NATIONAL STEEL CO
Form 6-K
April 18, 2019

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, 2019
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, 2018 – CIA SIDERURGICA NACIONAL

Version: 1

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Annual Financial Statements – December 31, 2018 – CIA SIDERURGICA NACIONAL

Version: 1

Company Information / Capital Breakdown

Number of Shares	**Current Quarter**
(Units)	**12/31/2018**
Paid-in Capital	
Common	1,387,524,047
Preferred	0
Total	1,387,524,047
Treasury Shares	
Common	7,409,500
Preferred	0
Total	7,409,500

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

Annual Financial Statements – December 31, 2018 – CIA SIDERURGICA NACIONAL

Version: 1

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

Code	Description	Current Quarter 12/31/2018	First prior year 12/31/2017	Second prior year 12/31/2016
1	Total assets	42,515,849	42,365,935	0
1.01	Current assets	8,668,688	7,642,103	0
1.01.01	Cash and cash equivalents	539,853	393,504	0
1.01.02	Financial investments	882,997	716,461	0
1.01.02.03	Financial investments measured at amortized cost	882,997	716,461	0
1.01.03	Trade receivables	1,965,817	1,898,794	0
1.01.04	Inventories	3,662,466	2,951,352	0
1.01.08	Other current assets	1,617,555	1,681,992	0
1.01.08.03	Others	1,617,555	1,681,992	0
1.02	Non-current assets	33,847,161	34,723,832	0
1.02.01	Long-term receivables	4,002,570	2,267,226	0
1.02.01.10	Other non-current assets	4,002,570	2,267,226	0
1.02.02	Investments	20,232,005	22,894,885	0
1.02.03	Property, plant and equipment	9,562,973	9,502,411	0
1.02.04	Intangible assets	49,613	59,310	0

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Annual Financial Statements – December 31, 2018 – CIA SIDERURGICA NACIONAL

Version: 1

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

Code	**Description**	**Current Quarter 12/31/2018**	**First prior year 12/31/2017**	**Sec prior y 12/31/2**
2	Total liabilities	42,515,849	42,365,935	
2.01	Current liabilities	11,191,230	9,175,980	
2.01.01	Payroll and related taxes	135,255	133,774	
2.01.02	Trade payables	2,720,857	1,768,366	
2.01.03	Tax payables	116,336	86,496	
2.01.04	Borrowings and financing	6,474,388	6,578,171	
2.01.05	Other payables	1,679,538	534,587	
2.01.06	Provisions	64,856	74,586	
2.01.06.01	Provision for tax, social security, labor and civil risks	64,856	74,586	
2.02	Non-current liabilities	22,621,884	26,162,582	
2.02.01	Long term Borrowings and financing	17,687,208	22,454,846	
2.02.02	Other payables	24,024	57,599	
2.02.03	Deferred taxes	17,434	570,559	
2.02.04	Provisions	4,893,218	3,079,578	
2.02.04.01	Provision for tax, social security, labor and civil risks	538,077	555,459	
2.02.04.02	Other provisions	4,355,141	2,524,119	
2.02.04.02.03	Provision for environmental liabilities and decommissioning of assets	191,884	248,918	
2.02.04.02.04	Pension and healthcare plan	905,119	908,721	
2.02.04.02.05	Provision for losses on investments	3,258,138	1,366,480	
2.03	Consolidated Shareholders' equity	8,702,735	7,027,373	
2.03.01	Share Capital	4,540,000	4,540,000	
2.03.02	Capital reserves	32,720	30	
2.03.04	Profit reserves	3,064,827	0	
2.03.04.01	Legal reserve	189,122	0	
2.03.04.02	Earnings reserves	2,933,969	238,976	
2.03.04.09	Treasury shares	(58,264)	(238,976)	
2.03.05	Profits/losses acumulated	0	(1,291,689)	
2.03.08	Other comprehensive income	1,065,188	3,779,032	

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

Annual Financial Statements – December 31, 2018 – CIA SIDERURGICA NACIONAL

Version: 1

Parent Company Financial Statements / Statements of Income

(R$ thousand)

Code	**Description**	**Current Quarter 01/01/2018 to 12/31/2018**	**First prior year 01/01/2017 to 12/31/2017**	**Second prior year 01/01/2016 to 12/31/2016**
3.01	Revenues from sale of goods and rendering of services	12,802,755	10,386,836	0
3.02	Costs from sale of goods and rendering of services	(10,320,367)	(8,542,284)	0
3.03	Gross profit	2,482,388	1,844,552	0
3.04	Operating expenses/income	3,190,822	378,027	0
3.04.01	Selling expenses	(645,928)	(680,386)	0
3.04.02	General and administrative expenses	(241,887)	(204,521)	0
3.04.04	Other operating income	4,126,906	799,874	0
3.04.05	Other operating expenses	(864,901)	(438,776)	0
3.04.06	Equity in income of affiliates and joint ventures	816,632	901,836	0
3.05	Profit before financial income (expenses) and taxes	5,673,210	2,222,579	0
3.06	Financial income (expenses)	(897,645)	(2,280,727)	0
3.06.01	Financial income	1.354.316	261,754	0
3.06.02	Financial expenses	(2,251,961)	(2,542,481)	0
3.06.02.01	Net exchange differences over financial instruments	(560,494)	(95,462)	0
3.06.02.02	Financial expenses	(1,691,467)	(2,447,019)	0
3.07	Profit (loss) before taxes	4,775,565	(58,148)	0
3.08	Income tax and social contribution	298,571	68,420	0
3.09	Profit (loss) from continued operations	5,074,136	10,272	0
3.11	Consolidated Profit (loss) for the year	5,074,136	10,272	0
3.99	Earnings per Share - (Reais / share)			
3.99.01	Basic earnings per share			
3.99.01.01	Common shares	3.69498	0.00757	0
3.99.02	Diluted earnings per share			
3.99.02.01	Common shares	3.69498	0.00757	0

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

Annual Financial Statements – December 31, 2018 – CIA SIDERURGICA NACIONAL

Version: 1

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

Code	Description	Current Quarter 01/01/2018 to 12/31/2018	First prior year 01/01/2017 to 12/31/2017	Second prior year 01/01/2016 to 12/31/2016
4.01	Consolidated profit for the year	5,074,136	10,272	0
4.02	Other comprehensive income	(2,713,844)	822,573	0
4.02.01	Actuarial gains/(losses) over pension plan of affiliates	(997)	2,168	0
4.02.02	Actuarial gains/(losses) on defined benefit pension plan	2,313	(206,275)	0
4.02.04	Cumulative translation adjustments for the year	(87,101)	170,342	0
4.02.05	Fair value through other comprehensive income	(1,559,680)	847,849	0
4.02.10	(Loss) / gain on change in percentage of investments	(105)	2,814	0
4.02.11	Gain (loss) on cash flow hedge accounting	(1,415,962)	(50,987)	0
4.02.12	Realization of cash flow hedge accounting reclassified to income statement	370,191	92,140	0
4.02.13	Gain (Loss) on net investment hedge from investments in affiliates	(21,852)	(39,893)	0
4.02.14	Gain (Loss) on business combination	(651)	4,415	0
4.03	Consolidated comprehensive income for the year	2,360,292	832,845	0

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

Annual Financial Statements – December 31, 2018 – CIA SIDERURGICA NACIONAL

Version: 1

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

Code	Description	Current Year 01/01/2018 to 12/31/2018	First prior year 01/01/2017 to 12/31/2017	Second prior year 01/01/2016 to 12/31/2016
6.01	Net cash from operating activities	6,594,731	721,126	0
6.01.01	Cash from operations	1,532,319	1,274,395	0
6.01.01.01	Profit (loss) for the period	5,074,136	10,272	0
6.01.01.02	Charges on loans and financing raised	1,524,956	2,115,117	0
6.01.01.03	Charges on loans and financing granted	(43,963)	(98,511)	0
6.01.01.04	Depreciation, depletion and amortization	586,198	642,833	0
6.01.01.05	Equity in results of affiliated companies	(816,632)	(901,836)	0
6.01.01.06	Deferred income tax and social contribution	(509,458)	(68,420)	0
6.01.01.07	Provision for tax, social security, labor, civil and environmental risks	(27,112)	3,427	0
6.01.01.08	Monetary and exchange differences, net	887,204	270,944	0
6.01.01.11	Write-off of PPE and Intangible assets	19,280	2,112	0
6.01.01.12	Provision for actuarial liabilities	(13,513)	(28,605)	0
6.01.01.13	Provision for environmental liabilities and decommissioning of assets	(57,034)	(16,854)	0
6.01.01.14	PIS and COFINS credits	(2,208,462)	0	0
6.01.01.15	Debts writte-off - intragroup	(1,310,886)	0	0

6.01.01.16	Updated shares – Fair value through profit or loss (VJR)	(1,655,813)	0	0
6.01.01.17	Monetary adjustment related to the Eletrobrás's compulsory loan	(21,558)	(755,151)	0
6.01.01.18	Provision (Reversal) for consumption and services	81,354	19,026	0
6.01.01.19	Other provisions	23,622	80,041	0
6.01.02	Changes in assets and liabilities	5,062,412	(553,269)	0
6.01.02.01	Trade receivables - third parties	21,874	(420,153)	0
6.01.02.02	Trade receivables - related parties	(74,872)	202,105	0
6.01.02.03	Inventories	(711,114)	(447,122)	0
6.01.02.04	Receivables - related parties / Dividends	6,350,877	1,934,839	0
6.01.02.05	Tax assets	16,790	(114,878)	0
6.01.02.06	Judicial deposits	4,168	13,275	0
6.01.02.09	Trade payables	952,491	456,183	0
6.01.02.10	Payroll and related taxes	1,481	(1,902)	0
6.01.02.11	Taxes in installments - REFIS	31,354	19,863	0

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

Code	Description	Current Year 01/01/2018 to 12/31/2018	First prior year 01/01/2017 to 12/31/2017	Second prior year 01/01/2016 to 12/31/2016
6.01.02.13	Payables to related parties	28,475	93,598	0
6.01.02.15	Interest paid	(1,670,988)	(2,278,089)	0
6.01.02.18	Interest on swaps paid	1,522	1,984	0
6.01.02.19	Others	110,354	(12,972)	0
6.02	Net cash investment activities	(1,100,004)	(512,847)	0
6.02.01	Investments / AFAC / Acquisitions of Shares	(244,498)	(57,847)	0
6.02.02	Purchase of property, plant and equipment	(630,485)	(551,891)	0
6.02.10	Intercompany loans granted	(106,291)	(57,405)	0
6.02.11	Intercompany loans received	8,429	12,993	0
6.02.12	Exclusive funds	0	(121)	0
6.02.13	Financial Investments, net of redemption	(166,536)	41,972	0
6.02.14	Cash received by disposal of Usiminas' shares	39,377	0	0
6.02.15	Cash received by disposal of investments - CGPAR	0	99,452	0
6.03	Net cash used in financing activities	(5,348,378)	(1,281,521)	0
6.03.01	Borrowings and financing	600,364	371,000	0
6.03.02	Borrowings of cost	(63,935)	(238)	0
6.03.04	Amortization of borrowings and financing	(2,675,163)	(1,407,940)	0
6.03.05	Amortization of borrowings and financing - related parties	(3,423,046)	(244,343)	0
6.03.09	Treasury shares	213,402	0	0
6.05		146,349	(1,073,242)	0

	Increase (decrease) in cash and cash equivalents			
6.05.01	Cash and equivalents at the beginning of the year	393,504	1,466,746	0
6.05.02	Cash and equivalents at the end of the year	539,853	393,504	0

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Annual Financial Statements – December 31, 2018 – CIA SIDERURGICA NACIONAL

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Parent Company Financial Statements / Statement of Changes in Equity - 1/1/2018 to 12/31/2018

(R$ thousand)

Code	Description	Paid-in capital	Capital reserve, granted options and treasury shares	Earnings reserve	Retaine earning (accumulate losse
5.01	Opening balances	4,540,000	30	0	(1,291,68
5.03	Ajusted opening balances	4,540,000	30	0	(1,291,68
5.04	Capital transactions with shareholders	0	32,690	180,712	(898,332
5.04.05	Sales of treasury shares	0	0	180,712	
5.04.06	Dividends	0	0	0	898,33
5.04.08	Profit on disposal of shares	0	32,690	0	
5.05	Total comprehensive income	0	0	0	5,074,13
5.05.01	Profit for the period	0	0	0	5,074,13
5.05.02	Other comprehensive income	0	0	0	
5.05.02.04	Translation adjustments for the year	0	0	0	
5.05.02.06	Actuarial (loss)/gain on pension plan, net of taxes	0	0	0	
5.05.02.07	Available-for-sale assets, net of taxes	0	0	0	
5.05.02.08	(Loss) / Gain on change in percentage of investments	0	0	0	
5.05.02.09	(Loss) / Gain on cash flow hedge accounting, net of taxes	0	0	0	
5.05.02.10	(Loss) / Gain on net investment hedge in foreign subsidiaries	0	0	0	
5.05.02.11	(Loss)/ Gain on business combination	0	0	0	
5.06	Internal changes in shareholders' equity	0	0	2,884,115	(2,884,11
5.06.01	Constitution of reserves	0	0	2,884,115	(2,884,11
5.07	Closing balance	4,540,000	32,720	3,064,827	

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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	Retai earni (accumula los
5.01	Opening balances	4,540,000	30	0	(1,301,9
5.03	Ajusted opening balances	4,540,000	30	0	(1,301,9
5.05	Total comprehensive income	0	0	0	10,
5.05.01	Profit for the period	0	0	0	10,
5.05.02	Other comprehensive income	0	0	0	
5.05.02.04	Translation adjustments for the year	0	0	0	
5.05.02.07	Actuarial (loss)/gain on pension plan, net of taxes	0	0	0	
5.05.02.08	Available-for-sale assets, net of taxes	0	0	0	
5.05.02.12	(Loss) / Gain on change in percentage of investments	0	0	0	
5.05.02.13	(Loss) / Gain on cash flow hedge accounting, net of taxes	0	0	0	
5.05.02.14	(Loss) / Gain on net investment hedge in foreign subsidiaries	0	0	0	
5.05.02,15	(Loss)/ Gain on business combination	0	0	0	
5.07	Closing balance	4,540,000	30	0	(1,291,6

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

Annual Financial Statements – December 31, 2018 – CIA SIDERURGICA NACIONAL

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

Code	Description	Current year 01/01/2018 to 12/31/2018	First prior year 01/01/2017 to 12/31/2017	Second prior year 01/01/2016 to 12/31/2016
7.01	Revenues	18,845,223	13,596,257	0
7.01.01	Sales of products and rendering of services	15,914,458	12,790,843	0
7.01.02	Other revenues	2,967,228	821,455	0
7.01.04	Allowance for (reversal of) doubtful debts	(36,463)	(16,041)	0
7.02	Raw materials acquired from third parties	(11,455,064)	(9,814,665)	0
7.02.01	Cost of sales and services	(11,078,146)	(8,822,738)	0
7.02.02	Materials, electric power, outsourcing and other	(315,864)	(985,182)	0
7.02.03	Impairment/recovery of assets	(61,054)	(6,745)	0
7.03	Gross value added	7,390,159	3,781,592	0
7.04	Retentions	(586,198)	(642,833)	0
7.04.01	Depreciation, amortization and depletion	(586,198)	(642,833)	0
7.05	Wealth created	6,803,961	3,138,759	0
7.06	Value added received	2,265,551	1,253,363	0
7.06.01	Equity in income of affiliates	816,632	901,836	0
7.06.02	Financial income	1,354,316	261,754	0
7.06.03	Others	94,603	89,773	0
7.06.03.01	Others and exchange gains	94,603	89,773	0
7.07	Wealth for distribution	9,069,512	4,392,122	0
7.08	Wealth distributed	9,069,512	4,392,122	0
7.08.01	Personnel	1,240,649	1,196,031	0
7.08.01.01	Salaries and wages	915,569	891,355	0
7.08.01.02	Benefits	261,507	228,559	0
7.08.01.03	Severance payment (FGTS)	63,573	76,117	0
7.08.02	Taxes, fees and contributions	418,372	547,801	0
7.08.02.01	Federal	134,614	414,033	0
7.08.02.02	State	283,755	133,746	0

7.08.02.03	Municipal	3	22	0
7.08.03	Remuneration on third-party capital	2,336,355	2,638,018	0
7.08.03.01	Interest	1,691,467	2,450,250	0
7.08.03.02	Leases	5,551	11,104	0
7.08.03.03	Others	639,337	176,664	0
7.08.03.03.01	Others and exchange losses	639,337	176,664	0
7.08.04	Remuneration on Shareholders' capital	5,074,136	10,272	0
7.08.04.02	Dividends	898,332	0	0
7.08.04.03	Retained earnings (accumulated losses)	4,175,804	10,272	0

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

Annual Financial Statements – December 31, 2018 – CIA SIDERURGICA NACIONAL

Version: 1

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

Code	Description	Current Quarter 12/31/2018	First prior year 12/31/2017	Second prior year 12/31/2016
1	Total Assets	47,327,524	45,209,970	0
1.01	Current assets	12,014,483	11,881,496	0
1.01.01	Cash and cash equivalent	2,248,004	3,411,572	0
1.01.02	Financial investments	895,713	735,712	0
1.01.02.02	Financial investments at amortized cost	895,713	735,712	0
1.01.03	Trade receivables	2,078,182	2,197,078	0
1.01.04	Inventory	5,039,560	4,464,419	0
1.01.08	Other current assets	1,753,024	1,072,715	0
1.01.08.03	Others	1,753,024	1,072,715	0
1.02	Non-current assets	35,313,041	33,328,474	0
1.02.01	Long-term assets	4,382,389	2,591,594	0
1.02.01.03	Financial investments at amortized cost	7,772	0	0
1.02.01.07	Deferred tax assets	89,394	63,119	0
1.02.01.10	Other non-current assets	4,285,223	2,528,475	0
1.02.02	Investments	5,630,613	5,499,995	0
1.02.03	Property, plant and equipmet	18,046,864	17,964,839	0
1.02.04	Intangible assets	7,253,175	7,272,046	0

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

Annual Financial Statements – December 31, 2018 – CIA SIDERURGICA NACIONAL

Version: 1

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

Code	Description	Current Quarter 12/31/2018	First prior year 12/31/2017	Se
2	Total liabilities	47,327,524	45,209,970	
2.01	Current liabilities	11,438,552	10,670,050	
2.01.01	Payroll and related taxes	248,185	252,418	
2.01.02	Trade payables	3,473,822	2,505,695	
2.01.03	Tax payables	251,746	264,097	
2.01.04	Borrowings and financing	5,653,439	6,526,902	
2.01.05	Other payables	1,704,857	1,014,980	
2.01.06	Provisions	106,503	105,958	
2.01.06.01	Provision for tax, social security, labor and civil risks	106,503	105,958	
2.02	Non-current liabilities	25,875,532	26,251,691	
2.02.01	Long term Borrowings and financing	23,173,635	22,983,942	
2.02.02	Other payables	227,328	129,323	
2.02.03	Deferred tax liabilities	601,731	1,173,559	
2.02.04	Provisions	1,872,838	1,964,867	
2.02.04.01	Provision for tax, social security, labor and civil risks	685,953	719,133	
2.02.04.02	Other provisions	1,186,885	1,245,734	
2.02.04.02.03	Provision for environmental liabilities and decommissioning of assets	281,766	337,013	
2.02.04.02.04	Pension and healthcare plan	905,119	908,721	
2.03	Consolidated Shareholders' equity	10,013,440	8,288,229	
2.03.01	Share Capital	4,540,000	4,540,000	
2.03.02	Capital reserves	32,720	30	
2.03.04	Profit reserves	3,064,827	0	
2.03.04.01	Legal reserves	189,122	0	
2.03.04.02	Earnings reserves	2,933,969	238,976	

2.03.04.09	Treasury shares	(58,264)	(238,976)
2.03.05	Profit/ losses acumulated	0	(1,291,689)
2.03.08	Other comprehensive income	1,065,188	3,779,032
2.03.09	Profit attributable to the non-controlling Shareholders	1,310,705	1,260,856

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

Annual Financial Statements – December 31, 2018 – CIA SIDERURGICA NACIONAL

Version: 1

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

Code	Description	Current year 01/01/2018 to 12/31/2018	Previous year 01/01/2017 to 12/31/2017	Second prior year 01/01/2016 to 12/31/2016
3.01	Revenues from sale of goods and rendering of services	22,968,885	18,524,601	0
3.02	Costs from sale of goods and rendering of services	(16,105,657)	(13,596,141)	0
3.03	Gross profit	6,863,228	4,928,460	0
3.04	Operating expenses/income	83,332	(1,944,495)	0
3.04.01	Selling expenses	(2,263,688)	(1,815,107)	0
3.04.02	General and administrative expenses	(494,023)	(415,841)	0
3.04.04	Other operating income	4,036,043	824,286	0
3.04.05	Other operating expenses	(1,330,706)	(646,944)	0
3.04.06	Equity in income of affiliates and jointly operations	135,706	109,111	0
3.05	Profit before financial income (expenses) and taxes	6,946,560	2,983,965	0
3.06	Financial income (expenses)	(1,495,643)	(2,463,627)	0
3.06.01	Financial income	1,310,514	295,074	0
3.06.02	Financial expenses	(2,806,157)	(2,758,701)	0
3.06.02.01	Net exchange differences over financial instruments	(533,919)	(16,450)	0
3.06.02.02	Financial expenses	(2,272,238)	(2,742,251)	0
3.07	Profit (loss) before taxes	5,450,917	520,338	0
3.08	Income tax and social contribution	(250,334)	(409,109)	0
3.09	Profit (loss) from continued operations	5,200,583	111,229	0
3.11	Consolidated Profit (loss) for the year	5,200,583	111,229	0
3.11.01	Profit attributable to the controlling shareholders	5,074,136	10,272	0
3.11.02	Profit attributable to the non-controlling shareholders	126,447	100,957	0
3.99.01	Basic earnings per share			
3.99.01.01	Common shares	3.69498	0.00757	0
3.99.02	Diluted earnings per share			
3.99.02.01	Common shares	3.69498	0.00757	0

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

Annual Financial Statements – December 31, 2018 – CIA SIDERURGICA NACIONAL

Version: 1

Consolidated Financial Statements / Statement of Comprehensive Income

(R$ thousand)

Code	Description	Current Quarter 01/01/2018 to 12/31/2018	First prior year 01/01/2017 to 12/31/2017	Second prior year 01/01/2016 to 12/31/2016
4.01	Consolidated profit for the year	5,200,583	111,229	0
4.02	Other comprehensive income	(2,713,844)	822,573	0
4.02.01	Actuarial gains/(losses) over pension plan of affiliates	903	(12)	0
4.02.02	Actuarial gains /(losses) on defined benefit pension plan	413	(203,022)	0
4.02.03	Income tax and social contribution on actuarial (losses) gains in pension plan	0	(1,073)	0
4.02.04	Cumulative translation adjustments for the year	(87,101)	170,342	0
4.02.05	Fair value through profit or loss	(1,559,680)	847,849	0
4.02.09	(Loss) / gain on change in percentage of investments	(105)	2,814	0
4.02.10	Gain (loss) on cash flow hedge accounting	(1,415,962)	(50,987)	0
4.02.11	Realization of cash flow hedge accounting reclassified to income statement	370,191	92,140	
4.02.12	Gain /(Loss) on net investment hedge in foreign subsidiaries	(21,852)	(39,893)	0
4.02.13	Gain/(Loss) on business combination	(651)	4,415	0
4.03	Consolidated comprehensive income for the year	2,486,739	933,802	0
4.03.01	Attributed to controlling shareholders	2,360,292	832,845	0

4.03.02	Attributed to non-controlling shareholders	126,447	100,957	0

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

Annual Financial Statements – December 31, 2018 – CIA SIDERURGICA NACIONAL

Version: 1

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

Code	Description	Current Year 01/01/2018 to 12/31/2018	First prior year 01/01/2017 to 12/31/2017	Second prior year 01/01/2016 to 12/31/2016
6.01	Net cash from operating activities	2,208,105	571,851	0
6.01.01	Cash from operations	3,583,993	3,293,458	0
6.01.01.01	Profit attributable to the controlling interests	5,074,136	10,272	0
6.01.01.02	Results of non-controlling shareholders	126,447	100,957	0
6.01.01.03	Charges on loans and financing	1,938,077	2,346,598	0
6.01.01.04	Charges on loans and financing granted	(50,239)	(54,777)	0
6.01.01.05	Depreciation, depletion and amortization	1,273,021	1,453,335	0
6.01.01.06	Equity in results of affiliated companies	(135,706)	(109,111)	0
6.01.01.08	Deferred tax	(576,895)	50,128	0
6.01.01.09	Provision for tax, social security, labor, civil and environmental risks	(34,279)	10,166	0
6.01.01.10	Monetary variations and Exchange differences, net	1,023,695	250,660	0
6.01.01.11	Gain (loss) of derivative financial instruments	0	(28,503)	0
6.01.01.12	Monetary adjustment related to the Eletrobrás's compulsory loan	(21,558)	(755,151)	0
6.01.01.13	Write-off of PPE and Intangible assets	38,245	28,127	0
6.01.01.14	Provision (Reversal) for consumption and services	55,726	(44,921)	0
6.01.01.15	Provision for actuarial liabilities	(20,984)	(36,953)	0
6.01.01.16	PIS and COFINS credits	(2,208,462)	0	0
6.01.01.17	Net gain on sale of foreign subsidiary	(1,164,294)	0	0

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

Annual Financial Statements – December 31, 2018 – CIA SIDERURGICA NACIONAL

Version: 1

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

Code	**Description**	**Current Year 01/01/2018 to 12/31/2018**	**First prior year 01/01/2017 to 12/31/2017**
6.01.01.18	Provision for environmental liabilities and decommissioning of assets	(55,247)	(10,05
6.01.01.19	Updated shares – fair value through profit or loss (VJR)	(1,655,813)	
6.01.01.20	Other provisions	(21,877)	82,68
6.01.02	Changes in assets and liabilities	(1,375,888)	(2,721,60
6.01.02.01	Trade receivables - third parties	99,223	(300,44
6.01.02.02	Trade receivables - related parties	22,071	14,44
6.01.02.03	Inventories	(800,050)	(442,10
6.01.02.04	Receivables from related parties	113,800	68,22
6.01.02.05	Tax assets	238,181	(100,47
6.01.02.06	Judicial deposits	(7,496)	(6,72
6.01.02.08	Trade payables	990,942	711,95
6.01.02.09	Payroll and related taxes	(1,100)	(3,65
6.01.02.10	Taxes in installments - REFIS	(23,806)	23,77
6.01.02.12	Payables to related parties	129,031	46,08
6.01.02.14	Interest paid	(2,141,710)	(2,634,93
6.01.02.17	Other	5,026	(97,75
6.02	Net cash used in investing activities	(98,459)	(1,049,22
6.02.01	Investments / acquisition of shares	(218,840)	

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

Annual Financial Statements – December 31, 2018 – CIA SIDERURGICA NACIONAL

Version: 1

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

Code	Description	Current Year 01/01/2018 to 12/31/2018	First prior year 01/01/2017 to 12/31/2017	Second prior year 01/01/2016 to 12/31/2016
6.02.02	Purchase of property, plant and equipment	(1,317,102)	(1,059,481)	0
6.02.04	Receipt/(payment) in derivative transactions	(372)	30,453	0
6.02.05	Purchase of intangible assets	(2,200)	(622)	0
6.02.06	Intercompany loans granted	(101,908)	(49,072)	0
6.02.07	Intercompany loans received	0	4,819	0
6.02.08	Financial Investments net of redemption	(167,773)	24,679	0
6.02.09	Net cash reveived from sale of foreign subsidiary	1,670,359	0	0
6.02.10	Cash reveived from sale of Usiminas’ shares	39,377	0	0
6.03	Net cash used in financing activities	(3,257,186)	(993,755)	0
6.03.01	Borrowings and financing	2,143,679	534,506	0
6.03.02	Cost of borrowing	(92,287)	(238)	0
6.03.05	Amortization of borrowings and financing	(5,019,978)	(1,528,023)	0
6.03.07	Payments of dividends and interests on shareholder´s equity	(502,002)	0	0
6.03.08	Disposal of shares in treasury	213,402	0	0
6.04	Exchange rate on translating cash and cash equivalents	(16,028)	11,538	0
6.05	Increase (decrease) in cash and cash equivalents	(1,163,568)	(1,459,590)	0
6.05.01	Cash and equivalents at the beginning of the year	3,411,572	4,871,162	0
6.05.02	Cash and equivalents at the end of the year	2,248,004	3,411,572	0

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

Annual Financial Statements – December 31, 2018 – CIA SIDERURGICA NACIONAL

Version: 1

Consolidated Financial Statements / Statement of Changes in Equity - 1/1/2018 to 12/31/2018

(R$ thousand)

Code	Description	Paid-in capital	Capital reserve, granted options and treasury shares	Earnings reserve	Re ea (acc l
5.01	Opening balances	4,540,000	30	0	(
5.03	Adjusted opening balances	4,540,000	30	0	(
5.04	Capital transactions with shareholders	0	32,690	180,712	
5.04.05	Sales of treasury shares	0	0	180,712	
5.04.06	Dividends	0	0	0	
5.04.08	Profit on disposal of shares	0	32,690	0	
5.05	Total comprehensive income	0	0	0	
5.05.01	Profit for the year	0	0	0	
5.05.02	Other comprehensive income	0	0	0	
5.05.02.04	Translation adjustments for the year	0	0	0	
5.05.02.06	Actuarial (loss)/gains on pension plan, net of taxes	0	0	0	
5.05.02.07	Available-for-sale assets, net of taxes	0	0	0	
5.05.02.08	(Loss) /Gain on change in percentage of investments	0	0	0	
5.05.02.09	(Loss) / Gain on cash flow hedge accounting, net of taxes	0	0	0	
5.05.02.10	(Loss) / Gain on net investment hedge in foreign subsidiaries.	0	0	0	
5.05.02.11	(Loss)/Gain on business combination	0	0	0	
5.06	Internal changes in shareholders' equity	0	0	2,884,115	(
5.06.01	Constitution of reserves	0	0	2,884,115	(
5.06.04	Non-controlling interests in subsidiaries	0	0	0	
5.07	Closing balance	4,540,000	32,720	3,064,827	

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

Annual Financial Statements – December 31, 2018 – 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
5.01	Opening balances	4,540,000	30	0	(1,301,961
5.03	Adjusted opening balances	4,540,000	30	0	(1,301,961
5.05	Total comprehensive income	0	0	0	10,27
5.05.01	Profit for the year	0	0	0	10,27
5.05.02	Other comprehensive income	0	0	0	
5.05.02.04	Translation adjustments for the year	0	0	0	
5.05.02.07	Actuarial (loss)/gains on pension plan, net of taxes	0	0	0	
5.05.02.08	Available-for-sale assets, net of taxes	0	0	0	
5.05.02.12	(Loss) /Gain on change in percentage of investments	0	0	0	
5.05.02.13	(Loss) / Gain on cash flow hedge accounting, net of taxes	0	0	0	
5.05.02.14	(Loss) / Gain on net investment hedge in foreign subsidiaries.	0	0	0	
5.05.02.15	(Loss)/Gain on business combination	0	0	0	
5.06	Internal changes in shareholders' equity	0	0	0	
5.06.07	Non-controlling interests in subsidiaries	0	0	0	
5.07	Closing balance	4,540,000	30	0	(1,291,689

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

Annual Financial Statements – December 31, 2018 – CIA SIDERURGICA NACIONAL

Version: 1

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

Code	**Description**	**Current Year 01/01/2018 to 12/31/2018**	**First prior year 01/01/2017 to 12/31/2017**	**Second prior year 01/01/2016 to 12/31/2016**
7.01	Revenues	29,144,363	21,945,416	0
7.01.01	Sales of products and rendering of services	26,335,609	21,204,594	0
7.01.02	Other revenues	2,853,361	759,964	0
7.01.04	Allowance for (reversal of) doubtful debts	(44,607)	(19,142)	0
7.02	Raw materials acquired from third parties	(17,620,827)	(14,196,504)	0
7.02.01	Cost of sales and services	(14,829,430)	(11,540,509)	0
7.02.02	Materials, electric power, outsourcing and other	(2,655,691)	(2,621,653)	0
7.02.03	Impairment/recovery of assets	(135,706)	(34,342)	0
7.03	Gross value added	11,523,536	7,748,912	0
7.04	Retentions	(1,273,021)	(1,453,335)	0
7.04.01	Depreciation, amortization and depletion	(1,273,021)	(1,453,335)	0
7.05	Wealth created	10,250,515	6,295,577	0
7.06	Value added received	1,600,820	538,744	0
7.06.01	Equity in income of affiliates	135,706	109,111	0
7.06.02	Financial income	1,310,514	295,074	0
7.06.03	Others	154,600	134,559	0
7.06.03.01	Others and exchange gains	154,600	134,559	0
7.07	Wealth for distribution	11,851,335	6,384,321	0
7.08	Wealth distributed	11,851,335	6,384,321	0
7.08.01	Personnel	2,297,125	2,230,733	0
7.08.01.01	Salaries and wages	1,798,575	1,746,040	0
7.08.01.02	Benefits	415,826	372,791	0
7.08.01.03	Severance payment (FGTS)	82,724	111,902	0
7.08.02	Taxes, fees and contributions	1,383,850	1,576,352	0

7.08.02.01	Federal	1,027,086	1,255,441	0
7.08.02.02	State	332,032	298,299	0
7.08.02.03	Municipal	24,732	22,612	0
7.08.03	Remuneration on third-party capital	2,969,777	2,916,007	0
7.08.03.01	Interest	2,272,238	2,745,482	0
7.08.03.02	Leases	25,435	28,991	0
7.08.03.03	Others	672,104	141,534	0
7.08.03.03.01	Others and exchange losses	672,104	141,534	0
7.08.04	Remuneration on Shareholders' capital	5,200,583	111,229	0
7.08.04.02	Dividends	898,332	0	0
7.08.04.03	Retained earnings (accumulated losses)	4,175,804	10,272	0
7.08.04.04	Non-controlling interests in retained earnings	126,447	100,957	0

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

Annual Financial Statements – December 31, 2018 – CIA SIDERURGICA NACIONAL

Version: 1

2018 MANAGEMENT REPORT

1- MESSAGE FROM MANAGEMENT

As we expected, 2018 was another challenging year for Brazil, with a slow economic recovery and still high unemployment rates. It is true that the economic outlook was positive for just over a year, but soon in the first half the country was surprised by the general strike of the truck drivers. The shutdown, which lasted ten days, impacted the supply of basic items to the population and affected all sectors of the economy.

In the midst of this adverse scenario, it was up to CSN to do even more - and the result was positive. The company ended the year with steel stocks close to zero, the best index in years. 5.1 million tons of steel were sold, 66% of which was sold in the domestic market and 34% exported or sold through its subsidiaries abroad, even in the face of a drop in exports due to the global protectionism framework.

In the Mining sector, total production was 35.2 million tons of iron ore and the company has advanced its strategy of using the tailings filtering plant, providing less dependence on the use of the dams.

Undoubtedly, the recent events in the Mining area point to a moment of uncertainty. Thus, the early months of 2019 should still be defining the market. At CSN, we will continue to be determined and motivated in the pursuit of productivity, efficiency and safety in all areas, with the intensification of the use of new technologies - such as dry ore processing - that will allow us to always tread the path of excellence.

Benjamin Steinbruch

Chairman of the Board of Directors

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

Annual Financial Statements – December 31, 2018 – CIA SIDERURGICA NACIONAL

Version: 1

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 6.7 million tons of crude steel, being 5.2 million tons of flat steel and 1.5 million tons of long steel (0.4 million at UPV and 1.1 million at SWT) with a total of 5.1 million tons sold in 2018. Of this amount, 66% was sold in the domestic market and 34% was exported or sold overseas by the Company's subsidiaries.

In the mining segment, sales increased by 7% in 2018 compared to the previous year. The Company produced a total of 35,2 million tons in 2018.

CSN is one of the largest industrial electricity consumers in Brazil, holding electricity generation assets through interest in consortiums of hydropower plants, in addition to generating energy that is integrated with its production process, thus 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 Plant in Volta Redonda is CSN's most important steel production unit, with an installed crude steel production capacity of 5.6 million tons, being 5.2 million tons of flat steel and 0.4 million tons of long steel. In 2018, the plant produced 4.2 million tons in crude steel, of which 4.0 million tons in flat steel and 0.2 million tons in long steel, while the production of rolled products reached 3.8 million tons. In addition to its units in Brazil, CSN has two subsidiaries overseas: Lusosider, in Portugal, and SWT-Stahlwerk Thuringen, in Germany.

3.2- MINING

In 2018, CSN sold approximately 35,2 million tons of iron ore, of which 5.2 million tons went to the Presidente Vargas plant. In turn, the Tecar terminal operated by CSN Mineração S.A. in the Itaguaí Port, shipped approximately 30 million tons of iron ore in 2018.

3.3 - LOGISTICS

Ports

The Tecon port, managed by Sepetiba Tecon S.A., a subsidiary of CSN, is the largest terminal in terms of container turnover in Rio de Janeiro State and one of the largest in its segment in Brazil. Tecon has an annual capacity of 660,000 TEUs (Twenty-Foot Equivalent Unit).

Railways

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

MRS Logística S.A (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 119 million tons in 2018, equivalent to 68.2% of the Company's total haul transportation.

Railways

In the container segment, MRS maintained its position among the largest transporters in the national rail sector, transporting 1.98 million containers in 2018, compared to 1.84 million containers in 2017 and 1.78 million in 2016.

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

Transnordestina Logística S.A. (TLSA)

TLSA is the concession holder for the construction and operation of Nova Transnordestina, with 1,753 kilometers in railway to connect 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 operating capacity will be 30 million tons/year and will play an important role in the development of the Northeast region, providing logistical support for the oil and by-products, agriculture and mining sectors, among others.

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

FTL concession holder of the former Northeast network of RFFSA, crossing seven states: Maranhão, Piauí, Ceará, Rio Grande do Norte, Paraíba, Pernambuco and Alagoas, with a rail network of 4,534 km and a transportation capacity of approximately 2 million tons/year, with emphasis to the transportation of fuel, cement and pulp, among others. Currently, FTL's operational railway network connects the states of Maranhão, Piauí and Ceará through 1,191 kilometers. The traffic on the remaining rail stretches has been suspended. Said stretches are under negotiations to return to the Agência Nacional de Tranportes Terrestres (ANTT) and Departamento Nacional de Infraestrtura de Transportes (DNIT).

4- RELEVANT CORPORATE EVENTS

On June 05, 2018, Companhia Siderúrgica Nacional, LLC, located in the United States, with operations in pickling, cold rolling and galvanizing of flat steel, had its corporate name changed to “Heartland Steel National, LLC”. On the same date, a new company was incorporated under the name “Companhis Siderúrgica Nacional, LLC’, wholly owned subsidiary of Heartland Steel Processing, LLC. On June 28, 2018, Companhia Siderúrgica Nacional, LLC (“LLC”) became a wholly owned subsidiary of CSN Steel.

On June 29, 2018, Heartland Steel Processing, LLC, was sold t Steel Dinamics, Inc. (“SDI”). The transaction amount was US$ 400,000,000.00. The Company maintained its commercial activities of importation and distribution in the North American market through the LLC.

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 common book-entry shares, with no par value, in which each common share has the right to one vote at the Company’s Shareholders’ Meetings.

Controlled by Vicunha Aços S.A. and Rio Iaco Participações S.A. which retain 48.97% and 4.19% of CSN’s total capital, respectively, CSN’s management is exercised by the Board of Directors and the Board of Executive Officers.

CSN – Ownship Breakdown on December 31, 2018 (%)

*Controlling Group

Annual Shareholders' Meeting

In accordance with the prevailing legislation, shareholders meet once a year 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, to resolve 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 regular basis on the dates established by the annual calendar, at least once every quarter and on an extraordinary basis whenever necessary. Members are elected for a two-year term with re-election being permitted. The current Board of Directors is composed of five 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 by the CEO or two other executive officers. Each officer is responsible for conducting the operations of his or her respective area. Officers are elected for a two-year term with re-election being permitted.

Fiscal Council

Currently, the Company has a Fiscal Council installed, with term ending on the date of the 2019 Annual Shareholders' Meeting. The Fiscal Council's main function is to supervise the administrators and verify compliance with legal and statutory duties. In addition, the Fiscal Council is also responsible for examining the quarterly information and financial statements prepared by the Company, providing an opinion on the management's annual report and management proposals to be submitted to the Shareholders' Meeting. The Fiscal Council is composed of three effective members and three alternate members, of which one effective member and one alternate member is appointed by the Company's minority shareholders.

(**CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)**
Annual Financial Statements – December 31, 2018 – CIA SIDERURGICA NACIONAL

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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.

Internal Audit

CSN maintains an Audit, Risk and Compliance Department, which acts independently within the organization to assist and communicate material facts to the Company's Board of Directors, pursuant to Article 19, VIII of the Company's Bylaws. The Internal Audit Committee has its own methodology and tools that are used in the execution of its attributions, which are aligned with the market's best practices and adopts a systematic and disciplined approach, acting in an objective and independent manner to evaluate the effectiveness of the Company's controls and consequent improvement of risk management, control and governance processes, as well as fraud prevention, reporting its results to the Board of Directors through the audit committee.

Independent Auditors

The independent auditors, Grant Thornton Independent Auditors, who provided auditing services to CSN and its subsidiaries in 2018, were also hired to issue a conclusion on the Company's quarterly and annual financial statements and to provide additional services for 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 the auditors.

Values for services provided by auditors	**(R$ thousand)**
Fees related to external audit	4,544
Fees related to other services	684
Total	5,228

The services provided by the external auditors in addition to the examination of the financial statements are submitted for prior approval by 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 Director declared on 02/20/2019 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, 2018.

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.

In 2017, the Company implemented actions towards the remediation of material weakness identified in the previous year and in assessments made by the management's internal controls, jointly with the external auditor, and did not identify material weaknesses as of December 31, 2017. The Company is in the final control assessment stage for 2018, pursuant to section 404 of the Sarbanes-Oxley Act.

Code of Ethics

The Company maintains a Code of Ethics approved by the Board of Directors and contemplates the principles of the Anti-Corruption Law (12.846/13). The code is applicable to all employees, directors and board members and establishes ethical principles and responsibilities for third parties, which consist of suppliers, service providers and possible intermediary and associated agents. The code is available to all employees 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 can be located at CSN’s website (www.csn.com.br).

The Company’s Audit, 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.

The Company also provides whistleblowing channels for reporting improper or suspicions acts. The reporting of complaints by employees, third parties and external public may be provided anonymously or by identification, in which confidentiality and non-retaliation are guaranteed. The complaints are handled by the Compliance Investigation Department, subordinated to the Audit, Risk and Compliance Department and reported to the Audit Committee.

Disclosure of Material Acts and Facts

CSN maintains a Material Act or Fact Disclosure Policy and Policies of Negotiable Securities, 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. The Policy establishes that its Material Acts and Facts of the Company should be published in the News Portal of the Folha de São Paulo newspaper, as well as on the Company’s Investor Relations website and the websites of the Comissão de Valores Mobiliários, and B3 S.A. – Brasil Bolsa, Balcão.

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 and surprising the market.

Through the management of intellectual property rights, including trademarks, patents, and industrial designs, CSN seeks to ensure an adequate protection for the Company while allowing for strategic alliances and technological partnerships to stimulate the dissemination of the Company’s innovation and scientific/technological know-how.

One of the highlights of CSN's Strategic Innovation Plan is the Product Innovation project, which is based on the development of new products and new applications of Advanced High-Strength Steels in industrial scale for the automotive industry, allowing for the increase in CSN’s competitiveness through an enrichment of its product portfolio and the higher commercial sales to the market.

In addition to the development stages for the offering of new products, we highlight the Company’s ability in providing technical assistance to its clients in the varied applications possible within the industry. The polyphase AHSS (Advanced High-Strength Steels) line 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 and consequently generating less gas pollution, thus minimizing environmental impacts.

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. In addition to these lines of steel, CSN's development of Press Hardening Steel (PHS), or Hot Forming, is also worth noting as it also has a strong tendency to increase its application in automotive bodies due to the possibility of conforming complex geometries with high mechanical resistance requirements for the final product.

CSN has the technology for manufacturing pre-painted steels in its Coil Coating Line and concentrates its efforts in the development of new products and applications mainly in the white line and construction segments. This enables its clients to use new products with features that meet not only the performance and aesthetics requirements but also the optimization of the production flow by simplifying process stages resulting in cost reduction in the production chain.

CSN offers its clients innovative solutions combined with application engineering. The Company is a reference in client support for the metal sheet segment, ensuring the continuous development of new environmentally friendly products. CSN's product approval processes in the automotive and white-line segments continually leverage innovative solutions to meet the market's growing demands.

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.

Amidst a challenging year, we reinforced our essence of Doing Well, Doing More and Doing Always, making it alive in all processes, programs and projects of our People Management.

In order to maintain a high-performance and qualified team, the attraction, development and talent retention programs are updated yearly on several levels and aligned with our strategic guidelines. Our Recruitment & Selection policies seek to guarantee the non-discrimination in our selection processes, making it clear that the Company will not tolerate any practices contrary to our ethical values.

We carry out several actions aimed at the dissemination and development of the CSN’s Essence, such as: **CSN Flix**, where employees have the opportunity to watch short videos and exchange experiences to strengthen the understanding of competencies and how they are used in our work routines; **Conversation Round Table** between leaders and followers for better alignment with CSN’s corporate culture; **Sponsorship and Trainee Mentorship** to welcome new employees and trainees, respectively; **Corporate Breakthrough**, opening discussion spaces with our employees on the empowerment of women in the business environment.

The Company maintains diverse strategies to guarantee the recognition and to incentivize the professional development of its internal audience. One of the initiatives is called the SuperAção Program - Performance Evaluation System for all employees of the CSN Group. The results obtained guide the Individual Development Plan, allow the identification of potential successors for leadership positions and support the recognition and reward process.

Based on these results, we carry out the **Career and Succession Program** on an annual basis, aimed at identifying with our managers and executives, employees with succession potential for leadership positions within the CSN group. The identified employees are submitted to an accelerated development program including practical, real-world learning experiences such as knowledge building Workshops (Self-Knowledge, Leading People, Communication and Influence, and Planning and Execution), Talk Show with Senior Leaders, Learning Groups and presentation of CSN's Real Business Cases by our executives.

Thus we guarantee the continuity of our company, ensuring the continuity of our Leadership and Business model, in addition to a careful look to the career paths of our talents.

In 2018, we invested 393,066 hours in training, aimed at generating and sharing knowledge, fostering the development of the necessary competencies to achieve corporate goals and perpetuity of the business. The 70/20/10 learning model was the guideline for all the Company's development actions, which ensures its efficiency and effectiveness.

One of our key development actions is geared towards our Trainees. The program is executed in all Business Units and is focused on preparing young individuals. This year, we ministered the following modules: Self-knowledge, Career, Relationship and Communication, PDCA Learning Methodology and Market: Efficiency, Effectiveness and Creativity. Additionally, since 2018, our trainees have been invited to develop an Application Project in an autonomous way, with a joint monitoring by a qualified tutor in their department and the Human Resources team. Thus we ensure the professional is trained with effective experiences and a business vision.

Our model aims to accelerate learning by training the talents who have the potential to occupy effective positions in the medium and long term, aligning the trainee's career and development interests with our organizational needs in addition to contributing to the country's development through education and professionalization.

Still in terms of our business evolution and our managers, we continued the School of Leaders, which was implemented in 2011, with the following modules: **Relationship and Trust Management** for Supervisors and Coordinators, **Training of Leaders and Successors**, **Execution: New Perspectives** for Managers and **Strategic Management Focused on Results**, **Managing Organizational Changes and Transformations** for Senior Management.

Through the continuous training and development of our leaders, we identify an important opportunity to positively impact all our employees, building a cooperative environment focused on the development of teams and on the achievement of excellent results.

The major milestone for 2018 was the implementation of the Internal Trainee Program, whose objective is to develop and empower trainees of the CSN group to generate a positive impact on the organization and increase the talent retention. The selection was done in Dec/2018 and was based on a group of 24 trainees.

The classification steps considered the presentation of the Application Project for Senior Management, where the applicability and feasibility of the Project was analyzed, as well as the sense of delivery, responsibility and knowledge of each trainee. A total of 8 trainees were selected for the program.

We established partnerships with several educational institutions for university extension and language courses, with special prices for our employees, thus further encouraging their development.

Once again, we reaffirm that we act as owners, choosing the best strategies to overcome the obstacles faced in 2018. We show that we are working together for the sustainability of the business.

CSN ended 2018 with 23,699 direct employees and 11,567 indirect employees, indicating a turnover rate of 13.2%, one of the lowest in the industrial sector.

8 - SOCIAL RESPONSIBILITY

CSN's social responsibility projects are created to value the potential of the people and region where the Company operates, seeking partnerships with the local government and society. From 2006 to 2018, the amount invested by CSN surpassed R$206 million. In 2018 alone, investments amounted to R$27.6 million in the education, culture, sport and health areas through initiatives from Fundação CSN and projects developed by partner institutions, supported by tax incentives.

Fundação CSN is committed to the democratization of access to quality education. It maintains two technical schools:

Centro de Educação Tecnológica, in Congonhas/MG and Escola Técnica Pandiá Calógeras, in Volta Redonda/RJ. In 2018, a total of 920 students attended, of which 441 received scholarships.

The Ganhar o Mundo program offers scholarship programs for overseas studies for young women aged 15 to 18. Among the selected students, one student was offered a full-time scholarship program to Barnard College, two students were offered full-time scholarship programs and 11 received partial partnership programs in recognized foreign universities. Fundação CSN has a distinguished role in the training of young apprentices with the aim of fostering their entry to the job market. In 2018, 559 young individuals were trained, a 12% increase in the number of available positions compared to the previous year. Hotel-Escola Bela Vista and Vila Business Hotel, both located in Volta Redonda, offer annual training courses in hospitality, providing professional qualification in various areas. In 2018, 99 young individuals completed the course, resulting in a total of 1,222 individuals trained since 2007.

The Garoto Cidadão project, in partnership with municipal governments, serves underprivileged children and teenagers with socio-cultural activities in the cities of Volta Redonda and Itaguaí, in Rio de Janeiro, Congonhas and Arcos, in Minas Gerais and Araucária, in Paraná. Students take music, theater, dance and visual arts classes, among other activities such as the Projeto de Vida project, which guides them in the pursuit of their dreams and in the achievement of personal and professional goals. In 2018, the project offered socio-cultural activities to 1,500 children and teenagers. The students' performances are already part of the cultural calendar of the cities where the Garoto Cidadão project is present. Throughout the year, 115 performance were made to an audience of 55,800 people.

Circula Brasil is a stage truck belonging to the Garoto Cidadão project and took cultural performances by the students and local artists to five cities. The Centro Cultural Fundação CSN is also located in Volta Redonda and carried out 138 actions such as training, professional vocation and cultural performances to an audience of 44,000 people.

Among the initiatives sponsored by CSN, we highlight the implantation of the Jewish Museum and the programming of the Jewish Immigration Memorial, in addition to sports training projects of the Grêmio Osasco Audax club. In the Elderly Fund program, CSN sponsored the Hospital do Câncer e de Barretos and Hospital Angelina Caron. In the Children Fund program, CSN sponsored GRAACC and in the National Support Program for Cancer Care (PRONON), CSN sponsored the Casa de Apoio Lar Maria – Rede Feminina. In the National Support for the Health of the Disabled (PRONAS/PCD), CSN sponsored the Novos Horizontes – Apadefi program.

Education is part of Fundação CSN's DNA, permeating all its activities, including those involving culture, sports and social assistance. In 2018, another step was taken towards the cooperation process for the development of thousands of children and teenagers.

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.

CSN has been maintaining several initiatives to ensure the more efficient use of water in its production processes, with highlights to the water reuse ratio above 94% at the Presidente Vargas plant (UPV). In order to reach this percentage, in 2017, CSN implemented the recirculation and cooling water system of the UPV Carbochemical Unit, consequently reducing the collection of 3,0 thousand m^3/h of water from the Paraíba do Sul river. The project, 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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CSN signed the Adjustment of Conduct Term (“TAC”) with the State of Rio de Janeiro - through the State Environment Secretary ("SEA"), the State Environmental Institute ("INEA") and the State Environmental Control Commission ("ECSC"), with one of the largest environmental investments in the steel industry. Over R$ 300 million in investments are planned for the next six years for the Presidente Vargas plant in Volta Redonda. The investment, with more than 30 improvement actions to be made at the Presidente Vargas plant, proves the company's commitment to the sustainability of its activities and to the community.

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 fourth 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.

Other sustainability strategies have also been adopted by the Company. Since 2012, CSN participates in the Climate Forum promoted by the Ethos Institute for Social Responsibility and participates in the work groups of the Center for Sustainability Studies (FGVces) of the São Paulo Business Administration Faculty of the Fundação Getúlio Vargas (FGV EAESP), an space for studies, learning, reflection, innovation and knowledge production, comprised by multidisciplinary training individuals, who work on the development of strategies, policies and tools for public and private sustainability management at local, national and international levels.

The Company’s environmental guidelines also include the monitoring of dams, used to contain tailings from the processing cycle of mining activities done by CSN Mineração. Pursuant to the dam classification by DNPM Official Notice 70.389/2017, all the Company's dams are audited by independent companies specialized in the subject, aimed at certifying the stability, or lack thereof, of the dams and identifying preventive actions to ensure their stability. The Dam Safety Plan and Emergency Action Plan for Mining Dams (PAEBM) of CSN Mineração have been finalized with all necessary consolidated volumes, in compliance with the DNPM official letter.

The company is at the forefront of tailings treatment, with an investment of R$ 250 million in dry stacking technology, which already covers 40% of the volume of the tailings from CSN Mineração, the largest development of its kind ever made in Brazil. By the end of 2019, the Company will be dry processing 100% of its ore, discarding the use of dams for the production process.

CSN always acts in a way that minimizes the impacts of its operations, in addition to investing in environmental preservation and education initiatives, confirming its commitment to the quality of life of future generations. CSN has an important social front, the Environmental Education Program (PEA), an initiative by the Company and managed by Fundação CSN, with emphasis on the Arcos (MG) and Congonhas(MG) units, in order to reaffirm its commitment to the transformation of values and attitudes through new practices and knowledge. The environmental education project, with emphasis on issues related to historical and natural heritages, in places related to its activities, uses art as a discussion instrument among public school students, teachers and corporate employees.

Finally, CSN has been constantly mapping its stakeholders and, since 2012, the Company uses a mapping criterion 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.

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10 - DISCLAIMER

This document contains 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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(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 commercial activities in the United States and operations in 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 material being sold to subsidiaries and third parties.

The Company's mining activities utilize tailings dams for which all appropriate measures are taken to mitigate the risks inherent to the handling and disposal of the tailings and to comply with current environmental legislation. It is important to reiterate that operating without dependence on these dams is a priority in our mining activities, for which investments of around R$ 250 million in dry stacking technology have already been made. In this context, it is expected that CSN Mineração will be fully processing the tailings in the dry process by the end of 2019, subject to revision of projects and expected deadlines, proper operation of equipment and unforeseen delays. As a consequence of these measures, decommissioning of dams is the natural way of processing dry tailings.

All of our dams, both mining and hydroelectric dams, are positively certified and comply with the environmental legislation in force.

- **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. Additionally, the operation of its second clinker production line is located 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:

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In the State of Rio de Janeiro, by means of its subsidiary Sepetiba Tecon S.A., operates the Container Terminal ("TECON") and by means of its subsidiary CSN Mineração, the TECAR, 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; our exports of iron ore are performed using the TECAR terminal; additionally, we use the terminal for 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 26 - "Segment Information" details the financial information per each of CSN´s business segment.

- **Going Concern**

In 2018, the Company amortized principal and interest in the approximate amount of R$7.1 billion of its loans and financing. In 2019, loans and interest to be incurred next year, are expected to be paid in the approximate amount of R$3.5 billion. 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 (ii) 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.

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. Always committed to the plan to extend it debt payment term, mainly those of short term, the company's management concluded, in February 2018, the reprofile of its debts at R$ 4.98 billion with Banco do Brasil, extending the maturity dates from 2018 to 2022 for maturities up to 2024. Still in February 2018, the company 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, 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 operational period until December 2019, 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 its operations in a reasonably estimable period of time. Accordingly, the Company's financial statements for the year ended December 31, 2018 were prepared based on the assumption of going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.a) Basis of preparation and declaration of conformity

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), approved by CVM, besides the own 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 an option between acquisition cost and other measurement criteria, the acquisition cost was the criteria used.

The consolidated and parent company interim financial statements were approved by the Board of Directors on February 20, 2019.

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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, 2018 and 2017 include the following direct and indirect subsidiaries, joint ventures and joint operations, as well as the exclusive funds, as follows:

	Equity interests (%)		
Companies	**12/31/2018**	**12/31/2017**	
Direct interest in subsidiaries: full consolidation			
CSN Islands VII Corp.	100.00	100.00	Financial transac
CSN Islands XI Corp.	100.00	100.00	Financial transac
CSN Islands XII Corp.	100.00	100.00	Financial transac
CSN Minerals S.L.U. (1)		100.00	Equity interests
CSN Export Europe, S.L.U. (1)		100.00	Financial transac
CSN Metals S.L.U. (1)		100.00	Equity interests a
CSN Americas S.L.U. (1)		100.00	Equity interests a
CSN Steel S.L.U.	100.00	100.00	Equity interests a
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 Equit
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 c
CSN Gestão de Recursos Financeiros Ltda. (*)	99.99	99.99	Management of f
CSN Mineração S.A.	87.52	87.52	Mining and Equit
CSN Energia S.A.	99.99	99.99	Sale of electric p
FTL - Ferrovia Transnordestina Logística S.A.	91.69	90.78	Railroad logistics
Nordeste Logística S.A.	99.99	99.99	Port services
Aceros México CSN (2)	0.08		Commercial repr
CSN Inova Ltd.(3)	100.00		Advisory and imp

Indirect interest in subsidiaries: full consolidation

Companhia Siderúrgica Nacional (4)		100.00	Steel
Lusosider Projectos Siderúrgicos S.A.	100.00	99.94	Equity interests a
Lusosider Aços Planos, S. A.	99.99	99.99	Steel and Equity
CSN Resources S.A.	100.00	100.00	Financial transac
Companhia Brasileira de Latas	99.00	99.99	Sale of cans and
Companhia de Embalagens Metálicas - MMSA	99.67	99.67	Production and s
Companhia de Embalagens Metálicas - MTM	99.67	99.67	Production and s
CSN Steel Holdings 1, S.L.U.	100.00	100.00	Financial transac
CSN Productos Siderúrgicos S.L.	100.00	100.00	Financial transac
Stalhwerk Thüringen GmbH	100.00	100.00	Production and s
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 transac
CSN Asia Limited	100.00	100.00	Commercial repre
CSN Mining Holding, S.L	87.52	87.52	Financial transac
CSN Mining GmbH	87.52	87.52	Financial transac
CSN Mining Asia Limited	87.52	87.52	Commercial repre
Aceros México CSN (2)	99.92	100.00	Commercial repre
Lusosider Ibérica S.A	100.00	99.94	Steel, commercia
CSN Mining Portugal, Unipessoal Lda.	87.52	87.52	Commercial and
Companhia Siderúrgica Nacional, LLC (4)	100.00		Import and distrib
Direct interest in joint operations: proportionate consolidation			
Itá Energética S.A.	48.75	48.75	Electric power ge
Consórcio da Usina Hidrelétrica de Igarapava	17.92	17.92	Electric power co
Direct interest in joint ventures: equity method			
MRS Logística S.A.	18.64	18.64	Railroad transpor
Aceros Del Orinoco S.A.	31.82	31.82	Dormant compan
CBSI - Companhia Brasileira de Serviços de Infraestrutura	50.00	50.00	Equity interests a
Transnordestina Logística S.A.	46.30	46.30	Railroad logistics
Indirect interest in joint ventures: equity method			
MRS Logística S.A.	16.30	16.30	Railroad transpor
Direct interest in associates: equity method			
Arvedi Metalfer do Brasil S.A.	20.00	20.00	Metallurgy and E

(*) They are Dormant Companies therefore they do not appear in the note 9.a, where is disclosed business information under the equity method and fair value through profit or loss and comprehensive income.

- **Events in 2018:**

(1) On February 6, 2018, the Spanish commercial registry recognized the merger by absorption of the companies by CSN Steel, S.L.U., the date from which the companies were considered legally extinct, 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% stake in Aceros Mexico CSN from CSN Steel to Companhia Siderúrgica Nacional occurred on February 1, 2018. On September 18, 2018, CSN Steel increased the capital of Aceros Mexico CSN, diluting the direct interest of Companhia Siderúrgica Nacional to 0.08%, with CSN Steel holding 99.92%. On February 1, 2019, the Federal Taxpayers' Registry was canceled and, therefore, the settlement process of Aceros Mexico CSN was terminated, however, before third parties and for the purposes of commercial law, the settlement was retroactive to September 18, 2018;

(3) Company incorporated in 2018.

(4) On June 5, 2018 CSN LLC had its corporate name changed to "Heartland Steel Processing, LLC". On the same date, a new company was incorporated under the name "Companhia Siderúrgica Nacional, LLC", a wholly owned subsidiary of Heartland Steel Processing, LLC. On June 28, 2018, Companhia Siderúrgica Nacional, LLC., became a wholly-owned subsidiary of CSN Steel and, on June 29, 2018, Heartland Steel Processing, LLC was sold to Steel Dynamics, Inc. The remaining assets are registered at Companhia Siderúrgica Nacional, LLC, a subsidiary of CSN Steel (see note 3).

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

Annual Financial Statements – December 31, 2018 – CIA SIDERURGICA NACIONAL

Version: 1

- **Exclusive funds**

	Equity interests (%)		
Exclusive funds	**12/31/2018**	**12/31/2017**	**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

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 expenses, 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 expenses, 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

According CPC 02 – The effects of changes in foreign exchange rates, 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, 2018 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.

According CPC 02 and ICPC 21 – foreign currency transactions and advance consideration, the transactions in which the Company recognizes a non-monetary asset or non-monetary liability involving prepayments or receipts in foreign currency are recorded at the exchange rate of the date the entity initially recognized (transaction date) the non-monetary asset or non-current liability monetary.

The balances of assets and liabilities are translated by exchange rates prevailing at the end of the reporting period. As of December 31, 2018, US$1 is equal to R$3.8748 (R$3.3080 at December 31, 2017) and €1 is equal to R$4.4390 (R$3.9693 at December 31, 2017), 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 expenses.

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

Exchange differences on non-monetary financial assets and liabilities classified as measured at fair value through profit or loss are recognized in profit or loss as part of the gain or loss on the fair value. Exchange differences on investments 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.

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 5.

2.f) Trade receivables

Trade receivables are initially recognized at fair value, including the related taxes and expenses, being foreign currency-denominated trade receivables are adjusted at the exchange rate in effect at the end of the reporting period. The accounts receivable with a receipt period of more than 90 days are subject to a present value adjustment and analysis regarding the operation.

With the adoption of the new CPC 48 - Financial instruments, the Company started to apply the new model of expected losses, where it considers all possible loss events over the life of its receivables. These expected credit losses are estimated according to the loss rate by maturity range adopted by the Company since the initial (recognition) date of the asset.

The Company considers customer history, default rate, financial situation and the position of its legal advisors to estimate the expected credit 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 consideration 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 10. 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;

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 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 or group of CGUs that are expected to benefit from the business combination in which the goodwill arose, and if 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 in up to 10 years.

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 at the amount at which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of an asset less costs to sell and its value in use. For impairment testing purposes, assets are grouped at their lowest levels for which there are separately identifiable cash flows (Cash Generating Units, or CGUs). Non-financial assets, except 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. When benefits 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.

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 – Service Concession Arrangements, considering that the grantor (refers to the

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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, 2018 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)	347	million		Fixed assets and intangible (Software)
Tecar (CSN Mineração)	1,616	million		Fixed assets intangible (Software)
FTL - Ferrovia Transnordestina Logística S.A. (FTL)	227	million		Fixed assets
Transnordestina logística S.A. (TLSA)	8,439	million	(1)	Investment

(1) The amount of fixed and intangible assets is recognized in TLSA’s financial statements. The Company recognizes its interest in the assets under the equity method.

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

As of January 1, 2018, CPC 47 was adopted by the Company, all assets are recorded according to the respective practice.

Operating revenue from the sale of goods in the normal course of business is measured at the fair value of the consideration that the entity expects to receive in exchange for the delivery of the good or service promised to the client.

Revenue recognition occurs when or as the entity satisfies a performance obligation by transferring the good or service to the customer, understanding that performance obligation is an enforceable promise in a contract with a customer for the transfer of a good / service or a series of goods or services.

The transfer is considered to be effected when or as the customer obtains control of that asset.

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.

Freight export services under the CFR (Cost and Freight) and CIF (Cost, Insurance and Freight) modalities, where the Company is responsible for the freight service, are considered separate services and therefore a separate obligation, with their allocation apart of the price of the transaction and with recognition of the service over time. Such revenue allocated to freight does not significantly affect the results of the Company's fiscal year and, therefore, it is not presented separately in the financial statements. For other services rendered, revenue is recognized based on its realization.

2.r) Financial income and financial expenses

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 expenses 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.

2.w) Financial instruments

As of January 1, 2018, CPC 48 was adopted by the Company, all assets and liabilities are recorded according to the respective practice.

i) Financial assets

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Financial assets are classified into the following categories: assets measured at amortized cost, fair value through profit or loss and fair value through other comprehensive income. Assets are classified according to the definition of the business plan adopted by the Company and the characteristics of the cash flow of the financial asset.

- **Recognition and measurement**

The Company classifies, at initial recognition, its financial assets into three categories: i) assets measured at amortized cost ii) fair value through profit or loss and iii) fair value through other comprehensive income.

- **Amortized cost**

Assets measured at amortization cost must be measured if both of the following conditions are met: i) the financial asset is maintained within the business plan whose objective is to maintain financial assets for the purpose of receiving contractual cash flows ii) the contractual terms of the financial asset give rise, on specific dates, to cash flows that exclusively constitute payments of principal and interest on the principal amount outstanding, the Company shall recognize its interest income, exchange gains and losses and impairment directly in the income statement

- **Fair value through profit or loss**

Financial assets should be measured at fair value through profit or loss only if they are not measured as assets measured at amortized cost or fair value through other comprehensive income. The Company must recognize its interest income, foreign exchange gains and losses, impairment, and other net income are recognized directly in income.

- **Fair value through other comprehensive income.**

Financial assets shall be measured at fair value through comprehensive income only when the following conditions are met: i) the financial asset is maintained within a business plan whose objective is achieved by the receipt of contractual cash flow and by the sale of financial assets, ii) the contractual terms of the financial asset give rise, in specific dates and interest on the value of the outstanding principal.

The assets measured at fair value through other comprehensive income are classified into two categories: i) debt instruments in which the interest income calculated using the effective interest method, the foreign exchange gains and losses and the impairment are recognized in the statement of income. Other net income is recognized directly in the Company's equity, in "other comprehensive income". In derecognition, the accumulated result in other comprehensive income is reclassified to income, ii) equity instrument these assets are measured subsequent to the fair value. The dividends are recognized as a gain in profit or loss, unless the dividend represents a clear recovery of part of the cost of the investment. Other net income is recognized directly in the Company's equity in "other comprehensive income" and is never reclassified to income.

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.

- **Derecognition of financial assets**

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.

If the company holds substantially all the risks and rewards of ownership of the financial asset, it must continue to recognize the financial asset.

ii) Financial liabilities

Financial liabilities are classified under the following categories: financial liability at amortized cost, fair value through profit or loss. Management determines the classification of its financial liabilities at the time of initial recognition.

- **Financial liabilities measured at amortized cost**

The Company shall classify all its financial liabilities as amortized cost, except financial liabilities classified at fair value through profit or loss, derivative liabilities, collateral agreement.

Other financial liabilities are measured at amortized cost using the effective interest method. The interest expenses, gains and losses are recognized in the income statement.

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

- **Financial liabilities 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

- **Derecognition of financial liabilities**

Financial liabilities are written off only when they are extinguished, that is, when the obligation specified in the agreement is settled, canceled or expires. The Company also derecognizes a financial liability when the terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

iii) 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 (expenses)” 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 operational income/expenses, if applicable.

The amounts accumulated in equity are realized in operational result 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 operational result. 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 denominated as export cash flow hedges are shown in note 13 – 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.

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 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 an 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 13 – 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 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.a.a) Statement of value added

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

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The following standards and interpretations have been issued and will be mandatory for subsequent accounting periods, that is, as of January 1, 2019, 2020 and 2021 and were not early adopted by the Group for the year ended December 31, 2018:

Standard	Main items introduced by the standard	Effective date
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 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
The Conceptual framework for financial reporting	Review of the Conceptual Framework by establishing a comprehensive set of concepts for guidance on financial performance reporting; better definitions and guidelines, highlighting the definition of a liability; and clarification in relevant areas.	January 1, 2020

IFRS 17 – Insurance contracts	It establishes a more complex model for recognizing an insurer's revenue because it is based on a discounted cash flow model, adjusted for this insurance contract portfolio and also for a contractual service margin.	January 1, 2021

The following information presents the possible impacts on the adoption of IFRS16/CPC06 – Leases and IFRIC 23/ ICPC 22 – Uncertainty over Income Tax Treatments, 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 is disclosed in the 2019 financial statements.

- **IFRS 16 – Leases**

IFRS 16 / CPC 06 (R2) aims to unify the accounting model of the lease, requiring lessee to recognize the assets and liabilities of all leases at present value, unless it has the following characteristics that are in the scope exemption from the rule: (i) contract with a term of not more than twelve months; and ii) has a low value or is based on variable values.

The Company concluded that with the adoption of the standard, we will have a reduction in operating expenses and an increase in financial expenses, once the asset "right of use" is amortized and the lease liability is updated to reflect the consideration to be paid over the contract period.

The standard is applicable as from January 1, 2019, the Company opted to apply the modified retrospective approach, recognizing the cumulative effect as an adjustment in the opening balance.

The Company estimates the impact of R$23 million in the parent company and R$578 million in the consolidation in the initial recognition of the right of use and lease liabilities.

- **IFRIC 23/ ICPC 22 - Uncertainty over Income Tax Treatments**

This interpretation is intended to clarify how the company should evaluate the uncertainties in accounting for income taxes when the applicable legislation is not clear.

The company evaluated current events and the accounting treatment applied in each situation in the light of this interpretation, we concluded that IFRIC 23 does not have effects arising from tax positions adopted that may be challenged by the Brazilian tax authorities.

3 SALE OF FOREIGN SUBSIDIARY

During the second quarter of 2018, Companhia Siderúrgica Nacional ("CSN") announced to its shareholders and to the market, through a Material Fact, the sale by its wholly-owned subsidiary CSN Steel S.L.U., total interest in Heartland Steel Processing, LLC, new corporate name of Companhia Siderúrgica Nacional LLC ("LLC") to Steel Dynamics, Inc. ("SDI"), approved on the same date by the Board of Directors. The LLC is located in the United States with operations in stripping, cold rolling and galvanizing of flat steel.

Still in the second quarter of 2018, after fulfilling all the precedent conditions foreseen in the purchase and sale agreement entered into with SDI, the Company concludes the transaction with the transfer of the equity interest and receipt of the base value of the transaction, adjusted in US$ 400 million, as shown below:

	06/30/2018		**Change in working capital**		**In 2018**
	U$$	**R$**	**U$$**	**R$**	**R$**
Receipt from disposal of the investment	395,661	1,525,590			1,525,590
Deposit in Warranty	2,000	7,712			7,712
Contractual expenses and fees (d)	2,339	9,021			9,021
Basis price for alienation (a)	**400,000**	**1,542,323**			**1,542,323**
Working Capital Receivable	34,008	131,127	3,581	14,402	145,529
Shareholder's Equity da LLC (c)	**133,445**	**514,537**			**514,537**
Net gain of alienation	**298,224**	**1,149,892**	**3,581**	**14,402**	**1,164,294**

(*) The final value of the transaction was subject to post-closing adjustment of working capital, which was completed in September 2018. The working capital of LLC ascertained and received was US$37,589 equivalent to R$145,529. The sale of LLC generated a cumulative gain in the year of 1,164,294 (see note 24).

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The net investment, results and cash flows from the sale of the investment are summarized below:

3.a) Balance sheet

	LLC 06/30/2018
ASSETS	
Current Assets	**418,014**
Cash and cash equivalents	760
Trade Receivable	114,266
Inventory	299,373
Other current assets	3,615
Non-current assets	**191,431**
Other non-current assets	205
Property, plant and equipment	191,226
TOTAL ASSETS	**609,445**

LIABILITIES	
Current Liabilities	**89,810**
Borrowings and Financing	5,446
Social and Labor obligations	5,526
Trade payables	76,400
Tax payables	1,398
Other payables	1,040
Non-current liabilities	**5,098**
Borrowings and Financing	5,098
Shareholders' equity (disposal)	514,537
TOTAL LIABILITIES	**609,445**

3.b) Statement of Income

	06/30/2018	06/30/2017
Net Revenues	**997,061**	**472,409**
Cost from sale of goods and rendering of services	(888,850)	(388,322)
Gross profit	**108,211**	**84,087**
Selling expenses	(24,650)	(10,521)
General and administrative expenses	(15,649)	(9,531)
Other operating expenses, net	(844)	(358)
Profit before financial income (expenses)	**67,068**	**63,677**
Financial income (expenses), net	(2,641)	(428)
Profit (loss) before taxes	**64,427**	**63,249**
Income tax and Social Contribution	(1,730)	-
Profit (loss) for the period	**62,697**	**63,249**

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3.c) Statement of Cash Flows

	06/30/2018	06/30/2017
Net cash provided by (used) by operating activities	149,691	(69,216)
Net cash provided by (used) by investing activities	(6,269)	(2,492)
Net cash provided by (used) by financing activities	(176,592)	(1,860)
Increase (decrease) in cash and cash equivalents for the period	**(33,170)**	**(73,568)**
Cash and equivalents at the beginning of the year	33,930	112,428
Cash and equivalents at the end of the year	**760**	**38,860**

Net revenue receipts from sale of subsidiary LLC

	In 2018
Net cash received from the sale of the asset	1,525,590
Cash and cash equivalents transferred on the sale of the assets	(760)
Working capital received	145,529
Net cash provided by the sale of assets	**1,670,359**

4 CASH AND CASH EQUIVALENTS

		Consolidated		Parent Company
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Current				
Cash and cash equivalents				
Cash and banks	**1,124,714**	**193,702**	**37,323**	**38,311**
Short-term investments				
In Brazil:				
Government securities	10,247	12,100	477	150

Private securities	609,480	644,525	410,036	79,116
	619,727	**656,625**	**410,513**	**79,266**
Abroad:				
Time deposits	503,563	2,561,245	92,017	275,927
Total short-term investments	**1,123,290**	**3,217,870**	**502,530**	**355,193**
Cash and cash equivalents	**2,248,004**	**3,411,572**	**539,853**	**393,504**

The funds available established in Brazil, are basically invested in repurchase agreements and Bank Certificate of Deposit ("CDBs") and yield interest based on the floating of Certificates of Interbank Deposits ("CDI") and government securities are basically repurchase agreements backed by National Treasury Notes. The Company invests part of the resources through the exclusive investment funds, whose financial statements have been consolidated in the Company.The funds are managed by BNY Mellon Serviços Financeiros DTVM S.A. and Caixa Econômica Federal (CEF).

The funds available abroad are invested in *time deposits* in banks considered by management as top rated banks and the returns are based on fixed interest rates

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5 FINANCIAL INVESTMENTS

	Consolidated			Parent Company	
	Current		Non Current	Current	
	12/31/2018	**12/31/2017**	**12/31/2018**	**12/31/2018**	**12/31/2017**
CDB - Certificate of bank deposit	882,376	716,218		882,376	716,218
Government securities (2)	13,337	19,494		621	243
Time Deposit (3)			7,772		
	895,713	**735,712**	**7,772**	**882,997**	**716,461**

(1) Financial investment linked to Bank Certificate of Deposit to secure a letter of guarantee of certain loans.

(2) Investments in National Treasury Bills (LFT) managed by its exclusive funds.

(3) Investments in Time Deposit in custody to cover additional expenses of the sale of LLC.

6 TRADE RECEIVABLES

	Consolidated		Parent Company	
	12/31/2018	**12/31/2017**	**12/31/2018**	**12/31/2017**
Trade receivables				
Third parties				
Domestic market	1,369,396	1,290,823	1,094,323	1,056,929
Foreign market	852,821	982,846	141,484	150,264
	2,222,217	**2,273,669**	**1,235,807**	**1,207,193**
Allowance for doubtful debts	(237,352)	(191,979)	(176,855)	(140,392)

	1,984,865	**2,081,690**	**1,058,952**	**1,066,801**
Related Parties (note 19 b)	93,317	115,388	906,865	831,993
	2,078,182	**2,197,078**	**1,965,817**	**1,898,794**

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. In the consolidated, this transaction totals R$46,210 as of December 31, 2018 (R$186,827 as of December 31, 2017) and in the parent company R$ 40,849 (R$181,972 as of December 31,2017).

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

		Consolidated		**Parent Company**
	12/31/2018	**12/31/2017**	**12/31/2018**	**12/31/2017**
Current	1,514,847	1,391,839	758,433	530,774
Past-due up to 30 days	177,287	167,760	48,705	50,141
Past-due up to 180 days	47,684	142,346	8,361	114,230
Past-due over 180 days	482,399	571,724	420,308	512,048
	2,222,217	**2,273,669**	**1,235,807**	**1,207,193**

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

		Consolidated		Parent Company
	12/31/2018	**12/31/2017**	**12/31/2018**	**12/31/2017**
Opening balance	**(191,979)**	**(172,782)**	**(140,392)**	**(124,351)**
Expected credit losses	(53,706)	(36,697)	(39,042)	(29,270)
Recovery of receivables	8,333	17,500	2,579	13,229
Closing balance	**(237,352)**	**(191,979)**	**(176,855)**	**(140,392)**

With the adoption of CPC 48 / IFRS 09 Financial Instruments, the Company changed the model as from January 1, 2018 from "losses incurred" to "expected credit losses", where it began to constitute the impairment from the date of recognition of the assets (accounts receivable to expire). The application of CPC 48 did not bring material impacts to the Company.

7 INVENTORIES

		Consolidated		Parent Company
	12/31/2018	**12/31/2017**	**12/31/2018**	**12/31/2017**
Finished goods	1,362,981	1,308,802	951,529	856,707
Work in progress	1,122,933	1,135,589	959,414	981,204
Raw materials	1,560,499	1,050,588	1,254,551	699,671
Spare parts	856,097	814,725	495,385	435,827
Iron ore	258,612	278,041	18,478	20,914
Advances to suppliers	36,192	12,514	28,185	8,997
(-) Provision for losses	(157,754)	(135,840)	(45,076)	(51,968)
	5,039,560	**4,464,419**	**3,662,466**	**2,951,352**

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The movements in the provision for inventory losses are as follows:

	Consolidated		Pa
	12/31/2018	12/31/2017	12/31/20
Opening balance	**(135,840)**	**(101,176)**	**(51,9**
(Estimated losses) / Reversal of inventories with low turnover and obsolescence	(21,914)	(34,664)	6,8
Closing balance	**(157,754)**	**(135,840)**	**(45,0**

8 OTHER CURRENT AND NON-CURRENT ASSETS

The group of other current and non-current assets is comprised as follows:

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	Current	
	12/31/2018	**12/31/2017**
Judicial deposits (note 17)		
Credits with the PGFN (1)		
Recoverable taxes (2)	1,412,335	866,986
Prepaid expenses	49,830	50,078
Actuarial assets - related parties (Note 19 b)		
Derivative financial instruments (note 14 I)	351	
Securities held for trading (note 13 I)	4,503	2,952
Iron ore inventory (3)		
Northeast Investment Fund – FINOR		
Loans with related parties (notes 19 b and 13 I)	2,675	2,441
Other receivables from related parties (Note 19 b)	3,649	3,577
Other receivables (note 13 I)		
Principal and monetary adjustment related to Eletrobrás' compulsory loan (Note 13 I) (4)		
Dividends receivable (Not e 19b) (5) (*)	46,171	41,528
Employees debt (*)	31,645	33,942
Sea freight (6)	117,156	
Other receivables (*)	12,753	3,667
Others	71,956	67,544
	1,753,024	**1,072,715**

(*) In December 2018, the Company reclassified the balances from 2017 related to Dividends receivable, Employee Debits and Other Receivables to Other Current and Non-Current Assets. Previously, the amounts were presented in the note ‘Accounts Receivable’.

(1) Refers to the excess of judicial deposit originated by the 2009 REFIS (Tax Debt Refinancing Program). After the settlement of the tax debt refinancing program, the amount related to one of the lawsuits was fully redeemed through a judicial authorization.

(2) Refers mainly to PIS / COFINS, ICMS recoverable and income and social contribution taxes to be offset. On September 20, 2018, the writ of mandamus and special appeal filed in 2006, in which CSN and Federal Union were parties, related to the discussion about the non-inclusion of ICMS in the calculation base of PIS and COFINS, confirmed the CSN's right to offset the amounts unduly paid under these taxes from 2001 to 2013. In this way, the Company recognized in 2018 the amount of R$ 2,208,462, under "Taxes recoverable", being in the current assets R$ 793,516 and in the noncurrent R$ 1,414,945 and in the "Other Operating" account, was recognized the amount of R$ 1,102,365, see note 25, and R$ 1,106,097 as "Financial Result", see note 24.

(3) Long-term iron ore inventories that will be used after the construction of the processing plant, which will produce pellet feed, expected to start operating in the first half of 2020.

(4) This is a fixed amount, certain and due, arising from the res judicata favorable decision to the Company, which is irreversible and irrevocable, in order to apply the STJ's consolidated position on the subject, which culminated in the conviction of Eletrobrás to the payment of the correct interest and monetary adjustment of the Compulsory Loan. The res judicata decision, as well as the certainty about the amounts involved in the liquidation of the sentence (judicial procedure to request the satisfaction of the right), allowed the conclusion that the entry of this value is certain.

(5) In 2018, the Parent Company received the amount of R$ 1,334,244 from the subsidiary CSN Mineração S.A., as dividends from prior years.

(6) Refers to payment of freight expenses and marine insurance on unrecognized sales revenues, following the guidelines of CPC 47 / IFRS15, the freight in incoterms "CIF" is considered a distinct performance obligation and for these, there’s no conclusion about the delivery process in December 31, 2018, but the transport service provider had already been paid.

9 INVESTMENTS

- **Reduction of financial leverage**

With the primary objective of reducing the Company’s financial leverage, Management is committed to a plan to dispose of a set of assets, however, it is not possible to confirm that the sale within a period of 12 months is highly probable for any of the assets contemplated. The Company considers several sales scenarios that vary according to different macroeconomic and operational assumptions. In this context, the

Company did not segregate and did not reclassify such assets in the financial statements as discontinued operations in accordance with CPC 31 (IFRS 5).

9.a) Direct equity interests in subsidiaries, joint ventures, joint operations, associates and other investments

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					Par
Companies		**Number of shares held by CSN (in units)**	**% Direct equity interest**	**Assets**	**Liabiliti**
Investments under the equity method					
Subsidiaries					
CSN Islands VII Corp.		20,001,000	100.00	338,645	1,987,7
CSN Islands XI Corp.		50,000	100.00	2,178,010	2,309,0
CSN Islands XII Corp.		1,540	100.00	2,402,671	3,880,0
CSN Minerals S.L.U.	(1)				
CSN Export Europe, S.L.U.	(1)				
CSN Metals S.L.U.	(1)				
CSN Americas S.L.U.	(1)				
CSN Steel S.L.U.		22,042,688	100.00	3,763,095	242,7
Sepetiba Tecon S.A.		254,015,052	99.99	480,459	163,0
Minérios Nacional S.A.		141,719,295	99.99	110,446	38,7
Fair Value - Minérios Nacional					
Estanho de Rondônia S.A.		121,861,697	99.99	48,181	45,2
Companhia Metalúrgica Prada		445,921,292	99.99	644,954	559,3
CSN Mineração S.A.		158,419,480	87.52	13,235,705	4,190,5
CSN Energia S.A.		43,149	99.99	138,644	45,7
FTL - Ferrovia Transnordestina Logística S.A.		442,672,357	91.69	403,623	123,2
Companhia Florestal do Brasil		41,923,302	99.99	34,990.0	1,60
Nordeste Logística		99,999	99.99	85	
CGPAR - Construção Pesada S.A.	(2)				
Fair Value of fixed assets - CGPAR					
				23,779,508	**13,587,8**
Joint-venture and Joint-operation					
Itá Energética S.A.		253,606,846	48.75	258,835	16,2
MRS Logística S.A.		63,377,198 (*)	18.64	1,563,350	846,8
CBSI - Companhia Brasileira de Serviços de Infraestrutura		1,876,146	50.00	25,941	19,9
Transnordestina Logística S.A.		24,168,304 (**)	46.30	4,065,604	2,883,8
				5,913,730	**3,766,9**
Associates					
Arvedi Metalfer do Brasil		46,994,971	20.00	40,712	26,3
				40,712	**26,3**

Classified as fair value through profit or loss and comprehensive income (Note 13 I)
Usiminas
Panatlântica

Other investments
Profits on subsidiaries' inventories
Others

Total investments

Classification of investments in the balance sheet
Investments in assets
Investments with negative equity

(*) On December 31, 2018 and 2017, the Company directly owned 26,611,282 common shares, 2,673,312 Class A preferred shares and 34,092,604 Class B preferred shares, totaling 36,765,916 preferred shares of MRS Logística S.A.;

(**) The investment of Transnordestina Logística S.A is R$ 1,181,753 and the fair value allocated to TLSA in the loss of control is R$ 271,116 (as of December 31, 2017 is R$ 1,202,182 and the fair value allocated to TLSA in loss of control is R$ 271,116).

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

(2) Company sold in July 2017, to the subsidiary CSN Mineração.

The number of shares, the carrying amounts of assets, liabilities and shareholders’ equity, and the amounts of profit or loss for the year refer to the equity interests held by CSN in those companies.

9.b) Changes of investments balances in subsidiaries, joint ventures, joint operations, associates and other investments

	Consolidated		
	12/31/2018	**12/31/2017**	**12/3**
Opening balance of investments	**5,499,995**	**4,568,451**	**22,8**

Opening balance of loss provisions			**(1,36**
Capital increase		20,579	
Dividends (1)	(87,846)	(79,189)	(5,52
Comprehensive income (2)	272	850,640	
Equity in results of affiliated companies (3)	173,145	147,800	8
Receipt of sale of Usiminas' shares	(39,377)		(3
Update of shares measured at fair value through profit or loss (VJR) (note 13 II)	96,133		
Write-off for sale - investment CGPAR			
Surplus -value of assets - CGPAR			
Capital Transaction - CGPAR business combination			
Amortization of fair value – investment in MRS	(11,746)	(11,746)	
Others	37	3,460	
Closing balance of investments	**5,630,613**	**5,499,995**	**20,2**
Balance of provision for investments with negative equity			**(3,25**
Total	**5,630,613**	**5,499,995**	**16,9**

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(1) In 2018 refers to the allocation of dividends from subsidiaries CSN Energia, Itá Energética, CSN Mineração, MRS Logística S.A. In 2018, CSN Steel allocated and paid the amount of R$ 4,871,608.

(2) Refers to the mark-to-market of investments classified at fair value through profit or loss, translation to the reporting currency of the foreign investments of which functional currency is not the Brazilian Reais, actuarial gain/loss and gain/loss on net investment hedge from investments measured by equity method.

(3) The table below shows the reconciliation of the equity in results of affiliated companies included on investment balance with the amount disclosed in the income statement and it is due to the elimination of the results of the CSN´s transactions with these companies

		Consolidated
	12/31/2018	**12/31/2017**
Equity in results of affiliated companies		
MRS Logística S.A.	194,403	171,905
CBSI - Companhia Brasileira de Serviços de Infraestrutura	4,501	1,785
Transnordestina Logística S.A.	(20,429)	(21,357)
Arvedi Metalfer do Brasil S.A.	(5,087)	(4,368)
Others	(243)	(165)
	173,145	**147,800**
Eliminations		
To cost of sales	(42,806)	(40,823)
To taxes	14,554	13,880
Others		
Amortization of fair value – investment in MRS	(11,746)	(11,746)
Others	2,559	
Equity in results adjusted	**135,706**	**109,111**

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9.c) Additional information about the main operating subsidiaries

• SEPETIBA TECON S.A. (“Tecon”)

The Container Terminal was created to exploit the terminal nº 1 in Itaguaí Port, located in the State of Rio de Janeiro. The terminal is connected to the UPV by the Southeast railroad network. The Southeast railroad network is the contract object of the concession that has been granted to MRS Logística S. A. The range of services includes the move operation of cargo, storage of containers and steel products, general cargo, cleaning and maintenance.

Tecon won a bidding procedure and entered into the lease agreement in October 23, 1998 for operation of the port terminal for a period of 25 years, extendable for an equal period.

Upon termination of the lease, it will return to the Union as well as all the rights and privileges transferred to Tecon, along with the ownership of assets and those resulting from investments, declared reversible by the Federal Government for being necessary to the continuity of terminal´s operation. The reversible assets will be indemnified by the Federal Government at the residual value of cost, based on the accounting records of Tecon after deducting depreciation.

• ESTANHO DE RONDÔNIA S.A. (“ERSA”)

Headquartered in the state of Rondônia, the subsidiary operates two units, which are based in the cities of Itapuã do Oeste/RO and Ariquemes/RO. In Itapuã do Oeste is extracted the cassiterite (tin ore) and in

Ariquemes is located the casting operation, where the metallic tin is made, which is the raw material used in UPV for the production of tin plates.

• COMPANHIA METALÚRGICA PRADA (“Prada”)

Prada operates in the area of two segments: steel metal packaging, production and processing and distribution of flat steel.

Metal packaging

In the steel metal packaging segment, Prada produces its supply chain includes the chemical and food segments, providing packaging and printing services to leading companies in the market.

Distribution

Prada is a player in the market of processing and distribution regarding flat steel products, with a diversified product line. It provides coils, rolls, strips, blanks, metal sheets, profiles, tubes and tiles, among other products, to the most different industry segments - from automotive to construction. It is also specialized in providing service steel processing, meeting the demand of all national companies.

• CSN ENERGIA S.A.

Its main objective is the distribution of the excess electric power generated by CSN and Companies, consortiums or other entities in which CSN holds an interest.

• FTL - FERROVIA TRANSNORDESTINA LOGÍSTICA S.A. (“FTL”)

FTL was created on the purpose of incorporating the spun-off portion of Transnordestina Logística S.A, the Company holds the concession to operate the railway cargo transportation, the public service is provided in northeastern Brazil, which includes the railway between the towns of Sao Luis to Mucuripe, Arrojado to Recife, Itabaiana to Cabedelo, Paula Cavalcante to Macau and Propriá to Jorge Lins ("Network I").

As of May 2018, the CSN subscribed shares by capitalization of advances for future capital increase amounting R$ 33,633, therefore its participation in the share capital of the company increased from 90.78% to 91.69%. As a result of the operations described above that caused a change in the shareholder’s participation, the Company recorded a loss in the amount of R$(104) recorded in shareholders' equity in other comprehensive income.

• CSN MINERAÇÃO S.A. (“CSN Mineração”)

Headquartered in Congonhas, Minas Gerais, it is primarily engaged in the production, purchase and sale of iron ore. CSN Mineração S.A. commercializes its products mainly in the overseas market. From November 30, 2015, the CSN Mineração S.A. has centralized mining operations of CSN, including the establishments of the mine Casa de Pedra, the port TECAR and the participation of 18.63% in MRS. The participation of the CSN in this subsidiary is 87.52%.

• MINÉRIOS NACIONAL S.A. (“Minérios Nacional”)

Headquartered in Congonhas, Minas Gerais, Mineração Nacional is mainly engaged in the production and commercialization of iron ore. This subsidiary concentrates the mining rights assets related to the Fernandinho, Cayman and Casa de Pedra mines transferred to this subsidiary in the business combination process that took place in 2015.

9.d) Joint ventures and joint operations financial information

The balances of the balance sheets and income statements of joint venture and joint operation are presented as follows and refer to 100% of the companies´ profit/loss:

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				12/31/201
	Joint-Venture			*Joint-Operatio*
Equity interest (%)	**MRS Logística**	**CBSI**	**Transnordestina Logística**	**Itá Energética**
	34.94%	**50.00%**	**46.30%**	**48.75%**
Balance sheet				
Current assets				
Cash and cash equivalents	345,962	2,091	19,234	29,87
Advances to suppliers	17,750	73	1,734	93
Other current assets	736,768	41,284	108,851	16,71
Total current assets	**1,100,480**	**43,448**	**129,819**	**47,52**
Non-current assets				
Other non-current assets	804,570	2,111	222,630	25,84
Investments, PP&E and intangible assets	6,482,292	6,324	8,428,567	457,57
Total non-current assets	**7,286,862**	**8,435**	**8,651,197**	**483,41**
Total Assets	**8,387,342**	**51,883**	**8,781,016**	**530,94**
Current liabilities				
Borrowings and financing	422,793	4,350.0000	75,906	
Other current liabilities	1,368,290	33,844	179,816	18,29
Total current liabilities	**1,791,083**	**38,194**	**255,722**	**18,29**
Non-current liabilities				
Borrowings and financing	2,111,518	1,262	5,754,073	
Other non-current liabilities	640,535	539	218,839	15,11
Total non-current liabilities	**2,752,053**	**1,801**	**5,972,912**	**15,11**
Shareholders' equity	**3,844,206**	**11,888**	**2,552,382**	**497,53**
Total liabilities and shareholders' equity	**8,387,342**	**51,883**	**8,781,016**	**530,94**

				01/01/2018 at 12/31/2018	
	Joint-Venture			*Joint-Operation*	
Equity interest (%)	**MRS Logística**	**CBSI**	**Transnordestina Logística**	**Itá Energética**	**MF Logís**
	34.94%	**50.00%**	**46.30%**	**48.75%**	**3**

Statements of Income					
Net revenue	3,726,448	166,080		166,358	3,49
Cost of sales and services	(2,476,628)	(142,254)		(77,829)	(2,30
Gross profit	1,249,820	23,826		88,529	1,18
Operating (expenses) income	(313,606)	(10,884)	(18,020)	(60,104)	(28
Finance income (expenses), net	(151,839)	(179)	(26,103)	(126)	(18
Income before income tax and social contribution	784,375	12,763	(44,123)	28,299	71
Current and deferred income tax and social contribution	(262,760)	(3,761)		(9,452)	(25
(Loss) profit for the year, net	**521,615**	**9,002**	**(44,123)**	**18,847**	**46**

• ITÁ ENERGÉTICA S.A. - (“ITASA”)

ITASA is a corporation established in July 1996 that was engaged to operate under a concession, the Itá Hydropower Plant (“UHE Itá”), with 1,450 MW of installed power, located on the Uruguay River, on the Santa Catarina and Rio Grande do Sul state border. The UHE Itá concession is shared with ENGIE Brasil Energia S.A., with CSN holding 48.75%.

• MRS LOGÍSTICA S.A. (“MRS”)

With registered offices in the City of Rio de Janeiro-RJ, this subsidiary is engaged in public railroad transportation, on the basis of an onerous concession, on the domain routes of the Southeast Grid of the federal railroad network (Rede Ferroviária Federal S.A. – RFFSA), located in the Southeast (Rio de Janeiro, São Paulo and Belo Horizonte. The concession has a 30-year term as from December 1, 1996, extendable for an equal term by exclusive decision of the concession grantor.

MRS may further engage in services involving transportation modes related to railroad transportation and participate in projects aimed at expanding the railroad service concessions granted.

For performance of the services covered by the concession, MRS leased from RFFSA for the same concession period, the assets required for operation and maintenance of the freight railroad transportation activities. At the end of the concession, all the leased assets are to be transferred to the ownership of the railroad transportation operator designated at that time.

The Company had a direct equity interest of 18.64% in the capital stock of MRS and an indirect equity interest of 18.63% through its subsidiary CSN Mineração S.A., consequently the total participation is 34.94%.

• CONSÓRCIO DA USINA HIDRELÉTRICA DE IGARAPAVA

The Igarapava Hydroelectric Power Plant is located on the Grande River, in the city of Conquista, MG, and has installed capacity of 210 MW. It consists of 5 bulb-type generating units.

CSN holds a 17.92% investment in the consortium, whose specific purpose is the distribution of electric power, which is made according to the percentage equity interest of each company.

The balance of property, plant and equipment less depreciation as of December 31, 2018 is R$23,596 (R$24,759 as of December 31, 2017) and the expense in 2018 amounted to R$5,827 (R$5,966 in 2017).

- CBSI - COMPANHIA BRASILEIRA DE SERVIÇOS DE INFRAESTRUTURA (“CBSI”)

CBSI is the result of a joint venture between CSN and CKTR Brasil Ltda. Based in the city of Araucária, PR, CBSI is primarily engaged in providing services to CSN and other third-party entities, and can operate activities related to the refurbishment and maintenance of industrial machinery and equipment, construction maintenance, industrial cleaning, logistic preparation of products, among other activities. CSN holds 50% interest.

- TRANSNORDESTINA LOGÍSTICA S.A. (“TLSA”)

TLSA is primarily engaged in the public service operation and development of a railroad network in the Northeast of Brazil network, comprising the rail segments Missão Velha-Salgueiro, Salgueiro-Trindade, Trindade-Eliseu Martins, Salgueiro- Porto de Suape, and Missão Velha-Porto de Pecém sections (“Railway System II”).

It is in pre-operational phase and will remain so until the completion of Rail Network II. The approved schedule, which considered the completion of the work by January 2017, is currently under discussion with the responsible bodies, according described in the item 28.c. The Management of TLSA understands that new deadlines for project completion will not have material adverse effects on the expected return on investment. After assessing this matter, its Management has concluded as appropriate the use of the accounting basis of operational continuity of the project in the preparation of its financial statements.

During the year 2017, the others shareholders of TLSA subscribed 2,912,997 shares in amounting to R$153,253, diluting CSN on TLSA share capital to 46.30%. Therefore, due to the transactions described above and the participation change of the shareholders in the share capital of TLSA on 2017, the Company recognized a gain of R$2,814, recorded in equity in other comprehensive income.

The Management receives funds from its shareholders and third parties for completion of the works, according described in the item 28.c, which are expected to be available, based on agreements previously entered into and recent discussions between the involved parties. After analyzing this matter, Management concluded as adequate the use of the accounting base of the project's going concern in the preparation of the financial statements for the year ended December 31, 2018.

In this direction, TLSA performed an impairment test of its own long-live assets using the discount cash flow method and considered the main assumptions, as follows:

Measurement of recoverable value:

Cash Flow Projection	**Until 2057**
Gross Margin	Based on market studies to capture operations costs and loads, based on studies of market trends.
Estimated Costs	Costs based on studies and market trends.
Growth rate in perpetuity	Growth rate was not considered due to the projection model until the end of the concession.
Discount rate	Between 5.1% to 7.9% in real terms.

In addition, CSN, as an investor, performed an impairment test of its stake in TLSA, through TLSA ability to distribute dividends, methodology known as Dividend Discount Model, or DDM, to remunerate the capital invested by shareholders. In order to perform this test, some aspects were taken into account, such as:

- The flow of dividends was obtained from the TLSA nominal cash flow;
- The flow of dividends was calculated considering the annual percentages of participation, considering the dilutions of the CSN's stakes due to the amortization of debts;
- This flow of dividends was discounts at present value using cost of equity (Ke) embedded in the WACC rate of TLSA; and
- This Ke obtained was the one calculated in the "rolling WACC" of TLSA.

Due to the sharing of investors risks, and by the fact that the asset that is being tested represents the cash-generating unit itself, which is equal to the legal entity, the risk determined by CSN Management is the same applied by TLSA when the evaluation of their own investments, not applying an additional risk fator to the model.

As a result, it was not necessary to recognize an impairment in the surplus-value of the investments in the year ended on December 31, 2018.

9.e) Additional information on indirect participation in abroad operations

- STAHLWERK THÜRINGEN GMBH ("SWT")

SWT was formed from the former industrial steel complex of Maxhütte, located in the Germany city of Unterwellenborn, which produces steel shapes used for construction in accordance with international quality standards.

Its main raw material is steel scrap; the Company has an installed production capacity of 1.1 million metric tons' steel/year. The SWT is a wholly owned indirect subsidiary of CSN Steel S.L.U, a subsidiary of CSN.

- COMPANHIA SIDERURGICA NACIONAL – LLC ("CSN LLC")

Incorporated in 2001 with the assets and liabilities from the extinct Heartland Steel Inc., CSN LLC has an industrial plant in Terre Haute, Indiana State - USA, where the cold rolled and galvanized steel production lines are located, its installed production capacity is 800 thousand tons/year. CSN LLC is a wholly owned indirect subsidiary through CSN Steel S.L.U. after Merger, previously named CSN Americas S.L.U, a subsidiary of CSN.

On June 5, 2018 CSN LLC had its corporate name changed to "Heartland Steel Processing, LLC". On the same date, a new company was incorporated under the name "Companhia Siderúrgica Nacional, LLC", a wholly owned subsidiary of Heartland Steel Processing, LLC. On June 28, 2018, Companhia Siderúrgica Nacional, LLC., became a wholly-owned subsidiary of CSN Steel and, on June 29, 2018, Heartland Steel Processing, LLC was sold to Steel Dynamics, Inc for the base transaction price of R$400million.

The new "Companhia Siderúrgica Nacional, LLC" imports and comercializes steel products and maintains its activities in the United States.

- LUSOSIDER AÇOS PLANOS S.A. ('Lusosider'')

Incorporated in 1996 in succession to Siderurgia Nacional (a company privatized by the Portuguese government that year), Lusosider is the only Portuguese company of the steel industry to produce cold rolled and galvanized anti-corrosion steel. Based in Paio Pires, The Lusosider has an installed capacity of about 550,000 tons / year to produce four large groups of steel products: galvanized sheet, cold rolled sheet, pickled and oiled plate. The products are manufactured by Lusosider and may be used in the packaging industry, construction (pipes and metallic structures) and in home appliance components.

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9.f) Other investments

- PANATLÂNTICA S. A. ("Panatlântica")

Panatlântica is a publicly-held company, headquartered in the city of Gravataí, State of Rio Grande do Sul, engaged in the manufacturing, trade, import, export and processing of steel and ferrous or non-ferrous metals, coated or not. This investment is classified as available-for-sale and measured at fair value.

The Company currently holds 11.31% (11.33% as of December 31, 2017) of Panatlântica's total share capital.

- USINAS SIDERURGICAS DE MINAS GERAIS S.A. – USIMINAS ("USIMINAS")

Usiminas, headquartered in Belo Horizonte, State of Minas Gerais, is engaged in steel and related operations. Usiminas produces flat rolled steel in the Intendente Câmara and José Bonifácio de Andrada e Silva plants, located in Ipatinga, Minas Gerais, and Cubatão, São Paulo, respectively, the final product is sold in the domestic and foreign market. Usiminas also exploits iron ore mines located in Itaúna, Minas Gerais, to meet its verticalization and production cost optimization strategies. Usiminas also has service and distribution centers located in several regions of Brazil, and the Cubatão, São Paulo, and Praia Mole, Espírito Santo, all centers are located in strategic locations for the shipment of its production.

On April 9, 2014, the Administrative Council for Economic Defense (CADE - Conselho Administrativo de Defesa Econômica) issued its decision on the matter about the Usiminas shares held by CSN signing a Performance Commitment Agreement), also called TCD, between CADE and CSN. Under the terms of the decision of CADE and TCD, CSN must reduce its interest in USIMINAS, within a specified period. The deadline and percentage reduction are confidential. In addition, the political rights in Usiminas will continue suspended until the Company reaches the limits established in the TCD.

In February 2018, were sold 3,136,100 of preferred shares (USIM5) in the amount of R$ 39,377, by the exclusive fund “VR1 - Multi-Credit Private Investment Fund.

As of December 31, 2018 and 2017, the Company’s interest in Usiminas’s capital was 15.19% in common shares and 20.29% (20.86% as of December 31,2017) in preferred shares.

USIMINAS is listed on the São Paulo Stock Exchange (“B3 S.A.- Brasil, Bolsa, Balcão”: USIM3 and USIM5).

- ARVEDI METALFER DO BRASIL S.A. (“Arvedi”)

Arvedi, headquartered in Salto, State of São Paulo, is engaged in pipe production. As of December 31, 2018 and 2017 CSN held 20.00% of Arvedi’s share capital.

10 PROPERTY, PLANT AND EQUIPMENT

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				Consolidated	
	Land	**Buildings and Infrastructure**	**Machinery, equipment and facilities**	**Furniture and fixtures**	**Constructio in progress**
Balance at December 31, 2017	**279,740**	**2,796,947**	**11,985,920**	**33,103**	**2,475,93**
Cost	279,740	3,819,929	21,674,362	164,152	2,475,93
Accumulated depreciation		(1,022,982)	(9,688,442)	(131,049)	
Balance at December 31, 2017	**279,740**	**2,796,947**	**11,985,920**	**33,103**	**2,475,93**
Translation Adjustment	7,730	11,653	86,553	543	4,27
Acquisitions	622	1,259	144,499	1,574	1,158,78
Capitalized interest (notes 25 and 30)					71,61
Write-off and losses, net of reversal (note 24)		(9,768)	(21,468)	(6)	(4,348
Depreciation (note 23)		(134,534)	(1,043,188)	(5,394)	
Transfers to other asset categories		30,031	685,005	891	(424,443
Write-off - sale of subsidiary LLC	(238)	(16,950)	(145,958)	(181)	(6,070
Transfers to intangible assets			5,559		(1,752
Others			(9,651)		8,44
Balance as of December 31, 2018	**287,854**	**2,678,638**	**11,687,271**	**30,530**	**3,282,43**
Cost	287,854	3,751,429	22,426,782	165,331	3,282,43
Accumulated depreciation		(1,072,791)	(10,739,511)	(134,801)	
Balance as of December 31, 2018	**287,854**	**2,678,638**	**11,687,271**	**30,530**	**3,282,43**

	Land	**Buildings and Infrastructure**	**Machinery, equipment and facilities**	**Furniture and fixtures**	**Cons in p**
Balance at December 31, 2017	**94,485**	**1,091,303**	**7,375,505**	**13,830**	
Cost	94,485	1,334,093	13,159,644	96,609	
Accumulated depreciation		(242,790)	(5,784,139)	(82,779)	
Balance at December 31, 2017	**94,485**	**1,091,303**	**7,375,505**	**13,830**	
Acquisitions	622	5	51,671	460	
Capitalized interest (notes 25 and 30)					
Write-off and losses, net of reversal (note 24)		(9,526)	(8,474)		

Depreciation (note 23)		(34,448)	(534,864)	(2,484)
Transfers to other asset categories			209,425	566
Others				
Balance as of December 31, 2018	**95,107**	**1,047,334**	**7,093,263**	**12,372**
Cost	95,107	1,323,762	13,411,258	97,642
Accumulated depreciation		(276,428)	(6,317,995)	(85,270)
Balance as of December 31, 2018	**95,107**	**1,047,334**	**7,093,263**	**12,372**

(*) Refer basically to railway assets such as courtyards, tracks and leasehold improvements, vehicles, hardware, mines, ore deposits, and spare part inventories.

The breakdown of the projects comprising construction in progress is as follows:

			Consolid	
Project description	**Start date**	**Completion date**	**12/31/2018**	**12/31/**
Logistics				
Current investments for maintenance of current operations.			89,595	106
			89,595	**106**
Mining				
Expansion of Casa de Pedra Mine capacity production.	2007	2020(1)	844,194	750
Expansion of TECAR export capacity.	2009	2022(2)	289,298	275
Current investments for maintenance of current operations.			725,616	408
			1,859,108	**1,435**
Steel				
Supply of 16 torpedo's cars for operation in the steel industry	2008	2020	94,920	99
Current investments for maintenance of current operations.		(3)	558,922	228
			653,842	**327**
Cement				
Construction of cement plants.	2011	2023(4)	585,163	554
Current investments for maintenance of current operations.			94,728	51
			679,891	**606**
Construction in progress			**3,282,436**	**2,475**

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(1) Estimated completion date of the Central Plant Step 1;

(2) Estimated completion date of phase 60 Mtpa;

(3) Refers substantially to the technological modernization of the UPV's continuous running machines;

(4) Refers substantially to the acquisition of new Integrated Cement Plants

The average estimated useful lives are as follows, in years:

		Consolidated		**Parent Company**
	12/31/2018	**12/31/2017**	**12/31/2018**	**12/31/2017**
Buildings	38	39	41	41
Machinery, equipment and facilities	22	21	24	24
Furniture and fixtures	11	12	11	12
Others	15	17	13	12

10.a) Capitalized Interest

As of December 31, 2018, the Company capitalized borrowing costs amounting to R$71,611 in consolidated and R$16,683 in parent company (as of December 31, 2017, R$91,957 in consolidated and R$21,308 in parent company). These costs are basically estimated for the mining projects, mainly relating to the expansion of Casa de Pedra (MG) and TECAR (RJ), see notes 25 and 30.

The rates used to capitalize borrowing costs are as follows:

Rates	12/31/2018	12/31/2017
Unspecified projects	6.31%	8.63%

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11 INTANGIBLE ASSETS

							Consolidated		Parent Company
	Goodwill	**Customer relationships**	**Software**	**Trademarks and patents**	**Rights and licenses (*)**	**Others**	**Total**	**Software**	**Total**
Balance at December 31, 2017	**3,590,931**	**300,875**	**73,185**	**134,137**	**3,172,469**	**449**	**7,272,046**	**59,310**	**59,310**
Cost	3,834,234	513,068	167,162	134,137	3,185,701	449	7,834,751	126,279	126,279
Accumulated amortization	(133,973)	(212,193)	(93,977)		(13,232)		(453,375)	(66,969)	(66,969)
Adjustment for accumulated recoverable value	(109,330)						(109,330)		
Balance at December 31, 2017	**3,590,931**	**300,875**	**73,185**	**134,137**	**3,172,469**	**449**	**7,272,046**	**59,310**	**59,310**
Translation Adjustment		34,107	148	15,872		58	50,185		
Acquisitions and expenditures			1,216			984	2,200		
Transfer of property, plant and equipment			(3,807)				(3,807)		
Amortization (note 23)		(46,209)	(15,770)		(5,470)		(67,449)	(9,697)	(9,697)
Balance as of December 31, 2018	**3,590,931**	**288,773**	**54,972**	**150,009**	**3,166,999**	**1,491**	**7,253,175**	**49,613**	**49,613**
Cost	3,831,338	573,614	161,067	150,009	3,185,701	1,491	7,903,220	125,768	125,768
Accumulated amortization	(131,077)	(284,841)	(106,095)		(18,702)		(540,715)	(76,155)	(76,155)
Adjustment for accumulated recoverable value	(109,330)						(109,330)		

Balance as of December 31, 2018	**3,590,931**	**288,773**	**54,972**	**150,009**	**3,166,999**	**1,491**	**7,253,175**	**49,613**	**49,613**

(*) Composed mainly by mineral rights with estimated resources of 1,101 million tons (Unaudited by independent auditors). Corresponding amortization is recorded based on production volumes.

The average useful lives by nature are as follows, in years:

		Consolidated		Parent Company
	12/31/2018	**12/31/2017**	**12/31/2018**	**12/31/2017**
Software	7	8	8	9
Customer relationships	13	13		

11.a) Impairment testing

The goodwill arising from expectations for future profitability of the companies acquired and the intangible assets with indefinite useful lives (trademarks) have been allocated to the operational divisions (cash-generating units) of CSN, which represent the lowest level of assets or group of assets. According to CPC 01(R1)/ IAS36, when a CGU has an intangible asset with indefinite useful life allocated, the Company performs an impairment test. The CGU with intangible assets in this situation are as follows:

						Consoli	
		Goodwill		**Trademarks**		**Total**	
Cash generating unity	**Segment**	**12/31/2018**	**12/31/2017**	**12/31/2018**	**12/31/2017**	**12/31/2018**	**12/31**
Packaging (1)	Steel	158,748	158,748			158,748	15
Long Stel (2)	Steel	235,595	235,595	150,009	134,137	385,604	36
Minning (3)	Mining	3,196,588	3,196,588			3,196,588	3,19
		3,590,931	**3,590,931**	**150,009**	**134,137**	**3,740,940**	**3,72**

(1) The goodwill of the Packaging cash-generating unit is shown net of impairment loss in the amount of R$109,330, recognized in 2011.

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

(3) Refers to the goodwill based on expectations for future profitability, resulting from the acquisition of Namisa by CSN Mineração, an operation that was concluded in december 2015. From 2016, the balance started to tested annually for impairment analysis.

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

The main assumptions used in calculations of value in use at December 31, 2018 are as follows:

	Metal packaging	**Flat steel (*)**	**Logistic (**)**	**Mining**
Measurement of recoverable value	Discounted Cash Flow	Discounted Cash Flow	Discounted Cash Flow	Discounted Cash Flow
Cash flow projection	Until 2028 + perpetuity	Until 2028 + perpetuity	Until 2027	Until 2054
Gross Margin	Gross margin updated based on historical data, impacts of business restructuring and market trends	Gross margin updated based on historical data and market trends.	Estimated based on market studies for cargo captures and operational costs according	Reflects projection of costs due to the progress of the mining plan as

			market trends.	well as startup and ramp up of projects . Price and exchange rate projected according industry reports.
Cost atualization	Cost based on historical data of each product and impacts of business restructuring	Updated costs based on historical data and market trends	Costs based on historical data and market trends	Updated costs based on historical data, progress of mining plan as well as startup and ramp up of projects
Growth Rate	Growth of 1.5% p.a in real terms updated by long term inflation of 4.0% p.a.	Growth of 1.4% p.a in real terms updated by long term inflation of 2.5% p.a. of the Euro zone	Growth of 1.5% p.a in real terms	Without growth in real terms updated only by long term inflation of 4.0% p.a.
Discount rate	For Metal packaging, flat steel and mining, these cash flows were considered using a discount rate after taxes between 5% and 13% p.a. in nominal terms. For the logistics segment, cash flows were discounted using a discount rate between 5.41% and 6.41% p.a. in real terms. The discount rate was based on the weighted average cost of capital ("WACC") that reflects the specific risk of each segment.			

(*) Refer to assets of subsidiary Lusosider, located in Portugal. The discount rate was applied on the discounted cash flow prepared in Euros, the functional currency of this subsidiary.

(**) Refer to assets of subsidiary FTL – Ferrovia Transnordestina Logística S.A.

For the subsidiary SWT, the measurement of recoverable value was based on fair value and classified as Level 3, based on unobservable inputs that reflect the assumptions that market participants would use for pricing, including risk assumptions and discount rate.

Based on the analyses conducted by Management, it was not necessary to record losses by impairment to those assets for the year ended on December 31, 2018.

12 BORROWINGS, FINANCING AND DEBENTURES

The balances of borrowings, financing and debentures, which are carried at amortized cost, are as follows:

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		Consolidated					
		Current liabilities		**Non-current liabilities**		**Current liab**	
		12/31/2018	**12/31/2017**	**12/31/2018**	**12/31/2017**	**12/31/2018**	**12**
Debt agreements in the international market							
Variable interest in:							
US$							
Prepayment	(1)	1,016,737	791,163	3,830,240	4,097,509	1,016,737	
Fixed interest in:							
US$							
Bonds, Perpetual Bonds and ACC	(2)	2,490,178	523,509	8,613,491	8,920,342	478,463	
Intercompany						3,070,423	1
EUR							
Others		181,056	251,630	106,535	197,131		
		3,687,971	**1,566,302**	**12,550,266**	**13,214,982**	**4,565,623**	**2**
Debt agreements in Brazil							
Securities with variable interest in:							
R$							
BNDES/FINAME, Debentures, NCE and CCB	(3)	1,890,450	4,982,159	10,710,678	9,702,972	1,827,769	4
Securities with fixed interest in:							
R$							
Prepayment		103,376	3,303		100,000	103,375	
		1,993,826	**4,985,462**	**10,710,678**	**9,802,972**	**1,931,144**	**4**
Total Borrowings and Financing		**5,681,797**	**6,551,764**	**23,260,944**	**23,017,954**	**6,496,767**	**6**
Transaction Costs and Issue Premiums		(28,358)	(24,862)	(87,309)	(34,012)	(22,379)	
Total Borrowings and Financing + Transaction Costs		**5,653,439**	**6,526,902**	**23,173,635**	**22,983,942**	**6,474,388**	**6**

(1) In November 2018, the Company concluded the negotiation of its debt of R$250 million with Banco Santander, related to Prepayment, rescheduling the maturities from 2019 to 2022.

(2) In February 2018, the Company issued debt securities in the foreign market ("Notes"), through its subsidiary CSN Resources SA, in the amount of US$ 350 million, maturing in 2023 and interest of 7.625% per annum. In parallel, a tender offer ("Tender Offer") of the Notes was issued by CSN Islands XI Corp. and CSN Resources S.A., subsidiaries of the Company, having repurchased US$ 350 million with expected maturity for 2019 and 2020. The Notes are unconditionally and irrevocably guaranteed by the Company.

(3) In February 2018, the Company concluded the renegotiation of its debt of R$4.9 billion with Banco do Brasil SA ("BB"), related to its own issues of Export Credit Notes plus the issues made by its subsidiary CSN Mineração, moving the maturities from 2018 to 2022 to maturity until December 2024, with a guarantee of part of the shares of Usiminas, owned by the Company.

In August 2018, the Company concluded the negotiations to reprofile its debts of R$ 6.8 billion with Caixa Econômica Federal, referring to the Bank Credit Note, rescheduling the maturities throughout 2018 to 2023 to maturity up to 2024, with guarantee of shares of Usiminas shares owned by the Company.

The following table shows the average interest rate:

		Consolidated		**Parent Company**
		12/31/2018		**12/31/2018**
	Average interest rate (*)	**Total debt**	**Average interest rate (*)**	**Total debt**
US$	5.88%	15,950,646	4.78%	11,991,686
R$	8.19%	12,704,504	8.17%	11,245,460
EUR	3.88%	287,591	3.88%	1,014,796
		28,942,741		**24,251,942**

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(*) In order to determine the average interest rates for debt contracts with floating rate, the Company used the rates applied as of December 31, 2018.

12.a) Maturities of borrowings, financing and debentures presented in non-current liabilities

As of December 31, 2018, the breakdown of principal plus interest of long-term liabilities as borrowings, financing and debentures by maturity date is presented as follows:

				Consolidated 12/31/2018 Principal	Parent Company 12/31/2018 Principal
	Bank loans	**Capital markets**	**Development agencies**	**Total**	**Total**
2020	3,187,269	3,499,177	66,892	6,753,338	4,139,475
2021	3,263,810	116,003	59,455	3,439,268	3,946,004
2022	3,087,732	36,667	58,154	3,182,553	3,722,981
2023	2,669,211	1,356,180	56,985	4,082,376	2,330,012
2024	1,276,001		67,734	1,343,735	2,261,231
After 2024			584,874	584,874	1,355,472
Perpetual bonds		3,874,800		3,874,800	
	13,484,023	**8,882,827**	**894,094**	**23,260,944**	**17,755,175**

12.b) Amortization and borrowings raised, financing and debentures

The table below presents the funding raised and amortizations during the year:

	Consolidated		Parent Company	
	12/31/2018	**12/31/2017**	**12/31/2018**	**12/31/2017**
Opening balance	**29,510,844**	**30,441,018**	**29,033,017**	**30,248,775**
Funding raised	2,154,471	538,771	602,110	371,000
Principal repayment	(5,019,978)	(1,528,023)	(6,098,209)	(1,652,283)
Payments of charges	(2,141,710)	(2,634,931)	(1,670,988)	(2,278,089)
Provision of charges	2,009,688	2,438,555	1,541,639	2,136,425
Write-off - sale of subsidiary LLC	(10,544)			
Others (1)	2,324,303	255,454	754,027	207,189
Closing balance	**28,827,074**	**29,510,844**	**24,161,596**	**29,033,017**

(1) Includes unrealized monetary and foreign exchange variations.

In 2018, the Group obtained and amortized loans as shown below:

- **Funding raised and amortizations:**

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			Consolidated 12/31/2018
Nature	**Raised**	**Amortization of principal**	**Amortization of charges**
Prepayment		849,654	280,923
Bonds, Perpetual bonds and ACC	1,749,099	1,632,464	675,370
BNDES/FINAME, Debentures, NCE and CCB	10,792	1,948,014	1,173,380
Others	394,580	589,846	12,037
	2,154,471	**5,019,978**	**2,141,710**

- **Covenants**

The Company's loan agreements establish the fulfillment of certain non-financial obligations, as well as maintenance of certain parameters and performance indicators, such as disclosure of its audited financial statements according to regulatory deadlines or payment of commission on risk assumption, if the net debt-EBITDA ratio reaches the levels in those agreements, under penalty of anticipated maturity. The Company is in compliance with the financial and non-financial obligations (covenants) of its current contracts, not considered any non-compliances already remedied or that have not generated the acceleration of debts or any type of accounting provision.

On December 31, 2018, the Company has provisioned R$ 38,134 in the Consolidated (R$ 30,843 as of December 31, 2017) and R$ 14,031 in the Parent Company (R$ 13,413 as of December 31, 2017) for risk assumption.

12.c) GUARANTEES

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

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	Currency	Maturities	Borrowings		Tax forec	
			12/31/2018	**12/31/2017**	**12/31/2018**	**1**
Transnordestina Logísitca	R$	Until 09/19/2056 and Indefinite	2,108,917	2,541,347	35,336	
FTL - Ferrovia Transnordestina	R$	11/15/2020	62,407	69,405		
Sepetiba Tecon						
Cia Metalurgica Prada	R$	Indefinite			333	
CSN Energia	R$	Until 11/26/2023 and Indefinite			2,829	
CSN Mineração	R$	Until 12/26/2024	1,407,363	2,000,000		
Estanho de Rondônia	R$	07/15/2022	3,153	3,153		
Minérios Nacional S.A.	R$	Until 09/10/2021	7,305			
Total in R$			**3,589,145**	**4,613,905**	**38,498**	
CSN Islands XI	US$	09/21/2019	547,094	750,000		
CSN Islands XII	US$	Perpetual	1,000,000	1,000,000		
CSN Resources	US$	Until 02/13/2023	1,402,906	1,200,000		
Total in US$			**2,950,000**	**2,950,000**		
CSN Steel S.L.	EUR	1/31/2020	48,000	120,000		
Lusosider Aços Planos	EUR	Indefinite	75,000	25,000		
Total in EUR			**123,000**	**145,000**		
Total in R$			**11,976,657**	**10,334,149**		
			15,565,802	**14,948,054**	**38,498**	

13 FINANCIAL INSTRUMENTS

I - Identification and measurement of financial instruments

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

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

- **Classification of financial instruments**

With the implementation of pronouncements CPC 48/ IFRS9, the classification of financial instruments: held to maturity, loans and receivables and available for sale were replaced by three categories of classification and measurement of financial instruments: amortized cost, fair value through other comprehensive income (VJORA) and fair value through profit or loss (VJR).

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			Consolidated
	Disclosed on 12/31/2017	**Applied on 01/01/2018**	**Balance at 12/31/2017**
Assets			
Current			
Cash and cash equivalents	Loans and Receivables	Amortized cost	3,411,572
Short term investments	Loans and Receivables	Amortized cost	735,712
Accounts Receivable Net	Loans and Receivables	Amortized cost	2,197,078
Loans with related parties	Loans and Receivables	Amortized cost	2,441
Derivative financial instruments	VJR	VJR	
Trading securities	VJR	VJR	2,952
Dividends receivable	Amortized cost	Amortized cost	41,528
Non-current			
Loans with related parties	Loans and Receivables	Amortized cost	554,694
Other trade receivables	Loans and Receivables	Amortized cost	20,024
Investments	Available for sale	VJR	2,222,479
Current			
Borrowings and financing	Amortized cost	Amortized cost	6,551,764
Derivative financial instruments	VJR	VJR	
Trade payables	Amortized cost	Amortized cost	2,460,774
Dividends and interest on capital	Amortized cost	Amortized cost	510,692
Non-current			
Borrowings and financing	Amortized cost	Amortized cost	23,017,953

							Consolidated
				12/31/2018			**12/31/2017**
	Notes	**Fair value through profit or loss**	**Measured at amortized cost**	**Balances**	**Fair value through profit or loss**	**Measured at amortized cost**	**Balances**
Assets							
Current							
Cash and cash equivalents	4		2,248,004	2,248,004		3,411,572	3,411,572

Short-term investments	5		895,713	895,713		735,712	735,712
Trade receivables	6		2,078,182	2,078,182		2,197,078	2,197,078
Dividends receivable	8		46,171	46,171		41,528	41,528
Derivative financial instruments	8	351		351			
Trading securities	8	4,503		4,503	2,952		2,952
Loans - related parties	8		2,675	2,675		2,441	2,441
Total		**4,854**	**5,270,745**	**5,275,599**	**2,952**	**6,388,331**	**6,391,283**
Non-current							
Short-term investments	5		7,772	7,772			
Other trade receivables	8		820,879	820,879		804,765	804,765
Investments	9	2,279,189		2,279,189	2,222,433		2,222,433
Loans - related parties	8		706,605	706,605		554,694	554,694
Total		**2,279,189**	**1,535,256**	**3,814,445**	**2,222,433**	**1,359,459**	**3,581,892**
Total Assets		**2,284,043**	**6,806,001**	**9,090,044**	**2,225,385**	**7,747,790**	**9,973,175**
Liabilities Current							
Borrowings and financing	12		5,681,797	5,681,797		6,551,764	6,551,764
Trade payables			3,473,822	3,473,822		2,505,695	2,505,695
Dividends and interest on capital	14		932,005	932,005		510,692	510,692
Total			**10,087,624**	**10,087,624**		**9,568,151**	**9,568,151**
Non-current							
Borrowings and financing	12		23,260,945	23,260,945		23,017,953	23,017,953
Total			**23,260,945**	**23,260,945**		**23,017,953**	**23,017,953**
Total Liabilities			**33,348,569**	**33,348,569**		**32,586,104**	**32,586,104**

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				12/31/2018			**Parent Company 12/31/2017**
	Notes	**Fair value through profit or loss**	**Measured at amortized cost**	**Balances**	**Fair value through profit or loss**	**Measured at amortized cost**	**Balances**
Assets							
Current							
Cash and cash equivalents	4		539,853	539,853		393,504	393,504
Short-term investments	5		882,997	882,997		716,461	716,461
Trade receivables	6		1,965,817	1,965,817		1,898,794	1,898,794
Dividends receivable	8		259,186	259,186		1,044,242	1,044,242
Trading securities	8	4,352		4,352	2,764		2,764
Loans - related parties	8		22,807	22,807		26,701	26,701
Total		**4,352**	**3,670,660**	**3,675,012**	**2,764**	**4,079,702**	**4,082,466**
Non-current							
Other trade receivables	8		814,016	814,016		789,601	789,601
Loans - related parties	8		588,285	588,285		444,091	444,091
Investments	9	2,279,189		2,279,189	2,222,433		2,222,433
Total		**2,279,189**	**1,402,301**	**3,681,490**	**2,222,433**	**1,233,692**	**3,456,125**
Total Assets		**2,283,541**	**5,072,961**	**7,356,502**	**2,225,197**	**5,313,394**	**7,538,591**
Liabilities							
Current							
	12		6,496,768	6,496,768		6,599,908	6,599,908

Borrowings and financing			
Trade payables	2,720,857	2,720,857	1,768,366