NATIONAL STEEL CO
Form 6-K
August 23, 2011

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

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

For the month of August, 2011
Commission File Number 1-14732

COMPANHIA SIDERÚRGICA NACIONAL

(Exact name of registrant as specified in its charter)

National Steel Company

(Translation of Registrant's name into English)

Av. Brigadeiro Faria Lima 3400, 20º andar
São Paulo, SP, Brazil
04538-132
(Address of principal executive office)

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

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

Yes _______ No ___X____

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

ITR — Quarterly Financial Information - June 30, 2011 – CIA SIDERURGICA NACIONAL **Version: 1**

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Company Information / Capital Breakdown

Number of Shares	**Current Quarter**
(Units)	**6/30/2011**
Paid-in Capital	
Common	1,483,033,685
Preferred	0
Total	1,483,033,685
Treasury Shares	
Common	25,063,577
Preferred	0
Total	25,063,577

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Company Information / Cash Dividends

Event	**Approval**	**Type**	**Date of Payment**	**Type of Share**	**Class of Share**	**Amount per Share (R$/Share)**
Annual Shareholders' Meeting	4/29/2011	Dividend	5/30/2011	Common		1.02883
Annual Shareholders' Meeting	4/29/2011	Interest on Shareholders' Equity	5/30/2011	Common		0.24472

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Parent Company Financial Statements / Balance Sheet - Assets

(R$ thousand)

Code	**Description**	**Current Quarter 6/30/2011**	**Previous Year 12/31/2010**
1	Total assets	38,624,430	37,368,812
1.01	Current assets	7,048,635	5,519,090
1.01.01	Cash and cash equivalents	1,302,355	108,297
1.01.03	Trade accounts receivables	2,485,039	2,180,972
1.01.04	Inventory	2,685,523	2,706,713
1.01.06	Recoverable taxes	200,087	257,559
1.01.08	Other current assets	375,631	265,549
1.02	Non-current assets	31,575,795	31,849,722
1.02.01	Long-term assets	3,551,573	6,371,380
1.02.01.03	Accounts receivable	8,372	18,982
1.02.01.06	Deferred income taxes	691,709	854,437
1.02.01.08	Receivables from related parties	865,351	2,471,325
1.02.01.09	Other non-current assets	1,986,141	3,026,636
1.02.02	Investments	18,769,696	17,023,295
1.02.03	Property, plant and equipment	9,232,996	8,432,416
1.02.04	Intangible assets	21,530	22,631

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ITR — Quarterly Financial Information - June 30, 2011 – CIA SIDERURGICA NACIONAL **Version: 1**

Parent Company Financial Statements / Balance Sheet – Liabilities

(R$ thousand)

Code	Description	Current Quarter 6/30/2011	Previous Year 12/31/2010
2	Total liabilities	38,624,430	37,368,812
2.01	Current liabilities	5,722,539	5,087,912
2.01.01	Social and labor liabilities	133,051	108,271
2.01.02	Trade accounts payable	426,331	427,048
2.01.03	Taxes payable	75,008	74,967
2.01.04	Loans and financing	3,766,296	2,366,347
2.01.05	Other liabilities	1,097,702	1,910,991
2.01.06	Provisions	224,151	200,288
2.02	Non-current liabilities	25,839,736	24,648,140
2.02.01	Long-term debt and debentures	15,025,875	12,817,002
2.02.02	Other liabilities	9,662,012	9,107,570
2.02.04	Provisions	1,151,849	2,723,568
2.02.04.01	Provisions for tax, social security, labor and civil risks	634,535	2,297,650
2.02.04.01.01	Taxes payable	222,947	1,892,345
2.02.04.01.02	Social security and labor provisions	38,419	36,966
2.02.04.01.03	Provisions for employee benefits	367,839	367,839
2.02.04.01.04	Civil provisions	5,330	500
2.02.04.02	Other provisions	517,314	425,918
2.03	Shareholders' equity	7,062,155	7,632,760
2.03.01	Common-stock	1,680,947	1,680,947
2.03.02	Capital Surplus	30	30
2.03.04	Earnings reserves	4,892,095	6,119,798
2.03.04.01	Legal reserve	336,190	336,190
2.03.04.04	Unrealized profit reserve	3,779,357	3,779,357
2.03.04.08	Additional dividend proposed	0	1,227,703
2.03.04.09	Treasury shares	(570,176)	(570,176)
2.03.04.10	Investment reserve	1,346,724	1,346,724
2.03.05	Retained earnings	1,537,322	0

2.03.08	Other comprehensive income/loss	(1,048,239)	(168,015)

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ITR — Quarterly Financial Information - June 30, 2011 – CIA SIDERURGICA NACIONAL **Version: 1**

Parent Company Financial Statements / Statement of Income

(R$ thousand)

Code	**Description**	**Current Quarter 4/1/2011 to 6/30/2011**	**YTD Current Year 1/1/2011 to 6/30/2011**	**Same Quarter in Previous Year 4/1/2010 to 6/30/2010**	**YTD Previous Year 1/1/2010 to 6/30/2010**
3.01	Net operating revenues	2,820,438	5,390,603	2,884,084	5,433,427
3.02	Cost of products sold and/or services rendered	(1,862,257)	(3,588,938)	(1,534,565)	(2,961,282)
3.03	Gross profit	958,181	1,801,665	1,349,519	2,472,145
3.04	Operating expenses/income	964,027	1,167,040	240,378	80,674
3.04.01	Selling	(97,030)	(178,132)	(134,425)	(306,148)
3.04.02	General and administrative	(111,874)	(185,747)	(89,142)	(160,361)
3.04.04	Other income	126,571	131,380	60,912	65,764
3.04.05	Other expenses	(81,690)	(225,273)	(171,864)	(335,838)
3.04.06	Equity in results of affiliated companies	1,128,050	1,624,812	574,897	817,257
3.05	Income before income taxes	1,922,208	2,968,705	1,589,897	2,552,819
3.06	Financial income (expenses), net	(532,475)	(1,003,404)	(603,553)	(1,162,377)
3.07	Income before taxes	1,389,733	1,965,301	986,344	1,390,442
3.08	Income and social contribution taxes	(251,249)	(209,298)	(107,576)	(62,736)
3.09	Net income from continuing operations	1,138,484	1,756,003	878,768	1,327,706
3.11	Net income/loss for the period	1,138,484	1,756,003	878,768	1,327,706
3.99	Earnings per share - (R$/share)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	0.78087	1.20442	0.60273	0.91065
3.99.02	Diluted earnings per share				
3.99.02.01	Common shares	0.78087	1.20442	0.60273	0.91065

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ITR — Quarterly Financial Information - June 30, 2011 – CIA SIDERURGICA NACIONAL **Version: 1**

Parent Company Financial Statements / Statement of Comprehensive Income

(R$ thousand)

Code	**Description**	**Current Quarter 4/1/2011 to 6/30/2011**	**YTD Current Year 1/1/2011 to 6/30/2011**	**Same Quarter in Previous Year 4/1/2010 to 6/30/2010**	**YTD Previous Year 1/1/2010 to 6/30/2010**
4.01	Net income	1,138,484	1,756,003	878,769	1,327,706
4.02	Other comprehensive income/loss	(1,000,888)	(880,224)	29,895	115,523
4.02.01	Accumulated translation adjustments and foreign exchange variation in transactions abroad	(47,081)	(57,933)	(30,194)	(36,854)
4.02.02	Pension plans, net of taxes	0	0	4,440	8,274
4.02.03	Available-for-sale assets, net of taxes	(255,643)	(124,127)	55,649	144,103
4.02.04	Sale of available-for-sale assets	(698,164)	(698,164)	0	0
4.03	Comprehensive income for the period	137,596	875,779	908,664	1,443,229

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Parent Company Financial Statements / Statement of Cash Flows – Indirect Method

(R$ thousand)

Code	Description	YTD Current Year 1/1/2011 to 6/30/2011	YTD Previous Year 1/1/2010 to 6/30/2010
6.01	Net cash from operating activities	1,402,906	1,469,716
6.01.01	Cash generated from operations	1,286,748	2,229,607
6.01.01.01	Net income for the period	1,756,003	1,327,706
6.01.01.02	Provision for charges on loans and financing	1,240,027	877,790
6.01.01.03	Depreciation and amortization	375,783	310,695
6.01.01.04	Equity in results of affiliated companies	(1,624,812)	(817,257)
6.01.01.05	Deferred income and social contribution taxes	201,523	59,065
6.01.01.06	Provision for losses on securities receivable	(116,335)	0
6.01.01.07	Accrued for contingencies	45,976	43,046
6.01.01.08	Inflation adjustment and foreign exchange gains (losses, net)	(613,664)	403,957
6.01.01.09	Other provisions	22,247	24,605
6.01.02	Changes in assets and liabilities	116,158	(759,891)
6.01.02.01	Trade accounts receivable	(384,572)	(61,520)
6.01.02.02	Inventories	94,965	(438,332)
6.01.02.03	Receivables from jointly-owned subsidiaries	1,223,957	0
6.01.02.04	Taxes for offset	321	342,081
6.01.02.05	Trade accounts payables	(32,008)	97,750
6.01.02.06	Payroll and related charges	(88,889)	(48,655)
6.01.02.07	Taxes payable	137,955	125,148
6.01.02.08	Accounts payable to subsidiaries	(6,174)	11,594
6.01.02.09	Contingent liabilities	135,387	14,744
6.01.02.11	Taxes payable in installments - REFIS	(110,404)	(316,675)
6.01.02.12	Judicial deposits	(5,324)	(13,236)
6.01.02.13	Dividends from subsidiaries	5,437	191,649
6.01.02.14	Interest paid	(721,300)	(641,405)

6.01.02.15	Interest paid on swaps transactions	(10,949)	0
6.01.02.17	Others	(122,244)	(23,034)
6.02	Net cash used in investing activities	(1,848,790)	(2,982,271)
6.02.01	Investments	(1,089,043)	(3,017,349)
6.02.02	Property, plant and equipment	(760,777)	(498,326)
6.02.03	Cash from merger of subsidiary	1,030	299,232
6.02.04	Capital decrease of subsidiary	0	234,172
6.03	Net cash provided by financing activities	1,640,030	(852,580)
6.03.01	Loans and financing	4,056,481	1,272,570
6.03.02	Financial institutions - principal	(560,124)	(564,752)
6.03.03	Dividends and interest on shareholders' equity	(1,856,327)	(1,560,398)
6.04	Exchange variation in cash and cash equivalents	(88)	33
6.05	Increase (decrease) in cash and cash equivalents	1,194,058	(2,365,102)
6.05.01	Cash and cash equivalents, beginning of year	108,297	2,872,919
6.05.02	Cash and cash equivalents, end of year	1,302,355	507,817

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Parent Company Financial Statements / Statement of Changes in Shareholders' Equity – 1/1/2011 to 6/30/2011

(R$ thousand)

Code	Description	Common stock	Capital Reserves, Options Granted and Treasury Shares	Earnings	Retained Earnings/ Accumulated Losses	Other Comprehensive Income/Loss	Total Equity
5.01	Opening balance at January 1, 2011	1,680,947	30	6,119,798	0	(168,015)	7,632,760
5.03	Adjusted opening balances	1,680,947	30	6,119,798	0	(168,015)	7,632,760
5.04	Capital transactions with shareholders	0	0	(1,227,703)	(218,681)	0	(1,446,384)
5.04.06	Dividends	0	0	(1,227,703)	0	0	(1,227,703)
5.04.07	Interest on shareholders' equity	0	0	0	(218,681)	0	(218,681)
5.05	Total comprehensive income/loss	0	0	0	1,756,003	(880,224)	875,779
5.05.01	Net income for the period	0	0	0	1,756,003	0	1,756,003
5.05.02	Other comprehensive income/loss	0	0	0	0	(880,224)	(880,224)
5.05.02.04	Translation adjustments for the period	0	0	0	0	(57,933)	(57,933)

5.05.02.08	Available-for-sale assets	0	0	0	0	(124,127)	(124,127)
5.05.02.09	Sale of available-for-sale assets	0	0	0	0	(698,164)	(698,164)
5.07	Balance at June 30, 2011	1,680,947	30	4,892,095	1,537,322	(1,048,239)	7,062,155

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Parent Company Financial Statements / Statement of Changes in Shareholders' Equity– 1/1/2010 to 6/30/2010

(R$ thousand)

Code	Description	Common Stock	Capital Reserves, Options Granted and Treasury Shares	Earnings	Retained Earnings/ Accumulated Losses	Other Comprehensive Income/Loss	Total Equity
5.01	Opening balance at January 1, 2010	1,680,947	30	5,444,605	(33,417)	(585,715)	6,506,450
5.03	Adjusted opening balances	1,680,947	30	5,444,605	(33,417)	(585,715)	6,506,450
5.04	Capital transactions with shareholders	0	0	0	(1,357,062)	0	(1,357,062)
5.04.06	Dividends	0	0	0	(1,178,635)	0	(1,178,635)
5.04.07	Interest on shareholders' equity	0	0	0	(178,400)	0	(178,400)
5.04.08	Other capital transactions	0	0	0	(27)	0	(27)
5.05	Total comprehensive income/loss	0	0	(37)	1,327,706	115,523	1,443,192
5.05.01	Net income for the period	0	0	0	1,327,706	0	1,327,706
5.05.02	Other comprehensive income/loss	0	0	(37)	0	115,523	115,486
5.05.02.04	Translation adjustments for the	0	0	(37)	0	(36,854)	(36,891)

	period						
5.05.02.07	Pension plan gain/loss	0	0	0	0	8,274	8,274
5.05.02.08	Available-for-sale assets	0	0	0	0	144,103	144,103
5.07	Balance at June 30, 2010	1,680,947	30	5,444,568	(62,773)	(470,192)	6,592,580

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Parent Company Financial Statements / Statement of Value Added

(R$ thousand)

Code	**Description**	**YTD Current Year 1/1/2011 to 6/30/2011**	**YTD Previous Year 1/1/2010 to 6/30/2010**
7.01	Net operating revenues	6,750,973	6,860,822
7.01.01	Sales	6,760,883	6,904,686
7.01.02	Other revenues	(9)	2,199
7.01.04	Allowance for/reversal of doubtful accounts	(9,901)	(46,063)
7.02	Inputs acquired from third parties	(3,923,895)	(3,552,863)
7.02.01	Costs of sales and services	(3,533,710)	(3,054,889)
7.02.02	Materials, energy, outsourced services and others	(380,944)	(490,675)
7.02.03	Loss/recovery of assets	(9,241)	(7,299)
7.03	Gross value added	2,827,078	3,307,959
7.04	Retention	(375,783)	(310,695)
7.04.01	Depreciation and amortization	(375,783)	(310,695)
7.05	Net value added generated by the entity	2,451,295	2,997,264
7.06	Value added received through transfer	1,732,088	1,149,220
7.06.01	Equity in the earnings of subsidiaries	1,624,812	817,257
7.06.02	Financial income	105,467	329,057
7.06.03	Other	1,809	2,906
7.07	Total value added to distribute	4,183,383	4,146,484
7.08	Distribution of value added	4,183,383	4,146,484
7.08.01	Personnel	466,459	315,496
7.08.01.01	Direct compensation	366,526	238,584
7.08.01.02	Benefits	77,903	59,257
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	22,030	17,655
7.08.02	Taxes, fees and contributions	852,288	1,011,550
7.08.02.01	Federal	703,661	657,919
7.08.02.02	State	133,846	342,517
7.08.02.03	Municipal	14,781	11,114

7.08.03	Value distributed to providers of capital	1,108,633	1,491,732
7.08.03.01	Interest	1,108,019	1,490,388
7.08.03.02	Rentals	614	1,344
7.08.04	Value distributed to shareholders	1,756,003	1,327,706
7.08.04.01	Interest on shareholders' equity	218,681	178,408
7.08.04.03	Retained earnings	1,537,322	1,149,298

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Consolidated Financial Statements / Balance Sheet - Assets

(R$ thousand)

Code	Description	Current Quarter 6/30/2011	Previous Year 12/31/2010
1	Total assets	38,880,629	37,801,214
1.01	Current assets	17,722,634	15,793,688
1.01.01	Cash and cash equivalents	11,684,994	10,239,278
1.01.03	Trade accounts receivables	1,647,330	1,367,759
1.01.04	Inventory	3,517,810	3,355,786
1.01.06	Recoverable taxes	427,043	473,787
1.01.08	Other current assets	445,457	357,078
1.02	Non-current assets	21,157,995	22,007,526
1.02.01	Long-term assets	3,925,641	5,664,879
1.02.01.02	Financial investments valued at amortized cost	148,907	112,484
1.02.01.03	Receivables	48,472	58,485
1.02.01.06	Deferred Income taxes	1,342,403	1,592,941
1.02.01.08	Receivables from related parties	0	479,120
1.02.01.09	Other non-current assets	2,385,859	3,421,849
1.02.02	Investments	1,876,930	2,103,624
1.02.03	Property, plant and equipment	14,891,885	13,776,567
1.02.04	Intangible assets	463,539	462,456

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Consolidated Financial Statements / Balance Sheet – Liabilities

(R$ thousand)

Code	**Description**	**Current Quarter 6/30/2011**	**Previous Year 12/31/2010**
2	Total liabilities	38,880,629	37,801,214
2.01	Current liabilities	4,658,434	4,455,955
2.01.01	Social and labor liabilities	196,946	164,799
2.01.02	Trade accounts payable	702,416	623,233
2.01.03	Taxes payable	209,625	275,991
2.01.04	Long-term debt and debentures	2,204,475	1,308,632
2.01.05	Other liabilities	1,051,807	1,854,952
2.01.06	Provisions	293,165	228,348
2.01.06.01	Provision for tax, social security, labor and civil risks	287,278	222,461
2.01.06.02	Other	5,887	5,887
2.02	Non-current liabilities	26,973,488	25,522,571
2.02.01	Loans and financing	20,788,624	18,780,815
2.02.02	Other liabilities	5,202,624	4,067,435
2.02.04	Provisions	982,240	2,674,321
2.02.04.01	Provision for tax, social security, labor and civil risks provisions	670,911	2,384,681
2.02.04.01.01	Taxes payable	228,947	1,911,260
2.02.04.01.02	Social security and labor provisions	66,034	82,373
2.02.04.01.03	Employee benefits	367,839	367,839
2.02.04.01.04	Civil provisions	8,091	23,209
2.02.04.02	Other provisions	311,329	289,640
2.03	Consolidated shareholders’ equity	7,248,707	7,822,688
2.03.01	Common-stock	1,680,947	1,680,947
2.03.02	Capital surplus	30	30
2.03.04	Earnings reserves	4,892,095	6,119,798
2.03.04.01	Legal reserve	336,190	336,190
2.03.04.04	Unrealized profit reserve	3,779,357	3,779,357
2.03.04.08	Additional dividends proposed	0	1,227,703

2.03.04.09	Treasury shares	(570,176)	(570,176)
2.03.04.10	Investment reserve	1,346,724	1,346,724
2.03.05	Retained earnings	1,537,322	0
2.03.08	Other comprehensive income/loss	(1,048,239)	(168,015)
2.03.09	Non-controlling interest	186,552	189,928

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

ITR — Quarterly Financial Information - June 30, 2011 – CIA SIDERURGICA NACIONAL **Version: 1**

Consolidated Financial Statements / Statement of Income

(R$ thousand)

Code	**Description**	**Current Quarter 4/1/2011 to 6/30/2011**	**YTD Current Year 1/1/2011 to 6/30/2011**	**Same Quarter in Previous Year 4/1/2010 to 6/30/2010**	**YTD Previous Year 1/1/2010 to 6/30/2010**
3.01	Net operating revenues	4,323,192	8,112,200	3,872,553	7,057,183
3.02	Cost of products sold and/or services rendered	(2,487,472)	(4,720,300)	(1,977,357)	(3,758,423)
3.03	Gross profit	1,835,720	3,391,900	1,895,196	3,298,760
3.04	Operating expenses/income	300,211	(66,543)	(415,465)	(862,728)
3.04.01	Selling	(145,767)	(265,769)	(168,387)	(370,257)
3.04.02	General and administrative	(158,669)	(279,978)	(134,289)	(245,590)
3.04.04	Other income	720,985	736,570	74,141	98,446
3.04.05	Other expenses	(116,338)	(257,366)	(186,930)	(345,327)
3.05	Income before income result and taxes	2,135,931	3,325,357	1,479,731	2,436,032
3.06	Financial income	(649,664)	(1,168,100)	(420,585)	(898,492)
)3.07	Income before income taxes	1,486,267	2,157,257	1,059,146	1,537,540
3.08	Income and social contribution taxes	(349,105)	(404,400)	(178,832)	(209,956)
)3.09	Net income from continuing operations	1,137,162	1,752,857	880,314	1,327,584
3.11	Consolidated income/loss for the period	1,137,162	1,752,857	880,314	1,327,584
3.11.01	Attributed to partners of the parent company	1,138,484	1,756,003	878,768	1,327,706
3.11.02	Attributed to non-controlling shareholders	(1,322)	(3,146)	1,546	(122)
3.99	Earnings per share - (R$/share)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	0.78087	1.20442	0.60273	0.91065
3.99.02	Diluted earnings per share				
3.99.02.01	Common shares	0.78087	1.20442	0.60273	0.91065

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

ITR — Quarterly Financial Information - June 30, 2011 – CIA SIDERURGICA NACIONAL **Version: 1**

Consolidated Financial Statements / Statement of Comprehensive Income

(R$ thousand)

Code	**Description**	**Current Quarter 4/1/2011 to 6/30/2011**	**YTD Current Year 1/1/2011 to 6/30/2011**	**Same Quarter in Previous Year 4/1/2010 to 6/30/2010**	**YTD Previous Year 1/1/2010 to 6/30/2010**
4.01	Net income	1,137,162	1,752,857	880,314	1,327,584
4.02	Other comprehensive income	(1,000,888)	(880,224)	29,895	115,523
4.02.01	Accumulated translation adjustments and foreign exchange variation in transactions abroad	(47,081)	(57,933)	(30,194)	(36,854)
4.02.02	Pension plans, net of taxes	0	0	4,440	8,274
4.02.03	Available-for-sale assets, net of taxes	(255,643)	(124,127)	55,649	144,103
4.02.04	Sale of available-for-sale assets	(698,164)	(698,164)	0	0
4.03	Consolidated comprehensive income for the period	136,274	872,633	910,209	1,443,107
4.03.01	Attributed to partners of the parent company	137,596	875,779	910,209	1,443,107
4.03.02	Attributed to non-controlling shareholders	(1,322)	(3,146)	0	0

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ITR — Quarterly Financial Information - June 30, 2011 – CIA SIDERURGICA NACIONAL **Version: 1**

Consolidated Financial Statements / Statement of Cash Flows – Indirect Method

(R$ thousand)

Code	**Description**	**YTD Current Year 1/1/2011 to 6/30/2011**	**YTD Previous Year 1/1/2010 to 6/30/2010**
6.01	Net cash from operating activities	2,001,277	1,610,764
6.01.01	Cash generated from operations	2,936,294	2,807,042
6.01.01.01	Net income for the period	1,752,857	1,327,584
6.01.01.02	Provision for charges on loans and financing	1,126,274	689,268
6.01.01.03	Depreciation and amortization	467,425	399,917
6.01.01.05	Deferred income and social contribution taxes	306,496	156,786
6.01.01.06	Provision for swap/forward	202,835	(136,714)
6.01.01.07	Accrual for contingencies	37,737	28,936
6.01.01.08	Inflation adjustment and foreign exchange gains (losses, net)	(301,374)	272,438
6.01.01.12	Realization of available-for-sale securities	(698,164)	0
6.01.01.13	Other provisions	42,208	68,827
6.01.02	Changes in assets and liabilities	(935,017)	(1,196,278)
6.01.02.01	Trade accounts receivables	(97,614)	(66,771)
6.01.02.02	Inventory	(98,399)	(602,902)
6.01.02.03	Recoverable Taxes	(10,279)	292,472
6.01.02.04	Trade accounts payable	54,597	183,794
6.01.02.05	Payroll and related charges	(89,092)	(39,668)
6.01.02.06	Taxes payable	78,235	32,811
6.01.02.07	Contingent liabilities	79,395	26,536
6.01.02.08	Receivables from jointly-owned subsidiaries	473,977	0
6.01.02.10	Taxes payable in installments - REFIS	(110,948)	(316,675)
6.01.02.11	Judicial deposits	(10,505)	(16,955)
6.01.02.12	Interest paid	(869,146)	(624,873)
6.01.02.13	Interest paid on swaps transactions	(208,913)	0
6.01.02.15	Others	(126,325)	(64,047)
6.02	Net cash used in investing activities	(1,694,634)	(1,853,297)

6.02.01	Amounts received from/paid to derivative operations	(5,086)	(32,741)
6.02.02	Investments	(1,299,692)	(390,943)
6.02.03	Property, plant and equipment	(1,699,632)	(1,411,972)
6.02.04	Intangible assets	(395)	(17,641)
6.02.05	Sale of investments	1,310,171	0
6.03	Net cash provided by financing activities	1,624,726	1,723,110
6.03.01	Loans and financing	3,977,670	3,828,765
6.03.02	Payments to financial institutions - principal	(622,411)	(545,257)
6.03.03	Dividends and interest on shareholders’ equity	(1,856,327)	(1,560,398)
6.03.04	Payment of capital by non-controlling shareholders	125,794	0
6.04	Exchange variation in cash and cash equivalents	(485,653)	104,833
6.05	Increase (decrease) in cash and cash equivalents	1,445,716	1,585,410
6.05.01	Cash and cash equivalents, beginning of year	10,239,278	8,086,742
6.05.02	Cash and cash equivalents, end of year	11,684,994	9,672,152

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Consolidated Financial Statements / Statement of Changes in Shareholders' Equity – 1/1/2011 to 6/30/2011

(R$ thousand)

Code	**Description**	**Common stock**	**Capital Reserves, Options Granted and Treasury Shares**	**Earnings Reserves**	**Retained Earnings/ Accumulated Losses**	**Other Comprehensive Income/Loss**	**Shareholders Equity**	**Non-**
5.01	Opening balance at January 1, 2011	1,680,947	30	6,119,798	0	(168,015)	7,632,760	
5.03	Adjusted opening balances	1,680,947	30	6,119,798	0	(168,015)	7,632,760	
5.04	Capital transactions with shareholders	0	0	(1,227,703)	(218,681)	0	(1,446,384)	
5.04.06	Dividends	0	0	(1,227,703)	0	0	(1,227,703)	
5.04.07	Interest on shareholders' equity	0	0	0	(218,681)	0	(218,681)	
5.05	Total comprehensive income/loss	0	0	0	1,756,003	(880,224)	875,779	
5.05.01	Net income for the period	0	0	0	1,756,003	0	1,756,003	
5.05.02	Other comprehensive income/loss	0	0	0	0	(880,224)	(880,224)	
5.05.02.04	Translation adjustments for the period	0	0	0	0	(57,933)	(57,933)	
5.05.02.08	Available-for-sale assets	0	0	0	0	(124,127)	(124,127)	

5.05.02.09	Sale of available-for-sale assets	0	0	0	0	(698,164)	(698,164)
5.06	Internal changes in shareholders' equity	0	0	0	0	0	0
5.06.04	Interest in subsidiaries by non-controlling shareholders	0	0	0	0	0	0
5.07	Balance at June 30, 2011	1,680,947	30	4,892,095	1,537,322	(1,048,239)	7,062,155

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Consolidated Financial Statements / Statement of Changes in Shareholders' Equity – 1/1/2010 to 6/30/2010

(R$ thousand)

Code	Description	Common stocks	Capital Reserves, Options Granted and Treasury Shares	Earnings Reserves	Retained Earnings/ Accumulated Losses	Other Comprehensive Income/loss	Shareholders Equity	Non-co
5.01	Opening balance at January 1, 2010	1,680,947	30	5,444,605	(33,417)	(585,715)	6,506,450	
5.03	Adjusted opening balances	1,680,947	30	5,444,605	(33,417)	(585,715)	6,506,450	
5.04	Capital transactions with shareholders	0	0	0	(1,357,062)	0	(1,357,062)	
5.04.06	Dividends	0	0	0	(1,178,635)	0	(1,178,635)	
5.04.07	Interest on shareholders' equity	0	0	0	(178,400)	0	(178,400)	
5.04.08	Other capital transactions	0	0	0	(27)	0	(27)	
5.05	Total comprehensive income/loss	0	0	(37)	1,327,706	115,523	1,443,192	
5.05.01	Net income/loss for the period	0	0	0	1,327,706	0	1,327,706	
5.05.02	Other comprehensive income/loss	0	0	(37)	0	115,523	115,486	
5.05.02.04	Translation adjustments for	0	0	(37)	0	(36,854)	(36,891)	

	the period						
5.05.02.07	Pension plan gain/loss	0	0	0	0	8,274	8,274
5.05.02.08	Available-for-sale assets	0	0	0	0	144,103	144,103
5.06	Internal changes in shareholders' equity	0	0	0	0	0	0
5.06.04	Interest in subsidiaries by non-controlling shareholders	0	0	0	0	0	0
5.07	Balance at June 30, 2010	1,680,947	30	5,444,568	(62,773)	(470,192)	6,592,580

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Consolidated Financial Statements / Statement of Value Added

(R$ thousand)

Code	**Description**	**YTD Current Year 1/1/2011 to 6/30/2011**	**YTD Previous Year 1/1/2010 to 6/30/2010**
7.01	Net operating revenues	10,309,337	8,611,539
7.01.01	Sales and services	9,628,961	8,657,162
7.01.02	Other revenues	690,728	2,222
7.01.04	Allowance for/reversal of doubtful accounts	(10,352)	(47,845)
7.02	Inputs acquired from third parties	(4,814,844)	(4,409,744)
7.02.01	Costs of sales and services	(4,181,697)	(3,847,952)
7.02.02	Materials, energy, outsourced services and others	(621,123)	(555,216)
7.02.03	Loss/recovery of assets	(12,024)	(6,576)
7.03	Gross value added	5,494,493	4,201,795
7.04	Retention	(467,425)	(399,917)
7.04.01	Depreciation and amortization	(467,425)	(399,917)
7.05	Net value added generated by the entity	5,027,068	3,801,878
7.06	Value added received through transfer	328,690	615,978
7.06.02	Financial income	326,014	612,244
7.06.03	Others	2,676	3,734
7.07	Total value added to distribute	5,355,758	4,417,856
7.08	Distribution of value added	5,355,758	4,417,856
7.08.01	Personnel	730,958	472,320
7.08.01.01	Direct compensation	574,627	365,770
7.08.01.02	Benefits	119,885	81,233
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	36,446	25,317
7.08.02	Taxes, fees and contributions	1,374,737	1,102,579
7.08.02.01	Federal	1,097,985	878,951
7.08.02.02	State	257,346	208,838
7.08.02.03	Municipal	19,406	14,790
7.08.03	Value distributed to providers of capital	1,497,206	1,515,373
7.08.03.01	Interest	1,493,259	1,509,530
7.08.03.02	Rentals	3,947	5,843

7.08.04	Value distributed to shareholders	1,752,857	1,327,584
7.08.04.01	Interest on shareholders' equity	218,681	178,408
7.08.04.03	Retained earnings / accumulated losses for the period	1,537,322	1,149,298
7.08.04.04	Non-controlling interest in retained earnings	(3,146)	(122)

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

Comments on the Company's Consolidated Performance

Global economic activity, which had picked up steam at the beginning of the year, slowed in the second quarter, chiefly due to the worsening of the fiscal crisis in certain European countries and the difficulties in approving an increase in public spending in the U.S., all of which led to increased risk aversion.

There is a clear global disparity in regard to economic growth. While growth in the developed countries has fallen to exceptionally modest levels, developing nations are continuing to expand rapidly. In order to contain the inflationary upturn in the emerging economies, several central banks have imposed more restrictive monetary policies

In its most recent report on the global economic outlook, the OECD encouraged the central banks to raise base rates in order to combat the increased price pressure. According to the IMF, average inflation worldwide climbed from 3.5% p.a., in 4Q10, to 4% p.a. 2011.

USA:

U.S. GDP growth estimates are reflecting Americans' cautious approach to consumption and modest corporate hiring levels. The IMF has revised the projection of GDP growth in 2011 from 3.5% to 2.5%.

Unemployment is still high and household and government debt, together with weak credit growth, is hampering a recovery in consumption.

U.S. government figures show that the country created 18,000 jobs in June, well below the previously expected 125,000. This means that 9.2% of the economically active population is unemployed.

Given this scenario, the government wants to increase public spending so the economy can start to grow again. Nevertheless, the opposition is against any increase in the public debt, which has already reached US$14 trillion. Ratings agencies have indicated that they may downgrade the country's credit rating if the authorities fail to negotiate an increase in the debt ceiling.

Europe:

Even though the 2011 eurozone growth prospects have improved, chiefly sustained by Germany and France, the problems of Greece and other member nations may well inhibit an economic recovery in the region.

Eurozone GDP edged up by 0.8% in 1Q11, with Germany's 1.5% making a substantial contribution to this upturn.

Germany's performance is once again being sustained by exports and the country's central bank expects annual growth of 2.6%.

As in other regions of the world, Europe is suffering from inflationary pressure, with the harmonized consumer price index recording 2.7% in June. In an attempt to reduce this pressure, the ECB raised interest rates by 0.25 pp. to 1.50% p.a., the second hike this year. According to the Bank, interest rates are still exceptionally low and monetary policy remains flexible, which could indicate further increases along the year.

Eurozone unemployment improved slightly in April, totaling 9.9%, the lowest figure since September 2009, but still well above historical levels.

Asia:

China has adopted a series of restrictive measures to rein in its inflationary upturn, focused on controlling consumption by increasing interest rates and reserve requirements, which, with the energy restrictions, have reduced the country's 2011 growth prospects. This monetary squeeze has reduced market liquidity, in turn inhibiting the acquisition and build-up of raw materials.

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The consumer price index continued to move up, reaching its highest level for three years, recording 6.4% in the first six months of 2011, mainly driven by the 14% increase in food prices and high wage hikes. In order to ease the pressure, the country's Central Bank pushed up interest rates by 0.25% p.a., in turn raising the lending rate to 6.56% p.a. This was the third increase this year. Nevertheless, China still posted hefty year-on-year GDP growth of 9.5% in the second quarter, fueled by industrial output and retail sales, which recorded respective growth of 15% and 18% in June over the same month last year.

The reconstruction of Japan's infrastructure following the damage caused by the earthquake and the tsunami, is moving much faster than expected, according to the Japanese Central Bank. Demand has not been unduly affected, given the routing of part of production to the export market. The earthquake's biggest short-term impact has been on the supply of industrial inputs.

One positive note has come from the job market. According to the Ministry of Communications and Internal Affairs, Japanese unemployment fell from 4.7% in April, to 4.5% in May.

Brazil:

The 2011 economic outlook remains positive, although certain indicators are pointing to a reduction in the pace of activity in the second half, due to the macroprudential measures adopted by the government since the end of 2010.

The consumer confidence index (ICC), measured by the FGV, and the business confidence index (ICEI), measured by the National Confederation of Industry (CNI) have both posted a decline. In June, the ICC recorded 153.81 points, 4.4 points less than in January, while the ICEI recorded 57.90 points, 6.6 points down year-on-year.

First-quarter GDP climbed by 1.3% over the previous three months, driven by agriculture and industry, which increased by 3.3% and 2.2%, respectively. However, exports and imports moved in the opposite direction, with respective declines of 3.2% and 1.6%. According to the

Central Bank, annual GDP growth should reach 3.94% in 2011.

In May, consumer default on bills overdue by more than 90 days grew by 0.2% p.p. to 5.1%. The total stock of credit in the financial system stood at R$1.8 trillion, 5.8% up in the year and 1.6% up in the month. The credit/GDP ratio increased to 47%, still low compared to some of the developed countries such as Germany and the Netherlands, which recorded respective ratios of 90% and 135%.

Inflation continues to exert pressure. According to the Central Bank's FOCUS report the IPCA consumer price index should end the year at close to the fluctuation band ceiling of 6.5%. However, the indicators are pointing to a slowdown in the second half, given the government's macroprudential measures and the decline in food prices. Recently, the National Monetary Council decided to maintain the annual inflationary target at 4.5% until 2013, aiming to keep inflation under control while maintaining sufficient flexibility for monetary policy maneuvers. This year alone, there have been five consecutive increases in the SELIC base rate, which now stands at 12.50% p.a., and the FOCUS report points to further hikes before the end of the year.

According to the IBGE, retail sales increased by 7.4% between January and May and by 9.2% in the last 12 months. Nevertheless, domestic demand is expected to slow in the coming quarters, reflecting the impact of the restrictive policy implemented since the end of last year.

Direct foreign investments (IED) totaled US$32 billion in the first half, a massive 167% up on the same period last year and the FOCUS report believes they will climb to US$55 billion by year-end. This trend is pressuring the Real, which remains appreciated against the U.S. dollar.

The government has been taking a series of measures to rein in the appreciation of Brazil's currency and reduce the current account deficit, which continues to move up, primarily driven by foreign purchases, import growth and remittances of profits abroad. According to the Central Bank, the year-to-date deficit is US$22 billion and it should close the year at US$60 billion.

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	2011	2012
IPCA (%)	6.31	5.28
US Dollar (closing) – R$	1.60	1.65
SELIC (final - %)	12.75	12.75
GDP (%)	3.94	4.00
Industrial Production (%)	3.24	4.34

Source: FOCUS BACEN Base: July 22, 2011

Consolidated net revenue totaled R$4,323 million in 2Q11, 14% up on the R$3,789 million recorded in 1Q11, chiefly due to higher iron ore prices and sales volume in 2Q11, as well as higher steel sales volume.

Consolidated net revenue grew by 12% in relation to the R$3,872 million posted in 2Q10, basically due to higher iron ore prices and sales volume.

In 2Q11, consolidated COGS totaled R$2,487 million, 11% more than the R$2,233 million recorded in 1Q11, primarily reflecting the increase in iron ore and steel product sales volume.

In year-on-year terms, consolidated COGS grew by 26% over the R$1,977 million recorded in 2Q10, basically due to higher iron ore sales volume.

In the second quarter, SG&A expenses totaled R$304 million, 26% up on 1Q11, chiefly due to the collective bargaining agreement in June, in addition to higher expenses with service providers. In relation to 2Q10, SG&A expenses remained flat.

CSN recorded a positive R$605 million in the “Other Revenue and Expenses” in 2Q11, a big improvement over the net expense of R$125 million recorded in 1Q11, essentially due to the R$698 million from the sale of CSN’s entire interest in Riversdale Mining Limited.

Adjusted EBITDA as presented in this report comprises net income before the financial result, income and social contribution taxes, depreciation and amortization and other operating revenue (expenses), the latter item being excluded due to its non-recurring nature.

Adjusted EBITDA totaled R$1,773 million in 2Q11, 16% up on the R$1,529 million recorded in 1Q11, chiefly due to higher iron ore prices, accompanied by an adjusted EBITDA margin of 41%, up by 1 p.p..

Adjusted EBITDA came to R$3,302 million in the first half of 2011, 7% up year-on-year, mainly due to higher iron ore prices and sales volume.

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The 2Q11 net financial result was negative by R$650 million, chiefly due to the following factors:

§ Provisions for interest on loans and financing totaling R$546 million;

§ Negative monetary and foreign exchange variations of R$80 million, including the result of derivative operations;

§ Expenses of R$77 million from the consolidation of REFIS tax repayment program processes;

§ The monetary restatement of tax provisions totaling R$87 million;

These negative effects were partially offset by returns on financial investments totaling R$152 million.

On June 30, 2011, the consolidated net debt stood at R$11.3 billion, R$0.6 billion more than the R$10.7 billion recorded on March 31, 2011, essentially due to the following factors:

§ Investments of R$0.9 billion in fixed assets;

§ Payment of R$1.9 billion in dividends and interest on equity;

§ A R$0.6 billion effect related to the cost of debt;

§ Increase of R$0.3 billion in the working capital allocated to the business.

These effects were partially offset by 2Q11 adjusted EBITDA of R$1.8 billion and the R$1.3 billion revenue from the sale of the Company’s entire interest in Riversdale Mining Limited.

The net debt/adjusted EBITDA ratio closed 2Q11 at 1.72, based on LTM adjusted EBITDA of R$6.6 billion, 0.10x up on the 1.62x ratio recorded at the end of the previous quarter.

In April 2011, the Company contracted a R$1.5 billion loan from Banco do Brasil through the issue of Export Credit Notes in order to finance its exports.

CSN posted 2Q11 net income of R$1,137 million, 85% up on 1Q11, chiefly due to the higher gross profit and the proceeds from the sale of CSN’s minority interest in Riversdale Mining Limited, partially offset by the financial result.

CSN invested R$880 million in 2Q11, R$481 million of which in subsidiaries or joint subsidiaries, allocated as follows:

ü Transnordestina Logística: R$379 million;

ü MRS Logística: R$38 million;

ü CSN Cimentos: R$30 million.

The remaining R$399 million went to the parent company, mostly in the following projects:

ü Maintenance and repairs: R$124 million;

ü Expansion of the Casa de Pedra mine: R$56 million;

ü CSN Aços Longos: R$46 million;

ü Expansion of the Itaguaí Port: R$30 million;

ü Technological improvements: R$12 million.

Working capital closed June 2011 at R$3,194 million, an increase of R$346 million on the figure at the end of March 2011, basically due to increased sales in 2Q11, which pushed up “Accounts Receivable” and “Inventories”, especially of raw materials. The average receivables and supplier payment periods remained flat at 29 days and 22 days, respectively, at the close of June 2011, while the average inventory turnover fell by 14 days to 88 days.

WORKING CAPITAL (R$ MM)	2Q10	1Q11	2Q11	Change 2Q11 x 1Q11	Change 2Q11 x 2Q10
Assets	3,762	3,817	4,221	404	459
Accounts Receivable	1,298	1,397	1,506	109	208
Inventory (*)	2,423	2,378	2,564	186	141
Advances to Taxes	41	42	151	109	110
Liabilities	1,050	[redacted]	1,027	58	(23)
Suppliers	692	494	582	88	(110)
Salaries and Social Contribution	167	165	197	32	30
Taxes Payable	149	[redacted]	209	(68)	60
Advances from Clients	42	33	39	6	(3)
Working Capital	2,712	2,848	3,194	346	482

TURNOVER RATIO Average Periods	2Q10	1Q11	2Q11	Change 2Q11 x 1Q11	Change 2Q11 x 2Q10
Receivables	27	29	29	0	2
Supplier Payment	30	22	22	0	(8)
Inventory Turnover	92	102	88	(14)	(4)

(*) Inventory - includes "Advances to Suppliers" and does not include "Supplies". 0

The Company maintains integrated operations in five business segments: steel, mining, logistics, cement and energy. The main assets and/or companies comprising each segment are presented below:

Results by Segment

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Steel	Mining	Logistics	Cement	Energy
Pres. Vargas Steel Mill	Casa de Pedra	Railways:	Volta Redonda	CSN Energia
Porto Real	Namisa (60%)	- MRS	Arcos	Itasa
Paraná	Tecar	- Transnordestina		
LLC	ERSA	Port:		
Lusosider		- Sepetiba Tecon		
Prada (Distribution and Packaging)				
Metalic				

The information on CSN’s five business segments is derived from the accounting data, with allocations and the apportionment of costs among the segments. CSN’s management uses adjusted EBITDA as an indicator to measure recurring net operating cash flow.

The charts below show the various segments’ contribution to CSN’s overall net revenue and adjusted EBITDA:

Net Revenue by Segment in 2Q11 (R$ million)

Adjusted consolidated EBITDA by Segment in 2Q11 (R$ million)

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

The Company's consolidated results by business segment are presented below:

2Q11								R$ million
Consolidated Results	Steel	Mining	Logistics		Energy	Cement	Eliminations/	Consolidated
			Port	Railways			Corporate	
Net Revenue	2,513	1,524	32	256	37	83	(121)	4,323
Domestic Market	2,152	250	32	256	37	83	(119)	2,690
Foreign Market	361	1,274	-	-	-	-	(1)	1,633
Cost of Goods Sold	(1,827)	(506)	(21)	(161)	(19)	(60)	106	(2,487)
Gross Profit	686	1,018	11	95	17	23	(14)	1,836
Selling, General and Administrative Expenses	(113)	(20)	(4)	(20)	(6)	(19)	(122)	(304)
Depreciation	161	42	1	26	6	6	0	242
Adjusted EBITDA	733	1,040	8	101	17	9	(136)	1,773
Adjusted EBITDA Margin	29%	68%	26%	40%	46%	11%		41%

1Q11 Consolidated Results	Steel	Mining	Logistics		Energy	Cement	Eliminations/ Corporate	Consolidated R$ million
			Port	Railways				
Net Revenue	2,305	1,210	37	232	29	63	(85)	3,789
Domestic Market	1,965	195	37	232	29	63	(79)	2,441
Foreign Market	339	1,015	-	-	-	-	(6)	1,348
Cost of Goods Sold	(1,635)	(436)	(21)	(145)	(10)	(49)	63	(2,233)
Gross Profit	670	774	16	87	19	13	(22)	1,556
Selling, General and Administrative Expenses	(118)	(18)	(4)	(20)	(6)	(12)	(64)	(241)
Depreciation	141	36	1	26	6	4	1	215
Adjusted EBITDA	693	792	13	92	19	6	(85)	1,529
Adjusted EBITDA Margin	30%	65%	36%	40%	64%	9%		40%

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Scenario

According to the Brazilian Steel Institute (IABr), apparent consumption of steel products in Brazil totaled 12.6 million tonnes in the first half of 2011, 5.6% less than in the same period last year. Of this total, 1.7 million tonnes came from imports, 36.7% down year-on-year.

Also according to the IABr, Brazil produced 17.7 million tonnes of crude steel in the first six months of the year, 8% up on 1H10, while rolled flat steel output fell by 7% to 7.3 million tonnes.

Domestic flat steel sales totaled 5.9 million tonnes, 3.3% down on the first half of 2010, while exports climbed by 13% to 1.3 million tonnes.

The IABr's projections for the sector remain favorable. Apparent consumption of steel products in the Brazilian market is expected to reach 27.8 million tonnes in 2011, 6.4% up on 2010, based on expectations of moderate growth for industry as a whole, with more significant growth in those segments producing equipment for the oil and gas industry and those associated with the World Cup and 2016 Olympic Games.

Segments

Automotive: The automotive sector continues to thrive. First-half results show that the market is growing and annual sales are expected to increase by between 5% and 8%. The outlook is excellent, with the Brazilian auto market set to absorb major investments. So far, the sector has received guarantees of R$32 billion in investments to increase production capacity, adding 1.3 million units by 2015, and this does not include projects for new plants.

First-half output totaled 1.71 million units, 4% up on 1H10 and a new record, with exports of 249,900 units, up by 3%. Second-quarter production climbed by 6% over 1Q11, to 882,000 units.

According to ANFAVEA (the auto manufacturers' association), sales totaled 1.73 million units in the first half, 10% up on 1H10, and 912,000 units in the second quarter, 11% up on the previous three months. ANFAVEA expects annual sales of 3.7 million vehicles, 5% more than in 2010.

Agricultural Machinery: First-half production amounted to 41,000 units, 7.2% less than in the same period of 2010, and period sales kept pace, falling by 7%.

Sales volume should close 2011 in line with 2010, with 68,500 units sold, accompanied by a 4.8% decline in exports.

Construction: According to the leading institutes, the expansion of Brazil's construction sector should outpace GDP growth. DIEESE (the Inter-union Statistics Department) estimates an annual construction GDP upturn of 8.5% while ABRAMAT (the Brazilian building material manufacturers' association) estimates growth of 5%.

Retail sales of building materials account for 77% of sector product consumption. ANAMACO (the Brazilian Association of Residential Building Material Retailers) estimates that this segment grew by 3.5% year-on-year in the first half and is projecting annual growth of around 6%, 2 p.p. above Brazil's GDP growth.

In 1H11, the Brazilian government launched the second phase of the *Minha Casa Minha Vida* (My House, My Life) project, which envisages the construction of 2 million homes by 2014. Caixa Econômica Federal will allocate over R$120 billion to the second phase of the housing project, versus R$53 billion in the first phase.

According to a study by FGV-ABRAMAT, real construction revenue should reach R$188 billion in 2016, almost twice as much as in 2009. These prospects of sustainable growth should encourage investments in the sector.

Distribution: According to INDA (the Brazilian steel distributors' association), first-half sales totaled 2.1 million tonnes, 7.8% up on 1H10, while purchases by distributors totaled 2.1 million tonnes, down by 9.3%.

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First-half imports dropped by a substantial 53%, from 1.7 million tonnes, in 1H10, to 810,000 tonnes, while second-quarter imports dipped by 3% over the previous three months to 398,000 tonnes.

Nevertheless, inventory turnover stood at 3.7 months of sales in June, well above the historical average of 2.7 months.

Home Appliances: The North, Northeast and Midwest regions continue to drive sales, as demand is fueled by new technologies and increased consumption by Brazil's emerging middle class (C income group).

Higher retail interest rates are accompanied by more extended payment terms, benefiting lower-income consumers.

According to Eletros (the home appliance manufacturers' association), in the first half of 2011, washing machine sales increased by 20% over the same period last year to 3.6 million units, while refrigerator sales grew by 7% to 2.8 million units.

In the first half, investments of more than R$500 million were announced in the expansion and construction of home appliance factories. Eletros estimates a 10% increase in sales in 2011.

Net Revenue

Net revenue from steel operations in 2Q11 totaled R$2,513 million, 9% up on 1Q11, basically due to the increase in domestic sales volume.

Total Sales Volume

CSN recorded total sales volume of 1.3 million tonnes in 2Q11, 7% more than in 1Q11. Of this total, 86% was sold in the domestic market and 10% by overseas subsidiaries, while 4% went to direct exports.

Domestic Sales Volume

Domestic sales totaled 1.1 million tonnes in 2Q11, an 8% improvement over 1Q11, fueled by stronger demand for flat steel in Brazil.

Exports

CSN exported 180,000 tonnes in 2Q11, a reduction of 3% over the 1Q11. Sales by CSN LLC and Lusosider totaled 124,000 tonnes, while direct exports amounted to 56,000 tonnes.

Prices

Net revenue per tonne averaged R$1,898 in 2Q11, 2% above the 1Q11, due to the domestic market price hike in mid-2Q11.

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Production

In 2Q11, crude steel production totaled 1.2 million tonnes, an increase of 10% in relation to 1Q11, while rolled steel production totaled 1.2 million tonnes, 17% up on 1Q11.

Production (in thousand t)	2Q10	1Q11	2Q11	Change	
				2Q11 x 2Q10	2Q11 x 1Q11
Crude Steel (UPV)	1,199	1,132	1,243	4%	10%
Rolled Products	1,267	1,034	1,212	-4%	17%

Cost of Goods Sold (COGS)

Steel segment COGS stood at R$1.83 billion in 2Q11, 12% up on the R$1.63 billion recorded in 1Q11, chiefly due to the upturn in sales volume. In relation to 2Q10, steel segment COGS increased by 16%, primarily due to an increase in raw material costs.

Production Costs (Parent Company)

In 2Q11, total steel production costs came to R$1.5 billion, 15% or R$0.2 billion more than the R$1.3 billion recorded in 1Q11.

Raw Materials: increase of R$149 million, primarily related to the following inputs:

- **Coke**: increase of R$77 million, chiefly due to higher consumption;
- **Coal**: upturn of R$6 million, also due to higher consumption;
- **Third-party coils**: increase of R$32 million, also due to higher consumption;
- **Scrap**: upturn of R$11 million, also due to higher consumption;
- **Other raw materials**: upturn of R$23 million, also due to higher consumption.

Labor: a slight upturn of R$7 million, due to the wage increase following latest collective bargaining agreement.

Other production costs: increase of R$25 million, pushed by supplies and maintenance.

Depreciation: increase of R$18 million due to new incorporation of assets:

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STEEL PRODUCTION COSTS (Parent Company)

Adjusted EBITDA

Adjusted steel segment EBITDA totaled R$733 million in 2Q11, 6% up on the R$693 million recorded in 1Q11, basically due to higher domestic sales, accompanied by an adjusted EBITDA margin of 29%, in line with the previous quarter.

Scenario

After an intense start to the year, the second quarter of 2011 reflected the worsening of the European Union crisis, the monetary squeeze in China, and the upturn in inflation due to higher commodity prices. All of these events had an impact on global demand, in turn affecting the iron ore market.

In the first five months of 2011, Brazil’s iron ore exports totaled 122 million tonnes, 4.5% up on the same period last year.

Prospects for the iron ore market remain positive, with demand continuing to outstrip supply until 2015. However, despite the constant announcements of expansions and new projects, it is essential to take quantity and quality into consideration. Many projects will require large-scale concentration to meet the needs of the iron and steel industry and there are further obstacles along the way, including financing, infrastructure, environmental licensing and quality, which may hamper the implementation of these new projects or even render them unviable. According to Macquarie, demand should remain high until the end of the decade, with prices hovering around US$150/dmt until 2015.

China’s urbanization process and massive domestic consumption will still account for a major slice of the iron ore market over the next ten years. In the first five months of 2011, Chinese iron ore imports increased by 8% year-on-year, despite the recent economic restrictions. Most economists agree that China will continue to grow at a slower pace, in line with the guidelines of the country’s Five Year Plan, which are based on strong fundamentals.

In accordance with the iron ore pricing formula, widely used in the market, prices in the second quarter were based on spot prices between December 2010 and February 2011.

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In 3Q11, the basic Platts price (62% Fe CFR) is expected to dip by 1.2% in relation to the second quarter.

Iron Ore Sales

In 2Q11, CSN and Namisa's total sales of finished iron ore products to third parties came to 6.7 million tonnes[1], 8% and 2% up on 2Q10 and 1Q11, respectively, and a new record. Of this total, exports accounted for 6.3 million tonnes, with 2.3 million tonnes sold by Namisa, while the Company's own consumption absorbed 1.7 million tonnes.

In the first half, sales of finished iron ore products totaled 13.3 million tonnes[1], 13% up on 1H10 and yet another record. Exports accounted for 12.4 million tonnes, with 6.0 million tonnes sold by Namisa, while the Company's own consumption absorbed 3.4 million tonnes.

Considering CSN's 60% interest in Namisa, sales came to 5.8 million tonnes in 2Q11, 26% up on 2Q10 and 14% up on 1Q11. In 1H11, also considering CSN's 60% interest in Namisa, sales amounted to 11.0 million tonnes, 24% more than in the same period last year.

Net Revenue

Net revenue totaled R$1.5 billion in 2Q11, 26% up on 1Q11 and yet another record, mainly reflecting the period price increase. In relation to 2Q10, net revenue grew by 80%, reflecting the price and volume upturn in 2Q11.

In 1H11, net revenue from mining operations jumped by 110% year-on-year to a record R$2.7 billion.

Cost of Goods Sold (COGS)

COGS came to R$506 million in 2Q11, 16% more than in 1Q11, due to higher sales volume.

In the first half of 2011, COGS totaled R$942 million, 94% up year-on-year.

Adjusted EBITDA

Second-quarter adjusted EBITDA totaled R$1.04 billion, 31% up on 1Q11, accompanied by an adjusted EBITDA margin of 68%, up by 3 p.p., both increases reflecting the higher prices in 2Q11.

Year-to-date EBITDA came to R$1.8 billion, 124% up year-on-year, with a margin of 67%, up by 4 p.p.

[1] *Sales volumes include 100% of the stake in NAMISA.*

Scenario

Port Logistics

According to the latest figures from ANTAQ (National Waterway Transport Agency), port activities in Brazil continue to thrive. In the first quarter of 2011, handled volume totaled 200.6 million tonnes, 8% up on the same period last year, with iron ore volume moving up by 4% to 72.3 million tonnes. In the container segment, the Brazilian ports handled 1.73 million TEUs, 18% more than in 1Q10.

Railway Logistics

According to ANTF (National Rail Transport Association), rail transport will play an increasingly important role in Brazilian logistics in the coming years. The association estimates an increase in Brazil’s rail network from 28,000 km in 2010 to 49,000 km in 2023, accompanied by an upturn in rail’s share of national transport from 25% to 32%. Production in 2011 is estimated at 315 billion tonne-kilometers.

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1. Railway Logistics

Analysis of Results

MRS and Transnordestina's individual 2Q11 results had not been announced up to the publication of this release.

In 2Q11, consolidated net revenue from railway logistics totaled R$256 million, COGS stood at R$161 million, and adjusted EBITDA came to R$101 million, accompanied by an adjusted EBITDA margin of 39%.

In 1H11, net revenue came to R$488 million, COGS totaled R$307 million, and adjusted EBITDA stood at R$193 million, with a margin of 40%.

2. Port Logistics

Analysis of Results

Consolidated net revenue from port logistics amounted to R$32 million in 2Q11, COGS came to R$21 million and EBITDA totaled R$8 million, with an EBITDA margin of 26%.

In 1H11, net revenue came to R$69 million, COGS totaled R$41 million, and adjusted EBITDA totaled R$21 million, with a margin of 31%.

Scenario

According to SNIC (the cement industry association) domestic cement sales grew by 7.8% year-on-year in the first half to 30 million tonnes (5.4 million tonnes in June, an 11.5% improvement over the same month last year).

In the last 12 months, sales totaled 61 million tonnes, 11% up year-on-year, mainly due to the increase in mortgage lending and the maturation of investments in the *Minha Casa Minha Vida* (My House, My Life) program, as well as the maintenance of employment levels and higher family income.

Also according to SNIC, sales should increase by between 6% and 7% in 2011, reaching around 63 million tonnes.

Analysis of Results

In 2Q11, net revenue from cement operations totaled R$83 million, with sales volume of 429,000 tonnes and COGS of close to R$60 million. Adjusted EBITDA came to R$9 million, with an adjusted EBITDA margin of 11%.

In 1H11, net revenue totaled R$145 million, with sales volume of 764,000 tonnes and COGS of R$109 million. Adjusted EBITDA stood at R$ 15 million, accompanied by a margin of 10%.

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Scenario

Electric power consumption posted a moderate increase in 2Q11.In April and May, consumption grew by 2.59% over the same period last year, according to the Ministry of Mines and Energy's Energy Research Company (EPE).

The commercial, residential and industrial segments contributed most to this performance, with respective growth of 5.42%, 2.90% and 1.92%.

Despite this upturn in the consumption of electric power, the structural balance between energy supply and demand in the next five years is guaranteed, according to EPE´s recent study named Electric Power Demand Projection.

Such favorable scenario is largely thanks to the growth in energy aggregate supply, contracted at auctions promoted by the federal government, at higher levels than the estimated growth in demand, which is projected at 5% p.a.

Analysis of Results

Net revenue totaled R$37 million in 2Q11, COGS stood at R$19 million, and adjusted EBITDA amounted to R$17 million, accompanied by an EBITDA margin of 46%.

In 1H11, net revenue totaled R$66 million, COGS stood at R$29 million, and adjusted EBITDA amounted to R$35 million, with a margin of 54%.

In 2Q11, CSN's shares fell by 24% on the BM&FBovespa, with a daily traded volume averaging R$70.9 million. On the NYSE, daily traded volume in CSN's ADRs averaged U$63.0 million.

Capital Markets - CSNA3 / SID / IBOVESPA / DOW JONES			
	1Q11	**2Q11**	**1H11**
Shares	**1,483,033,685**	**1,483,033,685**	**1,483,033,685**
Market Capitalization			
Closing Price (R$/share)	25.29	19.19	19.19
Closing Price (US$/ADR)	16.49	12.46	12.46
Market Capitalization (R$ million)	36,873	27,978	27,978
Market Capitalization (US$ million)	24,042	18,166	18,166
Total return including dividends and interest on equity			
CSNA3	0%	-24%	-24%
SID	0%	-24%	-24%
Ibovespa	-1%	-9%	-10%
Dow Jones	6%	1%	7%
Volume			
Average Daily (thousand shares)	3,036	3,169	3,103
Average Daily (R$ thousand)	83,539	70,931	77,184
Average Daily (thousand ADRs)	4,377	4,453	4,415
Average Daily (US$ thousand)	73,485	62,996	68,198

Source: Economática

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Notes to the Financial Statements

(In thousands of Reais, unless otherwise stated)

1. OPERATIONS

Companhia Siderúrgica Nacional "CSN" is a Corporation, established on April 9, 1941, in accordance with Brazilian laws (Companhia Siderúrgica Nacional and its subsidiaries, affiliated companies and jointly-owned subsidiaries, jointly called the "Company").

CSN is a Company which holds shares listed on the São Paulo Stock Exchange (BOVESPA) and on the New York Stock Exchange (NYSE), reporting its information on the Brazilian Securities and Exchange Commission (CVM) and on the Securities and Exchange Commission (SEC).

The main operating activities of CSN are divided into 5 segments:

- **Steel:**

Its main industrial complex is the Presidente Vargas Steelworks ("UPV") located in the city of Volta Redonda, State of Rio de Janeiro. This segment consolidates the operations related to the production, distribution and sale of flat steel, metal packaging and galvanized steel. Besides facilities in Brazil, CSN has operations in the United States and Portugal, aiming at gaining markets and ensuring excellent services to end consumers. Additionally, it operates in the home appliances, construction and the automobile segments.

- **Mining:**

The iron ore production is developed in the city of Congonhas, in the State of Minas Gerais. CSN also explores limestone and dolomite in the branches in the State of Minas Gerais and tin in the State of Rondônia, in order to meet the needs of UPV and the surplus raw materials are traded with subsidiaries and third parties. CSN holds the concession to operate TECAR, a solid bulk terminal, one of the four terminals of the Itaguaí Port, located in the city of Rio de Janeiro. Coal and coke are imported through this terminal.

- **Cement:**

The Company started in the cement market boosted by the synergy among this new activity and its already existing businesses. A new business unit has been set up beside Presidente Vargas Mill, city of Volta Redonda, state of Rio de Janeiro: CSN Cimentos, which is already producing CP-III cement, using the scrap produced from blast furnaces of Volta Redonda Plant itself. Currently, most clinker used in cement production is bought from third parties; however, it started being manufactured by CSN Cimentos in the beginning of 2011, upon the conclusion of the first stage of the plant in Arcos (MG), where CSN also has a limestone mine.

- **Logistics:**

Railways:

CSN holds interest in two railway companies: MRS Logística, which operates the former Southeast Network of Rede Ferroviária Federal S.A. and Transnordestina Logística, which operates the RFFSA’s former Northeast Network, in the states of Maranhão, Piauí, Ceará, Rio Grande do Norte, Paraíba, Pernambuco and Alagoas.

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Ports:

The Company operates in the State of Rio de Janeiro through its subsidiary Sepetiba Tecon, the Terminal for Containers (Tecon), at the Port of Itaguaí. Located in Sepetiba bay, it has a privileged road, rail and sea access.

CSN steel products shipment, handling of containers, warehousing, consolidation and deconsolidation of cargo are carried out at Tecon.

- **Energy:**

Since energy is essential for its production process, the Company has invested in electricity generation assets to ensure its self-sufficiency.

For further details on the Company's strategic investments and segments, please refer to Note 26 –Business Segment Information.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

(a) Basis of presentation

The consolidated quarterly financial information has been prepared and is being presented in accordance with the International Financial Reporting Standards (IFRS) and respective rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of the quarterly financial information.

The parent company quarterly financial information was prepared according to the technical pronouncement issued by the Brazilian Accounting Pronouncements Committee (CPC), and rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the quarterly financial information.

The preparation of the quarterly financial information in accordance with IFRS and BR GAAP requires the use of certain critical accounting estimates and also the judgment by the Company's management in the process to apply the Company's accounting policy. Those items requiring a higher judgment level and having greater complexity, as well as the items where assumptions and estimates are significant to the consolidated quarterly financial information, are being disclosed on the notes to this report and refer to the allowance for doubtful accounts, provision for inventory losses, provision for labor, civil, tax, environmental and social security liabilities, 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 reais (R$). Depending on the applicable IFRS pronouncement, the measurement criterion used in the preparation of the quarterly financial information considers historical cost, net value of realization, fair value, or recovery value. When IFRS and CPCs allow for the option between acquisition cost or other measurement criterion (for instance, systematic remeasurement), the acquisition cost criterion was applied.

The parent company and consolidated quarterly financial information was approved by the Board of Directors on August 2, 2011.

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(b) Consolidated quarterly financial statement

The accounting policies have been consistently applied to all consolidated companies.

The consolidated quarterly financial information for the period ended June 30, 2011 and the year ended December 31, 2010 include the following subsidiaries and jointly-owned subsidiaries, both direct and indirect ones, in addition to exclusive funds Diplic and Mugen, as stated below:

- **Companies**

	Equity interest (%)		
Companies	**6/30/2011**	**12/31/2010**	**Main activities**
Direct interest: full consolidation			
CSN Islands VII	100.00	100.00	Financial operations
CSN Islands VIII	100.00	100.00	Financial operations
CSN Islands IX	100.00	100.00	Financial operations
CSN Islands X	100.00	100.00	Financial operations
CSN Islands XI	100.00	100.00	Financial operations
CSN Islands XII	100.00	100.00	Financial operations
Tangua	100.00	100.00	Financial operations
International Investment Fund	100.00	100.00	Corporate interests and financial op
CSN Minerals (1)	100.00	100.00	Corporate interests
CSN Export	100.00	100.00	Financial operations, sale of produc
CSN Metals (2)	100.00	100.00	Corporate interests and financial op
CSN Americas (3)	100.00	100.00	Corporate interests and financial op
CSN Steel	100.00	100.00	Corporate interests and financial op
TdBB S.A	100.00	100.00	Inactive company
Sepetiba Tecon	99.99	99.99	Port services

Mineração Nacional	99.99	99.99	Mining and corporate interests
CSN Aços Longos - merged on January 1, 2011		99.99	Manufacture and sale of steel and/c
Florestal Nacional (4)	99.99	99.99	Reforestation
Estanho de Rondônia - ERSA	99.99	99.99	Tin minng
Cia Metalic Nordeste	99.99	99.99	Packaging production and distributi
Companhia Metalúrgica Prada	99.99	99.99	Packaging production and distributi
CSN Cimentos	99.99	99.99	Production of cement
Inal Nordeste - merged on May 30, 2001		99.99	Steel product service center
CSN Gestão de Recursos Financeiros	99.99	99.99	Inactive company
Congonhas Minérios	99.99	99.99	Mining and corporate interests
CSN Energia	99.99	99.99	Electricity trading
Transnordestina Logística	82.91	76.45	Railway logistics
Indirect interest: full consolidation			
CSN Aceros	100.00	100.00	Corporate interests
Companhia Siderurgica Nacional LLC	100.00	100.00	Steelmaking
CSN Europe (5)	100.00	100.00	Financial operations, sale of produc
CSN Ibéria	100.00	100.00	Financial operations and corporate
CSN Portugal (6)	100.00	100.00	Financial operations and sale of pro
Lusosider Projectos Siderúrgicos	100.00	100.00	Corporate interests
Lusosider Aços Planos	99.94	99.94	Steelmaking and corporate interests
CSN Acquisitions	100.00	100.00	Financial operations and corporate
CSN Resources (7)	100.00	100.00	Financial operations and corporate
CSN Finance UK Ltd	100.00	100.00	Financial operations and corporate
CSN Holdings UK Ltd	100.00	100.00	Financial operations and corporate
Itamambuca Participações - merged on May 30, 2011		99.99	Mining and corporate interests
Direct interest: proportional consolidation			
Nacional Minérios (NAMISA)	59.99	59.99	Mining and corporate interests
Itá Energética	48.75	48.75	Electricity generation
MRS Logística	22.93	22.93	Rail transport
Consórcio da Usina Hidrelétrica de Igarapava	17.92	17.92	Electricity consortium
Aceros Del Orinoco	22.73	22.73	Inactive company
Indirect interest: proportional consolidation			
Namisa International Minerios SLU	60.00	60.00	Corporate interests and sale of proc
Namisa Europe	60.00	60.00	Corporate interests and sale of proc
MRS Logística	10.34	10.34	Rail transport
Aceros Del Orinoco	9.08	9.08	Inactive company

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(1) New corporate name of CSN Energy, changed as of December 15, 2010.

(2) New corporate name of CSN Overseas, changed as of December 15, 2010.

(3) New corporate name of CSN Panamá, changed as of December 15, 2010.

(4) New corporate name of Itaguaí Logística, changed as of December 27, 2010.

(5) New corporate name of CSN Madeira, changed as of January 8, 2010.

(6) New corporate name of Hickory, changed as of January 8, 2010.

(7) New corporate name of CSN Cement, changed as of June 18, 2010.

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- **Exclusive funds**

Other consolidation

	Interest in the capital stock (%)		
Special-purpose entities	**6/30/2011**	**12/31/2010**	**Main activities**
Direct interest: full consolidation			
DIPLIC - Multimarket investment fund	100.00	100.00	Investment fund
Mugen - Multimarket investment fund	100.00	100.00	Investment fund

In the preparation of the consolidated quarterly financial information, the following consolidation procedures have been adopted:

Unrealized gains in transactions with subsidiaries and jointly-owned subsidiaries are eliminated according to CSN's share in the entity in question in the consolidation process. Unrealized losses are eliminated in the same way as unrealized gains, however only to the extent there is no reduction to the recovery value (impairment). The reference date of the quarterly financial information of the subsidiaries and jointly-owned subsidiaries is the same as of the parent company and their accounting policies are in line with the policies adopted by the Company.

- **Subsidiaries**

Subsidiaries are all entities (including special-purpose entities) whose financial and operational policies may be carried out by the Company, where usually there is a share ownership of more than a half of voting rights. The existence and the effect of potential voting rights, which are currently exercisable or convertible, are taken into account by evaluation if the Company controls other entity. Subsidiaries are fully consolidated as of the date when the control is transferred to the Company and are no longer consolidated as of the date when the control ends.

- **Jointly-controlled subsidiaries**

The quarterly financial information of jointly-owned subsidiaries is included in the consolidated quarterly financial information as of the date when the shared control starts until the date the shared control no longer exists. Jointly-owned subsidiaries are proportionally consolidated.

(c) Parent company quarterly financial information

In the parent company quarterly financial information, the subsidiaries and jointly-owned subsidiaries are accounted for by the equity method. The same adjustments are made both in the parent company quarterly financial information and in the consolidated quarterly financial information. Considering CSN, accounting practices adopted in Brazil applied in the parent company quarterly financial information differ from the IFRS applicable to the separate financial statements, only through the valuation of investments in subsidiaries and affiliated companies by the equity method of accounting while according to IFRS it would be cost or fair value.

(d) Foreign currencies

i. Functional and reporting currency

Items included in the quarterly financial statement of each of the Company's subsidiaries are measured using the currency of the main economic environment, where each subsidiary operates ("functional currency"). Consolidated quarterly financial statement is presented in R$ (reais), which is the Company's functional currency and the Group's reporting currency.

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ii. Transactions and balances

Foreign currency operations are converted into the functional currency, using foreign exchange rates effective on the transaction or evaluation dates, when items are remeasured. Exchange gains and losses resulting from the settlement of these transactions and the conversion by foreign exchange rates as of June 30, 2011, related to monetary assets and liability in foreign currencies, are recognized on the statement of income, except when recognized in shareholders' equity as a result of foreign operation monetary items characterized as foreign investment nature.

Balance accounts of assets and liabilities are converted by the exchange rate as of the balance sheet date, on June 30, 2011, US$1 corresponding to R$1.5611 (R$1.6662 on December 31, 2010) EUR 1 corresponding to R$2.2667 (R$2.2280 on December 31, 2010) and JPY 1 corresponding to R$0.0194 (R$0.0205 on December 31, 2010).

All other exchange gains and losses, including exchange gains and losses related to loans, cash and cash equivalents are presented on the statement of income as income or financial expense.

Changes to fair value of monetary securities in foreign currency, classified as available for sale, are split into foreign exchange variations related to the security's amortized cost and other variations to the security's book value. Foreign exchange variations of amortized costs are recognized in the statement of income, and other variations in the security's book value are recognized in shareholders' equity.

Exchange variations from non-monetary financial assets and liabilities, for instance, investments in shares classified as measured at fair value through profit or loss, are recorded under result as part of fair value gain or loss. Exchange variations of non-monetary financial assets, for example, investments in shares classified as available for sale, are included in the comprehensive income under shareholders' equity.

iii. Group companies

Results and financial position of all of the Group's entities (none of them has currency from a hyperinflationary economy), whose functional currency is different from the reporting currency, are converted into the reporting currency, as follows:

- Assets and liabilities from each balance sheet presented are converted by the closing rate on the balance sheet date.

- Revenues and expenses from each income statement are converted by average exchange rates (unless this average is not a reasonable rounding to the cumulative effect of rates in force on the operations date, and, in this case, revenues and expenses are converted by the rate on the operations dates); and

- All resulting exchange rate differences are registered as a separate item under other comprehensive income.

Under the consolidation, exchange rate differences resulting from the conversion of monetary items of investment in foreign operations are recognized in shareholders' equity. When a foreign operation is partially disposed of or sold, exchange rate differences previously registered in other comprehensive income are recognized in the statement of income as part of gain or loss on sale.

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(e) Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and other short-term investments of immediate liquidity, redeemable in up to 90 days from the balance sheet dates, immediately convertible into cash and with an insignificant risk of change in their market value. Deposit certificates that may be redeemed at any time without penalties are considered cash equivalents.

(f) Trade accounts receivable

Trade accounts receivable are recorded at the invoiced amount, including the respective taxes and ancillary expenses, and receivables from clients in foreign currency are restated at the exchange rate as of the date of the quarterly financial information. The allowance for doubtful accounts was recorded in an amount considered sufficient to support possible losses. Management’s assessment takes into account the client’s history, the financial situation and the opinion of our legal advisors regarding the receipt of these credits for the recording of this provision.

(g) Inventories

These are recorded at the lowest value between the cost and the net realizable value. The cost is determined using the average weighted cost method in the acquisition of raw materials. Cost of both finished and under preparation products consists of raw material, labor, and other direct costs (based on the normal production capacity). Net realization value is the sale price estimated on the normal course of business, net of estimated conclusion costs and estimates costs necessary to carry on the sale. Losses on low turnover or obsolete inventories are constituted when deemed adequate. The Company has spare parts which will be used in its operating cycle, classified as other current assets, instead of being classified as inventories.

(h) Investments

Investments in subsidiaries, jointly-owned subsidiaries and affiliated companies are recorded and measured by the equity accounting method and recognized initially by the cost. Gains or losses are recognized in profit or loss for the period as operating income (or expenses) in the parent company quarterly financial information. In the case of exchange variation of investment abroad whose functional currency is different to the Company's currency, variations in the amount of investments deriving solely from the exchange variation are recorded in the cumulative translation adjustment account, in the Company's shareholders' equity, and are only reclassified to income statement when the investment is sold or written-off by loss. Other investments are recorded and held at cost, or fair value.

When necessary, the accounting practices of the subsidiaries and jointly-owned subsidiaries are changed to ensure criteria consistency and uniformity with the practices adopted by the Company.

(i) Property, plant and equipment

Property, plant and equipment are registered at acquisition, formation or construction costs, net of accumulated depreciation or depletion and impairment. Depreciation is calculated by the straight-line method based on the economic useful life remaining from assets according to Note 12 and depletion of mines is calculated based on the amount of ore extracted, and plots of land are not depreciated in view that are considered as undefined useful life. The Company records in the book value of property, plant, and equipment, the replacement cost, by writing-off the book value of the portion that has been replaced, if it is probable that future economic benefits incorporated therein will be reverted to the Company, and if the asset cost may be estimated reliably. All other expenses are registered to the expense account when incurred. Loan costs related to funds raised for work in progress are capitalized until these projects are concluded.

If some components of the assets from property, plant and equipment have different useful lives, these components are depreciated as a different item from property, plant and equipment.

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Gains and losses from disposal are determined by the comparison of the sale value less the residual value and are registered in “other operating income/expenses”.

Development costs of new iron ore fields or to expand the capacity of operating mines are capitalized and amortized by the method of units produced (extracted) based on probable and proven ore amounts. Exploitation expenditures are deemed as expenses until the mining activity is made feasible; after this period, the subsequent development costs are capitalized.

(j) Intangible assets

Intangible assets comprise assets acquired from third parties, including by means of business combinations, and/or those internally generated.

These assets are recorded at the acquisition or formation cost, less amortization calculated through the straight-line method based on exploitation or recovery terms.

Intangible assets with indefinite useful lives, as well as goodwill for expected future profitability, are not amortized.

- **Goodwill**

Goodwill is represented by the positive difference between paid and/or payable value for the purchase of a business and the net amount of fair value of assets and liabilities of the subsidiary acquired. The goodwill from acquisition of subsidiaries is recorded as intangible asset in the consolidated quarterly financial information. In the parent company balance sheet, the goodwill is included in investments. Negative goodwill is recorded as gain in the profit or loss for the period, on the acquisition date. Goodwill is annually tested for impairment. Impairment losses recognized over goodwill are irreversible. Gains and losses from the disposal of a Cash Generating Unit (CGU) include goodwill book value relating to the CGU sold.

Goodwill is allocated to Cash Generating Units (CGUs) for the purpose of impairment test. The allocation is made for Cash Generating Units or groups of Cash Generating Units, which should benefit from the business combination goodwill came from, and the unit is not larger than the operational segment.

- **Software**

Software licenses purchased are capitalized based on incurred costs to buy software and to make them ready to be used. These costs are amortized by the straight-line method during the estimated economic useful life.

(k) Impairment of non-financing assets

Assets with an undefined useful life, such as goodwill, are not subject to amortization and are tested on an annual basis to verify impairment. Assets subject to amortization are reviewed to impairment verification whenever events or changes to circumstances show that book value may not be recoverable. Impairment loss is accounted for by book value of the asset exceeding its recoverable value. This last one is the highest value between an asset fair value net of sale costs and its value in use. For the purposes of impairment valuation, assets are divided into the lowest levels for which there are inflow identifiable cash flows separately (CGUs). Non-financial assets, except for goodwill, which have been impaired, are subsequently reviewed to analyze a possible impairment reversal on the reporting date.

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(l) Employee benefits

i. Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution to a separate entity (social security plan) and it will have no legal or constructive obligation to pay additional values. Liabilities for contributions to defined contribution pension plans are accounted for as employee benefit expenses to the profit or loss for the periods in which services are provided by employees. Contributions paid in advance are recorded as an asset upon the cash repayment condition or the decrease in future payments is available. Contributions to a defined contribution plan whose maturity is expected for 12 months after the final period in which the employee provides the service are discounted at their present values.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than the defined contribution plan. The Company's net liability as to defined benefit pension plans is individually calculated to each plan through the value estimate of the future benefit employees accounted for as return by services provided for in the current period and previous periods; that benefit is discounted at its present value. Any costs of unregistered previous services and fair values of any plan assets are discounted. Discount rate is the return shown on the reporting date of the quarterly financial information to first-tier debt securities, whose maturity dates are close to the Company's debt conditions and that are denominated in the same currency in which benefits are expected to be paid. The calculation is made on an annual basis by a qualified actuary through the projected unit credit method. When calculation results in a benefit to the Company, asset to be recorded is limited to total of any unrecognized previous services costs and the present value of economic benefits available as future refund of the plan or decrease in future contribution to the plan. In order to calculate present value of economic benefits, a consideration is given to any minimum costing requirements applied to any plan in the Company. An economic benefit is available to the Company if it is realizable during the plan's life, or in the settlement of the plan liabilities.

When benefits of a plan are increased, the increased benefit portion relating to employee's previous service is registered in the statement of income at the straight-line method during the average period until benefits become vested. Under the condition that benefits become immediately vested, expense is instantly recorded in the statement of income.

The Company opted to account for all actuarial gains and losses resulting from defined benefit plans directly in other comprehensive income.

ii. Profit sharing and bonuses

Employee profit sharing is subject to achieving certain operating and financial targets, mainly allocated to the production cost when applicable and to general and administrative expenses.

(m) Provisions

Provisions are registered when: (i) the Company has a present liability either legal or acquired resulting from past events, (ii) it is likely to have a future disbursement to settle a present liability, and (iii) when the value may be estimated with reasonable safety. Provisions are determined by discounting estimated future cash flows based on a discount rate before taxes that shows a market valuation of the cash value in time and, where appropriate, specific liability risks. The liability increase due to time is recorded as financial expense.

(n) Concessions

The Company has governmental concessions and payments are classified as operating lease.

(o) Share capital

Common shares are classified as equity.

Additional costs directly attributed to the issue of new shares or options are stated in shareholders' equity as a deduction of the amount raised, net of taxes.

When any company of the group buys shares from the Company's capital stock (treasury shares), the amount paid, including any additional costs directly chargeable (net of income tax), is decreased from the shareholders' equity attributed to the Company's shareholders until shares are cancelled or issued again. When these shares are subsequently issued again, any amount received, net of any additional transaction costs directly chargeable and respective income and social contribution tax effects, it is included in the shareholders' equity attributed to the Company's shareholders.

(p) Operating revenue

The revenue from sales in the normal course of operations is measured at the fair value of the consideration received or receivable. The operating revenue is recognized when there is persuasive evidence that the significant risks and rewards inherent to the ownership of the goods have been transferred to the buyer; it is probable that future economic benefits will flow to the entity, that the associated costs and the possible return of goods can be measured reliably; the entity does not retain continuing involvement with the goods sold and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be reliably measured, then such discounts are recognized as a reduction of operating revenue as sales are recognized. Service revenue is recognized when services are rendered.

The transfer of risks and rewards is determined by the individual terms of the contract of sale. For export sales, the transfer of risks and rewards of ownership depend on the terms of delivery set out in the incoterms governing the contract.

(q) Financial income and expenses

Financial income includes interest income on invested funds (including available-for-sale financial assets), dividend income (except for dividends received from investees stated under the equity method in the parent company), gains on sale of available-for sale-financial assets, gains and losses arising from the change in the fair value of financial assets measured at fair value through profit or loss, and gains on hedging derivatives that are recognized in the statement of income. Interest income is recognized in profit or loss using the effective interest method. Dividend income is recognized in profit or loss when the Company's right to receive the dividend is established. The dividend distributions received from investees recorded under the equity method reduce the investment amount.

Financial expenses include borrowing costs, net of the discount to present value of provisions, dividends on preferred shares classified as liabilities, losses in the fair value of financial instruments measured at the fair value through profit or loss, impairment losses recognized in the financial assets, and losses on hedging instruments that are recognized in the income statement. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are measured in the income statement using the effective interest method.

Exchange gains and losses are reported on a net basis.

(r) Income and social contribution taxes

Income and social contribution taxes for current and deferred year are calculated at the rate of 15%, plus a surtax of 10% on taxable income exceeding R$240, and at the rate of 9% on taxable income for the social contribution on net income. Tax losses and social contribution tax loss carryforward are offset, limited to 30% of the taxable income.

Income and social contribution tax expense comprise current and deferred tax. Current and deferred taxes are recognized in the income statement except to the extent that it relates to a business combination, or items recognized directly in shareholders' equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted, at the reporting date of the quarterly financial information and any adjustment to tax payable in respect of previous years.

Deferred taxation is recognized on temporary differences arising between the book values of assets and liabilities for accounting purposes and corresponding amounts applied for tax purposes. Deferred taxation is not accounted for on the following temporary differences: the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, and differences related to investments in subsidiaries and controlled entities when it is probable that they will not be reversed in the foreseeable future. In addition, deferred tax liability is not recognized for taxable temporary differences resulting in the initial recognition of goodwill. Deferred taxation is calculated using the rates that are expected to apply to the temporary differences when they are reversed, based on the laws that were enacted or substantively enacted until the financial statement reporting date.

Deferred tax assets and liabilities may be netted if there is a legal right to offset the current tax asset and liability amounts and they relate to the same taxing authority.

A deferred income and social contribution tax asset is recognized by unused tax losses, tax credits and deductible temporary differences when it is probable that future income subject to taxation will be available and against which they will be used.

Deferred income and social contribution tax assets are reviewed at each reporting date and will be reduced as their realization is no longer probable.

(s) Earnings per share

Earnings per share are calculated through the net income for the period attributable to the Company's controlling shareholders and the weighted average of the common shares outstanding in the respective period. Diluted earnings per share are calculated through the said average of the outstanding shares, adjusted by instruments potentially convertible into shares, with a diluting effect, in the reporting periods. The Company does not have instruments potentially convertible into shares and, consequently, diluted earnings per share are equal to basic earnings per share.

(t) Environmental and restoration costs

The Company recognizes a provision for recovery costs and fines when a loss is probable and the amounts of related costs can be reliably determined. Usually, a provision in the amount to be used in the recovery in the amount is recorded until the feasibility study is completed or the commitment to a formal action plan is fulfilled.

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Expenses related to compliance with environmental regulations are charged to profit (loss) or capitalized, as appropriate. The capitalization is considered as appropriate when the expenses refer to items that will continue to benefit the Company and that are basically pertinent to the acquisition and installation of equipment to control pollution and/or prevention.

(u) Research and development

All these costs are recognized in the statement of income when incurred, except when they meet the criteria for capitalization. Expenses on the research and development of new products for the period ended June 30, 2011 was R$3.130 (R$737 on June 30, 2010).

(v) Financial instruments

i) Classification

Financial assets are classified in 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. The Company's Management sets forth the classification of its financial assets at the initial recognition.

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

Financial assets measured 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, therefore, are classified in this category, unless they have been recorded as cash flow hedge. Assets in this category are classified as current.

- **Loans and receivables**

This category includes loans granted and receivables that are non-derivative financial assets with fixed payment or to be established, not priced at an active market. They are included as current assets, except those with a maturity term greater than 12 months after the balance sheet date (these are classified as non-current assets). Loans and receivables comprise loans to affiliated companies, trade accounts receivable, other accounts receivable and cash and cash equivalents, excluding short-term investments. Cash and cash equivalents are recognized at fair value. Loans and receivables are accounted for at the amortized cost, using the effective interest method.

- **Financial assets held to maturity**

They are basically financial assets acquired with the financial purpose and financial capacity to be held in portfolio until maturity. Investments held to maturity are firstly recognized at the amount including any directly attributable transaction costs. After their initial recognition, these are measured at the amortized cost through the effective interest method, decreased by any impairment loss.

- **Financial assets available for sale**

These are non-derivative financial assets designated as available for sale that are not classified in any other category. They are included in non-current assets when they are the Company’s strategic investments, unless Management intends to dispose of the investment within 12 months after the balance sheet date. Financial assets available for sale are recorded at fair value.

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ii) Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date, i.e., the date on which the Company undertakes to buy or sell the asset. The investments are initially recognized at fair value, plus transaction costs for all the financial assets not classified at the fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognized at their fair value and transaction costs are expensed in the income statement. Financial assets are written off when the rights to receive cash flow from the investments expire or are transferred; in the latter case, provided that the Company has transferred significantly all the risks and rewards of the ownership. Financial assets available for sale and the financial assets measured at fair value through profit or loss are subsequently recognized at fair value. Loans and receivables are accounted for at amortized cost, using the effective interest method.

Gains or losses arising 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 when they occur. Revenue from dividends of financial assets measured 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 is established.

The changes in the fair value of financial assets denominated in foreign current and classified as available for sale, are divided between the conversion differences resulting from the changes in the amortized cost of the financial assets and other changes in the financial assets’ book value. The exchange rate changes in financial assets are recognized in income statement. The exchange rate changes in non-financial assets are recognized in shareholders’ equity. The changes in the fair value of financial and non-financial assets classified as available for sale are recognized in other comprehensive income.

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

The fair value of publicly quoted investments is based on current purchase prices. If the market of a financial asset (and bonds not listed on the stock exchange) is not active, the Company establishes fair value through valuation techniques. These methods include the use of transactions recently contracted with third parties, reference other instruments that are substantially similar and an analysis of discounted cash flows and option pricing models that optimize the use of market generated information and minimize the use of information provided by the Company's management.

The Company measures at the balance sheet date if there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of available-for-sale bonds, a significant or long decrease in the fair value to below its cost value is an indicator that it is impaired. If there is any evidence of impairment of available-for-sale financial assets, the cumulative loss measured as the difference between cost of purchase and the current fair value, less any impairment loss for the financial asset previously recorded in income, is transferred from shareholders' equity and recognized in the income statement. Impairment losses recognized in the income statement of equity instruments are not reversed through the income statement.

- **Offsetting financial instruments**

A financial asset and a financial liability is offset and the net amount reported in the balance sheet when an entity has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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- **Impairment of financial assets**

Assets measured at amortized cost

The Company evaluates at the end of each reporting period if there is objective evidence that the financial asset or group of financial assets is impaired. An asset or a group of financial assets is impaired and the impairment losses are incurred only if there is objective evidence of impairment as the result of one or more events occurred after the initial recognition of the assets (a "loss event") and that loss event (or events) has an impact on estimated future cash flows of the financial asset or group of financial assets that can be measured reliably.

The criteria CSN uses to determine if there is objective evidence of impairment loss include:

- relevant financial difficulty of the issuer or debtor;
- a contract breach, such as default or delinquency in interest or principal payments;
- the issuer, for economic or legal reasons related to the financial difficulty of the borrower, guarantees the borrower a concession that the creditor would not consider;
- it is likely that the borrower will undergo bankruptcy or another financial reorganization;
- the disappearance of an active market for that financial asset due to financial difficulties; or
- observable data indicating that there is a measurable reduction in estimated future cash flows from a portfolio of financial assets, since the initial recognition of these assets, although the reduction still cannot be identified with the individual financial assets in the portfolio, including:

- Adverse change in the payment situation of the borrowers in the portfolio;

- National or local economic conditions that relate to the default on the portfolio’s assets.

The amount of loss is measured as the difference between the book value of the assets and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets’ original effective interest. The book value of the asset is written down and the amount of loss is recognized in the income statement. If a loan or investment held to maturity has a variable interest rate, the discount rate to measure an impairment loss is the current effective interest rate determined pursuant to the agreement. The Company may measure impairment based on the fair value of an instrument using an observable market price.

If, in a subsequent period, the impairment loss is reduced and the reduction can be objectively related to an event that occurred after the impairment was recognized (an improvement in the debtor’s credit rating), the impairment loss reversal will be recognized in the consolidated income statement.

Assets classified as available for sale

At the end of each reporting period, CSN assesses whether there is objective evidence of a deteriorated financial asset or group of financial assets. For debt notes, CSN utilizes the criteria mentioned above. For equity instrument (shares) classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that assets are deteriorated. Should any such evidence exist for financial assets available for sale, the accumulated loss - measured as the difference between the acquisition cost and its current fair value, less any impairment loss over the financial asset previously recognized in the income statement, will be reclassified from shareholders’ equity and recognized in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases, and such increase can be objectively related to an event occurred after the impairment was recognized as loss, the impairment loss is reversed through the income statement.

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iii) Derivative instruments and hedging activities

- **Foreign exchange gain or loss in foreign operations**

Any gain or loss of the instrument related to the effective portion is recognized in shareholders' equity. The gain or loss related to the non-effective portion is immediately recognized in the statement of income under "Other net gains (losses)".

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

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

Some derivative instruments are not qualified for hedge accounting. Changes in fair value of any of these derivative instruments are immediately recognized in the statement of income under "Other net gains (losses)".Although the Company uses derivatives for hedging purposes, it does not apply hedge accounting.

(w) Segment information

An operational segment is a Group component committed to the business activities, from which it can obtain revenues and incur in expenses, including revenues and expenses related to transactions with any other Group component. All operating income from operational segments are regularly reviewed by CSN's

Executive Board for decision-making about funds to be allocated to the segment and performance evaluation, to which there is distinctive financial information available (see Note 26).

(x) Government grants

Government grants are not recognized until there is reasonable safety that the Company will comply with related conditions and that grants will be received and then systematically recognized in the income statement during the periods in which the Company recognizes as expense corresponding costs that grants intend to offset.

The Company has state tax incentives in the North and Northeast regions, which are recognized in income as corresponding costs and expenses reduction.

3. RELATED PARTY TRANSACTIONS

a) Transactions with Parent Company

Vicunha Siderurgia S.A. is a holding company whose purpose is to hold interest in other companies. It is the Company's main shareholder, with a 47.86% interest in the voting capital.

On December 27, 2010, Rio IACO acquired 3.99% of interest in CSN by Caixa Beneficente dos Empregados da CSN ("CBS") becoming part of the controlling group.

CSN recorded interest on shareholders' equity for the period for Vicunha Siderurgia and Rio Iaco, whose accumulated amount on June 30, 2011, is indicated in the table below, according to the interest percentage of Vicunha Siderurgia and Rio Iaco in CSN until the closing date of this quarterly financial information.

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Companies	Minimum mandatory dividends	Interest on shareholders' equity proposed	Additional dividends proposed	**Total**	Dividends distributed	Interest on shareholders' equity paid
Vicunha Siderurgia		104,661		**104,661**	717,835	170,746
Rio Iaco		8,728		**8,728**	59,871	14,241
Total on 6/30/2011		**113,389**		**113,389**	**777,706**	**184,987**
Total on 12/31/2010	**141,174**	**184,985**	**636,509**	**962,668**	**717,834**	**33,499**

The corporate structure of Vicunha Siderurgia is described as follows (unreviewed information):

Vicunha Aços S.A. – holds 99.99% in Vicunha Siderurgia S.A.

Vicunha Steel S.A. – holds 66.96% in Vicunha Aços S.A.

National Steel S.A. – holds 33.04% in Vicunha Aços S.A.

CFL Participações S.A. – holds 40% in National Steel S.A. and 39.99% in Vicunha Steel S.A.

Rio Purus Participações S.A. – holds 60% in National Steel S.A., 59.99% in Vicunha Steel S.A. and 99.99% in Rio Iaco Participações S.A.

b) Transactions with jointly-controlled subsidiaries

The Company holds interest in jointly-owned subsidiaries in the strategic areas of mining, logistics and power generation. The characteristics, purposes and transactions with these companies are stated as follows:

- **Assets**

Companies	Accounts receivable	Dividends receivable	Loan (*)	Total
Nacional Minérios	155,842	587,770		743,612
MRS Logística	670	23,900		24,570
Total on 6/30/2011	**156,512**	**611,670**		**768,182**
Total on 12/31/2010	**47,268**	**616,989**	**1,241,095**	**1,905,352**

(*) On April 29, 2011, Nacional Minérios S.A. settled in advance the amount of R$1,224,657 (of which R$1,197,800 relating to principal and R$26,857 relating to interest), as provided for in the loan agreement.

- **Liabilities**

Companies	Advances from customers	Current accounts	Others	Total
Nacional Minérios	8,039,182	12,162		8,051,344
MRS Logística			18,652	18,652
Itá Energética			9,913	9,913
Total on 6/30/2011	**8,039,182**	**12,162**	**28,565**	**8,079,909**