

NATIONAL STEEL CO  
Form 6-K  
November 29, 2018

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**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 6-K**

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

**For the month of November, 2018**  
**Commission File Number 1-14732**

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**COMPANHIA SIDERÚRGICA NACIONAL**

(Exact name of registrant as specified in its charter)

**National Steel Company**

(Translation of Registrant's name into English)

**Av. Brigadeiro Faria Lima 3400, 20º andar**  
**São Paulo, SP, Brazil**  
**04538-132**

(Address of principal executive office)

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

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

Yes  No

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**CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE**

Quarterly Financial Information – September 30, 2018 – CIA SIDERURGICA NACIONAL

**Version:  
1**

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**Company Information / Capital Breakdown**

| <b>Number of Shares</b> | <b>Current Quarter</b> |
|-------------------------|------------------------|
| <b>(Units)</b>          | <b>09/30/2018</b>      |
| <b>Paid-in Capital</b>  |                        |
| <b>Common</b>           | 1,387,524,047          |
| <b>Preferred</b>        | 0                      |
| <b>Total</b>            | 1,387,524,047          |
| <b>Treasury Shares</b>  |                        |
| <b>Common</b>           | 7,409,500              |
| <b>Preferred</b>        | 0                      |
| <b>Total</b>            | 7,409,500              |

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**Version:  
1****Parent Company Financial Statements / Balance Sheet - Assets  
(R\$ thousand)**

| Code       | Description                             | Current Quarter | Previous Year |
|------------|---|-----------------|---------------|
|            |   | 09/30/2018      | 12/31/2017    |
| 1          | Total Assets                            | 41,358,610      | 42,365,935    |
| 1.01       | Current assets                          | 9,293,037       | 7,642,103     |
| 1.01.01    | Cash and cash equivalents               | 1,402,224       | 393,504       |
| 1.01.02    | Financial investments                   | 891,735         | 716,461       |
| 1.01.02.03 | Financial investments at amortized cost | 891,735         | 716,461       |
| 1.01.03    | Trade receivables                       | 1,998,033       | 2,966,706     |
| 1.01.04    | Inventory                               | 3,340,188       | 2,951,352     |
| 1.01.08    | Other current assets                    | 1,660,857       | 614,080       |
| 1.01.08.03 | Others                                  | 1,660,857       | 614,080       |
| 1.02       | Non-current assets                      | 32,065,573      | 34,723,832    |
| 1.02.01    | Long-term assets                        | 2,487,843       | 2,267,226     |
| 1.02.01.10 | Other non-current assets                | 2,487,843       | 2,267,226     |
| 1.02.02    | Investments                             | 20,095,824      | 22,894,885    |
| 1.02.03    | Property, plant and equipment           | 9,430,330       | 9,502,411     |
| 1.02.04    | Intangible assets                       | 51,576          | 59,310        |

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**Parent Company Financial Statements / Balance Sheet – Liabilities  
(R\$ thousand)**

| <b>Code</b>   | <b>Description</b>  | <b>Current Quarter<br/>09/30/2018</b> | <b>Previous Year<br/>12/31/2017</b> |
|---------------|---|---------------------------------------|-------------------------------------|
| 2             | Total liabilities   | 41,358,610                            | 42,365,935                          |
| 2.01          | Current liabilities   | 10,588,043                            | 9,175,980                           |
| 2.01.01       | Payroll and related taxes   | 176,762                               | 133,774                             |
| 2.01.02       | Trade payables  | 2,289,181                             | 1,787,392                           |
| 2.01.03       | Tax payables  | 106,586                               | 86,496                              |
| 2.01.04       | Borrowings and financing  | 7,342,833                             | 6,578,171                           |
| 2.01.05       | Other payables  | 621,533                               | 515,561                             |
| 2.01.06       | Provisions  | 51,148                                | 74,586                              |
| 2.01.06.01    | Provision for tax, social security, labor and civil risks             | 51,148                                | 74,586                              |
| 2.02          | Non-current liabilities   | 23,313,697                            | 26,162,582                          |
| 2.02.01       | Long term Borrowings and financing                                    | 18,034,000                            | 22,454,846                          |
| 2.02.02       | Other payables  | 37,726                                | 57,599                              |
| 2.02.03       | Deferred Taxes  | 299,997                               | 570,559                             |
| 2.02.04       | Provisions  | 4,941,974                             | 3,079,578                           |
| 2.02.04.01    | Provision for tax, social security, labor and civil risks             | 552,574                               | 555,459                             |
| 2.02.04.02    | Other provisions  | 4,389,400                             | 2,524,119                           |
| 2.02.04.02.03 | Provision for environmental liabilities and decommissioning of assets | 180,212                               | 248,918                             |
| 2.02.04.02.04 | Pension and healthcare plan   | 908,721                               | 908,721                             |
| 2.02.04.02.05 | Provision for losses on investments                                   | 3,300,467                             | 1,366,480                           |
| 2.03          | Shareholders' equity  | 7,456,870                             | 7,027,373                           |
| 2.03.01       | Share Capital   | 4,540,000                             | 4,540,000                           |
| 2.03.02       | Capital reserves  | 32,720                                | 30                                  |
| 2.03.04       | Profit reserves   | 180,712                               | 0                                   |
| 2.03.04.02    | Earnings reserves   | 238,976                               | 238,976                             |
| 2.03.04.09    | Treasury shares   | (58,264)                              | (238,976)                           |
| 2.03.05       | Accumulated profit/(losses)   | 2,062,159                             | (1,291,689)                         |
| 2.03.08       | Other comprehensive income  | 641,279                               | 3,779,032                           |



**CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE**

Quarterly Financial Information – September 30, 2018 – CIA SIDERURGICA NACIONAL

**Version:  
1****Parent Company Financial Statements / Statements of Income  
(R\$ thousand)**

| Code       | Description   | Current       | Same quarter  | YTD previous  |               |
|------------|---|---------------|---------------|---------------|---------------|
|            |   | Quarter       | Year to date  | previous year | year          |
|            |   | 07/01/2018 to | 01/01/2018 to | 07/01/2017 to | 01/01/2017 to |
|            |   | 09/30/2018    | 09/30/2018    | 09/30/2017    | 09/30/2017    |
| 3.01       | Revenues from sale of goods and rendering of services | 3,371,553     | 9,422,956     | 2,878,254     | 7,672,028     |
| 3.02       | Costs from sale of goods and rendering of services    | (2,773,360)   | (7,518,935)   | (2,432,348)   | (6,439,752)   |
| 3.03       | Gross profit  | 598,193       | 1,904,021     | 445,906       | 1,232,276     |
| 3.04       | Operating (expenses)/income                           | 273,796       | 2,693,442     | (268,582)     | (330,911)     |
| 3.04.01    | Selling expenses                                      | (148,558)     | (453,968)     | (186,675)     | (549,437)     |
| 3.04.02    | General and administrative expenses                   | (63,039)      | (194,952)     | (28,212)      | (148,272)     |
| 3.04.04    | Other operating income                                | 1,893,195     | 3,336,930     | 6,170         | 11,834        |
| 3.04.05    | Other operating expenses                              | (250,104)     | (462,284)     | (74,616)      | (196,087)     |
| 3.04.06    | Equity in results of affiliated companies             | (1,157,698)   | 467,716       | 14,751        | 551,051       |
| 3.05       | Profit before financial income (expenses) and taxes   | 871,989       | 4,597,463     | 177,324       | 901,365       |
| 3.06       | Financial income (expenses)                           | (61,720)      | (1,470,510)   | 43,410        | (1,255,316)   |
| 3.06.01    | Financial income                                      | 410,576       | 475,247       | 102,978       | 235,858       |
| 3.06.02    | Financial expenses                                    | (472,296)     | (1,945,757)   | (59,568)      | (1,491,174)   |
| 3.06.02.01 | Net exchange differences over financial instruments   | (27,799)      | (709,132)     | 478,274       | 332,639       |
| 3.06.02.02 | Financial expenses                                    | (444,497)     | (1,236,625)   | (537,842)     | (1,823,813)   |
| 3.07       | Profit (loss) before taxes                            | 810,269       | 3,126,953     | 220,734       | (353,951)     |
| 3.08       | Income tax and social contribution                    | (88,734)      | 226,895       | 5,732         | 6,653         |
| 3.09       | Profit (loss) from continued operations               | 721,535       | 3,353,848     | 226,466       | (347,298)     |
| 3.11       | Profit (loss) for the year                            | 721,535       | 3,353,848     | 226,466       | (347,298)     |
| 3.99       | Earnings (loss) per common share – (Reais/share)      |               |               |               |               |
| 3.99.01    | Basic   |               |               |               |               |
| 3.99.01.01 | Common shares   | 0.52810       | 2.45474       | 0.16687       | (0.25591)     |

|            |               |         |         |         |           |
|------------|---------------|---------|---------|---------|-----------|
| 3.99.02    | Diluted       |         |         |         |           |
| 3.99.02.01 | Common shares | 0.52810 | 2.45474 | 0.16687 | (0.25591) |



**CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE**

Quarterly Financial Information – September 30, 2018 – CIA SIDERURGICA NACIONAL

**Version:  
1****Parent Company Financial Statements / Statements of Comprehensive Income  
(R\$ thousand)**

| Code    | Description  | Current                  | Same quarter YTD previous |                          |                          |
|---------|--|--------------------------|---------------------------|--------------------------|--------------------------|
|         |  | Quarter                  | Year to date              | previous year            | year                     |
|         |  | 07/01/2018 to 09/30/2018 | 01/01/2018 to 09/30/2018  | 07/01/2017 to 09/30/2017 | 01/01/2017 to 09/30/2017 |
| 4.01    | (Loss) profit for the year   | 721,535                  | 3,353,848                 | 226,466                  | (347,298)                |
| 4.02    | Other comprehensive income   | (226,236)                | (3,137,753)               | 667,498                  | 848,282                  |
| 4.02.01 | Actuarial gains over pension plan of affiliates, net of taxes              | 30                       | 89                        | 30                       | 88                       |
| 4.02.04 | Cumulative translation adjustments for the year                            | (29,171)                 | (17,175)                  | (47,328)                 | 82,130                   |
| 4.02.05 | Fair value through other comprehensive income                              | -                        | (1,559,680)               | 496,044                  | 614,542                  |
| 4.02.10 | (Loss) /Gain on the percentage change in investments                       | -                        | (105)                     | -                        | 2,814                    |
| 4.02.11 | (Loss) /Gain on cash flow hedge accounting                                 | (372,883)                | (1,724,818)               | 200,236                  | 134,374                  |
| 4.02.13 | Realization of cash flow hedge accounting reclassified to income statement | 183,051                  | 196,783                   | 16,212                   | 37,933                   |
| 4.02.14 | (Loss)/Gain on net investment hedge from investments in affiliates         | (7,263)                  | (32,196)                  | 2,304                    | (23,599)                 |
| 4.02.15 | (Loss)/Gain on business combination  | -                        | (651)                     | -                        | -                        |
| 4.03    | Comprehensive income for the year  | 495,299                  | 216,095                   | 893,964                  | 500,984                  |

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Quarterly Financial Information – September 30, 2018 – CIA SIDERURGICA NACIONAL

**Version:  
1****Parent Company Financial Statements / Statements of Cash Flows – Indirect Method  
(R\$ thousand)**

| <b>Code</b> | <b>Description</b>   | <b>Year to date<br/>01/01/2018 to<br/>09/30/2018</b> | <b>YTD previous<br/>year<br/>01/01/2017 to<br/>09/30/2017</b> |
|-------------|--|--|---|
| 6.01        | Net cash from operating activities                                       | 6,345,358  | 498,973   |
| 6.01.01     | Cash from operations   | 2,171,919  | 841,009   |
| 6.01.01.01  | Profit (loss) for the period   | 3,353,848  | (347,298)   |
| 6.01.01.03  | Financial charges in borrowing and financing raised                      | 1,154,172  | 1,670,505   |
| 6.01.01.04  | Financial charges in borrowing and financing granted                     | (31,977)   | (89,576)  |
| 6.01.01.05  | Depreciation, depletion and amortization                                 | 443,017  | 497,288   |
| 6.01.01.06  | Equity in results of affiliated companies                                | (467,716)  | (551,051)   |
| 6.01.01.07  | Deferred tax   | (226,895)  | (6,653)   |
| 6.01.01.08  | Provision for tax, social security, labor, civil and environmental risks | (26,323)   | (6,610)   |
| 6.01.01.09  | Monetary and exchange variations, net                                    | 879,442  | (278,230)   |
| 6.01.01.12  | Write-off of property, plant and equipment and Intangible assets         | 13,201   | (521)   |
| 6.01.01.13  | Provision for environmental liabilities and decommissioning of assets    | (68,706)   | (49,914)  |
| 6.01.01.14  | Updated shares - VJR   | (1,547,265)  | -   |
| 6.01.01.15  | Intercompany debt relief   | (1,310,886)  | -   |
| 6.01.01.16  | Others   | 8,007  | 3,069   |
| 6.01.02     | Changes in assets and liabilities  | 4,173,439  | (342,036)   |
| 6.01.02.01  | Trade receivables - third parties  | 173,009  | (229,704)   |
| 6.01.02.02  | Trade receivables - related parties                                      | (177,645)  | (11,766)  |
| 6.01.02.03  | Inventories  | (388,836)  | (243,844)   |
| 6.01.02.04  | Receivables - related parties/dividends                                  | 6,189,677  | 1,576,325   |
| 6.01.02.05  | Tax assets   | (989,073)  | (86,897)  |
| 6.01.02.06  | Judicial deposits  | (21,904)   | (19,141)  |
| 6.01.02.09  | Trade payables   | 501,789  | 345,228   |
| 6.01.02.10  | Payroll and related taxes  | 42,988   | 26,229  |
| 6.01.02.11  | Taxes in installments – REFIS  | 21,669   | 13,102  |
| 6.01.02.13  | Payables to related parties  | 41,243   | 5,533   |

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|            |  |             |             |
|------------|--|-------------|-------------|
| 6.01.02.15 | Interest paid                            | (1,261,483) | (1,748,225) |
| 6.01.02.16 | Interest received – related parties      | 1,522       | 187         |
| 6.01.02.18 | Others                                   | 40,483      | 30,937      |
| 6.02       | Net cash used in investing activities    | (702,609)   | (264,740)   |
|            | Investments / Advance for future capital |             |             |
| 6.02.01    | increase                                 | (117,130)   | (30,501)    |
|            | Purchase of property, plant and          |             |             |
| 6.02.02    | equipment                                | (354,064)   | (355,941)   |
| 6.02.07    | Intercompany loans granted               | (103,947)   | (16,540)    |
| 6.02.09    | Intercompany loans received              | 8,429       | 7,297       |
| 6.02.10    | Exclusive funds                          | -           | (200)       |
| 6.02.11    | Financial Investments, net of redemption | (175,274)   | 31,693      |
|            | Cash received from disposal of           |             |             |
| 6.02.12    | investment – CGPAR                       | -           | 99,452      |
|            | Cash received upon disposal of           |             |             |
| 6.02.13    | Usiminas' shares                         | 39,377      | -           |
| 6.03       | Net cash used in financing activities    | (4,634,029) | (1,033,516) |
| 6.03.01    | Borrowings and financing raised          | 530,468     | 171,000     |
|            | Transactions cost - Borrowings and       |             |             |
| 6.03.02    | financing                                | (57,625)    | -           |
| 6.03.05    | Amortization of borrowings and financing | (1,915,296) | (960,174)   |
|            | Amortization of borrowings and financing |             |             |
| 6.03.06    | - related parties                        | (3,404,978) | (244,342)   |
| 6.03.08    | Sale of treasury shares                  | 213,402     | -           |
|            | Exchange rate on translating cash and    |             |             |
| 6.04       | cash equivalents                         | -           | 975         |
|            | Increase (decrease) in cash and cash     |             |             |
| 6.05       | equivalents                              | 1,008,720   | (798,308)   |
|            | Cash and equivalents at the beginning of |             |             |
| 6.05.01    | the year                                 | 393,504     | 1,466,746   |
|            | Cash and equivalents at the end of the   |             |             |
| 6.05.02    | year                                     | 1,402,224   | 668,438     |

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Quarterly Financial Information – September 30, 2018 – CIA SIDERURGICA NACIONAL

**Version:**  
**1**

**Parent Company Financial Statements / Statement of Changes in Equity - 01/01/2018 to 09/30/2018 (R\$ thousand)**

| <b>Code</b> | <b>Description</b>                                     | <b>Paid-in capital</b> | <b>Capital reserve, granted options and treasury shares</b> | <b>Earnings reserve</b> | <b>Retained earnings (accumulated losses)</b> | <b>Other comprehensive income</b> | <b>Shareholders' equity</b> |
|-------------|--|------------------------|---|-------------------------|---|-----------------------------------|-----------------------------|
| 5.01        | Opening balances                                       | 4,540,000              | 30  | -                       | (1,291,689)                                   | 3,779,032                         | 7,027,373                   |
| 5.03        | Adjusted opening balances                              | 4,540,000              | 30  | -                       | (1,291,689)                                   | 3,779,032                         | 7,027,373                   |
| 5.04        | Capital transaction with shareholders                  | -                      | 32,690  | 180,712                 | -   | -                                 | 213,402                     |
| 5.04.05     | Treasury shares sold                                   | -                      | -   | 180,712                 | -   | -                                 | 180,712                     |
| 5.04.08     | Gain on disposal of shares                             | -                      | 32,690  | -                       | -   | -                                 | 32,690                      |
| 5.05        | Total comprehensive income                             | -                      | -   | -                       | 3,353,848                                     | (3,137,753)                       | 216,095                     |
| 5.05.01     | Profit for the period                                  | -                      | -   | -                       | 3,353,848                                     | -                                 | 3,353,848                   |
| 5.05.02     | Other comprehensive income                             | -                      | -   | -                       | -   | (3,137,753)                       | (3,137,753)                 |
| 5.05.02.04  | Translation adjustments for the year                   | -                      | -   | -                       | -   | (17,175)                          | (17,175)                    |
| 5.05.02.08  | Actuarial gains/(losses) on pension plan, net of taxes | -                      | -   | -                       | -   | 89                                | 89                          |
| 5.05.02.09  |  | -                      | -   | -                       | -   | (1,559,680)                       | (1,559,680)                 |

|            |  |           |        |         |           |             |             |
|------------|--|-----------|--------|---------|-----------|-------------|-------------|
|            | Available-for-sale<br>assets, net of<br>taxes                      |           |        |         |           |             |             |
| 5.05.02.10 | (Loss) / gain on<br>the percentage<br>change in<br>investments     | -         | -      | -       | -         | (105)       | (105)       |
| 5.05.02.11 | (Loss) / gain on<br>cash flow hedge<br>accounting, net<br>of taxes | -         | -      | -       | -         | (1,528,035) | (1,528,035) |
| 5.05.02.13 | (Loss) / gain on<br>foreign<br>investments                         | -         | -      | -       | -         | (32,196)    | (32,196)    |
| 5.05.02.14 | (Loss) / gain on<br>business<br>combination                        | -         | -      | -       | -         | (651)       | (651)       |
| 5.07       | Closing balance  | 4,540,000 | 32,720 | 180,712 | 2,062,159 | 641,279     | 7,456,870   |

**CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE**

Quarterly Financial Information – September 30, 2018 – CIA SIDERURGICA NACIONAL

**Version:  
1****Parent Company Financial Statements / Statement of Changes in Equity - 01/01/2017 to 09/30/2017 (R\$ thousand)**

| <b>Code</b> | <b>Description</b>                                     | <b>Paid-in capital</b> | <b>Capital reserve, granted options and treasury shares</b> | <b>Earnings reserve</b> | <b>Retained earnings (accumulated losses)</b> | <b>Other comprehensive income</b> | <b>Shareholders' equity</b> |
|-------------|--|------------------------|---|-------------------------|---|-----------------------------------|-----------------------------|
| 5.01        | Opening balances                                       | 4,540,000              | 30  | -                       | (1,301,961)                                   | 2,956,459                         | 6,194,528                   |
| 5.03        | Adjusted opening balances                              | 4,540,000              | 30  | -                       | (1,301,961)                                   | 2,956,459                         | 6,194,528                   |
| 5.05        | Total comprehensive income                             | -                      | -   | -                       | (347,298)                                     | 848,282                           | 500,984                     |
| 5.05.01     | Profit (loss) for the period                           | -                      | -   | -                       | (347,298)                                     | -                                 | (347,298)                   |
| 5.05.02     | Other comprehensive income                             | -                      | -   | -                       | -   | 848,282                           | 848,282                     |
| 5.05.02.04  | Translation adjustments for the year                   | -                      | -   | -                       | -   | 82,130                            | 82,130                      |
| 5.05.02.08  | Actuarial gains/(Losses) on pension plan, net of taxes | -                      | -   | -                       | -   | 88                                | 88                          |
| 5.05.02.09  | Available-for-sale assets, net of taxes                | -                      | -   | -                       | -   | 614,542                           | 614,542                     |
| 5.05.02.10  | (Loss) / gain on the percentage change in investments  | -                      | -   | -                       | -   | 2,814                             | 2,814                       |
| 5.05.02.11  | (Loss) / gain on cash flow hedge                       | -                      | -   | -                       | -   | 172,307                           | 172,307                     |

|            |   |           |    |   |             |           |           |
|------------|---|-----------|----|---|-------------|-----------|-----------|
|            | accounting, net of<br>taxes<br>(Loss) / gain on |           |    |   |             |           |           |
| 5.05.02.13 | foreign<br>investments                          | -         | -  | - | -           | (23,599)  | (23,599)  |
| 5.07       | Closing balance                                 | 4,540,000 | 30 | - | (1,649,259) | 3,804,741 | 6,695,512 |

**CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE**

Quarterly Financial Information – September 30, 2018 – CIA SIDERURGICA NACIONAL

**Version:  
1****Parent Company Financial Statements / Statement of Value Added  
(R\$ thousand)**

| <b>Code</b> | <b>Description</b>                               | <b>Year to date<br/>01/01/2018 to<br/>09/30/2018</b> | <b>Previous year<br/>01/01/2017 to<br/>09/30/2017</b> |
|-------------|--|--|---|
| 7.01        | Revenues   | 14.591.261   | 9,476,920   |
| 7.01.01     | Sales of products and rendering of services      | 11.739.960   | 9,425,899   |
| 7.01.02     | Other revenues                                   | 2.858.386  | 66,237  |
| 7.01.04     | Allowance for (reversal of) doubtful debts       | (7.085)  | (15,216)  |
| 7.02        | Raw materials acquired from third parties        | (8,518,250)  | (7,343,265)   |
| 7.02.01     | Cost of sales and services                       | (7,974,515)  | (6,627,795)   |
| 7.02.02     | Materials, electric power, outsourcing and other | (543,723)  | (714,074)   |
| 7.02.03     | Impairment/recovery of assets                    | (12)   | (1,396)   |
| 7.03        | Gross value added                                | 6,073,011  | 2.133.655   |
| 7.04        | Retentions                                       | (443,017)  | (497,288)   |
| 7.04.01     | Depreciation, amortization and depletion         | (443,017)  | (497,288)   |
| 7.05        | Wealth created                                   | 5,629,994  | 1.636.367   |
| 7.06        | Value added received                             | 1,080,108  | 787.809   |
| 7.06.01     | Equity in results of affiliates companies        | 467,716  | 551.051   |
| 7.06.02     | Financial income                                 | 475,247  | 235.858   |
| 7.06.03     | Others   | 137,145  | 900   |
| 7.06.03.01  | Others and exchange gains                        | 137,145  | 900   |
| 7.07        | Wealth for distribution                          | 6,710,102  | 2.424.176   |
| 7.08        | Wealth distributed                               | 6,710,102  | 2.424.176   |
| 7.08.01     | Personnel  | 934,365  | 889.242   |
| 7.08.01.01  | Salaries and wages                               | 693,615  | 652.517   |
| 7.08.01.02  | Benefits   | 192,532  | 182.239   |
| 7.08.01.03  | Severance payment (FGTS)                         | 48,218   | 54.486  |
| 7.08.02     | Taxes, fees and contributions                    | 348,815  | 384.352   |
| 7.08.02.01  | Federal  | 121,522  | 288.265   |
| 7.08.02.02  | State  | 227,290  | 96.071  |
| 7.08.02.03  | Municipal  | 3  | 16  |



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|               |  |           |           |
|---------------|--|-----------|-----------|
| 7.08.03       | Remuneration on third-party capital    | 2,073,074 | 1.497.880 |
| 7.08.03.01    | Interest                               | 1,236,625 | 1.827.044 |
| 7.08.03.02    | Leases                                 | 5,108     | 8.566     |
| 7.08.03.03    | Others                                 | 831,341   | (337,730) |
| 7.08.03.03.01 | Others and exchange losses             | 831,341   | (337,730) |
| 7.08.04       | Remuneration on Shareholders' capital  | 3,353,848 | (347,298) |
| 7.08.04.03    | Retained earnings (accumulated losses) | 3,353,848 | (347,298) |

**CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE**

Quarterly Financial Information – September 30, 2018 – CIA SIDERURGICA NACIONAL

**Version:  
1****Consolidated Financial Statements / Balance Sheet - Assets  
(R\$ thousand)**

| <b>Code</b> | <b>Description</b>                                  | <b>Current Quarter<br/>09/30/2018</b> | <b>Previous Year<br/>12/31/2017</b> |
|-------------|---|---------------------------------------|-------------------------------------|
| 1           | Total Assets  | 46,226,202                            | 45,209,970                          |
| 1.01        | Current assets                                      | 12,708,158                            | 11,881,496                          |
| 1.01.01     | Cash and cash equivalents                           | 2,995,240                             | 3,411,572                           |
| 1.01.02     | Financial investments                               | 902,403                               | 735,712                             |
| 1.01.02.03  | Financial investments measured at<br>amortized cost | 902,403                               | 735,712                             |
| 1.01.03     | Trade receivables                                   | 2,142,670                             | 2,276,215                           |
| 1.01.04     | Inventory   | 4,788,365                             | 4,464,419                           |
| 1.01.08     | Other current assets                                | 1,879,480                             | 993,578                             |
| 1.01.08.03  | Others  | 1,879,480                             | 993,578                             |
| 1.02        | Non-current assets                                  | 33,518,044                            | 33,328,474                          |
| 1.02.01     | Long-term assets                                    | 2,832,006                             | 2,591,594                           |
| 1.02.01.03  | Financial investments measured at<br>amortized cost | 8,018                                 | 0                                   |
| 1.02.01.07  | Deferred tax assets                                 | 73,207                                | 63,119                              |
| 1.02.01.10  | Other non-current assets                            | 2,750,781                             | 2,528,475                           |
| 1.02.02     | Investments   | 5,521,085                             | 5,499,995                           |
| 1.02.03     | Property, plant and equipment                       | 17,868,945                            | 17,964,839                          |
| 1.02.04     | Intangible assets                                   | 7,296,008                             | 7,272,046                           |

**CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE**

Quarterly Financial Information – September 30, 2018 – CIA SIDERURGICA NACIONAL

**Version:  
1****Consolidated Financial Statements / Balance Sheet – Liabilities  
(R\$ thousand)**

| <b>Code</b>   | <b>Description</b>   | <b>Current Quarter<br/>09/30/2018</b> | <b>Previous Year<br/>12/31/2017</b> |
|---------------|--|---------------------------------------|-------------------------------------|
| 2             | Total liabilities  | 46,226,202                            | 45,209,970                          |
| 2.01          | Current liabilities  | 10,814,432                            | 10,670,050                          |
| 2.01.01       | Payroll and related taxes  | 315,445                               | 252,418                             |
| 2.01.02       | Trade payables   | 2,933,989                             | 2,460,774                           |
| 2.01.03       | Tax payables   | 302,277                               | 264,097                             |
| 2.01.04       | Borrowings and financing   | 6,409,689                             | 6,526,902                           |
| 2.01.05       | Other payables   | 755,917                               | 1,059,901                           |
| 2.01.06       | Provisions   | 97,115                                | 105,958                             |
| 2.01.06.01    | Provision for tax, social security, labor<br>and civil risks             | 97,115                                | 105,958                             |
| 2.02          | Non-current liabilities  | 26,664,512                            | 26,251,691                          |
| 2.02.01       | Borrowings and financing   | 23,666,381                            | 22,983,942                          |
| 2.02.02       | Other payables   | 229,163                               | 129,323                             |
| 2.02.03       | Deferred tax liabilities   | 894,098                               | 1,173,559                           |
| 2.02.04       | Provisions   | 1,874,870                             | 1,964,867                           |
| 2.02.04.01    | Provision for tax, social security, labor<br>and civil risks             | 690,635                               | 719,133                             |
| 2.02.04.02    | Other provisions   | 1,184,235                             | 1,245,734                           |
| 2.02.04.02.03 | Provision for environmental liabilities<br>and decommissioning of assets | 275,514                               | 337,013                             |
| 2.02.04.02.04 | Pension and healthcare plan  | 908,721                               | 908,721                             |
| 2.03          | Consolidated Shareholders' equity  | 8,747,258                             | 8,288,229                           |
| 2.03.01       | Share Capital  | 4,540,000                             | 4,540,000                           |
| 2.03.02       | Capital reserves   | 32,720                                | 30                                  |
| 2.03.04       | Profit reserves  | 180,712                               | 0                                   |
| 2.03.04.02    | Earnings reserves  | 238,976                               | 238,976                             |
| 2.03.04.09    | Treasury shares  | (58,264)                              | (238,976)                           |
| 2.03.05       | Accumulated profit/(losses)  | 2,062,159                             | (1,291,689)                         |
| 2.03.08       | Other comprehensive income   | 641,279                               | 3,779,032                           |
| 2.03.09       | Profit attributable to the non-controlling<br>interests                  | 1,290,388                             | 1,260,856                           |



**CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE**

Quarterly Financial Information – September 30, 2018 – CIA SIDERURGICA NACIONAL

**Version:  
1****Consolidated Financial Statements / Statements of Income  
(R\$ thousand)**

| Code       | Description   | Current                                | Same quarter                                | YTD previous                                 |                                     |
|------------|---|--|---|--|-------------------------------------|
|            |   | Quarter<br>07/01/2018 to<br>09/30/2018 | Year to date<br>01/01/2018 to<br>09/30/2018 | previous year<br>07/01/2017 to<br>09/30/2017 | year<br>01/01/2017 to<br>09/30/2017 |
| 3.01       | Revenues from sale of goods and rendering of services | 6,164,989                              | 16,917,953                                  | 4,809,671                                    | 13,531,876                          |
| 3.02       | Costs from sale of goods and rendering of services    | (4,298,540)                            | (12,107,201)                                | (3,596,936)                                  | (10,016,303)                        |
| 3.03       | Gross profit  | 1,866,449                              | 4,810,752                                   | 1,212,735                                    | 3,515,573                           |
| 3.04       | Operating (expenses)/income                           | (453,100)                              | 784,836                                     | (550,540)                                    | (1,768,200)                         |
| 3.04.01    | Selling expenses                                      | (569,294)                              | (1,497,306)                                 | (414,544)                                    | (1,263,611)                         |
| 3.04.02    | General and administrative expenses                   | (105,785)                              | (331,033)                                   | (76,174)                                     | (307,051)                           |
| 3.04.04    | Other operating income                                | 598,458                                | 3,227,902                                   | 8,956  | 21,102                              |
| 3.04.05    | Other operating expenses                              | (420,325)                              | (710,737)                                   | (106,780)                                    | (317,140)                           |
| 3.04.06    | Equity in results of affiliated companies             | 43,846                                 | 96,010                                      | 38,002                                       | 98,500                              |
| 3.05       | Profit before financial income (expenses) and taxes   | 1,413,349                              | 5,595,588                                   | 662,195                                      | 1,747,373                           |
| 3.06       | Financial income (expenses)                           | (423,225)                              | (2,005,993)                                 | (277,797)                                    | (1,603,640)                         |
| 3.06.01    | Financial income                                      | 335,885                                | 426,659                                     | 80,841                                       | 286,070                             |
| 3.06.02    | Financial expenses                                    | (759,110)                              | (2,432,652)                                 | (358,638)                                    | (1,889,710)                         |
| 3.06.02.01 | Net exchange differences over financial instruments   | (87,663)                               | (749,442)                                   | 269,925                                      | 208,730                             |
| 3.06.02.02 | Financial expenses                                    | (671,447)                              | (1,683,210)                                 | (628,563)                                    | (2,098,440)                         |
| 3.07       | Profit (loss) before taxes                            | 990,124                                | 3,589,595                                   | 384,398                                      | 143,733                             |
| 3.08       | Income tax and social contribution                    | (237,960)                              | (161,249)                                   | (128,214)                                    | (409,890)                           |
| 3.09       | Profit (loss) from continued operations               | 752,164                                | 3,428,346                                   | 256,184                                      | (266,157)                           |
| 3.11       | Consolidated Profit (loss) for the year               | 752,164                                | 3,428,346                                   | 256,184                                      | (266,157)                           |
| 3.11.01    | Profit attributable to the controlling interests      | 721,535                                | 3,353,848                                   | 226,466                                      | (347,298)                           |
| 3.11.02    |   | 30,629                                 | 74,498                                      | 29,718                                       | 81,141                              |

|            |   |         |         |         |           |
|------------|---|---------|---------|---------|-----------|
|            | Profit attributable to the<br>non-controlling interests |         |         |         |           |
| 3.99       | Earnings (loss) per common<br>share – (Reais/share)     |         |         |         |           |
| 3.99.01    | Basic   |         |         |         |           |
| 3.99.01.01 | Common shares   | 0.52810 | 2.45474 | 0.16687 | (0.25591) |
| 3.99.02    | Diluted   |         |         |         |           |
| 3.99.02.01 | Common shares   | 0.52810 | 2.45474 | 0.16687 | (0.25591) |

**CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE**

Quarterly Financial Information – September 30, 2018 – CIA SIDERURGICA NACIONAL

**Version:  
1****Consolidated Financial Statements / Statement of Comprehensive Income  
(R\$ thousand)**

| Code    | Description  | Current       | Year to date  | Same quarter  | YTD previous  |
|---------|--|---------------|---------------|---------------|---------------|
|         |  | Quarter       | previous year | previous year | year          |
|         |  | 07/01/2018 to | 01/01/2018 to | 07/01/2017 to | 01/01/2017 to |
|         |  | 09/30/2018    | 09/30/2018    | 09/30/2017    | 09/30/2017    |
| 4.01    | Consolidated profit (loss) for the year                                    | 752,164       | 3,428,346     | 256,184       | (266,157)     |
| 4.02    | Other comprehensive income   | (226,236)     | (3,137,753)   | 667,498       | 848,282       |
| 4.02.01 | Actuarial gains over pension plan of affiliates, net of taxes              | 30            | 89            | 30            | 88            |
| 4.02.04 | Cumulative translation adjustments for the year                            | (29,171)      | (17,175)      | (47,328)      | 82,130        |
| 4.02.05 | Fair value through other comprehensive income                              | -             | (1,559,680)   | 496,044       | 614,542       |
| 4.02.09 | (Loss)/gain on the percentage change in investments                        | -             | (105)         | -             | 2,814         |
| 4.02.10 | (Loss)/gain on cash flow hedge accounting                                  | (372,883)     | (1,724,818)   | 200,236       | 134,374       |
| 4.02.12 | (Loss)/gain on hedge of net investment in foreign operations               | (7,263)       | (32,196)      | 2,304         | (23,599)      |
| 4.02.13 | Realization of cash flow hedge accounting reclassified to income statement | 183,051       | 196,783       | 16,212        | 37,933        |
| 4.02.14 | (Loss)/gain on business combination  | -             | (651)         | -             | -             |
| 4.03    | Consolidated comprehensive income for the year                             | 525,928       | 290,593       | 923,682       | 582,125       |
| 4.03.01 | Attributed to controlling Shareholders                                     | 495,299       | 216,095       | 893,964       | 500,984       |
| 4.03.02 | Attributed to non-controlling Shareholders                                 | 30,629        | 74,498        | 29,718        | 81,141        |





**CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE**

Quarterly Financial Information – September 30, 2018 – CIA SIDERURGICA NACIONAL

**Version:  
1****Consolidated Financial Statements / Statements of Cash Flows – Indirect Method  
(R\$ thousand)**

| Code       | Description  | Year to date             | YTD previous year        |
|------------|--|--------------------------|--------------------------|
|            |  | 01/01/2018 to 09/30/2018 | 01/01/2017 to 09/30/2017 |
| 6.01       | Net cash from operating activities                                       | 1,598,553                | 94,171                   |
| 6.01.01    | Cash from operations   | 3,752,663                | 2,420,104                |
| 6.01.01.01 | Profit (loss) attributable to the controlling interests                  | 3,353,848                | (347,298)                |
| 6.01.01.03 | Profit (loss) attributable to the non-controlling interests              | 74,498                   | 81,141                   |
| 6.01.01.04 | Financial charges in borrowing and financing raised                      | 1,451,934                | 1,899,125                |
| 6.01.01.05 | Financial charges in borrowing and financing granted                     | (36,699)                 | (50,815)                 |
| 6.01.01.06 | Depreciation, depletion and amortization                                 | 962,051                  | 1,123,076                |
| 6.01.01.07 | Equity in in results of affiliated companies                             | (96,010)                 | (98,500)                 |
| 6.01.01.08 | Deferred tax   | (279,896)                | 132,171                  |
| 6.01.01.09 | Provision for tax, social security, labor, civil and environmental risks | (39,918)                 | 4,492                    |
| 6.01.01.10 | Monetary exchange variations, net  | 1,121,423                | (239,384)                |
| 6.01.01.11 | Gain (loss) from derivative financial instruments                        | -                        | (28,503)                 |
| 6.01.01.12 | Updated shares - VJR   | (1,547,265)              | -                        |
| 6.01.01.13 | Write-down of property, plant and equipment and Intangible assets        | 29,383                   | 21.600                   |
| 6.01.01.15 | Net gain on sale of foreign subsidiary                                   | (1,164,294)              | -                        |
| 6.01.01.16 | Provision for environmental liabilities and decommissioning of assets    | (61,499)                 | (44,694)                 |
| 6.01.01.17 | Others   | (14,893)                 | (32,307)                 |
| 6.01.02    | Changes in assets and liabilities  | (2,154,110)              | (2,325,933)              |
| 6.01.02.01 | Trade receivables - third parties  | 203,762                  | (219,153)                |
| 6.01.02.02 | Trade receivables - related parties                                      | 2,114                    | 11,141                   |
| 6.01.02.03 | Inventories  | (524,708)                | (263,261)                |

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|            |  |             |             |
|------------|--|-------------|-------------|
| 6.01.02.04 | Receivables - related parties/dividends                  | 1,654       | (9,557)     |
| 6.01.02.05 | Tax assets   | (860,082)   | (110,188)   |
| 6.01.02.06 | Judicial deposits  | (32,506)    | (32,807)    |
| 6.01.02.08 | Trade payables   | 481,117     | 480,512     |
| 6.01.02.09 | Payroll and related taxes                                | 65,421      | 41,601      |
| 6.01.02.10 | Taxes in installments – REFIS                            | 30,103      | 31,194      |
| 6.01.02.11 | Payables to related parties                              | 86,989      | (10,356)    |
| 6.01.02.13 | Interest paid  | (1,707,468) | (2,126,761) |
| 6.01.02.15 | Interest received - Related Parties                      | -           | 8,678       |
| 6.01.02.17 | Others   | 99,494      | (126,976)   |
| 6.02       | Net cash used in investing activities                    | 525,126     | (685,842)   |
| 6.02.02    | Investments/AFAC   | (96,902)    | -           |
| 6.02.03    | Purchase of property, plant and equipment                | (810,088)   | (715,869)   |
| 6.02.05    | Receivable/payable from derivative financial instruments | (372)       | 30,374      |
| 6.02.06    | Acquisition of intangible assets                         | (631)       | (329)       |
| 6.02.08    | Intercompany loans granted                               | (101,908)   | (15,188)    |
| 6.02.09    | Intercompany loans received                              | -           | 12,116      |
| 6.02.10    | Financial Investments, net of redemption                 | (174,709)   | 3,054       |
| 6.02.11    | Cash received from the sale of foreign subsidiary        | 1,670,359   | -           |
| 6.02.12    | Cash received from disposal of Usiminas' shares          | 39,377      | -           |
| 6.03       | Net cash used in financing activities                    | (2,514,012) | (899,476)   |
| 6.03.01    | Borrowings and financing                                 | 2,002,773   | 171,000     |
| 6.03.02    | Transaction cost - Borrowings and financing              | (85,679)    | -           |
| 6.03.04    | Amortization of borrowings and financing                 | (4,142,506) | (1,070,476) |
| 6.03.07    | Dividends and interest on equity                         | (502,002)   | -           |
| 6.03.08    | Treasury shares sold                                     | 213,402     | -           |
| 6.04       | Exchange rate on translating cash and cash equivalents   | (25,999)    | 1,417       |
| 6.05       | Increase (decrease) in cash and cash equivalents         | (416,332)   | (1,489,730) |
| 6.05.01    | Cash and equivalents at the beginning of the year        | 3,411,572   | 4,871,162   |
| 6.05.02    | Cash and equivalents at the end of the year              | 2,995,240   | 3,381,432   |

**CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE**

Quarterly Financial Information – September 30, 2018 – CIA SIDERURGICA NACIONAL

**Version:  
1****Consolidated Financial Statements / Statements of Changes in Equity - 01/01/2018 to 09/30/2018  
(R\$ thousand)**

| Code       | Description                                   | Paid-in capital | Capital reserve, granted options and treasury shares | Earnings reserve | Retained earnings (accumulated losses) | Other comprehensive income | Shareholders' equity | Non-con | inter |
|------------|---|-----------------|--|------------------|--|----------------------------|----------------------|---------|-------|
| 5.01       | Opening balances                              | 4,540,000       | 30   | -                | (1,291,689)                            | 3,779,032                  | 7,027,373            | 1,2     |       |
| 5.03       | Adjusted opening balances                     | 4,540,000       | 30   | -                | (1,291,689)                            | 3,779,032                  | 7,027,373            | 1,2     |       |
| 5.04       | Capital transaction with shareholders         | -               | 32,690   | 180,712          | -                                      | -                          | 213,402              |         |       |
| 5.04.05    | Treasury shares sold                          | -               | -  | 180,712          | -                                      | -                          | 180,712              |         |       |
| 5.04.08    | Gain on disposal of shares                    | -               | 32,690   | -                | -                                      | -                          | 32,690               |         |       |
| 5.05       | Total comprehensive income                    | -               | -  | -                | 3,353,848                              | (3,137,753)                | 216,095              |         |       |
| 5.05.01    | Profit (loss) for the year                    | -               | -  | -                | 3,353,848                              | -                          | 3,353,848            |         |       |
| 5.05.02    | Other comprehensive income                    | -               | -  | -                | -                                      | (3,137,753)                | (3,137,753)          |         |       |
| 5.05.02.04 | Translation adjustments for the year          | -               | -  | -                | -                                      | (17,175)                   | (17,175)             |         |       |
| 5.05.02.08 | Actuarial gains on pension plan, net of taxes | -               | -  | -                | -                                      | 89                         | 89                   |         |       |

|            |  |           |        |         |           |             |             |    |
|------------|--|-----------|--------|---------|-----------|-------------|-------------|----|
| 5.05.02.09 | Available-for-sale<br>assets, net of<br>taxes                              | -         | -      | -       | -         | (1,559,680) | (1,559,680) |    |
| 5.05.02.10 | (Loss) / gain on<br>the percentage<br>change in<br>investments             | -         | -      | -       | -         | (105)       | (105)       |    |
| 5.05.02.11 | (Loss) / gain on<br>hedge<br>accounting, net<br>of taxes                   | -         | -      | -       | -         | (1,528,035) | (1,528,035) |    |
| 5.05.02.13 | (Loss) / gain on<br>hedge of net<br>investment in<br>foreign<br>operations | -         | -      | -       | -         | (32,196)    | (32,196)    |    |
| 5.05.02.14 | (Loss)/gain on<br>business<br>combination                                  | -         | -      | -       | -         | (651)       | (651)       |    |
| 5.06       | Internal changes<br>in shareholders'<br>equity                             | -         | -      | -       | -         | -           | -           | (  |
| 5.06.04    | Non-controlling<br>interests in<br>affiliates                              | -         | -      | -       | -         | -           | -           | (  |
| 5.07       | Closing balance  | 4,540,000 | 32,720 | 180,712 | 2,062,159 | 641,279     | 7,456,870   | 1, |

**CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE**

Quarterly Financial Information – September 30, 2018 – CIA SIDERURGICA NACIONAL

**Version:  
1****Consolidated Financial Statements / Statements of Changes in Equity - 01/01/2017 to 09/30/2017  
(R\$ thousand)**

| Code       | Description   | Paid-in capital | Capital reserve, granted options and treasury shares | Earnings (accumulated reserve) | Retained earnings (accumulated losses) | Other comprehensive income | Shareholders' equity | Non-con |
|------------|---|-----------------|--|--------------------------------|--|----------------------------|----------------------|---------|
| 5.01       | Opening balances                                      | 4,540,000       | 30   | -                              | (1,301,961)                            | 2,956,459                  | 6,194,528            | 1,      |
| 5.03       | Adjusted opening balances                             | 4,540,000       | 30   | -                              | (1,301,961)                            | 2,956,459                  | 6,194,528            | 1,      |
| 5.05       | Total comprehensive income                            | -               | -  | -                              | (347,298)                              | 848,282                    | 500,984              |         |
| 5.05.01    | Profit (loss) for the year                            | -               | -  | -                              | (347,298)                              | -                          | (347,298)            |         |
| 5.05.02    | Other comprehensive income                            | -               | -  | -                              | -                                      | 848,282                    | 848,282              |         |
| 5.05.02.04 | Translation adjustments for the year                  | -               | -  | -                              | -                                      | 82,130                     | 82,130               |         |
| 5.05.02.08 | Actuarial gains on pension plan, net of taxes         | -               | -  | -                              | -                                      | 88                         | 88                   |         |
| 5.05.02.09 | Available-for-sale assets, net of taxes               | -               | -  | -                              | -                                      | 614,542                    | 614,542              |         |
| 5.05.02.10 | (Loss) / gain on the percentage change in investments | -               | -  | -                              | -                                      | 2,814                      | 2,814                |         |
| 5.05.02.11 |   | -               | -  | -                              | -                                      | 172,307                    | 172,307              |         |

|            |  |           |    |   |             |           |           |           |
|------------|--|-----------|----|---|-------------|-----------|-----------|-----------|
|            | (Loss) / gain on<br>hedge<br>accounting, net<br>of taxes                   |           |    |   |             |           |           |           |
|            | (Loss) / gain on<br>hedge of net<br>investment in<br>foreign<br>operations |           |    |   |             |           |           |           |
| 5.05.02.13 |  | -         | -  | - | -           | (23,599)  | (23,599)  |           |
| 5.06       | Internal changes<br>in shareholders'<br>equity                             | -         | -  | - | -           | -         | -         |           |
| 5.06.04    | Non-controlling<br>interests in<br>affiliates                              | -         | -  | - | -           | -         | -         |           |
| 5.07       | Closing balance  | 4,540,000 | 30 | - | (1,649,259) | 3,804,741 | 6,695,512 | 1,425,000 |

**CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE**

Quarterly Financial Information - September 30, 2018 – CIA SIDERURGICA NACIONAL

**Version:  
1****Consolidated Financial Statements / Statements of Value Added  
(R\$ thousand)**

| Code       | Description                                      | Year to date                | Previous year               |
|------------|--|-----------------------------|-----------------------------|
|            |  | 01/01/2018 to<br>09/30/2018 | 01/01/2017 to<br>09/30/2017 |
| 7.01       | Revenues   | 22,171,878                  | 15,483,245                  |
| 7.01.01    | Sales of products and rendering of services      | 19,436,579                  | 15,497,404                  |
| 7.01.02    | Other revenues                                   | 2,741,131                   | 4,600                       |
| 7.01.04    | Allowance for (reversal of) doubtful debts       | (5,832)                     | (18,759)                    |
| 7.02       | Raw materials acquired from third parties        | (13,096,711)                | (10,324,959)                |
| 7.02.01    | Cost of sales and services                       | (10,973,482)                | (8,503,127)                 |
| 7.02.02    | Materials, electric power, outsourcing and other | (2,138,978)                 | (1,794,938)                 |
| 7.02.03    | Impairment/recovery of assets                    | 15,749                      | (26,894)                    |
| 7.03       | Gross value added                                | 9,075,167                   | 5,158,286                   |
| 7.04       | Retentions                                       | (962,051)                   | (1,123,076)                 |
| 7.04.01    | Depreciation, amortization and depletion         | (962,051)                   | (1,123,076)                 |
| 7.05       | Wealth created                                   | 8,113,116                   | 4,035,210                   |
| 7.06       | Value added received                             | 767,695                     | 308,508                     |
| 7.06.01    | Equity in results of affiliates companies        | 96,010                      | 98,500                      |
| 7.06.02    | Financial income                                 | 426,659                     | 286,070                     |
| 7.06.03    | Others   | 245,026                     | (76,062)                    |
| 7.06.03.01 | Others and exchange gains                        | 245,026                     | (76,062)                    |
| 7.07       | Wealth for distribution                          | 8,880,811                   | 4,343,718                   |
| 7.08       | Wealth distributed                               | 8,880,811                   | 4,343,718                   |
| 7.08.01    | Personnel  | 1,704,716                   | 1,583,499                   |
| 7.08.01.01 | Salaries and wages                               | 1,336,162                   | 1,232,164                   |
| 7.08.01.02 | Benefits   | 306,773                     | 275,415                     |
| 7.08.01.03 | Severance payment (FGTS)                         | 61,781                      | 75,920                      |
| 7.08.02    | Taxes, fees and contributions                    | 1,066,341                   | 1,194,709                   |
| 7.08.02.01 | Federal  | 782,642                     | 956,805                     |
| 7.08.02.02 | State  | 265,348                     | 221,413                     |

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|               |  |           |           |
|---------------|--|-----------|-----------|
| 7.08.02.03    | Municipal                                      | 18,351    | 16,491    |
| 7.08.03       | Remuneration on third-party capital            | 2,681,408 | 1,831,667 |
| 7.08.03.01    | Interest                                       | 1,683,210 | 2,101,671 |
| 7.08.03.02    | Leases   | 19,307    | 21,668    |
| 7.08.03.03    | Others   | 978,891   | (291,672) |
| 7.08.03.03.01 | Others and exchange losses                     | 978,891   | (291,672) |
| 7.08.04       | Remuneration on Shareholders' capital          | 3,428,346 | (266,157) |
| 7.08.04.03    | Retained earnings (accumulated losses)         | 3,353,848 | (347,298) |
| 7.08.04.04    | Non-controlling interests in retained earnings | 74,498    | 81,141    |



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**Comments on the Company's Consolidated Performance**

**São Paulo, November 7, 2018**

**3Q18 Earnings Release**

Companhia Siderúrgica Nacional (CSN) (BM & FBOVESPA: CSNA3) (NYSE: SID) **announces today its results for the third quarter of 2018 (3Q18)** in Brazilian reais, and its consolidated financial statements, which are presented in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and with the accounting practices adopted in Brazil, which are fully convergent with international accounting standards, issued by the Accounting Pronouncements Committee (CPC) and approved by the Brazilian Securities and Exchange Commission (CVM), pursuant to CVM Instruction 485 of September 1, 2010. The comments presented herein refer to the Company's consolidated results for the third quarter of 2018 (3Q18) and comparisons are for the second quarter of 2018 (2Q18) and for the third quarter of 2017 (3Q17). The Brazilian real/US dollar exchange rate was R\$ 4.0039 on September 30, 2018, R\$ 3.8558 on June 30, 2018 and R\$ 3.1680 on September 30, 2017.

**3Q18 financial and operating Highlights**

- **Generation of adjusted EBITDA of R\$1,627 MM**, a 34% increase over 3Q17 and 15% over 2Q18, with EBITDA margin of 25.2%.
- **Higher domestic sales volume of steel since 4Q14**, reaching 912 thousand tons and an increase of 14% in relation to the previous quarter.
- **Adjusted EBITDA from mining increasing 52%, reaching R\$811 MM (EBITDA margin of 49%) against 2Q18**, with a higher volume of ore traded (+14%) and quality premiums.
- **Free cash flow, before financing activities, reached R\$838 MM in 3Q18, against R\$73 MM in 2Q18.**
- **0.41x reduction in the leverage ratio**, from 5.34x in the previous quarter to 4.93x in 3Q18, due to higher operating cash generation and EBITDA growth.
- **Net Income of R\$752 MM in 3Q18**, due to the strong operational evolution besides non operational revenues in the period, totaling R\$3.4 billion in 2018.

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|   |              |              |              |             |             |
|---|--------------|--------------|--------------|-------------|-------------|
| <b>Steel sales (thousand tons)</b>          | <b>1,301</b> | <b>1,321</b> | <b>1,290</b> | <b>(1%)</b> | <b>(2%)</b> |
| - Domestic market                           | 802          | 798          | 912          | 14%         | 14%         |
| - Subsidiaries abroad                       | 425          | 449          | 329          | (23%)       | (27%)       |
| - Export trade                              | 74           | 74           | 48           | (34%)       | (34%)       |
| <b>Iron ore sales (thousand tons)</b>       | <b>7,954</b> | <b>8,130</b> | <b>9,288</b> | <b>17%</b>  | <b>14%</b>  |
| - Domestic market                           | 1,321        | 1,376        | 1,138        | (14%)       | (17%)       |
| - Foreign market                            | 6,633        | 6,754        | 8,150        | 23%         | 21%         |
| <b>Consolidated result (R\$ million)</b>    |              |              |              |             |             |
| Net revenue                                 | 4,810        | 5,687        | 6,165        | 28%         | 8%          |
| Gross profit                                | 1,213        | 1,563        | 1,866        | 54%         | 19%         |
| Adjusted EBITDA <sup>1</sup>                | 1,213        | 1,420        | 1,627        | 34%         | 15%         |
| Adjusted net debt <sup>2</sup>              | 25,717       | 27,125       | 27,057       | 5%          | (0%)        |
| Adjusted cash/cash equivalents <sup>2</sup> | 4,358        | 4,357        | 4,083        | (6%)        | (6%)        |
| Net debt/Adjusted EBITDA                    | 5.48x        | 5.34x        | 4.93x        | -0.55 x     | -0.41 x     |

<sup>1</sup>Adjusted EBITDA is calculated based on net profit/loss, plus depreciation and amortization, income tax, net finance income (costs), share of profit (loss) of investees and other operating income (expenses), and includes the proportionate share of EBITDA of the jointly-owned subsidiaries MRS Logística and CBSI. Adjusted EBITDA includes 100% interest in CSN Mineração, 37.27% in MRS and 50% in CBSI.

<sup>2</sup> Adjusted net debt and adjusted cash account for 100% stake in CSN Mineração, 37.27% in MRS and 50% in CBSI.

**CSN's Consolidated Result**

- In 3Q18, **net revenue** totaled R\$6,165 million, **8%** and **28%** higher than in 2Q18 and 3Q17, respectively. Compared to 2Q18, the improvement in performance was due to the increase in steel products prices and volumes in the domestic market, and in the mining segment.
- In 3Q18, the **cost of goods sold** amounted to R\$4,299 million, **4.2%** higher than in 2Q18, due to the increase in raw material prices resulting from the appreciation of the US dollar against the Brazilian real, as well as higher manufacturing costs.
- In the third quarter of 2018, **gross profit** totaled R\$1,866 million, a strong increase of **54%** over 3Q17, with a gross margin of 5.1 p.p. higher than the same basis of comparison, due to the strong gain in the mining's margin.
- In 3Q18, **general and administrative expenses** totaled R\$106 million, with **dilution of 2.1% (2Q18) to 1.7% (3Q18)** of net revenue. **Sales expenses** totaled R\$569 million, or 9.2% of net revenue, **0.9 p.p. above** the figure recorded in 2Q18 (8.3% of net revenue) due to the increase in transoceanic iron ore freight expenses in cost and freight (CIF) sales.
- In 3Q18, **other net income (expenses)** reached a positive value of R\$178 million, mainly due to the recognition in the results of judicial assets and the valuation of Usiminas shares in the period.
- In 3Q18, **net financial result** was negative by R\$423 million. **Finance costs (ex-variation)** continued to decline, due to the lower Selic rate, since **interest rates on local currency loans** decreased from R\$ 377MM in **3Q17** to R\$ 254 MM in **3Q18**. Inflation adjustments and exchange variations were impacted by the appreciation of the dollar in the period, generating a negative amount of R\$465 million, partially off-set by hedge accounting positions.

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|   |              |              |              |
|---|--------------|--------------|--------------|
| <b>Finance income (costs) - IFRS</b>            | <b>(278)</b> | <b>(989)</b> | <b>(423)</b> |
| <b>Finance income</b>                           | 71           | 48           | 336          |
| <b>Finance costs</b>                            | (348)        | (1,037)      | (759)        |
| <b>Finance costs (ex-variation)</b>             | (629)        | (489)        | (671)        |
| <b>Exchange rate changes</b>                    | 280          | (548)        | (88)         |
| Inflation adjustments and exchange rate changes | 473          | (1,905)      | (465)        |
| Hedge accounting                                | (202)        | 1,353        | 380          |
| Derivative gains                                | 10           | 3            | (3)          |

- **Share of profit of investees** was positive by R\$44 million in **3Q18**, compared to R\$27 million in 2Q18. This result was mainly due to better results in MRS.

|                                     |           |           |           |            |            |
|-------------------------------------|-----------|-----------|-----------|------------|------------|
| MRS Logistics                       | 54        | 46        | 61        | 13%        | 33%        |
| CBSI                                | 1         | 1         | 1         | -          | -          |
| TLSA                                | (11)      | (8)       | (6)       | (45%)      | (25%)      |
| Arvedi Metalfer BR                  | -         | (2)       | (2)       | -          | -          |
| Eliminations                        | (6)       | (10)      | (11)      | 83%        | 10%        |
| <b>Share of profit of investees</b> | <b>38</b> | <b>27</b> | <b>44</b> | <b>16%</b> | <b>63%</b> |

- In **3Q18**, the Company recorded **net profit of R\$752 million**, totaling R\$3,428 million in 9M18.

|   |              |              |              |            |              |
|---|--------------|--------------|--------------|------------|--------------|
| <b>Net profit (loss) for the period</b>               | <b>256</b>   | <b>1,190</b> | <b>752</b>   | 194%       | <b>(37%)</b> |
| (-) Depreciation                                      | 344          | 312          | 274          | (20%)      | (12%)        |
| (+) Income tax and social contribution                | 128          | (635)        | 240          | 87%        | -            |
| (+) Finance income (costs), net                       | 278          | 989          | 423          | 52%        | (57%)        |
| <b>EBITDA (ICVM 527)</b>                              | <b>1,006</b> | <b>1,855</b> | <b>1,689</b> | <b>68%</b> | <b>(9%)</b>  |
| (+) Other operating income (expenses)                 | 98           | (542)        | (180)        | -          | (67%)        |
| (+) Share of loss of investees                        | (38)         | (27)         | (44)         | 16%        | 63%          |
| (-) Proportional EBITDA in jointly-owned subsidiaries | 147          | 134          | 162          | 10%        | 21%          |
| <b>Adjusted EBITDA</b>                                | <b>1,213</b> | <b>1,420</b> | <b>1,627</b> | <b>34%</b> | <b>15%</b>   |

<sup>1</sup>The Company's adjusted EBITDA excludes equity interest and other operating income (expenses) as these items should not be considered when calculating the cash flow generated from operating activities.

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- Adjusted **EBITDA** totaled **R\$1,627 million**, against R\$1,420 million in 2Q18, a 15% increase resulted from the operational improvement especially in the mining and logistics segments. **Adjusted EBITDA margin reached 25.2%**, or 1.3 p.p. above the previous quarter.

Adjusted EBITDA Margin is calculated based on Adjusted EBITDA divided by adjusted net revenue, which includes 100% stake in CSN Mining, 37.27% in MRS and 50% in CBSI, as of December/15.

### **Free Cash Flow**

In **3Q18**, operating cash flow, as measured by Free Cash Flow, was R\$838 million, positively influenced by higher EBITDA and a more efficient financial cycle. In the last 12 months, Free Cash Flow reached R\$1,687 million.

<sup>1</sup>Our working capital include changes in current assets and current liabilities, disregarding the impacts on the exchange rate variation, as well as non-recurring tax credit in the amount of R\$725MM, related to the exclusion of PIS/COFINS from the ICMS base.

## Debt

As of September 30, 2018, net adjusted debt reached R\$ 27,057 million, while net debt/EBITDA ratio, calculated based on adjusted EBITDA of the last twelve months, reached 4.93x. In the quarter, the deleveraging effects from the increased LTM EBITDA led to a reduction of net debt/EBITDA by 0.41x, even considering the impacts of the exchange rate variation on dollarized debt.



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1****Foreign exchange exposure**

The net foreign exchange exposure of our consolidated balance sheet was US\$1,433 million on September 30, 2018, as shown in the table below. It should be noted that within the net FX exposure, a liability of US\$1.0 billion is included in the "Borrowings and financing" line related to the Perpetual Bond, which, due to its nature, will not require disbursement for settlement of the principal amount in the foreseeable future.

The hedge accounting adopted by CSN correlates the projected exports inflow in dollars with part of the scheduled debt payments in the same currency. As a result, the exchange rate changes in the US dollar-denominated debt is temporarily recorded in equity and subsequently recorded in profit or loss when revenues in US dollars from exports occur.

|   |                |                |
|---|----------------|----------------|
| Cash  | 593            | 316            |
| Trade receivables   | 329            | 359            |
| Other   | 9              | 6              |
| <b>Total assets</b>   | <b>931</b>     | <b>681</b>     |
| Borrowings and financing  | (4,237)        | (4,250)        |
| Suppliers   | (202)          | (160)          |
| Other payables  | (4)            | (4)            |
| <b>Total liabilities</b>  | <b>(4,443)</b> | <b>(4,415)</b> |
| <b>Natural foreign exchange exposure (assets - liabilities)</b> | <b>(3,512)</b> | <b>(3,734)</b> |
| Derivatives, net  | -              | -              |
| Cash flow hedge accounting                                      | 2,477          | 2,302          |
| <b>Foreign exchange exposure, net</b>                           | <b>(1,035)</b> | <b>(1,433)</b> |
| Perpetual bond  | 1,000          | 1,000          |
| <b>Foreign exchange exposure, net (ex-bond)</b>                 | <b>(35)</b>    | <b>(433)</b>   |

## Investments

**R\$ 325 million were invested in 3Q18**, an increase of 24% over 2Q18, mainly due to project seasonality. The increase in steel and mining expenses are related to investments for better coking/sintering and filtration performance, respectively.

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|                                 |            |            |            |            |              |            |            |            |
|---------------------------------|------------|------------|------------|------------|--------------|------------|------------|------------|
| Steel                           | 92         | 102        | 119        | 168        | 481          | 65         | 134        | 168        |
| Mining                          | 60         | 106        | 115        | 97         | 378          | 116        | 99         | 116        |
| Cement                          | 24         | 20         | 34         | 40         | 118          | 23         | 13         | 13         |
| Logistics                       | 13         | 11         | 19         | 33         | 76           | 18         | 15         | 25         |
| Other                           | 0          | 0          | 6          | 6          | 12           | 2          | 2          | 3          |
| <b>Total investments - IFRS</b> | <b>190</b> | <b>239</b> | <b>293</b> | <b>344</b> | <b>1,065</b> | <b>223</b> | <b>263</b> | <b>325</b> |

**Working capital**

To calculate Working capital, CSN adjusts its assets and liabilities as demonstrated below:

- Trade receivables: excludes dividends receivable, advances to employees and other receivables;
- Inventories: includes estimated losses and excludes the spare parts, which are not part of the cash conversion cycle and will be subsequently recorded in Fixed assets when consumed;
- Advanced taxes: solely composed of income tax and social contribution included in line item "Recoverable taxes";
- Taxes payable: composed of line item "Taxes payable", in current liabilities, plus taxes in installments;
- Advances from customers: recognized in line item "Other payables", in current liabilities;

Accordingly, working capital invested in the Company's business **totaled R\$2,727 million in 3Q18, reducing the financial cycle in 9 days** when compared to **2Q18**, due to the

reduction in accounts receivable from the sale of CSN LLC and the decrease in the inventory position, normalized after the truck drivers' strike in 2Q18.

|                           |              |              |              |              |              |
|---------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Assets</b>             | <b>5,868</b> | <b>6,924</b> | <b>6,432</b> | <b>564</b>   | <b>(492)</b> |
| Trade receivables         | 2,127        | 2,269        | 2,003        | (124)        | (266)        |
| Inventories               | 3,545        | 4,458        | 4,054        | 509          | (404)        |
| Prepaid taxes             | 196          | 197          | 376          | 179          | 179          |
| <b>Liabilities</b>        | <b>2,933</b> | <b>3,965</b> | <b>3,705</b> | <b>772</b>   | <b>(260)</b> |
| Trade payables            | 2,250        | 3,226        | 2,934        | 684          | (292)        |
| Payroll and related taxes | 296          | 265          | 315          | 19           | 50           |
| Taxes payable             | 279          | 337          | 323          | 44           | (14)         |
| Advances from customers   | 108          | 137          | 133          | 24           | (4)          |
| <b>Working capital</b>    | <b>2,935</b> | <b>2,959</b> | <b>2,727</b> | <b>(208)</b> | <b>(232)</b> |
|                           |              |              |              |              |              |
| Receipt                   | 37           | 31           | 25           | (12)         | (6)          |
| Payment                   | 61           | 70           | 61           | -            | (9)          |
| Inventories               | 97           | 97           | 85           | (12)         | (12)         |
| <b>Financial cycle</b>    | <b>73</b>    | <b>58</b>    | <b>49</b>    | <b>(24)</b>  | <b>(9)</b>   |

### Business segment reporting

The Company maintains integrated operations in five business segments: Steel, Mining, Logistics, Cement and Energy. The main assets and/or companies comprising each segment are presented below:

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As of 2013, the Company no longer reports the proportional consolidation of its jointly-owned subsidiaries Namisa, MRS and CBSI. For the purposes of preparing and presenting the information by business segment, Management decided to maintain the proportional consolidation of the jointly-owned subsidiaries, as historically presented. For purposes of reconciliation of the consolidated result, the amounts recorded by these companies are not included in the "Corporate expenses/elimination" column.

After the closing of 2015, after the combination of CSN's mining assets (Casa de Pedra, Namisa and Tecar), the consolidated result includes this new company's information as a whole.

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|  |                |              |             |              |             |              |              |                |
|--|----------------|--------------|-------------|--------------|-------------|--------------|--------------|----------------|
| <b>Net revenue</b>                               | <b>4,099</b>   | <b>1,659</b> | <b>64</b>   | <b>406</b>   | <b>104</b>  | <b>160</b>   | <b>(329)</b> | <b>6,165</b>   |
| Domestic market                                  | 2,899          | 229          | 64          | 406          | 104         | 160          | (678)        | <b>3,185</b>   |
| Foreign market                                   | 1,200          | 1,431        | -           | -            | -           | -            | 349          | <b>2,980</b>   |
| <b>Cost of goods sold</b>                        | <b>(3,380)</b> | <b>(882)</b> | <b>(47)</b> | <b>(268)</b> | <b>(70)</b> | <b>(148)</b> | <b>495</b>   | <b>(4,299)</b> |
| <b>Gross profit</b>                              | <b>719</b>     | <b>778</b>   | <b>17</b>   | <b>138</b>   | <b>35</b>   | <b>12</b>    | <b>167</b>   | <b>1,866</b>   |
| SG&A   | (221)          | (37)         | (8)         | (24)         | (7)         | (23)         | (355)        | <b>(675)</b>   |
| Depreciation                                     | 154            | 70           | 6           | 65           | 4           | 28           | (53)         | <b>274</b>     |
| Proportional EBITDA - jointly-owned subsidiaries | -              | -            | -           | -            | -           | -            | 162          | <b>162</b>     |
| <b>Adjusted EBITDA</b>                           | <b>652</b>     | <b>811</b>   | <b>15</b>   | <b>179</b>   | <b>32</b>   | <b>17</b>    | <b>(79)</b>  | <b>1,627</b>   |

|                           |                |              |             |              |             |              |              |                |
|---------------------------|----------------|--------------|-------------|--------------|-------------|--------------|--------------|----------------|
| <b>Net Revenue</b>        | <b>4,093</b>   | <b>1,331</b> | <b>64</b>   | <b>370</b>   | <b>113</b>  | <b>152</b>   | <b>(437)</b> | <b>5,687</b>   |
| Domestic market           | 2,421          | 225          | 64          | 370          | 113         | 152          | (661)        | 2,684          |
| Foreign market            | 1,672          | 1,106        | -           | -            | -           | -            | 225          | 3,003          |
| <b>Cost of goods sold</b> | <b>(3,276)</b> | <b>(855)</b> | <b>(49)</b> | <b>(262)</b> | <b>(74)</b> | <b>(122)</b> | <b>513</b>   | <b>(4,124)</b> |
| <b>Gross profit</b>       | <b>817</b>     | <b>477</b>   | <b>15</b>   | <b>108</b>   | <b>39</b>   | <b>30</b>    | <b>77</b>    | <b>1,563</b>   |
| SG&A                      | (264)          | (45)         | (9)         | (25)         | (7)         | (21)         | (218)        | (589)          |
| Depreciation              | 155            | 102          | 5           | 64           | 4           | 34           | (52)         | 312            |

|  |                |              |             |              |             |              |              |                |
|--|----------------|--------------|-------------|--------------|-------------|--------------|--------------|----------------|
| Proportional EBITDA - jointly-owned subsidiaries | -              | -            | -           | -            | -           | -            | 134          | 134            |
| <b>Adjusted EBITDA</b>                           | <b>708</b>     | <b>533</b>   | <b>12</b>   | <b>147</b>   | <b>36</b>   | <b>42</b>    | <b>(59)</b>  | <b>1,420</b>   |
| <b>Net Revenue</b>                               | <b>3,399</b>   | <b>1,204</b> | <b>60</b>   | <b>364</b>   | <b>103</b>  | <b>142</b>   | <b>(462)</b> | <b>4,810</b>   |
| Domestic market                                  | <b>2,133</b>   | <b>218</b>   | <b>60</b>   | <b>364</b>   | <b>103</b>  | <b>142</b>   | <b>(638)</b> | <b>2,382</b>   |
| Foreign market                                   | <b>1,265</b>   | <b>986</b>   | -           | -            | -           | -            | <b>176</b>   | <b>2,427</b>   |
| <b>Cost of goods sold</b>                        | <b>(2,845)</b> | <b>(719)</b> | <b>(37)</b> | <b>(242)</b> | <b>(74)</b> | <b>(151)</b> | <b>471</b>   | <b>(3,597)</b> |
| <b>Gross profit</b>                              | <b>553</b>     | <b>486</b>   | <b>23</b>   | <b>122</b>   | <b>29</b>   | <b>(9)</b>   | <b>8</b>     | <b>1,213</b>   |
| SG&A   | <b>(253)</b>   | <b>(40)</b>  | <b>(6)</b>  | <b>(21)</b>  | <b>(7)</b>  | <b>(20)</b>  | <b>(143)</b> | <b>(491)</b>   |
| Depreciation                                     | <b>165</b>     | <b>122</b>   | <b>4</b>    | <b>63</b>    | <b>5</b>    | <b>30</b>    | <b>(45)</b>  | <b>344</b>     |
| Proportional EBITDA - jointly-owned subsidiaries | -              | -            | -           | -            | -           | -            | <b>147</b>   | <b>147</b>     |
| <b>Adjusted EBITDA</b>                           | <b>465</b>     | <b>568</b>   | <b>21</b>   | <b>164</b>   | <b>27</b>   | <b>1</b>     | <b>(33)</b>  | <b>1,213</b>   |

#### CSN's steel results

According to the World Steel Association (WSA), **global crude steel production** totaled **457.1** million tonnes (Mton) in 3Q18, or **6.7%** higher than in 3Q17. **Asia** produced **324.9** Mton in 3Q18, **7.8% higher** than the same period in 2017, while the **European Union** and **North America** increased by **0.7%** and **4.4%**, respectively, on the same basis of comparison.

- In **3Q18**, CSN's **plate production** totaled 937 thousand tons, a reduction of 6% compared to 2Q18 due to maintenance stoppage. In turn, the **production of flat rolled products in 3Q18 remained stable** when compared to 3Q17 and 8% lower than 2Q18, totaling 899 thousand tons. **According to data from the Brazilian Steel Institute (IABr)**, in the first nine months of the year, **domestic sales** reached **13.8 million** tons of steel, **up 9.6%** over the same period of the previous year. **Apparent consumption** reached **15.6 million** tons in the same period, **an increase of 8.7%** over the same period of last year. **Brazilian steel production** totaled **26.1 million** tons, **up 2.5%**.

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|                                    |            |            |            |             |             |
|------------------------------------|------------|------------|------------|-------------|-------------|
| Total plates (UPV + third parties) | 1,069      | 997        | 938        | (12%)       | (6%)        |
| Plate production                   | 1,065      | 996        | 937        | (12%)       | (6%)        |
| Third-party plates                 | 4          | 0          | 1          | (75%)       | -           |
| <b>Total flat rolled products</b>  | <b>903</b> | <b>981</b> | <b>899</b> | <b>(0%)</b> | <b>(8%)</b> |
| <b>Total long rolled products</b>  | <b>50</b>  | <b>53</b>  | <b>51</b>  | <b>2%</b>   | <b>(3%)</b> |

- CSN's **total sales** amounted to 1,290 thousand tons of steel products in **3Q18**, or **2%** and **1%** lower than in 2Q18 and 3Q17, respectively. Adjusting for the effects of the sale of the plant in Terra Haute, USA, total sales would have grown by 4% against 2Q18.

- In **3Q18**, the volume of steel sold by CSN in the **domestic market** totaled 912 thousand tons, **14%** higher than in 2Q18. Of this total, 859 thousand tons refer to flat steel and 53 thousand tons to long steel products. The greater domestic market orientation with **higher performance in the automotive, white goods, packaging and OEM segments** resulted in a **strong increase in sales of cold-rolled flat steel products (+21% - 3Q18x2Q18), galvanized items (+17% - 3Q18x2Q18) and tin plates (+20% - 3Q18x2Q18)**.

- In the **foreign market**, CSN's sales in **3Q18** totaled 378 thousand tons, 28% lower than in the previous quarter mainly due to the sale of CSN LLC at the end of 2Q18 (-12% adjusting to this effect), in addition to the strategy of redirecting galvanized to the domestic market. In



this period, 48 thousand tons were exported directly and 329 thousand tons were sold by the subsidiaries abroad, of which 65 thousand tons by LLC, 185 thousand tons by SWT and 79 thousand tons by Lusosider.

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- In 3Q18, CSN maintained a high **market share of coated products** as a percentage of domestic sales volume (45% in 3Q18 against 44% in 2Q18), following the strategy of adding more value to its product mix. Sales of coated products such as galvanized items and tin plates accounted for 48% of flat steel sales, considering all markets in which the Company operates.

According to **ANFAVEA** (National Association of Automobile Manufacturers), **in the third quarter of 2018, the production of automobiles, light commercial vehicles, trucks and buses** reached 760,226 thousand units, **an increase of 5.05%**, compared to the same period of prior year. **Exports**, in turn, showed a lower performance, totaling 145,258 thousand vehicles sold, a **decrease of 25%** against the same period of the previous year. Anfavea estimates an increase of 11.9% in vehicle production in 2018, to 3.02 million units.

According to **ABRAMAT** (Brazilian Association of the Building Material Industry), **building materials industry revenues increased** by 2.7% in September 2018, compared to the same month a year ago, ergo the association maintains its estimate of growth of 1.5% in the industry revenues in 2018.

According to **IBGE** (Brazilian Institute of Geography and Statistics), **home appliance production** referring to data accumulated from 12 months to August, **registered a growth of 3.1%**, compared to the same period accumulated in 2017.

According to data from **INDA (National Institute of Steel Distributors)** in **3Q18**, distribution purchases **increased by 7%** compared to 3Q17. **Imports closed 3Q18 with a decrease of 12.5%** in relation to the same period of 2017, with a total volume of 324 thousand tons.

- **Net steel revenue** reached R\$4,099 million in 3Q18, stable compared to 2Q18. Excluding distortions resulted from the sale of the plant in the US, net revenue grew 10% in the quarter. In addition to volume growth, the increase was also due to higher average price of steel, both in the domestic market (+5% vs. 2Q18) and in the external market (+8% vs. 2Q18).
- **Cost of goods sold** in **3Q18** increased by 3.2% when compared to 2Q18, totaling R\$3,380 million, chiefly influenced by the 9.6% devaluation of the Brazilian real against the US dollar in the period.

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- **Slab production cost** in **3Q18** reached R\$1,704/t, 4% higher than in 2Q18. The increase in prices of the main raw materials was additionally impacted by the exchange rate variation in the period.
- **Adjusted EBITDA** reached R\$ 652 million in **3Q18**, 7.9% lower than the R\$708 million recorded in 2Q18 due to seasonal fluctuations in the performance of subsidiaries abroad. Adjusted EBITDA margin reached 15.9% in 3Q18, or 1.4 p.p. lower than in the previous quarter.

CSN's mining results

In **3Q18**, steel production in China was **242,4 Mt**, reaching a quarterly production record and representing a 10% increase compared to 3Q17. Resilient demand, capacity constraints and operating margins of steel companies produced a positive effect on prices, especially higher quality products. In this context, the **iron ore price ratio closed 3Q18 averaging US\$ 66.68/dmt (Platts, Fe62%, N. China), 2% up on 2Q18**. The average dollar variation between the periods was +9.6%, benefiting iron ore revenues in local currency.

The decline in the global supply of **high silica** since 2Q18 resulted in a **strong reduction in the market discount of this impurity in 3Q18**. On the other hand, the low impurity of Alumina in the Casa de Pedra product, added to lower silica discounts and with better ore content in the quarter, provided a premium of **US\$2.1 /dmt** for CSN.

In terms of **maritime freight**, the BCI-C3 (Tubarão-Qingdao) route reached an average of US\$ 22.33/wmt in **3Q18**, **an increase of 28%** over the previous quarter, driven by higher transoceanic volumes and higher oil prices.

- In **3Q18**, CSN's **iron ore production** totaled 7.6 million tons, 13% higher than in 2Q18 due to the successful implementation of the mining plan and start-up of the first filtering plant. **Iron ore purchases** reached 1,501 thousand tons in **3Q18**, down 20% from 2Q18.

- Iron ore **sales** totaled 9.3 million tons in **3Q18**, 14% above those recorded in 2Q18, with 1.1 million tons sold to the Presidente Vargas Plant and the rest distributed in the Asian and European markets.

|                                     |              |              |              |             |            |
|-------------------------------------|--------------|--------------|--------------|-------------|------------|
| Iron ore production                 | 7,738        | 6,744        | 7,620        | (2%)        | 13%        |
| Ore purchased from third parties    | 1,419        | 1,878        | 1,501        | 6%          | (20%)      |
| <b>Total production + purchases</b> | <b>9,157</b> | <b>8,621</b> | <b>9,122</b> | <b>(0%)</b> | <b>6%</b>  |
| Sales to UPV                        | 1,321        | 1,376        | 1,138        | (14%)       | (17%)      |
| Volume sold to third parties        | 6,632        | 6,754        | 8,150        | 23%         | 21%        |
| <b>Total sales</b>                  | <b>7,953</b> | <b>8,130</b> | <b>9,288</b> | <b>17%</b>  | <b>14%</b> |

Production and sales volumes include 100% stake in CSN Mineração.

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- In **3Q18**, **net revenue** from mining reached R\$1,659 million, 25% higher than in the previous quarter, due to the higher sales volume (+14%) and appreciation of the US dollar against the real. The **CFR unit revenue for exports** in **3Q18** reached **US\$69.4/dmt**, a quarterly increase of 4% driven by alumina premiums. On the other hand, the CIF+FOB reference was US\$56.8/wmt, stable compared to the previous period, impacted by higher maritime freight and FOB sales.

- Mining **sales cost** totaled R\$882 million in **3Q18**, 3% up on 2Q18, due to the higher volume traded in the period (+14%).

- **Adjusted EBITDA margin reached 49% in 3Q18, or 8.8pp. higher than 2Q18**, while **adjusted EBITDA reached R\$ 811 million in 3Q18**, 52% higher than 2Q18 due to higher volume, lower unit cost of ore placed on the ship, maintenance of realized price and appreciation of the dollar in the period.

CSN's logistics results

**Railway Logistics:** In **3Q18**, **net revenue** reached R\$406 million, generating **adjusted EBITDA** of R\$179 million and **adjusted EBITDA margin** of 44% (+4.3 p.p. against 2Q18).

**Port Logistics:** in **3Q18**, Sepetiba Tecon shipped 88 thousand tons of steel products, in addition to 63 thousand tons of general cargo and approximately 63 thousand containers. In 3Q18, **net revenue** reached R\$64 million, generating Adjusted **EBITDA** of R\$ 15 million, with **adjusted EBITDA margin** of 23% (+4.6 p.p. against 2Q18).

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|                                      |     |     |    |       |       |
|--------------------------------------|-----|-----|----|-------|-------|
| Container volume (thousand units)    | 51  | 56  | 63 | 24%   | 12%   |
| Steel volume (thousand tons)         | 250 | 114 | 88 | (65%) | (23%) |
| General cargo volume (thousand tons) | 0   | 98  | 63 | -     | (36%) |

## CSN's energy results

According to the **Energy Research Company (EPE)**, the **domestic electric energy consumption in Brazil** increased by **1.3%** in **3T18** compared to the same period of the previous year. The industrial sector posted an increase in energy consumption of **1.6%** in the 9M18 versus the same period last year. The residential and commercial sectors increased energy consumption by **1.2%** and **0.4%**, respectively, compared to the same period.

In **3Q18**, **net revenue** from energy totaled R\$104 million (+2% vs. 3Q17) due to greater availability and sale of energy in the free market. **Adjusted EBITDA** was R\$32 million and adjusted **EBITDA margin** of 31%.

## CSN's cement results

In the **first nine months of 2018**, **domestic cement sales** totaled 39.5 million tons, according to preliminary industry data released by the National Cement Industry Union (**SNIC**). This amount represents a fall of **2.2%** from the same period last year. According to SNIC, **sales volume in the third quarter reflects the poor performance of the economic activity**.

In **3Q18**, CSN's **cement sales** was higher than in 2Q18. **Net revenue** reached R\$ 160 million, 6% higher due to price and volumes increases, despite the adverse scenario in the sector. Adjusted **EBITDA** reached R\$17 million, with adjusted **EBITDA margin** of 11%, impacted by higher raw materials prices, especially pet coke.





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1****Capital market**

In the **third quarter of 2018**, CSN's shares appreciated by 18.83%, while the Ibovespa index appreciated by 9.04%. The daily traded volume (CSNA3) on B3, in turn, totaled R\$74.3 million. On the New York Stock Exchange (NYSE), the Company's American Depositary Receipts (ADRs) appreciated by 12.87%, while Dow Jones rose 9.01%. On NYSE, the daily traded volume of CSN's ADRs was US\$4.8 million.

|                                      |                  |                  |
|--------------------------------------|------------------|------------------|
| <b>Number of shares in thousands</b> | <b>1,387,524</b> | <b>1,387,524</b> |
| <b>Market value</b>                  |                  |                  |
| Closing price (R\$/share)            | 7.86             | 9.34             |
| Closing price (US\$/ADR)             | 2.02             | 2.19             |
| Market value (R\$ million)           | 10,906           | 12,959           |
| Market value (US\$ million)          | 2,832            | 3,163            |
| <b>Total return</b>                  |                  |                  |
| CSNA3                                | (1.8%)           | 18.83%           |
| SID                                  | (24%)            | 12.87%           |
| Ibovespa                             | (14%)            | 9.04%            |
| Dow Jones                            | 2.65%            | 9.01%            |
| <b>Volume</b>                        |                  |                  |
| Daily average (thousand shares)      | 9,422            | 8,479            |
| Daily average (R\$ thousand)         | 81,222           | 74,343           |
| Daily average (thousand ADRs)        | 2,641            | 2,188            |
| Daily average (US\$ thousand)        | 6,310            | 4,807            |
| <i>Source: Bloomberg</i>             |                  |                  |

Some of the statements contained herein are forward-looking statements that express or imply expected results, performance or events. These perspectives include future results that may be influenced by historical results and the statements under 'Outlook'. Actual results, performance or events may differ materially from those expressed or implied by the

forward-looking statements as a result of several factors, such as the general and economic conditions in Brazil and other countries, interest rate and exchange rate levels, protectionist measures in the U.S., Brazil and other countries, changes in laws and regulations and general competitive factors (on a global, regional or national basis).

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**CONSOLIDATED SALES VOLUME (thousand tons)**

|                              |                     |                     |                     |                     |                     |
|------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b><u>Flat Steel</u></b>     | <b><u>730</u></b>   | <b><u>748</u></b>   | <b><u>859</u></b>   | <b><u>111</u></b>   | <b><u>129</u></b>   |
| Slab                         | 1                   | -                   | -                   | -                   | (1)                 |
| Hot-rolled                   | 267                 | 278                 | 300                 | 22                  | 33                  |
| Cold-rolled                  | 155                 | 142                 | 172                 | 30                  | 17                  |
| Galvanized                   | 234                 | 263                 | 307                 | 44                  | 73                  |
| Tin plates                   | 73                  | 66                  | 79                  | 13                  | 6                   |
| <b>UPV Long steel</b>        | <b>72</b>           | <b>50</b>           | <b>53</b>           | <b>3</b>            | <b>(19)</b>         |
| <b>DOMESTIC MARKET</b>       | <b>802</b>          | <b>798</b>          | <b>912</b>          | <b>114</b>          | <b>110</b>          |
| <b><u>Flat Steel</u></b>     | <b><u>321</u></b>   | <b><u>310</u></b>   | <b><u>193</u></b>   | <b><u>(117)</u></b> | <b><u>(128)</u></b> |
| Hot-rolled                   | 16                  | 24                  | 70                  | 46                  | 54                  |
| Cold-rolled                  | 22                  | 26                  | 7                   | (19)                | (15)                |
| Galvanized                   | 233                 | 200                 | 69                  | (131)               | (164)               |
| Tin plates                   | 51                  | 61                  | 47                  | (14)                | (4)                 |
| <b>Long steel (profiles)</b> | <b>177</b>          | <b>212</b>          | <b>185</b>          | <b>(27)</b>         | <b>8</b>            |
| <b>FOREIGN MARKET</b>        | <b>499</b>          | <b>523</b>          | <b>378</b>          | <b>(145)</b>        | <b>(121)</b>        |
| <b><u>Flat Steel</u></b>     | <b><u>1,051</u></b> | <b><u>1,059</u></b> | <b><u>1,052</u></b> | <b><u>(7)</u></b>   | <b><u>1</u></b>     |
| Slab                         | 1                   | -                   | -                   | -                   | (1)                 |
| Hot-rolled                   | 283                 | 301                 | 370                 | 69                  | 87                  |
| Cold-rolled                  | 177                 | 168                 | 179                 | 11                  | 2                   |
| Galvanized                   | 466                 | 463                 | 376                 | (87)                | (90)                |
| Tin plates                   | 124                 | 126                 | 126                 | -                   | 2                   |
| <b>UPV Long steel</b>        | <b>72</b>           | <b>50</b>           | <b>53</b>           | <b>3</b>            | <b>(19)</b>         |
| <b>Long steel (profiles)</b> | <b>177</b>          | <b>212</b>          | <b>185</b>          | <b>(27)</b>         | <b>8</b>            |
| <b>TOTAL MARKET</b>          | <b>1,300</b>        | <b>1,321</b>        | <b>1,290</b>        | <b>(31)</b>         | <b>(10)</b>         |



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**1. DESCRIPTION OF BUSINESS**

Companhia Siderúrgica Nacional “CSN”, also referred to as “the Company” or “Parent Company”, is a publicly-held company incorporated on April 9, 1941, under the laws of the Federative Republic of Brazil (Companhia Siderúrgica Nacional, its subsidiaries, associates and joint ventures are collectively referred to herein as the "Group"). The Company’s registered office is located in São Paulo, SP, Brazil.

CSN is listed on the São Paulo Stock Exchange (B3 S.A.- Brasil, Bolsa, Balcão) and on the New York Stock Exchange (NYSE). Accordingly, the Company reports its information to the Brazilian Securities and Exchange Commission (CVM) and the U.S. Securities and Exchange Commission (SEC).

The Group's main operating activities are divided into five (5) segments as follows:

- **Steel:**

The Company’s main industrial facility is the Presidente Vargas steelworks (“UPV”), located in the city of Volta Redonda, State of Rio de Janeiro. This segment consolidates all operations related to the production, distribution and sale of flat steel, long steel, metallic containers and galvanized steel. In addition to the facilities in Brazil, CSN has commercial activities in the United States and operations in Portugal and Germany aimed at gaining markets and providing excellent services to end consumers. Its steel is used in home appliances, civil construction and automobile industries.

- **Mining:**

The production of iron ore is developed in the city of Congonhas, State of Minas Gerais.

Iron ore is sold basically in the international market, especially in Europe and Asia. The prices charged in these markets are historically cyclical and subject to significant fluctuations over short periods of time, driven by several factors related to global demand, strategies adopted by the major steel producers, and the foreign exchange rate. All these factors are beyond the Company's control. The ore transportation is carried out through Terminal de Carvão e Minérios do Porto de Itaguaí – (“TECAR”), a solid bulk terminal, one of the four terminals that comprise the Itaguaí Port, in State of Rio de Janeiro. Imports of coal and coke are also carried out through this terminal by providing services to CSN's steel segment.

The Company's mining activities also comprise exploitation of tin in the State of Rondônia, to supply the needs of the UPV. The surplus of these raw materials is sold to subsidiaries and third parties.

- **Cement:**

CSN entered the cement market boosted by the synergy between this activity and its existing businesses. Next to the Presidente Vargas Steelworks (UPV) in Volta Redonda (RJ), the Company installed a new business unit that produces CP-III type cement using slag produced by the UPV's blast furnaces. It also exploits limestone and dolomite at the Arcos unit in the State of Minas Gerais, to meet the needs of the UPV and of the cement plant.

In the fourth quarter of 2016, the Company started the operation of its second clinker production line in Arcos/MG. As a result, the Company is self-sufficient in the production of cement, with an installed capacity of 4.7 million tons per year.

- **Logistics**

*Railroads:*

CSN has interests in three railroad companies: MRS Logística S.A., which manages the Southeast Railway System of the former Rede Ferroviária Federal S.A. (“RFFSA”), Transnordestina Logística S.A. (“TLSA”) and FTL - Ferrovia Transnordestina Logística S.A. (“FTL”), which has the concession to operate the former Northeast Railway System of RFFSA, in the States of Maranhão, Piauí, Ceará, Rio Grande do Norte,

Paraíba, Pernambuco and Alagoas, with TLSA being responsible for the rail links of Missão Velha-Salgueiro, Salgueiro-Trindade, Trindade-Eliseu Martins, Salgueiro-Porto de Suape and Missão Velha-Porto de Pecém (Railway System II), still under construction and FTL being responsible for the rail links of São Luiz-Mucuripe, Arrojado-Recife, Itabaiana-Cabedelo, Paula Cavalcante-Macau and Propriá-Jorge Lins (Railway System I).



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*Ports:*

The Company operates in the State of Rio de Janeiro, through its subsidiary Sepetiba Tecon S.A., the Container Terminal ("TECON") and through its subsidiary CSN Mineração S.A – ("CSN Mineração")., TECAR, both at the Itaguaí Port. Located in the Bay of Sepetiba, they have privileged highway, railroad and maritime access.

At TECON, shipment of CSN's steel products, movement of containers, storage, consolidation and deconsolidation of cargo are carried out and, at TECAR, the shipment of iron ore to overseas market and the unloading of coal and other products, such as petroleum coke, sulfur and zinc concentrate for our own use and for several customers.

- **Energy:**

As energy is fundamental to its production process, the Company has electric energy generation assets to guarantee its self-sufficiency.

Note 26 - "Segment Information" details the financial information per CSN's business segment.

- **Going Concern**

The interim financial information was prepared based on the normal continuity of its business.

Negotiations in progress for reprofiling part of the debts do not jeopardize the Company's operating continuity and Management does not have any other relevant operational restructuring plan that implies a change to the conclusion of the operational continuity. Further disclosures on the bases for evaluating the operational continuity were made in the disclosures of this subject included in the financial statements of December 31, 2017, approved by Management on March 26, 2018.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **2.a) Basis of preparation**

The Group's parent company and consolidated condensed interim financial information ("condensed quarterly information") have been prepared and are being presented in accordance with accounting practices adopted in Brazil based on the provisions of the Brazilian Corporate Law, pronouncements, guidelines and interpretations issued (CPC), standards issued by the Brazilian Securities and Exchange Commission ("CVM") and International Financial Reporting Standards ("IFRS") issued by the International Accounting Standard Board (IASB) and highlight all the relevant information of the interim financial statements, and only this information, is being disclosed and corresponds to the information used by the Company's management in its activities

The condensed interim financial information has been prepared and is being presented in accordance with CPC 21 (R1) - "Interim Financial Reporting" and IAS 34 - "Interim Financial Reporting", consistently with the standards issued by the CVM.

The significant accounting policies applied in this condensed interim financial information are consistent with the policies described in Note 02 to the Company's financial statements for the year ended December 31, 2017, filed with CVM.

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This condensed interim financial information does not include all requirements of annual or full financial statements and, accordingly, should be read in conjunction with the Company's financial statements for the year ended December 31, 2017.

Therefore, in this condensed interim financial information the following notes are not repeated, either due to redundancy or to the materiality in relation to those already presented in the annual financial statements:

Note 02 – Summary of significant accounting policies

Note 08 - Investments

Note 15 - Taxes in installments

Note 16 - Provision for tax, social security, labor, civil and environmental risks and judicial deposits

Note 26 – Employee benefits

Note 27 – Commitments

The parent company and consolidated condensed interim financial information was approved by Management on November 07, 2018.

**2.b) Basis of presentation**

The consolidated condensed interim financial information is presented in Brazilian reais R\$, which is the Company's principal functional currency and the Group's presentation currency.

Transactions in foreign currencies are translated into the functional currency using the exchange rates in effect at the dates of the transactions or valuations when items are remeasured. The asset and liability balances are translated at the exchange rates prevailing at the end of the reporting period. As of September 30, 2018, US\$1 is equivalent to R\$4.0039 (R\$3.3080 as of December 31, 2017) and €1 is equivalent to R\$4.6545 (R\$3.9693 as of December 31, 2017), according to the rates obtained from the Central Bank of Brazil website.

## **2.c) Basis of consolidation**

The accounting policies have been consistently applied to all consolidated companies. The consolidated condensed interim financial statements for the period ended September 30, 2018 and year ended December 31, 2017 include the following direct and indirect subsidiaries and joint ventures, as well as the exclusive funds, as described below:

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1**• **Companies**

| Companies  | Equity interests (%) |            | Core business   |
|--|----------------------|------------|---|
|  | 9/30/2018            | 12/31/2017 |   |
| <b>Direct interest in subsidiaries:<br/>full consolidation</b> |                      |            |   |
| CSN Islands VII Corp.  | 100.00               | 100.00     | Financial transactions  |
| CSN Islands XI Corp.   | 100.00               | 100.00     | Financial transactions  |
| CSN Islands XII Corp.  | 100.00               | 100.00     | Financial transactions  |
| CSN Minerals S.L.U. (1)  | -                    | 100.00     | Equity interests  |
| CSN Export Europe, S.L.U. (1)                                  | -                    | 100.00     | Financial transactions and Equity interests                     |
| CSN Metals S.L.U. (1)  | -                    | 100.00     | Equity interests and Financial transactions                     |
| CSN Americas S.L.U. (1)  | -                    | 100.00     | Equity interests and Financial transactions                     |
| CSN Steel S.L.U.   | 100.00               | 100.00     | Equity interests and Financial transactions                     |
| TdBB S.A (*)   | 100.00               | 100.00     | Equity interests  |
| Sepetiba Tecon S.A.  | 99.99                | 99.99      | Port services   |
| Minérios Nacional S.A.   | 99.99                | 99.99      | Mining and Equity interests                                     |
| Companhia Florestal do Brasil                                  | 99.99                | 99.99      | Reforestation   |
| Estanho de Rondônia S.A.                                       | 99.99                | 99.99      | Tin Mining  |
| Companhia Metalúrgica Prada                                    | 99.99                | 99.99      | Manufacture of containers and distribution of steel products    |
| CSN Gestão de Recursos Financeiros Ltda. (*)                   | 99.99                | 99.99      | Management of funds and securities portfolio                    |
| CSN Mineração S.A.   | 87.52                | 87.52      | Mining and Equity interests                                     |
| CSN Energia S.A.   | 99.99                | 99.99      | Sale of electric power  |
| FTL - Ferrovia Transnordestina Logística S.A.                  | 91.69                | 90.78      | Railroad logistics  |
| Nordeste Logística S.A.  | 99.99                | 99.99      | Port services   |
| Aceros México CSN (2)  | 0.08                 | -          | Commercial representation, sale of steel and related activities |

**Indirect interest in****subsidiaries: full consolidation**

|   |        |        |  |
|---|--------|--------|--|
| Companhia Siderúrgica Nacional LLC(3)   | -      | 100.00 | Steel  |
| Lusosider Projectos Siderúrgicos S.A.   | 99.94  | 99.94  | Equity interests and product sales                                 |
| Lusosider Aços Planos, S. A.            | 99.99  | 99.99  | Steel and Equity interests   |
| CSN Resources S.A.                      | 100.00 | 100.00 | Financial transactions and Equity interests                        |
| Companhia Brasileira de Latas           | 99.99  | 99.99  | Sale of cans and containers in general and Equity interests        |
| Companhia de Embalagens Metálicas MMSA  | 99.67  | 99.67  | Production and sale of cans and related activities                 |
| Companhia de Embalagens Metálicas - MTM | 99.67  | 99.67  | Production and sale of cans and related activities                 |
| CSN Steel Holdings 1, S.L.U.            | 100.00 | 100.00 | Financial transactions, product sales and Equity interests         |
| CSN Productos Siderúrgicos S.L.         | 100.00 | 100.00 | Financial transactions, product sales and Equity interests         |
| Stalwerk Thüringen GmbH                 | 100.00 | 100.00 | Production and sale of long steel and related activities           |
| CSN Steel Sections UK Limited (*)       | 100.00 | 100.00 | Sale of long steel   |
| CSN Steel Sections Polska Sp.Z.o.o      | 100.00 | 100.00 | Financial transactions, product sales and Equity interests         |
| CSN Asia Limited                        | 100.00 | 100.00 | Commercial representation  |
| CSN Mining Holding, S.L                 | 87.52  | 87.52  | Financial transactions, product sales and Equity interests         |
| CSN Mining GmbH                         | 87.52  | 87.52  | Financial transactions, product sales and Equity interests         |
| CSN Mining Asia Limited (8)             | 87.52  | 87.52  | Commercial representation  |
| Aceros México CSN (2)                   | 99.92  | 100.00 | Commercial representation, sale of steel and related activities    |
| Lusosider Ibérica S.A.                  | 99.94  | 99.94  | Steel, commercial and industrial activities, and equity interests. |
| CSN Mining Portugal, Unipessoal Lda.    | 87.52  | 87.52  | Commercial and representation of products.                         |
| Companhia Siderúrgica Nacional LLC(3)   | 100.00 | -      | Import and distribution / resale of products                       |
| CSN Inova Ltd.(4)                       | 100.00 | -      | Advisory and implementation of new development projects            |

**Direct interest in joint operations: proportionate consolidation**

|  |       |       |                           |
|--|-------|-------|---------------------------|
| Itá Energética S.A.                          | 48.75 | 48.75 | Electric power generation |
| Consórcio da Usina Hidrelétrica de Igarapava | 17.92 | 17.92 | Electric power consortium |

**Direct interest in joint ventures: equity method**

|   |       |       |   |
|---|-------|-------|---|
| MRS Logística S.A.  | 18.64 | 18.64 | Railroad transportation                         |
| Aceros Del Orinoco S.A.                                   | 31.82 | 31.82 | Dormant company                                 |
| CBSI - Companhia Brasileira de Serviços de Infraestrutura | 50.00 | 50.00 | Equity interests and product sales and iron ore |
| Transnordestina Logística S.A.                            | 46.30 | 46.30 | Railroad logistics                              |

**Indirect interest in joint ventures: equity method**

|                    |       |       |                         |
|--------------------|-------|-------|-------------------------|
| MRS Logística S.A. | 16.30 | 16.30 | Railroad transportation |
|--------------------|-------|-------|-------------------------|

**Direct interest in associates: equity method**

|                                |       |       |                                 |
|--------------------------------|-------|-------|---------------------------------|
| Arvedi Metalfer do Brasil S.A. | 20.00 | 20.00 | Metallurgy and Equity interests |
|--------------------------------|-------|-------|---------------------------------|

(\*) Dormant companies, therefore, they are presented in note 10.a., where information on companies accounted for under the equity method and fair value through profit or loss and comprehensive income are disclosed;

• **Events in 2018**

(1) On February 6, 2018, the Spanish commercial registry recognized the merger by absorption of the companies by CSN Steel, S.L.U., date from which the companies were considered legally extinct, before third parties and for the purposes of commercial law, the merger is retroactive to the date of December 28, 2017.

(2) Transfer of 1% stake in Aceros Mexico CSN from CSN Steel to Companhia Siderúrgica Nacional on February 1, 2018. On September 18, 2018, CSN Steel increased the capital of Aceros Mexico CSN, diluting the direct interest of Companhia Siderúrgica Nacional to 0.08%, with CSN Steel holding 99.92%.

(3) On June 5, 2018 CSN LLC had its corporate name changed to "Heartland Steel Processing, LLC". On the same date, a new company was incorporated under the name "Companhia Siderúrgica Nacional, LLC", a wholly owned subsidiary of Heartland Steel Processing, LLC. On June 28, 2018, Companhia Siderúrgica Nacional, LLC., became a wholly-owned subsidiary of CSN Steel and, on June 29, 2018, Heartland Steel Processing, LLC was sold to Steel Dynamics, Inc. The remaining assets are registered at Companhia Siderúrgica Nacional, LLC, a subsidiary of CSN Steel (see note 4).

(4) Company incorporated in 2018.





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- **Exclusive funds**

| <b>Exclusive funds</b>                              | <b>Equity interests (%)</b> |                   | <b>Core business</b> |
|---|-----------------------------|-------------------|----------------------|
|   | <b>09/30/2018</b>           | <b>12/31/2017</b> |                      |
| <b>Direct interest: full consolidation</b>          |                             |                   |                      |
| Diplic II - Private credit balanced mutual fund     | 100.00                      | 100.00            | Investment fund      |
| Caixa Vértice - Private credit balanced mutual fund | 100.00                      | 100.00            | Investment fund      |
| VR1 - Private credit balanced mutual fund           | 100.00                      | 100.00            | Investment fund      |

**3. ADOPTION OF NEW ACCOUNTING PRACTICES**

The Company applied as of January 1, 2018, the IFRS 09 Financial Instruments (corresponding to CPC 48) and IFRS 15 Revenues from Contracts with Customers (corresponding to CPC 47), both of which were approved by CVM in November 2016 as well as interpretation IFRIC 22, corresponding to ICPC 21, approved in July 2017. IFRS 09 and 15 replaced IAS 39 Financial Instruments: Recognition and Measurement and IAS 18 Revenue and related interpretations, respectively.

The Company decided to adopt the modified transition method for the implementation of the new standards, where any transitory adjustment is recognized in retained earnings on January 1, 2018, without comparative adjustment and whose impacts are being detailed below:

• **IFRS 9 / CPC 48 Financial instruments**

The new pronouncement includes new rules on the classification and measurement of financial assets, as well as impairment of assets and new practices for hedge accounting, which are simplified below:

**Classification and measurement** - IFRS 9 establishes that financial assets should be classified and measured in one of three categories: amortized cost, fair value through other comprehensive income (VJORA) and fair value through profit or loss (VJR). The categories of held-to-maturity, loans and receivables and available for sale that were part of the scope of IAS 39, were removed.

**Impairment of assets**- the "incurred losses" model is replaced by an "estimated credit loss" model, where it is no longer necessary for a loss event to occur before recognition of the impairment loss. The model uses a two-pronged approach, in which the provision will be measured for expected credit losses for 12 months or for the entire life of the asset. These changes did not bring impacts to the Company.

**Hedge Accounting** - a new general hedge accounting model was included, which does not change, but fundamentally the types of hedge relationship or requirements for measurement and recognition of ineffectiveness. These changes did not bring impacts to the Company.

The main effect of the adoption of IFRS 09 is presented in note 14.II, referring to the classification from January 1, 2018 and measurement of the investment in Usinas Siderúrgicas de Minas Gerais S.A. - Usiminas and Panatlântica S.A. at fair value through profit or loss (VJR) and obtained a gain of R\$ 1.5 billion (gross) as of September 30, 2018 recorded in other operating income and expenses (Note 24).

• **IFRS 15 / CPC 47 Revenue from contract with customer**

**Revenue from contracts with customers** - IFRS 15 establishes a new concept for revenue recognition, replacing IAS 18 Revenue, IAS 11 - Construction Contracts and related interpretations. The Company adopted IFRS 15 using the modified retrospective method, which does not require the restatement of comparative information



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The new pronouncement establishes a five-step model for determining the recognition of revenue from customer contracts, as follows:

- **Identification of the contract:** identify when there is an agreement and the parties involved.

- **Identify the performance obligations:** from the definitive agreement, analyze the contractual promises, in order to identify which promised items can be considered as performance obligations.

- **Determine the price of the obligation:** The transaction price is the value of the consideration that the entity expects to receive by transferring the control of the promised goods and services, the value of the transaction can include fixed values, variable values or both.

- **Transaction Price Allocation:** At the time of signing the contract, the transaction price must be allocated to each performance obligation.

- **Recognize Revenue:** Revenue recognition occurs at the time (or to the extent that) meets a performance obligation by transferring control of a good or service to a customer.

Analyzing the topic "identification of performance obligations", the Company identified in its operations the following performance obligations.

- **Sale of finished products:** the transfer of risks and benefits coincides with the transfer of control of the products, thus, the moment of recognition of revenue from product sales was not impacted by the adoption of this new standard.

- **Provision of service:** in the main services provided by the Company, the revenue recognition coincides with the conclusion of the service, therefore without impacts by the adoption of this standard.

- **Freight / insurance liability in CFR / CIF incoterms:** the freight service in the CFR and CIF modalities will be considered a separate service and therefore a separate performance obligation, with allocation of part of the price of the transaction recognized in profit or loss, according to the effective provision of the service over time.

The effect of the difference in the recognition of the portion of revenue allocated to freight does not significantly affect the Company's income. Therefore, such revenue will not be presented separately in the Company's financial statements.

In the other topics of the new standard, the Company did not identify material measurement impacts in the application of this standard

• **IFRIC 22 / ICPC 21 Foreign currency transaction and down payment**

Required to apply in January 2018, IFRIC 22, which corresponds to ICPC 21, is to regulate the concepts established in CPC 02 - Effects of Changes in Foreign Exchange Rates and Conversion of Financial Statements, on how to determine the transaction date with the purpose of determining the exchange rate to be used in the initial recognition of an asset, expense or revenue (or part thereof) in the derecognition of non-monetary assets or non-monetary liabilities arising from the payment or early receipt in foreign currency.

Generally speaking, the interpretation deals with transactions in foreign currency in which the Company recognizes a non-monetary asset or non-monetary liability resulting from early payment or receipt, even before the company recognizes the related asset, expense or revenue.

The consensus of this interpretation clarifies that the transaction date for determining the exchange rate to be used in the case of advances is defined as the date that the entity initially recognizes the non-monetary asset or non-monetary liability arising from the early payment or receipt. In the case of multiple payments or receipts in advance, the company shall determine the transaction date, each payment or advanced receipt.

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As the Company already adopts the practices established by CPC 02, establishing the historical rate at the time of recognition of non-monetary assets and liabilities related to the anticipation, there is no impact resulting from the application of this technical interpretation.

**4. SALE OF FOREIGN SUBSIDIARY**

During the second quarter of 2018, CSN announced to its shareholders and to the market, through a Material Fact, the sale by its wholly-owned subsidiary CSN Steel S.L.U., total interest in Companhia Siderúrgica Nacional LLC ("LLC") to Steel Dynamics, Inc. ("SDI"), approved on the same date by the Board of Directors. The LLC is located in the United States with operations in stripping, cold rolling and galvanizing of flat steel.

Still in the second quarter of 2018, after fulfilling all the precedent conditions foreseen in the purchase and sale agreement entered into with SDI, the Company concluded the transaction with the transfer of the equity interest and receipt of the base value of the transaction, adjusted in US\$ 400 million, as shown below:

|  | U\$\$          | 6/30/2018<br>R\$ | Changes in working capital<br>U\$\$ | R\$    | 9/30/2018<br>R\$ |
|--|----------------|------------------|-------------------------------------|--------|------------------|
| Receipt from the sale of the investment  | 395,661        | 1,525,590        |                                     |        | 1,525,590        |
| Deposits in guarantee                    | 2,000          | 7,712            |                                     |        | 7,712            |
| Contractual expenses and fees (d)        | 2,339          | 9,021            |                                     |        | 9,021            |
| <b>Base value of the transaction (a)</b> | <b>400,000</b> | <b>1,542,323</b> |                                     |        | <b>1,542,323</b> |
|  | 34,008         | 131,127          | 3,581                               | 14,402 | 145,529          |

Working capital to be  
received (b) (\*)

|   |                |                  |              |               |                  |
|---|----------------|------------------|--------------|---------------|------------------|
| <b>Shareholders' equity LLC<br/>(c)</b> | <b>133,445</b> | <b>514,537</b>   |              |               | <b>514,537</b>   |
| <b>Net gain on sale =<br/>(a+b-c-d)</b> | <b>298,224</b> | <b>1,149,892</b> | <b>3,581</b> | <b>14,402</b> | <b>1,164,294</b> |

(\*) The final value of the transaction was subject to post-closing adjustment of working capital, which was completed in September 2018, the LLC's working capital ascertained and received was US\$ 37,589 equivalent to R\$ 145,529. The sale of LLC generates a cumulative gain in the year of R\$1,164,294 (see note 24).

The net investment, results and cash flows from the sale of the investment are summarized below:

#### 4.a) Balance sheet

|                               | <b>LLC<br/>06/30/2018</b> |
|-------------------------------|---------------------------|
| <b>ASSETS</b>                 |                           |
| <b>Current Assets</b>         | <b>418,014</b>            |
| Cash and cash equivalents     | 760                       |
| Trade Receivable              | 114,266                   |
| Inventory                     | 299,373                   |
| Other current assets          | 3,615                     |
| <b>Non-current assets</b>     | <b>191,431</b>            |
| Other non-current assets      | 205                       |
| Property, plant and equipment | 191,226                   |
| <b>TOTAL ASSETS</b>           | <b>609,445</b>            |



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1****LIABILITIES**

|  |                |
|--|----------------|
| <b>Current Liabilities</b>             | <b>89,810</b>  |
| Borrowings and Financing               | 5,446          |
| Social and Labor obligations           | 5,526          |
| Trade payables                         | 76,400         |
| Tax payables                           | 1,398          |
| Other payables                         | 1,040          |
| <b>Non-current liabilities</b>         | <b>5,098</b>   |
| Borrowings and Financing               | 5,098          |
| <b>Shareholders' equity (disposal)</b> | <b>514,537</b> |
| <b>TOTAL LIABILITIES</b>               | <b>609,445</b> |

**4.b) Statement of Income**

|   | <b>06/30/2018</b> | <b>06/30/2017</b> |
|---|-------------------|-------------------|
| <b>Net Revenues</b>                               | <b>997,061</b>    | <b>472,409</b>    |
| Cost from sale of goods and rendering of services | (888,850)         | (388,322)         |
| <b>Gross profit</b>                               | <b>108,211</b>    | <b>84,087</b>     |
| Selling expenses                                  | (24,650)          | (10,521)          |
| General and administrative expenses               | (15,649)          | (9,531)           |
| Other operating expenses, net                     | (844)             | (358)             |
| <b>Profit before financial income (expenses)</b>  | <b>67,068</b>     | <b>63,677</b>     |
| Financial income (expenses), net                  | (2,641)           | (428)             |
| <b>Profit (loss) before taxes</b>                 | <b>64,427</b>     | <b>63,249</b>     |
| Income tax and Social Contribution                | (1,730)           | -                 |
| <b>Profit (loss) for the period</b>               | <b>62,697</b>     | <b>63,249</b>     |

**4.c) Statement of Cash Flows**

|  | <b>06/30/2018</b> | <b>06/30/2017</b> |
|--|-------------------|-------------------|
| Net cash provided by (used) by operating activities                    | 149,691           | (69,216)          |
| Net cash provided by (used) by investing activities                    | (6,269)           | (2,492)           |
| Net cash provided by (used) by financing activities                    | (176,592)         | (1,860)           |
| <b>Increase (decrease) in cash and cash equivalents for the period</b> | <b>(33,170)</b>   | <b>(73,568)</b>   |
| Cash and equivalents at the beginning of the year                      | 33,930            | 112,428           |
| <b>Cash and equivalents at the end of the year</b>                     | <b>760</b>        | <b>38,860</b>     |

**Net cash receipts from the sale of subsidiary LLC**

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|   |                   |
|---|-------------------|
|   | <b>06/30/2018</b> |
| Net cash received from the sale of the asset                    | 1,525,590         |
| Cash and cash equivalents transferred on the sale of the assets | (760)             |
| Working capital received  | 145,529           |
| <b>Net cash provided by the sale of assets</b>                  | <b>1,670,359</b>  |

**5. CASH AND CASH EQUIVALENTS**

|                                     | <b>09/30/2018</b> | <b>Consolidated<br/>12/31/2017</b> | <b>09/30/2018</b> | <b>Parent<br/>Company<br/>12/31/2017</b> |
|-------------------------------------|-------------------|------------------------------------|-------------------|--|
| <b>Current</b>                      |                   |                                    |                   |  |
| <b>Cash and cash equivalents</b>    |                   |                                    |                   |  |
| <b>Cash and banks</b>               | <b>1,228,767</b>  | <b>193,702</b>                     | <b>193,256</b>    | <b>38,311</b>                            |
| <b>Short-term investments</b>       |                   |                                    |                   |  |
| <b>In Brazil:</b>                   |                   |                                    |                   |  |
| Government securities               | 12,227            | 12,100                             | 570               | 150                                      |
| Private securities                  | 1,238,175         | 644,525                            | 1,114,447         | 79,116                                   |
|                                     | <b>1,250,402</b>  | <b>656,625</b>                     | <b>1,115,017</b>  | <b>79,266</b>                            |
| <b>Abroad:</b>                      |                   |                                    |                   |  |
| <i>Time deposits</i>                | 516,071           | 2,561,245                          | 93,951            | 275,927                                  |
| <b>Total short-term investments</b> | <b>1,766,473</b>  | <b>3,217,870</b>                   | <b>1,208,968</b>  | <b>355,193</b>                           |
| <b>Cash and cash equivalents</b>    | <b>2,995,240</b>  | <b>3,411,572</b>                   | <b>1,402,224</b>  | <b>393,504</b>                           |

The funds available established in Brazil, are basically invested in repurchase agreements and Bank Certificate of Deposit (“CDBs”) and yield interest based on the floating of Certificates of Interbank Deposits

("CDI") and government securities are basically repurchase agreements backed by National Treasury Notes. The funds are managed by BNY Mellon Serviços Financeiros DTVM S.A. and Caixa Econômica Federal (CEF). The Company invests part of the resources through the investments considered exclusive, and their financial statements were consolidated into the Company's statements. The funds are managed by BNY Mellon Serviços Financeiros DTVM S.A. and Caixa Econômica Federal (CEF).

A significant part of the funds is invested abroad in time deposits in banks considered by management as top rated banks and the returns are based on fixed interest rates.

## 6. FINANCIAL INVESTMENTS

|                                       | Short term     |                | Consolidated            | Parent Company           |                |
|---------------------------------------|----------------|----------------|-------------------------|--------------------------|----------------|
|                                       | 09/30/2018     | 12/31/2017     | Long term<br>09/30/2018 | Short term<br>09/30/2018 | 12/31/2017     |
| CDB - Bank certificate of deposit (1) | 891,214        | 716,218        |                         | 891,214                  | 716,218        |
| Government securities (2)             | 11,189         | 19,494         |                         | 521                      | 243            |
| Time Deposit (3)                      |                |                | 8,018                   |                          |                |
|                                       | <b>902,403</b> | <b>735,712</b> | <b>8,018</b>            | <b>891,735</b>           | <b>716,461</b> |

1. Financial investment linked to Bank Certificate of Deposit to secure a letter of guarantee of certain loans.

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2. Investments in National Treasury Bills (LFT) managed by its exclusive funds.
3. Investments in Time Deposit in custody to cover additional expenses of the sale of LLC.

**7. TRADE RECEIVABLES**

|                                      | <b>Consolidated</b> |                   | <b>Parent Company</b> |                   |
|--------------------------------------|---------------------|-------------------|-----------------------|-------------------|
|                                      | <b>09/30/2018</b>   | <b>12/31/2017</b> | <b>09/30/2018</b>     | <b>12/31/2017</b> |
| <b>Trade receivables</b>             |                     |                   |                       |                   |
| <b>Third parties</b>                 |                     |                   |                       |                   |
| Domestic market                      | 1,205,823           | 1,290,823         | 917,508               | 1,056,929         |
| Foreign market                       | 882,458             | 982,846           | 146,260               | 150,264           |
|                                      | <b>2,088,281</b>    | <b>2,273,669</b>  | <b>1,063,768</b>      | <b>1,207,193</b>  |
| Allowance for doubtful debts         | (198,953)           | (191,979)         | (147,477)             | (140,392)         |
|                                      | <b>1,889,328</b>    | <b>2,081,690</b>  | <b>916,291</b>        | <b>1,066,801</b>  |
| Related parties (note 19 a)          | 113,274             | 115,388           | 1,009,638             | 831,993           |
|                                      | <b>2,002,602</b>    | <b>2,197,078</b>  | <b>1,925,929</b>      | <b>1,898,794</b>  |
| <b>Other receivables</b>             |                     |                   |                       |                   |
| Dividends receivable (note 19 a) (*) | 82,225              | 41,528            | 42,017                | 1,044,242         |
| Advances to employees                | 41,891              | 33,942            | 27,174                | 22,123            |
| Other receivables                    | 15,952              | 3,667             | 2,913                 | 1,547             |

|                  |                  |                  |                  |
|------------------|------------------|------------------|------------------|
| <b>140,068</b>   | <b>79,137</b>    | <b>72,104</b>    | <b>1,067,912</b> |
| <b>2,142,670</b> | <b>2,276,215</b> | <b>1,998,033</b> | <b>2,966,706</b> |

(\*) In 2018, the parent company received the amount of R\$ 1,334,244 from the subsidiary CSN Mineração S.A., as dividends from prior years.

In accordance with the internal sales policy the Group carries out transactions of assignment of receivables without co-obligation in which, after assigning the customer's trade notes/bills and receiving the amounts from each transaction closed, CSN settles the receivables and becomes entirely free from the credit risk of the transaction. This transaction totals R\$17,783 as of September 30, 2018 (R\$181,972 as of December 31, 2017).

The gross balance of receivables from third parties is comprised as follows:

|                         | <b>Consolidated</b> |                   | <b>Parent Company</b> |                   |
|-------------------------|---------------------|-------------------|-----------------------|-------------------|
|                         | <b>09/30/2018</b>   | <b>12/31/2017</b> | <b>09/30/2018</b>     | <b>12/31/2017</b> |
| Current                 | 1,424,193           | 1,391,839         | 576,671               | 530,774           |
| Past-due up to 30 days  | 138,483             | 167,760           | 62,380                | 50,141            |
| Past-due up to 180 days | 74,986              | 142,346           | 35,082                | 114,230           |
| Past-due over 180 days  | 450,619             | 571,724           | 389,635               | 512,048           |
|                         | <b>2,088,281</b>    | <b>2,273,669</b>  | <b>1,063,768</b>      | <b>1,207,193</b>  |

The movements in the Company's allowance for doubtful debts are as follows:

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|                         | <b>09/30/2018</b> | <b>Consolidated<br/>12/31/2017</b> | <b>09/30/2018</b> | <b>Parent Company<br/>12/31/2017</b> |
|-------------------------|-------------------|------------------------------------|-------------------|--------------------------------------|
| <b>Opening balance</b>  | <b>(191,979)</b>  | <b>(172,782)</b>                   | <b>(140,392)</b>  | <b>(124,351)</b>                     |
| Estimated losses        | (13,555)          | (36,697)                           | (9,430)           | (29,270)                             |
| Recovery of receivables | 6,581             | 17,500                             | 2,345             | 13,229                               |
| <b>Closing balance</b>  | <b>(198,953)</b>  | <b>(191,979)</b>                   | <b>(147,477)</b>  | <b>(140,392)</b>                     |

**8. INVENTORIES**

|                          | <b>09/30/2018</b> | <b>Consolidated<br/>12/31/2017</b> | <b>09/30/2018</b> | <b>Parent<br/>Company<br/>12/31/2017</b> |
|--------------------------|-------------------|------------------------------------|-------------------|--|
| Finished goods           | 1,314,209         | 1,308,802                          | 990,459           | 856,707                                  |
| Work in progress         | 1,117,581         | 1,135,589                          | 904,576           | 981,204                                  |
| Raw materials            | 1,176,166         | 1,050,588                          | 944,540           | 699,671                                  |
| Spare Parts              | 864,915           | 814,725                            | 496,678           | 435,827                                  |
| Iron ore                 | 309,744           | 278,041                            | 31,510            | 20,914                                   |
| Advances to suppliers    | 138,111           | 12,514                             | 20,691            | 8,997                                    |
| (-) Provision for losses | (132,361)         | (135,840)                          | (48,266)          | (51,968)                                 |
|                          | <b>4,788,365</b>  | <b>4,464,419</b>                   | <b>3,340,188</b>  | <b>2,951,352</b>                         |

The movements in the provision for inventory losses are as follows:

|  |                   | <b>Consolidated</b> |                   | <b>Parent Company</b> |  |
|--|-------------------|---------------------|-------------------|-----------------------|--|
|  | <b>09/30/2018</b> | <b>12/31/2017</b>   | <b>09/30/2018</b> | <b>12/31/2017</b>     |  |
| <b>Opening balance</b>                               | <b>(135,840)</b>  | <b>(101,176)</b>    | <b>(51,968)</b>   | <b>(37,312)</b>       |  |
| Reversal / (losses) for slow-moving and obsolescence | 3,479             | (34,664)            | 3,702             | (14,656)              |  |
| <b>Closing balance</b>                               | <b>(132,361)</b>  | <b>(135,840)</b>    | <b>(48,266)</b>   | <b>(51,968)</b>       |  |

## 9. OTHER CURRENT AND NONCURRENT ASSETS

The group of other current and noncurrent assets is comprised as follows:



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|   | Current          |                | Consolidated Non-current |                  | Current          |            |
|---|------------------|----------------|--------------------------|------------------|------------------|------------|
|   | 9/30/2018        | 12/31/2017     | 9/30/2018                | 12/31/2017       | 9/30/2018        | 12/31/2017 |
| Judicial deposits (note 17)   |                  |                | 373,508                  | 339,351          |                  |            |
| Credits with the PGFN (1)   |                  |                | 46,774                   | 46,774           |                  |            |
| Recoverable taxes (2)   | 1,700,377        | 866,986        | 424,147                  | 401,071          | 1,482,709        |            |
| Prepaid expenses  | 68,771           | 50,078         | 36,598                   | 30,741           | 39,937           |            |
| Actuarial asset - related party (note 19 a)                         |                  |                | 90,690                   | 111,281          |                  |            |
| Derivative financial instruments (note 14 I)                        | 1,039            |                |                          |                  |                  |            |
| Securities held for trading (note 14 I)                             | 6,572            | 2,952          |                          |                  |                  | 6,384      |
| Iron ore inventory (3)  |                  |                | 144,499                  | 144,499          |                  |            |
| Northeast Investment Fund – FINOR                                   |                  |                | 26,598                   | 26,598           |                  |            |
| Other receivables (note 14 I)                                       |                  |                | 6,905                    | 20,024           |                  |            |
| Loans with related parties (note 19 a and 14 I)                     | 2,616            | 2,441          | 693,126                  | 554,694          | 17,930           |            |
| Other receivables from related parties (note 19 a)                  | 3,649            | 3,577          | 126,297                  | 30,770           | 113,897          |            |
| Monetary adjustment related to the Eletrobrás's compulsory loan (4) |                  |                | 755,151                  | 755,151          |                  |            |
| Others  | 96,456           | 67,544         | 26,488                   | 67,521           |                  |            |
|   | <b>1,879,480</b> | <b>993,578</b> | <b>2,750,781</b>         | <b>2,528,475</b> | <b>1,660,857</b> |            |

1. Refers to the excess of judicial deposit originated by the 2009 REFIS program (Tax Debt Refinancing Program). After the settlement of the program amount, the balance of one of the lawsuits was withdrawn by the Company with a court authorization.

2. Refers mainly to taxes on revenue (PIS/COFINS) and state VAT (ICMS) recoverable and income tax and social contribution for offset. Additionally, in September, principal and monetary adjustment was recognized in the amount of R\$ 725,038 (see further details in notes 24 and 25)

3. Long-term iron ore inventories that will be used after the implementation of the processing plant, generating as final product the pellet feed, expected to start operating in the first half of 2020.

4. This is a net amount, certain and due, arising from a favorable final decision to the Company, which is irreversible and irrevocable, in order to apply the STJ's consolidated position on the subject, which culminated in the conviction of the Eletrobrás to the payment of the correct interest and monetary correction of the Compulsory Loan. The said final decision, as well as the certainty about the amounts involved in the settlement of the judgment (judicial procedure to request the satisfaction of the right), allowed the conclusion that the entry of this value is certain.

## **10. INVESTMENTS**

The information on the activities of subsidiaries, joint ventures, joint operations, associates and other investments did not have any changes in relation to that disclosed in the Company's financial statements as of December 31, 2017 and, accordingly, the Company decided not to repeat it in the condensed interim financial information as of September 30, 2018.

### **10.a) Direct interests in subsidiaries, joint ventures, joint operations, associates and other investments**

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| Companies                                     | Number of shares held by CSN in units |           | % Direct equity interest | Assets            | Participation in  |                  |
|---|---------------------------------------|-----------|--------------------------|-------------------|-------------------|------------------|
|   | Common                                | Preferred |                          |                   | Liabilities       | Sharehold equity |
| <b>Investments under the equity method</b>    |                                       |           |                          |                   |                   |                  |
| <b>Subsidiaries</b>                           |                                       |           |                          |                   |                   |                  |
| CSN Islands VII Corp.                         | 20,001,000                            |           | 100.00                   | 1,125,069         | 2,818,890         | (1,693,8         |
| CSN Islands XI Corp.                          | 50,000                                |           | 100.00                   | 2,973,079         | 3,088,467.0       | (115,3           |
| CSN Islands XII Corp.                         | 1,540                                 |           | 100                      | 2,518,095.0       | 4,009,353.0       | (1,491,25        |
| CSN Minerals S.L.U.                           | (1)                                   |           |                          |                   |                   |                  |
| CSN Export Europe, S.L.U.                     | (1)                                   |           |                          |                   |                   |                  |
| CSN Metals S.L.U.                             | (1)                                   |           |                          |                   |                   |                  |
| CSN Americas S.L.U.                           | (1)                                   |           |                          |                   |                   |                  |
| CSN Steel S.L.U.                              | 22,042,688                            |           | 100.00                   | 3,845,060         | 246,737           | 3,598,           |
| SePETIBA Tecon S.A.                           | 254,015,052                           |           | 99.99                    | 485,384           | 172,610           | 312,             |
| Minérios Nacional S.A.                        | 66,393,587                            |           | 99.99                    | 129,547           | 88,804            | 40,              |
| Fair Value - Minérios Nacional                | -                                     |           | -                        | -                 | -                 | 2,123,           |
| Estanho de Rondônia S.A.                      | 121,861,697                           |           | 99.99                    | 48,794            | 45,221            | 3,               |
| Companhia Metalúrgica Prada                   | 445,921,292                           |           | 99.99                    | 671,410           | 538,319           | 133,             |
| CSN Mineração S.A.                            | 158,419,480                           |           | 87.52                    | 12,951,407        | 4,068,320         | 8,883,           |
| CSN Energia S.A.                              | 43,149                                |           | 99.99                    | 132,631           | 35,988            | 96,              |
| FTL - Ferrovia Transnordestina Logística S.A. | 442,672,357                           |           | 91.69                    | 409,080           | 116,462           | 292,             |
| Companhia Florestal do Brasil                 | 41,923,303                            |           | 100                      | 34,945.0          | 1,289.0           | 33,65            |
| Nordeste Logística                            | 99,999                                |           | 99.99                    | 83                | 55                |                  |
| CGPAR - Construção Pesada S.A. (2)            |                                       |           |                          |                   |                   |                  |
| Fair Value - CGPAR                            |                                       |           |                          |                   |                   |                  |
|   |                                       |           |                          | <b>25,324,584</b> | <b>15,230,515</b> | <b>12,217,</b>   |
| <b>Joint-venture and Joint-operation</b>      |                                       |           |                          |                   |                   |                  |
| Itá Energética S.A.                           | 253,606,846                           |           | 48.75                    | 256,653           | 15,913            | 240,             |

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|  |            |           |       |                  |                  |                |
|--|------------|-----------|-------|------------------|------------------|----------------|
| MRS Logística S.A.   | 26,611,282 | 2,673,312 | 18.64 | 1,537,098        | 824,505          | 712,           |
| CBSI - Companhia Brasileira de Serviços de Infraestrutura          | 1,876,146  |           | 50.00 | 23,082           | 18,454           | 4,             |
| Transnordestina Logística S.A.                                     | 24,168,304 |           | 46.30 | 3,977,410        | 2,791,698        | 1,185,         |
| Fair Value allocated to TLSA due to control loss                   |            |           |       |                  |                  | 271,           |
|  |            |           |       | <b>5,794,243</b> | <b>3,650,570</b> | <b>2,414,</b>  |
| <b>Associates</b>  |            |           |       |                  |                  |                |
| Arvedi Metalfer do Brasil  | 46,994,971 |           | 20.00 | 42,249           | 26,512           | 15,            |
|  |            |           |       | <b>42,249</b>    | <b>26,512</b>    | <b>15,</b>     |
| <b>Classified as fair value through profit or loss (note 14 I)</b> |            |           |       |                  |                  |                |
| Usiminas   |            |           |       |                  |                  | 2,143,         |
| Panatlântica   |            |           |       |                  |                  | 27,            |
|  |            |           |       |                  |                  | <b>2,170,</b>  |
| <b>Other investments</b>   |            |           |       |                  |                  |                |
| Profits on subsidiaries' inventories                               |            |           |       |                  |                  | (86,9          |
| Others   |            |           |       |                  |                  | 63,            |
|  |            |           |       |                  |                  | <b>(23,3</b>   |
| <b>Total investments</b>   |            |           |       |                  |                  | <b>16,795,</b> |
| <b>Classification of investments in the balance sheet</b>          |            |           |       |                  |                  |                |
| Investments in assets  |            |           |       |                  |                  | 20,095,        |
| Investments with negative equity                                   |            |           |       |                  |                  | (3,300,4       |
|  |            |           |       |                  |                  | <b>16,795,</b> |

(1) On February 6, 2018, the Spanish commercial registry recognized the merger by absorption of the companies by CSN Steel, S.L.U., date from which the companies were considered legally extinct, before third parties and for the purposes of commercial law, the merger is retroactive to the date of December 28, 2017.

(2) Company sold in July 2017, to the subsidiary CSN Mineração.

The number of shares, the balances of assets, liabilities and shareholders' equity, and the amounts of profit/(loss) for the period refer to the interests held by CSN in those companies.

**10.b) Movement in investments in subsidiaries, joint ventures, joint operations, associates and other investments**

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|  |                   | <b>Consolidated</b> |                    | <b>Parent Company</b> |
|--|-------------------|---------------------|--------------------|-----------------------|
|  | <b>09/30/2018</b> | <b>12/31/2017</b>   | <b>09/30/2018</b>  | <b>12/31/2017</b>     |
| <b>Opening balance of investments</b>                            | <b>5,499,995</b>  | <b>4,568,451</b>    | <b>22,894,885</b>  | <b>22,703,508</b>     |
| <b>Opening balance of loss provisions</b>                        |                   |                     | <b>(1,366,480)</b> | <b>(1,019,299)</b>    |
| Capital increase   |                   | 20,579              | 36,214             | 80,686                |
| Dividends (1)  | (41,675)          | (79,189)            | (5,265,606)        | (2,059,972)           |
| Comprehensive income (2)   | (1,559,590)       | 850,640             | (1,483,828)        | 1,021,099             |
| Equity in results of affiliated companies (3)                    | 123,245           | 147,800             | 467,716            | 901,836               |
| Receipt arising from the sale of Usiminas' shares                | (39,377)          |                     | (39,377)           |                       |
| Update shares of fair value through profit or loss (Note 14 II)  | 1,547,265         |                     | 1,547,265          |                       |
| Write-off of the investment – disposal of CGPAR                  |                   |                     |                    | (14,055)              |
| Surplus value of the assets – CGPAR                              |                   |                     |                    | (50,009)              |
| Capital Transactions - Business combination CGPAR                |                   |                     |                    | (35,389)              |
| Amortization of fair value - investment MRS                      | (8,810)           | (11,746)            |                    |                       |
| Others   | 32                | 3,460               | 4,568              |                       |
| <b>Closing balance of investments</b>                            | <b>5,521,085</b>  | <b>5,499,995</b>    | <b>20,095,824</b>  | <b>22,894,885</b>     |
| <b>Balance of provision for investments with negative equity</b> |                   |                     | <b>(3,300,467)</b> | <b>(1,366,480)</b>    |
| <b>Total</b>   | <b>5,521,085</b>  | <b>5,499,995</b>    | <b>16,795,357</b>  | <b>21,528,405</b>     |

1. In 2018, refers to the allocation of dividends of subsidiaries CSN Energia, Itá Energética, CSN Mineração, MRS Logística. In 2018, CSN Steel assigned and paid the amount of R\$ 4,871,608.

2. Refers to the mark-to-market of investments classified fair value through profit or loss, translation to reporting currency of the foreign investment whose functional currency is not the Real, actuarial gain/loss and gain/loss on investment hedge from investments accounted for under the equity method.

3. The reconciliation of the equity in results of joint ventures and associates and the amount recorded in the statement of income are presented below and derive from the elimination of results of CSN's transactions with these companies:

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|---|-------------------|------------------------------------|
| <b>Equity in results of affiliated companies</b>          |                   |                                    |
| MRS Logística S.A.  | 140,528           | 146,583                            |
| CBSI - Companhia Brasileira de Serviços de Infraestrutura | 3,127             | 1,805                              |
| Transnordestina   | (16,470)          | (19,347)                           |
| Arvedi Metalfer do Brasil                                 | (3,754)           | 447                                |
| Others  | (186)             | (92)                               |
|   | <b>123,245</b>    | <b>129,396</b>                     |
| <b>Eliminations</b>                                       |                   |                                    |
| To cost of sales  | (31,797)          | (33,463)                           |
| To taxes  | 10,811            | 11,377                             |
| <b>Others</b>   |                   |                                    |
| Amortization of fair value - Investment in MRS            | (8,810)           | (8,810)                            |
| Others  | 2,561             |                                    |
| <b>Equity in results of affiliated companies adjusted</b> | <b>96,010</b>     | <b>98,500</b>                      |

**10.c) Investments in joint ventures and joint operations**

The balances of the balance sheet and statement of income of joint ventures are presented below and refer to 100% of the companies' results:

**9/30/2018**



| Equity interest (%)                     | <i>Joint-Venture</i>    |                |                                     | <i>Joint-Operation</i>   |                         | <i>Joint-Venture</i> |                                     |  |
|---|-------------------------|----------------|-------------------------------------|--------------------------|-------------------------|----------------------|-------------------------------------|--|
|   | MRS Logística<br>34.94% | CBSI<br>50.00% | Transnordestina Logística<br>46.30% | Itá Energética<br>48.75% | MRS Logística<br>34.94% | CBSI<br>50.00%       | Transnordestina Logística<br>46.30% |  |
| <b>Balance sheet</b>                    |                         |                |                                     |                          |                         |                      |                                     |  |
| <b>Current assets</b>                   |                         |                |                                     |                          |                         |                      |                                     |  |
| Cash and cash equivalents               | 495,708                 | 1,472          | 18,160                              | 21,692                   | 484,978                 | 101                  | 5,760                               |  |
| Advances to suppliers                   | 18,569                  | 53             | 2,925                               | 63                       | 14,911                  | 37                   |                                     |  |
| Other current assets                    | 600,707                 | 39,579         | 62,604                              | 15,568                   | 685,311                 | 28,475               | 49,490                              |  |
| <b>Total current assets</b>             | <b>1,114,984</b>        | <b>41,104</b>  | <b>83,689</b>                       | <b>37,323</b>            | <b>1,185,200</b>        | <b>28,613</b>        | <b>55,250</b>                       |  |
| <b>Non-current assets</b>               |                         |                |                                     |                          |                         |                      |                                     |  |
| Other non-current assets                | 732,889                 | 1,282          | 226,401                             | 26,288                   | 693,434                 | 974                  | 238,000                             |  |
| Investments, PP&E and intangible assets | 6,398,628               | 3,776          | 8,280,447                           | 462,855                  | 6,277,550               | 2,423                | 7,927,880                           |  |
| <b>Total non-current assets</b>         | <b>7,131,517</b>        | <b>5,058</b>   | <b>8,506,848</b>                    | <b>489,143</b>           | <b>6,970,984</b>        | <b>3,397</b>         | <b>8,165,880</b>                    |  |
| <b>Total Assets</b>                     | <b>8,246,501</b>        | <b>46,162</b>  | <b>8,590,537</b>                    | <b>526,466</b>           | <b>8,156,184</b>        | <b>32,010</b>        | <b>8,221,130</b>                    |  |
| <b>Current liabilities</b>              |                         |                |                                     |                          |                         |                      |                                     |  |
| Borrowings and financing                | 447,775                 | 168            | 146,645                             |                          | 668,947                 | 1,411                | 52,690                              |  |
| Other current liabilities               | 1,328,939               | 36,094         | 117,405                             | 17,731                   | 1,272,365               | 25,898               | 113,730                             |  |
| <b>Total current liabilities</b>        | <b>1,776,714</b>        | <b>36,262</b>  | <b>264,050</b>                      | <b>17,731</b>            | <b>1,941,312</b>        | <b>27,309</b>        | <b>166,420</b>                      |  |
| <b>Non-current liabilities</b>          |                         |                |                                     |                          |                         |                      |                                     |  |
| Borrowings and financing                | 2,088,588               | 644            | 5,668,647                           |                          | 2,084,422               |                      | 5,457,760                           |  |
| Other non-current liabilities           | 558,154                 |                | 96,902                              | 14,910                   | 575,170                 |                      | 43,000                              |  |
| <b>Total non-current liabilities</b>    | <b>2,646,742</b>        | <b>644</b>     | <b>5,765,549</b>                    | <b>14,910</b>            | <b>2,659,592</b>        |                      | <b>5,458,200</b>                    |  |
| <b>Shareholders' equity</b>             | <b>3,823,045</b>        | <b>9,256</b>   | <b>2,560,938</b>                    | <b>493,825</b>           | <b>3,555,280</b>        | <b>4,701</b>         | <b>2,596,500</b>                    |  |

| <b>Total liabilities and shareholders' equity</b>       | <b>8,246,501</b>                   | <b>46,162</b>          | <b>8,590,537</b>                            | <b>526,466</b>                   | <b>8,156,184</b>                | <b>32,010</b>          | <b>8,221,14</b>                             |
|---|------------------------------------|------------------------|---|----------------------------------|---------------------------------|------------------------|---|
|   | <b>01/01/2018 a<br/>09/30/2018</b> |                        |   |                                  |                                 |                        |   |
|   | <i>Joint-Venture</i>               |                        |   | <i>Joint-Operation</i>           |                                 | <i>Joint-Venture</i>   |   |
| <b>Equity interest (%)</b>                              | <b>MRS Logística<br/>34.94%</b>    | <b>CBSI<br/>50.00%</b> | <b>Transnordestina Logística<br/>46.30%</b> | <b>Itá Energética<br/>48.75%</b> | <b>MRS Logística<br/>34.94%</b> | <b>CBSI<br/>50.00%</b> | <b>Transnordestina Logística<br/>46.30%</b> |
| <b>Statements of Income</b>                             |                                    |                        |   |                                  |                                 |                        |   |
| Net revenue   | 2,733,791                          | 118,260                |   | 123,731                          | 2,588,815                       | 102,977                |   |
| Cost of sales and services                              | (1,828,773)                        | (102,120)              |   | (55,450)                         | (1,695,291)                     | (90,550)               |   |
| Gross profit  | 905,018                            | 16,140                 |   | 68,281                           | 893,524                         | 12,427                 |   |
| Operating (expenses) income                             | (206,610)                          | (7,496)                | (14,873)                                    | (44,998)                         | (145,206)                       | (6,161)                | (31,70                                      |
| Finance income (costs), net                             | (126,021)                          | (56)                   | (20,699)                                    | (369)                            | (147,755)                       | (817)                  | (10,10                                      |
| Income before income tax and social contribution        | 572,387                            | 8,588                  | (35,572)                                    | 22,914                           | 600,563                         | 5,449                  | (41,78                                      |
| Current and deferred income tax and social contribution | (195,328)                          | (2,334)                |   | (7,773)                          | (207,257)                       | (1,838)                |   |
| <b>(Loss) profit for the year, net</b>                  | <b>377,059</b>                     | <b>6,254</b>           | <b>(35,572)</b>                             | <b>15,141</b>                    | <b>393,306</b>                  | <b>3,611</b>           | <b>(41,78</b>                               |

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- TRANSNORDESTINA LOGÍSTICA S.A. (“TLSA”)

It is in pre-operational phase and will continue as such until the completion of Railway System II. The approved schedule, which estimated the completion of the work by January 2017, is currently under review and discussion with the responsible agencies; however, Management believes that new deadlines for project completion will not have material adverse effects on the expected return on the investment. After analyzing this matter, Management considered as appropriate the use of the accounting basis of operational continuity (going concern) of the project in the preparation of its financial statements.

The assumptions used to evaluate the impairment test in December 2017 remain valid and there is no trigger to justify records of *impairment* in the first quarter.

**11. PROPERTY, PLANT AND EQUIPMENT**

The information on property, plant and equipment has not changed significantly in relation to that disclosed in the Company's financial statements as of December 31, 2017.

| <b>Land Buildings and Infrastructure</b> | <b>Machinery, equipment</b> | <b>Furniture and</b> | <b>Construction in progress</b> | <b>Other (*)</b> | <b>Consolidated Total</b> |
|--|-----------------------------|----------------------|---------------------------------|------------------|---------------------------|
|--|-----------------------------|----------------------|---------------------------------|------------------|---------------------------|

|   |                |                  | and<br>facilities | fixtures      |                  |                |                   |
|---|----------------|------------------|-------------------|---------------|------------------|----------------|-------------------|
| <b>Balance at<br/>December 31,<br/>2017</b>                           | <b>279,740</b> | <b>2,796,947</b> | <b>11,985,920</b> | <b>33,103</b> | <b>2,475,935</b> | <b>393,194</b> | <b>17,964,839</b> |
| Cost  | 279,740        | 3,819,929        | 21,674,362        | 164,152       | 2,475,935        | 669,096        | 29,083,214        |
| Accumulated<br>depreciation   |                | (1,022,982)      | (9,688,442)       | (131,049)     |                  | (275,902)      | (11,118,375)      |
| <b>Balance at<br/>December 31,<br/>2017</b>                           | <b>279,740</b> | <b>2,796,947</b> | <b>11,985,920</b> | <b>33,103</b> | <b>2,475,935</b> | <b>393,194</b> | <b>17,964,839</b> |
| Effect of foreign<br>exchange differences                             | 11,261         | 19,114           | 112,060           | 782           | 6,229            | 4,303          | 153,749           |
| Acquisitions  | 55             | 421              | 94,272            | 923           | 717,983          | 7,104          | 820,758           |
| Capitalized<br>interest (notes<br>25 and 28)                          |                |                  |                   |               | 52,808           |                | 52,808            |
| Write-off and<br>estimated<br>losses, net of<br>reversal (note<br>24) |                | (9,606)          | (16,697)          | (1)           | (3,079)          |                | (29,383)          |
| Depreciation<br>(note 23)   |                | (103,097)        | (787,343)         | (4,088)       |                  | (17,751)       | (912,279)         |
| Transfers to<br>other<br>categories of<br>assets                      |                | 48,617           | 138,807           | 293           | (180,266)        | (7,451)        |                   |
| Sale of LLC   | (238)          | (16,950)         | (145,958)         | (181)         | (6,070)          | (21,829)       | (191,226)         |
| Transfer to<br>intangible<br>assets                                   |                |                  |                   |               | (758)            | (12)           | (770)             |
| Others  |                |                  |                   |               | 10,441           | 8              | 10,449            |
| <b>Balance at<br/>September 30,<br/>2018</b>                          | <b>290,818</b> | <b>2,735,446</b> | <b>11,381,061</b> | <b>30,831</b> | <b>3,073,223</b> | <b>357,566</b> | <b>17,868,945</b> |
| Cost  | 290,818        | 3,854,372        | 21,863,825        | 168,032       | 3,073,223        | 617,321        | 29,867,591        |
| Accumulated<br>depreciation   |                | (1,118,926)      | (10,482,764)      | (137,201)     |                  | (259,755)      | (11,998,646)      |
| <b>Balance at<br/>September 30,<br/>2018</b>                          | <b>290,818</b> | <b>2,735,446</b> | <b>11,381,061</b> | <b>30,831</b> | <b>3,073,223</b> | <b>357,566</b> | <b>17,868,945</b> |

Parent Company

|   | Land          | Buildings and<br>Infrastructure | Machinery,<br>equipment<br>and<br>facilities | Furniture<br>and<br>fixtures | Construction<br>in progress | Other (*)     | Total            |
|---|---------------|---------------------------------|--|------------------------------|-----------------------------|---------------|------------------|
| <b>Balance at<br/>December 31,<br/>2017</b>                           | <b>94,485</b> | <b>1,091,303</b>                | <b>7,375,505</b>                             | <b>13,830</b>                | <b>906,851</b>              | <b>20,437</b> | <b>9,502,411</b> |
| Cost  | 94,485        | 1,334,093                       | 13,159,644                                   | 96,609                       | 906,851                     | 118,888       | 15,710,570       |
| Accumulated<br>depreciation   |               | (242,790)                       | (5,784,139)                                  | (82,779)                     |                             | (98,451)      | (6,208,159)      |
| <b>Balance at<br/>December 31,<br/>2017</b>                           | <b>94,485</b> | <b>1,091,303</b>                | <b>7,375,505</b>                             | <b>13,830</b>                | <b>906,851</b>              | <b>20,437</b> | <b>9,502,411</b> |
| Acquisitions  | 55            | 5                               | 33,016                                       | 186                          | 319,300                     | 3,248         | 355,810          |
| Capitalized<br>interest (notes<br>25 and 28)                          |               |                                 |  |                              | 11,923                      |               | 11,923           |
| Write-off and<br>estimated<br>losses, net of<br>reversal (note<br>24) |               | (9,527)                         | (3,674)                                      |                              |                             |               | (13,201)         |
| Depreciation<br>(note 23)   |               | (25,876)                        | (403,572)                                    | (1,890)                      |                             | (3,945)       | (435,283)        |
| Transfers to<br>other categories<br>of assets                         |               |                                 | 22,176                                       |                              | (22,198)                    | 22            |                  |
| Others  |               |                                 |  |                              | 8,670                       |               | 8,670            |
| <b>Balance at<br/>September 30,<br/>2018</b>                          | <b>94,540</b> | <b>1,055,905</b>                | <b>7,023,451</b>                             | <b>12,126</b>                | <b>1,224,546</b>            | <b>19,762</b> | <b>9,430,330</b> |
| Cost  | 94,540        | 1,323,764                       | 13,210,514                                   | 96,801                       | 1,224,546                   | 122,115       | 16,072,280       |
| Accumulated<br>depreciation   |               | (267,859)                       | (6,187,063)                                  | (84,675)                     |                             | (102,353)     | (6,641,950)      |
| <b>Balance at<br/>September 30,<br/>2018</b>                          | <b>94,540</b> | <b>1,055,905</b>                | <b>7,023,451</b>                             | <b>12,126</b>                | <b>1,224,546</b>            | <b>19,762</b> | <b>9,430,330</b> |

(\*) Refer basically to railway assets such as courtyards, tracks and leasehold improvements, vehicles, hardware, mines, ore deposits, and spare part inventories.

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The assumptions used for the impairment test in December 2017 are still effective and there is not factor that justifies the recognition of impairment in the quarter.

The breakdown of the projects comprising construction in progress is as follows:

|                  | <b>Project description</b>                                      | <b>Start date</b> | <b>Completion date</b> | <b>09/30/2018</b> | <b>Consolidated<br/>12/31/2017</b> |
|------------------|---|-------------------|------------------------|-------------------|------------------------------------|
| <b>Logistics</b> | Current investments for maintenance of current operations.      |                   |                        | 104,138           | 106,956                            |
|                  |   |                   |                        | <b>104,138</b>    | <b>106,956</b>                     |
| <b>Mining</b>    | Expansion of Casa de Pedra Mine capacity production.            | 2007              | 2020 (1)               | 778,756           | 750,999                            |
|                  | Expansion of TECAR export capacity.                             | 2009              | 2022 (2)               | 283,831           | 275,811                            |
|                  | Current investments for maintenance of current operations.      |                   |                        | 629,956           | 408,522                            |
|                  |   |                   |                        | <b>1,692,543</b>  | <b>1,435,332</b>                   |
| <b>Steel</b>     | Supply of 16 torpedo's cars for operation in the steel industry | 2008              | 2019                   | 102,745           | 99,483                             |
|                  | Current investments for maintenance of current operations.      |                   |                        | (3) 524,926       | 228,029                            |

|                                 |  |      |      |     |                  |                  |
|---------------------------------|--|------|------|-----|------------------|------------------|
| <b>Cement</b>                   |  |      |      |     | <b>627,671</b>   | <b>327,512</b>   |
|                                 | Construction of cement plants.                             | 2011 | 2020 | (4) | 574,589          | 554,865          |
|                                 | Current investments for maintenance of current operations. |      |      |     | 74,282           | 51,270           |
|                                 |  |      |      |     | <b>648,871</b>   | <b>606,135</b>   |
| <b>Construction in progress</b> |  |      |      |     | <b>3,073,223</b> | <b>2,475,935</b> |

- (1) Estimated completion date of the Central Plant Step 1;
- (2) Estimated completion date of phase 60 Mtpa;
- (3) Refers substantially to renovation of coke ovens batteries and reuse of carbo-chemical cooling water;
- (4) Refers substantially to the acquisition of new Integrated Cement Plants.

The average estimated useful lives are as follows (in years):

|                                     |                   | <b>Consolidated</b> |  |                   | <b>Parent Company</b> |
|-------------------------------------|-------------------|---------------------|--|-------------------|-----------------------|
|                                     | <b>09/30/2018</b> | <b>12/31/2017</b>   |  | <b>09/30/2018</b> | <b>12/31/2017</b>     |
| Buildings                           | 38                | 39                  |  | 41                | 41                    |
| Machinery, equipment and facilities | 22                | 21                  |  | 24                | 24                    |
| Furniture and fixtures              | 11                | 12                  |  | 12                | 12                    |
| Others                              | 15                | 17                  |  | 13                | 12                    |

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1****12. INTANGIBLE ASSETS**

|  | <b>Goodwill</b>  | <b>Customer relationships</b> | <b>Software</b> | <b>Trademarks and patents</b> | <b>Rights and licenses (*)</b> |
|--|------------------|-------------------------------|-----------------|-------------------------------|--------------------------------|
| <b>Balance at December 31, 2017</b>          | <b>3,590,931</b> | <b>300,875</b>                | <b>73,185</b>   | <b>134,137</b>                | <b>3,172,469</b>               |
| Cost   | 3,834,234        | 513,068                       | 167,162         | 134,137                       | 3,185,701                      |
| Accumulated amortization                     | (133,973)        | (212,193)                     | (93,977)        |                               | (13,232)                       |
| Adjustment for accumulated recoverable value | (109,330)        |                               |                 |                               |                                |
| <b>Balance at December 31, 2017</b>          | <b>3,590,931</b> | <b>300,875</b>                | <b>73,185</b>   | <b>134,137</b>                | <b>3,172,469</b>               |
| Effect of translation adjustment             |                  | 48,908                        | 194             | 23,155                        |                                |
| Acquisitions and expenditures                |                  |                               | 631             |                               |                                |
| Transfer of property, plant and equipment    |                  |                               | 770             |                               |                                |
| Amortization (note 23)                       |                  | (34,552)                      | (12,831)        |                               | (2,389)                        |
| <b>Balance at September 30, 2018</b>         | <b>3,590,931</b> | <b>315,231</b>                | <b>61,949</b>   | <b>157,292</b>                | <b>3,170,080</b>               |
| Cost   | 3,834,234        | 601,391                       | 185,568         | 157,292                       | 3,185,701                      |
| Accumulated amortization                     | (133,973)        | (286,160)                     | (123,619)       |                               | (15,621)                       |
| Adjustment for accumulated recoverable value | (109,330)        |                               |                 |                               |                                |
| <b>Balance at September 30, 2018</b>         | <b>3,590,931</b> | <b>315,231</b>                | <b>61,949</b>   | <b>157,292</b>                | <b>3,170,080</b>               |

(\*) Composed mainly by mineral rights with potential of 1,101 million tons (Not reviewed by independent auditors). Amortization is based on production volume.

The average useful lives by nature are as follows (in years):

**Consolidated****Parent  
Company**



|                        | <b>09/30/2018</b> | <b>12/31/2017</b> | <b>09/30/2018</b> | <b>12/31/2017</b> |
|------------------------|-------------------|-------------------|-------------------|-------------------|
| Software               | 7                 | 8                 | 9                 | 9                 |
| Customer relationships | 13                | 13                |                   |                   |

The assumptions used for the impairment test in December 2017 are still effective and there is not factor that justifies the recognition of impairment in the quarter.

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1****13. BORROWINGS, FINANCING AND DEBENTURES**

The balances of borrowings, financing and debentures, which are carried at amortized cost, are as follows:

|                         | Rates<br>p.a. (%) | Consolidated        |                  |                         |                   | Parent              |                  |                  |
|-------------------------|-------------------|---------------------|------------------|-------------------------|-------------------|---------------------|------------------|------------------|
|                         |                   | Current liabilities |                  | Non-current liabilities |                   | Current liabilities |                  | Non-current      |
|                         |                   | 9/30/2018           | 12/31/2017       | 9/30/2018               | 12/31/2017        | 9/30/2018           | 12/31/2017       | 9/30/2018        |
| <b>FOREIGN CURRENCY</b> |                   |                     |                  |                         |                   |                     |                  |                  |
| Prepayment              | 1% to 3,5%        | 3,716               | 2,174            | 592,577                 | 489,584           | 3,716               | 2,174            | 592,577          |
| Prepayment              | 3,51% to 8%       | 1,912,536           | 788,989          | 3,096,683               | 3,607,925         | 1,912,535           | 788,989          | 3,096,683        |
| Prepayment Intercompany | 3,51% to 8%       |                     |                  |                         |                   | 1,393,020           | 72,019           | 4,406,365        |
| Perpetual bonds         | 7%                | 5,450               | 4,503            | 4,003,900               | 3,308,000         |                     |                  |                  |
| Bonds                   | 4,14% to 6,88%    | (1) 1,957,186       | 139,184          | 4,896,574               | 5,612,342         |                     |                  |                  |
| Bonds Intercompany      | 4,14% to 9,13%    |                     |                  |                         |                   | 10,155              | 27,450           | 372,363          |
| Intercompany            | Libor 6M to 3%    |                     |                  |                         |                   | 1,761,689           | 1,113,411        |                  |
| ACE                     | 3.14%             | 549,165             | 379,822          |                         |                   | 549,165             | 379,822          |                  |
| Others                  | 1,2% to 8%        | 182,992             | 251,630          | 111,708                 | 197,130           |                     |                  |                  |
|                         |                   | <b>4,611,045</b>    | <b>1,566,302</b> | <b>12,701,442</b>       | <b>13,214,981</b> | <b>5,630,280</b>    | <b>2,383,865</b> | <b>8,467,988</b> |
| <b>LOCAL CURRENCY</b>   |                   |                     |                  |                         |                   |                     |                  |                  |
| BNDES/FINAME            | 1,3% to 8% +      | 75,121              | 71,121           | 910,657                 | 960,872           | 52,312              | 43,235           | 885,048          |

|   |   |                  |                  |                   |                   |                  |                  |                   |
|---|---|------------------|------------------|-------------------|-------------------|------------------|------------------|-------------------|
| Debtentures   | TJLP<br>110,8%<br>to<br>113,7%                  | 507,878          | 523,252          | 269,336           | 770,767           | 507,878          | 523,252          | 269,336           |
| Prepayment  | CDI<br>129,80%<br>CDI and<br>fixed of<br>8% (2) | 367,981          | 1,789,737        | 3,910,918         | 3,378,333         | 300,744          | 1,048,204        | 2,523,403         |
| CCB   | CDI and<br>Fixed of<br>9,12% to<br>11,17% (3)   | 876,943          | 2,601,352        | 5,963,396         | 4,693,000         | 874,429          | 2,601,352        | 5,957,024         |
|   |   | <b>1,827,923</b> | <b>4,985,462</b> | <b>11,054,307</b> | <b>9,802,972</b>  | <b>1,735,363</b> | <b>4,216,043</b> | <b>9,634,811</b>  |
| <b>Total Borrowings and Financing (note 14 I)</b>         |   | <b>6,438,968</b> | <b>6,551,764</b> | <b>23,755,749</b> | <b>23,017,953</b> | <b>7,365,643</b> | <b>6,599,908</b> | <b>18,102,799</b> |
| Transaction Costs and Issue Premiums                      |   | (29,279)         | (24,862)         | (89,368)          | (34,011)          | (22,810)         | (21,737)         | (68,799)          |
| <b>Total Borrowings and Financing + Transaction Costs</b> |   | <b>6,409,689</b> | <b>6,526,902</b> | <b>23,666,381</b> | <b>22,983,942</b> | <b>7,342,833</b> | <b>6,578,171</b> | <b>18,034,000</b> |

(1) In February 2018, the Company issued debt securities in the foreign market ("Notes"), through its subsidiary CSN Resources SA, in the amount of US\$ 350 million, with maturity in 2023 and interest of 7.625% per annum. In parallel, a tender offer ("Tender Offer") of the Notes issued by CSN Islands XI Corp. and CSN Resources S.A., subsidiaries of the Company, having repurchased US\$ 350 million in bonds with maturity in 2019 and 2020. The Notes are unconditionally and irrevocably guaranteed by the Company.

(2) In February 2018, the Company concluded the renegotiation of its debt of R\$4.9 billion with Banco do Brasil SA ("BB"), related to its own issues of Export Credit Notes plus the issues made by its subsidiary CSN Mineração, moving the maturities from 2018 to 2022 to maturity until December 2024, with a guarantee of part of the shares of Usiminas, owned by the Company.

(3) In August 2018, the Company concluded the negotiations to reprofile its debts of R\$ 6.8 billion with Caixa Econômica Federal, referring to the Bank Credit Note, rescheduling the maturities throughout 2018 to 2023 to maturity up to 2024, with guarantee of shares of Usiminas shares owned by the Company.

### 13.a) Maturities of borrowings, financing and debtentures presented in noncurrent liabilities

In September 2018, the inflation-adjusted principal of long-term borrowings, financing and debentures by maturity year is as follows:

|                 | <b>Prepayment</b> | <b>Bonds</b>     | <b>Perpetual<br/>bonds</b> | <b>CCB</b>       | <b>Others</b>    | <b>Consolidated<br/>Total</b> |             |
|-----------------|-------------------|------------------|----------------------------|------------------|------------------|-------------------------------|-------------|
| 2019            | 813,270           |                  |                            | 248,185          | 18,596           | 1,080,051                     | 5%          |
| 2020            | 2,044,198         | 3,495,209        |                            | 700,959          | 295,059          | 6,535,425                     | 28%         |
| 2021            | 1,444,598         |                  |                            | 1,456,859        | 175,337          | 3,076,794                     | 13%         |
| 2022            | 1,452,900         |                  |                            | 1,450,000        | 94,700           | 2,997,600                     | 13%         |
| 2023            | 1,216,856         | 1,401,365        |                            | 1,449,116        | 56,863           | 4,124,200                     | 17%         |
| After 2023      | 628,356           |                  |                            | 658,277          | 651,146          | 1,937,779                     | 8%          |
| Perpetual bonds |                   |                  | 4,003,900                  |                  |                  | 4,003,900                     | 17%         |
|                 | <b>7,600,178</b>  | <b>4,896,574</b> | <b>4,003,900</b>           | <b>5,963,396</b> | <b>1,291,701</b> | <b>23,755,749</b>             | <b>100%</b> |

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|            | <b>Prepayment</b> | <b>Bonds</b>   | <b>CCB</b>       | <b>Others</b>    | <b>Total</b>      |             |
|------------|-------------------|----------------|------------------|------------------|-------------------|-------------|
| 2019       | 795,585           |                | 247,394          | 13,775           | 1,056,754         | 6%          |
| 2020       | 2,964,212         |                | 697,757          | 171,767          | 3,833,736         | 21%         |
| 2021       | 1,987,891         |                | 1,454,480        | 171,103          | 3,613,474         | 20%         |
| 2022       | 2,026,174         |                | 1,450,000        | 91,767           | 3,567,941         | 20%         |
| 2023       | 822,436           |                | 1,449,116        | 55,100           | 2,326,652         | 13%         |
| After 2023 | 2,022,730         | 372,363        | 658,277          | 650,872          | 3,704,242         | 20%         |
|            | <b>10,619,028</b> | <b>372,363</b> | <b>5,957,024</b> | <b>1,154,384</b> | <b>18,102,799</b> | <b>100%</b> |

**13.b) Borrowings, financing and debentures raised and paid**

The table below shows the borrowings, financing and debentures raised and paid during the period:

|                        | <b>Consolidated</b> |                   | <b>Parent Company</b> |                   |
|------------------------|---------------------|-------------------|-----------------------|-------------------|
|                        | <b>09/30/2018</b>   | <b>12/31/2017</b> | <b>09/30/2018</b>     | <b>12/31/2017</b> |
| <b>Opening balance</b> | <b>29,510,844</b>   | <b>30,441,018</b> | <b>29,033,017</b>     | <b>30,248,775</b> |
| Raised                 | 2,013,443           | 538,771           | 532,214               | 371,000           |
| Payment of principal   | (4,142,506)         | (1,528,023)       | (5,320,274)           | (1,652,283)       |
| Payment of charges     | (1,707,468)         | (2,634,931)       | (1,261,483)           | (2,278,089)       |
| Provision of charges   | 1,504,742           | 2,438,555         | 1,166,095             | 2,136,425         |

|                        |                   |                   |                   |                   |
|------------------------|-------------------|-------------------|-------------------|-------------------|
| Disposal of LLC        | (10,544)          |                   |                   |                   |
| Others (1)             | 2,907,559         | 255,454           | 1,227,264         | 207,189           |
| <b>Closing balance</b> | <b>30,076,070</b> | <b>29,510,844</b> | <b>25,376,833</b> | <b>29,033,017</b> |

1. Includes unrealized exchange and monetary variations.

In September 2018, the Group raised and paid borrowings as shown below:

- Raised**

| <b>Transaction</b>                     | <b>Financial Institution</b> | <b>Date</b>                              | <b>Amount</b>    | <b>Consolidated Maturity</b>      |
|--|------------------------------|--|------------------|-----------------------------------|
| Fixed Rate Notes                       | BAYER LB/JP<br>Morgan        | January/18,<br>March/18 and<br>August/18 | 323,570          | March/18, June/18<br>and March/19 |
| Bonds                                  | BONY                         | February/18                              | 1,148,735        | February/23                       |
| Advance on Exchange<br>Contracts (ACC) | Banco do Brasil              | April /18 and<br>August/18               | 530,468          | October/18 and<br>february/19     |
| Bank Credit Note (*)                   | Bank Fids/John<br>Deere      | August/18 and<br>September/18            | 10,670           | August/21 and<br>september/21     |
|  | <b>Total</b>                 |  | <b>2,013,443</b> |                                   |

(\*) Loan for acquisition of property, plant and equipment, the amount in Consolidated is R\$10,670 and in the Parent Company R\$1,746.

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- Paid**

| <b>Transaction</b>                  | <b>Principal</b> | <b>Consolidated Charges</b> |
|-------------------------------------|------------------|-----------------------------|
| Bonds                               | 1,132,785        | 602,235                     |
| Fixed Rate Notes                    | 525,418          | 11,952                      |
| Debentures                          | 499,616          | 74,895                      |
| Bank Credit Note                    | 400,092          | 453,351                     |
| Export Credit Note                  | 813,865          | 348,207                     |
| Pre - Export Payment                | 347,430          | 159,856                     |
| BNDES/FINAME                        | 49,496           | 54,404                      |
| Advance on exchange contracts (ACC) | 373,804          | 2,568                       |
| <b>Total</b>                        | <b>4,142,506</b> | <b>1,707,468</b>            |

- Covenants**

The Company's borrowing agreements provide for the fulfillment of certain non-financial obligations, as well as the maintenance of certain parameters and performance indicators, such as the publication of its audited financial statements within the regulatory terms or payment of commission on assumption of risks in case the indicator of net debt to EBITDA reaches the levels set out in such agreements, under penalty of early maturity. Until now, the Company has complied with all financial and non-financial obligations (covenants) of its current contracts.

In September of 2018, the Company has provisioned R\$32,230 in the Consolidated (R\$30,843 as of December 31, 2017) and R\$9,631 in the Parent Company (R\$13,413 as of December 31, 2017) for commission on assumption of risks.

### **13.c) Guarantees**



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The Company is the guarantor or is liable for the guarantees given to its subsidiaries and joint ventures as follows:

|                                | <b>Currency</b> | <b>Maturities</b>               | <b>Borrowings</b> |                   | <b>Tax fore</b>    |
|--------------------------------|-----------------|---------------------------------|-------------------|-------------------|--------------------|
|                                |                 |                                 | <b>9/30/2018</b>  | <b>12/31/2017</b> | <b>9/30/2018 1</b> |
| Transnordestina Logística      | R\$             | Up to 09/19/2056 and Indefinite | 2,462,052         | 2,541,347         | 26,558             |
| FTL - Ferrovia Transnordestina | R\$             | 11/15/2020                      | 67,896            | 69,405            |                    |
| Sepetiba Tecon                 | R\$             | Indefinite                      |                   |                   |                    |
| Cia Metalurgica Prada          | R\$             | Indefinite                      |                   |                   | 333                |
| CSN Energia                    | R\$             | Indefinite                      |                   |                   | 2,829              |
| CSN Mineração                  | R\$             | 12/22/2022                      | 1,502,163         | 2,000,000         |                    |
| Estanho de Rondônia            | R\$             | 07/15/2022                      | 3,153             | 3,153             |                    |
| Minérios Nacional S.A.         | R\$             | 07/16/2021 and 09/10/2021       | 7,173             |                   |                    |
| <b>Total in R\$</b>            |                 |                                 | <b>4,042,437</b>  | <b>4,613,905</b>  | <b>29,720</b>      |
| CSN Islands XI                 | US\$            | 09/21/2019                      | 547,094           | 750,000           |                    |
| CSN Islands XII                | US\$            | Perpetual                       | 1,000,000         | 1,000,000         |                    |
| CSN Resources                  | US\$            | 07/21/2020                      | 1,402,906         | 1,200,000         |                    |
| <b>Total in US\$</b>           |                 |                                 | <b>2,950,000</b>  | <b>2,950,000</b>  |                    |
| CSN Steel S.L.                 | EUR             | 1/31/2020                       | 120,000           | 120,000           |                    |
| Lusosider Aços Planos          | EUR             | Indefinite                      | 75,000            | 25,000            |                    |

|                     |                   |                   |               |
|---------------------|-------------------|-------------------|---------------|
| <b>Total in EUR</b> | <b>195,000</b>    | <b>145,000</b>    |               |
| <b>Total in R\$</b> | <b>12,719,133</b> | <b>10,334,149</b> |               |
|                     | <b>16,761,570</b> | <b>14,948,054</b> | <b>29,720</b> |

## 14. FINANCIAL INSTRUMENTS

### I - Identification and measurement of financial instruments

The Company enters into transactions involving various financial instruments, mainly cash and cash equivalents, including short-term investments, marketable securities, trade receivables, trade payables, and borrowings and financing. The Company also enters into derivative transactions, especially interest rate and foreign exchange rate *swaps*.

Considering the nature of the instruments, the fair value is basically determined by the use of quotations in the open capital market of Brazil and the Commodities and Futures Exchange. The amounts recorded in current assets and liabilities have immediate liquidity or maturity, mostly in terms of less than three months. Considering the term and the characteristics of these instruments, the book values approximate the fair values.

- **Classification of financial instruments**

With the implementation of pronouncements CPC 48/ IFRS9, the classification of financial instruments: held to maturity, loans and receivables and available for sale were replaced by three categories of classification and measurement of financial instruments: amortized cost, fair value through other comprehensive income (VJORA) and fair value through profit or loss (VJR).

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|                                   | <b>Disclosed on 12/31/2017</b> | <b>Applied on 01/01/2018</b>  | <b>Consolidated<br/>Balance at 12/31/2017</b>                           |
|-----------------------------------|--------------------------------|---|---|
| <b>Assets</b>                     |                                |   |   |
| <b>Current</b>                    |                                |   |   |
| Cash and cash equivalents         | Loans and Receivables          | Amortized cost  | 3,411,572   |
| Financial investments             | Loans and Receivables          | Amortized cost  | 735,712   |
| Accounts receivables, net         | Loans and Receivables          | Amortized cost  | 2,197,078   |
| Loans with related parties        | Loans and Receivables          | Amortized cost  | 2,441   |
| Derivative financial instruments  | VJR                            | VJR   |   |
| Trading securities                | VJR                            | VJR   | 2,952   |
| Dividends receivable              | Amortized cost                 | Amortized cost  | 41,528  |
| <b>Non-current</b>                |                                |   |   |
| Loans with related parties        | Loans and Receivables          | Amortized cost  | 554,694   |
| Other trade receivables           | Loans and Receivables          | Amortized cost  | 20,024  |
| Investments                       | Available for sale             | VJR   | 2,222,479   |
| <b>Liabilities</b>                |                                |   |   |
| <b>Current</b>                    |                                |   |   |
| <b>Borrowings and financing</b>   | Amortized cost                 | Amortized cost  | 6,551,764   |
| Derivative financial instruments  | VJR                            | VJR   |   |
| Trade payables                    | Amortized cost                 | Amortized cost  | 2,460,774   |
| Dividends and interest on capital | Amortized cost                 | Amortized cost  | 510,692   |
| <b>Non-current</b>                |                                |   |   |
| <b>Borrowings and financing</b>   | Amortized cost                 | Amortized cost  | 23,017,953  |
| <b>Consolidate</b>                |                                |   |   |
|                                   |                                | <b>9/30/2018</b>  | <b>12/31/201</b>  |
| <b>Consolidated</b>               | <b>Notes</b>                   | <b>Fair value<br/>Measured<br/>at<br/>amortized<br/>cost<br/>method</b> | <b>Fair value<br/>Measured<br/>at<br/>amortized<br/>cost<br/>method</b> |
|                                   |                                | <b>Balances</b>   | <b>Balances</b>   |

**Assets****Current**

|                                  |   |              |                  |                  |              |                  |
|----------------------------------|---|--------------|------------------|------------------|--------------|------------------|
| Cash and cash equivalents        | 5 | 2,995,240    | 2,995,240        |                  | 3,411,572    | 3,411,572        |
| Short-term investments           | 6 | 902,403      | 902,403          |                  | 735,712      | 735,712          |
| Trade receivables                | 7 | 2,002,602    | 2,002,602        |                  | 2,197,078    | 2,197,078        |
| Dividends receivable             | 7 | 82,225       | 82,225           |                  | 41,528       | 41,528           |
| Derivative financial instruments | 9 | 1,039        | 1,039            |                  |              |                  |
| Trading securities               | 9 | 6,572        | 6,572            | 2,952            |              | 2,952            |
| Loans - related parties          | 8 | 2,616        | 2,616            |                  | 2,441        | 2,441            |
| <b>Total</b>                     |   | <b>7,611</b> | <b>5,985,086</b> | <b>5,992,697</b> | <b>2,952</b> | <b>6,388,331</b> |

**Non-current**

|                         |    |                  |                |                  |                  |                |
|-------------------------|----|------------------|----------------|------------------|------------------|----------------|
| Long-term Investments   | 6  | 8,018            | 8,018          |                  |                  |                |
| Other trade receivables | 9  | 6,905            | 6,905          |                  | 20,024           | 20,024         |
| Investments             | 10 | 2,170,639        | 2,170,639      | 2,222,433        |                  | 2,222,433      |
| Loans - related parties | 9  | 693,126          | 693,126        |                  | 554,694          | 554,694        |
| <b>Total</b>            |    | <b>2,170,639</b> | <b>708,049</b> | <b>2,878,688</b> | <b>2,222,433</b> | <b>574,718</b> |

|                     |  |                  |                  |                  |                  |                  |
|---------------------|--|------------------|------------------|------------------|------------------|------------------|
| <b>Total Assets</b> |  | <b>2,178,250</b> | <b>6,693,135</b> | <b>8,871,385</b> | <b>2,225,385</b> | <b>6,963,049</b> |
|---------------------|--|------------------|------------------|------------------|------------------|------------------|

**Liabilities****Current**

|                                   |    |                  |                  |  |                  |                  |
|-----------------------------------|----|------------------|------------------|--|------------------|------------------|
| Borrowings and financing          | 13 | 6,438,968        | 6,438,968        |  | 6,551,764        | 6,551,764        |
| Trade payables                    |    | 2,933,989        | 2,933,989        |  | 2,460,774        | 2,460,774        |
| Dividends and interest on capital | 15 | 2,209            | 2,209            |  | 510,692          | 510,692          |
| <b>Total</b>                      |    | <b>9,375,166</b> | <b>9,375,166</b> |  | <b>9,523,230</b> | <b>9,523,230</b> |

**Non-current**

|                          |    |                   |                   |  |                   |                   |
|--------------------------|----|-------------------|-------------------|--|-------------------|-------------------|
| Borrowings and financing | 13 | 23,755,749        | 23,755,749        |  | 23,017,953        | 23,017,953        |
| <b>Total</b>             |    | <b>23,755,749</b> | <b>23,755,749</b> |  | <b>23,017,953</b> | <b>23,017,953</b> |

|                          |  |                   |                   |  |                   |                   |
|--------------------------|--|-------------------|-------------------|--|-------------------|-------------------|
| <b>Total Liabilities</b> |  | <b>33,130,915</b> | <b>33,130,915</b> |  | <b>32,541,183</b> | <b>32,541,183</b> |
|--------------------------|--|-------------------|-------------------|--|-------------------|-------------------|

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| Parent Company                    | Notes | 9/30/2018                         |                                   | 12/31/2017                        |                                   |                   |
|-----------------------------------|-------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-------------------|
|                                   |       | Fair value through profit or loss | Measured at amortized cost method | Fair value through profit or loss | Measured at amortized cost method | Balances          |
| <b>Assets</b>                     |       |                                   |                                   |                                   |                                   |                   |
| <b>Current</b>                    |       |                                   |                                   |                                   |                                   |                   |
| Cash and cash equivalents         | 5     |                                   | 1,402,224                         | 1,402,224                         | 393,504                           | 393,504           |
| Short-term investments            | 6     |                                   | 891,735                           | 891,735                           | 716,461                           | 716,461           |
| Trade receivables                 | 7     |                                   | 1,925,929                         | 1,925,929                         | 1,898,794                         | 1,898,794         |
| Dividends receivable              | 7     |                                   | 42,017                            | 42,017                            | 1,044,242                         | 1,044,242         |
| Trading securities                | 9     | 6,384                             |                                   | 6,384                             | 2,764                             | 2,764             |
| Loans - related parties           | 9     |                                   | 17,930                            | 17,930                            | 26,701                            | 26,701            |
| <b>Total</b>                      |       | <b>6,384</b>                      | <b>4,279,835</b>                  | <b>4,286,219</b>                  | <b>4,079,702</b>                  | <b>4,082,466</b>  |
| <b>Non-current</b>                |       |                                   |                                   |                                   |                                   |                   |
| Other trade receivables           | 9     |                                   | 1,252                             | 1,252                             | 5,364                             | 5,364             |
| Loans - related parties           | 9     |                                   | 578,833                           | 578,833                           | 444,091                           | 444,091           |
| Investments                       | 10    | 2,170,639                         |                                   | 2,170,639                         | 2,222,433                         | 2,222,433         |
| <b>Total</b>                      |       | <b>2,170,639</b>                  | <b>580,085</b>                    | <b>2,750,724</b>                  | <b>2,222,433</b>                  | <b>2,671,888</b>  |
| <b>Total Assets</b>               |       | <b>2,177,023</b>                  | <b>4,859,920</b>                  | <b>7,036,943</b>                  | <b>2,225,197</b>                  | <b>6,754,354</b>  |
| <b>Liabilities</b>                |       |                                   |                                   |                                   |                                   |                   |
| <b>Current</b>                    |       |                                   |                                   |                                   |                                   |                   |
| Borrowings and financing          | 13    |                                   | 7,365,643                         | 7,365,643                         | 6,599,908                         | 6,599,908         |
| Trade payables                    |       |                                   | 2,289,181                         | 2,289,181                         | 1,787,392                         | 1,787,392         |
| Dividends and interest on capital | 15    |                                   | 2,209                             | 2,209                             | 2,345                             | 2,345             |
| <b>Total</b>                      |       |                                   | <b>9,657,033</b>                  | <b>9,657,033</b>                  | <b>8,389,645</b>                  | <b>8,389,645</b>  |
| <b>Non-current</b>                |       |                                   |                                   |                                   |                                   |                   |
| Borrowings and financing          | 13    |                                   | 18,102,799                        | 18,102,799                        | 22,486,485                        | 22,486,485        |
| <b>Total</b>                      |       |                                   | <b>18,102,799</b>                 | <b>18,102,799</b>                 | <b>22,486,485</b>                 | <b>22,486,485</b> |

**Total Liabilities**

**27,759,832 27,759,832**

**30,876,130 30,876,130**

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- **Fair value measurement**

The following table shows the financial instruments recognized at fair value through profit or loss classifying them according to the fair value hierarchy:

| <b>Consolidated</b>  | <b>Level 1</b>   | <b>Level 2</b> | <b>09/30/2018<br/>Balances</b> | <b>Level 1</b>   | <b>Level 2</b> | <b>12/31/2017<br/>Balances</b> |
|--|------------------|----------------|--------------------------------|------------------|----------------|--------------------------------|
| <b>Assets</b>  |                  |                |                                |                  |                |                                |
| <b>Current</b>   |                  |                |                                |                  |                |                                |
| <b>Financial assets at fair value through profit or loss</b> |                  |                |                                |                  |                |                                |
| Derivative financial instruments                             |                  | 1,039          | 1,039                          |                  |                |                                |
| Trading securities   | 6,572            |                | 6,572                          | 2,952            |                | 2,952                          |
| <b>Non-current</b>   |                  |                |                                |                  |                |                                |
| <b>Available-for-sale financial assets</b>                   |                  |                |                                |                  |                |                                |
| Investments  | 2,170,639        |                | 2,170,639                      | 2,222,433        |                | 2,222,433                      |
| <b>Total Assets</b>  | <b>2,177,211</b> | <b>1,039</b>   | <b>2,178,250</b>               | <b>2,225,385</b> |                | <b>2,225,385</b>               |

**Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** Includes observable inputs in market such as interest rates, exchange etc., but not prices traded in active markets.

There are no assets and liabilities classified as level 3.

***II – Investments in securities measured at fair value through profit or loss***

During the application of IAS 39/CPC 38 until December 2017, the Company has investments in equity instruments, measured at fair value through other comprehensive income, because the nature of the investment is not included in any other categories of financial instruments (loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss).

Gains and losses arising from the variation of the share price, were recorded directly in shareholders' equity under the account "Other comprehensive income" and for each significant decrease in market value an impairment loss was recognized in income.

With the implementation of the pronouncements IFRS 9 / CPC 48 as from January 1, 2018, the equity instruments classified as held-to-maturity should be classified as fair value through profit or loss (VJR). In this way, the Company reclassified the investments in common (USIM3) and preferred (USIM5) shares of Usiminas ("Usiminas Shares"), from fair value through other comprehensive income (VJORA) to fair value through profit or loss. In relation to Panatlântica shares (PATI3), currently classified as (VJORA), the Company based on its current business model, whose objective is to maintain this financial asset to obtain contractual cash flows, but adopts the option to reclassify it to VJR, recognizing changes in fair value in profit or loss.

Accordingly, the credit balance accumulated in December 2017 in other comprehensive income of R\$1,559,682 was reclassified to the statement of income from the effective date of the new standard. With the new classification, changes in fair value are recorded in the statement of income, whose movement occurred until September 30, 2018 generated a loss of R\$ 12,417 and a cumulated gain of R\$ 1,547,265. (See opening below and note 24).



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| Class of shares | 9/30/2018          |             |                  | Sales of Shares  |             |               | 12/31/2017         |             |                  | Fair value adjusted recognized in profit or loss |
|-----------------|--------------------|-------------|------------------|------------------|-------------|---------------|--------------------|-------------|------------------|--|
|                 | Quantity           | Share price | Closing Balance  | Quantity         | Share price | Cash Received | Quantity           | Share price | Closing Balance  |  |
| USIM3           | 107,156,651        | 11.37       | 1,218,371        |                  |             |               | 107,156,651        | 10.83       | 1,160,506        | 5  |
| USIM5           | 111,144,456        | 8.32        | 924,722          | 3,136,100        | 12.56       | 39,377        | 114,280,556        | 9.10        | 1,039,953        | (75)   |
| PAT13           | 1,997,642          | 13.79       | 27,546           |                  |             |               | 1,997,642          | 11.00       | 21,974           | (12)   |
|                 | <b>220,298,749</b> |             | <b>2,170,639</b> | <b>3,136,100</b> |             | <b>39,377</b> | <b>223,434,849</b> |             | <b>2,222,433</b> |  |

As of September 30, 2018 and December 31, 2017, the Company's interest in USIMINAS comprised 15.19% in common shares and 20.29% (20.86% as of December 31, 2017) in preferred shares.

In February 2018, 3,136,100 preferred shares (USIM5) were sold, totaling R\$39,377 through the exclusive fund "VR1 - Multimarket Private Investment Fund".

**•Share market price risks**

The Company is exposed to the risk of changes in the price of the shares due to the investments, valued at fair value through profit or loss and other comprehensive income that have their prices based on the market price on the stock exchange (B3).

**III - Financial risk management:**

The Company follows risk management strategies, with guidelines in relation to the risks incurred by the company. The nature and general position of financial risks is regularly monitored and managed to assess the results and the financial impact on cash flow. The credit limits and hedge quality of the counterparties are also periodically reviewed.

Market risks are protected when it is considered necessary to support the corporate strategy or when it is necessary to maintain the level of financial flexibility.

The Company may manage some of the risks through the use of derivative instruments, not associated with any speculative trading or short selling.

**14.a) Foreign exchange rate and interest rate risks:**

- **Foreign exchange rate risk:**

The exposure arises from the existence of assets and liabilities denominated in Dollar or Euro, since the Company's functional currency is substantially the Real and is denominated natural currency hedge. The net exposure is the result of offsetting the natural currency exposure by hedging instruments adopted by CSN.

The consolidated net exposure as of September 30, 2018 is as follows:



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|  | (Amounts in US\$'000) | 09/30/2018<br>(Amounts in €'000) |
|--|-----------------------|----------------------------------|
| <b>Foreign Exchange Exposure</b>                               |                       |                                  |
| Cash and cash equivalents overseas                             | 316,370               | 2,845                            |
| Trade receivables  | 358,523               | 1,274                            |
| Other assets   | 6,052                 | 4,892                            |
| <b>Total Assets</b>  | <b>680,945</b>        | <b>9,011</b>                     |
| Borrowings and financing                                       | (4,250,304)           | (48,315)                         |
| Trade payables   | (160,422)             | (7,682)                          |
| Other liabilities  | (4,484)               | (988)                            |
| <b>Total Liabilities</b>                                       | <b>(4,415,210)</b>    | <b>(56,985)</b>                  |
| <b>Foreign exchange exposure</b>                               | <b>(3,734,265)</b>    | <b>(47,974)</b>                  |
| Cash flow hedge accounting                                     | 2,301,712             |                                  |
| Net Investment hedge accounting                                |                       | 48,000                           |
| <b>Net foreign exchange exposure</b>                           | <b>(1,432,553)</b>    | <b>26</b>                        |
| Perpetual Bonds  | 1,000,000             |                                  |
| <b>Net foreign exchange exposure excluding perpetual bonds</b> | <b>(432,553)</b>      | <b>26</b>                        |

CSN is currently in process of redefining its currency hedge strategy. The Company began to focus its hedging strategy to preserve its cash flow capturing the existing natural relationships and the use of derivative instruments to hedge CSN's future cash flows.

- Interest rate risk:**

The risk arises from short and long-term liabilities with fixed or floating interest rates and inflation indices.

In item 14b) we show the derivatives and hedging strategies to hedge foreign exchange and interest rate risks.

**14.b) Hedging instruments: Derivatives and cash flows hedge accounting and foreign investment hedge accounting**

CSN uses various instruments to hedge foreign exchange and interest rate risks, as shown in the following topics:

- **Portfolio of derivative financial instruments**

**Swap cambial Dollar x Euro**

The subsidiary Lusosider has derivative operations to hedge its exposure of the dollar against the euro.

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| Counterparties                   | Maturity   | Functional Currency | Notional amount | Appreciation (R\$) |                    | Fair value (market) Amounts receivable / (payable) | Consolidated 09/30/2018 Impact on financial income (expenses) in 2018 |
|----------------------------------|------------|---------------------|-----------------|--------------------|--------------------|--|---|
|                                  |            |                     |                 | Asset position     | Liability position |  |   |
| <i>BNPP</i>                      | 01/15/2019 | Dollar              | 16,600          | 66,746             | (65,707)           | 1,039  | 667   |
| <b>Total dollar-to-euro swap</b> |            |                     | <b>16,600</b>   | <b>66,746</b>      | <b>(65,707)</b>    | <b>1,039</b>                                       | <b>667</b>  |

- Classification of the derivatives in the balance sheet and statement of income**

| Instruments                | Assets       |              | 09/30/2018                               | 09/30/2017    |
|----------------------------|--------------|--------------|--|---------------|
|                            | Current      | Total        | Finance income (expenses), net (Note 25) |               |
| <i>Dollar to euro swap</i> | 1,039        | 1,039        | 667                                      | (229)         |
| <i>Future DI</i>           |              |              |  | 28,503        |
|                            | <b>1,039</b> | <b>1,039</b> | <b>667</b>                               | <b>28,274</b> |

- Cash flow hedge accounting**

Beginning November 1, 2014, the Company formally designated cash flow hedging relationships to hedge highly probable future cash flows against US dollar fluctuations.

In order to better reflect the accounting impacts of this foreign exchange hedging strategy on the Company's results, CSN designated part of its US dollar-denominated liabilities as a hedging instrument of its future exports. As a result, foreign exchange differences arising from designated liabilities will be temporarily recognized in shareholders' equity and recognized in profit or loss when such exports are carried out, allowing the concurrent recognition of the dollar impact on liabilities and on exports. The adoption of this hedge accounting does not entail entering into any financial instrument. As of September 30, 2018, US\$2.3 billion in exports to be carried out from July 2018 until February 2023 are designated.

In order to support the aforementioned designations, the Company prepared formal documentation indicating how the hedge designation is aligned with CSN's objective and risk management strategy, identifying the hedging instruments used, the hedge object, the nature of the risk to be hedged and demonstrating the expectation of high effectiveness of the designated relations. Debt instruments have been designated in amounts equivalent to the portion of future exports. Therefore, the exchange variation of the instrument and the object are similar. According to the Company's accounting policy, continuous evaluations of prospective and retrospective effectiveness should be carried out, comparing the amounts designated with the amounts expected and approved in the Management's budgets, as well as the amounts actually exported.

Through hedge accounting, the exchange gains and losses on debt instruments will not immediately affect the Company's profit or loss except to the extent that exports are carried out.

The table below shows a summary of the hedging relationships as of September 30, 2018:

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| Designation Date | Hedging Instrument                          | Hedged item   | Type of hedged risk                       | Hedged period                 | Exchange rate on designation | Designated amounts (US\$'000) | Amortized part (USD'000) | Effect on Result (*) (R\$'000) |
|------------------|---|---|---|-------------------------------|------------------------------|-------------------------------|--------------------------|--------------------------------|
| 11/3/2014        | Export prepayments in US\$ to third parties | Part of the highly probable future monthly iron ore exports | Foreign exchange - R\$ vs. US\$ spot rate | October 2016 - September 2019 | 2.4442                       | 500,000                       | (183,334)                | 86,050                         |
| 12/1/2014        | Export prepayments in US\$ to third parties | Part of the highly probable future monthly iron ore exports | Foreign exchange - R\$ vs. US\$ spot rate | October 2015 - February 2019  | 2.5601                       | 175,000                       | (155,000)                | 36,766                         |
| 12/18/2014       | Export prepayments in US\$ to third parties | Part of the highly probable future monthly iron ore exports | Foreign exchange - R\$ vs. US\$ spot rate | May 2020                      | 2.6781                       | 100,000                       | -                        | -                              |
| 07/21/2015       | Export prepayments in US\$ to third parties | Part of the highly probable future monthly iron ore exports | Foreign exchange - R\$ vs. US\$ spot rate | July 2019 - March 2021        | 3.1813                       | 60,000                        | -                        | -                              |



|            |   |   |   |                             |        |         |          |        |
|------------|---|---|---|-----------------------------|--------|---------|----------|--------|
| 07/23/2015 | Export prepayments in US\$ to third parties | Part of the highly probable future monthly iron ore exports | Foreign exchange - R\$ vs. US\$ spot rate | July 2019 - March 2021      | 3.285  | 100,000 | -        | -      |
| 07/23/2015 | Export prepayments in US\$ to third parties | Part of the highly probable future monthly iron ore exports | Foreign exchange - R\$ vs. US\$ spot rate | October 2018 - October 2022 | 3.285  | 30,000  | (6,000)  | 5,102  |
| 07/24/2015 | Export prepayments in US\$ to third parties | Part of the highly probable future monthly iron ore exports | Foreign exchange - R\$ vs. US\$ spot rate | October 2018 - October 2022 | 3.3254 | 100,000 | (20,000) | 16,198 |
| 07/27/2015 | Export prepayments in US\$ to third parties | Part of the highly probable future monthly iron ore exports | Foreign exchange - R\$ vs. US\$ spot rate | October 2018 - October 2022 | 3.3557 | 25,000  | (5,000)  | 3,898  |
| 07/27/2015 | Export prepayments in US\$ to third parties | Part of the highly probable future monthly iron ore exports | Foreign exchange - R\$ vs. US\$ spot rate | October 2018 - October 2022 | 3.3557 | 70,000  | (14,000) | 10,914 |
| 07/27/2015 | Export prepayments in US\$ to third parties | Part of the highly probable future monthly iron ore exports | Foreign exchange - R\$ vs. US\$ spot rate | October 2018 - October 2022 | 3.3557 | 30,000  | (6,000)  | 4,677  |
| 07/28/2015 | Export prepayments in US\$ to               | Part of the highly  | Foreign exchange - R\$ vs.                | October 2018 - October      | 3.3815 | 30,000  | (6,000)  | 4,523  |

|              |   |   |   |                             |        |                  |                  |                |
|--------------|---|---|---|-----------------------------|--------|------------------|------------------|----------------|
|              | third parties                               | probable future monthly iron ore exports<br>Part of the highly probable future monthly iron ore exports | US\$ spot rate                            | 2022                        |        |                  |                  |                |
| 08/3/2015    | Export prepayments in US\$ to third parties | Part of the highly probable future monthly iron ore exports   | Foreign exchange - R\$ vs. US\$ spot rate | October 2018 - October 2022 | 3.394  | 355,000          | (11,999)         | 6,179          |
| 04/2/2018    | Bonds                                       | Part of the highly probable future monthly iron ore exports   | Foreign exchange - R\$ vs. US\$ spot rate | July 2018 - February 2023   | 3.3104 | 1,170,045        | (36,000)         | 22,476         |
| <b>Total</b> |   |   |   |                             |        | <b>2,745,045</b> | <b>(443,333)</b> | <b>196,783</b> |

(\*) The effect on profit or loss was recognized in other operating expenses.

In the hedging relationships described above, the amounts of the debt instruments were fully designated for equivalent iron ore export portions.

The movement in hedge accounting amounts recognized in shareholders' equity as of September 30, 2018 is as follows:

|   | 12/31/2017     | Movement         | Realization      | 09/30/2018       |
|---|----------------|------------------|------------------|------------------|
| Cash flow hedge accounting                                    | 395,524        | 1,724,818        | (196,783)        | 1,923,559        |
| <b>Fair value of cash flow hedge accounting, net of taxes</b> | <b>395,524</b> | <b>1,724,818</b> | <b>(196,783)</b> | <b>1,923,559</b> |

As of September 30, 2018, the hedging relationships established by the Company were effective, according to prospective tests conducted. Thus, no reversal for hedge accounting ineffectiveness was recognized.

- **Hedge of net investment in foreign operation**

CSN has a natural currency exposure in Euros substantially arising from a borrowing taken by a foreign subsidiary with functional currency in Reais, for the acquisition of investments abroad where the functional currency is Euro. Such exposure arises from translating the balance sheets of these subsidiaries for consolidation into CSN, where the exchange difference on the borrowings affected the statement of income, in the finance income and costs line item, and the exchange difference on the net assets of the foreign operation directly affected the shareholder's equity, in other comprehensive income.

As from September 1, 2015, CSN began to adopt the net investment hedge to eliminate such exposure and cover future fluctuations of the Euro on such borrowings. Non-derivative financial liabilities were designated, represented by borrowing agreements with financial institutions in the amount of € 120 million. The account balances as of September 30, 2018 are as follows:

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| Designation Date | Hedging Instrument  | Hedged item  | Type of hedged risk                      | Exchange rate on designation | Designated amounts (EUR'000) | Amortized part (USD'000) | 09/31/2018                     |
|------------------|---|--|--|------------------------------|------------------------------|--------------------------|--------------------------------|
|                  |   |  |  |                              |                              |                          | Impact on shareholders' equity |
| 09/01/2015       | Non-derivative financial liabilities in EUR – Debt contract | Investments in subsidiaries which EUR is the functional currency | Foreign exchange - R\$ vs. EUR spot rate | 4.0825                       | 120,000                      | (72,000)                 | 14,285                         |
| <b>Total</b>     |   |  |  |                              | <b>120,000</b>               | <b>(72,000)</b>          | <b>14,285</b>                  |

The movement in the amounts related to net investment hedge recognized in shareholders' equity as of September 30, 2018 is as follows:

|   | 12/31/2017      | Movement      | 09/30/2018    |
|---|-----------------|---------------|---------------|
| Net Investment hedge accounting                                 | (17,911)        | 32,196        | 14,285        |
| <b>Fair value of net investment hedge in foreign operations</b> | <b>(17,911)</b> | <b>32,196</b> | <b>14,285</b> |

As of September 30, 2018, the hedging relationships established by the Company were effective, according to prospective tests conducted. Therefore, no reversal for hedge ineffectiveness was recognized.

**14.c) Sensitivity analysis**

We present below the sensitivity analysis of foreign exchange rate and interest rate risks.

- Sensitivity analysis of derivative financial instruments and consolidated foreign exchange exposure**

The Company considered scenarios 1 and 2 as 25% and 50% deterioration for currency volatility using as reference the closing exchange rate as of September 30, 2018.

The currencies used in the sensitivity analysis and their scenarios are shown below:

| Currency  | Exchange rate | Probable scenario | 09/30/2018 |            |
|-----------|---------------|-------------------|------------|------------|
|           |               |                   | Scenario 1 | Scenario 2 |
| USD       | 4.0039        | 3.7391            | 5.0049     | 6.0059     |
| EUR       | 4.6545        | 4.2936            | 5.8181     | 6.9818     |
| USD x EUR | 1.1576        | 1.1435            | 1.4470     | 1.7364     |

| Interest | Interest rate | Scenario 1 | 09/30/2018 |            |
|----------|---------------|------------|------------|------------|
|          |               |            | Scenario 1 | Scenario 2 |
| CDI      | 6.39%         | 7.99%      | 9.59%      |            |
| TJLP     | 6.56%         | 8.20%      | 9.84%      |            |
| Libor    | 2.60%         | 3.25%      | 3.90%      |            |

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The effects on profit or loss, considering scenarios 1 and 2, are shown below:

| Instruments   | Notional           | Risk          | Probable scenario (*) | 09/30/2018         |                    |
|---|--------------------|---------------|-----------------------|--------------------|--------------------|
|   |                    |               |                       | Scenario 1         | Scenario 2         |
| Hedge accounting of exports   | 2,301,712          | Dollar        | (609,493)             | 2,303,956          | 4,607,912          |
| Currency position<br>(not including exchange derivatives above)                 | (3,734,265)        | Dollar        | 988,833               | (3,737,906)        | (7,475,812)        |
| <b>Consolidated exchange position</b><br>(including exchange derivatives above) | <b>(1,432,553)</b> | <b>Dollar</b> | <b>379,340</b>        | <b>(1,433,950)</b> | <b>(2,867,900)</b> |
| Net Investment hedge accounting   | 48,000             | Euro          | (17,323)              | 55,854             | 111,708            |
| Currency position   | (47,974)           | Euro          | 17,314                | (55,824)           | (111,648)          |
| <b>Consolidated exchange position</b><br>(including exchange derivatives above) | <b>26</b>          | <b>Euro</b>   | <b>(9)</b>            | <b>30</b>          | <b>60</b>          |
| Dollar-to-euro swap   | 16,600             | Dollar        | (1,862)               | 12,310             | 21,210             |

(\*) The probable scenarios were calculated considering the following variations for the risks: Real x Dollar – appreciation of Real by 6,61% / Real x Euro – appreciation of Real by 7.75%. Euro x Dollar – appreciation of Euro by 3.25%. Source: quotations from Central Bank of Brazil and European Central Bank on 10/09/2018.

- **Sensitivity analysis of changes in interest rates**

The Company considered scenarios 1 and 2 as 25% and 50% of changes in interest volatility as of September 30, 2018.

| Changes in interest rates | % p.a | Assets    | Liabilities  | Probable scenario (*) | Consolidated Impact on profit or loss |            |
|---------------------------|-------|-----------|--------------|-----------------------|---------------------------------------|------------|
|                           |       |           |              |                       | Scenario 1                            | Scenario 2 |
| TJLP                      | 6.56  |           | (966,408)    | (2,500)               | (15,849)                              | (31,698)   |
| Libor                     | 2.60  |           | (5,502,693)  | (102,819)             | (35,821)                              | (71,642)   |
| CDI                       | 6.39  | 1,238,176 | (11,838,496) | (48,947)              | (169,340)                             | (338,680)  |

(\*) The sensitivity analysis is based on the assumption of maintaining, as a probable scenario, the market values as of September 30, 2018 recognized in the company's assets and liabilities.

#### 14.d) Liquidity risk

It is the risk that the Company does not have sufficient liquid resources to honor its financial commitments, as a result of mismatching of term or volume between expected receipts and payments.

In order to manage the liquidity of the cash in local and foreign currency, premises of disbursements and future receipts are established, being monitored daily by the Treasury area. The payment schedules for the long-term portions of the loans and financing and debentures are presented in Note 13.

The following table shows the contractual maturities of financial liabilities, including accrued interest.





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| <b>At September 30,<br/>2018</b>     | <b>Less than one<br/>year</b> | <b>From one to<br/>two years</b> | <b>From two to<br/>five years</b> | <b>Over five<br/>years</b> | <b>Consolidated<br/>Total</b> |
|--------------------------------------|-------------------------------|----------------------------------|-----------------------------------|----------------------------|-------------------------------|
| Borrowings, financing and debentures | 6,438,968                     | 7,615,476                        | 10,198,594                        | 5,941,679                  | 30,194,717                    |
| Trade payables                       | 2,933,989                     |                                  |                                   |                            | 2,933,989                     |
| Dividends and interest on capital    | 2,209                         |                                  |                                   |                            | 2,209                         |

**IV - Fair values of assets and liabilities as compared to their carrying amounts**

Financial assets and liabilities measured at fair value through profit or loss are recorded in current and noncurrent assets and liabilities and gains and losses are recorded as financial income and expenses, respectively.

The amounts are recorded in the financial statements at their carrying amount, which are substantially similar to those that would be obtained if they were traded in the market. The fair values of other long-term assets and liabilities do not differ significantly from their carrying amounts, except for the amounts below.

The estimated fair values for certain consolidated long-term borrowings and financing were calculated at prevailing market rates, taking into consideration the nature, terms and risks similar to those of the

recorded contracts, according below:

|                 | 09/30/2018      |                | 12/31/2017      |                |
|-----------------|-----------------|----------------|-----------------|----------------|
|                 | Carrying amount | Fair value (*) | Carrying amount | Fair value (*) |
| Perpetual bonds | 4,009,350       | 2,779,670      | 3,312,503       | 2,602,090      |
| Bonds           | 6,853,760       | 7,345,854      | 5,751,526       | 6,207,946      |

(\*) Source: Bloomberg

#### • Credit Risks

The exposure to credit risks of financial institutions complies with the parameters established in the financial policy. The Company has as practice the detailed analysis of the patrimonial and financial situation of its clients and suppliers, the establishment of a credit limit and the permanent monitoring of its outstanding balance.

With respect to financial investments, the Company only makes investments in institutions with low credit risk rated by rating agencies. Since part of the funds is invested in repo operations that are backed by Brazilian government bonds, there is also exposure to the credit risk of the Brazilian State.

Regarding the exposure to credit risk in accounts receivable and other receivables, the company has a credit risk committee, in which each new customer is analyzed individually regarding their financial condition, before granting the credit limit and payment terms and periodically revised, according to the periodicity procedures of each business area.

#### • Capital Management

The Company seeks to optimize its capital structure in order to reduce its financial costs and maximize the return to its shareholders. The table below shows the evolution of the Company's capital structure, with financing by equity and third-party capital:



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| <b>Thousands of reais</b>                      | <b>09/30/2018</b> | <b>12/31/2017</b> |
|--|-------------------|-------------------|
| Shareholder's equity (equity)                  | 8,747,258         | 8,288,229         |
| Borrowings and Financing (Third-party capital) | 30,076,070        | 29,510,844        |
| Gross Debit/Shareholder's equity               | 3.44              | 3.56              |

**15. OTHER PAYABLES**

The group of other payables classified in current and noncurrent liabilities is comprised as follows:

|   | <b>Current</b>   |                   | <b>Consolidated Non-current</b> |                   | <b>Current</b> |
|---|------------------|-------------------|---------------------------------|-------------------|----------------|
|   | <b>9/30/2018</b> | <b>12/31/2017</b> | <b>9/30/2018</b>                | <b>12/31/2017</b> |                |
| Payables to related parties (note 19 a)               | 50,602           | 57,008            | 93,395                          |                   | 357,458        |
| Dividends and interest on capital payable (note 14 I) | 2,209            | 510,692           |                                 |                   | 2,209          |
| Advances from customers                               | 132,751          | 68,521            |                                 |                   | 72,890         |
| Taxes in installments                                 | 20,720           | 21,551            | 75,510                          | 79,242            | 9,751          |
| Profit sharing - employees                            | 120,674          | 42,699            |                                 |                   | 73,546         |
| Ocean freight and insurance on export of iron ore     | 68,197           | 17,894            |                                 |                   |                |
| Provision for freight                                 | 25,928           | 63,805            |                                 |                   | 14,334         |
| Provision for industrial restructuring                | 599              | 1,350             |                                 |                   |                |
| Taxes payable   |                  |                   | 8,582                           | 8,410             |                |
| Other provisions                                      | 218,161          | 152,205           |                                 |                   | 74,180         |
| Third party materials in our possession               | 232              | 231               |                                 |                   |                |
| Other payables  | 115,844          | 123,945           | 51,676                          | 41,671            | 17,165         |

755,917   1,059,901   229,163   129,323   621,533

## 16. INCOME TAX AND SOCIAL CONTRIBUTION

### 16.a) Income tax and social contribution recognized in profit or loss:

The income tax and social contribution recognized in profit or loss for the year are as follows:

|  | <b>Nine months ended</b> |                   | <b>Three months ended</b> |                     |
|--|--------------------------|-------------------|---------------------------|---------------------|
|  | <b>09/30/2018</b>        | <b>09/30/2017</b> | <b>09/30/2018</b>         | <b>09/30/2017</b>   |
| <b>Income tax and social contribution income (expense)</b> |                          |                   |                           | <b>Consolidated</b> |
| Current  | (441,145)                | (277,719)         | (127,631)                 | (90,905)            |
| Deferred   | 279,896                  | (132,171)         | (110,329)                 | (37,309)            |
|  | <b>(161,249)</b>         | <b>(409,890)</b>  | <b>(237,960)</b>          | <b>(128,214)</b>    |

|  | <b>Nine months ended</b> |                   | <b>Three months ended</b> |                       |
|--|--------------------------|-------------------|---------------------------|-----------------------|
|  | <b>09/30/2018</b>        | <b>09/30/2017</b> | <b>09/30/2018</b>         | <b>09/30/2017</b>     |
| <b>Income tax and social contribution income (expense)</b> |                          |                   |                           | <b>Parent Company</b> |
| Deferred   | 226,895                  | 6,653             | (88,734)                  | 5,732                 |
|  | <b>226,895</b>           | <b>6,653</b>      | <b>(88,734)</b>           | <b>5,732</b>          |

The reconciliation of consolidated and parent company income tax and social contribution expenses and the result from applying the tax rate to profit before income tax and social contribution are as follows:



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|   | <b>Consolidated</b>      |                   | <b>Consolidated</b>       |                   |
|---|--------------------------|-------------------|---------------------------|-------------------|
|   | <b>Nine months ended</b> |                   | <b>Three months ended</b> |                   |
|   | <b>9/30/2018</b>         | <b>09/30/2017</b> | <b>9/30/2018</b>          | <b>09/30/2017</b> |
| <b>Profit before income tax and social contribution</b>                   | <b>3,589,595</b>         | <b>143,733</b>    | <b>990,124</b>            | <b>384,398</b>    |
| Tax rate  | 34%                      | 34%               | 34%                       | 34%               |
| <b>Income tax and social contribution at combined statutory rate</b>      | <b>(1,220,462)</b>       | <b>(48,869)</b>   | <b>(336,642)</b>          | <b>(130,695)</b>  |
| <b>Adjustment to reflect the effective rate:</b>                          |                          |                   |                           |                   |
| Equity in results of affiliated companies                                 | 35,639                   | 37,826            | 15,906                    | 13,919            |
| Profit with differentiated rates or untaxed                               | (83,917)                 | (44,025)          | (495,666)                 | (76,006)          |
| Transfer pricing adjustment   | (7,141)                  | (10,652)          | (1,757)                   | (3,074)           |
| Tax loss carryforwards without recognizing deferred taxes                 | (17,449)                 | (535,589)         | (3,183)                   | (151,909)         |
| Indebtdness limit   | (31,502)                 | (29,209)          | (12,439)                  | (12,780)          |
| Unrecorded deferred taxes on temporary differences                        | (2,360)                  | 1,293             | 1,659                     | (1,745)           |
| Deferred taxes on temporary differences                                   | 653,193                  | 532,403           | 653,193                   | 222,067           |
| (Losses)/Reversal for deferred income and social contribution tax credits | 552,675                  | (327,319)         | (14,711)                  | 23,800            |
| Deferred taxes on foreign profit  | (792)                    |                   | (205)                     |                   |
| Tax incentives  | 7,164                    | 4,977             | (4,853)                   | 1,267             |
| Deferred taxes on exchange variation in equity                            | (43,667)                 |                   | (43,667)                  |                   |
| Other permanent deductions (additions)                                    | (2,630)                  | 9,274             | 4,405                     | (13,058)          |
| <b>Income tax and social contribution in profit for the period</b>        | <b>(161,249)</b>         | <b>(409,890)</b>  | <b>(237,960)</b>          | <b>(128,214)</b>  |
| <b>Effective tax rate</b>   | <b>4%</b>                | <b>285%</b>       | <b>24%</b>                | <b>33%</b>        |

|  | <b>Parent Company</b>    |                           |
|--|--------------------------|---------------------------|
|  | <b>Nine months ended</b> | <b>Three months ended</b> |

|  | 9/30/2018          | 09/30/2017       | 9/30/2018        | 09/30/2017      |
|--|--------------------|------------------|------------------|-----------------|
| <b>(Loss)/Profit before income tax and social contribution</b>                 | <b>3,126,953</b>   | <b>(353,951)</b> | <b>810,269</b>   | <b>220,734</b>  |
| Tax rate   | 34%                | 34%              | 34%              | 34%             |
| <b>Income tax and social contribution at combined statutory rate</b>           | <b>(1,063,164)</b> | <b>120,343</b>   | <b>(275,491)</b> | <b>(75,050)</b> |
| <b>Adjustment to reflect the effective rate:</b>                               |                    |                  |                  |                 |
| Equity in results of affiliated companies                                      | 159,023            | 188,697          | (393,617)        | 5,015           |
| Indebtdness limit  | (31,502)           | (29,209)         | (12,439)         | (12,780)        |
| Tax loss carryforwards without recognizing deferred taxes                      |                    | (493,669)        |                  | (144,214)       |
| Deferred taxes on temporary differences  | 653,193            | 532,403          | 653,193          | 222,067         |
| (Provision) / Reversal for deferred income and social contribution tax credits | 552,676            | (327,319)        | (14,712)         | 23,800          |
| Deferred taxes on exchange variation in equity                                 | (43,667)           |                  | (43,667)         |                 |
| Other permanent deductions (additions)   | 336                | 15,407           | (2,001)          | (13,106)        |
| <b>Income tax and social contribution in profit for the period</b>             | <b>226,895</b>     | <b>6,653</b>     | <b>(88,734)</b>  | <b>5,732</b>    |
| <b>Effective tax rate</b>  | <b>-7.26%</b>      | <b>1.88%</b>     | <b>10.95%</b>    | <b>-2.60%</b>   |

(1) The Company taxes exchange differences on a cash basis to calculate income tax and social contribution on net income.

#### 16.b) Deferred income tax and social contribution:

Deferred income tax and social contribution are calculated on income tax and social contribution losses and the corresponding temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements:

|                                | Opening balance    |                      | Movement       |            | Consolidated Closing balance |
|--------------------------------|--------------------|----------------------|----------------|------------|------------------------------|
|                                | 12/31/2017         | Shareholders' Equity | P&L            | Others     | 09/30/2018                   |
| <b>Deferred</b>                |                    |                      |                |            |                              |
| Income tax losses              | 1,137,234          |                      | (10,798)       | (617)      | 1,125,819                    |
| Social contribution tax losses | 406,884            |                      | (624)          | (223)      | 406,037                      |
| <b>Temporary differences</b>   | <b>(2,654,558)</b> | <b>9,662</b>         | <b>291,318</b> | <b>831</b> | <b>(2,352,747)</b>           |
|                                | 269,899            |                      | (9,902)        | 3,184      | 263,181                      |



|   |                    |              |                |            |                  |
|---|--------------------|--------------|----------------|------------|------------------|
| Provision for tax. social security, labor, civil and environmental risks              |                    |              |                |            |                  |
| Provision for environmental liabilities   | 86,851             |              | (23,316)       |            | 63,535           |
| Asset impairment losses   | 88,433             |              | (4,401)        |            | 84,032           |
| Inventory impairment losses   | 45,814             |              | (4,450)        |            | 41,364           |
| (Gains)/losses on financial instruments   | (912)              |              | (3,116)        |            | (4,028)          |
| (Gains)/losses on available-for-sale financial assets                                 | 417,659            | 530,292      | (547,949)      |            | 400,002          |
| Actuarial liability (pension and healthcare plan)                                     | 273,058            |              | (104)          |            | 272,954          |
| Accrued supplies and services   | 67,716             |              | 19,938         |            | 87,654           |
| Allowance for doubtful debts  | 47,216             |              | 2,338          |            | 49,554           |
| Goodwill on merger  | 608                |              | (608)          |            | -                |
| Unrealized exchange variation (1)   | 1,511,152          |              | (382,151)      |            | 1,129,001        |
| Gain upon loss of control in Transnordestina  | (92,180)           |              |                |            | (92,180)         |
| Cash flow hedge accounting  | 134,479            | 519,532      |                |            | 654,011          |
| Acquisition at fair value of SWT and CBL  | (193,311)          | (24,541)     | 20,603         |            | (197,249)        |
| Deferred taxes not computed   | (212,236)          |              | (19,809)       | (2,345)    | (234,390)        |
| Estimated (losses)/reversals for deferred income tax and social contribution credits. | (4,130,928)        | (1,049,824)  | 1,328,593      |            | (3,852,159)      |
| Business Combination  | (1,040,536)        |              | 7,198          |            | (1,033,338)      |
| Others  | 72,660             | 34,203       | (91,546)       | (8)        | 15,309           |
| <b>Total</b>  | <b>(1,110,440)</b> | <b>9,662</b> | <b>279,896</b> | <b>(9)</b> | <b>(820,891)</b> |
| Total Deferred Assets   | 63,119             |              |                |            | 73,207           |
| Total Deferred Liabilities  | (1,173,559)        |              |                |            | (894,098)        |
| <b>Total Deferred</b>   | <b>(1,110,440)</b> |              |                |            | <b>(820,891)</b> |

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|  | Opening<br>balance | Movement                |                | Parent Company<br>Closing<br>balance |
|--|--------------------|-------------------------|----------------|--------------------------------------|
|  | 12/31/2017         | Shareholders'<br>Equity | P&L            | 09/30/2018                           |
| <b>Deferred tax assets</b>   |                    |                         |                |                                      |
| Income tax losses  | 1,033,661          |                         | (23,034)       | 1,010,627                            |
| Social contribution tax losses   | 369,549            |                         | (5,017)        | 364,532                              |
| <b>Temporary differences</b>   | <b>(1,973,769)</b> | <b>43,667</b>           | <b>254,946</b> | <b>(1,675,156)</b>                   |
| Provision for tax. social security, labor, civil and environmental risks | 215,128            |                         | (6,187)        | 208,941                              |
| Provision for environmental liabilities                                  | 84,317             |                         | (23,374)       | 60,943                               |
| Asset impairment losses  | 56,505             |                         | 3,579          | 60,084                               |
| Inventory impairment losses  | 17,669             |                         | (1,259)        | 16,410                               |
| (Gains)/losses in financial instruments                                  | (912)              |                         | (3,116)        | (4,028)                              |
| (Gains)/losses on available-for-sale financial assets                    | 417,659            | 530,292                 | (547,949)      | 400,002                              |
| Actuarial liability (pension and healthcare plan)                        | 276,792            |                         |                | 276,792                              |
| Accrued supplies and services  | 55,722             |                         | 20,650         | 76,372                               |
| Allowance for doubtful debts   | 33,168             |                         | 2,409          | 35,577                               |
| Unrealized exchange variation (1)  | 1,593,587          |                         | (482,831)      | 1,110,756                            |
| Gain upon loss of control in Transnorderstina                            | (92,180)           |                         |                | (92,180)                             |
| Cash flow hedge accounting Estimated (losses)/reversals                  | 134,479            | 519,532                 |                | 654,011                              |
| for deferred income tax and social contribution credits.                 | (4,130,928)        | (1,049,824)             | 1,328,593      | (3,852,159)                          |
| Business Combination   | (699,383)          |                         |                | (699,383)                            |
| Deferred income tax and social contribution on Business                  | (22,609)           |                         |                | (22,609)                             |

|                          |                  |               |                |                  |
|--------------------------|------------------|---------------|----------------|------------------|
| Combination of CGPAR     |                  |               |                |                  |
| Other                    | 87,217           | 43,667        | (35,569)       | 95,315           |
| <b>Total</b>             | <b>(570,559)</b> | <b>43,667</b> | <b>226,895</b> | <b>(299,997)</b> |
| Deferred tax liabilities | (570,559)        |               |                | (299,997)        |
| <b>Total Deferred</b>    | <b>(570,559)</b> |               |                | <b>(299,997)</b> |

(1) The Company taxes exchange differences on a cash basis to calculate income tax and social contribution on net income.

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In its corporate structure the Company has foreign subsidiaries whose profits are subject to income tax in the countries where they were established at rates lower than those prevailing in Brazil. In the period from 2013 and 2018, these foreign subsidiaries generated profits amounting to R\$963,209. If the tax authorities understand that these profits are subject to additional taxation in Brazil in respect of income tax and social contribution, these, if due, would total approximately R\$327,491.

The Company, based on its legal counsel's opinion, assessed as possible the likelihood of loss in the event of challenge by the tax authorities and, therefore, no provision was recognized in the financial statements.

**16.c) Impairment test - Deferred taxes**

The Company's management constantly evaluates the ability to use its tax credits. In this direction, CSN periodically updates a technical study to demonstrate if the generation of future taxable profits support the realization of tax credits and, consequently support the realization of tax credits, the maintenance on the balance sheet or the constitution of a provision for loss in the realization of these credits.

This study is prepared at Entity level, in accordance with the Brazilian tax legislation, and is performed considering the Parent company's projections, which is the entity that generates a significant amount of tax credits, mainly, temporary differences. The parent company covers the following businesses:

- Steel Brazil;and

- Cement;

The deferred tax assets on tax losses and temporary differences refers mainly to the following:

|                              | <b>Nature</b>                 | <b>Description</b>   |
|------------------------------|-------------------------------|--|
|                              | <b>Tax losses</b>             | In recent periods, the Company started to incur in tax losses at the parent company level, mostly because of high financial expenses, as substantially all our loans and financings are on this level.   |
|                              | Exchange differences expenses | Since 2012 the Company opted by the taxation on a cash basis. As the Parent Company have operated without taxable profit, it would not make sense to use this deductibility year by year (accrual basis). As a result of the cash basis tax treatment, taxes are only due and expenses are only deductible at the time of debt settlement. |
| <b>Temporary differences</b> | Losses on Usiminas shares     | The losses on Usiminas shares are recognized on an accrual basis, but the taxable event will occur only at the time of divestment.   |
|                              | Other provisions              | Various accounting provisions are recognized on an accrual basis, but their taxation occurs only at the time of its realization, such as provisions for contingencies, impairment losses, environmental liabilities, etc.  |

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The study is prepared based on the Company's long-term business plan designed for a period reasonably estimated by management and considered several scenarios which vary according to different macroeconomic and operating assumptions.

The model for projection of taxable profit considers two main indicators:

- Pre-Tax Profit, reflecting our projected EBITDA plus depreciation, other income and expenses and financial income (expenses); and
- Taxable Profit, which is our pre-tax profit plus (minus) expenses and income items that are taxable at a time different from the time obtained on an accrual basis (temporary differences).

In addition, a sensitivity analysis of tax credits utilization considering a variation in macroeconomic assumptions, operational performance and liquidity events.

A significant aspect to be considered in the analysis is the fact that CSN has presented recent tax losses mainly due to the deterioration of the Brazilian political and macroeconomic environment, as well as the growth of its financial leverage. These two aspects combined led to an unbalance between the financial and operating results of the Parent company.

Within this context, the Company works with a business plan to rebalance between the financial and operating results of the Parent company, whose main measures are:

- Expansion of disinvestment efforts;
- Reduction of financial leverage;
- Improvement in operating results due to increased sales volume, better prices of its products and efficiency in controlling production costs and
- Reprofiling of the Parent company's indebtedness, with negotiations to extend the amortization periods and decentralization of debt through redirection of contracts to subsidiaries according to the nature and application of resources.

With the aforementioned measures already in an advanced stage of execution, the Company's management expects to retake high profitability rates. Accordingly, management considers that the gradual recognition of tax credits, using at first a time period of projections of less than 10 years, better reflects the expectation of utilization of the credits recognized in the Company's tax books. As a result of the study, the Company reversed R\$ 653,193 of the loss recorded in previous years, presenting until 2018 credits recognized in the amount of R\$ 226,895 in the Parent Company and a debit of R\$ 161,249 in the Consolidated.

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1****16.d) Income tax and social contribution recognized in shareholders' equity:**

The income tax and social contribution recognized directly in shareholders' equity are as follows:

|  | <b>09/30/2018</b> | <b>Consolidated<br/>12/31/2017</b> | <b>09/30/2018</b> | <b>Parent Company<br/>12/31/2017</b> |
|--|-------------------|------------------------------------|-------------------|--------------------------------------|
| <b>Income tax and social contribution</b>  |                   |                                    |                   |                                      |
| Actuarial gains on defined benefit pension plan  | 176,747           | 171,473                            | 180,834           | 180,834                              |
| Estimated losses for deferred income and social contribution tax credits - actuarial gains   | (180,834)         | (180,834)                          | (180,834)         | (180,834)                            |
| Changes in the fair value of assets measured at fair value through other comprehensive income  |                   | (530,292)                          |                   | (530,292)                            |
| Estimated losses for deferred income and social contribution tax assets - assets measured at fair value through other comprehensive income |                   | 530,292                            |                   | 530,292                              |
| Exchange differences on foreign operations   | (325,350)         | (369,017)                          | (325,350)         | (369,017)                            |
| Cash flow hedge accounting   | 654,010           | 134,478                            | 654,010           | 134,478                              |
| Estimated losses for deferred income tax and social contribution credits - cash flow hedge   | (654,010)         | (134,478)                          | (654,010)         | (134,478)                            |
|  | <b>(329,437)</b>  | <b>(378,378)</b>                   | <b>(325,350)</b>  | <b>(369,017)</b>                     |



## 17. PROVISION FOR TAX, SOCIAL SECURITY, LABOR, CIVIL AND ENVIRONMENTAL RISKS AND JUDICIAL DEPOSITS

Are being discussed in the competent spheres, actions and complaints of various natures. The details of the provisioned amounts and the related judicial deposits are presented below:

|                        | <b>Consolidated</b>        |                   |                          |                   | <b>Parent Company</b>      |                   |                          |                   |
|------------------------|----------------------------|-------------------|--------------------------|-------------------|----------------------------|-------------------|--------------------------|-------------------|
|                        | <b>Accrued liabilities</b> |                   | <b>Judicial deposits</b> |                   | <b>Accrued liabilities</b> |                   | <b>Judicial deposits</b> |                   |
|                        | <b>09/30/2018</b>          | <b>12/31/2017</b> | <b>09/30/2018</b>        | <b>12/31/2017</b> | <b>09/30/2018</b>          | <b>12/31/2017</b> | <b>09/30/2018</b>        | <b>12/31/2017</b> |
| Tax                    | 111,909                    | 113,451           | 67,138                   | 52,542            | 50,650                     | 55,285            | 47,752                   | 36,709            |
| Social security        | 76,075                     | 74,522            | 50,098                   | 50,098            | 74,002                     | 72,542            | 50,098                   | 50,098            |
| Labor                  | 398,952                    | 451,173           | 220,927                  | 202,104           | 306,335                    | 345,878           | 171,050                  | 160,603           |
| Civil                  | 159,054                    | 148,212           | 21,245                   | 22,752            | 134,111                    | 121,742           | 10,941                   | 10,527            |
| Environmental          | 41,760                     | 37,733            | 1,826                    | 1,826             | 38,624                     | 34,598            | 1,826                    | 1,826             |
| Deposit of a guarantee |                            |                   | 12,274                   | 10,029            |                            |                   |                          |                   |
|                        | <b>787,750</b>             | <b>825,091</b>    | <b>373,508</b>           | <b>339,351</b>    | <b>603,722</b>             | <b>630,045</b>    | <b>281,667</b>           | <b>259,763</b>    |
| <b>Classification</b>  |                            |                   |                          |                   |                            |                   |                          |                   |
| Current                | 97,115                     | 105,958           |                          |                   | 51,148                     | 74,586            |                          |                   |
| Non-current            | 690,635                    | 719,133           | 373,508                  | 339,351           | 552,574                    | 555,459           | 281,667                  | 259,763           |
|                        | <b>787,750</b>             | <b>825,091</b>    | <b>373,508</b>           | <b>339,351</b>    | <b>603,722</b>             | <b>630,045</b>    | <b>281,667</b>           | <b>259,763</b>    |

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The changes in the provisions for tax, social security, labor, civil and environmental risks in the period ended September 30, 2018 were as follows:

| Nature          | 12/31/2017     | Additions     | Accrued charges | Consolidated          |                |
|-----------------|----------------|---------------|-----------------|-----------------------|----------------|
|                 |                |               |                 | Current + Non-current | 09/30/2018     |
| Tax             | 113,451        | 15,302        | 3,716           | (20,560)              | 111,909        |
| Social security | 74,522         | 2,168         | 1,411           | (2,026)               | 76,075         |
| Labor           | 451,173        | 19,341        | 43,638          | (115,200)             | 398,952        |
| Civil           | 148,212        | 7,060         | 10,665          | (6,883)               | 159,054        |
| Environmental   | 37,733         | 293           | 3,958           | (224)                 | 41,760         |
|                 | <b>825,091</b> | <b>44,164</b> | <b>63,388</b>   | <b>(144,893)</b>      | <b>787,750</b> |

| Nature          | 12/31/2017     | Additions     | Accrued charges | Parent Company        |                |
|-----------------|----------------|---------------|-----------------|-----------------------|----------------|
|                 |                |               |                 | Current + Non-current | 09/30/2018     |
| Tax             | 55,285         | 13,174        | 1,484           | (19,293)              | 50,650         |
| Social security | 72,542         | 1,658         | 1,354           | (1,552)               | 74,002         |
| Labor           | 345,878        | 16,810        | 34,218          | (90,571)              | 306,335        |
| Civil           | 121,742        | 5,638         | 9,499           | (2,768)               | 134,111        |
| Environmental   | 34,598         | 293           | 3,880           | (147)                 | 38,624         |
|                 | <b>630,045</b> | <b>37,573</b> | <b>50,435</b>   | <b>(114,331)</b>      | <b>603,722</b> |

The provision for tax, social security, labor, civil and environmental risks was estimated by Management and is mainly based on the legal counsel's assessment. Only lawsuits for which the risk is classified as

probable loss are provisioned. Additionally, this provision includes tax liabilities resulting from lawsuits filed by the Company, subject to SELIC (Central Bank's policy rate).

Referring to the Company's individual and consolidated financial statements for 2017, approved on March 26, 2018, where we inform that the maintenance of the full operation of the UPV until June 20, 2018 (180 days) was obtained through Environmental Authorization No. IN042958 ("*Autorização Ambiental*" or "AA"), by means of Decision CECA / CFL nº 6,141, dated 12/07/2017, which was fully published in the Diário Oficial of the State of Rio de Janeiro ("DO") of 12/8/2017, page 13, the Company informs that it has concluded the negotiations with the institutions of the State of Rio de Janeiro and, on September 19, 2018, was published in the Diário Oficial of the State of Rio de Janeiro, the Resolution CECA / CLF No. 6,216 of September 18, 2018, authorizing the conclusion of Term for Undertaking ("*Termos de Ajustamento de Conduta*" or "TAC") between the Company and the State of Rio de Janeiro - through the Secretariat of the Environment ("*Secretaria do Estado do Ambiente*" or "SEA"), the State Environment Institute ("*Instituto Estadual do Ambiente*" or "INEA") and the Commission Environmental Control Agency ("*Comissão Estadual de Controle Ambiental*" or "ECSC"), being maintained the operations of the Usina Presidente Vargas, located in Volta Redonda / RJ. The term contemplates investments of approximately R\$303 million in environmental projects and actions in the region up to August 2024 and represents a commitment of the Company to the sustainability of its activities, with the communities of Volta Redonda and region, as well as with the generation of value to the shareholders, employees and other stakeholders.

§ Possible administrative and judicial proceedings

The table below shows a summary of the main matters classified as possible risk compared with the balances as of September 30, 2018 and December 31, 2017.

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|   | <b>09/30/2018</b> | <b>Consolidated<br/>12/31/2017</b> |
|---|-------------------|------------------------------------|
| Assessment Notice and imposition of fine (AIIM) - Income tax and social contribution - Capital gain on sale of Namisa's shares  | 11,644,471        | 11,073,961                         |
| Assessment Notice and Imposition of fine (AIIM) - Income tax and Social contribution - Disallowance of deductions of goodwill generated in the reverse incorporation of Big Jump by Namisa. | 2,712,197         | 2,623,179                          |
| Assessment Notice and Imposition of fine (AIIM) - Income tax and Social contribution - Disallowance of interest on prepayment arising from supply contracts of iron ore and port services   | 2,588,737         | 2,500,606                          |
| Assessment Notice and imposition of fine (AIIM) - Income tax and social contribution due to profits from foreign subsidiaries for years 2008, 2010 and 2011                                 | 1,922,587         | 1,858,640                          |
| Tax foreclosures - ICMS - Electricity credits   | 961,159           | 920,306                            |
| Installments MP 470 - alleged insufficiency of tax loss and negative basis of social contribution   | 732,096           | 704,739                            |
| Offset of taxes that were not approved by the Federal Revenue Service - IRPJ/CSLL, PIS/COFINS and IPI   | 1,760,480         | 1,685,648                          |
| Disallowance of the ICMS credits - Transfer of iron ore   | 522,519           | 499,006                            |
| ICMS - Refers to the transfer of imported raw material at an amount lower than the price disclosed in the import documentation  | 290,096           | 275,233                            |
| Disallowance of the tax loss and negative basis of social contribution arising from the adjustments in the SAPLI  | 510,639           | 491,862                            |
|   |                   | 816,199                            |

Assessment Notice - ICMS - shipping and return merchandise for Industrialization (1)

|  |                   |                   |
|--|-------------------|-------------------|
| Assessment Notice- IRRF- Capital Gain of CFM vendors located abroad              | 211,914           | 203,185           |
| CFEM – difference of understanding between CSN and DNPM on the calculation basis | 305,735           | 290,249           |
| Assessment Notice- ICMS- questions about sales for incentive area                | 179,868           | 170,330           |
| Other tax lawsuits (federal, state, and municipal) (1)                           | 2,643,539         | 3,065,131         |
| Social security lawsuits   | 285,261           | 278,600           |
| Enforcement action applied by Brazilian antitrust authorities (CADE)             | 101,228           | 98,189            |
| Other civil lawsuits   | 1,230,082         | 1,111,944         |
| Labor and social security lawsuits   | 1,569,117         | 1,569,712         |
| Environmental lawsuits – ACP TAC/PAC – compliance with environmental obligations | 223,249           | 216,878           |
| Tax foreclosures – Fine – Volta Redonda IV                                       | 74,049            | 67,620            |
| Other environmental lawsuits   | 128,828           | 117,858           |
|  | <b>30,597,851</b> | <b>30,639,075</b> |

(1) Homologation to the State Treasure Office and Attorney General of the State of Minas Gerais with the benefits brought in the Tax Regularization Program - "New Regularize", established by Law 22,549 / 2017.

The assessments made by the legal counsel define these administrative and judicial proceedings as entailing risk of possible loss and, therefore, no provision was recognized in conformity with Management's judgment and accounting practices adopted in Brazil.

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1****18. PROVISION FOR ENVIRONMENTAL LIABILITIES AND ASSET RETIREMENT OBLIGATIONS**

The information on provision for environmental liabilities and asset retirement obligations has not changed in relation to that disclosed in the Company's financial statements as of December 31, 2017 and, accordingly, the Company decided not to repeat it in the condensed interim financial information as of September 30, 2018.

The balance of the provision for environmental liabilities and asset retirement obligation (ARO) is as follows:

|                              |                   | <b>Consolidated</b> |                   | <b>Parent Company</b> |  |
|------------------------------|-------------------|---------------------|-------------------|-----------------------|--|
|                              | <b>09/30/2018</b> | <b>12/31/2017</b>   | <b>09/30/2018</b> | <b>12/31/2017</b>     |  |
| Environmental liabilities    | 188,091           | 255,517             | 179,559           | 248,306               |  |
| Asset retirement obligations | 87,423            | 81,496              | 653               | 612                   |  |
|                              | <b>275,514</b>    | <b>337,013</b>      | <b>180,212</b>    | <b>248,918</b>        |  |

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1****19. RELATED-PARTY BALANCES AND TRANSACTIONS**

The information on related-party transactions has not changed significantly in relation to that disclosed in the Company's financial statements as of December 31, 2017.

**19.a) Transactions with subsidiaries, joint ventures, associates, exclusive funds and other related parties**

- **By transaction**

|                                     | <b>Current</b>    |                   | <b>Non-current</b> |                   | <b>Total</b>      |                   |
|-------------------------------------|-------------------|-------------------|--------------------|-------------------|-------------------|-------------------|
|                                     | <b>09/30/2018</b> | <b>12/31/2017</b> | <b>09/30/2018</b>  | <b>12/31/2017</b> | <b>09/30/2018</b> | <b>12/31/2017</b> |
| <b>Assets</b>                       |                   |                   |                    |                   |                   |                   |
| Trade receivables (note 7)          | 113,274           | 115,388           |                    |                   | 113,274           | 115,388           |
| Dividends receivable (note 7)       | 82,225            | 41,528            |                    |                   | 82,225            | 41,528            |
| Actuarial asset (note 9)            |                   |                   | 90,690             | 111,281           | 90,690            | 111,281           |
| Short-term investments/ investments | 93,680            | 53                |                    |                   | 93,680            | 53                |
| Loans (note 9)                      | 2,616             | 2,441             | 693,126            | 554,694           | 695,742           | 557,135           |
| Other receivables (note             | 3,649             | 3,577             | 126,297            | 30,770            | 129,946           | 34,347            |

|                       |                |                |                |                |                  |                |
|-----------------------|----------------|----------------|----------------|----------------|------------------|----------------|
| 9)                    | <b>295,444</b> | <b>162,987</b> | <b>910,113</b> | <b>696,745</b> | <b>1,205,557</b> | <b>859,732</b> |
| <b>Liabilities</b>    |                |                |                |                |                  |                |
| <b>Other payables</b> |                |                |                |                |                  |                |
| <b>(Note 15)</b>      |                |                |                |                |                  |                |
| Accounts payable      | 50,602         | 57,008         | 93,395         |                | 143,997          | 57,008         |
| Trade payables        | 120,457        | 81,063         |                |                | 120,457          | 81,063         |
| Actuarial liabilities |                |                | 41,937         | 41,937         | 41,937           | 41,937         |
|                       | <b>171,059</b> | <b>138,071</b> | <b>135,332</b> | <b>41,937</b>  | <b>306,391</b>   | <b>180,008</b> |

|   | <b>09/30/2018</b> | <b>09/30/2017</b> |
|---|-------------------|-------------------|
| <b>P&amp;L</b>                                |                   |                   |
| <b>Revenues</b>                               |                   |                   |
| Sales   | 938,286           | 654,103           |
| Interest (note 25)                            | 47,954            | 49,319            |
| <b>Expenses</b>                               |                   |                   |
| Purchases                                     | (965,726)         | (876,582)         |
| Foreign exchange and monetary variations, net | 16,580            | (4,106)           |
|   | <b>37,094</b>     | <b>(177,266)</b>  |



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|  | Assets        |                |                | Liabilities    |               |                | Sales      | Purchases        | P<br>Fina<br>inco<br>(expe<br>n |
|--|---------------|----------------|----------------|----------------|---------------|----------------|------------|------------------|---------------------------------|
|  | Current       | Non-current    | Total          | Current        | Non-current   | Total          |            |                  |                                 |
| <b>Joint-venture and Joint-operation</b>   |               |                |                |                |               |                |            |                  |                                 |
| Itá Energética S.A.  |               |                |                | 2,468          |               | 2,468          |            | (23,576)         |                                 |
| MRS Logística S.A.   | 82,296        |                | 82,296         | 106,499        | 93,395        | 199,894        |            | (736,061)        |                                 |
| CBSI - Companhia Brasileira de Serviços e Infraestrutura Transnordestina Logística S.A (1) | 5             |                | 5              | 37,514         |               | 37,514         | 40         | (129,857)        |                                 |
|  | 1,352         | 790,028        | 791,380        | 5,698          |               | 5,698          | 551        | (4,903)          |                                 |
|  | <b>83,653</b> | <b>790,028</b> | <b>873,681</b> | <b>152,179</b> | <b>93,395</b> | <b>245,574</b> | <b>591</b> | <b>(894,397)</b> |                                 |
| <b>Other related parties</b>   |               |                |                |                |               |                |            |                  |                                 |
| CBS Previdência Fundação CSN   | 1,829         | 90,690         | 90,690         | 821            | 41,937        | 41,937         | 6          | (1,986)          |                                 |
| Banco Fibra (2)  | 93,680        |                | 93,680         |                |               |                |            |                  |                                 |
| Usiminas   |               |                |                | 20             |               | 20             |            | (382)            |                                 |
| Panatlântica (3)   | 99,384        | 375            | 99,759         | 18,039         |               | 18,039         | 857,458    | (65,590)         |                                 |
|  |               |                |                |                |               |                |            | (3,151)          |                                 |

|  |                |                |                  |                |                |                |                |                  |
|--|----------------|----------------|------------------|----------------|----------------|----------------|----------------|------------------|
| Ibis Participações e Serviços Partifib Projetos Imobiliários | 327            |                | 327              |                |                |                | 1,559          |                  |
| Vicunha Serviços Ltda. Vicunha Ind de Implementos            | 9              |                | 9                |                |                |                | 33             | (220)            |
|  | <b>195,229</b> | <b>91,065</b>  | <b>286,294</b>   | <b>18,880</b>  | <b>41,937</b>  | <b>60,817</b>  | <b>859,056</b> | <b>(71,329)</b>  |
| <b>Associates</b>  |                |                |                  |                |                |                |                |                  |
| Arvedi Metalfer do Brasil S.A.                               | 16,562         | 29,020         | 45,582           |                |                |                | 78,639         |                  |
| <b>Total at 09/30/2018</b>                                   | <b>295,444</b> | <b>910,113</b> | <b>1,205,557</b> | <b>171,059</b> | <b>135,332</b> | <b>306,391</b> | <b>938,286</b> | <b>(965,726)</b> |
| <b>Total at 12/31/2017</b>                                   | <b>162,987</b> | <b>696,745</b> | <b>859,732</b>   | <b>138,071</b> | <b>41,937</b>  | <b>180,008</b> |                |                  |
| <b>Total at 09/30/2017</b>                                   |                |                |                  |                |                |                | <b>654,103</b> | <b>(876,582)</b> |

1. Transnordestina Logística S.A: Assets: Refers mainly to loan agreements in R\$: Interest from 102.0% to 115.0% of the CDI. As of September 30, 2018, the loans amounted to R\$790,028 (R\$507,009 as of December 31, 2017).
2. Banco Fibra S.A: Assets: Refers mainly to Eurobond from Fibra Bank with maturity in February 2028.
3. Panatlântica: Receivables from the sale of steel products.

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|  | <b>Current</b>   |                   | <b>Non-current</b> |                   | <b>Parent Company Total</b> |                   |
|--|------------------|-------------------|--------------------|-------------------|-----------------------------|-------------------|
|  | <b>9/30/2018</b> | <b>12/31/2017</b> | <b>9/30/2018</b>   | <b>12/31/2017</b> | <b>9/30/2018</b>            | <b>12/31/2017</b> |
| <b>Assets</b>                            |                  |                   |                    |                   |                             |                   |
| Trade receivables (1) (note 7)           | 1,009,638        | 831,993           |                    |                   | 1,009,638                   | 831,993           |
| Dividends receivable (3) (note 7)        | 42,017           | 1,044,242         |                    |                   | 42,017                      | 1,044,242         |
| Actuarial asset (note 9)                 |                  |                   | 79,697             | 95,898            | 79,697                      | 95,898            |
| Loans (note 9)                           | 17,930           | 26,701            | 578,833            | 444,091           | 596,763                     | 470,792           |
| Short-term investments / Investments (2) | 100,520          | 2,619             | 100,925            | 127,569           | 201,445                     | 130,188           |
| Other receivables (3) (note 9)           | 113,897          | 37,007            | 399,919            | 320,377           | 513,816                     | 357,384           |
|  | <b>1,284,002</b> | <b>1,942,562</b>  | <b>1,159,374</b>   | <b>987,935</b>    | <b>2,443,376</b>            | <b>2,930,497</b>  |
| <b>Liabilities</b>                       |                  |                   |                    |                   |                             |                   |
| <b>Borrowings and financing</b>          |                  |                   |                    |                   |                             |                   |
| Prepayment (note 13)                     | 1,393,020        | 72,019            | 4,406,365          | 4,856,104         | 5,799,385                   | 4,928,123         |
| Intercompany Bonds (note 13)             | 10,155           | 27,450            | 372,363            | 3,436,385         | 382,518                     | 3,463,835         |
| Intercompany Loans (note 13)             | 1,761,689        | 1,113,411         |                    | 1,620,921         | 1,761,689                   | 2,734,332         |
|  | <b>3,164,864</b> | <b>1,212,880</b>  | <b>4,778,728</b>   | <b>9,913,410</b>  | <b>7,943,592</b>            | <b>11,126,290</b> |
| <b>Other payables (Note 15)</b>          |                  |                   |                    |                   |                             |                   |
| Trade payables (4)                       | 357,458          | 295,094           | 28,133             | 49,254            | 385,591                     | 344,348           |
| Trade payables                           | 229,397          | 146,631           |                    |                   | 229,397                     | 146,631           |
| Actuarial liabilities                    |                  |                   | 41,937             | 41,937            | 41,937                      | 41,937            |
|  | <b>586,855</b>   | <b>441,725</b>    | <b>70,070</b>      | <b>91,191</b>     | <b>656,925</b>              | <b>532,916</b>    |

|   | 9/30/2018        | 09/30/2017     |
|---|------------------|----------------|
| <b>P&amp;L</b>                                      |                  |                |
| <b>Revenues</b>                                     |                  |                |
| Sales/Others  | 2,444,553        | 2,434,367      |
| Other Operating<br>Income and<br>Expenses           | 101,324          |                |
| Interest (note 25)                                  | 42,558           | 41,059         |
| Exclusive Funds<br>(note 25)                        | 741              | 47,332         |
| Foreign exchange<br>and monetary<br>variations, net |                  | (4,157)        |
| <b>Expenses</b>                                     |                  |                |
| Purchases   | (1,499,607)      | (1,556,277)    |
| Interest (note 25)                                  | (308,309)        | (384,908)      |
| Foreign exchange<br>and monetary<br>variations, net | (1,412,964)      | 303,757        |
|   | <b>(631,704)</b> | <b>881,173</b> |

1. Receivables from sales of goods and services between the parent company, subsidiaries and joint ventures.
2. Assets: Financial investments classified in current total, are investments in exclusive funds and in the Fibra Bank. In noncurrent refers to investments in Usiminas shares classified as fair value through profit or loss.
3. Noncurrent: Refers mainly to advance for future capital increases, dividends receivable and receivables from acquisition of debentures.
4. Noncurrent: Refers mainly to assignment of credits from income tax and social contribution losses with Transnordestina Logistica S.A.

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|  | Assets  |             |         | Liabilities |             |           | Sales /<br>Other | Purchases |
|--|---------|-------------|---------|-------------|-------------|-----------|------------------|-----------|
|  | Current | Non-current | Total   | Current     | Non-current | Total     |                  |           |
| <b>Subsidiaries</b>                                |         |             |         |             |             |           |                  |           |
| Companhia Metalúrgica Prada <sup>(1)</sup>         | 246,586 | 121,336     | 367,922 | 11,303      | 196         | 11,499    | 623,694          | (48,557)  |
| Estanho de Rondônia S.A.                           | 16,939  | 3,853       | 20,792  | 2,218       |             | 2,218     |                  | (32,057)  |
| Sepetiba Tecon S.A.                                | 12,204  | 96,747      | 108,951 | 29,031      |             | 29,031    | 130              | (60,556)  |
| Minérios Nacional S.A.                             | 21      | 45,195      | 45,216  |             |             |           | 23               |           |
| CSN Mineração S.A. <sup>(2)</sup>                  | 167,394 |             | 167,394 | 83,128      |             | 83,128    | 49,460           | (765,591) |
| CSN Energia S.A.                                   | 116     |             | 116     | 90,504      |             | 90,504    |                  | (180,808) |
| Ferrovias Transnordestina Logística S.A.           |         | 8,393       | 8,393   |             | 27,937      | 27,937    |                  |           |
| Companhia Siderúrgica Nacional, LLC <sup>(3)</sup> | 438,988 |             | 438,988 | 300,378     |             | 300,378   | 460,358          |           |
| CSN Resources S.A. <sup>(4)</sup>                  |         |             |         | 836,367     | 4,298,260   | 5,134,627 |                  |           |
| Lusosider Aços Planos, S.A.                        | 154,672 |             | 154,672 | 204         |             | 204       | 451,553          |           |
| CSN Islands XI Corp. <sup>(5)</sup>                |         |             |         | 1,197,141   |             | 1,197,141 |                  |           |
| CSN Islands XII Corp. <sup>(6)</sup>               |         |             |         | 1,131,357   | 480,468     | 1,611,825 |                  |           |
|  | 1,103   | 185         | 1,288   |             |             |           | 171              |           |

|  |                  |                  |                  |                  |                   |                   |                  |                    |
|--|------------------|------------------|------------------|------------------|-------------------|-------------------|------------------|--------------------|
| Companhia Florestal do Brasil Stahlwerk Thüringen GmbH   |                  |                  | 4                |                  | 4                 |                   |                  |                    |
|  | <b>1,038,023</b> | <b>275,709</b>   | <b>1,313,732</b> | <b>3,681,635</b> | <b>4,806,861</b>  | <b>8,488,496</b>  | <b>1,585,389</b> | <b>(1,087,569)</b> |
| <b>Joint-venture and Joint-operation</b>   |                  |                  |                  |                  |                   |                   |                  |                    |
| MRS Logística S.A.   | 40,910           |                  | 40,910           | 27,957           |                   | 27,957            |                  | (253,390)          |
| CBSI - Companhia Brasileira de Serviços e Infraestrutura Transnordestina Logística S.A. <sup>(7)</sup> | 5                |                  | 5                | 23,752           |                   | 23,752            | 79               | (88,367)           |
|  | 248              | 673,648          | 673,896          |                  |                   |                   |                  |                    |
|  | <b>41,163</b>    | <b>673,648</b>   | <b>714,811</b>   | <b>51,709</b>    |                   | <b>51,709</b>     | <b>79</b>        | <b>(341,757)</b>   |
| <b>Other related parties</b>   |                  |                  |                  |                  |                   |                   |                  |                    |
| CBS Previdência Fundação CSN   | 1,829            | 79,697           | 79,697           | 336              | 41,937            | 41,937            | 6                | (958)              |
| Banco Fibra Usiminas   | 93,498           |                  | 93,498           |                  |                   |                   |                  | (362)              |
| Panatlântica <sup>(8)</sup>  | 99,516           | 375              | 99,891           | 18,039           |                   | 18,039            | 857,458          | (65,590)           |
| Ibis Participações e Serviços  |                  |                  |                  |                  |                   |                   |                  | (3,151)            |
| Partifib Projetos Imobiliários   | 327              |                  | 327              |                  |                   |                   | 1,559            |                    |
| Vicunha Serviços Ltda.   |                  |                  |                  |                  |                   |                   |                  | (220)              |
| Vicunha Ind. de Implementos  | 9                |                  | 9                |                  |                   |                   | 33               |                    |
|  | <b>195,179</b>   | <b>80,072</b>    | <b>275,251</b>   | <b>18,375</b>    | <b>41,937</b>     | <b>60,312</b>     | <b>859,056</b>   | <b>(70,281)</b>    |
| <b>Associates</b>  |                  |                  |                  |                  |                   |                   |                  |                    |
| Arvedi Metalfer do Brasil S.A.   | 2,615            | 29,020           | 31,635           |                  |                   |                   | 29               |                    |
| <b>Exclusive funds</b>   |                  |                  |                  |                  |                   |                   |                  |                    |
| Diplic, Caixa Vertice, VR1, BB Steel <sup>(9)</sup>  | 7,022            | 100,925          | 107,947          |                  |                   |                   |                  |                    |
| <b>Total at 09/30/2018</b>   | <b>1,284,002</b> | <b>1,159,374</b> | <b>2,443,376</b> | <b>3,751,719</b> | <b>4,848,798</b>  | <b>8,600,517</b>  | <b>2,444,553</b> | <b>(1,499,607)</b> |
| <b>Total at 12/31/2017</b>   | <b>1,942,562</b> | <b>987,935</b>   | <b>2,930,497</b> | <b>1,654,605</b> | <b>10,004,601</b> | <b>11,659,206</b> |                  |                    |

**Total at  
09/30/2017**

**2,434,367 (1,556,277)**

1. Companhia Metalúrgica Prada: Refers mainly to receivables in the amount of R\$246,586 (R\$197,654 as of December 31,2017), and debentures from the indirect subsidiary CBL in the amount of R\$121,336 (R\$121,336 as of December 31,2017).
2. Liabilities: Payables from purchases of iron ore and port services in the amount of R\$83,128.
3. Companhia Siderurgica Nacional, LLC: Receivables of R\$438,988 (R\$232,505 as of December 31, 2017), related to sale of steel for resale. Current liabilities refer to expenses with commission and logistics on sales of steel for resale in the amount of R\$300,378.
4. CSN Resources SA: Prepayment contracts in dollar and *Fixed Rate Notes* . As of September 30, 2018, the loans amounted to R\$5,134,627 (R\$7,446,925 as of December 31, 2017).
5. CSN Islands XI Corp.: *Intercompany* contracts in US dollars. As of September 30, 2018, the loans amounted to R\$1,197,141 (R\$1,058,560 as of December 31, 2017).
6. CSN Islands XII Corp.: Refers mainly to prepayment contracts and Intercompany contracts in dollar. As of September 30, 2018, the loans amounted to R\$1,611,825 (R\$1,417,099 as of December 31, 2017).
7. Transnordestina Logística S.A: noncurrent assets: refers to loan agreements in the amount of R\$576,746and advanced for future capital increase in the amount of R\$96,902. (R\$444,091 as of December 31,2017).
8. Panatlântica: current assets: refers to accounts receivable for the supply of flat steel in the amount of R\$99,516 (R\$ 109,565 on December 31, 2017).
9. Exclusive funds: Current assets: Refers to investments in government securities and CDBs, in the amount of R\$7,022 (R\$2,567 as of December 31,2017). Noncurrent assets: Refers to Usiminas S.A. shares in the amount of R\$100,925 (R\$127,569 as of December 31,2017). The funds VR1 and Diplic II are



managed by Taquari Asset.

### **19.b) Key management personnel**

The key management personnel with authority and responsibility for planning, directing and controlling the Company's activities, include the members of the Board of Directors and statutory directors. The following is information on the compensation of such personnel and the related balances as of September 30, 2018.

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|  | <b>09/30/2018</b>          | <b>09/30/2017</b> |
|--|----------------------------|-------------------|
|  | <b>Statement of income</b> |                   |
| Short-term benefits for employees and officers | 28,537                     | 35,568            |
| Post-employment benefits                       | 79                         | 85                |
|  | <b>28,616</b>              | <b>35,653</b>     |

**20. SHAREHOLDERS' EQUITY****20.a) Paid-in capital**

Fully subscribed and paid-in capital as of September 30, 2018 and December 31, 2017 is R\$4,540,000 represented by 1,387,524,047 book-entry common shares without par value. Each common share entitles to one vote in resolutions of the General Meeting.

**20.b) Authorized capital**

The Company's bylaws in effect as of September 30, 2018 determine that the capital can be raised to up to 2,400,000,000 shares by decision of the Board of Directors.

**20.c) Legal reserve**

This reserve is recognized at the rate of 5% of the profit for each period, as provided for by Article 193 of Law 6404/76, up to the ceiling of 20% of the share capital.

## 20.d) shareholder structure

As of September 30, 2018, the Company's shareholder structure was as follows:

|   | 9/30/2018                     |                         |                           | 12/31/2017                    |                         |                           |
|---|-------------------------------|-------------------------|---------------------------|-------------------------------|-------------------------|---------------------------|
|   | Number of<br>common<br>shares | % of<br>total<br>shares | % of<br>voting<br>capital | Number of<br>common<br>shares | % of<br>total<br>shares | % of<br>voting<br>capital |
| Vicunha Aços S.A. (*)                               | 679,522,254                   | 48.97%                  | 49.24%                    | 682,855,454                   | 49.21%                  | 50.32%                    |
| Rio Iaco Participações<br>S.A. (*)                  | 58,193,503                    | 4.19%                   | 4.22%                     | 58,193,503                    | 4.19%                   | 4.29%                     |
| CFL Participações S.A.<br>(*)                       | 3,977,536                     | 0.29%                   | 0.29%                     | 3,977,536                     | 0.29%                   | 0.29%                     |
| Vicunha Textil S.A.<br>(*)                          | 4,927,000                     | 0.36%                   | 0.36%                     | 4,927,000                     | 0.36%                   | 0.36%                     |
| Caixa Beneficente dos<br>Empregados da CSN -<br>CBS | 42,668,031                    | 3.08%                   | 3.09%                     | 20,143,031                    | 1.45%                   | 1.48%                     |
| BNDES Participações<br>S.A. – BNDESPAR              | 8,794,890                     | 0.63%                   | 0.64%                     | 8,794,890                     | 0.63%                   | 0.65%                     |
| NYSE (ADRs)   | 289,629,642                   | 20.87%                  | 20.99%                    | 303,590,364                   | 21.88%                  | 22.37%                    |
| B3 S.A.- Brasil, Bolsa,<br>Balcão                   | 292,401,691                   | 21.07%                  | 21.17%                    | 274,651,269                   | 19.79%                  | 20.24%                    |
| <b>Outstanding shares</b>                           | <b>1,380,114,547</b>          | <b>99.47%</b>           | <b>100.00%</b>            | <b>1,357,133,047</b>          | <b>97.81%</b>           | <b>100.00%</b>            |
| Treasury shares                                     | 7,409,500                     | 0.53%                   |                           | 30,391,000                    | 2.19%                   |                           |
| <b>Total shares</b>                                 | <b>1,387,524,047</b>          | <b>100.00%</b>          |                           | <b>1,387,524,047</b>          | <b>100.00%</b>          |                           |

(\*) Controlling group companies.

## 20.e) Treasury shares

The Board of Directors authorized various share buyback programs in order to hold shares in treasury for subsequent disposal and/or cancelation with a view to maximizing the generation of value to the shareholder through an efficient capital structure management, as shown in the table below:



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| <b>Program</b> | <b>Board's Authorization</b> | <b>Authorized quantity</b> | <b>Program period</b>        | <b>Average buyback price</b> | <b>Minimum and maximum buyback price</b> | <b>Number of shares</b> |
|----------------|------------------------------|----------------------------|------------------------------|------------------------------|--|-------------------------|
| 1º             | 3/13/2014                    | 70,205,661                 | From 3/14/2014 to 4/14/2014  | R\$ 9.34                     | R\$ 9,22 e R\$ 9,45                      | 2,                      |
| 2º             | 4/15/2014                    | 67,855,661                 | From 4/16/2014 to 5/23/2014  | R\$ 8.97                     | R\$ 8,70 e R\$ 9,48                      | 9,                      |
| 3º             | 5/23/2014                    | 58,326,161                 | From 5/26/2014 to 6/25/2014  | R\$ 9.21                     | R\$ 8,61 e R\$ 9,72                      | 31,                     |
| 4º             | 6/26/2014                    | 26,781,661                 | From 6/26/2014 to 7/17/2014  | R\$ 10.42                    | R\$ 9,33 e R\$ 11,54                     | 26,                     |
|                | 7/18/2014                    |                            |                              | Not applicable               | Not applicable                           |                         |
| 5º             | 7/18/2014                    | 64,205,661                 | From 7/18/2014 to 8/18/2014  | R\$ 11.40                    | R\$ 11.40                                |                         |
|                | 8/18/2014                    |                            |                              | Not applicable               | Not applicable                           |                         |
| 6º             | 8/18/2014                    | 63,161,055                 | From 8/19/2014 to 9/25/2014  | R\$ 9.82                     | R\$ 9,47 e R\$ 10,07                     | 6,                      |
| 7º             | 9/29/2014                    | 56,369,755                 | From 9/29/2014 to 2/29/2015  | R\$ 7.49                     | R\$ 4,48 e R\$ 9,16                      | 21,                     |
| 8º             | 12/30/2014                   | 34,611,155                 | From 12/31/2014 to 3/31/2015 | R\$ 5.10                     | R\$ 4,90 e R\$ 5,39                      | 1,                      |
| 9º (*)         | 03/31/2015                   | 32,770,055                 | From 4/01/2015 to 6/30/2015  |                              |  |                         |
|                | 04/20/2018                   | 30,391,000                 | From 4/20/2018 to 4/30/2018  | Not applicable               | Not applicable                           |                         |

(\*) There was no share buyback in this program.

1. In 2014, the Board of Directors approved the cancellation of 70,446,061 shares held in treasury without changing the value of the Company's capital stock.

2. In April 2018, the Board of Directors authorized the sale of up to 30,391,000 common shares held in treasury. Until the end of the program, 22,981,500 shares were sold for R\$213,494. The Company. The Company recognized a profit on the sale of the shares in the amount of the amount of R\$32,670.

As of September 30, 2018, the position of the treasury shares was as follows:

| Quantity purchased<br>(in units) | Amount<br>paid for<br>the shares | Share price |           |          | Share<br>market price<br>as of 09/30/2018<br>(*) |
|----------------------------------|----------------------------------|-------------|-----------|----------|--|
|                                  |                                  | Minimum     | Maximum   | Average  |  |
| 7,409,500                        | R\$ 58,264                       | R\$ 4.48    | R\$ 10.07 | R\$ 7.86 | R\$ 69,131                                       |

(\*) The average quotation of B3 -S.A - Brasil, Bolsa, Balcão as of September 30, 2018 in the amount R\$ 9,33 per share was used.

#### **20.f) Policy on investments and payment of interest on capital and dividends**

The Company adopts a profit distribution policy which, in compliance with the provisions in Law 6,404/76, as amended by Law 9,457/97, will entail the allocation of all the profit to the Company's shareholders, provided that the following priorities are observed, irrespective of their order: (i) carrying out the business strategy; (ii) fulfilling its obligations; (iii) making the required investments; and (iv) maintaining a healthy financial situation of the Company.

#### **20.g) Earnings/(loss) per share:**

Basic earnings/(loss) per share were calculated based on the profit/loss attributable to the owners of CSN divided by the weighted average number of common shares outstanding during the year, excluding the common shares purchased and held as treasury shares, as follows:

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|                                   | <b>Nine months ended</b> |                   | <b>Parent Company<br/>Three months ended</b> |                   |
|-----------------------------------|--------------------------|-------------------|--|-------------------|
|                                   | <b>09/30/2018</b>        | <b>09/30/2017</b> | <b>09/30/2018</b>                            | <b>09/30/2017</b> |
|                                   | <b>Common shares</b>     |                   | <b>Common shares</b>                         |                   |
| <b>(Loss) profit for the year</b> | <b>3,353,848</b>         | <b>(347,298)</b>  | <b>721,535</b>                               | <b>226,466</b>    |
| Weighted average number of shares | 1,366,272,877            | 1,357,133,047     | 1,375,312,269                                | 1,357,133,047     |
| <b>Basic and diluted EPS</b>      | <b>2.45474</b>           | <b>(0.25591)</b>  | <b>0.52810</b>                               | <b>0.16687</b>    |

The Company does not hold potential dilutable ordinary shares outstanding that could result in dilution of earnings per share

**21. PAYMENT TO SHAREHOLDERS**

The Company's bylaws provide for the distribution of minimum dividends of 25% of adjusted net income under the law, to the holders of its shares. Dividends are calculated in accordance with the Company's Bylaws and in accordance with the Brazilian Corporate Law.

The following table shows the history of dividends approved and paid:

| <b>Approval Year</b>  | <b>Dividends</b> | <b>Payment Year</b> | <b>Dividends</b> |
|-----------------------|------------------|---------------------|------------------|
| 2014                  | 700,000          | 2014                | 424,939          |
|                       |                  | 2015                | 274,917          |
| 2015                  | 275,000          | 2015                | 274,918          |
| 2016 (*)              |                  | 2016                | 53               |
| 2017 (*)              |                  | 2017                |                  |
| <b>Total approved</b> | <b>975,000</b>   | <b>Total paid</b>   | <b>974,827</b>   |

(\*) There was no resolution on the distribution of dividends during the years 2016 and 2017.

## 22. NET SALES REVENUE

Net sales revenue is comprised as follows:



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|                             | <b>Nine months ended</b> |                    | <b>Consolidated<br/>Three months ended</b> |                   |
|-----------------------------|--------------------------|--------------------|--|-------------------|
|                             | <b>09/30/2018</b>        | <b>09/30/2017</b>  | <b>09/30/2018</b>                          | <b>09/30/2017</b> |
| <b>Gross revenue</b>        |                          |                    |  |                   |
| Domestic market             | 10,916,113               | 8,354,389          | 4,117,311                                  | 3,067,989         |
| Foreign market              | 8,692,589                | 7,330,364          | 3,028,884                                  | 2,472,551         |
|                             | <b>19,608,702</b>        | <b>15,684,753</b>  | <b>7,146,195</b>                           | <b>5,540,540</b>  |
| <b>Deductions</b>           |                          |                    |  |                   |
| Sales returns and discounts | (172,123)                | (187,349)          | (53,893)                                   | (48,787)          |
| Taxes on sales              | (2,518,626)              | (1,965,528)        | (927,313)                                  | (682,082)         |
|                             | <b>(2,690,749)</b>       | <b>(2,152,877)</b> | <b>(981,206)</b>                           | <b>(730,869)</b>  |
| <b>Net revenue</b>          | <b>16,917,953</b>        | <b>13,531,876</b>  | <b>6,164,989</b>                           | <b>4,809,671</b>  |

|                             | <b>Nine months ended</b> |                    | <b>Parent<br/>Company<br/>Three months ended</b> |                   |
|-----------------------------|--------------------------|--------------------|--|-------------------|
|                             | <b>09/30/2018</b>        | <b>09/30/2017</b>  | <b>09/30/2018</b>                                | <b>09/30/2017</b> |
| <b>Gross revenue</b>        |                          |                    |  |                   |
| Domestic market             | 10,382,252               | 7,762,003          | 3,895,896  | 2,914,341         |
| Foreign market              | 1,504,102                | 1,849,463          | 378,993  | 651,146           |
|                             | <b>11,886,354</b>        | <b>9,611,466</b>   | <b>4,274,889</b>                                 | <b>3,565,487</b>  |
| <b>Deductions</b>           |                          |                    |  |                   |
| Sales returns and discounts | (146,394)                | (185,567)          | (45,702)   | (56,103)          |
| Taxes on sales              | (2,317,004)              | (1,753,871)        | (857,634)  | (631,130)         |
|                             | <b>(2,463,398)</b>       | <b>(1,939,438)</b> | <b>(903,336)</b>                                 | <b>(687,233)</b>  |
| <b>Net revenue</b>          | <b>9,422,956</b>         | <b>7,672,028</b>   | <b>3,371,553</b>                                 | <b>2,878,254</b>  |

**23. EXPENSES BY NATURE**

|  | <b>Nine months ended</b> |                     | <b>Consolidated<br/>Three months ended</b> |                    |
|--|--------------------------|---------------------|--|--------------------|
|  | <b>09/30/2018</b>        | <b>09/30/2017</b>   | <b>09/30/2018</b>                          | <b>09/30/2017</b>  |
| Raw materials and inputs                                   | (5,276,706)              | (4,012,735)         | (1,872,602)                                | (1,440,117)        |
| Labor cost   | (2,025,346)              | (1,737,857)         | (700,028)                                  | (593,324)          |
| Supplies   | (1,300,366)              | (1,070,112)         | (470,126)                                  | (394,696)          |
| Maintenance cost (services and materials)                  | (932,177)                | (870,670)           | (336,171)                                  | (330,235)          |
| Outsourcing services                                       | (2,890,510)              | (2,449,525)         | (1,071,001)                                | (840,666)          |
| Depreciation, amortization and depletion (notes 11 and 12) | (890,316)                | (1,089,945)         | (273,530)                                  | (344,291)          |
| Others   | (620,119)                | (356,121)           | (250,161)                                  | (144,325)          |
|  | <b>(13,935,540)</b>      | <b>(11,586,965)</b> | <b>(4,973,619)</b>                         | <b>(4,087,654)</b> |
| <b>Classified as:</b>                                      |                          |                     |  |                    |
| Cost of sales  | (12,107,201)             | (10,016,303)        | (4,298,540)                                | (3,596,936)        |
| Selling expenses   | (1,497,306)              | (1,263,611)         | (569,294)                                  | (414,544)          |
| General and administrative expenses                        | (331,033)                | (307,051)           | (105,785)                                  | (76,174)           |
|  | <b>(13,935,540)</b>      | <b>(11,586,965)</b> | <b>(4,973,619)</b>                         | <b>(4,087,654)</b> |

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|  | <b>Nine months ended</b> |                    | <b>Parent Company<br/>Three months ended</b> |                    |
|--|--------------------------|--------------------|--|--------------------|
|  | <b>09/30/2018</b>        | <b>09/30/2017</b>  | <b>09/30/2018</b>                            | <b>09/30/2017</b>  |
| Raw materials and inputs                                   | (4,241,551)              | (3,505,045)        | (1,561,255)                                  | (1,306,308)        |
| Labor cost   | (990,083)                | (895,250)          | (357,102)                                    | (312,042)          |
| Supplies   | (944,901)                | (795,107)          | (356,717)                                    | (301,270)          |
| Maintenance cost (services and materials)                  | (497,714)                | (519,838)          | (178,118)                                    | (199,009)          |
| Outsourcing services                                       | (1,016,523)              | (863,037)          | (359,659)                                    | (340,900)          |
| Depreciation, amortization and depletion (notes 11 and 12) | (441,529)                | (497,288)          | (147,551)                                    | (157,645)          |
| Others   | (35,554)                 | (61,896)           | (24,555)                                     | (30,061)           |
|  | <b>(8,167,855)</b>       | <b>(7,137,461)</b> | <b>(2,984,957)</b>                           | <b>(2,647,235)</b> |
| <b>Classified as:</b>                                      |                          |                    |  |                    |
| Cost of sales  | (7,518,935)              | (6,439,752)        | (2,773,360)                                  | (2,432,348)        |
| Selling expenses   | (453,968)                | (549,437)          | (148,558)                                    | (186,675)          |
| General and administrative expenses                        | (194,952)                | (148,272)          | (63,039)                                     | (28,212)           |
|  | <b>(8,167,855)</b>       | <b>(7,137,461)</b> | <b>(2,984,957)</b>                           | <b>(2,647,235)</b> |

Additions to depreciation, amortization and depletion for the period were distributed as follows:

**Consolidated**

|                                     | <b>Nine months ended</b> |                   | <b>Three months ended</b> |                   |
|-------------------------------------|--------------------------|-------------------|---------------------------|-------------------|
|                                     | <b>09/30/2018</b>        | <b>09/30/2017</b> | <b>09/30/2018</b>         | <b>09/30/2017</b> |
| Production cost                     | 870,360                  | 1,066,111         | 267,090                   | 336,564           |
| Selling expenses                    | 4,813                    | 6,628             | 1,557                     | 2,199             |
| General and administrative expenses | 15,143                   | 17,206            | 4,883                     | 5,528             |
|                                     | <b>890,316</b>           | <b>1,089,945</b>  | <b>273,530</b>            | <b>344,291</b>    |
| Other operational (*)               | 71,735                   | 33,131            | 47,084                    | 11,109            |
|                                     | <b>962,051</b>           | <b>1,123,076</b>  | <b>320,614</b>            | <b>355,400</b>    |

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|                                     | <b>Nine months ended</b> |                   | <b>Parent Company<br/>Three months ended</b> |                   |
|-------------------------------------|--------------------------|-------------------|--|-------------------|
|                                     | <b>09/30/2018</b>        | <b>09/30/2017</b> | <b>09/30/2018</b>                            | <b>09/30/2017</b> |
|                                     | Production cost          | 427,751           | 478,665                                      | 143,156           |
| Selling expenses                    | 3,617                    | 5,519             | 1,162  | 1,825             |
| General and administrative expenses | 10,161                   | 13,104            | 3,233  | 4,274             |
|                                     | <b>441,529</b>           | <b>497,288</b>    | <b>147,551</b>                               | <b>157,645</b>    |
| Other operational expenses (*)      | 1,488                    |                   | 1,488  |                   |
|                                     | <b>443,017</b>           | <b>497,288</b>    | <b>149,039</b>                               | <b>157,645</b>    |

(\*) Refers to depreciation and amortization of paralyzed assets as described in note 24.

**24. OTHER OPERATING INCOME (EXPENSES)**

|  | <b>Nine months ended</b> |                   | <b>Consolidated<br/>Three months ended</b> |                   |
|--|--------------------------|-------------------|--|-------------------|
|  | <b>09/30/2018</b>        | <b>09/30/2017</b> | <b>09/30/2018</b>                          | <b>09/30/2017</b> |

**Other operating income**

|                                  |                  |               |                |              |
|----------------------------------|------------------|---------------|----------------|--------------|
| Indemnities                      | 37,727           | 5,401         | 1,027          | 4,385        |
| Rentals and leases               | 3,088            | 1,380         | 2,168          | 461          |
| Dividends received               | 8,662            |               | 2,459          |              |
| Contractual fines                | 446,331          |               | 446,331        |              |
| PIS and Cofins to compensate (1) | 3,615            | 993           | 586            |              |
| Updated shares - VJR (Note 14)   | 1,547,265        |               | 129,721        |              |
| Gain on sale of LLC (note 4)     | 1,164,294        |               | 14,402         |              |
| Other revenues                   | 16,920           | 13,328        | 1,764          | 4,110        |
|                                  | <b>3,227,902</b> | <b>21,102</b> | <b>598,458</b> | <b>8,956</b> |

**Other operating expenses**

|   |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|
| Taxes and fees  | (15,844)         | (14,217)         | (4,806)          | (10,090)         |
| Write-off/(Provision) of judicial deposits  | (14,704)         | (4,726)          | (7,534)          | (3,386)          |
| Expenses with environmental liabilities, net  | (36,622)         | (1,963)          | (11,153)         | (3,187)          |
| Expenses from tax, social security, labor, civil and environmental lawsuits, net    | (16,029)         | (64,868)         | 24,734           | (12,884)         |
| Contractual fines (2)   | (104,086)        |                  | (104,086)        |                  |
| Depreciation of equipment paralyzed and amortization of intangible assets (note 23) | (71,735)         | (33,131)         | (47,084)         | (11,109)         |
| Write-off of PP&E and intangible assets (notes 11 and 12)                           | (29,383)         | (21,600)         | (27,519)         | (1,759)          |
| Estimated (Loss)/reversal in inventories  | (3,138)          | (2,684)          | 8,361            | 2,069            |
| Losses on spare parts   | (11,286)         | (2,737)          | (8,753)          | (1,076)          |
| Studies and project engineering expenses  | (18,005)         | (24,932)         | (6,300)          | (8,015)          |
| Research and development expenses   | (2,199)          | (2,909)          | (719)            | (1,250)          |
| Advisory expenses   | (1,905)          | (874)            | (525)            | (835)            |
| Healthcare plan expenses  | (80,880)         | (71,521)         | (32,246)         | (26,132)         |
| Reversal/(Provision) industrial restructuring                                       | (1,089)          | 4,647            | 2,290            | 4,647            |
| Cash flow hedge realized (Note 14 b)  | (196,783)        | (37,933)         | (183,051)        | (16,212)         |
| Other expenses  | (107,049)        | (37,692)         | (21,934)         | (17,561)         |
|   | <b>(710,737)</b> | <b>(317,140)</b> | <b>(420,325)</b> | <b>(106,780)</b> |
| <b>Other operating income (expenses), net</b>                                       | <b>2,517,165</b> | <b>(296,038)</b> | <b>178,133</b>   | <b>(97,824)</b>  |

(1) Refers to the recognition of the PIS and Cofins credit arising from the exclusion of ICMS from calculation basis of previous years. With the final res judicata of the lawsuit on September 20, 2018, CSN's right to offset amounts unduly collected under these taxes was confirmed. The reported amount refers to a portion of the credits verified by the company, writ of mandamus nº 2006.51.01.020125-7 (Special Appeal nº1,241,431 / RJ) (see notes 8 and 25). The credit recognized refers to the years 2010 to 2014, arising

from the exclusion of ICMS from PIS and Cofins calculation basis, for which the Company has completed the identification of the amounts. For the other years since 2001, the credits unduly collected are being calculated by the Company and expects to complete the analysis before the end of the year.

(2) Refers to the contractual amendment with the jointly-owned subsidiary MRS, for the revision of the "Annual Transportation Plan".

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|---|--------------------------|-------------------|--|-------------------|
|   | <b>09/30/2018</b>        | <b>09/30/2017</b> | <b>09/30/2018</b>                            | <b>09/30/2017</b> |
| <b>Other operating income</b>   |                          |                   |  |                   |
| Indemnities   | 14,467                   | 4,963             | 967  | 4,308             |
| Rentals and leases  | 2,788                    | 1,110             | 2,048  | 371               |
| Dividends received  | 8,091                    | 476               | 2,458  |                   |
| PIS and Cofins to compensate (1)  | 446,331                  |                   | 446,331                                      |                   |
| Contractual fines   | 1,964                    |                   | 343  |                   |
| Updated shares - VJR (Note 14)  | 1,547,265                |                   | 129,721                                      |                   |
| Intercompany debt relief  | 1,310,886                |                   | 1,310,886                                    |                   |
| Other revenues  | 5,138                    | 5,285             | 441  | 1,491             |
|   | <b>3,336,930</b>         | <b>11,834</b>     | <b>1,893,195</b>                             | <b>6,170</b>      |
| <b>Other operating expenses</b>   |                          |                   |  |                   |
| Taxes and fees  | (7,779)                  | (9,575)           | (3,766)                                      | (7,981)           |
| Write-off/(Provision) of judicial deposits  | (12,546)                 | (4,642)           | (7,534)                                      | (3,186)           |
| Expenses with environmental liabilities, net  | (23,327)                 | 4,034             | (4,038)                                      | 14                |
| Expenses from tax, social security, labor, civil and environmental lawsuits, net    | (11,877)                 | (38,219)          | 22,634                                       | (2,972)           |
| Depreciation of equipment paralyzed and amortization of intangible assets (note 23) | (1,488)                  |                   | (1,488)                                      |                   |
| Write- off of PP&E and intangible assets (notes 11 and 12)                          | (13,201)                 | 521               | (13,187)                                     | 400               |
|   | (11)                     | 752               | 10,374                                       | (4,517)           |



|   |                  |                  |                  |                 |
|---|------------------|------------------|------------------|-----------------|
| Estimated (Loss)/reversal<br>in inventories       |                  |                  |                  |                 |
| Losses on spare parts                             | (11,286)         | (2,267)          | (8,753)          | (606)           |
| Studies and project<br>engineering expenses       | (16,354)         | (23,899)         | (6,434)          | (7,546)         |
| Research and<br>development expenses              | (2,199)          | (2,909)          | (719)            | (1,250)         |
| Cash flow hedge realized<br>(Note 14 b)           | (196,783)        | (37,933)         | (183,051)        | (16,212)        |
| Healthcare plan expenses                          | (80,803)         | (71,323)         | (32,163)         | (26,174)        |
| Advisory expenses                                 | (1,784)          | (874)            | (523)            | (835)           |
| Other expenses                                    | (82,846)         | (9,753)          | (21,456)         | (3,751)         |
|   | <b>(462,284)</b> | <b>(196,087)</b> | <b>(250,104)</b> | <b>(74,616)</b> |
| <b>Other operating income<br/>(expenses), net</b> | <b>2,874,646</b> | <b>(184,253)</b> | <b>1,643,091</b> | <b>(68,446)</b> |

(1) See footnote <sup>(1)</sup> of note n<sup>o</sup> 24 consolidated other operating income (expenses).

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1****25. FINANCIAL INCOME (EXPENSES)**

|   | <b>Nine months ended</b> |                   | <b>Consolidated<br/>Three months ended</b> |                   |
|---|--------------------------|-------------------|--|-------------------|
|   | <b>09/30/2018</b>        | <b>09/30/2017</b> | <b>09/30/2018</b>                          | <b>09/30/2017</b> |
| <b>Financial income</b>                     |                          |                   |  |                   |
| Related parties (note 19 a)                 | 47,954                   | 49,319            | 17,721                                     | 14,038            |
| Income from financial investments           | 82,375                   | 131,563           | 30,850                                     | 34,457            |
| Gain from derivative                        |                          | 28,503            |  | 10,261            |
| Gain on repurchase of debt securities       |                          | 38,861            |  | 12,116            |
| Other income (1)                            | 296,330                  | 37,824            | 287,314                                    | 9,969             |
|   | <b>426,659</b>           | <b>286,070</b>    | <b>335,885</b>                             | <b>80,841</b>     |
| <b>Financial expenses</b>                   |                          |                   |  |                   |
| Borrowings and Financing - foreign currency | (731,515)                | (655,595)         | (272,340)                                  | (220,493)         |
| Borrowings and Financing - local currency   | (773,227)                | (1,317,485)       | (253,580)                                  | (377,250)         |
| Capitalised interest (notes 11 and 28)      | 52,808                   | 73,955            | 18,323                                     | 22,710            |
| Interest, fines e late payment charges      | (66,793)                 | (14,252)          | (62,391)                                   | (8,480)           |
| Commission and bank fees                    | (134,469)                | (116,981)         | (46,218)                                   | (38,971)          |
| PIS/COFINS over financial income            | (42,958)                 | (16,865)          | (35,383)                                   | (3,880)           |
|   | 12,944                   | (51,217)          | (19,858)                                   | (2,199)           |

|   |                    |                    |                  |                  |
|---|--------------------|--------------------|------------------|------------------|
| Other financial expenses <sup>(2)</sup>                         | <b>(1,683,210)</b> | <b>(2,098,440)</b> | <b>(671,447)</b> | <b>(628,563)</b> |
| <b>Foreign exchange and monetary variation, net</b>             |                    |                    |                  |                  |
| Monetary variation, net   | (21,637)           | 1,469              | (1,815)          | (2,603)          |
| Exchange variation, net   | (728,472)          | 207,490            | (82,686)         | 272,528          |
| Exchange variation on derivatives                               | 667                | (229)              | (3,162)          |                  |
|   | <b>(749,442)</b>   | <b>208,730</b>     | <b>(87,663)</b>  | <b>269,925</b>   |
| <b>Financial income (expenses), net</b>                         | <b>(2,005,993)</b> | <b>(1,603,640)</b> | <b>(423,225)</b> | <b>(277,797)</b> |
| <b>Statement of gain and (losses) on derivative transaction</b> |                    |                    |                  |                  |
| Dollar to euro swap   | 667                | (229)              | (3,162)          |                  |
|   | <b>667</b>         | <b>(229)</b>       | <b>(3,162)</b>   | -                |
| Future DI   |                    | 28,503             |                  | 10,261           |
|   |                    | <b>28,503</b>      | -                | <b>10,261</b>    |
|   | <b>667</b>         | <b>28,274</b>      | <b>(3,162)</b>   | <b>10,261</b>    |

(1) Refers mainly to the monetary adjustment of the recognition of the non-inclusion of ICMS in the PIS and COFINS calculation basis of previous years in the amount of R\$ 278,707 and the updating of Tax Credits. See footnote (1) of Note No. 24 above.

(1) Refers substantially to IOF and provision of charges IRRF/CSLL.

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|   | <b>Nine months ended</b> |                    | <b>Parent Company<br/>Three months ended</b> |                   |
|---|--------------------------|--------------------|--|-------------------|
|   | <b>09/30/2018</b>        | <b>09/30/2017</b>  | <b>09/30/2018</b>                            | <b>09/30/2017</b> |
| <b>Financial income</b>                             |                          |                    |  |                   |
| Related parties (note 19 a)                         | 43,299                   | 88,391             | 15,903                                       | 24,331            |
| Income from financial investments                   | 53,572                   | 63,380             | 22,930                                       | 18,699            |
| Other income (1)                                    | 378,376                  | 84,087             | 371,743                                      | 59,948            |
|   | <b>475,247</b>           | <b>235,858</b>     | <b>410,576</b>                               | <b>102,978</b>    |
| <b>Financial expenses</b>                           |                          |                    |  |                   |
| Borrowings and Financing - foreign currency         | (182,585)                | (170,940)          | (82,567)                                     | (57,827)          |
| Borrowings and Financing - local currency           | (675,201)                | (1,132,457)        | (222,715)                                    | (323,817)         |
| Related parties (note 19 a)                         | (308,309)                | (384,908)          | (85,772)                                     | (124,419)         |
| Capitalised interest (notes 11 and 28)              | 11,923                   | 17,800             | 4,394  | 5,536             |
| Interest, fines e late payment charges              | (3,113)                  | (4,130)            | (2,307)                                      | (3,590)           |
| Commission and bank fees                            | (120,321)                | (104,277)          | (42,417)                                     | (34,976)          |
| PIS/COFINS over financial income                    | (25,449)                 | (13,551)           | (19,988)                                     | (2,970)           |
| Other financial expenses                            | 66,430                   | (31,350)           | 6,875  | 4,221             |
|   | <b>(1,236,625)</b>       | <b>(1,823,813)</b> | <b>(444,497)</b>                             | <b>(537,842)</b>  |
| <b>Foreign exchange and monetary variation, net</b> |                          |                    |  |                   |
| Monetary variation, net                             | (9,144)                  | (12,198)           | (1,920)                                      | (3,274)           |
| Exchange variation, net                             | (699,988)                | 344,837            | (25,879)                                     | 481,548           |
|   | <b>(709,132)</b>         | <b>332,639</b>     | <b>(27,799)</b>                              | <b>478,274</b>    |

|   |                    |                    |                 |               |
|---|--------------------|--------------------|-----------------|---------------|
| <b>Financial income<br/>(expenses), net</b> | <b>(1,470,510)</b> | <b>(1,255,316)</b> | <b>(61,720)</b> | <b>43,410</b> |
|---|--------------------|--------------------|-----------------|---------------|

(1) See footnote <sup>(1)</sup> of note n° 25 consolidated financial income and expenses.

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1****26. SEGMENT INFORMATION**

The segment information has not changed in relation to that disclosed in the Company's financial statements as of December 31, 2017. Therefore, management decided not to repeat it in this condensed interim financial information.

According to the Group's structure, the businesses are distributed and managed in five operating segments as follows:

|  |                   |                  |                   |                  |                |                |                                   | Nine months  |                  |
|--|-------------------|------------------|-------------------|------------------|----------------|----------------|-----------------------------------|--------------|------------------|
| P&L  | Steel             | Mining           | Logistics<br>Port | Railroads        | Energy         | Cement         | Corporate<br>expenses/elimination | Consolidated |                  |
| Metric tons<br>(thou.) (*)                 | 3,888,265         | 24,891,751       |                   |                  |                |                | (3,823,122)                       |              |                  |
| Net revenues                               |                   |                  |                   |                  |                |                |                                   |              |                  |
| Domestic<br>market                         | 7,610,721         | 672,167          | 194,276           | 1,107,657        | 307,750        | 442,965        | (1,950,807)                       |              |                  |
| Foreign<br>market                          | 4,255,677         | 3,469,921        |                   |                  |                |                | 807,626                           |              |                  |
| <b>Total net<br/>revenue<br/>(note 22)</b> | <b>11,866,398</b> | <b>4,142,088</b> | <b>194,276</b>    | <b>1,107,657</b> | <b>307,750</b> | <b>442,965</b> | <b>(1,143,181)</b>                |              |                  |
| Cost of sales<br>and services              | (9,556,095)       | (2,531,586)      | (141,805)         | (774,072)        | (209,413)      | (395,308)      | 1,501,078                         |              | (12,007,249)     |
| <b>Gross profit</b>                        | <b>2,310,303</b>  | <b>1,610,502</b> | <b>52,471</b>     | <b>333,585</b>   | <b>98,337</b>  | <b>47,657</b>  | <b>357,897</b>                    |              | <b>4,313,135</b> |
| General and<br>administrative<br>expenses  | (718,718)         | (102,843)        | (26,766)          | (72,805)         | (21,027)       | (64,662)       | (821,518)                         |              | (1,747,339)      |
|  | 459,533           | 278,171          | 14,724            | 193,075          | 12,944         | 88,747         | (156,878)                         |              | 1,085,316        |

|  |                   |                  |                |                  |                |                |  |                    |
|--|-------------------|------------------|----------------|------------------|----------------|----------------|--|--------------------|
| Depreciation<br>(note 23)                    |                   |                  |                |                  |                |                |  |                    |
| Proportionate<br>EBITDA of<br>joint ventures |                   |                  |                |                  |                |                |  | 415,455            |
| <b>Adjusted<br/>EBITDA</b>                   | <b>2,051,118</b>  | <b>1,785,830</b> | <b>40,429</b>  | <b>453,855</b>   | <b>90,254</b>  | <b>71,742</b>  |  | <b>(205,044)</b>   |
| <b>Sales by<br/>geographic<br/>area</b>      |                   |                  |                |                  |                |                |  |                    |
| Asia   | 18,122            | 3,176,157        |                |                  |                |                |  | 807,626            |
| North America                                | 1,318,242         |                  |                |                  |                |                |  |                    |
| Latin America                                | 301,343           |                  |                |                  |                |                |  |                    |
| Europe                                       | 2,569,223         | 293,764          |                |                  |                |                |  |                    |
| Others                                       | 48,747            |                  |                |                  |                |                |  |                    |
| <b>Foreign<br/>market</b>                    | <b>4,255,677</b>  | <b>3,469,921</b> |                |                  |                |                |  | <b>807,626</b>     |
| <b>Domestic<br/>market</b>                   | <b>7,610,721</b>  | <b>672,167</b>   | <b>194,276</b> | <b>1,107,657</b> | <b>307,750</b> | <b>442,965</b> |  | <b>(1,950,807)</b> |
| <b>Total</b>                                 | <b>11,866,398</b> | <b>4,142,088</b> | <b>194,276</b> | <b>1,107,657</b> | <b>307,750</b> | <b>442,965</b> |  | <b>(1,143,181)</b> |

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| <b>P&amp;L</b>                         | <b>Steel</b>     | <b>Mining</b>    | <b>Logistics</b> |                  | <b>Energy</b>  | <b>Cement</b>  | <b>e</b> |
|--|------------------|------------------|------------------|------------------|----------------|----------------|----------|
|  |                  |                  | <b>Port</b>      | <b>Railroads</b> |                |                |          |
| Metric tons (thou.) - (unaudited) (*)  | 1,290,027        | 9,287,731        |                  |                  |                |                |          |
| Net revenues                           |                  |                  |                  |                  |                |                |          |
| Domestic market                        | 2,898,729        | 228,645          | 64,346           | 406,446          | 104,436        | 160,394        |          |
| Foreign market                         | 1,199,959        | 1,430,691        |                  |                  |                |                |          |
| <b>Total net revenue (note 22)</b>     | <b>4,098,688</b> | <b>1,659,336</b> | <b>64,346</b>    | <b>406,446</b>   | <b>104,436</b> | <b>160,394</b> |          |
| Cost of sales and services             | (3,379,554)      | (881,730)        | (46,869)         | (268,036)        | (69,537)       | (148,135)      |          |
| <b>Gross profit</b>                    | <b>719,134</b>   | <b>777,606</b>   | <b>17,477</b>    | <b>138,410</b>   | <b>34,899</b>  | <b>12,259</b>  |          |
| General and administrative expenses    | (220,858)        | (36,523)         | (8,259)          | (24,199)         | (7,120)        | (23,288)       |          |
| Depreciation (note 23)                 | 154,186          | 69,730           | 5,597            | 64,632           | 4,315          | 28,215         |          |
| Proportionate EBITDA of joint ventures |                  |                  |                  |                  |                |                |          |
| <b>Adjusted EBITDA</b>                 | <b>652,462</b>   | <b>810,813</b>   | <b>14,815</b>    | <b>178,843</b>   | <b>32,094</b>  | <b>17,186</b>  |          |
| <b>Sales by geographic area</b>        |                  |                  |                  |                  |                |                |          |
| Asia                                   | 87               | 1,329,650        |                  |                  |                |                |          |
| North America                          | 279,335          |                  |                  |                  |                |                |          |
| Latin America                          | 87,336           |                  |                  |                  |                |                |          |
| Europe                                 | 821,798          | 101,041          |                  |                  |                |                |          |
| Others                                 | 11,403           |                  |                  |                  |                |                |          |
| <b>Foreign market</b>                  | <b>1,199,959</b> | <b>1,430,691</b> |                  |                  |                |                |          |
| <b>Domestic market</b>                 | <b>2,898,729</b> | <b>228,645</b>   | <b>64,346</b>    | <b>406,446</b>   | <b>104,436</b> | <b>160,394</b> |          |
| <b>Total</b>                           | <b>4,098,688</b> | <b>1,659,336</b> | <b>64,346</b>    | <b>406,446</b>   | <b>104,436</b> | <b>160,394</b> |          |

| <b>P&amp;L</b>          | <b>Steel</b> | <b>Mining</b> | <b>Logistics</b> |                  | <b>Energy</b> | <b>Cement</b> | <b>e</b> |
|-------------------------|--------------|---------------|------------------|------------------|---------------|---------------|----------|
|                         |              |               | <b>Port</b>      | <b>Railroads</b> |               |               |          |
| Metric tons (thou.) (*) | 3,668,440    | 23,015,561    |                  |                  |               |               |          |
| Net revenues            |              |               |                  |                  |               |               |          |



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|  |                  |                  |                |                  |                |                 |
|--|------------------|------------------|----------------|------------------|----------------|-----------------|
| Domestic market                        | 5,671,191        | 654,490          | 167,260        | 1,052,107        | 303,678        | 381,339         |
| Foreign market                         | 3,853,265        | 2,791,062        |                |                  |                |                 |
| <b>Total net revenue (note 22)</b>     | <b>9,524,456</b> | <b>3,445,552</b> | <b>167,260</b> | <b>1,052,107</b> | <b>303,678</b> | <b>381,339</b>  |
| Cost of sales and services             | (7,868,000)      | (2,096,787)      | (111,953)      | (766,142)        | (213,731)      | (406,870)       |
| <b>Gross profit</b>                    | <b>1,656,456</b> | <b>1,348,765</b> | <b>55,307</b>  | <b>285,965</b>   | <b>89,947</b>  | <b>(25,531)</b> |
| General and administrative expenses    | (759,662)        | (122,041)        | (20,136)       | (68,335)         | (20,211)       | (58,921)        |
| Depreciation (note 23)                 | 506,023          | 369,610          | 11,786         | 231,500          | 14,992         | 97,074          |
| Proportionate EBITDA of joint ventures |                  |                  |                |                  |                |                 |
| <b>Adjusted EBITDA</b>                 | <b>1,402,817</b> | <b>1,596,334</b> | <b>46,957</b>  | <b>449,130</b>   | <b>84,728</b>  | <b>12,622</b>   |

**Sales by geographic area**

|                        |                  |                  |                |                  |                |                |
|------------------------|------------------|------------------|----------------|------------------|----------------|----------------|
| Asia                   | 23,297           | 2,630,181        |                |                  |                |                |
| North America          | 1,533,105        |                  |                |                  |                |                |
| Latin America          | 378,812          |                  |                |                  |                |                |
| Europe                 | 1,891,926        | 159,105          |                |                  |                |                |
| Others                 | 26,125           | 1,776            |                |                  |                |                |
| <b>Foreign market</b>  | <b>3,853,265</b> | <b>2,791,062</b> |                |                  |                |                |
| <b>Domestic market</b> | <b>5,671,191</b> | <b>654,490</b>   | <b>167,260</b> | <b>1,052,107</b> | <b>303,678</b> | <b>381,339</b> |
| <b>Total</b>           | <b>9,524,456</b> | <b>3,445,552</b> | <b>167,260</b> | <b>1,052,107</b> | <b>303,678</b> | <b>381,339</b> |

|  | <b>Steel</b>     | <b>Mining</b>    | <b>Logistics</b> |                  | <b>Energy</b>  | <b>Cement</b>  |
|--|------------------|------------------|------------------|------------------|----------------|----------------|
|  |                  |                  | <b>Port</b>      | <b>Railroads</b> |                |                |
| Metric tons (thou.) - (unaudited) (*)  | 1,300,689        | 7,953,856        |                  |                  |                |                |
| Net revenues                           |                  |                  |                  |                  |                |                |
| Domestic market                        | 2,133,384        | 217,859          | 59,983           | 364,224          | 102,837        | 141,794        |
| Foreign market                         | 1,265,321        | 986,459          |                  |                  |                |                |
| <b>Total net revenue (note 22)</b>     | <b>3,398,705</b> | <b>1,204,318</b> | <b>59,983</b>    | <b>364,224</b>   | <b>102,837</b> | <b>141,794</b> |
| Cost of sales and services             | (2,845,261)      | (718,659)        | (37,239)         | (242,107)        | (73,661)       | (150,690)      |
| <b>Gross profit</b>                    | <b>553,444</b>   | <b>485,659</b>   | <b>22,744</b>    | <b>122,117</b>   | <b>29,176</b>  | <b>(8,896)</b> |
| General and administrative expenses    | (253,118)        | (40,044)         | (5,888)          | (21,450)         | (6,894)        | (20,109)       |
| Depreciation (note 23)                 | 164,760          | 122,498          | 3,950            | 63,239           | 4,997          | 29,745         |
| Proportionate EBITDA of joint ventures |                  |                  |                  |                  |                |                |
| <b>Adjusted EBITDA</b>                 | <b>465,086</b>   | <b>568,113</b>   | <b>20,806</b>    | <b>163,906</b>   | <b>27,279</b>  | <b>740</b>     |

**Sales by geographic area**

|                        |                  |                  |               |                |                |                |
|------------------------|------------------|------------------|---------------|----------------|----------------|----------------|
| Asia                   | 18,507           | 961,427          |               |                |                |                |
| North America          | 528,444          |                  |               |                |                |                |
| Latin America          | 129,558          |                  |               |                |                |                |
| Europe                 | 582,712          | 23,255           |               |                |                |                |
| Others                 | 6,100            | 1,777            |               |                |                |                |
| <b>Foreign market</b>  | <b>1,265,321</b> | <b>986,459</b>   |               |                |                |                |
| <b>Domestic market</b> | <b>2,133,384</b> | <b>217,859</b>   | <b>59,983</b> | <b>364,224</b> | <b>102,837</b> | <b>141,794</b> |
| <b>Total</b>           | <b>3,398,705</b> | <b>1,204,318</b> | <b>59,983</b> | <b>364,224</b> | <b>102,837</b> | <b>141,794</b> |

(\*) The ore sales volumes presented in this note take into consideration Company sales and the interest in its subsidiaries and joint ventures.

- **Adjusted EBITDA**

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Adjusted EBITDA is the principal measurement through which the chief operating decision maker assesses the segment performance and the capacity to generate recurring operating cash, consisting of profit for the year less net finance income (expenses), income tax and social contribution, depreciation and amortization, equity in results, results of discontinued operations and other operating income (expenses), plus the proportionate EBITDA of joint ventures.

Even though it is an indicator used in segment measurement, EBITDA is not a measurement recognized by accounting practices adopted in Brazil or IFRS, it does not have a standard definition, and may not be comparable with measurements using similar names provided by other companies.

As required by IFRS 8, the table below shows the reconciliation of the measurement used by the chief operating decision maker with the results determined using the accounting practices:

|  | <b>Nine months ended</b> |                   | <b>Consolidated<br/>Three months ended</b> |                   |
|--|--------------------------|-------------------|--|-------------------|
|  | <b>09/30/2018</b>        | <b>09/30/2017</b> | <b>09/30/2018</b>                          | <b>09/30/2017</b> |
| Net income (loss) for the year                   | 3,428,346                | (266,157)         | 752,164                                    | 256,184           |
| Depreciation/Amortization/Depletion<br>(note 23) | 890,316                  | 1,089,945         | 273,530                                    | 344,291           |
| Income tax and social contribution<br>(note 16)  | 161,249                  | 409,890           | 237,960                                    | 128,214           |
| Financial income (expenses) (note 25)            | 2,005,993                | 1,603,640         | 423,225                                    | 277,797           |
| <b>EBITDA</b>                                    | <b>6,485,904</b>         | <b>2,837,318</b>  | <b>1,686,879</b>                           | <b>1,006,486</b>  |
| Other operating income (expenses)<br>(note 24)   | (2,517,165)              | 296,038           | (178,133)                                  | 97,824            |
| Equity in results of affiliated companies        | (96,010)                 | (98,500)          | (43,846)                                   | (38,002)          |
| Proportionate EBITDA of joint ventures           | 415,455                  | 406,247           | 162,118                                    | 146,613           |
| <b>Adjusted EBITDA (*)</b>                       | <b>4,288,184</b>         | <b>3,441,103</b>  | <b>1,627,018</b>                           | <b>1,212,921</b>  |

(\*) The Company discloses its adjusted EBITDA net of its share of investments and other operating income (expenses) because it understands that these should not be considered in the calculation of recurring operating cash generation.

## **27. INSURANCE**

Aiming to properly mitigate risk and in view of the nature of its operations, the Company and its subsidiaries have taken out several different types of insurance policies. Such policies are contracted in line with the Risk Management policy and are similar to the insurance taken out by other companies operating in the same lines of business as CSN and its subsidiaries. The risks covered under such policies include the following: Domestic Transportation, International Transportation, Life and Casualty, Health, Vehicles Fleet, D&O (Civil Liability Insurance for Directors and Officers), General Civil Liability, Engineering Risks, Named Peril, Export Credit, Surety Bond and Port Operator's Civil Liability.

In 2017, after negotiation with insurers and reinsurers in Brazil and abroad, an insurance policy was issued for the contracting of a policy of Operational Risk of Property Damages and Loss of Profits, with effect from September 30, 2017 to March 31, 2019. Under the insurance policy, the LMI (Maximum Limit of Indemnity) is US\$600 million and deductibles in the amount of US\$385 million for material damages and 45 days for loss of profits and covers the following Company's units and subsidiaries: Presidente Vargas Steelworks, CSN Mineração and Sepetiba Tecon. Management understands that the policies covers its assets and the risks to which the Company is subject.

## **28. ADDITIONAL INFORMATION TO CASH FLOWS**

The following table provides additional information on transactions related to the statement of cash flows:

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|   | <b>09/30/2018</b> | <b>Consolidated<br/>12/31/2017</b> | <b>09/30/2018</b> | <b>Parent<br/>Company<br/>12/31/2017</b> |
|---|-------------------|------------------------------------|-------------------|--|
| Income tax and social contribution paid                         | 201,124           | 268,847                            |                   |  |
| Addition to PP&E with interest capitalization (notes 11 and 25) | 52,808            | 91,957                             | 11,923            | 21,308                                   |
| Acquisition of fixed assets through loan                        | 10,670            | 4,265                              | 1,746             |  |
| Capitalization with advance to future capital increase          |                   | 20,264                             | 36,214            | 80,686                                   |
|   | <b>264,602</b>    | <b>385,333</b>                     | <b>49,883</b>     | <b>101,994</b>                           |

**29. STATEMENT OF COMPREHENSIVE INCOME**

|   | <b>Nine months ended</b> |                  |
|---|--------------------------|------------------|
|   | <b>9/30/2018</b>         | <b>9/30/2017</b> |
| <b>(Loss)/ Profit for the period</b>  | <b>3,428,346</b>         | <b>(266,150)</b> |
| <b>Other comprehensive income</b>   |                          |                  |
| <b>Items that will not be subsequently reclassified to the statement of income</b>            |                          |                  |
| Actuarial (loss) gain the defined benefit plan from investments in subsidiaries, net of taxes | 89                       | 8                |
|   | <b>89</b>                | <b>8</b>         |
| <b>Items that could be subsequently reclassified to the statement of income</b>               |                          |                  |
| Cumulative translation adjustments for the period   | (17,175)                 | 82,130           |
| Fair Value through other comprehensive income   | (1,559,680)              | 614,540          |
| (Loss) / gain on the percentage change in investments   | (105)                    | 2,810            |
| (Loss)/gain on cash flow hedge accounting   | (1,724,818)              | 134,370          |

|  |                    |               |
|--|--------------------|---------------|
| Realization of cash flow hedge accounting reclassified to income statement | 196,783            | 37,93         |
| (Loss)/gain on investments hedge of investments in subsidiaries            |                    |               |
| (Loss)/gain on foreign net investment hedge                                | (32,196)           | (23,59)       |
| (Loss)/gain on business combination  | (651)              |               |
|  | <b>(3,137,842)</b> | <b>848,19</b> |
|  | <b>(3,137,753)</b> | <b>848,28</b> |
| <b>Total comprehensive income for period</b>                               | <b>290,593</b>     | <b>582,12</b> |
| <b>Attributable to:</b>  |                    |               |
| Controlling Shareholders   | 216,095            | 500,98        |
| Non-controlling Shareholders   | 74,498             | 81,14         |
|  | <b>290,593</b>     | <b>582,12</b> |

### 30. INDEPENDENT INVESTIGATION – CONSTRUCTION OF THE LONG STEEL PLANT

Considering the information from a Company's officer published in the press in April 2017, based on testimonials made before the Court, the Audit Committee decided to hire a specialized forensic service to conduct an independent external investigation of the contractual relationship related to the construction of CSN's Long Steel Plant (contract in which there would have been alleged undue payments, as bonus, as a form of reimbursement for payments made to political parties), and to analyze the extent of the business relationships between the contracting parties. The conclusion of the investigation is that nothing from the testimonials referred to above was confirmed, and there are no contingencies deriving from the matters investigated. Consequently, the Company understands that there is no basis to justify the setting up of a provision for losses or the disclosure of a contingency. In October 2017, complying with a determination of the Supreme Federal Court, the Federal Police started an investigation of the facts reported in those testimonials previously mentioned. Subsequently, in February 2018, the Second Panel of the Federal Supreme Court determined that the examination of the facts should occur within the scope of the Electoral Justice rather than the Common Federal Justice. At the moment, the decision of Supreme Federal Court is awaited to send the case to the Electoral Court.

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**COMMENTS ON THE PERFORMANCE OF BUSINESS PROJECTIONS**

**1) Projections**

The Company clarifies that the information disclosed in this item represents a mere estimate, hypothetical data and cannot be interpreted as a promise of performance by the Company and/or its Management. The projections listed below include market variables that are not under the Company's control and, therefore, may change.

## **a) Purpose of Projection**



CSN estimates a Net Revenue of R\$22.2 billion for 2018.

CSN estimates an adjusted annualized EBTIDA close to R\$5.6 billion for 2018.

CSN estimates a leverage measured by the ratio of net debt to adjusted EBITDA close to 3.5 times over a 9 to 12 months.

**b) Period and validity term of the projection.**

For the year 2018, is projected Net Revenue of R\$22.2 billion, an adjusted EBITDA close to R\$5.6 billion. In turn, the validity term of the presented projection ends with the results being disclosed for the fiscal year ended December 31, 2018, that will be available to the market within the period established by the local authority.

From 2018 to 2019, CSN estimates a leverage measured by the ratio of net debt to adjusted EBTIDA close to 3.5 times, that will be available to the market at the end of the first half of 2019.

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**c) Assumptions of the projection, indicating which can be influenced by the issuer's management and which are beyond its control.**

c) Assumptions of the projection, indicating which can be influenced by the issuer's management and which are beyond its control. 200

All assumptions mentioned below are subject to the influence of external variables, which are beyond the control of the Company's management. Therefore, in case of relevant changes in these assumptions, the Company may revise its estimates mentioned below, modifying them in comparison with those originally presented.

#### Net Revenue

The assumptions used to project the estimated Net Revenue for 2018 is 20% above when compared to the previous year.

#### Adjusted EBITDA

The assumptions used to project the adjusted EBITDA 20% above in 2018, consider the best average prices for flat and long steel in the domestic and foreign markets, as well as the higher sales volume, highlighting the allocation of goods to the domestic market focusing on better operational margins. In relation to the mining, our estimate is that the price levels (Platts) of iron ore will remain the same in 2018 when compared to the previous year.

#### Leverage 9 to 12 months

The assumptions used for the leverage measured by the ratio of net debt to adjusted EBITDA close to 3.5 times over a 9 to 12 months, is based on an increase of the adjusted EBITDA in 2018 and 2019, resulting in a higher generation of free cash flow and lower net debt, leading to a substantial reduction of the indicator.

### **d) Values of the indicators that are subject of the forecast.**

| <b>Net Revenue</b>     | <b>2016</b> | <b>2017</b> | <b>2018 E</b> | <b>2019 E</b> |
|------------------------|-------------|-------------|---------------|---------------|
| Estimated              | n.a.        | 18,000      | 22,230        | n.a.          |
| Reached                | 17,149      | 18,525      | n.a.          | n.a.          |
| Variation %            | -           | 3%          | -             | -             |
| <b>Adjusted EBITDA</b> | <b>2016</b> | <b>2017</b> | <b>2018 E</b> | <b>2019 E</b> |
| Estimated              | n.a.        | 5,000       | 5,574         | n.a.          |
| Reached                | 4,075       | 4,645       | n.a.          | n.a.          |
| Variation %            | -           | -7%         | -             | -             |
| <b>Leverage</b>        | <b>2016</b> | <b>2017</b> | <b>2018 E</b> | <b>2019 E</b> |
| Estimated              | n.a.        | 5.00x       | n.a.          | 3.50x         |
| Reached                | 6.32x       | 5.66x       | n.a.          | n.a.          |
| Variation %            | n.a.        | 13%         | n.a.          | n.a.          |

\*E = estimated

\*\*n.a = not evaluated or  
estimated

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**If the issuer has disclosed, in the last 3 fiscal years, projections over the progress of its indicators:**

**a) In the form, inform which were being replaced by new projections and which were being repeated.**

There are no new projections.

Estimates have been kept:

CSN estimates a Net Revenue of R\$22.2 billion for 2018.

CSN estimates an adjusted annualized EBTIDA close to R\$5.6 billion for 2018. Estimates maintained:

CSN estimates a leverage measured by the ratio of net debt to adjusted EBITDA close to 3.5 times over a 9 to 12 months.

**b) In relation to the projections for periods that have already occurred, compare the projection data with the performance indicators, clearly indicating the reasons that led to deviations in the projections.**

b) In relation to the projections for periods that have already occurred, compare the projection data with 2016 perform

In 2017, Net Revenue was 3% higher than the previous estimate, due to the better steel prices.

In 2017, the Adjusted EBITDA was 7% lower than the previous estimate, due to the fact that mining presented an adjusted EBITDA lower than expected in 4Q17.

In 2017, leverage was 13% higher than expected, due to the lower Adjusted EBITDA and exchange-rate appreciation that affected our dollar-debt position, resulting in an above average leverage ratio.

**c) In relation to the projections for periods still in progress, inform if the projections remain valid on the date of delivery the form and, when applicable, explain why they were abandoned or replaced.**

Estimates in progress:

CSN estimates a leverage measured by the ratio of net debt to adjusted EBITDA close to 3.5 times over a 9 to 12 months.

**Follow-up and changes to projections disclosed**

The result of the second quarter does not bring any material variation to the results projections previously presented for the year 2018 and 2019, which can therefore be maintained.

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(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

**Independent Auditor’s Report on Review of the Interim Financial Information**

To the

Shareholders, Directors and Management of

**Companhia Siderúrgica Nacional**

São Paulo – SP

**Introduction**

We have reviewed the accompanying individual and consolidated interim financial information of Companhia Siderúrgica Nacional (“Company”), identified as Parent and Consolidated, respectively, included in the Interim Financial Information Form (ITR) for the quarter ended September 30, 2018, which comprises the balance sheet as at September 30, 2018 and the related statement of profit and loss and statement of comprehensive income (loss) for the three- and nine-month periods then ended, and the statement of changes in equity and statement of cash flows for the nine-month period then ended, including a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with Technical Pronouncement CPC 21 (R1) - Interim Financial Reporting and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of such information in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Interim Financial Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

**Scope of review**

We conducted our review in accordance with Brazilian and international standards on review of interim financial information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the standards on auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Conclusion on the individual and consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information included in the Interim Financial Information Form (ITR) referred to above is not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 applicable to the preparation of interim financial information and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM).

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**Emphasis of matter**

**Ability of the jointly-controlled subsidiary Transnordestina Logística S.A. to continue as a going concern**

We draw attention to Note 10.c) to the interim financial information, which describes the percentage of completion of the new railway network by the jointly-controlled subsidiary Transnordestina Logística S.A. (TLSA), currently under construction and originally scheduled to be completed by January 2017, is currently being revised and discussed by the relevant regulatory bodies. The completion of the work under the project (and consequent start of operations) is contingent upon receiving ongoing financial contribution from TLSA's shareholders and third parties. These events and conditions, together with other issues described in note 10.c) to the financial statements, indicate the existence of significant uncertainty that may raise significant doubt as to TLSA's ability to continue as a going concern. Our conclusion is not qualified regarding this matter.

**Other matters**

**Interim statements of value added**

We have also reviewed the individual and consolidated statements of value added (DVA) for the nine-month period ended September 30, 2018, prepared under the responsibility of the Company's management, the presentation of which is required by the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of interim financial information and considered supplemental information by IFRS, which does not require the presentation of a DVA. This interim financial information was subject to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that it was not fairly presented, in all material respects, in relation to the individual and consolidated interim financial information taken as a whole.

São Paulo, November 07, 2018

Nelson Fernandes Barreto Filho

Grant Thornton Auditores Independentes

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**Opinions and Statements / Officers Statement on the Financial Statements**

As Executive Officers of Companhia Siderúrgica Nacional, we declare pursuant to Article 25, paragraph 1º, item VI of CVM Instruction 480, of December 7, 2009, as amended, that we reviewed, discussed and agreed with the Company's Financial Statements for the quarter ended September 30,2018.

São Paulo, November 07<sup>th</sup>, 2018.

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Benjamin Steinbruch

CEO

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Luis Fernando Barbosa Martinez

Executive Officer

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David Moise Salama

Executive Officer

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Pedro Gutemberg Quariguasi Netto

Executive Officer

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Marcelo Cunha Ribeiro

Executive Officer – CFO and Investors Relations

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**Opinions and Statements / Officers Statement on Auditor's Report**

As Executive Officers of Companhia Siderúrgica Nacional, we declare pursuant to Article 25, paragraph 1º, item V of CVM Instruction 480, of December 7, 2009, as amended, that we reviewed, discussed and agreed with the opinion expressed on the Independent Auditors' Report related to the Company's Financial Statements for the quarter ended September 30, 2018.

São Paulo, November 07<sup>th</sup>, 2018.

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Benjamin Steinbruch

CEO

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Luis Fernando Barbosa Martinez

Executive Officer

David Moise Salama

Executive Officer

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Pedro Gutemberg Quariguasi Netto

Executive Officer

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Marcelo Cunha Ribeiro

Executive Officer – CFO and Investors Relations



SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 27, 2018

COMPANHIA SIDERÚRGICA NACIONAL

By: \_\_\_\_\_ /s/ Benjamin Steinbruch

**Benjamin Steinbruch**  
Chief Executive Officer

By: \_\_\_\_\_ /s/ Marcelo Cunha Ribeiro

**Marcelo Cunha Ribeiro**  
Chief Financial and Investor Relations Officer

**FORWARD-LOOKING STATEMENTS**

This press release may contain forward-looking statements. These statements are statements that are not historical facts, and are based on management's current view and estimates of future economic circumstances, industry conditions, company performance and financial results. The words "anticipates", "believes", "estimates", "expects", "plans" and similar expressions, as they relate to the company, are intended to identify forward-looking statements. Statements regarding the declaration or payment of dividends, the implementation of principal operating and financing strategies and capital expenditure plans, the direction of future operations and the factors or trends affecting financial condition, liquidity or results of operations are examples of forward-looking statements. Such statements reflect the current views of management and are subject to a number of risks and uncertainties. There is no guarantee that the expected events, trends or results will actually occur. The statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations.

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