

NATIONAL STEEL CO
Form 6-K
May 05, 2006

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 May, 2006

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 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

(Convenience translation into English from the original previously issued in Portuguese)

FEDERAL PUBLIC SERVICE

External Disclosure

**CVM BRAZILIAN SECURITIES AND EXCHANGE
COMMISSION****STANDARD FINANCIAL STATEMENTS**

December 31, 2005

Accounting Practices

**COMMERCIAL, INDUSTRY & OTHER TYPES OF
COMPANY**

Adopted in Brazil

| |
|---|
| REGISTRATION WITH CVM SHOULD NOT BE CONSTRUED AS AN EVALUATION OF THE COMPANY. COMPANY MANAGEMENT IS RESPONSIBLE FOR THE INFORMATION PROVIDED. |
|---|

01.01 - IDENTIFICATION

| | | |
|--|---|--|
| 1 - CVM CODE 00403-0 | 2 - COMPANY NAME COMPANHIA SIDERÚRGICA NACIONAL | 3 - CNPJ (Corporate Taxpayer s ID) 33.042.730/0001-04 |
| 4 - NIRE (Corporate Registry ID) 15910 | | |

01.02 - HEAD OFFICE

| | | | | |
|--|----------------------------|------------------------|--------------------|------------|
| 1 - ADDRESS R. SÃO JOSÉ, 20/ GR.1602 PARTE | | 2 - DISTRICT CENTRO | | |
| 3 - ZIP CODE 22010-020 | 4 CITY RIO DE JANEIRO | | 5 - STATE RJ | |
| 6 - AREA CODE 21 | 7 - TELEPHONE 2215-4901 | 8 - TELEPHONE - | 9 - TELEPHONE - | 10 - TELEX |
| 11 - AREA CODE 21 | 12 - FAX 2215-7140 | 13 - FAX - | 14 FAX - | |
| 15 - E-MAIL <u>invrel@csn.com.br</u> | | | | |

01.03 - INVESTOR RELATIONS OFFICER (Company Mailing Address)

| | | | | |
|--|----------------------------|----------------------------|---------------------|------------|
| 1- NAME BENJAMIN STEINBRUCH | | | | |
| 2 - ADDRESS AV. BRIGADEIRO FARIA LIMA, 3400 20° ANDAR | | 3 - DISTRICT ITAIM BIBI | | |
| 4 - ZIP CODE 04538-132 | 5 CITY SÃO PAULO | | 6 - STATE SP | |
| 7 - AREA CODE 11 | 8 - TELEPHONE 3049-7100 | 9 - TELEPHONE - | 10 - TELEPHONE - | 11 - TELEX |
| 12 - AREA CODE 11 | 13 - FAX 3049-7519 | 14 - FAX - | 15 FAX - | |
| 15 - E-MAIL <u>invrel@csn.com.br</u> | | | | |

01.04 - REFERENCE AND AUDITOR INFORMATION

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| YEAR | 1 DATE OF THE FISCAL YEAR BEGINNING | 2 DATE OF THE FISCAL YEAR END |
|--|-------------------------------------|---|
| 1 Last | 01/01/2005 | 12/31/2005 |
| 2 Next to last | 01/01/2004 | 12/31/2004 |
| 3 Last but two | 01/01/2003 | 12/31/2003 |
| 09 - INDEPENDENT ACCOUNTANT DELOITTE TOUCHE TOHMATSU AUDITORES INDEPENDENTES | | 10 - CVM CODE 00385-9 |
| 11. TECHNICIAN IN CHARGE JOSÉ CARLOS MONTEIRO | | 12 TECHNICIAN S CPF (INDIVIDUAL TAXPAYER S ID) 443.201.918-20 |

01.05 - CAPITAL

| Number of Shares (in thousands) | 1 12/31/2005 | 2 12/31/2004 | 3 12/31/2003 |
|------------------------------------|-----------------|-----------------|-----------------|
| Paid-in Capital | | | |
| 1 Common | 272,068 | 286,917 | 71,729,261 |
| 2 Preferred | 0 | 0 | 0 |
| 3 Total | 272,068 | 286,917 | 71,729,261 |
| Treasury Stock | | | |
| 4 Common | 13,886 | 10,024 | 0 |
| 5 Preferred | 0 | 0 | 0 |
| 6 Total | 13,886 | 10,024 | 0 |

01.06 COMPANY PROFILE

| |
|---|
| 1 - TYPE OF COMPANY Commercial, Industrial and Others |
| 2 STATUS Operational |
| 3 - NATURE OF OWNERSHIP Private National |
| 4 - ACTIVITY CODE 106 Metallurgy and Steel Industry |
| 5 - MAIN ACTIVITY MANUFACTURING, TRANSF. AND TRADING OF STEEL PRODUCTS |
| 6 - CONSOLIDATION TYPE Total |

01.07 - COMPANIES NOT INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

| 1 - ITEM | 2 - CNPJ (Corporate Taxpayer s ID) | 3 - COMPANY NAME |
|----------|------------------------------------|------------------|
| | | |

01.08 - CASH DIVIDENDS

| 1 - ITEM | 2 - EVENT | 3 - APPROVAL | 4 - TYPE | 5 - DATE OF PAYMENT | 6 - TYPE OF SHARE | 7 - AMOUNT PER SHARE |
|----------|-----------|--------------|-------------------------|---------------------|-------------------|----------------------|
| 01 | AGO | 04/29/2005 | Dividend | 06/14/2005 | ON | 7.3517000000 |
| 02 | AGO | 04/29/2005 | Interest on Own Capital | 06/14/2005 | ON | 0.8675400000 |
| 03 | Proposal | | Interest on Own Capital | | ON | 1.0047300000 |
| 04 | Proposal | | Dividend | | ON | 4.1237700000 |

01.09 INVESTOR RELATIONS OFFICER

| | |
|--------|-------------|
| 1 DATE | 2 SIGNATURE |
|--------|-------------|

02.01 BALANCE SHEETS - ASSETS (in thousands of Reais)

| 1-CODE | 2- DESCRIPTION | 3 12/31/2005 | 4 12/31/2004 | 5 12/31/2003 |
|---------------|--|---------------------|---------------------|---------------------|
| 1 | Total Assets | 24,545,954 | 25,724,002 | 24,310,782 |
| 1.01 | Current Assets | 5,545,203 | 6,440,179 | 5,507,669 |
| 1.01.01 | Cash Equivalents | 73,034 | 47,411 | 69,027 |
| 1.01.02 | Credits | 1,772,853 | 1,696,794 | 1,740,091 |
| 1.01.02.01 | Domestic Market | 697,396 | 752,225 | 695,978 |
| 1.01.02.02 | Foreign Market | 1,146,408 | 1,011,376 | 1,142,383 |
| 1.01.02.03 | Allowance for Doubtful Accounts | (70,951) | (66,807) | (98,270) |
| 1.01.03 | Inventories | 1,396,406 | 1,560,071 | 642,435 |
| 1.01.04 | Others | 2,302,910 | 3,135,903 | 3,056,116 |
| 1.01.04.01 | Marketable Securities | 1,422,761 | 1,909,866 | 2,124,144 |
| 1.01.04.02 | Recoverable Corporate Income Tax and Social Contribution | 25,168 | 12,744 | 75,407 |
| 1.01.04.03 | Deferred Income Tax | 358,950 | 360,946 | 241,194 |
| 1.01.04.04 | Deferred Social Contribution | 80,843 | 48,426 | 61,737 |
| 1.01.04.05 | Dividends Receivable | 140,924 | 28,727 | 117,219 |
| 1.01.04.06 | Prepaid Expenses | 27,269 | 30,413 | 38,456 |
| 1.01.04.07 | Prepaid Income Tax | 0 | 497,195 | 92,524 |
| 1.01.04.08 | Others | 246,995 | 247,586 | 305,435 |
| 1.02 | Long-Term Assets | 1,686,801 | 1,531,697 | 3,162,132 |
| 1.02.01 | Sundry Credits | 26,084 | 29,804 | 27,066 |
| 1.02.01.01 | Loans ELETROBRÁS | 26,084 | 29,804 | 27,066 |
| 1.02.02 | Credit with Related Parties | 195,436 | 117,227 | 1,285,434 |
| 1.02.02.01 | Affiliates | 0 | 0 | 0 |
| 1.02.02.02 | Subsidiaries | 195,436 | 117,227 | 1,285,434 |
| 1.02.02.03 | Other Related Parties | 0 | 0 | 0 |
| 1.02.03 | Others | 1,465,281 | 1,384,666 | 1,849,632 |
| 1.02.03.01 | Deferred Income Tax | 410,391 | 442,482 | 636,448 |
| 1.02.03.02 | Deferred Social Contribution | 81,952 | 87,486 | 72,456 |
| 1.02.03.03 | Judicial Deposits | 641,327 | 560,465 | 481,122 |
| 1.02.03.04 | Securities Receivable | 79,172 | 44,472 | 44,595 |
| 1.02.03.05 | Marketable Securities | 125,639 | 125,652 | 154,458 |
| 1.02.03.06 | Recoverable PIS/PASEP | 27,334 | 25,209 | 55,031 |
| 1.02.03.07 | Prepaid Expenses | 35,685 | 44,878 | 48,110 |
| 1.02.03.08 | Investment Available for Sale | 0 | 0 | 248,691 |
| 1.02.03.09 | Others | 63,781 | 54,022 | 108,721 |
| 1.03 | Permanent Assets | 17,313,950 | 17,752,126 | 15,640,981 |
| 1.03.01 | Investments | 5,098,885 | 5,450,044 | 2,879,772 |
| 1.03.01.01 | In Affiliates | 0 | 0 | 0 |
| 1.03.01.02 | In Subsidiaries | 5,098,885 | 5,450,044 | 2,879,772 |
| 1.03.01.03 | Other Investments | 0 | 0 | 0 |
| 1.03.02 | Property, Plant and Equipment | 12,020,165 | 12,092,187 | 12,430,298 |
| 1.03.02.01 | In Operation, Net | 11,524,199 | 11,824,377 | 12,246,545 |
| 1.03.02.02 | In Construction | 352,025 | 139,074 | 67,750 |

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| | | | | |
|------------|----------|---------|---------|---------|
| 1.03.02.03 | Land | 143,941 | 128,736 | 116,003 |
| 1.03.03 | Deferred | 194,900 | 209,895 | 330,911 |

02.02 BALANCE SHEETS - LIABILITIES (in thousands of Reais)

| 1- CODE | 2- DESCRIPTION | 3 12/31/2005 | 4 12/31/2004 | 5 12/31/2003 |
|----------------|-----------------------------------|---------------------|---------------------|---------------------|
| 2 | Total Liabilities | 24,545,954 | 25,724,002 | 24,310,782 |
| 2.01 | Current Liabilities | 5,300,857 | 6,231,577 | 4,551,745 |
| 2.01.01 | Loans and Financings | 979,704 | 1,208,793 | 2,279,335 |
| 2.01.02 | Debentures | 661,920 | 44,943 | 89,152 |
| 2.01.03 | Suppliers | 1,149,504 | 557,090 | 432,791 |
| 2.01.04 | Taxes and Contributions | 305,526 | 956,069 | 799,413 |
| 2.01.04.01 | Salaries and Social Contributions | 59,903 | 55,432 | 91,805 |
| 2.01.04.02 | Taxes Payable | 119,143 | 639,144 | 546,047 |
| 2.01.04.03 | Deferred Income Tax | 93,000 | 192,274 | 118,795 |
| 2.01.04.04 | Deferred Social Contribution | 33,480 | 69,219 | 42,766 |
| 2.01.05 | Dividends Payable | 1,324,087 | 2,268,517 | 717,608 |
| 2.01.06 | Provisions | 40,341 | 15,051 | 8,177 |
| 2.01.06.01 | Contingencies | 40,341 | 15,051 | 8,177 |
| 2.01.07 | Debt with Related Parties | 0 | 0 | 0 |
| 2.01.08 | Others | 839,775 | 1,181,114 | 225,269 |
| 2.01.08.01 | Accounts Payable - Subsidiaries | 687,347 | 1,038,379 | 183,491 |
| 2.01.08.03 | Others | 152,428 | 142,735 | 41,778 |
| 2.02 | Long-Term Liabilities | 12,709,907 | 12,647,884 | 12,316,105 |
| 2.02.01 | Loans and Financings | 6,587,731 | 6,635,135 | 5,880,015 |
| 2.02.02 | Debentures | 286,176 | 900,000 | 1,566,550 |
| 2.02.03 | Provisions | 5,356,011 | 4,619,722 | 3,509,206 |
| 2.02.03.01 | Contingencies | 3,193,064 | 2,323,709 | 1,087,060 |
| 2.02.03.02 | Deferred Income Tax | 1,590,402 | 1,688,245 | 1,780,990 |
| 2.02.03.03 | Deferred Social Contribution | 572,545 | 607,768 | 641,156 |
| 2.02.04 | Debt with Related Parties | 0 | 0 | 0 |
| 2.02.05 | Others | 479,989 | 493,027 | 1,360,334 |
| 2.02.05.01 | Allowance for Loss on Investments | 77,833 | 90,412 | 68,437 |
| 2.02.05.02 | Debt with Related Parties | 99,116 | 107,031 | 1,006,489 |
| 2.02.05.03 | Provisions for Pension Fund | 223,400 | 200,568 | 136,715 |
| 2.02.05.04 | Others | 79,640 | 95,016 | 148,693 |
| 2.03 | Future Income | 0 | 0 | 0 |
| 2.05 | Shareholders Equity | 6,535,190 | 6,844,541 | 7,442,932 |
| 2.05.01 | Paid-In Capital | 1,680,947 | 1,680,947 | 1,680,947 |
| 2.05.02 | Capital Reserve | 0 | 17,319 | 17,319 |
| 2.05.03 | Revaluation Reserve | 4,518,054 | 4,763,226 | 5,008,072 |
| 2.05.03.01 | Own Assets | 4,517,701 | 4,763,226 | 5,008,072 |
| 2.05.03.02 | Subsidiaries/Affiliates | 353 | 0 | 0 |
| 2.05.04 | Profit Reserve | 336,189 | 383,049 | 736,594 |
| 2.05.04.01 | Legal | 336,189 | 336,189 | 249,391 |
| 2.05.04.02 | Statutory | 0 | 0 | 0 |
| 2.05.04.03 | For Contingencies | 0 | 0 | 0 |
| 2.05.04.04 | Unrealized Income | 0 | 0 | 0 |
| 2.05.04.05 | Profit Retentions | 0 | 0 | 0 |

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|------------|---------------------------------------|---|--------|---------|
| 2.05.04.06 | Special For Non-Distributed Dividends | 0 | 0 | 0 |
| 2.05.04.07 | Other Profit Reserves | 0 | 46,860 | 487,203 |

02.02 BALANCE SHEETS - LIABILITIES (in thousands of Reais)

| 1- CODE | 2- DESCRIPTION | 3 12/31/2005 | 4 12/31/2004 | 5 12/31/2003 |
|----------------|-----------------------|---------------------|---------------------|---------------------|
| 2.05.04.07.01 | From Investments | 637,611 | 487,203 | 487,203 |
| 2.05.04.07.02 | Treasury Stock | (637,611) | (440,343) | 0 |
| 2.05.05 | Retained Earnings | 0 | 0 | 0 |

03.01 STATEMENTS OF INCOME (in thousands of Reais)

| 1- CODE | 2- DESCRIPTION | 3 01/01/2005 to 12/31/2005 | 4 01/01/2004 to 12/31/2004 | 5 01/01/2003 to 12/31/2003 |
|----------------|--|---|---|---|
| 3.01 | Gross Revenue from Sales and/or Services | 10,147,678 | 10,128,511 | 7,283,930 |
| 3.02 | Deductions from Gross Revenue | (1,973,701) | (1,994,019) | (1,113,726) |
| 3.03 | Net Revenue from Sales and/or Services | 8,173,977 | 8,134,492 | 6,170,204 |
| 3.04 | Cost of Goods and/or Services Sold | (4,448,925) | (4,063,033) | (3,439,429) |
| 3.04.01 | Depreciation and Amortization | (759,235) | (686,655) | (609,822) |
| 3.04.02 | Others | (3,689,690) | (3,376,378) | (2,829,607) |
| 3.05 | Gross Income | 3,725,052 | 4,071,459 | 2,730,775 |
| 3.06 | Operating Income/Expenses | (1,147,019) | (1,078,363) | (1,693,975) |
| 3.06.01 | Selling | (268,396) | (264,712) | (251,813) |
| 3.06.01.01 | Depreciation and Amortization | (8,359) | (7,882) | (5,484) |
| 3.06.01.02 | Others | (260,037) | (256,830) | (246,329) |
| 3.06.02 | General and Administrative | (211,146) | (240,958) | (219,545) |
| 3.06.02.01 | Depreciation and Amortization | (15,759) | (21,914) | (19,828) |
| 3.06.02.02 | Others | (195,387) | (219,044) | (199,717) |
| 3.06.03 | Financial | (310,515) | (831,703) | (1,068,661) |
| 3.06.03.01 | Financial Income | 252,249 | 116,154 | 38,442 |
| 3.06.03.02 | Financial Expenses | (562,764) | (947,857) | (1,107,103) |
| 3.06.03.02.01 | Amortization of Deferred Exchange Variation | 0 | (103,179) | (130,339) |
| 3.06.03.02.02 | Exchange and Monetary Variation, net | 923,530 | 540,752 | 1,213,391 |
| 3.06.03.02.03 | Financial Expenses | (1,486,294) | (1,385,430) | (2,190,155) |
| 3.06.04 | Other Operating Income | 28,711 | 70,762 | 39,126 |
| 3.06.05 | Other Operating Expenses | (10,984) | (235,942) | (198,555) |
| 3.06.06 | Equity Pick-up | (374,689) | 424,190 | 5,473 |
| 3.07 | Operating Income | 2,578,033 | 2,993,096 | 1,036,800 |
| 3.08 | Non-Operating Income | (6,292) | (17,694) | 26,905 |
| 3.08.01 | Income | 4 | 6 | 60,940 |
| 3.08.02 | Expenses | (6,296) | (17,700) | (34,035) |
| 3.09 | Income before Taxes and Participation | 2,571,741 | 2,975,402 | 1,063,705 |
| 3.10 | Provision for Income Tax and Social Contribution | (953,861) | (784,110) | (134,818) |
| 3.11 | Deferred Income Tax | 260,878 | (46,295) | 129,951 |
| 3.12 | Statutory Interests/Contributions | 0 | 0 | 0 |
| 3.12.01 | Participations | 0 | 0 | 0 |
| 3.12.02 | Contributions | 0 | 0 | 0 |
| 3.13 | Reversal of Interest on Own Capital | 0 | 0 | 0 |
| 3.15 | Income/Loss for the Year | 1,878,758 | 2,144,997 | 1,058,838 |
| | No. SHARES, EX-TREASURY (in thousands) | 258,182 | 276,893 | 71,729,261 |
| | EARNINGS PER SHARE | 7.27687 | 7.74666 | 0.01476 |
| | LOSS PER SHARE | | | |

04.01 STATEMENTS OF CHANGES IN FINANCIAL POSITION (in thousands of Reais)

| 1 - CODE | 2 DESCRIPTION | 3 01/01/2005 to 12/31/2005 | 4 - 01/01/2004 to 12/31/2004 | 5 - 01/01/2003 to 12/31/2003 |
|---------------|--|-------------------------------|------------------------------------|------------------------------------|
| 4.01 | Sources | 5,111,253 | 7,470,349 | 5,040,441 |
| 4.01.01 | Of Operations | 2,118,719 | 2,589,275 | 989,144 |
| 4.01.01.01 | Income/Loss for the Year | 1,878,758 | 2,144,997 | 1,058,838 |
| 4.01.01.02 | Amounts not Affecting Working Capital | 239,961 | 444,278 | (69,694) |
| 4.01.01.02.01 | Long-term exchange and monetary variations | (1,010,185) | (411,321) | (974,307) |
| 4.01.01.02.02 | Equity Pick-up | 374,708 | (424,190) | (5,473) |
| 4.01.01.02.03 | Permanent Assets Write-off | 8,527 | 15,374 | 15,941 |
| 4.01.01.02.04 | Depreciation / Depletion / Amortization | 783,353 | 716,451 | 635,134 |
| 4.01.01.02.05 | Deferred Exchange Variation Amortization | 0 | 103,180 | 130,339 |
| 4.01.01.02.06 | Deferred Income Tax and Social Contribution | (95,442) | 52,804 | (104,703) |
| 4.01.01.02.07 | Provision for PIS/COFINS/CPMF contingencies | 164,140 | 132,972 | 112,871 |
| 4.01.01.02.08 | Provision for Pension Fund | 22,832 | 63,853 | 70,720 |
| 4.01.01.02.09 | Others | (7,972) | 195,155 | 49,784 |
| 4.01.02 | From Shareholders | 0 | 0 | 0 |
| 4.01.03 | From Third Parties | 2,992,534 | 4,881,074 | 4,051,297 |
| 4.01.03.01 | Increase in long-term loans and financing | 1,937,650 | 2,730,685 | 2,672,288 |
| 4.01.03.02 | Issuance of Debentures | 0 | 0 | 900,000 |
| 4.01.03.03 | Decrease in Other Receivables | 184,240 | 1,495,898 | 90,495 |
| 4.01.03.04 | Increase from Other Liabilities Income tax/ social contribution | 702,545 | 578,293 | 253,998 |
| 4.01.03.05 | Investments for sale | 0 | 0 | 0 |
| 4.01.03.06 | Subsidiaries proposed dividends | 168,099 | 28,727 | 124,875 |
| 4.01.03.07 | Others | 0 | 47,471 | 9,641 |
| 4.02 | Applications | 5,075,509 | 8,217,671 | 4,898,443 |
| 4.02.01 | Investments | 204,089 | 1,905,718 | 121,986 |
| 4.02.02 | Property, Plant and Equipment | 654,930 | 378,788 | 766,459 |
| 4.02.03 | Deferred | 45,361 | 44,561 | 94,348 |
| 4.02.04 | Interest on Own Capital and Dividends | 1,324,087 | 2,303,045 | 1,223,438 |
| 4.02.05 | Treasury Stock | 864,375 | 440,343 | 0 |
| 4.02.06 | Transf. of loan and financing to short-term | 1,545,619 | 2,003,709 | 1,033,273 |
| 4.02.07 | Increase in Long-Term Assets | 273,116 | 197,733 | 1,399,435 |
| 4.02.08 | Decrease in Other Long-Term Liabilities | 163,932 | 943,774 | 259,504 |
| 4.02.09 | Deferred Income Tax and Social Contribution | 0 | 0 | 0 |
| 4.02.10 | Others | 0 | 0 | 0 |
| 4.03 | Increase/Decrease in the Working Capital | 35,744 | (747,322) | 141,998 |
| 4.04 | Changes in Current Assets | (894,976) | 932,510 | 1,250,329 |
| 4.04.01 | Current Assets at the Beginning of the Year | 6,440,179 | 5,507,669 | 4,257,340 |
| 4.04.02 | Current Assets at the End of the Year | 5,545,203 | 6,440,179 | 5,507,669 |
| 4.05 | Changes in Current Liabilities | (930,720) | 1,679,832 | 1,108,331 |
| 4.05.01 | | 6,231,577 | 4,551,745 | 3,443,414 |

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|---------|--|-----------|-----------|-----------|
| | Current Liabilities at the Beginning of the Year | | | |
| 4.05.02 | Current Liabilities at the End of the Year | 5,300,857 | 6,231,577 | 4,551,745 |

05.01 STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY FROM 01/01/2005 TO 12/31/2005 (in thousands of Reais)

| 1 - CODE | 2 - DESCRIPTION | 3 CAPITAL STOCK | 4 CAPITAL RESERVES | 5 REVALUATION RESERVES | 6 PROFIT RESERVES | 7 - ACCRUED PROFIT/LOSS | 8 - TOTAL SHAREHOLDER S EQUITY |
|----------|--|-----------------|--------------------|------------------------|-------------------|-------------------------|--------------------------------|
| 5.01 | Opening Balance | 1,680,947 | 17,319 | 4,763,226 | 383,049 | 0 | 6,844,541 |
| 5.02 | Adjustments of Previous Years | 0 | 0 | 0 | 0 | 0 | 0 |
| 5.03 | Increase/Decrease in Capital Stock | 0 | 0 | 0 | 0 | 0 | 0 |
| 5.04 | Realization of Reserves | 0 | 0 | (245,172) | 0 | 245,525 | 353 |
| 5.04.01 | Of Own Assets Net of Income Tax and | | | | | | |
| | Social Contribution | 0 | 0 | (245,525) | 0 | 0 | (245,525) |
| 5.04.02 | Re-Valuation of Own Assets | 0 | 0 | 0 | 0 | 245,525 | 245,525 |
| | Re-Valuation of Assets of Subsidiaries | | | | | | |
| 5.04.03 | Net of Income Tax and | | | | | | |
| | Soc.Contribution | 0 | 0 | 353 | 0 | 0 | 353 |
| 5.05 | Treasury Stock | 0 | (17,319) | 0 | (684,471) | (162,585) | (864,375) |
| 5.06 | Income/Loss for the Year | 0 | 0 | 0 | 0 | 1,878,758 | 1,878,758 |
| 5.07 | Allocations | 0 | 0 | 0 | 637,611 | (1,961,698) | (1,324,087) |
| 5.07.01 | Legal Reserve | 0 | 0 | 0 | 0 | (1,324,087) | (1,324,087) |
| 5.07.02 | Interim Dividends | 0 | 0 | 0 | 637,611 | (637,611) | 0 |
| 5.08 | Others | 0 | 0 | 0 | 0 | 0 | 0 |
| 5.09 | Ending Balance | 1,680,947 | 0 | 4,518,054 | 336,189 | 0 | 6,535,190 |

05.02 STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY FROM 01/01/2004 TO 12/31/2004 (in thousands of Reais)

| 1 - CODE | 2 DESCRIPTION | 3 CAPITAL STOCK | 4 CAPITAL RESERVES | 5 REVALUATION RESERVES | 6 PROFIT RESERVES | 7 - ACCRUED PROFIT/LOSS | 8 - TOTAL SHAREHOLDER S EQUITY |
|----------|--|-----------------|--------------------|------------------------|-------------------|-------------------------|--------------------------------|
| 5.01 | Opening Balance | 1,680,947 | 17,319 | 5,008,072 | 736,594 | 0 | 7,442,932 |
| 5.02 | Adjustments of Previous Years | 0 | 0 | 0 | 0 | 0 | 0 |
| 5.03 | Increase/Decrease in Capital Stock | 0 | 0 | 0 | 0 | 0 | 0 |
| 5.04 | Realization of Reserves | 0 | 0 | (244,846) | 0 | 244,846 | 0 |
| 5.05 | Treasury Stock | 0 | 0 | 0 | (440,343) | 0 | (440,343) |
| 5.06 | Income/Loss for the Year | 0 | 0 | 0 | 0 | 2,144,997 | 2,144,997 |
| 5.07 | Allocations | 0 | 0 | 0 | 86,798 | (2,389,843) | (2,303,045) |
| 5.07.01 | Legal Reserve | 0 | 0 | 0 | 86,798 | (86,798) | 0 |
| 5.07.02 | Dividends Deliberated | 0 | 0 | 0 | 0 | (35,000) | (35,000) |
| 5.07.03 | Proposed Dividends and Interest on Own Capital | 0 | 0 | 0 | 0 | (2,268,045) | (2,268,045) |
| 5.07.04 | Investment Reserve | 0 | 0 | 0 | 0 | 0 | 0 |
| 5.08 | Others | 0 | 0 | 0 | 0 | 0 | 0 |
| 5.09 | Ending Balance | 1,680,947 | 17,319 | 4,763,226 | 383,049 | 0 | 6,844,541 |

05.03 STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY FROM 01/01/2003 TO 12/31/2003 (in thousands of Reais)

| 1 - CODE | 2 DESCRIPTION | 3 CAPITAL STOCK | 4 CAPITAL RESERVES | 5 REVALUATION RESERVES | 6 PROFIT RESERVES | 7 - ACCRUED PROFIT/LOSS | 8 - TOTAL SHAREHOLDER EQUITY |
|----------|---|-----------------|--------------------|------------------------|-------------------|-------------------------|------------------------------|
| 5.01 | Opening Balance | 1,680,947 | 10,485 | 2,514,209 | 702,588 | 0 | 4,908,229 |
| 5.02 | Adjustments of Previous Years | 0 | 0 | 0 | 0 | 0 | 0 |
| 5.03 | Increase/Decrease in Stock Capital | 0 | 0 | 0 | 0 | 0 | 0 |
| 5.04 | Realization of Reserves | 0 | 6,834 | 2,493,863 | 0 | 198,607 | 2,699,304 |
| 5.04.01 | Of Own Assets, net of income tax and social contribution | 0 | 0 | (198,607) | 0 | 198,607 | 0 |
| 5.04.02 | Re-valuation of own assets, net of income tax and social contribution | 0 | 0 | 2,693,114 | 0 | 0 | 2,693,114 |
| 5.04.03 | Reversion of own assets re-valuation reserve | 0 | 0 | (644) | 0 | 0 | (644) |
| 5.04.04 | Debentures on the market | 0 | 6,834 | 0 | 0 | 0 | 6,834 |
| 5.05 | Treasury Stock | 0 | 0 | 0 | 0 | 0 | 0 |
| 5.06 | Income/Loss for the Year | 0 | 0 | 0 | 0 | 1,058,838 | 1,058,838 |
| 5.07 | Allocations | 0 | 0 | 0 | 34,006 | (1,257,445) | (1,223,439) |
| 5.07.01 | Legal Reserve | 0 | 0 | 0 | 52,942 | (52,942) | 0 |
| 5.07.02 | Deliberated Dividends | 0 | 0 | 0 | (506,139) | 0 | (506,139) |
| 5.07.03 | Proposed Dividends and Interest on Own Capital | 0 | 0 | 0 | 0 | (717,300) | (717,300) |
| 5.07.04 | Reserve for Investments | 0 | 0 | 0 | 487,203 | (487,203) | 0 |
| 5.08 | Others | 0 | 0 | 0 | 0 | 0 | 0 |
| 5.09 | Ending Balance | 1,680,947 | 17,319 | 5,008,072 | 736,594 | 0 | 7,442,932 |

06.01 CONSOLIDATED BALANCE SHEETS ASSETS (in thousands of Reais)

| 1-CODE | 2- DESCRIPTION | 3 12/31/2005 | 4 12/31/2004 | 5 12/31/2003 |
|---------------|--|---------------------|---------------------|---------------------|
| 1 | Total Assets | 24,447,710 | 24,704,648 | 22,522,205 |
| 1.01 | Current Assets | 8,164,081 | 8,608,514 | 6,775,380 |
| 1.01.01 | Cash Equivalents | 135,185 | 109,485 | 224,915 |
| 1.01.02 | Credits | 1,366,047 | 1,140,136 | 1,114,111 |
| 1.01.02.01 | Foreign Market | 879,153 | 914,870 | 935,143 |
| 1.01.02.02 | Export Market | 588,098 | 311,853 | 323,407 |
| 1.01.02.03 | Allowance for Doubtful Accounts | (101,204) | (86,587) | (144,439) |
| 1.01.03 | Inventories | 1,907,462 | 2,276,027 | 891,807 |
| 1.01.04 | Others | 4,755,387 | 5,082,866 | 4,544,547 |
| 1.01.04.01 | Marketable Securities | 3,709,753 | 3,561,720 | 3,654,757 |
| 1.01.04.02 | Recoverable Corporate Income Tax and Social Contribution | 32,428 | 21,454 | 78,760 |
| 1.01.04.03 | Deferred Income Tax | 405,034 | 440,589 | 251,609 |
| 1.01.04.04 | Deferred Social Contribution | 98,105 | 77,090 | 65,486 |
| 1.01.04.05 | Prepaid Expenses | 40,445 | 39,372 | 54,799 |
| 1.01.04.06 | Prepaid Income Tax | 38,429 | 529,270 | 93,036 |
| 1.01.04.07 | Others | 431,193 | 413,371 | 346,100 |
| 1.02 | Long-Term Assets | 2,063,043 | 1,783,244 | 1,964,670 |
| 1.02.01 | Sundry Credits | 26,425 | 30,145 | 27,407 |
| 1.02.01.01 | Loans ELETROBRÁS | 26,425 | 30,145 | 27,407 |
| 1.02.02 | Credit with Related Parties | 63,258 | 25,968 | 26,695 |
| 1.02.02.01 | Affiliates | 0 | 0 | 0 |
| 1.02.02.02 | Subsidiaries | 63,258 | 25,968 | 26,695 |
| 1.02.02.03 | Other Related Parties | 0 | 0 | 0 |
| 1.02.03 | Others | 1,973,360 | 1,727,131 | 1,910,568 |
| 1.02.03.01 | Deferred Income Tax | 447,679 | 475,970 | 650,401 |
| 1.02.03.02 | Deferred Social Contribution | 95,459 | 99,572 | 77,493 |
| 1.02.03.03 | Judicial Deposits | 672,996 | 589,203 | 502,367 |
| 1.02.03.04 | Securities Receivable | 202,718 | 204,241 | 44,719 |
| 1.02.03.05 | Recoverable PIS/PASEP | 28,010 | 25,455 | 55,203 |
| 1.02.03.06 | Prepaid Expenses | 92,275 | 81,114 | 82,502 |
| 1.02.03.07 | Investment Available for Sale | 254,262 | 90,159 | 169,335 |
| 1.02.03.08 | Marketable Securities | 0 | 0 | 248,691 |
| 1.02.03.09 | Others | 179,961 | 161,417 | 79,857 |
| 1.03 | Permanent Assets | 14,220,586 | 14,312,890 | 13,782,155 |
| 1.03.01 | Investments | 270,745 | 292,649 | 241,783 |
| 1.03.01.01 | In Affiliates | 0 | 0 | 0 |
| 1.03.01.02 | In Subsidiaries | 269,449 | 291,815 | 241,566 |
| 1.03.01.03 | Other Investments | 1,296 | 834 | 217 |
| 1.03.02 | Property, Plant and Equipment | 13,638,200 | 13,666,804 | 13,134,055 |
| 1.03.02.01 | In Operation, Net | 13,051,394 | 13,318,102 | 12,929,118 |
| 1.03.02.02 | In Construction | 424,038 | 198,713 | 77,596 |
| 1.03.02.03 | Land | 162,768 | 149,989 | 127,341 |

| | | | | |
|---------|----------|---------|---------|---------|
| 1.03.03 | Deferred | 311,641 | 353,437 | 406,317 |
|---------|----------|---------|---------|---------|

06.02 CONSOLIDATED BALANCE SHEETS - LIABILITIES (in thousands of Reais)

| 1- CODE | 2- DESCRIPTION | 3 12/31/2005 | 4 12/31/2004 | 5 12/31/2003 |
|----------------|--|---------------------|---------------------|---------------------|
| 2 | Total Liabilities | 24,447,710 | 24,704,648 | 22,522,205 |
| 2.01 | Current Liabilities | 4,819,657 | 6,163,662 | 4,542,518 |
| 2.01.01 | Loans and Financings | 758,976 | 1,684,571 | 2,297,619 |
| 2.01.02 | Debentures | 705,517 | 87,884 | 89,152 |
| 2.01.03 | Suppliers | 1,261,690 | 760,467 | 518,859 |
| 2.01.04 | Taxes and Contributions | 452,689 | 1,061,570 | 833,281 |
| 2.01.04.01 | Salaries and Social Contributions | 85,385 | 79,407 | 103,998 |
| 2.01.04.02 | Taxes Payable | 240,824 | 720,670 | 566,815 |
| 2.01.04.03 | Deferred Income Tax | 93,000 | 192,274 | 119,462 |
| 2.01.04.04 | Deferred Social Contribution | 33,480 | 69,219 | 43,006 |
| 2.01.05 | Dividends Payable | 1,324,087 | 2,268,517 | 717,608 |
| 2.01.06 | Provisions | 45,881 | 17,149 | 8,177 |
| 2.01.06.01 | Contingences | 45,881 | 17,149 | 8,177 |
| 2.01.07 | Debts with Related Parties | 0 | 0 | 0 |
| 2.01.08 | Others | 270,817 | 283,504 | 77,822 |
| 2.02 | Long-term liabilities | 13,149,531 | 11,807,922 | 10,553,809 |
| 2.02.01 | Loans and Financings | 6,908,495 | 5,621,644 | 5,004,092 |
| 2.02.02 | Debentures | 425,517 | 1,075,593 | 1,566,550 |
| 2.02.03 | Provisions | 5,428,624 | 4,735,338 | 3,661,109 |
| 2.02.03.01 | Contingencies | 3,265,677 | 2,439,300 | 1,201,102 |
| 2.02.03.02 | Deferred Income Tax | 1,590,402 | 1,688,270 | 1,818,851 |
| 2.02.03.03 | Deferred Social Contribution | 572,545 | 607,768 | 641,156 |
| 2.02.04 | Debts with Related Parties | 0 | 0 | 0 |
| 2.02.05 | Others | 386,895 | 375,347 | 322,058 |
| 2.02.05.01 | Debt with Related Parties | 28,324 | 28,324 | 27,531 |
| 2.02.05.02 | Provision for Pension Fund | 223,400 | 200,568 | 136,979 |
| 2.02.05.03 | Others | 135,171 | 146,455 | 157,548 |
| 2.03 | Deferred Income | 6,081 | 77,796 | 6,496 |
| 2.04 | Minority Interests | 0 | 0 | 0 |
| 2.05 | Shareholders Equity | 6,472,441 | 6,655,268 | 7,419,382 |
| 2.05.01 | Paid-In Capital | 1,680,947 | 1,680,947 | 1,680,947 |
| 2.05.02 | Capital Reserve | 0 | 17,319 | 17,319 |
| 2.05.03 | Revaluation Reserve | 4,518,054 | 4,763,226 | 5,008,072 |
| 2.05.03.01 | Own Assets | 4,517,701 | 4,763,226 | 5,008,072 |
| 2.05.03.02 | Subsidiaries/Affiliates | 353 | 0 | 0 |
| 2.05.04 | Profit Reserve | 273,440 | 193,776 | 713,044 |
| 2.05.04.01 | Legal | 336,189 | 336,189 | 249,391 |
| 2.05.04.02 | Statutory | 0 | 0 | 0 |
| 2.05.04.03 | For Contingencies | 0 | 0 | 0 |
| 2.05.04.04 | Unrealized Income | 0 | 0 | 0 |
| 2.05.04.05 | Profit Retentions | 0 | 0 | 0 |
| 2.05.04.06 | Especial For Non-Distributed Dividends | 0 | 0 | 0 |
| 2.05.04.07 | Other Profit Reserves | (62,749) | (142,413) | 463,653 |

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| | | | | |
|---------------|-------------------|-----------|-----------|----------|
| 2.05.04.07.01 | From Investments | 637,611 | 487,203 | 487,203 |
| 2.05.04.07.02 | Treasury Stock | (637,611) | (440,343) | 0 |
| 2.05.04.07.03 | Deferred Earnings | (62,749) | (189,273) | (23,550) |
| 2.05.05 | Retained Earnings | 0 | 0 | 0 |

07.01 CONSOLIDATED STATEMENTS OF INCOME (in thousands of Reais)

| 1- CODE | 2- DESCRIPTION | 3 01/01/2005 to 12/31/2005 | 4 01/01/2004 to 12/31/2004 | 5 01/01/2003 to 12/31/2003 |
|----------------|--|---------------------------------------|---------------------------------------|---------------------------------------|
| 3.01 | Gross Revenue from Sales and/or Services | 12,283,464 | 12,250,641 | 8,291,700 |
| 3.02 | Gross Revenue Deductions | (2,245,877) | (2,451,072) | (1,314,275) |
| 3.03 | Net Revenue from Sales and/or Services | 10,037,587 | 9,799,569 | 6,977,425 |
| 3.04 | Cost of Goods and/or Services Sold | (5,468,263) | (4,997,244) | (3,837,555) |
| 3.04.01 | Depreciation and Amortization | (870,314) | (781,572) | (651,419) |
| 3.04.02 | Others | (4,597,949) | (4,215,672) | (3,186,136) |
| 3.05 | Gross Income | 4,569,324 | 4,802,325 | 3,139,870 |
| 3.06 | Operating Income/Expenses | (1,687,355) | (1,996,306) | (2,091,381) |
| 3.06.01 | Selling | (577,226) | (503,433) | (553,004) |
| 3.06.01.01 | Depreciation and Amortization | (9,990) | (8,986) | (6,966) |
| 3.06.01.02 | Others | (567,236) | (494,447) | (546,038) |
| 3.06.02 | General and Administrative | (322,511) | (348,101) | (274,443) |
| 3.06.02.01 | Depreciation and Amortization | (43,791) | (47,518) | (30,812) |
| 3.06.02.02 | Others | (278,720) | (300,583) | (243,631) |
| 3.06.03 | Financial | (761,174) | (921,914) | (1,035,657) |
| 3.06.03.01 | Financial Income | 523,876 | 190,511 | 55,799 |
| 3.06.03.02 | Financial Expenses | (1,285,050) | (1,112,425) | (1,091,456) |
| 3.06.03.02.01 | Amortization of Deferred Exchange Variation | 0 | (112,616) | (133,008) |
| 3.06.03.02.02 | Exchange and Monetary Variation, net | 132,480 | 341,566 | 914,744 |
| 3.06.03.02.03 | Financial Expenses | (1,417,530) | (1,341,375) | (1,873,192) |
| 3.06.04 | Other Operating Income | 55,836 | 122,795 | 80,543 |
| 3.06.05 | Other Operating Expenses | (27,110) | (299,648) | (309,756) |
| 3.06.06 | Equity Pick-up | (55,170) | (46,005) | 936 |
| 3.07 | Operating Income | 2,881,969 | 2,806,019 | 1,048,489 |
| 3.08 | Non-Operating Income | (7,372) | (1,228) | 29,982 |
| 3.08.01 | Income | 33,497 | 17,538 | 63,652 |
| 3.08.02 | Expenses | (40,869) | (18,766) | (33,670) |
| 3.09 | Income before Taxes and participation | 2,874,597 | 2,804,791 | 1,078,471 |
| 3.10 | Provision for Income Tax and Social Contribution | (1,092,907) | (871,596) | (174,512) |
| 3.11 | Deferred Income Tax | 223,592 | 48,593 | 127,054 |
| 3.12 | Statutory Interest/Contributions | 0 | 0 | 0 |
| 3.12.01 | Participations | 0 | 0 | 0 |
| 3.12.02 | Contributions | 0 | 0 | 0 |
| 3.13 | Reversal of Interest on Own Capital | 0 | 0 | 0 |
| 3.14 | Minority Interests | 0 | 0 | 0 |
| 3.15 | Income/Loss for the Year | 2,005,282 | 1,981,788 | 1,031,013 |
| | No. SHARES, EX-TREASURY (in thousands) | 258,182 | 276,893 | 71,729,261 |
| | EARNINGS PER SHARE | 7.76693 | 7.15723 | 0.01437 |
| | LOSS PER SHARE | 0 | 0 | 0 |

08.01 CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION (in thousands of Reais)

| 1 - CODE | 2 DESCRIPTION | 3 01/01/2005 to 12/31/2005 | 4 - 01/01/2004 to 12/31/2004 | 5 - 01/01/2003 to 12/31/2003 |
|---------------|--|-------------------------------|------------------------------------|------------------------------------|
| 4.01 | Sources | 6,282,164 | 7,416,217 | 7,046,948 |
| 4.01.01 | Of Operations | 2,438,181 | 3,156,931 | 1,679,327 |
| 4.01.01.01 | Income/Loss for the Year | 2,005,283 | 1,981,788 | 1,031,013 |
| 4.01.01.02 | Amounts not Affecting Working Capital | 432,899 | 1,175,143 | 648,314 |
| 4.01.01.02.01 | Long-term monetary and exchange variations | (614,141) | (325,657) | (458,600) |
| 4.01.01.02.02 | Equity pick-up | 55,170 | 46,005 | (936) |
| 4.01.01.02.03 | Permanent assets write-off | 34,616 | 17,841 | 17,288 |
| 4.01.01.02.04 | Depreciation /Depletion/ Amortization | 924,094 | 838,075 | 689,197 |
| 4.01.01.02.05 | Deferred Exchange Variation Amortization | 0 | 112,616 | 133,008 |
| 4.01.01.02.06 | Deferred Income Tax and Social Contribution | (100,688) | 49,018 | (42,062) |
| 4.01.01.02.07 | Provision for PIS/COFINS/CPMF contingencies | 133,350 | 132,972 | 112,871 |
| 4.01.01.02.08 | Provision for Pension Fund | 22,832 | 63,589 | 70,983 |
| 4.01.01.02.09 | Deferred Income Variation | (23,402) | 22,986 | 6,496 |
| 4.01.01.02.10 | Others | 1,068 | 217,698 | 120,069 |
| 4.01.02 | Of Shareholders | 0 | 0 | 0 |
| 4.01.03 | Of Third parties | 3,843,983 | 4,259,286 | 5,367,621 |
| 4.01.03.01 | Increase in Long-Term loans and financing | 2,947,967 | 2,918,565 | 3,583,168 |
| 4.01.03.02 | Issuance of Debentures | 0 | 0 | 900,000 |
| 4.01.03.03 | Decrease in Other Receivables | 102,408 | 327,092 | 620,907 |
| 4.01.03.04 | Increase in Other Liabilities | 793,608 | 618,506 | 234,482 |
| 4.01.03.05 | Investments for sale | 0 | 0 | 0 |
| 4.01.03.06 | Others | 0 | 395,123 | 29,064 |
| 4.02 | Applications | 5,382,592 | 7,204,227 | 4,312,521 |
| 4.02.01 | Investments | 81,690 | 139,821 | 112,227 |
| 4.02.02 | Property, Plant and Equipment | 888,587 | 1,374,996 | 733,749 |
| 4.02.03 | Deferred | 46,664 | 154,029 | 97,346 |
| 4.02.04 | Interest on Own Capital and Dividends | 1,324,087 | 2,303,045 | 1,223,438 |
| 4.02.05 | Treasury Stock | 864,375 | 440,343 | 0 |
| 4.02.06 | Transf. of loans and financing to short term | 1,643,503 | 2,205,871 | 1,077,317 |
| 4.02.07 | Increase in Long-Term Assets | 371,795 | 525,360 | 757,758 |
| 4.02.08 | Decrease in Other Long-Term liabilities | 161,891 | 60,762 | 310,686 |
| 4.02.09 | Deferred Income Tax and Social Contribution | 0 | 0 | 0 |
| 4.02.10 | Others | 0 | 0 | 0 |
| 4.03 | Increase/Decrease in the Working Capital | 899,572 | 211,990 | 2,734,427 |
| 4.04 | Changes in Current Assets | (444,434) | 1,833,134 | 2,744,761 |
| 4.04.01 | Current Assets at the Beginning of the Year | 8,608,514 | 6,775,380 | 4,030,619 |
| 4.04.02 | Current Assets at the End of the Year | 8,164,080 | 8,608,514 | 6,775,380 |
| 4.05 | Changes in Current Liabilities | (1,344,005) | 1,621,144 | 10,334 |
| 4.05.01 | Current Liabilities at the Beginning of the Year | 6,163,662 | 4,542,518 | 4,532,184 |

| | | | | |
|---------|--|-----------|-----------|-----------|
| 4.05.02 | Current Liabilities at the End of the Year | 4,819,657 | 6,163,662 | 4,542,518 |
|---------|--|-----------|-----------|-----------|

(Convenience translation into English from the original previously issued in Portuguese)

| | | |
|--|-------------------|----------------------|
| FEDERAL PUBLIC SERVICE | | External Disclosure |
| CVM - BRAZILIAN SECURITIES AND EXCHANGE | | |
| COMMISSION | | |
| STANDARD FINANCIAL STATEMENTS | December 31, 2005 | Accounting Practices |
| COMMERCIAL, INDUSTRY & OTHER TYPES OF | | |
| COMPANY | | Adopted in Brazil |

00403 0 COMPANHIA SIDERÚRGICA NACIONAL 33.042.730/0001-04

09.01 - REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To
The Shareholders and Management of
Companhia Siderúrgica Nacional
Rio de Janeiro RJ

1. We have audited the individual (parent company) and consolidated balance sheets of Companhia Siderúrgica Nacional (a Brazilian Corporation) and its subsidiaries as of December 31, 2005, and the related statements of income, changes in stockholders' equity (parent company) and changes in financial position for the year then ended, prepared under the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.
2. Our audit was conducted in accordance with auditing standards in Brazil, and comprised: (a) planning of the work, taking into consideration the significance of the balances, the volume of transactions and the accounting and internal control systems of the Company and its subsidiaries; (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed and; (c) evaluating the significant accounting practices followed and estimates made by management, as well as the presentation of the individual and consolidated financial statements taken as a whole.
3. In our opinion, the financial statements referred to in paragraph 1 present fairly, in all material respects the individual and consolidated financial position of Companhia Siderúrgica Nacional and its subsidiaries as of December 31, 2005, the result of their operations, the changes in stockholders' equity (parent company) and the changes in their financial position for the year then ended, in accordance with accounting practices followed in Brazil.
4. Our audits were conducted for the purpose of forming an opinion on the financial statements referred to in paragraph 1 above, taken as a whole. The Supplementary Information referring to the Statements of Cash Flow Statement and the Statement of Value-added, referring to the year ended on December 31, 2005, are disclosed for the purpose of allowing additional analyses and are not required as part of the financial statements. This information was audited according to the same audit procedures mentioned in paragraph 2 above and are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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5. The financial statements referring to the year ended December 31, 2004, as well as the Supplementary Information referring to the Statements of Cash Flow and the Statement of Value-added, referring to the year then ended, presented for comparison purposes, were examined by us, and our report dated February 23, 2005 had a qualification relating to the deferral of net liability foreign exchange variations taken place in the first quarter of 1999 and in 2001, by the Company and certain subsidiaries.

Rio de Janeiro, March 20, 2006.

DELOITTE TOUCHE TOHMATSU
Auditores Independentes
CRC n°. 2 SP 011609 S/RJ

José Carlos Monteiro
Accountant
CRC-RJ 362063/O

(Convenience translation into English from the original previously issued in Portuguese)

| | | |
|--|-------------------|----------------------|
| FEDERAL PUBLIC SERVICE | | External Disclosure |
| CVM - BRAZILIAN SECURITIES AND EXCHANGE | | |
| COMMISSION | | |
| STANDARD FINANCIAL STATEMENTS | December 31, 2005 | Accounting Practices |
| COMMERCIAL, INDUSTRY & OTHER TYPES OF | | |
| COMPANY | | Adopted in Brazil |

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**COMPANHIA SIDERÚRGICA
NACIONAL**

33.042.730/0001-04

10.01 - MANAGEMENT REPORT

1. MESSAGE FROM THE BOARD OF DIRECTORS / CHAIRMAN

The results achieved in 2005 were very positive, both in operating and in financial terms. Crude steel production reached 5.2 million tonnes and the consolidated sales of products with greater added value, for the first time, accounted for more than half of the total volume sold. Net income reached R\$ 2 billion and cash generation, based on the EBITDA concept, R\$ 4.6 billion. We distributed more than R\$ 2 billion in dividends and repurchased shares to a total of R\$ 864 million. Nevertheless, our debt did not increase. To the contrary, we extended its profile from 8.2 to 13.16 years and we anticipated the settlement of future commitments, such as borrowings from the BNDES that would fall due in 2011.

In 2005, CSN attained a 46% EBITDA margin, consolidating its position as one of the world's leaders in profitability of integrated steel mills. This unique competitive feature, coupled with the company's financial soundness, led us to close the year as the 8th most valuable steel mill in the world. It also enabled us to raise funds in excess of US\$ 1.2 billion in the capital market, including an issue of perpetual bonds to a total of US\$ 750 million which demonstrates the degree of trust foreign investors have in the company's free cash flow generation competence.

Our target now is to triple our size over the next four years. Our growth strategy includes investing in the mining area, by expanding the Casa de Pedra mine, which is due to start exporting iron ore in the second half of 2006; building steel mills in Brazil, to increase steel production capacity by 5 million tonnes; and acquiring steel rolling assets in the American and European markets, to add value to the operation carried out in Brazil with the sector's lowest cost.

One of our objectives is to consolidate the mining area, in order to transform our company into a competitive global player in terms of quality and price, attaining an estimated 5% of the transoceanic iron ore market as of early 2008.

Although our future is undeniably promising, we must focus on the present. After all, our expansion plans would not be viable if CSN were not a company that generates major profitability for its shareholders. From January 2003 to December 2005, our stock increased in value by 492%. We expect that in 2006 free cash-flow generation will enable us to continue remunerating our shareholders very attractively.

Benjamin Steinbruch
Chairman of the Board of Directors

2. THE BUSINESSES

CSN operates in an integrated manner across the entire steel production chain, from extracting ore to end-product delivery to customers. The synergies obtained between all the areas of mining, steel milling and logistics coupled with self-sufficiency regarding almost all the main inputs allow us to minimize costs and, as a result, to maximize profits in our production and marketing of flat steel.

2.1 MINING

CSN's mining activities center on raw materials used in steel milling. The company operates iron ore, limestone, dolomite and tin mines. In 2005, besides supplying its own steel milling needs, CSN marketed its surplus iron ore production to other Brazilian mills. As of 2006, when the first stage of the expansion of the Sepetiba Port bulk terminal is completed, iron ore will also be exported. Limestone, dolomite and tin are produced only for the company's own consumption. After the inauguration of the cement plant, scheduled for 2007, the limestone that is not used for steel milling will also be used to produce clinker.

CASA DE PEDRA

Situated in the town of Congonhas, in the state of Minas Gerais, it has audited reserves of 4.5 billion tonnes of excellent quality iron ore. Its current production capacity is 16 million tonnes/year of end product. In 2005, production reached 13.7 million tonnes, of which 54% were consumed by CSN and 43% were sold in the market.

The objective of the mining expansion project is to improve usage and extend the deposit's useful life. The company's target is to increase its iron ore production capacity to 53 million tonnes per year, a level that should be reached at the end of this decade.

Ore exports will begin in the second half of 2006. The efficiency of the company's integrated logistics system which includes a railroad operated by MRS and the Sepetiba Port bulk terminal qualifies CSN as a competitive player in the international iron ore market.

In million tonnes

| | Current Output Capacity ¹ | Output 2005 | Sales 2005 ² | Internal Consumption 2005 ² |
|-----------|--------------------------------------|-------------|-------------------------|--|
| Iron Ore | 16.00 | 13.70 | 5.90 | 7.40 |
| Limestone | 2.45 | 1.42 | 0.00 | 1.30 |
| Dolomite | 1.10 | 0.64 | 0.00 | 0.55 |

¹ Regarding the output capacity of finished products. ² For limestone and dolomite, sales refer to

inventory of products not used internally in Presidente Vargas Steelworks, residues from processing plant (ultrafines) and gangue from the mine (dolomite).

In million tonnes

| Casa de Pedra Mining Resources | | | |
|---------------------------------------|------------------|-----------------|--------------|
| Proven | Indicated | Inferred | Total |
| 502 | 1.551 | 2.433 | 4.487 |

BOCAINA

Situated in the town of Arcos, state of Minas Gerais, Mineração da Bocaina mining concern produces limestone and dolomite, both of which are used as fluxing agents in the process of iron ore smelting within the blast furnace. Practically all of its production is consumed in the Presidente Vargas mill in the town of Volta Redonda. Beginning in 2007, this unit will also be responsible for supplying non-steel milling limestone, to be used to produce clinker, a raw material for cement.

ERSA

Acquired in 2005 for R\$ 100 million, Estanho de Rondônia S.A. (ERSA), a tin concern, consists of Mineração Santa Bárbara in Itapuã do Oeste and of a foundry in Ariquemes, both in the state of Rondônia. The deposit has proven reserves of 25,898 tonnes and resources of 54,066 tonnes of contained tin. The foundry has the capacity for processing 3,600 tonnes of metallic tin per year. ERSA's acquisition was strategic for CSN. The tin is used to make tin plate, with coating and high added value, used in packaging. The company is Brazil's sole manufacturer of this product and one of the world's five largest.

2.2 STEEL MILLING

CSN operates across the entire range of the steel chain, from the production of slabs to the distribution of finished product. At the Presidente Vargas mill, in Volta Redonda, it produces the broadest range of flat steel in Latin America. It has two galvanizing units in Brazil (GalvaSud and CSN Paraná), respectively located in the towns of Porto Real (state of Rio de Janeiro) and Araucária (state of Paraná). The company also has two mills abroad. In the United States, it is the sole controlling shareholder of CSN LCC, which has steel pickling, cold rolling and galvanizing

lines. In Portugal, it has a 50% stake in the Lusosider steel company, which produces not only the aforementioned lines, but tin plate as well.

CSN is the country's only manufacturer of tin plate, steel for packaging, and galvalume, a zinc and aluminum-lined steel that combines high resistance and beauty and that is used in construction. It also produces pre-painted steel, a coated product with great added value, designed for use in household appliances and construction products. In 2005, it produced 51 thousand tonnes of pre-painted steel.

Metalic Nordeste S.A., a CSN subsidiary, is the only producer of two-piece steel cans for carbonated beverages in Latin America. It has two plants, one for making the cans and the other for making aluminum lids for the cans.

In 2005, this subsidiary held a 53% share of the Northeastern canned beverage market and a 5% share in the Southeast, which converted into sales of 645 million complete cans and of slightly more than 480 million lids. Its sales volume performance was 15% better than in 2004.

CSN also operates in the distribution and services market, through Indústria Nacional de Aços Laminados (INAL S.A.), which has operations in six Brazilian states. Inal processes and distributes flat steel, servicing several industrial segments, namely, the automotive, auto parts, home appliances, civil construction, electromechanical machinery and equipment, packaging, resale and furniture sectors. As the largest individual customer for CSN's steel (it purchased more than 330 thousand tonnes in 2005), INAL's has a portfolio of more than 3 thousand customers that purchase as much as 300 tonnes monthly.

2.3 INFRASTRUCTURE

2.3.1 Power

CSN is one of Brazil's largest industrial consumers of power, its consumption equaling that of the entire Federal District of Brasilia. As power is key for its production process, the company has invested in power generation assets in order to ensure its self-sufficiency. These assets are: the Itá Hydroelectric Power Station, in the state of Santa Catarina, with a 1,450 MW capacity, in which CSN has a 29.5% stake; the Igarapava Hydroelectric Power Station, in the state of Minas Gerais, with a 210 MW capacity, in which the company has a 17.9% stake; and the thermoelectric co-generation Central, with a 238 MW capacity, which has been in operation at the Presidente Vargas mill since 1999. Central uses the residual gases from steel milling as fuel. CSN obtains 430 MW from these three power stations.

2.3.2 Logistics

2.3.2.1 Ports

CSN manages two terminals in Rio de Janeiro: the Solid Bulk Products Terminal (*Tecar Terminal de Granéis Sólidos*) and the Containers Terminal (Sepetiba Tecon), at the port of Sepetiba. A project for adapting and expanding Tecar is currently under way. The idea is to adapt it in such a way that it can also become an iron ore export terminal, besides continuing to receive imported coke and coal. The inauguration of part of the iron ore terminal, with a shipping capacity of 7 million tonnes/year, will take place in the second half of this year.

Once it has been completed in July 2007, the iron ore terminal will have an annual capacity of 30 million tonnes. The Sepetiba port complex will then be consolidated as one of the country's main ones.

In 2005, Tecar handled 4.7 million tonnes of products, including coal, oil coke, sulfur, zinc concentrate, pellets, pig iron, ferroalloys, soybeans and other solid products in bulk for various customers, besides coal and coke for CSN.

Sepetiba Tecon handled more than 138 thousand containers in 2005, 43% more than in 2004. Strong demand in the container market, which has been growing significantly every year, helped to turn this Terminal into one of Brazil's largest in this field of operation.

2.3.2.2 Railroads

CSN has a stake in two railroad companies: MRS Logística, which manages the former Southeastern Network of the Federal Rail Network (RFFSA - Rede Ferroviária Federal S.A.), along the Rio de Janeiro-São Paulo-Belo Horizonte axis, and Companhia Ferroviária do Nordeste (CFN), which operates RFFSA's former Northeastern Network, in the states of Maranhão, Piauí, Ceará, Rio Grande do Norte, Paraíba, Pernambuco and Alagoas.

CSN and the Federal Government will invest R\$ 4 billion to transform CFN, which uses 2,600 km of rail, into Transnordestina. With its carrying capacity increased twenty-fold, the new railroad will play a key role in the development of the Northeastern region. The undertaking is scheduled to be completed in 2008.

In 2005, MRS carried 108.3 million tonnes, a volume 10.4% higher than the previous year's. The railroad's gross revenues reached R\$ 2 billion, 23.3% more than in 2004, and its net income was R\$ 410.3 million.

All the iron ore, coal and coke consumed at the Presidente Vargas mill is carried by MRS, as well as part of the steel produced for both the domestic market and for exporting.

3. STRATEGY

Financial soundness, a totally integrated structure, self-sufficiency in almost all the main inputs and one of the lowest production costs in global steel-milling are the factors that ensure a unique competitive advantage for CSN and that provide support for its growth strategy in the four business areas in which it operates or plans to operate shortly: mining, steel milling, logistics and cement.

3.1. MINING: US\$ 1 BILLION ADDITIONAL REVENUE

CSN, which is self-sufficient in iron ore, has historically sold the surplus produced to the domestic market only. As a result of growing international demand, however, the company saw the possibility of realizing significant profits through ore exports. Moreover, it decided to escalate the US\$ 1.5 billion investments in expanding its production capacity (from 16 to 53 million tonnes per year), as well as its processing capacity and its iron ore shipping capacity.

The funds are earmarked for expanding the Casa de Pedra mine in the town of Congonhas, state of Minas Gerais, which has audited resources (as of December 2003) of 4,487 million tonnes of excellent iron ore; for building two pellets plants, with a production capacity of six million tonnes/year; and for adapting and expanding the Tecar bulk goods terminal, in the port of Sepetiba, in order to export up to 30 million tonne/year of ore. The product will be carried from the mine to the port by MRS Logística S.A., which will also invest in the expansion of its own ore carrying capacity. CSN has a 32% stake in MRS's total capital.

Shipping iron ore will start in the second half of 2006, when Tecar has reached the capacity for exporting 7 million tonnes/year. Once the system is working at full capacity, CSN will acquire a share of some 5% of the transoceanic iron ore market, with annual estimated sales of more than US\$ 1 billion. The short distance between the mine and the port besides the operation's excellence will allow the company to gain a major competitive advantage, as it will benefit from low costs, below the market's average costs.

Where its commercial strategy is concerned, the company plans to enter into long-term supply contracts, especially with European customers. In line with this strategy, CSN closed its first long-term ore export contract in March 2005. The contract foresees annual shipments of 5.5 million tonnes of ore for a 10-year period, at international market prices. Although most of the production is earmarked for exports, iron ore will continue being sold in the domestic market.

Casa de Pedra mine expansion project is also well under way and the environmental licenses required for implementing the project have already been obtained (see the Environmental Responsibility chapter).

3.2 STEEL MILLING: EXPANDING IN BRAZIL AND ABROAD

Mergers and acquisitions in the steel milling industry will tend to increase, going forward. In order to compete in an increasingly globalized environment, CSN plans to take advantage of the fact that it has one of the lowest steel production costs in the world in order to build the steel milling business in Brazil and abroad.

The strategy consists of increasing slab production in Brazil and acquiring steel rolling and finishing assets in Europe and the United States. To increase its steel production capacity in Brazil, the company plans to invest in new mills in the Southeastern region, with a view to supplying its steel rolling mills abroad both current and future.

CSN has two projects that are ready and waiting for the ideal implementation moment: a new plate mill, with capacity for 4 million tonnes (Greenfield), and the construction of a new blast furnace at Volta Redonda, inside the Presidente Vargas mill, which would increase the mill's production from its current 5.6 million tonnes of crude steel to some 7.5 million tonnes/year.

3.3 LOGISTICS: AUTONOMY IN MANAGING THE BUSINESS

Logistic efficiency is a crucial factor for good economic and financial performance of activities such as mining and steel-milling. The company operates two terminals in the port of Sepetiba (state of Rio de Janeiro) and holds stakes in two railroad companies, MRS Logística and Companhia Ferroviária do Nordeste (CFN), which operate in the Southeast and Northeast of Brazil respectively. Besides cost effectiveness, logistic control is strategic, because it provides the company with autonomy in managing key stages of its business: receiving raw material and shipping finished products.

In order to make it viable to expand internationally, CSN is investing in transforming the Tecar terminal (which up to 2005 operated only with coal, coke and sulfur imports, among other bulk goods) into a port that also exports goods, especially iron ore. The project's first stage will be ready in the second half of 2006, when sales of iron ore abroad will begin.

Besides meeting the company's needs, the CSN logistics area generates a profit, thanks to services rendered to third parties. In connection with this, the performance of MRS Logística merits highlighting, as it invoiced some R\$ 2 billion in 2005, or 23.3% more than in 2004. The main investments made in 2005 totaled R\$ 398 million, among which the following stand out: the purchase of 20 new locomotives, 29 heavy locomotives from the secondary American market, 716 freight cars and 18 thousand tonnes of latest generation rail, and the reactivation/transformation of 132 inactive freight cars from the fleet and the expansion of its yards.

Betting even more heavily on Brazil, CSN and the Federal Government will invest approximately R\$ 4 billion to transform Companhia Ferroviária do Nordeste (CFN) into the Transnordestina railroad. The initial part of the project, which will generate some 600 thousand jobs, is expected to be completed in early 2008. Designed to integrate the Northeastern region economically, the new railroad will multiply CFN's carrying capacity twenty-fold, from 1.5 to 30 million tonnes/year. The operation's efficiency will enable cost reduction of as much as 75%, with a positive impact on the region, especially in connection with encouraging agribusiness exports.

3.4 CEMENT: PROFITABILITY AND HIGH GROWTH POTENTIAL

CSN is entering the cement market, driven by the great synergy between this new activity and its current businesses. The production process of the Presidente Vargas mill in Volta Redonda generates some 1.4 Mt of blast furnace slag per year, which accounts for roughly 70% of the raw material used to produce cement.

Located within the Presidente Vargas mill in Volta Redonda and therefore enjoying the respective economies of scale and logistic gains, the new plant will use the most modern cement production technology in Brazil – vertical cement mills. Capable of controlling the product's quality in real time and to operate with little power consumption, the new mills will enable the company to produce high quality cement at a low product cost and in an environmentally responsible manner.

Given the investments in infrastructure required for the country's economic and social growth, the low level of cement consumption in the Brazilian market and the high degree of synergy with the company's operations, diversifying into cement is an opportunity for playing a competitive role in a market with high potential, combining profitability and growth.

4. CONSOLIDATED FINANCIAL PERFORMANCE

4.1 Sales

The Brazilian steel market shrank 7.82% in 2005. Two main factors explain this drop: lower than expected growth of Brazil's GDP and fairly well-stocked customers at the beginning of the year, due to their expectation of future price increases and fear of short supply.

CSN marketed 4.9 million tonnes, a figure 2.6% greater than the previous year's. Of the total sold, 59% went to the domestic market vs. 70% in 2004, which reflects the this market's weak performance.

In Brazil, the strategy embraced by the sales department to minimize the impact on the company's invoicing of the downturn in the domestic steel market was to expand its customer base and develop an even closer relationship with current customers, in order to increase the sale of coated products, which have higher added value.

In 2005, CSN consolidated the use of expanded steel in the packaging market, adding value to the product through international award-winning design projects for the food industry.

Because its operations focused on its customers and the market, rather than on the product, the company was able to drive up the sales of coated products, which already accounted for 51% of the total sold. One of the highlights in connection with this was the progress of pre-painted steel: in 2005, this product's second full year of production, the CSN Paraná line reached 50% of its capacity.

4.2 Revenues and Costs

In 2005, net revenue reached the R\$ 10 billion mark, exceeding by 2.4% the 2004 figure. Revenue growth was due to volume growth of the products sold, which more than offset the drop in average pricing during the course of 2005.

The increase in the cost of goods sold, which reached R\$ 5.5 billion, besides reflecting a higher sales volume, was also due to the use of high-priced coke throughout the year. Though the international coke market posted a substantial price reduction in the second half of the year, the company held product stocks at the 2004 prices. For this very reason, the company expects to achieve a relevant reduction in the cost of this raw material in 2006.

4.3 EBITDA and Net Income

CSN's EBITDA amounted to R\$ 4.6 billion, with an EBITDA margin of 45.8%, one of the highest in the industry worldwide. This performance was the second best ever and only slightly below what it achieved in 2004, when its EBITDA cash generation reached R\$ 4.8 billion, with a 48.9% margin. Net income totaled R\$ 2 billion, or 1.1% more than the previous year's figure, the best result in the company's history so far.

4.4 Financial income

2005 net financial income consisted of a R\$ 761 million expense, R\$ 48 million (or 6%) lower than what was posted in 2004.

Regarding losses due to the 2001 devaluation of the real, pursuant to CVM Deliberation no. 404 and 409/01, in 2004 CSN amortized the remaining balance of R\$ 113 million, which generated a favorable impact in the comparison vs. 2005.

4.5 Net debt

The year closed with net debt of 1 x EBITDA, stable vs. the end of 2004. Both gross debt and cash posted minor fluctuations in December 2005 vs. December 2004.

Adopted since 2003, the strategy of extending debt maturity yielded excellent results in 2005, as average debt terms were extended from 8.2 years to 13.2 years. This performance was only possible because of the funds raised in the capital market during the period. In all, this amounted to more than US\$ 1.2 billion, of which the outstanding element was the July issue of US\$ 750 million in perpetual bonds, acquired primarily by Asian investors.

One should also stress that in 2005, CSN anticipated payment of debt owed to the BNDES in connection with the financing of several investment projects implemented from 1996 to 2002.

4.6 Stockholdings

Similarly to its debt, the consolidated results of the stockholdings reflected little change vs. 2004: an expense of R\$ 55 million vs. R\$ 46 million in the previous year, connected with the amortization of investment premiums.

4.7 Income tax / Social Contribution on Profit

In 2005, income tax and social contribution on profit expenses amounted to R\$ 869 million, 5.6% more than in 2004, largely because the Company's taxable income improved. One should stress that the effective tax rate of 30% was in line with that of the previous year.

4.8 Investments

In 2005, consolidated investments reached R\$ 1 billion, 14% above the R\$ 891 million in 2004. The highlights were CSN, with investments of R\$ 700 million, and MRS and CFN, with R\$ 130* million and R\$ 48* million each, respectively, invested in their expansion projects. AT CSN, in turn, the project of adapting and expanding the Coal Terminal consumed R\$ 210 million, or 30% of the total amount the company invested.

*reflects CSN's percentage stakes in these companies.

4.9 Shareholder's remuneration

During the last few years, the dividend distribution policy has been enhancing investor returns, a strategy that has shown itself to be correct, due to the rising free cash flows generated by the company. In 2005, this was no different and there was a R\$ 2.3 billion dividend pay-out covering 2004. The proposed distribution for the fiscal year that ended on December 31, 2005 is R\$ 1.3 billion. Of this, R\$ 937 million has already been disbursed in February 2006, in the form of advances on dividends.

4.10 Performance Indicators

| OPERATING | Units | 2001 | 2002 | 2003 | 2004 | 2005 |
|-------------------------------------|--------------|-------------|-------------|-------------|-------------|-------------|
| Crude steel production | t thousand | 4,048 | 5,107 | 5,318 | 5,518 | 5,201 |
| Volume sold | t thousand | 4,045 | 4,970 | 5,000 | 4,744 | 4,864 |
| Number of employees ¹ | | 9,179 | 8,470 | 8,501 | 8,175 | 8,542 |
| Molten steel production | t thousand | 4,134 | 5,227 | 5,461 | 5,672 | 5,318 |
| Rolled products ¹ | t thousand | 4,141 | 4,625 | 4,810 | 4,991 | 4,848 |
| Operating productivity ¹ | t/h/year | 646 | 879 | 946 | 1,012 | 995 |

| FINANCIAL | Units | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|----------------------------------|-------------|-------------|-------------|-------------|-------------|
| Gross revenue | R\$ mm | 4,832 | 6,108 | 8,292 | 12,251 | 12,283 |
| Net revenue | R\$ mm | 3,982 | 5,165 | 6,977 | 9,800 | 10,038 |
| EBITDA | R\$ mm | 1,699 | 2,276 | 3,002 | 4,789 | 4,594 |
| EBITDA margin | % | 43 | 44 | 43 | 49 | 46 |
| Gross profit | R\$ mm | 1,702 | 2,417 | 3,140 | 4,802 | 4,569 |
| Gross margin | % | 43 | 47 | 45 | 49 | 46 |
| Net income (loss) | R\$ mm | 300 | -195 | 1,031 | 1,982 | 2,005 |
| Net margin | % | 8 | -4 | 15 | 20 | 20 |
| Net income (loss) per share | R\$/thousand shares ² | 4 | -3 | 14 | 8 | 7 |
| Dividends and interest on own capital paid ¹ | R\$mm | 2,754 | 140 | 800 | 752 | 2,303 |
| ROE | % | 6 | -4 | 14 | 30 | 31 |
| Net debt / EBITDA | | 3 | 2 | 2 | 1 | 1 |
| Net debt / shareholders equity | % | 96 | 100 | 66 | 71 | 71 |
| Added value ¹ | R\$mm | 2,467 | 4,890 | 2,346 | 5,892 | 4,925 |

¹ Parent company.

² Adjusted for dividends and grouping of shares.

5. CAPITAL MARKETS

Companhia Siderúrgica Nacional has its shares traded on the São Paulo Stock Exchange (Bovespa – CSNA3) and on the New York Stock Exchange (NYSE-SID). In 2005, daily its stock trading reached some US\$ 20 million on Bovespa and US\$ 17 million on the NYSE, consolidating the company's position as one of the steel milling concerns with the highest liquidity in both stock exchanges. This was corroborated by the increasing weight of this stock in the Ibovespa index, it having risen from 3.7% to 3.9% .

High liquidity is due to investors' ongoing and rising interest in steel mill stocks, especially in the equity of companies with a sustainable competitive position, high profitability and growth prospects, such as CSN. Reflecting this, the company's shares rose in value for the third year running, accruing a total increase of 483% from January 2003 to December 2005. Thus, CSN closed the year as the 8th most valuable steel milling company in the world, at R\$ 5.5 billion, almost twice its market value in late 2003.

Besides the stock's upswing, dividend payment has been a significant source of shareholder value generation. Over the last three years, the company paid out some R\$ 3.8 billion in dividends; in 2005 alone R\$ 2.3 billion was disbursed for the 2004 fiscal year.

| Shareholders | Shares | % |
|---------------------|--------------------|---------------|
| Vicunha Siderurgia | 116,286,665 | 42.7% |
| Bovespa | 63,682,293 | 23.4% |
| ADR | 49,295,813 | 18.1% |
| BNDESPAR | 17,085,986 | 6.3% |
| Treasury | 13,885,900 | 5.1% |
| CBS (Pension Fund) | 11,831,289 | 4.4% |
| Total | 272,067,946 | 100.0% |

6. CORPORATE GOVERNANCE

In 2005, the Audit Committee was established and the duties of its members formalized. The Committee has autonomy to make decisions regarding the provisions of the Sarbanes-Oxley Act.

Four concepts provide the guidelines for the company's corporate governance:

- Fairness – people are to be treated fairly.
- Accountability – managers must be aware of their responsibilities and render accounts for their acts.
- Compliance with the law – total respect for the laws currently in effect.
- Communication of relevant information (disclosure) – transparency and quality of the information furnished to the market.

6.1 Investor Relations

In 2005, the Investor Relations (IR) site was redesigned to make consulting information easier. A system for monitoring the website's page visits allows the company to identify which are the subjects that investors are most interested in.

The IR team clarifies doubts and provides information by phone, besides hosting visits to the company from current or potential shareholders, both at its offices and its industrial units. In 2005, the company held 81 events for investors in Brazil and abroad, invariably seeking to maximize the quality of its services to investors.

6.2 Sarbanes-Oxley Act

In 2005, the company's risks and internal controls were mapped, in order to enhance its internal controls in connection with the process of divulging Financial Information and of adopting practices that comply entirely with the Sarbanes-Oxley Act.

6.3 Code of Ethics

All CSN companies have had a Code of Ethics since 1998, although this only became a legal requirement in 2005 and was not mandatory before. All employees receive the Code, which contains not only the expected standards of personal and professional conduct regarding the relations maintained with the many audiences that are of interest to the company, but also a declaration of our corporate conduct and our commitments. This Code applies to the employees of all CSN companies, as well as to all relationships with shareholders, customers, suppliers, unions, communities, governments, the society and the media.

6.4 Management

Companhia Siderúrgica Nacional is controlled by Vicunha Siderurgia S.A., which holds 43% of its shares. It is managed by its Board of Directors and Executive Board.

The Annual General Meeting, CSN's sovereign body, holds an ordinary meeting once a year and extraordinary meetings as necessary, pursuant to the law; it is responsible for approving amendments to the company's bylaws and for electing the members of the Board of Directors.

The Board of Directors' role is to analyze and approve policies and strategies and to oversee the actions of the Executive Board. It is responsible for electing the Board and the statutory committees.

6.5 Audit Committee

The Audit Committee has decision-making autonomy concerning the provisions of the Sarbanes-Oxley Act Sections 301 and 407. Its main duties are to review, consider and recommend to the Board of Directors the appointment, remuneration and hiring of external auditors, as well as to supervise the activities of both external and internal auditing.

6.6 Board of Directors

The Board of Directors consists of eight members, of which five are independent. Ordinary meetings are held on the dates set in the annual schedule that it approves.

6.7 INDEPENDENT AUDITORS

In the fiscal year of 2005, the independent auditors that rendered services to CSN and its subsidiaries - Deloitte Touche Tomatsu Auditores Independentes were hired to perform other services besides examining the financial statements.

It is the understanding of both the company and of its external auditors that said services, which basically consisted of consultations regarding fiscal and corporate issues, do not affect the auditors' independence. The additional services, hired for a total amount of some R\$ 750 thousand, corresponded to 21% of the total value of the external auditing fees.

Services to be provided by the external auditors, in addition to examining the financial statements, should be previously presented to the company's legal officer and its Audit Committee, so that they may conclude, in light of the applicable legislation, whether such services, because of their nature, do not represent a conflict of interest or affect the fairness and impartiality of said independent auditors.

7. Human Resources

In 2005, the company upped its efforts to align Human Resources management policies across the corporation, so as to establish standardized criteria for action and evaluation of people and results.

Several actions were undertaken during the year, including mapping and redefining the structure of jobs and salaries, which became tied, since then, to the results that each function generates for the company.

CSN is aware that to attain its target of tripling its size in four years, it must act proactively in attracting, developing and retaining top talent. Technical competence, flexibility for constant change and a focus on results are the main desirable attributes of the professionals who work for the company, whose operations must be underscored by ethics and professionalism.

8. SOCIAL RESPONSIBILITY

The company understands that the quality of life of its employees and of the communities within which it is established is of paramount importance. Its activities in the field of social responsibility are conducted through the CSN Foundation.

CSN Foundation activities are underscored by its commitment to improving the quality of life and social development in the communities in which the company operates.

In 2005, the Foundation invested R\$ 20 million in projects in the fields of education, culture, community development, sports and oral health, servicing more than 200 thousand people in 12 towns spread over 5 Brazilian states.

9. THE ENVIRONMENT

2005 was underscored by intense environmental licensing activity in connection with the company's new projects in the fields of mining, logistics and cement.

Where new investments are concerned, the chief highlight was the port of Itaguaí, where the Company intensified the pace of installation of the control equipment and systems defined in the Environmental Commitment Agreement (*TCA- Termo de Compromisso Ambiental*) for the Solid Bulk Products Terminal (TECAR). This Agreement was signed with the Government of the State of Rio de Janeiro on November 30, 2001 and was reviewed on May 24, 2004. Thanks to this undertaking and investments, the company's port of Itaguaí terminals will become Brazil's most up-to-date ones in 2005, where control and prevention of pollution are concerned.

In 2005, the funds earmarked for environmental management totaled R\$ 229.2 million and were invested mainly in: conducting the environmental studies needed to obtain or renew environmental licenses; studying, measuring and taking remedial action connected with environmental liabilities due to past operations, especially of the pre-privatization period; and continuing to pursue the undertakings and actions set out in the Environmental Commitment Agreement.

Companhia Siderúrgica Nacional
Statements of Cash Flow
For the Periods ended on December 31, 2005 and 2004
(In thousands of reais)

| | Parent Company | | Consolidated | |
|--|------------------|--------------------|--------------------|--------------------|
| | 2005 | 2004 | 2005 | 2004 |
| Cash Flow for Operating Activities | | | | |
| Net Income for the period | 1,878,758 | 2,144,997 | 2,005,282 | 1,981,788 |
| Adjustments to reconcile the net income for the period | | | | |
| with the resources from operating activities: | | | | |
| - Amortization of deferred exchange variation | | 103,180 | | 112,616 |
| - Net monetary and exchange variations | (1,240,938) | (580,459) | (901,670) | (506,548) |
| - Provision for loan and financing charges | 683,657 | 894,531 | 964,090 | 943,209 |
| - Depreciation, depletion and amortization | 783,353 | 716,451 | 924,094 | 838,075 |
| - Write-off of permanent assets | 8,527 | 15,374 | 34,616 | 17,841 |
| - Equity accounting and amortization of goodwill and negative goodwill | 374,689 | (424,190) | 55,170 | 46,005 |
| - Deferred income tax and social contribution | (260,878) | 46,295 | (223,592) | (48,593) |
| - Provision Swap and Forward | 260,181 | (721,528) | (8,049) | (729,507) |
| - Provision actuarial liability | 22,832 | 63,853 | 22,832 | 63,589 |
| - Other provisions | (104,002) | 229,799 | (145,782) | 215,762 |
| | 2,406,179 | 2,488,303 | 2,726,991 | 2,934,237 |
| (Increase) decrease in assets: | | | | |
| - Accounts receivable | (91,883) | 56,111 | (251,461) | 8,885 |
| - Investment selling receivable securities | | | | |
| - Inventories | 159,825 | (917,720) | 362,687 | (1,382,060) |
| - Judicial deposits | (54,235) | (79,343) | (60,691) | (86,837) |
| - Credits with subsidiaries | (18,735) | 1,344,253 | | 1,404 |
| - Recoverable taxes | 471,960 | (341,074) | 437,834 | (490,257) |
| - Other | (41,500) | 149,362 | (202,481) | 276,789 |
| | 425,432 | 211,589 | 285,888 | (1,672,076) |
| Increase (decrease) in liabilities | | | | |
| - Suppliers | 567,974 | 153,308 | 478,590 | 272,987 |
| - Salaries and payroll charges | 4,470 | 6,190 | 5,978 | 17,971 |
| - Taxes | 487,666 | 1,119,348 | 517,514 | 1,142,023 |
| - Accounts payable - Subsidiaries | (326,515) | (76,582) | | |
| - Other | (8,778) | (12,997) | 339,625 | 135,672 |
| | 724,817 | 1,189,267 | 1,341,707 | 1,568,653 |
| Net resources from operating activities | 3,556,428 | 3,889,159 | 4,354,586 | 2,830,814 |
| Cash Flow from investing activities | | | | |
| Investments | (204,089) | (1,905,718) | (81,690) | (139,821) |
| Property, plant and equipment | (654,930) | (378,788) | (888,587) | (1,374,996) |
| Deferred assets | (45,361) | (44,561) | (46,664) | (154,029) |
| Net resources used on investing activities | (904,380) | (2,329,067) | (1,016,941) | (1,668,846) |

Cash Flow from financing activities**Fund Raisings**

| | | | | |
|-----------------------|------------------|------------------|------------------|------------------|
| - Loans and Financing | 2,898,965 | 2,630,367 | 4,415,629 | 3,721,870 |
| - Debentures | | | | 208,969 |
| | 2,898,965 | 2,630,367 | 4,415,629 | 3,930,839 |

Payments

| | | | | |
|---|--------------------|--------------------|--------------------|--------------------|
| - Financial Institution | | | | |
| - Principal | (2,212,050) | (2,280,938) | (3,538,694) | (3,208,738) |
| - Charges | (667,063) | (952,936) | (911,367) | (1,016,329) |
| - Dividends and interest on own capital | (2,269,006) | (752,136) | (2,269,006) | (752,136) |
| - Treasury stocks | (864,375) | (440,343) | (864,375) | (440,343) |
| | (6,012,494) | (4,426,353) | (7,583,442) | (5,417,546) |
| Net resources from (to) financing activities | (3,113,529) | (1,795,986) | (3,167,813) | (1,486,707) |

Increase (decrease) in cash and cash equivalents

| | | | | |
|---|------------------|------------------|----------------|------------------|
| | (461,481) | (235,894) | 169,832 | (324,739) |
| Cash and marketable securities, beginning of period | 1,957,277 | 2,193,171 | 3,325,968 | 3,650,707 |

Cash and marketable securities (except derivatives), end of period

| | | | | |
|--|------------------|------------------|------------------|------------------|
| | 1,495,796 | 1,957,277 | 3,495,800 | 3,325,968 |
|--|------------------|------------------|------------------|------------------|

(Convenience translation into English from the original previously issued in Portuguese)

| | | |
|--|-------------------|----------------------|
| FEDERAL PUBLIC SERVICE | | External Disclosure |
| CVM - BRAZILIAN SECURITIES AND EXCHANGE | | |
| COMMISSION | | |
| STANDARD FINANCIAL STATEMENTS - | December 31, 2005 | Accounting Practices |
| COMMERCIAL, INDUSTRY & OTHER TYPES OF | | |
| COMPANY | | Adopted in Brazil |

00403 0 COMPANHIA SIDERÚRGICA NACIONAL 33.042.730/0001-04

11.01 - NOTES TO THE FINANCIAL STATEMENTS

(In thousands of reais, except when indicated otherwise)

1. OPERATING CONTEXT

Companhia Siderúrgica Nacional ("CSN") is engaged in the production of flat steel products, its main industrial complexes being the Presidente Vargas Steelworks located in the City of Volta Redonda, State of Rio de Janeiro, and the processing unit in the city of Araucária, State of Paraná.

CSN is engaged in the mining of iron ore, limestone and dolomite, in the State of Minas Gerais and tin in the State of Rondônia, to cater for the needs of the Presidente Vargas Steelworks and also maintains strategic investments in railroad, electricity and ports, to optimize its activities.

For the purpose of establishing a closer approach to its customers and winning additional markets on a global level, CSN has a steel distributor with service and distribution centers extending from the Northeast to the South of Brazil, a two-piece steel can plant geared to the Northeastern beverage industry, a galvanized steel plant supplying an automaker in Porto Real, in the State of Rio de Janeiro, in addition to a rolling mill in the United States and a 50% stake in another rolling mill in Portugal.

2. SIGNIFICANT ACCOUNTING POLICIES

The Financial Statements were prepared in conformity with the accounting practices adopted in Brazil, as well as with the accounting standards and pronouncements established by the Brazilian Securities and Exchange Commission.

(a) Statement of Income

The results of operations are determined on an accrual basis.

(b) Marketable securities

The investment funds have daily liquidity and have their assets valued at market as per instructions of the Central Bank of Brazil and CVM, since the Company considers these investments as securities retained for trading.

Fixed income securities are recorded at cost plus yields accrued through the balance sheet date, and do not exceed the market value, and investments overseas have a daily remuneration.

(c) Allowance for doubtful accounts

The allowance for doubtful accounts has been set up in an amount which, in the opinion of Management, suffices to absorb any losses that might be incurred in realizing accounts receivable.

(d) Inventories

Inventories are stated at their average cost of acquisition or production and on-going imports are recorded at their cost of acquisition, provided that they do not exceed their market or realization values.

(e) Other current and long-term assets

Other current and long-term assets are presented at their realization value, including, when applicable, income earned to the balance sheet date or, in the case of prepaid expenses, at cost.

(f) Investments

Investments in subsidiaries and jointly owned subsidiary companies are recorded by the equity accounting method, adjusted for any amortizable goodwill or negative goodwill, if applicable. Other permanent investments are recorded at acquisition cost.

(g) Property, plant and equipment

The property, plant and equipment of the parent company is presented at market or replacement values, based on appraisal reports conducted by independent expert appraisal firms, as permitted by Resolution #288 issued by the Brazilian Securities and Exchange Commission ("CVM") on December 3, 1998. Depreciation is computed by the straight-line method at the rates, shown in note 10, based on the remaining economic useful lives of the assets after revaluation. Depletion of the iron mine Casa de Pedra is calculated on the basis of the quantity of iron ore extracted. Interest charges related to capital funding for construction in progress are capitalized for as long as the projects remain unconcluded.

(h) Deferred charges

The deferred charges are basically comprised of expenses incurred for development and implantation of projects that should generate a payback to the Company in the next few years, with the amortization applied on a straight-line basis based on the period foreseen for the economic return on the above projects.

(i) Current and long-term liabilities

These are stated at their known or estimated values, including, when applicable, accrued charges, monetary and foreign exchange variation incurred up to the balance sheet date.

(j) Employees benefit

The Company decided to record the respective actuarial liabilities as from January 1, 2002, in accordance with Deliberation #371, issued by the Brazilian Securities and Exchange Commission (CVM), on December 13, 2000, in accordance with the above-mentioned reported deliberation and based on studies by independent actuaries.

(k) Income Tax and Social Contribution

Income tax and social contribution on net income are calculated based on their effective tax rates and consider the tax loss carryforward and negative basis of social contribution limited to 30%, to compute the tax liability. Tax credits are set up for deferred taxes on tax losses, negative basis of social contribution on net income and on temporary differences.

(l) Derivatives

The derivatives operations are recorded in accordance with the characteristics of the financial instruments. Swap operations are recorded based on the operations net results, which are booked monthly in line with the contractual conditions.

Exchange options are adjusted monthly to market value whenever the position shows a loss. These losses are recognized as Company's liability with the corresponding entry in the financial results. Options traded through exclusive funds are adjusted to market and futures contracts have their positions adjusted to market daily by the Futures and Commodities Exchange (BM&F) with recognition of gains and losses directly in results.

(m) Treasury Stocks

As established by CVM Instruction 10/80, treasury stocks were recorded at acquisition cost.

(n) Estimates

Pursuant to the accounting practices followed in Brazil, the preparation of the financial statements requires the Company's Management to make estimates and assumptions related to the assets and liabilities reported, the disclosure of contingent assets and liabilities on the balance sheet date and the amount of income and expenses during the year. The end results may differ from these estimates.

3. CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the years ended December 31, 2005 and 2004 include the following direct and indirect subsidiaries and jointly-owned subsidiaries:

| Companies | Currency of Origin | Participation in the capital stock (%) | | Main activities |
|--|-----------------------|--|--------|--|
| | | 2005 | 2004 | |
| Direct participation: fully consolidated | | | | |
| CSN Energy | US\$ | 100.00 | 100.00 | Equity interests Financial operations and product trading |
| CSN Export | US\$ | 100.00 | 100.00 | trading |
| CSN Islands ^(a) | US\$ | | 100.00 | Financial operations |
| CSN Islands II ^(a) | US\$ | | 100.00 | Financial operations |
| CSN Islands III ^(a) | US\$ | | 100.00 | Financial operations |
| CSN Islands IV ^(a) | US\$ | | 100.00 | Financial operations |
| CSN Islands V ^(a) | US\$ | | 100.00 | Financial operations |
| CSN Islands VII | US\$ | 100.00 | 100.00 | Financial operations |
| CSN Islands VIII | US\$ | 100.00 | 100.00 | Financial operations |
| CSN Islands IX | US\$ | 100.00 | 100.00 | Financial operations |
| CSN Islands X | US\$ | 100.00 | | Financial operations |
| CSN Overseas | US\$ | 100.00 | 100.00 | Financial operations |
| CSN Panama | US\$ | 100.00 | 100.00 | Equity interests |
| CSN Steel | US\$ | 100.00 | 100.00 | Equity interests |
| CSN I | R\$ | 100.00 | 100.00 | Equity interests |
| Estanho de Rondônia - ERSA | R\$ | 100.00 | | Mining |
| Cia. Metalic Nordeste | R\$ | 99.99 | 99.99 | Package production |
| Indústria Nacional de Aços Laminados - INAL | R\$ | 99.99 | 99.99 | Steel products service center |
| CSN Cimentos | R\$ | 99.99 | 99.99 | Cement production |
| Inal Nordeste | R\$ | 99.99 | 99.99 | Steel products service center |
| CSN Energia | R\$ | 99.90 | 99.90 | Trading of electricity |
| CSN Participações Energéticas ^(a) | R\$ | | 99.70 | Equity interests |
| Sepetiba Tecon | R\$ | 20.00 | 20.00 | Maritime port services |
| GalvaSud | R\$ | 15.29 | 15.29 | Steel industry |
| Direct participation: proportionally consolidated | | | | |
| Companhia Ferroviária do Nordeste (CFN) | R\$ | 49.99 | 49.99 | Railroad transportation |
| Itá Energética | R\$ | 48.75 | 48.75 | Electricity generation |
| MRS Logística | R\$ | 32.22 | 32.22 | Railroad transportation |

Indirect participation: fully consolidated

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| | | | | |
|------------------------------------|------|--------|--------|--|
| CSN Aceros | US\$ | 100.00 | 100.00 | Equity interests Financial operations and product |
| CSN Cayman | US\$ | 100.00 | 100.00 | trading |
| CSN Iron | US\$ | 100.00 | 100.00 | Financial operations |
| CSN LLC | US\$ | 100.00 | 100.00 | Steel industry |
| CSN LLC Holding | US\$ | 100.00 | 100.00 | Equity interests |
| CSN LLC Partner | US\$ | 100.00 | 100.00 | Equity interests |
| Energy I | US\$ | 100.00 | 100.00 | Equity interests |
| Management Services ^(a) | US\$ | | 100.00 | Services |

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| | | | | |
|----------------|------|--------|--------|---|
| Tangua | US\$ | 100.00 | 100.00 | Equity interests |
| GalvaSud | R\$ | 84.71 | 84.71 | Steel industry |
| Sepetiba Tecon | R\$ | 80.00 | 80.00 | Maritime port services |
| Jayce | EUR | 100.00 | | Financial operations and corporate participations |
| Cinnabar | EUR | 100.00 | | Financial operations and corporate participations |

**Indirect participation:
proportionally
consolidated**

| | | | | |
|-----------|-----|-------|-------|----------------|
| Lusosider | EUR | 50.00 | 50.00 | Steel industry |
|-----------|-----|-------|-------|----------------|

(a) **Companies closed down on December 2005.**

The financial statements prepared in US dollars and in Euros were translated at the exchange rate in effect on December 31, 2005 R\$/US\$ 2.3407 (R\$/US\$ 2.6544 in 2004) and EUR/US\$ 1.1830 (EUR/US\$ 1.36358 in 2004).

The gains/losses from this translation were accounted for in the income statements of the related periods, as equity accounting in the parent company and exchange variation in the consolidated entity. These referred financial statements were prepared applying the same accounting principles as those applied by the parent company.

In the preparation of the consolidated financial statements, intercompany balances were eliminated, such as intercompany investments, equity accounting, asset and liability balances, revenues and expenses and unrealized profits resulting from operations among these companies.

Pursuant to the CVM Instruction #408/04 the Company consolidates the financial statements of the exclusive funds.

The reference date for the subsidiaries and jointly-owned subsidiaries financial statements coincides with that of the parent company.

The reconciliation between shareholders' equity and net income for the year of the parent company and consolidated is as follows:

| | Shareholders' equity | | Net income | |
|-----------------------------------|----------------------|-----------|------------|-----------|
| | 2005 | 2004 | 2005 | 2004 |
| Parent company | 6,535,190 | 6,844,541 | 1,878,758 | 2,144,997 |
| Income elimination in inventories | (62,748) | (189,273) | 126,525 | (165,713) |
| Other adjustments | (1) | | (1) | 2,504 |
| Consolidated | 6,472,441 | 6,655,268 | 2,005,282 | 1,981,788 |

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| | | | | | | | | | |
|------------------|-----------|-----------|--------|-----------|--------|-----------|--------|---------|-----------|
| CSN Export | 1,404,074 | | | | | 12,236 | | | 1,416,310 |
| CSN Iron | | | | 1,414,743 | | | | | 1,414,743 |
| Cinnabar | 470,250 | | 65,737 | | | 45,384 | | | 581,371 |
| Jaycee | | | 22,762 | | | 397,441 | | | 420,203 |
| CSN Islands VII | | 643,299 | | | | | | | 643,299 |
| CSN Islands VIII | | 1,174,514 | | | | 2,150 | | | 1,176,664 |
| CSN Steel | 1,001,338 | 715,279 | | | | 307,342 | | | 2,023,959 |
| GalvaSud | | | | | | | 16,809 | | 16,809 |
| INAL | | | | | | | 22,764 | 22,027 | 44,791 |
| INAL Nordeste | | | | | | | 6,871 | | 6,871 |
| CSN Energia | | | | | | 21,908 | | | 21,908 |
| CBS | | | | | | | | | |
| Previdência | | | | | | | | 223,401 | 223,401 |
| Other(*) | | | | | | | | 557 | 557 |
| Total 2005 | 2,875,662 | 2,533,092 | 88,499 | 1,414,743 | | 786,461 | 29,635 | 262,794 | 7,990,886 |
| Total 2004 | 1,538,763 | 2,992,804 | 84,876 | 1,604,347 | 14,216 | 1,161,800 | 1,083 | 200,550 | 7,598,439 |

These operations were carried out under conditions considered by the Company's management as normal market terms and/or effective legislation for similar operations, being the main ones highlighted below:

- (1) Information referring to loan agreements with related parties.
 - CSN Jaycee (part): annual Libor + 3% p.a. with indeterminate maturity.
 - CSN Jaycee (part): Libor + 2.5% p.a. with maturity on 9/15/2011.
 - CSN Cinnabar (part): semiannual Libor + 3% p.a. with indeterminate maturity and IGPM + 6% p.a. with indeterminate maturity.
 - CSN Export: Euribor + 0.5% p.a. with indeterminate maturity.
- (2) Contracts in US\$ - CSN Iron: interest of 9.125% p.a. with maturity on 6/1/2007.
 Contracts in Yen - CSN Islands VII: interest of 7.3% and 7.75% p.a. with maturity on 9/12/2008.
 CSN Islands VIII: interest of 5.65% p.a. with maturity on 12/15/2013.
 CSN Steel: interest of 1.5% p.a. with maturity on 7/13/2010.

(*) OTHER: Itá Energética, Fundação CSN, CSN Energia and Metalic.

c) Result

| Companies | Income | | | | Expenses | | | |
|-----------------------|-----------------------|--|-------|-----------|-----------------------|--|---------|-----------|
| | Products and services | Interest and monetary and exchange variation | Other | Total | Products and services | Interest and monetary and exchange variation | Other | Total |
| CSN Cayman | 17,991 | (43,508) | | (25,517) | 13,106 | (15,206) | | (2,100) |
| CSN Export | 2,026,327 | (47,652) | | 1,978,675 | 1,676,897 | (84,727) | | 1,592,170 |
| CSN Iron | | | | | | (62,558) | | (62,558) |
| Cinnabar | | | | | | 1,067 | | 1,067 |
| Jaycee | | | | | | 21 | | 21 |
| CSN LLC | 17,967 | | | 17,967 | 5,947 | | | 5,947 |
| CSN Islands III | | | | | | 2,953 | | 2,953 |
| CSN Islands V | | | | | | (29,088) | | (29,088) |
| CSN Islands VII | | | | | | (140,600) | | (140,600) |
| CSN Islands VIII | | | | | | (291,284) | | (291,284) |
| CSN Overseas | | | | | | (33,517) | | (33,517) |
| CSN Panama | | | | | | (21,849) | | (21,849) |
| Energy I | | | | | | (13,459) | | (13,459) |
| CSN Steel | | | | | | 25,574 | | 25,574 |
| Itá Energética | | | | | 95,803 | | | 95,803 |
| GalvaSud | 342,858 | | | 342,858 | 220,849 | | | 220,849 |
| INAL | 603,196 | | | 603,196 | 356,956 | | | 356,956 |
| Inal Nordeste | 17,694 | | | 17,694 | 2,488 | | | 2,488 |
| Cia. Metalic Nordeste | 34,091 | | | 34,091 | 32,557 | | | 32,557 |
| MRS Logística | | | | | 143,951 | | | 143,951 |
| Exclusive Funds | | (546,464) | | (546,464) | | | | |
| ERSA | | | | | 35,472 | | | 35,472 |
| CBS Previdência | | | | | | | 91,730 | 91,730 |
| Other(*) | | | | | 6,403 | (595) | | 5,808 |
| Total 2005 | 3,060,124 | (637,624) | | 2,422,500 | 2,590,429 | (663,268) | 91,730 | 2,018,891 |
| Total 2004 | 3,117,305 | (311,017) | 12 | 2,806,300 | 361,298 | (65,544) | 129,903 | 425,657 |

Trade transactions with the Company's subsidiaries, such as sale of products and contracting of inputs and services are performed under usual conditions applicable to non-related parties.

(*) **OTHER:** Fundação CSN, Sepetiba Tecon, CSN Energia, Banco Fibra and CSN Islands.

5. MARKETABLE SECURITIES

| | Parent Company | | Consolidated | |
|---|-----------------------|-----------|---------------------|-----------|
| | 2005 | 2004 | 2005 | 2004 |
| Short term | | | | |
| Financial investment fund | 188,248 | 1,903,480 | | 2,005,268 |
| Derivatives | | | 15,031 | |
| Brazilian government securities | | | 695,475 | |
| Investment abroad (time deposits) | 1,193,798 | 6,386 | 2,409,840 | 829,675 |
| Fixed income and debentures | 40,715 | | 240,269 | 381,540 |
| | 1,422,761 | 1,909,866 | 3,360,615 | 3,216,483 |
| Derivatives | | | 349,138 | 345,237 |
| | 1,422,761 | 1,909,866 | 3,709,753 | 3,561,720 |
| Long term | | | | |
| Investments abroad (time deposits) | | | 35,657 | |
| Fixed income investments and debentures (net of provision for probable losses and withholding income tax) | 125,639 | 125,652 | 218,605 | 90,159 |
| | 125,639 | 125,652 | 254,262 | 90,159 |
| | 1,548,400 | 2,035,518 | 3,964,015 | 3,651,879 |

Company's management invests the Company's financial resources in exclusive Investment Funds, with daily liquidity, which are substantially comprised of Brazilian government bonds. Additionally, the Company's foreign subsidiaries invest their financial resources basically in Time Deposits with first-tier banks overseas.

6. ACCOUNTS RECEIVABLE

| | Parent Company | | Consolidated | |
|--------------------------------|-----------------------|-----------|---------------------|----------|
| | 2005 | 2004 | 2005 | 2004 |
| Domestic market | | | | |
| Subsidiary companies | 57,485 | 202,166 | | |
| Other clients | 639,911 | 550,059 | 879,153 | 914,870 |
| | 697,396 | 752,225 | 879,153 | 914,870 |
| Foreign market | | | | |
| Subsidiary companies | 1,202,812 | 1,111,276 | | |
| Other clients | 9,135 | 14,239 | 588,098 | 351,669 |
| Exports Contract Advance (ACE) | (65,539) | (114,139) | | (39,816) |

| | | | | |
|--|-----------|-----------|-----------|-----------|
| | 1,146,408 | 1,011,376 | 588,098 | 311,853 |
| Allowance for doubtful accounts | (70,951) | (66,807) | (101,204) | (86,587) |
| | 1,772,853 | 1,696,794 | 1,366,047 | 1,140,136 |

7. INVENTORIES

| | Parent Company | | Consolidated | |
|----------------------|-----------------------|-----------|---------------------|-----------|
| | 2005 | 2004 | 2005 | 2004 |
| Finished products | 367,810 | 442,507 | 556,652 | 823,015 |
| Products in process | 315,847 | 182,631 | 466,305 | 228,616 |
| Raw materials | 397,374 | 655,376 | 474,276 | 885,480 |
| Store | 295,705 | 265,522 | 352,611 | 312,081 |
| Imports in progress | 23,676 | 20,199 | 25,215 | 23,019 |
| Provision for losses | (4,006) | (9,852) | (4,251) | (9,948) |
| Other | | 3,688 | 36,654 | 13,764 |
| | 1,396,406 | 1,560,071 | 1,907,462 | 2,276,027 |

8. DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

| | Parent Company | | Consolidated | |
|------------------------------|-----------------------|-----------|---------------------|-----------|
| | 2005 | 2004 | 2005 | 2004 |
| Current assets | | | | |
| Income tax | 358,950 | 360,946 | 405,034 | 440,589 |
| Social contribution | 80,843 | 48,426 | 98,105 | 77,090 |
| | 439,793 | 409,372 | 503,139 | 517,679 |
| Long-term assets | | | | |
| Income tax | 410,391 | 442,482 | 447,679 | 475,970 |
| Social contribution | 81,952 | 87,486 | 95,459 | 99,572 |
| | 492,343 | 529,968 | 543,138 | 575,542 |
| Current liabilities | | | | |
| Income tax | 93,000 | 192,274 | 93,000 | 192,274 |
| Social contribution | 33,480 | 69,219 | 33,480 | 69,219 |
| | 126,480 | 261,493 | 126,480 | 261,493 |
| Long-term liabilities | | | | |
| Income tax | 1,590,402 | 1,688,245 | 1,590,402 | 1,688,270 |
| Social contribution | 572,545 | 607,768 | 572,545 | 607,768 |
| | 2,162,947 | 2,296,013 | 2,162,947 | 2,296,038 |
| Income | | | | |
| Income tax | 163,032 | (54,950) | 135,581 | 15,691 |
| Social contribution | 97,846 | 8,655 | 88,011 | 32,902 |

260,878

(46,295)

223,592

48,593

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The sources of the deferred social contribution and income tax of the parent company are shown as follows:

| | 2005 | | | | 2004 | | | |
|---|------------|-----------|---------------------|-----------|------------|-----------|---------------------|-----------|
| | Income tax | | Social contribution | | Income tax | | Social contribution | |
| | Short-term | Long-term | Short-term | Long-term | Short-term | Long-term | Short-term | Long-term |
| Assets | | | | | | | | |
| Non deductible provisions | 224,564 | 223,091 | 80,843 | 81,952 | 134,518 | 231,273 | 48,426 | 80,574 |
| Taxes under litigation | | 187,300 | | | | 211,209 | | |
| Tax losses/negative basis | 134,386 | | | | 226,428 | | | |
| Other | | | | | | | | 6,912 |
| | 358,950 | 410,391 | 80,843 | 81,952 | 360,946 | 442,482 | 48,426 | 87,486 |
| Liabilities | | | | | | | | |
| Income tax and social contribution on revaluation reserve | 93,000 | 1,590,402 | 33,480 | 572,545 | 93,000 | 1,683,404 | 33,480 | 606,025 |
| Other | | | | | 99,274 | 4,841 | 35,739 | 1,743 |
| | 93,000 | 1,590,402 | 33,480 | 572,545 | 192,274 | 1,688,245 | 69,219 | 607,768 |

Deferred income tax arising from tax losses was set up based on CSN's historical profitability and on projections of future profitability duly approved by the Company's management bodies and the balance, in the amount of R\$ 134,386 must be offset by the Company in 2006.

Reconciliation between expenses and income of current income tax and social contribution of the parent company and the application of the effective rate on net income before Income tax - IR and Social Contribution - CSL is as follows:

| | 2005 | | 2004 | |
|--|------------------|------------------|------------------|------------------|
| | IR | CSL | IR | CSL |
| Income before income tax (IR) and social contribution (CSL) | 2,571,741 | 2,571,741 | 2,975,402 | 2,975,402 |
| (-) Interest on own capital total expense | (259,404) | (259,404) | (239,391) | (239,391) |
| Income before income tax and social contribution - adjusted | 2,312,337 | 2,312,337 | 2,736,011 | 2,736,011 |
| - Rate | 25% | 9% | 25% | 9% |
| Total | (578,084) | (208,110) | (684,003) | (246,241) |
| Adjustments to reflect the effective rate: | | | | |
| Equity accounting | (69,831) | (25,139) | 116,185 | 41,827 |
| Earnings from foreign subsidiaries | 91,581 | 32,969 | (99,900) | (35,964) |
| Effects of "Plano Verão" judicial decision | | | 31,762 | |
| Other permanent additions (write-offs) | 50,138 | 13,493 | 42,320 | 3,609 |

Parent company's current and deferred

| | | | | |
|---|-----------|-----------|-----------|-----------|
| IR/CSL | (506,196) | (186,787) | (593,636) | (236,769) |
| Consolidated current and deferred IR/CSL | (642,805) | (226,510) | (587,678) | (235,325) |

9. INVESTMENTS**a) Direct participations in subsidiaries and jointly-owned subsidiaries**

| Companies | Number of shares | | % Direct interest | Net income (loss) for the period | 2005 | | 2004 | |
|-----------------------------|------------------|-------------|-------------------------|--|---|-------------------------|--|---|
| | Common | Preferred | | | Shareholders' equity (unsecured liability) | % Direct interest | Net income (loss) for the period | Shareholders' equity (unsecured liability) |
| | | | | | | | | |
| Steel | | | | | | | | |
| GalvaSud | 11,801,406,867 | | 15.29 | 51,362 | 521,433 | 15.29 | 74,445 | 470,071 |
| CSN I | 9,996,751,600 | 1,200 | 100.00 | 15,684 | 539,034 | 100.00 | 8,364 | 523,350 |
| INAL | 345,950,054 | | 99.99 | 78,180 | 448,120 | 99.99 | 118,324 | 411,396 |
| Cia. Metalic | | | | | | | | |
| Nordeste | 87,868,185 | 4,424,971 | 99.99 | (23,767) | 102,411 | 99.99 | 8,275 | 109,655 |
| Inal Nordeste | 37,800,000 | | 99.99 | (2,929) | 18,178 | 99.99 | (8) | (4,598) |
| Corporate | | | | | | | | |
| CSN Steel | 480,726,588 | | 100.00 | (58,725) | 1,114,332 | 100.00 | 42,531 | 1,330,269 |
| CSN | | | | | | | | |
| Overseas | 7,173,411 | | 100.00 | 65,781 | 1,065,186 | 100.00 | 181,290 | 1,133,345 |
| CSN Panama | 4,240,032 | | 100.00 | (186,805) | 411,282 | 100.00 | 115,505 | 678,242 |
| CSN Energy | 3,675,319 | | 100.00 | 5,110 | 450,239 | 100.00 | 16,997 | 504,785 |
| CSN Islands | | | | (3) | | 100.00 | (6) | 126 |
| CSN Export | 31,954 | | 100.00 | 16,873 | 94,074 | 100.00 | 83,306 | 87,547 |
| CSN Islands | | | | | | | | |
| II | | | | 1,431 | | 100.00 | (16) | (1,600) |
| CSN Islands | | | | | | | | |
| III | | | | 449 | | 100.00 | (9) | (540) |
| CSN Islands | | | | | | | | |
| IV | | | | 78 | | 100.00 | (10) | (93) |
| CSN Islands | | | | | | | | |
| V | | | | 127 | | 100.00 | (12) | (149) |
| CSN Islands | | | | | | | | |
| VII | 1,000 | | 100.00 | (5) | (243) | 100.00 | (88) | (270) |
| CSN Islands | | | | | | | | |
| VIII | 1,000 | | 100.00 | 20,632 | 2,462 | 100.00 | (18,831) | (20,605) |
| CSN Islands | | | | | | | | |
| IX | 1,000 | | 100.00 | 30,518 | 28,316 | 100.00 | (2,499) | (2,497) |
| CSN Islands | | | | | | | | |
| X | 1,000 | | 100.00 | (24,055) | (24,053) | 100.00 | | |
| Logistics and Energy | | | | | | | | |
| MRS | | | | | | | | |
| Logistica | 188,332,666 | 151,667,334 | 32.22 | 410,254 | 629,217 | 32.22 | 222,343 | 413,833 |
| | 62,220,270 | | 20.00 | 6,333 | (12,072) | 20.00 | (11,996) | (18,404) |

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| | | | | | | | |
|-----------------|-------------|--------|----------|-----------|-------|----------|----------|
| Sepetiba | | | | | | | |
| Tecon | | | | | | | |
| CFN | 36,206,330 | 49.99 | (56,890) | (102,252) | 49.99 | (39,271) | (44,201) |
| Itá | | | | | | | |
| Energética | 520,219,172 | 48.75 | 33,344 | 545,941 | 48.75 | 13,613 | 520,516 |
| CSN Energia | 1,000 | 99.90 | 3,295 | 117,306 | 99.90 | 21,029 | 112,914 |
| CSN | | | | | | | |
| Participações | | | | | | | |
| Energéticas | | | | | 99.70 | | 1 |
| Mining | | | | | | | |
| ERSA | 34,236,307 | 100.00 | 611 | 19,442 | | | |
| Cement | | | | | | | |
| Industry | | | | | | | |
| CSN | | | | | | | |
| Cimentos | 376,337 | 99.99 | 37,543 | 3,263 | 99.99 | 16,139 | (34,279) |

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b) Investment movement

| Companies | 2004 | | | | | 2005 | |
|-------------------------------|----------------------------|---------------------------------|----------------------|----------------------------------|--------------------------------------|--------------------------|---------------------------------|
| | Initial investment balance | Balance of provision for losses | Addition (write-off) | Equity accounting ⁽¹⁾ | Goodwill amortization ⁽¹⁾ | Final investment balance | Balance of provision for losses |
| Steel | | | | | | | |
| GalvaSud | 71,874 | | | 7,853 | | 79,727 | |
| CSN I | 523,350 | | | 15,684 | | 539,034 | |
| INAL ⁽²⁾ | 411,386 | | (41,443) | 78,176 | | 448,119 | |
| Cia. Metalic Nordeste | 209,215 | | 17,268 | (24,503) | (33,186) | 168,794 | |
| Inal Nordeste | | (4,598) | 25,705 | (2,929) | | 18,178 | |
| | 1,215,825 | (4,598) | 1,530 | 74,281 | (33,186) | 1,253,852 | |
| Corporate | | | | | | | |
| CSN Steel | 1,330,269 | | | (215,937) | | 1,114,332 | |
| CSN Overseas | 1,133,345 | | | (68,159) | | 1,065,186 | |
| CSN Panama | 678,242 | | | (266,960) | | 411,282 | |
| CSN Energy | 504,785 | | | (54,546) | | 450,239 | |
| CSN Islands | 126 | | (107) | (19) | | | |
| CSN Export | 87,547 | | | 6,527 | | 94,074 | |
| CSN Islands II | | (1,600) | (105) | 1,705 | | | |
| CSN Islands III | | (540) | | 540 | | | |
| CSN Islands IV | | (93) | (1) | 94 | | | |
| CSN Islands V | | (149) | | 149 | | | |
| CSN Islands VII | | (270) | | 27 | | | (243) |
| CSN Islands VIII | | (20,605) | | 23,067 | | 2,462 | |
| CSN Islands IX | | (2,497) | | 30,813 | | 28,316 | |
| CSN Islands X | | | 2 | (24,055) | | | (24,053) |
| | 3,734,314 | (25,754) | (211) | (566,754) | | 3,165,891 | (24,296) |
| Logistics and Energy | | | | | | | |
| MRS Logistica ⁽³⁾ | 133,351 | | (62,794) | 132,199 | | 202,756 | |
| Sepetiba Tecon | | (3,681) | | 1,267 | | | (2,414) |
| CFN | | (22,100) | 354 | (29,377) | | | (51,123) |
| Itá Energética ⁽³⁾ | 253,751 | | (3,860) | 16,255 | | 266,146 | |
| CSN Energia | 112,802 | | 1,091 | 3,297 | | 117,190 | |
| CSN Participações Energéticas | 1 | | (1) | | | | |
| | 499,905 | (25,781) | (65,210) | 123,641 | | 586,092 | (53,537) |
| Mining | | | | | | | |
| ERSA | | | 100,000 | 611 | (10,823) | 89,788 | |
| | | | 100,000 | 611 | (10,823) | 89,788 | |

Cement Industry

| | | | | | | |
|--------------|-----------|----------|--------|-----------|----------|--------------------|
| CSN Cimentos | (34,279) | | 37,541 | | 3,262 | |
| | (34,279) | | 37,541 | | 3,262 | |
| | 5,450,044 | (90,412) | 36,109 | (330,680) | (44,009) | 5,098,885 (77,833) |

- (1) This comprises the balance of parent company's equity accounting. The balances of consolidated goodwill are shown in item (d) of this note.
- (2) The net write-off of (R\$41,443) refers to the capitalization of resources by the parent company in the amount of R\$60,000, dividends received in the amount of (R\$27,174) and proposed in the amount of (R\$74,269).
- (3) The write-off refers to dividend proposed by the investees in 2005.

c) Additional Information on the main investees

GalvaSud

Incorporated in 1998, through a joint venture between CSN (51.0%) and Thyssen-Krupp Stahl AG (49.0%), it initiated its operational activities in December 2000.

It has as objective the operation of a galvanization line for hot immersion and weld laser lines to produce welded blanks directed to the automobile industry, as well as the operation of service centers for steel product processing.

On June 22, 2004, the subsidiary CSN I subscribed 8,262,865,920 common shares of GalvaSud's capital, paid with credits related to the full payment of all financial debts of the Company, and also acquired the totality of shares held by Thyssen-Krupp Stahl AG.

After the acquisition, CSN became the holder of a 15.29% participation on a direct basis and of an 84.71% participation on an indirect basis of GalvaSud's capital stock, by means of its wholly-owned subsidiary CSN I.

Itá Energética

Itasa (Itá Energética S.A.) holds a 60.5% stake in the consortium Itá Hydroelectric Plant - UHE Itá, created by means of concession agreement executed on July 31, 2000.

CSN holds 48.75% of the subscribed capital corresponding to 48.75% of the total of common shares issued by Itasa, a special purpose company originally organized to make feasible the construction of UHE Itá, the contracting of supply of goods and services necessary to carry out the venture and the obtaining of financing by offering the corresponding guarantees.

Indústria Nacional de Aços Laminados - INAL

The Company aims to reprocess and act as distributor of CSN's steel products, acting as a service and distribution center.

Cia Metalic Nordeste

The objective of Cia. Metalic Nordeste, incorporated in 2002, based at Maracanaú, in the State of Ceará, is the manufacture of steel packages and the holding of interests in other companies.

In 2005 the parent company capitalized resources in this company, in the amount of R\$17,268.

MRS Logística

The Company's main objective is to explore and develop cargo railroad public transport for the Southeast network.

MRS transports to Usina Presidente Vargas (UPV) steelworks in Volta Redonda the iron ore from Casa de Pedra and raw material imported through Sepetiba Port. It also links the UPV steelworks to the Rio de Janeiro and Santos Ports and also to other load terminals in the State of São Paulo, CSN's principal market.

CFN

Incorporated in 1997 through a privatization auction, it has as its main objective the exploration and development of the cargo railroad public transport service for the Northeast network.

Sepetiba Tecon

Incorporated in 1998, through a privatization auction. The objective is to exploit the No.1 Containers Terminal of the Sepetiba Port, located in Itaguaí, State of Rio de Janeiro. This terminal is connected UPV by the Southeast railroad network.

CSN Energia

Incorporated in 1999, with the main objective of distributing and trading the excess of electric energy generated by CSN and by companies, consortiums or other entities in which CSN holds an interest in.

The Company maintains a balance receivable related to the energy sale trade under the scope of the electricity commercialization chamber (Câmara de Comercialização de Energia Elétrica) CCEE, in the amount of R\$88,711 on December 31, 2005 (R\$99,038 in 2004).

From the balance receivable on December 31, 2005, the amount of R\$59,129 (R\$76,305 in 2004) is due by concessionaires with injunctions suspending the corresponding payments. The Company's Management understands that an allowance for doubtful accounts is not necessary in view of the measures taken by the industry official entities.

CSN Cimentos

In March 2005, the entity previously named FEM Projetos, Construções e Montagens changed its name to CSN Cimentos.

The Company's purpose is the production and trading of cement, being the main raw material the blast furnace slag, a byproduct of pig-iron production.

ERSA Estanho de Rondônia

Acquired on April 7, 2005 for R\$100,000, the Company, which is based in the State of Rondônia, has as its main purpose the extraction and processing of tin, which is one of the main raw materials used in CSN for the production of tin plates. CSN recorded goodwill on this acquisition based on the expectation of future results, see item (d) of this note.

INAL Nordeste

In March 2005, the Company previously named CSC Companhia Siderúrgica do Ceará changed its name to INAL Nordeste.

The Company, which is based in Camaçari, State of Bahia, has as main purpose to reprocess and distribute CSN's steel products, operating as a service and distribution center in the Northeast region.

In 2005 the parent company capitalized resources in this company, in the amount of R\$25,705.

d) Goodwill, negative goodwill and other indirect interests

On December 31, 2005, the Company maintained on its consolidated balance sheet the amount of R\$279,266 (R\$292,649 in 2004), net of amortization related to goodwill based on the expectation of future gains, with amortization estimated at five years, and also maintained negative goodwill relating to an investment in Lusosider Projectos Siderúrgicos in the amount of R\$8,521, expected to be amortized in 3 years.

| | Balance on 2004 | Additions | Amortization | Balance on 2005 | Investor |
|-----------------------------|-----------------------|---------------|-----------------|-----------------------|------------|
| Investment goodwill: | | | | | |
| GalvaSud | 125,284 | | (27,841) | 97,443 | CSN I |
| Metalic | 99,559 | | (33,186) | 66,373 | CSN |
| Ersa | | 81,169 | (10,823) | 70,346 | CSN CSN |
| Tangua / LLC | 61,265 | | (21,334) | 39,931 | Panama |
| Inal | 5,738 | | (1,861) | 3,877 | CSN |
| | 291,846 | 81,169 | (95,045) | 277,970 | |
| Other stakes | 803 | 493 | | 1,296 | |
| | 292,649 | 81,662 | (95,045) | 279,266 | |

e) Additional information on indirect participations abroad

CSN LLC

The Company was incorporated in 2001 with the assets and liabilities of the extinguished Heartland Steel Inc. located in Terre Haute, State of Indiana USA. It is a complex comprising cold rolling, hot coil pickled line and galvanization line.

The Company holds a wholly-owned stake in CSN LLC by means of the subsidiary CSN Panama.

Lusosider

Lusosider Aços Planos was incorporated in 1996, providing continuity to Siderurgia Nacional - Empresa de Produtos Planos (flat products company), privatized on that date by the Portuguese Government. The Company is located in Seixal, Portugal and is engaged in galvanization line and tin plates.

In 2003, the Company, through its subsidiary CSN Steel, acquired 912,500 shares issued by Lusosider Projectos Siderúrgicos, holder of Lusosider Aços Planos, which represents 50% of the total capital of Lusosider.

b) Land, machinery and equipment, facilities, real properties and buildings, existing in the CSN's Presidente Vargas, Itaguaí, Casa de Pedra and Arcos plants, in addition to the iron ore mine in Casa de Pedra. The report established an addition of R\$4,068,559, composing the new amount of the assets.

Up to December 31, 2005, the assets provided as collateral for financial operations amounted R\$47,985.

Depreciation, depletion and amortization up to December 31, 2005 amounted to R\$720,000 (R\$704,436 in 2004), of which R\$708,604 (R\$691,302 in 2004) was charged to production costs and

R\$11,396 (R\$13,134 in 2004) charged to selling, general and administrative expenses (amortization of deferred charges not included).

As of December 31, 2005, the Company had R\$6,806,147 (R\$7,178,156 in 2004) of revaluation of net depreciation assets.

11. DEFERRED CHARGES

| | Parent Company | | Consolidated | |
|---------------------------------|----------------|-----------|--------------|-----------|
| | 2005 | 2004 | 2005 | 2004 |
| Information technology projects | 153,210 | 164,454 | 163,799 | 175,043 |
| (-) Accumulated Amortization | (114,722) | (103,685) | (125,311) | (106,934) |
| Expansion projects | 188,508 | 138,181 | 188,508 | 138,181 |
| (-) Accumulated Amortization | (61,559) | (34,840) | (61,559) | (34,840) |
| Preoperating expenses | | | 129,866 | 129,866 |
| (-) Accumulated Amortization | | | (70,985) | (58,672) |
| Other projects | 78,585 | 74,778 | 191,484 | 172,929 |
| (-) Accumulated Amortization | (49,122) | (28,993) | (104,161) | (62,136) |
| | 194,900 | 209,895 | 311,641 | 353,437 |

Information technology projects are represented by automation projects and computerization of operating processes that aim to reduce costs and increase the competitiveness of the Company.

The expansion projects disclosed on December 31, 2005 are primarily related to the Sepetiba port and the Casa de Pedra mine.

Amortization of information technology projects and of other projects in 2005 amounted to R\$57,879 (R\$59,244 in 2004), of which R\$44,896 (R\$42,767 in 2004) related to production costs and R\$12,983 (R\$16,477 in 2004) to selling, general and administrative expenses.

Pursuant to the provisions in the Provisional Measure #3, as of September 26, 2001 and in the CVM Resolutions #404 and 409, as of September 27 and November 1, 2001, respectively, the Company and its investees MRS Logística and GalvaSud chose to differ the negative net result arising from the adjustment of amounts in reais of liabilities and credits in foreign currency, in view of the variation of foreign exchange rates in that year. In 2004 the parent company amortized the outstanding balance of this deferral in the amount of R\$103,180 (R\$112,616 consolidated).

12. LOANS, FINANCING AND DEBENTURES

| | Parent Company | | | | Consolidated | | | |
|--|----------------|-----------|------------|-----------|--------------|-----------|------------|-----------|
| | 2005 | | 2004 | | 2005 | | 2004 | |
| | Short term | Long term | Short term | Long term | Short term | Long term | Short term | Long term |
| FOREIGN CURRENCY | | | | | | | | |
| Prepayment | 635,354 | 2,415,035 | 300,166 | 1,575,984 | 104,371 | 1,429,601 | 267,848 | 1,177,824 |
| Advances on Exchange Contract (ACC) | | | 672 | | | | 672 | |
| Perpetual securities | | | | | 35,208 | 1,755,525 | | |
| Fixed Rate Notes | 31,334 | 3,919,097 | 655,593 | 3,947,389 | 72,893 | 3,053,052 | 633,603 | 2,931,342 |
| BNDES/Finame | | | 141,473 | 571,923 | | | 148,203 | 572,829 |
| Financed imports | 44,196 | 229,428 | 56,826 | 217,767 | 56,705 | 261,634 | 62,158 | 236,316 |
| Bilateral | 46,019 | | 53,644 | 59,911 | 46,019 | | 53,644 | 59,911 |
| Other | 5,366 | 17,871 | 2,707 | 106,321 | 30,915 | 116,874 | 348,623 | 228,676 |
| | 762,269 | 6,581,431 | 1,211,081 | 6,479,295 | 346,111 | 6,616,686 | 1,514,751 | 5,206,898 |
| DOMESTIC CURRENCY | | | | | | | | |
| BNDES/Finame | | | 47,384 | 148,840 | 36,595 | 277,561 | 68,096 | 284,670 |
| Debentures (Note 13) | 661,920 | 286,176 | 44,943 | 900,000 | 705,517 | 425,517 | 87,884 | 1,075,593 |
| Other | 78,036 | 6,300 | 71,109 | 7,000 | 21,173 | 14,248 | 65,082 | 130,076 |
| | 739,956 | 292,476 | 163,436 | 1,055,840 | 763,285 | 717,326 | 221,062 | 1,490,339 |
| Total Loans and Financing | 1,502,225 | 6,873,907 | 1,374,517 | 7,535,135 | 1,109,396 | 7,334,012 | 1,735,813 | 6,697,237 |
| Derivatives | 139,399 | | (120,781) | | 355,097 | | 36,642 | |
| Total Loans and Financing + Derivatives | 1,641,624 | 6,873,907 | 1,253,736 | 7,535,135 | 1,464,493 | 7,334,012 | 1,772,455 | 6,697,237 |

On December 31, 2005, the long-term amortization schedule, composed of the year of maturity, is as follows:

| | Parent Company | Consolidated |
|--|----------------|--------------|
|--|----------------|--------------|

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| | | |
|------------|------------------|------------------|
| 2007 | 1,667,942 | 495,541 |
| 2008 | 1,437,573 | 1,280,146 |
| 2009 | 204,968 | 369,898 |
| 2010 | 905,963 | 303,973 |
| 2011 | 136,965 | 273,424 |
| After 2012 | 2,520,496 | 4,611,030 |
| | 6,873,907 | 7,334,012 |

Interest is applied to loans and financing and debentures, at the following annual rates as of December 31, 2005:

| | Parent Company | Consolidated |
|-----------------|------------------|------------------|
| Up to 7% | 4,216,641 | 1,656,408 |
| From 7.1 to 9% | 1,441,773 | 782,994 |
| From 9.1 to 11% | 2,197,392 | 5,350,264 |
| Over 11% | 659,725 | 1,008,839 |
| | 8,515,531 | 8,798,505 |

Breakdown of total debt by currency/index of origin:

| | Parent Company | | Consolidated | |
|--------------------------|----------------|---------------|---------------|---------------|
| | 2005 | 2004 | 2005 | 2004 |
| Domestic Currency | | | | |
| CDI | 7.75 | 7.51 | 8.49 | 8.51 |
| IGPM | 4.23 | 2.59 | 5.03 | 5.37 |
| TJLP | | 2.24 | 3.83 | 5.78 |
| IGP-DI | 0.15 | 0.15 | 0.17 | 0.15 |
| Other currencies | | | | |
| | 12.13 | 12.49 | 17.52 | 19.81 |
| Foreign Currency | | | | |
| US dollar | 55.73 | 56.99 | 81.45 | 75.94 |
| Yen | 30.26 | 28.24 | 0.49 | 1.20 |
| Currencies' Basket | | 1.82 | | 1.98 |
| Euro | 0.23 | 0.46 | 0.54 | 0.97 |
| Other currencies | 1.65 | | | 0.10 |
| | 87.87 | 87.51 | 82.48 | 80.19 |
| | 100.00 | 100.00 | 100.00 | 100.00 |

In July 2005, the Company issued through its subsidiary CSN Islands X Corp. perpetual securities amounting to US\$750 million. These securities with indeterminate maturity pay 9.5% p.a. and the Company has the right to settle the transaction at its par value after five (5) years, on the interest maturity dates.

Loans with certain agents contain certain restrictive clauses, which are being complied with.

As described in note 14, the Company contracts derivatives operations, aiming at minimizing fluctuation risks in the parity between Real and another foreign currency.

The guarantees provided for loans and financing amounted to R\$3,446,558 on December 31, 2005 (R\$5,473,332 in 2004), and comprise fixed assets items (note 10), bank guarantees, sureties and prepayment operations. This amount does not take into consideration the guarantees provided to subsidiaries, as mentioned in note 15.

Amortizations and fund raisings held by the Company's subsidiaries in the year ended on December 31, 2005, are as follows:

Amortizations

| Subsidiary | Description | Principal (US\$ million) | Maturity | Interest rate (p.a.) |
|-----------------|----------------|-----------------------------|---------------------------|-------------------------|
| CSN Islands III | Notes | 75 | April/2005 | 9.75% |
| CSN Export | Securitization | 109 | Feb, May and June/2005 | 4.77% |
| CSN Islands V | Notes | 150 | July/2005 | 7.875% |
| CSN Export | Securitization | 7 | Nov/2005 | 7.28% |
| | | 341 | | |

Fund Raisings

| Subsidiary | Description | Principal (US\$ million) | Issuance | Term (years) | Maturity | Interest rate (p.a.) |
|----------------|-------------------------|-----------------------------|--------------|-----------------|---------------|-------------------------|
| CSN Islands IX | <i>Notes</i> | 200 | January/2005 | 10 | January/2015 | 10% |
| CSN Export | Securitization | 250 | June/2005 | 10 | May/2015 | 6.148% |
| CSN Islands X | Perpetual securities | 750 | August/2005 | - | Indeterminate | 9.5% |
| | | 1,200 | | | | |

The funds raised in the operations were used for working capital, increasing the Company's liquidity.

13. DEBENTURES

First issuance

As approved at the Stockholders' Extraordinary General Meeting and ratified at the Board of Directors Meeting, the Company issued on February 1st, 2002, 69,000 registered and non-convertible debentures, unsecured and without preference, in two tranches, being R\$10 of unit face value. 54,000 debentures were issued in the first tranche and 15,000 in the second tranche, with a total face amount of R\$690,000. The maturity of the 1st tranche was expected for 02/01/2005 and of the 2nd tranche for 02/01/2006, however the Company's Board of Directors approved the early redemption of all these debentures at the meetings held on January 7 and August 31, 2004 and the Board of Executive Officers carried out redemptions on February 9 and October 4, 2005, respectively.

The compensation of these debentures was calculated on a pro rata temporis basis, being the first issue adjusted by the CDI (Interbank Deposit Certificate) plus 2.75% p.a. and the second issue by the IGP-M (General Market Price Index) plus 13.25% p.a.

Second issuance

As approved at the Board of Directors Meeting held on October 21 and ratified on December 5, 2003, the Company issued 40,000 registered, non-convertible debentures, unsecured and without preference in one single tranche, for the unit face value of R\$10 on December 1, 2003. The referred debentures were issued for the total amount of R\$400,000, whereas the credits generated in the negotiations with the financial institutions were received on December 9 and 10, 2003, amounting to R\$401,805. The difference of R\$1,805, resulting from the unit price variation between the date of

issue and of the effective negotiation is recorded under Shareholders' Equity as Capital Reserve, subsequently used in the Company's share repurchase program.

Interest is applied to the face value balance of the first tranche at 107% of the CDI Cetip, and the maturity of the face value is scheduled for December 1, 2006.

Third issuance

As approved at the Board of Directors Meeting held on December 11 and ratified on December 18, 2003, the Company issued 50,000 registered and non-convertible debentures, unsecured and without preference in two tranches, for the unit face value of R\$10 on December 1, 2003. Such debentures were issued for the total value of issue of R\$500,000, being the credits from the negotiations with the financial institutions were received on December 22 and 23, 2003, amounting to R\$505,029. The difference of R\$5,029, resulting from the variation of the unit price between the date of issue and of the effective negotiation was recorded in Shareholders' Equity as Capital Reserve, subsequently used in the Company's share repurchase program.

The balance of the face value of the 1st tranche incurs compensation interest corresponding to 106.5% of Cetip's CDI. The face value of the 2nd tranche is adjusted by the IGP-M plus compensation interest of 10% p.a.. The maturity of the 1st tranche is scheduled for December 1, 2006 and of the 2nd tranche for December 1, 2008.

The deeds for these issues contain certain restrictive covenants, which have been duly complied with.

14. FINANCIAL INSTRUMENTS

General considerations

The Company's business includes flat steel products to supply domestic and foreign markets and mining of iron ore, limestone, dolomite and tin to supply the Presidente Vargas steelwork needs. The main market risk factors that can affect the Company's business are as follows:

Exchange rate risk

Most of the revenues of the Company are in Brazilian Reais and, as of, December 31, 2005, R\$6,962,797 of the Company's consolidated debt of loans and financing were denominated in foreign currency (R\$6,721,649 in 2004). As a consequence, the Company is subject to changes in exchange rates and manages the risk of these rates fluctuations which affects the value in Brazilian Reais that will be necessary to pay the liabilities in foreign currency, using derivative financial instruments, mainly futures contracts, swaps and forward contracts, as well as investing a great part of its cash and funds available in securities remunerated by U.S. dollar exchange variation.

Credit risk

The credit risk exposure with financial instruments is managed through the restriction of counterparts in derivative instruments to large financial institutions with high quality of credit. Thus, management believes that the risk of non-compliance by the counterparts is insignificant. The Company neither maintains nor issues financial instruments with commercial aims. The selection of customers as well as the diversification of its accounts receivable and the control on sales financing terms by business segments are procedures adopted by CSN to minimize problems with its trade partners. Since part of the Company's funds available is invested in Brazilian government bonds, there is exposure to

the credit risk with the government. The amount invested in such instruments at December 31, 2005 was R\$695,475.

The financial instruments recorded in the Parent Company's balance sheet accounts as of December 31, 2005, in which market value differs from the book value, are as follows:

| | Book Value | Market Value |
|---|------------|--------------|
| Loans and Financing (short and long term) | 8,515,531 | 8,898,433 |

At December 31, 2005, the consolidated position of outstanding derivative agreements was as follows:

| | Agreement | | Market value |
|--|-----------|------------------------|--------------------------|
| | Maturity | Notional amount | gain / (loss) |
| Variable income swap (*) | 7/28/2006 | US\$ 49.223 thousand | R\$348,560 |
| Derivatives from interest listed at BM&F (DI) - contracted by exclusive funds | Jan/2007 | R\$ 2.450.000 thousand | Daily adjusted at market |
| Exchange derivatives listed at BM&F (Options, forward US\$, SCC and DDI) - contracted by exclusive funds | Feb/06 | US\$ 618.000 thousand | Daily adjusted at market |
| Exchange options | 1/2/2007 | US\$ 300.000 thousand | R\$12,327 |
| Exchange swaps registered with CETIP (Contracted by exclusive funds) | Jan/07 | US\$ 203.428 thousand | (R\$4.556) |
| | Feb/06 | US\$ 880.000 thousand | (R\$15.662) |

(*) Refers to non cash swap which, at the end of the contract, the counterpart shall remunerate at the variation of equity assets, in as much the Company's subsidiary, CSN Steel, undertakes to remunerate the same reference updated value at the pre-fixed rate of 7.5% per annum

Market value

The amounts presented as market value were calculated according to the conditions that were used in local and foreign markets at December 31, 2005, for financial transactions with similar features, such as: volume of the transaction and rates and maturity dates.

Mathematical methods are used presuming there is no arbitrage between the markets and the financial assets. Finally, all the transactions carried out in non-organized markets (over-the-counter market) are contracted with financial institutions previously approved by the Company's Board of Directors.

15. COLLATERAL SIGNATURE AND GUARANTEES

With respect to its wholly owned and jointly-owned subsidiaries, the Company has expressed in their original currency - the following responsibilities, in the amount of R\$5,271.8 million, for guarantees provided:

| In millions | | | | | |
|-----------------------|----------|--------------|-------------|--------------------------|--|
| Companies | Currency | 2005 | 2004 | Maturity | Conditions |
| CFN | R\$ | 18,0 | 18,0 | Indeterminate | BNDES loan guarantees |
| CFN | R\$ | 23,0 | 23,0 | Indeterminate | BNDES loan guarantees |
| CFN | R\$ | 24,0 | 24,0 | 13/11/2009 | BNDES loan guarantees |
| CFN | R\$ | 20,0 | | Indeterminate | BNDES loan guarantees |
| CFN | R\$ | 19,2 | | Indeterminate | BNDES loan guarantees |
| CFN | R\$ | 50,0 | | Indeterminate | BNDES loan guarantees |
| Cia. Metalic Nordeste | R\$ | 4,8 | 4,8 | 15/5/2008 | Promissory notes/guarantee given to Banco Santos referring to contracts for the financing of equipment |
| Cia. Metalic Nordeste | R\$ | 7,2 | 7,2 | 27/01/2003 to 30/01/2006 | Promissory notes/guarantee given to BEC Provin and ABC Brasil referring to working capital contracts |
| CSN Cimentos | R\$ | 27,0 | | 22/6/2006 | Guarantee for execution of outstanding debt with INSS |
| INAL | R\$ | 3,6 | 3,6 | 15/04/2006 | Personal guarantee in equipment financing |
| INAL | R\$ | 2,8 | | Indeterminate | Suretyship in guarantee for tax foreclosure |
| INAL | R\$ | 6,1 | | Indeterminate | Suretyship in guarantee for tax foreclosure |
| INAL | R\$ | 0,7 | | Indeterminate | Suretyship in guarantee for tax foreclosure |
| Fundação CSN | R\$ | 0,7 | | Indeterminate | Suretyship in guarantee for tax foreclosure |
| Exclusive Fund | R\$ | 50,0 | | 4/1/2006 | Suretyship in guarantee for transaction margins at the BM&F |
| Total in R\$ | | 257,1 | 80,6 | | |
| CSN Iron | US\$ | 79,3 | 79,3 | 1/6/2007 | Promissory note of Eurobond operation |
| CSN Islands VII | US\$ | 275,0 | 275,0 | 12/09/2008 | Guarantee by CSN in Bond issuance |
| CSN Islands VIII | US\$ | 550,0 | 550,0 | 16/12/2013 | Guarantee by CSN in Bond issuance |
| CSN Islands IX | US\$ | 450,0 | 200,0 | 15/1/2015 | Guarantee by CSN in Bond issuance |
| CSN Islands X | US\$ | 750,0 | | Perpetual | Guarantee by CSN in Bond issuance |
| CSN Steel | US\$ | 20,0 | 20,0 | 29/10/2009 | Guarantee by CSN in Promissory Notes Issuance |
| INAL | US\$ | 1,4 | 1,4 | 26/3/2008 | Personal guarantee in equipment financing |
| Sepetiba Tecon | US\$ | 16,7 | 33,5 | 15/9/2012 | Personal guarantee for the acquisition of equipment and |

implementation of terminal

| | | |
|----------------------|----------------|----------------|
| Total in US\$ | 2.142,4 | 1.159,2 |
|----------------------|----------------|----------------|

16. CONTINGENT LIABILITIES AND JUDICIAL DEPOSITS

The Company is currently party to several administrative and court proceedings involving different actions, claims and complaints. Details on the amounts provisioned and their respective judiciary deposits related to those claims are shown below:

| | 2005 | | 2004 | |
|-----------------------|-------------------|----------------------|-------------------|----------------------|
| | Judicial deposits | Contingent liability | Judicial deposits | Contingent liability |
| Labor | 17,618 | 27,170 | 19,324 | 96,967 |
| Civil | 9,544 | 13,281 | 4,749 | 89,860 |
| Environmental | 138 | 24,062 | | 62 |
| Tax | 614,027 | 3,168,892 | 536,392 | 2,151,871 |
| Parent Company | 641,327 | 3,233,405 | 560,465 | 2,338,760 |
| Consolidated | 672,996 | 3,311,558 | 589,203 | 2,456,449 |
| Short Term | | 40,341 | | 15,051 |
| Long Term | 641,327 | 3,193,064 | 560,465 | 2,323,709 |
| Parent Company | 641,327 | 3,233,405 | 560,465 | 2,338,760 |
| Short Term | | 45,881 | | 17,149 |
| Long Term | 672,996 | 3,265,677 | 589,203 | 2,439,300 |
| Consolidated | 672,996 | 3,311,558 | 589,203 | 2,456,449 |

The provision for contingencies estimated by the Company's Management was substantially based on the appraisal of its tax and legal advisors. Such provision is only recorded for lawsuits classified as probable losses. Additionally, it includes tax liabilities stemming from actions taken by Company's initiative, which are maintained and increased by Selic interest rates.

The Company is defending itself in other judicial and administrative proceedings (labor, civil and tax) in the approximate amount of R\$1 billion. According to the Company's legal counsel, there is a possible risk of losing these lawsuits, and therefore they were not provisioned in accordance with accounting practices adopted in Brazil.

a) Labor litigation dispute:

As of December 31, 2005 CSN was defendant in 7,232 labor claims (5,385 claims in 2004), which required a provision in the amount of R\$27,170 (R\$96,967 in 2004). Most of the lawsuits are related to joint and/or subsidiary responsibility, wages equalization, additional payment for unhealthy and hazardous activities, overtime and differences related to the 40% fine over FGTS (severance pay), and due to government's economic policies.

The approximate R\$70,000 reduction in the provisions for labor contingencies, recorded under other operating income/expenses substantially refers to the revision of the likelihood of success in several labor disputes carried out by the Company's internal and external legal counsel, as well as to the recent favorable track record in related disputes.

The increase in labor claims as from 2004 is due to the request for the difference of the 40% fine on the FGTS deposited amounts, in view of the understated inflation imposed by economic plans. The matter is still controversial, pending a uniform understanding.

The lawsuits related to subsidiary responsibility are originated from the non-payment by the contracted companies of their labor obligations, which results in the inclusion of CSN in the lawsuits, as defendant, to honor on a subsidiary basis the payment of such obligations.

The lawsuits originated from subsidiary responsibility have been decreased due to the procedures adopted by the Company in order to inspect and assure compliance with the wages and social charges payments, through the creation of the Contract Follow-up Centers since 2000.

b) Civil Actions:

These are, mainly, claims for indemnities among the civil judicial processes in which the Company is involved. Such proceedings, in general, are originated from occupational accident and diseases related to industrial activities of the Company. For all these disputes, as of December 31, 2005, the Company accrued the amount of R\$13,281 (R\$89,860 in 2004).

The approximate R\$77,000 reduction in the provision for civil action contingencies, recorded under other operating income/expenses substantially refers to the revision of the likelihood of success in several civil disputes carried out by the Company's internal and external legal counsel, as well as to the recent favorable track record in related disputes.

c) Environmental Actions:

As of December 31, the Company recorded a provision of R\$24,062 (R\$62 in 2004) for investment in environmental recovery expenditures.

d) Tax Litigation Dispute:

Income Tax and Social Contribution

(i) The Company claims recognition of the financial and tax effects on the calculation of the income tax and social contribution on net income, related to Consumer Price Index - IPC understated inflation, which occurred in January and February 1989, by a percentage of 51.87% (Plano Verão).

In December 2004, the proceeding reached its conclusion and judgment was made final and unappealable, granting to CSN the right to apply the index of 42.72% (Jan/89), of which the 12.15% already applied should be deducted. The application of 10.14% (Feb/89) was deferred. The proceeding is now under accounting inspection.

As of December 31, 2005 the Company has recorded R\$361,928 (R\$361,928 in 2004) as judicial deposit and a provision of R\$60,573 (R\$60,573 in 2004), which represents the portion not recognized by the courts.

(ii) In February 2003, the tax authorities assessed the Company for the calculation of prior years - IRPJ and CSL for compensating taxable losses over the limit of 30% of taxable income as provided for by law. On August 21, 2003 a decision was rendered by the 2nd Panel of the Federal Revenue Office in Rio de Janeiro that cancelled such tax assessment, being the Company assessed again, by the tax authorities, for the same matter, in November 2003. The Company filed a refutation of this assessment notice and since that date no significant progress has been made. CSN is waiting for the administrative phase trial.

In 2005, the Company reversed part of the provision in the amount of R\$218,000, being R\$138,000 recorded under interest expenses, fines and taxes and R\$80,000 recorded under Income taxes

expenses, in arrears due to the revision of the likelihood of success of some items from the second tax assessment, based on the judgment and opinion of its external legal counsel. The provision related to items remaining from the second tax assessment amounts to R\$193,218, (R\$383,146 in 2004), which includes legal charges.

(iii) The Company filed an action questioning the assessment of Social Contribution on Income on export revenues, based on Constitutional Amendment #33/01 and in March 2004 the Company obtained an initial decision authorizing the exclusion of export revenues from said calculation basis, as well as the offsetting of amounts paid on these revenues as from 2001. As of December 31, 2005 the amount of suspended liability and the offset credits based on the referred proceedings was R\$547,766 (R\$305,571 in 2004), which includes legal charges.

- PIS/COFINS Lei 9.718/99

CSN is questioning the legality of Law 9,718/99, which increases the PIS and COFINS calculation basis, including the financial revenue of the Company. As of December 31, 2005 provision amounts to R\$292,363 (R\$260,930 in 2004), which includes legal charges

In February 1999 the Company obtained a favorable decision in the lower court. However, the 2nd Regional Federal Court reversed the favorable decision. Later on, the Company appealed against this decision in the Supreme Court of Justice and is currently waiting for trial.

- CPMF

The Company is questioning the CPMF taxation since the promulgation of the Constitutional Amendment 21/99. As of December 31, 2005 provision amounts to R\$370,616 (R\$278,070 in 2004), which includes legal charges.

On August 31, 1999 the Company obtained a favorable decision in the lower court decision and the proceeding is under compulsory re-examination by the 2nd Regional Federal Court. However, we emphasize that the most recent jurisprudence has not been favorable to tax payers.

- CIDE Contribuição de Intervenção no Domínio Econômico

CSN disputes the legal validity of Law 10,168/00, which established the collection of the intervention contribution in the economic domain on the amounts paid, credited or remitted to non-resident beneficiaries, as royalties or remuneration of supply contracts, technical assistance, trademark license agreement and exploration of patents.

The Company recorded court deposits and its corresponding provision in the amount of R\$22,786 as of December 31, 2005 (R\$22,190 in 2004), which includes legal charges.

The lower court decision was unfavorable and the proceeding is currently under judgment at the 2nd Regional Federal Court.

- Education Salary

The Company discussed the unconstitutionality of the Educational-Salary and the possible recovery of the amounts paid in the period from January 5, 1989 to October 16, 1996. The lawsuit was judged unfounded, and the Superior Court maintained its unfavorable decision, judgment made final and unappealable.

In view of this fact, the Company attempted to pay the amount due, and FNDE and INSS did not reach an agreement as to whom the amounts should be paid. A fine was also demanded, to CNS disagreement.

Hence, the Company filed new proceedings to question the doubts relating to whom the collection should be made, as well as if a fine is due or not, and it has deposited in court the amounts due. In the first lawsuit to be judged, the 1st degree sentence was partially in favor of CSN, with the fine being disregarded but not the SELIC rate. We presented counter-arguments to the defendant's appeal and appealed in relation to the SELIC rate. No judgment has been made regarding the other lawsuits.

The provision as of December 31, 2005 amounted to R\$33,121 (R\$33,619 in 2004), which includes legal charges, and excludes the fine related to the voluntary disclosure period.

According to the Company's legal counsel, there is a possible risk of losing, and therefore the Company did not make a provision for the fine related to the voluntary disclosure period, with no judicial deposit of the related amount.

- SAT - Workers Compensation Insurance

The Company understands that it must pay the SAT at the rate of 1% in all of its establishments, and not 3%, as determined by the current legislation. The amount provisioned as of December 31, 2005 totals R\$76,699 (R\$57,891 in 2004), which includes legal charges.

The lower court decision was unfavorable and the proceeding is under judgment of TRF of the 2nd Region. Given the new understanding adopted by the Courts, the Company's lawyers deem as probable the possibility of loss.

- IPI (Excise Tax) presumed credit on inputs

The Company brought an action pleading the right to the IPI presumed credit on the acquisition of exempted, immune, non-taxed inputs, or taxed at zero rate and in May 2003 an initial decision was obtained authorizing the use of said credits. This action is currently waiting for the sentence in lower court.

As of December 31, 2005 the provision related to the total credits already offset and recorded under the Company's liabilities amounted to R\$708,633 (R\$612,322 in 2004), adjusted by the Selic.

- IPI premium credit over exports

The Company brought an action claiming the right to the IPI premium credit on exports from 1992 to 2002 and in March 2003 a favorable decision was obtained authorizing the use of said credits. The Regional Federal Court - Appellate Court maintained the favorable decision. Currently, CSN is waiting for the action to be redirected to the STF/STJ to have the argued appeal filed by the Internal Revenue Service.

As of December 31, 2005, the provision referring to the total of credits already offset amounted to R\$818,242 (R\$99,000 in 2004), adjusted by the Selic.

- Others

The Company also provided for several other lawsuits in respect of FGTS LC 110, PIS/COFINS Manaus Free-Trade Zone, COFINS Law 10,833/03 and PIS Law 10,637 in the amount of R\$44,875 as of December 31, 2005 (R\$38,559 in 2004), which includes legal charges.

17. SHAREHOLDERS EQUITY

i. Paid-in capital stock

On July 7, 2005, at an Extraordinary Annual Meeting, CSN approved the cancellation of 14,849,099 shares held in treasury, with no reduction in the capital stock. The Company's fully subscribed and paid-in capital stock of R\$1,680,947 was then divided in 272,067,946 (286,917,045 in 2004) common book-entry shares, with no par value. Each share is entitled to one vote at the Shareholders' Meetings.

ii. Treasury stocks

O The Board of Directors approved the purchase of the Company's shares to be held in treasury and subsequent sale and/or cancellation as follows:

| Authorization date | Number of shares | Acquisition term | Date | |
|--------------------|------------------|------------------|------------|-------------|
| | | | Start | Termination |
| 4/27/2004 | 4,705,880 | 3 months | 4/28/2004 | 7/29/2004 |
| 7/27/2004 | 7,200,000 | 3 months | 8/2/2004 | 11/1/2004 |
| 10/26/2004 | 6,357,000 | 3 months | 11/12/2004 | 2/11/2005 |
| 12/21/2004 | 5,000,000 | 180 days | 12/22/2004 | 6/19/2005 |
| 5/25/2005 | 15,000,000 | 360 days | 5/26/2005 | 5/26/2006 |

Treasury stocks position as of December 31, 2005 was as follows:

| Number of shares purchased (in units) | Total value paid for shares | Share unit cost | | | Market value of shares on 31/12/2005 |
|---------------------------------------|-----------------------------|-----------------|---------|---------|--------------------------------------|
| | | Minimum | Maximum | Average | |
| 13,885,900 | 637,611 | 35.88 | 50.19 | 45.92 | 698,461 |

While held in treasury, the shares will have no proprietorship or political rights.

iii. Revaluation reserve

This reserve covers revaluations of the Company's fixed assets approved by the Shareholders' Extraordinary General Meeting held December 19, 2002 and April 29, 2003, which were intended for determining adequate amounts for the Company's fixed assets at market value, pursuant to the CVM Deliberation #288, dated December 3, 1998. The objective of such procedure is for the financial statements to reflect assets value closer to their replacement value.

Pursuant to the provisions of CVM Deliberation #273, as of August 20, 1998, a provision for deferred social contribution and income tax was set up based on the balance of the revaluation reserve (except land), classified as a long-term liability.

The realized portion of the revaluation reserve, net of income tax and social contribution, is included for purposes of calculating the mandatory minimum dividend.

iv. Ownership structure

As of December 31, 2005, the capital was comprised as follows:

| | Number of shares | |
|--|--------------------|----------------|
| | Common | % |
| Vicunha Siderurgia S.A. | 116,286,665 | 45.04% |
| BNDESPAR | 17,085,986 | 6.62% |
| Caixa Beneficente dos Empregados da CSN - CBS | 11,831,289 | 4.58% |
| Several (ADR - NYSE) | 49,167,213 | 19.04% |
| Other shareholders (approximately 10 thousand) | 63,810,893 | 24.72% |
| Outstanding shares | 258,182,046 | 100.00% |
| Treasury stocks | 13,885,900 | |
| Total shares | 272,067,946 | |

v. Investment policy and payment of interest on own capital/dividends

On December 13, 2000, CSN's Board of Directors decided to adopt a policy of profit distribution, which, by observing the provisions of Law 6,404/76, altered by Law 9,457/97 implies the distribution of all the Company's net profit to the shareholders, as long as the following priorities are preserved irrespective of their order: (i) corporate strategy, (ii) compliance with obligations, (iii) making the necessary investments and (iv) maintenance of a good financial situation of the Company.

18. DIVIDENDS AND INTEREST ON OWN CAPITAL

The Bylaws ensures a minimum annual dividend corresponding to 25% of the net income determined pursuant to the corporate law. However, Management is proposing to distribute the amount higher than the ensured one, as shown as follows:

| | 2005 |
|---|------------------|
| Net Income for the period | 1,878,758 |
| Realization of revaluation reserve, net of income tax and social contribution | 245,525 |
| Investment reserve appropriation | (637,611) |
| Cancellation of treasury stocks | (162,585) |
| Basic Net Income for dividends determination | 1,324,087 |
| - Minimum mandatory dividends | 331,022 |
| - Proposed dividends superior to minimum mandatory | 733,661 |
| - Proposed interest on own capital | 259,404 |
| Proposed dividends and interest on own capital | 1,324,087 |

The calculation of interest on own capital is based on the change in the Long-Term Interest Rates over shareholders equity, limited to 50% of the income for the year before income tax or 50% of accrued profits and profit reserves, and the higher between two limits may be used, pursuant to the prevailing laws.

In compliance with CVM Deliberation 207, as of December 31, 1996, and fiscal rules, the Company opted to record the interest on own capital in the amount of R\$259,404 in 2005, corresponding to the compensation of R\$1.00473 per share, as counter entry of the financial expenses account, and revert it on the same account, therefore, not been shown on the income statement and not generating effects on net income after IRPJ/CSL, except as to the fiscal effects, these recognized under income tax and social contribution. The Company's management shall propose that the amount of interest on own capital be attributed to the mandatory minimum dividend.

19. NET REVENUES AND COST OF GOODS SOLD

| | Parent Company | | | | | |
|-----------------------|--|----------------|--------------------------|--|----------------|-----------------------|
| | 2005 | | | 2004 | | |
| | Tonnes (in thousand) non audited | Net revenue | Cost of Goods Sold | Tonnes (in thousand) non audited | Net revenue | Cost of Goods Sold |
| Domestic Market | 2,939 | 5,632,356 | 2,630,265 | 3,355 | 5,735,535 | 2,798,861 |
| Foreign Market | 1,647 | 2,078,460 | 1,552,832 | 1,297 | 1,995,509 | 1,041,366 |
| Steel Products | 4,586 | 7,710,816 | 4,183,097 | 4,652 | 7,731,044 | 3,840,227 |
| Domestic Market | | 441,308 | 252,670 | | 372,781 | 212,224 |
| Foreign Market | | 21,853 | 13,158 | | 30,667 | 10,582 |
| Other Sales | | 463,161 | 265,828 | | 403,448 | 222,806 |
| | 4,586 | 8,173,977 | 4,448,925 | 4,652 | 8,134,492 | 4,063,033 |

| | Consolidated | | | | | |
|-----------------------|--|----------------|--------------------------|--|----------------|-----------------------|
| | 2005 | | | 2004 | | |
| | Tonnes (in thousand) non audited | Net revenue | Cost of Goods Sold | Tonnes (in thousand) non audited | Net revenue | Cost of Goods Sold |
| Domestic Market | 2,875 | 5,822,785 | 2,425,575 | 3,297 | 5,837,565 | 2,633,503 |
| Foreign Market | 1,989 | 3,067,065 | 2,327,893 | 1,447 | 2,888,112 | 1,700,231 |
| Steel Products | 4,864 | 8,889,850 | 4,753,468 | 4,744 | 8,725,677 | 4,333,734 |
| Domestic Market | | 1,062,873 | 701,637 | | 970,949 | 652,938 |
| Foreign Market | | 84,864 | 13,158 | | 102,943 | 10,572 |
| Other Sales | | 1,147,737 | 714,795 | | 1,073,892 | 663,510 |
| | 4,864 | 10,037,587 | 5,468,263 | 4,744 | 9,799,569 | 4,997,244 |

20. CONSOLIDATED REVENUES AND INCOME BY BUSINESS SEGMENT

The disclosure by business segment followed the concept suggested by CVM, providing the means to evaluate the performance in all of the Company business segments.

| | 2005 | | | |
|---|------------------------|---------------|---------------------------------|------------------|
| | Steel and Corporate | Mining | Logistics, Energy and Cement | Total |
| Net revenues from sales | 9,181,470 | 209,107 | 647,010 | 10,037,587 |
| Cost of goods and services sold | (4,916,953) | (113,058) | (438,252) | (5,468,263) |
| Gross income | 4,264,517 | 96,049 | 208,758 | 4,569,324 |
| Operating Income (Expenses) | | | | |
| Selling | (566,606) | | (10,620) | (577,226) |
| Administrative | (260,820) | (597) | (61,094) | (322,511) |
| Other operating expenses, net | (948) | 53 | 29,621 | 28,726 |
| | (828,374) | (544) | (42,093) | (871,011) |
| Net financial result | (846,736) | (41) | (46,877) | (893,654) |
| Exchange and monetary variation, net | 136,907 | | (4,427) | 132,480 |
| Equity accounting | (55,170) | | | (55,170) |
| Operating Income | 2,671,144 | 95,464 | 115,361 | 2,881,969 |
| Non-operating results | (6,933) | | (439) | (7,372) |
| Income before income tax and social contribution | 2,664,211 | 95,464 | 114,922 | 2,874,597 |
| Income tax and social contribution | (796,133) | (32,457) | (40,725) | (869,315) |
| Net income for the period | 1,868,078 | 63,007 | 74,197 | 2,005,282 |

21. FINANCIAL RESULTS AND MONETARY AND FOREIGN EXCHANGE VARIATIONS, NET

| | Parent company | | Consolidated | |
|---|----------------|-------------|--------------|-------------|
| | 2005 | 2004 | 2005 | 2004 |
| Financial expenses: | | | | |
| Loans and financings - foreign currency | (232,828) | (227,288) | (783,861) | (639,546) |
| Loans and financings - Brazilian currency | (167,853) | (239,516) | (173,756) | (235,773) |
| Transactions with subsidiaries | (278,506) | (404,364) | | |
| PIS/COFINS on financial revenues | (33,058) | (40,264) | (33,698) | (28,034) |
| interest, fines and interest on arrears (fiscal) | (110,898) | (34,775) | (119,704) | (39,851) |
| CPMF | (92,571) | (90,400) | (107,051) | (100,508) |
| Exchange swap | (555,423) | (328,092) | (60,017) | (228,525) |
| Other financial expenses | (15,157) | (20,731) | (139,443) | (69,138) |
| | (1,486,294) | (1,385,430) | (1,417,530) | (1,341,375) |
| Financial revenues | | | | |
| Transactions with subsidiaries | | 55,137 | | |
| Yield on marketable securities, net of provision for losses | 147,577 | 14,885 | 346,473 | 91,845 |
| Other income | 104,672 | 46,132 | 177,403 | 98,666 |
| | 252,249 | 116,154 | 523,876 | 190,511 |
| Net financial income | (1,234,045) | (1,269,276) | (893,654) | (1,150,864) |
| Monetary variation | | | | |
| - Assets | 1,485 | 12,342 | 2,757 | 12,931 |
| - Liabilities | (14,773) | (49,195) | (19,045) | (83,679) |
| | (13,288) | (36,853) | (16,288) | (70,748) |
| Exchange Variations | | | | |
| - Assets | (100,450) | (154,620) | (309,135) | (48,230) |
| - Liabilities | 1,037,268 | 732,225 | 457,903 | 460,544 |
| - Amortization of deferred foreign exchange variation | | (103,179) | | (112,616) |
| | 936,818 | 474,426 | 148,768 | 299,698 |
| Monetary and exchange variations, net | 923,530 | 437,573 | 132,480 | 228,950 |

22. NON-OPERATING REVENUES (EXPENSES)

On December 31, 2005, the non-operating net result of the parent company totaled an expense of R\$6,292 (R\$17,694 in 2004), and the consolidated net result an expense of R\$7,372 (R\$1,228 in 2004), mainly comprised by write-off of property, plant and equipment and provision for losses of these assets.

23. STATEMENT OF VALUE-ADDED (PARENT COMPANY)

| | R\$ million | |
|---|----------------|----------------|
| | 2005 | 2004 |
| Revenue | | |
| Sales of products and services | 10,080 | 10,089 |
| Allowance for doubtful accounts | (4) | 32 |
| Non-operating results | (6) | (18) |
| | 10,070 | 10,103 |
| Input purchased from third parties | | |
| Raw material used up | (2,241) | (2,057) |
| Cost of goods and services | (1,025) | (998) |
| Materials, energy, third-party services and other | (319) | (510) |
| | (3,585) | (3,565) |
| Gross value-added | 6,485 | 6,538 |
| Retention | | |
| Depreciation, amortization and depletion | (783) | (716) |
| Net produced value-added | 5,702 | 5,822 |
| Value-added transferred | | |
| Equity pick-up | (375) | 424 |
| Financial income/Exchange variation | (402) | (354) |
| | (777) | 70 |
| Total value-added to distribute | 4,925 | 5,892 |
| VALUE-ADDED DISTRIBUTION | | |
| Staff and charges | 485 | 440 |
| Taxes, charges and contributions | 2,688 | 2,867 |
| Interest and exchange variation | (127) | 196 |
| Interest on own capital/dividends | 1,324 | 2,303 |
| Retained earnings in the period | 555 | 86 |
| | 4,925 | 5,892 |

24. EMPLOYEES PENSION FUND

(i) Private Pension Administration

The Company is the principal sponsor of the CSN employees' pension fund ("Caixa Beneficente dos Empregados da CSN - CBS), a private non-profit pension fund established in July 1960, main purpose of which is to pay supplementary benefits to those of the official Pension Plan. CBS congregates CSN employees, of CSN related companies and the entity itself, provided they sign the adhesion agreement.

(ii) Characteristics of the plans

CBS has three benefit plans, as follows:

35% of average salary plan

It is a defined benefit plan (BD), which began on 02/01/1966, for the purpose of paying retirements (related to length of service, special, disability or old age) on a life-long basis, equivalent to 35% of the participant's salaries for the 12 last salaries. The plan also guarantees the payment of sickness assistance to the licensed by the Official Pension Plan (Previdência Oficial). It also guarantees the payment of funeral grant and pension. The participants (active and retired) and the sponsors make 13 contributions per year, being the same number of benefits paid per year. This plan is in the process of extinction, and became inactive on 10/31/1977, when the new benefit plan began.

Supplementary average salary plan

It is a defined benefit plan (BD), which began on 11/01/1977. The purpose of this plan is to complement the difference between the 12 last average salaries and the Official Pension Plan (Previdência Oficial) benefit, to the retired, and also on a life-long basis. As with the 35% Average Salary Plan, there is sickness assistance, funeral grant and pension coverage. Thirteen contributions and payment of benefits are made per year. It became inactive on 12/26/1995, because of the combined supplementary benefits plan creation.

Combined supplementary benefit plan

This plan began on 12/27/1995. It is a mixed plan, being a Defined Contribution (CD), related to the retirement and a defined benefit (BD), in relation to other risk benefits (pension in activity, disability and sickness benefit). In this plan, the retirement benefit is calculated based on the sponsor and participants contributions, totaling 13 per year. Upon retirement of the participant, the plan becomes a defined benefit plan and 13 benefits are paid per year.

As of December 31, 2005 and 2004, the plans are presented as follows:

| | 2005 | 2004 |
|---|---------------|---------------|
| Members | 18,933 | 18,582 |
| In activity | 7,972 | 7,411 |
| Retired employees | 10,961 | 11,171 |
| Distribution of members by benefit plan: | | |
| 35% of Average Salary Plan | 5,587 | 5,793 |
| Active | 16 | 20 |
| Beneficiaries | 5,571 | 5,773 |
| Supplementary Average Salary Plan | 5,051 | 5,132 |
| Active | 45 | 63 |
| Beneficiaries | 5,006 | 5,069 |
| Combined Supplementary Benefits Plan | 8,295 | 7,657 |
| Active | 7,911 | 7,328 |
| Beneficiaries | 384 | 329 |
| Linked beneficiaries: | 5,397 | 5,449 |
| 35% of average salary plan | 4,110 | 4,207 |
| Supplementary average salary plan | 1,227 | 1,192 |
| Combined supplementary benefits plan | 60 | 50 |
| Total members (beneficiaries) | 24,330 | 24,031 |

(iii) Actuarial liability

On January 25, 1996, the Supplementary Social Security Secretariat (Secretaria de Previdência Complementar - SPC), through letter #55 SPC/CGOF/COJ approved a proposal to equalize the insufficiency of reserves based on the value determined on September 30, 1995, monetarily updated to December 31, 1995.

Through an official letter 1555/SPC/GAB/COA, of August 22, 2002, confirmed by official letter 1598/SPC/GAB/COA of August 28, 2002 a new proposal was approved for refinancing of reserves to amortize the sponsors responsibility in 240 monthly and successive installments, monetarily indexed (INPC + 6% p.a.), starting June 28, 2002.

The agreement also foresees the installments anticipation in case of cash necessity in the defined benefit plan and the incorporating to the updated debit balance the eventual deficits/surplus under the sponsors responsibility, so as to preserve the plans balance without exceeding the maximum period of amortization provided for by the agreement.

(iv) Actuarial Liabilities

As provided by CVM Deliberation 371, as of December 13, 2000, approving the NPC 26 of IBRACON Employee s Benefit Accounting that established new calculation and disclosure accounting practices, the Company s management and its external actuaries calculated the assessment of the effects arising from this practice, in conformity with the report dated January 10, 2006.

| | Plans | | | |
|---|-----------------------------|------------------------------------|---------------------------------------|-------------|
| | 35% of Average Salary | Supplementary Average Salary | Combined Supplementary Benefits | Total |
| Secured actuarial liabilities present value | 261,781 | 1,017,436 | 575,771 | 1,854,988 |
| Plan assets fair value | (143,266) | (585,112) | (639,950) | (1,368,328) |
| Actuarial liabilities present value net of assets fair value | 118,515 | 432,324 | (64,179) | 486,660 |
| Allowed deferred adjustments | (64,123) | (224,836) | 37,739 | (251,220) |
| - Unrecognized actuarial gains | (51,980) | (187,547) | 13,536 | (225,991) |
| - Unrecognized past service cost | | | 22,264 | 22,264 |
| - Assets (Liabilities) increase on the adoption of unrecognized pronouncement | (12,143) | (37,289) | 1,939 | (47,493) |
| Present value of the members' amortizing contributions | (5,666) | (19,594) | | (25,260) |
| Actuarial liability / (asset) | 48,726 | 187,894 | (26,440) | 210,180 |
| Accrued actuarial liabilities / (asset) - Long Term Liability/Other | 48,726 | 187,894 | (13,220) | 223,400 |

Actuarial Liability Recognition

The Company's Administration decided to recognize the actuarial liability adjustment in the results for the period of five years, from January 1, 2002, being appropriated in 2005 the amount of R\$22,832 (R\$63,853 in 2004), in accordance with paragraphs 83 and 84 of NPC 26 of IBRACON approved by the CVM Deliberation 371/2000, which, added to related disbursements, totaled R\$100,042 (R\$129,903 in 2004).

With respect to the recognition of the actuarial liability, the amortizing contribution related to the amount for the participants for determination of the reserve insufficiency was deducted from the present value of total actuarial obligation of the respective plans. A number of participants are disputing in court this amortizing contribution; the Company, however, based on its legal and actuarial advisers understands that such amortizing contribution was duly approved by the Complementary Social Security - SPC and consequently, is legally due by the participants.

In addition, in the case of Plano Milênio (Mixed Plan of Supplementary Benefit), of defined contribution, which shows net asset and where the sponsor's contribution corresponds to an equal counterpart of the participants contribution, the understanding of the actuary is that up to 50% of the net actuarial asset may be used for reduction of the sponsor's contribution. As a result, the sponsor opted for recognizing 50% of such asset on its books, in the amount of R\$13,220 in 2005 (R\$8,723 in 2004).

Pursuant to the actuarial calculation prepared by the projected credit unit method, the amounts to appropriate in 2006 are shown as follows:

ESTIMATES BY PLAN - 2006

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| | 35% of Average Salary | Supplementary Average Salary | Combined Supplementary Benefits | Total |
|---|--------------------------|---------------------------------|---------------------------------------|------------------|
| Current service cost | (28) | (364) | (2,387) | (2,779) |
| Expected members contribution | 9 | 166 | | 175 |
| Interest on actuarial liability | (27,417) | (107,865) | (6,044) | (141,326) |
| Expected assets yield | 15,320 | 63,683 | 13,296 | 92,299 |
| Amortization cost | (17,118) | (50,586) | 3,102 | (64,602) |
| - Unrecognized actuarial gain or loss | (4,975) | (13,297) | 72 | (18,200) |
| - Unrecognized service cost | | | 1,091 | 1,091 |
| - Increase on (liabilities) assets on the unrecognizable pronouncement adoption | (12,143) | (37,289) | 1,939 | (47,493) |
| Impact on Results | (29,234) | (94,966) | 7,967 | (116,233) |

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The defined contributions of the sponsor of the mixed plan of supplementary benefit are estimated at R\$11,576 for next year.

Main actuarial assumptions adopted in the actuarial liability calculation

| | |
|---|---|
| Methodology used | Projected credit unit method |
| Nominal discount rate for actuarial liability | 11.3% p.a. (6% actual and 5% inflation) |
| Expected yield rate over plan assets | 11.3% p.a.(6% actual and 5% inflation) |
| Estimated salary increase index | INPC + 1% (6.05%) |
| Estimated benefits increase index | INPC + 0% (5.00%) |
| Estimated inflation rate in the long-term | INPC + 0% (5.00%) |
| Biometric table of overall mortality | UP94 with 2 years of severity and separated by sex for the BD plans and without aggravation for the CD plan |
| Biometric table for disability | Winklevoss |
| Expected turnover rate | 2% p.a. |
| Probability of starting retirement | 100% in the first eligibility to a full benefit by the Plan |

CSN does not have obligations on other after-labor benefits.

25. INSURANCE

In view of the nature of its operations, CSN renewed with effectiveness until November 21, 2006 the policy of operating risk insurance - type "All Risks" for the Steelworks Presidente Vargas, Mineração de Casa de Pedra, Mineração de Arcos, Paraná branch, Terminal de Carvão-Tecar, Terminal de Contêineres-Tecon and GalvaSud, in the amount in total risk of US\$8.7 billion (property damages and loss of profit), equivalent to R\$20.3 billion and the maximum indemnity amount, in case of accident, of US\$750 million (property damages and loss of profit), equivalent to R\$1.8 billion.

For the subsidiaries INAL, INAL Nordeste and non-industrial places, the policies of named risks with amount in total risk of US\$437 million, equivalent to R\$1.0 billion and maximum indemnity limit of US\$94 million (property damages and loss of profit), equivalent to R\$220 million, were renewed with effectiveness until November 21, 2006 and the subsidiary METALIC with effectiveness until November 4, 2006.

The transportation insurance of goods and products in the Brazilian territory, international transportation insurance (imports and exports), life insurance in group of employees, as well as port civil liability and general civil liability insurance were renewed.

26. ADMINISTRATORS COMPENSATION

The administrators fees were determined by the Annual General Meeting, on April 29, 2005, in the annual global amount of R\$30,000 (R\$28,000 in 2004). The amount of R\$14,209 (R\$14,252 in 2004) was appropriated in general and administrative expenses during the year ended on December 31, 2005.

27. SUBSEQUENT EVENTS

Blast furnace III accident

In January 22, 2006, there was an accident in the powder collecting system of the equipment Blast Furnace number 3, temporarily stopping its operation. From the rolling the production is being made normally with the use of the inventory of 240 thousand tonnes of plates and the production of the blast furnace number 2.

The Company has an insurance policy for loss of profit and equipment in the maximum amount of US\$ 750 million. Management believes that these amounts are sufficient to recover any losses arising from the accident.

The Company is making all the effort so that the equipment starts operating again as soon as possible.

Prepayment of dividends

On January 31, 2006, the Company's Board of Directors approved at an extraordinary meeting the prepayment of dividend, referring to the year ended on December 31, 2005, in the amount of R\$936,815 corresponding to R\$3.6393 per share of the capital stock. The prepayment was included in the proposal of appropriation of the income for 2005 and will be submitted for approval at the Annual General Meeting.

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SIGNATURE

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

Date: May 5, 2006

COMPANHIA SIDERÚRGICA NACIONAL

By: /s/ Benjamin Steinbruch

**Benjamin Steinbruch
Chief Executive Officer and
Acting Chief Financial
Officer**

FORWARD-LOOKING STATEMENTS

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