

NATIONAL STEEL CO  
Form 6-K  
May 01, 2018

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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 April, 2018**  
**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)**

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

**Version:  
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**Version:  
1**

**Company Information / Capital Breakdown**

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

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

**Version:  
1****Parent Company Financial Statements / Balance Sheet - Assets  
(R\$ thousand)**

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



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

**Version:  
1****Parent Company Financial Statements / Balance Sheet – Liabilities  
(R\$ thousand)**

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

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

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

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

**Version:  
1****Parent Company Financial Statements / Statements of Income****(R\$ thousand)**

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



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

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

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

**Version:  
1****Parent Company Financial Statements / Statement of Comprehensive Income  
(R\$ thousand)**

<b>Code</b>	<b>Description</b>	<b>Current Quarter 01/01/2017 to 12/31/2017</b>	<b>First prior year 01/01/2016 to year 12/31/2016</b>	<b>Second prior year 01/01/2015 to 12/31/2015</b>
4.01	Consolidated profit for the year	10,272	(934,747)	0
4.02	Other comprehensive income	822,573	1,165,766	0
4.02.01	Actuarial gains over pension plan of affiliates	2,168	5,403	0
4.02.02	Actuarial gains (losses) on defined benefit pension plan	(206,275)	(227,352)	0
4.02.04	Cumulative translation adjustments for the year	170,342	(486,890)	0
4.02.05	Available-for-sale assets	847,849	711,942	0
4.02.10	(Loss) / gain on the percentage change in investments	2,814	1,299	0
4.02.11	Gain (loss) on cash flow hedge accounting	(50,987)	1,005,968	0
4.02.12	Realization of cash flow hedge accounting reclassified to income statement	92,140	77,444	0
4.02.13	Gain (Loss) on net investment hedge from investments in affiliates	(39,893)	77,952	0
4.02.14	Gain (Loss) on business combination	4,415	0	0
4.03	Consolidated comprehensive income for the year	832,845	231,019	0



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

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

**Version:  
1****Parent Company Financial Statements / Statement of Cash Flows – Indirect Method  
(R\$ thousand)**

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

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

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

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

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

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

**Version:  
1****Parent Company Financial Statements / Statement of Changes in Equity - 1/1/2017 to 12/31/2017****(R\$ thousand)**

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



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

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

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

**Version:  
1****Parent Company Financial Statements / Statement of Changes in Equity - 1/1/2016 to 12/31/2016****(R\$ thousand)**

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

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

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

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

**Version:  
1****Parent Company Financial Statements / Statement of Value Added  
(R\$thousand)**

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

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

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

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

**Version:  
1****Consolidated Financial Statements / Balance Sheet – Assets  
(R\$ thousand)**

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



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

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

**Version:  
1****Consolidated Financial Statements / Balance Sheet Liabilities  
(R\$ thousand)**

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



2.03.09	Profit attributable to the non-controlling interests	1,260,856	1,189,993	0
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**(CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)**

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

**Version:  
1****Consolidated Financial Statements / Statements of Income  
(R\$ thousand)**

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

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

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

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

**Version:  
1****Consolidated Financial Statements / Statement of Comprehensive Income  
(R\$ thousand)**

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



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

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

**Version:  
1****Consolidated Financial Statements /  
Statement of Cash Flows – Indirect  
Method  
(R\$ thousand)**

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

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6.01.01.16	Gain on business combination	0	(66,496)	0
6.01.01.17	Gain on disposal of available for sale assets	0	(252,023)	0
6.01.01.18	Provision for environmental liabilities and decommissioning of assets	(10,051)	18,133	0
6.01.01.19	Impairment fair value of Transnordestina	0	387,989	0
6.01.01.20	Other provisions	82,682	(993)	0
6.01.02	Changes in assets and liabilities	(2,766,528)	(2,015,603)	0
6.01.02.01	Trade receivables - third parties	(300,449)	(388,469)	0
6.01.02.02	Trade receivables - related parties	14,449	(3,956)	0
6.01.02.03	Inventories	(442,109)	947,834	0
6.01.02.04	Receivables from related parties	68,224	34,082	0
6.01.02.05	Tax assets	(100,470)	275,018	0
6.01.02.06	Judicial deposits	(6,720)	38,910	0
6.01.02.08	Trade payables	667,032	482,009	0
6.01.02.09	Payroll and related taxes	(3,658)	(5,691)	0
6.01.02.10	Taxes in installments - REFIS	23,775	(253,374)	0
6.01.02.12	Payables to related parties	46,081	(9,726)	0
6.01.02.14	Interest paid	(2,634,931)	(3,050,036)	0
6.01.02.15	Interest on swaps paid	0	(3,999)	0
6.01.02.16	Interest received	0	19,636	0
6.01.02.17	Other	(97,752)	(97,841)	0
6.02	Net cash used in investing activities	(1,049,224)	(2,305,168)	0
6.02.01	Investments / Advances for future capital increase	0	(190,435)	0
6.02.02	Purchase of property, plant and equipment	(1,059,481)	(1,628,694)	0
6.02.04	Receipt/payment in derivative transactions	30,453	(722,443)	0
6.02.05	Purchase of intangible assets	(622)	(3,119)	0
6.02.06	Intercompany loans granted	(49,072)	(96,461)	0
6.02.07	Intercompany loans received	4,819	0	0
6.02.08	Financial Investments net of redemption	24,679	3,208	0
6.02.11	Cash and cash equivalents on acquisition of control	0	941	0
6.02.12	Cash received by disposal of the investment from discontinued operations	0	331,835	0
6.03	Net cash used in financing activities	(993,755)	(883,012)	0
6.03.01	Borrowings and financing	534,506	100,837	0

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



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

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

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

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

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

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

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

**Version:  
1****Consolidated Financial Statements / Statement of Changes in Equity - 1/1/2016 to 12/31/2016****(R\$ thousand)**

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

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

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

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

**Version:  
1****Consolidated Financial Statements / Statement of Value Added  
(R\$thousand)**

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

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

## **2017 MANAGEMENT REPORT**

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

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

**Version:  
1**

**1- MESSAGE FROM MANAGEMENT**

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

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

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

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

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

**Benjamin Steinbruch**

**Chairman of the Board of Directors**

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

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

**Version:  
1**

## **2- THE COMPANY**

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

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

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

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

## **3- OUTLOOK, STRATEGY and INVESTMENTS**

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

### **3.1- STEEL**

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

### **3.2- MINING**

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

### **3.3- CEMENT**

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

### **3.4 – LOGISTICS**

#### **Ports**

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

#### **Railways**

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

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**MRS**

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

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

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

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

**Transnordestina Logística S.A. (TLSA)**

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

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

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

#### **4- MAIN CORPORATE EVENTS**

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

#### **5- CORPORATE GOVERNANCE**

##### **Investor Relations**

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

##### **Capital Stock**

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

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



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

\*Controlling Group

**Annual Shareholders' Meeting**

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

**Board of Directors**

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

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

### **Board of Executive Officers**

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

### **Audit Committee**

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



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1****Internal Audit**

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

**Independent Auditors**

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

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

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

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

## **Sarbanes-Oxley Act**

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

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

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

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**Code of Ethics**

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

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

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

**Disclosure of Material Acts and Facts**

CSN maintains a Material Act or Fact Disclosure Policy, which determines that all such disclosures must contain information that is accurate, consistent, appropriate, transparent, unified and within the proper timeframes, in accordance with CVM Instruction 358/2002 and Section 409 – Real Time Issuer Disclosure of the Sarbanes-Oxley Act. In late 2016, the Company approved a new Disclosure and Trading Policy that

changed the way it discloses its Material Acts and Facts, which are now published in the News Portal of the Folha de São Paulo newspaper, as well as on the websites of the Comissão de Valores Mobiliários [Brazilian Securities Commission], and the B3 S.A. – Brasil Bolsa, Balcão [São Paulo Stock Exchange], as well as on the Company's Investor Relations website.

## 6- INNOVATION

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

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

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

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

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## **7- PEOPLE**

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

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

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

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

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

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

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

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

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

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

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

## **8 - SOCIAL RESPONSIBILITY**

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



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

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

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



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

## **9 - SOCIAL AND ENVIRONMENTAL RESPONSIBILITY**

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

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

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

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

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

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

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

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

## **10 - DISCLAIMER**

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

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









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**1. DESCRIPTION OF BUSINESS**

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

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

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

- **Steel:**

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



- **Mining:**

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

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

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

- **Cement:**

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

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

- **Logistics**

*Railroads:*

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

*Ports:*

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

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

- **Energy:**

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

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

- **Going Concern**

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

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

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

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

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

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

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

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

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

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

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **2.a) Basis of preparation**

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

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

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

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

**2.b) Consolidated financial statements**

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

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

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



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

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

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1****• Events in 2017:**

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

(2) Transfer of 1 share in August 2017;

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

(4) Companies liquidated in July 2017;

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

(6) Companies constituted in 2017;

**• Exclusive funds**

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

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

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

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

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

## **Subsidiaries**

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

## **Joint ventures and joint operations**

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

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

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

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

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## **Associates**

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

- **Transactions and non-controlling interests**

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

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

### **2.c) Parent company financial statements**

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

## **2.d) Foreign currencies**

### **i. Functional and presentation currency**

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

### **ii. Transactions and balances**

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

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

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

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



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

**iii. Group companies**

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

- The assets and liabilities of each balance sheet presented are translated by exchange rate at the end of the reporting period;
- The income and expenses of each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates at the transaction dates, in which case income and expenses are translated at the rate in effect at the transaction dates);
- All resulting exchange differences are recognized as a separate component in other comprehensive income; and

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

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

## **2.e) Cash and cash equivalents**

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

## **2.f) Trade receivables**

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

## **2.g) Inventories**

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



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

**2.h) Investments**

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

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

**2.i) Business combination**

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

incurred. Identifiable assets acquired and liabilities assumed in a business combination are initially measured at their fair values at the acquisition date.

## **2.j) Property, plant and equipment**

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

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

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

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

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



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

The development stage includes:

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

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

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

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

## **2.k) Intangible assets**

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

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

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

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

- **Goodwill**

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

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

- **Software**



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

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**2.l) Impairment of non-financial assets**

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

**2.m) Employee benefits**

**i. Employee benefits**

**Defined contribution plans**

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

## Defined benefit plans

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

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

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

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

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**ii. Profit sharing and bonus**

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

**2.n) Provisions**

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

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

**2.o) Concessions**

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

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

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

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

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

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

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

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

**2.p) Share capital**

Common shares are classified in shareholders' equity.

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

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

**2.q) Revenue recognition**

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

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

## **2.r) Financial income and financial costs**

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

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

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

## **2.s) Income tax and social contribution**

Current income tax and social contribution are calculated based on the tax laws enacted by the end of the reporting period, including in the countries where the Group entities operate and generate taxable profit. Management periodically assesses the positions taken in the tax calculations with respect to situations where applicable tax regulations are open to interpretations. The Group recognizes provisions where

appropriate, based on the estimated payments to tax authorities. The income tax and social contribution expense comprises current and deferred taxes. Current and deferred taxes are recognized in profit or loss unless they are related to business combinations or items recognized directly in shareholders' equity.



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

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

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

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

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

A deferred income tax and social contribution asset is recognized for all tax losses, tax credits, and deductible temporary differences to the extent that it is probable that taxable profits will be available against

which those tax losses, tax credits, and deductible temporary differences can be utilized. Annually, the Company reviews and verifies the existence of future taxable income and a provision for loss is recognized when the realization of these credits is not likely.

## **2.t) Earnings/(Loss) per share**

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

## **2.u) Environmental and restoration costs**

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

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

## **2.v) Research and development**

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



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**2.w) Financial instruments**

**i) Financial assets**

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

- **Recognition and measurement**

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

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

Gains or losses resulting from changes in the fair value of financial assets measured at fair value through profit or loss are presented in the income statement under “financial income” in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the income

statement as part of other financial income when the Company's right to receive the dividends has been established.

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

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

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

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

- **Derecognized**

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

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

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

- **Loans and receivables**

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

- **Held-to-maturity assets**

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

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

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

**ii) Impairment of financial assets**

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

- **Assets measured at amortized cost**

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

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

- significant financial weakness related to the issuer or counterparty;
- a breach of contract, such as default or delinquency at interest or principal payments;
- the issuer, for economic or legal reasons relating to the borrower’s financial weakness, grants to the borrower a concession that the lender would not otherwise consider;

- it becomes probable that the borrower will incur in bankruptcy or other financial reorganization;
- the disappearance of an active market for the related financial asset because of financial weakness; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of such assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:



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- Adverse changes in the payment status of borrowers in the portfolio;
- National or local economic conditions that correlate with defaults on the assets in the portfolio.

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

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

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

In the case of equity securities classified as available-for-sale, a significant or prolonged decline at the fair value of an investment in an equity instrument below of its cost is also an evidence of impairment. Determining what is considered a "significant" or "prolonged" decline requires judgment. For this judgment we assess, among other factors, the historical changes in the equity prices, the duration and proportion in which the fair value of the investment is lower than its cost as well as the financial health and short-term business prospects for the investee, including factors such as: industry and segment performance, changes in technology and operating/financial cash flows. If any of the impairment evidences is observed for available-for-sale financial assets, the cumulative loss—measured as the difference between the

acquisition cost and the current fair value, less any impairment loss on the financial asset previously recorded in profit or loss—is reclassified from equity to profit or loss. Impairment losses recognized in the income statement as available-for-sale instruments are not reversed.

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

**iii) Financial liabilities**

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

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

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

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

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

- **Other financial liabilities**

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

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

Write-off of financial liabilities

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

- **Offsetting of financial instruments**

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

**iv) Derivative instruments and hedging activities**

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

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

- **Cash flow Hedge**

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

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

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

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

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

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

- **Net investment hedge**

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



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

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

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

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

## **2.x) Segment information**

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

## **2.y) Government grants**

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

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

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

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

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

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

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

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



**2.aa) Statement of value added**

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

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

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

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

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

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



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

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

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

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

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

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

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

- **IFRS 16 – Leases**

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

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

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

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

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



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1****3 CASH AND CASH EQUIVALENTS**

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

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

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



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

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

#### 4 FINANCIAL INVESTMENTS

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

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

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



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1****5 TRADE RECEIVABLES**

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

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

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

of December 31, 2016), less the trade receivables.

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

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

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

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



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1****6 INVENTORIES**

	<b>12/31/2017</b>	<b>Consolidated 12/31/2016</b>	<b>12/31/2017</b>	<b>Parent Company 12/31/2016</b>
Finished goods	1,308,802	1,183,619	856,707	784,130
Work in progress	1,135,589	674,860	981,204	557,598
Raw materials	1,050,588	1,124,158	699,671	767,020
Spare parts	814,725	824,478	435,827	412,206
Iron ore	278,041	255,029	20,914	18,899
Advances to suppliers	12,514	3,168	8,997	1,689
(-) Provision for losses	(135,840)	(101,176)	(51,968)	(37,312)
	<b>4,464,419</b>	<b>3,964,136</b>	<b>2,951,352</b>	<b>2,504,230</b>

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

	<b>Consolidated</b>		<b>Parent Company</b>	
	<b>12/31/2017</b>	<b>12/31/2016</b>	<b>12/31/2017</b>	<b>12/31/2016</b>
<b>Opening balance</b>	<b>(101,176)</b>	<b>(111,427)</b>	<b>(37,312)</b>	<b>(40,462)</b>
Reversal/ (losses) for slow - moving and obsolescence	(34,664)	10,251	(14,656)	3,150
<b>Closing balance</b>	<b>(135,840)</b>	<b>(101,176)</b>	<b>(51,968)</b>	<b>(37,312)</b>

**7 OTHER CURRENT AND NON-CURRENT ASSETS**

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

	Current		Consolidated Non-current		Current		Parent Company Non-current	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Judicial deposits (note 16)			339,351	331,258			259,763	273,038
Credits with the PGFN (1)			46,774	46,774			46,774	46,774
Recoverable taxes (2)	866,986	780,715	401,071	386,872	530,748	471,955	234,858	178,773
Prepaid expenses	50,078	27,011	30,741	20,421	16,860	2,785	11,345	
Actuarial asset - related party (note 18b)			111,281	119,854			95,898	109,106
Derivative financial instruments (Note 12 I)		2,298						
Securities held for trading (note 12 I)	2,952	2,966			2,764	2,818		
Iron ore inventory (3)			144,499	144,499				
Northeast Investment Fund – FINOR			26,598	26,598			26,598	26,598
Other receivables (note 12 I)			20,024	15,291			5,364	2,847
Loans with related parties (note 18b and 12 I)	2,441		554,694	479,960	26,701	25,602	444,091	375,716
Others receivables from related parties (note	3,577	5,768	30,770	32,020	37,007	132,384	320,377	311,414

18b) Monetary adjustment related to the Eletrobrás's compulsory loan (note 23)			755,151				755,151		
Others	67,544	33,255	67,521	72,273			67,007	71,696	
	<b>993,578</b>	<b>852,013</b>	<b>2,528,475</b>	<b>1,675,820</b>	<b>614,080</b>	<b>635,544</b>	<b>2,267,226</b>	<b>1,395,962</b>	

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

(2) Refers mainly to taxes on revenue (PIS/COFINS) and State VAT (ICMS) recoverable and income tax and social contribution for offset.



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

## **8 INVESTMENTS**

- **Reduction of financial leverage**

With the primary objective of reducing the Company's financial leverage, Management is committed to a plan to dispose of a set of assets, however, it is not possible to confirm that the sale within a period of 12 months is highly probable for any of the assets contemplated. The Company considers several sales scenarios that vary according to different macroeconomic and operational assumptions. In this context, the Company did not segregate and did not reclassify such assets in the financial statements as discontinued operations in accordance with CPC 31 (IFRS 5).

- **Events occurred in 2017**

### **Sale of the Subsidiary - CGPAR Construção Pesada - "CGPAR"**

In July 2017, the Company concluded the sale of its subsidiary CGPAR Construção Pesada S.A. to CSN Mineração S.A., a company also under the control of the Company. The value of the transaction was R\$ 99,452.



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

Companies	Number of shares held by CSN in units		% Direct equity interest	Participation In		Shareholders' equity	12/31/2017	
	Common	Preferred		Assets	Liabilities		Profit (loss) for period	% Direct equity interest
<b>Investments under the equity method</b>								
<b>Subsidiaries</b>								
CSN Islands VII Corp.	20,001,000		100.00	5,242,890	5,421,043	(178,153)	(385,919)	100
CSN Islands IX Corp. <sup>(1)</sup>								
CSN Islands XI Corp.	50,000		100.00	2,514,894	2,557,398	(42,504)	(63,201)	100
CSN Islands XII Corp.	1,540		100.00	2,166,682	3,312,505	(1,145,823)	(126,524)	100
CSN Minerals S.L.U. <sup>(2)</sup>							331,897	100
CSN Export Europe, S.L.U. <sup>(2)</sup>							22,600	100
CSN Metals S.L.U. <sup>(2)</sup>							23,188	100
CSN Americas S.L.U. <sup>(2)</sup>							193,652	100
CSN Steel S.L.U. <sup>(2)</sup>	22,042,688		100.00	6,905,164	322,963	6,582,201	108,427	100
Sepetiba Tecon S.A.	254,015,052		99.99	459,647	160,402	299,245	29,768	99

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Minérios Nacional S.A.	66,393,587		99.99	105,586	65,290	40,296	(13,600)	99
Fair Value - Minérios Nacional						2,123,507		
Estanho de Rondônia S.A.	121,861,697		99.99	46,005	41,032	4,973	(6,291)	99
Companhia Metalúrgica Prada	313,651,399		99.99	655,748	485,915	169,833	(29,258)	99
CSN Mineração S.A.	158,419,480		87.52	14,273,290	5,620,137	8,653,153	767,568	87
CSN Energia S.A.	43,149		99.99	146,130	55,030	91,100	56,987	100
FTL - Ferrovias Transnordestina Logística S.A.	395,302,149		90.78	419,388	138,888	280,500	(77,384)	90
Companhia Florestal do Brasil	41,673,302		99.99	34,910	3,734	31,176	(1,499)	99
Nordeste Logística CGPAR - Construção Pesada S.A.	99,999		99.99	80	55	25	(1)	99
Fair value fixed assets - CGPAR							(3,940)	
				<b>32,970,414</b>	<b>18,184,392</b>	<b>16,909,529</b>	<b>827,193</b>	
<b>Joint-venture and Joint-operation</b>								
Itá Energética S.A.	253,606,846		48.75	265,476	18,104	247,372	10,789	48
MRS Logística S.A.	26,611,282	2,673,312	18.64	1,520,264	857,581	662,683	85,974	18
CBSI - Companhia Brasileira de Serviços de Infraestrutura Transnordestina Logística S.A.	1,876,146		50.00	16,005	13,654	2,351	1,785	50
<i>Fair Value</i> allocated to TLSA in loss of control	24,168,304		46.28	3,806,380	2,604,198	1,202,182	(21,357)	49
				<b>5,608,125</b>	<b>3,493,537</b>	<b>2,385,704</b>	<b>77,191</b>	
<b>Associates</b>								
Arvedi Metalfer do Brasil	46,994,971		20.00	43,653	23,978	19,675	(4,368)	20
				<b>43,653</b>	<b>23,978</b>	<b>19,675</b>	<b>(4,368)</b>	

**Classified as available for sale (note 12 I)**

Usiminas	2,200,459	
Panatlântica	21,974	
	<b>2,222,433</b>	

**Other investments**

Others	(72,473)	1,985
	63,537	(165)
	<b>(8,936)</b>	<b>1,820</b>

**Total Investments**

<b>21,528,405</b>	<b>901,836</b>
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**Classification of investments in the balance sheet**

Investments in assets	22,894,885	
Investments with short liabilities	(1,366,480)	
	<b>21,528,405</b>	

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- (1) Company settled in 2016;  
 (2) Merger of the companies by the subsidiary CSN Steel S.L.U. in December 2017, according to note 2  
 (3) Company sold in July 2017, to the subsidiary CSN Mineração.

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

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

	12/31/2017	Consolidated 12/31/2016	12/31/2017	Parent Company 12/31/2016
<b>Opening balance of investments</b>	<b>4,568,451</b>	<b>3,998,239</b>	<b>22,703,508</b>	<b>25,517,369</b>
<b>Opening balance of loss provisions</b>			<b>(1,019,299)</b>	<b>(1,095,086)</b>
Capital increase/acquisition of shares	20,579	190,651	80,686	242,854
Dividends (1)	(79,189)	(36,765)	(2,059,972)	(2,469,827)
Comprehensive income (2)	850,640	713,442	1,021,099	314,230

Equity pickup (4)	147,800	108,031	901,836	(370,343)
Reclassification of metallic investment on September 30,2016 to held for sale				(123,290)
Reclassification of metallic's result from discontinued operations				(6,786)
Acquisition of 50% interest in CGPAR				8,608
Fair value of property, plant and equipment - Acquisition of control - CGPAR				57,889
Sale of investment CGPAR			(14,055)	
Asset capital gains - CGPAR			(50,009)	
Capital Transactions - Business combinations CGPAR			(35,389)	
Amortization of fair value - investment MRS	(11,746)	(11,746)		
Amortization of fair value - investment CGPAR		(3,940)		
Impairment of the Fair Value of Transnordestina (3)		(387,989)		(387,989)
Others	3,460	(1,472)		(3,420)
<b>Closing balance of investments</b>	<b>5,499,995</b>	<b>4,568,451</b>	<b>22,894,885</b>	<b>22,703,508</b>
<b>Balance of provision for investments with negative equity</b>			<b>(1,366,480)</b>	<b>(1,019,299)</b>
<b>Total</b>	<b>5,499,995</b>	<b>4,568,451</b>	<b>21,528,405</b>	<b>21,684,209</b>

(1) In 2017 refers to the allocation of dividends from subsidiaries Sepetiba Tecon, MRS Logistica, CSN Energia, Itá Energética, CBSI – Companhia Brasileira de Serviços de Infraestrutura, CSN Minerals, CSN Steel, CSN Metals, CSN Mineração and CSN Americas.

(2) Refers to the mark-to-market of investments classified as available for sale and translation to the reporting currency of the foreign investments (the functional currency of which is not the Brazilian Reais), actuarial gain/loss and gain/loss on net investment hedge from investments measured by equity method.

(3) Refers to impairment of the fair value of Transnordestina Logística S.A, see note 10.d).

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



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	<b>12/31/2017</b>	<b>Consolidated 12/31/2016</b>
<b>Equity in results of affiliated companies</b>		
MRS Logística S.A.	171,905	155,617
CBSI - Companhia Brasileira de Serviços de Infraestrutura	1,785	2,953
Transnordestina	(21,357)	(52,127)
Arvedi Metalfer do Brasil	(4,368)	1,372
Others	(165)	216
	<b>147,800</b>	<b>108,031</b>
<b>Eliminations</b>		
To cost of sales	(40,823)	(41,556)
To taxes	13,880	14,129
<b>Others</b>		
Amortization of fair value - Investments in MRS	(11,746)	(11,746)
Amortization of fair value - Investments in CGPAR		(3,940)
<b>Equity in results</b>	<b>109,111</b>	<b>64,918</b>

**8.c) Additional information about the main operating subsidiaries**

- SEPETIBA TECON S.A. ("Tecon")

The Container Terminal was created to exploit the terminal nº 1 in Itaguaí Port, located in the State of Rio de Janeiro. The terminal is connected to the UPV by the Southeast railroad network. The Southeast

railroad network is the contract object of the concession that has been granted to MRS Logística S. A. The range of services includes the move operation of cargo, storage of containers and steel products, general cargo, cleaning and maintenance.

Tecon won the auction held on September 3, 1998 to enter into a lease agreement for operation of the port terminal for a period of 25 years, extendable for an equal period. With the publication of Presidential Decree 9048 of May 10, 2017, the operation of the terminal may be successively extended in distinct periods with a maximum term of 70 years.

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

- ESTANHO DE RONDÔNIA S.A. ("ERSA")

Headquartered in the state of Rondônia, the subsidiary operates two units, which are based in the cities of Itapuã do Oeste/RO and Ariquemes/RO. In Itapuã do Oeste is extracted the cassiterite (tin ore) and in Ariquemes is located the casting operation, where the metallic tin is made, which is the raw material used in UPV for the production of tin plates.

- COMPANHIA METALÚRGICA PRADA ("Prada")

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

*Metal packaging*

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

Prada holds a 100% interest in the capital stock of Companhia Brasileira de Latas - "CBL".

On 2015, Prada has incorporated its subsidiary Rimet Empreendimentos Industriais e Comerciais.

*Distribution*

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

- CSN ENERGIA S.A.

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

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

FTL was created on the purpose of incorporating the spun-off portion of TLISA, the Company holds the concession to operate the railway cargo transportation, the public service is provided in northeastern of Brazil, which includes the railway between the towns of São Luis to Fortaleza, Recife Daredevil, Itabaiana Cabedelo, Paula Cavalcante Macau and Propriá Jorge Lins (“Network I”).

As of November 2016, the CSN subscribed shares by capitalization of advances for future capital increase amounting R\$ 39,341, therefore its participation in the share capital of the company increased from 89.79% to 90.78%. As a result of the operations described above that caused a change in the shareholder’s participation, the Company recorded a loss in the amount of R \$ (25) recorded in shareholders' equity in other comprehensive income.

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

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

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

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



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1****8.d) Joint ventures and joint operations financial information**

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

Equity interest (%)	12/31/2017			12/31/2016			
	<i>Joint-Venture</i>	<i>Joint-Operation</i>		<i>Joint venture</i>	<i>Joint-Operation</i>		
#N/D	MRS Logística	CBSI Transnordestina	MRS Logística Energética	MRS Logística	CBSI Transnordestina	MRS Logística Energética	
	34.94%	50.00%	46.30%	34.94%	50.00%	49.02%	48.75%
<b>Balance sheet</b>							
<b>Current assets</b>							
Cash and cash equivalents	484,978	101	5,763	16,231	2,925	1,899	17,689
Advances to suppliers	14,911	37		22	951		99
Other current assets	685,311	28,475	49,494	16,447	19,603	54,652	16,054
<b>Total current assets</b>	<b>1,185,200</b>	<b>28,613</b>	<b>55,257</b>	<b>32,700</b>	<b>23,479</b>	<b>56,551</b>	<b>33,842</b>

**Non-current assets**

Other non-current assets	974			234		
Investments, PP&E and intangible assets	693,434	238,004	27,455,577	261,292	29,219	
	2,423			3,434		
	6,277,550	7,927,881	484,462,15,442	7,407,189	516,186	
<b>Total non-current assets</b>	<b>3,397</b>			<b>3,668</b>		
	<b>6,970,984</b>	<b>8,165,885</b>	<b>511,865,314,019</b>	<b>7,668,481</b>	<b>545,405</b>	
<b>Total Assets</b>	<b>32,010</b>			<b>27,147</b>		
	<b>8,156,184</b>	<b>8,221,142</b>	<b>544,565,572,805</b>	<b>7,725,032</b>	<b>579,247</b>	

**Current liabilities**

Borrowings and financing	1,411	52,691	653,491	76,441		
Other current liabilities	25,898	113,739	33,667,40,319	23,034	134,747	53,858
<b>Total current liabilities</b>	<b>27,309</b>	<b>166,430</b>	<b>33,668,93,810</b>	<b>23,034</b>	<b>211,188</b>	<b>53,858</b>

**Non-current liabilities**

Borrowings and financing	2,084,422	5,457,768	2,176,357	5,024,404		
Other non-current liabilities	575,170	434	3,471,699,830	-	-	3,020
<b>Total non-current liabilities</b>	<b>2,659,592</b>	<b>5,458,202</b>	<b>3,471,876,187</b>	<b>5,024,404</b>	<b>3,020</b>	
<b>Shareholders' equity</b>	<b>4,701</b>	<b>2,596,510</b>	<b>507,428,302,808</b>	<b>4,113</b>	<b>2,489,440</b>	<b>522,369</b>
<b>Total liabilities and shareholders' equity</b>	<b>32,010</b>	<b>8,221,142</b>	<b>544,565,572,805</b>	<b>27,147</b>	<b>7,725,032</b>	<b>579,247</b>

**equity**

		01/01/2017 to 12/31/2017			01/01/2016 to 12/31/2016		
		<i>Joint-Venture</i>	<i>Joint-Operation</i>		<i>Joint-Operation</i>		
<b>Equity interest (%)</b>	<b>MRS Logística</b>	<b>CBSI Transnordestinal</b>	<b>Logística</b>	<b>Energética</b>	<b>MRS Logística</b>	<b>CBSI Transnordestinal</b>	<b>Logística</b>
	<b>34.94%</b>	<b>50.00%</b>	<b>46.30%</b>	<b>48.75%</b>	<b>34.94%</b>	<b>50.00%</b>	<b>49.02%</b>
							<b>48.75%</b>
<b>Statements of Income</b>							
Net revenue		135,399			122,870		
	3,492,805			168,194,279,420			172,263
Cost of sales and services	(2,307,108)	(120,647)		(76,820,08,786)	(105,692)		(91,568)
Gross profit	1,185,697	14,752		91,384,070,634	17,178		80,695

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Operating (expenses) income	(283,151)	(8,340)	(32,245)	(58,465)	60,187	(8,367)	(97,596)	(54,616)
Finance income (costs), net	(187,295)	(1,004)	(13,938)	31	(249,300)	(1,676)	(6,032)	397
Income before income tax and social	715,251	5,408	(46,183)	33,236	661,147	7,135	(103,628)	26,476
contribution Current and deferred income tax	(254,001)	(1,838)		(11,105)	243,602	(1,229)		(8,854)
and social contribution								
<b>(Loss) profit for the year, net</b>	<b>461,250</b>	<b>3,570</b>	<b>(46,183)</b>	<b>22,131</b>	<b>17,545</b>	<b>5,906</b>	<b>(103,628)</b>	<b>17,622</b>



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- ITÁ ENERGÉTICA S.A. - (“ITASA”)

ITASA is a corporation established in July 1996 that was engaged to operate under a shared concession, the Itá Hydropower Plant (UHE Itá), with 1,450 MW of installed power, located on the Uruguay River, on the Santa Catarina and Rio Grande do Sul state border.

- MRS LOGÍSTICA S.A. (“MRS”)

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

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

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

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

- CONSÓRCIO DA USINA HIDRELÉTRICA DE IGARAPAVA

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

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

The balance of property, plant and equipment less depreciation as of December 31, 2017 is R\$24,759 (R\$25,921 as of December 31, 2016) and the expense in 2017 amounted to R\$5,966 (R\$6,041 in 2016).

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

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

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

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

It is in preoperational phase and should remain so until the completion of Rail Network II. The approved schedule, which considered the completion of the work by January 2017, is currently under review and

discussion with the responsible bodies; However, Management understands that new deadlines for project completion will not have material adverse effects on the expected return on investment. After assessing this matter, its Management has concluded as appropriate the use of the accounting basis of operating continuity of the project in the preparation of its financial statements.

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

The Management receives funds from its shareholders and third parties for completion of the works, which are expected to be available, based on agreements previously entered into and recent discussions between the involved parties. After analyzing this matter, Management concluded as adequate the use of the accounting base of the project's going concern in the preparation of the financial statements for the year ended December 31, 2017.

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

Measurement of recoverable value:

<b>Cash Flow Projection</b>	<b>Until 2057</b>
Gross Margin	Based on market studies to capture operations costs and loads, according studied of market trends.
Estimated Costs	Costs based on studies and market trends.
Growth rate in perpetuity	Growth rate was not considered due to the projection model until the end of the concession.
Discount rate	Between 5.1% to 6.25% in real terms.

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

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

Another important aspect that was considered in the analysis of the impairment of CSN's investment in the TLSA, was the need to apply an additional percentage of risk to the discount rate in addition to the one already used to determine the discounted cash flow of TLSA. Due to the sharing of investors' risks, and by the fact that the asset that is being tested represents the cash-generating unit itself, which is equal to the legal entity, the risk determined by CSN Management is the same applied by TLSA when the evaluation of their own investments, not applying an additional risk factor to the model.

As a result, the Company which had recognized a loss in the surplus value of the investments of TLSA in the amount of R\$ 387,989 recorded in other operations and R \$ 131,916 in deferred taxes in 2016, did not recognize additional values of losses in the surplus-value of the investments in 2017.

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**8.e) Additional information on indirect participation in abroad operations**

- STAHLWERK THÜRINGEN GMBH (“SWT”)

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

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

- COMPANHIA SIDERURGICA NACIONAL – LLC (“CSN LLC”)

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

- LUSOSIDER AÇOS PLANOS S.A. (“Lusosider”)

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

#### **8.f) Other investments**

- PANATLÂNTICA S. A. (“Panatlântica”)

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

The Company currently holds 11.33% (11.35% as of December 31, 2016) of Panatlântica’s total share capital.

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

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

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





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In March 2016, the Board of Directors of Usiminas approved a capital increase of R \$ 64,882, through the issue of up to 50,689,310 preferred shares. On April 22, 2016, CSN exercised its preemptive rights in full, paying R \$ 11,603 for 9,064,856 preferred shares. This increase was approved by the Board of Directors of Usiminas on June 3, 2016.

On March 24, 2016, the Company requested to CADE (Brazilian Antitrust Agency) the flexibilization of the PAT (Performance Commitment Agreement (TCD), in order to enable the Company the exercise of certain political rights, namely the power to elect independent members of the board of directors and supervisory board. On April 27, 2016, CADE approved the Company's request to permit such election. On April 28, at the Usiminas' annual general meeting, the Company elected 2 independent members of the board of directors and 1 of the supervisory board, as well as the same number of alternates.

In April 2016, the Extraordinary Shareholders' Meeting of Usiminas approved a capital increase of R\$ 1,000,000 through the issue of 200,000,000 common shares. On May 20, 2016, CSN exercised its preemptive right in full, paying R \$ 178,832 for 35,766,351 common shares. This increase was approved by the Extraordinary General Meeting of Usiminas on July 19, 2016.

As of December 31, 2017 and 2016, the Company's interest in Usiminas's capital was 15.19% in common shares and 20.86% in preferred shares.

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

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

Arvedi, headquartered in Salto, State of São Paulo, is engaged in pipe production. As of December 31, 2017 and 2016 CSN held 20.00% of Arvedi’s share capital.

## 9 PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Infrastructure	Machinery, equipment and facilities	Furniture and fixtures	Construction in progress	Other (*)	Consolidated Total
<b>Balance at December 31, 2016</b>	<b>264,629</b>	<b>2,815,679</b>	<b>12,369,630</b>	<b>33,163</b>	<b>2,260,864</b>	<b>391,914</b>	<b>18,135,879</b>
Cost	264,629	3,637,903	20,712,371	173,821	2,260,864	676,529	27,726,117
Accumulated depreciation		(822,224)	(8,342,741)	(140,658)		(284,615)	(9,590,238)
<b>Balance at December 31, 2016</b>	<b>264,629</b>	<b>2,815,679</b>	<b>12,369,630</b>	<b>33,163</b>	<b>2,260,864</b>	<b>391,914</b>	<b>18,135,879</b>
Effect of foreign exchange differences							107,184
Acquisitions	8,702	21,737	72,811	593	3,076	265	
Capitalized interest (notes 24 and 29)	8,241	1,196	91,251	1,171	951,796	10,091	1,063,746
Write - off (note 23)					91,957		91,957
Depreciation (note 22)	653	30,634	(30,383)	(37)	(2,536)	(26,388)	(28,057)
Transfers to other asset categories		(156,580)	(1,174,852)	(5,656)		(43,105)	(1,380,193)
Transfers to intangible assets	(2,485)	84,281	659,119	3,869	(805,207)	60,423	
					(26,183)		(26,183)

Others			(1,656)		2,168	(6)	506
<b>Balance at December 31, 2017</b>	<b>279,740</b>	<b>2,796,947</b>	<b>11,985,920</b>	<b>33,103</b>	<b>2,475,935</b>	<b>393,194</b>	<b>17,964,839</b>
Cost	279,740	3,819,929	21,674,362	164,152	2,475,935	669,096	29,083,214
Accumulated depreciation		(1,022,982)	(9,688,442)	(131,049)		(275,902)	(11,118,375)
<b>Balance at December 31, 2017</b>	<b>279,740</b>	<b>2,796,947</b>	<b>11,985,920</b>	<b>33,103</b>	<b>2,475,935</b>	<b>393,194</b>	<b>17,964,839</b>

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	Land	Buildings and Infrastructure	Machinery, equipment and facilities	Furniture and fixtures	Construction in progress	Other (*)	Parent Company Total
<b>Balance at December 31, 2016</b>	<b>83,350</b>	<b>1,093,806</b>	<b>7,447,653</b>	<b>15,014</b>	<b>934,587</b>	<b>5,716</b>	<b>9,580,126</b>
Cost	83,350	1,275,784	12,567,114	114,141	934,587	116,987	15,091,963
Accumulated depreciation		(181,978)	(5,119,461)	(99,127)		(111,271)	(5,511,837)
<b>Balance at December 31, 2016</b>	<b>83,350</b>	<b>1,093,806</b>	<b>7,447,653</b>	<b>15,014</b>	<b>934,587</b>	<b>5,716</b>	<b>9,580,126</b>
Acquisitions	8,241	717	42,605	502	497,063	2,763	551,891
Capitalized interest (notes 24 and 29)					21,308		21,308
Write - off (note 23)	445	24,823	(22,831)	(33)	(2,281)	(2,167)	(2,044)
Depreciation (note 22)		(32,956)	(587,254)	(2,738)		(5,537)	(628,485)
Transfers to other asset categories	2,449	4,913	492,329	1,085	(520,438)	19,662	
Transfers to intangible assets					(26,179)		(26,179)
Others			3,003		2,791		5,794
<b>Balance at December</b>	<b>94,485</b>	<b>1,091,303</b>	<b>7,375,505</b>	<b>13,830</b>	<b>906,851</b>	<b>20,437</b>	<b>9,502,411</b>

**31, 2017**

Cost	94,485	1,334,093	13,159,644	96,609	906,851	118,888	15,710,570
Accumulated depreciation		(242,790)	(5,784,139)	(82,779)		(98,451)	(6,208,159)
<b>Balance at December 31, 2017</b>	<b>94,485</b>	<b>1,091,303</b>	<b>7,375,505</b>	<b>13,830</b>	<b>906,851</b>	<b>20,437</b>	<b>9,502,411</b>

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

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

	<b>Project description</b>	<b>Start date</b>	<b>Completion Date</b>		<b>Consolidated</b>	<b>12/31/2017</b>	<b>12/31/2016</b>
<b>Logistics</b>	Current investments for maintenance of current operations.					106,956	103,284
						<b>106,956</b>	<b>103,284</b>
<b>Mining</b>	Expansion of Casa de Pedra Mine capacity production.	2007	2020	(1)		750,999	689,160
	Expansion of TECAR export capacity.	2009	2022	(2)		275,811	253,545
	Current investments for maintenance of current operations					408,522	261,056
						<b>1,435,332</b>	<b>1,203,761</b>
<b>Steel</b>	Supply of 16 torpedos cars for operation in the steel industry	2008	2019			99,483	91,779
	Current investments for maintenance of current operations.			(3)		228,029	307,448
							<b>399,227</b>

					<b>327,512</b>	
<b>Cement</b>						
	Construction of cement plants.	2011	2020	(4)	554,865	529,631
	Current investments for maintenance of current operations.				51,270	24,961
					<b>606,135</b>	<b>554,592</b>
<b>Construction in progress</b>					<b>2,475,935</b>	<b>2,260,864</b>

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

(2) Estimated completion date of phase 60 Mtpa;

(3) Refers substantially to the reforming of batteries for coke ovens and reuse of the carbochemical cooling waters;

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

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

	<b>12/31/2017</b>	<b>Consolidated 12/31/2016</b>	<b>12/31/2017</b>	<b>Parent Company 12/31/2016</b>
Buildings	39	41	41	42
Machinery, equipment and facilities	21	18	24	19
Furniture and fixtures	12	12	12	11
Others	17	14	12	11

**9.a) Capitalized Interest**

As of December 31, 2017, the Company capitalized borrowing costs amounting to R\$91,957 in consolidated and R\$21,308 in parent company (as of December 31, 2016, R\$215,794 in consolidated and R\$127,675 in parent company). These costs are basically estimated for the cement and mining projects, mainly relating to: new integrated cement plant; and (ii) Casa de Pedra (MG) expansion and TECAR (RJ), see notes 24 and 29.

The rates used to capitalize borrowing costs are as follows:

<b>Rates</b>	<b>12/31/2017</b>	<b>12/31/2016</b>
Unspecified projects	8.63%	10.37%

**10 INTANGIBLE ASSETS**

	<b>Goodwill</b>	<b>Customer relationships</b>	<b>Software</b>	<b>Trademarks and patents</b>	<b>Rights and licenses (*)</b>	<b>Others</b>	<b>Total</b>	<b>Software</b>	<b>Total</b>
<b>Balance at December 31, 2016</b>	<b>3,590,931</b>	<b>297,660</b>	<b>68,253</b>	<b>116,196</b>	<b>3,184,924</b>	<b>440</b>	<b>7,258,404</b>	<b>47,547</b>	<b>47,547</b>
Cost	3,834,234	444,635	183,166	116,196	3,185,700	440	7,764,371	98,992	98,992
Accumulated amortization	(133,973)	(146,975)	(114,913)		(776)		(396,637)	(51,445)	(51,445)
Adjustment for accumulated recoverable	(109,330)						(109,330)		



value										
<b>Balance at December 31, 2016</b>	<b>3,590,931</b>	<b>297,660</b>	<b>68,253</b>	<b>116,196</b>	<b>3,184,924</b>	<b>440</b>	<b>7,258,404</b>	<b>47,547</b>	<b>47,</b>	
Effect of foreign exchange differences		41,916	183	17,941		65	60,105			
Acquisitions and expenditures			622				622			
Transfer of property, plant and equipment			26,183				26,183	26,179	26,	
Disposals			(70)				(70)	(68)		
Amortization (note 22)		(38,701)	(21,986)		(12,455)		(73,142)	(14,348)	(14,3	
Acquisition of control - CGPAR						(56)	(56)			
<b>Balance at December 31, 2017</b>	<b>3,590,931</b>	<b>300,875</b>	<b>73,185</b>	<b>134,137</b>	<b>3,172,469</b>	<b>449</b>	<b>7,272,046</b>	<b>59,310</b>	<b>59,</b>	
Cost	3,834,234	513,068	167,162	134,137	3,185,701	449	7,834,751	126,279	126,	
Accumulated amortization	(133,973)	(212,193)	(93,977)		(13,232)		(453,375)	(66,969)	(66,9	
Adjustment for accumulated recoverable value	(109,330)						(109,330)			
<b>Balance at December 31, 2017</b>	<b>3,590,931</b>	<b>300,875</b>	<b>73,185</b>	<b>134,137</b>	<b>3,172,469</b>	<b>449</b>	<b>7,272,046</b>	<b>59,310</b>	<b>59,</b>	

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(\*) Composed mainly by mineral rights with estimated resources of 1,101 million tons (Not reviewed by independent auditors). Corresponding amortization is recorded based on production volumes.

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

	<b>12/31/2017</b>	<b>Consolidated 12/31/2016</b>	<b>12/31/2017</b>	<b>Parent Company 12/31/2016</b>
Software	8	8	9	8
Customer relationships	13	13		

**10.a) Impairment testing**

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

Cash generating unity	Segment	Goodwill		Brands		Consolidated Total	
		12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2016	
Packaging (1)	Steel	158,748	158,748		158,748	158,748	
Long Stel (2)	Steel	235,595	235,595	134,137	116,196	369,732	351,791
Mining (3)	Mining	3,196,588	3,196,588	-	-	3,196,588	3,196,588
		<b>3,590,931</b>	<b>3,590,931</b>	<b>134,137</b>	<b>116,196</b>	<b>3,725,068</b>	<b>3,707,127</b>

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

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

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

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



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The main assumptions used in calculations of value in use at December 31, 2017 are as follows:

	<b>Metal packaging</b>	<b>Long steel (***)</b>	<b>Mining</b>
<b>Measurement of recoverable value</b>	Discounted Cash Flow	Discounted Cash Flow	Discounted Cash Flow
<b>Cash flow projection</b>	Until 2028	Until 2028	Until 2056
<b>Gross Margin</b>	Gross margin updated based on historical data, impacts of business restructuring and market trends	Gross margin updated based on historical data and market trends.	Average of the Gross Margin of each Cash - Generating unit based on the history and projections for the next 39 years and long - term price and exchange rate curves from industry reports.
<b>Cost actualization</b>	Cost based on historical data of each product and impacts of business restructuring	Costs based on historical data and market trends	Costs based on historical data, mix of products and market trends
<b>Growth Rate</b>	Without growth in real terms, only updated by long term inflation of 4.0%	Without growth in real terms, only updated by long term inflation of 2.0% Euro Zone	The growth rate was not considered
<b>Discount rate</b>	These cash flows were considered using a discount rate after taxes between 7% and 13% in real terms. The discount rate was based on the weighted average cost of capital ("WACC") that reflects the specific risk of each segment.		

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

Based on the analyses conducted by Management, was not necessary to record losses by impairment to those assets in the year ended on December 31, 2017.

## 11 BORROWINGS, FINANCING AND DEBENTURES

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

	Rates p.a. (%)	Consolidated							
		Current liabilities		Non-current liabilities		Current liabilities		Non-current	
		12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
<b>FOREIGN CURRENCY</b>									
Prepayment	1% to 3.5%	2,174	110,944	489,584	482,347	2,174	110,944	489,584	
Prepayment	3.51% to 8%	788,989	438,802	3,607,925	4,290,062	788,989	438,802	3,607,925	
Intercompany Prepayment	3.51% to 8%					72,019	72,128	4,856,104	
Perpetual Bonds	7%	4,503	4,436	3,308,000	3,259,100				
Bonds		139,184	137,126	5,612,342	5,529,380				

Bonds	4.14% to 10%					27,450	27,044	3,436,385	
intercompany	4.14% to 10% Libor								
Intercompany	6M to 3%					1,113,411	149,654	1,620,921	
ACC	3.14%	379,822				379,822			
Others	1.2% to 8%	251,630	95,983	197,130	259,262				
		<b>1,566,302</b>	<b>787,291</b>	<b>13,214,981</b>	<b>13,820,151</b>	<b>2,383,865</b>	<b>798,572</b>	<b>14,010,919</b>	<b>1</b>
<b>LOCAL CURRENCY</b>									
BNDES/FINAME	1.3% + TJLP and Fixed	71,121	73,736	960,872	1,012,268	43,235	43,467	918,466	
	2.5% to 6% + 1.5%								
Debentures	110.8% to 113.7% CDI	523,252	538,003	770,767	1,270,383	523,252	538,003	770,767	
	109.5% to 116.5% CDI and fixed of 8%								
Prepayment	112.5% to 113% CDI	1,789,737	570,778	3,378,333	5,080,000	1,048,204	519,806	2,093,333	
CCB		2,601,352	181,143	4,693,000	7,200,000	2,601,352	181,143	4,693,000	
		<b>4,985,462</b>	<b>1,363,660</b>	<b>9,802,972</b>	<b>14,562,651</b>	<b>4,216,043</b>	<b>1,282,419</b>	<b>8,475,566</b>	<b>1</b>
<b>Total Borrowings and Financing (note 12 I)</b>		<b>6,551,764</b>	<b>2,150,951</b>	<b>23,017,953</b>	<b>28,382,802</b>	<b>6,599,908</b>	<b>2,080,991</b>	<b>22,486,485</b>	<b>2</b>
Transaction Costs and Issue Premiums		(24,862)	(33,503)	(34,011)	(59,232)	(21,737)	(29,109)	(31,639)	
<b>Total Borrowings and Financing + Transaction Costs</b>		<b>6,526,902</b>	<b>2,117,448</b>	<b>22,983,942</b>	<b>28,323,570</b>	<b>6,578,171</b>	<b>2,051,882</b>	<b>22,454,846</b>	<b>2</b>

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

As of December 31, 2017, the breakdown of principal plus interest of long-term liabilities as borrowings, financing and debentures by maturity date is presented as follows:

	<b>Prepayment</b>	<b>Bonds</b>	<b>Perpetual Bonds</b>	<b>CCB</b>	<b>Othes</b>	<b>Consolidated Total</b>	
2019	2,824,551	2,238,034 (*)		1,507,000	670,383	7,239,968	31%
2020	2,409,959	3,374,308 (*)		1,508,000	280,243	7,572,510	33%
2021	1,276,969			774,000	177,659	2,228,628	10%
2022	964,363			784,000	95,484	1,843,847	8%
2023				120,000	56,631	176,631	1%
After 2023 Perpetual bonds			3,308,000		648,369	648,369	3%
	<b>7,475,842</b>	<b>5,612,342</b>	<b>3,308,000</b>	<b>4,693,000</b>	<b>1,928,769</b>	<b>23,017,953</b>	<b>100%</b>

(\*) In February 2018, the Company concluded the renegotiation of its debt with Banco do Brasil S.A (“BB”), as well as the issuance of debt instruments and repurchase of US\$350 million (*Tender Offer*), as described in more detail in note 32 - Events subsequent.



	<b>Prepayment</b>	<b>Bonds</b>	<b>Intercompany</b>	<b>CCB</b>	<b>Othes</b>		<b>Parent Company Total</b>
2019	3,469,619		1,620,921	1,507,000	551,707	7,149,247	32%
2020	3,020,790			1,508,000	171,534	4,700,324	21%
2021	1,887,800			774,000	171,534	2,833,334	13%
2022	1,244,393			784,000	91,534	2,119,927	9%
2023				120,000	54,867	174,867	1%
After 2023	1,424,344	3,436,385			648,057	5,508,786	24%
	<b>11,046,946</b>	<b>3,436,385</b>	<b>1,620,921</b>	<b>4,693,000</b>	<b>1,689,233</b>	<b>22,486,485</b>	<b>100%</b>

#### 11.b) Amortization and new borrowings, financing and debentures

The table below presents the capitalizations and amortizations during the year:

	<b>12/31/2017</b>	<b>Consolidated 12/31/2016</b>	<b>12/31/2017</b>	<b>Parent Company 12/31/2016</b>
<b>Opening balance</b>	<b>30,441,018</b>	<b>34,282,515</b>	<b>30,248,775</b>	<b>33,988,090</b>
Funding transactions	538,771	30,034	371,000	62,836
Forfaiting funding / Drawee Risk		78,240		78,240
Repayment	(1,528,023)	(695,938)	(1,652,283)	(298,015)
Payments - Forfaiting/ Drawee Risk		(407,155)		(407,155)
Payments of charges	(2,634,931)	(3,044,342)	(2,278,089)	(2,566,293)
Payments of charges - Forfaiting / Drawee Risk		(5,694)		(5,694)
Provision of charges	2,438,555	3,156,120	2,136,425	2,661,090
Provision charges Forfaiting / Drawee Risk		4,237		4,237

Others (1)	255,454	(2,956,999)	207,189	(3,268,561)
<b>Closing balance</b>	<b>29,510,844</b>	<b>30,441,018</b>	<b>29,033,017</b>	<b>30,248,775</b>
(1) Includes interests and unrealized foreign exchange variances				

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In 2017, the Group capitalized and amortized loans as shown below:

- Capitalization**

<b>Transaction</b>	<b>Financial institution</b>	<b>Date</b>	<b>Amount</b>	<b>Consolidated Maturity</b>
CDC - ERSA	BANCO MERCEDEZ BENS	August/17	4,265	October/21
Advance contract exchange (ACC)	BB	September/17	171,000	may/18
Fixed Rate Notes	JP MORGAN	November/17	163,506	November/18
Advance contract exchange (ACC) (*)	BB	December/17	200,000	February/18
<b>Total</b>			<b>538,771</b>	

(\*) The operation was amortized in February 02, 2018

- Amortization**

<b>Transaction</b>	<b>Payment of principal</b>	<b>Consolidated Debt charges</b>
Bonds	-	578,482
Fixed Rate Notes	90,028	12,736
Debentures	479,617	201,118
Bank Credit Bill	-	869,717

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Export Credit Note	400,000	668,325
Pre - Export Payment	490,803	226,894
BNDES/FINAME	67,575	75,539
Advance contract exchange (ACC)	-	2,120
<b>Total</b>	<b>1,528,023</b>	<b>2,634,931</b>

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- **Covenants**

The Company's loan agreements establish the fulfillment of certain non financial obligations, as well as maintenance of certain parameters and performance indicators, such as disclosure of its audited financial statements according to regulatory deadlines or payment of commission on risk assumption, if the net debt-EBITDA ratio reaches the levels in those agreements, under penalty of anticipated maturity. Until now, the Company is in compliance with all financial and non-financial obligations (covenants) of its current contracts.

On December 31, 2017, the Company has provisioned R\$ 30,843 in the Consolidated and R\$ 13,413 in the Parent Company for risk assumption.

### **11.c) GUARANTEES**

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

Maturities	Borrowings		Tax foreclosure		Others		Total	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Up to 19/2056 and indefinite	2,541,347	2,547,937	22,214	23,007	3,866	4,866	2,567,427	2,575,810
15/2020	69,405	76,700					69,405	76,700
indefinite					36,308	28,914	36,308	28,914
indefinite			333	333	18,540	19,340	18,873	19,673
indefinite			2,829	2,829			2,829	2,829
12/2022	2,000,000	2,000,000				2,520	2,000,000	2,002,520
15/2022	3,153						3,153	
	<b>4,613,905</b>	<b>4,624,637</b>	<b>25,376</b>	<b>26,169</b>	<b>58,714</b>	<b>55,640</b>	<b>4,697,995</b>	<b>4,706,446</b>
12/2019	750,000	750,000					750,000	750,000
perpetual	1,000,000	1,000,000					1,000,000	1,000,000
12/2020	1,200,000	1,200,000					1,200,000	1,200,000
	<b>2,950,000</b>	<b>2,950,000</b>					<b>2,950,000</b>	<b>2,950,000</b>
12/2020	120,000	120,000					120,000	120,000
indefinite	25,000	25,000					25,000	25,000
	<b>145,000</b>	<b>145,000</b>					<b>145,000</b>	<b>145,000</b>

<b>10,334,149</b>	<b>10,112,913</b>					<b>10,334,149</b>	<b>10,112,913</b>
<b>14,948,054</b>	<b>14,737,550</b>	<b>25,376</b>	<b>26,169</b>	<b>58,714</b>	<b>55,640</b>	<b>15,032,144</b>	<b>14,819,359</b>

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## **12 FINANCIAL INSTRUMENTS**

### **I - Identification and measurement of financial instruments**

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

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



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- Classification of financial instruments**

Consolidated	Notes					12/31/2017			
		Available for sale	Fair value through profit or loss	Loans and receivables	Others liabilities measured at amortized cost	Balances	Available for sale	Fair value through profit or loss	Loans and receivables
<b>Assets</b>									
<b>Current</b>									
Cash and cash equivalents	3			3,411,572		3,411,572			4,871,000
Short - term investments	4			735,712		735,712			760,000
Trade receivables	5			2,197,078		2,197,078			1,904,000
Derivative financial instruments								2,298	
Trading securities	7		2,952			2,952		2,966	
Loans - related parties	7			2,441		2,441			
Dividends receivable	5				41,528	41,528			
<b>Total</b>			<b>2,952</b>	<b>6,346,803</b>	<b>41,528</b>	<b>6,391,283</b>		<b>5,264</b>	<b>7,536,000</b>

<b>Non-current</b>									
Other trade									
receivables	7		20,024		20,024			15,	
Investments	8	2,222,433			2,222,433	1,374,268			
Loans -									
related parties	7		554,694		554,694			479,	
<b>Total</b>		<b>2,222,433</b>	<b>574,718</b>		<b>2,797,151</b>	<b>1,374,268</b>		<b>495,</b>	
<b>Total Assets</b>		<b>2,222,433</b>	<b>2,952</b>	<b>6,921,521</b>	<b>41,528</b>	<b>9,188,434</b>	<b>1,374,268</b>	<b>5,264</b>	<b>8,031,</b>
<b>Liabilities</b>									
<b>Current</b>									
Borrowings									
and financing	11			6,551,764	6,551,764				
Derivative									
financial									
instruments							121		
Trade									
payables				2,460,774	2,460,774				
Dividends and									
interest on									
capital	13			510,692	510,692				
<b>Total</b>				<b>9,523,230</b>	<b>9,523,230</b>			<b>121</b>	
<b>Non-current</b>									
Borrowings									
and financing	11			23,017,953	23,017,953				
<b>Total</b>				<b>23,017,953</b>	<b>23,017,953</b>				
<b>Total Liabilities</b>				<b>32,541,183</b>	<b>32,541,183</b>			<b>121</b>	

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Consolidated	Notes	Available for sale	Fair value through profit or loss	Loans and receivables	Others liabilities measured at amortized cost	12/31/2017		Fair value through profit or loss	Loans receivables
						Balances	Available for sale		
<b>Assets</b>									
<b>Current</b>									
Cash and cash equivalents	3			393,504		393,504			1,4
Short - term investments	4			716,461		716,461			7
Trade receivables	5			1,898,794		1,898,794			1,7
Trading securities	7		2,764			2,764		2,818	
Loans - related parties	7			26,701		26,701			
Dividends receivable	5				1,044,242	1,044,242			
<b>Total</b>			<b>2,764</b>	<b>3,035,460</b>	<b>1,044,242</b>	<b>4,082,466</b>		<b>2,818</b>	<b>3,9</b>
<b>Non-current</b>									
Other trade receivables	7			5,364		5,364			
Investments	8	2,222,433				2,222,433	1,374,268		
Loans - related parties	7			444,091		444,091			3
<b>Total</b>				<b>449,455</b>		<b>2,671,888</b>			

						2,222,433		1,374,268					
<b>Total Assets</b>						<b>2,222,433</b>	<b>2,764</b>	<b>3,484,915</b>	<b>1,044,242</b>	<b>6,754,354</b>	<b>1,374,268</b>	<b>2,818</b>	<b>4,3</b>
<b>Liabilities</b>													
<b>Current</b>													
Borrowings and financing	11							6,599,908	6,599,908				
Derivative financial instruments												121	
Trade payables								1,787,392	1,787,392				
Dividends and interest on capital	13							2,345	2,345				
<b>Total</b>								<b>8,389,645</b>	<b>8,389,645</b>			<b>121</b>	
<b>Non-current</b>													
Borrowings and financing	11							22,486,485	22,486,485				
<b>Total</b>								<b>22,486,485</b>	<b>22,486,485</b>				
<b>Total Liabilities</b>								<b>30,876,130</b>	<b>30,876,130</b>			<b>121</b>	

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- Fair value measurement**

The following table shows the financial instruments recognized at fair value through profit or loss using a valuation method:

<b>Consolidated</b>	<b>Level 1</b>	<b>Level 2</b>	<b>12/31/2017 Balances</b>	<b>Level 1</b>	<b>Level 2</b>	<b>12/31/2016 Balances</b>
<b>Assets</b>						
<b>Current</b>						
<b>Financial assets at fair value through profit or loss</b>						
Derivative financial instruments					2,298	2,298
Trading securities	2,952		2,952	2,966		2,966
<b>Non-current</b>						
<b>Available-for-sale financial assets</b>						
Investments	2,222,433		2,222,433	1,374,268		1,374,268
<b>Total Assets</b>	<b>2,225,385</b>	<b>-</b>	<b>2,225,385</b>	<b>1,377,234</b>	<b>2,298</b>	<b>1,379,532</b>
<b>Liabilities</b>						
<b>Current</b>						
<b>Financial liabilities at fair value through profit or loss</b>						
Derivative financial instruments					121	121
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<b>Total Liabilities</b>	-	-	<b>121</b>	<b>121</b>
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**Level 1** - quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2** - Includes observable inputs in market such as interest rates, exchange etc., but not prices traded in active markets.

There are no assets and liabilities classified as level 3.

## **II – Investments in financial instruments classified as available-for-sale and measured at fair value through OCI**

The Company has investments in common (USIM3) and preferred (USIM5) shares of Usiminas (“Usiminas Shares”), designated as available-for-sale financial assets. The Company adopts this designation because the nature of the investment is not comprised in any other categories of financial instruments (loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss). The asset is classified as a non-current asset in line item “investments” and is carried at fair value based on the quoted price on the stock exchange (B3 S.A.). According to the Company's policy, the gains and losses arising from changes in the price of shares are recorded directly in equity, as other comprehensive income.

The Company's accounting policy requires a quarterly analysis based on quantitative and qualitative information available in the market from the moment the instrument demonstrates a drop of more than 20% of their market value or from a significant drop in market value compared to their acquisition cost for more than 12 months. If the Company concludes that there was a significant drop in the price of the instrument, an impairment loss must be recognized. In 2012, considering the price of Usiminas shares on B3 S.A., a first impairment loss on these shares was recorded. Pursuant to this policy, whenever the share price reaches a level lower than the last impairment recorded, the Company must record new losses in the result, redefining the new minimum level of value of the shares.



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During the year 2017 and 2016, there was no impairment recorded and the gain from the change in share price in the period was recorded in other comprehensive income.

Class of shares	Quantity	12/31/2017		Quantity	12/31/2016		Variation in the year	
		Share price	Closing Balance		Share price	Closing Balance	Share price	Variation in the carrying amount
Common	107,156,651	10.83	1,160,506	107,156,651	8.26	885,114	2.57	275,392
Preferred	114,280,556	9.10	1,039,953	114,280,556	4.10	468,550	5.00	571,403
	<b>221,437,207</b>		<b>2,200,459</b>	<b>221,437,207</b>		<b>1,353,664</b>		<b>846,795</b>

As of December 31, 2017 and 2016, the Company's interest in Usiminas's capital was 15.19% in common shares and 20.86% in preferred shares.

- Share market price risks**

The Company is exposed to the risk of changes in share prices due to the investments made and classified as available-for-sale.



According to the Company's accounting policies, any negative changes in the investment in Usiminas considered significant (impairment) are recognized in profit or loss and the other variations not resulting from impairment in changes are recognized in comprehensive income until the investment is realized.

As of December,31 2017, the amount recognized in comprehensive income for investments available for sale, net of taxes is R\$1,559,680 (R\$711,831 as of December 31, 2016).

### **III - Financial risk management**

The Company follows strategies of managing its risks, with guidelines regarding the risks incurred by the company. The nature and general position of financial risks are regularly monitored and managed in order to assess the results and the financial impact on cash flow. The quality of counterparties' hedging instruments and the credit limit are also periodically reviewed.

The market risks are hedged when it is considered necessary to support the corporate strategy or when it is necessary to maintain a level of financial flexibility.

Under the terms of the risk management policy, the Company can manages some risks by using derivative instruments not associate to any speculative deals or short sales.

#### **12.a) Foreign exchange and interest rate risks**

- **Exchange rate risk**

The exchange rate risk arises from the existence of assets and liabilities denominated in US dollars or Euros since the Company's functional currency is substantially the real is called natural currency exposure. Net exposure is the result of offsetting the natural currency exposure by hedging instruments adopted by CSN.

The consolidated net exposure as of December 31, 2017 is as follows:

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	<b>12/31/2017</b>	
<b>Foreign Exchange Exposure</b>	<b>(Amounts in US\$'000)</b>	<b>(Amounts in €'000)</b>
Cash and cash equivalents overseas	777,310	2,857
Trade receivables	310,642	2,799
Other assets	3,283	3,636
<b>Total Assets</b>	<b>1,091,235</b>	<b>9,292</b>
Borrowings and financing	(4,332,686)	(73,186)
Trade payables	(97,622)	(1,941)
Other liabilities	(3,984)	(3,368)
<b>Total Liabilities</b>	<b>(4,434,292)</b>	<b>(78,495)</b>
<b>Foreign exchange exposure</b>	<b>(3,343,057)</b>	<b>(69,203)</b>
Cash flow hedge accounting	1,317,667	
Net Investment hedge accounting		72,000
<b>Net foreign exchange exposure</b>	<b>(2,025,390)</b>	<b>2,797</b>
Perpetual Bonds	1,000,000	
<b>Net currency exposure of the perpetual bonds</b>	<b>(1,025,390)</b>	<b>2,797</b>

CSN is in the process of redefining its currency hedging strategy. The company has focused its hedge strategy on preserving its cash flow, so it is evaluating a replacement of the exposure generated by the settlement of derivatives with new hedge accounting designations, capturing the existing natural hedges, as well as using other derivative instruments with the purpose of hedging CSN's future cash flows.

- Interest rate risk**

Risk arises from short and long term liabilities with fixed or post fixed interest rates and inflation rates.

Item 12 b) shows the derivatives and hedging strategies to protect exchange and interest rates risks.

**12.b) Hedging instruments: Derivative and hedge accounting**

CSN uses several instruments for protection of foreign currency risk and interest rate risk, as shown in the following topics:

- **Portfolio of derivative financial instruments**

Counterparties	Functional Currency	Notional amount	Appreciation (R\$)		12/31/2017 Fair value (market) Amounts receivable / (payable)	Notional amount
			Asset position	Liability position		
<i>BNPP</i>	Dollar					10,250
<b>Total dollar-to-euro swap</b>						<b>10,250</b>
<i>BM&amp;FBovespa</i>	Real					1,641,378 -
<b>Total DI future</b>						<b>1,641,378</b>



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**Forward DI contracts**

The Company to hedge part or all of its exposure to assets whose interest rates are pre-fixed may obtain DI derivative operations on the stock exchange or the over-the-counter market, linking these assets to market trends. As of December 31, 2016 the Company held in its portfolio forward CDI rate contracts traded at B3 S.A. which totaled the notional amount of R\$1,641 billion.

The forward DI contract is defined as the accumulative value of the average daily DI rates of one day, calculated between the date of the transaction and the last trading date, being used to hedge and manage the interest rate risk of assets / liabilities in DI. The purchase and sale transactions, originally contracted in rate, will be converted into sale and purchase transactions, respectively, in PU.

The contract settlement is exclusively financial, on the due date and occurs daily until the maturity. The position held by the Company is set at the end of each session based on the difference of the day's settlement price (D0) compared to the previous day price (D-1), and is settled on the following day (D+1), according to the rules of B3 S.A.

For as much as the Company maintains contracts traded on the B3 S.A, it is required by the clearing house a guarantee margin to cover those commitments in these contracts, which is only a percentage of the contract's total amount. CSN maintains securities linked to this guarantee margin, consisting mainly of government bonds, which will be redeemed after the end position. The amounts of these investments are described in Note 4.

**Dollar x Euro swap**

The subsidiary Lusosider has derivative transactions to protect its dollar exposure versus euro.

- **Classification of the derivatives in the balance sheet and statement of income**

Instruments	Assets		Liabilities		12/31/2017 Net Financial Income (Note 24)
	Current	Total	Current	Total	
<i>Dollar - to - euro swap</i>					(229)
<i>Future DI</i>					28,503
					<b>28,274</b>

Instruments	Assets		Liabilities		12/31/2016 Net Financial Income (Note 24)
	Current	Total	Current	Total	
<i>Future Dollar BM&amp;F</i>					(805,760)
<i>Dollar - to - euro swap</i>	2,298	2,298			(6,467)
<i>Fixed rate - to - CDI swap (*)</i>					(299)
<i>CDI - to - fixed rate swap (*)</i>					(63)
<i>Future DI</i>			(121)	(121)	5,829
	<b>2,298</b>	<b>2,298</b>	<b>(121)</b>	<b>(121)</b>	<b>(806,760)</b>

(\*) Swap positions were settled in October 2017.

- **Hedge accounting – cash flow**

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Beginning November 1, 2014, the Company formally designated cash flow hedging relationships to protect highly probable future cash flows against US dollar fluctuations.

In order to better reflect the accounting impacts of this foreign exchange hedging strategy on its profit, CSN designated part of its US dollar-denominated liabilities as a hedging instrument of its future exports. As a result, foreign exchange differences arising on translating the designated liabilities will be temporarily recognized in shareholders' equity and allocated to profit or loss when such exports are carried out, which will allow recognizing the US dollar impact on liabilities and exports concurrently. Note that adopting hedge accounting does not entail contracting any financial instrument. As of December 31, 2017 the Company designated for hedge accounting US\$1,3 billion in exports to be carried out between January, 2018 to October, 2022.

To support these designated amounts, the Company prepared formal documentation indicating how hedging is aligned with the goal and strategy of CSN's Risk Management by identifying the hedging instruments used, the hedging purpose, the nature of the hedged risk, and showing the expected high effectiveness of the designated relationships. The designated debt instruments total an amount equivalent to the portion of future exports. Thus, the exchange differences on translating the instrument and the hedged item are similar. According to the Company's accounting policy, continuous assessments of the prospective and retrospective effectiveness must be carried out by comparing the designated amounts with the expected amounts, approved in Management's budgets, and the actual export amounts.

Through hedge accounting, the exchange gains and losses of the debt instruments do not immediately affect the Company's profit or loss except to the extent that exports are carried out.



The table below shows a summary of the hedging relationships as of December 31, 2017:

Designation Date	Hedging Instrument	Hedged item	Type of hedged risk	Hedged period	Exchange rate on designation	Designated amounts (US\$'000)	Amortized part (USD'000)	Effect on Result (*) (R\$'000)
3/11/2014	Export prepayments in US\$ to third parties	Part of the highly probable future monthly iron ore exports	Foreign exchange - R\$ vs. US\$ spot rate	October 2016 - September 2019	2.4442	500,000	(133,334)	53,203
1/12/2014	Export prepayments in US\$ to third parties	Part of the highly probable future monthly iron ore exports	Foreign exchange - R\$ vs. US\$ spot rate	October 2015 - February 2019(2)	2.5601	175,000	(114,999)	38,937
12/18/2014	Export prepayments in US\$ to third parties	Part of the highly probable future monthly iron ore exports	Foreign exchange - R\$ vs. US\$ spot rate	May 2020	2.6781	100,000		
07/21/2015	Export prepayments in US\$ to third parties	Part of the highly probable future monthly iron ore exports	Foreign exchange - R\$ vs. US\$ spot rate	July 2019 - March 2021	3.1813	60,000		
07/23/2015	Export prepayments in US\$ to third parties	Part of the highly probable future monthly iron ore exports	Foreign exchange - R\$ vs. US\$ spot rate	July 2019 - March 2021	3.2850	100,000		
07/23/2015	Export prepayments	Part of the	Foreign exchange	October 2018 -	3.2850	30,000		

	in US\$ to third parties	highly probable future monthly iron ore exports Part of the	- R\$ vs. US\$ spot rate	October 2022		
07/24/2015	Export prepayments in US\$ to third parties	highly probable future monthly iron ore exports Part of the	Foreign exchange - R\$ vs. US\$ spot rate	October 2018 - October 2022	3.3254	100,000
07/27/2015	Export prepayments in US\$ to third parties	highly probable future monthly iron ore exports Part of the	Foreign exchange - R\$ vs. US\$ spot rate	October 2018 - October 2022	3.3557	25,000
07/27/2015	Export prepayments in US\$ to third parties	highly probable future monthly iron ore exports Part of the	Foreign exchange - R\$ vs. US\$ spot rate	October 2018 - October 2022	3.3557	70,000
07/27/2015	Export prepayments in US\$ to third parties	highly probable future monthly iron ore exports Part of the	Foreign exchange - R\$ vs. US\$ spot rate	October 2018 - October 2022	3.3557	30,000
07/28/2015	Export prepayments in US\$ to third parties	highly probable future monthly iron ore exports Part of the	Foreign exchange - R\$ vs. US\$ spot rate	October 2018 - October 2022	3.3815	30,000
1/8/2015	Export prepayments in US\$ to third parties	Part of the highly probable future	Foreign exchange - R\$ vs. US\$ spot rate	(1)	3.3940	(9,000)

3/8/2015	Export prepayments in US\$ to third parties	monthly iron ore exports Part of the highly probable future monthly iron ore exports	Foreign exchange - R\$ vs. US\$ spot rate	October 2018 - October 2022	3.3940	355,000		
<b>Total</b>						<b>1,566,000</b>	<b>(248,333)</b>	<b>92,140</b>
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(\*) The effect on the result was recorded in other operating expenses.

(1) During the designation on August 2015, we reviewed the future export projections and identified that the amount of US\$ 9 million designated previously were not highly probable due to Platt's quotation reduction. Therefore, the hedge relationship was discontinued from August 2015. The exchange rate of the effective period remains recorded in Stockholders' Equity until the time of debt settlement, in October 2022.

In the hedging relationships described above, the amounts of the debt instruments were fully designated for equivalent iron ore export portions.

The movements in the hedge accounting amounts recognized in shareholders' equity as of December 31, 2017 are as follows:

	<b>12/31/2016</b>	<b>Movement</b>	<b>Realization</b>	<b>12/31/2017</b>
Cash flow hedge accounting	436,677	50,987	(92,140)	395,524
<b>Fair value of cash flow hedge, net of taxes</b>	<b>436,677</b>	<b>50,987</b>	<b>(92,140)</b>	<b>395,524</b>

As of December 31, 2017, the hedging relationships established by the Company were effective, according to the prospective tests conducted. Thus, no reversal for hedge accounting ineffectiveness was recognized.

- **Net investment hedge in foreign subsidiaries**

CSN has a natural foreign exchange exposure in Euros substantially arising from a loan made by a foreign subsidiary with functional currency in Reais, for the acquisition of investments abroad whose functional currency is Euro. Such exposure arises from converting the balance sheets of these subsidiaries for consolidation in CSN, and the exchange rate of the loans affected the income statement in the financial result item and the exchange variation of the net assets of the foreign operation directly affected the equity in other comprehensive income.

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As from September 1<sup>st</sup>, 2015 CSN began to adopt hedge of net investment to eliminate exposure and cover future fluctuations of the Euro on such loans. Non-derivative financial liabilities have been designated represented by loan agreements with financial institutions in the amount of € 120 million. The carrying amounts on December 31, 2017 are:

<b>Designation Date</b>	<b>Hedging Instrument</b>	<b>Hedged item</b>	<b>Type of hedged risk</b>	<b>Exchange rate on designation</b>	<b>Designated amounts (EUR'000)</b>	<b>Amortized part (USD'000)</b>	<b>12/31/2017 Impact on shareholders' equity</b>
09/01/2015	Non-derivative financial liabilities in EUR – Debt contract	Investments in subsidiaries which EUR is the functional currency	Foreign exchange - R\$ vs. EUR spot rate	4.0825	120,000	(48,000)	(17,911)
<b>Total</b>					<b>120,000</b>	<b>(48,000)</b>	<b>(17,911)</b>

The changes in the amounts related to net investment hedge as of December 31, 2017 are presented below:

	<b>12/31/2016</b>	<b>Movement</b>	<b>12/31/2017</b>
Net Investment hedge accounting	(57,804)	39,893	(17,911)
<b>Fair value of net investment hedge in foreign operations</b>	<b>(57,804)</b>	<b>39,893</b>	<b>(17,911)</b>

On December 31, 2017 hedge relationships established by the Company found to be effective, according to prospective tests. Therefore, no reversal by ineffectiveness of the hedge was recorded.

### 12.c) Sensitivity analysis

We present below the sensitivity analysis for currency risk and interest rate.

- **Sensitivity analysis of Derivative Financial Instruments and consolidated Foreign Exchange Exposure**

The Company considered scenarios 1 and 2 as 25% and 50% of deterioration for volatility of the currency, using as reference the closing exchange rate as of December 31, 2017.

The currencies used in the sensitivity analysis and its scenarios are shown below:

Currency	Exchange rate	Probable scenario	12/31/2017	
			Scenario 1	Scenario 2
USD	3.3080	3.2381	4.1350	4.9620
EUR	3.9693	4.0295	4.9616	5.9540

Interest	Interest rate	Scenario 1	12/31/2017	
			Scenario 1	Scenario 2
CDI	6.89%	8.61%	10.34%	
TJLP	7.00%	8.75%	10.50%	
LIBOR	1.84%	2.30%	2.76%	

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The effects on income statement, considering scenarios 1 and 2 are shown below:

Instruments	Notional	Risk	Probable scenario (*)	12/31/2017	
				Scenario 1	Scenario 2
Hedge accounting of exports	1,317,667	Dollar	(92,105)	1,089,711	2,179,422
Currency position (not including exchange derivatives above)	(3,343,057)	Dollar	233,680	(2,764,708)	(5,529,416)
<b>Consolidated exchange position</b> (including exchange derivatives above)	<b>(2,025,390)</b>	<b>Dollar</b>	<b>141,575</b>	<b>(1,674,997)</b>	<b>(3,349,994)</b>
Net Investment hedge accounting	72,000	Euro	4,334	71,447	142,894
Currency position	(69,203)	Euro	(4,166)	(68,672)	(137,344)
<b>Consolidated exchange position</b> (including exchange derivatives above)	<b>2,797</b>	<b>Euro</b>	<b>168</b>	<b>2,775</b>	<b>5,550</b>

(\*) The probable sceneries were calculated considering the following variations to the specified risks: Real x Dollar – appreciation of Real in 2.11% / Real x Euro – appreciation of Real in 1.52%. Source: Quotation from Central Bank of Brazil and Central Bank of Europe on 02/16/2018.



- **Sensitivity analysis of changes in interest rates**

The Company considered the scenarios 1, and 2 as 25% and 50% of evolution for volatility of the interest as of December 31, 2017.

Changes in interest rates	% p.a	Assets	Liabilities	Probable scenario (*)	Consolidated Impact on profit or loss	
					Scenario 1	Scenario 2
TJLP	7.00		(1,003,712)	(3,202)	(17,565)	(35,130)
Libor	1.84		(4,844,015)	(44,657)	(22,247)	(44,494)
CDI	6.89	644,525	(13,550,383)	(206,061)	(222,303)	(444,606)

(\*) The sensitivity analysis is based on the assumption of maintaining as probable scenario the market rates at December 31, 2017 recorded in the Company's assets and liabilities.

#### 12.d) Liquidity risk

It is the risk that the Company may not have sufficient net funds to honor its financial commitments as a result of mismatching of terms or volumes between scheduled receipts and payments.

To manage cash liquidity in domestic and foreign currency, assumptions of future disbursements and receipts are established and daily monitored by the treasury area. The payment schedules for the long-term portions of borrowings, financing and debentures are shown in note 11.

The following table shows the contractual maturities of financial liabilities, including accrued interest.

					<b>Consolidated</b>
<b>On December 31, 2017</b>	<b>Less than one year</b>	<b>From one to two years</b>	<b>From two to five years</b>	<b>Over five years</b>	<b>Total</b>
Borrowings, financing and debentures	6,551,764	14,812,478	4,249,106	3,956,369	29,569,717
Trade payables	2,460,774				2,460,774
Dividends and interest on capital	510,692				510,692

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1****IV - Fair values of assets and liabilities as compared to their carrying amounts**

Financial assets and liabilities at fair value through profit or loss are recognized in current and non-current assets and liabilities, and any gains and losses are recognized as financial income or financial costs, respectively.

The amounts are recognized in the financial statements at their carrying amounts, which are substantially similar to those that would be obtained if they were traded in the market. The fair values of other long-term assets and liabilities do not differ significantly from their carrying amounts, except the amounts below.

The estimated fair values for certain consolidated long-term borrowings and financing were calculated at prevailing market rates, taking into consideration the nature, terms and risks similar to those of the recorded contracts, as below:

	<b>Closing Balance</b>	<b>12/31/2017 Fair value</b>	<b>Closing Balance</b>	<b>12/31/2016 Fair value</b>
Perpetual bonds	3,312,503	2,602,090	3,263,536	1,702,134
Fixed Rate Notes	5,751,526	6,207,946	5,666,506	4,907,339

(\*) Source: Bloomberg

- **Credit risks**

The exposure to credit risks of financial institutions complies with the parameters established by financial policy. The Company has as practice the detailed analysis of the patrimonial and financial situation of its clients, the establishment of a credit limit and permanent monitoring of its debit balance.

With regard to financial investments, the Company only made investments in institutions with low credit risk rated by rating agencies. Since part of the funds is invested in repurchase agreements that are backed by Brazilian Government Bonds, there is also exposure to the credit risk of the Brazilian State.

Regarding the exposure to credit risk in accounts receivable and other receivables, the company has a credit risk committee, in which each new customer is analyzed individually regarding their financial condition, prior to the granting of the credit limit and payment terms and periodically revised, according to the periodicity procedures of each business area.

- **Capital Management**

The Company seeks to optimize its capital structure in order to reduce its financial costs and maximize the return to its shareholders. The table below shows the evolution of the capital structure of the Company in the last three years, with financing by equity and third-party capital.

<b>Thousands of reais</b>	<b>2017</b>	<b>2016</b>
Shareholder's equity (equity)	8,288,229	7,384,521
Borrowings and financing (third - party capital)	29,510,844	30,441,018
Gross Debit/Shareholder's equity	3.56	4.12

### 13 OTHER PAYABLES

The group of other payables classified in current and non-current liabilities is comprised as follows:

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	<b>Consolidated</b>						<b>Parent Company</b>	
	<b>Current</b>		<b>12/31/2017</b>	<b>Non-current</b>		<b>Current</b>		<b>Non-current</b>
	<b>12/31/2017</b>	<b>12/31/2016</b>		<b>12/31/2016</b>	<b>12/31/2017</b>	<b>12/31/2017</b>	<b>12/31/2016</b>	
Payables to related parties (note 18b)	57,008	10,927			295,094	182,810	49,254	67,940
Derivative financial instruments (Note 12 I)		121						
Exclusive Funds (1) (note 18 b)						121		
Dividends and interest on capital payable (note 12 I ) (2)	510,692	484,570			2,345	2,209		
Advances from customers	68,521	90,720			50,391	80,652		
Taxes in instalments (note 15)	21,551	24,444	79,242	83,312	9,420	9,397	1,421	1,524
Profit sharing - employees	42,699	211,791			26,759	148,788		
Provision for freight	81,699	57,586			12,578	10,764		

Provision industrial restructuring	1,350	13,000						
Taxes payable			8,410	8,518			6,924	7,035
Other provisions	152,205	23,162			95,729	6,890		
Third party materials in our possession	231	288						
Other payables	123,945	105,115	41,671	39,307	23,245	22,900		
	<b>1,059,901</b>	<b>1,021,724</b>	<b>129,323</b>	<b>131,137</b>	<b>515,561</b>	<b>464,531</b>	<b>57,599</b>	<b>76,499</b>

(1) Refers to derivative transactions managed by exclusive funds.

(2) Dividends payable by the subsidiary CSN Mineração.

## 14 INCOME TAX AND SOCIAL CONTRIBUTION

### 14.a) Income tax and social contribution recognized in profit or loss:

The income tax and social contribution recognized in profit or loss for the year are as follows:

	Consolidated			Parent Company
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
<b>Income tax and social contribution income (expense)</b>				
Current	(358,981)	(206,178)		37,518
Deferred	(50,128)	(60,368)	68,420	59,299
	<b>(409,109)</b>	<b>(266,546)</b>	<b>68,420</b>	<b>96,817</b>

The reconciliation of consolidated income tax and social contribution expenses and income and the result from applying the effective rate to profit before income tax and social contribution are as follows:

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	<b>Consolidated</b>		<b>Parent Company</b>	
	<b>12/31/2017</b>	<b>12/31/2016</b>	<b>12/31/2017</b>	<b>12/31/2016</b>
<b>(Loss)/Profit before income tax and social contribution</b>	<b>520,338</b>	<b>(576,951)</b>	<b>(58,148)</b>	<b>(1,022,003)</b>
Tax rate	34%	34%	34%	34%
<b>Income tax and social contribution at combined statutory rate</b>	<b>(176,915)</b>	<b>196,163</b>	<b>19,770</b>	<b>347,481</b>
<b>Adjustment to reflect the effective rate:</b>				
Equity pickup	42,431	22,072	307,964	(125,917)
Profit with differentiated rates or untaxed	37,605	(287,502)		
Transfer pricing adjustment	(34,746)	(63,638)	(21,562)	(26,679)
Tax loss carryforwards without recognizing deferred taxes	(368,612)	(821,920)	(320,233)	(788,240)
Limit of indebtedness	(39,378)	(35,391)	(39,378)	(35,391)
Deferred taxes on temporary differences - non computed	541,655	643,990	539,449	636,190
(Losses)/ Reversal for deferred income and social contribution tax credits	(403,080)	44,691	(403,080)	44,691
Deferred taxes on foreign profit	(29,964)	(35,613)	(29,455)	(35,295)
Goodwill amortization of metallic		31,439		31,439
Tax incentives	14,358	22,673		18,145
Other permanent deductions (add-backs)	7,537	16,490	14,945	30,393
<b>Income tax and social contribution in profit for the year</b>	<b>(409,109)</b>	<b>(266,546)</b>	<b>68,420</b>	<b>96,817</b>



<b>Effective tax rate</b>	<b>79%</b>	<b>-46%</b>	<b>118%</b>	<b>9%</b>
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Currently, there is no sufficient evidence to support the recognition of tax credits. For this reason, the Company maintains the tax credits arising from tax losses and negative basis of social contribution limited to 30% of the income tax and negative basis of deferred social contribution recognized in liabilities.

#### 14.b) Deferred income tax and social contribution:

The deferred income tax and social contribution maintained in noncurrent assets refer solely to tax losses and negative basis of social contribution and were limited to 30% of the income tax and deferred social contribution recognized in liabilities. The remaining balance of tax losses and negative basis of social contribution and the total temporary differences were written off and maintained in the Company's tax books for future utilization and amounted, respectively, to R\$ 3,044,137 and R\$ 1,093,321 in 2017 and R\$3,067,726 and R \$ 1,095,848 in 2016.

	<b>Opening balance 12/31/2016</b>	<b>Shareholders ' Equity</b>	<b>Movement Profit or loss</b>	<b>Others</b>	<b>Consolidated Closing Balance 12/31/2017</b>
<b>Deferred</b>					
Income tax losses	970,800		245,846	(79,412)	1,137,234
Social contribution tax losses	340,629		94,843	(28,588)	406,884
<b>Temporary differences</b>	<b>(2,288,175)</b>	<b>26,778</b>	<b>(390,817)</b>	<b>(2,344)</b>	<b>(2,654,558)</b>
- Provision for tax social security, labor, civil and environmental risks	256,936		12,963		269,899
- Provision for environmental liabilities	95,048		(8,197)		86,851
- Assets impairment losses	93,908		(5,475)		88,433
- Inventory impairment losses	35,703		10,111		45,814
- (Gains )/ losses in financial instruments	(2,300)		1,388		(912)
- (Gains )/losses on available - for - sale	705,929	316,563			1,022,492

financial assets					
- Actuarial liability (pension and healthcare plan)	134,578	180,834	(41,065)	(1,289)	273,058
- Accrued supplies and services	123,101		(55,385)		67,716
- Allowance for doubtful debts	42,008		5,208		47,216
- Goodwil on merger	815		(207)		608
- Unrealized ex change differences (1)	1,589,651	56,493	(134,992)		1,511,152
- (Gain) in control loss on Transnordestina	(92,180)				(92,180)
- Cash flow hedge accounting	148,471	(13,992)			134,479
- Aquisition Fair Value SWT/CBL	(199,001)	(21,143)	26,833		(193,311)
- Deferred taxes non computed	(1,324,437)	(566,173)	(3,255)	(115)	(1,893,980)
- (Losses) estimated/ reversals to deferred taxes credits	(3,013,730)	82,769	(123,056)		(3,054,017)
- Business Combination	(1,072,824)		32,288		(1,040,536)
- Others	190,149	(8,573)	(107,976)	(940)	72,660
<b>Total</b>	<b>(976,746)</b>	<b>26,778</b>	<b>(50,128)</b>	<b>(110,344)</b>	<b>(1,110,440)</b>
Total Deferred Assets	70,151				63,119
Total Deferred Liabilities	(1,046,897)				(1,173,559)
<b>Total Deferred</b>	<b>(976,746)</b>				<b>(1,110,440)</b>

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	<b>Opening Balance 12/31/2016</b>	<b>Shareholders' Equity</b>	<b>Movement Profit or loss</b>	<b>Others</b>	<b>Parent Company Closing Balance 12/31/2017</b>
<b>Deferred tax assets</b>					
Income tax losses	802,813		310,344	(79,496)	1,033,661
Social contribution tax losses	280,164		118,005	(28,620)	369,549
<b>Temporary differences</b>	<b>(1,670,334)</b>	<b>56,494</b>	<b>(359,929)</b>		<b>(1,973,769)</b>
- Provision for tax. social security, labor, civil and environmental risks	219,595		(4,467)		215,128
- Provision for environmental liabilities	92,802		(8,485)		84,317
- Asset impairment losses	62,398		(5,893)		56,505
- Inventory impairment losses	12,686		4,983		17,669
- (Gains)/losses in financial instruments	(2,300)		1,388		(912)
- (Gains)/losses on available-for-sale financial assets	705,929	316,563			1,022,492
- Actuarial liability (pension and healthcare plan)	137,023	180,834	(41,065)		276,792
- Accrued supplies and services	93,760		(38,038)		55,722

- Allowance for doubtful debts	27,714		5,454		33,168
- Unrealized exchange differences (1)	1,657,193	56,493	(120,099)		1,593,587
- (Gain) in control loss on Transnordestina	(92,180)				(92,180)
- Cash flow hedge accounting	148,471	(13,992)			134,479
- Deferred taxes non computed	(1,115,571)	(566,173)			(1,681,744)
-(Losses) estimated/ reversals to deferred taxes credits	(3,013,730)	82,769	(123,056)		(3,054,017)
- Business Combination	(721,993)		22,610		(699,383)
- Deferred tax on CGPAR Business Combination	(22,609)				(22,609)
- Deferred tax on CGPAR purchase price allocation	1,340		(1,340)		
- Other	139,138		(51,921)		87,217
<b>Total</b>	<b>(587,357)</b>	<b>56,494</b>	<b>68,420</b>	<b>(108,116)</b>	<b>(570,559)</b>
Total Deferred assets	(587,357)				(570,559)
<b>Total Deferred</b>	<b>(587,357)</b>				<b>(570,559)</b>

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(1) The Company taxes the foreign exchange differences on a cash basis to calculate income tax and social contribution.

The Company has foreign subsidiaries in its corporate structure, for which profits are taxed at income tax in the countries where they are domiciled by lower rates than those prevailing in Brazil. From 2013 up to 2017 such foreign subsidiaries generated profits amounting to R\$ 926,161. If for some reason tax authorities understand that these profits are subject to additional taxation in Brazil in respect of income tax and social contribution, which if due, would total R\$ 302,482.

The Company, based on its legal counsel's opinion, assessed the likelihood of loss in a potential claiming by tax authorities which resulted in a possible risk of loss and, therefore, no provision was recognized in the financial statements.

**14.c) Impairment test - Deferred taxes**

Annually, CSN performs a technical study to demonstrate if the generation of future taxable profits support the realization of tax credits.

This study is prepared at Entity level, in accordance with the Brazilian tax legislation, and is performed considering substantially the Company's projections (98% of the consolidated amount) since the other group companies do not have material credits for purposes of this study. The parent company engages in the following businesses:

- Steel Brazil;
- Cement;

The deferred tax assets on tax losses and temporary differences refers mainly to the following:

	<b>Natureza</b>	<b>Description</b>
Tax losses		In recent periods, the Company started to incur in tax losses at the parent company level, mostly because of high financial expenses, as substantially all our loans and financings are on this level.
Exchange difference expenses		Since 2012 the Company opted by the taxation on a cash basis. As the Parent Company have operated without taxable profit (at the parent company level), it would not make sense to use this deductibility year by year (accrual basis). As a result of the cash basis tax treatment, taxes are only due and expenses are only deductible at the time of debt settlement.
Losses on Usiminas shares		The losses on Usiminas shares are recognized on an accrual basis, but the taxable event will occur only at the time of divestment, expected to occur in the period projected to compensate the deferred taxes.
Other provisions		Various accounting provisions are recognized on an accrual basis, but their taxation occurs only at the time of its realization, such as provisions for contingencies, impairment losses, environmental liabilities, etc.

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The study it is prepared based on the Company business plan of long-term in period reasonably estimated by management and considered several scenarios which vary according to different macroeconomic and operating assumptions.

The model for projection of taxable profit considers two main indicators:

- Pre-Tax Profit, reflecting our projected EBITDA plus depreciation, other income and expenses and financial income (expenses); and
- Taxable Profit, which is our pre-tax profit plus (minus) expenses and income items that are taxable at a time different from the time obtained on an accrual basis (temporary differences).

Taxable profit is obtained considering adjustments to pre-tax profits for the following main items:

- Foreign Exchange differences: are expected to be offset against future profits based on the original in liquidation debts owed to third parties and rescheduling of intercompany debts (to match the periods of greater profitability);
- Losses on Usiminas: the model assumed using the tax assets at the time of sale of the preferred shares (and realization of losses), exclusively;

- Other provisions: in view of the unpredictability of the occurrence of losses for which we have recorded provisions, we assumed an even 10% utilization per year; and
- Tax loss: utilization is limited under Brazilian law to 30% of the taxable income in a given year. Under Brazilian law income tax losses do not expire and may be used to offset future taxable income.

In addition, a sensitivity analysis of tax credits utilization considering a change in macroeconomic assumptions, operational performance and liquidity events took place.

On the other hand, as a negative factor, CSN has experienced income tax losses in most of the last five years resulting from the deterioration of the Brazilian political and macroeconomic environment, as well as due to the growth of financial leverage, which has unbalanced the relationship between operating and financial results at the parent company level.

In summary, the main positive and negative evidences we considered in making our projections were:

i. Positive aspects: Operating profit, non-expiration on tax losses benefit and extinguishment of the financial expenses arising from the elimination pre-existing relationship between Namisa and the Parent Company and dividends to be received from CSN Mineração.

ii. Negative aspects: history of tax losses, substantial generation of cash used for payment of debts and increase in iron ore costs since, from the business combination, the Parent Company started purchasing iron ore at market price from CSN Mineração and, pursuant to the Brazilian legislation, the utilization of the tax loss is limited to 30% of the taxable profit in the year.

The existence of tax losses generated in the last years is a material negative evidence for being objectively verifiable, and, consequently, more weight is given to this evidence than to others which may have subjectivity features, according to the interpretation of technical pronouncement IAS 12 / CPC 32.

Therefore, one considers that there are not sufficiently strong evidences that support the recording of the tax credits, that limits their recognition to 30% of the deferred tax liabilities.





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1****14.d) Income tax and social contribution recognized in shareholders' equity:**

The income tax and social contribution recognized directly in shareholders' equity are as follows:

		<b>Consolidated</b>		<b>Parent Company</b>
	<b>12/31/2017</b>	<b>12/31/2016</b>	<b>12/31/2017</b>	<b>12/31/2016</b>
<b>Income tax and social contribution</b>				
Actuarial gains on defined benefit pension plan	171,473	30,234	175,649	33,400
Estimated losses for deferred income and social contribution tax credits - actuarial gains	(175,649)	(33,400)	(175,649)	(33,400)
Changes in the fair value on available-for-sale financial assets	(525,107)	(33,796)	(525,107)	(33,796)
Actuarial gains and assets available for sale by incorporation	525,107	33,796	525,107	33,796
Exchange differences on translating foreign operations	(369,017)	(425,510)	(369,017)	(425,510)
Cash flow hedge accounting	134,478	109,813	134,478	109,813
Estimated losses for deferred income and social contribution tax credits - cash flow hedge				