

NATIONAL STEEL CO  
Form 6-K  
November 10, 2005

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**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 6-K**

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

**For the month of November, 2005**

**Commission File Number 1-14732**

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**COMPANHIA SIDERÚRGICA NACIONAL**

(Exact name of registrant as specified in its charter)

**National Steel Company**

(Translation of Registrant's name into English)

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

(Address of principal executive office)

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

Form 20-F  Form 40-F

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

Yes  No

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**(CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)****FEDERAL PUBLIC SERVICE****CVM BRAZILIAN SECURITIES AND EXCHANGE COMMISSION**

Accounting Practices

Date:

Adopted in

**QUARTERLY INFORMATION ITR**

09/30/2005

Brazil

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

**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<br><b>00403-0</b>                   | 2 - COMPANY NAME<br><b>COMPANHIA SIDERÚRGICA NACIONAL</b> | 3 - CNPJ (Corporate Taxpayer s ID)<br><b>33.042.730/0001-04</b> |
| 4 - NIRE (Corporate Registry ID)<br><b>15910</b> |   |   |

**01.02 - HEAD OFFICE**

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

**01.03 - INVESTOR RELATIONS OFFICER (Company Mailing Address)**

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

15 - E-MAIL  
invrel@csn.com.br

**01.04 - ITR REFERENCE AND AUDITOR INFORMATION**

| CURRENT YEAR  |            | CURRENT QUARTER |                  |           | PREVIOUS QUARTER  |                  |           |
|---|------------|-----------------|------------------|-----------|---|------------------|-----------|
| 1 -<br>BEGINNING  | 2. END     | 3 -<br>QUARTER  | 4 -<br>BEGINNING | 5 - END   | 6 -<br>QUARTER  | 7 -<br>BEGINNING | 8 - END   |
| 1/01/2005   | 12/31/2005 | 3               | 7/01/2005        | 9/30/2005 | 2   | 4/01/2005        | 6/30/2005 |
| 09 - INDEPENDENT ACCOUNTANT<br>DELOITTE TOUCHE TOHMATSU AUDITORES INDEPENDENTES |            |                 |                  |           | 10 - CVM CODE<br>00385-9  |                  |           |
| 11. TECHNICIAN IN CHARGE<br>JOSÉ CARLOS MONTEIRO                                |            |                 |                  |           | 12 TECHNICIAN S CPF<br>(INDIVIDUAL TAXPAYER S ID)<br>443.201.918-20 |                  |           |

**01.05 - CAPITAL STOCK**

| Number of Shares<br>(in thousands) | 1 - CURRENT QUARTER<br>9/30/2005 | 2 - PREVIOUS QUARTER<br>6/30/2005 | 3 - SAME QUARTER,<br>PREVIOUS YEAR<br>9/30/2004 |
|------------------------------------|----------------------------------|-----------------------------------|---|
| <b>Paid-in Capital</b>             |                                  |                                   |   |
| 1 Common                           | 272,068                          | 286,917                           | 286,917   |
| 2 Preferred                        | 0                                | 0                                 | 0   |
| 3 Total                            | 272,068                          | 286,917                           | 286,917   |
| <b>Treasury Stock</b>              |                                  |                                   |   |
| 4 Common                           | 7,637                            | 16,759                            | 4,748   |
| 5 Preferred                        | 0                                | 0                                 | 0   |
| 6 Total                            | 7,637                            | 16,759                            | 4,748   |

**01.06 - COMPANY PROFILE**

|   |
|---|
| 1 - TYPE OF COMPANY<br>Commercial, Industrial and Other                   |
| 2 STATUS<br>Operational   |
| 3 - NATURE OF OWNERSHIP<br>Private National                               |
| 4 - ACTIVITY CODE<br>106 Metallurgy and Steel Industry                    |
| 5 - MAIN ACTIVITY<br>Manufacturing, transf. and trading of steel products |
| 6 - CONSOLIDATION TYPE<br>Total   |
| 7 - TYPE OF REPORT OF INDEPENDENT AUDITORS<br>Unqualified                 |

**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 APPROVED AND/OR PAID DURING AND AFTER THE QUARTER**

| 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          | Common            | 7.3517000000         |
| 02       | AGO       | 04/29/2005   | Interest on Own Capital | 06/14/2005          | Common            | 0.8675400000         |



**01.09 - SUBSCRIBED CAPITAL AND CHANGES IN THE CURRENT YEAR**

| 1 - ITEM | 2 - DATE OF CHANGE | 3 - CAPITAL STOCK<br>(In thousands of reais) | 4 - AMOUNT OF CHANGE<br>(In thousands of reais) | 5 - NATURE OF CHANGE | 7 - NUMBER OF SHARES ISSUED<br>(thousand) | 8 - SHARE PRICE WHEN ISSUED<br>(in reais) |
|----------|--------------------|--|---|----------------------|---|---|
|----------|--------------------|--|---|----------------------|---|---|

**01.10 - INVESTOR RELATIONS OFFICER**

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

**02.01 - BALANCE SHEET - ASSETS (in thousands of reais)**

| <b>1-Code</b> | <b>2- Description</b>                          | <b>3- 09/30/2005</b> | <b>4- 06/30/2005</b> |
|---------------|--|----------------------|----------------------|
| 1             | Total Assets                                   | 23,972,993           | 24,765,439           |
| 1.01          | Current Assets                                 | 5,097,176            | 5,861,851            |
| 1.01.01       | Cash   | 27,714               | 56,421               |
| 1.01.02       | Credits  | 1,834,748            | 1,809,931            |
| 1.01.02.01    | Domestic Market                                | 906,728              | 972,623              |
| 1.01.02.02    | Foreign Market                                 | 996,959              | 906,074              |
| 1.01.02.03    | Allowance for Doubtful Accounts                | (68,939)             | (68,766)             |
| 1.01.03       | Inventories                                    | 1,339,603            | 1,363,157            |
| 1.01.04       | Other  | 1,895,111            | 2,632,342            |
| 1.01.04.01    | Marketable Securities                          | 1,344,927            | 1,422,357            |
| 1.01.04.02    | Recoverable Income Tax and Social Contribution | 27,706               | 14,721               |
| 1.01.04.03    | Deferred Income Tax                            | 243,795              | 286,739              |
| 1.01.04.04    | Deferred Social Contribution                   | 64,098               | 50,906               |
| 1.01.04.05    | Dividends Receivable                           | 13,743               | 41,219               |
| 1.01.04.06    | Prepaid Expenses                               | 18,281               | 29,155               |
| 1.01.04.07    | Prepaid Income Tax and Social Contribution     | 0                    | 609,169              |
| 1.01.04.08    | Other  | 182,561              | 178,076              |
| 1.02          | Long-Term Assets                               | 1,699,265            | 1,708,892            |
| 1.02.01       | Various Credits                                | 28,323               | 21,664               |
| 1.02.01.01    | Loans Eletrobras                               | 28,323               | 21,664               |
| 1.02.02       | Credit with Related Parties                    | 156,376              | 129,509              |
| 1.02.02.01    | Affiliates                                     | 0                    | 0                    |
| 1.02.02.02    | Subsidiaries                                   | 156,376              | 129,509              |
| 1.02.02.03    | Other Related Parties                          | 0                    | 0                    |
| 1.02.03       | Other  | 1,514,566            | 1,557,719            |
| 1.02.03.01    | Deferred Income Tax                            | 440,401              | 475,729              |
| 1.02.03.02    | Deferred Social Contribution                   | 71,960               | 93,496               |
| 1.02.03.03    | Judicial Deposits                              | 630,193              | 606,640              |
| 1.02.03.04    | Securities Receivables                         | 120,347              | 130,644              |
| 1.02.03.05    | Marketable Securities                          | 125,949              | 125,652              |
| 1.02.03.06    | Recoverable PIS/PASEP                          | 26,812               | 26,261               |
| 1.02.03.07    | Prepaid Expenses                               | 37,305               | 39,567               |
| 1.02.03.08    | Other  | 61,599               | 59,730               |
| 1.03          | Permanent Assets                               | 17,176,552           | 17,194,696           |
| 1.03.01       | Investments                                    | 4,940,010            | 4,998,537            |
| 1.03.01.01    | In Affiliates                                  | 0                    | 0                    |
| 1.03.01.02    | In Subsidiaries                                | 4,940,010            | 4,998,537            |
| 1.03.01.03    | Other Investments                              | 0                    | 0                    |
| 1.03.02       | Property, Plant and Equipment                  | 12,039,679           | 11,998,516           |
| 1.03.02.01    | In Operation, Net                              | 11,590,339           | 11,602,856           |
| 1.03.02.02    | In Construction                                | 305,880              | 253,077              |
| 1.03.02.03    | Land   | 143,460              | 142,583              |

|         |          |         |         |
|---------|----------|---------|---------|
| 1.03.03 | Deferred | 196,863 | 197,643 |
|---------|----------|---------|---------|



**02.02 - BALANCE SHEET - LIABILITIES (in thousands of Reais)**

| <b>1- Code</b> | <b>2- Description</b>               | <b>3- 09/30/2005</b> | <b>4- 06/30/2005</b> |
|----------------|-------------------------------------|----------------------|----------------------|
| 2              | Total Liabilities                   | 23,972,993           | 24,765,439           |
| 2.01           | Current Liabilities                 | 3,974,435            | 4,571,695            |
| 2.01.01        | Loans and Financing                 | 1,496,619            | 1,379,431            |
| 2.01.02        | Debentures                          | 100,916              | 64,608               |
| 2.01.03        | Suppliers                           | 882,933              | 960,837              |
| 2.01.04        | Taxes and Contributions             | 463,113              | 1,251,859            |
| 2.01.04.01     | Salaries and Social Contributions   | 75,011               | 64,774               |
| 2.01.04.02     | Taxes Payable                       | 249,334              | 1,042,827            |
| 2.01.04.03     | Deferred Income Tax                 | 102,035              | 106,072              |
| 2.01.04.04     | Deferred Social Contribution        | 36,733               | 38,186               |
| 2.01.05        | Dividends Payable                   | 183,763              | 116,553              |
| 2.01.06        | Provisions                          | 38,515               | 24,048               |
| 2.01.06.01     | Contingencies                       | 38,515               | 24,048               |
| 2.01.07        | Debt with Related Parties           | 0                    | 0                    |
| 2.01.08        | Other                               | 808,576              | 774,359              |
| 2.01.08.01     | Accounts Payable - Subsidiaries     | 653,326              | 687,388              |
| 2.01.08.02     | Other                               | 155,250              | 86,971               |
| 2.02           | Long-Term Assets                    | 12,391,367           | 12,716,200           |
| 2.02.01        | Loans and Financing                 | 6,056,207            | 6,550,013            |
| 2.02.02        | Debentures                          | 900,000              | 900,000              |
| 2.02.03        | Provisions                          | 4,981,421            | 4,787,306            |
| 2.02.03.01     | Contingencies                       | 2,787,119            | 2,561,332            |
| 2.02.03.02     | Deferred Income Tax                 | 1,613,457            | 1,636,746            |
| 2.02.03.03     | Deferred Social Contribution        | 580,845              | 589,228              |
| 2.02.04        | Debt with Related Parties           | 0                    | 0                    |
| 2.02.05        | Other                               | 453,739              | 478,881              |
| 2.02.05.01     | Provision for Losses in Investments | 57,951               | 80,525               |
| 2.02.05.02     | Accounts Payable - Subsidiaries     | 92,843               | 96,983               |
| 2.02.05.03     | Other                               | 302,945              | 301,373              |
| 2.03           | Deferred Income                     | 0                    | 0                    |
| 2.05           | Shareholders Equity                 | 7,607,191            | 7,477,544            |
| 2.05.01        | Paid-In Capital Stock               | 1,680,947            | 1,680,947            |
| 2.05.02        | Capital Reserve                     | 0                    | 17,319               |
| 2.05.03        | Revaluation Reserve                 | 4,578,566            | 4,640,047            |
| 2.05.03.01     | Parent Company                      | 4,578,566            | 4,640,047            |
| 2.05.03.02     | Subsidiaries/Affiliates             | 0                    | 0                    |
| 2.05.04        | Profit Reserve                      | (7,484)              | 78,301               |
| 2.05.04.01     | Legal                               | 336,189              | 336,189              |
| 2.05.04.02     | Statutory                           | 0                    | 0                    |
| 2.05.04.03     | For Contingencies                   | 0                    | 0                    |
| 2.05.04.04     | Unrealized Income                   | 0                    | 0                    |
| 2.05.04.05     | Income Retentions                   | 0                    | 0                    |

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|               |                                       |           |           |
|---------------|---------------------------------------|-----------|-----------|
| 2.05.04.06    | Special For Non-Distributed Dividends | 0         | 0         |
| 2.05.04.07    | Other Profit Reserve                  | (343,673) | (257,888) |
| 2.05.04.07.01 | From Investments                      | 0         | 487,203   |
| 2.05.04.07.02 | Treasury Stock                        | (343,673) | (745,091) |
| 2.05.05       | Retained earnings/accumulated deficit | 1,355,162 | 1,060,930 |

**03.01 STATEMENT OF INCOME (in thousands of reais)**

| <b>1- Code</b> | <b>2- Description</b>                        | <b>3- 07/01/2005 to<br/>09/30/2005</b> | <b>4- 01/01/2005 to<br/>09/30/2005</b> | <b>5- 07/01/2004 to<br/>09/30/2004</b> | <b>6- 01/01/2004 to<br/>09/30/2004</b> |
|----------------|--|--|--|--|--|
| 3.01           | Gross Revenue from Sales and/or Services     | 2,219,569                              | 8,030,429                              | 2,761,068                              | 7,347,150                              |
| 3.02           | Gross Revenue Deductions                     | (418,926)                              | (1,622,679)                            | (447,589)                              | (1,129,477)                            |
| 3.03           | Net Revenue from Sales and/or Services       | 1,800,643                              | 6,407,750                              | 2,313,479                              | 6,217,673                              |
| 3.04           | Cost of Goods and Services Sold              | (1,075,699)                            | (3,438,714)                            | (1,126,621)                            | (3,248,311)                            |
| 3.04.01        | Depreciation, Depletion and Amortization     | (192,358)                              | (574,716)                              | (172,627)                              | (526,342)                              |
| 3.04.02        | Other  | (883,341)                              | (2,863,998)                            | (953,994)                              | (2,721,969)                            |
| 3.05           | Gross Profit                                 | 724,944                                | 2,969,036                              | 1,186,858                              | 2,969,362                              |
| 3.06           | Operating Income/Expenses                    | (67,618)                               | (723,266)                              | (82,797)                               | (812,346)                              |
| 3.06.01        | Selling                                      | (64,747)                               | (195,389)                              | (67,914)                               | (195,148)                              |
| 3.06.01.01     | Depreciation and Amortization                | (2,007)                                | (6,275)                                | (1,874)                                | (5,481)                                |
| 3.06.01.02     | Other  | (62,740)                               | (189,114)                              | (66,040)                               | (189,667)                              |
| 3.06.02        | General and Administrative                   | (48,722)                               | (156,639)                              | (52,450)                               | (162,367)                              |
| 3.06.02.01     | Depreciation and Amortization                | (3,715)                                | (11,979)                               | (5,599)                                | (16,779)                               |
| 3.06.02.02     | Other  | (45,007)                               | (144,660)                              | (46,851)                               | (145,588)                              |
| 3.06.03        | Financial                                    | 62,253                                 | 212,956                                | (18,171)                               | (829,245)                              |
| 3.06.03.01     | Financial Income                             | (237,615)                              | (492,406)                              | (244,230)                              | 67,138                                 |
| 3.06.03.02     | Financial Expenses                           | 299,868                                | 705,362                                | 226,059                                | (896,383)                              |
| 3.06.03.02.01  | Amortization of Special Exchange Variation   | 0                                      | 0                                      | (25,209)                               | (78,252)                               |
| 3.06.03.02.02  | Foreign Exchange and Monetary Variation, net | 440,908                                | 1,364,301                              | 520,375                                | (15,353)                               |
| 3.06.03.02.03  | Interest expenses, fines and tax arrears     | (141,040)                              | (658,939)                              | (269,107)                              | (802,778)                              |
| 3.06.04        | Other Operating Income                       | 12,311                                 | 17,341                                 | 9,204                                  | 28,027                                 |
| 3.06.05        | Other Operating Expenses                     | 100,883                                | 43,576                                 | (52,994)                               | (107,317)                              |
| 3.06.06        | Equity                                       | (129,596)                              | (645,111)                              | 99,528                                 | 453,704                                |
| 3.07           | Operating Income                             | 657,326                                | 2,245,770                              | 1,104,061                              | 2,157,016                              |
| 3.08           | Non-Operating Income                         | 2,466                                  | (4,017)                                | (9,458)                                | (10,241)                               |

**03.01 - STATEMENT OF INCOME (in thousands of reais)**

| <b>1- Code</b> | <b>2- Description</b>                            | <b>3- 07/01/2005 to<br/>09/30/2005</b> | <b>4- 01/01/2005 to<br/>09/30/2005</b> | <b>5- 07/01/2004 to<br/>09/30/2004</b> | <b>6- 01/01/2004 to<br/>09/30/2004</b> |
|----------------|--|--|--|--|--|
| 3.08.01        | Income   | 1                                      | 3                                      | 2                                      | 5                                      |
| 3.08.02        | Expenses   | 2,465                                  | (4,020)                                | (9,460)                                | (10,246)                               |
| 3.09           | Income before Taxes and Participations           | 659,792                                | 2,241,753                              | 1,094,603                              | 2,146,775                              |
| 3.10           | Provision for Income Tax and Social Contribution | (147,634)                              | (830,194)                              | (282,444)                              | (385,472)                              |
| 3.11           | Deferred Income Tax                              | (49,453)                               | 105,352                                | (93,191)                               | (209,333)                              |
| 3.12           | Statutory Participations/Contributions           | 0                                      | 0                                      | 0                                      | 0                                      |
| 3.12.01        | Participations                                   | 0                                      | 0                                      | 0                                      | 0                                      |
| 3.12.02        | Contributions                                    | 0                                      | 0                                      | 0                                      | 0                                      |
| 3.13           | Reversal of Interest on Own Capital              | 0                                      | 0                                      | 0                                      | 0                                      |
| 3.15           | Net Income (Loss) for the Period                 | 462,705                                | 1,516,911                              | 718,968                                | 1,551,970                              |
|                | SHARES OUTSTANDING EX-TREASURY (in thousands)    | 264,431                                | 264,431                                | 282,169                                | 282,169                                |
|                | EARNINGS PER SHARE                               | 1.74981                                | 5.73651                                | 2.54800                                | 5.50014                                |
|                | LOSS PER SHARE                                   |  |  |  |  |

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

**FEDERAL PUBLIC SERVICE**

**CVM BRAZILIAN SECURITIES AND EXCHANGE COMMISSION**

**QUARTERLY INFORMATION ITR  
COMMERCIAL, INDUSTRY & OTHER TYPES OF COMPANY**

Date:  
09/30/2005

Accounting  
Practices  
Adopted in  
Brazil

**00403-0**

**COMPANHIA SIDERÚRGICA NACIONAL**

**33.042.730/0001-04**

**04.01 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. PRESENTATION OF THE FINANCIAL STATEMENTS**

Pursuant to the configuration of the Quarterly Information form, the Parent Company's Consolidated Statements of Changes in Financial Position and Cash Flow are presented in the table. Other information considered material by the Company.

**3. 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 CVM - 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, 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 evaluated 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 the same note, 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 Resolution #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 by independent actuarial studies.

**(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 result. Options traded through exclusive funds are adjusted to market and futures contracts have their positions adjusted to market daily by the Future 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 the acquisition cost.

**(n) Estimates**

Pursuant to the accounting practices adopted 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.

**4. CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements for the quarters ended on September 30, 2005 and June 30, 2005 include the following direct and indirect subsidiaries and jointly-owned subsidiaries:

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| Companies  | Currency<br>of Origin | Participation in the capital<br>stock (%) |           | Main activities                             |
|--|-----------------------|---|-----------|---|
|  |                       | 9/30/2005                                 | 6/30/2005 |   |
| <b>Direct participation: fully consolidated</b>          |                       |   |           |   |
| CSN Energy   | US\$                  | 100.00                                    | 100.00    | Equity interests                            |
| CSN Export   | US\$                  | 100.00                                    | 100.00    | Financial operations<br>and product trading |
| CSN Islands  | US\$                  | 100.00                                    | 100.00    | Financial operations                        |
| CSN Islands II   | US\$                  | 100.00                                    | 100.00    | Financial operations                        |
| CSN Islands III  | US\$                  | 100.00                                    | 100.00    | Financial operations                        |
| CSN Islands IV   | US\$                  | 100.00                                    | 100.00    | Financial operations                        |
| CSN Islands V  | US\$                  | 100.00                                    | 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                                    | 100.00    | Mining                                      |
| Cia. Metalic Nordeste                                    | R\$                   | 99.99                                     | 99.99     | Package production                          |
| Indústria Nacional de Aços Laminados<br>- INAL           | R\$                   | 99.99                                     | 99.99     | Steel products service<br>center            |
| CSN Cimentos   | R\$                   | 99.99                                     | 99.99     | Cement production                           |
| Inal Nordeste  | R\$                   | 99.99                                     | 99.99     | Steel products service<br>center            |
| CSN Energia  | R\$                   | 99.90                                     | 99.90     | Trading of electricity                      |
| CSN Participações Energéticas                            | R\$                   | 99.70                                     | 99.70     | Equity interests                            |
| Sepetiba Tecon   | R\$                   | 20.00                                     | 20.00     | Maritime port services                      |
| GalvaSud   | R\$                   | 15.29                                     | 15.29     | Steel industry                              |
| <b>Direct participation: proportionally consolidated</b> |                       |   |           |   |
| Companhia Ferroviária do Nordeste<br>(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                     |
| <b>Indirect participation: fully consolidated</b>        |                       |   |           |   |
| CSN Aceros   | US\$                  | 100.00                                    | 100.00    | Equity interests                            |
| CSN Cayman   | US\$                  | 100.00                                    | 100.00    | Financial operations<br>and product 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                            |

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|                     |      |        |        |                        |
|---------------------|------|--------|--------|------------------------|
| CSN LLC Partner     | US\$ | 100.00 | 100.00 | Equity interests       |
| Energy I            | US\$ | 100.00 | 100.00 | Equity interests       |
| Management Services | US\$ | 100.00 | 100.00 | Services               |
| 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 |

**Indirect participation:  
proportionally  
consolidated**

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

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The financial statements prepared in US dollars and in Euros were translated at the exchange rate in effect on September 30, 2005 R\$/US\$2.2222 (R\$/US\$2.3504 on June 30, 2005) and EUR/US\$1.2023 (EUR/US\$1.2108 on June 30, 2005).

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, the consolidated intercompany balances, such as intercompany investments, equity accounting, asset and liability balances, revenues and expenses and unrealized profits arising from consolidated intercompany operations have been eliminated.

The reference date for the subsidiaries and jointly-owned subsidiaries financial statements coincides with those 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 |           |
|-----------------------------------|----------------------|-----------|------------|-----------|
|                                   | 9/30/2005            | 6/30/2005 | 9/30/2005  | 6/30/2004 |
| <b>Parent company</b>             | 7,607,191            | 7,477,544 | 1,516,911  | 1,551,970 |
| Income elimination in inventories | (53,256)             | (107,445) | 136,016    | (102,618) |
| Other adjustments                 |                      |           |            | 1,926     |
| <b>Consolidated</b>               | 7,553,935            | 7,370,099 | 1,652,927  | 1,451,278 |

**5. RELATED PARTIES TRANSACTIONS**

## a) Assets

| Companies                  | Accounts receivable | Marketable securities | Mutual | Debentures | Dividends receivable | Advance for future capital increase | Advance to suppliers | Total     |
|----------------------------|---------------------|-----------------------|--------|------------|----------------------|-------------------------------------|----------------------|-----------|
| CSN Cayman                 | 113,455             |                       |        |            |                      |                                     |                      | 113,455   |
| CSN Export                 | 932,662             |                       |        |            |                      |                                     |                      | 932,662   |
| CSN Islands II             | 1,344               |                       |        |            |                      |                                     |                      | 1,344     |
| CSN Islands III            | 500                 |                       |        |            |                      |                                     |                      | 500       |
| CSN Islands IV             | 86                  |                       |        |            |                      |                                     |                      | 86        |
| CSN Islands V              | 133                 |                       |        |            |                      |                                     |                      | 133       |
| Sepetiba Tecon             | 243                 |                       |        | 36,000     |                      | 62,785                              | 1,766                | 100,794   |
| Cia. Metalic Nordeste Inal | 84                  |                       |        |            |                      |                                     |                      | 84        |
| Nordeste CFN               | 8,562               |                       |        |            |                      |                                     |                      | 8,562     |
| GalvaSud                   | 20                  |                       | 37,000 |            |                      | 51,936                              |                      | 88,956    |
| INAL                       | 81,235              |                       |        |            |                      |                                     |                      | 81,235    |
| MRS                        | 35,263              |                       |        |            |                      |                                     |                      | 35,263    |
| Logística Exclusive Funds  | 231                 |                       |        |            | 13,743               |                                     |                      | 13,974    |
| Ersa                       |                     | 150,301               |        |            |                      |                                     |                      | 150,301   |
| Others (*)                 | 662                 |                       | 4,655  |            |                      |                                     | 2,262                | 2,262     |
| 09/30/2005                 | 1,174,480           | 150,301               | 41,655 | 36,000     | 13,743               | 114,721                             | 4,028                | 1,534,928 |
| 06/30/2005                 | 1,131,267           | 274,463               | 2,584  | 36,000     | 41,219               | 126,925                             | 3,420                | 1,615,878 |

(\*) OTHER: CSN Cimentos, Itá Energética, Fundação CSN, CBS Previdência, CSN I, CSN Steel, Lusosider, CSN Aceros e CSN LLC.

## b) Liabilities

| Companies | Loans and financing |                |                        |  | Accounts payable |           |           |       | Total |
|-----------|---------------------|----------------|------------------------|--|------------------|-----------|-----------|-------|-------|
|           | Prepayments         | Fixed Rate (2) | Intercompany (2) Bonds | Mutual <sup>(1)</sup> / current accounts | Suppliers        | Investees | Inventory | Other |       |

## Notes

|                  |           |           |           |         |        |        |         |           |           |
|------------------|-----------|-----------|-----------|---------|--------|--------|---------|-----------|-----------|
| CSN              |           |           |           |         |        |        |         |           |           |
| Cayman           |           |           |           | 147,613 |        |        |         |           | 147,613   |
| CSN Export       | 1,384,315 |           |           | 11,482  |        |        |         |           | 1,395,797 |
| CSN Iron         |           |           | 1,373,538 |         |        |        |         |           | 1,373,538 |
| CSN Islands VII  |           | 623,097   |           |         |        |        |         |           | 623,097   |
| CSN Islands VIII |           | 1,175,447 |           | 2,042   |        |        |         |           | 1,177,489 |
| CSN Overseas     | 573,659   |           |           | 106,492 |        |        |         |           | 680,151   |
| Energy I         |           |           |           | 95,334  |        |        |         |           | 95,334    |
| CSN Steel        | 937,058   |           |           | 291,783 |        |        |         |           | 1,228,841 |
| CSN Panama       |           |           |           | 154,768 |        |        |         |           | 154,768   |
| Inal Nordeste    |           |           |           |         | 66     | 10,019 |         |           | 10,085    |
| GalvaSud         |           |           |           |         | 11,110 |        | 22      |           | 11,132    |
| INAL             |           |           |           |         | 21,829 | 39,868 |         |           | 61,697    |
| CSN Energia      |           |           |           | 21,623  |        |        |         |           | 21,623    |
| CBS Previdência  |           |           |           |         |        |        | 219,199 |           | 219,199   |
| Others (*)       |           |           |           | 99      | 452    |        |         |           | 551       |
| 09/30/2005       | 2,895,032 | 1,798,544 | 1,373,538 | 831,236 | 33,457 | 49,887 | 219,221 | 7,200,915 | 7,200,915 |
| 06/30/2005       | 2,408,105 | 2,308,110 | 1,420,606 | 870,234 | 52,315 |        | 213,181 | 7,272,531 | 7,272,531 |

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) CSN Cayman (part): annual Libor + 3% p.a. with indeterminate maturity.

CSN Overseas (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.

CSN Cayman (part): Libor + 2.5% p.a. with maturity on 9/15/2011.

(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.

(\*) OTHER: CFN, CSN Islands, CSN Cimentos, Itá Energética, Fundação CSN, CSN I, Lusosider, ERSA, CSN Aceros 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       | 202                   | (9,311)                                      |       | (9,109)   | 61                    | (24,168)                                     |        | (24,107)  |
| CSN Export       | 1,395,837             | (146,211)                                    |       | 1,249,626 | 1,110,232             | (180,572)                                    |        | 929,660   |
| CSN Iron         |                       |  |       |           |                       | (164,546)                                    |        | (164,546) |
| CSN Islands III  |                       |  |       |           |                       | 2,953  |        | 2,953     |
| CSN Islands V    |                       |  |       |           |                       | (29,088)                                     |        | (29,088)  |
| CSN Islands VII  |                       |  |       |           |                       | (161,079)                                    |        | (161,079) |
| CSN Islands VIII |                       |  |       |           |                       | (321,514)                                    |        | (321,514) |
| CSN Overseas     |                       |  |       |           |                       | (63,106)                                     |        | (63,106)  |
| CSN Panama       |                       |  |       |           |                       | (30,102)                                     |        | (30,102)  |
| Energy I         |                       |  |       |           |                       | (18,543)                                     |        | (18,543)  |
| CSN Steel        |                       |  |       |           |                       | (116,170)                                    |        | (116,170) |
| Itá Energética   |                       |  |       |           | 77,321                |  |        | 77,321    |
| GalvaSud         | 301,613               |  |       | 301,613   | 153,003               |  |        | 153,003   |
| INAL             | 521,871               |  |       | 521,871   | 267,636               |  |        | 267,636   |
| Cia. Metalic     |                       |  |       |           |                       |  |        |           |
| Nordeste         | 32,423                |  |       | 32,423    | 23,678                |  |        | 23,678    |
| Inal Nordeste    | 14,489                |  |       | 14,489    | 354                   |  |        | 354       |
| MRS Logística    |                       |  |       |           | 98,365                |  |        | 98,365    |
| Exclusive Funds  |                       | (660,833)                                    |       | (660,833) |                       |  |        |           |
| Ersa             |                       |  |       |           | 20,497                |  |        | 20,497    |
| CBS Previdência  |                       |  |       |           |                       |  | 68,903 | 68,903    |
| Others (*)       |                       |  |       |           | 3,030                 | (682)  |        | 2,348     |
| 09/30/2005       | 2,266,435             | (816,355)                                    |       | 1,450,080 | 1,754,177             | (1,106,617)                                  | 68,903 | 716,463   |
| 09/30/2004       | 2,201,036             | 37,782                                       | 9     | 2,238,827 | 269,737               | 323,691                                      | 71,103 | 664,531   |

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, CSN Cimentos, CSN I, CSN LLC, Sepetiba Tecon, Banco Fibra and CSN Islands.

**6. MARKETABLE SECURITIES**

|  | Parent Company |            | Consolidated |            |
|--|----------------|------------|--------------|------------|
|  | 09/30/2005     | 06/30/2005 | 09/30/2005   | 06/30/2005 |
|  |                |            |              |            |

**Short term**

|                                   |           |           |           |           |
|-----------------------------------|-----------|-----------|-----------|-----------|
| Financial investment fund         | 150,302   | 274,463   | 242,741   | 368,017   |
| Investment abroad (time deposits) | 1,156,213 | 1,110,783 | 3,581,827 | 2,552,471 |
| Fixed income investments          | 38,412    | 37,111    | 226,624   | 425,530   |
|                                   | 1,344,927 | 1,422,357 | 4,051,192 | 3,346,018 |
| Derivatives                       |           |           | 373,347   | 233,015   |
|                                   | 1,344,927 | 1,422,357 | 4,424,539 | 3,579,033 |

**Long term**

|   |           |           |           |           |
|---|-----------|-----------|-----------|-----------|
| Investments abroad (securities)   |           |           | 123,075   |           |
| Fixed income investments and debentures (net of provision for probable losses and withholding income tax) | 125,949   | 125,652   | 90,456    | 90,159    |
|   | 125,949   | 125,652   | 213,531   | 90,159    |
|   | 1,470,876 | 1,548,009 | 4,638,070 | 3,669,192 |

Company's management invests the Company's financial resources in exclusive Investment Funds, with daily liquidity, which are substantially comprised of Brazilian government bonds and fixed income bonds issued in Brazil, with monetary or foreign exchange variation. Additionally, the Company's foreign subsidiaries maintain their available cash in indexed accounts (Time Deposits) in first-tier banks overseas.



**7. ACCOUNTS RECEIVABLE**

|  | <b>Parent Company</b> |                | <b>Consolidated</b> |                  |
|--|-----------------------|----------------|---------------------|------------------|
|  | 09/30/2005            | 06/30/2005     | 09/30/2005          | 06/30/2005       |
| <b>Domestic market</b>                 |                       |                |                     |                  |
| Subsidiary companies                   | 125,718               | 169,605        |                     |                  |
| Other clients                          | 781,010               | 803,018        | 1,009,049           | 1,092,653        |
|  | <b>906,728</b>        | <b>972,623</b> | <b>1,009,049</b>    | <b>1,092,653</b> |
| <b>Foreign market</b>                  |                       |                |                     |                  |
| Subsidiary companies                   | 1,048,762             | 961,662        |                     |                  |
| Other clients                          | 10,419                | 10,223         | 558,022             | 467,252          |
| Exports Contract Advance (ACE)         | (62,222)              | (65,811)       |                     |                  |
|  | <b>996,959</b>        | <b>906,074</b> | <b>558,022</b>      | <b>467,252</b>   |
| <b>Allowance for doubtful accounts</b> | (68,939)              | (68,766)       | (95,568)            | (95,808)         |
|  | 1,834,748             | 1,809,931      | 1,471,503           | 1,464,097        |

**8. INVENTORIES**

|                      | <b>Parent Company</b> |            | <b>Consolidated</b> |            |
|----------------------|-----------------------|------------|---------------------|------------|
|                      | 09/30/2005            | 06/30/2005 | 09/30/2005          | 06/30/2005 |
| Finished products    | 342,653               | 306,003    | 578,007             | 623,908    |
| Products in process  | 298,108               | 309,103    | 416,155             | 409,612    |
| Raw materials        | 413,632               | 424,375    | 523,388             | 557,248    |
| Store                | 289,272               | 275,219    | 346,744             | 333,406    |
| Imports in progress  |                       | 53,104     | 1,367               | 54,954     |
| Provision for losses | (4,062)               | (4,901)    | (4,581)             | (5,192)    |
| Other                |                       | 254        | 42,574              | 23,478     |
|                      | 1,339,603             | 1,363,157  | 1,903,654           | 1,997,414  |

**9. DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION**

|                              | <b>Parent Company</b> |            | <b>Consolidated</b> |            |
|------------------------------|-----------------------|------------|---------------------|------------|
|                              | 09/30/2005            | 06/30/2005 | 09/30/2005          | 06/30/2005 |
| <b>Current assets</b>        |                       |            |                     |            |
| Income tax                   | 243,795               | 286,739    | 301,271             | 371,150    |
| Social contribution          | 64,098                | 50,906     | 85,151              | 81,279     |
|                              | 307,893               | 337,645    | 386,422             | 452,429    |
| <b>Long-term assets</b>      |                       |            |                     |            |
| Income tax                   | 440,401               | 475,729    | 456,848             | 493,268    |
| Social contribution          | 71,960                | 93,496     | 78,223              | 99,844     |
|                              | 512,361               | 569,225    | 535,071             | 593,112    |
| <b>Current liabilities</b>   |                       |            |                     |            |
| Income tax                   | 102,035               | 106,072    | 102,035             | 106,072    |
| Social contribution          | 36,733                | 38,186     | 36,733              | 38,186     |
|                              | 138,768               | 144,258    | 138,768             | 144,258    |
| <b>Long-term liabilities</b> |                       |            |                     |            |
| Income tax                   | 1,613,457             | 1,636,746  | 1,613,457           | 1,636,746  |
| Social contribution          | 580,845               | 589,228    | 580,845             | 589,228    |
|                              | 2,194,302             | 2,225,974  | 2,194,302           | 2,225,974  |
|                              | 09/30/2005            | 09/30/2004 | 09/30/2005          | 09/30/2004 |
| <b>Income</b>                |                       |            |                     |            |
| Income tax                   | 45,796                | (152,376)  | 8,831               | (117,685)  |
| Social contribution          | 59,556                | (56,957)   | 46,250              | (44,419)   |
|                              | 105,352               | (209,333)  | 55,081              | (162,104)  |

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

| 09/30/2005 |           |                     |           | 06/30/2005 |           |                     |           |
|------------|-----------|---------------------|-----------|------------|-----------|---------------------|-----------|
| Income tax |           | Social contribution |           | Income tax |           | Social contribution |           |
| Short term | Long term | Short term          | Long term | Short term | Long term | Short term          | Long term |
|            |           |                     |           |            |           |                     |           |

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**Assets**

|                            |         |         |        |        |         |         |        |        |
|----------------------------|---------|---------|--------|--------|---------|---------|--------|--------|
| Non deductible provisions  | 178,051 | 195,334 | 64,098 | 71,960 | 141,405 | 307,084 | 50,906 | 93,496 |
| Taxes under litigation     |         | 178,494 |        |        |         | 168,645 |        |        |
| Tax losses/ negative basis | 65,744  |         |        |        | 145,334 |         |        |        |
| Other                      |         | 66,573  |        |        |         |         |        |        |
|                            | 243,795 | 440,401 | 64,098 | 71,960 | 286,739 | 475,729 | 50,906 | 93,496 |

**Liabilities**

|   |         |           |        |         |         |           |        |         |
|---|---------|-----------|--------|---------|---------|-----------|--------|---------|
| Income tax and social contribution on revaluation reserve | 93,000  | 1,613,457 | 33,480 | 580,845 | 93,000  | 1,636,746 | 33,480 | 589,228 |
| Other   | 9,035   |           | 3,253  |         | 13,072  |           | 4,706  |         |
|   | 102,035 | 1,613,457 | 36,733 | 580,845 | 106,072 | 1,636,746 | 38,186 | 589,228 |

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. These credits are expected to be substantially offset during 2005.

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 - IRPJ and Social Contribution -CSL is as follows:

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|  | 09/30/2005       |                  | 09/30/2004       |                  |
|--|------------------|------------------|------------------|------------------|
|  | IRPJ             | CSL              | IRPJ             | CSL              |
| <b>Income before income tax (IR) and social contribution (CSL)</b> |                  |                  |                  |                  |
| ( - ) Interest on own capital total expense                        | 2,241,753        | 2,241,753        | 2,146,775        | 2,146,775        |
|  | (184,176)        | (184,176)        |                  |                  |
| Income before income tax and social contribution - adjusted        | 2,057,577        | 2,057,577        | 2,146,775        | 2,146,775        |
| - Rate   | 25%              | 9%               | 25%              | 9%               |
| <b>Total</b>   | <b>(514,394)</b> | <b>(185,182)</b> | <b>(536,694)</b> | <b>(193,210)</b> |
| <b>Adjustments to reflect the effective rate:</b>                  |                  |                  |                  |                  |
| Equity accounting  | (145,496)        | (52,379)         | 121,133          | 43,608           |
| Exposure relief at the MAE   |                  |                  | 11,882           | 4,277            |
| Earnings from foreign subsidiaries                                 | 90,240           | 32,486           | (74,666)         | (26,880)         |
| Reversal of tax assessment (penalty)                               | 14,646           |                  |                  |                  |
| Effects of "Plano Verão" judicial decision                         |                  |                  | 31,762           |                  |
| Other permanent additions (write-offs)                             | 24,393           | 10,844           | 23,853           | 130              |
| <b>Parent company s current and deferred IR/CSL</b>                | <b>(530,611)</b> | <b>(194,231)</b> | <b>(422,730)</b> | <b>(172,075)</b> |
| <b>Consolidated current and deferred IR/CSL</b>                    | <b>(644,522)</b> | <b>(228,528)</b> | <b>(415,714)</b> | <b>(169,019)</b> |

In 2004, CSN opted by the annual accrual with monthly anticipation of IR/CSL, which totaled R\$609,169. In July 2005 the anticipation were compensated by taxes receivable, in view of the closing and filing of corporate tax return.

In 2005, the accrual method is quarterly and final, therefore, there is no anticipations to account for.

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

| Companies                        | Number of shares |             | Direct<br>interest | Net<br>income<br>(loss)<br>for the<br>quarter | 09/30/2005 | 06/30/2005  | Shareholders'<br>equity (unsecured<br>liability) |
|----------------------------------|------------------|-------------|--------------------|---|------------|---|--|
|                                  | Common           | Preferred   |                    |   | %          | Shareholders'<br>equity<br>(unsecured<br>liability) |  |
|                                  |                  |             |                    |   |            |   |  |
| <b>Steel and Services</b>        |                  |             |                    |   |            |   |  |
| GalvaSud                         | 11,801,406,867   |             | 15.29              | (4,399)                                       | 457,231    | (24,347)  | 461,630  |
| CSN I                            | 9,996,751,600    | 1,200       | 100.00             | (10,660)                                      | 491,614    | (27,591)  | 502,275  |
| INAL                             | 345,950,054      |             | 99.99              | 14,372  | 507,933    | 24,828  | 433,560  |
| <b>Cia. Metalic</b>              |                  |             |                    |   |            |   |  |
| Nordeste                         | 87,868,185       | 4,424,971   | 99.99              | (3,353)                                       | 95,612     | (14,199)  | 91,406   |
| INAL Nordeste                    | 37,800,000       |             | 99.99              | 1,501   | 19,105     | (502)   | (5,100)  |
| <b>Corporate</b>                 |                  |             |                    |   |            |   |  |
| CSN Steel                        | 480,726,588      |             | 100.00             | 15,706  | 1,081,404  | (386,352)   | 1,065,698  |
| CSN Overseas                     | 7,173,411        |             | 100.00             | 39,133  | 1,006,916  | (148,317)   | 1,046,049  |
| CSN Panama                       | 4,240,032        |             | 100.00             | (76,625)                                      | 377,560    | (189,300)   | 453,625  |
| CSN Energy                       | 3,675,319        |             | 100.00             | (24,027)                                      | 425,435    | (61,651)  | 449,462  |
| CSN Islands                      | 50,000           |             | 100.00             | (7)   | 103        | (15)  | 110  |
| CSN Export                       | 31,954           |             | 100.00             | (39,957)                                      | 38,605     | (4,652)   | 78,562   |
| CSN Islands II                   | 1,000            |             | 100.00             | 1,517   | 98         | 190   | (1,419)  |
| CSN Islands III                  | 1,000            |             | 100.00             | 519   |            | 26  | (519)  |
| CSN Islands IV                   | 1,000            |             | 100.00             | 1   | (85)       | 8   | (86)   |
| CSN Islands V                    | 1,000            |             | 100.00             | (6)   | (130)      | 15  | (136)  |
| CSN Islands VII                  | 1,000            |             | 100.00             | (12)  | (230)      | 198   | (242)  |
| CSN Islands VIII                 | 1,000            |             | 100.00             | (144)   | 2,348      | 19,038  | 2,204  |
| CSN Islands IX                   | 1,000            |             | 100.00             | 16,292  | 33,796     | 9,559   | 50,088   |
| CSN Islands X                    | 1,000            |             | 100.00             | 17,234  | (17,232)   |   |  |
| <b>Infrastructure and Energy</b> |                  |             |                    |   |            |   |  |
| Itá Energética                   | 520,219,172      |             | 48.75              | 7,732   | 551,762    | 8,250   | 544,030  |
| MRS Logística                    | 188,332,666      | 151,667,334 | 32.22              | 105,782                                       | 718,684    | 107,389   | 612,902  |
| SePETIBA Tecon                   | 62,220,270       |             | 20.00              | 3,758   | (14,358)   | 2,862   | (18,116)   |
| CFN                              | 36,206,330       |             | 49.99              | (11,323)                                      | (74,806)   | (10,333)  | (64,189)   |
| ERSA                             | 34,236,307       |             | 100.00             | 1,944   | 18,969     | (1,806)   | 17,025   |
| CSN Cimentos                     | 376,337          |             | 99.99              | 38,579  | 4,300      | (2,167)   | (37,308)   |
| CSN Energia                      | 1,000            |             | 99.90              | 2,888   | 116,796    | (85)  | 113,880  |

|                                     |       |       |   |   |
|-------------------------------------|-------|-------|---|---|
| CSN<br>Participações<br>Energéticas | 1,000 | 99.80 | 1 | 1 |
|-------------------------------------|-------|-------|---|---|

**b) Investment movement**

| Companies                            | 06/30/2005                 |                                 |                      |                   | 09/30/2005                           |                          |                                 |
|--------------------------------------|----------------------------|---------------------------------|----------------------|-------------------|--------------------------------------|--------------------------|---------------------------------|
|                                      | Initial investment balance | Balance of provision for losses | Addition (write-off) | Equity accounting | Goodwill amortization <sup>(1)</sup> | Final investment balance | Balance of provision for losses |
| <b>Steel and Services</b>            |                            |                                 |                      |                   |                                      |                          |                                 |
| GalvaSud                             | 70,583                     |                                 |                      | (672)             |                                      | 69,911                   |                                 |
| CSN I                                | 502,275                    |                                 |                      | (10,660)          |                                      | 491,615                  |                                 |
| INAL <sup>(2)</sup>                  | 433,548                    |                                 | 60,000               | 14,371            |                                      | 507,919                  |                                 |
| Cia. Metalic Nordeste <sup>(3)</sup> | 174,364                    |                                 | 7,558                | (3,353)           | (8,296)                              | 170,273                  |                                 |
| INAL Nordeste <sup>(4)</sup>         |                            | (5,100)                         | 25,705               | (1,501)           |                                      | 19,104                   |                                 |
|                                      | 1,180,770                  | (5,100)                         | 93,263               | (1,815)           | (8,296)                              | 1,258,822                |                                 |
| <b>Corporate Center</b>              |                            |                                 |                      |                   |                                      |                          |                                 |
| CSN Steel                            | 1,065,698                  |                                 |                      | 15,706            |                                      | 1,081,404                |                                 |
| CSN Overseas                         | 1,046,049                  |                                 |                      | (39,133)          |                                      | 1,006,916                |                                 |
| CSN Panama                           | 453,625                    |                                 |                      | (76,065)          |                                      | 377,560                  |                                 |
| CSN Energy                           | 449,462                    |                                 |                      | (24,027)          |                                      | 425,435                  |                                 |
| CSN Islands                          | 110                        |                                 |                      | (7)               |                                      | 103                      |                                 |
| CSN Export                           | 78,562                     |                                 |                      | (39,957)          |                                      | 38,605                   |                                 |
| CSN Islands II                       |                            | (1,419)                         |                      | 1,517             |                                      | 98                       |                                 |
| CSN Islands III                      |                            | (519)                           |                      | 519               |                                      |                          |                                 |
| CSN Islands IV                       |                            | (86)                            |                      |                   |                                      |                          | (86)                            |
| CSN Islands V                        |                            | (136)                           |                      | 6                 |                                      |                          | (130)                           |
| CSN Islands VII                      |                            | (242)                           |                      | 12                |                                      |                          | (230)                           |
| CSN Islands VIII                     | 2,204                      |                                 |                      | 144               |                                      | 2,348                    |                                 |
| CSN Islands IX                       | 50,088                     |                                 |                      | (16,292)          |                                      | 33,796                   |                                 |
| CSN Islands X                        |                            |                                 | 3                    | (17,235)          |                                      |                          | (17,232)                        |
|                                      | 3,145,798                  | (2,402)                         | 3                    | (194,812)         |                                      | 2,966,265                | (17,678)                        |
| <b>Infrastructure and Energy</b>     |                            |                                 |                      |                   |                                      |                          |                                 |
| Itá Energética                       | 265,215                    |                                 |                      | 3,769             |                                      | 268,984                  |                                 |
| MRS Logistica                        | 197,499                    |                                 |                      | 34,087            |                                      | 231,586                  |                                 |
| Sepetiba Tecon                       |                            | (3,624)                         |                      | 751               |                                      |                          | (2,873)                         |
| CFN                                  |                            | (32,091)                        | 352                  | (5,661)           |                                      |                          | (37,400)                        |
| ERSA                                 | 95,488                     |                                 |                      | 1,944             | (4,059)                              | 93,373                   |                                 |
| CSN Cimentos                         |                            | (37,308)                        |                      | 41,608            |                                      | 4,300                    |                                 |
| CSN Energia                          | 113,766                    |                                 | 25                   | 2,888             |                                      | 116,679                  |                                 |
| CSN Participações Energéticas        | 1                          |                                 |                      |                   |                                      | 1                        |                                 |

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|           |          |        |           |          |           |          |
|-----------|----------|--------|-----------|----------|-----------|----------|
| 671,969   | (73,023) | 377    | 79,386    | (4,059)  | 714,923   | (40,273) |
| 4,998,537 | (80,525) | 93,643 | (117,241) | (12,355) | 4,940,010 | (57,951) |

- (1) This comprises the balance of parent company's equity accounting. The balances of goodwill and negative goodwill are shown in item (d) of this note.
- (2) Capital increase on August 1<sup>st</sup> with the issuing of 35,735,135 shares.
- (3) Capital increase on August 25<sup>th</sup> with the issuing of 7,377,049 shares.
- (4) Capital increase on August 1<sup>st</sup> with the issuing of 36,700,000 shares.

**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 an 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) holds a 60.5% participation 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 Ita, the contracting of supply of goods and services necessary to carry out the venture and obtain the financing by offering the corresponding guarantees.

Itasa is a jointly-owned subsidiary company and started to be consolidated on December 31, 2004 in view of the reclassification of the long-term assets from available for sale to permanent investments.

#### 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.

#### MRS Logística

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

MRS transports the iron ore from Casa de Pedra to UPV steelworks in Volta Redonda and imported raw material through Sepetiba Port. It also links the Presidente Vargas 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.

MRS Logística is a jointly owned subsidiary, which has not been consolidated up to December 31, 2003 by express authorization of CVM.

#### 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 to the Presidente Vargas Mill 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\$92,284 on September 30, 2005 (R\$97,036 on June 30, 2005).

From the balance receivable on September 30, 2005, the amount of R\$59,129 (R\$76,305 on June 30, 2005) 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

On March 28, 2005, the entity previously named FEM Projetos, Construções e Montagens began to be named CSN Cimentos.

The Company's purpose is the production of cement, and the main raw material will be blast furnace slag, a byproduct of pig-iron production. It is expected to start operating in the third quarter of 2006.

#### 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. 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.

Its main purpose is to reprocess and distribute CSN's steel products, operating as a service and distribution center in the Northeast region.

#### **d) Goodwill, negative goodwill and other interests**

On September 30, 2005, the Company maintained on its consolidated balance sheet the amount of R\$300,139 (R\$325,757 on June 30, 2005) net of amortization related to goodwill based on the expectation of future gains, with amortization estimated at five years, and negative goodwill relating to an investment at Lusosider Projectos Siderúrgicos in the amount of R\$12,135, expected to be amortized in 3 years.

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|                             | Balance on<br>06/30/2005 | Additions | Amortization    | Balance on<br>09/30/2005 | Investor |
|-----------------------------|--------------------------|-----------|-----------------|--------------------------|----------|
| <b>Investment goodwill:</b> |                          |           |                 |                          |          |
| GalvaSud                    | 111,364                  |           | (6,961)         | 104,403                  | CSN I    |
| Metalic                     | 82,965                   |           | (8,296)         | 74,669                   | CSN      |
| Ersa                        | 78,464                   |           | (4,059)         | 74,405                   | CSN      |
|                             |                          |           |                 |                          | CSN      |
| Tangua / LLC                | 47,172                   |           | (5,917)         | 41,255                   | Panama   |
| Inal                        | 4,808                    |           | (465)           | 4,343                    | CSN      |
|                             | <b>324,773</b>           |           | <b>(25,698)</b> | <b>299,075</b>           |          |
| Other stakes                | 984                      | 80        |                 | 1,064                    |          |
|                             | <b>325,757</b>           | <b>80</b> | <b>(25,698)</b> | <b>300,139</b>           |          |

**e) Additional Information on 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 and it is a complex comprising cold rolling, hot coil pickled line and galvanization line.

In 2003, CSN, through its subsidiary CSN Panama, recorded an increase in the capital of Tangua Inc. with the capitalization of US\$175 million and became the holder of 100% of its capital stock. Tangua Inc., through its subsidiaries CSN LLC Holding, directly, and CSN LCC Partner, indirectly, is the holder of all of CSN LLC shares.

**Lusosider**

Lusosider Aços Planos was incorporated in 1996, providing continuity to Siderurgia Nacional 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 September 30, 2005, the assets provided as collateral for financial operations amounted R\$1,775,695.

Depreciation, depletion and amortization up to September 2005 amounted to R\$536,069 (R\$527,600 up to September 2004), of which R\$527,580 (R\$517,346 up to September 2004) was charged to production costs and R\$8.489 (R\$10.254 up to September 2004) charged to selling, general and administrative expenses (amortization of deferred charges not included).

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As of September 30, 2005, the Company had R\$6,898,368 of revaluation of net depreciation assets (R\$6,991,522 on June 30, 2005).

**12. DEFERRED CHARGES**

|                                 | Parent Company |            | Consolidated |            |
|---------------------------------|----------------|------------|--------------|------------|
|                                 | 09/30/2005     | 06/30/2005 | 09/30/2005   | 06/30/2005 |
| Information technology projects | 153,545        | 110,961    | 164,134      | 121,550    |
| ( - ) Accumulated amortization  | (109,284)      | (61,973)   | (119,873)    | (72,562)   |
| Expansion projects              | 165,996        | 208,551    | 165,996      | 208,551    |
| ( - ) Accumulated amortization  | (53,079)       | (62,876)   | (53,079)     | (62,876)   |
| Other projects                  | 88,115         | 13,712     | 330,053      | 255,570    |
| ( - ) Accumulated amortization  | (48,430)       | (10,732)   | (167,607)    | (123,461)  |
|                                 | 196,863        | 197,643    | 319,624      | 326,772    |

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 announced on September 30, 2005 are primarily related to the Sepetiba port and the Casa de Pedra mine.

Amortization of information technology projects and of other projects up to September 2005 amounted to R\$43,276 (R\$43,413 up to September 2004), of which R\$33,248 (R\$31,449 up to September 2004) related to production costs and R\$10,028 (R\$11,964 up to September 2004) to selling, general and administrative expenses.

**13. LOANS, FINANCING AND DEBENTURES**

|                                     | Parent Company |           |            |           | Consolidated |           |            |           |
|-------------------------------------|----------------|-----------|------------|-----------|--------------|-----------|------------|-----------|
|                                     | 09/30/2005     |           | 06/30/2005 |           | 09/30/2005   |           | 06/30/2005 |           |
|                                     | Short term     | Long term | Short term | Long term | Short term   | Long term | Short term | Long term |
| Prepayment                          | 803,997        | 2,308,550 | 295,295    | 2,346,346 | 150,998      | 1,373,003 | 124,876    | 1,486,966 |
| Advances on Exchange Contract (ACC) |                |           |            |           | 33,279       | 1,666,650 |            |           |
| Fixed Rate Notes                    | 64,627         | 3,110,506 | 398,639    | 3,334,541 | 64,928       | 2,898,489 | 455,363    | 3,065,704 |
| BNDES/Finame                        | 95,727         | 355,225   | 124,767    | 443,283   | 95,727       | 355,225   | 128,253    | 443,533   |
| Financed imports                    | 40,740         | 232,382   | 47,018     | 247,135   | 55,104       | 263,272   | 56,678     | 286,754   |
| Bilateral                           | 43,949         | 23,252    | 46,329     | 25,128    | 43,949       | 23,252    | 46,329     | 25,128    |
| Other                               | 298,336        | 16,966    | 321,350    | 18,767    | 1,144,527    | 111,311   | 1,401,444  | 114,861   |

**FOREIGN CURRENCY**

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1,347,376 6,046,881 1,233,398 6,415,200 1,588,512 6,691,202 2,212,943 5,422,946

**DOMESTIC  
CURRENCY**

|                      |         |         |         |           |         |           |         |           |
|----------------------|---------|---------|---------|-----------|---------|-----------|---------|-----------|
| BNDES/Finame         | 1,085   | 2,326   | 48,060  | 127,813   | 41,046  | 261,649   | 85,701  | 392,660   |
| Debentures (Note 14) | 100,916 | 900,000 | 64,608  | 900,000   | 149,517 | 1,071,498 | 113,390 | 1,071,498 |
| Other                | 75,036  | 7,000   | 74,957  | 7,000     | 23,974  | 16,282    | 34,640  | 17,362    |
|                      | 177,037 | 909,326 | 187,625 | 1,034,813 | 214,537 | 1,349,429 | 233,731 | 1,481,520 |

**Total Loans and  
Financing**

1,524,413 6,956,207 1,421,023 7,450,013 1,803,049 8,040,631 2,446,674 6,904,466

|      |        |  |        |  |        |  |        |  |
|------|--------|--|--------|--|--------|--|--------|--|
| Swap | 73,122 |  | 23,016 |  | 71,864 |  | 31,498 |  |
|------|--------|--|--------|--|--------|--|--------|--|

**Total Loans and  
Financing + Swap**

1,597,535 6,956,207 1,444,039 7,450,013 1,874,913 8,040,631 2,478,172 6,904,466

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On September 30, 2005, the long-term amortization schedule, composed of the year of maturity, is as follows:

|            | Parent<br>Company | Consolidated     |
|------------|-------------------|------------------|
| 2006       | 724,780           | 770,926          |
| 2007       | 1,658,525         | 545,554          |
| 2008       | 1,441,463         | 1,268,935        |
| 2009       | 267,965           | 423,878          |
| 2010       | 255,698           | 361,130          |
| After 2011 | 2,607,776         | 4,670,208        |
|            | <b>6,956,207</b>  | <b>8,040,631</b> |

Interest is applied to loans and financing and debentures, at the following annual rates as of September 30, 2005:

|                 | Parent<br>Company | Consolidated     |
|-----------------|-------------------|------------------|
| Up to 7%        | 3,692,506         | 2,952,514        |
| From 7.1 to 9%  | 1,695,788         | 821,217          |
| From 9.1 to 11% | 2,416,379         | 5,041,906        |
| Over 11%        | 749,069           | 1,099,907        |
|                 | <b>8,553,742</b>  | <b>9,915,544</b> |

Breakdown of total debt by currency/index of origin:

|                          | Parent Company |              | Consolidated |              |
|--------------------------|----------------|--------------|--------------|--------------|
|                          | 09/30/2005     | 06/30/2005   | 09/30/2005   | 06/30/2005   |
| <b>Domestic Currency</b> |                |              |              |              |
| CDI                      | 8.11           | 7.43         | 7.55         | 7.65         |
| IGPM                     | 4.40           | 4.19         | 4.88         | 5.11         |
| TJLP                     | 0.04           | 1.98         | 3.10         | 5.21         |
| IGP-DI                   | 0.15           | 0.15         | 0.16         | 0.17         |
| Other currencies         |                |              | 0.10         | 0.13         |
|                          | <b>12.70</b>   | <b>13.75</b> | <b>15.79</b> | <b>18.27</b> |
| <b>Foreign currency</b>  |                |              |              |              |
| US dollar                | 60.31          | 58.13        | 59.73        | 54.04        |
| Yen                      | 25.19          | 26.16        | 22.45        | 25.02        |
| Basket of currencies     | 0.66           | 1.42         | 0.57         | 1.38         |
| Euro                     | 0.29           | 0.30         | 0.74         | 0.94         |
| Other currencies         | 0.85           | 0.24         | 0.72         | 0.35         |
|                          | <b>87.30</b>   | <b>86.25</b> | <b>84.21</b> | <b>81.73</b> |



**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 15, 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\$5,062,259 on September 30, 2005 (R\$4,791,840 on June 30, 2005), and comprise fixed assets items (note 11), bank guarantees, sureties and prepayment operations. This amount does not take into consideration the guarantees provided to subsidiaries and joint subsidiaries, as mentioned in note 16.

Fund raisings and amortizations made by the Company through its subsidiaries in the current year are as follows:

#### Amortizations

| Subsidiary      | Description    | Principal<br>(US\$ million) | Maturity   | Interest<br>rate (p.a.) |
|-----------------|----------------|-----------------------------|------------|-------------------------|
| CSN Islands III | Notes          | 75                          | April/2005 | 9.75%                   |
| CSN Export      | Securitization | 78                          | June/2005  | 4.77%                   |
| CSN Islands V   | Notes          | 150                         | July/2005  | 7.875%                  |
|                 |                | 303                         |            |                         |

#### Fund Raisings

| Subsidiary     | Description             | Principal<br>(US\$<br>million) | Issuance     | Term<br>(years) | Maturity      | Interest<br>rate<br>(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<br>securities | 750                            | August/2005  | -               | Indeterminate | 9.5%                       |
|                |                         | 1,200                          |              |                 |               |                            |

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

## 14. DEBENTURES

### First issuance

As approved at the Extraordinary General Meeting and ratified at the Board of Directors Meeting, held on January 10 and February 20, 2002, respectively, the Company issued on February 1<sup>st</sup>, 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.

However, the credit from negotiation with financial institutions, occurred on March 1, 2002 in the amount of R\$699,227. The difference of R\$9,227, resulting from the unit price variation between the issue date and the transaction date, was recorded in Shareholders' Equity as Capital Reserve.

The unit face value was adjusted for inflation, and had its respective compensation, which was calculated on a pro rata temporis basis, and the first issue was 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.

The Company's Board of Directors approved at the meeting held on January 7, 2004 the redemption of all second tranche debentures, covered by the deed, representing a total of fifteen thousand (15,000) debentures, which was carried out on February 9, 2004 and on August 31, 2004, it approved the redemption of all first tranche debentures, representing a total of fifty-four thousand (54,000) debentures. The full redemption was carried out on October 4, 2004.

#### Second issuance

As approved at the Board of Directors Meeting held on October 21 and ratified at the meeting held on December 5, 2003, the Company issued, on December 1, 2003, 40,000 registered, non-convertible debentures, unsecured and without preference in one single tranche, for the unit face value of R\$10. 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.

Interest is applied to the face value balance of the first tranche at 107% of the CDI Cetip.

The maturity of the face value is December 1, 2006.

#### Third issuance

As approved at the Board of Directors Meeting held on December 11, 2003 and ratified at the December 18, 2003 meeting, the Company issued on December 1, 2003, 50,000 registered and non-convertible debentures, unsecured and without preference in two tranches, for the unit face value of R\$10. 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.

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

The deeds for the issue contain certain restrictive covenants, which have been duly complied with.

## 15. 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 shown as follows:

#### Exchange rate risk

Most of the revenues of the Company are in Brazilian Reais, as of September 30, 2005, R\$8,279,714 of the Company's consolidated debt of loans and financing were denominated in foreign currency (R\$7,635,889 on June 30, 2005). 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 Companies' funds available is invested in the Brazilian government bonds, there is exposure to the credit risk with the government.

The financial instruments recorded in the Parent Company's balance sheet accounts as of September 30, 2005, in which market value differs from the book value, are as follows:

|   | Book Value | Market Value |
|---|------------|--------------|
| Loans and financing (short and long term) | 8,553,742  | 8,974,759    |

On September 30, 2005 the consolidated position of outstanding derivative agreements was as follows:

|   | Agreement            |                       | Market value             |
|---|----------------------|-----------------------|--------------------------|
|   | Maturity             | Notional amount       | gain / (loss)            |
| Variable income swap (*)  | 07/28/2006           | US\$49,223 thousand   | R\$362,440               |
| Derivatives from interest listed at BM&F (DI) - contracted by exclusive funds                             | Apr/2006 to Jan/2007 | R\$2,600,000 thousand | Daily adjusted at market |
| Exchange derivatives listed at BM&F (Options, forward US\$, SCC and DDI) - contracted by exclusive funds) | Apr/05 to Jul/08     | US\$381,250 thousand  | Daily adjusted at market |
| Options - other contracts daily adjusted  | 01/03/2006           | US\$400,000 thousand  | (R\$182,697)             |
| Exchange swap registered with CETIP (contracted by exclusive funds)                                       | Jan/07               | US\$780,000 thousand  | (R\$278,283)             |

(\*) 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 on September 30, 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.

**16. 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\$5.438.0 million, for guarantees provided:

| In millions           |          |              |              |                          |  |
|-----------------------|----------|--------------|--------------|--------------------------|--|
| Companies             | Currency | 09/30/2005   | 06/30/2005   | Maturity                 | Conditions   |
| CFN                   | R\$      | 18.0         | 18.0         | Indeterminate            | BNDES loan guarantees  |
| CFN                   | R\$      | 23.0         | 23.0         | 3/5/2006                 | BNDES loan guarantees  |
| CFN                   | R\$      | 24.0         | 24.0         | 11/13/2009               | BNDES loan guarantees  |
| CFN                   | R\$      | 20.0         | 20.0         | 2/3/2006                 | BNDES loan guarantees  |
| CFN                   | R\$      | 19.2         | 19.2         | 4/5/2006                 | BNDES loan guarantees  |
| Cia. Metalic Nordeste | R\$      | 4.8          | 4.8          | 05/15/2008               | Promissory notes/guarantee given to Banco Santos referring to contracts for the financing of equipment |
| Cia. Metalic Nordeste | R\$      | 7.2          | 7.2          | 01/27/2003 to 01/30/2006 | Promissory notes/guarantee given to BEC Provin and ABC Brasil referring to working capital contracts   |
| Cia. Metalic Nordeste | R\$      | 20.1         | 20.1         | 01/15/2006               | Guarantee given to BNDES, for contracts referring to financing of machinery and equipment              |
| CSN Cimentos          | R\$      | 27.0         | 27.0         | 06/22/2006               | Guarantee for execution of outstanding debt with INSS  |
| INAL                  | R\$      | 3.6          | 3.6          | 03/15 and 04/15/2006     | Personal guarantee in equipment financing  |
| INAL                  | R\$      | 2.8          |              | 06/25/2006               | Suretyship in guarantee for tax foreclosure  |
| INAL                  | R\$      | 6.1          |              | 06/25/2006               | Suretyship in guarantee for tax foreclosure  |
| INAL                  | R\$      | 0.7          |              | 08/14/2006               | Suretyship in guarantee for tax foreclosure  |
| Fundo Exclusivo       | R\$      | 80.0         |              | 4/10/2005                | Suretyship in guarantee for transaction margins at the BM&F  |
| Fundo Exclusivo       | R\$      | 50.0         |              | 4/1/2006                 | Suretyship in guarantee for transaction margins at the BM&F  |
| <b>Total in R\$</b>   |          | <b>306.5</b> | <b>166.9</b> |                          |  |
| CSN Iron              | US\$     | 79.3         | 79.3         | 1/6/2007                 | Promissory note of Eurobond operation  |
| CSN Islands VII       | US\$     | 275.0        | 275.0        | 12/9/2008                | Installment of guarantee by CSN in Bond issuance   |
| CSN Islands VIII      | US\$     | 550.0        | 550.0        | 12/16/2013               | Installment of guarantee by CSN in Bond issuance   |
| CSN Islands IX        | US\$     | 450.0        | 450.0        | 1/15/2015                | Installment of guarantee by CSN in Bond issuance   |
| CSN Islands X         | US\$     | 750.0        |              | Perpetual                | Installment of guarantee by CSN in Bond issuance   |
| CSN Overseas          | US\$     | 20.0         | 20.0         | 10/29/2009               |  |



|                      |      |                |                | Installment of guarantee by CSN in<br>Promissory Notes Issuance |  |
|----------------------|------|----------------|----------------|---|--|
| INAL                 | US\$ | 1.4            | 1.4            | 03/26/2008  | Personal guarantee in equipment financing  |
| Sepetiba Tecon       | US\$ | 33.5           | 33.5           | 12/30/2004 to<br>09/15/2013                                     | Personal guarantee for the acquisition of<br>equipment and<br>implementation of terminal |
| <b>Total in US\$</b> |      | <b>2,159.2</b> | <b>1,409.2</b> |   |  |

**17. CONTINGENT LIABILITIES AND JUDICIAL DEPOSITS**

The Company is currently party to several administrative and court proceedings involving different actions, claims and complaints, as shown below:

|                       | 09/30/2005        |                      | 06/30/2005        |                      |
|-----------------------|-------------------|----------------------|-------------------|----------------------|
|                       | Judicial deposits | Contingent liability | Judicial deposits | Contingent liability |
| Environmental         | 138               | 98                   |                   | 1,087                |
| Labor                 | 15,064            | 19,651               | 23,049            | 86,794               |
| Civil                 | 8,818             | 18,973               | 6,818             | 75,357               |
| Tax                   | 606,173           | 2,786,912            | 576,773           | 2,422,142            |
| <b>Parent Company</b> | <b>630,193</b>    | <b>2,825,634</b>     | <b>606,640</b>    | <b>2,585,380</b>     |
| <b>Consolidated</b>   | <b>661,500</b>    | <b>2,906,747</b>     | <b>612,393</b>    | <b>2,709,546</b>     |
| Short Term            |                   | 38,515               |                   | 24,048               |
| Long Term             | 630,193           | 2,787,119            | 606,640           | 2,561,332            |
| <b>Parent Company</b> | <b>630,193</b>    | <b>2,825,634</b>     | <b>606,640</b>    | <b>2,585,380</b>     |
| Short Term            |                   | 42,904               |                   | 26,581               |
| Long Term             | 661,500           | 2,863,843            | 612,393           | 2,682,965            |
| <b>Consolidated</b>   | <b>661,500</b>    | <b>2,906,747</b>     | <b>612,393</b>    | <b>2,709,546</b>     |

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. The tax liabilities stemming from actions taken by Company's initiative are maintained and increased by Selic interest rates.

The Company is defending itself in other judicial and administrative proceedings in the approximate amount of R\$266,335 on September 30, 2005. According to the Company's legal counsel there is a possible risk of losing these lawsuits. However, since there are no potential losses, no provisions were recorded on September 30, 2005, pursuant to the accounting practices adopted in Brazil.

**a) Labor litigation dispute:**

As of September 30, 2005, CSN was the defendant in approximately 6,860 labor claims (around 6,446 claims on June 30, 2005), which required a provision in the amount of R\$19,651 up to that date (R\$86,794 on June 30, 2005). 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\$67,000 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 of 2004 is due to difference request of the 40% fine on the FGTS deposited amounts, in view of the understated inflation imposed by economic plans. The matter is still polemic, 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 most recent lawsuits originated from subsidiary responsibility have been reducing 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 September 30, 2005 the Company accrued the amount of R\$18,973 (R\$75,357 on June 30, 2005).

The approximate R\$56,000 reduction in the provisions 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) 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 1989, by a percentage of 51.87% ( Plano Verão ).

In September 2004, the proceeding reached its end, and judgment was made final and unappealable, granting to CSN the right to apply the indexes of 42.72% (Jan/89), discounted for the official inflation in the period and 10.14% (Feb/89). Said proceeding is under phase of calculating the award.

As of September 30, 2005, the Company has recorded R\$218,381 (R\$218,381 on June 30 2005) as judicial deposit and a provision of R\$60,573 (R\$60,573 on June 30, 2005), 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. On August 21, 2003 a decision was rendered by the 2<sup>nd</sup> 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.

As of September 30, 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\$189,868, 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 on March 10, 2003, 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 from 2001. On September 30, 2005, the amount of suspended liability and the offset credits based on the referred proceedings was R\$498,616 (R\$429,507 on June 30, 2005), which includes legal charges.



- PIS (Social Integration Program)/COFINS (Contribution for Social Security Financing) Law 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. On September 30, 2005, provision amounts to R\$284,850 (R\$272,848 as of June 30, 2005), which includes legal charges.

The Company obtained a favorable decision in the lower court decision and the proceeding is under compulsory re-examination by the 2<sup>nd</sup> Regional Federal Court.

- CPMF (Provisional Contribution on Financial Transactions)

The Company is questioning the CPMF taxation since the promulgation of the Constitutional Amendment 21/99. The amount of this provision as of September 30, 2005 is R\$348,894 (R\$326,421 on June 30, 2005), which includes legal charges.

The lower court decision was favorable and the proceeding is being judged by the 2<sup>nd</sup> Regional Federal Court. However, we emphasize that the most recent court decisions have not been favorable to the taxpayers. The possibility of loss is probable.

- CIDE Contribution for Intervention in the Economic Domain

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 nonresident beneficiaries of the country, 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\$22,689 on September 30, 2005 (R\$22,325 on June 30, 2005), which includes legal charges.

The lower court decision was unfavorable and the proceeding is currently under judgment of the 2<sup>nd</sup> Regional Federal Court. The Company believes in the success of the claim, although there are no consolidated former court decisions, due to the fact that the issue is very recent.

- Education Salary

The Company discusses 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 provision as of September 30, 2005 amounts to R\$33,121 (R\$33,121 on June 30, 2005), which includes legal charges.

TRF maintained the unfavorable decision against CSN, judgment made final and unappealable. In view of this fact, the Company attempted to pay the amount due, and FNDE (education salary creditor) only accepted to receive the amount accrued of fine, reason that the Company deposited in court the amount due not including fine. Hence, a new proceeding has been discussing whether or not the collection has its grounds. The Company's attorneys consider as possible loss prospects, and for this reason, the Company did not provision the fine 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 on September 30, 2005 totals R\$71,573 (R\$66,897 on June 30, 2005), including legal charges.

The lower court decision was unfavorable and the proceeding is under judgment of TRF of the 2<sup>nd</sup> Region. Although there was so far no judgment of the matter by the Brazilian Supreme Court, the Company's lawyers deem as probable the possibilities 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. An initial decision was obtained authorizing the use of said credits.

On September 30, 2005, the provision related to the total credits already offset and recorded under the Company's liabilities amounted to R\$687,274 (R\$660,957 on June 30, 2005), adjusted by the Selic (Special System for Settlement and Custody).