

Companhia Siderúrgica Nacional

Financial Statements Accompanied by
Report of Independent Public Accountants

December 31, 2000 and 1999

(Translation of the report originally issued in Portuguese)

Report of Independent Public Accountants

(Translation of the report originally issued in Portuguese)

To the Stockholders and Directors of
Companhia Siderúrgica Nacional:

(1) We have audited the accompanying individual (Parent Company) and consolidated balance sheets of COMPANHIA SIDERÚRGICA NACIONAL (a Brazilian corporation) and its subsidiaries as of December 31, 2000 and 1999, and the related statements of income, changes in stockholders' equity and changes in financial positions for the years then ended, prepared under the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements.

(2) The financial statements as of December 31, 2000 and 1999 of associated, subsidiary and joint subsidiary companies, whose investments represented 2.25% of the Parent Company's total assets and 2.19% of the consolidated assets (4.8% and 12%, respectively, as of 1999), and 2.23% negative of the Parent Company's equity pick-up and 100% of consolidated (86.8% and 100%, respectively, as of 1999), were audited by other auditors. 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.

(3) Our audits were 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.

(4) As described in Note 14, 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. (sold in 2000) 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, as of December 31, 2000 stockholders' equity is overstated by approximately R\$170,645 thousand and the net income for the year then ended is underestimated by approximately R\$154,355 thousand, net of the corresponding tax effects (stockholders' equity and net income overestimated by approximately R\$325,000 thousand in 1999).

(5) In our opinion, based on our audits and the reports of the other auditors, as mentioned in paragraph (2) above, except for the effects of the matter 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 as of December 31, 2000 and 1999, the results of their operations, the changes in their stockholders' equity and the changes in their financial positions for the years then ended, in accordance with accounting practices established by Brazilian corporate law.

(6) Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Cash Flow Statement, presented in Attachment I, and the Value-added Statement, presented in note 24, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Rio de Janeiro, Brazil

February 19, 2001 (except for Notes 7, 12 and 28, as to which the date is March 15, 2001)

ARTHUR ANDERSEN S/C

Amauri Froment Fernandes
Engagement Partner

Companhia Siderúrgica Nacional
Balance Sheets
as of December 31, 2000 and 1999
(Expressed in thousands of reais)

ASSETS

	Parent Company		Consolidated	
	2000	1999	2000	1999
CURRENT ASSETS				
Cash and banks	8.303	13.678	39.569	30.138
Marketable securities	1.179.466	1.333.981	1.326.104	1.446.189
Accounts receivable - trade	615.619	533.417	374.527	354.281
Accounts receivable - sales of investments	2.961.803		3.277.495	
Inventories	613.119	494.611	744.487	540.522
Withholding income tax	10.501	113.232	11.618	113.564
Deferred income tax and social contribution	251.553	101.587	266.324	111.982
Other current assets	185.883	83.104	233.320	145.050
	<u>5.826.247</u>	<u>2.673.610</u>	<u>6.273.444</u>	<u>2.741.726</u>
LONG-TERM ASSETS				
Compulsory loan - ELETROBRÁS	51.554	50.495	51.752	50.688
Deferred income tax and social contribution	73.917	240.617	86.982	253.312
Credits with subsidiary and associated companies	215.030	490.828	148	151
Judicial deposits	301.334	148.624	303.943	151.043
Securities receivable	40.911	63.254	75.147	65.370
Recoverable PIS/PASEP	121.025	107.340	121.025	107.340
Leases	34.223	34.431	56.079	57.523
Other long-term assets	38.821	15.407	23.044	12.619
	<u>876.815</u>	<u>1.150.996</u>	<u>718.120</u>	<u>698.046</u>
PERMANENT ASSETS				
Investments	1.087.497	879.517	348.387	1.568.427
Property, plant and equipment	7.323.104	7.072.775	7.554.157	7.169.496
Deferred charges	363.785	482.488	387.174	498.111
	<u>8.774.386</u>	<u>8.434.780</u>	<u>8.289.718</u>	<u>9.236.034</u>
	<u>15.477.448</u>	<u>12.259.386</u>	<u>15.281.282</u>	<u>12.675.806</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

	Parent Company		Consolidated	
	2000	1999	2000	1999
CURRENT LIABILITIES				
Loans and financing	1.220.400	1.158.585	2.086.369	2.629.894
Suppliers	471.303	256.804	473.473	270.856
Salaries and payroll charges	46.984	38.996	60.187	44.329
Taxes payable	86.869	56.514	91.017	58.111
Deferred income tax and social contribution	116.365	77.336	116.365	77.336
Interest on stockholders' equity	330.079	70.080	330.079	70.080
Dividends and interest on stockholder's equity proposed	1.587.666	52.800	1.587.666	52.800
Other current liabilities	159.199	143.009	149.713	125.202
	<u>4.018.865</u>	<u>1.854.124</u>	<u>4.894.869</u>	<u>3.328.608</u>
LONG-TERM LIABILITIES				
Loans and financing	3.473.086	2.468.776	3.072.078	1.932.708
Provision for losses on investments	17.127	343.630		
Income tax and social contribution challenged in court	219.049	78.591	219.049	78.591
Accounts Payable - subsidiary company	621.561			
Deferred income tax and social contribution	1.232.975	1.358.833	1.232.975	1.358.831
Other long-term liabilities	148.727	123.785	158.610	124.712
	<u>5.712.525</u>	<u>4.373.615</u>	<u>4.682.712</u>	<u>3.494.842</u>
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	2.382.854	2.526.984	2.382.854	2.526.984
Revenue reserves	1.244.209	1.822.458	1.019.458	1.643.167
Retained earnings	436.790		619.184	
	<u>5.746.058</u>	<u>6.031.647</u>	<u>5.703.701</u>	<u>5.852.356</u>
	<u>15.477.448</u>	<u>12.259.386</u>	<u>15.281.282</u>	<u>12.675.806</u>

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

Companhia Siderúrgica Nacional
Statements of Income
for the years ended December 31, 2000 and 1999
(Expressed in thousands of reais, except for earnings per thousand shares)

	Parent Company		Consolidated	
	2000	1999	2000	1999
GROSS REVENUE FROM SALES				
Sales of products				
Domestic	3.315.122	2.652.067	3.605.725	2.784.325
Export	598.251	702.924	658.406	752.537
	<u>3.913.373</u>	<u>3.354.991</u>	<u>4.264.131</u>	<u>3.536.862</u>
Deductions from gross revenue				
Taxes on sales	(652.397)	(522.038)	(760.691)	(569.139)
Discounts and returns	(21.835)	(26.007)	(31.100)	(31.744)
	<u>(674.232)</u>	<u>(548.045)</u>	<u>(791.791)</u>	<u>(600.883)</u>
NET REVENUES FROM SALES	3.239.141	2.806.946	3.472.340	2.935.979
COST OF PRODUCTS SOLD	(1.982.173)	(1.743.776)	(2.097.613)	(1.778.815)
Gross profit	<u>1.256.968</u>	<u>1.063.170</u>	<u>1.374.727</u>	<u>1.157.164</u>
Operating income (expenses)				
Selling expenses	(155.776)	(152.490)	(225.682)	(225.003)
General and administrative expenses	(193.121)	(171.404)	(211.381)	(183.177)
Other expenses, net	<u>(60.398)</u>	<u>(18.551)</u>	<u>(79.813)</u>	<u>(40.453)</u>
Operating profit prior to financial effects and equity results	<u>847.673</u>	<u>720.725</u>	<u>857.851</u>	<u>708.531</u>
Financial expenses	(410.724)	(332.907)	(510.366)	(468.609)
Financial income	231.924	565.059	225.261	689.477
Monetary variations				
Assets	134.708	47.305	164.447	322.166
Liabilities	(529.267)	(492.944)	(562.712)	(540.894)
Equity income (loss)				
Equity pick-up	1.096.104	(4.180)	84.090	(540.790)
Provision for losses on investments	326.503	(198.174)		2.644
Amortization of goodwill	<u>(3.906)</u>	<u>(9.942)</u>	<u>(3.906)</u>	<u>(9.942)</u>
Operating income	1.693.015	294.942	254.665	162.583
Non-operating income, net	<u>58.356</u>	<u>62.847</u>	<u>1.637.234</u>	<u>65.259</u>
Income before income tax and social contribution	1.751.371	357.789	1.891.899	227.842
Income tax	(54.046)	(35.077)	(55.564)	(31.935)
Social contribution	<u>(56.989)</u>	<u>9.212</u>	<u>(59.071)</u>	<u>1.139</u>
NET INCOME FOR THE YEAR	<u>1.640.336</u>	<u>331.924</u>	<u>1.777.264</u>	<u>197.046</u>
Number of shares at the end of year (in thousands)	<u>71.729.261</u>	<u>71.729.261</u>		
Earnings per thousand shares outstanding at end of year (R\$)	<u>22.87</u>	<u>4.63</u>		

The accompanying notes are an integral part of these statements.

Companhia Siderúrgica Nacional
Statements of Changes in Parent Company Stockholders' Equity
for the years ended December 31, 2000 and 1999
(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, 1998	1.680.947	1.258	1.308.430	1.564	1.524.219	83.034	(12)	4.599.440
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
Income destination-								
- Reserves					198.655	16.596	(215.251)	
- Interest on stockholders' equity							(242.800)	(242.800)
AT DECEMBER 31, 1999	1.680.947	1.258	2.523.723	3.261	1.722.828	99.630		6.031.647
Effect of change in social contribution rate on revaluation reserve			(6.555)					(6.555)
Realization of revaluation reserve, net of income tax and social contribution			(135.865)	(6)			135.871	
Reversal of revaluation of assets of jointly-owned subsidiary, net of income tax and social contribution				(1.704)				(1.704)
Net income for the year							1.640.336	1.640.336
Income destination-								
- Reserve						82.017	(82.017)	
- Deliberated interest on stockholders' equity					(71.100)		(258.900)	(330.000)
- Proposed interest on stockholder's equity					(589.166)			(589.166)
- Proposed dividends							(998.500)	(998.500)
AT DECEMBER 31, 2000	1.680.947	1.258	2.381.303	1.551	1.062.562	181.647	436.790	5.746.058
			2,382,854			1,244,209		

The accompanying notes are an integral part of these statements.

Companhia Siderúrgica Nacional
Statements of Changes in Financial Positions
for the years ended December 31, 2000 and 1999
(Expressed in thousands of reais)

	Parent Company		Consolidated	
	2000	1999	2000	1999
SOURCES OF FUNDS				
Funds provided by operations				
Net income for the year	1.640.336	331.924	1.777.264	197.046
Expenses (income) not affecting working capital				
- Monetary and foreign exchange variation and long-term accrued charges (net)	181.710	87.914	286.004	(220.625)
- Equity results	(1.418.701)	212.296	(80.184)	548.088
- Write-offs of permanent assets	1.129.086	68.191	1.557.228	69.829
- Depreciation/depletion/amortization	389.225	361.910	391.999	365.042
- Amortization of deferred foreign exchange variation	173.779	294.279	173.779	294.279
- Other	31.982	(7.924)	(45.711)	(3.211)
	<u>2.127.417</u>	<u>1.348.590</u>	<u>4.060.379</u>	<u>1.250.448</u>
Funds provided by third parties - Long-term				
Loans and financing resources	1.200.177	612.675	1.916.302	601.683
Decrease in other assets	436.847	85.992	97.214	61.595
Increase in liabilities - subsidiary company	621.561			
Increase in other liabilities - income tax and social contribution	140.458	(20.848)	140.458	(20.848)
Other	56.249	68.928	75.801	142.018
	<u>2.455.292</u>	<u>746.747</u>	<u>2.229.775</u>	<u>784.448</u>
	<u>4.582.709</u>	<u>2.095.337</u>	<u>6.290.154</u>	<u>2.034.896</u>
USES OF FUNDS				
Funds used in permanent assets				
Investments	240.045	190.306	200.911	142.880
Property, plant and equipment	668.984	685.925	808.937	794.370
Deferred assets	69.686	62.960	82.794	76.676
	<u>978.715</u>	<u>939.191</u>	<u>1.092.642</u>	<u>1.013.926</u>
Other uses of funds				
Interest on stockholders' equity and dividends	1.917.666	242.800	1.917.666	242.800
Transfer of loans and financing to short-term	440.445	784.011	442.060	1.727.172
Increases in noncurrent assets	180.529	422.831	792.884	135.611
Decrease in other long-term liabilities	64.587	22.530	66.814	384.307
Other	12.871	4.296	12.631	18.725
	<u>2.616.098</u>	<u>1.476.468</u>	<u>3.232.055</u>	<u>2.508.615</u>
	<u>3.594.813</u>	<u>2.415.659</u>	<u>4.324.697</u>	<u>3.522.541</u>
INCREASE (DECREASE) IN NET WORKING CAPITAL	<u>987.896</u>	<u>(320.322)</u>	<u>1.965.457</u>	<u>(1.487.645)</u>
CHANGES IN NET WORKING CAPITAL				
Current assets				
- At end of year	5.826.247	2.673.610	6.273.444	2.741.726
- At beginning of year	<u>2.673.610</u>	<u>2.177.321</u>	<u>2.741.726</u>	<u>2.272.145</u>
	<u>3.152.637</u>	<u>496.289</u>	<u>3.531.718</u>	<u>469.581</u>
Current liabilities				
- At end of year	4.018.865	1.854.124	4.894.869	3.328.608
- At beginning of year	<u>1.854.124</u>	<u>1.037.513</u>	<u>3.328.608</u>	<u>1.371.382</u>
	<u>2.164.741</u>	<u>816.611</u>	<u>1.566.261</u>	<u>1.957.226</u>
INCREASE (DECREASE) IN NET WORKING CAPITAL	<u>987.896</u>	<u>(320.322)</u>	<u>1.965.457</u>	<u>(1.487.645)</u>

The accompanying notes are an integral part of these statements.

Companhia Siderúrgica Nacional
Cash Flow Statements (Supplementary Information)
For the years ended December 31, 2000 and 1999
(Expressed in thousands of reais)

	Parent Company		Consolidated	
	2000	1999	2000	1999
Cash Flow from operating activities				
Net income for the year	1.640.336	331.924	1.777.264	197.046
Adjustments to reconcile the net income for the year with the resources from operating activities:				
- Amortization of special exchange variation	173.779	294.279	173.779	294.279
- Net monetary and exchange variation	223.296	181.171	231.749	(45.738)
- Provision for loan and financing charges	335.716	278.432	400.137	405.976
- Depreciation / depletion / amortization	389.225	361.910	391.999	365.042
- Write-offs of permanent assets	1.129.086	68.191	1.557.228	69.829
- Equity income	(1.418.701)	212.296	(80.184)	548.088
- Equity results non-operating	(97.149)	(24.618)	(97.149)	(24.618)
- Deferred income tax and social contribution	(5.813)	66.480	(10.994)	63.510
- Other provisions	160.365	39.712	118.689	1.132
	<u>2.530.140</u>	<u>1.809.777</u>	<u>4.462.518</u>	<u>1.874.546</u>
(Increase) Decrease in assets:				
- Accounts receivable – trade	(55.787)	(284.586)	(35.243)	(105.074)
- Accounts receivable – sales of investments	(2.864.654)		(3.180.347)	
- Inventories	(122.208)	18.086	(207.665)	13.647
- Judicial deposits	(153.040)	(11.208)	(153.227)	(8.249)
- Credits with subsidiary and associated companies	323.349	(229.407)	3	18.639
- Other	(74.491)	(60.148)	(55.684)	(179.260)
	<u>(2.946.831)</u>	<u>(567.263)</u>	<u>(3.632.163)</u>	<u>(260.297)</u>
Increase (Decrease) in liabilities:				
- Suppliers	189.832	203.044	186.100	187.785
- Salaries and payroll charges	7.988	(2.572)	15.858	(207)
- Taxes	3.036	23.061	32.906	52.784
- Accounts payable – subsidiary company	621.561			
- Other	128.825	(39.929)	130.934	(24.543)
	<u>951.242</u>	<u>183.604</u>	<u>365.798</u>	<u>215.819</u>
Net resources from operating activities	<u>534.551</u>	<u>1.426.118</u>	<u>1.196.153</u>	<u>1.830.068</u>
Cash Flow from investing activities				
Investments	(240.045)	(190.306)	(200.911)	(142.880)
Property, plant and equipment	(595.149)	(381.807)	(735.127)	(504.567)
Deferred assets	(69.686)	(62.960)	(82.794)	(76.676)
Net resources used on investing activities	<u>(904.880)</u>	<u>(635.073)</u>	<u>(1.018.832)</u>	<u>(724.123)</u>
Cash Flow from financing activities				
Loans and financing resources	1.422.608	732.378	5.453.735	5.839.598
Payments:				
- Financial institutions	(1.089.381)	(1.188.523)	(5.618.922)	(6.535.737)
- Interest on stockholders' equity	(122.788)	(120.000)	(122.788)	(120.000)
	<u>(1.212.169)</u>	<u>(1.308.523)</u>	<u>(5.741.710)</u>	<u>(6.655.737)</u>
Net resources in financing activities	<u>210.439</u>	<u>(576.145)</u>	<u>(287.975)</u>	<u>(816.139)</u>
Increase (Decrease) in cash and marketable securities	<u>(159.890)</u>	<u>214.900</u>	<u>(110.654)</u>	<u>289.806</u>
Cash and marketable securities, beginning of year	1.347.659	1.132.759	1.476.327	1.186.521
Cash and marketable securities, end of the year	<u>1.187.769</u>	<u>1.347.659</u>	<u>1.365.673</u>	<u>1.476.327</u>
Additional cash flow information				
Monetary variation and interest capitalized	73.835	304.118	73.810	289.803

The accompanying notes are an integral part of these statements.

Companhia Siderúrgica Nacional
Notes to the Financial Statements
For the years ended December 31, 2000 and 1999
(Expressed in thousands of reais, except as otherwise indicated)

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. Aiming to improve these activities, the Company also maintains strategic investments in 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 the 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 14, 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 accrued until the balance sheet date or, in the case of prepaid expenses, at 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.

The other permanent investments are recorded by the acquisition cost.

Companhia Siderúrgica Nacional
Notes to the Financial Statements
For the years ended December 31, 2000 and 1999
(Expressed in thousands of reais, except as otherwise indicated)

(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 13 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 quantity of iron extracted. Interest charges related to capital funding for construction in progress are capitalized for as long as the projects remain uncompleted.

Subsidiaries record property, plant and equipment at cost, net of accumulated depreciation, with the exception of the subsidiary FEM – Projetos, Construções e Montagens S.A., which has 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 are capitalized in property, plant and equipment and depreciated over the period up to the next major overhaul forecasted.

(j) **Financial statements for the year ended December 31, 1999**

The financial statements for the year ended December 31, 1999 were reclassified for comparison purposes, principally for the segregation of deferred taxes (assets and liabilities).

Companhia Siderúrgica Nacional
Notes to the Financial Statements
For the years ended December 31, 2000 and 1999
(Expressed in thousands of reais, except as otherwise indicated)

3. CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the years ended December 31, 2000 and 1999 include the following subsidiaries and joint subsidiaries:

Companies	Percentage share of total and voting capital stock (%)		Main Activities
	2000	1999	
Fully consolidated:			
CSN Cayman Ltd.	100	100	Trading of steel
CSN Overseas	100	100	Financial Operations
CSN Iron, S.A.	100	100	Financial Operations
CSN Steel Corp.	100	43.83	Participation in other companies through equity stakes
CSN Islands Corp.	100		Financial Operations
Energy I Corp.	100		Participation in other companies through equity stakes
Energy Corp. (1)	100		Participation in other companies through equity stakes
Steel II, S.A.	100		Participation in other companies through equity stakes
CISA – CSN Indústria de Aços Revestidos S.A. (2)	99.99	51	Steel products service center
CENER S.A.	99.99		Participation in other companies through equity stakes
FEM – Projetos, Construções e Montagem 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 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		Steel making
Proportionally consolidated:			
GalvaSud S.A.	51	51	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. (3)	20	20	Maritime port services

(1) On February, Energy Corp. had its denomination changed to CSN Energy Corp.

(2) In 1999, the Company was proportionally consolidated and its denomination was CSN – IMSA Aços Revestidos S.A.

(3) Considering the indirect share in Sepetiba Tecon S.A. through CSN Panama, S.A. the total percentage share is 50%.

Companhia Siderúrgica Nacional
Notes to the Financial Statements
For the years ended December 31, 2000 and 1999
(Expressed in thousands of reais, except as otherwise indicated)

The year-end closing dates for the consolidated subsidiaries and joint-owned subsidiaries coincide with those of the parent company, except for GalvaSud S.A., as to which the financial statements as of October 31, 2000 were used.

The financial statements originally prepared in US dollars (CSN Cayman, CSN Iron, CSN Panama, CSN Islands, CSN Steel, Energy I Corp. and CSN Overseas) were converted to Brazilian reais by the exchange rate in force as of December 31, 2000 – R\$1.9554 (1999 – R\$1.7890) and the gains / losses originated by this conversion were accounted for in the income statements of the respective year-ended.

CSN obtained the permission from the Brazilian Securities Commission (CVM) to not take into consideration the following investees due to the fact that they do not represent any relevant change to the consolidated economic unity.

Companies	Ownership (%)			
	2000		1999	
	Total	Voting	Total	Voting
Companhia Ferroviária do Nordeste – CFN	30.00	30.00	24.00	24.00
Companhia de Desenvolvimento do Sudeste – CDSE	(1)	(1)	12.70	12.70
Ferrovias Centro Atlântica S.A. (FCA)	11.95	11.66	11.95	11.66
INEPAR-FEM Equipamentos e Montagens S.A.	(2)	(2)	24.85	27.07
Itá Energética S.A.	25.19	48.75	24.41	48.75
MRS Logística S.A.	32.17	18.63	29.70	14.60

(1) Recorded at cost, as the Company does not have predominance in corporate decisions, the power to elect or to divest the majority of the directors, and influence on the management (articles 116 and 248 of Law no. 6,404/76).

(2) Shares incorporated by Inepar S.A. Indústrias e Construções, of which the Company holds 3.96%, without controlling (article 116 of Law no. 6,404/76), and recorded at cost.

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.

In December 2000 CSN, through its subsidiary CENER S.A. started to indirectly participate in Itá Energética S.A., owning 23.56% of the capital stock represented by preferred shares, increasing its total participation percentage to 48.75%.

All intercompany transactions have been eliminated on consolidation.

The changes in stockholders' equity are presented only for the parent company.

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

	Stockholders' equity		Net Income	
	2000	1999	2000	1999
Parent company	5,746,058	6,031,647	1,640,336	331,924
Negative stockholders' equity absorbed from Subsidiaries		(147,270)	147,240	(117,927)
Elimination of unrealized gain on inventories – INAL	(28,511)	(17,700)	(10,811)	(2,625)
Interest capitalized	(14,340)	(14,315)	(25)	(14,315)
Other adjustments	494	(6)	494	(11)
Consolidated	<u>5,703,701</u>	<u>5,852,356</u>	<u>1,777,264</u>	<u>197,046</u>

Companhia Siderúrgica Nacional
Notes to the Financial Statements
For the years ended December 31, 2000 and 1999
(Expressed in thousands of reais, except as otherwise indicated)

4. TRANSACTIONS WITH RELATED PARTIES

	Assets			Liabilities		Revenues			Expenses	
	Accounts receivable	Intercompany accounts	Other operations	Loans	Other operations	Sales of steel products	Interest and exchange variation	Other	Interest and exchange variation	Services rendered
CSN Overseas	1,877		3,631	495,592	664,218	580	103,256		76,144	
CSN Cayman	251,213			214,958	14,728	565,340	23,505		42,293	
CSN Iron		214,990		1,189,660			18,628		202,104	
CSN Panama			19,974					261		
MRS Logística	214		4,761		262					77,121
FCA	14		1,500		545			98		30,175
Energy I Corp.			392,163							
CSN Islands				705,211				95	31,015	
FEM					5,352					69,370
Inal	82,733		66		25	237,644		456		
GalvaSud			13,650		13					
CBS - CSN Employee's Pension Fund										
CSN Foundation and others	400	40	4,678		1,205					
As of December 31, 2000	<u>336,451</u>	<u>215,030</u>	<u>440,423</u>	<u>2,605,421</u>	<u>686,348</u>	<u>803,564</u>	<u>145,389</u>	<u>910</u>	<u>351,556</u>	<u>176,666</u>
As of December 31, 1999	<u>272,492</u>	<u>490,828</u>	<u>28,188</u>	<u>1,810,938</u>	<u>80,285</u>	<u>864,822</u>	<u>19,869</u>		<u>448,866</u>	<u>364,845</u>

Companhia Siderúrgica Nacional
Notes to the Financial Statements
For the years ended December 31, 2000 and 1999
(Expressed in thousands of reais, except as otherwise indicated)

The transactions realized by CSN with its subsidiaries derive from the following operations:

Company	Operations
CSN Overseas	Loans (prepayment, fixed rate notes issuance and loans), interests and exchange variations on intercompany accounts with financial settlement in November, 2000 and acquisition of Valepar shares (included in Other operations – Liabilities).
CSN Cayman	Prepayment and accounts receivable from sale of steel products
CSN Iron	Eurobonds issued (Liability) and advanced redemption of Eurobonds (Intercompany accounts - Asset)
MRS e FCA	Railway freight of raw materials and finished products
Energy I Corp.	Sale of participation in Light-Serviços de Eletricidade S.A.
CSN Islands	Eurobonds issued
Inal	Accounts receivable from sale of steel products
FEM	Maintenance services rendered
CBS	Company contribution for employee's pension fund

These operations were entered into on normal market terms for such operations.

5. MARKETABLE SECURITIES

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
Short-term				
Financial investment fund (net of withholding income tax)	1,135,530	1,311,263	1,135,530	1,311,263
Investments abroad and net balance of dollar options (hedge operations)	23,681	19,130	77,229	119,006
Fixed income investments	20,255	3,588	113,345	15,920
	<u>1,179,466</u>	<u>1,333,981</u>	<u>1,326,104</u>	<u>1,446,189</u>
Long-term (included in Other)				
Fixed income investments and debentures (net of Probable losses and withholding income tax)	23,917	10,033	917	1,033
	<u>1,203,383</u>	<u>1,344,014</u>	<u>1,327,021</u>	<u>1,447,222</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.

Companhia Siderúrgica Nacional
Notes to the Financial Statements
For the years ended December 31, 2000 and 1999
(Expressed in thousands of reais, except as otherwise indicated)

6. ACCOUNTS RECEIVABLE - TRADE

	Parent Company		Consolidated	
	2000	1999	2000	1999
Domestic	506,013	485,143	468,077	443,246
Export	262,622	198,356	63,970	62,036
Allowance for doubtful accounts	(153,016)	(150,082)	(157,520)	(151,001)
	615,619	533,417	374,527	354,281

Approximately R\$110,000 thousand of the outstanding allowance for doubtful accounts are being renegotiated with the clients and the Administration expects that such renegotiations be concluded during the year 2001.

7. ACCOUNTS RECEIVABLE – SALES OF INVESTMENTS

The financial amounts corresponding to the sales of investments in Light-Serviços de Eletricidade S.A. and Valepar, the controlling company of Companhia Vale do Rio Doce – CVRD, were financially settled in January and March 2001, respectively.

8. INVENTORIES

	Parent Company		Consolidated	
	2000	1999	2000	1999
Finished products	144,498	118,833	194,602	192,562
Products in process	62,840	92,866	73,561	98,867
Raw materials	202,335	94,240	267,201	66,145
Spare parts and maintenance supplies	159,895	147,955	161,049	148,231
Imports in transit	40,893	20,123	40,894	20,123
Materials in transit	2,658	20,594	7,180	14,594
	613,119	494,611	744,487	540,522

The increase on the raw materials account was due to the acquisition of slabs to supply the stoppage of the production during the maintenance of the blast furnace 3, which is forecasted to take place in 2001.

Companhia Siderúrgica Nacional
Notes to the Financial Statements
For the years ended December 31, 2000 and 1999
(Expressed in thousands of reais, except as otherwise indicated)

9. DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
Current assets:				
Social contribution	39,028	22,285	39,301	22,285
Income tax	212,525	79,302	227,023	89,697
	<u>251,553</u>	<u>101,587</u>	<u>266,324</u>	<u>111,982</u>
Long-term assets:				
Social contribution	12,398	59,926	15,704	62,581
Income tax	61,519	180,691	71,278	190,731
	<u>73,917</u>	<u>240,617</u>	<u>86,982</u>	<u>253,312</u>
Current liabilities:				
Social contribution	30,802	20,471	30,802	20,471
Income tax	85,563	56,865	85,563	56,865
	<u>116,365</u>	<u>77,336</u>	<u>116,365</u>	<u>77,336</u>
Long-term liabilities:				
Social contribution	326,376	355,281	326,376	355,281
Income tax	906,599	1,003,552	906,599	1,003,550
	<u>1,232,975</u>	<u>1,358,833</u>	<u>1,232,975</u>	<u>1,358,831</u>
Stockholders' equity				
Social contribution on				
Revaluation reserve	(317,458)	(330,065)	(317,458)	(330,065)
Income tax on revaluation				
Reserve	(881,829)	(933,505)	(881,829)	(933,505)
	<u>(1,199,287)</u>	<u>(1,263,570)</u>	<u>(1,199,287)</u>	<u>(1,263,570)</u>
Income statement:				
Deferred social contribution	(24,818)	5,009	(24,332)	5,009
Deferred income tax	30,631	(71,489)	35,326	(68,519)
	<u>5,813</u>	<u>(66,480)</u>	<u>10,994</u>	<u>(63,510)</u>

Companhia Siderúrgica Nacional
Notes to the Financial Statements
For the years ended December 31, 2000 and 1999
(Expressed in thousands of reais, except as otherwise indicated)

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

Assets	2000				1999			
	Social Contribution		Income Tax		Social Contribution		Income Tax	
	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term
Provision for labor and civil contingencies	2,087	7,312	5,797	20,313		7,371		20,476
Allowance for doubtful accounts	12,008		33,355			11,595		32,208
Provision for interest on stockholders' equity	15,816		147,308		4,758		13,217	
Provision for losses on investments	1,171		3,253			31,451		87,364
Provision for inventory losses	1,573		4,369				2,717	
Provision for losses on property, plant and equipment	1,513		4,202		6,344		17,623	
Taxes under judicial discussion				26,509			7,387	6,382
Amortization of goodwill								5,182
Tax losses / Negative basis					9,813		37,308	
Other	4,860	5,086	14,241	14,697	1,370	9,509	1,050	29,079
Total	39,028	12,398	212,525	61,519	22,285	59,926	79,302	180,691

Liabilities	Social Contribution		Income Tax		Social Contribution		Income Tax	
	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term
	Amortization of special exchange variation	12,199	16,385	33,887	45,515	20,471	23,753	56,865
Income from foreign subsidiaries not distributed		9,392		26,089				
Income tax and social contribution on revaluation reserve	18,603	298,855	51,676	830,153		330,065		933,505
Other		1,744		4,842		1,463		4,065
Total	30,802	326,376	85,563	906,599	20,471	355,281	56,865	1,003,552

Companhia Siderúrgica Nacional
Notes to the Financial Statements
For the years ended December 31, 2000 and 1999
(Expressed in thousands of reais, except as otherwise indicated)

In addition to the credits recorded, the Company has a lawsuit underway relative to the ("Plano Verão") claiming the fiscal and economic effects related to the inflationary elimination of IPC of January, 1989 of 51.87% in the calculation of social contribution ("CSL") and corporate income tax ("IRPJ"). The company has already obtained a lower court ruling, limiting the percentage of January, 1989 to 42.72%, net of the already applied index of 12.15%. The Company has not recognized the accounting effects of mentioned lawsuit.

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

	2000		1999	
	CSL	IRPJ	CSL	IRPJ
Net income before CSL and IRPJ	1,751,371	1,751,371	357,789	357,789
Rate	9%	25%	12%	25%
	(157,623)	(437,843)	(42,935)	(89,447)
Adjustments to reflect the effective rate:				
Tax benefit from interest on shareholders' equity	29,700	82,500	29,136	60,700
Equity pick-up	98,649	274,026	(502)	(1,045)
Gain from variation in percentage share in investments	1	2	3,208	6,684
Income of foreign subsidiaries	(20,809)	(57,802)		
Other additions (exclusions)	17,911	54,440	11,746	59,520
Change in CSL rate from 8 to 12%			3,550	
Parent Company	(32,171)	(84,677)	4,203	36,412
Consolidated	(34,739)	(90,891)	(3,870)	36,584

10. RECOVERABLE PIS/PASEP LEVIES

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 this amount recoverable in its balance sheet, which includes principal and monetary variation.

Companhia Siderúrgica Nacional
Notes to the Financial Statements
For the years ended December 31, 2000 and 1999
(Expressed in thousands of reais, except as otherwise indicated)

11. INVESTMENTS

Companies	Number of shares		Owner-ship (%)	Information of investee		Changes in investments in 2000 (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 pick-up	Balance at end of year	Balance at end of year
In operating stage												
FEM	376.336		99.99	4.425	(4.475)	9.172				(4.747)	4.425	
Light (d)						184.659		(174.036) (c)		(10.623)		
MRS (d)	35.084.843	74.289.193	32.17	197.767	(33.582)	68.700	10.456	(5.866)		(9.671)	63.619	63.619
GalvaSud	43.987.496		51	83.964		27.422	15.399				42.821	
CFN (d)	3.059.998		30	(67.807)	(22.631)		1.189			(1.189)		
Inal	8.457.189		99.99	107.976	18.990	68.008	22.673			17.295	107.976	
INEPAR-FEM (d)						25.563	(20.072)			(8.491)		
CSN Overseas	2.500		100	14.014	538.779					14.014	14.014	
CSN Iron	500	500	100	226.986	47.170	169.511				57.475	226.986	
CSN Steel	1		100	32	755.652	130.699		(860.726)		730.059	32	
CSN Islands	50.000		100	98			89			9	98	
CSN Panama	299	200	99.99	(1.833)	(4.104)	2.078				(2.078)		
NEPAR (d)	500.098		50.01	473	(17)	488				(488)		
CISA	129.999.997		99.99	2.742	(14.607)	8.769	8.750			(14.778)	2.741	
Itá Energética (d)	104.288.067		25.19	423.608	2.610	99.454	6.570			704	106.728	106.728
CSN Energia	999		99.9	15.893	15.892	1				15.876	15.877	
Cener	151.999.900		99.99	150.145	(1.855)		152.000			(1.855)	150.145	99.802 (a)
Energy I	1.000		100	315.694	315.692		2			315.692	315.694	
CSC	1.099.996		99.99	(4.114)	(5.214)	1.100				(1.100)		
Other							31				31	382
In pre-operating stage												
Septelba Tecon (d)	7.825.384		20	39.130		7.826					7.826	
CSN Participações Energéticas	997		99.7	1		1					1	
CSN I	600	1.194	99.67	2			2				2	
Other investments, at cost (e)												
							20.072	7.543			12.720	12.720
Goodwill												
Light (d)						58.066		(56.051)	(2.015)			
Inal						14.078			(1.741)		12.337	12.337
MRS (d)						731	1.731		(150)		2.312	2.313
CISA							1.112				1.112	1.112
Cener											49.374	49.374 (b)
Total changes in investments in 2000						72.875	2.843	(56.051)	(3.906)		15.761	65.136
Total changes in investments in 1999						879.517	240.076	(1.124.294)	(3.906)	1.096.104	1.087.497	348.387
						712.567	215.774	(34.702)	(9.942)	(4.180)	879.517	#####
Provision for loss on investments												
CSN Cayman	1		-100	(11.180)	616	(7.554)				(3.626)	(11.180)	
CSN Panama	299	200	99.99	(1.833)	(4.104)					(1.833)	(1.833)	
CSN Overseas	2.500		100	14.014	538.779	(336.076)				336.076		
CSC	1.099.996		99.99	(4.114)	(5.214)					(4.114)		
Total changes in provision for loss on investments in 2000						(343.630)				326.503	(17.127)	
Total changes in provision for loss on investments in 1999						(145.456)				(198.174)	(343.630)	

The goodwill paid on the acquisition of investments was based on the expected future results.

(a) Percentage share of 23.56% on the capital stock of Itá Energética - preferred stock.

(b) Goodwill paid by Cener S.A. on the acquisition of the investment on Itá Energética.

(c) Includes R\$1,704 of reversal of revaluation reserve.

(d) Companies audited by other auditors.

(e) Companhia do Desenvolvimento do Sudeste - CDSE e INEPAR S.A. Indústrias e Construções

Companhia Siderúrgica Nacional
Notes to the Financial Statements
For the years ended December 31, 2000 and 1999
(Expressed in thousands of reais, except as otherwise indicated)

12. INVESTMENTS SALES

On December 31, 2000, agreements were signed, for the purpose of eliminating existing cross-holdings between CSN and Companhia Vale do Rio Doce – CVRD.

CSN sold 32,926,078 ordinary shares issued by Valepar S.A., corresponding to 8.4739% of the shares issued by CVRD, for the amount of R\$2,569,640, equivalent to US\$1,313,453, to BRADESPAR S.A, BRADESPLAN Participações S.A. and Litel Participações S.A., with financial settlement in March 2001. The gain, net of income taxes, was R\$899,969.

On December 11, 2000, CSN sold, through its subsidiary Energy I Corp., its participation in the capital stock of Light-Serviços de Eletricidade S.A., to the companies EDF International S/A and AES Treasure Cove Ltd., for the total amount of R\$707,855, equivalent to US\$362,000, with financial settlement in January 11, 2001. The gain, net of income taxes, was R\$275,249 .

13. PROPERTY, PLANT AND EQUIPMENT

	Effective rates for depreciation, depletion and amortization (% p.a.)	Parent Company			
		2000		1999	
		Restated and revaluated cost	Accumulated depreciation, depletion and amortization	Net	Net
Land	-	88,711		88,711	88,973
Machinery and equipment	6.72	5,517,918	(687,074)	4,830,844	4,553,569
Buildings	4.00	895,641	(124,237)	771,404	719,631
Furniture and fixtures	10.00	109,404	(84,525)	24,879	27,103
Mines and mineral deposits	1.25	1,136,599	(30,473)	1,106,126	1,124,243
Other asset items	20.00	104,796	(50,378)	54,418	46,302
Provision for probable losses on asset write-offs		(16,809)		(16,809)	(70,491)
		<u>7,836,260</u>	<u>(976,687)</u>	<u>6,859,573</u>	<u>6,489,330</u>
Construction in progress		<u>463,531</u>		<u>463,531</u>	<u>583,445</u>
Parent company		<u>8,299,791</u>	<u>(976,687)</u>	<u>7,323,104</u>	<u>7,072,775</u>
Consolidated		<u>8,559,165</u>	<u>(1,005,008)</u>	<u>7,554,157</u>	<u>7,169,496</u>

The Extraordinary General Shareholders' Meeting held in 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, machinery and equipment, installations and real estate property in the plants of the Presidente Vargas Mill, Casa de Pedra and Arcos, including the iron ore mine in Casa de Pedra, the latter only being possible due to the fact that it is a publicly declared mine, defined by Decree no. 24,642/1934 – mine code – as the mines known at the time to belong to the owners of the land on which they were located.

In 2000, depreciation, depletion and amortization amounted to R\$ 412,161 (1999 – R\$ 381,650), of which R\$ 393,455 (1999 – R\$ 361,871) was charged to production costs and R\$ 18,706 (1999 – R\$ 19,779) to selling and general and administrative expenses.

The portion of the total 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, 2000, the value recorded in such account net of income tax and social contribution amounted to R\$ 135,865 (1999 – R\$ 126,120).

Companhia Siderúrgica Nacional
Notes to the Financial Statements
For the years ended December 31, 2000 and 1999
(Expressed in thousands of reais, except as otherwise indicated)

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. On March 31, 2000, based on a revaluation report issued by INT – Instituto Nacional de Tecnologia, many equipments that did not have conditions to attain were written-off.

During the year 2001, the Company will be modernizing the blast furnace 3, with total investments of R\$ 351million. This modernization will increase its remaining useful life in 20 years. In addition, such overhaul will increase the annual production of steel by approximately 700 thousands of tons, according to the Administration expectation.

14. DEFERRED CHARGES

	Parent Company		Consolidated	
	2000	1999	2000	1999
Deferred exchange variation	669,543	699,543	699,543	699,543
Information technology projects	88,568	44,515	88,568	44,515
Other research and development projects	63,940	38,309	88,126	33,196
	852,051	782,367	876,237	777,254
Accumulated amortization	(488,266)	(299,879)	(489,063)	(279,143)
	363,785	482,488	387,174	498,111

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 since March 31, 1999 can be shown as follows:

	Parent company and Consolidated
Deferred exchange variation as of March 31, 1999	699,543
Accumulated amortization, including settlement of loans:	
1999	(294,279)
2000	(173,779)
Amortizable balance as of December 31, 2000	231,485

The currently expected amortization schedule, shown below, is subject to change in the event the exchange rate for Brazilian currency falls below R\$ 1.722 (March 31, 1999) to US\$ 1.00 and/or the settlement dates for foreign currency loans should change.

2001	135,549
2002	95,936
	231,485

The IT projects are represented by automation projects of operating processes that aim at reducing costs and becoming more competitive.

Companhia Siderúrgica Nacional
Notes to the Financial Statements
For the years ended December 31, 2000 and 1999
(Expressed in thousands of reais, except as otherwise indicated)

15. LOANS AND FINANCING

	Parent Company				Consolidated			
	2000		1999		2000		1999	
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
Foreign Currency								
Prepayment	374,637	342,195	576,559	100,806	58,952	342,195	388,475	26,835
Securization of export receivables	107,044	107,915	109,952	195,968	107,044	107,915	109,952	195,967
Euronotes	36,954	1,858,855	8,162	1,073,400	53,069	1,435,821	4,990	656,164
Bridge Loan							820,062	
Commercial paper					1,029,555		818,972	
BNDES/Finame	51,967	660,303	44,017	531,552	51,967	660,303	44,017	531,552
Financed imports	483,733	97,604	258,851	101,175	483,733	97,604	258,851	101,175
Eximbank – Japan	19,519	142,303	17,467	165,394	19,519	142,303	17,467	165,394
Other	54,109	166,667	45,190	153,975	216,888	125,432	92,678	106,378
	<u>1,127,963</u>	<u>3,375,842</u>	<u>1,060,198</u>	<u>2,322,270</u>	<u>2,020,727</u>	<u>2,911,573</u>	<u>2,555,464</u>	<u>1,783,465</u>
Brazilian Currency								
BNDES/Finame	63,188	97,244	71,589	146,506	63,188	97,244	71,589	146,506
Other	29,249		26,798		2,454	63,261	2,841	2,737
	<u>92,437</u>	<u>97,244</u>	<u>98,387</u>	<u>146,506</u>	<u>65,642</u>	<u>160,505</u>	<u>74,430</u>	<u>149,243</u>
Total	<u><u>1,220,400</u></u>	<u><u>3,473,086</u></u>	<u><u>1,158,585</u></u>	<u><u>2,468,776</u></u>	<u><u>2,086,369</u></u>	<u><u>3,072,078</u></u>	<u><u>2,629,894</u></u>	<u><u>1,932,708</u></u>

Companhia Siderúrgica Nacional
Notes to the Financial Statements
For the years ended December 31, 2000 and 1999
(Expressed in thousands of reais, except as otherwise indicated)

On December 31, 2000, the long-term amortization schedule is shown below:

	<u>Parent Company</u>	<u>Consolidated</u>
2002	1,088,598	1,158,370
2003	287,498	321,662
2004	301,429	191,857
2005	139,830	145,994
2006	126,844	135,358
2007 and 2024	1,528,887	1,118,837
Total	<u><u>3,473,086</u></u>	<u><u>3,072,078</u></u>

Interests applied on the external and domestic loans and financing, which the annual rates as of December 31, 2000 are shown below:

	<u>Parent Company</u>	<u>Consolidated</u>
Up to 7%	422,102	528,964
Between 7.1 and 9%	1,668,960	2,873,576
Between 9.1 and 11%	2,470,338	1,623,822
Above 11%	132,086	132,085
Total	<u><u>4,693,486</u></u>	<u><u>5,158,447</u></u>

Breakdown of total debt by currency of origin:

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
U.S. dollar	87.48	84.17	87.86	87.47
Yen	6.27	7.70	5.70	6.00
Long-term interest rate – TJLP	3.42	5.71	4.23	5.16
Basket of currencies	1.45	1.39	1.32	1.09
Other currencies	1.38	1.03	0.89	0.28
	<u><u>100.00</u></u>	<u><u>100.00</u></u>	<u><u>100.00</u></u>	<u><u>100.00</u></u>

In August 2 and September 15, 2000 the Company issued notes in the north-american and european markets, through its subsidiary CSN Islands Corp., with a two-years term, and an interest rate of 9.625% p.a., in the amounts of US\$250 million and US\$100 million, respectively. The resources obtained were used to settle the bridge-loan obtained by the subsidiary CSN Steel Corp.

In June 28 and August 29, 2000, CSN issued commercial papers, through its subsidiary CSN Overseas, in the amounts of US\$250 million and US\$300 million, respectively, with a one-year term, and interest rates of approximately 7.51% and 7.75% p.a. The resources obtained were used to settle the commercial papers of US\$175 million and US\$300 million issued in June and September, 1999, respectively.

The guarantees offered for the loans and financing totaled R\$3,177,433 in December 31, 2000 (1999 - R\$3,048,425), and comprised mainly fixed assets items, bank guarantees and promissory notes. This amount does not take into consideration the guarantees granted to subsidiaries, joint subsidiaries and associated companies (see Note 17).

Companhia Siderúrgica Nacional
Notes to the Financial Statements
For the years ended December 31, 2000 and 1999
(Expressed in thousands of reais, except as otherwise indicated)

16. FINANCIAL INSTRUMENTS

The financial instruments recorded in balance sheet accounts as of December 31, 2000, which market value differs from the book value, are as follows:

	<u>Book value</u>	<u>Market value</u>
Marketable securities (short and long-term)	40,577	99,994
Investment and goodwill in jointly owned subsidiary	12,590	6,409
Loans and financing (short and long-term)	4,693,486	4,697,318

The operations undertaken by the Company and its subsidiaries 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,

In December 31, 2000 the consolidated position of derivative agreements outstanding was as follows:

	<u>Agreement</u>		<u>Reference value</u>	<u>Market value adjustment</u>
	<u>Date</u>	<u>Expiration date</u>		
Foreign Exchange Swap Yen/US dollar – CSN	08/02/00	02/02/02	US\$ 350,000	R\$ 73,926 (a)
Foreign Exchange Swap Yen/US dollar – CSN Islands	08/02/00	02/02/02	US\$ 350,000	R\$ 73,926 (a)
Currency forward	Several	06/01/2001 to 12/14/2001	US\$ 285,552	R\$ 3,784 (a)
Exchange rate options	Several	01/29/2001 to 08/01/2001	US\$ 770,000	R\$ 10,542 (a)
Interest rate options (semiannual Libor)	Several	12/30/03	US\$ 500,000	R\$ 4,544 (a)

(a) Gains and losses not recorded, according to the conservatism principle.

The amounts shown above as “market value adjustment” were calculated in accordance with the conditions on the Domestic and International Markets as of the issuance date of this balance sheet, for financial transactions with identical conditions, such as: volume of transaction and expiration date. Mathematical models are used and the basic assumption of such models is the inexistence of arbitrage between Markets and financial assets. The transactions on non organized markets (over-the-counter market) are carried out with Financial Institutions previously approved by the Company's Board of Directors.

Companhia Siderúrgica Nacional
Notes to the Financial Statements
For the years ended December 31, 2000 and 1999
(Expressed in thousands of reais, except as otherwise indicated)

17. 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):

Erro! Vínculo não válido.

18. CONTINGENT LIABILITIES AND JUDICIAL DEPOSITS

	2000		1999	
	Judicial deposits	Provision for contingencies	Judicial deposits	Provision for Contingencies
Short-term				
Labor, civil and fiscal		23,190		11,245
Parent Company		23,190		11,245
Consolidated		34,232		18,987
Long-term				
Labor, civil, fiscal and environmental	82,285	87,033	70,033	84,790
Social contribution	93,175	93,175	78,591	78,591
Income tax	125,874	125,874		
Parent Company	301,334	306,082	148,624	163,381
Consolidated	303,943	306,782	151,043	163,381

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 provisions related to the social contribution and income tax refer to the lawsuit filed to eliminate 1989 monetary restatement ("Plano Verão").

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

19. STOCKHOLDERS' EQUITY

(a) Capital Stock

The Company's capital stock in 2000 and 1999 is comprised of 71,729,261 thousand common shares, all recorded 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 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.

Companhia Siderúrgica Nacional
Notes to the Financial Statements
For the years ended December 31, 2000 and 1999
(Expressed in thousands of reais, except as otherwise indicated)

20. PROPOSED DIVIDENDS AND 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 as follows:

Companhia Siderúrgica Nacional
Notes to the Financial Statements
For the years ended December 31, 2000 and 1999
(Expressed in thousands of reais, except as otherwise indicated)

	2000
Net income for the year	1,640,336
Less: Allocation to legal reserve	(82,017)
Add: Realization of reevaluation reserve (net of income tax and social contribution)	135,871
Basic net profit for determination of dividend	1,694,190
Mandatory minimum dividend (25% of basic net income)	423,547
Interest on shareholders' equity, net of withholding income tax	231,353
Withholding Income tax	27,547
Interest on shareholders' equity deliberated in December (gross)	258,900
Dividends proposed	998,500
Total gross without withholding income tax (R\$ 17.53 per 1,000 shares of capital stock / 1999 - R\$ 3.38)	1,257,400
% of basic net income distributed	74%

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, 2000, 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 and with tax requirements, the Company elected to record the interest paid on shareholders' equity 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. Additionally, on December, 2000, the distribution of interest on stockholders' equity was deliberated, in the amount of R\$71,100 based on accumulated revenue reserves of previous years, reaching R\$330,000 deliberated on December, 2000.

In addition, the Company Management proposed the distribution of interest on stockholders' equity in the amount of R\$589,166 based on revenue reserves of previous years, that added to the proposed dividends of R\$998,500, totalize R\$1,587,666 to be deliberated. The tax impact of this proposal of interest on stockholder's equity is recorded on income statement for the year 2000.

Pursuant to the Brazilian Corporation Law, Company Management proposed maintenance of the remaining retained earnings in that account, so that its destination be deliberated by the shareholders on the next general assembly.

Companhia Siderúrgica Nacional
Notes to the Financial Statements
For the years ended December 31, 2000 and 1999
(Expressed in thousands of reais, except as otherwise indicated)

21. NET REVENUES AND COST OF PRODUCTS SOLD:

PRODUCT SALES:

	2000			1999		
	Ton	Thousand Reais		Ton	Thousand Reais	
	(thousand)	Net Revenues	Cost of sales	(thousand)	Net Revenues	Cost of sales
Domestic:						
Hot-rolled	1,207	629,509	376,854	1,008	455,695	269,183
Cold-rolled	641	447,303	271,496	551	342,404	200,497
Galvanized	747	730,834	394,442	734	598,357	337,805
Tin mill	664	687,624	406,501	662	599,558	351,582
	3,259	2,495,270	1,449,293	2,955	1,996,014	1,159,067
Export:						
Hot-rolled	517	246,339	159,172	698	240,058	181,870
Cold-rolled	74	48,454	30,246	85	47,225	31,612
Galvanized	11	9,277	5,758	52	38,383	23,553
Tin mill	342	261,032	209,692	345	266,574	182,067
Slab	108	25,306	27,056	410	99,350	83,308
	1,052	590,408	431,924	1,590	691,590	502,410
Steel Products:	4,311	3,085,678	1,881,217	4,545	2,687,603	1,661,477
Other sales		153,463	100,956		119,343	82,299
Parent Company	4,311	3,239,141	1,982,173	4,545	2,806,946	1,743,776
Consolidated		3,472,340	2,097,613		2,935,979	1,778,815

SALES BY GEOGRAPHIC DESTINATION:

	2000		1999	
	Ton	%	Ton	%
	(thousand)		(thousand)	
Export				
Asia	196	19	529	33
North America	256	24	416	26
Latin America	285	27	249	16
Europe	204	19	262	16
Other	111	11	134	9
	1,052	100	1,590	100
Domestic	3,259		2,955	
Parent Company	4,311		4,545	

SALES BY SECTOR (TON THOUSAND) - DOMESTIC MARKET:

	2000		1999	
	Ton	%	Ton	%
	(thousand)		(thousand)	
Package	647	20	662	22
Distribution	836	26	724	25
Process	217	7	325	11
Automotive	520	16	343	12
Civil construction	394	12	381	13
Home appliances	155	5	160	5
Re-rolling / shape cutting	174	5	148	5
Other	316	9	212	7
Parent Company	3,259	100	2,955	100

Companhia Siderúrgica Nacional
Notes to the Financial Statements
For the years ended December 31, 2000 and 1999
(Expressed in thousands of reais, except as otherwise indicated)

22. FINANCIAL RESULTS / MONETARY AND FOREIGN EXCHANGE VARIATIONS:

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
Financial expenses:				
Loans and financing - foreign currency	(118,136)	(98,310)	(360,360)	(327,969)
Loans and financing - brazilian currency	(39,776)	(35,840)	(39,776)	(35,840)
With subsidiaries	(182,631)	(150,064)		
Other financial expenses	(70,181)	(48,693)	(110,230)	(104,800)
	<u>(410,724)</u>	<u>(332,907)</u>	<u>(510,366)</u>	<u>(468,609)</u>
Financial income:				
With subsidiaries	40,547	19,869		
Yield on financial applications, net of provision for losses	163,942	498,712	169,240	508,261
Other income	27,435	46,478	56,021	181,216
	<u>231,924</u>	<u>565,059</u>	<u>225,261</u>	<u>689,477</u>
Net financial income	<u>(178,800)</u>	<u>232,152</u>	<u>(285,105)</u>	<u>220,868</u>
Monetary and foreign exchange variations (assets):				
With subsidiaries	130,695	22,136	164,115	118,965
On financial applications	1,787	26,646	(22,368)	164,839
Other	2,226	(1,477)	22,700	38,362
	<u>134,708</u>	<u>47,305</u>	<u>164,447</u>	<u>322,166</u>
Monetary and foreign exchange variations (liabilities):				
On financing	(334,826)	(907,839)	(292,213)	(955,789)
Deferral of special foreign exchange variation		699,543		699,543
Amortization of special foreign exchange variation	(173,779)	(294,279)	(173,779)	(294,279)
Other	(20,662)	9,631	(96,720)	9,631
	<u>(529,267)</u>	<u>(492,944)</u>	<u>(562,712)</u>	<u>(540,894)</u>
Net foreign exchange variations	<u>(394,559)</u>	<u>(445,639)</u>	<u>(398,265)</u>	<u>(218,728)</u>

23. NON-OPERATING INCOME (EXPENSES)

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
Net gain in divestiture	97,205	68,915	1,641,315	68,915
Net loss on write-off of assets	(6,562)	(17,578)	(6,570)	(17,578)
Reversal (setting up) of provision for probable losses on write-off of assets	(32,519)	10,306	(32,519)	10,306
Other	232	1,204	35,008	3,616
	<u>58,356</u>	<u>62,847</u>	<u>1,637,234</u>	<u>65,259</u>

Companhia Siderúrgica Nacional
Notes to the Financial Statements
For the years ended December 31, 2000 and 1999
(Expressed in thousands of reais, except as otherwise indicated)

24. VALUE-ADDED (PARENT COMPANY)

	R\$ Million	
	2000	1999
Gross Revenue	3,913.4	3,355.0
Returns	(11.4)	(10.1)
Discounts	(10.5)	(15.9)
Other Operating expenses / incomes	(31.1)	5.7
Non-operating income	58.4	62.8
Wealth produced at the cost of products	3,918.8	3,397.5
Cost of products sold	1,982.2	1,743.8
Depreciation	(359.4)	(340.2)
Personel expenses	(267.0)	(247.4)
Administrative expenses	193.1	171.4
Depreciation	(26.9)	(19.4)
Personel expenses	(86.7)	(77.2)
Selling expenses	155.8	152.5
Depreciation	(3.0)	(2.3)
Personel expenses	(21.9)	(15.4)
Consumption of wealth at the cost of products	1,566.2	1,365.8
Gross Value	2,352.6	2,031.7
Financial income	231.9	565.1
Income from equity stakes	1,418.7	(212.3)
Resources from third parties	1,650.6	352.8
Net value-added	4,003.2	2,384.5
Net value-added destination		
Work remuneration (includes profit participation)	404.9	364.3
Remuneration of third parties capital	805.3	815.0
Government (taxes and social contribution)	763.3	547.9
Reinvestment fund (depreciation)	389.3	361.9
Interest on stockholders' equity / dividends	1,257.4	206.4
Retained Earnings	382.9	89.1

Companhia Siderúrgica Nacional
Notes to the Financial Statements
For the years ended December 31, 2000 and 1999
(Expressed in thousands of reais, except as otherwise indicated)

25. EBITDA

The EBITDA (gross profit less selling, general and administrative expenses, plus depreciation and depletion) is shown as follows:

	Parent Company		Consolidated	
	R\$ Million		R\$ Million	
	2000	1999	2000	1999
Net Revenue	3,239.1	2,807.0	3,472.3	2,936.0
Cost of products sold	(1,982.2)	(1,743.8)	(2,097.6)	(1,778.8)
Gross Profit	1,256.9	1,063.2	1,374.7	1,157.2
Operating expenses (sales, general and administrative)	(348.9)	(323.9)	(437.1)	(408.2)
Depreciation (Cost of Products sold and operating expenses)	389.3	361.9	392.0	365.0
EBITDA	<u>1,297.3</u>	<u>1,101.2</u>	<u>1,329.6</u>	<u>1,114.0</u>
EBITDA-MARGIN %	<u>40.1%</u>	<u>39.2%</u>	<u>38.3%</u>	<u>37.9%</u>

26. 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.

As of December 31, 2000, CBS had 19,517 contributing members (1999 – 19,350) linked to its benefit plans. Of this total, 7,521 were active members (1999 - 7,362) and 11,996 retired employees (1999 – 11,988). Of that total number of contributing members, 12,621 were covered by the Defined Benefits Plan, distributed as follows: 6,765 by the 35% of Average Salary Plan (125 active and 6,640 retired employees), 5,856 by the Supplementary Average Salary Plan (675 active and 5,181 retired employees) and 6,896 by the Combined Supplementary Benefits Plan (6,721 active and 175 retired employees). The pension fund further has 5,276 beneficiaries, of whom 4,252 belonged to the 35% of Average Salary Plan, 997 to the Supplementary Average Salary Plan and 27 to the Combined Supplementary Benefits Plan. The total number of contributing members and beneficiaries is 24,793.

Four tax assessment notices were filed against CBS by the income tax authorities, three in 1991 and one in 1996. On September 14, 2000, the "Câmara Superior de Recursos Fiscais", the last administrative jurisdiction instance of the "Ministério da Fazenda", admitted the recourse of CBS, judging that the assessments filed in 1991 were not applicable. The assessment filed in 1996 is still pending on the first administrative instance, aiming at the payment of withholding income tax, corporate income tax and social contribution on earnings. Its amount as of December 31, 2000 was R\$48,819 including interest and fine. 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

Companhia Siderúrgica Nacional
Notes to the Financial Statements
For the years ended December 31, 2000 and 1999
(Expressed in thousands of reais, except as otherwise indicated)

unqualified opinions thereon, can be summarized as follows:

	2000	1999
Assets	639,087	697,226
Liabilities	107,918	106,234
Technical reserves	531,169	590,992
Represented by:		
Mathematical reserves		
- Benefits to be granted	255,204	264,130
- Benefits granted	734,239	678,465
- To amortize	(415,064)	(397,961)
Technical surplus (deficit)		
- Prior year	46,358	(32,465)
- Current year	(89,568)	78,823
	531,169	590,992

The technical reserves and funds were determined by an external actuary, contracted by CBS, in a report dated January 31, 2001.

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.

27. INSURANCE

Due to the nature of its operations, the Company adopts the politic of hiring “all risk” operational insurance, in U.S. dollars, for its main assets and for those of the subsidiaries Inal, CISA and FEM. The amount insured as of December 31, 2000 totalized US\$7,010,958, equivalent to R\$13,709,227. The operations of goods and products transportation, as well as third-parties responsibility and life-insurance for the employees are insured for the amount of R\$624,000.

Companhia Siderúrgica Nacional
Notes to the Financial Statements
For the years ended December 31, 2000 and 1999
(Expressed in thousands of reais, except as otherwise indicated)

28. SUBSEQUENT EVENTS

(a) In February 15, 2001, CSN Cayman settled in advance securitization financings amounting to US\$108,453. The due dates were September 2001 and September 2003.

(b) The Company is analysing the issuance of programs to raise funds in the international market, through the following subsidiaries:

CSN Overseas – Commercial papers – US\$250,000, with a two-years term and approximate cost of 7.20% p.a.

Energy Corp. – Notes – US\$250,000, with a two and a half years term, and approximate cost of 8.30% p. a.

These issuances are intended to extend the debt profile.