

NATIONAL STEEL CO
Form 6-K
September 19, 2007

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

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

For the month of September, 2007

Commission File Number 1-14732

COMPANHIA SIDERÚRGICA NACIONAL

(Exact name of registrant as specified in its charter)

National Steel Company

(Translation of Registrant's name into English)

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

(Address of principal executive office)

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

Form 20-F Form 40-F

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

Yes No

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

FEDERAL PUBLIC SERVICE**CVM BRAZILIAN SECURITIES AND EXCHANGE COMMISSION**

Accounting Practices

QUARTERLY INFORMATION

June 30 , 2007

Adopted in 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 00403-0	2 - COMPANY NAME COMPANHIA SIDERÚRGICA NACIONAL	3 - CNPJ (Corporate Taxpayer's ID) 33.042.730/0001-04
4 - NIRE (Corporate Registry ID) 33-3.00011595		

01.02 HEAD OFFICE

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

01.03 INVESTOR RELATIONS OFFICER (Company Mailing Address)

1 NAME BENJAMIN STEINBRUCH				
2 ADDRESS AV. BRIGADEIRO FARIA LIMA, 3400 20º ANDAR			3 DISTRICT ITAIM BIBI	
4 POSTAL CODE 04538-132	5 CITY SÃO PAULO		6 STATE SP	
7 AREA CODE 11	8 TELEPHONE 3049-7100	9 TELEPHONE -	10 TELEPHONE -	11 TELEX
12 AREA CODE 11	13 FAX 3049-7558	14 FAX 3049-7519	15 FAX -	

16 E-MAIL
invrel@csn.com.br

01.04 REFERENCE AND AUDITOR INFORMATION

CURRENT YEAR		CURRENT QUARTER			PREVIOUS QUARTER		
1 - BEGINNING	2. END	3 - QUARTER	4 - BEGINNING	5 - END	6 - QUARTER	7 - BEGINNING	8 - END
1/1/2007	12/31/2007	2	4/1/2007	6/30/2007	1	1/1/2007	3/31/2007
09 - INDEPENDENT ACCOUNTANT KPMG AUDITORES INDEPENDENTES					10 - CVM CODE 00418-9		
11. TECHNICIAN IN CHARGE MANUEL FERNANDES RODRIGUES DE SOUZA					12 TECHNICIAN S CPF (INDIVIDUAL TAXPAYER S REGISTER) 783.840.017-15		

01.05 CAPITAL STOCK

NUMBER OF SHARES (in thousands)	1 CURRENT QUARTER 6/30/2007	2 PREVIOUS QUARTER 3/31/2007	3 SAME QUARTER, PREVIOUS YEAR 6/30/2007
Paid-in Capital			
1 Common	272,068	272,068	272,068
2 Preferred	0	0	0
3 Total	272,068	272,068	272,068
Treasury Stock			
4 Common	15,578	15,578	14,655
5 Preferred	0	0	0
6 Total	15,578	15,578	14,655

01.06 COMPANY PROFILE

1 TYPE OF COMPANY Commercial, Industry and Others
2 STATUS Operational
3 NATURE OF OWNERSHIP Private National
4 ACTIVITY CODE 1060 - Metallurgy and Steel Industry
5 MAIN ACTIVITY MANUFACTURING, TRANSF. AND TRADING OF STEEL PRODUCTS
6 CONSOLIDATION TYPE Total
7 TYPE OF REPORT OF INDEPENDENT AUDITORS Unqualified

01.07 COMPANIES NOT INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

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

01.09 - SUBSCRIBED CAPITAL AND CHANGES IN THE CURRENT YEAR

1 - ITEM	2 - DATE OF CHANGE	3 - CAPITAL STOCK (In thousands of reais)	4 - AMOUNT OF CHANGE (In thousands of reais)	5 - NATURE OF CHANGE	7 - NUMBER OF SHARES ISSUED (thousand)	8 - SHARE PRICE WHEN ISSUED (in reais)
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01.10 - INVESTOR RELATIONS OFFICER

<p>1 DATE 8/14/2007</p>	<p>2 SIGNATURE</p>
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02.01 BALANCE SHEETS - ASSETS (in thousands of Reais)

1-CODE	2- DESCRIPTION	3 6/30/2007	4 3/31/2007
1	Total Assets	25,779,056	25,402,966
1.01	Current Assets	5,250,680	5,595,840
1.01.01	Cash and Cash Equivalents	37,184	11,679
1.01.02	Receivable	2,510,359	2,462,697
1.01.02.01	Accounts receivable	1,402,591	1,529,199
1.01.02.01.01	Domestic Market	608,656	563,900
1.01.02.01.02	Foreign Market	864,434	1,036,169
1.01.02.01.03	Allowance for Doubtful Accounts	(70,499)	(70,870)
1.01.02.02	Sundry receivable	1,107,768	933,498
1.01.02.02.01	Employees	3,760	13,450
1.01.02.02.02	Suppliers	127,463	188,780
1.01.02.02.03	Recoverable Income and social contribution taxes	10,659	32,284
1.01.02.02.04	Deferred Income Tax	232,299	244,028
1.01.02.02.05	Deferred Social Contribution	81,979	86,201
1.01.02.02.06	Other Taxes	105,100	153,849
1.01.02.02.07	Proposed Dividends Receivable	151,829	198,304
1.01.02.02.08	Other Receivable	394,679	16,602
1.01.03	Inventories	1,718,993	1,684,581
1.01.04	Other	984,144	1,436,883
1.01.04.01	Marketable Securities	148,994	984,256
1.01.04.02	Prepaid Expenses	62,680	44,206
1.01.04.03	Insurance Claimed	408,421	408,421
1.01.04.04	Restricted Amounts	364,049	0
1.02	Non Current Assets	20,528,376	19,807,126
1.02.01	Long-Term Assets	1,640,673	1,832,579
1.02.01.01	Sundry Receivable	764,367	837,322
1.02.01.01.01	Loans Eletrobrás	26,084	26,084
1.02.01.01.02	Marketable Securities Receivable	138,032	143,628
1.02.01.01.03	Deferred Income Tax	356,080	427,768
1.02.01.01.04	Deferred Social Contribution	117,466	114,762
1.02.01.01.05	Other Taxes	126,705	125,080
1.02.01.02	Receivable from Related Parties	207,871	298,347
1.02.01.02.01	Associated and Related Companies	0	0
1.02.01.02.02	Subsidiaries	207,871	298,347
1.02.01.02.03	Other Related Parties	0	0
1.02.01.03	Other	668,435	696,910
1.02.01.03.01	Judicial Deposits	540,115	530,824
1.02.01.03.02	Marketable Securities	89,673	125,673
1.02.01.03.03	Prepaid Expenses	37,352	39,104
1.02.01.03.04	Other	1,295	1,309
1.02.02	Permanent Assets	18,887,703	17,974,547

02.01 BALANCE SHEETS - ASSETS (in thousands of Reais)

1-CODE	2- DESCRIPTION	3 6/30/2007	4 3/31/2007
1.02.02.01	Investments	6,252,607	5,833,417
1.02.02.01.01	In Associated /Related Companies	0	0
1.02.02.01.02	In Associated/Related Companies-Goodwill	0	0
1.02.02.01.03	In Subsidiaries	6,189,987	5,758,442
1.02.02.01.04	In Subsidiaries -Goodwill	62,589	74,944
1.02.02.01.05	Other Investments	31	31
1.02.02.02	Property, Plant and Equipment	12,484,375	11,976,389
1.02.02.02.01	In Operation, Net	11,156,103	11,081,186
1.02.02.02.02	In Construction	919,553	750,246
1.02.02.02.03	Land	408,719	144,957
1.02.02.03	Intangible Assets	0	0
1.02.02.04	Deferred	150,721	164,741

02.02 BALANCE SHEETS - LIABILITIES (in thousands of Reais)

1- CODE	2- DESCRIPTION	3 6/30/2007	4 3/31/2007
2	Total Liabilities	25,779,056	25,402,966
2.01	Current Liabilities	4,388,496	5,369,771
2.01.01	Loans and Financing	1,094,776	1,898,730
2.01.02	Debentures	46,912	21,149
2.01.03	Suppliers	976,461	1,280,978
2.01.04	Taxes and Contributions	722,368	586,777
2.01.04.01	Salaries and Social Contributions	133,284	110,900
2.01.04.02	Taxes Payable	462,530	266,215
2.01.04.03	Deferred Income Tax	93,054	154,163
2.01.04.04	Deferred Social Contribution	33,500	55,499
2.01.05	Dividends Payable	738,576	718,175
2.01.06	Provisions	30,770	5,100
2.01.06.01	Contingencies	74,069	44,056
2.01.06.02	Judicial Deposits	(43,299)	(38,956)
2.01.07	Debt with Related Parties	0	0
2.01.08	Other	778,633	858,862
2.01.08.01	Accounts Payable - Subsidiaries	589,522	671,939
2.01.08.02	Other	189,111	186,923
2.02	Non Current Liabilities	12,898,019	13,151,800
2.02.01	Long-Term Liabilities	12,898,019	13,151,800
2.02.01.01	Loans and Financing	6,658,018	5,964,278
2.02.01.02	Debentures	901,493	900,451
2.02.01.03	Provisions	4,876,543	5,774,315
2.02.01.03.01	Contingencies	3,650,369	3,909,236
2.02.01.03.02	Judicial Deposits	(799,550)	(106,721)
2.02.01.03.03	Deferred Income Tax	1,489,503	1,449,853
2.02.01.03.04	Deferred Social Contribution	536,221	521,947
2.02.01.04	Debts with Related Parties	0	0
2.02.01.05	Advance for Future Capital Increase	0	0
2.02.01.06	Other	461,965	512,756
2.02.01.06.01	Allowance for Loss on Investments	89,411	121,153
2.02.01.06.02	Accounts Payable Subsidiaries	48,494	50,840
2.02.01.06.03	Provisions for Pension Funds	210,114	224,094
2.02.01.06.04	Other	113,946	116,669
2.02.02	Deferred Income	0	0
2.04	Shareholders Equity	8,492,541	6,881,395
2.04.01	Paid-In Capital Stock	1,680,947	1,680,947
2.04.02	Capital Reserves	30	30
2.04.03	Revaluation Reserve	4,751,113	4,147,003
2.04.03.01	Own Assets	4,513,706	4,146,650
2.04.03.02	Subsidiaries/Associated and Related Companies	237,407	353

02.02 BALANCE SHEETS - LIABILITIES (in thousands of Reais)

1- CODE	2- DESCRIPTION	3 6/30/2007	4 3/31/2007
2.04.04	Profit Reserves	270,370	270,370
2.04.04.01	Legal	336,189	336,189
2.04.04.02	Statutory	0	0
2.04.04.03	For Contingencies	0	0
2.04.04.04	Unrealized Income	0	0
2.04.04.05	Retention of profits	0	0
2.04.04.06	Special For Non-Distributed Dividends	0	0
2.04.04.07	Other Profit Reserves	(65,819)	(65,819)
2.04.04.07.01	From Investments	677,611	677,611
2.04.04.07.02	Treasury Stock	(743,430)	(743,430)
2.04.05	Retained Earnings/Accumulated Losses	1,790,081	783,045
2.04.06	Advance for Future Capital Increase	0	0

03.01 STATEMENTS OF INCOME (in thousands of Reais)

1- CODE	2- DESCRIPTION	3- 4/1/2007 to 6/30/2007	4- 1/1/2007 to 6/30/2007	5- 4/1/2006 to 6/30/2006	6- 1/1/2006 to 6/30/2006
3.01	Gross Revenue from Sales and/or Services	2,870,884	5,302,162	1,801,541	3,673,720
3.02	Gross Revenue Deductions	(594,929)	(1,077,208)	(405,611)	(773,103)
3.03	Net Revenue from Sales and/or Services	2,275,955	4,224,954	1,395,930	2,900,617
3.04	Cost of Goods and/or Services Sold	(1,244,178)	(2,424,557)	(1,157,006)	(2,160,246)
3.04.01	Depreciation, Depletion and Amortization	(230,144)	(422,685)	(186,173)	(391,283)
3.04.02	Other	(1,014,034)	(2,001,872)	(970,833)	(1,768,963)
3.05	Gross Income	1,031,777	1,800,397	238,924	740,371
3.06	Operating Income/Expenses	256,865	484,377	201,354	146,153
3.06.01	Selling expenses	(80,982)	(149,514)	(62,182)	(128,012)
3.06.01.01	Depreciation and Amortization	(1,457)	(3,063)	(2,500)	(4,668)
3.06.01.02	Other	(79,525)	(146,451)	(59,682)	(123,344)
3.06.02	General and Administrative	(79,412)	(137,696)	(65,322)	(117,273)
3.06.02.01	Depreciation and Amortization	(4,781)	(9,050)	(3,591)	(7,192)
3.06.02.02	Other	(74,631)	(128,646)	(61,731)	(110,081)
3.06.03	Financial	402,298	307,553	(130,820)	(281,253)
3.06.03.01	Financial Income	(217,287)	(322,544)	(11,477)	(352,068)
3.06.03.02	Financial Expenses	619,585	630,097	(119,343)	70,815
3.06.03.02.01	Foreign Exchange and Monetary Variation, net	532,845	818,119	21,173	482,750
3.06.03.02.02	Financial Expenses	86,740	(188,022)	(140,516)	(411,935)
3.06.04	Other Operating Income	5,867	8,165	498,182	685,812
3.06.05	Other Operating Expenses	(69,918)	(110,838)	(63,877)	(121,442)
3.06.06	Equity in income of subsidiaries and associated companies	79,012	566,707	25,373	108,321
3.07	Operating Income	1,288,642	2,284,774	440,278	886,524
3.08	Non-Operating Income	2	(1,021)	(130)	(26)
3.08.01	Income	2	3	7,278	7,279

03.01 - STATEMENT OF INCOME (in thousands of reais)

1- CODE	2- DESCRIPTION	3- 4/1/2007 to 6/30/2007	4- 1/1/2007 to 6/30/2007	5- 4/1/2006 to 6/30/2006	6- 1/1/2006 to 6/30/2006
3.08.02	Expenses	0	(1,024)	(7,408)	(7,305)
3.09	Income before Taxes/Participations	1,288,644	2,283,753	440,148	886,498
3.10	Provision for Income and social contribution taxes	(347,176)	(563,160)	114,903	(49,029)
3.11	Deferred Income Tax	34,959	9,322	(184,762)	(169,152)
3.11.01	Deferred Income Tax	4,741	(13,388)	(170,282)	(156,522)
3.11.02	Deferred Social Contribution	30,218	22,710	(14,480)	(12,630)
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 shareholders equity	0	0	0	0
3.15	Income/ Loss for the Period	976,427	1,729,915	370,289	668,317
	OUTSTANDING SHARES, EX-TREASURY (in thousands)	256,490	256,490	257,413	257,413
	EARNINGS PER SHARE (in reais)	3.80688	6.74457	1.43850	2.59628
	LOSS PER SHARE (in reais)				

00403-0

COMPANHIA SIDERÚRGICA NACIONAL

33.042.730/0001-04

04.01 NOTES TO THE FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

1. OPERATIONS

Companhia Siderúrgica Nacional (CSN) is engaged in the production of flat steel products and its main industrial complex is the Presidente Vargas Steelworks (UPV) located in the City of Volta Redonda, State of Rio de Janeiro.

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 meet the needs of UPV, and it has strategic investments in railroads, electricity and ports, to optimize its activities and it is implementing a cement plant inside UPV, in Volta Redonda.

To be closer to clients and win markets on a global level, in Brazil CSN has a steel distributor, two metal package plants, one for the manufacture of two-piece steel cans, and a galvanized steel plant in the South and another in the Southeast supplying mainly the home appliances and automotive industry. Abroad, the Company has a rolling mill in Portugal and another mill in the United States.

2. PRESENTATION OF THE QUARTERLY FINANCIAL INFORMATION

The individual (Company) and consolidated financial statements were prepared based on accounting practices derived from the Brazilian Corporation Law and rules of the Brazilian Securities and Exchange Commission (CVM).

With the objective of improving the information disclosed to the market, the Company is presenting the following additional information covering the Parent Company and the consolidated quarterly financial information:

(a) Segment reporting

A segment is a distinguishable component of the Company intended for manufacturing products or rendering services - a business segment -, or in providing products or services within a particular economic environment - geographical segment -, which are subject to risks and rewards that are different from other segments.

(b) Statements of cash flow

The Company is presenting the statement of cash flows as additional information .

(c) Statements of added value

The Management is disclosing the statement of added value, which aims to present the value of the wealth generated by the Company and its distribution among the elements that contributed to its generation.

All the information presented has been obtained from the Company's accounting records and reclassifications were made to certain information contained in the traditional statement of income, considering they are considered in the statement of added value as distribution of the added value generated.

3. DESCRIPTION OF SIGNIFICANT ACCOUNTING PRACTICES

(a) Statement of Income

Income and expenses are recognized on the accrual basis.

Revenue from the sale of goods is recognized in the statement of incomes when all risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognized in the statement of income in proportion to the stage of completion of the service. Revenue is not recognized if there are significant uncertainties as to its realization.

(b) Current and noncurrent assets

- **Marketable securities**

The investment funds have daily liquidity and the assets are valued at market, according to instructions of the Brazilian Central Bank and CVM, since the Company considers these investments as securities held for trading.

Fixed income securities and financial investments abroad are recorded at cost plus income accrued until the balance sheet date, and do not exceed market value.

- **Accounts receivable**

Trade accounts receivable are recorded at the invoiced amount, including the respective taxes. The allowance for doubtful accounts was recorded in an amount considered adequate by Management to cover any losses arising on collection of accounts receivable.

(c) Inventories

Inventories are stated at their average cost of acquisition or production and imports in transit are recorded at their cost of acquisition, not exceeding their market or realization value. Provisions for losses or obsolescence are recorded whenever Management considers it necessary.

(d) Other current and noncurrent assets

Stated at their realization value, including, when applicable, income earned to the balance sheet date or, in the case of prepaid expenses, at cost.

(e) Investments

Investments in subsidiaries and jointly-owned subsidiary companies are recorded by the equity accounting method, plus positive goodwill, when applicable. Other permanent investments are recorded at cost of acquisition.

(f) Property, plant and equipment

The property, plant and equipment of the parent company is presented at market or replacement values, based on appraisal reports issued by independent expert appraisal firms, as permitted by Deliberation 288 issued by the Brazilian Securities and Exchange Commission on December 3, 1998. Depreciation is calculated using the straight-line method, according to the remaining economic useful lives of the assets after revaluation. Depletion of the Casa de Pedra mine is calculated based on the quantity of iron ore extracted, and interest charges related to capital

funding for construction in progress are capitalized until the constructions are concluded.

(g) Deferred charges

The deferred charges are due to expenses incurred in developing and implementing projects that should generate economic return for the Company in the next few years, and they are amortized on a straight-line basis over the period foreseen for economic return on the abovementioned projects.

(h) Current and non-current liabilities

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

(i) Employees benefits

In accordance with Deliberation 371, issued by the Brazilian Securities Commission, on December 13, 2000, the Company decided to record the respective actuarial liabilities as from January 1, 2002, in accordance with the abovementioned deliberation, based on studies by independent actuaries.

(j) Income and social contribution taxes

Current and deferred income and social contribution taxes are calculated based on the rates of 15% plus an additional of 10% on taxable income for income tax and 9% on taxable income for social contribution on net income and consider tax loss carryforwards and negative basis of social contribution limited to 30% of taxable income.

Tax credits are recorded for deferred taxes on tax loss carryforwards, negative basis of social contribution on net income and on temporary differences, pursuant to CVM Instruction 371 as of June 27, 2002 and take into consideration the history of profitability and the expectation of generating future taxable income, based on a technical feasibility study.

(k) Derivatives

The derivatives operations are recorded in accordance with the characteristics of the financial instruments. Swap operations are recorded based on the net results of the operations, which are booked monthly in line with the contractual conditions, and swaps traded through the exclusive funds are adjusted to market value.

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

(l) Treasury Shares

As established by CVM Instruction 10/80, treasury shares are recorded at cost of acquisition, and the market value of these shares, calculated based on the stock exchange quotation on the last day of the period, is presented in Note 19, item (v).

(m) Accounting estimates

The preparation of the financial statements in accordance with accounting practices adopted in Brazil requires that Management uses its judgment in determining and recording accounting estimates. The settlement of the transactions involving these estimates may result in significantly different amounts from those estimated, due to the lack of precision inherent to the process of their determination. The Company periodically reviews the estimates and assumptions.

4. CONSOLIDATED QUARTERLY FINANCIAL INFORMATION

The consolidated Quarterly Financial Information for the quarters ended June 30, 2007 and March 31, 2007 included the following jointly-owned direct and indirect subsidiaries:

Companies	Currency	Ownership interest (%)		Main activities
	Of Origin	6/30/2007	3/31/2007	
Direct investment: full consolidation				
CSN Energy	US\$	100.00	100.00	Equity interest
CSN Export	US\$	100.00	100.00	Financial operations and trading
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	100.00	Financial operations
CSN Overseas	US\$	100.00	100.00	Financial operations and equity interest
CSN Panama	US\$	100.00	100.00	Financial operations and equity interest
CSN Steel	US\$	100.00	100.00	Financial operations and equity interest
Sepetiba Tecon	R\$	100.00	100.00	Maritime port services
Nacional Ferrosos	R\$	100.00	99.99	Mining and equity interest
CSN I	R\$	99.99	99.99	Equity interest
Estanho de Rondônia - ERSA	R\$	99.99	99.99	Mining
Cia Metalic Nordeste	R\$	99.99	99.99	Packaging
Indústria Nacional de Aços Laminados - INAL	R\$	99.99	99.99	Steel products service center
CSN Cimentos	R\$	99.99	99.99	Cement
Inal Nordeste	R\$	99.99	99.99	Steel products service center
CSN Energia	R\$	99.90	99.90	Trading of electricity
Nacional Minérios	R\$	99.99	99.99	Mining and equity interest
Congonhas Minérios	R\$	99.97		Mining and equity interest
GalvaSud	R\$	15.29	15.29	Steel industry
Direct investment: proportionate consolidation				
Itá Energética	R\$	48.75	48.75	Electricity generation
Companhia Ferroviária do Nordeste (CFN)	R\$	45.78	45.78	Railroad transport
MRS Logística	R\$	32.93	32.93	Railroad transport
Indirect investment: full consolidation				
CSN Aceros	US\$	100.00	100.00	Equity interest
CSN Cayman	US\$	100.00	100.00	Financial operations and trading

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CSN Iron	US\$	100.00	100.00	Financial operations
Companhia Siderurgica Nacional LLC	US\$	100.00	100.00	Steel industry
CSN Holdings Corp	US\$	100.00	100.00	Equity interest
Companhia Siderurgica Nacional Partner LLC	US\$	100.00	100.00	Equity interest
Energy I	US\$	100.00	100.00	Equity interest
Tangua	US\$	100.00	100.00	Equity interest
CSN Madeira	EUR	100.00	100.00	Financial operations and equity interest
Cinnabar	EUR	100.00	100.00	Financial operations and equity interest
Hickory	EUR	100.00	100.00	Financial operations and trading
Lusosider Projectos Siderúrgicos	EUR	100.00	100.00	Equity interest
CSN Acquisitions	EUR	100.00	100.00	Financial operations and equity interest
CSN Finance (UK)	GBP	100.00	100.00	Financial operations and equity interest
CSN Holdings (UK)	GBP	100.00	100.00	Financial operations and equity interest
Itamambuca Participações	R\$	100.00	100.00	Mining and equity interest
Companhia Metalúrgica Prada	R\$	99.99	99.99	Packaging
Lusosider Aços Planos	EUR	99.93	99.93	Steel industry
GalvaSud	R\$	84.71	84.71	Steel industry

Description of the main consolidation procedures

The Quarterly Information of subsidiaries prepared in US dollars, in Euros and in Pounds Sterling were translated to Brazilian currency at the exchange rate as of June 30, 2007 R\$/US\$1.9262(R\$ /US\$2.0504 on March 31, 2007), R\$/EUR2.60730 (R\$/EUR2.73892 on March 31, 2007) and R\$/GBP3.86762 (R\$/GBP4.03437 on March 31,2007).

The gains and losses from these translations were recorded in the income statements of the related periods, as equity accounting in the parent company and exchange variation in the consolidated statements and the aforementioned quarterly information was prepared applying the same accounting principles as those applied by the parent company.

The following criteria were followed in the preparation of the consolidated Financial Statements.

- Elimination of intercompany asset and liability account balances;
- Elimination of investment in the capital, reserves and retained earnings of the subsidiaries;
- Elimination of intercompany income and expense balances and unearned income arising from intercompany transactions. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment;
- Elimination of taxes and charges on unearned income, which are presented as deferred tax in the consolidated balance sheet.

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

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

The conciliation between shareholders equity and net income for the period of the parent company and consolidated is as follows:

	Shareholders Equity		Net income in the period	
	6/30/2007	3/31/2007	6/30/2007	6/30/2006
Parent Company	8,492,541	6,881,395	1,729,915	668,317
Elimination of profits on inventories	(117,292)	(93,017)	(14,838)	81,565
Consolidated	8,375,249	6,788,378	1,715,077	749,882

5. RELATED PARTY TRANSACTIONS

The purchase and sale of products and inputs and the contracting of services with subsidiaries are performed under normal market conditions that would be applicable to non-related parties. The main borrowings, financings and loans are as follows:

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a) Assets

Companies	Accounts receivable	Financial Investments	Loans ⁽¹⁾ / Current accounts	Debentures	Dividends receivable	Advance for future capital increase	Advance to suppliers	Total
CSN Export	984,526							984,526
INAL	51,340		368,038		82,302			501,680
CFN			123,764			65,723		189,487
Companhia Metalúrgica Prada	43,895		5,152					49,047
MRS Logística	105				41,427		560	42,092
CSN Energia					26,973			26,973
CSN Cimentos Nacional			14,754					14,754
Minérios	10,449					3,629		14,078
CSN Madeira	9,453							9,453
Ersa			5		110		8,525	8,640
GalvaSud	4,753				156			4,909
Cia. Metalic Nordeste	2,446		17					2,463
Fundação								
CSN			2,000					2,000
INAL								
Nordeste	1,748							1,748
Exclusive Funds		1,143						1,143
Sepetiba								
Tecon	37		388				446	871
CSN I					860			860
CSN LLC			659					659
Total at 6/30/2007	1,108,752	1,143	514,777		151,828	69,352	9,531	1,855,383
Total at 3/31/2007	1,260,145	828,781	148,546	36,000	198,304	152,085	32,501	2,656,362

(1) Loans receivable from related parties are restated by 101% of the Interbank Deposit Certificate (CDI).

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b) Liabilities

Companies	Loans and financing				Derivatives	Accounts payable	Suppliers		Total
	Prepayment (1)	Fixed Rate Notes(2)	Loans from Investees	Intercompany Bonds(2)	Swap	Loans(3)/ current accounts	Investees Inventories	Other	
CSN Steel	1,329,096	565,569				252,917			2,147,
CSN Iron				1,164,215					1,164,
CSN Islands VIII		927,818			136,470	1,770			1,066,
CSN Export	952,803					10,748			963,
CSN Islands VII		508,329			38,836				547,
CSN Madeira			20,874			293,441			314,
CBS Previdência								260,140	260,
Cinnabar	62,765		75,352			39,706			177,
GalvaSud								25,745	25,
CSN Energia						23,342			23,
Aceros						19,364			19,
MRS Logística						13,290			13,
INAL								2,463	2,
Fundação CSN								828	
Cia Metalic									
Nordeste								122	
Companhia									
Metalúrgica Prada									81
INAL Nordeste									9
Total at 6/30/2007	2,344,664	2,001,716	96,226	1,164,215	175,306	654,578		289,388	6,726,
Total at 3/31/2007	2,219,714	2,227,210	95,820	1,267,347	128,642	679,565	386	350,714	6,969,

(1) Contracts in US\$ - CSN Export: interest from 6.15% to 7.43% p.a. with maturity in May 2015.
 Contracts in US\$ - CSN Cinnabar: Annual Libor + 3% p.a. with maturity in June 2008.
 Contracts in US\$ - CSN Steel: interest from 5.75% to 10.0% p.a. with maturity in January 2018.

(2) Contracts in US\$ - CSN Iron: interest of 9.125% p.a. with maturity in June 2047.
 Contracts in YEN - CSN Islands VII: interest of 7.3% and 7.75% p.a. with maturity in September 2008.
 Contracts in YEN - CSN Islands VIII: interest of 5.65% p.a. with maturity in December 2013.
 Contracts in YEN - CSN Steel: interest of 1.5% p.a. with maturity in July 2010.

(3) Information referring to loans with related parties.
 CSN Madeira (part): semiannual Libor + 3% p.a. with indefinite maturity.
 CSN Madeira (part): semiannual Libor + 2.5% p.a. with maturity in September 2011.

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Cinnabar (part): semiannual Libor + 3% p.a. with indefinite maturity and IGPM + 6% p.a. with indefinite maturity.

CSN Export: semiannual Euribor + 0.5% p.a. with indefinite maturity.

c) Results

Companies	Income			Expenses			
	Products and services	Interest and monetary and exchange variations	Total	Products and services	Interest and monetary and exchange variations	Other	Total
CSN Export	987,145	(88,012)	899,133	784,496	(72,996)		711,500
INAL	461,242		461,242	220,242			220,242
Companhia Metalúrgica Prada	125,962		125,962	43,568			43,568
GalvaSud	90,438		90,438	142,029			142,029
Cia Metalic Nordeste	27,423	173	27,596	16,103			16,103
INAL Nordeste	17,460		17,460	9,926			9,926
Nacional Minérios CFN	10,672		10,672			8,596	8,596
CFN		7,587	7,587				
Sepetiba Tecon	148		148	329			329
MRS Logística	106		106	154,860			154,860
Itá Energética				51,681			51,681
CBS Previdência						9,155	9,155
Fundação CSN				6,651			6,651
ERSA				4,738			4,738
Cinnabar					(5,815)		(5,815)
CSN Iron					(74,666)		(74,666)
CSN Steel					(186,558)		(186,558)
CSN Madeira		(1,039)	(1,039)		(32,671)		(32,671)
CSN Islands VII		(23,745)	(23,745)		(52,884)		(52,884)
CSN Islands VIII		(43,961)	(43,961)		(109,132)		(109,132)
Exclusive funds		(254,605)	(254,605)				
CSN Aceros					(2,129)		(2,129)
Total at 6/30/2007	1,720,596	(403,602)	1,316,994	1,434,623	(536,851)	17,751	915,523
Total at 6/30/2006	958,567	(437,762)	520,805	941,761	(296,061)	66,381	712,081

6. CASH AND CASH EQUIVALENTS AND MARKETABLE SECURITIES

	Consolidated		Parent Company	
	6/30/2007	3/31/2007	6/30/2007	3/31/2007
Short-term				
Cash and Cash Equivalents				
Cash and Banks	446,567	77,557	37,184	11,679
Financial Investments				
In Brazil:				
Exclusive investment funds			1,143	828,781
Brazilian government securities	293,048	1,320,090		
Fixed income and debentures (net of provision for probable losses and withholding income tax)	289,508	303,626	1,183	1,167
	582,556	1,623,716	2,326	829,948
Abroad:				
Time Deposit	1,266,989	757,230	146,668	154,308
Derivatives	877,564	728,386		
	2,144,553	1,485,616	146,668	154,308
Total Financial Investments	2,727,109	3,109,332	148,994	984,256
Total cash and cash equivalents and financial investments	3,173,676	3,186,889	186,178	995,935
Noncurrent				
Investments abroad	19,262	51,260		
Debentures (net of provision for probable losses)	89,673	89,673	89,673	125,673
	108,935	140,933	89,673	125,673
Total cash and cash equivalents and financial investments	3,282,611	3,327,822	275,851	1,121,608

The Company's Management invests the available financial resources of the parent company and subsidiaries headquartered in Brazil basically in exclusive investment funds, whose cash is mostly invested in repurchase operations pegged to Brazilian government securities, with immediate liquidity. Additionally, a significant portion of the financial resources of the Company and its subsidiaries abroad is invested in Time Deposits in first-tier banks.

7. ACCOUNTS RECEIVABLE

	Consolidated		Parent Company	
	6/30/2007	3/31/2007	6/30/2007	3/31/2007
Domestic market				
Subsidiaries			114,773	116,393
Other clients	793,721	754,185	493,883	447,507
	793,721	754,185	608,656	563,900
Foreign market				
Subsidiaries			993,979	1,143,752
Other clients	603,543	542,022	5,289	6,308
Advances on Export Contracts (ACE)	(134,834)	(113,891)	(134,834)	(113,891)
	468,709	428,131	864,434	1,036,169
Allowance for doubtful accounts	(109,859)	(110,053)	(70,499)	(70,870)
	1,152,571	1,072,263	1,402,591	1,529,199

8. INVENTORIES

	Consolidated		Parent Company	
	6/30/2007	3/31/2007	6/30/2007	3/31/2007
Finished products	607,920	621,922	318,730	330,774
Work in process	429,949	516,142	314,075	369,523
Raw materials	828,106	768,905	621,190	587,995
Supplies	532,352	489,754	444,892	409,835
Imports in transit	36,887	2,437	32,112	
Materials in transit	124,144	74,256	4,292	1,384
Provision for losses	(17,469)	(15,956)	(16,298)	(14,930)
	2,541,889	2,457,460	1,718,993	1,684,581

9. RESTRICTED AMOUNTS

It refers to amounts allocated to pay interest on shareholders' equity and dividends, which would occur as from May 9, 2007, as decided at the Annual General Meeting held on April 30, 2007, and which is temporarily suspended by a court decision.

In view of the foregoing decision, the distribution is suspended until the review of the court decision.

10. DEFERRED INCOME AND SOCIAL CONTRIBUTION TAXES

(a) Deferred Income and Social Contribution taxes

Deferred Income and social contribution taxes are recorded in order to express future tax effects attributable to timing differences between the tax base for assets and liabilities and their respective carrying value.

Pursuant to CVM Instruction 371, of June 27, 2002, some of the Company's subsidiaries, based on the expectation of generating future taxable income, determined by a technical study approved by the Management, also recognized tax credits on tax loss carryforward and negative social contribution bases of previous years, which have no maturity and the

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compensation of which is limited to 30% of annual taxable income. The carrying value of deferred tax assets is reviewed periodically and projections are reviewed annually. If there are any significant factors that may change the projections, these projections are revised during the year by the Company.

	Consolidated		Parent Company	
	6/30/2007	3/31/2007	6/30/2007	3/31/2007
Current assets				
Income tax	323,336	326,777	232,299	244,028
Social contribution	114,877	116,111	81,979	86,201
	438,213	442,888	314,278	330,229
Noncurrent assets				
Income tax	409,905	482,826	356,080	427,768
Social contribution	137,140	134,896	117,466	114,762
	547,045	617,722	473,546	542,530
Current liabilities				
Income tax	96,828	154,163	93,054	154,163
Social contribution	34,858	55,499	33,500	55,499
	131,686	209,662	126,554	209,662
Noncurrent liabilities				
Income tax	1,568,811	1,464,592	1,489,503	1,449,853
Social contribution	564,714	527,189	536,221	521,947
	2,133,525	1,991,781	2,025,724	1,971,800
	6/30/2007	6/30/2006	6/30/2007	6/30/2006
Income statement				
Income tax	30,823	(182,769)	(13,388)	(156,522)
Social contribution	38,846	(22,053)	22,710	(12,630)
	69,669	(204,822)	9,322	(169,152)

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(b) The deferred income and social contribution taxes of the parent company are shown as follows:

	6/30/2007				3/31/2007			
	Income tax		Social contribution		Income tax		Social contribution	
	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent
Assets								
Provisions for contingencies	18,517	198,105	6,666	71,318	11,014	178,922	3,965	64,412
Provision for interest on shareholders equity	18,699		6,732		51,618		18,582	
Provision for payment of private pension plans		52,528		18,910		56,024		20,168
Taxes under litigation		29,785				108,984		
Tax losses	4,580				4,580			
Other provisions	190,503	75,662	68,581	27,238	176,816	83,838	63,654	30,182
	232,299	356,080	81,979	117,466	244,028	427,768	86,201	114,762
Liabilities								
Income and social contribution taxes on revaluation reserve	93,000	1,489,503	33,480	536,221	93,000	1,449,853	33,480	521,947
Other	54		20		61,163		22,019	
	93,054	1,489,503	33,500	536,221	154,163	1,449,853	55,499	521,947

(c) The reconciliation between the income and social contribution taxes of the parent company and consolidated, and the application of the effective rate on net income before Corporate Income tax (IRPJ) and Social Contribution (CSL) is as follows:

	Consolidated		Parent Company	
	6/30/2007	6/30/2006	6/30/2007	6/30/2006
Income before income and social contribution taxes	2,334,927	1,088,088	2,283,753	886,498
Tax rate	34%	34%	34%	34%

Income Tax / Social Contribution at the combined tax rate	(793,875)	(369,950)	(776,476)	(301,409)
Adjustments to reflect the effective tax rate:				
Benefit of Interest on shareholders equity	25,413	30,768	25,413	30,768
Equity/ income of subsidiaries at different rates				
or				
which is non taxable	132,886	(46,621)	195,226	3,069
Tax incentives	9,951	2,855	9,951	2,855
Other permanent (additions) deductions	5,775	44,742	(7,952)	46,536
Income and social contribution taxes on the net income for the period	(619,850)	(338,206)	(553,838)	(218,181)
Effective rate	27%	31%	24%	25%

11. INVESTMENTS**a) Direct investments in subsidiaries and jointly-owned subsidiaries**

Companies	Number of shares		Direct Investment %	Net Income (loss) for the quarter	Shareholders Equity (unsecured) liabilities)	6/30/2007			3/31/2007					
	Common	Preferred				Direct Investment %	Net Income (loss) for the quarter	Shareholders Equity (unsecured) liabilities)	Direct Investment %	Net Income (loss) for the quarter	Shareholders Equity (unsecured) liabilities)	Direct Investment %	Net Income (loss) for the quarter	Shareholders Equity (unsecured) liabilities)
Steel														
GalvaSud	11,801,406,867		15.29	21,510	737,309	15.29	22,211	623,688						
CSN I	9,996,751,600	1,200	99.99	11,267	681,742	99.99	13,436	592,448						
CSN Steel	480,726,588		100.00	167,250	1,495,895	100.00	244,651	1,398,540						
INAL Cia. Metalic	421,408,393		99.99	9,870	678,282	99.99	60,828	621,123						
Nordeste INAL	87,868,185	4,424,971	99.99	(1,135)	162,474	99.99	1,290	115,929						
Nordeste CSN	37,800,000		99.99	950	53,594	99.99	835	36,243						
Overseas CSN	7,173,411		100.00	11,455	962,028	100.00	14,238	1,010,946						
Panama CSN	4,240,032		100.00	9,752	602,125	100.00	242,717	614,919						
Energy CSN	3,675,319		100.00	(9,091)	323,775	100.00	(5,235)	354,667						
Export CSN	31,954		100.00	6,441	99,998	100.00	6,679	99,158						
Islands VII CSN	1,000		100.00	(87)	558	100.00	55	684						
Islands VIII CSN	1,000		100.00	285	4,291	100.00	(68)	4,269						
Islands IX CSN	1,000		100.00	(845)	7,857	100.00	(969)	9,326						
Islands X	1,000		100.00	(1,019)	(25,610)	100.00	(1,169)	(26,101)						
Logistics														
Sepetiba Tecon MRS	254,015,053		100.00	2,965	163,096	100.00	5,181	32,047						
Logistica CFN	188,332,667	151,667,333	32.93	138,331	1,173,074	32.93	121,533	1,034,745						
	118,939,957		45.78	(14,650)	(120,761)	45.78	(15,806)	(106,062)						

Energy

Itá								
Energética	520,219,172	48.75	7,514	580,288	48.75	11,933	579,514	
CSN								
Energia	1,000	99.90	1,384	93,506	99.90	1,225	92,121	

Mining

ERSA	34,236,307	99.99	3,427	29,738	99.99	(182)	19,912
Nacional							
Minérios	30,000,000	99.99	6,619	44,199	99.99	7,580	37,580
Nacional							
Ferrosos	5,001,200	100.00	(11)	4,989	99.99		
Congonhas							
Minérios	10,000	99.97		10			

Cement

CSN							
Cimentos	32,779,940	99.99	5,321	(8,513)	99.99	(7,140)	(46,494)

b) Movement of investments

Companies	3/31/2007				6/30/2007		
	Opening balance of investment	Balance of provision for losses	Addition (write-off)	Equity pick-up and provision for losses	Amortization of Goodwill ⁽¹⁾	Closing balance of investment	Balance of provision for losses
Steel							
GalvaSud ⁽²⁾	95,362		14,084	3,289		112,735	
CSN I ⁽³⁾	592,448		78,027	11,267		681,742	
CSN Steel	1,398,540			97,355		1,495,895	
INAL ⁽⁴⁾	621,123		47,289	9,871		678,283	
Cia. Metalic Nordeste ⁽⁵⁾	140,807		47,676	(1,135)	(8,297)	179,051	
INAL Nordeste ⁽⁶⁾	36,243		15,978	1,373		53,594	
CSN Overseas	1,010,946			(48,918)		962,028	
CSN Panama	614,919			(12,794)		602,125	
CSN Energy	354,667			(30,892)		323,775	
CSN Export	99,158			840		99,998	
CSN Islands VII	684			(126)		558	
CSN Islands VIII	4,269			22		4,291	
CSN Islands IX	9,326			(1,468)		7,858	
CSN Islands X		(26,101)		491			(25,610)
	4,978,492	(26,101)	203,054	29,175	(8,297)	5,201,933	(25,610)
Logistics							
Sepetiba Tecon ⁽⁷⁾	32,047		128,084	2,965		163,096	
MRS Logistica	340,759			45,554		386,313	
CFN		(48,558)		(6,730)			(55,288)
	372,806	(48,558)	128,084	41,789		549,409	(55,288)
Energy							
Itá Energética ⁽⁸⁾	282,513		(3,286)	3,663		282,890	
CSN Energia	92,029			1,384		93,413	
	374,542		(3,286)	5,047		376,303	
Mining							
ERSA ⁽⁹⁾	69,966		6,398	3,427	(4,058)	75,733	
Nacional Minérios	37,580			6,619		44,199	
Nacional Ferrosos ⁽¹⁰⁾			5,000	(11)		4,989	
Congonhas Minérios ⁽¹¹⁾			10			10	
	107,546		11,408	10,035	(4,058)	124,931	
Cement							

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CSN Cimentos ⁽¹²⁾	(46,494)	32,660	5,321			(8,513)
	(46,494)	32,660	5,321			(8,513)
	5,833,386	(121,153)	371,920	91,367	(12,355)	6,252,576 (89,411)
Total	5,833,386	(121,153)			79,012	6,252,576 (89,411)

- (1) The consolidated balances of goodwill stated in item (e) of this Note compose the balance of the parent company's equity.
- (2) The addition in the amount of R\$14,084 refers to the revaluation of the assets, approved at the Extraordinary General Meeting held on April 30, 2007.
- (3) The addition in the amount of R\$78,027 refers to the consequential revaluation of the assets of the subsidiary Galvasud.
- (4) The addition in the amount of R\$47,289 refers to the revaluation of the assets of the subsidiary Prada in the amount of R\$13,779 approved at the Extraordinary General Meeting held on April 27, 2007 and R\$33,510 to the revaluation of own assets approved at the Extraordinary General Meeting held on May 23, 2007.
- (5) The addition in the amount of R\$47,676 refers to the revaluation of the assets, approved at the Extraordinary General Meeting held on April 30, 2007.
- (6) The addition in the amount of R\$15,978 refers to the revaluation of the assets, approved at the Extraordinary General Meeting held on May 22, 2007.
- (7) The addition in the amount of R\$128,084 refers to the revaluation reserve of the assets in the amount of R\$29,299 and a capital increase in the amount of R\$98,785 through the issuing of 191,794,783 common shares, of which R\$18,000 refers to the capitalization of an Advance for Future Capital Increase, R\$44,785 refers to the capitalization of credits held by CSN deriving from assumption of debt and R\$36,000 refers to the conversion of all debentures of the 1st and 2nd issues held by CSN, in the amount of R\$36,000, approved at the Extraordinary General Meeting held on May 23, 2007.
- (8) The write-off in the amount of R\$3,286 refers to the decision on supplementary dividends related to the results for 2006.

- (9) The addition in the amount of R\$6,398 refers to the revaluation of assets approved at the Extraordinary General meeting held on June 20, 2007.
- (10) The addition in the amount of R\$5,000 refers to the capital increase in cash, through the issue of 5,000 new common shares, subscribed and paid-in, approved at the Extraordinary General Meeting held on June 12, 2007.
- (11) The addition refers to the incorporation of the company through the issue of 10,000 common shares, subscribed and paid-in in cash in the amount of R\$10, approved at the General Meeting of Incorporation held on April 12, 2007.
- (12) The addition in the amount of R\$32,660 refers to the capital increase in the amount of R\$32,404 through capitalization of an advance for a future capital increase through issuing 32,403,603 common shares and revaluation of assets in the amount of R\$256, approved at the Extraordinary General Meeting held on May 11, 2007.

c) Additional Information on the main subsidiaries

GALVASUD

Incorporated in 1998, GalvaSud started operating in December, 2000. GalvaSud, located in Porto Real, in the state of Rio de Janeiro, operates a hot immersion galvanization line, a blank cutting line and a laser welding line focused mainly on the automotive industry, and it also operates a service center for processing of steel products.

CSN holds 15.29% of GalvaSud's capital stock directly and 84.71% indirectly through its wholly-owned subsidiary CSN I.

INDÚSTRIA NACIONAL DE AÇOS LAMINADOS INAL

A company based in Araucária, State of Paraná, with establishments in the States of São Paulo, Rio de Janeiro, Paraná, Rio Grande do Sul, Pernambuco and Minas Gerais, its objective is to reprocess and act as distributor for CSN's steel products, acting as a service and distribution center. INAL serves a number of industrial segments, such as the automotive, home appliances, home building, machinery and equipment sectors, etc.

INAL NORDESTE

In March 2005, the Company which was previously called CSC - Companhia Siderúrgica do Ceará changed its name to INAL Nordeste. Based in Camaçari, State of Bahia, the Company's main purpose is to reprocess and distribute CSN's steel products, operating as a service and distribution center in the Northeast region of the country.

CIA METALÚRGICA PRADA

Companhia Metalúrgica Prada was acquired in June 2006 through the subsidiary INAL. Headquartered in the city of São Paulo, Prada has branches in the States of São Paulo and Minas Gerais. The Company is the largest manufacturer of metallic packaging for chemical and food industries in the country.

CIA METALIC NORDESTE

Cia. Metalic Nordeste, acquired in 2002, is a company based in Maracanaú, State of Ceará, the main objective of which is the manufacture of two-piece steel cans for carbonated beverages, the production of aluminum lids and holding interests in other companies.

SEPETIBA TECON

Acquired in 1998, through a privatization auction, its objective is to exploit the No.1 Container Terminal of the Itaguaí Port, located in Itaguaí, State of Rio de Janeiro. This terminal is linked to the Presidente Vargas Steelworks by the southeast railroad network, which was conceded to MRS Logística, company in which CSN holds a 32.93% interest.

CSN ENERGIA

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

CSN Energia holds a balance receivable related to the electric power sales under the scope of the Electric Power Trading Chamber (Câmara de Comercialização de Energia Elétrica) CCEE, in the amount of R\$69,374 at June 30, 2007 (R\$71,424 at March 31, 2007), of which R\$10,952 is provisioned for with respect to the existence of judicial collection related to defaulting clients.

Of the balance receivable as of June 30, 2007, the amount of R\$59,129 (R\$59,129 at March 31, 2007) is due by concessionaires with injunctions suspending the corresponding payments. Management understands that an allowance for doubtful accounts for more than this amount is not necessary in view of the judicial measures taken by official entities of the sector.

CSN CIMENTOS

In March 2005, the company previously called FEM Projetos, Construções e Montagens changed its name to CSN Cimentos. Based in Volta Redonda, State of Rio de Janeiro, CSN Cimentos is a business in the process of implementation which will have the production and trading of cement as its main purpose. CSN Cimentos will use the blast furnace slag from the pig iron production of Presidente Vargas Steelworks for the manufacturing of clinker, a raw material for cement.

ERSA ESTANHO DE RONDÔNIA

Acquired in 2005, ERSA is headquartered in the State of Rondônia, where it operates two units in the cities of Santa Bárbara and Ariquemes.

The mining operation for cassiterite (tin ore) is located in Santa Bárbara and the casting operations from which metallic tin is obtained, which is one of the main raw materials used in CSN for the production of tin plates, is located in Ariquemes.

NACIONAL MINÉRIOS

The company, which was incorporated on November 3, 2006, is headquartered in the city of Congonhas, State of Minas Gerais, and operates with the trading of iron ore obtained from small mining companies or other companies trading iron ore, and is mainly focused on exporting this raw material.

d) Additional information on the main jointly-owned subsidiaries

The amounts of the balance sheets and statements of income of the companies which control is shared with other stockholders are shown as follows. The amounts were consolidated in the Company's quarterly information and financial statements according to the percentage of the stakes described in item (a) of this Note.

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	6/30/2007			3/31/2007		
	CFN	MRS	ITASA	CFN	MRS	ITASA
Current Assets	51,111	686,992	73,634	45,724	681,869	92,182
Non-Current Assets	289,403	1,949,696	1,000,922	277,951	1,562,459	1,016,622
Long-term assets	37,010	294,871	3,857	35,686	295,004	3,792
Investments, Property, Plant and Equipment and Deferred Charges	252,393	1,654,825	997,065	242,265	1,267,455	1,012,830
Total Assets	340,514	2,636,688	1,074,556	323,675	2,244,328	1,108,804
Current Liabilities	32,681	718,781	105,369	24,492	731,283	118,453
NonCurrent Liabilities	428,594	744,832	388,899	405,245	670,932	410,837
Shareholders' Equity	(120,761)	1,173,075	580,288	(106,062)	842,113	579,514
Total Liabilities and Shareholders Equity	340,514	2,636,688	1,074,556	323,675	2,244,328	1,108,804

	6/30/2007			6/30/2006		
	CFN	MRS	ITASA	CFN	MRS	ITASA
Net income	30,658	1,017,350	98,419	22,421	885,406	97,429
Cost of Goods and Services Sold	(35,679)	(544,498)	(26,394)	(34,177)	(492,228)	(23,026)
Gross Income (Loss)	(5,021)	472,852	72,025	(11,756)	393,178	74,403
Operating Income (Expenses)	(7,971)	(57,404)	(19,952)	(7,740)	(44,652)	(24,343)
Net Financial Income	(17,464)	(16,181)	(22,661)	(17,194)	(24,363)	(29,841)
Operating Income (Loss)	(30,456)	399,267	29,412	(36,690)	324,163	20,219
Non Operating Income		(5,524)	93		(823)	180
Profit (Loss) before Income and social contribution taxes	(30,456)	393,743	29,505	(36,690)	323,340	20,399
Current and deferred Income and social contribution taxes		(133,879)	(10,058)		(110,444)	(6,963)
Net Income (Loss) for the period	(30,456)	259,864	19,447	(36,690)	212,896	13,436

CFN

Acquired in 1997 through a privatization auction, its main objective is the exploitation and development of the public rail cargo transport service for the Northeast network. In 2006, the merger of Transnordestina into CFN was authorized, which enabled CFN to concentrate its activities and those of its subsidiary in one single company. In addition, BNDESPar became the holder of a direct investment in CFN, thus allowing funds from FINOR (Northeast Investment Fund) to be used in the Transnordestina project.

MRS LOGÍSTICA

The Company's main objective is to exploit and develop a public rail cargo transport service for the Southeast network. MRS transports the iron ore from Casa de Pedra and raw material imported through the Port of Itaguaí to the Presidente Vargas Steelworks (UPV) in Volta Redonda. It also links the UPV steelworks to the ports of Rio de Janeiro and Santos and also to other cargo terminals in the State of São Paulo, the main market for CSN's finished products.

ITASA

Itasa (Itá Energética S.A.) holds a 60.5% stake in the Itá Consortium, created for the exploitation of the Itá Hydroelectric Plant pursuant to the concession agreement of December 28, 1995, and its addendum no.1 dated July 31, 2000 and entered into between the consortium holders (Itasa and Centrais Geradoras do Sul do Brasil - Gerasul, previously called Tractebel Energia S.A.) and the Brazilian Agency for Electric Energy - ANEEL.

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

e) Goodwill on acquisition of investments

At June 30, 2007, the Company maintained recorded in its consolidated balance sheet the amount of R\$218,490 (R\$248,091 at March 31, 2007), mainly related to goodwill based on the expectation of future profits, with amortization forecast over five years, net of amortization.

Goodwill on Investments:	Balance at 3/31/2007	Additions	Amortizations/ write-off	Balance at 6/30/2007	Investor
Parent Company					
Ersa	50,054		(4,058)	45,996	CSN
Metalic	24,890		(8,297)	16,593	CSN
Sub-total parent company	74,944		(12,355)	62,589	
GalvaSud	62,642		(6,960)	55,682	CSN I
Tangua / LLC	19,546		(4,082)	15,464	CSN Panama
Prada	72,800		(3,831)	68,969	INAL
Lusosider	16,608		(1,906)	14,702	CSN Steel
Others	1,551		(467)	1,084	INAL
Total Consolidated	248,091		(29,601)	218,490	

f) Additional information on indirect investments abroad:

CSN LLC

A company incorporated in 2001 with the assets and liabilities of the defunct Heartland Steel Inc., headquartered in Wilmington, State of Delaware, USA, it has an industrial plant in Terre Haute, State of Indiana USA, where there is a complex comprising a cold rolling line, a hot pickling line for spools and a galvanization line. The Company is a wholly-owned, indirect subsidiary of CSN Panama.

LUSOSIDER

Lusosider Aços Planos was incorporated in 1996, giving continuity to Siderurgia Nacional Empresa, privatized that year by the Portuguese Government. Located in Seixal, Portugal it is composed of galvanization, tin plate, pickling and cold rolling lines.

In 2003, the Company acquired 912,500 shares issued by Lusosider Projectos Siderúrgicos, the parent company of Lusosider Aços Planos, which represented 50% of the total capital of Lusosider and on August 31, 2006, the Company acquired the remaining shares and began to

hold full control of Lusosider Projectos Siderúrgicos S.A.. Lusosider Projectos Siderúrgicos is a wholly-owned, indirect subsidiary through CSN Steel.

12. PROPERTY, PLANT AND EQUIPMENT

	Effective rate of depreciation, depletion and amortization (% per year)	Revalued Cost	Accumulated depreciation, depletion and amortization	Parent Company	
				6/30/2007 Net	3/31/2007 Net
Machinery and equipment	9.66	7,677,361	(135,795)	7,541,566	8,902,622
Mines and mineral deposits	3.00	2,560,776	(19,013)	2,541,763	1,218,971
Buildings	3.40	954,831	(12,224)	942,607	832,386
Land		408,719		408,719	144,957
Other assets	20.00	220,298	(102,855)	117,443	115,012
Furniture and fixtures	10.00	102,389	(89,665)	12,724	12,195
		11,924,374	(359,552)	11,564,822	11,226,143
Property, plant and equipment in progress		919,553		919,553	750,246
		12,843,927	(359,552)	12,484,375	11,976,389
					Consolidated
				6/30/2007	3/31/2007
Machinery and equipment		8,973,059	(436,988)	8,536,071	9,668,754
Mines and mineral deposits		2,560,776	(19,013)	2,541,763	1,218,971
Buildings		1,565,866	(97,184)	1,468,682	1,275,108
Land		464,020		464,020	183,429
Other assets		1,019,785	(341,138)	678,647	657,593
Furniture and fixtures		124,497	(105,384)	19,113	18,991
		14,708,003	(999,707)	13,708,296	13,022,846
Property, plant and equipment in progress		1,138,738		1,138,738	914,604
		15,846,741	(999,707)	14,847,034	13,937,450

At the Extraordinary General Meeting held on April 30, 2007, pursuant to paragraphs 15 and 17 of CVM Deliberation 183/95, the shareholders approved the appraisal report, prepared by the specialized company CPConsult Soluções Integradas Ltda., which included land, buildings, improvements, the Casa de Pedra iron ore mine, machinery, equipment and facilities of the operating units of Volta Redonda, Arcos, Congonhas, Itaguaí, Barueri and Araucária, as well as the Company's real estate properties for operating support. The value of the assets before the appraisal was R\$10,975,004 and the new report added R\$529,175, establishing the new amount of R\$11,504,178, net of depreciation.

The portion of depreciation, depletion and total write-off of the Company's revalued assets, absorbed in the result of each year, is transferred in shareholders' equity in an equal amount, from revaluation reserve to retained earnings, thus composing the base for the distribution of dividends. In the first half year ended June 30, 2007, this amount net of income and social contribution taxes amounted to R\$132,956.

The Company, in order to maintain consistency in the procedures, through CPConsult Soluções Integradas Ltda., also revalued the assets of the subsidiaries Galvasud, Inal, Inal Nordeste, Cia Metalic, Sepetiba Tecon, Estanho de Rondônia, ERSa and CSN Cimentos, which were

approved at the Extraordinary General Meetings held by the subsidiaries. The revaluations accounted for an addition of R\$239,007, which composes the balance of the Revaluation Reserve of assets owned by the subsidiaries.

Until June 30, 2007, the assets provided as collateral for financial operations amounted to R\$47,985. Depreciation, depletion and amortization expenses up to June 30, 2007 (parent company) amounted to R\$404,878 (R\$350,709 in the first half of 2006), of which R\$398,915 (R\$345,059 in the first half of 2006) was charged to production costs and R\$5,963 (R\$5,650 in the first half of 2006) was charged to selling, general and administrative expenses (amortization of deferred charges not included).

At June 30, 2007, the Company presented R\$6,664,929 (R\$6,243,951 at March 31, 2007) as revaluation of own assets, net of depreciation.

13. DEFERRED CHARGES

	Consolidated		Parent Company	
	6/30/2007	3/31/2007	6/30/2007	3/31/2007
Information technology projects	52,493	104,449	52,492	104,449
(-) Accumulated amortization	(39,938)	(89,292)	(39,938)	(89,292)
Expansion projects	193,748	193,748	193,748	193,748
(-) Accumulated amortization	(108,354)	(100,553)	(108,354)	(100,553)
Pre-operating expenses	131,284	123,851		
(-) Accumulated amortization	(89,567)	(79,877)		
Other projects	191,790	193,078	85,510	86,282
(-) Accumulated amortization	(102,495)	(96,778)	(32,737)	(29,893)
	228,961	248,626	150,721	164,741

The information technology projects refer to projects for automation and computerization of operating processes that aim to reduce costs and increase the Company's competitiveness.

The expansion projects are mainly related to expanding the production capacity of the Casa de Pedra mine and enlarging the port of Itaguaí for shipping part of this production.

Amortization of the deferred charges in the first half of 2007 was R\$26,927 (R\$30,005 in the first half of 2006), of which R\$20,777 (R\$23,970 in the first half of 2006) is allocated to production costs and R\$6,150 (R\$6,035 in the first half of 2006) is allocated to selling, general and administrative expenses.

Funds applied in deferred assets are amortized on a straight-line basis over the time expected for future benefits, in terms of not more than 10 years.

14. LOANS AND FINANCING

(a) The composition of loans and financing as of June 30, 2007 is as follows:

	Consolidated				Parent Company			
	Current Liabilities		Noncurrent Liabilities		Current Liabilities		Noncurrent Liabilities	
	6/30/2007	3/31/2007	6/30/2007	3/31/2007	6/30/2007	3/31/2007	6/30/2007	3/31/2007
FOREIGN CURRENCY								
Long-Term Financing								
Advance on Export Contracts	75,596	40,114	346,716	430,584	75,596	40,114	346,716	430,584
Prepayment	156,498	164,278	1,253,792	1,261,766	546,715	212,215	2,255,416	2,389,486
Perpetual Bonds	28,973	30,841	1,444,650	1,537,800				
Fixed Rate Notes	60,730	223,745	2,359,595	2,511,740	26,603	1,292,433	3,141,592	2,205,256
Import Financing	87,817	90,415	148,765	163,968	76,218	82,803	106,626	125,381
BNDES/Finame	1,602	1,381	89,024	90,153	1,520	1,381	84,692	90,153
Other	35,269	8,348	286,790	305,743	10,533	10,523	11,268	12,210
	446,485	559,122	5,929,332	6,301,754	737,185	1,639,469	5,946,310	5,253,070
LOCAL CURRENCY								
Long-Term Loans								
BNDES/Finame	87,722	86,552	1,047,890	1,049,919	40,253	39,810	706,458	705,608
Debentures (Note 15)	98,584	72,414	995,935	998,989	46,912	21,149	901,493	900,451
Other	24,712	24,004	71,398	67,520	89,123	87,638	5,250	5,600
	211,018	182,970	2,115,223	2,116,428	176,288	148,597	1,613,201	1,611,659
Total Loans and Financing	657,503	742,092	8,044,555	8,418,182	913,473	1,788,066	7,559,511	6,864,729
Derivatives	52,928	217,971			228,215	131,813		
Total Loans and Financing + Derivatives	710,431	960,063	8,044,555	8,418,182	1,141,688	1,919,879	7,559,511	6,864,729

The Company contracts derivatives operations, with the aim of minimizing significant fluctuation risks in the parity between the Real and foreign currency.

(b) At June 30, 2007, the amortization of the long-term principal, by year of maturity, is as follows:

	Consolidated		Parent Company	
2008	1,244,836	15.5%	1,139,923	15.1%
2009	529,629	6.6%	421,783	5.6%
2010	1,936,742	24.1%	976,541	12.9%
2011	698,724	8.7%	367,424	4.9%
2012	1,046,981	13.0%	1,014,997	13.4%
After 2012	1,142,993	14.2%	3,638,843	48.1%
Perpetual Bonds	1,444,650	18.0%		
	8,044,555	100.0%	7,559,511	100.0%

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(c) Interest is due on loans, financing and debentures, at the following annual rates:

	Consolidated		Parent Company	
	Local Currency	Foreign Currency	Local Currency	Foreign Currency
Up to 7%	100,228	1,863,594	11,545	3,321,237
From 7.1 to 9%	382,976	537,619	373,663	1,748,829
From 9.1 to 11%	684,961	3,971,414	455,876	1,613,428
Over 11%	1,145,984		948,405	
Variable	12,092	56,118		228,216
	2,326,241	6,428,745	1,789,489	6,911,710
		8,754,986		8,701,199

(d) Composition of total loans, financing and debentures, by contracted currency/index (unaudited):

	Consolidated		Parent Company	
	6/30/2007	3/31/2007	6/30/2007	3/31/2007
Local Currency				
CDI	8.53	7.73	7.24	6.96
IGPM	4.81	4.45	4.61	4.45
TJLP	13.05	12.20	8.58	8.49
IGP-DI	0.13	0.13	0.13	0.14
Other currencies	0.05			
	26.57	24.51	20.56	20.04
Foreign Currency				
US dollar	72.49	73.06	53.73	52.98
Yen			23.03	25.39
Euro	0.34	0.10	0.06	0.11
Other currencies	0.60	2.33	2.62	1.48
	73.43	75.49	79.44	79.96
	100.00	100.00	100.00	100.00

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

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

(e) The guarantees provided for loans comprise fixed asset items, bank guarantees, sureties and securitization operations (exports), as shown in the following table. This amount does not consider the guarantees provided to subsidiaries mentioned in Note 17.

	6/30/2007	3/31/2007
Property, Plant and Equipment	47,985	47,985
Personal Guarantee	71,745	75,131
Imports	111,099	133,053
Securitized (Exports)	3,224,443	3,072,400
	3,455,272	3,328,569

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(f) Significant amortizations and loans in the current year are as follows:

				Amortizations		
Company	Description	Principal (in millions)	Settlement		Interest rate (p.a.)	
CSN Steel	<i>Revolving Credit Facility</i>	US\$300	February 2007		6.58%	
CSN Export	<i>Securitization</i>	US\$28	February and May 2007		7.28%	
CSN	BNDES	R\$ 1,100	March 2007		104.5% of CDI	
				Loans		
Company	Description	Principal (in millions)	Issuance	Term	Maturity	Interest rate (p.a.)
CSN	BNDES	R\$ 1,100	1/26/2007	6 months	7/26/2007	104.5% of CDI
CSN	BNDES Sub A and C Casa de Pedra	R\$ 450	1/26/2007	7 years	2/15/2014	Long-term Interest Rate + 2.7% to 3.2%
CSN	BNDES Sub B Tecar	R\$ 255	1/26/2007	7 years	2/15/2014	Long-term Interest Rate + 2.2%
CSN Cimentos	BNDES	R\$ 41	1/26/2007	7 years	2/15/2014	Long-term Interest Rate + 2.7% to 3.2%
Total financing in R\$		R\$ 1,846				
CSN	BNDES Sub A Tecar	US\$ 20	1/26/2007	7 years	4/15/2014	UM006 + 1.7%
CSN	BNDES Sub B and D - Casa de Pedra	US\$ 23	1/26/2007	7 years	4/15/2014	UM006 + 2.7%
CSN Cimentos	BNDES	US\$ 2	1/26/2007	7 years	4/15/2014	UM006 + 2.7%
CSN		US\$ 60	1/23/2007	2 years	1/11/2009	6.00%

	Advance on Export Contract					
CSN	Advance on Export Contract	US\$ 20	1/26/2007	1.8 years	11/17/2008	6.10%
Total financing in US\$		US\$ 125				

15. DEBENTURES

(a) Second issue

The total number of debentures of the second issue in the amount of R\$400,000.00, representing a total of forty thousand (40,000) debentures, was redeemed on December 1, 2006 and compensation interest of 107% of the CDI Cetip was due on the face value balance of these debentures, as provided for in the deed.

(b) Third issue

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

The debentures of the 1st tranche of this issue, amounting to R\$250,000, representing twenty-five thousand (25,000) debentures, were redeemed on December 1, 2006, as established by deed, and compensation interest corresponding to 106.5% of CDI Cetip was due on these debentures until the redemption date.

The face value of the 2nd tranche of this issue is adjusted by the IGP-M plus compensation interest of 10% p.a. and maturity is scheduled for December 1, 2008.

(c) Fourth issue

As approved at the Board of Directors Meeting held on December 20, 2005 and ratified on April 24, 2006, on February 1, 2006 the Company issued 60,000 non-convertible, unsecured debentures, in one single tranche, with a unit face value of R\$10. These debentures were issued in the total issuance value of R\$600,000. The credits from the tradings with the financial institutions were received on May 3, 2006 in the amount of R\$623,248. The difference of R\$23,248, resulting from the variation of the unit price between the date of issue and the effective trading was recorded in Shareholders' Equity as Capital Reserve and subsequently used in the share buyback program.

Compensation interest is due on the face value of these debentures, corresponding to 103.6% of the CDI Cetips, and maturity of the face value is scheduled for February 1, 2012, with no early redemption option.

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

16. DERIVATIVES AND FINANCIAL INSTRUMENTS

General considerations

The Company's business mainly consists of the production of flat steel to supply the domestic and foreign markets and mining of iron ore, limestone, dolomite and tin to supply the Presidente Vargas Steelworks. The Company also sells the surplus production. To finance its activities, the Company resorts to the domestic and international capital market, and, due to the debt profile it seeks, most of the Company's debt is pegged to the U.S. dollar. At June 30, 2007, the consolidated position of the outstanding derivative agreements is as follows:

	Agreement		Book Value	Market Value
	Maturity	Notional Value		
Variable income swap (*)	July 27, 2007	US\$49,223 thousand	R\$877,564	R\$879,183
Exchange swaps registered with CETIP	January 2, 2008	US\$810,000 thousand	(R\$39,459)	(R\$37,662)
	July 2, 2007	US\$605,754 thousand	(R\$16,356)	(R\$16,137)
Zinc Swaps recorded in LME (London Metal Exchange)	July 9, 2007	5,000 t	R\$1,813	R\$1,813
	August 7, 2007	5,000 t	R\$321	R\$321
	September			

10,2007

2,500 t

R\$772

R\$772

(*) In June 2007, non-cash swap contracts in the amount of US\$458 million were transferred from the subsidiary CSN Steel to the subsidiary CSN Madeira, through a loan agreement. The non-cash swap establishes that the financial institution counterparty undertakes to remunerate, at the end of the contract, the positive price variation of variable income, similar to shares and indexes traded on the stock exchange, while the subsidiary undertakes to pay the same notional value adjusted at the fixed rate of 7.5% per annum in US dollars. In conformity with an addendum to the agreement, the maturity of the operation was extended until July 2008, after the closing of the six-month period.

The main non-operating risk factors that may affect the Company's business are listed below, as well as a more detailed explanation of the derivatives associated with them:

I - Exchange rate risk

Although most of the Company's revenues are denominated in Brazilian reais as of June 30, 2007, R\$6,375,817 or 73% of the Company's consolidated loans and financing (except derivatives) were taken out in foreign currency (R\$6,860,876 or 73% at March 31, 2007). As a result, the Company is subject to fluctuations in exchange and interest rates and manages the risk of the fluctuations in the amounts in Brazilian reais that will be necessary to pay the obligations in foreign currency, using a number of financial instruments, including dollar investments and derivatives, mainly futures contracts, swaps contracts, and exchange option contracts.

a) Exchange swap transactions

The Company entered into exchange swap agreements, which aim at protecting its foreign currency-denominated liabilities against devaluation of the real. Basically, the Company carried out swaps of its U.S. dollar-denominated liabilities for a Bank Deposit Certificate (CDI). The notional value of these swaps at June 30, 2007 was US\$1,415,754 thousand (US\$1,650,000 thousand at March 31, 2007).

b) Metal swap agreement

The Company contracted Zinc swaps in order to fix the price of part of its needs for the metal. Up to June 30, 2007, the Company held 12.5 thousand tonnes of Zinc with settlement based on average prices for Zinc in June, July and August, 2007. The price used to settle each agreement is the average price of the calendar month prior to the date of its settlement.

II Interest rate risk

The Company has short and long term liabilities and, consequently, exposure to fixed and floating interest rates and some indexes, such as IGP-M. The Company also has assets which can be indexed to floating interest rates, fixed interest rates and/or other indexes. In view of this exposure, the Company may carry out transactions with derivatives to manage these risks better.

III Derivatives associated with other price fluctuation risks of financial assets

a) Variable income swap agreements

The outstanding agreements at June 30, 2007 and March 31, 2007 were as follows:

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Date of issue	Maturity date of Agreements	Notional value (US\$ thousand)	Assets		Liabilities		Curve value (book value)		Market value (unaudited)	
			6/30/2007	3/31/2007	6/30/2007	3/31/2007	6/30/2007	3/31/2007	6/30/2007	3/31/2007
4/7/2003	7/27/2007	35,836	736,524	632,442	98,120	102,597	638,404	529,845	639,583	529,845
4/9/2003	7/27/2007	5,623	114,734	98,520	15,388	16,090	99,346	82,430	99,531	82,430
4/10/2003	7/27/2007	1,956	41,204	35,382	5,352	5,596	35,852	29,786	35,916	29,786
4/11/2003	7/27/2007	1,032	21,277	18,271	2,821	2,950	18,456	15,321	18,490	15,321
4/28/2003	7/27/2007	1,081	20,336	17,462	2,942	3,077	17,394	14,385	17,429	14,385
4/30/2003	7/27/2007	76	1,432	1,230	208	217	1,224	1,013	1,227	1,013
5/14/2003	7/27/2007	192	3,764	3,232	522	545	3,242	2,687	3,249	2,687
5/15/2003	7/27/2007	432	8,552	7,343	1,171	1,225	7,381	6,118	7,395	6,118
5/19/2003	7/27/2007	1,048	21,727	18,657	2,837	2,966	18,890	15,691	18,925	15,691
5/20/2003	7/27/2007	264	5,647	4,849	713	746	4,934	4,103	4,942	4,103
5/21/2003	7/27/2007	414	9,247	7,941	1,121	1,172	8,126	6,769	8,140	6,769
5/22/2003	7/27/2007	326	7,283	6,254	882	922	6,401	5,332	6,412	5,332
5/28/2003	7/27/2007	439	9,452	8,116	1,185	1,239	8,267	6,877	8,281	6,877
5/29/2003	7/27/2007	408	8,961	7,695	1,100	1,150	7,861	6,545	7,874	6,545
6/5/2003	7/27/2007	96	2,046	1,757	260	271	1,786	1,486	1,789	1,486
		49,223	1,012,186	869,151	134,622	140,763	877,564	728,388	879,183	727,903