

NATIONAL STEEL CO  
Form 6-K  
November 24, 2003

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**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 6-K**

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

**For the month of November, 2003**

**Commission File Number 1-14732**

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**COMPANHIA SIDERÚRGICA NACIONAL**

(Exact name of registrant as specified in its charter)

**National Steel Company**

(Translation of Registrant's name into English)

**Rua Lauro Muller, 116 - sala 3702**

**Rio de Janeiro, RJ**

**Federative Republic of Brazil**

(Address of principal executive office)

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

Form 20-F  Form 40-F

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

Yes  No

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(Convenience Translation into English from the Original Previously Issued in Portuguese)

### INDEPENDENT ACCOUNTANTS SPECIAL REVIEW REPORT

To the Stockholders and Management of  
Companhia Siderúrgica Nacional  
Rio de Janeiro RJ

1. We conducted a special review on the quarterly financial information (ITRs) of COMPANHIA SIDERÚRGICA NACIONAL (a Brazilian corporation), which includes the individual (Parent Company) and consolidated balance sheets as of September 30, 2003, the related statements of income for the quarter and for the nine-month period then ended, the performance report and the relevant information, presented in accordance with the accounting practices adopted in Brazil, prepared under the responsibility of the Company's management.
2. Except for the matter described in paragraph (3), our review was conducted in accordance with specific standards established by the Brazilian Institute of Accountants - IBRACON, together with the Federal Accounting Council (CFC), and mainly comprised: (a) inquires and discussions with the Company's and its subsidiaries management responsible for the accounting, financial and operating areas as to the principal criteria adopted in the preparation of the quarterly information; and (b) review of the information and subsequent events that had or may have significant effects on the Company's and its subsidiaries' financial position and operations.
3. The financial statements, as of September 30, 2003, of the jointly-controlled Lusosider Projectos Siderúrgicos S.A., whose investment represented 0.40% of the Parent Company's total assets and whose equity pick-up represented, respectively, 0.80% and 3.04% of net income for the quarter and for the nine-month period then ended, were not reviewed by us or by other independent auditors.
4. As described in note 13 to the quarterly financial information, the Company, its affiliate MRS Logística S.A. and its subsidiary GalvaSud S.A. elected to defer net losses arising from exchange rate changes in year 2001, in conformity with Provisional Measure No. 3/2001 and Deliberations no. 404/2001 and 409/2001 from Comissão de Valores Mobiliários - CVM. Accounting practices adopted in Brazil require the recognition in income of the effects of exchange rate changes during the period in which they occurred. As a result, as of September 30, 2003, stockholders' equity is overstated by approximately R\$97,000 thousand (R\$120,000 thousand as of June 30, 2003), and net profit for the quarter and for the nine-month period then ended is understated by approximately R\$23,000 thousand and R\$61,000 thousand, respectively, net of fiscal effects.
5. Based on our special review, except for the effects of the matter mentioned in paragraph (4), and for the effects, if any, of the lack of review of the financial statements of the jointly-controlled Lusosider, mentioned in paragraph (3), we are not aware of any material modification that should be made to the quarterly financial information referred to in paragraph (1) above, for it to be in accordance with the accounting practices adopted in Brazil, applied in compliance with the standards laid down by CVM (Brazilian Securities Commission), specifically applicable to the preparation of the quarterly information.
6. As described in note 21 to the quarterly information, as of September 30, 2003, the Company and subsidiaries recorded, as current assets, accounts receivable in the amount of R\$120,594 thousand, related to the sale of energy in the Wholesale Electric Energy Market - MAE, based on calculation made and disclosed by MAE and/or on estimates prepared by Management, when MAE information was not available. From this total amount, R\$93,751 thousand refer to the sale of energy to concessionaires or permissionaires holding injunctions for the suspension of payment for the transactions. The collection of said amounts depends upon the decision on judicial claims in progress, filed by sector companies, and referring to the interpretation of market regulations in force and the amounts still may be subject to changes. The definitive settlement also depends on the financial capacity of the companies to pay their obligations.
7. The individual and consolidated balance sheets, as of June 30, 2003, presented for comparative purposes, were reviewed by us, and our report, dated August 1, 2003 included qualification with respect to the deferral of net negative exchange variations for the year 2001 (paragraph 4). The individual and consolidated statements of income for the quarter and the nine-month period ended September 30, 2002, presented for comparative purposes, were reviewed by us, and our report, dated November 13, 2002, contains qualification with respect to the deferral of net negative exchange variations for the first quarter of 1999 and for the year 2001, and the impacts, if any, of the lack of review of the financial information of certain affiliates as of that date, which represented 0.05% of total assets of the Parent Company, and whose equity pick-up represents 2.03% of the loss for the nine-month period ended that date.
8. Our special review was conducted for the purpose of issuing a report on the quarterly information referred to in paragraph (1), taken as a whole. The Supplementary Information related to the Value-added Statement, presented in note 24, to the Statement of Earnings before Interest, Tax, Depreciation and Amortization (Ebitda) in note 25, and to the Statements of Changes in Financial Position and of Cash Flows presented in Attachment 16.01 to the quarterly information are presented for the purposes of allowing additional analyzes and are not required as part of the basic quarterly financial information. These statements were reviewed according with the review procedures mentioned in paragraph (2), and based on our special review, except for the effects of the matter described in paragraph (4) and in paragraph (3), if any, are fairly stated, in all material respects, in relation to the quarterly information taken as a whole.

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Rio de Janeiro, October 31, 2003

DELOITTE TOUCHE TOHMATSU  
Auditores Independentes

Marcelo Cavalcanti Almeida  
Accountant

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(Translation of the report originally issued in Portuguese.  
See Note 29 to the financial statements)

FEDERAL PUBLIC SERVICE  
CVM - BRAZILIAN SECURITIES COMMISSION  
QUARTERLY INFORMATION - ITR  
COMMERCIAL, INDUSTRY & OTHER TYPES OF COMPANY  
01.01 - IDENTIFICATION

CORPORATE LAW

DATE - 09/30/2003

|                         |   |                                     |
|-------------------------|---|-------------------------------------|
| 1 - CVM CODE<br>00403-0 | 2 - NAME OF COMPANY<br>COMPANHIA SIDERÚRGICA NACIONAL | 3 - TAX PAYER<br>33.042.730/0001-04 |
|-------------------------|---|-------------------------------------|

02.01 - BALANCE SHEET - ASSETS (IN THOUSANDS OF BRAZILIAN REAIS)

| 1 - CODE   | 2 - DESCRIPTION  | 3 -09/30/2003 | 3 -06/30/2003 |
|------------|--|---------------|---------------|
| 1          | TOTAL ASSETS   | 23,388,638    | 21,572,377    |
| 1.01       | CURRENT ASSETS   | 5,014,341     | 3,974,601     |
| 1.01.01    | CASH AND BANKS   | 63,284        | 32,493        |
| 1.01.01.01 | BANKS  | 63,284        | 32,493        |
| 1.01.02    | CREDITS  | 2,062,147     | 1,743,744     |
| 1.01.02.01 | TRADE ACCOUNTS RECEIVABLE - DOMESTIC MARKET              | 677,916       | 862,476       |
| 1.01.02.02 | TRADE ACCOUNTS RECEIVABLE - EXPORT MARKET                | 1,465,333     | 960,793       |
| 1.01.02.03 | ALLOWANCE FOR DOUBTFUL ACCOUNTS                          | (81,102)      | (79,525)      |
| 1.01.03    | INVENTORIES  | 715,940       | 647,173       |
| 1.01.03.01 | FINISHED PRODUCTS  | 165,645       | 157,349       |
| 1.01.03.02 | PRODUCTS IN PROCESS                                      | 113,269       | 134,620       |
| 1.01.03.03 | RAW MATERIAL   | 232,297       | 168,191       |
| 1.01.03.04 | SPARE PARTS AND MAINTENANCE SUPPLIES                     | 191,929       | 175,822       |
| 1.01.03.05 | IMPORTS IN TRANSIT                                       | 597           | 967           |
| 1.01.03.06 | MATERIALS IN TRANSIT                                     | 12,203        | 10,224        |
| 1.01.04    | OTHER  | 2,172,970     | 1,551,191     |
| 1.01.04.01 | MARKETABLE SECURITIES                                    | 1,555,168     | 872,399       |
| 1.01.04.02 | WITHHOLDING INCOME TAX AND SOCIAL CONTRIBUTION TO OFFSET | 115,117       | 112,526       |
| 1.01.04.03 | DEFERRED INCOME TAX                                      | 115,881       | 131,690       |
| 1.01.04.04 | DEFERRED SOCIAL CONTRIBUTION                             | 14,349        | 19,853        |
| 1.01.04.05 | DIVIDENDS RECEIVABLE                                     | 117,219       | 174,835       |
| 1.01.04.06 | OTHER  | 255,236       | 239,888       |
| 1.02       | LONG-TERM ASSETS   | 2,728,507     | 1,977,531     |
| 1.02.01    | CREDITS  | 56,431        | 55,823        |
| 1.02.01.01 | COMPULSORY LOANS - ELETROBRÁS                            | 56,431        | 55,823        |
| 1.02.02    | CREDITS WITH RELATED PARTIES                             | 1,269,884     | 593,789       |
| 1.02.02.01 | AFFILIATES   | 0             | 0             |
| 1.02.02.02 | SUBSIDIARIES   | 1,269,884     | 593,789       |
| 1.02.02.03 | OTHER RELATED PARTIES                                    | 0             | 0             |
| 1.02.03    | OTHER  | 1,402,192     | 1,327,919     |
| 1.02.03.01 | DEFERRED INCOME TAX                                      | 264,868       | 244,766       |
| 1.02.03.02 | DEFERRED SOCIAL CONTRIBUTION                             | 66,216        | 61,265        |
| 1.02.03.03 | JUDICIAL DEPOSITS  | 473,735       | 454,317       |
| 1.02.03.04 | SECURITIES RECEIVABLE                                    | 51,564        | 51,990        |
| 1.02.03.05 | MARKETABLE SECURITIES                                    | 136,153       | 107,673       |
| 1.02.03.06 | RECOVERABLE PIS / PASEP                                  | 53,781        | 52,349        |
| 1.02.03.07 | PREPAID EXPENSES   | 47,763        | 31,942        |
| 1.02.03.08 | INVESTMENT AVAILABLE FOR SALE                            | 245,956       | 246,917       |

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|            |                               |            |            |
|------------|-------------------------------|------------|------------|
| 1.02.03.09 | OTHER                         | 62,156     | 76,700     |
| 1.03       | PERMANENT ASSETS              | 15,645,790 | 15,620,245 |
| 1.03.01    | INVESTMENTS                   | 2,789,962  | 2,704,827  |
| 1.03.01.01 | IN AFFILIATES                 | 0          | 0          |
| 1.03.01.02 | IN SUBSIDIARIES               | 2,789,962  | 2,704,827  |
| 1.03.01.03 | OTHER INVESTMENTS             | 0          | 0          |
| 1.03.02    | PROPERTY, PLANT AND EQUIPMENT | 12,494,753 | 12,527,589 |
| 1.03.02.01 | IN NET OPERATION              | 11,730,249 | 11,868,726 |
| 1.03.02.02 | CONSTRUCTION                  | 648,666    | 543,580    |
| 1.03.02.03 | LANDS                         | 115,838    | 115,283    |
| 1.03.03    | DEFERRED CHARGES              | 361,075    | 387,829    |

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02.02 - BALANCE SHEET - LIABILITIES (IN THOUSANDS OF BRAZILIAN REAIS)

| 1 - CODE      | 2 - DESCRIPTION   | 3 -09/30/2003 | 4 -06/30/2003 |
|---------------|---|---------------|---------------|
| 2             | TOTAL LIABILITIES                                       | 23,388,638    | 21,572,377    |
| 2.01          | CURRENT LIABILITIES                                     | 4,585,096     | 4,304,915     |
| 2.01.01       | LOANS AND FINANCING                                     | 3,064,927     | 2,985,362     |
| 2.01.02       | DEBENTURES  | 40,266        | 68,287        |
| 2.01.03       | SUPPLIERS   | 520,444       | 597,284       |
| 2.01.04       | TAXES AND CONTRIBUTIONS                                 | 654,086       | 401,657       |
| 2.01.04.01    | SALARIES AND SOCIAL CONTRIBUTIONS                       | 111,005       | 100,368       |
| 2.01.04.02    | TAXES PAYABLE   | 325,030       | 207,146       |
| 2.01.04.03    | DEFERRED INCOME TAX                                     | 160,332       | 69,223        |
| 2.01.04.04    | DEFERRED SOCIAL CONTRIBUTION                            | 57,719        | 24,920        |
| 2.01.05       | DIVIDENDS PAYABLE                                       | 313           | 328           |
| 2.01.05.01    | PROPOSED DIVIDENDS AND INTEREST ON STOCKHOLDERS' EQUITY | 313           | 328           |
| 2.01.06       | PROVISIONS  | 8,183         | 9,358         |
| 2.01.06.01    | LABOR, CIVIL AND TAX                                    | 8,183         | 9,358         |
| 2.01.07       | DEBT WITH RELATED PARTIES                               | 0             | 0             |
| 2.01.08       | OTHER   | 296,877       | 242,639       |
| 2.01.08.01    | ACCOUNTS PAYBLE- AFFILIATED COMPANY                     | 198,817       | 169,396       |
| 2.01.08.02    | DERIVATIVES - PAYABLE ACCOUNTS                          | 0             | 0             |
| 2.01.08.03    | OTHER   | 98,060        | 73,243        |
| 2.02          | LONG-TERM LIABILITIES                                   | 10,974,186    | 9,631,242     |
| 2.02.01       | LOANS AND FINANCING                                     | 5,961,073     | 4,552,279     |
| 2.02.02       | DEBENTURES  | 666,550       | 666,550       |
| 2.02.03       | PROVISIONS  | 2,925,718     | 3,038,067     |
| 2.02.03.01    | LABOR, CIVIL, FISCAL AND ENVIRONMENTAL                  | 86,219        | 79,271        |
| 2.02.03.02    | FOR INCOME TAX IN JUDGE                                 | 59,441        | 59,441        |
| 2.02.03.03    | FOR SOCIAL CONTRIBUTION IN JUDGE                        | 44,181        | 31,479        |
| 2.02.03.04    | OTHER TAX IN JUDGE                                      | 237,459       | 240,305       |
| 2.02.03.05    | DEFERRED INCOME TAX                                     | 1,837,072     | 1,932,038     |
| 2.02.03.06    | DEFERRED SOCIAL CONTRIBUTION                            | 661,346       | 695,533       |
| 2.02.04       | DEBT WITH RELATED PARTIES                               | 987,603       | 960,895       |
| 2.02.05       | OTHER   | 433,242       | 413,451       |
| 2.02.05.01    | PROVISION FOR INVESTMENT DEVALUATION                    | 20,753        | 15,848        |
| 2.02.05.02    | OTHER   | 412,489       | 397,603       |
| 2.03          | DEFERRED INCOME   | 0             | 0             |
| 2.05          | STOCKHOLDERS' EQUITY                                    | 7,829,356     | 7,636,220     |
| 2.05.01       | PAID-IN CAPITAL   | 1,680,947     | 1,680,947     |
| 2.05.02       | CAPITAL RESERVES  | 10,485        | 10,485        |
| 2.05.03       | REVALUATION RESERVES                                    | 5,067,206     | 5,128,243     |
| 2.05.03.01    | OWN ASSETS  | 5,067,206     | 5,128,243     |
| 2.05.03.02    | SUBSIDIARIES/AFFILIATES                                 | 0             | 0             |
| 2.05.04       | REVENUE RESERVES  | 196,449       | 196,449       |
| 2.05.04.01    | LEGAL   | 196,449       | 196,449       |
| 2.05.04.02    | STATUTORY   | 0             | 0             |
| 2.05.04.03    | FOR CONTINGENCIES                                       | 0             | 0             |
| 2.05.04.04    | UNREALIZED INCOME                                       | 0             | 0             |
| 2.05.04.05    | PROFIT RETENTIONS                                       | 0             | 0             |
| 2.05.04.06    | SPECIAL FOR NON-DISTRIBUTED DIVIDENDS                   | 0             | 0             |
| 2.05.04.07    | OTHER PROFIT RESERVES                                   | 0             | 0             |
| 2.05.04.07.01 | FOR INVESTMENTS   | 0             | 0             |
| 2.05.05       | RETAINED EARNINGS                                       | 874,269       | 620,096       |

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03.01 - STATEMENT OF OPERATIONS (IN THOUSANDS OF BRAZILIAN REAIS)

| 1 - CODE      | 2 - DESCRIPTION   | 3 - 07/01/2003<br>TO 09/30/2003 | 4 - 01/01/2003<br>TO 09/30/2003 | 5 -07/01/2002<br>TO 09/30/2002 | 6 - 01/01/2002<br>TO 09/30/2002 |
|---------------|---|---------------------------------|---------------------------------|--------------------------------|---------------------------------|
| 3.01          | GROSS REVENUE FROM SALES AND SERVICES                         | 1,791,743                       | 5,294,157                       | 1,348,607                      | 3,681,890                       |
| 3.02          | DEDUCTIONS FROM GROSS REVENUE                                 | (236,343)                       | (795,641)                       | (175,043)                      | (567,927)                       |
| 3.03          | NET REVENUE FROM SALES AND SERVICES                           | 1,555,400                       | 4,498,516                       | 1,173,564                      | 3,113,963                       |
| 3.04          | COST OF GOODS AND SERVICES SOLD                               | (911,096)                       | (2,466,532)                     | (588,311)                      | (1,765,560)                     |
| 3.04.01       | DEPRECIATION, DEPLETION AND AMORTIZATION                      | (171,475)                       | (436,204)                       | (118,672)                      | (357,544)                       |
| 3.04.02       | OTHER   | (739,621)                       | (2,030,328)                     | (469,639)                      | (1,408,016)                     |
| 3.05          | GROSS PROFIT  | 644,304                         | 2,031,984                       | 585,253                        | 1,348,403                       |
| 3.06          | OPERATING INCOME (EXPENSES)                                   | (384,149)                       | (893,539)                       | (1,164,661)                    | (2,658,328)                     |
| 3.06.01       | SELLING   | (69,561)                        | (165,478)                       | (56,523)                       | (151,997)                       |
| 3.06.01.01    | DEPRECIATION AND AMORTIZATION                                 | (1,491)                         | (4,521)                         | (1,130)                        | (3,317)                         |
| 3.06.01.02    | OTHER   | (68,070)                        | (160,957)                       | (55,393)                       | (148,680)                       |
| 3.06.02       | GENERAL AND ADMINISTRATIVE                                    | (50,667)                        | (164,592)                       | (77,225)                       | (212,811)                       |
| 3.06.02.01    | DEPRECIATION AND AMORTIZATION                                 | (4,957)                         | (15,545)                        | (7,565)                        | (22,244)                        |
| 3.06.02.02    | OTHER   | (45,710)                        | (149,047)                       | (69,660)                       | (190,567)                       |
| 3.06.03       | FINANCIAL   | (415,374)                       | (539,261)                       | (1,608,762)                    | (3,084,450)                     |
| 3.06.03.01    | FINANCIAL INCOME  | (185,442)                       | 51,512                          | 1,219,158                      | 1,750,823                       |
| 3.06.03.01.01 | FOREIGN EXCHANGE AND MONETARY LOSS, NET                       | (169,882)                       | 1,049,708                       | 0                              | 0                               |
| 3.06.03.01.02 | FINANCIAL INCOME  | (15,560)                        | (998,196)                       | 1,219,158                      | 1,750,823                       |
| 3.06.03.02    | FINANCIAL EXPENSES  | (229,932)                       | (590,773)                       | (2,827,920)                    | (4,835,273)                     |
| 3.06.03.02.01 | FINANCIAL EXPENSES  | (229,932)                       | (590,773)                       | (324,112)                      | (706,911)                       |
| 3.06.03.02.02 | FOREIGN EXCHANGE AND MONETARY LOSS, NET                       | 0                               | 0                               | (2,503,808)                    | (4,128,362)                     |
| 3.06.04       | OTHER OPERATING INCOME  | 15,405                          | 21,950                          | 23,541                         | 28,869                          |
| 3.06.05       | OTHER OPERATING EXPENSES                                      | (35,197)                        | (40,842)                        | (20,833)                       | (117,571)                       |
| 3.06.05.03    | OTHER   | (35,197)                        | (40,842)                        | (20,833)                       | (117,571)                       |
| 3.06.06       | EQUITY IN RESULTS OF SUBSIDIARIES AND<br>AFFILIATED COMPANIES | 171,245                         | (5,316)                         | 575,141                        | 879,632                         |
| 3.07          | OPERATING INCOME (LOSS)                                       | 260,155                         | 1,138,445                       | (579,408)                      | (1,309,925)                     |
| 3.08          | NON-OPERATING LOSS  | (10,182)                        | (22,341)                        | (5,040)                        | (11,615)                        |
| 3.08.01       | INCOME  | 3                               | 28                              | 262                            | 1,876                           |
| 3.08.02       | EXPENSES  | (10,185)                        | (22,369)                        | (5,302)                        | (13,491)                        |
| 3.09          | INCOME BEFORE TAXES AND PARTICIPATIONS /<br>CONTRIBUTIONS     | 249,973                         | 1,116,104                       | (584,448)                      | (1,321,540)                     |
| 3.10          | PROVISION FOR INCOME TAX AND SOCIAL<br>CONTRIBUTION           | (35,667)                        | (31,037)                        | 14,142                         | 39,485                          |
| 3.11          | DEFERRED INCOME TAX   | (22,459)                        | (352,204)                       | 400,760                        | 705,290                         |
| 3.11.01       | DEFERRED INCOME TAX   | (14,972)                        | (254,488)                       | 289,735                        | 521,617                         |
| 3.11.02       | DEFERRED SOCIAL CONTRIBUTION                                  | (7,487)                         | (97,716)                        | 111,025                        | 183,673                         |
| 3.12          | STATUTORY PARTICIPATIONS / CONTRIBUTIONS                      | 0                               | 0                               | 0                              | 0                               |
| 3.12.01       | PARTICIPATIONS  | 0                               | 0                               | 0                              | 0                               |
| 3.12.02       | CONTRIBUTIONS   | 0                               | 0                               | 0                              | 0                               |
| 3.13          | REVERSAL OF INTEREST ON STOCKHOLDERS' EQUITY                  | 0                               | 0                               | 0                              | 0                               |
| 3.15          | NET INCOME (LOSS) FOR THE PERIOD                              | 191,847                         | 732,863                         | (169,546)                      | (576,765)                       |
|               | OUTSTANDING SHARES (THOUSANDS)                                | 71,729,261                      | 71,729,261                      | 71,729,261                     | 71,729,261                      |
|               | EARNINGS PER SHARE (R\$)                                      |                                 |                                 | 0.00267                        | 0.01022                         |
|               | LOSS PER SHARE (R\$)  |                                 |                                 | (0.00236)                      | (0.00804)                       |

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00403-0 COMPANHIA SIDERÚRGICA NACIONAL

33.042.730/0001-04

05.01 COMMENTS OF THE COMPANY S PERFORMANCE FOR THE QUARTER

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(In thousands of reais, except as otherwise indicated)

## 1. OPERATING CONTEXT

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

CSN is engaged in the mining of iron ore, limestone and dolomite in the neighboring State of Minas Gerais to cater for the needs of the Presidente Vargas Mill. Aiming to improve these activities, the Company also maintains strategic investments in railroad transportation and electricity power, ports, among other companies.

## 2. PRESENTATION OF THE FINANCIAL STATEMENTS

In compliance with the configuration of the Quarterly Information form, the Statements of Changes in Financial Position and Cash Flows of the parent company and consolidated, are presented in the table Other information that the Company considers as relevant .

## 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in conformity with the accounting principles adopted in Brazil, as well as with the accounting standards and pronouncements established by the Brazilian Securities Commission ("CVM") and Brazilian Institute of Accountants IBRACON.

### (a) Income statement

The results of operations are determined on an annual accrual basis. The Company decided to defer the net exchange variation incurred during fiscal year 2001, as detailed in Note 13.

### (b) Marketable securities

Securities are recorded at cost plus yields accrued through the balance sheet date, and do not exceed the market value.

### (c) Allowance for doubtful accounts

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

### (d) Inventories

Inventories are stated at the lower of the average production/purchase cost and net realization value or replacement cost, except in the case of imports in process, which are stated at their identified cost.

### (e) Other current and long-term assets

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



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### (f) Investments

Investments in subsidiaries, jointly owned subsidiary companies and associated companies are recorded by the equity accounting method, plus any amortizable goodwill and discount negative goodwill, if applicable.

The other permanent investments are recorded at acquisition cost.

### (g) Property, plant and equipment

The property, plant and equipment of the Parent Company is presented at market or replacement values, based on appraisal reports (refer to note 12) conducted by independent expert appraisers firms, as permitted by Deliberation No. 288 issued by the Brazilian Securities Commission ("CVM") on December 3, 1998. Depreciation is computed by the straight-line method at the rates shown in the note mentioned above based on the remaining economic useful lives of the assets after revaluation. Iron mines Casa de Pedra depletion is calculated on the basis of the quantity of iron ore extracted. Interest charges related to capital funding for construction in progress are capitalized for as long as the projects remain uncompleted.

### (h) Deferred charges

The deferred charges are basically comprised of expenses incurred for development and implantation of projects that should generate a payback to the Company in the next few years, being the amortization applied on a straight-line basis will follow the period foreseen for the economic return on the above projects. The charges also include the net foreign exchange variations related to the year 2001.

### (i) Current and long-term liabilities

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

### (j) Employees Benefit

In accordance with Deliberation No. 371, issued by the Brazilian Securities Commission ( CVM ), of December 13, 2000, the Company decided to record the respective actuarial liabilities as from January 1, 2002, in accordance with the above as mentioned in reported deliberation and based on independent actuaries studies (see note 26 item d).

### (k) Income Tax and Social Contribution

Income tax and social contribution on net income are calculated based on their effective tax rates and consider the tax loss absorption limited to 30%, to compute the tax liability. Tax credits are set up as deferred taxes on tax losses, negative basis of social contribution on net income and on temporary differences as well as income tax and social contribution on the 2001 deferred exchange variation and other temporary differences

### (l) Derivatives

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

The operations of exchange options are monthly adjusted to market value, whenever the position shows a loss, such loss is recognized as a company obligation in counter entry to the financial result, in accordance with the prudence principle.

## 4. CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements as of September 30 and June 30, 2003 include the following subsidiaries and joint subsidiaries:

| Companies | Percentage share of total and<br>voting capital stock (%) |            | Main Activities |
|-----------|---|------------|-----------------|
|           | 09/30/2003  | 06/30/2003 |                 |
|           |   |            |                 |

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**Fully Consolidated**

|  |        |        |  |
|--|--------|--------|--|
| CSN Cayman                                       | 100.00 | 100.00 | Financial Operations and Product Trading               |
| CSN Energy Corp.                                 | 100.00 | 100.00 | Participation in other companies through equity stakes |
| CSN Export Co.                                   | 100.00 | 100.00 | Financial Operations                                   |
| CSN Iron   | 100.00 | 100.00 | Financial Operations                                   |
| CSN Islands Corp.                                | 100.00 | 100.00 | Financial Operations                                   |
| CSN Islands II Corp.                             | 100.00 | 100.00 | Financial Operations                                   |
| CSN Islands III Corp.                            | 100.00 | 100.00 | Financial Operations                                   |
| CSN Islands IV Corp.                             | 100.00 | 100.00 | Financial Operations                                   |
| CSN Islands V Corp.                              | 100.00 | 100.00 | Financial Operations                                   |
| CSN Islands VII Corp.                            | 100.00 |        | Financial Operations                                   |
| CSN Overseas                                     | 100.00 | 100.00 | Financial Operations                                   |
| CSN Steel Corp.                                  | 100.00 | 100.00 | Participation in other companies through equity stakes |
| CSN Energy I Corp.                               | 100.00 | 100.00 | Participation in other companies through equity stakes |
| Cia. Metalic Nordeste                            | 99.99  | 99.99  | Metallurgy   |
| Indústria Nacional de Aços Laminados - Inal S.A. | 99.99  | 99.99  | Steel products service center                          |
| FEM - Projetos, Construções e Montagem S.A.      | 99.99  | 99.99  | Assembly and maintenance                               |
| CSC - Cia. Siderúrgica do Ceará                  | 99.99  | 99.99  | Steel Making   |
| CSN Panama, S.A.                                 | 99.99  | 99.99  | Participation in other companies through equity stakes |
| CSN Energia S.A.                                 | 99.90  | 99.90  | Trading of electric power                              |
| CSN Participações Energéticas S.A.               | 99.70  | 99.70  | Participation in other companies through equity stakes |
| CSN I S.A.                                       | 99.67  | 99.67  | Steel Making   |

**Proportionally consolidated**

|                        |       |       |                               |
|------------------------|-------|-------|-------------------------------|
| GalvaSud S.A           | 51.00 | 51.00 | Steel products service center |
| Lusosider (1)          | 50.00 | 50.00 | Steel Making                  |
| SePETIBA Tecon S.A (2) | 20.00 | 20.00 | Maritime port services        |

(1) Indirect participation through CSN Steel Corp.

(2) Considering the indirect participation in Sepetiba Tecon S.A., through CSN Panama,S.A., the total participation amounts to 50%.

The financial statements originally prepared in US dollars (CSN Cayman, CSN Energy Corp., CSN Export Co., CSN Iron, S.A., CSN Islands Corp., CSN Islands II Corp., CSN Islands III Corp., CSN Islands IV Corp., CSN Islands V Corp., CSN Island VII Corp., CSN Overseas, CSN Panama, S.A., CSN Steel Corp. e Energy I Corp. ) and in Euros (Lusosider) were converted to Brazilian reais at the exchange rate in effect on September 30, 2003 R\$/US\$2.9234 (June 30, 2003 R\$/US\$2.8720 and September 30, 2002 R\$/US\$3.8949) and EUR/US\$ 1.16758 (June, 30 2003 EUR/US\$ 1.15288). The gains / losses originated by this conversion were accounted for in the income statements of the related periods, as equity accounting in the parent company and exchange variation in the consolidated. These financial statements were prepared applying the same accounting principles as those applied by the Parent Company.

All intercompany balances and transactions have been eliminated in the presentation of the consolidated financial statements.

The year-end closing dates for the consolidated subsidiaries and jointly owned subsidiaries coincide with those of the parent company, except for Lusosider s financial Statements which ended on August, 31 2003.

Consistent with the financial statements for the year ended December 31, 2002, the Company did not consolidate the following investees due to the fact that they do not represent any relevant change to the consolidated economic unit.

| Companies                               | Ownership (%)             |        |
|---|---------------------------|--------|
|   | 09/30/2003 and 06/30/2003 |        |
|   | Total                     | Voting |
| Companhia Ferroviária do Nordeste - CFN | 32.40                     | 32.40  |
| Ferrovias Centro Atlântica S.A. (FCA)   | 11.95                     | 11.66  |
| MRS Logística S.A.                      | 32.22                     | 18.72  |

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The consolidated financial statements do not include the subsidiary CSN Aceros, S.A an associated company through the 37.50% interest held by CSN Panama, S.A.

The participation in Itá Energética S.A. (ITASA) is shown as investment available for sale in long-term assets, and, therefore, was not consolidated.

The reconciliation between shareholders' equity and net income (loss) for the period of the Parent Company and consolidated is as follows:

|                                     | Shareholders' equity |                  | Net Profit/Loss |                  |
|-------------------------------------|----------------------|------------------|-----------------|------------------|
|                                     | 09/30/2003           | 06/30/2003       | 09/30/2003      | 09/30/2002       |
| <b>Parent Company</b>               |                      |                  |                 |                  |
| Elimination of gains on inventories | 7,829,356            | 7,636,220        | 732,863         | (575,765)        |
| Other adjustments                   | (29,934)             | (41,126)         | (16,887)        | 508              |
|                                     | 9                    | 5                | 9               | 1,894            |
| <b>Consolidated</b>                 | <b>7,799,431</b>     | <b>7,595,099</b> | <b>715,985</b>  | <b>(574,363)</b> |

Note 19 only shows changes in the parent company's stockholders' equity

### 5. TRANSACTION WITH RELATED PARTIES

#### a) Asset

| Companies                  | Accounts Receivable | Financial Application | Mutual/Current accounts (1) | Debentures    | Dividends Receivable | Advance for future capital | Total            |
|----------------------------|---------------------|-----------------------|-----------------------------|---------------|----------------------|----------------------------|------------------|
| CSN Cayman                 | 1,293,176           |                       | 242,987                     |               |                      |                            | 1,536,163        |
| CSN Export Co.             | 246,743             |                       |                             |               |                      |                            | 246,743          |
| CSN Iron                   |                     |                       |                             |               |                      |                            |                  |
| CSN Islands II             | 58                  |                       |                             |               |                      |                            | 58               |
| CSN Islands III            | 58                  |                       |                             |               |                      |                            | 58               |
| CSN Islands IV             | 27                  |                       |                             |               |                      |                            | 27               |
| CSN Islands V              | 57                  |                       |                             |               |                      |                            | 57               |
| CSN Islands VII            | 49                  |                       |                             |               |                      |                            | 49               |
| CSN Overseas               | 398                 |                       | 539,906                     |               |                      |                            | 540,304          |
| CSN Panama                 | 366                 |                       | 486,991                     |               |                      |                            | 487,357          |
| Fibra                      |                     | 810,424               |                             |               |                      |                            | 810,424          |
| Galvasud                   | 54,372              |                       |                             |               |                      |                            | 54,372           |
| Inal                       | 25,986              |                       |                             |               |                      |                            | 25,986           |
| Metalic                    | 1,135               |                       |                             |               |                      |                            | 1,135            |
| MRS Logística              | 104                 |                       |                             |               |                      |                            | 104              |
| Others                     | 619                 |                       | 52,339                      | 18,000        | 117,219              | 4,594                      | 192,771          |
| <b>Total on 09/30/2003</b> | <b>1,623,148</b>    | <b>810,424</b>        | <b>1,322,223</b>            | <b>18,000</b> | <b>117,219</b>       | <b>4,594</b>               | <b>3,895,608</b> |
| <b>Total on 06/30/2003</b> | <b>1,247,192</b>    | <b>287,156</b>        | <b>614,725</b>              | <b>18,000</b> | <b>174,835</b>       | <b>14,847</b>              | <b>2,356,755</b> |

#### b) Liabilities

Loans and financings

Other operations

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| Companies                  | Prepayments      | Fixed Rate Notes (2) | Investees Loans | Intercompany Bonds (3) | Swap           | Mutual/Current Accounts(1) | Associated Company Inventories | Accounts Payable | Total            |
|----------------------------|------------------|----------------------|-----------------|------------------------|----------------|----------------------------|--------------------------------|------------------|------------------|
| CSN Cayman                 | 390,614          |                      |                 |                        |                | 106,228                    |                                |                  | 496,842          |
| CSN Export Co.             | 790,494          |                      |                 |                        |                |                            |                                |                  | 790,494          |
| CSN Iron                   |                  |                      |                 | 1,807,392              |                |                            |                                |                  | 1,807,392        |
| CSN Islands II             |                  | 250,128              |                 |                        |                |                            |                                |                  | 250,128          |
| CSN Islands III            |                  | 228,578              |                 |                        |                |                            |                                |                  | 228,578          |
| CSN Islands IV             |                  | 298,681              |                 |                        |                |                            |                                |                  | 298,681          |
| CSN Islands V              |                  | 447,623              |                 |                        |                |                            |                                |                  | 447,623          |
| CSN Islands VII            |                  | 616,391              |                 |                        |                |                            |                                |                  | 616,391          |
| CSN Overseas               | 528,081          | 178,942              | 99,305          |                        |                | 1,035,065                  |                                |                  | 1,841,393        |
| CSN Panama                 |                  |                      |                 |                        |                |                            |                                |                  |                  |
| Fibra                      |                  |                      |                 |                        | 123,457        |                            |                                |                  | 123,457          |
| Galvasud                   |                  |                      |                 |                        |                |                            |                                | 54               | 54               |
| Inal                       |                  |                      |                 |                        |                |                            | 23,227                         | 30               | 23,257           |
| Metalic                    |                  |                      |                 |                        |                |                            |                                | 408              | 408              |
| MRS Logística              |                  |                      |                 |                        |                |                            |                                | 39,078           | 39,078           |
| Others                     |                  |                      |                 |                        |                | 45,127                     |                                | 121,617          | 166,744          |
| <b>Total on 09/30/2003</b> | <b>1,709,189</b> | <b>2,020,343</b>     | <b>99,305</b>   | <b>1,807,392</b>       | <b>123,457</b> | <b>1,186,420</b>           | <b>23,227</b>                  | <b>161,187</b>   | <b>7,130,520</b> |
| <b>Total on 06/30/2003</b> | <b>938,173</b>   | <b>1,371,218</b>     | <b>96,307</b>   | <b>1,736,304</b>       | <b>102,450</b> | <b>1,130,292</b>           | <b>23,214</b>                  | <b>107,758</b>   | <b>5,505,716</b> |

c) Result

| Companies       | Income                          |                                 |           |           | Expenses                        |                                 |        |           |
|-----------------|---------------------------------|---------------------------------|-----------|-----------|---------------------------------|---------------------------------|--------|-----------|
|                 | Revenue from Sales and Services | Interest and Exchange Variation | Others    | Total     | Revenue from Sales and Services | Interest and Exchange Variation | Others | Total     |
| CSN Cayman      | 1,081,411                       | (165,058)                       |           | 916,353   |                                 | (42,058)                        |        | (42,058)  |
| CSN Export Co.  | 247,556                         | (455)                           |           | 247,101   |                                 | 5,923                           |        | 5,923     |
| CSN Iron        |                                 |                                 |           |           |                                 | (246,062)                       |        | (246,062) |
| CSN Islands II  |                                 |                                 |           |           |                                 | (40,652)                        |        | (40,652)  |
| CSN Islands III |                                 |                                 |           |           |                                 | (570)                           |        | (570)     |
| CSN Islands IV  |                                 |                                 |           |           |                                 | 9,694                           |        | 9,694     |
| CSN Islands V   |                                 |                                 |           |           |                                 | 19,808                          |        | 19,808    |
| CSN Islands VII |                                 |                                 |           |           |                                 | 38,819                          |        | 38,819    |
| CSN Overseas    |                                 | (9,325)                         |           | (9,325)   |                                 | (332,317)                       |        | (332,317) |
| CSN Panama      |                                 | 11,584                          |           | 11,584    |                                 |                                 |        |           |
| Fibra           |                                 |                                 | (222,866) | (222,866) |                                 | 123,457                         |        | 123,457   |
| Galvasud        | 186,056                         |                                 |           | 186,056   | 2,528                           |                                 |        | 2,528     |
| Inal            | 347,854                         |                                 |           | 347,854   | 7,173                           |                                 |        | 7,173     |
| Metalic         | 9,583                           |                                 |           | 9,583     |                                 |                                 |        |           |
| MRS Logística   |                                 |                                 |           |           | 124,147                         |                                 |        | 124,147   |

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|                     |           |           |     |           |         |           |           |
|---------------------|-----------|-----------|-----|-----------|---------|-----------|-----------|
| Others              |           | 885       | 75  | 960       | 231,812 |           | 231,812   |
| Total on 09/30/2003 | 1,872,460 | (385,235) | 75  | 1,487,300 | 365,660 | (463,958) | (98,298)  |
| Total on 09/30/2002 | 1,111,358 | 490,672   | 143 | 1,602,173 | 204,855 | 2,464,311 | 2,669,166 |

CSN Cayman and CSN Iron Indirect Participation through its subsidiaries Energy Corp. and CSN Panama S.A, respectively.

Others: CFN, FCA, CSC, CSN Foundation, CBS CSN Employee s Pension Fund, FEM, Sepetiba Tecon S.A., CSN Energia S.A. and CSN Participações Energéticas S.A.

These operations were carried out under normal market terms and effective legislation for similar operations, being the main ones highlighted below:.

(1) Semester Libor + 3% p.y. indeterminate maturity CSN Cayman and CSN Overseas IGPM + 6% p.y indeterminate maturity CSN Panama.

(2) Contracts in US\$ - Interest of 11% p.y. - maturity 1st tranche: 01/23/2004 and 2nd tranche: 01/29/2004 CSN Overseas.

- Interest of 9.5%p.y. maturity: 03/05/2004 CSN Islands II
- Interest of 9.75%p.y. maturity: 04/22/2005 CSN Islands III
- Interest of 6.85%p.y. maturity: 06/04/2005 CSN Islands IV
- Interest of 7.875%p.y. maturity: 07/07/2005 CSN Islands V
- Interest of 7,3% p.y. maturity: 09/12/2008 CSN Island VII

(3) Contracts in US\$ - Interest of 9.5% p.y. (1st tranche) and 8.25% p.y. (2nd tranche) - maturity 1st and 2nd tranche: 06/01/2007- CSN Iron

## 6. MARKETABLE SECURITIES

|   | Parent Company |            | Consolidated |            |
|---|----------------|------------|--------------|------------|
|   | 09/30/2003     | 06/30/2003 | 09/30/2003   | 06/30/2003 |
| <b>Short Term</b>   |                |            |              |            |
| Financial investment fund   | 1,512,144      | 818,478    | 1,587,187    | 887,494    |
| Investments abroad  | 12,714         | 24,492     | 356,301      | 361,807    |
| Fixed income investments  | 30,310         | 29,429     | 46,522       | 32,753     |
|   | 1,555,168      | 872,399    | 1,990,010    | 1,282,054  |
| <b>Long Term</b>  |                |            |              |            |
| Fixed income investments and debentures (net of probables losses and with holding income tax) | 136,153        | 107,673    | 131,621      | 103,199    |
|   | 1,691,321      | 980,072    | 2,121,631    | 1,385,253  |

Company management applies most of the Company s financial resources in Investment Fund comprised of Brazilian government bonds and fixed income bonds issued in the Brazil, with monetary or foreign exchange variation.

## 7 ACCOUNTS RECEIVABLE

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

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|                                   | 09/30/2003 | 06/30/2003 | 09/30/2003 | 06/30/2003 |
|-----------------------------------|------------|------------|------------|------------|
| <b>Domestic market</b>            | 677,916    | 862,476    | 870,935    | 1,166,288  |
| Subsidiary and Associated Company | 82,216     | 153,129    |            |            |
| Other clients                     | 595,700    | 709,347    | 870,935    | 1,166,288  |
| <b>Foreign market</b>             | 1,465,333  | 960,793    | 571,939    | 346,259    |
| Subsidiary and Associated Company | 1,540,932  | 1,094,063  |            |            |
| Other clients                     | 26,720     | 10,330     | 571,939    | 346,259    |
| Exportation Contract Advance      | (102,319)  | (143,600)  |            |            |
| Allowance for doubtful accounts   | (81,102)   | (79,525)   | (95,152)   | (94,394)   |
|                                   | 2,062,147  | 1,743,744  | 1,347,722  | 1,418,153  |

8. INVENTORIES

|                                      | Parent Company |            | Consolidated |            |
|--------------------------------------|----------------|------------|--------------|------------|
|                                      | 09/30/2003     | 06/30/2003 | 09/30/2003   | 06/30/2003 |
| Finished products                    | 165,645        | 157,349    | 222,349      | 222,322    |
| Products in process                  | 113,269        | 134,620    | 126,921      | 146,865    |
| Rawmaterials                         | 232,297        | 168,191    | 299,629      | 233,505    |
| Spare parts and maintenance supplies | 191,929        | 175,822    | 216,090      | 202,394    |
| Imports in progress                  | 597            | 967        | 3,925        | 1,528      |
| Others                               | 12,203         | 10,224     | 22,323       | 17,973     |
|                                      | 715,940        | 647,173    | 891,237      | 824,587    |

9. DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

|                            | Parent Company |            | Consolidated |            |
|----------------------------|----------------|------------|--------------|------------|
|                            | 09/30/2003     | 06/30/2003 | 09/30/2003   | 06/30/2003 |
| <b>Current assets</b>      |                |            |              |            |
| Income tax                 | 115,881        | 131,690    | 128,719      | 148,749    |
|                            | 14,349         | 19,853     | 18,970       | 25,994     |
| Social contribution        | 130,230        | 151,543    | 147,689      | 174,743    |
| <b>Long-term assets</b>    |                |            |              |            |
| Income tax                 | 264,868        | 244,766    | 292,440      | 273,156    |
|                            | 66,216         | 61,265     | 76,111       | 71,423     |
| Social contribution        | 331,084        | 306,031    | 368,551      | 344,579    |
| <b>Current liabilities</b> |                |            |              |            |
| Income tax                 | 160,332        | 69,223     | 160,999      | 69,890     |
|                            | 57,719         | 24,920     | 57,960       | 25,160     |
| Social contribution        |                |            |              |            |

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|                              |           |           |           |           |
|------------------------------|-----------|-----------|-----------|-----------|
|                              | 218,051   | 94,143    | 218,959   | 95,050    |
| <b>Long-term liabilities</b> |           |           |           |           |
| Income tax                   | 1,837,072 | 1,932,038 | 1,837,239 | 1,932,371 |
|                              | 661,346   | 695,533   | 661,406   | 695,654   |
| Social contribution          |           |           |           |           |
|                              | 2,498,418 | 2,627,571 | 2,498,645 | 2,628,025 |

|                         | Parent Company |            | Consolidated |            |
|-------------------------|----------------|------------|--------------|------------|
|                         | 09/30/2003     | 09/30/2002 | 09/30/2003   | 09/30/2002 |
| <b>Income statement</b> |                |            |              |            |
| Income tax              | (254,488)      | 521,617    | (242,420)    | 540,810    |
|                         | (97,716)       | 183,673    | (93,343)     | 190,827    |
| Social contribution     |                |            |              |            |
|                         | (352,204)      | 705,290    | (335,763)    | 731,637    |

The sources of the deferred social contribution and income tax of the Parent Company are shown as follows:

|  | 09/30/2003 |           |                     |           | 06/30/2003 |           |                     |           |
|--|------------|-----------|---------------------|-----------|------------|-----------|---------------------|-----------|
|  | Income Tax |           | Social Contribution |           | Income Tax |           | Social Contribution |           |
|  | Short Term | Long Term | Short Term          | Long Term | Short Term | Long Term | Short Term          | Long Term |
| <b>Assets</b>  |            |           |                     |           |            |           |                     |           |
| Provision for labor, fiscal and civil contingencies      | 2,046      | 21,539    | 736                 | 7,754     | 2,340      | 21,161    | 842                 | 7,619     |
| Allowance for doubtful accounts                          | 3,992      | 9,025     | 1,437               | 3,249     | 4,820      | 8,618     | 1,735               | 3,103     |
| Provision for interest on stockholders' equity           | 9          |           | 3                   |           | 16         |           | 6                   |           |
| Provision for losses on marketable securities            |            | 31,836    |                     | 11,461    |            | 31,845    |                     | 11,464    |
| Provision on unsecured liability                         |            | 5,188     |                     | 1,868     |            | 3,962     |                     | 1,426     |
| Provision for inventory losses                           | 2,870      |           | 1,033               |           | 1,350      |           | 486                 |           |
| Provision for profit sharing                             | 7,060      |           | 2,542               |           | 4,435      |           | 1,597               |           |
| Provision for reform and maintance                       | 6,770      |           | 2,437               |           | 4,058      |           | 1,461               |           |
| Provision for private pension plan                       |            | 29,321    |                     | 10,555    |            | 26,398    |                     | 9,503     |
| Taxes under litigation                                   |            | 98,765    |                     |           |            | 91,235    |                     |           |
| Taxes losses/ Negative basis                             | 91,096     | 52,336    | 5,426               | 27,120    | 112,906    | 52,336    | 12,381              | 27,120    |
|  | 2,038      | 16,858    | 735                 | 4,209     | 1,765      | 9,211     | 1,345               | 1,030     |
| Other  |            |           |                     |           |            |           |                     |           |
|  | 115,881    | 264,868   | 14,349              | 66,216    | 131,690    | 244,766   | 19,853              | 61,265    |
| <b>Total Liabilities</b>                                 |            |           |                     |           |            |           |                     |           |
| Deferred exchange variation                              | 7,679      | 25,795    | 2,765               | 9,286     | 15,710     | 25,794    | 5,656               | 9,286     |
| Income tax and social contribution on revaluation reserv | 84,391     | 1,806,436 | 30,380              | 650,317   | 12,546     | 1,901,402 | 4,516               | 684,505   |
| Income tax and social contribution on foreign profit     | 68,262     |           | 24,574              |           | 40,967     |           | 14,748              |           |

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|        |         |           |        |         |        |           |        |         |
|--------|---------|-----------|--------|---------|--------|-----------|--------|---------|
|        |         | 4,841     |        | 1,743   |        | 4,842     |        | 1,742   |
| Others | 160,332 | 1,837,072 | 57,719 | 661,346 | 69,223 | 1,932,038 | 24,920 | 695,533 |

**Total**  
The deferred assets related to income tax losses and social contribution negative basis were set up based on the historical CSN's profitability and on the consequent expectation of future profitability, which were approved by Company's Administration Council. These credits are expected to be completely offset in up to 5 years.

In addition to the credits already recorded, the Company has filed a lawsuit related to the "Plano Verão" claiming the financial and fiscal effects related to the inflationary expurgation of Consumer Price Index (IPC) of January 1989, in the calculation of corporate income tax (IRPJ) and social contribution ("CSL") (see Note 18c).

Reconciliation between expenses and income of current income tax (IRPJ) and social contribution ("CSL") of the parent company and the application of the effective rate on net income (loss) before CSL and IRPJ is as follows:

|   | 09/30/2003       |               | 09/30/2002         |                   |
|---|------------------|---------------|--------------------|-------------------|
|   | IRPJ             | CSL           | IRPJ               | CSL               |
| Net income (Loss) before CSL and IRPJ                 | 1,116,104<br>25% | 1,116,1<br>9% | (1,321,540)<br>25% | (1,321,540)<br>9% |
| Rate  |                  |               |                    |                   |
| Total   | (279,026)        | (100,449)     | 330,385            | 118,939           |
| Equity  | 228              | 82            | 234,255            | 84,332            |
| Fiscal incentives of interest on stockholders' equity |                  |               | 12,500             | 4,500             |
| Portion reversal of Plano Verão Provision             | 65,829           | 48,929        |                    |                   |
| Differential Rate                                     |                  |               |                    | (1,201)           |
| Provision for earnings from foreign subs              | (68,262)         | (24,574)      | (23,087)           | (8,311)           |
| Temporary differences set on deffered                 |                  |               | (521,617)          | (183,672)         |
|   | (19,296)         | (6,702)       | (3,403)            | (4,135)           |
| Other addition (writte off) permanent                 |                  |               |                    |                   |
|   | (300,527)        | (82,714)      | 29,033             | 10,452            |
| <b>Parent Company</b>                                 |                  |               |                    |                   |
|   | (309,755)        | (86,279)      | 16,692             | 5,791             |

**Consolidated**

10. RECOVERABLE PIS/PASEP

As a result of a favorable final decision by the Federal Supreme Court and on the basis of Federal Senate Resolution no. 49/95 ruling that Decrees no. 2445/88 and no. 2449/88 were unconstitutional, and based on the opinion which was further supported by CSN's legal counsel, the Company states the amount of this credit in its balance sheet, which includes principal and legal charges.

11. INVESTMENTS

a) Direct participation in subsidiary and associated company

| Companies   | 09/30/2003                       |           |  | 06/30/2003   |             |  |  |        |
|---|----------------------------------|-----------|--|--|-------------|--|--|--------|
|   | Number of Shares<br>in thousands |           | Net Income<br>(loss)<br>For the<br>quarter | Stockholders'<br>equity<br>(unsecured%<br>liability) | % Ownership | Net Income<br>(loss)<br>For the<br>quarter | Stockholders'<br>equity<br>(unsecured%<br>liability) |        |
| Industria Nacional de Aços Laminados<br>INAL S.A. | 285,949,997                      | 99.9979   | 7,704                                      | 284,973  | 99.9979     | 5,698                                      | 277,268  |        |
| GalvaSud S.A.                                     | 70,655,879                       | 51.00     | (5,236)                                    | (4,700)  | 51.00       | 7,159                                      | 537  |        |
| Cia. Metalic do Nordeste                          | 39,999,996                       | 4,424,971 | 99.99                                      | 4,222  | 71,944      | 99.99                                      | (609)  | 36,172 |

**Steel and Services**



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|  |           |       |        |       |         |        |       |         |
|--|-----------|-------|--------|-------|---------|--------|-------|---------|
| CSC - Cia. Siderúrgica do Ceará              | 1,099,996 |       | 99.99  | (1)   | (4,590) | 99.99  |       | (4,588) |
| FEM - Projetos, Construções e Montagem S.A . | 376,336   |       | 99.997 | (711) | (1,979) | 99.997 | (397) | (2,636) |
| CSN I S.A .                                  | 600       | 1,194 | 99.67  |       | 2       | 99.67  |       | 2       |

**Corporate**

|                        |             |             |        |         |         |        |         |         |
|------------------------|-------------|-------------|--------|---------|---------|--------|---------|---------|
| CSN Overseas           |             | 272,950,962 | 100.00 | 80,391  | 953,197 | 100.00 | 79,299  | 858,352 |
| CSN Energy Corp.       | 200,000,000 |             | 100.00 | (2,113) | 503,222 | 100.00 | 2,431   | 496,307 |
| CSN Export Co.         | 50,000      |             | 100.00 | 2,238   | 2,201   |        |         |         |
| CSN Islands Corp.      | 50,000      |             | 100.00 |         | 146     | 100.00 |         | 144     |
| CSN Islands II Corp.   | 50,000      |             | 100.00 | (1)     | (1,745) | 100.00 |         | (1,713) |
| CSN Islands III, S.A . | 50,000      |             | 100.00 | (48)    | (564)   | 100.00 | (25)    | (508)   |
| CSN Islands IV, S.A .  | 50,000      |             | 100.00 | (25)    | (70)    | 100.00 | (47)    | (44)    |
| CSN Islands V Corp.    | 50,000      |             | 100.00 | (157)   | (152)   |        |         |         |
| CSN Islands VII Corp.  | 50,000      |             | 100.00 | (49)    | (46)    |        |         |         |
| CSN Panama, S.A .      | 16,870      | 11,411      | 99.99  | 28,865  | 711,568 | 99.99  | 34,737  | 670,990 |
| CSN Steel Corp.        | 1           |             | 100.00 | (1,072) | (2,679) | 100.00 | (1,684) | (1,751) |

**Energy and infrastructure**

|                                     |            |            |       |         |          |       |         |          |
|-------------------------------------|------------|------------|-------|---------|----------|-------|---------|----------|
| MRS Logística S.A                   | 24,203,843 | 11,054,581 | 32.22 | 66,039  | 104,961  | 32.22 | 111,410 | 38,654   |
| Sepetiba Tecon S.A .                | 7,825,384  |            | 20.00 | (9,620) | (32,660) | 20.00 | 3,465   | (23,041) |
| CSN Energia S.A .                   | 999        |            | 99.90 | 3,482   | 213,174  | 99.90 | (614)   | 334,535  |
| CSN Participações Energéticas S.A . | 997        |            | 99.70 |         | 1        | 99.70 |         | 1        |

b) Investment Movement

| Companies                                      | 06/30/2003         |                                 |                       |                  | 09/30/2003         |                                 |                                 |                 |
|--|--------------------|---------------------------------|-----------------------|------------------|--------------------|---------------------------------|---------------------------------|-----------------|
|  | Investment Balance | Balance of (provision for loss) | Addition (writte off) | Equity result(1) | Investment Balance | Balance of (provision for loss) | Net Goodwill(Negative Goodwill) | Consolidated(2) |
| <b>Steel and Services</b>                      |                    |                                 |                       |                  |                    |                                 |                                 |                 |
| Industria Nacional de Aços Laminados INAL S.A. | 277,264            |                                 |                       | 7,703            | 284,967            |                                 | 1,112                           | 9,086           |
| GalvaSud S.A .                                 | 274                |                                 |                       | (2,671)          |                    | (2,397)                         |                                 |                 |
| Cia. Metalic do Nordeste                       | 36,168             |                                 | 31,365                | 4,404            | 71,937             |                                 | 115,279                         | 115,279         |
| CSC - Cia. Siderúrgica do Ceará                |                    | (4,588)                         |                       | (1)              |                    | (4,589)                         |                                 |                 |
| FEM - Projetos, Construções e Montagem S.A .   |                    | (2,636)                         | 1,368                 | (711)            |                    | (1,979)                         |                                 |                 |
|  | 313,706            | (7,224)                         | 32,733                | 8,724            | 356,904            | (8,965)                         | 116,391                         | 124,365         |
| <b>Corporate</b>                               |                    |                                 |                       |                  |                    |                                 |                                 |                 |
| CSN Overseas                                   | 858,354            |                                 |                       | 94,844           | 953,198            |                                 |                                 |                 |
| CSN Energy Corp.                               | 496,307            |                                 |                       | 6,915            | 503,222            |                                 |                                 |                 |
| CSN Export Co.                                 |                    |                                 | 3                     | 2,198            | 2,201              |                                 |                                 |                 |
| CSN Islands Corp.                              | 144                |                                 |                       | 2                | 146                |                                 |                                 |                 |
| CSN Islands II Corp.                           |                    | (1,713)                         |                       | (32)             |                    | (1,745)                         |                                 |                 |
| CSN Islands III Corp.                          |                    | (508)                           |                       | (56)             |                    | (564)                           |                                 |                 |
| CSN Islands IV Corp.                           |                    | (44)                            |                       | (26)             |                    | (70)                            |                                 |                 |
| CSN Islands V Corp.                            |                    |                                 | 3                     | (155)            |                    | (152)                           |                                 |                 |
| CSN Islands VII Corp.                          |                    |                                 | 3                     | (49)             |                    | (46)                            |                                 |                 |
| CSN Panama, S.A .                              | 670,989            |                                 |                       | 40,609           | 711,598            |                                 |                                 |                 |
|  |                    | (1,751)                         |                       | (928)            |                    | (2,679)                         |                                 |                 |
| CSN Steel Corp.                                |                    |                                 |                       |                  |                    |                                 |                                 |                 |
|  | 2,025,794          | (4,016)                         | 9                     | 143,322          | 2,170,365          | (5,256)                         | -                               | -               |
| <b>Energy and infrastructure</b>               |                    |                                 |                       |                  |                    |                                 |                                 |                 |
| MRS Logística S.A                              | 12,456             |                                 |                       | 21,366           | 33,822             |                                 |                                 |                 |
| Sepetiba Tecon S.A .                           |                    | (4,608)                         |                       | (1,924)          |                    | (6,532)                         |                                 |                 |
| CSN Energia S.A .                              | 233,336            |                                 | (124,719)             | 3,862            | 112,479            |                                 |                                 |                 |
|  | 1                  |                                 |                       |                  | 1                  |                                 |                                 |                 |
| CSN Participações Energéticas S.A .            |                    |                                 |                       |                  |                    |                                 |                                 |                 |

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|              |           |          |           |         |           |          |         |         |
|--------------|-----------|----------|-----------|---------|-----------|----------|---------|---------|
|              | 245,793   | (4,608)  | (124,719) | 23,304  | 146,302   | (6,532)  | -       | -       |
| <b>Total</b> | 2,585,293 | (15,848) | (91,977)  | 175,350 | 2,673,571 | (20,753) | 116,391 | 124,365 |

- (1) Do not include Itá energética's equity result as shown on note ITASA
- (2) Do not include the indirect subsidiaries investment balances as shown on note Goodwill/Negative goodwill and other indirect investments

- GalvaSud

GalvaSud shares were assigned in guarantee of financing contracted by the Company with Unibanco - União de Bancos Brasileiros S.A. and Kreditanstalt Fur Wiederaufbau.

- ITASA

In 2001, the Board of Directors decided to sell the company's shareholding in Itá Energética S.A. (ITASA). Considering that there is formal evidence that the sale will occur in the near future, the investment balance was transferred to long term assets, not being part of this note equity accounting any more, although accounted by the same method, as determined by Instruction CVM No 247/96, art. 7°. The assets amounts to R\$245,956 as of September 30, 2003 (R\$ 246,917 as of June 30, 2003) and the equity result for the quarter ended September 30, 2003, amounts to R\$961 (R\$47,533 for the semester ended June 30, 2003).

- Metalic

At the CSN Stockholders' General Meeting, held on September 26, 2002, it was approved the acquisition by the Company of all Metalic Nordeste Metalic issued shares. The acquisition was effected on November 27, 2002 for the price of R\$108,500 adjusted, as of July 1, 2002, by the General Market Price Index disclosed by Fundação Getúlio Vargas, plus interest of 12% per year, to be paid in 12 monthly and successive installments, as from November 2002.

The goodwill of R\$125,759, recorded upon acquisition of the investment is supported by the future rentability of the company's assets, as Metalic is the only manufacturer of two pieces steel can. By the time it was bought the Company had 5% of the market share. This material is an alternative to aluminum, because of its lower cost and better performance, both for the filling aspect as for lithography. To September 30, 2003, the company amortized R\$10,480 of this goodwill, being R\$3,144 in the third quarter of 2003.

The Company decided to capitalize Metalic with credits recorded in its accounts receivable, current accounts balances between the two companies and raw material inventories. Such capitalization amounted to R\$47,319 in March 2003 and R\$31,365 in September, 2003, aggregating R\$78,684.

- INAL

On December 30, 2002, as a result of a corporate reorganization process of the Company and its activities for unification of similar activities between INAL and CISA, both CSN controlled companies, the Company sold to its subsidiary CISA - CSN Indústria de Aços Revestidos S.A., the 8,457,189 common shares issued by INAL - Indústria Nacional de Aços Laminados S.A., representing 99.9998% of participation, for the book value of R\$141,227.

As of April 30, 2003, in continuing the process mentioned above, the merger of INAL into CISA, was approved, and followed by, the change of corporate name from CISA - CSN Indústria de Aços Revestidos S.A. to INAL - Indústria Nacional de Aços Laminados S.A.

- FCA - CFN - Sepetiba TECON

In April, 2003, CSN and Companhia Vale do Rio Doce - CVRD announced the signing of purchase and sale contracts of equity holdings that, after approval by the creditor banks, will make it possible for the Company and its subsidiaries to hold the full control of Sepetiba TECON and 50% of CFN, whereas CVRD will have full control of Ferrovia Centro Atlântica. In this operation, the Company will disburse the amount of R\$80 million for the stake in Sepetiba TECON and CVRD will pay R\$100 million to transfer the control from CFN to CSN and TAQUARI PARTICIPAÇÕES S.A.

- Lusosider

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On June 18, 2003, the Company, through its subsidiary CSN Steel Corp, acquired from Banco Espírito Santo de Investimentos S.A. (BESI) 912,500 shares issued by Lusosider Projectos Siderúrgicos S.A., parent Company of Lusosider Aços Planos S.A., Portuguese laminating company that produces galvanized by immersion and metallic blades, equivalent to 50% of Lusosider total capital, in the amount of EUR 10.84 million (US\$11.8 million). This acquisition is part of the internationalization strategy of CSN activities.

- CSN Energia

In the third quarter of 2003, the subsidiary CSN Energia distributed dividends in the amount of R\$125.000, in view of the second liquidation of MAE credits.

- Goodwill/Negative goodwill and other indirect investments

In the third quarter 2003, the Company had recorded in the consolidated financial statements the amount of R\$60,365 of negative goodwill in indirect investments, being R\$58,532 related to the acquisition of Lusosider Projectos Siderurgicos S.A., R\$2,074 of Lusosider Aços Planos and R\$241 of others. Starting in June 2003, the above mentioned negative goodwill is amortized over a period of up to 3 years in view of the expectation of loss at these inventories.

### 12. PROPERTY, PLANT AND EQUIPMENT

|                            | Effective rates for depreciations, depletion and amortization ( % p.a) | Parent Company |   |            |            |
|----------------------------|--|----------------|---|------------|------------|
|                            |  | 09/30/2003     |   | 06/30/2003 |            |
|                            |  | Cost           | Accumulated depreciation depletion and amortization | Net        | Net        |
| Land                       |  | 115,838        |   | 115,838    | 115,823    |
| Machinery and equipment    | 5.80   | 10,162,180     | (530,579)   | 9,631,601  | 9,752,180  |
| Buildings                  | 4.00   | 790,024        | (18,943)  | 771,081    | 776,828    |
| Furnitures and fixtures    | 10.00  | 92,651         | (78,267)  | 14,384     | 15,182     |
| Mines and mineral deposits | 1.40   | 1,236,793      | (1,984)   | 1,234,809  | 1,236,060  |
| Other asset items          | 20.00  | 149,844        | (71,470)  | 78,374     | 87,936     |
|                            |  | 12,547,330     | (701,243)   | 11,846,087 | 11,984,009 |
| Construction in progress   |  | 648,666        |   | 648,666    | 543,580    |
| Parent company             |  | 13,195,996     | (701,243)   | 12,494,753 | 12,527,589 |
| Consolidated               |  | 13,844,459     | (916,653)   | 12,927,806 | 12,963,668 |

At the Extraordinary General Shareholders Meeting held December 19, 2002 the stockholders approved, based on paragraphs 15 and 17 of CVM Deliberation no 183, a revaluation report considering the fixed assets of thermal mill CTE - II, in the City of Volta Redonda, RJ. The report established an increase in the amount of R\$508,433 which composes a new amount of R\$970,332 for the assets, already net of the depreciation incurred in the first two years of operation.

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At the Extraordinary General Shareholders Meeting held April 29, 2003 the stockholders approved, based on paragraphs 15 and 17 of CVM Deliberation no183, a revaluation report prepared by Consult Consultoria, Engenharia e Avaliações S/C Ltda, considering land, equipment, installations and real estate property in the plants of the Presidente Vargas Mill, Itaguaí, Casa de Pedra and Arcos beside the iron ore mine in Casa de Pedra. The report established an increase in the amount of R\$4,068,559 which composes a new amount of R\$10,769,704 for the assets, already net of the depreciation.

As of September 2003, assets given in guarantee of financial operations amounted to R\$2,309,512 (2002- R\$1,697,732).

Total depreciation, depletion and amortization until the third quarter 2003 was R\$427,897 (2002 R\$339,767), of which R\$416,470 (2002 R\$325,174) appropriated to production cost and R\$11,427 (2002 R\$14,593) to overhead and administrative expenses (amortization of deferred assets is not included).

The portion of the total depreciation and depletion of the revaluated fixed asset items charged to results for each year is transferred from the revaluation reserve to retained earnings. Until the third quarter, the net amount of income tax and social contribution R\$141,406 (2002 R\$77,571).

Construction in progress is mainly represented by a set of investment plans aimed at updating and developing technology to keep the Company competitive, both at the local and international markets. The main plans address environmental protection projects, cost reduction, infrastructure improvement and automation techniques as well as IT. Capitalized financial charges on work in progress until the third quarter 2003 amounted to R\$14,338 (2002 R\$19,168).

### 13. DEFERRED CHARGES

|                                 | Parent Company |             | Consolidated |             |
|---------------------------------|----------------|-------------|--------------|-------------|
|                                 | 09/30/2003     | 06/30/2003  | 09/30/2003   | 06/30/2003  |
| Deferred exchange variation     | 1,360,636      | 1,360,636   | 1,368,644    | 1,368,644   |
| Information technology projects | 153,146        | 145,944     | 158,172      | 150,969     |
| Other projects                  | 176,645        | 167,872     | 244,775      | 236,003     |
|                                 | 1,690,427      | 1,674,452   | 1,771,591    | 1,755,616   |
| Accumulated amortization        | (1,329,352)    | (1,286,623) | (1,357,637)  | (1,314,022) |
|                                 | 361,075        | 387,829     | 413,954      | 441,594     |

The IT projects are represented by automation projects of operating processes that aim at reducing costs and increase the competitiveness of the Company.

The amortization of the IT projects and of other projects until the third quarter 2003 amounted R\$ 30,616 (2002 - R\$ 23,713), of which R\$ 21,860 (2002 - R\$ 12,492) appropriated to production cost and R\$ 8,756 (2002 - R\$ 11,221) to overhead and administrative expenses.

Based on Provisional Measure no. 3 of September 26, 2001 and CVM Deliberations no. 404 and 409 of September 27 and November 1, 2001, respectively, the Company and its subsidiaries MRS Logística and GalvaSud have chosen to defer the negative net results arising from the adjustment of the amounts of credits and obligations in foreign currency, as a result of the exchange rate variation which took place in that year.

The Company deferred the exchange variation in the amount of R\$1,360,636 in September 2001 and until September 2003 amortized R\$1,226,739 (R\$99,622 in 2003). The balance will be amortized until 2004, the net movement can be shown as follows:

|                                      |  |                          |
|--------------------------------------|--|--------------------------|
| Deferred<br>Exchange<br>Variation in | accumulated depreciation including loan settlement | Amortization Expectation |
|--------------------------------------|--|--------------------------|

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|                                | 2001           | 2001      | 2002       | 2003 (January -<br>September) | Balance to<br>amortize | 2003 (October -<br>December) | 2004       |           |           |
|--------------------------------|----------------|-----------|------------|-------------------------------|------------------------|------------------------------|------------|-----------|-----------|
|                                | 1,360,636      | (615,173) | (511,944)  | (99,622)                      | 133,897                | 30,717                       | 103,180    |           |           |
| <b>14. LOANS AND FINANCING</b> |                |           |            |                               |                        |                              |            |           |           |
|                                | Parent Company |           |            |                               | Consolidated           |                              |            |           |           |
|                                | 09/30/2003     |           | 06/30/2003 |                               | 09/30/2003             |                              | 06/30/2003 |           |           |
|                                | Short term     | Long term | Short term | Long term                     | Short term             | Long term                    | Short term | Long term |           |
| <b>FOREIGN CURRENCY</b>        |                |           |            |                               |                        |                              |            |           |           |
| Prepayment                     |                | 535,522   | 1,439,774  | 627,711                       | 690,357                | 214,948                      | 51,159     | 299,479   | 80,416    |
| ACC/ACE                        |                | 425,250   |            | 411,072                       |                        | 527,569                      |            | 554,672   |           |
| Euronotes                      |                | 801,780   | 3,025,955  | 738,122                       | 2,369,400              | 587,388                      | 2,283,484  | 546,218   | 874,044   |
| Prepayment - Cayman            |                |           |            |                               |                        | 51,498                       | 38,369     | 298,095   | 98,725    |
| Commercial paper               |                |           |            |                               |                        | 234,947                      |            | 230,878   |           |
| BNDES/Finame                   |                | 156,006   | 821,479    | 149,123                       | 839,361                | 156,006                      | 821,479    | 149,123   | 839,361   |
| Financed imports               |                | 186,190   | 280,911    | 183,101                       | 270,090                | 209,123                      | 478,362    | 214,051   | 448,283   |
| Eximbank - Japan               |                | 43,580    | 125,043    | 37,481                        | 114,841                | 43,580                       | 125,043    | 37,481    | 114,841   |
| Other                          |                | 103,360   | 63,312     | 96,783                        | 62,077                 | 104,742                      | 63,314     | 137,525   | 87,601    |
|                                |                | 2,251,688 | 5,756,474  | 2,243,393                     | 4,346,126              | 2,129,801                    | 3,861,210  | 2,467,522 | 2,543,271 |
| <b>LOCAL CURRENCY</b>          |                |           |            |                               |                        |                              |            |           |           |
| BNDES/Finame                   |                | 64,159    | 204,599    | 68,578                        | 206,153                | 64,159                       | 204,599    | 68,578    | 206,153   |
| Debentures (note 15)           |                | 40,266    | 666,550    | 68,287                        | 666,550                | 40,266                       | 666,550    | 68,287    | 666,550   |
| Other                          |                | 52,426    |            | 50,900                        |                        | 29,549                       | 97,024     | 31,443    | 102,218   |
|                                |                | 156,851   | 871,149    | 187,765                       | 872,703                | 133,974                      | 968,173    | 168,308   | 974,921   |
| <b>Total</b>                   |                | 2,408,539 | 6,627,623  | 2,431,158                     | 5,218,829              | 2,263,775                    | 4,829,383  | 2,635,830 | 3,518,192 |
| SWAP                           |                | 696,654   |            | 622,491                       |                        | 696,654                      |            | 622,491   |           |
| <b>Total + Swap</b>            |                | 3,105,193 | 6,627,623  | 3,053,649                     | 5,218,829              | 2,960,429                    | 4,829,383  | 3,258,321 | 3,518,192 |

On September 30, 2003, the long-term amortization schedule is shown below:

|              | Parent Company   | Consolidated     |
|--------------|------------------|------------------|
| 2004         | 207,606          | 184,496          |
| 2005         | 1,761,654        | 2,426,766        |
| 2006         | 740,547          | 695,876          |
| 2007         | 2,041,367        | 550,718          |
| 2008         | 1,326,841        | 306,258          |
| 2009 to 2024 | 549,608          | 665,269          |
|              | <b>6,627,623</b> | <b>4,829,383</b> |

Interest is applied to the external and domestic loans and financing, debentures and SWAP, at the following annual rates as of September 30, 2003:

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|                    | Parent Company   | Consolidated     |
|--------------------|------------------|------------------|
| Up to 7%           | 4,664,364        | 3,889,341        |
| Between 7,1 to 9%  | 1,477,798        | 1,943,701        |
| Between 9,1 to 11% | 2,721,725        | 1,074,793        |
| Above 11%          | 868,929          | 881,977          |
|                    | <b>9,732,816</b> | <b>7,789,812</b> |

Breakdown of total debt by currency of origin:

|                                 | Parent Company |            | Consolidated |            |
|---------------------------------|----------------|------------|--------------|------------|
|                                 | 09/30/2003     | 06/30/2003 | 09/30/2003   | 06/30/2003 |
| U.S. Dollar                     | 78.55          | 81.89      | 72.24        | 75.87      |
| Yen                             | 8.07           | 2.64       | 10.08        | 3.53       |
| Long-term interest rates - TJLP | 2.64           | 3.32       | 4.89         | 5.90       |
| CDI                             | 5.63           | 6.91       | 7.03         | 8.52       |
| Basket of currencies            | 2.23           | 1.84       | 2.79         | 2.25       |
| Other currencies                | 2.88           | 3.40       | 2.97         | 3.93       |
|                                 | 100.00         | 100.00     | 100.00       | 100.00     |

The Company carries out derivative operations, in accordance with Note 16, for the purpose of minimizing the risk of relevant oscillation in foreign currency parity.

The guarantees provided for the loans and financing amount to R\$5,453,739 on September 30, 2003 (R\$4,748,167 on June 30, 2003), and comprise mainly fixed assets items, bank guarantees and promissory notes. This amount does not take into consideration the guarantees provided to subsidiaries, joint subsidiaries and associated companies (see Note 17).

The tabulation below represents funds raised by the company through its subsidiaries over the period

| Subsidiary            | Description                      | Amount<br>(US\$ millions) | Issued date    | Terms<br>(years) | Maturity Date  | Interest<br>rate (p.y.) |
|-----------------------|----------------------------------|---------------------------|----------------|------------------|----------------|-------------------------|
| CSN Islands II Corp.  | Notes                            | 85                        | March/2003     | 1                | March/2004     | 9.5%                    |
| CSN Islands III Corp. | Notes                            | 75                        | April/2003     | 2                | April/2005     | 9.75%                   |
| CSN Islands IV Corp.  | Notes                            | 100                       | June/2003      | 1                | June/2004      | 6.85%                   |
| CSN Islands V Corp.   | Notes                            | 150                       | June/2003      | 2                | June/2005      | 7.875%                  |
| CSN Export Co.        | Securitization of<br>receivables | 142                       | July/2003      | 7                | August/2010    | 7.28%                   |
| CSN Export Co.        | Securitization of<br>receivables | 125                       | August/2003    | 3                | August/2006    | 7%                      |
| CSN Islands VII Corp. | Notes                            | 200                       | September/2003 | 5                | September/2008 | 7.3%                    |

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

## 15. DEBENTURES

As approved at the Extraordinary Stockholders' General Meeting and at the Administration Council Meeting, held on January 10, 2002 and February 20, 2002, respectively, the Company issued on February 1st, 2002, 69,000 debentures, nominatives and non convertible, with no guarantee or preference, with nominal value of R\$10 each. There have been issued 54,000 debentures from the first tranches and 15,000 from the second tranches with a total nominal value of R\$ 690,000. However, the credit from negotiation with financial institutions, occurred on March 01, 2002 in the amount of R\$699,227. The difference of R\$9,277, resulting from the unit price variation between the issued date and the

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transaction date, is recorded in the stockholders' equity as capital reserve. The nominal unit value is being monetarily restated, added by the respective remuneration pro-rata temporis calculated the first issue was corrected by CDI increased by 2.75% p.y and the second issue by IGPM plus 13.25% interest. The maturity is expected for 02/01/2005 (First tranches) and 02/01/2006 (Second tranches), with the option of advance redemption (total or partial) by the issuer's.

On September 30, 2003 and June 30, 2003, the Company repurchased 4,396 debentures, comprising 2,345 of the first tranches and 2,051 of the second.

### 16 . FINANCIAL INSTRUMENTS

#### General Considerations

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

#### (a) Exchange Rate Risk

Although most of the revenues of the Company are in Brazilian Reais, as of September 30, 2003, R\$8,704,816 of the Company's total debt were denominated in foreign currency. As a consequence, the Company is subject to changes in exchange rates and manages the risk of these rates fluctuations that affects the value in Brazilian Reais that will be necessary to pay the liabilities in foreign currency, using derivative financial instruments, mainly futures contracts, swaps, forward contracts and option contracts with banks, as well as investing of a great part of its cash and funds available in securities remunerated by exchange variation.

The Management's objective in keeping these instruments is to equal the investment gains on loans resources to the loss on exchange devaluation of Brazilian Real in relation to U.S. Dollar and Yen. These loan resources were invested in short-term applications in Brazilian Reais, which yield interest at the Brazilian market rates.

#### (b) Credit Risk

The credit risk exposure is managed through the restriction of subsidiaries in derivative instruments to large financial institutions with a high quality of credit. Thus, management believes that the risk of non-compliance by the counterparts is insignificant. The Company does not maintain or issue financial instruments with commercial aims. The selection of clients as well as the diversification of its accounts receivable and the control on sales financing terms by business segment are procedures that the Company adopts to minimize occasioned problems with its commercial partners.

The financial instruments recorded in balance sheet accounts as of September 30, 2003, in which market value differs from the book value, are as follows:

|   | Book Value | Market Value |
|---|------------|--------------|
| Investment and goodwill in jointly owned subsidiary | 4,527      | 939          |
| Loans and financing (short and long-term)           | 9,732,816  | 10,192,890   |

On September 30, 2003 the consolidated position of derivative agreements outstanding were as follows:

| Agreement                                |            |                          |                 |               |
|--|------------|--------------------------|-----------------|---------------|
|  | Date       | Expiration Date          | Reference Value | Market Value  |
| Foreign exchange swap                    | Sundry     | 10/01/2003 to 01/12/2005 | US\$ 1,504,400  | (R\$ 778,330) |
| "Cap" Interest Options (semestral Libor) | Sundry     | 12/30/2003 to 12/31/2004 | US\$ 600,000    | -             |
| Exchange options - Buy                   | 05/14/2003 | 12/01/2003               | US\$ 200,000    | R\$ 4,800     |
| Exchange options - Sell                  | 05/14/2003 | 12/01/2003               | US\$ 200,000    | (R\$ 400)     |
| Options SWAP                             | Sundry     | 05/02/2005               | US\$ 49,223     | R\$ 105,084   |

#### (c) Market Value

The amounts presented as market value were calculated according to the conditions that were used in local and foreign markets on September 30, 2003, for financial transactions with identical features, such as: volume and term of the transaction and maturity date. Mathematical methods

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

### 17. COLLATERAL SIGNATURE AND GUARANTEES

With respect to its wholly owned and joint subsidiaries, the Company has the following responsibilities expressed in their original currency - for guarantees provided:

| Companies  | Currency | In Million |            | Expiration Date           | Conditions   |
|--|----------|------------|------------|---------------------------|--|
|  |          | 09/30/2003 | 06/30/2003 |                           |  |
| CSN Overseas                                     | US\$     | 230.0      | 230.0      | 10/16/2003 to 12/31/2003  | Promissory Note/ Guarantee of commercial paper operations/ interest hedge  |
| CSN Panama                                       | US\$     | 850.0      | 850.0      | 12/30/2003                | Guarantee for interest hedge operation   |
| CSN Iron   | US\$     | 79.3       | 79.3       | 06/01/2007                | Promissory Note of Eurobond operation  |
| CSN Islands II                                   | US\$     | 85.0       | 85.0       | 02/27/2004                | Installment of guarantee for the CSN emission of Bonds   |
| CSN Islands III                                  | US\$     | 75.0       | 75.0       | 04/21/2005                | Installment of guarantee for the CSN emission of Bonds   |
| CSN Islands IV                                   | US\$     | 100.0      | 100.0      | 06/04/2004                | Installment of guarantee for the CSN emission of Bonds   |
| CSN Islands V                                    | US\$     | 150.0      | 150.0      | 07/07/2005                | Installment of guarantee for the CSN emission of Bonds   |
| CSN Islands VII                                  | US\$     | 200.0      |            | 09/12/2008                | Installment of guarantee for the CSN emission of Bonds   |
| SePETIBA Tecon S.A.                              | US\$     | 34.9       | 34.9       | 09/15/2003 and 06/15/2009 | Guarantee for equipment acquisition financing  |
| SePETIBA Tecon S.A.                              | R\$      | 29.3       | 28.8       | 12/15/2011 and 01/16/2012 | Guarantee for financing of 60% of construction work and installations  |
| Cia. Ferroviária do Nordeste (CFN)               | R\$      | 18.5       | 18.5       | 01/05/2004                | Solidary guarantee of BBV for working capital purposes   |
| Indústria Nacional de Aços Laminados - Inal S.A. | R\$      | 3.6        | 3.6        | 03/15/2006 and 04/15/2006 | Guarantee for equipment financing  |
| Cia. Metalic Nordeste                            | R\$      | 4.6        | 4.8        | 05/15/2008                | Invoices / guarantee given to Banco Santos ref. contracts for the financing of equipment                                 |
| Cia. Metalic Nordeste                            | R\$      | 7.2        | 13.6       | 04/25/2003 to 01/30/2006  | Invoices / guarantee given to Banco Rural, BEC and ABC Brasil re. working capital contracts                              |
| Cia. Metalic Nordeste                            | R\$      | 22.4       | 24.3       | 01/15/2006                | Guarantee given to the BNDES for loan contracts for the financial of machinery and equipment                             |
| Cia. Metalic Nordeste                            | US\$     | 21.7       | 21.7       | 01/26/2005 to 07/30/2006  | Promissory notes/guarantee of bill of exchange given to Eximbank and HSBC for loan contracts for machinery and equipment |
| Galvasud   | R\$      | 200.2      | 199.3      | 12/15/2003                | Guarantee for financing of imported and national equipment   |

### 18. CONTINGENT LIABILITIES AND JUDICIAL DEPOSITS

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

|                   | 09/30/2003 |                        | 06/30/2003 |                        |
|-------------------|------------|------------------------|------------|------------------------|
|                   | Deposits   | Contingent Liabilities | Deposits   | Contingent Liabilities |
| <b>Short Term</b> |            |                        |            |                        |
| Labor             |            | 5,864                  |            | 5,271                  |
| Civil             |            | 2,138                  |            | 3,906                  |
| Parent Company    |            | 8,002                  |            | 9,177                  |
| Consolidated      |            | 8,183                  |            | 9,177                  |



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**Long Term**

|                     |         |         |         |         |
|---------------------|---------|---------|---------|---------|
| Labor               | 17,187  | 48,253  | 16,842  | 42,355  |
| Civil               | 2,666   | 37,564  | 6,803   | 36,514  |
| Fiscal              | 235,502 | 478,452 | 212,291 | 443,773 |
| Income tax          | 125,271 | 59,441  | 125,271 | 59,441  |
| Social contribution | 93,110  | 44,181  | 93,110  | 31,479  |
|                     |         |         |         |         |
| Parent Company      | 473,736 | 667,891 | 454,317 | 613,562 |
|                     |         |         |         |         |
| Consolidated        | 490,588 | 739,640 | 469,675 | 687,707 |

The contingent liability is recorded in the heading of Provisions (current and long-term) and Taxes Payable.

a) Labor litigation dispute:

As of September 30, 2003, CSN was the defendant in 2,470 labor claims (1,950 claims on June 30, 2003), which required a provision in the amount of R\$54,117 (R\$47,626 on June 30, 2003). Most of the lawsuits are related to subsidiary responsibility, wages equalization, overtime and additional payment for unhealthy and hazardous activities.

The lawsuits related to subsidiary responsibility represent a great portion of the total labor litigations against the Company and are originated from the non payment by the contracted companies of the employees obligations, which results in CSN inclusion in the lawsuits to honor, at a subsidiary level, the payment of such obligations.

The most recent lawsuits originated from subsidiary responsibility tend to terminate in relation to CSN due to the procedures adopted by the Company in order to inspect and assure the compliance with the wages and social charges payments, by the creation of the Contract Follow-up Centers since 2000.

b) Civil Actions:

These are, mainly, claims for indemnities among the civil judicial processes in, which the Company is involved. Such processes, in general, are originated from work related accident and occupational diseases related to industrial activities of the Company. For all these disputes, as of September 30, 2003 the Company accrued the amount of R\$39,702 (R\$40,420 as of June 30, 2003)

c) Tax Litigation Dispute:

PIS/COFINS Law 9,718/99

CSN is questioning the legality of Law 9,718/99, which increases the PIS and COFINS calculation basis, including, the financial revenue of the Company. As provision amounts to R\$208,721, as of September 30, 2003 (R\$200,277 on June 30, 2003), which includes legal charges.

The Company obtained a favorable sentence in the first stage of appeal and the process is going through compulsory re-examination by the 2nd Regional Federal Court of Appeals. The process has not been judged by the superior courts yet, however, according to the Company's lawyers, favorable outcome is considered possible.

CPMF

The Company is questioning the CPMF (Provisional Contribution on Financial Activities) taxation since the promulgation of the Constitutional Amendment No. 21/99. The amount of this provision as of September 30, 2003 is R\$170,941 (R\$150,826 on June 30, 2003), which includes legal charges.

The sentence in the court first instance was favorable and the process is being judged by the 2nd Regional Federal Court of Appeals. However, we emphasize that the most recent precedent by the courts has not been favorable to the taxpayers.

CIDE Contribution for Intervention in the economic domain

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CSN disputes the legal validity of Law 10,168/00, which established the collection of the intervention contribution in the economic domain over the amounts paid, credited or remitted to beneficiaries that are not permanent residents of the country, as royalties or remuneration of supply contracts, technical assistance, trade mark license agreement and exploration of patents. The Company recorded a judicial deposit in 2002 and its corresponding provision in the amount of R\$20,946 on September 30, 2003 (R\$20,700 on June 30, 2003), includes legal charges.

The first instance court decision was unfavorable and the process is currently sub judice in the 2nd Regional Federal Court of Appeals. However, there is not a legal precedent, since the processes about the subject are still very recent. According to the Company's lawyers, favorable outcome is considered possible.

### Educational Salary

The Company discusses the unconstitutionality of the Educational-Salary and the possible recovery of the amounts paid in the period from 01.05.89 to 10.16.96. The provision as of September 30, 2003 amounts to R\$28,963 (R\$27,421 as of June 30, 2003), which include legal charges.

The sentence in the first legal court instance was unfavorable and the process is currently sub judice in the 2nd Regional Federal Court of Appeals. Recently, the Brazilian Supreme Court judged the subject against the taxpayer, which reduces the favorable outcome expectations in this process.

### SAT - Workers' Compensation Insurance

The Company understands that it must pay the SAT at the rate of 1% in all of its establishments, and not 3%, as determined by the current law. The amounts of R\$38,074 (R\$34,909 as of June 30, 2002) are being accrued as of September 30, 2003, including legal charges.

The sentence in the first legal court instance was unfavorable and the process is currently in TRF of the 2nd Region. Although there was so far no judgment in the Brazilian Supreme Court, according to the Company's lawyers, favorable outcome is considered possible.

### Others

The Company has also set up provisions for numerous legal suits related to FGTS LC 110, Drawback and Additional of Freight for Renewal of the Merchant Navy (AFRMM), in the amount of R\$10,807 in September 2003 (R\$9,640 on June 30, 2003), which include legal charges.

### Income Tax and Social Contribution

The Company claims the recognition of financial and fiscal effects related to the inflationary expurgation of the IPC of January 1989, of 51.87%.

In February 2003, the court judged part of the discussion given by the Federal Court of the 1st Region, which recognized CSN right to 42.72% of the tax effects in the computation of the income tax and social contribution related to inflationary expurgation of the 1998 IPC ( Plano Verão ), after deducting the 12.51% of the monetary restatement applied. Consequently, CSN recorded, in the first quarter of 2003, the amount of R\$114,759 million as reversal of part of the IR/CSL provision related to this claim.

The Company recorded as of September 30, 2003 and June 30, 2003, R\$218,381 of court deposit and a provision of R\$103,622.

## 19. STOCKHOLDERS' EQUITY

|  | Paid-in Capital  | Reserves         | Accumulated Profit/Loss | Stockholder's equity |
|--|------------------|------------------|-------------------------|----------------------|
| <b>BALANCE AT 03/31/2003</b>   | <b>1,680,947</b> | <b>3,198,434</b> | <b>434,880</b>          | <b>5,314,261</b>     |
| Revaluation Reserve Realization, net of income tax and social contribution |                  | (50,232)         | 50,232                  |                      |
| Constitution of revaluation reserve  |                  | 2,693,114        |                         | 2,693,114            |
| Declared dividend  |                  | (506,139)        |                         | (506,139)            |
| Net income for the period  |                  |                  | 134,984                 | 134,984              |
| <b>BALANCE AT 06/30/2003</b>   | <b>1,680,947</b> | <b>5,335,177</b> | <b>620,096</b>          | <b>7,636,220</b>     |

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|  |                  |                  |                |                  |
|--|------------------|------------------|----------------|------------------|
| Revaluation Reserve Realization, net of income tax and social contribution | (62,326)         | 62,326           |                |                  |
| Reversal of provision for write-off of revalued assets                     | 1,289            |                  |                | 1,289            |
| Net income for the period  |                  | 191,847          |                | 191,847          |
| <b>BALANCE AT 09/30/2003</b>   | <b>1,680,947</b> | <b>5,274,140</b> | <b>874,269</b> | <b>7,829,356</b> |

(a) Capital stock

The Company's capital stock on September 30, 2003 and June 30, 2003 is comprised of 71,729,261 thousand common shares, all book shares and without par value. Each common share entitles the owner to one vote at the General Meetings of Stockholders.

(b) Revaluation reserve (Parent Company)

This heading covers revaluations of the Company's fixed assets approved by the Extraordinary General Stockholders' Meeting held March 31, 1999, December 19, 2002 and April 29, 2003 which were intended for determining adequate amounts for the Company's fixed assets, in conformity with CVM Deliberation no 288 of December 3, 1998.

Pursuant to the provisions of CVM liberation No. 273 of August 20, 1998, a provision for social contribution and income tax was set up on the balance of revaluation reserve (except land), classified as a long-term liability.

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

(c) Capital composition

On September 30, 2003, the main CSN stockholders are:

|   | Stock Quantities |         |
|---|------------------|---------|
|   | Common Stocks    | %       |
| Vicunha Siderurgia S.A.                       | 33,337,091       | 46.48%  |
| Caixa Beneficente dos Empregados da CSN - CBS | 2,604,922        | 3.63%   |
| Diversos (ADR - NYSE)                         | 7,781,353        | 10.85%  |
| Outros acionistas (aprox. 26 mil)             | 28,005,895       | 39.04%  |
| Outstanding Stocks                            | 71,729,261       | 100.00% |

(d) Investment Policy and Payment of Interest on Stockholders' Equity/Dividends

On December 13, 2000, the Board of Directors decided to adopt a policy of profit distribution, which, by observing the provision of law no. 6,404, altered by law no. 9,457/97 implies the distribution of all net profit to the stockholders, as long as the following priorities are preserved irrespective of their order: (i) corporate strategy of the Company, (ii) compliance with the Company's obligations, (iii) making the necessary investments and (iv) maintenance of a good financial situation of the Company.

20. NET REVENUES AND COST OF PRODUCTS SOLD

| 09/30/2003            |              |                          | 09/30/2002            |              |                          |
|-----------------------|--------------|--------------------------|-----------------------|--------------|--------------------------|
| Tons<br>(In thousand) | Net Revenues | Cost of Products<br>Sold | Tons<br>(In thousand) | Net Revenues | Cost of Products<br>Sold |

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|                       |              |                  |                  |              |                  |                  |
|-----------------------|--------------|------------------|------------------|--------------|------------------|------------------|
| Domestic Market       | 2,195        | 2,875,422        | 1,526,424        | 2,461        | 2,130,547        | 1,198,820        |
| Foreign Market        | 1,349        | 1,362,627        | 807,194          | 1,086        | 808,810          | 463,082          |
| <b>Steel Products</b> | <b>3,544</b> | <b>4,238,049</b> | <b>2,333,618</b> | <b>3,547</b> | <b>2,939,357</b> | <b>1,661,902</b> |
| Domestic Market       |              | 246,852          | 126,278          |              | 168,688          | 99,491           |
| Foreign Market        |              | 13,615           | 6,636            |              | 5,918            | 4,167            |
| <b>Other Sales</b>    |              | <b>260,467</b>   | <b>132,914</b>   |              | <b>174,606</b>   | <b>103,658</b>   |
| <b>Parent Company</b> | <b>3,544</b> | <b>4,498,516</b> | <b>2,466,532</b> | <b>3,547</b> | <b>3,113,963</b> | <b>1,765,560</b> |
| <b>Consolidated</b>   | <b>3,533</b> | <b>4,955,783</b> | <b>2,622,272</b> | <b>3,665</b> | <b>3,464,893</b> | <b>1,951,500</b> |

21. CONSOLIDATED REVENUES AND INCOME BY SEGMENT OF BUSINESS

The information by business segment is based on the accounting books in accordance with Corporation Law.

The disclosure by business segment followed the concept of IAS14, as suggested by the Brazilian Securities Commission ( CVM ), providing the means to evaluate the performance in all Company business segments.

|  | Consolidated       |                  |                           | Total            |
|--|--------------------|------------------|---------------------------|------------------|
|  | Steel and Services | Corporative      | Energy and Infrastructure |                  |
| Net Revenue  | 4,948,254          |                  | 7,529                     | 4,955,783        |
| Cost of Products Sold  | (2,601,465)        |                  | (20,807)                  | (2,622,272)      |
| <b>Gross Profit</b>  | <b>2,346,789</b>   | <b>-</b>         | <b>(13,278)</b>           | <b>2,333,511</b> |
| Operacional Income and expenses                                |                    |                  |                           |                  |
| Sales Expenses   | (353,775)          |                  | (292)                     | (354,067)        |
| Administrative Expenses  | (161,761)          | (30,173)         | (3,624)                   | (195,558)        |
| Others Operations Incomes (expenses)                           | (24,149)           | (369)            | (3,212)                   | (27,730)         |
|  | (539,685)          | (30,542)         | (7,128)                   | (577,355)        |
| Net Financial Result   |                    | (1,386,718)      |                           | (1,386,718)      |
| Net Exchange Variation   |                    | 727,794          |                           | 727,794          |
| Equity Adjustment  | 29,263             | 5,321            |                           | 34,584           |
| <b>Operating Income (loss)</b>                                 | <b>1,836,367</b>   | <b>(684,145)</b> | <b>(20,406)</b>           | <b>1,131,816</b> |
| Non-operating losses   | (20,971)           |                  | 1,174                     | (19,797)         |
| <b>Income (loss) before income tax and social contribution</b> | <b>1,815,396</b>   | <b>(684,145)</b> | <b>(19,232)</b>           | <b>1,112,019</b> |
| Income Tax and Social Contribution                             | (635,182)          | 232,609          | 6,539                     | (396,034)        |
| <b>Net Income (loss)</b>                                       | <b>1,180,214</b>   | <b>(451,536)</b> | <b>(12,693)</b>           | <b>715,985</b>   |

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MAE

The Company's subsidiary, CSN Energia, carries a balance receivable in its current assets in respect of the sale and purchase of energy in the Wholesale Electric Energy Market - MAE that, as of September 30, 2003 amounted to R\$120,594 (R\$313,040 as of June 30, 2003).

Between September 2000 and September 2002, the amount of R\$484,185, in for of amounts determined in accordance with statements provided by MAE, was accounted. In October 2002, CSN terminated the energy supply contract with Light and, since then, has been using all exceeding energy for UVP own consumption, as well as for consumption by the Arcos and Casa de Pedra mines. Accordingly, as from October 2002, the amount receivable/payable from/to MAE is immaterial if compared to the amounts recorded up to September 2002.

Up to September 30, 2003, CSN received the amount of R\$ 362,572, of which R\$91,179 in 2002 and R\$271,393 in 2003.

Of the balance receivable as of September 30, 2003, the Company has been negotiating directly with the delinquent agents of R\$26,843, related to settlements that took place to July 2003 and don't expect losses in the realization of such credits

Furthermore, as regards the balance receivable as of September 30, 2003, R\$93,751 refer to amounts due by concessionaires and/or by permissionaires holding injunctions for suspending the corresponding payments. The Company's management understands that it is not necessary to provide for doubtful debts, having in mind the actions that are been taken by the Company and by the sector official entities.

### 22. FINANCIAL RESULTS/ NET MONETARY AND FOREIGN EXCHANGE VARIATIONS

|   | Parent Company |            | Consolidated |            |
|---|----------------|------------|--------------|------------|
|   | 09/30/2003     | 09/30/2002 | 09/30/2003   | 09/30/2002 |
| <b>Financial expenses:</b>                                  |                |            |              |            |
| Loans and financing - foreign currency                      | (87,114)       | (168,409)  | (100,456)    | (252,460)  |
| Loans and financing - Brazilian currency                    | (185,738)      | (49,298)   | (205,476)    | (55,230)   |
| With subsidiaries   | (176,244)      | (272,989)  | (60,043)     |            |
| Other financial expenses                                    | (141,677)      | (216,215)  | (165,384)    | (296,534)  |
|   | (590,773)      | (706,911)  | (531,359)    | (604,224)  |
| <b>Financial income:</b>                                    |                |            |              |            |
| With subsidiaries   | 21,807         | 11,558     | (981)        |            |
| Yield on financial applications net of provision for losses | (114,879)      | 1,005,792  | (98,716)     | 1,065,150  |
| Exchange Swap   | (923,433)      | 1,094,336  | (793,622)    | 1,094,336  |
| Exchange Variation Amortization(CVM 404/01)                 |                | (270,167)  |              | (270,167)  |
| Other income  | 18,309         | (90,696)   | 37,960       | (81,173)   |
|   | (998,196)      | 1,750,823  | (855,359)    | 1,808,146  |
| <b>Net financial income</b>                                 | (1,588,969)    | 1,043,912  | (1,386,718)  | 1,203,922  |
| <b>Monetary Variation</b>                                   |                |            |              |            |
| - Assets  | 8,000          | 4,663      | 5,256        | 1,832      |
| - Liabilities   | (38,723)       | (20,755)   | (42,125)     | (56,865)   |
|   | (30,723)       | (16,092)   | (36,869)     | (55,033)   |

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**Exchange Variation**

|   |           |             |           |             |
|---|-----------|-------------|-----------|-------------|
| - Assets  | (232,063) | 256,964     | (154,586) | 1,251,784   |
| - Liabilities   | 1,412,116 | (4,082,262) | 1,020,873 | (4,256,296) |
| - Amortization of deferred foreign exchange variation | (99,622)  | (286,972)   | (101,624) | (288,973)   |
|   | 1,080,431 | (4,112,270) | 764,663   | (3,293,485) |
| <b>Net monetary and exchange variations</b>           | 1,049,708 | (4,128,362) | 727,794   | (3,348,518) |

23 . NON-OPERATING INCOME (EXPENSES)

On September 30, 2003, the parent company's non-operating result, amounted to R\$18,686 (R\$11,615 in 2002), and the consolidated of R\$16,136 (R\$10,492 in 2002). The most expressive item included in these results is the setting up of a provision for probable loss on investment, mainly related to the write off of advance for future capital increase of CFN.

24 . VALUE-ADDED (PARENT COMPANY)

|  | R\$ Million    |                |
|--|----------------|----------------|
|  | 09/30/2003     | 09/30/2002     |
| <b>Revenue</b>                                     |                |                |
| Sales of goods, products and services              | 5,253          | 3,662          |
| Allowance for doubtful accounts                    | 4              | (2)            |
| Non-operating income                               | (22)           | (12)           |
|  | <b>5,235</b>   | <b>3,648</b>   |
| <b>Input purchased from third parties</b>          |                |                |
| Raw material used up                               | (1,108)        | (707)          |
| Cost of products and services                      | (678)          | (486)          |
| Materials, energy, third-party services and others | (230)          | (290)          |
|  | <b>(2,016)</b> | <b>(1,483)</b> |
| <b>Gross value-added</b>                           | <b>3,219</b>   | <b>2,165</b>   |
| <b>Retention</b>                                   |                |                |
| Depreciation, amortization and depletion           | (456)          | (383)          |
| <b>Net produced value-added</b>                    | <b>2,763</b>   | <b>1,782</b>   |
| <b>Value-added transferred</b>                     |                |                |
| Income from equity stakes                          | (5)            | 880            |
| Financial income / Exchange Variation              | (1,222)        | 2,013          |
|  | <b>(1,227)</b> | <b>2,893</b>   |
| <b>Total value-added to distribute</b>             | <b>1,536</b>   | <b>4,675</b>   |

**VALUE-ADDED DESTINATION**

|  |       |       |
|--|-------|-------|
| Staff and charges                      | 320   | 317   |
| Taxes, charges and contributions       | 1,197 | (9)   |
| Interest of capital stock              | (714) | 4,944 |
| Dividends / Interest of capital stock  |       |       |
| Retained earnings/(loss) of the period | 733   | (577) |

## 25. EBITDA

The Company's EBITDA (gross profit minus selling, general and administrative expenses, plus depreciation and depletion) is as follows:

|   | R\$ millions   |            |              |            |
|---|----------------|------------|--------------|------------|
|   | Parent Company |            | Consolidated |            |
|   | 09/30/2003     | 09/30/2002 | 09/30/2003   | 09/30/2002 |
| Net income  | 4,499          | 3,114      | 4,956        | 3,465      |
| Cost of products sold                                       | (2,467)        | (1,766)    | (2,622)      | (1,952)    |
| Gross Profit  | 2,032          | 1,348      | 2,334        | 1,513      |
| Operating expenses (sales, general and administrative)      | (330)          | (365)      | (550)        | (573)      |
| Depreciation (Cost of Products sold and operating expenses) | 456            | 383        | 486          | 399        |
| EBITDA  | 2,158          | 1,366      | 2,270        | 1,339      |
| EBITDA-MARGIN %   | 48.0%          | 43.9%      | 45.8%        | 38.7%      |

## 26. EMPLOYEES' PENSION FUND

## (a) Private Pension Administration

The Company is the principal sponsor of the CSN Employees' Pension Fund ("CBS"), a private non-profit pension fund established in July 1960, the principal objective of which is to pay benefits complementing those of the official social security. CBS congregates CSN employees, of CSN related companies and entity itself, provided they sign the assent agreement.

## (b) Characteristics of the Plans

CBS has three benefit plans:

## 35% of Average Salary Plan

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

## Supplementary Average Salary Plan

It is a defined benefit plan, which began on 11/01/1977. The purpose of this plan is to complement the difference between the 12 last average salaries and the Official Pension Plan (Previdência Oficial) benefit, to the retired, and also on a life long basis. As with the 35% Average Salary

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Plan, there is sickness assistance, funeral grant and pension coverage. Thirteen contributions and payment of benefits are made per year. It became inactive since 12/26/1995, because of the combined supplementary benefits plan creation.

Combined Supplementary Benefits Plan

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

As of September 30, 2003 and June 30, 2003, the plans are presented as follow:

|   | 09/30/2003    | 06/30/2003    |
|---|---------------|---------------|
| <b>Members:</b>                                 | <b>19,043</b> | <b>19,239</b> |
| In activity                                     | 7,557         | 7,689         |
| Retired employees                               | 11,486        | 11,550        |
| <b>Distribution of members by benefit plan:</b> |               |               |
| <b>35% of Average Salary Plan</b>               | <b>6,108</b>  | <b>6,171</b>  |
| Active  | 42            | 44            |
| Retired employees                               | 6,066         | 6,127         |
| <b>Supplementary Average Salary Plan</b>        | <b>5,595</b>  | <b>5,698</b>  |
| Active  | 453           | 548           |
| Retired employees                               | 5,142         | 5,150         |
| <b>Combined Supplementary Benefits Plan</b>     | <b>7,340</b>  | <b>7,370</b>  |
| Active  | 7,062         | 7,097         |
| Retired employees                               | 278           | 273           |
| <b>Linked beneficiaries:</b>                    | <b>5,414</b>  | <b>5,329</b>  |
| 35% of average salary plan                      | 4,256         | 4,193         |
| Supplementary average salary plan               | 1,120         | 1,106         |
| Combined supplementary benefits plan            | 38            | 30            |
| <b>Total of Members / Beneficiaries:</b>        | <b>24,457</b> | <b>24,568</b> |

(c) Insufficiency of Reserve Equalization

On January 25, 1996, the Supplementary Social Security Secretariat SPC (Secretaria de Previdencia Complementar), through letter no. 55 SPC/CGOF/COJ approved a proposal to equalize the insufficiency of reserves based on value determined on September 30, 1995, monetarily update to December 31, 1995.

Through letter no. 1555/SPC/GAB/COA, of August 22, 2002, confirmed by letter no. 1598/SPC/GAB/COA of August 28, 2002 new proposal was approved for refinancing of reserves to amortize, the sponsors responsibility in the amount of R\$725,820, in 240 monthly and successive installments being the 1st to 12 th installments due in the amount of R\$958 and from 13th on R\$3,133, monetarily indexed (INPC + 6% p.y.), starting June 28, 2002. The contract also foresees the installments anticipation in case of cash necessity in defined benefit plan and the transfer of occasioned deficits/superavits for which the sponsors are responsible to the updated debtor balance, so as to preserve the plans balance without exceeding the maximum period of amortization.

(d) Actuarial Liabilities

As provided by CVM Deliberation No. 371, of December 13, 2000, approving the NPC 26 of IBRACON Employee s Benefit Accounting that established new calculation and disclosure accounting practices, the management of the Company, with its external actuaries, determined the



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effects of this new practice.

### Actuarial Liability Recognition

The Administration decided to recognize the actuarial liability adjustment in the results for the period of five years, as from January 1, 2002, being appropriated to the third quarter of 2003 the amount of R\$51,287, in accordance with paragraphs 83 and 84 of NPC 26 of IBRACON and CVM Deliberation No. 371/2000, which, added to related contribution private pension fund outlay, totaled R\$84,921.

The amortizing contribution is related to the part of the participants in the determination of to settle the reserve insufficiency, was deduced by the present value of the total actuarial obligations of the respective plans. Some participants are challenging in court this amortizing contribution; but the Company based on its legal and actuarial advisors, understands that the amortizing contribution was approved by Supplementary Social Security Secretariat Secretaria da Previdência Complementar - SPC , and as such the contribution is due by those participants.

In the case of the Millennium Plan (Combined Supplementary Benefit Plan) of defined contribution, where there is a net actuarial asset, and in which the sponsor contributions are the same as the participants contribution, our actuarial advisors understand that 50% of the net actuarial asset could be used for reduction of the sponsor s contribution. Thus, the sponsor chose to recognize 50% of this asset on its books in the amount of R\$2,910 in 2003.

### Main actuarial assumptions adopted in the actuarial liability calculation

| Methodology Used  | Unit Methods of Projects Credits                       |
|---|--|
| Rate for discount of actuarial obligation                     | 13.4% p.y (8% real and 5% inflation)                   |
| Rate of expected yield on plan assets                         | 13.4% p.y (8% real and 5% inflation)                   |
| Index for estimated salary increase                           | INPC + 1% (6.05%)                                      |
| Index for the increase in estimated benefits                  | INPC + 0% (5.00%)                                      |
| Long term estimate rate of inflation                          | INPC + 0% (5.00%)                                      |
| Biometrical mortality table                                   | UP84 with 3-year aggravation and segregated by sex     |
| Biometrical invalidity table                                  | Mercer Table for entering invalidity                   |
| Rate of expected rotation                                     | 1% p.y   |
| Probability of entering retirement                            | The first time the participant qualifies for a benefit |
| CSN do not have obligations on other after-employees benefit. |  |

## 27. BUSINESS INTERNATIONALIZATION

In accordance with CSN s international business development strategy, CSN have been acquiring assets in North America and Europe.

### a) North America

CSN LLC: CSN Indirect associated company, through CSN subsidiary Panama S.A., which holds shares of Tangua Incorporated (according to note 28b) that through CSN Partner and CSN Holding owns 100% of CSN LLC shares.

CSN LLC was formed in 2001 with assets and liabilities of the wound up company Heartland Steel Inc., located in Terre Haute, state of Indiana and is a complex comprising cold rolling, hot coil seraping line and galvanization line.

### b) Europe

Lusosider: Indirect associated company through the subsidiary CSN Steel S.A., which holds 50% of Lusosider Projectos Siderurgicos S.A., company that holds 100% of Lusosider Aços Planos

Lusosider Aços Planos was formed in 1996, providing continuity to Siderurgica Nacional Empresa de Produtos Planos S.A., privatized by the Portuguese government in that year. The company is located in Seixal, Portugal, and is composed of a galvanization line and tin plates.

## 28.SUBSEQUENT EVENTS

### a)Offering :

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In October, 2003 the company through its subsidiary Island VII Corp. issued notes in the amount of U\$75 million. The transaction maturing in 5 years has coupon of 10.75% p.a. and the funds raised in this transaction will be used as working capital increasing the liquidity of the company

### b) Tangua and CSN LLC

On October 13, 2003 CSN through its subsidiary CSN Panama S.A. increased the capital of Tangua Incorporated, by capitalizing accounts receivables aggregating US\$ 175 million, becoming the holder of 100% of the shares. Tangua s Incorporated through its controlled companies CSN LLC Holding and CSN LLC Partner, is the holder of all shares of CSN LLC, as approved on October 6, 2003 by the Federal Trade Commission, the U.S. regulatory agency.

### c) Commercial Papers

In October, 2003, the company through its subsidiary CSN Overseas, completed the financial operations of US Commercial Papers, started in 2001, in the amount of US\$ 20 and US\$ 60 millions. These operations had a cost of approximately 4.35% and 2% p.a. respectively.

### d) Debentures

In October 21, 2003, the company s Administration Council approved the issuance Os debentures and their placement in the internal market in the amount of R\$400 million at a date to be defined, comprising 40 thousand debentures with a unit nominal value of R\$ 10 thousand. The debentures (one series only, nominative and non-convertible), mature in 3 years.

## 29. EXPLANATION ADDED FOR TRANSLATION INTO ENGLISH

The accompanying financial statements have been prepared on the basis of accounting practices laid down by the Corporate Law in Brazil.

Certain accounting practices applied by the Company and its subsidiaries that conform to those accounting practices in Brazil may not conform to generally accept accounting principles in other countries.

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Highlights

|  | Parent Company |       |       |       |       | Consolidated |       |       |       |       |
|--|----------------|-------|-------|-------|-------|--------------|-------|-------|-------|-------|
|  | 3Q             |       | 2Q    |       | YTD   | 3Q           |       | 2Q    |       | YTD   |
|  | 2003           | 2002  | 2003  | 2003  | 2002  | 2003         | 2002  | 2003  | 2003  | 2002  |
| <u>Crude Steel Production (000 tons)</u> | 1,360          | 1,276 | 1,336 | 3,968 | 3,789 | 1,360        | 1,276 | 1,336 | 3,968 | 3,789 |
| <u>Sales Volume (000 tons)</u>           | 1,272          | 1,151 | 1,189 | 3,544 | 3,547 | 1,320        | 1,221 | 1,122 | 3,533 | 3,665 |
| Domestic Market                          | 627            | 700   | 837   | 2,195 | 2,461 | 654          | 758   | 753   | 2,137 | 2,544 |
| Export Market                            | 645            | 451   | 352   | 1,349 | 1,086 | 666          | 463   | 368   | 1,396 | 1,122 |
| <u>Steel Production</u>                  | 1,152          | 961   | 1,234 | 1,196 | 829   | 1,266        | 993   | 1,337 | 1,314 | 871   |
| <u>Net Revenue (R\$/t)</u>               |                |       |       |       |       |              |       |       |       |       |
| <u>Financial Data (R\$ millions)</u>     |                |       |       |       |       |              |       |       |       |       |
| Net Revenue                              | 1,555          | 1,174 | 1,551 | 4,499 | 3,114 | 1,782        | 1,320 | 1,588 | 4,956 | 3,465 |
| Gross Profit                             | 644            | 585   | 695   | 2,032 | 1,348 | 768          | 674   | 744   | 2,334 | 1,513 |
| EBITDA <sup>1</sup>                      | 702            | 579   | 739   | 2,158 | 1,367 | 747          | 526   | 735   | 2,270 | 1,339 |
| Net Income (Loss)                        | 192            | (170) | 135   | 733   | (577) | 203          | (167) | 116   | 716   | (574) |

|                                     | Sep/03 | Jun/03 | Mar/03 |
|-------------------------------------|--------|--------|--------|
| <u>Consolidated Net Debt</u> R\$ MM | 5,483  | 5,328  | 4,586  |

Production and Production Costs

In 3Q03, crude steel output reached 1,360 thousand tons while rolled finished product volume stood at 1,243 thousand tons (production measured at the continuous caster for crude steel and at the hot strip mill for rolled finished product - volume differs slightly from inventory deposits due to normal process losses), 7% and 8% increases, respectively, compared to the same period last year. This elevation in the production is still reflex of reforms in the AF#3 and LTQ#2, accomplished at the end of 2001

CSN is already operating at an annual pace of approximately 5.8 million tons of molten steel.

● Production Costs

Production costs (per unit and total) were higher in 3Q03, mainly due to the following factors: 1) raw material consumption of 42.7 thousand tons of hot rolled coils purchased to leverage sales volume; greater consumption and price of purchased coke; and in a lower amount, the increase of scrap consumption and price; 2) general production costs tariff's readjustments and higher prices for products and services purchased. In addition, the Steelworks and the Thermoelectric Power Plant asset revaluations in April 2003 and December 2002, respectively, caused depreciation costs to rise R\$50 million.

In the 3Q03 and in the nine months, higher costs were also due to the impact of higher average foreign exchange rate on imported or US Dollar-linked raw materials.

Sales

Sales volume of finished and slabs products reached 1.3 million tons in the quarter, a 6% increase compared to the same period last year. In the first nine months, 3.5 millions tons were sold, a 4% decline.

Sales in the domestic market declined 14% and represented 50% of 3Q03 sales, against 63% in the prior year period. In the nine months, domestic sales represented 61% of total sales, compared to 69% in the same period of 2002.

The decrease in domestic market sales as a percentage of total sales in the period is a consequence of the lower level of Brazilian economic activity as well as the lower prices from competitors, mainly affecting the distribution and construction segments. On the other hand, exports rose 44% in 3Q03, mainly from sales to Asia, where demand has significantly increased and accounted for nearly 40% of non-coated product

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exports. In the nine months, export sales increased 24%. Asia represented almost 60% of exports, whereas a decrease occurred in the Mexican and North-American markets. CSN discontinued slab sales to Mexico, and sales to the US market dropped 84% due to barriers imposed by the Section 201 safeguard measures, pursuant to which quotas or tariffs were imposed on steel imports, and better prices in the Asian continent.

Higher value-added galvanized steel and tin mill products represented 38% of total volume sold, compared to 35% registered in 3Q02.

### Operating Results

- Net Revenue, Cost of Goods Sold and Gross Margin

Consolidated net revenue grew 35% compared to the same period last year, totaling R\$1,782 million in 3Q03. This result is mainly a reflection of higher export volume, as well as higher prices implemented since the second half of 2002 and, to a lesser extent, improvement in the product mix. This improvement was partly offset by a less favorable market mix, since exports were higher than domestic sales during a period of stronger local currency.

In the nine months, due to the same reasons, net revenue growth was 43% higher. Domestic sales as a percentage of total net revenues was 66%, against 73% in 2002.

The cost of goods sold (COGS) totaled R\$1,014 million in 3Q03, a 57% increase in relation to 3Q02. As previously described in Production and Production Costs, this hike was also impacted by the consumption of hot rolled coils, greater consumption of purchased coke and scrap and the asset revaluation.

In the first nine months of 2003, COGS rose 34% compared to the same period in 2002, for essentially the same reasons. Additionally, costs were impacted by a higher average foreign exchange rate on imported or US Dollar-linked raw materials.

Gross margin fell by 8 percentage points in the quarter from 51% in 3Q02 to 43% in 3Q03. This reduction was mainly caused by the increase in COGS and by the deterioration in market mix in this quarter..

For the nine months, gross margin rose from 44% to 47%, a 3 percentage points improvement, reflecting the year-to-year increase in net revenues.

- Selling General and Administrative Expenses

In 3Q03, selling, general and administrative expenses excluding depreciation were R\$202 million, a decline of 25%. This drop is mainly a consequence of the provision in 3Q02 of an allowance related to sales of electricity in the Wholesale Energy Market (MAE). In the nine months, these expenses fell 4% to R\$523 million, reflecting the provision mentioned above and lower administrative expenses as a result of the change in allocation of some expenses, amounting to R\$32 million, from administrative expenses to production costs, which were partially offset by R\$91 million of higher freight expenses due to the higher export volume.

- EBITDA

In the third quarter, EBITDA grew 42% to R\$747 million in 3Q03 compared to 3Q02. This growth is mainly explained by the rise in average prices and higher volume sold. EBITDA margin (EBITDA divided by net revenue) rose from 40% to 42%. In the nine months, EBITDA reached R\$2,270 million, 70% higher than the R\$1,339 million registered in the same period of 2002 and almost at the same level of the full year 2002 of R\$2,276 million. EBITDA margin was 46%, or 7 percentage points higher than 2002's 39% margin.

- Other operating income/expense

In 3Q03, the Company booked a net other operating expense of R\$22 million, compared to the R\$9 million booked in 3Q02, due to lower provisions for contingencies in that quarter. In the nine months, expenses declined from R\$96 million to R\$28 million, partially due to the reversal in the first quarter of 2003 of a provision related to Itasa's liabilities with MAE.

- Financial Result

Financial results (comprised of financial income and expense as well as net foreign exchange gains and losses excluding amortization of the deferred of foreign exchange variation losses) in 3Q03 were a net expense of R\$242 million. The low nominal cost of gross debt denominated in US Dollars, along with the net exchange variation effect and the result obtained with hedging instruments, resulted in consolidated net debt cost in Reais of around 15% per annum in the 3Q03, or 64% of the CDI (Brazilian Interbank Deposit Rate) annualized. This percentage is in line

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with the Company's expectation of around 60% of the CDI. In the nine months, an expense of R\$557 million was recorded. Net debt cost was 11% per annum, or 45% of CDI, thus below the annual expectations of the Company.

**Deferred Foreign Exchange Losses:** Regarding the foreign exchange deferral in 2001, the Company amortized R\$102 million in the nine months, compared to R\$559 million in the same periods of the past year. During the 4Q03 an additional R\$30 million will be amortized. In 2004, the remaining balance of R\$103 million will be amortized.

- Equity interest

Equity interest in the results of affiliates amounted to a positive R\$24 million in 3Q03 versus a negative R\$4 million in 3Q02. This result is due to the positive result from MRS in the period. For the same reason, in the nine months, the equity in results totaled R\$35 million.

- Income and Social Contribution Tax

CSN registered an income and social contribution tax expense of R\$70 million in the 3Q03 and a credit of R\$432 million in 3Q02. Year to date figures in 2003 were an expense of R\$396 million, compared to a credit of R\$ 754 million last year. For both periods, the variation is a consequence of the higher operating results in 2003 and the strong foreign exchange devaluation in 2002.

- Net Income

Consolidated net income in 3Q03 was R\$203 million against a loss of R\$ 167 million in 3Q02 and a loss of R\$ 116 million in the previous quarter. In 2003, net income totaled R\$ 716 million, compared to a loss of R\$574 million in the same period of last year.

### Consolidated Net Debt

As of September 30, 2003, the Company's net debt amounted to R\$5,483 million, a R\$155 million increase in relation to June 30, 2003. Gross debt rose approximately R\$1 billion in the quarter mainly due to new funding such as the securitization of receivables in July and August.

Consolidated cash balance totaled R\$2,307 million, an increase driven by new funding, by the EBITDA of R\$747 million and by the inflow of R\$142 million from MAE. This growth was partially offset by capital expenditures (including the retirement of debt owed by the parent of CSN, LLC, thus permitting the acquisition of CSN LLC in the fourth quarter) and working capital needs.

There was a significant improvement in the debt profile with short-term debt currently comprising 38% of total debt, compared to 48% in the previous quarter. The main portions of short-term debt are trade related facilities (42%), Notes issued in the beginning of 2003 (20%) and others. Net Indebtedness is currently at 1.8x annualized EBITDA. The Company expects to reduce this ratio to 1.5x/1.6x by the end of 2003.

### Capital Expenditures

In the nine months, capital expenditures in the parent company reached R\$233 million and were invested mainly in 3Q03 in the galvanization, galvalume and pre-painted unit of CSN Paraná. Additionally, investments in projects related to the maintenance of operating and technological excellence at the Presidente Vargas Mill (UPV) were made. There was also the incorporation of CISA's plant that increased R\$514 million in the parent company PP&E.

### SALES VOLUME Consolidated - thousand of tons

|                        | 3Q03       | 2Q03       | 3Q02       | 2002         | 2003         |
|------------------------|------------|------------|------------|--------------|--------------|
| <b>DOMESTIC MARKET</b> | <b>654</b> | <b>753</b> | <b>758</b> | <b>2,544</b> | <b>2,137</b> |
| Hot rolled             | 214        | 282        | 253        | 964          | 741          |
| Cold rolled            | 152        | 155        | 166        | 584          | 487          |
| Galvanized             | 122        | 143        | 166        | 480          | 394          |
| Tim mill products      | 152        | 157        | 162        | 481          | 471          |
| Slabs                  | 13         | 18         | 11         | 34           | 44           |

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|                      |            |            |            |              |              |
|----------------------|------------|------------|------------|--------------|--------------|
| <b>EXPORT MARKET</b> | <b>666</b> | <b>368</b> | <b>463</b> | <b>1,122</b> | <b>1,396</b> |
| Hot rolled           | 278        | 158        | 155        | 280          | 534          |
| Cold rolled          | 51         | 25         | 29         | 78           | 98           |
| Galvanized           | 107        | 16         | 83         | 93           | 181          |
| Tim mill products    | 120        | 112        | 99         | 245          | 297          |
| Slabs                | 109        | 58         | 97         | 425          | 287          |

|              |              |              |              |              |              |
|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>TOTAL</b> | <b>1,320</b> | <b>1,122</b> | <b>1,221</b> | <b>3,665</b> | <b>3,533</b> |
|--------------|--------------|--------------|--------------|--------------|--------------|

|                   |     |     |     |       |       |
|-------------------|-----|-----|-----|-------|-------|
| Hot rolled        | 492 | 440 | 408 | 1,244 | 1,275 |
| Cold rolled       | 203 | 179 | 195 | 662   | 585   |
| Galvanized        | 229 | 158 | 249 | 573   | 575   |
| Tim mill products | 272 | 268 | 261 | 726   | 768   |
| Slabs             | 123 | 75  | 108 | 459   | 330   |

**SALES VOLUME**  
Parent Company - thousands of tons

|  |             |             |             |             |             |
|--|-------------|-------------|-------------|-------------|-------------|
|  | <b>3Q03</b> | <b>2Q03</b> | <b>3Q02</b> | <b>2002</b> | <b>2003</b> |
|--|-------------|-------------|-------------|-------------|-------------|

|                        |            |            |            |              |              |
|------------------------|------------|------------|------------|--------------|--------------|
| <b>DOMESTIC MARKET</b> | <b>627</b> | <b>837</b> | <b>700</b> | <b>2,461</b> | <b>2,195</b> |
|------------------------|------------|------------|------------|--------------|--------------|

|                   |     |     |     |     |     |
|-------------------|-----|-----|-----|-----|-----|
| Hot rolled        | 203 | 306 | 244 | 936 | 756 |
| Cold rolled       | 153 | 188 | 180 | 601 | 522 |
| Galvanized        | 118 | 162 | 109 | 411 | 408 |
| Tim mill products | 139 | 164 | 156 | 479 | 467 |
| Slabs             | 13  | 17  | 11  | 34  | 43  |

|                      |            |            |            |              |              |
|----------------------|------------|------------|------------|--------------|--------------|
| <b>EXPORT MARKET</b> | <b>645</b> | <b>352</b> | <b>451</b> | <b>1,086</b> | <b>1,349</b> |
|----------------------|------------|------------|------------|--------------|--------------|

|                   |     |     |     |     |     |
|-------------------|-----|-----|-----|-----|-----|
| Hot rolled        | 297 | 158 | 155 | 278 | 552 |
| Cold rolled       | 43  | 9   | 29  | 46  | 73  |
| Galvanized        | 84  | 21  | 74  | 92  | 156 |
| Tim mill products | 111 | 112 | 96  | 245 | 287 |
| Slabs             | 109 | 52  | 97  | 425 | 281 |

|              |              |              |              |              |              |
|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>TOTAL</b> | <b>1,272</b> | <b>1,189</b> | <b>1,151</b> | <b>3,547</b> | <b>3,544</b> |
|--------------|--------------|--------------|--------------|--------------|--------------|

|                   |     |     |     |       |       |
|-------------------|-----|-----|-----|-------|-------|
| Hot rolled        | 500 | 464 | 399 | 1,214 | 1,308 |
| Cold rolled       | 197 | 197 | 209 | 646   | 595   |
| Galvanized        | 202 | 183 | 183 | 503   | 564   |
| Tim mill products | 251 | 276 | 252 | 725   | 754   |
| Slabs             | 123 | 69  | 108 | 459   | 324   |

**NET SALES PER UNIT**  
Consolidated - In R\$/ton

|  |             |             |             |             |             |
|--|-------------|-------------|-------------|-------------|-------------|
|  | <b>3Q03</b> | <b>2Q03</b> | <b>3Q02</b> | <b>2002</b> | <b>2003</b> |
|--|-------------|-------------|-------------|-------------|-------------|

|              |              |              |            |            |              |
|--------------|--------------|--------------|------------|------------|--------------|
| <b>TOTAL</b> | <b>1,266</b> | <b>1,337</b> | <b>993</b> | <b>871</b> | <b>1,314</b> |
|--------------|--------------|--------------|------------|------------|--------------|

|             |       |       |       |       |       |
|-------------|-------|-------|-------|-------|-------|
| Hot rolled  | 959   | 1,029 | 750   | 663   | 1,001 |
| Cold rolled | 1,309 | 1,323 | 881   | 838   | 1,302 |
| Galvanized  | 1,564 | 1,676 | 1,246 | 1,192 | 1,631 |

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|                   |       |       |       |       |       |
|-------------------|-------|-------|-------|-------|-------|
| Tim mill products | 1,790 | 1,828 | 1,350 | 1,250 | 1,840 |
| Slabs             | 710   | 715   | 774   | 475   | 768   |

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**NET SALES PER UNIT**  
Parent Company - In R\$/ton

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|              | <b>3Q03</b>  | <b>2Q03</b>  | <b>3Q02</b> | <b>2002</b> | <b>2003</b>  |
|--------------|--------------|--------------|-------------|-------------|--------------|
| <b>TOTAL</b> | <b>1,152</b> | <b>1,234</b> | <b>961</b>  | <b>832</b>  | <b>1,196</b> |
| Hot rolled   | 875          | 958          | 717         | 636         | 914          |
| Cold rolled  |              |              |             |             |              |