

Companhia Siderúrgica Nacional

Financial Statements Accompanied by
Report of Independent Auditors

December 31, 1999 and 1998

(Free translation from the Original in Portuguese)

Report of Independent Auditors
(Free Translation from the Original in Portuguese)

To the Stockholders and Directors,
Companhia Siderúrgica Nacional:

(1) We have audited the accompanying individual (Parent Company) and consolidated balance sheets of COMPANHIA SIDERÚRGICA NACIONAL and its subsidiaries and joint subsidiaries as of December 31, 1999, and the related statements of income, changes in stockholders' equity and changes in financial position for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

(2) Our audit was conducted in accordance with auditing standards generally accepted in Brazil and comprised: (a) planning of the work, taking into consideration the significance of balances, volume of transactions and the accounting and internal control systems of the Company and its subsidiaries; (b) checking, on a test basis, of the evidence and records that support the amounts and accounting information disclosed, and (c) evaluation of the relevant accounting practices followed and estimates made by management, as well as the presentation of the financial statements taken as a whole.

(3) The financial statements as of December 31, 1999 of associated, subsidiary and joint subsidiary companies, whose investments represented 4.8% of the Parent Company's total assets (12% of consolidated assets) and 86.8% of the Parent Company's equity pick-up (100% of consolidated), were audited by other auditors and our opinion, insofar as it relates to the amounts included for such associated, subsidiary and joint subsidiary companies, is based exclusively on the opinion of the other auditors.

(4) As described in Note 12, as permitted by Decision No. 294 of the Brazilian Securities Commission - CVM, the Company chose to defer net exchange losses. Its associated companies Light Serviços de Eletricidade S.A. and MRS Logística S.A adopted an identical procedure. Accounting practices generally accepted in Brazil require that the effects of exchange rate fluctuations be recognized in income for the year in which they occur. Accordingly, stockholders' equity as of December 31, 1999 and the net income for the year then ended are overstated by approximately R\$ 325,000 thousand, net of the corresponding tax effects.

(5) In our opinion, based on our audit and the reports of the other auditors, as mentioned in paragraph (3) above, except for the effects of the matters mentioned in paragraph (4), the financial statements referred to in paragraph (1) present fairly, in all material respects, the individual and consolidated financial positions of Companhia Siderúrgica Nacional and its subsidiaries and joint subsidiaries as of December 31, 1999, and the results of their operations, the changes in their stockholders' equity and the changes in their financial positions for the year then ended, in accordance with accounting practices established by Brazilian corporate law.

(6) The individual (Parent Company) and consolidated financial statements of Companhia Siderúrgica Nacional and its subsidiaries and joint subsidiaries for the year ended December 31, 1998 were audited by other auditors, who issued an unqualified report thereon dated February 9, 1999.

Rio de Janeiro, Brazil
February 15, 2000

Companhia Siderúrgica Nacional
Balance Sheets
as of December 31, 1999 and 1998
(Expressed in thousands of reais)

ASSETS

	Parent Company		Consolidated	
	1999	1998	1999	1998
CURRENT ASSETS				
Cash and banks	13,678	1,256	30,138	15,908
Marketable securities	1,333,981	1,131,503	1,446,189	1,170,613
Accounts receivable - trade	533,417	310,547	354,281	273,733
Inventories	494,611	523,885	540,522	565,356
Withholding income tax	113,232	48,398	113,564	48,460
Deferred income tax and social contribution	24,251	99,564	34,646	108,189
Other current assets	83,104	62,168	145,050	89,886
	<u>2,596,274</u>	<u>2,177,321</u>	<u>2,664,390</u>	<u>2,272,145</u>
LONG-TERM ASSETS				
Compulsory loan - ELETROBRÁS	50,495	47,758	50,688	47,829
Deferred income tax and social contribution	145,354	135,830	158,051	135,830
Credits with subsidiary and associated	490,828	275,061	151	18,790
Judicial deposits	148,624	140,878	151,043	142,794
Securities receivable	63,254	68,146	65,370	68,380
Recoverable PIS/PASEP	107,340	42,992	107,340	42,992
Leases	34,431	36,175	57,523	75,175
Other long-term assets	15,407	5,806	12,619	23,508
	<u>1,055,733</u>	<u>752,646</u>	<u>602,785</u>	<u>555,298</u>
PERMANENT ASSETS				
Investments	879,517	712,567	1,568,427	1,486,695
Property, plant and equipment	7,072,775	4,101,953	7,169,496	4,124,281
Deferred charges	482,488	43,068	498,111	45,211
	<u>8,434,780</u>	<u>4,857,588</u>	<u>9,236,034</u>	<u>5,656,187</u>
	<u>12,086,787</u>	<u>7,787,555</u>	<u>12,503,209</u>	<u>8,483,630</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

	Parent Company		Consolidated	
	1999	1998	1999	1998
CURRENT LIABILITIES				
Loans and financing	1,158,585	695,843	2,629,894	1,035,256
Suppliers	256,804	176,428	270,856	180,913
Salaries and payroll charges	38,996	41,450	44,329	44,536
Taxes payable	56,514	12,883	58,111	12,892
Taxes and accounts payable in installments	29,786	26,908	29,786	26,908
Interest on stockholders' equity	122,872	129	122,872	129
Other current liabilities	113,231	83,872	95,424	70,748
	<u>1,776,788</u>	<u>1,037,513</u>	<u>3,251,272</u>	<u>1,371,382</u>
LONG-TERM LIABILITIES				
Loans and financing	2,468,776	1,813,320	1,932,708	2,342,389
Provision for losses on investments	343,630	145,456		2,645
Accounts payable in installments	10,212	28,908	10,212	28,908
Social contribution challenged in court	78,591	99,439	78,591	99,439
Income tax and social contribution on revaluation reserve	1,263,570		1,263,570	
Other long-term liabilities	113,573	63,479	114,500	64,275
	<u>4,278,352</u>	<u>2,150,602</u>	<u>3,399,581</u>	<u>2,537,656</u>
MINORITY INTEREST				19,565
STOCKHOLDERS' EQUITY				
Capital stock	1,680,947	1,680,947	1,680,947	1,680,947
Capital reserve	1,258	1,258	1,258	1,258
Revaluation reserves	2,526,984	1,309,994	2,526,984	1,309,994
Revenue reserves	1,822,458	1,607,241	1,643,167	1,562,828
	<u>6,031,647</u>	<u>4,599,440</u>	<u>5,852,356</u>	<u>4,555,027</u>
	<u>12,086,787</u>	<u>7,787,555</u>	<u>12,503,209</u>	<u>8,483,630</u>

The accompanying notes are an integral part of these balance sheets.

Companhia Siderúrgica Nacional
Statement of Income
for the years ended December 31, 1999 and 1998
(Expressed in thousands of reais, except for earnings per thousand shares)

	Parent Company		Consolidated	
	1999	1998	1999	1998
GROSS REVENUE FROM SALES				
Sales of products				
Domestic	2,652,067	2,377,559	2,784,325	2,640,185
Export	702,924	497,840	752,537	514,917
	<u>3,354,991</u>	<u>2,875,399</u>	<u>3,536,862</u>	<u>3,155,102</u>
Deductions from gross revenue				
Taxes on sales	(522,038)	(435,474)	(569,139)	(477,787)
Discounts and returns	(26,007)	(15,164)	(31,744)	(18,950)
	<u>(548,045)</u>	<u>(450,638)</u>	<u>(600,883)</u>	<u>(496,737)</u>
NET REVENUES FROM SALES	<u>2,806,946</u>	<u>2,424,761</u>	<u>2,935,979</u>	<u>2,658,365</u>
COST OF PRODUCTS SOLD	<u>(1,743,776)</u>	<u>(1,497,662)</u>	<u>(1,778,815)</u>	<u>(1,710,775)</u>
Gross profit	<u>1,063,170</u>	<u>927,099</u>	<u>1,157,164</u>	<u>947,590</u>
Operating income (expenses)				
Selling expenses	(152,490)	(178,741)	(225,003)	(213,468)
General and administrative expenses	(171,404)	(171,595)	(183,177)	(183,104)
Other expenses, net	(18,551)	(27,997)	(40,453)	(62,833)
Operating profit prior to financial effects and equity results	<u>720,725</u>	<u>548,766</u>	<u>708,531</u>	<u>488,185</u>
Financial expenses	(332,907)	(205,081)	(468,609)	(294,047)
Financial income	565,059	383,597	689,477	374,861
Monetary variations				
Assets	47,305	34,299	322,166	39,708
Liabilities	(492,944)	(175,767)	(540,894)	(170,892)
Equity income (loss)				
Equity pick-up	(4,180)	24,673	(540,790)	10,714
Provision for losses on investments	(198,174)	(123,905)	2,644	(2,645)
Amortization of goodwill	(9,942)	(7,187)	(9,942)	(7,187)
Operating income	<u>294,942</u>	<u>479,395</u>	<u>162,583</u>	<u>438,697</u>
Non-operating income (expenses)	<u>62,847</u>	<u>(6,223)</u>	<u>65,259</u>	<u>(3,619)</u>
Income before income tax and social contribution	<u>357,789</u>	<u>473,172</u>	<u>227,842</u>	<u>435,078</u>
Income tax	(35,077)	(7,295)	(31,935)	1,097
Social contribution	9,212	(1,445)	1,139	(1,185)
NET INCOME FOR THE YEAR	<u><u>331,924</u></u>	<u><u>464,432</u></u>	<u><u>197,046</u></u>	<u><u>434,990</u></u>
Number of shares at the end of year (in thousands)	<u><u>71,729,261</u></u>	<u><u>71,731,461</u></u>		
Earnings per thousand shares outstanding at end of year (R\$)	<u><u>4.63</u></u>	<u><u>6.47</u></u>		

The accompanying notes are an integral part of these statements.

Companhia Siderúrgica Nacional
Statement of Changes in Parent Company Stockholders' Equity
for the years ended December 31, 1999 and 1998
(Expressed in thousands of reais)

	Capital reserve	Revaluation reserves		Revenue reserves			Retained earnings	Total stockholders' equity
	FINOR tax incentives	Own assets	Subsidiary company assets	Investments	Legal	Treasury stock		
AT DECEMBER 31, 1997	1,680,947		1,415,072	10,095	1,332,223	59,813	(97,426)	4,400,724
Acquisition of own shares							(18,026)	(18,026)
Capital reserve - income tax incentive - FINOR	1,258							1,258
Shares cancelled				(115,440)		115,440		
Realization of revaluation reserve		(106,642)	(7,761)				114,403	
Taxes on revaluation reserve			(770)				(2,564)	(3,334)
Net income for the year							464,432	464,432
Interest on stockholders' equity							(245,614)	(245,614)
Destination of net income				307,436	23,221		(330,657)	
AT DECEMBER 31, 1998	<u>1,680,947</u>	<u>1,258</u>	<u>1,308,430</u>	<u>1,564</u>	<u>1,524,219</u>	<u>83,034</u>	<u>(12)</u>	<u>4,599,440</u>
Acquisition of own shares							(34)	(34)
Shares cancelled				(46)		46		
Revaluation of assets, net of income tax and social contribution		1,480,562						1,480,562
Reversal of reserve due to discontinuation, net of income tax and social contribution		(139,149)						(139,149)
Realization of revaluation reserve, net of income tax and social contribution		(126,120)	(7)				126,127	
Revaluation of assets of jointly-owned subsidiary, net of income tax and social contribution			1,704					1,704
Net income for the year							331,924	331,924
Interest on stockholders' equity							(242,800)	(242,800)
Destination of net income				198,655	16,596		(215,251)	
AT DECEMBER 31, 1999	<u>1,680,947</u>	<u>1,258</u>	<u>2,523,723</u>	<u>3,261</u>	<u>1,722,828</u>	<u>99,630</u>		<u>6,031,647</u>
			<u>2,526,984</u>		<u>1,822,458</u>			

The accompanying notes are an integral part of these statements.

Companhia Siderúrgica Nacional
Statement of Changes in Financial Position
for the years ended December 31, 1999 and 1998
(Expressed in thousands of reais)

	Parent Company		Consolidated	
	1999	1998	1999	1998
SOURCES OF FUNDS				
Funds provided by operations				
Net income for the year	331,924	464,432	197,046	434,990
Expenses (income) not affecting net working capital				
- Monetary and foreign exchange variation and long-term accrued finance (net)	87,914	147,488	(220,625)	79,477
- Equity results	212,296	106,419	548,088	(882)
- Write-offs of property, plant and equipment	68,191	6,272	69,829	17,808
- Depreciation/depletion/amortization	384,239	295,405	387,371	298,742
- Amortization of deferred foreign exchange variation	294,279		294,279	
- Nonoperating gains derived from investments	(24,618)		(24,618)	
- Other funds provided (used in) by operations	17,617	(4,127)	22,330	15,999
	<u>1,371,842</u>	<u>1,015,889</u>	<u>1,273,700</u>	<u>846,134</u>
Funds provided by third parties				
Long-term loans and financing	612,675	242,567	601,683	950,846
Decrease in other long-term assets	85,992	212,425	61,595	152,933
Other funds provided by third parties	24,828	65,946	97,918	127,148
	<u>723,495</u>	<u>520,938</u>	<u>761,196</u>	<u>1,230,927</u>
Funds provided by stockholders				
Addition to intercompany loan agreement				5,633
Minority interest				
	<u>2,095,337</u>	<u>1,536,827</u>	<u>2,034,896</u>	<u>2,102,259</u>
USES OF FUNDS				
Funds used in permanent assets				
Investments (net of items not representing outlay on funds)	190,306	111,158	142,880	57,801
Property, plant and equipment	685,925	445,679	794,370	458,651
Deferred charges	62,960	10,877	76,676	12,513
	<u>939,191</u>	<u>567,714</u>	<u>1,013,926</u>	<u>528,965</u>
Other uses of funds				
Interest on stockholders' equity	242,800	245,614	242,800	245,614
Transfer of loans and financing to short-term	784,011	532,438	1,727,172	532,438
Increases in noncurrent assets	422,831	266,537	135,611	156,723
Decrease in other long-term liabilities	22,530	110,836	384,307	111,712
Other uses of funds	4,296	75,652	18,725	104,438
	<u>1,476,468</u>	<u>1,231,077</u>	<u>2,508,615</u>	<u>1,150,925</u>
	<u>2,415,659</u>	<u>1,798,791</u>	<u>3,522,541</u>	<u>1,679,890</u>
INCREASE (DECREASE) IN NET WORKING CAPITAL	<u>(320,322)</u>	<u>(261,964)</u>	<u>(1,487,645)</u>	<u>422,369</u>
SUMMARY OF CHANGES IN NET WORKING CAPITAL				
Current assets				
- At end of year	2,596,274	2,177,321	2,664,390	2,272,145
- At beginning of year	2,177,321	2,563,181	2,272,145	2,693,535
	<u>418,953</u>	<u>(385,860)</u>	<u>392,245</u>	<u>(421,390)</u>
Current liabilities				
- At end of year	1,776,788	1,037,513	3,251,272	1,371,382
- At beginning of year	1,037,513	1,161,409	1,371,382	2,215,141
	<u>739,275</u>	<u>(123,896)</u>	<u>1,879,890</u>	<u>(843,759)</u>
INCREASE (DECREASE) IN NET WORKING CAPITAL	<u>(320,322)</u>	<u>(261,964)</u>	<u>(1,487,645)</u>	<u>422,369</u>

The accompanying notes are an integral part of these statements.

Companhia Siderúrgica Nacional
Notes to the Financial Statements
For the years ended December 31, 1999 and 1998
(Expressed in thousands of reais, except as indicated otherwise)

1. OPERATING CONTEXT

Companhia Siderúrgica Nacional ("CSN") is engaged in the production of flat steel products, with its main industrial complex being the Presidente Vargas Mill in the City of Volta Redonda, State of Rio de Janeiro, Southeast Brazil.

Additionally, CSN is engaged in the mining of iron ore, limestone and dolomite in the neighboring State of Minas Gerais to cater to the needs of the Presidente Vargas mill. Alongside these activities, the Company also maintains strategic investments in mining, railroad transportation and electric energy companies, among others.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in conformity with the accounting principles prescribed by Brazilian corporate law, as well as with the norms and rulings established by the Brazilian Securities Commission ("CVM") and Brazilian Accountants Institute – IBRACON. Certain accounting practices applied by Companies that conform with generally accepted accounting principles in Brazil may not conform with generally accepted accounting principles in the countries of users of the financial statements, other than Brazil.

(a) Income statement

The results of operations are determined on an annual accrual basis. As detailed in Note 12, the Company chose to defer a portion of the net foreign exchange variations incurred in the first quarter of 1999.

(b) Marketable securities

Securities are recorded at cost plus yields accrued through the balance sheet date.

(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 realizable value or replacement cost, respectively, except in the case of imports in process, which are stated at their identified cost.

(e) Other assets

Other assets are stated at their realizable value, including, when applicable, any yields, monetary and exchange variations accrued or, in the case of prepaid expenses, by cost.

(f) Investments

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

(g) Property, plant and equipment

The property, plant and equipment of the Parent Company is recorded at market or replacement value as of March 31, 1999 based on an appraisal conducted by an independent firm in the manner provided by Ruling 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 Note 11 based on the remaining useful economic lives of the assets after revaluation, according to the technical appraisal report. Iron mine depletion is calculated on the basis of the

Companhia Siderúrgica Nacional
Notes to the Financial Statements
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quantities already extracted. Interest charges related to capital funding for construction in progress are capitalized for as long as the projects remain unconcluded.

Subsidiaries record property, plant and equipment at cost monetarily restated through December 31, 1995, with the exception of the subsidiaries FEM – Projetos, Construções e Montagens S.A. and Light - Serviços de Eletricidade S.A., which have reappraised assets, the value of which does not exceed their replacement value.

(h) 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.

(i) Provision for maintenance and major overhaul of blast furnaces

This account is recorded according to the characteristics of the expenses which are: a) Maintenance – set up according to the estimated expenses to be incurred to maintain certain installations in perfect working order and so as to achieve full production capacity. The provision is presented in other current liabilities; b) Major overhaul and refracting – expenses incurred in major overhaul and refracting will be capitalized in property, plant and equipment and depreciated over the period up to the next major overhaul.

Companhia Siderúrgica Nacional
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(Expressed in thousands of reais, except as indicated otherwise)

3. CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the years ended December 31, 1999 and 1998 include the following subsidiaries and joint subsidiaries:

Companies	Percentage share of total and voting <u>capital stock</u>		Main activities
	<u>1999</u>	<u>1998</u>	
Fully consolidated:			
CSN Overseas	100	100	Financial operations
CSN Cayman Ltd.	100	100	Trading of steel
CSN Iron, S.A.	100	100	Financial operations
CSN Panama, S.A.	99.99	99.99	Participation in other companies through equity stakes
CSN Steel Corp. (a)	43.83	47.25	Participation in other companies through equity stakes
FEM – Projetos, Construções e Montagens S.A.	99.99	99.99	Assembly and maintenance
Indústria Nacional de Aços Laminados – Inal S.A.	99.99	99.99	Steel products service center
CSC - Cia. Siderúrgica do Ceará	99.99	99.99	Steel making
CSN Energia S.A.	99.90		Trading of electric power
CSN Participações Energéticas S.A.	99.70		Participation in other companies through equity stakes
Proportionally consolidated:			
GalvaSud S.A.	51.00	51.00	Steel products service center
CSN – IMSA Aços Revestidos S.A.	51.00	51.00	Steel products service center
Nordeste Energia Participações S.A. ("Nepar")	50.01	50.01	Participation in other companies through equity stakes
Sepetiba Tecon S.A. (b)	20.00	20.00	Maritime port services

(a) The indirect share in CSN Steel through CSN Overseas increases the total share in the capital stock to 100%.

(b) The indirect share in Sepetiba Tecon through CSN Panama increases the total shares in the capital stock to 50%.

The year-end closing dates for the consolidated subsidiaries and jointly-owned subsidiaries coincide with those of the parent company.

Companhia Siderúrgica Nacional
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(Expressed in thousands of reais, except as indicated otherwise)

The consolidated financial statements as of December 31, 1999 and 1998 do not take into consideration the companies mentioned below, as these do not represent any material change in the consolidated economic unit and, in the case of Companhia Cimento Ribeirão Grande due to the fact that it was sold in 1999.

Companies	Ownership (%)			
	1999		1998	
	Total	Voting	Total	Voting
Itá Energética S.A.	24.41	48.75	24.43	48.75
MRS Logística S.A.	29.70	14.60	31.54	19.27
Ferrovias Centro Atlântica S.A. – FCA	11.95	11.66	11.89	11.66
CFN – Companhia Ferroviária do Nordeste	24.00	24.00	18.00	18.00
INEPAR-FEM Equipamentos e Montagens S.A.	24.85	27.07	24.91	27.12
Companhia de Desenvolvimento do Sudeste - CDSE	12.70	12.70		
Companhia de Cimento Ribeirão Grande			8.33	25.00

The consolidated financial statements also do not include the subsidiaries Light-Serviços de Eletricidade S.A. (7.32% owned), Valepar S.A. (31.23% owned), the latter being the controlling shareholder of Companhia Vale do Rio Doce – CVRD (27.14% owned) and CSN Aceros, S.A an associated company through the 37.50% interest held by CSN Panama, S.A.

CSN Aceros, S.A was fully consolidated in 1998, a fact which led to the presentation of minority interest in the financial statements. However, CSN obtained permission from the Brazilian Securities Commission (“CVM”) to allow it not to consolidate the above investees due to the following facts: (i) although part of the respective controlling groups, CSN does not have stockholder rights in the investees enabling it on a permanent basis to predominate in all corporate decisions and the power to elect the majority of the administrators; and (ii) the consolidation of such investees would lead to distorted and negative results, especially at the level of financial liabilities.

Pursuant to CVM recommendations, the following chart shows the breakdown of the main groups of the consolidated balance sheet and income statement accounts as of December 31 considering investees Light, Valepar and CVRD on a proportional basis:

Companhia Siderúrgica Nacional
Notes to the Financial Statements
For the years ended December 31, 1999 and 1998
(Expressed in thousands of reais, except as indicated otherwise)

	<u>1999</u>	<u>1998</u>
Balance Sheet		
Assets		
Current	3,250,062	2,715,003
Long-term	788,491	749,001
Property, plant and equipment	9,739,146	6,142,108
Liabilities		
Current	3,745,996	1,902,071
Long-term	4,179,347	3,149,014
Stockholders' equity	5,852,356	4,555,027
Statement of Income		
Gross revenues from sales	4,382,070	3,901,468
Net revenues from sales	3,699,574	3,282,013
Cost of products sold	2,100,059	1,861,101
Gross profit	1,599,515	1,420,912
Operating expenses, including net financial expenses and equity results	1,436,932	982,215
Operating income	162,583	438,697
Net income for the year	197,046	434,990

All intercompany transactions have been eliminated on consolidation.

The reconciliation between shareholders' equity and net income for the year of the parent company and consolidated as of December 31, 1999 and 1998 is as follows:

	<u>Stockholders' equity</u>		<u>Net income</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
Parent company	6,031,647	4,599,440	331,924	464,432
Negative stockholders' equity absorbed from subsidiaries	(147,270)	(29,330)	(117,927)	(14,581)
Elimination of unrealized gain on inventories	(17,700)	(15,076)	(2,625)	(15,076)
Other adjustments	(14,321)	(7)	(14,326)	215
Consolidated	<u><u>5,852,356</u></u>	<u><u>4,555,027</u></u>	<u><u>197,046</u></u>	<u><u>434,990</u></u>

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4. TRANSACTIONS WITH RELATED PARTIES

	Assets		Liabilities	Revenues	Expenses
	From operations	Current accounts and loans			
CSN Overseas	3,163	269,773	455,104	26,121	62,566
CSN Cayman Light	179,710		317,330	661,194	31,523
CSN Iron		215,730	1,081,562		209,018
CFN	13,654				344,352
MRS Logística	4,844		1,360		87,466
FCA	1,508		658		32,396
FEM	9	5,325	73		46,390
Inal	88,933		272	197,376	996
INEPAR-FEM	2		424		3,706
CSN Foundation			50		7,608
CBS - CSN Employee's Pension Fund			438		35,874
Others	8,857		440		4,560
As of December 31, 1999	<u>300,680</u>	<u>490,828</u>	<u>1,891,223</u>	<u>884,691</u>	<u>866,455</u>
As of December 31, 1998	<u>122,551</u>	<u>275,061</u>	<u>1,195,281</u>	<u>628,731</u>	<u>387,736</u>

The above transactions derive from purchase and sale of products and services or intercompany loan arrangements entered into on normal market terms for such operations.

5. MARKETABLE SECURITIES

	Parent Company		Consolidated	
	1999	1998	1999	1998
Short-term				
Financial investment fund (net of withholding income tax)	1,311,263	973,763	1,311,263	970,863
Short-term investments abroad and net balance of dollar options (hedge operations)	19,130	153,674	119,006	194,987
Fixed income investments and debentures (net of withholding income tax)	3,588	4,066	15,920	4,763
	<u>1,333,981</u>	<u>1,131,503</u>	<u>1,446,189</u>	<u>1,170,613</u>
Long-term (included in Other long-term assets)				
Fixed income investments and debentures (net of probable losses and withholding income tax)	10,033		1,033	
	<u>1,344,014</u>	<u>1,131,503</u>	<u>1,447,222</u>	<u>1,170,613</u>

Company management has been investing surplus cash in Investment Fund comprised of Brazilian government bonds and fixed income securities with monetary or foreign exchange variation.

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6. ACCOUNTS RECEIVABLE - TRADE

	Parent Company		Consolidated	
	1999	1998	1999	1998
Domestic	485,143	402,138	443,246	340,927
Export	198,356	51,230	62,036	68,686
Trade and exchange notes discounted		(8,168)		
Allowance for doubtful accounts	(150,082)	(134,653)	(151,001)	(135,880)
	<u>533,417</u>	<u>310,547</u>	<u>354,281</u>	<u>273,733</u>

7. INVENTORIES

	Parent Company		Consolidated	
	1999	1998	1999	1998
Finished products	118,833	96,497	192,562	160,229
Products in process	92,866	140,595	92,866	140,595
Raw materials	94,240	112,468	66,145	89,850
Spare parts and maintenance supplies	147,954	114,215	148,232	114,572
Imports in transit	20,123	39,278	20,123	39,278
Materials in transit	20,595	20,832	20,594	20,832
	<u>494,611</u>	<u>523,885</u>	<u>540,522</u>	<u>565,356</u>

8. DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

	Deferred taxes		
	Assets		Liabilities
	1999	1998	1999
Short-term			
Social contribution	1,814		
Income tax	22,437	99,564	
Parent Company	<u>24,251</u>	<u>99,564</u>	
Consolidated	<u>34,646</u>	<u>108,189</u>	
Long-term			
Social contribution	34,710	32,041	330,065
Income tax	110,644	103,789	933,505
Parent Company	<u>145,354</u>	<u>135,830</u>	<u>1,263,570</u>
Consolidated	<u>158,051</u>	<u>135,830</u>	<u>1,263,570</u>

As prescribed by CVM Decision No. 273 of August 20, 1998, a provision was set up for deferred liabilities referring to the revaluation reserve approved as of March 1999. No provision for deferred liabilities was set up in relation to the revaluation reserve recorded in 1989, the balance of which still remained in 1998, as such accounting treatment was not required at the time.

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

	Social contribution		Income tax	
	1999	1998	1999	1998
Negative results posted in 1999	9,813			
Tax losses posted in 1993, 1994 and 1999			37,308	92,176
Temporary add-backs, mainly non-deductible provisions	63,185	32,041	197,089	111,177
Effect of deferred foreign exchange variation	(36,474)		(101,316)	
	<u>36,524</u>	<u>32,041</u>	<u>133,081</u>	<u>203,353</u>

In addition to the credits recorded, the Company has a lawsuit underway claiming 52% of the elimination of the 1989 monetary variation (required by the government's 1989 economic plan known as the "Plano Verão") and has already obtained a lower court ruling allowing recording of 42% instead of the said 52% requested of the elimination that took place. The additional credit corresponding to the 42% is approximately R\$ 274,868 (1998 – R\$ 274,126) and R\$ 348,696 (1998 – R\$ 339,723) if the 52% is considered. The Company has not recognized the accounting effects of the "Plano Verão".

Reconciliation between social contribution ("CSL") and corporate income tax ("IRPJ") expenses of the parent company and the product of the effective rate on net income prior to CSL and IRPJ is as follows:

	1999		1998	
	CSL	IRPJ	CSL	IRPJ
Net income before CSL and IRPJ	357,789	357,789	473,172	473,172
Rate	12%	25%	8%	25%
	(42,935)	(89,447)	(37,854)	(118,293)
Adjustments made to reflect the effective rate:				
Tax benefit from interest on capital invested	29,136	60,700	19,649	61,404
Equity pick-up	(502)	(1,045)	748	2,338
Gain from variation in percentage share in investments	3,208	6,684		
Other permanent additions (exclusions)	(1,976)	(11,969)	3,867	4,051
Recognition of prior years' tax credits			20,676	69,866
Realization of revaluation reserve			(8,531)	(26,661)
Change in CSL rate from 8 to 12%	3,550			
Additional COFINS charge offset	18,731			
Parent Company	<u>9,212</u>	<u>(35,077)</u>	<u>(1,445)</u>	<u>(7,295)</u>

9. RECOVERABLE PIS/PASEP LEVIES

On June 30, 1999, 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, an opinion which was further supported by CSN's legal counsel, the Company decided to recognize as income for the year a credit derived from monetary variation as well as part of the principal in the amount of R\$ 54,147. A part of the credit of the principal questioned had already been recognized in prior years.

10. INVESTMENTS

Companies	Number of shares		Owner-ship (%)	Information on investee		Changes in investments in 1999 (Parent Company)						Consolidated	
	Common stock	Preferred stock		Stockholders' equity	Net income (loss) for the year	Balance at beginning of year	Additions	Write-offs	Amortization of goodwill	Equity	Interest on stockholders' equity/ dividends	Balance at end of year	Balance at end of year
In operating stage													
FEM	376,336		99.99	9,172	(2,446)	10,183				(1,011)		9,172	
Light	1,027,391,617		7.32	2,521,176	(253,218)	170,515	33,473 (a)			(19,329)		184,659	184,659
FCA	7,761,248	8,158,626	11.95	(19,514)	(82,757)	7,604		(72)		(7,532)			
MRS	27,499,687	73,464,625	29.70	231,348	(63,728)	39,301	53,453	(4,408)		(19,646)		68,700	68,700
CFN	2,447,998		24.00	(45,096)	(29,575)		851			(851)			
Inal	3,642,334		99.99	68,008	15,196	28,070	24,595			15,343		68,008	
INEPAR-FEM	33,168,809	15,400,000	24.85	114,937	(9,147)	30,909		(73)		(2,273)		28,563	28,563
CSN Iron	500	500	100	169,511	149,634	13,429				156,082		169,511	
CSN Steel	29,600	400	43.83	298,198	(544,749)	242,106	23,745 (b)			(135,152)		130,699	
CSN Panama	500	500	99.99	2,078	16,315					2,078		2,078	
NEPAR	500,098		50.01	978	(11)	1,071		(571)		(12)		488	
CCRG						13,521		(19,505)		5,984			
Valepar (c)				3,634,761	313,583								1,113,654
Outros													331
In operating stage													
Itá Energética	97,779,552		24.41	407,435		49,328	50,126					99,454	99,454
GalvaSud	43,987,496		51.00	53,773		4,594	22,828					27,422	
CSC	1,099,996		99.99	1,100		1,100						1,100	
SepeTiba Tecon	7,825,384		20.00	39,130		7,826						7,826	
CSN-IMSA	66,297		51.00	17,194	3,849	6,630				2,139 (d)		8,769	
CDSE	190,500		12.70	1,500			191					191	191
CSN Energia	999		99.90	1			1					1	
CSN Participações Energéticas	997		99.70	1			1					1	
						626,187	209,264	(24,629)		(4,180)		806,642	1,495,552
Goodwill													
Light						60,264 (e)				(2,198)		58,066	58,066
CCRG						10,297	5,760	(10,073)		(5,984)			
Inal						15,819				(1,741)		14,078	14,078
MRS							750			(19)		731	731
						86,380	6,510	(10,073)		(9,942)		72,875	72,875
Total changes in investments in 1999						712,567	215,774	(34,702)		(9,942)	(4,180)	879,517	1,568,427
Total changes in investments in 1998						622,526	136,189	(37,160)		(7,187)	24,673	(26,474)	712,567
													1,486,695
Provision for loss on investments													
CSN Overseas	2,500		100	(480,108)	(246,932)	(136,041)				(200,035)		(336,076)	
CSN Cayman	1		100	(10,792)	(7,097)	(1,789)				(5,765)		(7,554)	
CSN Panama	500	500	99.99	2,078	16,315	(4,981)				4,981			
CFN	2,447,998		24.00	(45,096)	(29,575)	(2,645)				2,645			
Total changes in provision for loss on investments in 1999						(145,456)				(198,174)		(343,630)	
Total provision for loss on investments in 1998						(27,377)	5,826			(123,905)		(145,456)	(2,645)

(a) Includes R\$ 1,704 of reflex revaluation.

(b) Refers to gain resulting from reduction in share, classified under non-operating income.

(c) Indirect share through CSN Steel.

(d) Result derived from occasional operations and equity pick-up from subsidiary CSN-IMSA Distribuidora de Aços Planos Ltda.

(e) The goodwill is being amortized over 30 years based on the mining concession period, based on Instruction no. 285 handed down by the Brazilian Securities Commission (CVM) in July of 1998.

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11. PROPERTY, PLANT AND EQUIPMENT

	Effective rates for depreciation, depletion and amortization (% p.a.)	Parent Company		Consolidated	
		1999	1998	1999	1998
		Land	88,973	23,873	90,530
Machinery and equipment	6.77	4,918,195	6,163,134	4,927,781	6,172,715
Buildings	4.00	809,860	1,001,466	810,323	1,001,916
Furniture and fixtures	10.00	109,408	106,951	109,728	107,205
Mines and mineral deposits	1.45	1,136,599	741	1,136,599	741
Other asset items	20.00	86,821	63,477	111,557	80,987
Provision for probable losses on asset write-offs		(70,491)	(80,798)	(70,491)	(80,798)
		<u>7,079,365</u>	<u>7,278,844</u>	<u>7,116,027</u>	<u>7,307,939</u>
Accumulated depreciation, depletion and amortization		(590,035)	(3,891,938)	(620,970)	(3,898,705)
		<u>6,489,330</u>	<u>3,386,906</u>	<u>6,495,057</u>	<u>3,409,234</u>
Construction in progress		583,445	715,047	674,439	715,047
		<u><u>7,072,775</u></u>	<u><u>4,101,953</u></u>	<u><u>7,169,496</u></u>	<u><u>4,124,281</u></u>

The Extraordinary General Shareholders' Meeting held March 31, 1999 approved a revaluation report prepared by an independent specialized firm establishing an increase in the amount of R\$ 2,898,272 for fixed asset items. The revaluation included land, equipment, installations and real estate property in the plants of the Presidente Vargas Mill, Casa de Pedra and Arcos and the iron ore mine in Casa de Pedra, the latter only being possible due to the fact that it is a publicly declared mine.

This revaluation, coupled with the need to comply with formal accounting requirements, made the Company elect to eliminate the accumulated depreciation of the reappraised fixed asset items against the previous cost.

In 1999, depreciation, depletion and amortization amounted to R\$ 381,650 (1998 – R\$ 293,457), of which R\$ 361,871 (1998 – R\$ 274,976) was expensed to production costs and R\$ 19,779 (1998 – R\$ 18,481) to selling and general and administrative expenses.

The portion of the depreciation and depletion of the revaluated fixed asset items recorded under results for each year is transferred to stockholders' equity in equal proportion and recorded under the revaluation reserve to retained earnings. As of December 31, 1999, the value recorded in such account net of income tax and social contribution amounted to R\$ 126,120 (1998 – R\$ 106,642).

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 and telecommunications. As a consequence of these plans, the Company has set up a provision for probable losses incurred in the write-off of assets that are paralyzed and/or not attaining ideal operating conditions.

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The Company currently operates two blast furnaces (Blast furnaces no. 2 and 3), which are scheduled for major overhauls in 2004 e 2001, respectively.

12. DEFERRED CHARGES

	Parent Company		Consolidated	
	1999	1998	1999	1998
Deferred exchange variation	699,543		699,543	
Information technology projects	44,515	16,670	44,515	16,670
Other research and development projects	38,309	29,409	33,196	31,553
	782,367	46,079	777,254	48,223
Accumulated amortization	(299,879)	(3,011)	(279,143)	(3,012)
	482,488	43,068	498,111	45,211

Based on Provisory Measure no. 1818 of March 25, 1999 and CVM Decision no. 294 of March 26, 1999, the Company has chosen to defer the negative net results arising from adjustment of the Real-denominated amounts of credits and obligations held in foreign currency, as a result of the exchange rate variation which took place in the first quarter of 1999. The changes that took place over the year can be shown as follows :

	Parent Company and Consolidated
Liability exchange variation, net of asset variation	777,176
Capitalized exchange variation (CVM Decision No. 193/96)	(77,633)
Deferred exchange variation as of March 31, 1999	699,543
Amortization in 1999, including settlement of loans	(294,279)
Amortizable balance as of December 31, 1999	405,264

As shown below, the currently expected amortization schedule is subject to change in the event the exchange rate for Brazilian currency falls below R\$ 1,722 to US\$ 1.00 and/or the settlement dates for foreign currency loans should change.

2001	227,461
2002	99,749
2003	78,054
	405,264

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13. LOANS AND FINANCING

	Interest p.a. (%)	Parent Company		Consolidated	
		1999	1998	1999	1998
Prepayment	6.12 to 10.13	677,365	495,367	415,310	472,691
Securization of export receivables	8.31 and 8.37	305,920	277,994	305,919	277,950
Euronotes	8.25 and 10.0	1,081,562	730,735	661,154	692,980
Bridge loan	10.13			820,062	606,232
Commercial paper	5.24 to 6.08			818,972	317,739
BNDES/Finame	7.45 to 14.23	793,664	497,419	793,664	497,419
Financed imports	5.50 to 11.34	360,026	248,024	360,026	248,024
Eximbank – Japan	6.63	182,861	121,845	182,861	121,845
Others	4.88 to 11.00	225,963	137,779	204,634	142,765
		<u>3,627,361</u>	<u>2,509,163</u>	<u>4,562,602</u>	<u>3,377,645</u>

CURRENT LIABILITIES

Brazilian Currency

BNDES/Finame	71,589	68,541	71,589	68,541
Others	26,798	2,423	2,841	2,511
	<u>98,387</u>	<u>70,964</u>	<u>74,430</u>	<u>71,052</u>

Foreign Currency

Prepayment	576,559	326,149	388,475	303,473
Securization of export receivables	109,952	72,039	109,952	71,995
Euronotes	8,162	5,515	4,990	5,230
Bridge loan			820,062	1,882
Commercial paper			818,972	317,739
BNDES/Finame	44,017	19,300	44,017	19,300
Financed imports	258,851	165,389	258,851	165,389
Eximbank – Japan	17,467	9,347	17,467	9,347
Others	45,190	27,140	92,678	69,849
	<u>1,060,198</u>	<u>624,879</u>	<u>2,555,464</u>	<u>964,204</u>
	<u>1,158,585</u>	<u>695,843</u>	<u>2,629,894</u>	<u>1,035,256</u>

LONG-TERM LIABILITIES

Brazilian Currency

BNDES/Finame	146,506	186,006	146,506	186,006
Others		1,746	2,737	3,581
	<u>146,506</u>	<u>187,752</u>	<u>149,243</u>	<u>189,587</u>

Foreign Currency

Prepayment	100,806	169,218	26,835	169,218
Securization of export receivables	195,968	205,955	195,967	205,955
Euronotes	1,073,400	725,220	656,164	687,750
Bridge loan				604,350
BNDES/Finame	531,552	223,572	531,552	223,572
Financed imports	101,175	82,635	101,175	82,635
Eximbank – Japan	165,394	112,498	165,394	112,498
Others	153,975	106,470	106,378	66,824
	<u>2,322,270</u>	<u>1,625,568</u>	<u>1,783,465</u>	<u>2,152,802</u>
	<u>2,468,776</u>	<u>1,813,320</u>	<u>1,932,708</u>	<u>2,342,389</u>

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The long-term amounts are broken down as follows by year of due payment:

	Parent Company		Consolidated	
	1999	1998	1999	1998
<u>Maturity</u>				
2000		372,234		1,011,294
2001	368,516	168,955	299,130	168,955
2002	188,481	138,049	189,405	138,048
2003	157,063	102,114	163,500	102,115
2004	223,676	129,438	122,772	56,916
2005	112,890	54,366	118,402	54,366
2006 and 2024	<u>1,418,150</u>	<u>848,164</u>	<u>1,039,499</u>	<u>810,695</u>
	<u><u>2,468,776</u></u>	<u><u>1,813,320</u></u>	<u><u>1,932,708</u></u>	<u><u>2,342,389</u></u>

Breakdown of total debt by currency of origin:

	(%)			
	Parent Company		Consolidated	
	1999	1998	1999	1998
U.S. dollar	86.52	83.89	89.70	87.98
Basket of currencies	1.37	0.54	1.09	0.40
Long-term interest rate - TJLP	6.01	10.14	4.85	7.59
Yen	5.04	4.86	4.01	3.61
Other currencies	<u>1.06</u>	<u>0.57</u>	<u>0.35</u>	<u>0.42</u>
	<u><u>100</u></u>	<u><u>100</u></u>	<u><u>100</u></u>	<u><u>100</u></u>

At the beginning of 1999, the Company repurchased part of the Euronotes issued by its subsidiary CSN Iron as of June, 1997 with a 10-year maturity period, which in turn resulted in a reduction of US\$ 202.2 million in the Company's own debt.

The guarantees offered for these loans and financing amount to R\$ 3,048,425 (1998 - R\$ 2,474,556), and are mainly consisted of fixed asset items, bank guarantees and promissory notes. This amount does not take into consideration the guarantees granted to subsidiaries, joint subsidiaries and associated companies.

14. FINANCIAL INSTRUMENTS

The financial instruments recorded in balance sheet accounts as of December, 31, 1999 are as follows:

	Book value	Market value
Marketable securities (short-term)	1,333,981	1,333,981
Securities and amounts receivable (short and long-term)	228,118	269,370
Investment and goodwill in jointly owned subsidiary company	168,509	204,451
Loans and financing (short and long-term)	3,627,360	3,632,050

The operations undertaken by the Company that involve financial instruments are earmarked for meeting CSN's own requirements in terms of reducing exposure to risks associated with market conditions, currency and interest rates. Such risk management is effected on the basis of control policies, definition of operating strategies, establishment of limits and other techniques for monitoring financial positions,

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15. COLLATERAL SIGNATURE AND GUARANTEES

Together with its wholly-owned and joint subsidiaries, as well as its sponsored entity, the Company has the following responsibilities for fidejussory or personal guarantees (collateral signature and/or bonds and guarantees):

	Currency	In millions	
		1999	1998
CSN Overseas	US\$	872.6	315.0
CSN Iron	US\$	366.8	600.0
CSN Overseas/CSN Cayman	US\$	30.0	
CSN Panama	US\$	580.0	
CSN Steel Corp,	US\$	457.0	500.0
LIGHT	US\$	31.0	
GalvaSud	US\$	8.0	
CSN-IMSA	US\$	5.3	
CSN-IMSA	R\$	7.9	
CFN	R\$	28.1	
Itá Energética	R\$	583.0	325.0
Others	R\$	5.7	2.0

16. CONTINGENT LIABILITIES AND JUDICIAL DEPOSITS

	1999		1998	
	Judicial deposits	Provision for contingencies	Judicial deposits	Provision for contingencies
Short-term				
Labor, civil, fiscal and Environmental		11,245		7,180
Parent Company		11,245		7,180
Consolidated		18,986		14,111
Long-term				
Labor, civil, fiscal and Environmental	70,033	84,790	41,439	61,126
Social contribution ("Plano Verão")	78,591	78,591	99,439	99,439
Parent Company	148,624	163,381	140,878	160,565
Consolidated	151,043	163,381	142,794	160,565

The Company is currently party to several administrative and court proceedings involving actions, suits and complaints. The provision for contingencies booked represents the best estimate of the lawyers in charge of the various cases based on the risks involved.

The provision related to the social contribution refers to the lawsuit filed to eliminate 1989 monetary restatement ("Plano Verão").

The total amount of the provisions involving labor, civil, fiscal and environmental contingencies is shown under the heading Others in Current and Long-term Liabilities.

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Recently, the Company and other steel industry concerns were fined by the anti-trust board CADE (Administrative Board for Economic Defense), with CSN's part amounting to R\$ 22,180, based on allegations of having agreed beforehand to increase steel prices in 1996. In the opinion of the Company's legal counsel it is not possible at this time to estimate the probability of loss in relation to this contingency. For this reason, no provision has been accrued at this time.

17. STOCKHOLDERS' EQUITY

(a) Capital Stock

The Company's capital stock is comprised of 71,729,261 thousand common shares (1998 - 71,731,461 thousand), all recorded and without par value. Each common share entitles the owner to one vote at the General Meetings of Stockholders.

The Extraordinary General Meeting of Stockholders held October 26, 1999 decided to cancel 2,200 thousand common shares held in treasury, without reducing the capital stock.

(b) Revaluation reserve (Parent Company)

This heading covers revaluation of the Company's fixed asset items decided by the Extraordinary General Stockholders' Meeting held March 31, 1999. The purpose of this revaluation was to adapt the amount recorded under fixed assets to economic reality and to their net realizable market or replacement value, in conformity with CVM Decision No. 288 of December 3, 1998.

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

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

This year a portion of the revaluation reserve, in the amount of R\$ 139,149, net of income tax and social contribution, was cancelled. This amount corresponds to certain fixed asset items that were discontinued, as prescribed by the provisions of CVM Decision No. 183 of June 19, 1995.

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18. PROPOSED DIVIDENDS OR INTEREST ON STOCKHOLDERS' EQUITY

Company By-laws ensure a minimum annual dividend corresponding to 25% of net income accrued in accordance with corporate legislation, which can be shown in the following manner:

	1999
Net income for the year	331,924
Less: Allocation to legal reserve	(16,596)
Add: Realization of reevaluation reserve (net of income tax and social contribution)	126,127
Basic net profit for determination of dividend	441,455
Mandatory minimum dividend (25% of basic net income)	110,364
Interest on capital invested:	
Distributed in June 1999	120,000
Decided in December 1999	70,000
Proposed	52,800
Total (R\$ 3.38 per 1,000 shares of capital stock / 1998 – R\$ 3.42)	242,800
% of basic net income distributed	55%

Company Management proposes that the amount of interest on capital stock be added to the mandatory minimum dividend.

Pursuant to applicable legislation, calculation of interest on capital invested is carried out based on stockholders' equity less unrealized reevaluation reserves, according to the long-term interest rate ("TJLP") for the period between January and December, 1999, limited to 50% of net income for the period before income tax or 50% of retained earnings and /or revenue reserves.

In accordance with CVM Decision No. 207 of December 31, 1996, in order to meet tax requirements the Company elected to record the interest paid on capital invested, in the amount of R\$ 242,800, as a contra entry to the interest expense account and reverse it in the same account. It does not appear in the Statement of Income, in view of the fact that it has no effect on final net income, except for the tax effects recognized on the income tax and social contribution lines.

Pursuant to the Brazilian Corporation Law (article 196 of Law No. 6404/76), Company Management proposes maintenance of the remaining retained earnings in a reserve for investments, with a view to providing the resources required to carry out CSN's investment budget.

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19. NET REVENUES FROM SALES

	1999		1998	
	Metric tons (thousands)	Thousands of Reais	Metric tons (thousands)	Thousands of Reais
Domestic				
Hot-rolled	1,008	455,695	1,035	444,036
Cold-rolled	551	342,404	585	344,247
Galvanized	734	598,357	685	501,727
Tin mill	662	599,558	660	544,712
	<u>2,955</u>	<u>1,996,014</u>	<u>2,965</u>	<u>1,834,722</u>
Export				
Hot-rolled	698	240,057	498	157,433
Cold-rolled	85	47,225	146	63,737
Galvanized	51	38,383	90	52,630
Tin mill	346	266,574	335	214,537
Slab	410	99,350	30	5,346
	<u>1,590</u>	<u>691,589</u>	<u>1,099</u>	<u>493,683</u>
Sales of steel products	<u>4,545</u>	<u>2,687,603</u>	<u>4,064</u>	<u>2,328,405</u>
Other sales		119,343		96,356
Parent Company		<u>2,806,946</u>		<u>2,424,761</u>
Consolidated		<u>2,935,979</u>		<u>2,658,365</u>

20. NON-OPERATING INCOME (EXPENSES)

	Parent Company		Consolidated	
	1999	1998	1999	1998
Gain on sale and loss of share in investments	68,915		68,915	
Net loss on write-off of assets	(17,578)	(18,098)	(17,578)	(18,098)
Reimbursement for claims		22,816		22,816
Reversal (setting up) of provision for probable losses on write-off of assets	10,306	(8,973)	10,306	(8,973)
Other	1,204	(1,968)	3,616	636
	<u>62,847</u>	<u>(6,223)</u>	<u>65,259</u>	<u>(3,619)</u>

21. EMPLOYEES' PENSION FUND

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. The CBS membership comprises employees of CSN and of companies directly or indirectly associated to CSN who join the fund through conventions, and the employees of CBS itself.

CBS has three benefit plans, of which two are defined benefits plans (35% of Average Salary Plan and the Supplementary Average Salary Plan) and one is a mixed plan involving Defined Contribution for Retirements and Defined Risk Benefits (Combined Supplementary Benefits Plan), approved by the Federal Government Secretariat for Supplementary Social Security on December 27, 1995.

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As of December 31, 1999, CBS had 19,350 contributing members (19,946 as of December 31, 1998) linked to its benefit plans. Of this total, 7,362 were active members (7,827 as of December 31, 1998) and 11,988 retired employees (12,119 as of December 31, 1998). Of the total number of contributing members, 12,906 were covered by the Defined Benefits Plan, distributed as follows: 6,959 by the 35% of Average Salary Plan (214 active and 6,745 retired employees), 5,947 by the Supplementary Average Salary Plan (838 active and 5,109 retired employees) and 6,444 by the Combined Supplementary Benefits Plan (6,310 active and 134 retired employees). The pension fund further has 5,195 beneficiaries, of whom 4,228 belonged to the 35% of Average Salary Plan, 945 to the Supplementary Average Salary Plan and 22 to the Combined Supplementary Benefits Plan. The total number of contributing members and beneficiaries is 24,545.

Four tax assessment notices have been filed against the Fund by the income tax authorities, three in 1991 and one in 1996. The assessments, which are still going through the administrative courts, seek to charge tax on corporate income, social contribution on net profit and Employees' Profit Participation Program - PIS contributions, amounting to R\$124,670 thousand at December 31, 1999, including interest and fines. The Fund's legal advisors and the external legal consultants in charge of these cases consider it probable that the Fund will be successful in contesting the assessments.

The balance sheets of CBS as of December 31, which were examined by independent auditors issuing unqualified opinions thereon, can be summarized as follows:

	1999	1998
Assets	697,226	435,443
Liabilities	106,234	106,318
Technical reserves	590,992	329,125
Represented by:		
Mathematical reserves		
- Benefits to be granted	264,130	154,347
- Benefits granted	678,465	633,376
Technical surplus (deficit)		
- Prior year	(32,465)	(5,518)
- Current year	78,823	(26,947)
Amortizable reserves	(397,961)	(426,133)
Technical reserves	590,992	329,125

The technical reserves and funds were determined by an external actuary, contracted by CBS, in a report dated February 2, 2000.

On January 25, 1996, the Supplementary Social Security Secretariat – SPC, approved a proposal to settle the insufficiency of reserves on the basis of joint and several liability on the part of participants and sponsors. Under the approved scheme to settle the insufficiency, the participants will cover 42.5% over a period of 35 years and the sponsors will cover 57.5% over 30 years according to increasing percentages of the payroll as from 1996.

22. Y2K PROJECT (MILLENNIUM BUG)

Company information processing systems did not register any adverse affect with the millennium changeover from 1999 to 2000.

The Y2K Project was conducted by CSN with all the smoothness, speed and commitment required to guarantee ease of mind to customers during and after the year-end, an objective that was successfully achieved. Leading customers and suppliers were contacted and it was confirmed that, despite a few problems related to the Millennium Bug, no serious problems arose that might affect either relationships or productivity.

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Total outlays of around R\$ 12,000 were invested in this successful project.

23. SUBSEQUENT EVENT

On January 27, 2000, the Company and the State Environmental Protection Agency ("FEEMA"), through the good offices of the Government of the State of Rio de Janeiro, signed a Commitment under which CSN will invest R\$ 181,488 in environmental protection projects, to be carried out over a period of three years. These projects consist of steel mill enhancement and modernization at the Presidente Vargas unit. The Company provided a letter of bank guarantee in the total amount of R\$ 180,000.

BOARD OF DIRECTORS

Chairman	-	Benjamin Steinbruch
Vice-Chairman	-	José Marques de Lima
Board Members	-	Jacks Rabinovich
	-	Francisco Valadares Póvoa
	-	Luiz Paulo Marinho Nunes
	-	Vagner Laerte Ardeo
	-	Antônio Francisco dos Santos
	-	Onofre Perez Netto
	-	Luis Fernando Gonçalves Camillotto
	-	Mário da Silveira Teixeira Jr.
	-	Roger Agnelli

EXECUTIVE OFFICERS COMMITTEE

Presidente and Chief Executive Officer	-	Maria Silvia Bastos Marques
Executive Directors	-	João Luis Tenreiro Barroso
	-	José Paulo de Oliveira Alves
	-	Albano Chagas Vieira

FISCAL COMMITTEE

Members	-	Wanderley da Silva Coutinho
	-	Domingos Figueiredo de Abreu
	-	Ademir José Scarpin

Chef Information Officer and Controller	-	Eraldo Soares Peçanha CRC/RJ 20809
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Accountant	-	Luiz Henrique Barros CRC/RJ 41523
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