NATIONAL STEEL CO
Form 6-K
March 27, 2019

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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 March, 2019
Commission File Number 1-14732

COMPANHIA SIDERÚRGICA NACIONAL

(Exact name of registrant as specified in its charter)

National Steel Company

(Translation of Registrant's name into English)

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 ___X___ 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 ___X____

Management's Proposal

Annual Shareholders' Meeting

Summary

Management's Proposal

Dear Shareholders

Below is the Management's proposal of Companhia Siderúrgica Nacional ("Company") on the matters to be resolved at the Annual Shareholders' Meeting to be held on April 26, 2019, at 9:00 a.m., at the Company's headquarters located at Av. Brigadeiro Faria Lima, 3400, 20º andar, in the City of São Paulo - SP ("ASM"), to resolve on the following agenda:

1. Analyze the management accounts, examine, discuss and vote on the Company's financial statements and annual management report for the fiscal year ended on December 31, 2018.

We propose that the Company's shareholders make an assessment of the management accounts and approve Financial Statements and Management Report for the fiscal year ended on December 31, 2018 ("Financial Statements"), as disclosed on February 20, 2019, on the websites of CVM (www.cvm.gov.br), B3 S.A. – Brasil, Bolsa, Balcão (www.b3.com.br) and the Company's Investor Relations website (www.csn.com.br/ri/).

In addition, we also highlight, pursuant to Item III of Article 9 of CVM Instruction No. 481, of December 17, 2009 ("CVM Instruction 481/09"), as amended, that the information in **Attachment I** of this proposal reflects our comments on the Company's financial situation.

We clarify, as appropriate, that Financial Statements prepared by the Board of Executive Officers were considered adequate by the independent auditors, the Board of Directors, the Audit Committee and the Fiscal Council, according to the Opinions included in the Standardized Financial Statements, approved at the Meeting of the Audit Committee of February 20, 2019 and Fiscal Council Meeting of February 19, 2019, and minutes of the Meeting of the Board of Directors held on February 20, 2019, all disclosed by the Company on the websites of CVM and B3, through the Empresas.Net System and at CSN's Investor Relations website.

2. ***Allocation of net income for the fiscal year ended on December 31, 2018 and distribution of dividends.***

We propose that the income statement for the fiscal year ended on December 31, 2018, in the amount of R$ 5,074,135,973.74 be allocated as follows:

(i) R$ 1,291,688,999.34 to absorb accumulated losses of previous periods, with the respective full amortization of the Account of Accumulated Losses, pursuant to Article 30 of Paragraph 1of the Company's Bylaws and Article 189, caput, of Law 6.404/76;
(ii) (ii) R$ 189,122,348.72 for the legal profit reserve account;
(iii) R$ 898,331,156.42 distributed to shareholders as minimum mandatory dividend, corresponding to R$ 0.65091 per share;
(iv) R$ 2,694,993,469.26 as statutory reserve for working capital and investments.

The proposed allocation above was reflected in Explanatory Note 21 of the Company's Financial Statements and detailed in **Attachment II** of this proposal, which was elaborated in compliance with Item II of the Sole Paragraph of Article 9 of CVM Instruction 481/09.

3. Establish the number of members of the Board of Directors

It is proposed that the Board of Directors to be elected at the AGM be composed of 05 (five) members, one of them being the candidate indicated by the Company's employees, pursuant to art. 14 of the Bylaws.

The above-mentioned number of members may be increased by a decision to be taken by the shareholders at the AGM, including, but not limited to, the following: (i) adoption of multiple voting system with due compliance with legal requirements; or (ii) minority shareholders exercise the right to elect members of the Board of Directors in a separate vote; in all cases as long as the legal requirements are met.

4. Fixing of the administrators' overall annual compensation for the 2019 financial year

We propose that the compensation of the managers for the 2019 fiscal year be fixed in the global amount of up to R$ 83,176,000.00.

We hereby announce that, in regards to 2018, at the Annual General Meeting held on June 29, 2018 ("AGO 2018"), the amount of up to R$ 80,000,000.00 was approved for compensation but effectively realized in such period the amount of R$ 32,953,792.00.

The variation between the overall amount approved at the AGM 2018 and the amount actually realized in that year was mainly due to the impacts of the global macroeconomic situation, which caused the company to have a global compensation cost lower than initially projected.

We emphasize that the necessary information for the proper analysis of the proposal of the remuneration of the administrators, as established by art. 12 of CVM Instruction 481/09, are available in Annex III of this proposal.

5. Elect the members of the Board of Directors

We inform that the election of members to the Board of Directors will occur through the majority voting system, by single ticket, unless it is required to adopt multiple voting process.

The controlling shareholders of the Company informed Management that they will indicate the following ticket, for election of the members of the Board of Directors:

- Benjamin Steinbruch, administrator, enrolled with CPF/ MF under nº 618.266.778-87;
- Yoshiaki Nakano, administrator, enrolled with CPF/ MF under nº 049.414.548-04;
- Antonio Bernardo Vieira Maia, administrator, enrolled with CPF/ MF under nº 510.578.677-72; and
- Miguel Ethel Sobrinho, engineer, enter in the CPF / MF under number 332.816.028-00.

In addition, of the above candidates, under the terms of paragraph 2 of art. 14 of the Bylaws, a vacancy shall be reserved for the employee representative to serve on the Board of Directors.

If there is a request for adoption of the multiple voting process, each common share will be allocated as many votes as there are positions to be filled in the Company's Board of Directors, allowing the shareholder the right to accumulate votes in a single candidate or to distribute them among several candidates.

It should be noted that the request for adoption of the multiple vote must be made by shareholders representing at least 5% of the voting capital of the Company, by means of a written notice delivered to the Company within 48 (forty eight) hours before the AGM or through the Distance Voting Form. Once the request is received, the Company will disclose a Notice to Shareholders.

Law 6,404/ 76 also guarantees the right for shareholders to elect one (1) member of the Board of Directors in a separate vote, without the participation of the controlling shareholder, provided that they hold, individually or jointly, 10% (ten per cent) of the voting capital stock, observing the provisions of article 141, paragraph 6 of Law 6,404/ 76.

Accordingly, a shareholder who wishes to request a separate election, as well as to elect a separate member of the Board of Directors, shall, pursuant to article 141, paragraph 6 of Law 6404/76:

i. in case of attendance at the Meeting, present to the Company, together with other documents required for its accreditation, proof issued by the competent entity of the uninterrupted ownership of the shares, for a period of at least three (3) months, minimum, immediately preceding the AGM; or
ii. in case of participation by means of the remote voting form, send to the Company, at the electronic address invrel@csn.com.br, proof of the uninterrupted ownership of the shares, issued by the competent entity, during the period of 3 (three) months, at least, immediately prior to the AGM, and such confirmation shall only be considered valid if received in the above e-mail by 6:00 PM (Brasilia time) on April 25, 2019.

Without the evidence mentioned above, the shares will not be computed for the purpose of requesting separate election of a member of the Board of Directors.

As provided in item 10 of the Distance Voting Form, a shareholder may only exercise the right of separate election if he/she has not opted for majority voting or the multiple voting system. Therefore, votes cast via the Distance Voting Form will not be considered if shareholders have requested the adoption of multiple vote process and separate election in the same ballot.

We clarify that, under the terms of art. 10 of CVM Instruction 481/09, the information regarding the candidates for the positions of members of the Board of Directors of the Company indicated above, as well as the employee's representative, are detailed in Annex IV of this proposal.

Finally, management informs that the Shareholders' participation in the AGM may be personal, by a duly constituted proxy or by sending a Distance Voting Form, pursuant to ICVM 481/09, as amended and in accordance with the instructions contained therein in the Manual for Participation in the General Meeting.

São Paulo, March 26, 2019.

The Management

Companhia Siderúrgica Nacional

Attachment I – Comments from Management

(pursuant to item 10 of Attachment 24 of 480/09)

Base Date: December 31, 2018

10. COMMENTS FROM MANAGEMENT

10.1 – The comments below refer to the consolidated financial statements of the Company for the year ended on December 31, 2018, December 31, 2017 and December 31, 2016.

a) overall financial and equity conditions

CSN is a diversified industrial group that operates through business units that integrate and complement each other, creating synergies and vertical and horizontal integration in its industrial chains. CSN's main activities are the exploration and sale of iron ore, the production of flat and long steel, the manufacture of cement, among other products, integrated through logistics assets such as railways, ports and energy assets. The high quality of its assets and goods, combined with strong cost management and integration of productive units in Brazil and abroad, allow the generation of a higher value than the industry competitors and reduce the volatility of its results.

The information in this item should be read and analyzed together with our consolidated financial statements available on our website (www.csn.com.br) and on the website of the Brazilian Securities and Exchange Commission (www.cvm.gov.br).

On December 31, 2018, the Company presented a current liquidity ratio of 1.05, compared to 1.11 on December 31, 2017 and 2.26 on December 31, 2016. The 6% decrease in the liquidity ratio variation on December 31, 2018, compared to a fall of 51% in 2017 YoY, was due to the debt rollover renegotiations with Banco do Brasil and Caixa Econômica Federal, which shifted maturities from 2018 - 2023 to 2024, thus increasing our long-term debt profile, as shown in Explanitory Note 12 - Loans and Financing. The 51% decrese in December 31, 2017 was due to cash reduction for the payment of debt service, and the increase of short-term debt, which was partially renegotiated with Banco do Brasil and Caixa Econômica Federal, as described in Explanitory Note 32 – subsequent events.

On December 31, 2018, the Company's net debt totaled R$25.7 billion, versus R$25.4 billion on December 31, 2017, which represented an increase of 1%, mainly due to reduction in cash to amortize principal and interest, in the amount of R$7.2 billion, and an increase in debt by R$6.5 billion as a result of funding in the amount of R$2.2 billion and R$4.3 billion related to provisions for charges and foreign exchange variations, as detailed in Explanitory Note 12 - Loans and Financing. On December 31, 2016, net debt totaled R$248 billion.

The following table reflects the Company's financial condition in the last three years:

*Nota: The amount of loans and financing in the table above includes transaction costs, pursuant to the table in item 10.1 (f).

b) capital structure and possibility of redemption of shares or stocks

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 capital structure of the Company in the last three years, with funding from equity and third-party capital:

c) payment capacity regarding the financial commitments undertaken

The Company currently has a liquidity position that allows it to honor its short-term commitments. The Company's 2019 plan focuses on reducing disbursements, extending its debt amortization schedule and preserving cash.

The following charts show the cash and cash equivalents against maturities of loans and financing on December 31, 2018, December 31, 2017 and December 31, 2016.

*Amounts referring to loans and financing include transaction costs.

d) funding sources used for the working capital and for investments in non-current assets
The funding sources used by the Company for working capital and for investment in non-current assets were trade finance lines, development bank lines, debt securities issued in foreign markets (bonds), debentures, and bank credit notes (CCB), sale of receivables, transfer of supplier credit, as well as own resources. These financing sources in the domestic and foreign markets are described in item 10.1(f). In 2018, we issued a Bond with maturity in 2023 and proceeds were used to repurchase Bonds maturing in 2019 and 2020. In addition, advances were made on the Exchange Contract (ACC) to guarantee the Company's short-term liquidity and vehicle financing through CDC (Direct Consumer Credit).

e) funding sources for working capital and investments in non-current assets that the Company intends to use to cover the liquidity shortfalls
The Executive Board believes that if it becomes necessary to cover any liquidity shortfalls, the Company may contract special credit lines, financing with banks and negotiate with its suppliers.

Also has as its main purpose reducing the Company's financial leverage, therefore the Management is committed to a plan to sell a set of assets. The Company considers several sales scenarios that vary according to different macroeconomic and operational assumptions.

f) levels of indebtedness and characteristics of debts, also describing:

(i) Significant loan and financing agreements

Significant loan and financing agreements on December 31, 2018

Amounts in R$ thousand

(1) In November 2018, the Company concluded the Prepayment negotiation of the US $ 250 million debt rollover with Banco Santander, shifting maturities from 2019 to 2022.

(2) In February 2018, the Company issued debt securities in the foreign market ("Notes"), through its subsidiary CSN Resources S.A., in the amount of US$350 million, maturing in 2023 with interest of 7.625% per year. In parallel, a tender offer ("Tender Offer") of the Notes was issued by CSN Islands XI Corp. and CSN Resources S.A., subsidiaries of the Company, in which US$350 million in bonds were repurchased which had maturities for 2019 and 2020. The Notes are unconditionally and irrevocably guaranteed by the Company.

(3) In February 2018, the Company concluded the debt negotiation in the amount of R$4.9 billion with Banco do Brasil S.A. ("BB"), related to its own issues of Export Credit Notes plus the issues made by its subsidiary CSN Mineração, shifting maturities from 2018-2022 to December 2024, with a portion of Usiminas shares, owned by the Company, as guarantee.

The table below illustrates the average interest rates:

The table below illustrates the average interest rates:

(*) To determine the average interest rates of floating rate debt contracts, the Company considered rates as of December 31, 2018.

Maturities of loans, financing and debentures presented in non-current liabilities

On December 31, 2018, the principal updated of interest and monetary restatement of long-term loans, financing and debentures has the following structure of maturity per year:

Funding of loans and amortizations, financing and debentures

The table below shows the amortizations and funding during the fiscal year:

1. Includes unrealized exchange and monetary variations.

In 2018, the CSN Group contracted and amortized loans, as shown below:

- Funding and Amortizations

- Covenants

The Company's debt agreements include the compliance with certain non-financial obligations, such as the maintenance of certain performance parameters and indicators, the disclosure of its audited financial statements according to regulatory terms and the payment of commission for the assumption of risk if the net debt indicator over EBITDA reaches the levels established in the said agreements. The Company is in compliance with the financial and non-financial obligations (covenants) of its current contracts, not considered eventual non-compliances already remedied or that have not generated the debt acceleration or any type of accounting provision.

On December 31, 2018, the Company had provisioned R$38,134 thousand in the Consolidated (R$30,843 thousand on December 31, 2017) and R$14,031 thousand in the Parent Company (R$13,413 thousand on December 31, 2017) as commission for the assumption of risks.

b) Significant loan and financing agreements on December 31, 2017 e 2016

Amounts in R$ thousand

On December 31, 2017, the principal updated of interest and monetary restatement of long-term loans, financing and debentures had the following structure of maturity per year:

Amounts in R$ thousand

(*)In February 2018, the Company completed the debt rollover with Banco do Brasil, as well as the issuance of debt securities and debt repurchase of US$350 million (Tender Offer).

- **Funding of loans and amortizations, financing and debentures**

The table below shows the amortizations and funding during the fiscal year:

Amounts in R$ thousand

1. Including interest, exchange rate variations and unrealized monetary variations.

In 2017, the CSN Group contracted and amortized loans, as shown below:

- **Funding**

(*) The operation was amortized on February 2, 2018.

- **Covenants**

The Company's debt agreements include the compliance with certain non-financial obligations, such as the maintenance of certain performance parameters and indicators, the disclosure of its audited financial statements according to regulatory terms and the payment of commission for the assumption of risk if the net debt indicator over EBITDA reaches the levels established in the said agreements under penalty of early maturity. The Company is in compliance with the financial and non-financial obligations (covenants) of its current contracts.

On December 31, 2017 the Company had provisioned R$30,843 thousand in the Consolidated and R$13,413 thousand in the Parent Company as commission for assumption of risks.

Debebenture

- **Seventh issue**

In March 2014, the Company issued 40,000 debentures in a single series, all unsecured and non-convertible, for a unit par value of R$10 thousand, totaling R$400,000 million, with interest of 111.20% per year of the CDI with final maturity in March 2021 and option of early redemption.

- **Eighth issue**

In January 2015, the Company issued 10,000 debentures in a single series, all unsecured and non-convertible, for a unit par value of R$10 thousand, totaling R$100 million, with interest of 113.70% per year of the CDI with final maturity in January 2022 and option of early redemption.

- **Ninth issue**

In June 2015, the Company issued 10,000 debentures in a single series, all unsecured and nonconvertible, for a unit par value of R$10 thousand, totaling R$100 million, with interest of 113.70% per year of the CDI with final maturity in March 2022 and option of early redemption.

Sureties

The sureties granted within the Company's loan and financing agreements include property, plant and equipment, endorsements and guarantees, and do not include sureties granted to subsidiaries and jointly controlled companies.

(ii) other long-term relationships with financial institutions;

Not applicable.

(***iii) degree of subordination between debts;***

The labor and tax obligations, as well as the financial debts that have collateral, have the preferences and prerogatives provided for by law in the event of an insolvency of the Company's creditors.

Considering all of the Company's current and non-current liabilities, on December 31, 2018, the amount of R$26,295,084 thousand, or 70.47%, corresponded to unsecured obligations versus R$36,891 thousand, or 99.92% on December 31, 2017 and R$30,409 thousand, or 99.90% on December 31, 2016. The unsecured obligations include: (i) debts with no collateral; and (ii) debts with fiduciary guarantee.

The unsecured obligations are subject (observing the preference provided for by law to labor and tax obligations, in case of possible creditors' insolvency) to the preference of the Company's debts with collateral, which, on December 31, 2018 totaled R$11,019 thousand, or 29.53%, of the sum of the Company's current and non-current liabilities, compared to the amount of R$30,308 thousand, or 0.08% of the sum recorded on December 31, 2017 and R$31,377 thousand, or 0.10%, of the sum recorded on December 31, 2016.

The loans and financings made between subsidiaries of the Company's economic conglomerate (except those destined to the transfer of funds arising from the issuance of foreign debt issued by subsidiaries) are subordinated to the payment priority of debt with Banco do Brasil.

(iv) any restrictions imposed on the Company, in particular concerning debt limits and contracting new debt, distribution of dividends, disposal of assets, issuance of new securities and the sale of corporate control.

The Company's loans and financing have certain restrictive contractual clauses, which are usual in financial agreements in general and in transactions of the same type, being exemplified below:

The financing contracted with BNDES is subject to the "Provisions Applicable to BNDES Agreements". Pursuant to the said Provisions, borrowers, such as the Company, may not, without the prior consent of the BNDES: (i) contract new debts (except those provided for in the said Provisions, including loans to cover the regular management of the Company); (ii) grant preference to other credits; (iii) amortize shares; (iv) issue debentures or beneficiary parties; (vi) sell or encumber assets of its permanent assets (except in the cases provided for in the said Provisions); and (vii) change its effective, direct or indirect control.

The financing contracted with FINEP (Financer of Studies and Projects) and certain agreements for the issue of insurance-guarantees provides that, among other provisions, any change in the control of the Company without the prior consent of FINEP or the insurer may lead to the early maturity of the financing or insurance-guarantee, as the case may be.

Under the terms of the agreements governing the 5th, 7th, 8th and 9th issues of Debentures of the Company, among other provisions, the Company may not be merged, incorporated or split, unless the transaction has previously been approved by debenture holders holding at least 75% of the outstanding debentures (excluding intra-group transactions, with express provision in the debentures deed), or if the holders are assured the redemption of the debentures, for their nominal value plus a compensation, at least 6 months after the disclosure of the minutes of the shareholders' meeting resolving on the transaction.

Certain bonds issued by subsidiaries of the Company abroad (“Notes”) provide that, among other provisions, the Company, as guarantor, may not: (i) merge, be incorporated or sell all or a substantial part of its assets to third parties, except if the Company is the entity resulting from this corporate reorganization or if this entity is a company based in Brazil, in any country of the European Union or in the United States, that undertakes the guarantor obligations; (ii) encumber its assets, except as permitted in the issuance documents; and (iii) contract new debts, except as permitted in the issuance documents.

Certain financing held by the Company contain restrictions on the Company in relation to: (i) the distribution of extraordinary dividends arising from the sale of the control of operating assets that it entails in the assumptions provided in the financing documents; (ii) not to split and/or sell assets of the Company to third parties (not belonging to the economic group of the Company) either through a single operation or through a series of interrelated operations in the same fiscal year, with net revenue or operating income (EBIT) representing more than 10% of the net revenues and consolidated operating income of the Company's group, as ascertained in the financial statements of the fiscal year in which the said transaction was carried out, without prior and express authorization by the financier; (iii) changes in its control status, except if the indirect control of the Company is maintained by any "permitted shareholder" as defined in the transaction documents; (iv) its debt level (Net Debt/EBITDA), according to the terms of the financing documents; and (v) the sale of control of CSN Mineração S.A.

g) limits of use of the financing already contracted and percentage already used.

In 2016, Finep granted financing to partially cover expenses incurred in the preparation and execution of the strategic innovation plan. The financing was made available through 4 installments that followed a disbursement schedule. During 2016, 13% of one installment of the project was paid in advance in February, 2019. The others installments are expected to occur in 2019.

h) significant changes in each item of the financial statement

Comparison of the main accounts of the consolidated income of December 31, 2018, December 31, 2017 and December 31, 2016, prepared in accordance with IFRS and CPC.

Income Statement for the Company’s fiscal year (consolidated) - R$ thousand:

Comparison of Results for the fiscal years ended on December 31, 2018 and December 31, 2017:

Net Revenue from Sales and/or Services

In the fiscal year ended on December 31, 2018, net revenue reached R$22,968 million, 24% higher than the amounts recorded in 2017. This increase was a result of the improvement in the steel sales volume, mining sales and better average prices for iron ore due to the Platts appreciation.

Cost of goods and services sold

In the fiscal year ended on December 31, 2018, the consolidated cost of goods sold (“COGS”) reached R$16,106 million, up by 18% when compared to the amounts in 2017. This result is justified by the increase in raw material prices, the impact from the appreciation of the US dollar against the real in the period (+18.5%) and the increase in volumes.

Gross Income (Loss)

In the fiscal year ended on December 31, 2018, gross profit totaled R$6,863 million, up by 39% over 2017, due to the reasons described above.

Other Revenues (Expenses), net

In the fiscal year ended on December 31, 2018, the account of “Other Operating Revenues and Expenses” totaled a positive amount of R$2,705 million. The positive effect was due to the sale of the Heartland Steel Processing LLC subsidiary to Steel Dynamics (SDI) for R$1.164 million, increase in value of shares classified as fair value in the profit and loss account (resulting in an approximate gain of R$1,655 million) and R$1,102 million in the recognition of the non-inclusion of ICMS tax in the previous years, generating recoverable taxes.

As for Operating Expenses, we highlight an increase by R$104 million in reference to the contractual amendment with the parent company MRS, related to the revision of the "Annual Transportation Plan", R$278 million as a result of a cash flow hedge, loss of inventories in the amount of R$ 134 million, expenses with environmental liabilities by nearly R$53 million, and R$23 million in provisions for industrial restructuring.

Equity Income

Equity Income in 2018 was R$136 million, an increase by R$109 million of the amounts recorded in 2017. This was mainly due to the improved results at MRS Logística S.A. (“MRS”).

Net Financial Income

In the fiscal year ended on December 31, 2018 the Company's net financial result was negative by R$1,496 million and R$ 2,464 million in 2017.

The elements that influenced results in 2018 were mainly caused by the monetary restatement referring to the recognition of the exclusion of ICMS in the calculation basis of PIS and COFINS of previous years, in the amount of R$1.106 million. Financial expenses fell sharply in the period, due to the fall in SELIC, generating a reduction of approximately R$470 million.

Income Tax and Social Contribution - Current and Deferred

In 2018, the reduction of income tax and social contribution expenses in the period is mainly due to the increase in deferred income tax and social contribution (IR/CS) due to the reversal of tax credits loss recorded in prior years, in the amount of R$97 million.

Consolidated Net Profit (Loss)

In view of the foregoing presented in the above items, in the fiscal year ended on December 31, 218, CSN recorded a consolidated net income of R$5,201 million. In 2017, the Company's recorded consolidated net income was R$111 million.

Comparison with Results for the fiscal years ended on December 31, 2017 and December 31, 2016:

Net Revenue from Sales and/or Services

In the fiscal year ended on December 31, 2017, net revenue reached R$18,524 million, up by 8% than the results recorded in 2016, price adjustments for steel products (average steel prices increased by 12% in 2017 compared to the previous year), while in the mining segment, there was a reduction in iron ore volume, offset by better prices.

Cost of goods and services sold

In the fiscal year ended on December 31, 2017, the consolidated cost of goods sold ("COGS") totaled R$13,596 million, 7.6% higher than 2016, accompanying the lower sale volume in the mining segment and higher raw material prices in the steel segment.

Gross Income

In the fiscal year ended on December 31, 2017, gross income reached R$4,928 million, up by 9.3% over the results achieved in 2016, due to the reasons described above.

Other Revenues (Expenses), net

In 2017, the account of "Other Operating Revenues and Expenses" came in positive by R$177 million, mainly due to the positive effect of the monetary restatement of the Eletrobrás loan and in 2016, the negative amount of R$413 million was due to the impairment of the fair value of Transnordestina Logística S.A.

Equity Income

Equity Income in 2017 was R$109 million, a R$65 million increase over 2016. This result is mainly due to the better results at MRS Logística S.A. ("MRS") and a strong reduction in the losses that reflect in the equity income results of TLSA.

Net Financial Income

In 2017, the Company's net financial result was a negative by R$2,464 million, compared to a negative net financial result of R$2,522 million in 2016, basically due to:

• Reduction by R$541 million in financial expenses, going from R$3,283 million in 2016 to R$2,742 million in 2017, due to the CDI fluctuation on outstanding loans and financing.

• Reduction by R$349 million in financial revenues, from R$644 million in 2016 to R$295 million in 2017, due to the fluctuation of the CDI on financial investments, reduction of cash and re-purchase of securities that in 2016.

• R$133 million variation in expenses with monetary restatements, which went from a revenue of R$117 million in 2016, to an expense of R$16 million in 2017, mainly due to the US dollar. In 2016, Future Operations in US dollars were settled.

Income Tax and Social Contribution - Current and Deferred

The increase in income tax and social contribution expenses in the period is due to pre-tax income that resulted in an income tax expense of R$177 million and adjustments to reflect the effective tax rate. Further details are available on Note 16 to the Consolidated Financial Statements.

Consolidated Net Profit (Loss)

Due to the explanations in the above item, in 2017 CSN recorded a consolidated net profit of R$111 million. In 2016, the Company had registered a consolidated net loss of R$853 million.

Balance Sheet of the Company (consolidated) - R$ thousands:

Comparison of the main accounts of the consolidated income of December 31, 2018, December 31, 2017 and December 31, 2016, prepared in accordance with IFRS and CPC:

Comparison between the balance sheets of December 31, 2018 and December 31, 2017:

Cash and Cash Equivalents: comprised mainly by financial investments in public securities, private securities and overseas investments in Time Deposit in first-tier banks. The balance of cash and cash equivalents as of December 31, 2018 was R$ 2,248 million, 34% lower than the R$3,411 million recorded on December 31, 2017. This reduction is mainly due to the use of time deposit and private securities of overseas subsidiaries to meet the Company's cash requirements.

Financial Investments: On December 31, 2018, the balance of R$ 896 million included: (i) government securities (LFT – Treasury Bonds) managed by exclusive funds and traded at B3 S.A. – Brasil, Bolsa, Balcão, with Selic income and immediate liquidity; and (ii) financial investment connected to the Bank Deposit Certificate (CDB) to guarantee a surety letter, with CDI income, immediate liquidity and also traded at B3 S.A. – Brasil, Bolsa, Balcão.

Accounts Receivable: Reduced by approximately R$120 million, in which we highlight the reduction of the average term of receivables by 8 days. (4Q17: 34 days to 4Q18: 26 days).

Inventories: Inventories increased by approximately R $ 575 million, in which we highlight the purchase of raw materials in general, mostly plates and reducers. There was also an increase in the inventory turnover in 7 days (4Q17: 95 days for 4Q18: 102 days).

Other Current Assets: The increase refers mainly to PIS/COFINS credits. On September 20, 2018, the Special Appeal filed in 2006, in which CSN and Federal Union were parties, in relation to discussions on the non-inclusion of ICMS in the calculation base for PIS and COFINS, confirmed CSN the right to compensate for the amounts unduly paid under these taxes from 2001 to 2013. Accordingly, the Company recognized, in 2018, an amount of R$794 million in current assets.

Non-current Assets

Other Non-current Assets: In the second half of 2018, a credit was recognized for the non-inclusion of ICMS in the PIS and COFINS calculation. With the final legal decision given on September 20, 2018, CSN received the right to compensate amounts unduly collected under these taxes. The amount of R$1,415 million was recognized as non-current assets.

Permanent Assets: On December 31, 2018, the balance of the property, plant and equipment account reached R$18,047 million, up by 0.5% versus 2017. This variation is mainly due to the acquisitions made in the period in the approximate amount of R$1,328 million (R$1,159 million in acquisitions for projects in progress), partially offset by the depreciation of R$1,206 million during the period.

Investments: On December 31, 2018, investments totaled R$5,631 million, being 2.4% higher than the R$5,500 million recorded in 2017, due to improved results at MRS Logística S.A. (“MRS”).

Liabilities

Loans and Financing – Short-term and Long-term: The Company's consolidated gross debt totaled R$28,827 million as of December 31, 2018, in which we highlight:

- In November 2018, the Company concluded the Prepayment negotiation of the US$250 million debt rollover with Banco Santander, shifting maturities from 2019 to 2022.

- In February 2018, the Company issued debt securities in the foreign market ("Notes"), through its subsidiary CSN Resources S.A., in the amount of US$350 million, maturing in 2023 with interest of 7.625% per year. In parallel, a tender offer ("Tender Offer") of the Notes was issued by CSN Islands XI Corp. and CSN Resources S.A., subsidiaries of the Company, in which US$350 million in bonds were repurchased which had maturities for 2019 and 2020. The Notes are unconditionally and irrevocably guaranteed by the Company.

- In February 2018, the Company concluded the debt negotiation in the amount of R$4.9 billion with Banco do Brasil S.A. ("BB"), related to its own issues of Export Credit Notes plus the issues made by its subsidiary CSN Mineração, shifting maturities from 2018-2022 to December 2024, with a portion of Usiminas shares, owned by the Company, as guarantee.

- In August 2018, the Company concluded the negotiation of the debt rollover, in the amount of R$6.8 billion with Caixa Econômica Federal, referring to the Bank Credit Notes, shifting maturities from 2018-2023 to 2024, with a portion of Usiminas shares, owned by the Company, as guarantee.

Suppliers: Increase by 40% in 2018 (R$2,506 million in 2017 versus R$3,474 million in 2018). The Company negotiation its payment terms with suppliers, resulting in the lengthening of the average term by 16 days (4Q17: 62 days to 4Q18: 78 days).

Differed Taxes: On December 31, 2018, the account of deferred tax liability totaled R$602 million, in which we highlight:

- R$253 million related to unrecorded deferred income tax and social contribution;

• R$3,087 million of estimated losses with deferred income tax and social contribution credits;

• R$1,031 million of deferred income tax and social contribution arising from the combination of the mining and related logistics businesses of CSN and Namisa in 2015;

• Partially offset by (i) R$1,011 million related to the taxation of exchange rate variations under the cash basis regime to ascertain the income tax and social contribution on net profit; (ii) R$1,326 million of tax losses and negative basis; (iii) R$363 million from losses with financial assets available-for-sale; (iv) R$276 million referring to the actuarial calculations of the pension and health plans (v) Hedge accounting cash flow recorded in equity: R$ 490 million.

Pension and Health Plan: Balance of R$905 million on December 31, 2018 (R$909 million on December 31, 2017) consists mainly of post-employment health benefits, whose actuarial liability is approximately R$897 million.

Comparison between the balance sheets of December 31, 2017 and e December 31, 2016:

Cash and Cash Equivalents: comprised mainly by financial investments in public securities, private securities and overseas investments in Time Deposit in first-tier banks. The balance of cash and cash equivalents on December 31, 2017 was R$3,412 million, 30% less than the R$4,871 million recorded on December 31, 2016. This reduction is mainly due to (i) to the use of Time Deposits and private securities resources from overseas subsidiaries to meet the Company's cash requirements; and (ii) lower CDI rate on investments in local currency

Financial Investments: On December 31, 2017, the balance of R$736 million included: (i) government securities (LFT – Treasury Bonds) managed by exclusive funds and traded at B3 S.A. – Brasil, Bolsa, Balcão, with Selic income and immediate liquidity; and (ii) financial investment connected to the Bank Deposit Certificate (CDB) to guarantee a surety letter, with CDI income, immediate liquidity and also traded at B3 S.A. – Brasil, Bolsa, Balcão.

Inventories: The variation in the period basically refers to "products in preparation", due to the increase in the production of slabs: 3,016 thousand tons in 2016 to 4,216 thousand tons in 2017, up by 40% in the period.

Other Current Assets: Increased by 16.6% (from R$852 million on December 31, 2016 to R$994 million on December 31, 2017), and mainly explained by recoverable PIS/COFINS and ICMS and income tax and social contribution to be compensated.

Non-current Assets

Deferred Taxes: Deferred income and social contribution taxes held in non-current assets refer exclusively to tax losses and negative basis of social contributions and was limited to 30% of deferred income tax and social contribution recognized in liabilities.

Other Non-current Assets: The increase by 50.9% (from R$1,676 million on December 31, 2016 to R$2,528 million on December 31, 2017) is mainly explained by the monetary restatement of the Eletrobrás loan in the amount of R$755 million. Further details are available in note 23 of the Consolidated Financial Statements.

Investments: On December 31, 2017, investments totaled R$5,500 million, 20.4% higher than the R$4,568 million amount recorded on December 31, 2016. The variation in investment during the period is mainly due to the mark-to-market of investments classified as available-for-sale, currency conversions of overseas investments whose functional currency is not the Real, actuarial gain/loss and gain/loss on hedge instruments for investments recorded by the equity method.

Permanent Assets: On December 31, 2017, property, plant and equipment reached R$17,965 million, down by 1% versus 2016. This variation is mainly due to acquisitions made in the period in the amount of R$1,063 million (R$ 952 million refers to acquisitions for projects in progress), partially offset by the depreciation in the period, in the amount of R$1,380 million.

Intangible Assets: On December 31, 2017, intangible assets totaled R$7.272 million, down by R$14 million versus 2016. The balance is basically comprised by goodwill and fair value of intangible assets in the mining and logistics business combination between CSN and Namisa in 2015.

Liabilities

Loans and Financing: The Company's gross debt totaled R$29,511 million on December 31, 2017, down by 3% versus the amount of R$30,441 million recorded on December 31, 2016, mainly due to (i) amortization of interest on fixed rate notes; (ii) amortization of key prepayment and interest contracts; (iii) amortization of interest on CCB contracts (iv) appreciation of real freight to the US dollar during the period and (v) amortization of principal and interest on debenture contracts.

It is also worth noting that in February 2018, the Company completed a debt roll-out with Banco do Brasil, as well as the issuance of debt securities and repurchase of US$350 million (Tender Offer). See note 32 of the Consolidated Financial Statements.

Suppliers: Increased by 40% (R$2,461 million in 2017 versus R$1,763 million in 2016). During 2017, the Company renegotiated its payment terms with suppliers, which resulted in the lengthening of the average term by 11 days (4Q16: 51 days to 4Q17: 62 days).

Differed Taxes: On December 31, 2017, the deferred taxes totaled R$1,174 million, which mainly comprises:

• R$1,894 million related to unrecorded deferred income tax and social contribution;

• R$3,054 million of estimated losses with deferred income tax and social contribution credits;

• R$1,041 million of deferred income tax and social contribution arising from the combination of the mining and related logistics businesses of CSN and Namisa in 2015;

• Partially offset by (i) R$ 1.511 million related to the taxation of exchange rate variations under the cash basis regime to ascertain the income tax and social contribution on net profit; (ii) R$1,022 million from losses with financial assets available-for-sale; and (iii) R$ 1.544 million of tax losses and negative basis.

Pension and Health Plan: The balance of R$909 million on December 31, 2017 (R$719 million on December 31, 2016). The increase by R$189 million refers basically to the post-employment health benefit, mainly impacted by the reduction of the real discount rate and the increase in the average medical cost (claim cost).

Net Equity: The Company's shareholders' equity on December 31, 2017 totaled R$8,288 million, up by R$904 million versus the shareholders' equity in 2016, mainly due to the appreciation of common shares (USIM3) and preferred shares (USIM5) issued by Usiminas, which recorded a gain of R$847 million as other comprehensive income.

Cash Flow of the Company

The table below shows the comparative table of the Company's cash flows on December 31, 2018, December 31, 2017 and December 31, 2016, in R$ thousand:

Comparison between cash flows in 2018 and 2017:

The Company's free cash flow in 2018 was negative by R$1,164 million, compared to a negative cash flow of R$1,460 million in 2017.

Operating Activities

Operating cash generation was R$2,208 million and R$572 million in 2018 and 2017, respectively. The variation by R$1.636 million in cash from operating activities is mainly due to the following factors:

- In 2018, there was an improvement in the Company's results, with consolidated net income of R$5,201 million, compared to consolidated net income of R$111 million in 2017. The increase of R$5,090 million derives from the following main factors:

o The recognition in 2018 of tax credits of PIS and COFINS of R$2,208 million, due to the non-inclusion of ICMS in the basis of calculation of contributions. The amounts paid over from 2001 to 2013 will be offset against future payments;

o Net gains of R$1,164 million arising from the sale of the subsidiary CSN LLC in 2018.

o Gains arising from Usiminas' shares, measured at fair value in the amount of R$1,656 million.

Investment Activities

The cash flow used in investing activities was R$98 million in 2018 and R$1,049 million in 2017. The reduction by R$951 million was mainly due to the net gain of R$1,670 million from the sale of the subsidiary CSN LLC in 2018, mainly offset by an investment of R$1,236 million compared with R$1,059 million in 2017, an increase of R$477 million and R$ 168 million redemption of financial investments in 2018

Financing Activities