NATIONAL STEEL CO
Form 20-F/A
May 20, 2016

As filed with the Securities and Exchange Commission on May 20, 2016.

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F/A

(Amendment No. 1)

¨ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

R ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2015

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

¨ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-14732

COMPANHIA SIDERÚRGICA NACIONAL
(Exact Name of Registrant as Specified in its Charter)

NATIONAL STEEL COMPANY
(Translation of Registrant's name into English)

THE FEDERATIVE REPUBLIC OF BRAZIL
(Jurisdiction of incorporation or organization)

Paulo Rogério Caffarelli, Investor Relations Executive Officer
Phone: +55 11 3049-7268 Fax: +55 11 3049-7212

paulo.caffarelli@csn.com.br
Av. Brigadeiro Faria Lima, 3400 – 20º floor
04538-132, São Paulo-SP, Brazil

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	**Name of each exchange on which registered**
Common Shares without par value	New York Stock Exchange*
American Depositary Shares, (as evidenced by American Depositary Receipts), each representing one share of Common Stock	New York Stock Exchange

* Not for trading purposes, but only in connection with the registration of American Depositary Shares pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the period covered by the annual report:

Common Shares, without par value.	1,387,524,047 common shares. For further information, see "Item 7A. Major Shareholders", "Item 9A. Offer and Listing Details" and "Item 10B. Memorandum and Articles of Association."

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

R **Yes** **No**

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes R**No**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

R**Yes** **No**

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes **No**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer R **Accelerated Filer** **Non-accelerated Filer**

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP **Other**

International Financial Reporting Standards as issued by the International Accounting Standards Board R

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes R **No**

EXPLANATORY NOTE

We are amending our annual report on Form 20-F for the year ended December 31, 2015, or the Annual Report, as originally filed with the U.S. Securities and Exchange Commission on May 13, 2016, to (i) include the tables to the financial statements and independent auditor's report of Nacional Minérios S.A. that were excluded from its financial statements due to a clerical error and (ii) fix rounding errors in certain numbers in section Item 4D. Property, Plant and Equipment – Planned Investments.

Other than as set forth above, this Form 20-F/A does not, and does not purport to, amend, update or restate the information in any other item of the Annual Report as originally filed with the SEC. As a result, the Annual Report, as amended by this amendment, continues to speak as of the date of its original filing and we have not updated the disclosure as of a later date

TABLE OF CONTENTS

PART III

Table of contents

Introduction

Unless otherwise specified, all references in this annual report to:

"we," "us," "our" or "CSN" are to Companhia Siderúrgica Nacional and its consolidated subsidiaries;

"Brazilian government" are to the federal government of the Federative Republic of Brazil;

"*real*," "*reais*" or "R$" are to Brazilian *reais*, the official currency of Brazil;

"U.S. dollars," "$," "U.S.$" or "USD" are to United States dollars;

"billions" are to thousands of millions, "km" are to kilometers, "m" are to meters, "mt" or "tons" are to metric tons, "mtpy" are metric tons per year and "MW" are to megawatts;

"TEUs" are to twenty-foot equivalent units;

"consolidated financial statements" are to the consolidated financial statements of Companhia Siderúrgica Nacional and its consolidated subsidiaries reported in International Financial Reporting Standards as issued by the IASB – IFRS as of December 31, 2013, 2014 and 2015 and for the years ended December 31, 2013 and 2014 and 2015 together with the corresponding Reports of Independent Registered Public Accounting Firm;

"ADSs" are to CSN's American Depositary Shares and "ADRs" are to CSN's American Depositary Receipts; and

"Brazil" is to the Federative Republic of Brazil.

Forward-Looking Statements

This annual report includes forward-looking statements, within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, principally under the captions "Item 3. Key Information," "Item 4. Information on the Company," "Item 5. Operating and Financial Review and Prospects" and "Item 11. Quantitative and Qualitative Disclosures About Market Risk." We have based these forward-looking statements largely on our current expectations and projections about future events, industry and financial trends affecting our business.

Many important factors, in addition to those discussed elsewhere in this annual report, could cause our actual results to differ substantially from those anticipated in our forward-looking statements, including, among other things:

- general economic, political and business conditions in Brazil and abroad, especially in China, which is the largest world steel producer and main consumer of our iron ore;
- demand for and prices of steel and mining products;
- the effects of the global financial markets and economic slowdowns;

- changes in competitive conditions and in the general level of demand and supply for our products;
- our liquidity position and leverage;
- management's expectations and estimates concerning our future financial performance and financing plans;
- our level of debt and our ability to obtain financing on satisfactory terms;
- availability and price of raw materials;
- changes in international trade or international trade regulations;
- protectionist measures imposed by Brazil and other countries;
- our capital expenditure plans;

Table of contents

- inflation, interest rate levels and fluctuations in foreign exchange rates;
- our ability to develop and deliver our products on a timely basis;
- lack of infrastructure in Brazil;
- electricity and natural gas shortages and government responses to them;
- existing and future governmental regulation; and
- other risk factors as set forth under “Item 3D. Risk Factors.”

The words “believe,” “may,” “will,” “aim,” “estimate,” “forecast,” “plan,” “continue,” “anticipate,” “intend,” “expect” and sim
intended to identify forward-looking statements. Forward-looking statements speak only as of the date they were made, and we undertake no obligation to publicly update or to revise any forward-looking statements after we distribute this annual report because of new information, future events or other factors. In light of the risks and uncertainties described above, the forward-looking events and circumstances discussed in this annual report might not occur and are not an indication of future performance. As a result of various factors, such as those risks described in “Item 3D. Risk Factors,” undue reliance should not be placed on these forward-looking statements.

Presentation of Financial and Other Information

Our consolidated financial statements as of December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013 contained in “Item 18. Financial Statements” have been presented in thousands of *reais* (R$) and prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). See Note 2(a) to our consolidated financial statements.

Certain figures included in this annual report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures, which precede them.

PART I

Item 1. Identity of Directors, Senior Management and Advisors

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

3A. Selected Financial Data

We present in this section the summary financial and operating data derived from our audited consolidated financial statements as of and for the year ended December 31, 2015, 2014, 2013, 2012 and 2011.

The consolidated financial statements included in this annual report have been prepared in accordance with IFRS, as issued by the IASB, presented in Brazilian *real*. However, we have translated some of the Brazilian *real* amounts contained in this annual report into U.S. dollars for the convenience of readers outside of Brazil. The rate used to translate such amounts in respect of the year ended December 31, 2015 was R$3.905 to U.S.$1.00, which was the commercial rate for the purchase of U.S. dollars in effect as of December 31, 2015, as reported by the Central Bank of Brazil, or the Central Bank. The U.S. dollar equivalent information presented in this annual report is provided solely for the convenience of investors and should not be construed as implying that the Brazilian *real* amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate. See “Exchange Rates” for more detailed information regarding the translation of *reais* into U.S. dollars.

Table of contents

Summary Financial and Operating Data

The following tables present summary historical consolidated financial and operating data for us for each of the periods indicated. Solely for the convenience of the reader, Brazilian real amounts as of and for the year ended December 31, 2015 have been translated into U.S. dollars at the commercial market rate in effect as of December 31, 2015 as reported by the Central Bank of R$3.905 to U.S.$1.00. The selected financial data below should be read in conjunction with "Item 5. Operating and Financial Review and Prospects."

We have applied, beginning January 1, 2013, IFRS 10 - Consolidated Financial Statements, which establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more entities, and IFRS 11 - Joint Arrangements, which requires a new valuation of joint arrangements, focusing on the rights and obligations of the arrangement, instead of its legal form. The reffered new standard provides additional transition relief, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. We applied this transition relief as described above with respect to the adoption of IFRS 10 and IFRS 11.

The financial statements as of and for the year ended December 31, 2012 have been restated for the effects of the retrospective adoption of these new standards. Our financial statements as of and for the year ended December 31, 2011 remain unchanged and as disclosed previously. The selected financial data for the year ended December 31, 2011 have not been retrospectively adjusted and, as a result, are not comparable with the information as of and for the years ended December 31, 2015, 2014, 2013 and 2012.

	Year Ended December 31,					
Income Statement Data:	**2015**	**2015**	**2014**	**2013**	**2012**	**2011**
	(in million of US$, except per share data)		*(in million of R$, except per share data)*			
Net operating revenues	**3,926**	**15,332**	**16,126**	**17,312**	**15,229**	**16,520**
Cost of products sold	(3,022)	11,800	(11,592)	(12,423)	(11,259)	(9,801)
Gross profit	**904**	**3,532**	**4,534**	**4,889**	**3,970**	**6,719**
Operating expenses						
Selling	(368)	(1,436)	(1,042)	(875)	(774)	(604)
General and Administrative	(121)	(471)	(438)	(486)	(468)	(576)
Equity in results of affiliated companies	297	1,160	331	158	642	0
Other expenses	(342)	(1,334)	(657)	(1,134)	(2,763)	(501)
Other income [4]	954	3,727	90	567	111	791
Total [4]	**422**	**1,646**	**(1,716)**	**(1,770)**	**(3,252)**	**(962)**
Operating income	**1,326**	**5,178**	**2,818**	**3,120**	**719**	**5,757**
Non-operating income (expenses), net						
Financial income	125	489	172	171	391	717
Financial expenses	(989)	(3,862)	(3,253)	(2,683)	(2,543)	(2,723)

Income before taxes	**462**	**1,805**	**(263)**	**608**	**(1,433)**	**3,751**
Income tax						
Current	(98)	(381)	(528)	(1,291)	(322)	(136)
Deferred	49	192	679	1,217	1,275	52
Net (Loss) income	**414**	**1,616**	**(112)**	**534**	**(481)**	**3,667**
Net loss attributable to non controlling interest	**92**	**358**	**(7)**	**25**	**(61)**	**(39)**
Net income attributable to Companhia Siderúrgica Nacional	**322**	**1,258**	**(105)**	**509**	**(421)**	**3,706**
Basic earnings common share	0.23737	0.92690	-0.07440	0.34913	-0.28815	2.54191
Diluted earnings per common share	0.23737	0.92690	-0.07440	0.34913	-0.28815	2.54191

Table of contents

	Year Ended December 31,					
Income Statement Data:	**2015**	**2015**	**2014**	**2013[3]**	**2012**	**2011[2]**
	(in million of US$)			*(in million of R$)*		
Current assets	**4,208**	**16,431**	**15,936**	**16,403**	**19,099**	**21,945**
Investments	1,024	3,998	13,665	13,487	10,840	2,088
Property, plant and equipment [4]	**4,577**	**17,872**	**15,624**	**14,911**	**18,520**	**17,377**
Other assets	2,650	10,349	4,542	5,602	4,825	5,460
Total assets	**12,459**	**48,650**	**49,767**	**50,403**	**53,284**	**46,870**
Current liabilities	1,256	4,903	6,363	5,564	6,551	6,497
Non-current liabilities	**8,966**	**35,011**	**37,669**	**36,770**	**37,725**	**31,956**
Stockholders' equity [4]	2,237	8,736	5,735	8,069	9,008	8,417
Total liabilities and stockholders' equity	**12,459**	**48,650**	**49,767**	**50,403**	**53,284**	**46,870**
Paid-in capital *(in million of reais)*	**1,163**	**4,540**	**4,540**	**4,540**	**4,540**	**1,681**
Common shares (in million of shares)	1,388	1,388	1,388	1,457	1,457	1,457
Dividends declared and interest on stockholders' equity *(in million of reais)*[1]	**70**	**275**	**700**	**800**	**300**	**1200**
Dividends declared and interest on stockholders' equity per common share (in million of reais)[1]	0.05	0.2	0.5	0.55	0.21	0.82

(1) Amounts consist of dividends declared and accrued interest on shareholders' equity during the year. For a discussion of our dividend policy and dividend and interest payments, see "Item 8A. Consolidated Statements and Other Financial Information-Dividend Policy."

(2) The selected financial data as of and for the year ended December 31, 2011 have not been retrospectively adjusted for the effects of the adoption of IFRS 10 and 11 as permitted by the transition guidance related to these standards.

(3) In 2013, the financial information was substantially impacted by the deconsolidation of Transordestina Logística S.A. which began to be recognized under the equity accounting method, due to the partial spin-off and the entry into effect of the new shareholders'agreement. For further information, see Other operating income (expenses) included in Item 5A. Operating Results.

(4) The 2015 financial information was impacted by the business combination of Congonhjas Minérios as described in "Item 5A. Operating Results"

The Brazilian foreign exchange system allows the purchase and sale of foreign currency and the international transfer of *reais* by any person or legal entity, regardless of the amount, subject to certain regulatory procedures.

The Brazilian *real* has experienced frequent and substantial variations in relation to the U.S. dollar and other foreign currencies during the recent decades. The Central Bank has intervened occasionally to mitigate volatility in foreign exchange rates.

We cannot predict whether the Central Bank or the Brazilian government will continue to allow the Brasilian *real* to float freely or will intervene in the exchange rate market through a currency band system or otherwise. The Brazilian *real* may depreciate or appreciate against the U.S. dollar substantially.

The following tables present the purchese rate, expressed in *reais* per U.S. dollar (R$/U.S.$), for the periods indicated:

Year ended	**Low**	**High**	**Average [(1)]**	**Period-end**
December 31, 2011	1.535	1.902	1.675	1.876
December 31, 2012	1.702	2.112	1.955	2.044
December 31, 2013	1.953	2.446	2.161	2.343
December 31, 2014	2.560	2.740	2.639	2.656
December 31, 2015	2.575	4.195	3.334	3.905

Month ended	**Low**	**High**	**Average**	**Period-end**
October 2015	3.738	4.001	3.880	3.859
November 2015	3.701	3.851	3.776	3.851
December 2015	3.748	3.983	3.871	3.905
January 2016	3.986	4.156	4.052	4.043
February 2016	3.865	4.049	3.973	3.979
March 2016	3.558	3.991	3.703	3.558
April 2016	3.450	3.692	3.565	3.450

Source: Central Bank.

(1) Represents the daily average of the close exchange rates during the period

Table of contents

We will pay any cash dividends and make any other cash distributions with respect to our common shares in Brazilian currency. Accordingly, exchange rate fluctuations may affect the U.S. dollar amounts received by ADS holders on conversion into U.S. dollars of such distributions for payment by the depositary. Fluctuations in the exchange rate between the Brazilian *real* and the U.S. dollar may also affect the U.S. dollar equivalent of the *real* price of our common shares on BM&FBOVESPA.

3B. Capitalization and Indebtedness

Not required.

3C. Reasons for the Offer and Use of Proceeds

Not required.

3D. Risk Factors

An investment in our ADSs or common shares involves a high degree of risk. You should carefully consider the risks described below before making an investment decision. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of our ADSs could decline due to any of these risks or other factors, and you may lose all or part of your investment. The risks described below are those that we currently believe may materially affect us.

Risks Relating to Brazil

The Brazilian government exercises significant influence over the Brazilian economy. This influence, as well as Brazilian political and economic conditions, could materially and adversely affect us.

The Brazilian government frequently intervenes in the Brazilian economy and occasionally makes significant changes in policy and regulation. See "—Government efforts to combat inflation may hinder the growth of the Brazilian economy and could harm us" and "Item 5A. Operating Results—Brazilian Macro-Economic Scenario, Effects of Exchange Rate Fluctuations." The Brazilian government's actions, policies and regulations have involved, among other measures, increases in interest rates, changes in tax policies, price controls, currency devaluations, capital controls and limits on imports. Our business, financial condition and results of operations may be adversely affected by political, social, and economic developments in or affecting Brazil, and by changes in policy or regulations at the federal, state or municipal levels involving or affecting factors such as:

- interest rates;
- exchange controls;
- currency fluctuations;
- inflation;
- price volatility of raw materials and our final products;
- lack of infrastructure in Brazil;

- energy and water supply shortages and rationing programs;
- liquidity of the domestic capital and lending markets;
- regulatory policy for the mining, steel, cement, logistic and energy industries;
- environmental policies and regulations;

Table of contents

- tax policies and regulations, including frequent changes in tax regulations that may result in uncertainties as to future taxation; and

- other political, social and economic developments in or affecting Brazil.

Recent economic and political instability, which have become more acute at the end of 2015, may lead to legislative or regulatory changes that could negatively affect us. In addition, such changes may also lead to further economic uncertainty and to heightened volatility and negative perception of the Brazilian securities markets which may adversely affect us and the trading price of our common shares.

Political crises, corruption scandals and deadlock in Brazil have in the past affected and are currently affecting the development of the Brazilian economy and the trust of foreign investors, as well as the public in general. Recent popular unrest has led to large demonstrations in the past three years, with the Brazilian populace expressing growing dissatisfaction with the country's deteriorating political climate, corruption, mounting inflation, slow GDP growth and high interest rates.

In addition and as a consequence to the above mentioned, since 2011, Brazil has experienced an economic slowdown. The Gross Domestic Product, or GDP, growth rates were a negative 3.8% in 2015, 0.1% in 2014, 2.7% in 2013, 1.8% in 2012 and 3.9% in 2011, compared to a GDP growth of 7.5% in 2010. In 2016, analysts project that the Brazilian GDP will contract 3.9%, according to a Focus Report published by the Brazilian Central Bank on April 29, 2016. Our results of operations and financial condition have been, and will continue to be, affected by the growth rate of the Brazilian GDP. We cannot assure you that the GDP will increase or remain stable. Developments in the Brazilian economy may affect Brazil's growth rates and, consequently, the use of our products and services.

Exchange rate instability may adversely affect us and the market price of our common shares and ADSs.

The Brazilian currency has long experienced frequent and substantial variations in relation to the U.S. dollar and other foreign currencies. For example, the real appreciated 11.8%, 8.7% and 17.2% against the U.S. dollar in 2005, 2006 and 2007, respectively. In 2008, as a result of the worsening global economic crisis, the real depreciated 32% against the U.S. dollar, closing at R$2.337 to U.S.$1.00 on December 31, 2008. For the years of 2009 and 2010, amid robust GDP growth and a strong local economy the real appreciated 25.5% and 4.2%, respectively, against the U.S. dollar, closing at R$1.741 and R$1.666 to U.S.$1.00 on December 31, 2009 and 2010, respectively. Since 2013, the real depreciated against the U.S. dollar by 14.6% in 2013, 13.4% in 2014 and 47.0% in 2015, mainly due to external and internal factors, closing at R$2.343, R$2.656 and R$ 3.905 to U.S.$1.00 on December 31, 2013, 2014 and 2015, respectively. On April 29, 2016 the exchange rate was R$3.45 per U.S.$1.00.

Depreciation of the *real* against major foreign currencies could create inflationary pressures in Brazil and contribute to Central Bank increases in interest rates, which could negatively affect us and the growth of the Brazilian economy, may curtail access to foreign financial markets and may prompt government intervention, which could include recessionary measures. Depreciation of the *real* can also, as in the context of an economic slowdown, lead to decreased consumer spending and reduced growth of the economy as a whole.

On the other hand, appreciation of the *real* relative to major foreign currencies could lead to a deterioration of Brazilian foreign exchange current accounts, as well as affect export-driven growth. Depending on the circumstances, either depreciation or appreciation of the *real* could materially and adversely affect the growth of the Brazilian economy and us, as well as impact the U.S. dollar value of distributions and dividends on, and the U.S. dollar

equivalent of the market price of, our common shares and our ADSs.

Table of contents

In the event the *real* depreciates in relation to the U.S. dollar, the cost in *reais* of our foreign currency-denominated borrowings and imports of raw materials, particularly coal and coke, will increase. On the other hand, if the *real* appreciates in relation to the U.S. dollar, it will cause *real*-denominated production costs to increase as a percentage of total production costs and cause our exports to be less competitive. We had total U.S. dollar-denominated or -linked indebtedness of R$18,384 million or 53% of our total indebtedness, as of December 31, 2015. Because of the *real* depreciation, the U.S. dollar-denominated debt increased by R$4,227 million compared to December 31, 2014.

Government efforts to combat inflation may hinder the growth of the Brazilian economy and could harm us.

Brazil has in the past experienced extremely high rates of inflation, which has led the government to pursue monetary policies that have contributed to one of the highest real interest rates in the world. Since the implementation of the *Real* Plan in 1994, the annual rate of inflation in Brazil has decreased significantly, as measured by the National Broad Consumer Price Index (*Índice Nacional de Preços ao Consumidor Amplo*, or IPCA). Since 2014, and especially during the year of 2015, Brazil has again experienced high rates of inflation, and the tendency is a continuing high level of inflation for 2016. Inflation measured by the IPCA index was 5.9%, 6.4% and 10.7% in 2013, 2014 and 2015, respectively. Inflation and the Brazilian government's inflation containment measures, mainly through monetary policies, have had and may have significant effects on the Brazilian economy and our business. Tight monetary policies with high interest rates may restrict Brazil's growth and the availability of credit. Conversely, more lenient policies and interest rate decreases may trigger increases in inflation, with the consequent reaction of sudden and significant interest rate increases, which could negatively affect Brazilian economic growth and us. In addition, we may not be able to adjust the price of our products in the foreign markets to offset the effects of inflation in Brazil on our cost structure, given that most of our costs are incurred in *reais*. The Brazilian government has introduced policies aimed at reducing inflationary pressures, which could have the effect of reducing the overall performance of the Brazilian economy.

Developments and perception of risk in other countries, especially other emerging market countries, may adversely affect the trading price of Brazilian securities, including our common shares and ADSs.

The market value of securities of Brazilian companies is affected to varying degrees by economic and market conditions in other countries, especially other emerging market countries. Although economic conditions in these countries may differ significantly from economic conditions in Brazil, investors' reactions to developments in these other countries may have an adverse effect on the market value of securities of Brazilian issuers. Crisis in, or economic policies of, other countries may diminish investors' interest in securities of Brazilian issuers, including ours. This could adversely affect the trading price of our common shares and/or ADSs, and could also make it more difficult or impossible for us to access the capital markets and finance our operations on acceptable terms.

Risks Relating to Us and the Industries in Which We Operate

We are exposed to substantial changes in the demand for steel and iron ore, which has a substantial impact in the prices of our products and may adversely affect our results of operations.

The steel and mining industries are highly cyclical, both in Brazil and abroad. The demand for steel and mining products and, thus, the financial condition and results of operations of companies in the steel and mining industries, including us, are generally affected by macroeconomic fluctuations in the world economy and the economies of steel-producing countries, including trends in the automotive, construction, home appliances and packaging industries, as well as other industries which rely on steel distributors. A worldwide recession, an extended period of below-trend growth in developed countries or a slowdown in the emerging markets that are large consumers of our products (such

as the domestic Brazilian market for our steel products and the Chinese market for iron ore) could sharply reduce demand for our products. In addition, flat steel competes with other materials that may be used as substitutes, such as aluminum (particularly in the automotive and packaging industry), cement, composites, glass, plastic and wood. Government regulatory initiatives mandating the use of such materials in lieu of steel, whether for environmental or other reasons, as well as the development of other new substitutes for steel products, could also significantly reduce market prices and demand for steel products and thereby reduce our cash flow and profitability. Any material decrease in demand or increase in supply for steel and iron ore in the domestic or export markets served by us could have a material adverse effect on us.

Table of contents

Prices charged for iron ore are subject to volatility. International iron ore prices have been decreasing significantly and may have a negative impact on our revenues, cash flow, profitability, as well as result in a need to change the way we operate or in the suspension of certain of our projects and operations.

Our iron ore prices are based on a variety of pricing terms, which generally use market price indices as a basis for determining the customer price. Our prices and revenues for iron ore are consequently volatile, which may adversely affect our results of operations and cash flow. In 2015, average iron ore prices decreased 28.5% to US$ 55.5/dmt, from US$96.7/dmt in 2014. In 2014, average iron ore prices decreased 42.6% to US$96.7/dmt from US$135.2/dmt in 2013, according to the average Platts IODEX (62% Fe CFR China). On April 29th 2016, the index stood at US$65.85/dmt. As a result, revenues from our mining business decreased from 31% in 2013 to 23% in 2014 and 19% in 2015 of our total net revenues . A continuous decrease in the market prices for iron ore may result in a need to change the way we operate or, depending on the level of price decreases, even in the suspension of certain of our projects and operations and impairment of assets, which could adversely affect our financial position and results of operations.

Adverse economic conditions in China and an increase in global iron ore production capacity could have a negative impact on our revenues, cash flow and profitability.

China has been the main driver of global demand for minerals and metals over the last past years, effectively driving global prices for iron ore and steel. In 2015, China accounted for 70% of the global seaborne iron ore trade. The percentage of our iron ore sales volume consumed in China was 60% in 2015. China is also the largest world steel producer, accounting for approximately 50% of the global steel production.

A contraction of China’s economic growth could result in lower global demand for iron ore and steel and increase the global steel industry over-capacity, leading to lower revenues, cash flow and profitability. Poor performance in the Chinese real estate sector and low investments in infrastructure, two of the largest markets for carbon steel in China, could also negatively impact our results. The China GDP increased 6.9% in 2015 compared to 7.3% in 2014, 7.7% in 2013 and 7.7% in 2012.

In addition, the recent strategy of the major iron ore suppliers to maintain their production targets and planned capacity increases could have a material adverse effect on us and adversely affect our results of operations.

We may not be able to adjust our mining production volume in a timely or cost-efficient manner in response to changes in demand.

Revenues from our mining business represented 31%, 25% and 19% of our total net revenues in 2013, 2014 and 2015, respectively. Operating at significant idle capacity during periods of weak demand may expose us to higher unit production costs since a significant portion of our cost structure is fixed in the short-term due to the high capital intensity of mining operations. In addition, efforts to reduce costs during periods of weak demand could be limited by labor regulations or existing labor or government agreements.

Conversely, our ability to rapidly increase production capacity is limited, which could render us unable to fully satisfy demand for our iron ore. When demand exceeds our production capacity, we may meet excess customer demand by purchasing iron ore from unrelated parties and reselling it, which would increase our costs and narrow our operating margins. If we are unable to satisfy excess customer demand in this way, we may lose customers. In addition, operating close to full capacity may expose us to higher costs, including demurrage fees due to capacity restraints in

our logistics systems.

The availability and the price of raw materials that we need to produce steel, particularly coal and coke, may adversely affect our results of operations.

In 2015, raw material costs accounted for 51.3% of our total steel production costs. Our main raw materials include iron ore, coal, coke, limestone, dolomite, manganese, zinc, tin and aluminum. We depend on third parties for some of our raw material requirements, including importing all of the coal required to produce coke and approximately 58.4% of our coke requirements. In addition, we require significant amounts of energy, in the form of natural gas and electricity, to power our plants and equipment.

Table of contents

Any prolonged interruption in the supply of raw materials, natural gas, or electricity, or substantial increases in their prices, could materially and adversely affect us. These interruptions and price increases may be a result of changes in laws or trade regulations, the availability and cost of transportation, suppliers' allocations to other purchasers, interruptions in production by suppliers and/or accidents or similar events on suppliers' premises or along the supply chain. Our inability to pass those cost increases on to our customers or to meet our customers' demands because of non-availability of key raw materials could also have a material and adverse effect on us.

Our steel products face significant competition, including price competition, from other domestic or foreign producers, which may adversely affect our profitability and market share.

The global steel industry is highly competitive with respect to price, product quality and customer service, as well as technological advances that enable steel companies to reduce their production costs. Brazil's export of steel products is influenced by several factors, including the protectionist policies of other countries, especially those of the United States, disputes regarding these policies before the WTO (World Trade Organization), the Brazilian government's exchange rate policy and the growth rate of the world economy. Further, continuous advances in materials sciences and resulting technologies have given rise to improvements in products such as plastics, aluminum, ceramics and glass that permit them to substitute steel. Due to high start-up costs, the economics of operating a steelworks facility on a continuous basis may encourage mill operators to maintain high levels of output, even in times of low demand, which increases the pressure on industry profit margins. In addition, downward pressure on steel prices by our competitors may affect our profitability.

The steel industry has historically suffered from structural over-capacity which has worsened due to a substantial increase in production capacity in the developing world and particularly in China and India, as well as other emerging markets. China is now, by far, the largest global steel producer and, in addition, Chinese and certain steel exporting countries have favorable conditions (excess steel capacity, undervalued currency or higher market prices for steel in markets outside of such countries), which can have a significant impact on steel prices in other markets. If we are not able to remain competitive in relation to China or other steel-producing countries, our results may be adversely affected.

Since 2010, steel companies in Brazil have faced strong competition from imported products, mainly as a result of the global excess in steel production, reduction in demand for steel products in mature markets, exchange rate appreciation and tax incentives in some of the main exporting countries. Despite Brazilian import duties to protect domestic producers, a substantial volume of steel products is still being imported. If the Brazilian Government does not act against subsidized steel imports and there is an increase in imports, our results of operations may be materially and adversely affected. Apart from direct steel imports, the Brazilian industry has also been facing competition from imported finished goods, which affects the whole steel chain.

Protectionist and other measures adopted by foreign governments could adversely affect our export sales.

In response to the increased production and export of steel by many countries, anti-dumping and countervailing duty and safeguard measures were imposed in the late 1990s and early 2000s by foreign governments representing the main markets for our exports. In 2015, the U.S. authorities initiated anti-dumping and countervailing duty investigations on hot-rolled and cold-rolled steel sheets and coils imported from Brazil and other countries. Restrictions imposed by Canada on imports of hot-rolled products from Brazil remain in effect. In addition, technical or safety measures, such

as those imposed by the European Union on imports of certain chemical substances contained in products used to protect and/or pack steel products, may be adopted and as a result create barriers to steel exports. The imposition of these and other protectionist measures by foreign countries may materially and adversely affect our export sales.

Our activities depend on authorizations, concessions, permits and licenses. Changes of laws and regulations and government measures could adversely affect us.

Table of contents

Our activities are subject to governmental authorizations, concessions, licenses or permits, which include environmental licenses for our infrastructure projects and concessions, including for the port terminals we operate and the railways in which we have an equity interest. Although we believe that such authorizations, concessions, licenses and permits will be granted and/or renewed as and when requested, we cannot guarantee that we will be able to maintain, renew or obtain any required authorization, concession, license or permit, as well as that no additional requirement will be imposed in connection with such request. Authorizations, concessions, licenses or permits required for the development of our activities may require that we meet certain performance thresholds or completion milestones. In case we are unable to meet these thresholds or milestones, we may lose or not be able to obtain or renew such authorizations, concessions, licenses or permits. We also cannot guarantee that we or our controlled entities that hold concessions will timely comply with our/their obligations under any relevant Concession Agreement or in Terms of Undertaking (*Termos de Ajustamento de Conduta*), or TACs, entered into with governmental agencies. Any of these events may result in the loss or early termination of concessions, authorizations, permits and/or licenses, the restriction of access to public financing for the concession or the amortization of the public financing before a project begins to operate, as well as the imposition of penalties, such as fines or the closure of facilities.

In addition, if laws and regulations applicable to these authorizations, concessions, permits or licenses change, modifications to our technologies and operations could be required, and we may need to make unexpected capital expenditures. Especially concerning our mining activities, new, more stringent environmental licensing requirements for our projects and operations could be imposed as a reaction by government to a major accident occurred in Brazil in 2015 involving the Fundão tailing dam of Samarco Mineração S.A. As a result, the amount and timing of future environmental and related expenditures may vary substantially from those currently anticipated and we may encounter delays in obtaining environmental or other operating licenses, or not be able to obtain and/or renew an authorization, permit and/or license. These events and additional costs may have a negative impact on the profitability of our projects or even make certain projects economically or otherwise unfeasible. See "—Current, new or more stringent environmental, safety and health regulations imposed on us may result in increased liabilities and increased capital expenditures."

Our activities are also subject to governmental regulation in the form of taxes, charges and royalties, which can have an important financial impact on our operations. In the countries where we are present, governments may impose new taxes, raise existing taxes and royalty rates, reduce tax exemptions and benefits or change the basis on which taxes are calculated in a manner that is unfavorable to us. The Brazilian Congress is currently reviewing a bill that proposes significant changes to the Mineral Code, including a potential increase of the royalties (CFEM) charged for our mining activities. See "Item 4B. Business Overview–Government Regulation and Other Legal Matters–Brazil – Mining Regulation –Mineral Rights and Ownership."

The loss or inability to obtain and/or renew any authorization, concession, permit or license, or changes in the regulatory framework that we operate in, may materially and adversely affect us.

We have a level of indebtedness which could make it more difficult or expensive to refinance our maturing debt and /or incur new debt.

As of December 31, 2015, our total debt outstanding amounted to R$34,283 million, consisting of R$1,875 million of short-term debt and R$32,408 million of long-term debt. See "Item 5B. Liquidity and Capital Resources" and "Item 18.

Financial Statements." We had R$7,861 million of cash and cash equivalents as of December 31, 2015. Our planned investments in all of our business segments will require a significant amount of cash over the course of 2016 and following years. See "Item 4D. Property, Plant and Equipment – Capital Expenditures – Planned Investments."

The level of our indebtedness could affect our credit rating and ability to obtain any necessary financing in the future and increase our cost of borrowing. In addition, our level of indebtedness could make it more difficult to refinance our existing indebtness and could make us more vulnerable in the event of a continued downturn in our business. In these and other circumstances, servicing our indebtedness may use a substantial portion of our cash flow from operations, which could adversely affect our financial condition and results of operations and make it more difficult for us to make payments of dividends and other distributions to our shareholders, including the holders of our ADSs, as well as to fund our operations, working capital and capital expenditures necessary for the maintenance and expansion of our business activities.

Table of contents

We cannot assure you that our credit ratings will not be lowered, suspended or withdrawn by the rating agencies.

Our credit ratings are limited in scope, and do not address all material risks relating to an investment in the notes, but rather reflect only the views of the rating agencies at the time the ratings are issued. These ratings may affect the cost and other terms upon which we are able to obtain funding and are subject to change either due to factors specific to us, trends in the industries we operate, or in credit and capital markets more generally. Our high level of indebtedness and other factors have recently resulted in decreases in our credit ratings. In 2016, Fitch Ratings, Moody's and S&P have decreased our credit ratings from B+, B1 and BB-, respectively, to B-, Caa1 and B, respectively, as of the date of this annual report. Credit rating agencies regularly evaluate us and their ratings of our long-term debt are based on a number of factors, including our financial strength. We cannot assure that credit rating agencies will not downgrade our credit ratings any further, or that such credit ratings will remain in effect for any given period of time or not be withdrawn entirely by the rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any lowering, suspension or withdrawal of such ratings may have an adverse effect on us, our financial condition, results of operations and profitability, including our ability to refinance our existing indebtedness.

Accidents or malfunctioning equipment on our premises, railways or ports may decrease or interrupt production, internal logistics or distribution of our products and negatively impact our business.

The steel and iron ore production processes depend on certain critical equipment, such as blast furnaces, steel converters, continuous casting machines, rolling mills, drillers, reclaimers, conveyor belts, crushing and screening equipment and shiploaders, as well as on internal logistics and distribution channels, such as railways and seaports. This equipment and infrastructure may be affected in the case of malfunction or damage. In 2006, there was an accident involving the gas cleaning system adjacent to Blast Furnace No. 3 at the Presidente Vargas Steelworks, which prevented us from operating this blast furnace for approximately six months. At the end of 2015, the Company interrupted operation of the Blast Furnace No. 02 as from 2016, decreasing our annual production capacity of steel at the Presidente Vargas Steelworks by 26%. Similar or any other significant interruptions in our production process, internal logistics or distribution channels (including our ports and railways) could materially and adversely affect us.

In addition, our operations involve the use, handling, storage, discharge and disposal of hazardous substances into the environment. Our mining, steel and cement businesses are generally subject to significant risks and hazards, including fire, explosions, toxic gas leaks, spilling of polluting substances or other hazardous materials, rockfall incidents in mining operations and incidents involving mobile equipment or machinery. Such events could occur by accident or by breach of operating and maintenance standards, and could result in a significant environmental impact, damage to or destruction of our mineral properties and/or production facilities, personal injury or death, delays or suspensions in production, monetary losses and possible legal liability. We have health, safety and environmental standards and risk management programs and procedures in place to mitigate such risks, including in relation to our tailing dams. Notwithstanding our internal standards, policies and controls, our operations remain subject to incidents or accidents that could negatively and adversely affect our business reputation, results of operations and financial results.

Our insurance policies may not be sufficient to cover all our losses

We maintain several types of insurance policies, in line with the risk management of our businesses, which attempt to follow industry market practices for similar activities. Coverage in such policies encompasses domestic and international (import and export) cargo transportation (road, rail, sea or air), life insurance, personal accidents, health, auto insurance, D&O, general liability, erection risks, boiler and machinery coverage, trade credit insurance, surety, named perils, ports and terminal liabilities. We also have an operational risks policy for the Presidente Vargas Steelworks, Congonhas Minérios, Sepetiba Tecon and CSN Mining for a total insured value of U.S.$ 600 million out of a total risk amount of U.S.$ 11.1 billion. Under the terms of this policy we remain responsible for the first U.S.$ 375 million in losses (material damages and loss of profits). The coverage obtained in these insurance policies may not be sufficient to cover all risks we are exposed to. Additionally, we may not be able to successfully contract or renew our insurance policies in terms satisfactory to us. The occurrence of one or more of these events may adversely affect our financial position.

Table of contents

Our projects are subject to risks that may result in increased costs and/or delays or that could prevent their successful implementation.

We are investing to further increase our steel, mining and cement production capacity, as well as our logistics capabilities. See "Item 4D. Property, Plant and Equipment—Capital Expenditures—Planned Investments". These projects are subject to a number of risks that may adversely affect our growth prospects and profitability, including the following:

- we may encounter delays, availability problems or higher than expected costs in obtaining the necessary equipment, services and materials to build and operate a project;

- our efforts to develop projects according to schedule may be hampered by a lack of infrastructure, including availability of overburden and waste disposal areas as well as reliable power and water supplies;

- we may fail to obtain, lose, or experience delays or higher than expected costs in obtaining or renewing the required permits, authorizations, licenses, concessions and/or regulatory approvals to build or continue a project; and

- changes in market conditions, laws or regulations may make a project less profitable than expected or economically or otherwise unfeasible.

Any one or a combination of the factors described above may materially and adversely affect us.

Current, new or more stringent environmental, safety and health regulations imposed on us may result in increased liabilities and increased capital expenditures.

Our steel making, mining, cement, energy and logistics facilities are subject to a broad range of laws, regulations and permit requirements in Brazil relating mainly to the protection of health, safety and the environment.

Brazilian pollution standards are expected to continue to change, including the introduction of new effluent and air emission standards, water management and solid waste-handling regulations, wildlife maintenance regulations, restrictions on business expansions, native forest preservation requirements and the obligation to create privately owned conservation areas (Reserva Particular do Patrimônio Natural), or RPPNs, as an environmental compensation for industrial and mining expansion projects. The Brazilian government has adopted a decree under the national policy for climate change (*Política Nacional de Mudanças Climáticas*) that contemplates a 5% reduction in carbon emissions projected for 2020 for the industrial sector (including steel making and cement sectors) and an action plan for the sector is being developed by a technical committee composed of representatives from the government, industry associations and academia. The target reduction for the mining sector is yet to be established. In addition, the state of Rio de Janeiro, through its State Environmental Agency (*Instituto Estadual do Ambiente*), or INEA, issued a law that requires steel making and cement facilities to present action plans to reduce greenhouse gas emissions when renewing or applying for operational licenses. In regard to air emission standards, the Environmental National Council, or CONAMA, issued a resolution that obliges steel companies to comply with certain restrictions until 2018. The federal government has also established a national policy for solid waste (*Política Nacional de Resíduos Sólidos*), which provides for more strict guidelines for solid waste management and industry targets for reverse logistics as part of the environmental licensing process. Finally, a new regulatory framework for mining operations is currently being developed by the Department of Geology, Mining and Mineral Processing from the Ministry of Mines and Energy, which may impose stricter regulations on our mining operations, including requests for environmental recovery of areas and investments for the granting of mining concessions.

New or more stringent environmental, safety and health standards imposed on us could require us to make increased capital expenditures, create additional legal preservation areas in our properties, or make modifications in operating practices or projects. Especially with regard to our mining activities, new more stringent environmental, health and safety standards, including with respect to the licensing process of our projects and operations, could be imposed due to a major accident occurred in Brazil in 2015 involving the Fundão tailing dam of Samarco Mineração S.A. As a result, the amount and timing of future environmental and related expenditures may vary substantially from those currently anticipated. These additional costs may also have a negative impact on the profitability of the projects we intend to implement or may make such projects economically unfeasible. We could also be exposed to civil penalties, criminal sanctions and closure orders for non-compliance with these regulations, as well as encounter delays in the receipt of environmental or other operating licenses. Waste disposal and emission practices may result in the need for us to clean up or retrofit our facilities at substantial costs and/or could result in substantial liabilities. Environmental legislation restrictions imposed by foreign markets to which we export our products may also materially and adversely affect our export sales and us.

Table of contents

In addition, we may be requested to enter into Terms of Undertaking (*Termos de Ajustamento de Conduta*), or TACs with Brazilian regulators and agencies that require us to minimize or eliminate the risk of environmental impacts in the areas where we operate. If we are unable to comply with a TAC in a timely manner, we may be exposed to penalties, such as fines, revocation of permits, or closure of facilities. See “Item 4B. Government Regulation and Other Legal Matters – Environmental Expenditures and Claims and Item 8A – Financial Information – Consolidated Statements and Other Financial Information – Legal Proceedings”.

Our governance and compliance procedures may fail to prevent regulatory penalties and reputational harm.

We operate in a global environment, and our activities straddle multiple jurisdictions and complex regulatory frameworks with increased enforcement activities worldwide. Our governance and compliance procedures may not prevent breaches of law, accounting and/or governance standards. We may be subject to breaches of our Code of Ethics, business conduct protocols and instances of fraudulent behavior and dishonesty by our employees, contractors or other agents. Our employees or our employees’, contractors’ or other agents’ failure to comply with applicable laws and other standards could subject us to fines, loss of operating licenses and reputational harm, as well as other penalties, which may materially and adversely affect us.

We may fail to maintain an effective system of internal controls, which could prevent us from timely and accurately reporting our financial results

The Company's internal controls over financial reporting may not prevent or detect misstatements on a timely manner due to inherent limitations, including human error, circumvention or overriding of controls, or fraud. Even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. If the Company fails to maintain the adequacy of its internal controls, including any failure to implement new or improved required controls, the Company's business and financial results could be harmed and the Company could fail to meet its financial reporting obligations. In this regard, and in connection with management’s evaluation of the effectiveness of the Company’s internal controls over financial reporting as of December 31, 2015, management determined that the Company did not maintain effective controls over the Significant Unusual Transactions (SUT) and that the ineffective control over SUT constitutes a material weakness.

While the Company is in the process of improving its internal controls, the material weakness will continue to exist until the remediation actions are fully implemented and tested. If the new controls being implemented to address the material weakness and to strengthen the overall internal control over accounting for SUT do not operate effectively, or if the Company is unsuccessful in implementing or maintaining these new controls or is otherwise unable to remediate this material weakness, the Company’s financial reporting may be disclosed untimely or with inaccuracies, which could negatively impact the Company’s business and financial results.

Some of our operations depend on joint ventures, jointly controlled entities, consortia and other forms of cooperation, and our business could be adversely affected if our partners fail to observe their commitments.

We currently operate parts of our business through joint ventures, strategic alliances and consortia with other companies. We have, among others, established a strategic alliance with an Asian consortium at our controlled

investee Congonhas Minérios S.A., or Congonhas, to mine iron ore, a joint venture with other Brazilian steel and mining companies at MRS Logística S.A., or MRS, to explore railway transportation in the Southeastern region of Brazil, a joint venture with certain Brazilian governmental entities at Transnordestina Logística S.A., or TLSA, to explore railway transportation in the Northeastern region of Brazil, a joint venture with Tractebel Energia S.A. and Cia. de Cimento Itambé at Itá Energética S.A., or ITASA, to produce electricity, and a consortium with Vale S.A., Votorantim Metais Zinco S.A., CEMIG Geração e Transmissão S.A. and Anglo Gold Ashant Córrego do Sítio Mineração S.A. at Igarapava Hydroelectric Power Plant to produce electricity.

Our forecasts and plans for theseis strategic alliances, joint ventures and consortia assume that our partners will observe their obligations to make capital contributions, purchase products and, in some cases, provide managerial personnel or financing. In addition, many of the projects contemplated by our joint ventures or consortia rely on financing commitments, which contain certain preconditions for each disbursement. If any of our partners fails to observe their commitments or we fail to comply with all preconditions required under our financing commitments or other partnership arrangements, the affected joint venture, consortium or other project may not be able to operate in accordance with its business plans, or we may have to increase the level of our investment to implement these plans. In addition, certain of our joint venture agreements provide for customary dispute and deadlock resolution mechanisms, as well as put and call options exercisable under certain circumstances, which may require us to incur disbursements. Any of these events may have an adverse effect on us.

Table of contents

Drilling and production risks could adversely affect the mining process.

Once mineral deposits are discovered, it can take a number of years from the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial time and expenditures are required to:

- establish mineral reserves through drilling;
- determine appropriate mining and metallurgical processes for optimizing the recovery of metal contained in ore;
- obtain environmental and other licenses;
- construct mining, processing facilities and infrastructure required for greenfield properties; and
- obtain the ore or extract the minerals from the ore.

If a mining project proves not to be economically feasible by the time we are able to profit from it, we may incur substantial losses and be obliged to take write-offs. In addition, potential changes or complications involving metallurgical and other technological processes arising during the life of a project may result in delays and cost overruns that may render the project not economically feasible.

Our mineral reserve estimates may materially differ from the mineral quantities that we may be able to actually recover; our estimates of mine life may prove inaccurate; market price fluctuations and changes in operating and capital costs may render certain ore reserves uneconomical to mine; and we may face rising extraction costs or investment requirements over time as our reserves deplete.

Our reported ore reserves are estimated quantities of ore and minerals that we have determined can be economically mined and processed under present and anticipated conditions to extract their mineral content. There are numerous uncertainties inherent in estimating quantities of reserves and in projecting potential future rates of mineral production, including many factors beyond our control. Reserve engineering involves estimating deposits of minerals that cannot be measured in an exact manner, and the accuracy of any reserve estimate is a function of the quality of available data and engineering and geological interpretation and judgment. As a result, no assurance can be given that the indicated amount of ore will be recovered or that it will be recovered at the rates we anticipate. Estimates of different engineers may vary, and results of our mining production subsequent to the date of an estimate may lead to revision of estimates. Reserve estimates and estimates of mine life may require revision based on actual production experience and other factors. For example, fluctuations in the market prices of minerals and metals, reduced recovery rates or increased operating and capital costs due to inflation, exchange rates or other factors may render proven and probable reserves uneconomic to exploit and may ultimately result in a restatement of reserves.

In addition, reserves are gradually depleted in the ordinary course of our exploration activities. As mining progresses, distances to the primary crusher and to waste deposits becomes longer and pits become steeper. Also, for some types of reserves, mineralization grade decreases and hardness increases at increased depths. As a result, over time we may experience rising unit extraction costs with respect to each mine, or we may need to make additional investments, including adaptation or construction of processing plants and expansion or construction of tailing dams. Our exploration programs may also fail to result in the expansion or replacement of reserves depleted by current production. If we do not enhance existing reserves or develop new operations, we may not be able to sustain our

current level of production beyond the remaining lives of our existing mines. See “Item 4B—Business Overview—Our Mining Segment—Mineral Reserves”.

Natural and other disasters could disrupt our operations.

Our business and operating results could be negatively impacted by social, technical and/or physical risks such as flooding, fire, power loss, loss or reduction of water supply, leakages, accidents, as well as telecommunications and information technology system failures. For example, flooding in Australia at the

Table of contents

end of 2010 affected global coal supply and consequently increased our raw material costs. In addition, heavy rainfall in the Southeast Region of Brazil, as well as power and water supply shortages and rationing programs could affect our operations and consequently our revenues. Such events could affect our ability to conduct our business operations and, as a result, reduce our operating results and materially and adversely affect us.

We may not be able to consummate proposed acquisitions successfully or integrate acquired businesses successfully.

From time to time, we may evaluate acquisition opportunities that would strategically fit our business objectives. If we are unable to complete acquisitions, or integrate successfully and develop these businesses to realize revenue growth and cost savings, our financial results could be adversely affected. Acquisitions also pose the risk that we may be exposed to successor liability involving an acquired company. Due diligence conducted in connection with an acquisition, and any contractual guarantees or indemnities that we receive, may not be sufficient to protect us from, or compensate us for, actual liabilities. A material liability associated with an acquisition, such as labor or environmental liability, could adversely affect our reputation and financial performance and reduce the benefits of the acquisition.

In addition, we may incur asset impairment charges related to acquisitions, which may reduce our profitability. Our acquisition activities may also present financial, managerial and operational risks, including diversion of management attention from existing core businesses, difficulties integrating or separating personnel, financial and other systems, failure to achieve the operational benefits that were anticipated at the time of the transaction, adverse effects on existing business relationships with suppliers and customers, inaccurate estimates of fair value made in the accounting for acquisitions and/or amortization of acquired intangible assets which would reduce future reported earnings, potential loss of customers or key employees of acquired businesses, and indemnities and potential disputes with the buyers or sellers. Finally, proposed acquisitions may also be subject to review from the competition authorities of the countries involved in the transaction, which may approve such transaction, approve such transaction with restrictions, including the divestment of assets, or reject it. Any of these activities or adverse regulatory decisions could negatively affect our reputation, product sales, financial condition and/or results of operations.

We may not be able to maintain adequate liquidity and our cash flows from operations and available capital may not be sufficient to meet our obligations

While our cash flows from operations and available capital have been sufficient to meet our current operating expenses, contractual obligations and debt service requirements to date, our liquidity, cash flows from operations and available capital may be negatively impacted by the pricing environment for our steel and iron ore products, the exchange rate environment and the effects of continued negative economic conditions in Brazil. These factors have materially and adversely impacted our liquidity and we expect this trend to continue. Recent cost cutting measures implemented by us may not be sufficient to offset these effects or improve our liquidity.

We have recently announced certain measures to improve our liquidity and debt profile, including the potential sale of certain assets and the extension of our debt with Caixa Economica Federal and Banco do Brasil (for further information, see Item “5B. Liquidity and Capital Resources”). If we are unable to successfully sell certain assets and/or reduce our leverage, we may not be able to maintain adequate liquidity and our cash flows from operations and available capital may not be sufficient to meet our obligations.

We have experienced labor disputes in the past that have disrupted our operations, and such disputes may recur.

A substantial number of our employees and some of the employees of our subcontractors are represented by labor unions and are covered by collective bargaining or other labor agreements, which are subject to periodic renegotiation. Strikes and other labor disruptions at any of our facilities or labor disruptions involving third parties who may provide us with goods or services, have in the past and may in the future materially and adversely affect the operation of our facilities, and/or the timing of completion and the cost of our projects.

We are exposed to the risk of litigation

Table of contents

We are currently and may in the future be a party to legal proceedings and claims. For some of these legal proceedings and claims, we have not established a provision on our balance sheet or have only established provisions for part of the amounts in question, based on our external or internal counsel's judgment as to the likelihood of an outcome favorable to us.

Although we are contesting such proceedings and claims, the outcome of each specific proceeding and claim is uncertain and may result in obligations that could materially and adversely affect our business and the value of our shares and ADSs. See "Item 8A. Consolidated Statements and Other Financial Information—Legal Proceedings" for additional information.

Risks Relating to our Common Shares and ADSs

Our controlling shareholder has the ability to direct our business and affairs and its interests could conflict with yours.

Our controlling shareholder has the power to, among other things, elect a majority of our directors and determine the outcome of any action requiring shareholder approval, including transactions with related parties, corporate reorganizations, acquisitions, dispositions, the destination and diversification of our investments, and the timing and payment of any future dividends, subject to minimum dividend payment requirements imposed under Brazilian Corporate Law. Our controlling shareholder may have an interest in pursuing acquisitions, dispositions, financings or similar transactions that could conflict with your interests as a holder of our common shares and ADSs. For a description of our ownership structure, see "Item 7A. Major Shareholders".

If you surrender your ADSs and withdraw common shares, you risk losing the ability to remit foreign currency abroad and certain Brazilian tax advantages.

As an ADS holder, you benefit from the electronic certificate of foreign capital registration obtained by the custodian for our common shares underlying the ADSs in Brazil, which allows the custodian to convert dividends and other distributions with respect to the common shares into non-Brazilian currency and remit the proceeds abroad. If you surrender your ADSs and withdraw common shares, you will be entitled to continue to rely on the custodian's electronic certificate of foreign capital registration for only five business days from the date of withdrawal. Thereafter, upon the disposition of, or distributions relating to, the common shares, you will not be able to remit abroad non-Brazilian currency unless you obtain your own electronic certificate of foreign capital registration or you qualify under Brazilian foreign investment regulations that entitle some foreign investors to buy and sell shares on Brazilian stock exchanges without obtaining separate electronic certificates of foreign capital registration. If you do not qualify under the foreign investment regulations you will generally be subject to less favorable tax treatment of dividends and distributions on, and the proceeds from any sale of, our common shares. For more information regarding exchange controls, see "Item 10.D. Exchange Controls". If you seek to obtain your own electronic certificate of foreign capital registration, you may incur expenses or suffer delays in the application process, which could delay your ability to receive dividends or distributions relating to our common shares or the return of your capital in a timely manner. The depositary's electronic certificate of foreign capital registration may also be adversely affected by future legislative changes.

Holders of ADSs may not be able to exercise their voting rights.

Holders of ADSs may only exercise their voting rights with respect to the underlying common shares in accordance with the provisions of the deposit agreement. Under the deposit agreement, ADS holders must vote by giving voting

instructions to the depositary. Upon receipt of the voting instructions of the ADS holder, the depositary will vote the underlying common shares in accordance with these instructions. If we ask for voting instructions, the depositary will notify ADS holders of the upcoming vote and will arrange to deliver the proxy card. We cannot assure that ADS holders will receive the proxy card in time to ensure that they can instruct the depositary to vote. In addition, the depositary and its agents are not liable for failing to carry out voting instructions or for the manner of carrying out voting instructions. Alternatively, ADS holders can exercise their right to vote by surrendering their ADSs for cancellation in exchange for our common shares. Pursuant to our bylaws, the first call for a shareholders' meeting must be published at least 15 days in advance of the meeting, and the second call must be published at least 08 days in advance of the meeting. When a shareholders' meeting is convened, holders of ADSs may not receive sufficient advance notice to surrender their ADSs in exchange for the underlying common shares to allow them to vote with respect to any specific matter. As a result, holders of ADSs may not be able to exercise their voting rights.

Table of contents

The relative volatility and illiquidity of the Brazilian securities markets may substantially limit your ability to sell the common shares underlying the ADSs at the price and time you desire.

Investing in securities that trade in emerging markets, such as Brazil, often involves greater risk than investing in securities of issuers in the United States, and such investments are generally considered to be more speculative in nature. The Brazilian securities market is substantially smaller, less liquid, more concentrated and can be more volatile than major securities markets in the United States. The ten largest companies in terms of market capitalization represented 40% of the total market capitalization of the BM&FBOVESPA as of December 31, 2015. The top ten stocks in terms of trading volume accounted for 46%, 47.2% and 36.9% of all shares traded on the BM&FBOVESPA in 2015, 2014 and 2013, respectively. Accordingly, although you are entitled to withdraw the common shares underlying the ADSs from the depositary at any time, your ability to sell the common shares underlying the ADSs at a price and time at which you wish to do so may be substantially limited.

Holders of ADSs may be unable to exercise preemptive rights with respect to our common shares.

We may not be able to offer our common shares to U.S. holders of ADSs pursuant to preemptive rights granted to holders of our common shares in connection with any future issuance of our common shares unless a registration statement under the Securities Act is effective with respect to such common shares and preemptive rights, or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement relating to preemptive rights with respect to our common shares or to undertake steps that may be needed to find exemptions from registration available, and we cannot assure you that we will file any such registration statement or take any such steps. If such a registration statement is not filed and an exemption from registration does not exist. The JP Morgan Chase Bank, N.A., as depositary, may attempt to sell the preemptive rights, and you will be entitled to receive the proceeds of such sale. However, these preemptive rights will expire if the depositary does not sell them, and U.S. holders of ADSs will not realize any value from the granting of such preemptive rights. For a more complete description of preemptive rights with respect to the underlying shares, see “Item 10B. Memorandum and Articles of Association—Preemptive Rights”.

A decrease in our market capitalization may increase volatility.

In recent years our market capitalization has decreased and as a result the volatility in the trading price of our common shares and ADSs has increased. Any further decreases in our market capitalization may further increase volatility. In 2015, the trading price of our ADSs dropped for a certain period below the levels required by the listing standards of the New York Stock Exchange (“NYSE”). If the trading price of our ADSs again drops below those levels, we may be required to do a reverse stock split or a ratio change of the number of common shares per ADS in order to regain compliance with NYSE´s listing standards.

Item 4. Information on the Company

4A. History and Development of the Company

Companhia Siderúrgica Nacional is a Brazilian corporation (*sociedade por ações*) incorporated in 1941 pursuant to a decree of the Brazilian president at the time, Getúlio Vargas. The Presidente Vargas Steelworks, located in the city of Volta Redonda, in the state of Rio de Janeiro, started the production of coke, pig iron and steel products in 1946. Also in 1946, we incorporated both the Casa de Pedra Mine, located in the city of Congonhas, State of Minas Gerais, and the Arcos Mine, located in the city of Arcos, State of Minas Gerais. The Casa de Pedra Mine assures us

self-sufficiency in iron ore, whereas the Arcos Mine meets all our needs for flux, limestone and dolomite.

The Company was privatized through a series of auctions held in 1993 and early 1994, through which the Brazilian government sold its 91% ownership interest.

Table of contents

Between 1993 and 2002, we implemented a capital improvement program aimed at increasing our annual production of crude steel, improving the quality of our products and enhancing our environmental protection and cleanup programs. As part of the investments, since February 1996, all our production has been based on the continuous casting process, rather than ingot casting, which involved an alternative method that resulted in higher energy use and metal loss. From 1996 until 2002, we spent the equivalent of U.S.$2.4 billion on the capital improvement program and on maintaining our operational capacity, culminating with the renovation of Blast Furnace No. 3 and Hot Strip Mill No. 2 in 2001. These measures resulted in the increase of our annual production capacity to 5.6 million tons of crude steel and 5.1 million tons of rolled products.

In 2007, CSN started to sell iron ore in the seaborne market. Today, CSN, through its controlled company Congonhas Minérios, is an important exporter of iron ore, drawing from the high quality iron ore reserves in the Casa de Pedra and Engenho mines, located in the state of Minas Gerais. Congonhas Minérios currently holds the concession to operate the Terminal de Carvão, or TECAR, a solid bulks terminal located in Itaguaí Port in the state of Rio de Janeiro, through which Congonhas Minérios exports iron ore and imports coal and coke.

In 2009, we entered the cement market with our first grinding mill, next to the Presidente Vargas Steel Mill in Volta Redonda, Rio de Janeiro, taking advantage of the synergies with our steel business.

In order to diversify our product portfolio, we entered in the long steel market in 2012, with the acquisition of Stahlwerk Thüringen Gmbh, or SWT, a long steel manufacturer located in Unterwellenborn, Germany.

In addition, a new plant for production of long steel products has been installed at Volta Redonda and started operations in December 2013. The plant consists on an electric arc steelmaking furnace, continuous casting for billets and a hot rolling mill for round section long products. This plant, which is in a ramp up process, is scheduled to reach its full production rate of 500,000 t/year at the end of 2016, providing the domestic market with rebar for civil construction and wire rod for industrial and civil construction applications.

General

We operate throughout the entire steel production chain, from the mining of iron ore to the production and sale of a diversified range of high value-added steel products. We divide our business into five segments: steel, mining, cement, logistics and energy businesses.

Steel

In our flat steel segment, we are an almost fully integrated steelmaker. Presidente Vargas Steelworks produce a broad line of steel products, including slabs, hot and cold-rolled, galvanized and tin mill products for the distribution, packaging, automotive, home appliance and construction industries.

Our current annual crude steel capacity and rolled product capacity at the Presidente Vargas Steelworks is 5.6 million and 5.1 million tons, respectively. In 2015, production of crude steel remained stable when compared with 2014, while the production of rolled steel products decreased 7% when compared to 2014.

Our production process is based on the integrated steelworks concept. Below is a brief summary of the steel making process at our Presidente Vargas Steelworks:

- Iron ore produced from our own company mines is processed in continuous sintering machines to produce sinter;
- Sinter and lump ore direct charges are smelted with lump coke and injected powdered coal in blast furnaces to produce pig iron;
- Pig iron is then refined into steel via basic oxygen converters;
- Steel is continuously cast in slabs; and
- Slabs are then hot rolled, producing hot bands that are coiled and sent to finishing facilities.

We currently obtain all of our iron ore except for the pellets, limestone and dolomite requirements, and a portion of our tin requirements from our own mines. Using imported coal, we produce approximately 58.4% of our coke requirements at current production levels in our own coke batteries at Volta Redonda. Imported coal is also pulverized and used directly in the pig iron production process. Zinc, manganese ore, aluminum and a portion of our tin requirements are purchased in local markets. Our steel production and distribution processes also require water, industrial gases, electricity, rail and road transportation, and port facilities.

Table of contents

In addition to the production of flat steel, we entered into the long steel segment, with the acquisition of Stahlwerk Thüringen Gmbh (SWT) in 2012 for €483.4 million. SWT is a long steel producer in Germany with annual production capacity of approximately 1.1 million tons of steel sections.

We also completed a new plant for production of long steel products in Volta Redonda, in December 2013. The plant consists of an electric arc steelmaking furnace, continuous casting for billets and a hot rolling mill for round section long products – wire rod and rebar. We expect this plant to reach 500,000 t/year output when fully operational, providing the domestic market with products for civil construction.

Mining Activities

We own a number of high quality iron ore mines, all located within Brazil's Iron Ore Quadrangle (*Quadrilátero Ferrífero*), in the state of Minas Gerais, including the Casa de Pedra and Engenho mines, located in the city of Congonhas, pertaining to our controlled investee, Congonhas Minérios, and Fernandinho mines, located in the city of Itabirito and the Cayman and Pedras Pretas mining rights, located in the city of Rio Acima and Congonhas, respectively, pertaining to our wholly owned subsidiary Minérios Nacional S.A. ("Minérios Nacional", former Mineração Nacional S.A.). Our mining assets also include the cargo terminal Itaguaí Port, or TECAR, pertaining to Congonhas Minérios, the Bocaina mines, located in the city of Arcos, in the state of Minas Gerais, which produces dolomite and limestone, and Estanho de Rondônia S.A., or ERSA, located in the city of Ariquemes, in the state of Rondônia, which mines and casts tin. We sold 21.5 million tons, 25.2 million tons and 25.7 million tons of iron ore in 2013, 2014 and 2015, respectively.

Logistics

Our verticalization strategy and intense synergies among our business units are strongly dependent on the logistics needed to guarantee the transportation of the inputs at a low operating cost. A number of railways and port terminals make up the logistics system integrating our mining, steelmaking and cement units.

We operate a port terminal for containers, Sepetiba Tecon, at Itaguaí Port, in the state of Rio de Janeiro, and Congonhas Minérios operates the solid bulks terminal, or TECAR, also located at Itaguaí Port, in the state of Rio de Janeiro.

We also have interests in three railways: (i) we share control in MRS Logística S.A., which operates the former Southeast System of the Federal Railway System, along the Rio de Janeiro-São Paulo-Belo Horizonte axis; (ii) we have an interest in jointly controlled investee Transnordestina Logística S.A., or TLSA; and (iii) we control Ferrovia Transnordestina Logística S.A, or FTL, which operates the former Northeastern Railway System or RFFSA.

Cement

We entered the cement market in May 2009, driven by the high synergy with our steelmaking business. This segment takes advantage of the slag generated by our blast furnaces, our limestone, used to produce clinker, reserves, located in the city of Arcos, in the state of Minas Gerais. Limestone is used to produce clinker. Clinker and slag are the main inputs in cement production.

We plan to increase our market share in the cement segment in Brazil in order to diversify our product mix and markets, reducing risks and adding value for our shareholders.

Energy

Steelmaking requires significant amounts of electricity to power rolling mills, production lines, hot metal processing, coking plants and auxiliary units. In 2015, our Presidente Vargas Steelworks consumed approximately 3.012 million MWh of electric energy.

Table of contents

Our main source of electricity is our thermoelectric co-generation power plant at the Presidente Vargas Steelworks, which is fueled by the gases from the steel production process, with 235.2 MW installed capacity. In addition, we have a 29.5% interest in the Itá Hydroelectric Power Plant in Santa Catarina, through a 48.75% equity interest in ITASA, and a 17.9% interest in the Igarapava Hydroelectric Power Plant in Minas Gerais, from which we have ensured energy an average of 167 MW and an overage of 23 MW, respectively. These three plants give CSN an average generation capacity of 425 MW, supplying the group's total need for power. In 2014, we installed a new turbine generator at the Presidente Vargas Steelworks, which adds 21 MW to our existing installed capacity. This turbine is located near our Blast Furnace No. 3, using the outlet gases from the iron making process to generate energy.

Other Information

CSN's legal and commercial name is Companhia Siderúrgica Nacional. CSN is organized for an unlimited period of time under the laws of the Federative Republic of Brazil. Our head offices are located at Av. Brigadeiro Faria Lima, 3400, 19th and 20th floors and 15th floor - part, Itaim Bibi, São Paulo, Brazil, CEP 04538-132, and our telephone number is +55-11-3049-7100. CSN's agent for service of process in the United States is CT Corporation, with offices at 111 Eighth Avenue, New York, New York 10011.

4B. Business Overview

Competitive Strengths

We believe that we have the following competitive strengths:

Integrated business model. We are a highly integrated steelmaker. This is due to our captive sources of raw materials, principally iron ore, and infrastructure, such as railways and deep-sea water port facilities. We own a number of high quality iron ore mines, all located within Brazil's Iron Ore Quadrangle (*Quadrilátero Ferrífero*), in the State of Minas Gerais, distinguishing us from our main competitors in Brazil which have to purchase all or a portion of their iron ore from mining companies.

Profitable mining business. We have in recent years invested significantly in our mining business, placing CSN in a prominent position among the world's leading iron ore players. Further expansions will enable expanding product portfolio and total output, increasing our presence in seaborn markets.

The Company has high-quality iron ore reserves in Casa de Pedra, Engenho, Fernandinho and other mines, all located in Minas Gerais. Our mining activities provide relevant EBITDA generation. We sold 23.8 million tons in 2011, 20.2 million tons in 2012, 21.5 million tons in 2013, 25.2 million tons in 2014 (taking into account our proportional interest in Namisa throughout this period) and 25.7 million tons in 2015 (including 100% of NAMISA due to full consolidation of Congonhas Minerios as of December, 2015). The company's mining business also includes TECAR, a solid bulks terminal at Itaguai Port (RJ), with a capacity to handle 45 mtpy, Mineração Bocaina, located in Arcos (MG), which produces dolomite and limestone and ERSA, which mines and casts tin.

During 2015, we implemented cost reduction actions, which along with the *Real* depreciation, reduced our production costs at the Casa de Pedra mine from US.$ 24.66/ton in 2014 to US.$ 15.56/ton in 2015.

Thoroughly developed transport infrastructure. We have a thoroughly developed transport infrastructure, connecting our iron ore mine to our steel mill and to the port terminals we operate. The Presidente Vargas Steelworks facility is located next to railway and port systems, facilitating the supply of raw materials, the shipment of our production and easy access to our main clients. Our steelworks are close to the main steel consumer centers in Brazil, with easy access to port facilities and railway. The concession for the main railway we use and operate is owned by MRS, a company in which we hold a 34.94% direct and indirect ownership interest. The railway connects our Casa de Pedra mine to the Presidente Vargas Steelworks and to our terminals at Itaguaí Port, which handles our iron ore exports and most of our steel exports, as well as our imports of coal and metallurgical coke. Since the constitution of MRS railway, in 1996, it has significantly improved its productivity and developed its business, with increased cash generation.

Table of contents

Self-sufficiency in energy generation. We are self-sufficient in energy through our interests in the hydroelectric plants of Itá and Igarapava, as well as our own thermoelectric plant located inside the Presidente Vargas Steelworks. We also sell the excess energy we generate in the energy market on a spot basis. Our 256 MW thermoelectric cogeneration plant provides the Presidente Vargas Steelworks with approximately 60% of its energy needs for its steel mills, using as its primary fuel the waste gases generated by our coke ovens, blast furnaces and steel processing facilities. We hold a 29.5% stake in the Itá Hydroelectric Power Plant, in Santa Catarina. This ownership grants us an assured energy of 167 MW, proportional to our interests in the project, pursuant to a 30-year power purchase agreements at a fixed price per megawatt hour, adjusted annually for inflation. In addition, we own 17.9% of the Igarapava hydroelectric plant, with 210 MW fully installed capacity and a direct take of 23 MW of assured energy to us.

Low cost structure. As a result of our fully integrated business model, our thoroughly developed transportation infrastructure and our self-sufficiency in energy generation, we have been consistently generating high margins compared to peer companies of both steel and mining segmens. Other factors that lead to our low cost structure include the strategic location of our steelworks facility along with our well qualified work force with a lean cost.

Diverse product portfolio and product mix. We have a diversified flat steel product mix that includes hot-rolled, cold-rolled, galvanized and steel tin mill products, in order to meet a wide range of customer needs across all steel consuming industries. We focus on selling high-margin products, such as tin-coated, pre-painted, galvalume and galvanized products. Our galvanized products provide material for exposed auto parts, using hot-dip galvanized steel and laser-welded blanks. Our CSN Paraná branch provides us with additional capacity to produce high-quality galvanized, galvalume and pre-painted steel products for the construction and home appliance industries. In addition, our distribution subsidiary, Prada, provides a strong sales channel in the domestic market, enabling us to meet demand from smaller customers, thus creating an important presence in this market.

Strong presence in domestic market and strategic international exposure for steel products. We have a strong presence in the domestic market for steel products, with a market share above 30% of the domestic flat steel market, according to the Brazilian Steel Instute (IABR). In addition, we use our subsidiaries CSN LLC and Lusosider as sales channels for our flat steel products in the United States and in Europe, which accounted for approximately 22% of our total sales in 2015. Direct exports accounted for 4% of our total sales in 2015. In 2012 we acquired SWT, a long steel producer in Germany with annual production capacity of approximately 1.1 million tons of steel profiles, strengthening our steel products mix and geographical diversification. In 2015, SWT accounted for 15% of our total sales.

Strategies

Our goal is to increase value for our shareholders by further benefiting from our competitive cost advantages and quality of product portfolio, maintaining our position as one of the world’s lowest-cost steel producers, increasing our relevance as an important iron ore global player, increasing market share and size of our cement business and optimizing our infrastructure assets (including ports, railways and power generating plants) to enable high integration, quality product and low costs. To achieve these goals, we developed specific strategies for each of our business segments, as described below.

Steel

The strategy for our steel business involves:

- A focus on the domestic market, by increasing market share in the flat steel segment and long steel market;

- An emphasis on high margin coated steel products, such as galvanized, galvalume, pre-painted and tin plate;

- Geographical diversification through our flat and long steel facilities abroad. We also intend to maintain and diversify our exports, focused on high quality products such as coated steels;

- The constant pursuit of operational excellence, by developing and implementing cost reduction projects (e.g. energy efficiency) and process review programs (e.g. internal logistic optimization, project development and implementation discipline);

- Exploring marketing and commercial synergies by using our flat steel distribution network and product portfolio to accelerate entrance into the domestic long steel market; and

Table of contents

- Increasing customized services and distribution abilities through our expanding distribution network.

For information on planned investments relating to our steel activities, see “Item 4D. Property, Plant and Equipment – Capital Expenditures – Planned Investments.”

Mining

In order to strengthen our position in the iron ore market, we plan to invest in our mining assets, such as Congonhas Minérios, to enable low operational costs and long term growth opportunities.

In the coming years, we expect to reach an annual shipment level of over 60 mtpy of iron ore products, including third party products, by increasing mine capacity at Casa de Pedra and other mines, along with developing export services for third party producers. Considering the current pricing and global iron ore competitive scenario, we will focus on exporting quality iron ore with low cost, guaranteeing participation in the seaborne market.

To sustain this growth, we plan to increase capacity in TECAR, our solid bulks terminal at Itaguai Port, to 70 mtpy.

In order to maximize the profitability of our product portfolio, we also plan to focus on increasing our output of high quality pellet-feed, by using Itabirito’s deposits and investing with strategic partners and clients in providing pellet feed to pellet producers.

For information on planned investments relating to our mining activities, see “Item 4D. Property, Plant and Equipment – Capital Expenditures – Planned Investments”.

Logistics

We expect to expand our current logistics capabilities, including our integrated infrastructure operations of railways and ports.

We intend to continue to improve the delivery of our products in the domestic market (mainly steel and cement) by implementing low cost measures and improving our efficiency through integration and increase in the use of rail transportation, and by providing more distribution centers to reach end clients.

In addition to investments in TECAR, we expanded the TECON terminal at Itaguaí Port in 2014. The project enables us to operate large vessels simultaneously, increasing TECON’s capacity to 440,000 containers.

In terms of railways, the Transnordestina Logística project is being developed to explore a logistic potential, focusing on iron ore, agricultural commodities, gypsum and fuel. We also plan to invest in increasing our efficiency and capacity in the south of Brazil through our interest in MRS.

On September 20, 2013 we entered into an investment agreement with our partners in TLSA, Valec Engenharia, Construções e Ferrovias S.A. and Fundo de Desenvolvimento do Nordeste – FDNE, two Brazilian federal government entities focused on infrastructure and the development of the northeastern region, to implement the partial spin-off of TLSA. The operation was part of a business reorganization and resulted in the segregation of the assets of the Northeastern railway system into two systems: (i) Railway System I, operated by FTL, comprising the stretches between the cities of São Luís – Mucuripe, Arrojado – Recife, Itabaiana – Cabedelo, Paula Cavalcante – Macau and Propiá –

Jorge Lins and (ii) the Railway System II, operated by TLSA, comprising the stretches between Missão Velha – Salgueiro, Salgueiro – Trindade, Trindade – Eliseu Martins, Salgueiro – Porto de Suape and Missão Velha – Porto de Pecém.

As a result of the partial spin-off and the subsequent entry into effect of the new shareholders' agreement, control of TLSA is now shared with other shareholders, who have veto rights over certain important corporate decisions. As a result, we ceased to consolidate TLSA and began recognizing it in accordance with the equity accounting method. See "Item 4B. Business—Our Logistics Segment—Railways—Northeastern Railway System."

Table of contents

Cement

Our cement business strategy involves the utilization of the limestone reserves in our Arcos mine and the slag generated by our blast furnaces at Volta Redonda. The first cement grinding mill was inaugurated in 2009, with capacity to produce 2.3 million tons per year. In 2011, we began producing clinker in the Arcos plant enabling lower production costs. We intend to expand our cement production capacity to 5.3 million tons per year over the next few years. We plan to achieve this goal by adding 3.0 million tons per year of capacity through the construction of three new grinding mills and the construction of a new clinker kiln in Arcos. During 2015, we inaugurated two new grinding mills, reaching 4.3 million tons of capacity. For information on planned investments relating to our cement activities, see “Item 4D. Property, Plant and Equipment – Capital Expenditures – Planned Investments.”

Additional Investments

In addition to the currently planned investments and capital expenditures, we continue to consider possible acquisitions or divestments, joint controlled entities and brownfield or greenfield projects to improve our steel, cement and mining cost competitiveness and production, along with our logistics capabilities, logistics infrastructure and energy generation.

Our Steel Segment

We produce carbon steel, which is the world’s most widely produced type of steel, representing the vast bulk of global consumption. From carbon steel, we sell a variety of products, both domestically and abroad, to manufacturers in several industries.

Flat Steel

The following chart reflects our flat steel production cycle in general terms.

Table of contents

Our Presidente Vargas Steelworks produces flat steel products — slabs, hot-rolled, cold-rolled, galvanized and tin mill products. For further information on our production process, see "—Production Process."

Slabs

Slabs are semi-finished products used for processing hot-rolled, cold-rolled or coated coils and sheet products. We are able to produce continuously cast slabs with a standard thickness of 250 millimeters, widths ranging from 830 to 1,600 millimeters and lengths ranging from 5,250 to 10,500 millimeters. We produce high, medium and low carbon slabs, as well as micro-alloyed, ultra-low-carbon and interstitial free slabs. The slabs are then slitted and finished, generating blooms which are delivered to the long products plant.

Hot-Rolled Products

Hot-rolled products include heavy and light-gauge hot-rolled coils and sheets. A heavy gauge hot-rolled product, as defined by Brazilian standards, is a flat-rolled steel coil or sheet with a minimum thickness of 5.01 millimeters. We are able to provide coils of heavy gauge hot-rolled sheet having a maximum thickness of 12.70 millimeters used to manufacture automobile parts, pipes, structural beams and other construction products. We produce light gauge hot-rolled coils and sheets with a minimum thickness of 1.20 millimeters, which are used for welded pipe and tubing, automobile parts, gas containers, compressor bodies and light cold-formed shapes, channels and profiles for the construction industry.

Cold-Rolled Products

Cold-rolled products include cold-rolled coils and sheets. A cold-rolled product, as defined by Brazilian standards, is a flat cold-rolled steel coil or sheet with thickness ranging from 0.30 millimeters to 3.00 millimeters.Cold-rolled products have more uniform thickness and better surface quality when compared to hot-rolled products and their main applications are automotive parts, home appliances and construction. We supply cold-rolled coils in thicknesses of between 0.30 millimeters and 2.99 millimeters.

Table of contents

Galvanized Products

Galvanized products are comprised of flat-rolled steel coated on one or both sides with zinc or a zinc-based alloy applied by either a hot-dip or an electrolytic process. We use the hot-dip process, which is approximately 20% less expensive than the electrolytic process. Galvanizing is one of the most effective and low-cost processes used to protect steel against corrosion caused by exposure to water and the atmosphere. Galvanized products are highly versatile and can be used to manufacture a broad range of products, such as:

- automobiles, trucks and bus bodies;
- manufactured products for the construction industry, such as panels for roofing and siding, dry wall and roofing support frames, doors, windows, fences and light structural components;
- air ducts and parts for hot air, ventilation and cooling systems;
- culverts, garbage containers and other receptacles;
- storage tanks, grain bins and agricultural equipment;
- panels and sign panels; and
- pre-painted parts.

Galvanized sheets, both painted and bare, are also frequently used for gutters and downspouts, outdoor and indoor cabinets, all kinds of home appliances and similar applications. We produce galvanized sheets and coils in continuous hot-dip processing lines, with thickness ranging from 0.30 millimeters to 3.00 millimeters. The continuous process results in products with highly adherent and uniform zinc coatings capable of being processed in nearly all kinds of bending and forming machinery.

We produce *Galvanew*® in addition to the standard galvanized products. This product is produced by an additional annealing cycle just after the zinc hot-dip coating process. This annealing process causes iron to diffuse from the base steel into the zinc coating. The resulting iron-zinc alloy coating allows better welding and paint performance. The combination of these qualities makes our *Galvanew*® product particularly well suited for manufacturing automobile and home appliance parts including high gloss exposed parts.

At CSN Paraná, one of our branches, we produce *Galvalume*®, a continuous Al-Zn coated material. Although the production process is similar to the hot-dip galvanized coating, *Galvalume*® has at least twice the corrosion resistance of standard galvanized steel. *Galvalume*® is primarily used in outdoor construction applications that may be exposed to severe acid corrosion, like marine uses.

The value added from the galvanizing process permits us to price our galvanized products with a higher profit margin. Our management believes that our expertise in value-added galvanized products presents one of our best opportunities for profitable growth because of the increase in Brazilian demand for such high margin products.

Through our branch CSN Paraná, we also produce pre-painted flat steel, which is manufactured in a continuous painting line. In this production line, a layer of resin-based paint in a choice of colors is deposited over either cold-rolled or galvanized base materials. Pre-painted material is a higher value-added product used primarily in the construction and home appliance markets.

Tin Mill Products

Tin mill products consist of flat-rolled low-carbon steel coils or sheets with, as defined by Brazilian standards, a maximum thickness of 0.45 millimeters, coated or uncoated. Coatings of tin or chromium are applied by electrolytic process. Coating costs place tin mill products among the highest priced products that we sell. The added value from the coating process permits us to price our tin mill products with a higher profit margin. There are four types of tin mill products, all produced by us in coil and sheet forms:

- Tin plate - coated on one or both sides with a thin metallic tin layer plus a chromium oxide layer, covered with a protective oil film;

Table of contents

- Tin free steel - coated on both sides with a very thin metallic chromium layer plus a chromium oxide layer, covered with a protective oil film;

- Low tin coated steel - coated on both sides with a thin metallic tin layer plus a thicker chromium oxide layer, covered with a protective oil film; and

- Black plate - uncoated product used as the starting material for the coated tin mill products.

Tin mill products are primarily used to make cans and other containers. With six electrolytic coating lines, we are one of the biggest producers of tin mill products in the world and the sole producer of coated tin mill products in Brazil.

Production Process

The main raw materials used in flat production in an integrated steelworks are iron ores, coals, coke, and fluxes such as limestone and dolomite. The iron ore consumed at the Presidente Vargas Steelworks is extracted, crushed, classified, screened (treatment process) and transported by railway from our Casa de Pedra mine, located in the city of Congonhas, in the State of Minas Gerais, 328 km away from the Presidente Vargas Steelworks. The high quality ores mined and sized at Casa de Pedra, with an iron content of approximately 60%, and its low extraction costs are major contributors to our low steel production costs.

We import all the hard coking coals required for coke production and PCI coals for the blast furnace process, due to the lack of hard coking and PCI coals with the appropriate quality in Brazil. The hard coking coals are then charged in coke batteries to produce coke through a distillation process. See “—Raw Materials and Suppliers—Raw Materials and Energy Requirements.” This coal distillation process also produces coke oven gas as a byproduct, which we use as a main source of fuel for our thermoelectric co-generation power plant. After being screened, coke is transported to blast furnaces, where it is used as a combustion source and also as a component to transform iron ore to hot metal. In 2015, we produced approximately 41.6% of our coke needs, the remaining coke was imported.

At sintering plants, fine-sized iron ore and coke breeze or other fine-sized solid fuels are mixed with fluxes (limestone and dolomite) to produce sinter. The sinter, lump iron ore, iron ore pellets (which are 100% acquired in the domestic market), fluxing materials and coke are then loaded into our two operational blast furnaces for smelting. We operate a pulverized coal injection facility, or PCI, which allows to inject low-cost pulverized coals directly into the blast furnaces, replacing approximately one-third of the total coke demand.

The iron ore and iron ore pellets are reduced to pig iron through successive chemical reactions with carbon monoxide (from the coke and PCI coal) at the blast furnaces, which operate 24 hours a day. The iron and iron ore pellets are gradually reduced, then melts and flows downward. Impurities are separated from the hot metal to form a liquid slag with the loaded fluxes (limestone and dolomite). From time to time, hot metal (white-hot liquid iron) and slag are drained from the bottom of the furnace. Slag (containing melted impurities) is granulated and used to produce cement.

The hot metal is transported to the steelmaking shop by 350-ton capacity torpedo cars and charged in basic oxygen furnaces together with scrap and fluxes. At the basic oxygen furnaces, oxygen is blown onto the liquid burden to oxidize its remaining impurities and to lower its carbon content, thus producing liquid steel. The molten steel is conveyed from the basic oxygen furnaces to the secondary refining equipment (degasser, ladle furnace and Argon stirring station). After adjusting the chemical composition, the molten steel is transferred to the continuous casting machines from which crude steel (i.e., rectangular shaped slabs) is produced. A portion of the slab products can be sold directly in the export market.

In the hot rolling process, reheated slabs from the continuous casting machines are fed into hot strip mills to reduce the thickness of the slabs from 250 millimeters to a range of between 1.2 and 12.7 millimeters. At the end of the hot strip mill, the long, thin steel strip from each slab is coiled and conveyed to a cooling yard. Some hot-rolled coils are dispatched directly to customers in the as-rolled condition. Others are further processed at the pickling lines, in a hydrochloric bath, to remove surface oxides and improve surface quality. After pickling, the hot-rolled coils selected to produce thinner materials are sent to be rolled at cold strip mills. CSN has three cold strip mills, one of which was revamped in September 2011, adding 150,000 tons per year to CSN’s cold rolling capacity. The better surface characteristics of cold-rolled products enhance their value to customers when compared to hot- rolled products. Additional processing related to cold-rolling may further improve surface quality. Following cold-rolling, coils may be annealed, coated (by hot dip galvanizing or electrolytic tinning process) and painted, to enhance medium-and long-term anti-corrosion performance and also to add characteristics that will broaden the range of steel utilization. Coated steel products have higher profit margins than bare steel products. Of our coated steel products, tin mill and galvanized products are our highest margin products.

Table of contents

Steel plant equipment regularly undergo scheduled maintenance shutdowns. Typically the rolling mills and coating lines are maintained on a weekly or monthly basis whereas the blast furnaces and other special equipment are scheduled for routine maintenance on a semi-annual or annual basis.

Our business encompasses operational and commercial activities. Our operations are undertaken by our production sector, which is composed of the following two units:

- The operational unit - responsible for steel production operations, repair shops, in-plant railway, and process development at our Presidente Vargas Steelworks; and

- The support unit - responsible for production planning, management of product stockyards, energy and utility facilities and work force safety assistance at the Presidente Vargas Steelworks.

The production sector is also responsible for environment and quality consultancy, new product development, capital investment implementation for steel production and processing, and the supervision of CSN Porto Real's and CSN Paraná's operations.

Quality Management System

We maintain a Quality Management System that is certified to comply with the International Standardization Organization ISO 9001 standard and the automotive industry's Technical Specification ISO/TS 16949 in June 2015. ISO 9001 is for the design and manufacture of slabs, blooms, billets, hot rolled flat, pickled and oiled, cold rolled and galvanized steel, tin mill products and long steel products and ISO/TS 16949:2009, third edition, for the manufacture of hot-rolled flat , pickled and oiled steel products, cold-rolled and galvanized steel products.

We also maintain a certification attesting that products furnished by our Araucária plant in the state of Paraná, Brazil, to the electrical and electronic equipment industries are in conformity with Directive 2011/65/EU of the European Parliament on the restriction of the use of certain hazardous substances in electrical and electronic equipment – RoHS.

Production Output

The following table sets forth, for the periods indicated, the annual production of crude steel within Brazil and by us and the percentage of Brazilian production attributable to us:

Crude Steel Production	**Brazil**	**CSN**	**CSN % of Brazil**
		(In millions of tons)	

2015	33.2	4.2	12.7%
2014	33.9	4.5	13.3%
2013	34.2	4.5	13.2%
2012	34.7	4.8	13.8%
2011	35.2	4.9	13.9%

_____

Source: Brazilian Steel Institute (*Instituto Aço Brasil*), or IABr.

The following table contains some of our operating statistics for the periods indicated:

Table of contents

Certain Operating Statistics

	2015	2014	2013
		(In millions of tons)	
Production of:			
Molten Steel	4.4	4.6	4.6
Crude Steel	4.2	4.5	4.5
Hot-Rolled Coils and Sheets	4.3	4.8	5
Cold-Rolled Coils and Sheets	2.5	2.5	2.7
Galvanized Products	1.4	1.6	1.5
Tin Mill Products	0.6	0.6	0.7
Consumption of Coal for Coke Batteries	1.3	1.6	1.5
Consumption of Coal for PCI	0.5	0.6	0.6

Raw Materials and Suppliers

The main raw materials we use in our integrated steel mill include iron ore, coke, coal (from which we make coke), limestone, dolomite, aluminum, tin and zinc. In addition, our production operations consume water, gases, electricity and ancillary materials.

Raw Materials and Energy Requirements

In the first half of 2011, prices of the main raw materials used by CSN continuously increased due to unbalanced global supply and demand. In the second half of 2011, prices decreased, mainly due to the worsening of the European crisis.

In the first nine months of 2012, prices of the main raw materials used by CSN continued to fall due to the global crisis in the steel market caused mainly by the decline in China's growth rates and the European crisis. In the fourth quarter of 2012, prices increased, mainly due to the restocking of Chinese mills in preparation for the winter and Chinese holidays.

In 2013, 2014 and 2015, coal and coke prices continued decreasing. These commodity segments are concentrated in the hands of a few global players and there can be no assurance that price increases will not be imposed on steel producers in the future.

Iron Ore

We are able to obtain the majority of our iron ore requirements from our Casa de Pedra and Engenho mines located in the State of Minas Gerais. The only iron ore product which we buy from third parties is pellet. For a description of our iron ore segment see "– Our Mining Segment."

Coal

In 2015, our metallurgical coal consumption totaled 1.75 million tons. Metallurgical coal includes coking coal and PCI coal, which is a lower grade coal injected into the blast furnaces, in a pulverized form, to reduce coke consumption. The PCI system reduces CSN's need for imported coke, and since it is a lower cost compared to imported coke, thus reducing production costs. The total PCI coal consumption in 2015 totaled 0.46 million tons, all imported. The sources of the hard coking coal consumed in our plants in 2015 were as follows: USA (60.0%), Australia (35.0%) and Canada (5.0%) and for PCI: Russia (55.0%), Australia (45.0%).

During 2015, CSN's coking coal and PCI coal costs in US dollar decreased significantly when compared to 2014 and 2013. The quarterly benchmark price for metallurgical coal began its drop and ended the year at its lowest price (US$89.00) since 2010, a decrease of US$26.00 compared with the first quarter of 2015. The deals for the first quarter of 2015 were US$2.00/mt lower than for the fourth quarter of 2014. The previous lowest settlement amount had been for the fiscal year 2009, when it was priced at US$129.00/mt.

Table of contents

Coke

In 2015, in addition to the approximately 0.94 million tons of coke we produced, we also consumed 1.32 million tons of coke bought from third parties in China and Colombia, a decrease of 21.66% as compared to our consumption in 2014. The decrease in coke production throughout 2015 derives from an onogoing revamp project in our coke plants, which will last through the next few years.

Limestone and Dolomite

Our Bocaina mine is located in Arcos, in the State of Minas Gerais, and has been supplying, since the early 1970s, limestone (calcium carbonate) and dolomite (dolomitic limestone) to our Presidente Vargas Steelworks in Volta Redonda. These products are used in the process of sintering and calcination. Arcos has one of the largest and highest quality reserves of limestone in the world, which is used in the production of various products, including clinker and cement.

The annual production of limestone and dolomite for our steelworks is approximately 2.5 million tons.

The main products obtained from limestone and dolomite that are transferred to our steelworks in Volta Redonda are:

- Limestone and dolomite calcination: with a granulometry between 32 and 76 mm, they are used in the lime plant in Volta Redonda to produce calcitic and dolomitic lime, for further use in the steelmaking process and sintering. At the steelworks, lime is used for chemical controlling of liquid slag, in order to preserve the refractory of the converters and assist in the stabilization of the chemical reactions that occur during the steel manufacturing process. During sintering, the purpose of lime is to increase the performance of this process and the final quality of the sinter that is produced.

- Limestone and dolomite fines for sintering: used in the production of “sinter”, in our steelworks. The sintering process mixes and heats together with fine ores, solid fuel and flux, producing a highly reactive granulated burden. The sinter is used in blast furnaces as the main source of iron for the production of pig iron.

Beginning in 2011, with the start-up of clinker plant to produce cement in Volta Redonda, the mine in Arcos also became responsible for supplying limestone for cement manufacturing in Volta Redonda.

Aluminum, Zinc and Tin

Aluminum is mostly used for steelmaking. Zinc and tin are important raw materials used in the production of certain higher-value steel products, such as galvanized and tin plate, respectively. We typically purchase aluminum, zinc and tin from third-party domestic suppliers under one year contracts. Specifically in relation to tin, we purchase part of our demand from CSN's subsidiary ERSA. We maintain approximately 15, 16 and 36 days inventory of tin, aluminum and zinc, respectively, at the Presidente Vargas Steelworks.

Other Raw Materials

In our production of steel, we consume, on an annual basis, significant amounts of spare parts, refractory bricks and lubricants, which are generally purchased from domestic suppliers.

Table of contents

We also consume significant amounts of oxygen, nitrogen, hydrogen, argon and other gases at the Presidente Vargas Steelworks. These gases are supplied by a third-party under a long-term contract from its gas production facilities located on the Presidente Vargas Steelworks site. In 2015, we used 698,700 tons of oxygen to produce 4.2 million tons of crude steel.

Water

Large amounts of water are also required in the production of steel. Water serves as a solvent, a catalyst and a cleaning agent. It is also used to cool, to carry away waste, to help produce and distribute heat and power, and to dilute liquids. Our source of water is the Paraíba do Sul River, which runs through the city of Volta Redonda. Over 92% of the water used in the steelmaking process is recirculated and the balance, after careful processing, is returned to the Paraíba do Sul River. Since March 2003, the Brazilian government has imposed a monthly tax for our use of water from the Paraíba do Sul River, based on an annual fee of approximately R$0.705 million.

Electricity

Steelmaking requires significant amounts of electricity to power rolling mills, production lines, hot metal processing, coking plants and auxiliary units. In 2015, our Presidente Vargas Steelworks consumed approximately 3.01 million MWh of electric energy.

Our main source of electricity is our thermoelectric co-generation power plant at the Presidente Vargas Steelworks, which is fueled by the gases from the steel production process, with 235.2 MW of installed capacity. In addition, we have a 29.5% interest in the Itá Hydroelectric Power Plant in Santa Catarina, through a 48.75% equity interest in ITASA, and a 17.9% interest in the Igarapava Hydroelectric Power Plant in Minas Gerais, from which we have ensured energy take of 167 MW on average and 23 MW average, respectively. Those three assets give CSN an average generation capacity of 425 MW, supplying the group's total demand for power. In 2014, we installed a new turbine generator at the Presidente Vargas Steelworks, which added 21 MW to our existing installed capacity. This turbine is located near our Blast Furnace No. 3, using the outlet gases from the iron making process to generate energy.

Natural Gas

In addition to electricity, we consume natural gas, mainly in our hot strip mill. Companhia Estadual de Gás do Rio de Janeiro S.A., or CEG Rio, which was privatized in 1997, is currently our major source of natural gas. Variations in the supply of gas can affect the level of steel production. We have not experienced any significant stoppages of production due to a shortage of natural gas. We also purchase fuel oil from Petrobras and Raízen. In 2015, the Presidente Vargas Steelworks consumed 489 million m^3 of natural gas.

The market for natural gas is strongly correlated with the electricity market. Brazilian electricity generation is based principally on hydroelectric power, itself dependent on the level of Brazil's reservoirs. As a contingency against low levels of rainfall, there are several thermoelectric power plants which use natural gas. Due to low levels of rainfall in 2013 and 2014, reservoirs reached their lowest level in the past ten years; consequently the Brazilian Electricity System Operator (Operador Nacional do Sistema Elétrico), or ONS, increased the utilization of thermoelectric generation.

Diesel Oil

In mid-October 2006 and July 2008, we entered into agreements with Companhia Brasileira de Petróleo Ipiranga, or Ipiranga, to receive diesel oil in order to supply our equipment in our mining plants in the state of Minas Gerais, which provide the iron ore, dolomite and limestone used in our steel plant in Volta Redonda. In 2015, our consumption totaled 59,526 kiloliters of diesel oil, used to produce 25.713 million tons of iron ore, for which we paid US$ 33.5 million or R$111.6 million, until November. In December, 2015 we consumed 3.9 kiloliters, used to produce 2.1 million tons of iron ore, for which we paid US$2.0 million or R$7.5 million.

Table of contents

Suppliers

We acquire the inputs necessary for the production of our products in Brazil and abroad, with aluminum, zinc, tin, spare parts, refractory bricks, lubricants, oxygen, nitrogen, hydrogen and argon being the main inputs acquired in Brazil. Coal and coke are the only inputs acquired abroad. In 2015 we consumed 262,000 tons of third party slabs.

Our main raw materials suppliers are set forth below:

Main Suppliers	Raw Material
Açominas and CSA	Slabs
Walters Energy, Rio Tinto Coal, Alpha Resources, Carbo One Limited and Teck Coal	Coal
CI Milpa, ThyssenKrupp, Sinochen and Coeclerici	Coke
Ibrame, Latasa, Chanceller and Alumbras	Aluminum
Votorantim Metais (1)	Zinc
White Solder, ERSA, Melt Metais and Mineração Taboca	Tin
Sotreq, VeyanceMetso, Maxbelt and Mason	Spare parts
Magnesita, RHI and Saint Gobain	Refractory bricks
Ipiranga and BR Distribuidora	Lubricants

_____

(1) We depend on Votorantim Metais as it is the only supplier of zinc in Brazil

Flat Steel Mill

The Presidente Vargas Steelworks, located in the city of Volta Redonda, in the State of Rio de Janeiro, began operating in 1946. It is an integrated facility covering approximately 4.0 square km and containing five coke batteries (three of which are currently in operation), three sinter plants, two blast furnaces, a basic oxygen furnace steel shop, or BOF shop, with three converters, three continuous casting units, one hot strip mill, three cold strip mills, two continuous pickling lines, one continuous annealing line, 28 batch annealing furnaces, three continuous galvanizing lines, four continuous annealing lines exclusively for tin mill products and six electrolytic tinning lines.

At the end of 2015, the Company decided to idle Blast Furnace No. 2 operation as from 2016, decreasing our annual production capacity of steel at the Presidente Vargas Steelworks by 28% from 5.4 million tons to 3.9 million tons.

Our major operational units and corresponding effective capacities as of December 31, 2015, including CSN LLC and Lusosider, are set forth in the following chart:

Effective Capacity

35

Table of contents

	Tons per year	Equipment in operation
Process:		
Coking plant	1,525,000	3 batteries
Sintering plant	6,360,000	3 machines
Blast furnace	5,380,000	2 furnaces
BOF shop	5,750,000	3 converters
Continuous casting	5,600,000	3 casters
Finished Products:		
Hot strip mill	5,100,000	1 mill
Cold strip mill	4,700,000	6 mills
Galvanizing line	2,095,000	7 lines
Electrolytic tinning line	930,000	5 lines

Downstream Facilities

CSN Paraná

Our CSN Paraná branch produces and supplies plain regular galvanized products, Galvalume® products and pre-painted steel products for the automotive, construction and home appliance industries. The plant has an annual capacity of 330,000 tons of galvanized products and Galvalume® products, 130,000 tons of pre-painted products, which can use cold-rolled or galvanized steel as substrate, service capacity of 150,000 tons of sheets and narrow strips, and 220,000 tons of pickled hot-rolled coils in excess of the coils required for the coating process.

CSN Porto Real

Our CSN Porto Real branch produces and supplies plain regular galvanized, Galvanew® products and tailored blanks mainly for the automotive industry. The plant has an annual capacity of 350,000 tons of galvanized products, including Galvanew® products, and 150,000 tons of tailored blanks, sheets and narrow strips, which can use cold-rolled or galvanized steel as a substrate.

Metalic

We have a 99.99% ownership interest in Cia. Metalic Nordeste, or Metalic. Metalic is one of the few two-piece steel can producers in all the Americas. It has approximately 12% of the packaging market for carbonated drinks in the Northeastern region of Brazil. Currently, we are Metalic's only supplier of the steel used to make two-piece cans. The development of drawn-and-wall-ironed steel for the production of two-piece cans is an important achievement in the production process at the Presidente Vargas Steelworks.

Prada

We have a 99.99% ownership interest in Cia. Metalúrgica Prada, or Prada. Established in 1936, Prada is the largest Brazilian steel can manufacturer and has an annual production capacity of over one billion cans in its three industrial facilities: two located in the state of São Paulo and one in the state of Minas Gerais. Currently, we are the only Brazilian producer of tin plate, Prada's main raw material, which makes Prada one of our major customers of tin plate products. Prada has important clients in the food and chemical industries, including packages of vegetables, fish, dairy products, meat, aerosols, paints and varnishes, and other business activities. On December 30, 2008, we merged one of our subsidiaries, Indústria Nacional de Aços Laminados S.A., or INAL, into Prada. INAL was a distributor of laminated steel founded in 1957 and, after the merger, it became a branch of Prada responsible for distribution of CSN and Prada's products, or Prada Distribuição.

Table of contents

Prada Distribuição is one of the leaders in the Brazilian distribution market for steel products with 460,000 tons per year of installed processing capacity. Prada Distribuição has one steel service center and six distribution centers strategically located in the Southeast region Brazil. The service center is located in the city of Mogi das Cruzes between the cities of São Paulo and Rio de Janeiro. Its product mix also includes sheets, slit coils, sections, tubes, and roofing in standard or customized format, according to clients' specifications. Prada Distribuição processes the entire range of products produced by us and services 4,000 customers annually from the civil construction, automotive and home appliances sectors, among others.

Companhia Siderurgica Nacional, LLC

CSN LLC holds the assets of former Heartland Steel, a flat steel processing facility in Terre Haute, Indiana. This facility has an annual cold rolling production capacity of 800,000 tons of full hard cold rolled coils. Delivery capacity of cold-rolled and galvanized products are 280,000 and 315,000 tons/year, respectively. Currently, CSN LLC is obtaining raw materials by buying hot rolled coils directly from mills in the United States or importing from mills abroad. See "Item 4B. Government Regulation and Other Legal Matters—Anti-Dumping Proceedings—United States" for a discussion about anti-dumping issues on Brazilian hot coils exports to the United States.

Lusosider, Aços Planos, S.A.

We own 99.94% of Lusosider, a flat steel processing facility located in Seixal, near Lisbon, Portugal. Lusosider has the capacity to produce and sell approximately 50,000 tons of hot-rolled pickled coils, 50,000 tons of cold-rolled and 240,000 tons of galvanized products per year. Its main customers include service centers and tube making industries.

CSN Distribuição

We have two service centers, one located in the city of Camaçari, in the State of Bahia and one in the city of Jaboatão dos Guararapes, in the state of Pernambuco, to support sales in the Northeastern and North regions. There is also a Distribution Center in the city of Canoas, in the state of Rio Grande do Sul, to support sales in the South region of Brazil.

Long Steel - Mills

SWT

In February 2012, we acquired Stahlwerke Thuringen, or SWT, located in Unterwellenborn, Germany, which marked our entrance into the long steel market. SWT specializes in the production of profiles, including IPE (European I Beams) and HE (European Wide Flange Beams) sections, channels and UPE (Channels with Parallel Flanges) sections and steel sleepers. In total, more than 200 types of sections are produced according to different German and international standards.

The following chart reflects SWT's production cycle in general terms.

Table of contents

Production Process

Scrap arrives at the mill by rail or road. Two gantry cranes are used to transfer the scrap to a stockyard. Two remote-controlled diesel-hydraulically driven transfer wagons carry the recycled steel in containers, which also function as charging vessels to the melting shop.

The electric arc of the DC-furnace is generated between a graphite electrode and the bottom of the furnace, which functions as the anode. This energy, supplemented by natural gas/oxygen burners, is used to convert this material into molten steel.

After the smelting process, the molten metal is tapped into the ladle in a wagon, which is then positioned under the ladle furnace. The purpose of this process is to achieve the desired composition, by the addition of alloys, and the necessary final temperature of the steel. The ladle is then transported to the casting shop with the transport wagon and is elevated onto the turret that rotates it into the casting position. The tundish distributes the steel to four strands of water-cooled copper moulds that provide the desired beam blank shape. As soon as the strands pass through the moulds they undergo an intensive cooling process. After solidification is complete, the strands pass through guides which transport and straighten the strands out of the casting arc into the horizontal plane, where they are then cut into pieces of the required length with automatic flame-cutting torches. A transfer manipulator passes the beam blanks to the roller table of the rolling mill.

The rolling mill provides facilities for both duo and universal rolling processes. In contrast to the continuous operation where the sections are rolled in strands arranged one after the other, in this reversing mill the section bar is run forwards and backwards in several passes through rolls that either have “grooves” or function according to the universal rolling principle.

The three stand assemblies in the rolling mill include, a break down stand coupled with a cropping saw, a tandem group and a finishing group. After having passed the finishing strand, the dimensional accuracy of the rolled section is measured using laser technology.

The next stage is the finishing department, where the sections, which can be up to 100m long, cool down on a walking beam cooling bed, before being straightened. The sections are then cut on a cold saw plant to lengths between 6m and 28m, as requested by customers.

38

Table of contents

Production Output - SWT

	2015	2014	2013
		(In thousands of tons)	
Production of:			
Beam Blank (Crude Steel)	794	844	813
Long Steel (Finished Products)	743	758	765

Raw Materials and Suppliers

Raw Materials and Energy Requirements

The main raw material we use in our long steel operation is scrap. In addition, our production operations consume electricity, natural and technical gases and ancillary materials like ferroalloys, lime, dolomite and foaming coal.

Scrap

During 2011, prices for scrap continuously increased due to unbalanced supply and demand in Europe and increasing globalization of scrap trading worldwide. Prices in the European market were particularly affected. In 2013, the scrap average price decreased significantly until the middle of the year followed by a slight prices increase. In 2014 and 2015 the scrap prices decreased significantly. Our scrap consumption totaled approximately 0.9 million tons and accounted for nearly 60% of our production costs. We are able to obtain 70% of our scrap needs from within a 250 km vicinity.

Ferroalloys, lime and foaming coal

Because we do not own any sources of alloys, lime and foaming coal we have to buy these materials from traders. Our traders are located mostly in Europe and the materials come from different producers around the world.

Rolls

We consume different types of rolls in our rolling mill, usually cast rolls which come from Germany, Italy, Slovenia and China.

Graphite electrodes

In the smelting shop (electric arc furnace), we use graphite electrodes with a diameter of 750mm and in the ladle furnace, we use electrodes with a diameter of 400mm. The electrodes come from Europe, Japan and China.

Other raw materials

In our production of steel we consume, on an annual basis, amounts of electrodes, rolls, refractory materials and materials for packaging and spare parts, which are mostly purchased from domestic suppliers.

Water

Large amounts of water are required in the production process. Our source of water is the Saale river, located 5 km from the plant. We use our own water station to pump water via pipelines to the plant.

Electricity and Natural Gas

Steelmaking also requires significant amounts of electricity and natural gas, for which we have supply contracts. Under normal conditions, we consume approximately 450 GWh of electric energy and an equal amount of natural gas.

Table of contents

Suppliers

We acquire the inputs necessary for the production of our products in Germany and other countries.

Our main raw materials suppliers are set forth below:

Main Suppliers	Raw Material
Scholz, TSR	Scrap
Verbund	Electric Energy
E.on Ruhrgas	Natural gas
RHI	Refractory
SGL, Graftec, NCK	Electrodes
Siemens, Schneider, Voith	Spare parts
Irle, Walzengießerei Coswig	Rolls

Facilities - SWT

SWT possesses a 28 km internal railway system, and the logistics infrastructure to ensure supply of scrap and delivery of finished products. Main markets served by SWT include: non-residential construction, equipment industries, engineering and transport, in Germany and neighboring countries, including Poland and the Czech Republic.

Effective Capacity - SWT

	Tons per year	Equipment in operation
Process:		
EAF – Electric Arc Furnace	1,100,000	1 furnace
Ladle Furnace	1,100,000	1 furnace
Finished Products:		
Section mill	1,000,000	1 mill

Volta Redonda EAF Mill

Plant Characteristics

We completed a new plant mill for production of long steel products in Volta Redonda and started assisted operations in December 2013 and 2014 we started ramping up the production process. The plant consists of a 50t electric arc steelmaking furnace, 50t ladle metallurgy, continuous casting machine for billets and a hot rolling mill for wire rod and reinforcing bar.. We expect this plant to reach up to 500,000 t/year output when fully operational, providing the domestic market with products for civil construction and high quality drawing and cold heading applications.

Steelmaking Shop

Designed for an output of 400,000 t/year, this unit mainly consists of one 50t UHP, AC electric arc furnace, one 50t ladle furnace, one continuous casting machine for billets with three strands, mobile equipment and cranes, power supply, distribution facilities and and auxiliary equipment.

Rolling Mill

Designed for an output of 500,000 t/year, this unit has one walking-beam reheating furnace, or RHF, a 4-stand blooming mill, a 250t hot shear, a 6-stand roughing mill, a 6-stand intermediate mill, a 6-stand pre-finishing mill, internal water cooling, a double length flying shear, a stepping cooling bed, a 500t cold shear, transfer inspection stand, bundling machine, a water-cooling section before wire finishing mill, a 10-stand high-speed wire finishing mill, a water-cooling section after wire finishing mill, a laying head, a loose coil cooling line, reforming device, bundling machine, stripper and coil handling devices.

Table of contents

Production Process - Rebar and Wire-rod

Steelmaking

The process of steelmaking begins with the arrival of smelt scrap and pig iron at our facilities by wagons and trucks. After being conditioned, scrap and pig iron are delivered for scrap bucket preparation in the scrap yard. The scrap buckets are prepared based on the type of steel that will be manufactured in the steelmaking shop.

The scrap bucket mixed with pig iron is, with the help of a crane, brought to the electric arc furnace. After loading, the furnace begins the melting process, which involves the creation of steel through use of electrodes, burners and oxygen injectors. In the furnace, the scrap metal becomes liquid steel after reaching the appropriate temperature and is tapped into a previously prepared ladle.

During tapping, alloys are added to the liquid steel and the mixture is placed in a ladle furnace. In the ladle furnace, chemical composition corrections are made to the mixture. The ladle, containing the liquid steel is then brought to the continuous casting machine.

The liquid steel is then poured into a tundish where it is cast into the molds, beginning the process of solidification and transformation of steel in billets. After being solidified, the billets are cut into particular sizes according to the intended application.

Rolling Mill

The rolling mill is comprised of a blooming mill, a roughing mill, an intermediate mill, a pre-finishing mill and a wire finishing mill in order to reduce the steel thickness and make the thickness uniform. When using 250x250mm blooms cut from BOF slabs, the blooms will be moved by a chain shifting device, which has heat insulation, that brings the blooms to the delivery table in the blooming mill before they are rolled into transfer bar of 150x150mm and then cropped and divided by a 250t hot shear. Afterwards the transfer bars are sent by the heat retaining table and chain shifting device to the roughing mill. Then, in line with product requirements, for straight pieces the transfer bar will be fed into roughing mill, intermediate rolling mill and pre-finishing mills to be rolled continuously into straight thread rebar or round bar. In order to produce wires, the rolling piece leaving the pre-finishing mill will be fed into high-speed wire finishing mill where it is rolled into the desired wire coils.

The production flow chart is showed below:

Table of contents

Production Output

Certain Operating Statistics		
(In thousands of tons)	**2015**	**2014**
Production of:		
Billets (Crude Steel)	151	105
Long Steel (Finished Products)	131	93

Raw Materials and Energy Suppliers

The main raw material we use in our long steel operation in Volta Redonda is scrap, in addition to pig iron. We also use blooms, which we produce at our BOF shop. In addition, our production operations consume electricity, natural and technical gases and ancillary materials like ferroalloys, lime, dolomite and foaming coal. The supply sources for these materials are the same used for our flat steel operations. See “Item 4B—Raw Materials and Suppliers.”

Our Mining Segment

Our mining activities are one of the largest in Brazil and are mainly driven by the exploration of one of iron ore reserves, Casa de Pedra, in the State of Minas Gerais. We sell our iron ore products mainly in Asia, Europe and Brazil with sales and marketing taking place through our principal hubs in Minas Gerais, in Brazil and Austria.

Our Mines

Location, Access and Operation

Casa de Pedra

Casa de Pedra mine is an open pit mine located in the city of Congonhas in the State of Minas Gerais, Brazil, approximately 80 km south of the city of Belo Horizonte and 360 km north of the city of

Table of contents

Rio de Janeiro. The site is approximately 1,000 meters above sea level and accessible from the cities of Belo Horizonte or Congonhas through mostly paved roads.

Casa de Pedra mine is a hematite-rich iron deposit of an early proterozoic banded iron formation in Brazil's Iron Ore Quadrangle (*Quadrilátero Ferrífero*), which is located in the central part of the State of Minas Gerais in the Southeastern region of Brazil and has been one of the most important iron producing regions in Brazil for the last 50 years. It has been incorporated to CSN in 1941, but has been in operation since 1913.

Our iron ore at Casa de Pedra is currently excavated by a fleet composed of Komatsu PC5500 and Caterpillar 6060 hydraulic shovels, wheel loaders (Caterpillar 994H, Komatsu WA1200 and LeTourneau 1850) and then hauled by a fleet of Caterpillar 793D (240 tons), Caterpillar 793F (240 tons) and Terex Unit Rig MT4400AC (240 tons). This fleet has an installed annual ROM capacity of approximately 130 million tons.

Then the ore is processed in our treatment facilities, which have an installed capacity of 28 million tons of products per year. We use in Casa de Pedra electrical power provided by hydroelectric plants.

Casa de Pedra mine supplies all of our iron ore needs exept pellets, producing lump ore, sinter feed and pellet feed fines with high iron content. The maps below illustrate the location of our Casa de Pedra mine:

Table of contents

Engenho

The Engenho mine is also an open pit mine located at the Southwestern region of the Iron Ore Quadrangle, 60 km south of the city of Belo Horizonte and is accessible from the cities of Belo Horizonte or Congonhas through mostly paved roads. The map below illustrates the location of our Engenho mine:

The Engenho mine started operation in 1950. The ore in this mine is excavated by a fleet of wheel loaders (Komatsu WA470) and excavators (Komatsu PC600) and then hauled by a fleet of Mercedes-Benz Actros 4844 trucks. There is also equipment that operates in the dam and in the yard. These fleet consist of wheel loaders (Komatsu WA470 and Komatsu WA500), excavators (Komatsu PC600 and Komatsu PC350) and trucks (Mercedes-Benz Actros 4844 and Mercedes-Benz Axor 4144).

Then the ore is processed in the Pires treatment facilities, which have an installed capacity of 7 million tons of products per year. We use electrical power provided by hydroelectric plants in Engenho mine and Pires Complex.

Fernandinho

The Fernandinho mine is located in the city of Itabirito, in the State of Minas Gerais. This city is located in the Middle-East region of the State of Minas Gerais and approximately 40 km from the city of Belo Horizonte. Fernandinho is an open pit mine and is accessible from the cities of Belo Horizonte or Itabirito through mostly paved roads. The map below illustrates the location of our Fernandinho mine:

44

Table of contents

The Fernandinho mine also started operation in 1950. The ore in this mine is excavated by a fleet of wheel loaders (Komatsu WA470) and excavators (Komatsu PC350LC-8) and then hauled by Mercedes Bens AXOR 4144K trucks.

Then the ore is processed in the Fernandinho treatment facilities, which have an installed capacity of 600 thousand tons of products per year. We use electrical power provided by hydroelectric plants in Fernandinho mine as well.

The map below shows the location of Casa de Pedra, Engenho and Fernandinho Mines:

Casa de Pedra and Engenho mines are now part of a company named Congonhas Minérios, which resulted from the combination of the iron ore and related logistic assets of CSN and Namisa. See “Item 5A Specific Events Affecting our Results of Operations” for more information on the transaction.

Table of contents

Limestone and Dolomite Mine

Our extraction and preparation of limestone and dolomite is done at our Bocaina mining facility located in the city of Arcos, in the State of Minas Gerais. The Bocaina mine is an open pit mine and it can be accessed from the cities of Belo Horizonte, located at approximately 230 km, and Volta Redonda (where the Presidente Vargas Steelworks is situated), located at approximately 462 km, through mostly paved roads.

The ore in this mine is excavated by a fleet wheel loaders (Caterpillar 990, Caterpillar 980 and excavators (Komatsu PC350LC-8, Hitachi ZX470LC-5) and then hauled by a fleet of Iveco Trakker 8 x 4, Caterpillar 775, Mercedes Axor 2831 6 x 4 and Volkswagen Constellation 21330 trucks.

This mining facility has an installed annual production capacity of approximately 4.0 million tons. This mining facility has sufficient limestone and dolomite reserves to adequately supply our steel production, at current levels, for 40 years.

The Bocaina mine is wholly-owned by us. The maps below illustrate the location of this mine:

Tin

We own a tin operation in Itapuã do Oeste, in the State of Rondônia, through our subsidiary Estanho de Rondônia S.A. (ERSA). This facility has an installed annual production capacity of approximately 3,600 tons of tin, which we use substantially as a raw material to produce tin plate, a coated steel product. A small part of our tin production that is not used as raw material is sold to third parties; however, the results from these sales are insignificant to our consolidated results.

Mineral Rights and Ownership

The Mining Code and the Brazilian Federal Constitution impose requirements on mining companies relating to, among other things, the manner in which mineral deposits are exploited, the health and safety of workers, the protection and restoration of the environment, the prevention of pollution and the promotion of the health and safety of local communities where the mines are located. The Mining Code also imposes certain notifications and reporting requirements.

Table of contents

We hold concessions to mine iron ore, limestone and dolomite. We purchase manganese in the local market. We own 87.52% of Congonhas Minérios mines and 100% of Bocaina and Santa Bárbara mines. In addition, each mine is an "open pit" mine. Iron ore extraction, crushing, screening and concentration are done in three different sites: Casa de Pedra mine and Pires beneficiation plant (all Congonhas Minério's property) and Fernandinho mine, a Minerérios Nacional's property

Casa de Pedra

Our mining rights for Casa de Pedra mine include the mine, a beneficiation plant, roads, a loading yard and a railway branch and are duly registered with the Brazilian Department of Mineral Production (*Departamento Nacional de Produção Mineral*), or DNPM. DNPM has also granted us easements in 19 mine areas located in the surrounding region, which are not currently part of Casa de Pedra mine.

We believe we have obtained and are in compliance with all licenses and authorizations for our operations and projects at Casa de Pedra mine.

Exploration undertaken at the Casa de Pedra mine is subject to mining lease restrictions, which were reflected in our iron ore reserve calculations. Quality requirements (chemical and physical) are the key "modifying factors" in the definition of ore reserves at Casa de Pedra and were properly accounted for by us.

Mineral Reserves

The following table sets forth the type of each of our mines, period of operation, projected exhaustion dates and percentage of our interest:

Mine	Type	Operating Since	Projected exhaustion date	CSN % interest
Iron:				
Casa de Pedra (Congonhas, Minas Gerais)	Open pit	1913	2040	87.52
Engenho (Congonhas, Minas Gerais)	Open pit	2007 (Start of operation by Namisa)	2040	87.52
Fernandinho (Itabirito, Minas Gerais)	Open pit	2007 (Start of operation by Namisa)	2039	87.52
Limestone and Dolomite:				
Bocaina (Arcos, Minas Gerais)	Open pit	1946	2055	100
Tin				
Santa Barbara (Itapuã do Oeste, Rondonia)	Open pit	1950	2054	100

The following table sets forth our estimates of proven and probable reserves and other mineral deposits at our mines reflecting the results of reserve studies. They have been calculated in accordance with the technical definitions contained in the SEC's Industry Guide 7, and estimates of mine life described herein are derived from such reserve estimates. The mineralized material disclosed are for the entire mines, and not just for our proportional interest in the mines.

In the most recent reserve audit conducted in 2014, the losses for mine dilution and mining recovery considered were 5% each for both Casa de Pedra and Engenho mines.

In 2014 we audited resources and reserves for Casa de Pedra and Engenho mines. As for Fernandinho mine we audited only resources. We do not have audited resources/reserves studies for our Bocaina mine, thus the resources/reserves presented at the table below were not audited by any third parties for that mine. As for our Santa Barbara mine we do not have reserve estimates and do not currently plan to begin campaigns to complete a study in connection with these property in light of its low materiality to our business.

Table of contents

Proven and Probable Reserves[1]

Mine Name and Location	Audited Reserves (*in millions of tons*)		Ore Tonnage[3] (*in millions of tons*)		Grade[4]	Rock Type	Recoverable Product[5] (*in millions of tons*)
	Proven[6]	**Probable[7]**	**Proven[6]**	**Probable[7]**			
Iron:							
Casa de Pedra(Congonhas, Minas Gerais)	1,043	1,662	1,002	1,662	41.36% Fe	Hematite (7%) Itabirite (93%)	1.47
Engenho (Congonhas, Minas Gerais)	108	209	108	209	39.48%	Hematite (3%) Itabirite (97%)	163
Fernandinho (Itabirito, Minas Gerais)					40.21%	Itabirite (100%)	
Total Iron:							
Limestone and Dolomite:	**Proven[6]**	**Probable[(7)]**	**Proven[(6)]**	**Probable[(7)]**			
Bocaina (Arcos, Minas Gerais)	311	38	308	38	43.84%CaO 3.71%MgO	Limestone (89.3%) Dolomite (10.7%)	261

(1) Reserves means the part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. We do not have reserve audits for the Fernandinho mine. The reserves for the Casa de Pedra and Fernandinho mines were audited in December, 2014 and we have reduced the amount of proven reserves by our annual production since then.

(2) Mineralization that has been sufficiently sampled at close enough intervals to reasonably assume continuity between samples within the area of influence. This material does not yet qualify as a reserve.

(3) Represents ROM material.

(4) Grade is the proportion of metal or mineral present in ore or any other host material.

(5) Represents total product tonnage after mining and processing losses.

(6) Means reserves for which: (i) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling; and (ii) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well- established.

(7) Means reserves for which quantity and grade and /or quality are computed from information similar to that used for proven (measure) reserves, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven (measure) reserves, is high enough to assume continuity between points of observation.

The metallurgical recovery factor is the proportion of iron in the ore delivered to the processing plant that is recovered by the metallurgical process. In 2015, the metallurgical recovery factor obtained by Casa de Pedra concentration plant was 82.0% and by the Pires plant was 65.8%.

The cutoff grade is the minimum ore percentage that determines which material will be fed in the processing plant. The cutoff grade value for Casa de Pedra and Engenho mines considered in the most recent audit is 23.37%.

Table of contents

The prices used in the 2014 audit for the estimation of Casa de Pedra reserves, are shown in the following table. As shown, the product price we assumed to estimate our reserves, is based on expectations of an average long term price of US$90 per ton, considering that as a reasonable price for a sustainable development of the iron ore market.

	Price for the three years prior to the audit (US$/t)			Long term average (US$/t)
	2011	2012	2013	Assumption
Platts 62Fe CFR N.China ($/dmt)	169	130	135	90

Casa de Pedra

In 2012, we started a multi-year study of our iron ore resources and reserves at Casa de Pedra. The study consists of two stages the first stage of which was completed at the end of December of 2014, and the second stage of which involves more drillings and research of the deposit. The first stage includes all drillholes until October of 2013, and the second one includes all drillholes after October of 2013 by the end of the drilling campaign in December of 2014. Both stages of this new study of resources and reserves of Casa de Pedra mine are in accordance with best pratices in the iron ore market.

We conducted extensive work throughout 2014 to document and classify all information related to both the current and future operations of the Casa de Pedra mine. In 2014, we hired Snowden Group, to undertake an independent analysis of the Casa de Pedra iron ore resources and reserves. Snowden carried out a full analysis of all available information and has independently validated our reported resources and reserves.

Snowden accepts as appropriate the estimates regarding proven and probable reserves made by us, totaling 2,704 million tons of iron ore (as of December 31, 2014) at a grade of 41.36% Fe and 36.46% SiO2. This new estimate of our iron ore reserves at Casa de Pedra is significantly larger than our estimate of 1,631 million tons, contained in an appraisal report prepared in 2006 by Golder Associates.

Over the course of the Casa de Pedra Mine's life we have executed different drilling campaigns and, in total, we have drilled 106,791 meters by the end of October of 2013, the first stage of the iron ore resources and reserves report. The last completed campaign started in October of 2012 and ended in November of 2014. In the course of that campaign, we drilled 15,752.25 meters that we used in this first stage of resources and reserves and we are currently extending our drilling campaign 17,539.40 meters which we will use in the second stage to increase and improve our knowledge of the iron ore deposits at Casa de Pedra.

Engenho and Fernandinho

In 2012 we started the same process used at Casa de Pedra to identify iron ore resources and reserves at the Engenho and iron ore resources at the Fernandinho mine in two stages.

We conducted extensive work throughout 2014 to document and classify all information related to both the current and future operations of the Engenho and Fernandinho mines. In 2014, we hired Snowden Group, to conduct an independent analysis of the Engenho iron ore resources and reserves and Fernandinho resources. Snowden carried out

a full analysis of all available information and has independently validated our reported resources and reserves.

Snowden accepts as appropriate the estimates regarding proven and probable reserves made by us, totaling for Engenho 317 million tons of iron ore (as of December 31, 2014) at a grade of 39.48% Fe and 40.01% SiO2.

Table of contents

In November 2012 we started a new drilling campaign with an additional 11,899 meters in the Engenho mine. In this first stage we use drillings performed up until the end of October 2013. For Engenho we used 4,085 meters of this last campaign totaling 9,264 meters to report the first stage estimates. In the second stage (the drilling performed up until December, 2014) we will use 7,814 meters in the Engenho mine.

Production

Casa de Pedra

The Casa de Pedra facilities are located in the city of Congonhas, in the State of Minas Gerais. The Casa de Pedra mine is located 350 km from the Presidente Vargas Steelworks and supplies iron ore products to our steel mill, as well as for export through the Itaguaí Port. Casa de Pedra's equipment fleet and treatment facilities have an installed annual ROM capacity of approximately 130 million tons and 28 million tons, respectively.

Pires and Fernandinho Beneficiation Plants

Pires plant is the beneficiation plant of Congonhas Minérios. The plant receives material from Engenho mine (located at the northern border of the Casa de Pedra mine) and processes crude ore acquired from other companies, which along with its own ROM, generates final products such as: lump ore, small lump ore (hematitinha), sinter feed and concentrates.

Fernandinho plant receives material from Fernandinho mine (located in the city of Itabirito) generates sinter feed and fines as final products.

The table below sets forth production of iron ore of our mines for the last three years:

	Production[1]		
	2013	**2014**	**2015**
Casa de Pedra[2] (Mt)	15.4	21.65	26.24
Grade (%)	63.80%	63.80%	63.80%
Pires [2] (Mt)	3.4	3.8	1.6
Grade (%)	61.60%	62.10%	63.90%
Fernandinho[2] (Mt)	0.6	0.6	0
Grade (%)	59.40%	59.50%	-

(1) In addition to its own production, Namisa also purchased iron ore from third parties. Third party purchase volumes totaled 11.9 million tons, 8.3 million tons and 3.1 million tons in 2013, 2014 and 2015, respectively.

(2) Production information considers 100% of the mines.

	CSN Consolidated Sales[1]		
	2013	**2014**	**20152**

Consolidated Sales (Mt)	**25.67**	**28.88**	**25.67**
Consolidated Net Revenue Per Unit (US$/t)	**98**	**64**	**26.91**

(1) Consolidated sales consider 100% of Namisa's Sales Volume until November 2015.

(2) Since December 2015, we have been considering 100% stake of Congonhas Minérios.

Distribution

Transportation costs are a significant component of our steel and iron ore production costs and are a factor in our price-competitiveness in the export market. Railway is the main means of transport by which we convey raw materials from our mines to the Presidente Vargas Steelworks and steel and iron ore products to ports for shipment overseas. Iron ore, limestone and dolomite from our two mines located in the State of Minas Gerais are transported by railroad to the Presidente Vargas Steelworks for processing into steel. The distances from our mines to the Presidente Vargas Steelworks are 328 km and 455 km. The distances from our mines to the ports are 440 km and 160 km. Imported coal and coke bought from foreign suppliers are unloaded at the port of Itaguaí, 90 km west of the city of Rio de Janeiro, and shipped 109 km by train to the Presidente Vargas Steelworks. Our finished steel products are transported by train, truck and ships to our customers throughout Brazil and abroad. Our most important local markets are the cities of São Paulo (335 km from the Presidente Vargas Steelworks), Rio de Janeiro (120 km) and Belo Horizonte (429 km).

Table of contents

Until recently, Brazil's railway system (including railcars and tracks) was principally government-owned and in need of repair, but it has now been largely privatized. In an attempt to increase the reliability of our rail transportation, we hold interests in companies that hold concessions for the main railway systems we use. For further information on our railway concessions, see "—Facilities—Railways."

We export iron ore and import coal and coke through the Itaguaí Port, in the State of Rio de Janeiro. The coal and container terminals have been operated by us since August 1997 and 1998, respectively.

Our Logistics Segment

Our logistics segment is comprised of railway and port facilities.

Railways

Southeastern Railway System

MRS has a 30-year concession to operate, through the year 2026 and renewable for an equal period of 30 years, Brazil's Southeastern railway system. As of December 31, 2015, we held 34.94% of MRS's total capital. For more information see "Item 5E. Off-Balance Sheet Arrangements". The Brazilian Southeastern railway system, with 1,643 km of track, serves the São Paulo - Rio de Janeiro - Belo Horizonte industrial triangle in Southeast Brazil, and links our mines located in the State of Minas Gerais to the ports located in the states of São Paulo and Rio de Janeiro and to the steel mills of CSN, Companhia Siderúrgica Paulista or Cosipa, and Gerdau Açominas. In addition to serving other customers, the railway transports iron ore from our mines at Casa de Pedra in the State of Minas Gerais and coke and coal from Itaguaí Port in the State of Rio de Janeiro to the Presidente Vargas Steelworks and transports our exports to the ports of Itaguaí and Rio de Janeiro. The railway system connects the Presidente Vargas Steelworks to the container terminal at Itaguaí Port, which handles most of our steel exports. Our transport volumes represent approximately 19% of the Brazilian Southeastern railway system's total volume. We are jointly and severally liable, along with the other main MRS's shareholders, for the full payment of the outstanding amount of its indebtedness (See "Item 5E. Off-Balance Sheet Arrangements"). However we expect that MRS will make the lease payments through internally generated funds and proceeds from financing.

Northeastern Railway System

We hold interest in companies that have concessions to operate the Northeastern railway system, which operates in the states of Maranhão, Piauí, Ceará, Paraíba, Pernambuco, Alagoas and Rio Grande do Norte and connects with the region's leading ports, offering an important competitive advantage through opportunities for intermodal transportation solutions and made-to-measure logistics projects. Resolution No. 4,042/2013 issued by the transportation regulatory agency (Agência Nacional de Transportes Terrestres), or ANTT, authorized the partial spin-off of TLSA and, as a result, the Northeastern railway system is currently divided into the Railway System I, operated by FTL, and the Railway System II, operated by TLSA.

As of December 31, 2015, we held 89.79% of the capital stock of FTL, which has a concession to operate the Railway System I (which encompasses the stretches between the cities of São Luís – Mucuripe, Arrojado – Recife, Itabaiana – Cabedelo, Paula Cavalcante – Macau and Propiá – Jorge Lins) of Brazil's Northeastern railway system until 2027,

renewable for an additional 30 years. The Railway System I consists of 4,238 km of railways. As of December 31, 2015, R$98.7 million in concession payments were outstanding over the remaining 12 years of the concession.

Table of contents

As of December 31, 2015, we held 56.92% of the capital stock of TLSA, which has a concession to construct and operate the Railway System II (which encompasses the stretches between Missão Velha – Salgueiro, Salgueiro – Trindade, Trindade – Eliseu Martins, Salgueiro – Porto de Suape and Missão Velha – Porto de Pecém) of Brazil's Northeastern railway system. Once concluded, the Railway System II will have an extension of 1,753 km of tracks that will connect the interior of Northeast Brazil to Pecém and Suape Ports. This concession was granted in 1997 and recently had its original term extended until the earlier of 2057 or the date when TLSA reaches a rate of annual return of 6.75% of its total investment with monetary adjustments. For more information, see "Item 5E. Off-Balance Sheet Arrangements."

Port Facilities

Solid Bulks Terminal

We operate an integrated and modern logistics structure. Part of this structure includes the operation of TECAR through a concession renewed in 2015 and expiring in 2047.

TECAR is connected to road and rail systems across Southeastern Brazil and is one of the four port terminals that make up the Port of Itaguaí facilities. With a strategic location and a total area of 740,761 m², the terminal consists of a concrete molded berthing pier superposed on jacketed stilts connected to the mainland by an access bridge perpendicular to the berthing pier. Its backyard includes conveyor belts, an internal road system, bulk storage yards, a railway looping, as well as industrial and administrative facilities.

Our imports of coal and coke and exports of iron ore occur through this terminal. Under the terms of the concession, we have the obligation to ship at least 3.0 million tons of bulk cargo annually and, as of 2020, we undertook to ship 38.4 million tons of iron ore annually. Among the approved investments, that we had previously announced was the development and expansion of the solid bulks terminal at Itaguaí, which phase 1 expansion to handle up to 45 million tons of iron ore per year was completed in 2013. For further information, see "—D. Property, Plant and Equipment—Planned Investments—Mining."

Container Terminal

We own 99.99% of Sepetiba Tecon S.A., or TECON, which has a concession to operate the container terminal at Itaguaí Port for a 25-year term expiring in 2026, that is renewable for another 25 years. As of December 31, 2015, approximately U.S.$69 million of the cost of the concession remained payable over the next 11 years of the contract. For more information, see "Item 5E. Off-Balance Sheet Arrangements."

The Itaguaí Port is located in Brazil's Southeast Region, with all major exporting and importing areas of the states of São Paulo, Minas Gerais and Rio de Janeiro within 500 km from the port. This area represented more than 55% of the Brazilian gross domestic product, or GDP, in 2014 according to the Brazilian Geography and Statistics Institute (Instituto Brasileiro de Geografia e Estatística).

The Brazilian Federal Port Agency has made investments in port infrastructure projects such as expanding the maritime access channel to the Itaguaí Port and increasing its depth. In addition, significant investments were made by the Brazilian federal government in adding two extra lanes to the Rio-Santos road, and in constructing the Rio de Janeiro Metropolitan Bypass, a beltway that crosses the Rio de Janeiro metropolitan area. These factors, combined with favorable natural conditions, like natural deep waters and a low urbanization rate around the port area, allow the operation of large vessels as well as highly competitive prices for all services rendered, resulting in the terminal being a major hub port in Brazil.

We have invested in infrastructure and equipment at Sepetiba TECON, such as the Berth 301 Equalization, the acquisition of two new Super Post Panamax Ship-to-Shore Cranes and four new RTG cranes for yard operations, that were delivered in the first quarter of 2014. These investments, along with the previous ones, like the dredging of Sepetiba Tecon's Berths 302/303 and access channel to 15.5m depth, increased TECON's capacity from 320,000 containers (or 480,000 TEUs) to 440,000 containers (or 660,000 TEUs) per year.

Table of contents

In 2015, there was a decrease in the volume of containers operated by the terminal, which handled 151,823 units, a decrease of almost 12% compared to 2014, when we handled 172,736 units. The impact, however, was mitigated because, despite the Brazilian economic crisis, the terminal was able to attract two new container service calls (Asia and Gulf of Mexico/USA).

On the other hand, we exported 926,155 tons of steel products in 2015, an increase of 154% compared to 364,053 tons in 2014, breaking a 5-year record especially as a result of a combination of low domestic demand and favorable exchange rates . We also increased the operations of other cargoes, reaching a volume of 205,834 tons, compared to 110,348 tons in 2014.

Our Cement Segment

Our cement segment is comprised of a cement plant in Volta Redonda, in the state of Rio de Janeiro, and in Arcos, in the state of Minas Gerais.

In 2015, two new crushing facilities were delivered in Arcos, increasing its annual capacity by 2.2 million tons of cement. With the implementation of the new clinker kiln in Arcos (MG), scheduled for 2016, CSN will achieve self-sufficiency in the production of this raw material.

Production

The cement production is held at Volta Redonda and Arcos and begins with the influx of raw materials: clinker, limestone, gypsum and slag. We consume clinker produced in our clinker plant in Arcos and eventually we import clinker to supply demand. Limestone comes from Arcos by rail. Slag is a by-product of iron and steel, produced in the blast furnace, and is also stored in the warehouse, arriving at the plant by road. CSN uses natural gypsum, from Ouricuri, in the state of Pernambuco, which arrives at the plant by truck and is stored in the warehouse.

All transportation of raw materials within the plant is carried out by conveyor belts, placing inputs in scales according to a predefined formula and delivering them to the mills. There are two grinding lines and each mill has a nominal capacity of 170 tons/h. Annual plant capacity is 2.4 million tons of cement. The mill has a hydraulic roller system, which uses pressure to grind the layer of material on the turntable. Hot gas, derived from the combustion of natural gas or petroleum coke, is used in the mills to dry materials.

The types of cement we produce are: CP III-40 RS, CP II-E-32 and CP II-E-40 in bagged and bulk forms. The plant has four silos, two of them with 10,000 tons of capacity and two with 5,000 tons of capacity. Cement can be shipped in bagged and bulk forms. We have two baggers with 12 filling nozzles (nominal capacity of 3,600 bags/hour) and two palletizers for bagging cement.

Our Energy Segment

Our energy segment is comprised of generation plants and is aimed at enabling us to maintain our self-sufficiency in energy, reducing our production cost and our exposure to fluctuations or availability of certain energy sources.

Our energy related assets include:

Thermoelectric Co-Generation Power Plant

We completed the construction of a 235.2 MW thermoelectric co-generation power plant at the Presidente Vargas Steelworks in December 1999. Since October 2000, the plant has provided the steelworks with approximately 60% of the electric energy needed in its steel mills. Aside from operational improvements, the power plant supplies our strip mills with electric energy, processed steam and forced air from the blast furnaces, benefiting the surrounding environment through the elimination of flares that burn steel-processing gases into the atmosphere. In addition, we installed a new turbine generator in 2014, which added 21 MW to our existing installed capacity. This turbine is located near our Blast Furnace No. 3, and uses the outlet gases from the iron making process to generate energy.

Itá Hydroelectric Facility

Tractebel and CSN each own 48.75% of ITASA, a special-purpose company formed for the purpose of owning and operating, under a 30-year concession granted in 2000, 60.5% of the Itá hydroelectric facility on the Uruguay river in Southern Brazil. Companhia de Cimento Itambé, or Itambé, owns the remaining 2.5% of ITASA. Tractebel directly owns the remaining 39.5% of the Itá hydroelectric facility.

Table of contents

The power facility was built using a project finance structure with an investment of approximately U.S.$860 million. The long-term financing for the project was closed in March 2001 and consisted of U.S.$78 million in debentures issued by ITASA, a U.S.$144 million loan from private banks and U.S.$116 million of direct financing from BNDES, all of which were paid in February 2013. The sponsors of the project have invested approximately U.S.$306 million in this project.

Itá has an installed capacity of 1,450 MW, with a firm guaranteed output of 668 MW, and became fully operational in March 2001.

We and the other shareholders of ITASA have the right to take our pro rata share (proportional to our ownership interest in the project) of Itá's output pursuant to 30-year power purchase agreements at a fixed price per megawatt hour, adjusted annually for inflation. Since October 2002, we have been using our entire Itá take internally.

Igarapava Hydroelectric Facility

We own 17.9% of a consortium that built and has the right to operate for 30 years the Igarapava hydroelectric facility. Other consortium members are Aliança, Votorantim Metais Zinco and AngloGold Ashanti Mineração Ltda. The plant has an installed capacity of 210 MW, corresponding to 136 MW of firm guaranteed output. We have been using our 23 MW take from Igarapava to supply energy to the Arcos mines and our other units.

Marketing Organization and Strategy

Flat Steel

Our steel products are sold both domestically and abroad as a main raw material for several different manufacturing industries, including the automotive, home appliance, packaging, construction and steel processing industries.

Our sales approach is to establish brand loyalty and achieve a reputation for quality products by developing relationships with our clients and focusing on their specific needs, providing tailor-made solutions for each of our clients.

Our commercial area is responsible for sales of all of our products. This area is divided into two major teams, one focused on international sales and the other on domestic sales. The domestic market oriented sales team is divided into seven market segments: Packaging, Distribution Network, Automotive Industry (Automakers and Auto Parts), Home Appliances, Original Equipment Manufacturer, or OEM, Construction and Pipes. The commercial area also has a team called "Special Sales" which is responsible for selling all the process residues, such as blast furnace slag, pitch and ammonia, which are widely used as inputs in chemical and cement industries.

The Distribution Network division is responsible for supplying large steel processors and distributors. Besides the independent distributors, CSN also has its own distributor, called Prada Distribuição. The Pipes division supplies oil

and gas pipe manufacturers as well as some industries that produce small diameter pipe and light profiles. The Packaging unit acts in an integrated way with suppliers, representatives of the canning industry and distributors to respond to customer needs for finished-products. The Automotive unit is supplied by a specialized mill, CSN Porto Real, and also by a portion of the galvanized material produced at Presidente Vargas Steelworks, benefitting from a combined sales strategy.

Historically, our export sales were made primarily through international brokers. However, as part of our strategy to establish direct, longer-term relationships with end-users, we have decreased our reliance on such brokers. We have focused our international sales on more profitable markets in order to maximize revenues and shareholder returns.

All of our sales are on an order-by-order basis and have an average delivery time of 45 days. As a result, our production levels closely reflect our order log book status. We forecast sales trends in both the domestic and export markets based on the historical data available and the general economic outlook for the near future. We have our own data systems to remain informed of worldwide and Brazilian market developments. Further, our management believes that one of the keys to our success is maintaining a presence in the export market. Such presence gives us the flexibility to shift between domestic and export markets, thereby allowing us to maximize our profitability.

Table of contents

Unlike with other commodity products, there is no exchange trading of steel, or uniform pricing, as wide differences exist in terms of size, quality and specifications. In general, exports are priced based on international spot prices of steel at the time of sale in U.S. dollars or Euros, depending on the destination. Sales are normally paid up front, or within 14 or 28 days, and, in the case of exports, usually backed by a letter of credit and an insurance policy. Sales are made primarily on cost and freight terms.

Sales by Geographic Region

In 2015, we sold steel products to customers in Brazil as well as to customers in 32 other countries. The fluctuations in the portion of total sales assigned to domestic and international markets, which can be seen in the table below, reflect our ability to adjust sales in light of variations in the domestic and international economies, as well as steel demand and prices, both domestically and abroad.

The two main export markets for our products are North America and Europe, representing approximately 70% and 18%, respectively, of our export sales volume in 2015.

In North America, we utilize our subsidiary CSN LLC, which acts as a commercial channel for our products. CSN has historically shipped hot-rolled to CSN LLC which is then processed and transformed into more value-added products at CSN LLC's plant, such as cold-rolled coil and galvanized. Moreover, we are able to export cold-rolled coils which can be directly sold or processed by CSN LLC in order to manufacture galvanized products.

CSN – Sales of All Steel Products by Destination
(In thousands of metric tons and millions of R$)

| | 2015 | | | | 2014 | | | | | | 2
	Tons	% of Total	Net Operating Revenues[2]	% of Total	Tons	% of Total	Net Operating Revenues[2]	% of Total	Tons	% of Total	R
Brazil	2,968	59.50%	6,612	60.40%	3,718	72.00%	8,493	75.40%	4,650	76.00%	
Export	2,022	40.50%	4,332	39.60%	1,460	28.00%	2,764	24.60%	1,467	24.00%	
Total	**4,990**	**100%**	**10,944**	**100%**	**5,117**	**100%**	**11,257**	**100%**	**6,117**	**100%**	
Exports by Region											
Asia	9	0%	17	0%	48	3.20%	78	2.80%	30	2.10%	
	802	39.70%	1,834	42.30%	289	19.70%	669	24.20%	298	20.30%	

North America(1)										
Latin America	115	5.70%	376	8.70%	59	4.00%	161	5.80%	59	4.00%
Europe	1,090	53.90%	2,087	48.20%	1,057	72.10%	1,840	66.60%	1,071	73.00%
All Others	7	0%	18	0%	7	0.50%	16	0.60%	9	0.60%

(1) Sales to Mexico are included in North America.(2) Net operating revenues presented above differ from amounts in our IFRS consolidated financial statements because they do not include revenues from non-steel products (non-steel products include mainly by-products, iron ore, logistics services and cement).

Sales by Product

The following table sets forth our market shares for steel sales in Brazil of hot-rolled, cold-rolled, galvanized and tin mill products for 2015, 2014 and 2013.

Table of contents

CSN Domestic Market Share	2015	2014	2013
Hot-Rolled Products	36%	41%	45%
Cold-Rolled Products	19%	18%	17%
Galvanized Products	28%	28%	27%
Tin Mill Products	12%	11%	11%
Long Steel	5%	1%	-

Sales by Industry

We sell our steel products to manufacturers in several industries. The table below shows our domestic shipments breakdown by volume for the last three years among our market segments:

	2015	2014	2013
	(In percentages of total domestic volume shipped)		
Distribution Network	45%	37%	44%
Packaging	13%	11%	8%
Automotive	11%	18%	17%
Home Appliances	9%	9%	7%
OEM	4%	4%	5%
Construction	18%	21%	20%

We believe we have a particularly strong domestic and export position in the sale of tin mill products used for packaging in Latin America. Our customers for these products include some of the world's most important food processing companies, as well as many small and medium-sized entities. We also maintain a strong position in the sale of galvanized products for use in the automobile manufacturing, construction and home appliance industries in Brazil and abroad, supplied by CSN Porto Real and CSN Paraná. No single customer accounts for more than 10% of our net operating revenues.

For further information on steel sales, see "Item 5A. Operating Results—Steel Markets and Product Mix— Sales Volume and Net Operating Revenues by Steel Products and Markets" and "Item 5A. Operating Results— Results of Operations—Year 2015 Compared to Year 2014—Net Operating Revenues."

Seasonality

Steel demand is stronger in the second quarter of the year and weaker in the last quarter. Nevertheless, our production is continuous throughout the year.

Long Steel – SWT

Our long steel products are sold both in Germany (about 30%) and other countries, mainly in Europe (60%), for industrial, infrastructure, civil construction and engineering industries.

Our sales approach is to establish brand loyalty and to maintain our reputation of high quality products and excellent delivery performance by developing long term relationships with our clients. SWT focuses on meeting specific customer needs, developing solutions for both low temperature and high temperature resistant applications, as well as optimized section shapes for special applications.

Our commercial area is responsible for sales of all of our products worldwide. This area is divided into the direct sales team which is organized in 13 agencies located in Germany and our core markets in Europe, the commercial back office department (order management from entry via tracking to the final delivery and invoicing), logistics contracting (truck, rail, vessel, maritime, inventory worldwide) and a rail logistics department.

SWT does not possess its own distribution network, instead cooperating with the big steel distributors and traders in Europe and other countries. All of our sales are on an order-by-order basis. The delivery time is related to the logistics chain and varies between 2 to 6 weeks depending on Incoterm and section type. As a result, our production levels closely reflect our order log book status. We forecast sales trends in both the European and export markets based on the historical data available from the last two years and the general economic outlook for the near future. We believe that our presence in the export market outside of Europe gives us more flexibility to optimize production and maximize our profitability.

Table of contents

Sections are not sold based on uniform pricing in Europe, as wide differences exist in terms of size, quality and specifications. In general, exports are priced based on international spot prices of steel at the time of sale in U.S. dollars or Euros, depending on the destination. Sales are normally paid within 30 days, and, in the case of exports, usually backed by a letter of credit and an insurance policy. All SWT businesses are 100% covered by EulerHermes risk insurance, a bank guarantee or a letter of credit. Sales are made primarily on cost and freight terms.

Long Steel – Volta Redonda

In 2013, CSN started the production of long steel in Volta Redonda. This plant has production capacity of 500kt/y when fully operational, providing the domestic market with products for civil and industrial construction.

Divided in wire rod, rebar CSN 50 and rebar CSN 25, the products were developed using high technology and in accordance with the highest quality and sustainability standards, with all tradition and reliability of our products.

The commercial team is comprised of its own sales force ready to meet all the needs of the market, not only the needs of small clients, but also the needs of large wholesales. Following the model already successfully deployed by us, in which we seek a diversified and pulverized service to our customers, we will be able to count on a real partner to boost our business.

In order to optimize the process, the product's outflow will be made in operational synergy with the flat steel units, using the same distribution centers, strategically located so as to deliver to all national territory.

This is another addition for the products from our portfolio, which is already comprised of cement, structural section products derived by flat steel, such as tile, tube, among others, so as to offer a portfolio that thoroughly covers the civil construction segment.

Iron Ore

Iron ore products are commercialized by our commercial team located in Brazil and overseas. In Europe and Asia, our offices also include technical assistance management. These three marketing units allow us to maintain close relations with our customers worldwide, understand the environment where they operate, monitor their requirements and provide all necessary assistance in a short period of time. Market intelligence analysis, planning and administration of sales are handled from Brazil by the staff in our São Paulo office, while our domestic sales team is located at Casa de Pedra mine, in the State of Minas Gerais.

We supply our iron ore to the steel industry and our main targets are the Brazilian, European, Middle Eastern and Asian markets. Prevailing and expected levels of demand for steel products directly affect demand for iron ore. Demand for steel products is correlated to many factors, such as GDP, global manufacturing production, urbanization, construction and infrastructure spending.

We believe our competitiveness has been improved by our customer service and market intelligence. It is paramount for us to have a clear understanding of our customers' businesses in order to address their needs, surpass their expectations and build long-term relationships. We have a customer-oriented marketing policy and specialized local personnel in direct contact with our clients in order to help determine the mix that best suits each particular client.

CSN – Sales of Iron Ore Products by Destination
(In thousands of metric tons and millions of R$)

	2015				**2014**				**2013**			
	Tons	**% of total**	**Net Operating Revenues**	**% of total**	**Tons**	**% of total**	**Net Operating Revenues**	**% of total**	**Tons**	**% of total**	**Net Operating Revenues**	**% of total**
Brazil	538,592	2.30%	175,223	5.50%	138,436	0.50%	306,837	7.50%	157,041	0.70%	679,974	13%
Export	23,322,408	97.70%	3,012,027	94.50%	25,106,988	99.50%	3,802,566	92.50%	21,377,106	99.30%	4,616,754	87%
Total	**23,861,003**	**100%**	**3,187,250**	**100%**	**25,245,424**	**100%**	**4,109,403**	**100%**	**21,534,147**	**100%**	**5,296,728**	**100%**
Exports to												
Asia	21,963,324	95%	2,836,505	95%	24,334,337	97%	3.674.778	97%	16,956,231	79.30%	3.610.625	78%
North America	-	-	-	-	-	-	-	-	-			-
Europe	1,028,221	4%	132,792	4%	772,651	3%	127.788	3%	4,420,875	20.70%	1.006.129	22%
Latin America	330,861	1%	42,730	1%								

(*) Iron ore sales volumes presented in this table take into consideration sales by CSN and by our subsidiaries and jointly controlled entities proportionally to our interest (Namisa 60% until November 2015 and 100% stake in Congonhas Minérios as of December 2015).

Table of contents

The first step to our entry into the international iron ore market was taken in February 2007, with the completion of the first phase of the expansion of our coal seaport terminal in Itaguaí, in the State of Rio de Janeiro, which enabled us to also handle and export iron ore and to load from our own facilities the first shipment of our iron ore products.

In 2015, our iron ore sales reached 25.7 million tons, a decrease of 11% compared to 2014. According to our consolidated financial statements, total mining net revenue decreased 22% over the past year, mainly due to lower iron ore prices. The share of mining segment revenue in CSN's total net revenue decreased from 25% in 2014 to 19% in 2015.

In 2015, 95% of our iron ore export sales went to the Asian market, mainly China and 4% were sold in the European market. Of our total sales, 72% were sinter feed, 13% pellet feed, 7% lump ore and 8% concentrated.

As global iron ore markets are highly competitive, we focus on our flexibility, reliability and efficient manner of supplying iron ore to the world market.

Through our marketing offices, we have long-term relationships with most players in the steel industry in China, Japan, Taiwan, South Korea, Europe and Brazil.

Cement

We sell cement type CP III-40, CP II-E-32 and CP II-E-40 in bagged and bulk forms. We operate in the markets of Rio de Janeiro, Minas Gerais and Sao Paulo. With the purpose of expanding and increasing competitiveness, we own eleven distribution centers located in strategic points: three in São Paulo, four in Rio de Janeiro and four in Minas Gerais. Supply to these distribution centers is made through railways and road transport, using mainly the MRS railway.

We have a diverse client base of approximately 18,000 clients, including construction material stores, home centers, concrete producers, construction companies, mortar industries and cement artifact producers.

The focus of our sales strategy is on retail. In this segment, we have a strong presence in sales points, where we reinforce the quality of the product to final customers. The retail segment operates with a low level of inventory, and a significant percentage of repurchase in the month, which highlights the competitive advantage of CSN’s distribution centers.

Table of contents

In 2015, amid the ongoing Brazilian economics crisis, we marginally increased our sales, reaching 2,182 thousands tons, marking a growth of 3% when compared to 2014. All our cement production is sold in the domestic market.

CSN – Cement Sales Figures *(In thousands of metric tons and millions of R$)*

	2015		2014		2013	
	Tons	**Net Operating Revenues**	**Tons**	**Net Operating Revenues**	**Tons**	**Net Operating Revenues**
Brazil	2,182	432	2,185	440	2,045	415

Insurance

We and our subsidiaries maintain several types of insurance policies. These insurances are contracted in line with the risk management of our business and attempt to follow the market practices for similar activities. Coverage in such policies encompasses domestic and international (import and export) cargo transportation (by road, rail, sea or air), life insurance, personal accidents, health, auto insurance, D&O, general liability, erection risks, boiler and machinery coverage, trade credit insurance, surety, named perils, ports and terminal liabilities. These policies may not be sufficient to cover all risks we are exposed to.

We also have an insurance policy covering the operational risks, material damages and loss of profits of our following branches and subsidiaries: Presidente Vargas Steelworks, Congonhas Minério, Container Terminal Sepetiba TECON, CSN Mining. This policy was negotiated with domestic and foreign insurers and reinsurers and is valid until September30, 2016 for a total insured value of U.S.$600 million (out of a total risk amount of U.S.$11.1 billion). Under the terms of the policy, we remain responsible for the first tranche of U.S.$375 million in losses (material damages and loss of profits).

Intellectual Property

We maintain a special unit for managing the intellectual property rights which include: trademarks, patents and industrial designs, ensuring adequate protection for the company and the possibility of commercialization, through technology transfer agreements the results of our innovation developments. We also maintain cooperation agreements with universities and research institutes for the exchange of technical cooperation and developments related to new processes and / or products.

Table of contents

Competition in the Steel Industry

Both the worldwide and the Brazilian steel markets are intensely competitive. The primary competitive factors in these markets include quality, price, payment terms and customer service. Further, continuous advances in materials, sciences and resulting technologies have given rise to improvements in products such as plastics, aluminum, ceramics, glass and concrete, permitting them to serve as substitutes for steel for certain purposes.

Competition in the Brazilian Steel Industry

The primary competitive factors in the domestic market include quality, price, payment terms and customer service.

The following table sets forth the production of crude steel by Brazilian companies for the years indicated[1]:

	2014		2013		2012	
	Ranking	**Production** *(In million tons)*	**Ranking**	**Production** *(In million tons)*	**Ranking**	**Production** *(In million tons)*
Gerdau[2]	1	7.5	1	8.1	1	8.2
Usiminas	2	6.1	2	6.9	2	7.2
ArcelorMittal Tubarão	3	5.4	4	4.4	4	4.4
CSN	4	4.5	3	4.5	3	4.8
ArcelorMittal Aços Longos	5	3.3	5	3.5	5	3.4
Others		7.1		6.8		6.5
Total		**33.9**		**34.2**		**34.5**

Source: IABr

1. Information for 2015 was not yet available as of the date of this annual report.
2. Data from Aços Villares have been merged into data from Gerdau.

Competitive Position — Global

During 2015, Brazil maintained its place as the largest producer of crude steel in Latin America, with a production output of 33.2 million tons and a 2.1% share of total world production, according to data from the World Steel Association, or WSA. In 2015, Brazil also maintained its position as the ninth largest steel producer globally, accounting for around half of total production in Latin America, approximately twice the size of Mexico's or 42% of the U.S.' steel production, according to data from the WSA. According to IABr, Brazilian exports in 2015 amounted to 13.7 million tons of finished and semi-finished steel products, increased by 40% compared to 2014.

We compete on a global basis with the world's leading steel manufacturers. We have positioned ourselves in the world market with a product mix characterized by high margin and strong demand, such as tin plate and galvanized products. We have relatively low-cost and sufficient availability of labor and energy, and own high-grade iron ore

reserves. These global market advantages are partially offset by costs of transporting steel throughout the world, usually by ship. Shipping costs, while helping to protect our domestic market, put pressure on our export price. To maintain our position in the world steel market in light of the highly competitive international environment with respect to price, our product quality and customer service must be maintained at a high level. See “Item 4B. Business Overview—Government Regulation and Other Legal Matters—Proceedings Related to Protectionist Measures” for a description of protectionist measures being taken by steel-importing countries that could negatively impact our competitive position.

Table of contents

Competitive Advantages of the Brazilian Steel Industry

Brazil's principal competitive advantages are its abundant supply of low-cost, high-grade iron ore and energy resources. Brazil also benefits from a vast internal market with a large growth potential, a privatized industry making investments in plant and equipment, and deep water ports allowing the operation of large ships, which facilitates access to export markets.

Brazilian domestic steel prices have historically been higher than its export prices. However, in 2010 and 2011, lower demand in mature markets, the appreciation of the real against the U.S. dollar, certain tax incentives, and imported steel products forced Brazilian producers to adjust prices closer to export price levels in order to maintain competitiveness. In 2012, with the depreciation of the real against the U.S. dollar and protective government measures which raised taxes on steel imports, export prices fell and domestic prices increase again.

Despite the increase in the overall steel sheet demand in 2013, prices in the USA, Germany and China decreased by 5.2% compared to 2012 while, in 2014, the global average sheet prices decreased by 4.3% compared to 2013.

In 2015, due to the depreciation of the real against the U.S. dollar and lower domestic demand, sales in the external market became more attractive and the Brazilian exports of flat products has increased 64%, while imports decreased 21% compared with the same period in 2014.

The global steel overcapacity and the exchange rate volatility approximate the domestic to the international steel prices, which is expected to continue in the short term.

Government Regulation and Other Legal Matters

Environmental Regulation

We are subject to Brazilian federal, state and municipal environmental laws and regulations governing air emissions, waste water discharges, solid and hazardous waste handling and disposal, wildlife management, forest maintenance, dangerous products transportation, and preservation of traditional communities. We are committed to controlling the substantial environmental impact caused by our steelmaking, mining, cement and logistics operations, in accordance with international standards and in compliance with environmental laws and regulations in Brazil. We believe currently we are largely in compliance with applicable environmental requirements. While the Brazilian government has authority to promulgate environmental regulations setting forth minimum standards of environmental protection, state and local governments have the power to enact more stringent environmental regulations.

We are subject to regulation and supervision by the Brazilian Ministry of Environment, the Environmental National Council, or CONAMA, which is the federal body responsible for enacting technical regulations and environmental protection standards, and by the Brazilian Institute of Environment and Renewable Natural Resources, or IBAMA, which is responsible for enforcing environmental laws at the federal level. The environmental regulations of the State

of Rio de Janeiro, in which the Presidente Vargas Steelworks (UPV) is located, are enforced by the INEA. In the state of Minas Gerais, where our main mining operations are located, we are subject to regulations and supervision by the Environmental Policy Council, or COPAM, by the Regional Superintendent of Environment and Sustainable Development, or SUPRAM-CM, the Water Management Institute of Minas Gerais, or IGAM, the State Forestry Institute, or IEF, and the State Environmental Foundation, or FEAM, which are the competent bodies of the Secretary of State for the Environment and Sustainable Development of Minas Gerais, or SEMAD. Specific goals and standards are established in operating permits or environmental accords issued to each company or plant. These specific operational conditions complement the standards and regulations of general applicability and are required to be observed throughout the duration of the permit or accord. The terms of such operating permits are subject to change and are likely to become stricter. All of our facilities currently have or are in the process of obtaining/renewing their operating permits.

Table of contents

Environmental Expenditures and Claims

Promoting responsible environmental and social management is part of our business. We prioritize processes and equipment that offer modern and reliable technologies on environmental risks monitoring and control. We operate a corporate environmental department managed by a corporate environmental department under an Environmental Management System, or EMS, compliant with ISO 14001:2004 requirements. In addition, we have established (i) an internal committee for environmental management composed of professionals from different departments of CSN's units, whose goal is to regularly discuss any problems that may arise and to identify risks and aspects of the operations in which the group can act pro-actively in order to prevent possible environmental harm and (ii) a sustainability committee composed of external advisors, which provides guidelines for our strategic decisions. The environmental controls implemented since 2006 also contribute to mitigate environmental risks of CSN's operations.

To further understand our potential social and environmental risks, we use mapping criteria in accordance with the Global Reporting Initiative (G4), or GRI, for all of our operations. Resulting data and indicators in environmental, social and economic categories allow us to track our performance, structure and monitor action plans, in an effort to improve and enhance our results.

Since 2010, we have been conducting a survey of greenhouse gas emissions at our main sites following the guidelines of the GHG Protocol. Additionally, in response to a law enacted by the State of Rio de Janeiro in 2012 and in effect since 2013, which requires steel making and cement industries to present action plans to reduce greenhouse gas emissions when renewing or applying for operational licenses, we are conducting such survey under the supervision of INEA. CSN intends to use this information in the development of a corporate carbon management program and related strategies to reduce emissions, as well as to identify current risks and opportunities for improvement.

Other strategies are being adopted by us in order to improve our environmental commitment. Since 2012, we participate in the *Climate Forum* organized by the Ethos Institute for Social Responsibility and in 2015 we joined the *Open Letter to Brazil on Climate Change* initiative, with the aim that the Brazilian government assume a leadership position during the 21st United Nations Framework Convention on Climate Change (UNFCCC) Conference, or COP-21. In 2015, we confirmed our commitment to sustainable development by signing the Sustainable Development Charter of Industry promoted by the World Steel Association, which is comprised of 75 leading steel companies committed to the seven principles of sustainability in the industry, and we also received the Gold Standard of the GHG Protocol, which confirms that we are in compliance with the standards imposed by the GHG Protocol. We report the guidelines followed by our management with respect to climate change, supply chain and water resources to the Carbon Disclosure Project – CDP, and actively participates in the network NICOLE Brazil, a Brazilian leading organization that develops and promotes solutions for the management of contaminated areas. We also develop environmental education projects and promote understanding of the historical and natural patrimony, especially in the Arcos, Casa de Pedra and TLSA plants. To reaffirm our commitment to the transformation of values and attitudes through new habits and knowledge, we started the Environmental Education Program (PEA), an initiative managed by the CSN Foundation that uses art as a dialogue between students, teachers and employees.

In relation to our expenditures for environmental programs, and given the potential risk of water shortages, especially in the Southeast of the Brazil, we have continued with various actions aimed at increasing the efficiency of water usage in our production processes, with an emphasis on accomplishing a water reuse rate of, at least, 92% in the Usina Presidente Vargas plant. In 2014, we hired a consultancy to prepare a water inventory, which provided us knowledge of how and to what extent our operations affect water resources, allowing us to develop plans and take actions to improve our efficiency and reduce potential pollution in local watersheds.

Since our privatization, we have invested heavily in environmental protection and remediation programs. We had environmental expenditures (capitalized and expensed) of R$405 million in 2015, of which R$90 million relate to capital expenditures (CAPEX) and R$315 million relate to operational expenditures (OPEX). Our total environmental expenditures were R$361 million in 2014 and R$382 million in 2013. Our investments in environmental projects during 2015 were mainly related to: (i) operation, maintenance and retrofitting of environmental control equipment; (ii) development of environmental studies for permit applications; (iii) studies, monitoring, and remediation of environmental liabilities due to prior operations, especially before our privatization; and (iv) human resources (environmental team), Environmental Management System, sustainability projects and compliance programs.

Table of contents

Our environmental guidelines also comprehend monitoring of our tailing dams, which are used to contain the waste of the beneficiation process of iron ore and to contain sediments from the waste dumps and mining activities. On an annual basis, all our tailing dams are audited by independent audit companies. The most recent audit report confirmed and attested that all tailing dams are stable, in accordance with technical standards and relevant legislation. In addition to that, CSN´s tailing dams are built using the "downstream" method, which is considered the safest method of tailing dams' construction.

TACs

In 2010, we signed with the Rio de Janeiro State Government a Term of Undertaking (*Termo de Ajustamento de Conduta*), or TAC ("TAC 2010"), that required new investments and studies to retrofit our environmental control equipment at the UPV plant. The TAC 2010 initially estimated the total amount to be disbursed in connection with the implementation of the required projects to be R$216 million. This initial estimate was updated to R$260 million as we obtained more accurate cost estimates for the completion of the projects. In 2013, we signed an amendment to the TAC 2010 regarding certain items pending conclusion and also included new obligations, as determined by the Rio de Janeiro State Environmental Agency (INEA), resulting in an additional investment of R$165 million, which has already been made by us. Given the deadline of the TAC 2010 in 2015, CSN, the Rio de Janeiro State and INEA came into a new agreement for complementary actions and signed a new TAC – TAC INEA No. 03/2016, in April 13, 2016 ("TAC 2016"). The TAC 2016 determines an additional investment of R$178 million for environmental controls at the UPV plant and the payment, by CSN, to the Rio de Janeiro state authorities of environmental fines in the amount of R$22 million, which will be allocated to environmental programs in the Volta Redonda region. As a consequence, the TAC 2016 concludes legal proceedings related to the TAC 2010. In April 2016, INEA executed one of the letters of guarantee in the amount of R$13 million and such amount has already been paid by CSN.

Other Environmental Proceedings and Liabilities

In July 2012, the Environmental Public Prosecutor of the State of Rio de Janeiro (*Ministério Público Estadual do Rio de Janeiro*) filed a judicial proceeding against us claiming that we must (i) remove all waste disposed in two areas used as an industrial waste disposal site in the city of Volta Redonda and (ii) relocate 750 residences located in the adjacent neighborhood Volta Grande IV Residential, also in the city of Volta Redonda. Later in 2012, we received notices for lawsuits brought by certain home owners at Volta Grande IV Residential claiming indemnification for alleged moral and material damages. Trial Courts in Rio de Janeiro have been adopting a split position as to whether the individual claims shall or not remain suspended until production of technical evidence on the Public Civil Action. Some cases remain suspended and others advanced to nomination of the judicial experts that will conduct the evidence production phase. For more information, please see "Item 8A. Consolidated Statements and Other Financial Information—Legal Proceedings—Other Legal Proceedings."

In 2015, the Federal Public Prosecutor of Rio de Janeiro (*Ministério Público Federal do Rio de Janeiro*) filed a public civil action against CSN to request an adjustment to emissions thresholds of the UPV plant. According to Resolução Conama 436, CSN is required to reduce emissions by December 2018. Currently, CSN is complying with state regulations.

In respect to other allegedly contaminated areas located in the city of Volta Redonda, State of Rio de Janeiro, the Federal and State Prosecutors have initiated lawsuits seeking remediation and indemnification in relation to the areas known as Marcia I, Marcia II, III and IV, Wandir I and II and Reciclam. These legal proceedings are in an initial phase and, currently, CSN is conducting environmental studies which will determine the extension of the impacts

arising from the contamination and is also implementing measures in order to comply with the applicable laws. Once concluded, these environmental studies will be presented and attached to each respective legal proceeding. Therefore, at this moment, no amount has been determined in relation to any significant disbursement and/or investment to made by us.

Our main environmental claims as of December 31, 2015 were associated with recovery services at former coal mines decommissioned in 1989 in the state of Santa Catarina, and recovery services due to previous operations in our UPV plant.

Table of contents

We record a provision for remediation costs and environmental lawsuits when a loss is probable and the amount can be reasonably estimated. This provision is included in our statements of income in "Other Operating (Expenses) Income". We do not include in our reserves environmental liabilities related to ERSA, as these are contractually supported by its former owner. As of December 31, 2015, we had provisions for environmental liabilities in the total amount of R$262.3 million, which we believe are sufficient to cover all probable losses. Such amount compares to R$211.5 million as of December 31, 2014, and R$346.5 million as of December 31, 2013. The increase in our provisions for environmental liabilities in 2015 as compared to 2014 is mainly due to the critical review of the remediation strategy and environmental management for external landfill areas, especially the areas of Mina IV (environmental recovery of former coal mine in Santa Catarina State) and Estação Ecológica de Corumbá (management of a nature conservation area in the State of Minas Gerais), resulting in a new technical approach based on geotechnical confinement.

The changes in the provision for environmental liabilities on our financial statements are as follows:

	Amounts *(in millions of R$)*
December 31, 2013	**346.5**
Term of Undertaking (TAC)(1)	5.7
Decommissioned Coal Mines (Santa Catarina)	-11.6
Landfills and other(2)	-129.0
December 31, 2014	**211.5**
Term of Undertaking (TAC)(1)	72.8
Decommissioned Coal Mines (Santa Catarina)	-12.9
Landfills and other(2)	-9.1
December 31, 2015	**262.3**

(1) Refers to environmental compensation agreed in the TAC but not related to investments in equipment.

(2) Refers to an estimate calculation of recovery costs related to landfills remediation obligations.

Brazil – mining regulation

Under the Brazilian Constitution, all mineral resources in Brazil belong to the federal government. The Brazilian Constitution and Mineral Code impose various regulatory restrictions on mining companies relating to, among other things:

- the manner in which mineral deposits must be exploited;
- the health and safety of workers and the safety of residential areas located near mining operations;
- the protection and restoration of the environment;
- the prevention of pollution; and
- the support of local communities where mines are located.

Mining companies in Brazil can only prospect and mine pursuant to prospecting authorizations or mining concessions granted by the National Department of Mineral Production (*Departamento Nacional de Produção Mineral*), or

DNPM, an agency of the Ministry of Mines and Energy of the Brazilian Government. DNPM grants prospecting authorizations to a requesting party for an initial period of one to three years. These authorizations are renewable at DNPM's discretion for another period of one to three years, provided that the requesting party is able to show that the renewal is necessary for proper conclusion of prospecting activities. On-site prospecting activities must start within 60 days of official publication of the issuance of a prospecting authorization. Upon completion of prospecting activities and geological exploration at the site, the holder of the prospecting authorization must submit a final report to DNPM. If the geological exploration reveals the existence of a mineral deposit that is economically exploitable, the grantee has one year (which DNPM may extend) from approval of the report by DNPM to apply for a mining concession by submitting an economic exploitation plan or to transfer its right to apply for a mining concession to an unrelated party. When a mining concession is granted, the holder of such mining concession must begin on-site mining activities within six months. DNPM grants mining concessions for an indeterminate period of time lasting until the exhaustion of the mineral deposit. Extracted minerals that are specified in the concession belong to the holder of the concession. With the prior approval of DNPM, the holder of a mining concession can transfer it to an unrelated party that is qualified to own concessions. Under certain circumstances, mining concessions may be challenged by unrelated parties.

Table of contents

Mining Concessions

Our iron ore mining activities at Casa de Pedra mine are performed based on *Manifesto de Mina*, which gives us full ownership over the mineral deposits existing within our property limits. Our iron ore mining activities at Engenho and Fernandinho mines are based on a concession by the Ministry of Mines and Energy, which grants us the right to exploit mineral resources from the mine for an indeterminate period of time lasting until the exhaustion of the mineral deposit. Our limestone and dolomite mining activities at the Bocaína mine and our tin mining activities at Ariquemes (ERSA mine) are based on concessions under similar conditions. See “Item 4D. Property, Plant and Equipment” for further information.

On October 30, 2015 and upon prior approval of DNPM, the Manifesto de Mina for Casa de Pedra was transferred by CSN to Congonhas Minérios, which also became the titleholder of the Engenho mining concession by the end of the year of 2015.In the same occasion, Fernandinho mining concession and the mining rights of Cayman and Pedras Pretas were transferred by Nacional Minérios (“Namisa”) to Minérios Nacional. For further information, see “Item 4D. Property, Plant and Equipment”.

Mineral Rights and Ownership

Our mineral rights for Casa de Pedra mine include the mining concession, a beneficiation plant, roads, a loading yard and a railway branch, and are duly registered with the DNPM. We have also been granted by DNPM easements in 19 mine areas located in the surrounding region, which are not currently part of Casa de Pedra mine, with the purpose to expand our operations, and hold title to all of our proved and probable reserves.

In addition, we have obtained and are in compliance with all licenses and authorizations for our operations and projects at Casa de Pedra mine.

The exploitation in Casa de Pedra mine is subject to mining lease restrictions, which were duly addressed in our iron ore reserve calculations. Quality requirements (chemical and physical) are the key “modifying factors” in the definition of ore reserves at Casa de Pedra and were properly accounted for by our mine planning department.

The Brazilian government charges us a royalty known as the Financial Compensation for Exploiting Mineral Resources (*Compensação Financeira pela Exploração de Recursos Minerais*), or CFEM, on the revenues from the sale of minerals we extract, net of taxes, insurance costs and costs of transportation. DNPM is responsible for enacting regulations on CFEM and auditing the mining companies to ensure the proper payment of CFEM. The current annual rates are:

- 3% on bauxite, potash and manganese ore;
- 2% on iron ore, kaolin, copper, nickel, fertilizers and other minerals; and
- 1% on gold.

The Mineral Code and ancillary mining laws and regulations also impose other financial obligations. For example, mining companies must compensate landowners for the damages and loss of income caused by the use and occupation of the land (either for exploitation or exploration) and must also share with the landowners the results of the exploration (in a rate of 50% of the CFEM). Mining companies must also enter into agreements with the Brazilian

government to use public lands and eventually compensate the government for damages caused to such public lands. A substantial majority of our mines and mining concessions are on lands owned by us or on public lands for which we hold mining concessions.

Table of contents

The Brazilian Congress is currently reviewing a bill that proposes significant changes in the Mineral Code, including a potential increase of the CFEM rates, which may have a material impact on our mining operations.

Antitrust Regulation

We are subject to various laws in Brazil which seek to maintain a competitive commercial environment. The competition law and practice in Brazil are governed by Law No. 12,529, dated November 30, 2011, which came into force on May 30, 2012 and provided for significant changes in the Brazilian Antitrust System's structure, including the creation of the new Conselho Administrativo de Defesa Econômica (CADE). Referred law introduced a mandatory pre-merger notification system, as opposed to the post-merger review system previously in force. The new CADE is now formed by an Administrative Tribunal of Economic Defense *(Tribunal Administrativo de Defesa Econômica)*, a General-Superintendence *(Superintendência-Geral)* and a Department of Economic Studies *(Departamento de Estudos Econômicos)*.

CADE is responsible for the control of anti-competitive practices in Brazil. If CADE determines that certain companies have acted collusively to raise prices, it has the authority to impose fines on the offending companies, prohibit them from receiving loans from Brazilian government sources and bar them from bidding on public projects. In addition, CADE has the authority to prevent or impose certain conditions to mergers and acquisitions and/or to impose certain restrictions or conditions on M&A transactions (for instance, require a company to divest assets or take other anti-dumping measures) should it determine that the industry in which it operates is insufficiently competitive or that the transaction creates a market concentration which can affect competition.

For further antitrust-related information, see "Item 8A. Consolidated Statements and Other Financial Information-Legal Proceedings."

Regulation of Other Activities

In addition to mining, environmental and antitrust regulation, we are subject to comprehensive regulatory regimes for certain of our other activities, including railway transportation, electricity generation and ports.

Our railway business is subject to regulation and supervision by the Brazilian Ministry of Transportation and the National Agency for Ground Transportation (*Agência Nacional de Transportes Terrestres*), or ANTT, and operates pursuant to concession contracts granted by the federal government, which impose certain limitations and obligations. As of December 31, 2015, we owned the following railway related assets: (i) a 34.94% direct and indirect participation in MRS Logística S.A., which holds a concession to operate Brazil's Southeastern railway system until 2026, renewable for an additional 30 years, (ii) a 56.92% participation in TLSA, which holds a concession to operate the Northeastern Railway System II (which encompasses the stretches between Missão Velha – Salgueiro, Salgueiro – Trindade, Trindade – Eliseu Martins, Salgueiro – Porto de Suape and Missão Velha – Porto de Pecém) of Brazil's Northeastern railway system until the earlier of 2057, or the date when TLSA reaches a rate of annual return of 6.75% of its total investment and (iii) a 89.79% participation in FTL, which holds a concession to operate the Northeastern Railway System I (which encompasses the stretches between the cities of São Luís – Mucuripe, Arrojado – Recife, Itabaiana – Cabedelo, Paula Cavalcante – Macau and Propiá – Jorge Lins) of Brazil's Northeastern railway system until 2027, renewable for an additional 30 years.

Our port business is subject to regulation and supervision by the Brazilian Secretariat of Ports (*Secretaria dos Portos*, or SEP), the Ministry of Transportation, and the National Water Transportation Agency (*Agência Nacional de*

Transportes Aquaviários, or ANTAQ). As of December 31, 2015, we owned a 99.99% participation in TECON, which has a concession to operate the container terminal at Itaguaí Port for a 25-year term until 2026, renewable for an additional 25 years. The concession to operate TECAR, a solid bulks terminal at Itaguaí Port, expires in 2047 and is explored since December 31, 2015, by our controlled company Congonhas Minérios due to the transaction entered into with the Asian Consortium. For more information regarding the transaction with the Asian Consortium, please see item “5A Operating Results.

Table of contents

Our electricity generation business is subject to regulation and supervision by the Brazilian Ministry of Mines and Energy, the National Agency for Electric Energy (*Agência Nacional de Energia Elétrica*), or ANEEL, and the National Electric System Operator (*Operador Nacional do Sistema Elétrico*, or ONS). As of December 31, 2015, we owned the following energy related assets: (i) a 235.2 MW thermoelectric co-generation power plant at our Presidente Vargas Steelworks, (ii) a 48.75% participation in ITASA, which owns and operates 60.5% of the Itá hydroelectric facility on the Uruguay river in Southern Brazil under a renewable 30-year concession until 2030, and (iii) a 17.9% participation in the consortium that built and has the right to operate the Igarapava hydroelectric facility in Southeast Brazil under a renewable 30-year concession until 2028.

For further information on our logistics and energy segments, see “Item 4B. Business Overview.”

Proceedings Related to Protectionist Measures

Over the past several years, exports of steel products from various countries and companies, including Brazil and us, have been the subject of anti-dumping, countervailing duty and other trade related investigations from importing countries. These investigations resulted in duties that limit our access to certain markets.

In Brazil, we are subject to regulation and supervision by the Ministry of Development, Industry and Foreign Trade, the Secretary of Foreign Trade (*Secretaria de Comércio Exterior*), or SECEX, and the Commercial Defense Department (*Departamento de Defesa Comercial*), or DECOM. Worldwide, our exports are subject to the protectionist measures summarized below.

United States

Anti-dumping (AD) and Countervailing Duties (CVD). In the U.S., we are subject to regulation and supervision by the U.S. Department of Commerce, or DOC, the International Trade Commission, or ITC, the International Trade Administration, or ITA, and the Import Administration, or IA.

On July 28, 2015, AK Steel Corporation, ArcelorMittal USA LLC, Nucor Corporation, Steel Dynamics, Inc. and United States Steel Corporation filed antidumping and countervailing duty (“AD/CVD”) petitions with respect to certain cold-rolled flat steel products from Brazil, China, India, Japan, Korea, Russia, and the United Kingdom at the ITC and the DOC. On August 24, 2015, the DOC initiated both AD/CVD investigations with respect to cold-rolled steel from Brazil. On September 10, 2015, the ITC announced affirmative preliminary injury determinations with respect to cold-rolled imports from Brazil.

On August 11, 2015, AK Steel Corporation, ArcelorMittal USA LLC, Nucor Corporation, SSAB Enterprises, LLC, Steel Dynamics, Inc., and United States Steel Corporation filed AD/CVD petitions with respect to certain hot-rolled steel products from Australia, Brazil, Japan, the Republic of Korea, the Netherlands, Turkey, and the United Kingdom. On September 9, 2015, the DOC initiated both AD/CVD investigations with respect to hot-rolled steel from Brazil. On September 24, 2015, the ITC announced affirmative preliminary injury determinations with respect to hot-rolled steel imports from Brazil.

In December 2015 and January 2016, the DOC reached preliminary determinations on the CVD investigation, these determinations imposed a rate of 7.42% for the exports of both hot-rolled and cold products. In February 2016, the DOC issued its preliminary determination on the anti-dumping investigation of cold-rolled products, which was reviewed on April 2016, in which the rate imposed on exports to the US was 20.84% as of March 7, 2016. In March 2016, the DOC issued the preliminary determination on the anti-dumping investigation of hot-rolled products, in which the rate imposed was 33.91%. The final determination for anti-dumping and countervailing duty investigations is expected to be issued in July 2016 for cold-rolled products and August 2016 for hot-rolled products.

Table of contents

Canada

Anti-dumping. In Canada, we are subject to regulation and supervision by the Canadian International Trade Tribunal, or CITT, the Canada Border Services Agency, or CBSA and the Anti-dumping and Countervailing Directorate.

In January 2001, the Canadian government initiated an anti-dumping investigation process involving hot-rolled sheets and coils exported from Brazil. The investigation was concluded in August 2001, with the imposition by Canada of an anti-dumping order. Despite the limitations imposed by Canada, we are not currently affected by this anti-dumping order since we do not export hot rolled coil to Canada.

Overview of Steel Industry

World Steel Industry

The worldwide steel industry comprises hundreds of steelmaking facilities divided into two major categories, integrated steelworks and non-integrated steelworks, depending on the method used for producing steel. Integrated plants, which accounted for approximately 2/3 of worldwide crude steel production in 2013, typically produce steel by smelting in blast furnaces the iron oxide found in ore and refining the iron into steel, mainly through the use of basic oxygen furnaces or, more rarely, in electric arc furnaces. Non-integrated plants (sometimes referred to as mini-mills), which accounted for approximately 1/3 of worldwide crude steel production in 2013, produce steel by melting scrap metal, occasionally complemented with other metallic materials, such as direct reduction iron or hot-briquette iron, in electric arc furnaces. Industry experts expect that a lack of a reliable and continuous supply of quality scrap metal, as well as the high cost of electricity, may restrict the growth of mini- mills.

Steel continues to be the material of choice in the automotive, construction, machinery and other industries. Notwithstanding potential threats from substitute materials such as plastics, aluminum, glass and ceramics, especially for the automotive industry, steel continues to demonstrate its economic advantage. From 2004 through 2014, total global crude steel production averaged approximately 1.4 billion tons per year. According to the WSA, in 2015, production reached 1.62 billion tons, which represents a decreased of 2.8% as compared to 2014.

China’s crude steel production in 2015 reached 804 million tons, a reduction of 2.3% as compared to 2014. Production volume in China has more than tripled in the last ten years, from 222 million tons in 2002. China’s share of world steel production increased from 49.3% in 2014 to 50.2% in 2015. In 2015, Asian countries reduced their production by 2.2%, reaching 1.09 billion tons, according to WSA.

World crude steel production reached 1,622.8 million tonnes (Mt) for the year 2015, down by -2.8% compared to 2014, and crude steel production decreased in all regions except Oceania in 2015. China’s crude steel production reached 803.8 Mt, down by -2.3% on 2014. China’s share of world crude steel production increased from 49.3% in 2014 to 49.5% in 2015.

All major producing countries, except for India, decreased their production levels in 2015. According to the World Steel Associatiom, in 2015 the global crude steel production decreased, slightly and, considering that 2014 was a record production year, the production levels remained in line with 2013 figures.

68

Table of contents

Brazilian Steel Industry

Since the 1940s, steel has been of vital importance to the Brazilian economy. During the 1970s, strong government investments were made to provide Brazil with a steel industry able to support the country's industrialization boom. After a decade of little to no investment in the sector in the 1980s, the government selected the steel sector as the first for privatization commencing in 1991, resulting in a more efficient group of companies operating today.

A Privatized Industry

During almost 50 years of state control, the Brazilian flat steel sector was coordinated on a national basis under the auspices of Siderbrás, the national steel monopoly. The state had far less involvement in the non-flat steel sector, which has traditionally been made up of smaller private sector companies. The larger integrated flat steel producers operated as semi-autonomous companies under the control of Siderbrás and were each individually privatized between 1991 and 1993. We believe that the privatization of the steel sector in Brazil has resulted in improved financial performance, as a result of increased efficiencies, higher levels of productivity, lower operating costs, a decline in the labor force and an increase in investment.

Domestic Demand

Historically, the Brazilian steel industry has been affected by substantial fluctuations in domestic demand for steel. Although national per capita consumption varies with GDP, fluctuations in steel consumption tend to be more pronounced than changes in economic activity. Crude steel consumption per capita in Brazil has increased from 104 kilograms in 1999 to 147 kilograms in 2010. It is still considered low when compared to the levels of some developed countries, such as the United States and Germany.

From 2005 to 2015, Brazilian GDP grew on average 2.1%. In 2008 and 2009, overall global economic activity slowed significantly and domestic apparent steel consumption amounted to 24.0 million tons and 19.1 million tons, respectively. In 2010, with the recovery of the global economy, domestic demand rose by 38.8% to 26.6 million tons. On the other hand, in 2011, domestic steel demand decreased 1.2% to 26.2 million tons, mainly due to high levels of inventory held by distributors and increased indirect imports. In 2012, the slowdown of the Brazilian economy led to another decrease in steel consumption of 17.6% to 21.6 million tons.

The Brazilian flat steel sector is shifting production to the higher value-added consumer durable sector. This sector is highly dependent on domestic consumer confidence, which, in turn, is affected by economic policies and certain expectations of the current government administration. Over the past years, automobile manufacturers made significant investments in Brazil. In 2009 and 2010, vehicle production recovered from the 2008 financial crisis in response to government incentives such as tax cuts. In 2012, the Brazilian market reached a record 3.8 million vehicles sold, reflecting a specific government measure, which reduced the industrialized products tax. On the other hand, exports decreased by 20.1%. In 2013, with the postponement of the reduction in industrialized products tax, the Brazilian market maintained the level of vehicles sales, but had an increase of 13.5% in exports, according to the Auto Manufacturers' Association, or ANFAVEA, data. In 2014, the decrease in the family consumption and the employment level, allied with the end of government incentives resulted in a reduction of 7.1% in vehicles sales, respectivelly, according to the ANFAVEA data. In 2015, vehicles sales decreased 26.6% due to the economic recession a large number of vehicles in stock and by the return of the industrialized products tax.

Market Participants

According to IABr (Instituto Aço Brasil), the Brazilian steel industry is composed of 29 mills managed by 11 corporate groups, with an installed annual capacity of approximately 48.4 million tons, producing a full range of flat, long, carbon, stainless and specialty steel.

Capacity Utilization

There were no significant changes in Brazilian nominal steel production capacity in 2014 compared to 2013. This capacity was estimated at 48.9 million tons. The local steel industry operated at approximately 70% utilization in 2014, similar to the level recorded in 2013.

Table of contents

Exports/Imports

Brazil has been playing an important role in the export market, primarily as an exporter of semi-finished products. The Brazilian steel industry has taken several steps towards expanding its capacity to produce value-added products. Brazil's exports of slabs and billets reached 5.3 million tons in 2010, which represented 58% of total steel exports. In 2011, the exports of semi-finished products reached 7.2 million tons, representing 66% of total exports. In 2012, exports of semi-finished products were 6.6 million tons, a 7.4% decrease in relation to the previous year, representing 68% of total exports. In 2013, the exports of semi-finished products reached 5.3 million tons, representing 65% of total exports. In 2014, Brazilian steel exports totaled 9.8 million tons, an increase of 21% compared to 2013 and steel imports increased by 7%, compared to 2013, according to IABr.

In 2015, Brazilian steel exports totaled 13.7 million tons and accounted for US$6.6 billion in export earnings for Brazil. Over the last 20 years, the Brazilian steel industry has been characterized by a structural need to export, which is demonstrated by the industry's supply demand curve. The Brazilian steel industry has experienced periods of overcapacity, cyclicality and intense competition during the past several years. Demand for finished steel products, as measured by domestic apparent consumption, has consistently fallen short of total supply (defined as total production plus imports). In 2015, steel imports were 3.2 million tons, or 15% of apparent domestic consumption, in line with the figures from 2014. In 2015, steel imports decreased by 19% as compared to 2014, according to IABr.

For information on the production by the largest Brazilian steel companies, see "Item 4B. Business Overview—Competition—Competition in the Brazilian Steel Industry."

4C. Organizational Structure

We conduct our business directly and through subsidiaries. For more information on our organizational structure, see Note 2(b) to our consolidated financial statements included in "Item 18. Financial Statements."

4D. Property, Plant and Equipment

Our principal executive offices are located in the city of São Paulo, the State of São Paulo at Avenida Brigadeiro Faria Lima, 3,400, 20th, 19th and 15th - part floors (telephone number 55-11-3049-7100), and our main production operations are located in the city of Volta Redonda, in the State of Rio de Janeiro, located approximately 120 km from the city of Rio de Janeiro. Presidente Vargas Steelworks, our steel mill, is an integrated facility covering approximately 4.0 square km and located in the city of Volta Redonda in the State of Rio de Janeiro. Our iron ore, limestone and dolomite mines are located in the State of Minas Gerais, which borders the State of Rio de Janeiro to the north. Each of these mines lies within 500 km of, and is connected by rail and paved road to, the city of Volta Redonda.

The table below sets forth certain material information regarding our property as of December 31, 2015. For more information, see Note 10 to our consolidated financial statements included in "Item 18. Financial Statements."

Facility	Location	Size	Use	Productive Capacity	Title	Enc
Presidente Vargas Steelworks (1)	Volta Redonda, State of Rio de Janeiro	4.0 square km	steel mill	5.6 million tons per year	owned	non

CSN Cimentos (2)	Volta Redonda, State of Rio de Janeiro	0.08 square km	cement plant	2.4 million tons per year	owned	non
CSN Porto Real	Porto Real, State of Rio de Janeiro	0.27 square km	galvanized steel producer	350,000 tons per year	owned	mor
CSN Paraná	Araucária, State of Paraná	0.98 square km	galvanized and pre-painted products	100,000 tons of pre- painted product and 220,000 tons of pickled hot-rolled coils	owned	non
Metalic	Maracanaú, State of Ceará	0.10 square km	steel can manufacturer	900 million cans per year	owned	non
Prada	São Paulo, State of São Paulo and Uberlândia, State of Minas Gerais	SP – 0.14 square km; MG – 0.02 square km;	steel can manufacturer	1 billion cans per year	owned	non
CSN, LLC	Terre Haute, Indiana, USA	0.78 square km	cold-rolled and galvanized products	800,000 tons of cold-rolled products and 315,000 tons per year of galvanized products	owned	non
Lusosider	Seixal, Portugal	0.39 square km	hot-dip galvanized, cold-rolled and tin products	240,000 tons of galvanized products and 50,000 tons of cold-rolled products per year	owned	non
Prada	Mogi das Cruzes, State of São Paulo	0.20 square km	distributor	730,000 tons per year	owned	non
Casa de Pedra mine	Congonhas, State of Minas Gerais	49.00 square km	iron ore mine	26.0 mtpy(6)	owned(7)	non
Engenho mine(8)	Congonhas, State of Minas Gerais	2.85square km	iron ore mine	5.6 mtpy(9)	concession	non
Fernandinho mine(8)	Itabirito, State of Minas Gerais	1.47 square km	iron ore mine	0.75 mtpy(6)	concession	non
Bocaina mine	Arcos, State of Minas Gerais	4.11 square km	limestone and dolomite mines	4.0 mtpy	concession	non
ERSA mine	Ariquemes, State of Rondônia	0.015 square km	tin mine	3,600 tons	concession	non
Thermoelectric co-generation power plant	Volta Redonda, State of Rio de Janeiro	0.04 square km	power plant	235.2 MW	owned	non
Itá(10)	Uruguay River - Southern Brazil	9.87 square km	power plant	1,450 MW	concession	non
Igarapava(10)	State of Minas Gerais	5.19 square km	power plant	210 MW	concession	non
Southeastern (MRS)	Southern and Southeastern regions of Brazil	1,674 km of tracks	railway	--	concession	non
FTL	Northern and northeastern regions	4,238 km tracks of	railway	--	concession	non

	of Brazil	railway 1				
TLSA	Northern and northeastern regions of Brazil	383 km tracks of railway 2	railway	--	concession	non
TECAR at Itaguaí Port	Itaguaí, State of Rio de Janeiro	0.69 square km	Iron ore shipment	45 mtpy	concession	non
Container terminal - TECON at Itaguaí port	Itaguaí, State of Rio de Janeiro	0.44 square km	containers	480 K TEUpy	concession	non
Namisa	State of Minas Gerais	11.56 square km	mine	-	Concession/ owned	non
Land	State of Rio de Janeiro	31.02 square km	undeveloped	--	owned	plec mor
Land	State of Santa Catarina	6.22 square km	undeveloped	--	owned	plec
Land	State of Minas Gerais	32.73 square km	undeveloped	--	owned	non
Land	State of Piaui	856.61 square km	undeveloped		owned	non
Steel plant with rolling mill (SWT)	Europa / Germany / Unterwellenborn	0.898 square km	production of sections	1 million tons per year	owned	non

(2) Our CSN Cimentos cement plant is included in the same area as our Presidente Vargas Steelworks.

(3) Pursuant to a loan agreement entered into by the State of Rio de Janeiro and Galvasud as of May 4, 2000.

(4) Pursuant to a loan agreement entered into by Kreditanstatt Für Wiederafbau, Galvasud and Unibanco as of August 23, 1999.

(5) Pursuant to a loan agreement entered into by Metalic and Banco do Nordeste do Brasil S.A as of 2007.

(6) Information on installed capacity of products. For information on mineral reserves at our Casa de Pedra mine, see "—Reserves at Casa de Pedra Mine" and table under "—Casa de Pedra Mine" below.

Table of contents

(7) Based on the Manifesto de Mina. See, “Item 4. Information on the Company — B. Business Overview — Government Regulation and Other Legal Matters — Mining Concessions.”

(8) Property owned by our 60% consolidated investee Namisa.

(9) Information on equipment fleet installed annual ROM capacity.

(10) Property 29.5% owned by us.

(11) Property 17.9% owned by us.

(12) Pledged pursuant to various legal proceedings, mainly related to tax claims.

For information on environmental issues with respect to some of the facilities described above, see “Item 4B. Business Overview—Government Regulation and Other Legal Matters—Environmental Expenditures and Claims.” In addition, for information on our plans to construct, expand and improve our facilities, see “Item 4. Information on the Company—D. Property, Plant and Equipment—Planned Investments” and Note 10 to our financial statements included elsewhere in this Form 20-F.

The map above shows the locations of the Presidente Vargas Steelworks, CSN Paraná, Prada, CSN Porto Real (formerly known as GalvaSud), Metalic, Lusosider, ERSA, CSN LLC and SWT facilities, our iron ore, limestone and dolomite mines, the power generating facilities in which we have an ownership interest, and the main port used by us to export steel products and import coal and coke, as well as the main railway connections.

Acquisitions and Dispositions

Usiminas

On December 31, 2015 we owned, directly and indirectly, 20.69% of the preferred shares and 14.13% of the common shares of Usinas Siderúrgicas de Minas Gerais S.A. (“Usiminas”), resulting from various acquisitions in the market since mid-2010. For more information on the value of these assets, please see “Item 5A. Operating Results —Critical Accounting Estimates—Impairment of Long-Lived Assets, Intangible Assets, Goodwill and Financial Assets”. We are assessing strategic alternatives in relation to our investment in Usiminas. For more information on the antitrust matters regarding our investment in Usiminas see “Item 8. Financial Information—A. Consolidated Statements and Other Financial Information Selected Financial Data—Legal Proceedings—Antitrust.”

As of March 2016, the Usiminas’ Board of Directors approved a capital increase amounting to R$64,882, through the issuance of 50,689,310 preferred shares. Consequently on April 19, 2016 CSN exercised its right of subscription, paying R$11,603 for 9,064,856 preferred shares.

The Usiminas’ Shareholders’ Meeting approved in April 2016 an increase in its share capital amounting to R$1,000,000, through the issuance of 200,000,000 new common shares, with a deadline for exercising the preferential right to acquire the said shares up to 23 May 2016. The company continues to evaluate alternatives related to the investment in Usiminas.

On April 28, 2016, CSN elected, for two years' term of office, two fixed and two alternate members in the Usiminas' Board of Directors and, for one year's term, one fixed and one alternate member in the Usiminas' Fiscal Committee. The election was made possible through the flexibility and exceptional decision from CADE (Administrative Council for Economic Defense) in relation to the TCD (Performance Commitment Agreement) signed by CSN and CADE in 2014. The mentioned decisionhad permitted that CSN elected pre-approved members to the Board of Directors and Fiscal Committee of USIMINAS, and was rendered by the majority of CADE's members at its session of 27 April 2016. The election of Usimina´s Board and Fiscal Committee members by CSN, as well as all meetings of the Board of Directors of Usiminas, are currently suspended as a result of judicial decisions issued by the State Court of Minas Gerais and the Federal Court of the Federal District, respectively. CSN has appealed the decision issued by the State Court of Minas Gerais on May 13, 2016.

Table of contents

Namisa / Congonhas Minérios

By the end of 2015, we restructured our iron ore business by means of the combination into Congonhas Minérios, a CSN subsidiary, of the iron ore businesses and related logistics assets of CSN and Namisa, resulting in a fully integrated operation. As part of the restructuring, Namisa was merged into Congonhas Minérios.

Previously, in 2008, a consortium of Asian companies composed of Itochu Corporation, JFE Steel Corporation, Kobe Steel, Ltd, Nisshin Steel Co. Ltd., Posco and China Steel Corporation, or the Asian Consortium, made an investment in our subsidiary Namisa. The joint control of Namisa was governed by a shareholders' agreement entered into with the Asian Consortium. In addition, we entered into certain other agreements, including a share purchase agreement and long-term operational agreements between Namisa and us, which provided for certain obligations that, in case breached and not cured within the relevant cure period, could give rise, in certain situations, to the right of the non-breaching party to exercise a call or a put option, as the case may be, with respect to the Asian Consortium's ownership interest in Namisa.

In 2013, we and the Asian Consortium initiated negotiations to resolve certain matters that (i) were subject to qualified quorum under the shareholders' agreement, and (ii) related to the fulfillment of certain obligations under the agreements mentioned above. In parallel, we engaged in discussions with the Asian Consortium aiming at the combination of the iron ore business and related logistics assets of CSN and Namisa.

In November 30, 2015, the aforementioned discussions resolved upon the closing of an agreement between we and the Asian Consortium providing for the combination of CSN's and Namisa's iron ore business and related logistics assets. The transaction consisted in a joint venture whereby the Asian Consortium contributed its 40% ownership interest in Namisa to Congonhas Minérios and CSN contributed the Casa de Pedra iron ore mine, its 60% ownership interest in Namisa, an 8.63% ownership interest in MRS and the rights to manage and operate the port concession in the Itaguaí Port (TECAR). In addition, long-term "offtake" agreements were executed for the supply by Congonhas Minérios of iron ore products to the Asian Consortium members and to us, as well as a long term port services agreement was executed between Congonhas Minérios and CSN to guarantee the use of TECAR by CSN to import raw materials necessary for our other activities.

Considering CSN´s and the Asian Consortium's contributions in the transaction, adjustments arising from the negotiations between the parties, as well as debt, cash and working capital adjustments, immediately after the closing, CSN and the Asian Consortium became shareholders of Congonhas Minérios with ownership interests of, respectively, 87.52% and 12.48%. The transaction also included an earn-out mechanism which, in the event of a qualified liquidity event under certain valuation parameters occurring within an agreed period of the closing of the transaction, could dilute the Asian Consortium's ownership interest in Congonhas Minérios from 12.48% up to 8.71%.

Congonhas Minérios is currently a fully integrated operation (mine, rail and port), which includes an 18.63% ownership interest in MRS (comprised of Namisa's former 10% ownership interest in MRS and the 8.63% ownership interest contributed by CSN), access to rail transportation in the form of long term agreements and the TECAR port concession.

As a result of this transaction, CSN and the Asian Consortium put an end to the discussions initiated in 2013 and Congonhas Minérios captured synergies among the businesses involved, including process optimization, efficiencies in the operation and reduction of operational costs and capital expansion, and increased shareholder value, creating a world class company.

Capital Expenditures

Table of contents

In 2015 the investments made by the Company totaled approximately R$ 2.2 billion, highlighting:

• Cement: R$438 million for completion of two new grinding mills and implementation of the new clinker plant;

• Steel: R$345 million, mainly for sustaining investments in coke plants at UPV (usina Presidente Vargas), environmental projects at UPV, energy efficiency projects (TG20), technological modernization projects at the UPV, expansion of Steel Service Plant at Mogi das Cruzes and maintenance projects in other units;

• Mining: R$ 898 million, mainly for the acquisition of new mining equipment, running projects in iron ore beneficiation, balance of payments (sado de contratos, verificar melhor tradução) regrading Tecar expansion and sustaining current investment projects;

• Other investments: R$ 117 million for running investments in other operations (such as FTL and Tecon) and corporate projects (such as IT);

• Spare Parts: R$ 360 million.

Planned Investments

In 2016 the Company's investment budget prioritize the implementation of running capital projects and sustaining investments in order to maintain the operational capability, environment and safety issue. New investments will be evaluated considering the market conditions, financial results and projection of additional cash flow generated by each project.

Considering these guidelines, investments designed for 2016 are in the order of R$1.4 billion, highlighted below:

• Cement: R$529 million, specially for completion of the new clinker unit in Arcos;

• Steel: R$500 million, mainly for sustaining investments in coke plants UPV, environmental projects, technological modernization projects at the UPV, completion of the expansion of the Steel Service Center of Mogi das Cruzes service and project maintenance in other units;

• Mining (projects at Congonhas Mineração and Tecar): R$ 111 million, mainly for final payments of equipment that were acquired in 2015, running projects in iron ore beneficiation, expansions studies for Phase 60 Mtpa in Tecar (engineering and environmental studies) and sustaining investment projects in the units;

• Other investments: R$72 million for sustaining investments in other operations (such as FTL and Tecon) and corporate projects (such as IT);

• SpareParts: R$180 million.

Our planned investments in iron ore, steel, logistics and cement are described below.

Steel

The investment plan in the coming years prioritizes sustaing investment with efficiency gains, as the revamp of coke ovens, steel mill, pickling, casting, and execution of environmental projects, technological modernization projects at the UPV, completion of the expansion of the Steel Service Center of Mogi das Cruzes and maintenance projects in other units.

Mining

Considering the market conditions, financial results and projection of additional cash flow generated by each project, in the first phase we analyze the expansion of production capacity in Casa de Pedra to 40 million tons per year and the expansion of port capacity in Itaguai / RJ (Tecar) from 45 million tonnes to 60 million tons.

Table of contents

Cement

The cement plant in Volta Redonda has a production capacity of 2.4 million tons per year, taking advantage of the slag generated by our blast furnaces and the clinker produced in the mine of Arcos. We are implementing an integrated plant with two new cement grinding mills and a new clinker unit in Arcos, adding 2 million tons of cement per year during 2015. At a later stage the company evaluates the implementation of an advanced grinding unit, adding another 1 million tons.

Additional Investments

In addition to the currently planned investments and capital expenditures, we continue to evaluate possible acquisitions or divestitures, joint controlled entitiesand brownfield or greenfield projects to increase or complement our steel, cement and mining production and logistics capabilities, logistics infrastructure, energy generation and return on capital.

4E. Unresolved Staff Comments

On April 15, 2016, CSN received a letter from the Staff of the SEC's Division of Corporation Finance as part of its review of the Company's Form 20-F for the fiscal year ended December 31, 2014 and the Company's Form 6-K for the last quarter of 2015.

The Staff requested additional information and provided comments related to certain accounting disclosures, including our accounting policies regarding our concessions and disclosure relating to the acquisition of control of Nacional Minérios S.A. on November 30, 2015. The Company responded to that letter on May 06, 2016 and believes that it has addressed the Staff's comments.

As of the date of this annual report, the Company has not received confirmation from the Staff that its review process is complete. The Company intends to continue working with the Staff and respond to any remaining comments.

Item 5. Operating and Financial Review and Prospects

The following discussion should be read in conjunction with our consolidated financial statements as of December 31, 2015 and 2014 and for each of the years ended December 31, 2015, 2014 and 2013 included in “Item 18. Financial Statements”. Our consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and are presented in thousands of reais (R$), as explained in Note 2(a) to our consolidated financial statements included in “Item 18. Financial Statements.”

We have applied, beginning January 1, 2013, IFRS 10 - Consolidated Financial Statements, which establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or

more entities, and IFRS 11 - Joint Arrangements, which requires a new valuation of joint arrangements, focusing on the rights and obligations of the arrangement, instead of its legal form. In accordance with the new standards, the proportionate consolidation method for jointly controlled entities is no longer permitted. As a result of the adoption of these new standards, the Company no longer consolidates its jointly controlled entities MRS Logística S.A. and CBSI - Companhia Brasileira de Serviços de Infraestrutura, and Nacional Minérios S.A. until November 30, 2015 and began accounting for these investments under the equity method. As from December 1st, 2015, Nacional Minérios S.A. was consolidated as a result of the mining activities restructuring and then merged on December 31, 2015 into Congonhas Minérios S.A.

The amendments provide additional transition relief, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. We applied this transition relief as described above with respect to the adoption of IFRS 10 and IFRS 11. As a result, the financial statements as of and for the year ended December 31, 2012 and the opening balance sheet as of January 1, 2012 have been restated for the effects of the retrospective adoption of these new standards. Our financial statements as of and for the year ended December 31, 2011 remain unchanged and as disclosed previously and, as a result, are not comparable with the information as of and for the years ended December 31, 2013 and 2012.

In addition, due to the partial spin-off of TLSA on December 27, 2013 and the consequent entry into effect of the new shareholders' agreement, we ceased to consolidate TLSA and began recognizing it in accordance with the equity accounting method.

5A. Operating Results

Overview

Brazilian Macro-Economic Scenario

Table of contents

As a company with the vast majority of its operations and a large portion of its sales in Brazil, we are affected by the general economic conditions of Brazil. The rate of growth in Brazil is important in determining our growth capacity and the results of our operations.

The following table shows some Brazilian economic indicators for the periods indicated:

	Year ended December 31,		
	2015	**2014**	**2013**
GDP growth	-3.8%	0.1%	2.3%
Inflation (IPCA)[1]	10.7%	6.4%	5.9%
Inflation (IGP-M)[2]	10.5%	3.7%	5.5%
CDI[3]	13.2%	10.8%	8.1%
Appreciation (depreciation) of the *real* against the U.S. dollar	-45.0%	-13.4%	-14.6%
Exchange rate at the end of period (U.S.$1.00)	R$3.904	R$2.656	R$2.343
Average exchange rate (U.S.$1.00)	R$3.338	R$2.357	R$2.160
Unemployment rate[4]	8.5%	6.8%	7.1%

Sources: IBGE, Fundação Getúlio Vargas, Central Bank and CETIP.

(1) The IPCA is a consumer price index measured by the IBGE.

(2) The IGP-M is the general market price index measured by the Fundação Getúlio Vargas.

(3) The Interbank Deposit Rate, or CDI, represents the average interbank deposit rate performed durig a given day in Brazil (accrued as of the last month of the period, annualized).

(4) The unemployment rate (PNAD) is measured by IBGE.

Steel

For the years ended December 31, 2013, 2014 and 2015 our steel segment represented 63%, 65% and 68% of our net revenues, respectively, and 44%, 61% and 59% of our gross profit, respectively. In 2015, 60% of our steel revenues were in Brazil, and 40% were abroad, as compared to 75% and 25%, respectively, in 2014, and 78% and 22%, respectively, in 2013.

According to the World Steel Association (WSA), global crude steel production totaled 1.6 billion tons in 2015, 2.9% less when compared with 2014, with China responsible for 804 million tons, or 50% of the global output, recording a decrease of 2.3%. Japan's crude steel production decreased 5.4%, totaling 105 million tons in 2015. In the European Union, production reached 166 million tons in 2015, corresponding to a 1.7% fall compared to 2014. In the U.S., crude steel production totaled 78 million tons in 2015, an 11.4% decrease as compared to 2014. Existing global capacity usage decreased by 7.4% over the year before to 69.7%.

According to the Brazilian Steel Institute (IABr), domestic crude steel production was 33.3 million tons in 2015, 1.9% less than in 2014, while rolled steel output totaled 22.6 million tons, down by 8.3% in the same period.

Apparent domestic steel product consumption in Brazil amounted to 21.3 million tons in 2015, 13% less than in 2014, while domestic sales decreased 12% to 18.2 million tons. Annual imports to Brazil were 3.2 million tons, 19% less than the year before, while exports increased 35% to 13.2 million tons.

Mining

For the years ended December 31, 2013, 2014 and 2015 our mining segment represented, 27%, 23% and 19% of our net revenues, respectively, and 44%, 24% and 24% of our gross profit, respectively. In 2015, 95% of our mining revenues came from exports and 5% from the domestic market, as compared to 93% and 7%, respectively, in 2014, and 87% and 13%, respectively, in 2013.

Table of contents

In 2015, the seaborne iron ore market remained under pressure due to the increased supply capacity in Australia and Brazil. The adoption of cost reduction programs allowed junior producers to remain in the market. On the demand side, the infrastructure and construction, major steel consumers in China, showed a significant slowdown. Therefore, the steel volume produced by this country dropped 2% in 2015, the first reduction in more than three decades. In this scenario, iron ore prices fell by 28% in 2013, 43% over 2014, averaging US$55.50/dmt (Platts, 62% Fe, N. China). On April 29, 2016, the index stood at US$65.85/dmt.

Nevertheless, according to CRU, the iron ore seaborne market recorded growth of 2%, reaching 1.42 billion tons. China imported 914 million tons, a 1% increase when compared to 2014 and equivalent to almost 65% of total sales volume. Brazil shipped 364 million tons in 2015, 6% more than the year before.

China registered its most modest GDP growth in 25 years, reaching 6.9% during 2015. Industrial production, a strong indicator of the country's growth, grew by 6.1%, as compared to 8.3% in 2014, reinforcing prospects of a slowdown in the short term.

Logistics, Port Logistics, Cement and Energy

The performance of our logistics, cement and energy segments are directly related to the performance of our steel and mining segments. For the years ended on December 31, 2013, 2014 and 2015, these segments represented an aggregate of 10%, 12% and 12% of our net revenues, respectively, and an aggregated of 12%, 15% and 17% of our gross profit, respectively. A material portion of the revenues in these segments is derived from our steel and mining operations, which utilize our logistics network and energy output.

Specific Events Affecting our Results of Operations

TLSA

On September 20, 2013 we entered into an investment agreement with our partners in TLSA, Valec Engenharia, Construções e Ferrovias S.A. and Fundo de Desenvolvimento do Nordeste – FDNE, two Brazilian federal government entities focused on infrastructure and the development of the northeastern region, to implement the partial spin-off of TLSA. The operation was part of a business reorganization and resulted in the segregation of the assets of the Northeastern railway system into two systems: (i) Railway System I, operated by FTL, comprising the stretches between the cities of São Luís – Mucuripe, Arrojado – Recife, Itabaiana – Cabedelo, Paula Cavalcante – Macau and Propiá – Jorge Lins and (ii) the Railway System II, operated by TLSA, comprising the stretches between Missão Velha – Salgueiro, Salgueiro – Trindade, Trindade – Eliseu Martins, Salgueiro – Porto de Suape and Missão Velha – Porto de Pecém.

As a result of the partial spin-off and the subsequent entry into effect of the new shareholders' agreement, control of TLSA is now shared with other shareholders, who have veto rights over certain important corporate decisions. As a result, since December 27, 2013, we ceased to consolidate TLSA and began recognizing it in accordance with the equity accounting method. See "Note 7 to our consolidated financial statements included elsewhere in this Annual Report.

Congonhas Minérios

On November 30, 2015, we concluded the establishment of a strategic alliance with an asian consortium composed of ITOCHU Corporation, JFE Steel Corporation, POSCO, Ltd., Kobe Steel, Ltd., Nisshin Steel Co, Ltd. and China Steel Corp. (“Asian Consortium”).

The transaction consisted of a business combination of the iron ore and related logistic assets of CSN and Namisa. The Asian Consortium contributed its equity interest of Namisa (40%) into Congonhas Minérios S.A. (“Congonhas Minérios”), a mining subsidiary of CSN, and CSN contributed the Casa de Pedra iron ore mine, its 60% ownership interest in Namisa, an 8.63% ownership interest in MRS and the rights to manage and operate the port concession in the Itaguaí Port (TECAR).

Table of contents

Considering the position of Congonhas Minérios' assets, the contributions made by the Asian Consortium in the transaction, as well as adjustments resulting from the negotiations between the parties and adjustments of debt, cash, working capital, CSN and the Asian Consortium held, respectively, equity stakes at 87.52% and 12.48% in the capital stock of Congonhas Minérios upon conclusion of the transaction.

Part of the iron ore produced byCongonhas Minérios will be sold to members of the Asian Consortium and to CSN. Such rights are reflected in long-term supply agreements entered into on November 30, 2015, which terms were negotiated on usual market conditions. CSN also ensured the use of TECAR for import of raw materials through a long-term agreement.

The transaction was concluded by the signing of a shareholders agreement by the shareholders of Congonhas Minérios, on November 30, 2015.

The following steps were carried out in order to conclude the transaction:

- Payment of dividends by Namisa before closing of the transaction, amounting US$1.4 billion (equivalent to R$5.4 billion);

- Restructuring of Congonhas Minérios through the contribution, by CSN, of assets and liabilities related to Casa de Pedra, the rights to operate TECAR, 60% of Namisa's shares, 8.63% of MRS' shares, and US$850 million in debt (equivalent to R$3,370 million, as presented in note 9.b of our Consolidated Financial Statements);

- Acquisition, by Congonhas Minérios, of 40% of the Namisa shares held by the Asian Consortium, resulting in the incorporation of Namisa by Congonhas Minérios;

- Signing of a shareholders agreement ("Shareholders' Agreement") by the shareholders of Congonhas Minérios;

- Payment by CSN of US$680 million relating to the acquisition of 4% of the shares held by the Asian Consortium in Congonhas Minérios and an additional US$ 27 million relating to the acquisition of 0.16% of the shares held by the Asian Consortium in Congonhas, amounting to US$ 707 million (equivalent to R$2.7 billion);

- Settlement of the pre-existing agreements with Namisa for supply of high-silicon and low-silicon content ROM (Run of Mine), port services and ore beneficiation.

We applied IFRS 3 to record the November 2015 transaction, as there was a change of control of Namisa on November 30, 2015. We applied the acquisition method along with the step acquisition method. The acquirer for purposes of IFRS 3 was our subsidiary Congonhas Minérios which was also the surviving entity.

As a result of the step acquisition, we recognized a gain of R$2,792 million in the value of our 60% interest in Namisa. In addition, as a result of the application of items B51 and B52 of IFRS 3, we recognized a gain of R$621 million as a result of the termination of the then existing agreements between Namisa and Congonhas. We also recorded R$528 million in taxes on the gains from the transaction.

Additionally, there was a change in our interest in Congonhas without representing a loss of control in Congonhas. Our participation decreased from 100% to 87.52%. According to IFRS 10, this change should be classified as an equity transaction and the resulting gain or loss on the new value of the participation must be recorded directly in equity. Because of this percentage change, we recorded a gain of R$1,945 million.

The sum of the net gains recorded in our results and the gains recorded in our shareholders' equity was a total increase in our shareholders' equity from the November 2015 transaction of R$4,830 million.

For further details, see Note 3 of our Consolidated Financial Statements included in this Annual Report.

Steel Markets and Product Mix

Supply and Demand for Steel

Prices of steel are sensitive to changes in worldwide and local demand, which in turn are affected by worldwide and country-specific economic cycles, and to available production capacity. While the export price of steel (which is denominated in U.S. dollars or Euros, depending on the export destination) is the spot price, there is no exchange trading of steel or uniform pricing. Unlike other commodity products, steel is not completely fungible due to wide differences in terms of size, chemical composition, quality and specifications, all of which impact prices. Many companies (including us) discount their list prices for regular customers, making their actual transaction prices difficult for us to determine.

Historically, export prices and margins have been lower than domestic prices and margins because of the logistics costs, taxes and tariffs. The portion of production that is exported is affected by domestic demand, exchange rate fluctuations and the prices that can be charged in the international markets.

The following table shows Brazilian steel production and apparent consumption (domestic sales plus imports) and global production and demand for the periods indicated:

	2015[1]	2014	2013
Brazilian Market *(in thousands of tons)*[2]			
Total Flat and Long Steel			
Production	22,629	24,917	26,264
Apparent Consumption	21,328	25,606	25,253
Hot-Rolled Coils and Sheets			
Production		4,541	4,262
Apparent Consumption		3,602	3,627
Cold-Rolled Coils and Sheets			
Production		2,516	2,753
Apparent Consumption		2,843	2,764
Galvanized Sheets			
Production		2,887	3,020