NATIONAL STEEL CO
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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, 2004

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)

Rua Lauro Muller, 116 - sala 3702
Rio de Janeiro, RJ
Federative Republic of Brazil
(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 REPORT FOR 2003

MESSAGE FROM CEO and Chairman

INTEGRATION, GROWTH AND FUTURE

It is with great pleasure and optimism that we present the excellent results of CSN for 2003, which fully rewards the efforts undertaken by our entire staff of 8,500 employees in creating value for the shareholders.

Despite the uncertainties that we have often faced due to the volatile economic scenario both in Brazil and abroad, CSN has succeeded in imparting a purposeful, vigorous, and innovative management to its business, which has led us to reach the results portrayed in this balance sheet.

We have also moved forward in improving the Company s management model a first step towards achieving progressively greater integration, process development and an increase in synergies.

Thanks to the professionalism and commitment shown by CSN staff, the Company recorded considerable achievements in 2003. CSN Paraná introduced two innovative products in the market - Galvalume and Pre-painted steel - that attend a promising market niche due to their high quality and ample applications. We are stronger at the distribution segment with the support of solid partnerships and of our INAL subsidiary, which is today the largest Brazilian distributor of flat steel products, with countrywide service and distribution centers. Once more, we have beaten crude steel production records, a result of the technical and technological efficiency that affords state of the art quality and the lowest production cost in the world to CSN.

Overseas, the conclusion of the acquisition of CSN LLC (USA) and of 50% of Lusosider (Portugal) strengthen our position as a global Company and represent confident steps in the Company s internationalization process.

Regarding our environmental responsibility, we have consolidated our conquests in 2003, particularly following our ISO-14001 certification of the Presidente Vargas Mill and of the Casa de Pedra iron ore mine. Investments totaling US$ 100 million in environmental protection equipment and technology were made, with measurable results comparable to top international standards.

Our social responsibility projects, conducted by CSN Foundation, consolidate and amplify our presence within the communities where we operate. These relevant projects seek to provide full citizenship development to youngsters between 8 and 16 years old, besides sponsoring cultural and sustainable development projects in those communities.

For all these reasons, the performance of our shares in the stock exchanges, both in Brazil and overseas, were also outstanding in 2003 and the outlook for 2004 is even better.

We begin 2004 with renewed confidence. The agility built into the Company s processes make us confident in even better results than last year s. We have structured our actions to capture the most of this positive momentum in the steel industry worldwide, and, therefore, to ensure a successful outcome from our investments.

Our great challenge from 2004 on will be to transform the mining activity into a real business. The massive projected investments in the Casa de Pedra iron ore mine will represent an increase in production capacity to 40 million tons per year. With growing demand for ore, the production in excess of our own needs tends to have exponentially increased demand. And we are getting ready to respond accordingly.

Our confidence in CSN s present and future is very well based. We have always believed in the entrepreneurship of the national capital and in the Brazilian enormous competitive potential to face global markets in several industries. The result presented in 2003 increases and strengthens this belief. Moreover, it makes us predict that in our segments, the Brazilian company may shortly become unbeatable in global markets.

Benjamin Steinbruch

THE COMPANY

Companhia Siderúrgica Nacional (CSN) is one of the main integrated steel mill complexes in Brazil and Latin America. We have activities in all business which are related, complementary and urge the steel, the Company s main business. Our activities come from iron ore, limestone, and dolomite mining - steel production raw materials and excellent commercial opportunities - to the distribution, passing through a state of the art mill, including metallurgy and rolling, having today the most complete flat steel portfolio of the continent. We could not be present to other vital segments to our business: in the distribution segment we have INAL, a distribution company that maintains service and distribution centers all over the country; we also operate the coal and container terminal concessions at the Sepetiba Port, in the state of Rio de Janeiro, both with huge capacity. Moreover we have participation in two relevant railways in the transportation of our raw materials and products. Our hidroeletrical participations at Itá and Igarapava, allied to the Thermoeletrical Plant at Presidente Vargas Mill inaugurated in 1999, guarantee our industrial units self-sufficiency in energy.

Our activities go beyond this: we are also present at the two-piece steel can segment, through Metalic, the only Brazilian company producing this product, for which the Brazilian market is just beginning. This integrated and perfectly aligned strategy to our core business has placed CSN in a leading position in the Brazilian steel industry. Besides being one of the most competitive flat steel producers in the world, we have the lowest production cost in the industry and we continue to develop programs towards the increase of our productivity and to promote logistics and infrastructure improvement in services and assets.

We currently have a production capacity of 5.8 million tons per annum of crude steel and our strategy is directed to generate solutions for our customers, by means of an ample portfolio of high value-added products; cold and hot-rolled products, tin plate, Galvalume, and galvanized steel. With market support concentrated in specific consumer areas through our Marketing Units, we seek to match our products, with excellence, to customers needs.

We continue to look for international growth opportunities, and accordingly we have recently concluded a 50% acquisition of Lusosider Projectos Siderúrgicos S.A. (Lusosider), a steel mill located in Portugal, and also of CSN LLC, a galvanizing facility in the United States.

CSN s origin is closely connected to the advent of manufacturing activity in Brazil. Having been founded in 1941, it began operations with the inauguration of the Presidente Vargas Mill in 1946; several large-scale expansion projects were implemented in the 1970 s and 1980 s, and privatization took place in 1993. As of that occasion a new investment cycle was put into effect with a view to modernizing productive processes and the organizational structure.

Currently, our structure comprises a Board of Executives Officers with a Chief Executive Officer and five Executive Officers Operations, Commercial, Infra-Structure and Energy, Administration&Participations and Investments&Investor Relations that report to a Board of Directors comprised by seven members, four of these independents.

BUSINESS ENVIRONMENT

A virtuous cycle began to appear in Brazil in 2003 with the stabilization of economic policy implemented by the new Brazilian government. Government reiterated its commitments with fiscal and macro-economic austerity as expounded during the electoral campaign, restoring investor confidence that the country would remain on course for the following years.

This stabilization of domestic economic policy and the improved international economic scenario contributed in restoring the Real s balance. We have kept our debt totally protected from possible foreign exchange fluctuations during the year; Moreover, we have been successful in extending maturities to longer terms and at lower funding costs. We have also succeeded in increasing exports during the course of the year, thus consolidating our position in the foreign market when the domestic market was depressed. This year we expect to strengthen our presence in the domestic market, in which higher value-added products will be welcome in the new impending domestic growth cycle.

As regards the steel industry, as long as the macro-economic factors remain in this virtuous circle, Europe and United States should increase demand for steel at the same time that they rationalize supply by shutting down non-competitive capacity. Another positive factor for the international market was the announcement in late 2003 of the end of Resolution 201, which had dictated quotas and surcharges on US steel imports. This factor will also contribute to activate sales to the United States.

Yet to be considered is the continuing high steel demand by China, which during the previous year had been one of the main parties responsible for consecutive price hikes - and which had recently imposed surcharges on imported steel because of alleged dumping by certain countries. As Brazil was not included, our penetration in this market shows a growth potential. Steel industry prices estimates trend upwards, which has began in the last year. It is estimated that steel prices will increase again in 2004, as evidenced by rising foreign market prices early this year.

FINANCIAL PERFORMANCE

EBITDA and net income

2003 was a year highlighted by a great victory: for the second straight year our EBITDA hit a record level and totaled R$ 2.9 billion (R$ 3.0 billion in the consolidated statement), with a margin corresponding to 47% of net revenues (43% in the consolidated statement). As a consequence of this operating performance, we recovered the R$ 219 million loss recorded in 2002 and showed the excellent net income of R$ 1,059 million in the parent company (R$ 1,031 million in the consolidated statement).

Several factors were instrumental for this income figure. The Presidente Vargas Mill achieved several production records during the year and our volume of sales, in spite of slack domestic demand, totaled 4.9 million tons, 0.1 above 2002 sales. Net revenues were benefited by higher average prices practiced and reached R$ 6.2 billion, an increase of 34%. Despite the pressure on production costs and the unfavorable exchange rates for exports, we upheld our EBITDA margin at a level that sets CSN aside among the leading companies in the industry.

At year-end 2003, our consolidated net indebtedness stood at R$ 4.9 billion, in line with the position as of December 2002. We reduced our indebtedness from 2.1x to 1.6x consolidated EBITDA. Moreover, in accordance with our foreign exchange hedging strategy, we kept our average cost of net consolidated debt at 11% per annum, equal to 46% of CDI [Interbank Overnight Interest Rate].

With stabilized cost of funding in Reais and in the light of our Company's strong cash generating capability, we expect to present even better results in the next years.

Production

Crude steel production in 2003 increased by 0.2 million tons, and rolled products by 0.3 million as compared to 2002. This expansion resulted from the enhanced operating performance of equipment revamped in 2001, such as Blast Furnace # 3 (AF-3) and Hot Strip Mill # 2 (LTQ-2), which reached full capacity in 2003. In the las year CSN production totaled 5.3 million tons of crude steel and 4.8 million tons of rolled products (measured at the output of the continuous casting unit and the Hot Strip Mill which differs from inventories due to normal processing losses). Its worth to mention that this volume does not take into account the 0.2 million tons of hot-rolled coils purchased from third parties. Molten steel production reached a level of 5.5 million tons, 4% above the volume recorded in 2002.

During the course of 2003, the Presidente Vargas Mill showed an excellent operating performance: average productivity in terms of tons of crude steel per man/year grew 8% in comparison to 2002, and reached 946 tons per man/year.

Sales

In 2003, we sold 4.5 million tons of rolled products and 0.4 million tons of semi-finished goods (slabs), totaling 4.9 million tons. This volume exceeded 2002 sales by 0.1 million tons. On the whole, participation of coated products (higher value-added products) stood at 37%.

We sold 3.1 million tons in the domestic market in 2003, equal to 63% of total volume. The 0.1 million reduction as compared to 2002 arose from lower business activity in the country, encouraging greater trading volume in overseas markets. However, our domestic market share resumed its growth towards the end of the year in all of the market segments, particularly in construction.

In turn, the 1.8 million tons in exports increased by 0.2 million tons and offset the lower domestic sales. Thus, exports contribution ended the year at a level of 4 percentage points above the previous year s performance.

In 2003 we exported our products to over 50 countries in every continent, especially to Asia (60%), Europe (17%), Latin America (14%), and North America (6%). We expanded our market share significantly doing business in Asia, in comparison to 2002, in view of increasing demand in China.

In 2004, we estimate not only to consolidate our export position but also to increase the integration of our activities in Brazil with the overseas units, adding value to our exports.

Our consolidated operations sold 5.0 million tons (the same level as for 2002), of which 4.6 million tons of rolled products and 0.4 million tons in slabs. The increase in relation to the Parent Company reflects the activities of Lusosider and CSN LLC, acquisitions made in 2003 but only consolidated in the course of that year s second semester. Our goals for 2004 are challenging enough: it is our intention to increase total sales volume and improve even more our product and market mix.

EBITDA

The R$ 2.9 billion in EBITDA for 2003 exceeds by R$ 0.7 billion our previous record reached in 2002. As an outcome of the value added by the other companies in the group, consolidated EBITDA arrived at R$ 3.0 billion, equivalent to more than US$ 1 billion.

This outstanding sales performance was crucial to the leveraging of the Company s cash generation: the better average prices in conjunction with greater volume sold, lead to the holding Company s net revenues of R$ 6.2 billion in 2003, a sum R$ 1.6 billion above the 2002 figure.

In turn, cost of goods sold totaled (COGS) R$ 3.4 billion, an increase of R$ 0.9 billion over the previous year s figure. We may point out among the main items that caused this increase the higher prices of several raw materials such as coal, coke, scrap iron and zinc, besides the rates charged for natural gas and electricity. Moreover, we were affected by the use of hot-rolled coils purchased in 2003 (at a cost in excess of our production costs); the higher price and consumption of purchased coke (as in 2002 we used up our surplus inventories produced during the shutdown of BF-3; and finally, the increased depreciation arising from the revaluation of assets at Central de Co-geração Termoelétrica, undertaken in December, 2002, and at the Presidente Vargas Mill, Casa de Pedra, Arcos and Itaguaí, in April, 2003.

In spite of these higher production costs, of slack domestic demand, and of a slow export activity owing to the real s appreciation, the average 47% EBITDA margin over CSN s net revenues is the world s highest in the industry.

Financial performance

The financial result in 2003, before amortizations of the foreign exchange losses deferred in 2001, presented expenses of R$ 0.7 billion, R$ 1.7 billion below those recorded in 2002. These figures do not include the non-recurring impact of R$ 243 million related to financial charges on contingent fiscal liabilities. The consolidated figures net financial result of R$ 0.9 billion, excluding non-operating items and those not related to indebtedness, were equivalent to a net cost of 11% per annum in reais.

During 2003, we maintained our foreign exchange hedge strategy in order to tie our financial expenses, originally in foreign currency, to CDI [Interbank Overnight Interest Rate] The extraordinary gains arising from the extension of foreign exchange swap transactions at the start of the year led to a cost for servicing the group s debt of as little as 46% of CDI. We will proceed with derivative transactions in 2004, with a view to minimizing the impact of US dollar price fluctuations on the Company s net income. We expect in this manner to incur in an average cost over net indebtedness of roughly 100% of CDI.

With regard to the losses arising from the real s devaluation in 2001, as stipulated by CVM Resolutions n° 404 and 409/01, dated on December 31, 2003, we had an R$ 68 million balance to amortize, net of income tax and social contribution on net income, to be paid off in 2004. In comparison to 2002 when we amortized a large portion of the losses deferred in 2001 in addition to the outstanding balance of the 1999 deferment the R$ 133 million amortization during 2003 was lower than the R$ 489 million for 2002, or R$323 million after taxes.

Net indebtedness

We arrived at year-end 2003 with a comfortable indebtedness: the net consolidated debt of R$ 4.9 billion - R$ 0.2 billion below the December 2002 position is equal to 1.6x annual EBITDA and this relation tends to improve even more during 2004. Besides being 100% covered against foreign exchange fluctuations, the short-term portion of gross indebtedness was reduced from 44% to 27% during the last 12 months and long-term debt tenors were increased from 4.8 to 5.5 years.

The funding undertaken, particularly during the second semester, was intended to extend the debt profile and led to an increase in gross indebtedness (R$ 9.0 billion) as well as in cash position (R$ 4.0 billion) by just over R$ 2.0 billion, when compared to the December 2002 positions, as the greater part of short-term maturities will take place in the course of the first semester of 2004.

Equity Results

Equity results in 2003 was positive in R$ 98 million, with emphasis on the gain arising from our interest in MRS Logística. This railroad company experienced a significant growth in revenues in 2003 as a result of the greater freight volume carried and the improved prices that prevailed.

In November 2003 we concluded the untangling of interests by CSN and Companhia Vale do Rio Doce in logistics companies. This effort, which led CSN to complete equity control of Sepetiba Tecon and to a 48.6% controlling interest in Companhia Ferroviária do Nordeste, had practically no impact on the parent company s income statement. With this transaction, it s now feasible to undertake investments intended to increase the efficiency of the services provided by these companies.

Income tax/Social contribution on net income

The parent company recorded income tax and social contribution expenditures totaling R$ 4.9 million (IT/SC) in 2003, as opposed to an R$ 628 million credit in 2002. These items in the consolidated figures corresponded to a negative figure of R$ 47 million for the year, compared to a R$ 600 million credit in 2002. This variation reflects basically the improved performance for 2003. On the other hand, we received a positive impact this year of R$ 369 million in tax credits arising from a favorable court ruling regarding the effects of inflationary purges in the IPC index [Consumer Price Index] for 1989 Plano Verão [Summer Plan].

Shareholders returns

The dividend policy favoring shareholders dividends, in force over recent years, has proved to be adequate in view of the increasing free cash flows generated by the Company s activities. Hence, the board of directors proposes payment for account of fiscal year-end December 31, 2003 of interest on equity in the amount of R$ 245.5 million and payment of R$ 471.8 million in dividends. The remaining accumulated net income will be decided by the shareholders in the next shareholders meeting, considering the investment plan and/or an additional dividend distribution.

Value added

Gross value added of R$ 4.3 billion in 2003 exceeded by R$ 1.1 billion the same figure for 2002. Nevertheless, the declining effect in US dollar prices on our foreign exchange hedge transactions and on the restatement of overseas investments, led to a decrease of R$ 2.5 billion in value added to be distributed, the latter amounting to R$ 2.3 billion in 2003. But again, the lower US dollar exchange rate was the major reason behind the R$ 4.7 billion reduction in interest and exchange variation charges.

Value Added Statement	**2003**	**2002**
Revenues	7,230	5,357
Costs	(2,954)	(2,204)
Gross value added prod.	**4,276**	**3,153**
Deprec., amortiz., deplet.	(635)	(524)
Net value added prod.	**3,641**	**2,629**
Interest income	5	785
Financ. inc/exch. var. on assets	(1,300)	1,476
Total valued added to dist	**2,346**	**4,890**

Added Value Distributed	**2003**	**2002**
Personnel & charges	428	423
Taxes and contrib..	1,144	259
Interest and exch. variat.	(285)	4,427
Interest on equity/div		
Retained earnings/loss	1,059	(219)
Total	**2,346**	**4,890**

	Item	**1999**	**2000**	**2001**	**2002**	**2003**
Operational						
Crude steel production	000t	4,846	4,782	4,048	5,107	5,318
Sales volume (steel prod)	000t	4,545	4,311	3,983	4,799	4,893
Number of employees		9,343	9,302	9,179	8,470	8,501
Molten steel production	000t	4,948	4,881	4,134	5,227	5,461
Rolled products production	000t	4,538	4,639	4,141	4,625	4,810
Operational productivity	T/man/y	683	701	646	879	946
Finished products inventory	000t	273	333	354	144	162
Financial						
Gross Revenues	R$ mm	3,355	3,913	4,010	5,406	7,284
Net Revenues	R$ mm	2,807	3,239	3,284	4,609	6,170
EBITDA	R$ mm	1,101	1,297	1,272	2,150	2,895
EBITDA Margin	%	39	40	39	47	47%
Gross Income	R$ mm	1,063	1,257	1,196	2,106	2,731

Gross margin	%	38	39	36	46	44
Net Income (loss)	R$ mm	332	1,640	296	(219)	1,059
Net margin	%	12	51	9	(5)	17
Net Income (Loss) per Share	R$/ thousand shares	5	23	4	(3)	15
Div & Inter (decided/proposed)	R$ mm	243	1,918	220	343	717
Return on equity	%	6	29	6	(4)	14
EBITDA/financial expenses		3.9	3.8	2.6	3.4	4.5
Net debt/EBITDA		2.0	2.7	4.2	2.9	2.6
Net debt/net worth	%	38	61	102	126	100
Added value	R$ mm	2,095	3,750	2,467	4,890	2.346
Market						
Share Price closing	R$/ thousand shares	27.41	24.65	29.30	42.82	156.70
Market value	R$ mm	1,966	1,768	2,102	3,072	11,240

Table 1: Performance ratios parent company

STRATEGY

Our confidence in the country s growth is present in our business strategy, which so far has proved to be adequate: as of year-end 2003 our domestic market share has been expanding significantly in all of the areas in which we are active. Following this reasoning, we have concentrated our strategy for 2004 on the domestic market, divided into specific plans and projects for each Marketing Unit.

Home Appliances and OEM (Original Equipment Manufacturers)
The Home Appliances and OEM Marketing Unit (MU) is directed at home appliances, compressors, and electric motors, steel furniture, re-rolling, cylinders and gas containers. CSN was an industry leader in 2003, with growth in market share including major customers that increased their export activities and reduced thus the impact of a shrinking domestic market from January to September, 2003.

CSN Paraná s role was crucial in this scenario, as it began supplying goods of sufficient quality specifications to meet the requirements of the most demanding markets. Its galvanizing and pre-painting lines were commissioned in August 2003; the first Galvalume coil, never before processed in Brazil, was produced in October. Later, in December the pickling and reversible cold-rolling lines began operations with performance in excess of all expectations and that afforded greater operating flexibility and product quality. The total investment in the Paraná unit was R$ 640 million.

Pre-painted steel in turn has caused surprises among home appliances customers, as it offered quality standards greater than those of similar products available in the marketplace at the time of its launching. Besides supplying these new products, CSN Paraná is also in the forefront with its new cutting and blank services.

The consolidation of these products with our customers will be a highlight for 2004. The new pre-painted item is already widely employed in the United States and Europe. As the customers receive this product previously painted, the shutting down costs of the painting facility and of environmental preservation (complete control of pollutant emissions) are considerably reduced in addition to a product quality warranty given by CSN.

Distribution
Distribution Marketing Unit maintained its leading position in 2003 with the key customers in the industry. The year was also marked by the successful change in customer profile in other words, the transition from the sole activity of steel wholesaling to providing services connected to steel and manufacturing new products. Distribution customers are generating greater demand for activities such as pipe production, cutting plate steel, shapes, tiles, servicing of the automotive industry, and the production of parts for mechanical and agricultural equipment.

In addition to this change in customer profile, 2003 was also marked by an increase in steel in the industry consumption (9.9%). This growth took place in spite of the slack activity seen in some areas such as civil construction and pipes.

With the current distribution market configuration, the market for simple steel products is being gradually replaced by demand for more complex, higher value added products. Our competitiveness in this new environment is much greater, as we are in possession of a complete portfolio of steel products.

INAL, a CSN distribution co., was known in 2003 as the largest flat steel wholesaler in Brazil, due to a 320-thousand ton sales volume in the period. We processed 180 thousand tons in services during the year, of which 86% in CSN`s request.

The conclusion in 2003 of the company s corporate restructuring, initiated in 2002 and which gave access to markets in the country s southern region, consolidated INAL s position as CSN s strategic arm in flat steel distribution. We currently have four Service Centers and four Distribution Centers, totaling eight facilities that considerably increase the company s coverage and capilarity in the country. We intend to continue expanding our geographic base by establishing new service and distribution centers in strategic regions.

Construction
The Construction Marketing Unit was successful even during a period in which the construction industry shrank 7%; growth in steel consumption was up 2.9%, owing to an increase in participation in the most diverse applications.

The new products marketed by CSN Paraná also supplies this segment. Galvalume is a high quality and architecturally aesthetic product endowed with special characteristics such as greater resistance to corrosion and with ample applications in the field of roofing and sidings and is an excellent successor for the products currently available in the market such as clay tiles, fiber cement, concrete, aluminum, and galvanized items.

Automotive Industry
The Automotive Marketing Unit sales team s efforts in 2003 were intense in the agricultural field (tractor, harvesters, and equipment) and in highway equipment (bus and truck bodies). Our expertise in servicing the industry was crucial in supplying products to these markets.

Last year was also marked by the Company s proactive participation in the auto industry s new product lines. The goals for 2004 include CSN s progressively closer involvement in the customers new model project phase and encouraging growth in agricultural and highway equipment.

Packaging

The Packaging Marketing Unit displayed excellent performance for 2003, in spite of the difficulties undergone in the segments of beverages, cooking oils, paints and varnishes, and milk and derivatives. These segments continue in stagnation or in decline as compared to 2002, in contrast to the stable performance for tin plate sales during previous years.

Steel sold to our customers that produce packaging, seals, and caps for export provides a niche with excellent growth potential for the next few years. In spite of representing a limited percentage of sales, these have shown a 15% growth rate.

CSN estimates market growth in 2004 for packaging at a rate above that of GDP, based mainly on market development activities and on expectations of increased consumption of higher value added goods, usually packed in steel.

International Market

The international market experienced significant growth in 2003, particularly in China, where imports were 55% greater during the period. Prices also increased 20% owing to demand. We were able to take advantage of this opportunity and directed more of our sales to the overseas market, more so during the second semester, with an expansion of 17%. The scenario is even more optimistic for 2004: besides the continued strong demand in China, the American market is also picking up. Supply is under the direct influence of recent shutdowns in productive capacity in the United States and Europe, besides the increasing prices of inputs in the international market.

Among the several goals for 2004, we point out the development of overseas customers for pre-painted items and Galvalume. Moreover, we have reconfirmed our presence in the United States and Europe through the acquisition of CSN LLC in the United States and of 50% in Lusosider, in Portugal.

CSN LLC was submitted to restructuring in 2003, which included a strategic turnaround, aiming to reduce costs, increase quality and stabilize its raw material supplying contacts. The company has been active together with legal advisory offices in endeavoring to dismiss antidumping and compensating measures on CSN s hot-rolled products after the end of the import surcharges subsequent to cancellation of Section 201.

CSN LLC also markets CSN s made in Brazil products in the American market. We supply Galvalume and also cold-rolled and galvanized products, on request, according to export needs and market demand. This creates a strong commercial synergy as the activities of a same sales team strengthen CSN s image with the potential end customers that are allowed to access through the same supplier the largest flat steel portfolio in Brazil.

2004 appears to be very promising owing to the signs of growth in the American economy and the expected consequences on flat steel demand.

In July 2003 we acquired a 50% interest in Lusosider Aços Planos S.A., headquartered in Aldeia de Paio Pires, Seixal, near Lisbon, a producer of galvanized steel plate (approximately 220 thousand tons) and tinplate (approximately 70 thousand tons). CSN shares its interest in Lusosider with Corus Group plc in equal parts, with management under the charge of CSN.

Its market for galvanized steel plate is concentrated in steel service centers: the tinplate markets are basically those for steel packaging of paints and food. Roughly 86% of total sales take place in the Iberian Peninsula.

Portugal s geographic location, with good seaports and a good railway-highway interconnection with Spain, provides an important platform for our expansion into Europe, while adding value to the hot-rolled coils supplied by CSN in Brazil and consolidating our bonds with customers in the Iberian Peninsula.

Emphasis was placed during this first semester in increasing the customer base, stabilizing the availability of equipment at acceptable levels which required a great deal of effort in preventive maintenance and expanding production and sales.

Results to the present exceed all expectations - and 2004 should be a critical year to consolidate the path towards improvement.

RISKS AND CHALLENGES

Domestic and International Markets

After the economic stabilization in 2003, we expect 2004 to be positive as regards sales in the domestic market, in particular owing to the decline in the Selic rate [Brazilian Central Bank Interest Rate] during the course of 2003. This decline provides consumers of steel with better conditions to implement their investment projects; and therefore should give rise to increased demand for the products made available by CSN.

We currently entertain the following estimates for 2004: growth in GDP of roughly 3%, a 7% devaluation of the real, and inflation hovering around 6%. Based on these projections, we have been developing an extra effort since 2003 s final quarter in order to direct a larger sales volume to the domestic market.

As to the international market, estimates point to strong demand and higher prices by virtue of the cancellation of Section 201 and the recent economic recovery in the United States, in addition to the consistent increase in demand for steel by the Chinese market.

Internationalization

We are working on our internationalization project by studying proposals and opportunities for joint-ventures, mergers, or acquisitions that may contribute in transforming us into a global steel company, and participating in the industry s consolidation process, adding more value to our shareholders.

Several strategic actions were taken in this respect in 2003, such as the acquisition of Lusosider. We conceive internationalization as an important project for CSN which should be considered in a context of existing opportunities and provide the expected returns to shareholders.

The internationalization process does not only consider mergers and acquisitions; the prevailing motivating element is to continue developing production in a scale large enough to gain global market share, without prejudice to CSN's competitive advantage as the Company with the lowest production cost in the world.

Expansion of Casa de Pedra

Located in the municipality of Congonhas, State of Minas Gerais, the Casa de Pedra mining operation is responsible for supplying the entire iron ore needs for our activities. The Casa de Pedra iron ore reserves are significant and of good quality. This has allowed us to proceed with our plans for expanding production capacity, and we recently announced investments of as much as US$ 308 million with this objective in mind at the Casa de Pedra mine, bringing production to 40 million tons per annum, as well as optimizing the coal terminal at the seaport of Sepetiba and constructing a new pelletizing plant, what raises our total investments at an approximate level of US$ 780 million. This project will definitely place us in the position of an important player in the international mining market, as approximately 30 million tons would be exported annually. Investments include, besides the mining expansion, terminal optimization at the port of Sepetiba, allowing us to export iron ore and construction of a new pelletizing plant able to turn out 6 million de tons per annum. Project conclusion should take no more than 30 months.

Cost of Debt Hedging

After improvement of the macroeconomic scenario and also of the key indicators in 2003, we were able to obtain a significant reduction in our cost of funding and also to extend maturities, resulting in a general improvement in the debt profile. Gross consolidated indebtedness at year-end 2002 stood at R$ 6.6 billion, of which 44% with short-term maturities and at an average cost of funding in the region of 6% per annum. At year-end 2003 indebtedness totaled R$ 9.0 billion, of which 27% maturing in the short term and at an average cost of funding of roughly 7.5%. A concentration of international note issues in the final quarter of 2003 replenished the company s cash position, and debt reduction is evident in the net consolidated debt of R$ 4.9 billion.

In addition, we have established an internal policy for the protection of our assets, intended to cover 100% of our exposure against foreign exchange rate variations, as 70% of the company s consolidated gross debt is in foreign currency. Due to this policy, the cost of consolidated net debt in 2003 was 11% (or 46% of CDI).

CAPITAL MARKETS

Market performance

After three subsequent bearish years the stock market in 2003 began to rise partly motivated as of the recovery of confidence by foreign investors in the country. The Ibovespa1 index rose 97.3%, while the Dow Jones Industrial Average2 evolved 25.3%.

The recognition of our profitability and growth potential, besides the improvement in the steel industry outlook has led to a 265.9% appreciation of our shares at Bovespa during the course of 2003. At the New York Stock Exchange (NYSE), our ADR s rose by 273.8% in US dollars, also influenced by the 18.2% foreign exchange appreciation during the year.

Our average daily business volume at Bovespa increased to around 230 million securities spread out in over 78 thousand deals in the course of the year. This average was far above the performance recorded in 2002 resulting in a 28% increase in the Ibovespa index. Our ADR negotiations remained stable, accounting for 38% of total trades with shares at Bovespa and NYSE. A total foreign interest holding in CSN s equity as of December 2003 (through Bovespa and NYSE as well) was recorded at 35%, as opposed to 25% in 2002. The free float increase after the Valia (Companhia Vale do Rio Doce pension fund) share offering in April 2003 was largely responsible for this growth.

In 2003 we performed significant financial transactions while taking advantage of the positive scenario regarding the country s credit outlook. Goals for reducing short-term indebtedness and extending mid-term maturities were fully achieved by virtue of our issue of US$ 767 million in 5 and 10-year bonds, within a total of US$ 1.3 billion issued. We have floated two more debenture issues in the domestic market totaling R$ 900 million, at 3 and 5-year terms, both in December.

1 São Paulo Stock Exchange Index Bovespa
2 New York Stock Exchange Index - NYSE

HUMAN RESOURCES

Our policy in 2003 was to base our actions on human resources in order to attract, retain, and develop human talents, in addition to maintaining well prepared, motivated, and committed professionals.

In this train of thought, the Company proceeded in 2003 with projects undertaken in 2002, particularly educational presentations directed towards prevention, internal preventive health programs, and internal communication methods (with support provided by Internal Communications), Projeto Educar (academic and technical graduation for employees), profit sharing programs and a financial support program (granting of loans).

Two new programs were implemented in the same period: Programa de Ergonomia [Ergonomic Program] , intended to seek better quality of life at work, and Programa Saúde Ocupacional e Promoção da Saúde [Occupational Health and Health Programs]. We also initiated a complete review of our management system in 2003 aided by an independent consulting co.

SOCIAL WORK

To be socially conscious and committed with efforts to improve the quality of life in those communities where we are present: this has been the mission of Fundação CSN [CSN Foundation], translated into the investments sponsored by this institution in the fields of education, community development, health, culture, and sports, always with a view to contributing to social changes in these communities.

Community development projects such as Garoto Cidadão [Citizen Kid] are intended mainly to recover and develop self-esteem in children and teenagers through music and art. The Escola Técnica Pandiá Calógeras [Pandiá Calógeras Thechnical School] in the city of Volta Redonda, State of Rio de Janeiro, and Centro de Educação Tecnológica General Edmundo Macedo Soares e Silva [General Edmundo Macedo Soares e Silva Tech Education School], in the city of Congonhas, State of Minas Gerais, provide quality professional education for teenagers. Fundação CSN also supports group actions in projects directed at generating income, and has entered into partnerships with a number of organizations for this purpose. It also contributes in culture formation and dissemination by means of actions in the respective fields.

Fundação CSN sponsors projects and/or activities in the cities of Araucária, State of Paraná; São Paulo and Mogi das Cruzes, State of São Paulo; Arcos and Congonhas, State of Minas Gerais; and Itaguaí and Volta Redonda, State of Rio de Janeiro in addition to several studies under progress for developing projects in other regions where we are present.

INDEPENDENT ACCOUNTANTS

The independent accountants that provide services to CSN and subsidiaries were retained in 2003 for additional services besides examining financial statements.

The company and its independent accountants share the understanding that such services, consisting essentially of counsel on fiscal and corporate matters, have no effect on the accountants independence. Such additional services, contracted at an approximate cost of R$ 300,000, corresponded to more than 5% of the total amount in fees related to external auditing services.

The Company routinely involves its internal Legal Counsel previously in assessing the subject of some of the services to be provided by its external auditors, in addition to examining financial statements, in order to determine whether in the light of pertinent legislation such services, by their characteristics, might represent conflicts of interest or affect the independence and objectiveness of the independent accountants.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

Report of Independent Public Accountants

To the Stockholders and Directors of
Companhia Siderúrgica Nacional
Rio de Janeiro RJ

1. We have audited the accompanying individual (parent company) and consolidated balance sheets of Companhia Siderúrgica Nacional (a Brazilian corporation) and its subsidiaries as of December 31, 2003 and 2002, and the related statements of income, changes in stockholders equity (parent company) and changes in financial position for the years then ended, prepared under the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements.

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

3. As described in Note 12, the Company and its affiliate MRS Logística S.A. elected to defer net losses arising from exchange rate variations in the first quarter of 1999 and in the year 2001, in conformity with Provisional Measure no. 3/2001 and Deliberations no. 404/2001 and 409/2001 from Comissão de Valores Mobiliários - CVM (Provisional Measure no. 1,818/1999 and Deliberation no. 294/1999 from Comissão de Valores Mobiliários - CVM, for the deferment related to the first quarter of 1999). The subsidiary GalvaSud S.A. elected to defer the net losses arising from exchange rate variations in the year 2001. Accounting practices adopted in Brazil require the recognition in income of the effects of exchange rate variations during the period in which they occurred. As a result, as of December 31, 2003, stockholders equity is overstated by approximately R$75 million (R$158 million in the year 2002) and the net income for the year then ended, is understated by approximately R$83 million (net loss overstated by R$422 million in the year 2002), net of fiscal effects.

4. In our opinion, except for the effects of the matter mentioned in paragraph (3), the financial statements referred to in paragraph (1) present fairly, in all material respects, the individual and consolidated financial position of Companhia Siderúrgica Nacional and its subsidiaries as of December 31, 2003 and 2002, the results of their operations, the changes in their stockholders equity and the changes in their financial position for the years then ended, in accordance with accounting practices adopted in Brazil.

5. As described in Notes 21 and 30 d) to the financial statements, as of December 31, 2003, the Company and its affiliates recorded, accounts receivable in the amount of R$93.751 thousand, in conformity with preliminary court injunctions to suspend the payment, related to energy sales transactions carried out in the Wholesale Energy Market MAE for the period from September, 2000 to September 2002. These amounts are subject to alteration depending on the outcome of current judicial processes, filed by agents of the electric energy market, with respect of the interpretation of market regulations in effect.

6. Our audits were conducted for the purpose of forming an opinion on the financial statements referred to in paragraph (1) above, taken as a whole. The Cash Flow Statement and the Value-added Statement (parent company), presented in note 24, are presented for purposes of allowing additional analyses and are not required as part of the basic financial statements. These information were audited according to the same audit procedures mentioned in paragraph (2) above, and, in our opinion, except for the effects of the matter mentioned in paragraph (3) are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

7. The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

February 27, 2004

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Marcelo Cavalcanti Almeida
Accountant

(Convenience Translation into English from the Original Previously Issued in Portuguese)
Companhia Siderúrgica Nacional
Statements of Changes in Financial Positions
For the years ended in December 31, 2003 and 2002
(In thousand of reais)

	Parent Company		Consolidated	
	2003	**2002**	**2003**	**2002**
SOURCES OF FUNDS				
Funds provided by operations				
Net income (loss) for the year	**1,058,838**	**(218,615)**	**1,031,013**	**(194,681)**
Expenses (income) not affecting working capital				
- Monetary and foreign exchange variation and long term accrued charges (net)	(974,307)	2,147,446	(458,600)	918,726
- Equity pick up and amortization of goodwill	(5,473)	(785,014)	(936)	36,644
- Write-offs of permanent assets	15,941	150,828	17,288	21,207
- Depreciation/depletion/amortization	635,134	523,666	689,197	545,905
- Amortization of deferred foreign exchange Variation	130,339	619,322	133,008	621,991
- Deferred income tax and social contribution	(104,703)	(13,362)	(42,062)	(15,755)
- Provision for Contingent Liabilities PIS/COFINS/CPMF	112,871	43,412	112,871	43,412
- Employees' Pension Fund Provision	70,720	65,996	70,983	65,996
- Deferred income variations			6,496	
- Others	49,784	46,354	120,069	280,704
	989,144	**2,580,033**	**1,679,327**	**2,324,149**
Funds provided by Others				
Loans and financing resources	2,672,288	1,012,095	3,583,168	688,248
Debentures Issue	900,000	667,718	900,000	667,718
Subsidiary dividends and Dividendos e interest on stockholders' equity	124,875	8,125		
Decrease in other assets	90,495	919,962	620,907	44,314
Increase in other liabilities	253,998	182,058	234,482	179,526
Other	9,641	57,194	29,064	93,930
	4,051,297	**2,847,152**	**5,367,621**	**1,673,736**
	5,040,441	**5,427,185**	**7,046,948**	**3,997,885**
USES OF FUNDS				
Funds used in permanent assets				
Investments	121,986	948,025	112,227	142,672

Property, plant and equipment	766,459	383,522	733,749	814,302
Deferred assets	94,348	51,931	97,346	84,869
	982,793	**1,383,478**	**943,322**	**1,041,843**
Other				
Interest on stockholders equity/dividends	1,223,438	343,482	1,223,438	343,482
Transfer of loans and financing to short-term	1,033,273	831,995	1,077,317	1,636,102
Increases in non current assets	1,399,435	257,628	757,758	90,527
Decrease in others non-current liabilities	259,504	195,304	310,686	186,971
Deferred income tax and social contribution		228,654		228,654
Other		91,126		91,065
	3,915,650	**1,948,189**	**3,369,199**	**2,576,801**
	4,898,443	**3,331,667**	**4,312,521**	**3,618,644**
INCREASE IN NET WORKING CAPITAL	**141,998**	**2,095,518**	**2,734,427**	**379,241**
CHANGES IN NET WORKING CAPITAL				
Current assets				
- At end of year	**5,507,669**	**4,257,340**	**6,775,380**	**4,030,619**
- At beginning of year	**4,257,340**	**2,339,563**	**4,030,619**	**2,851,558**
	1,250,329	**1,917,777**	**2,744,761**	**1,179,061**
Current liabilities				
- At end of year	**4,551,745**	**3,443,414**	**4,542,518**	**4,532,184**
- At beginning of year	**3,443,414**	**3,621,155**	**4,532,184**	**3,732,364**
	1,108,331	**(177,741)**	**10,334**	**799,820**
INCREASE IN NET WORKING CAPITAL	**141,998**	**2,095,518**	**2,734,427**	**379,241**

The accompanying notes are an integral part of these financial statements.

	Parent Company		Consolidated	
	2003	**2002**	**2003**	**2002**
Cash Flow from operating activities				
Net income (loss) for the year	**1,058,838**	**(218,615)**	**1,031,013**	**(194,681)**
Adjustments to reconcile the net income for the year				
with the resources from operating activities:				
-Amortization of deferred exchange variation	130,339	619,322	133,008	621,991
-Net monetary and exchange variation	(1,274,403)	3,171,807	(877,638)	2,692,064
-Provision for loan and financing charges	672,443	663,205	525,440	477,641
-Depreciation / depletion / amortization	635,134	523,666	689,197	545,905
-Write-offs of permanent assets	15,941	150,828	17,288	21,207
-Equity pick up and amortization of goodwill	(5,473)	(785,014)	(936)	36,644
-Deferred income tax and social contribution	(129,951)	(575,448)	(127,054)	(574,897)
-Provision swap / forward	1,025,805	(431,899)	852,813	(431,899)
-Provision market to market	(219,265)	246,055	(219,265)	246,055
-Employees' Pension Fund Provision	70,720	65,996	70,983	65,996
-Other provisions	328,234	274,227	391,051	246,583