumstance. This interpretation complements the CPC 32/ IAS 12 – Income Tax, clarify how to reflect the effects of uncertainty over income tax treatments.	January 1, 2019

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

The following information presents the possible impacts on the adoption of IFRS 9/CPC 48 and IFRS 15/CPC 47 which were available at the time of the preparation of these financial statements. In this way, these preliminary assessments and their potential impacts are subject to change until the initial adoption be disclosed in the 2018 financial statements.

- **IFRS 9/CPC 48 – Financial Instruments**

Classification and measurement of financial assets: Management evaluated the classification and measurement of financial assets offered by the new pronouncement based on its diagnosis, business model, expectations of the company's cash flow and the financial assets management model. In this way, was concluded that the investment in Usiminas shares would be appropriately classified in the category of "fair value through profit or loss" and that the loans and receivables would be classified in the category of measured at "amortized cost".

In the classification of the category of "fair value through profit or loss", the gains or losses arising from the variation of the quotation of the shares are recorded directly in the result at the time of adoption and throughout all future periods. On the other hand, since it is an initial adoption, the Company evaluated the possible impacts related to the investment in Usiminas shares and the amount previously determined for recognition in "Other Operating income and expenses", would represent an approximately revenue of R$ 1.5 billion (gross value), arising from the recording of the accumulated balance currently recognized in other comprehensive income.

- **IFRS 15 - Revenue from Contracts with Customers**

The Company's Management evaluated all stages of the new standard for the recognition of revenue from contracts with customers. Based on this analysis, the Company did not identify material measurement impacts on the application of this standard.

The observed impacts are related to the review of internal procedures, with the objective to ensure that the new contracts with clients will be properly evaluated and accounted in accordance with the principles of the new standard.

- **IFRS 16 – Leases**

During 2018, the Company will evaluate, in the main contracts, the effects of applying the new standard.

The Company does not expect material impacts arising from the application of the new standard.

- **IFRIC 22 - Foreign Currency Transaction and Advance Consideration**

For IFRIC 22, the Company will evaluate the effects of applying the new interpretation during 2018, in its operations in foreign currency.

The Company does not expect material impacts arising from the application of the interpretation.

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

3 CASH AND CASH EQUIVALENTS

		Consolidated		**Parent Company**
	12/31/2017	**12/31/2016**	**12/31/2017**	**12/31/2016**
Current				
Cash and cash equivalents				
Cash and banks	**193,702**	**502,480**	**38,311**	**30,308**
Short-term investments				
In Brazil:				
Government securities	12,100	17,929	150	17,178
Private securities	644,525	1,390,707	79,116	1,216,461
	656,625	**1,408,636**	**79,266**	**1,233,639**
Abroad:				
Time deposits	2,561,245	2,960,046	275,927	202,799
Total short-term investments	**3,217,870**	**4,368,682**	**355,193**	**1,436,438**
Cash and cash equivalents	**3,411,572**	**4,871,162**	**393,504**	**1,466,746**

The funds available in the Group and parent company set up in Brazil are basically invested in investment funds, classified as exclusive and its financial statements were consolidated within CSN the financial statements, consolidated and parent company. The funds include repurchase agreements backed by private and public securities, with pre-fixed income, with immediate liquidity.

Private securities are short-term investments in Bank Deposit Certificates (CDBs) with yields pegged to the Interbank Deposit Certificate (CDI) fluctuation, and government securities are basically repurchasing agreements backed by National Treasury Notes and National Treasury Bills. The funds are managed by

BNY Mellon Serviços Financeiros DTVM S.A. and Caixa Econômica Federal (CEF) and their assets collateralize possible losses on investments and transactions carried out. The investments in those funds were consolidated.

A significant part of the funds of the Company and its foreign subsidiaries is invested in time deposits in banks considered by the administration as top rated banks and the returns are based on fixed interest rates.

4 FINANCIAL INVESTMENTS

		Consolidated		Parent Company
	12/31/2017	**12/31/2016**	**12/31/2017**	**12/31/2016**
CDB – Bank Certificate of Deposit (1)	716,218	658,476	716,218	658,476
Government securities (2)	19,494	101,915	243	99,957
	735,712	**760,391**	**716,461**	**758,433**

(1) Financial investments linked to Bank Certificates of Deposit (CDBs), to be used as a collateral to a guarantee letter, of certain loans.

(2) Financial investments in Public Securities (Financial Treasury Bills) managed by its exclusive funds.In 2016, in addition to the Financial Treasury Bills, the Company had a financial investments in Public Securities managed by its exclusive funds which were used as collateral for future CDI rate’s contracts in the period as detailed in note 12 (b). These applications were settled in October 2017.

Page 48

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

5 TRADE RECEIVABLES

	Consolidated		Parent Company	
	12/31/2017	**12/31/2016**	**12/31/2017**	**12/31/2016**
Trade receivables				
Third parties				
Domestic market	1,290,823	1,027,639	1,056,929	733,608
Foreign market	982,846	919,936	150,264	67,652
	2,273,669	**1,947,575**	**1,207,193**	**801,260**
Allowance for doubtful debts	(191,979)	(172,782)	(140,392)	(124,351)
	2,081,690	**1,774,793**	**1,066,801**	**676,909**
Related parties (Note 18 b)	115,388	129,837	831,993	1,034,098
	2,197,078	**1,904,630**	**1,898,794**	**1,711,007**
Other receivables				
Dividends receivable (Note 18 b) (*)	41,528	37,679	1,044,242	873,473
Advances to employees	33,942	34,607	22,123	21,953
Other receivables	3,667	20,300	1,547	18,420
	79,137	**92,586**	**1,067,912**	**913,846**
	2,276,215	**1,997,216**	**2,966,706**	**2,624,853**

(*) Refers mainly to dividends from CSN Mineração S.A. totaling R$ 837,084 received in February 2018.

In accordance with Group' internal sales policy the Group performs operations relating to assignment of receivables without co-obligation in which, after assigning the customer's trade notes/bills and receiving the amounts from each transaction closed, CSN settles the trade receivables and becomes entirely free of the credit risk on the transaction. This transaction totals R$181,972 as of December 31, 2017 (R$263,644 as of December 31, 2016), less the trade receivables.

The breakdown of gross trade receivables from third parties is as follows:

		Consolidated		Parent Company
	12/31/2017	**12/31/2016**	**12/31/2017**	**12/31/2016**
Current	1,391,839	1,381,255	530,774	404,259
Past-due up to 180 days	310,106	245,012	164,371	139,036
Past-due over 180 days	571,724	321,308	512,048	257,965
	2,273,669	**1,947,575**	**1,207,193**	**801,260**

The movements in the Group’s allowance for doubtful debts are as follows

		Consolidated		Parent Company
	12/31/2017	**12/31/2016**	**12/31/2017**	**12/31/2016**
Opening balance	**(172,782)**	**(151,733)**	**(124,351)**	**(112,502)**
Estimated losses	(36,697)	(25,474)	(29,270)	(16,347)
Recovery of receivables	17,500	4,425	13,229	4,498
Closing balance	**(191,979)**	**(172,782)**	**(140,392)**	**(124,351)**

Page 49

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

Annual Financial Statements – December 31, 2017 – CIA SIDERURGICA NACIONAL

Version: 1

6 INVENTORIES

		Consolidated		**Parent Company**
	12/31/2017	**12/31/2016**	**12/31/2017**	**12/31/2016**
Finished goods	1,308,802	1,183,619	856,707	784,130
Work in progress	1,135,589	674,860	981,204	557,598
Raw materials	1,050,588			