

NATIONAL STEEL CO
Form 6-K
August 09, 2006

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 August, 2006

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 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

Net Income of R\$750 million and EBITDA of R\$1.9 billion in the first half of 2006

São Paulo, Brazil, August 9, 2006

Companhia Siderúrgica Nacional (CSN) (BOVESPA: CSNA3) (NYSE: SID) announces its **results for the second quarter of 2006 (2Q06)**, in accordance with Brazilian accounting principles and denominated in Reais. The comments presented herein refer to consolidated results and **comparisons refer to the second quarter of 2005 (2Q05)**, unless otherwise stated. On June 30, the Real/Dollar exchange rate was R\$ 2.1643.

Executive Summary

- **First-half and second quarter net revenue of R\$ 3.9 billion and R\$1.9 billion, respectively.**
Second-quarter net revenue was in line with the previous three months but lower than in the 2Q05 due to the reduction in sales volume triggered by the accident to Blast Furnace 3.
- **Second-quarter EBITDA of R\$ 924 million**, including provisions for lost profit.
- **First-half net income of R\$750 million.** Despite the accident to Blast Furnace 3, 2Q06 net income was R\$69 million, 20% higher when compared to the prior quarter.
- **Increase of 14% in second-quarter domestic sales** over the previous three months.
- **Sales Mix concentrated in the domestic market, which represented 74% of the 2Q06 sales.**
- **Average domestic prices** with a slight downturn of 3% over the 1Q06, while **export prices** moved up an average 4% in the same period.
- **Increase of market share** in Distribution segment (from 28% to 29%) and Home Appliances segment (from 36% to 37%) and maintenance of market share in other segments.
- **Increase in raw-material costs due to slab acquisitions from third parties.** In the second quarter we acquired 529,000 tonnes of slabs, adding R\$390 million to total production costs.
- **Second-quarter investments of R\$ 485 million.** Among them we can highlight resources that went to the Casa de Pedra mine expansion project beyond expenses with repairs and maintenance.
- **Year-to-date dividend and interest on equity payments** of R\$1.7 billion. The second-quarter figure stood at R\$802 million.
- **Lost profit -,insurance claim BF-3.** In the second quarter, we booked R\$493 million as provisions for lost profit under other operating expenses/revenues. In year-to-date terms, this figure came to R\$670 million. The Company already received US\$75 million as an advance from insurance companies. Preliminary and conservative estimates by FIPECAFI indicate US\$300 million in lost profits.

| Consolidated Highlights | 2Q05 | 1Q06 | 2Q06 | 1H05 | 1H06 |
|--|--------------|--------------|--------------|--------------|--------------|
| Crude Steel Production (thousand t) | 1,362 | 540 | 393 | 2,529 | 934 |
| Sales Volume (thousand t) | 1,137 | 997 | 935 | 2,334 | 1,932 |
| Domestic Market | 767 | 604 | 689 | 1,664 | 1,293 |
| Exports | 370 | 393 | 246 | 670 | 639 |
| Net Revenue per unit (R\$/t) | 1,960 | 1,688 | 1,703 | 2,049 | 1,695 |
| Financial Data (RS MM) | | | | | |
| Net Revenue | 2,545 | 1,953 | 1,918 | 5,408 | 3,871 |
| Gross Income | 1,215 | 736 | 436 | 2,597 | 1,173 |
| EBITDA | 1,214 | 787 | 477 | 2,621 | 1,264 |
| Adjusted EBITDA | 1,214 | 948 | 924 | 2,621 | 1,872 |

| | | | | | |
|-------------------|-------|-------|-------|-------|-------|
| Net Income | 419 | 340 | 409 | 1,136 | 750 |
| Net Debt (R\$ MM) | 5,568 | 5,010 | 6,048 | 5,568 | 6,048 |

| Consolidated Highlights | 2Q06 X 2Q05 (Ch. %) | 2Q06 X 1Q06 (Ch. %) | 1H06 X 1H05 (Ch. %) |
|--|------------------------|------------------------|------------------------|
| Crude Steel Production (thousand t) | -71.1% | -27.2% | -63.1% |
| Sales Volume (thousand t) | -17.8% | -6.3% | -17.2% |
| Domestic Market | -10.2% | 14.0% | -22.3% |
| Exports | -33.6% | -37.5% | -4.7% |
| Net Revenue per unit (R\$/t) | -13.1% | 0.9% | -17.3% |
| Financial Data (RS MM) | | | |
| Net Revenue | -24.6% | -1.8% | -28.4% |
| Gross Income | -64.1% | -40.7% | -54.9% |
| EBITDA | -60.7% | -39.5% | -51.8% |
| Adjusted EBITDA | -23.9% | -2.5% | -28.6% |
| Net Income | -2.3% | 20.3% | -34.0% |
| Net Debt (R\$ MM) | 8.6% | 20.7% | 8.6% |

Bovespa: CSNA3 R\$ 69.50/share

NYSE: SID US\$ 32.20/ADR (1 ADR = 1 share)

Total shares = 272,067,946 Market Cap: R\$ 18.9 billion / (marcos.ferreira@csn.com.br)

US\$ 8.7 billion

Prices on 6/30/2006

Investor Relations Team

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Economic and Sector Outlook

The international market scenario presented restricted supply, hefty demand, low inventories and increases in the cost of certain raw materials, which explains the higher average prices. Although prices has already peaked, demand should remain strong in the second half; thus the Company does not expect significant changes in this scenario.

The Brazilian flat steel market performed well, with second-quarter domestic sales moving up 9% year-on-year and 14% over the previous three months. The key drivers of the recovery were the auto, distribution and home-appliance sectors. The demand is expected to remain favourable throughout the second-half of the year.

Auto industry production reached record levels in May and the sector closed the first half with a 4.4% year-on-year increase in output. Production and sales trend continue to do well until the end of the year, thanks to the cuts in interest rates and the expansion of credit.

The distribution sector put up an outstanding performance, with growth of 5% over the 2Q05 and 17% over the previous quarter, pushed by autoparts and construction.

The home-appliance market grew 14% year-on-year and 18% over the 1Q06, fueled by machinery and equipment and domestic appliances.

Output

The low level of crude steel output in the second quarter resulted from the shut-down of Blast Furnace 3 as a result of the accident on January 22. However, the blast furnace 3 recommenced operations on June 23, going through commissioning stage during the month of July, when it reached 76% of its total capacity, and shall reach normal production levels by mid-August, when the recovery and commissioning stage will be over.

Rolled volume staged a recovery, climbing by 9% over the 1Q06 results, thanks to the use of slabs acquired on the market to partially offset the shortage triggered by the accident.

In the first half, crude and rolled steel output fell 63% and 27% year-on-year, respectively, once again explained by the above-mentioned incident.

| Output (in thousand tonnes) | Output | | | Accumulated | |
|--------------------------------------|--------|------|------|-------------|-------|
| | 2Q05 | 1Q06 | 2Q06 | 2005 | 2006 |
| Usina Presidente Vargas (UPV) | | | | | |
| Crude Steel | 1,362 | 540 | 393 | 2,529 | 934 |
| Rolled Products* | 1,096 | 751 | 815 | 2,142 | 1,566 |
| CSN Paraná* | 33 | 77 | 67 | 88 | 143 |
| GalvaSud* | 82 | 57 | 46 | 159 | 103 |

* Products delivered for sale

Demand in second half of the year expected to be strong in domestic and international markets

Sales

Although the accident undoubtedly hit sales volume, in comparison to the previous quarter, domestic sales grew by 14% and exports suffered a 37% drop.

In turn, coated products' share of total sales, was 52% in the second quarter and 55% accumulated year-to-date.

The Company maintained its segment market shares compared to the previous three months. The variation in the Distribution and Construction sectors was only one percentage point each, from 28% to 29% and from 36% to 37%, respectively. The share of home appliances and OEMs remained flat at 33%, as did the Auto industry's at 13%.

Sales by Product

14% growth in sales to domestic market
Maintenance of market share in all segments

3

Prices

In the second quarter, average steel prices increased worldwide and remained high throughout, thanks to the continuing imbalance between supply and demand in Europe and the US. Other contributing factors included low distribution and service-center inventories and higher raw-material costs, especially zinc. All in all, we expect the upward price trend to last through the third quarter.

Domestic-market prices are also expected to increase, since demand should remain firm until the end of the year, especially in the auto sector. The industry reached record production levels in May, which pushed up demand for galvanized products. July's results were equally encouraging and above expectations as the sector experienced its best sales figures since mid-1997, when they reached record levels in Brazil.

CSN's prices remained flat in the second quarter compared to the previous three months. The slight turndown of 3% on the domestic market was caused by specification variations in each product line, while the 4% upturn in export tags followed the international trend.

In July, CSN implemented price increases by 8% for hot and cold-rolled and by 12% for galvanized, followed by a 9% hike for tin plate in August.

Net Revenue

Although average 2Q06 prices were higher than in the previous three months, the increase was not enough to offset the lower sales volume caused by the problems with the Blast Furnace 3, which explains the 2% quarter-over-quarter slide in net revenue.

Increase in steel prices all over the world

CSN increased prices by 8% for hot and cold rolled products, by 12% for galvanized products and 9% for tin plate

Production Costs (parent company)

As a result of the accidental stoppage, Blast Furnace 3 remained out of operations for almost the entire second quarter, and the consequent purchase of third party slabs at a US\$380/t CIF average cost at Sepetiba and US\$400/t CIF at Usina is the main factor for the increase of CSN's total production costs by 33% over the 1Q06. In the year-on-year comparison, there was a 3% decline, since the increase in raw-material costs was more than offset by the decrease in general manufacturing costs (lower materials, supplies and maintenance consumption). Raw-material costs increased by 100% over the 1Q06 and 17% over the 2Q05, due to the higher consumption of slabs acquired from third parties, which jumped from 88,000 tonnes in the 1Q06 to 529,000 in the 2Q06, although this was partially offset by reduced consumption of other raw materials.

In comparison with the first quarter, the highlights were the increase in the costs of zinc (R\$17 million), slab purchases (R\$390 million) and labor (R\$24 million), the latter influenced by the shift allowance and the pay rise following the 2006/2007 collective agreement in May. Compared to the 2Q05, these variations came to +R\$22 million, +R\$469 million and +R\$4 million, respectively.

As for the main raw materials, the average price of coal dropped from US\$138/t, in the 1Q06, to US\$136/t in the 2Q06, although this was higher than the 2Q05 average of US\$112/t. The average coal and coke inventory cost, totaled US\$126/t and US\$217/t, respectively, in June. It is worth emphasizing that no acquired coke was consumed in the second quarter.

Operating Expenses (and information on insurance BF 3)

The main operating expense item was the provisions for lost profit, booked under other net operating revenue/expenses. In the second quarter, these provisions totaled R\$493 million, giving R\$670 million year-to-date. Immediately after the accident in BF 3, to provide arguments for an advance request, FIPECAFI (institution hired by the lead insurer of our insurance policy - Unibanco AIG) estimated, based on extremely conservative assumptions, a compensation of US\$330 million related to lost profits only. The insurance claim was recognized by insurers, by IRB (Brazilian Reinsurance Institute) and by foreign reinsurance companies. FIPECAFI and Unibanco AIG recognizes the conservative feature of this preliminary estimate, and as BF 3 resumes operations and financial results of the company are released, the final number will be calculated and the final request for regulation will be made to insurance companies and related insurers. The maximum limit for the compensation policy is of US\$750 million, including lost profits and material damages.

It is worth to mention that up to now, CSN received US\$75 million from insurance companies.

***Provision of R\$493 million in quarter related to the insurance claim of BF#3
CSN received US\$75 million from insurance companies***

EBITDA

Second-quarter EBITDA totaled R\$477 million. If we include the provisions for lost profits, the figure came to R\$924 million, 2.4% lower than the 1Q06. Year-to-date EBITDA, with the provisions, stood at R\$1.9 billion.

It is important to mention that the company has not calculated the adjusted EBITDA margins, since the provision for lost profits was not accounted separately in the respective lines affected by the insurance (Net Revenue and Cost of Goods Sold), but only in Other Operating Expenses. Thus the adjustment would result in a distorted figure.

| EBITDA Change (consolidated) | 2Q06 x 1Q06 | 2Q06 x 2Q05 |
|------------------------------|----------------|----------------|
| EBITDA (ch. %) | -39.5 | -60.7 |
| *Adjusted EBITDA (ch. %) | -2.4 | -23.9 |

*EBITDA including the provisions for loss of earnings.

Net Financial Result and Debt

Second-quarter net debt increased by R\$1.0 billion quarter-over-quarter, due to R\$802 million in dividend and interest on equity payments, period investments of R\$485 million and R\$173 million in the cost of debt. As a result, the net debt/EBITDA ratio using 2005 EBTIDA, which was not affected by any non recurring event - climbed from 1.09x in 1Q06 to 1.32x in 2Q06.

In the 2Q06, gross debt increased in both short and long term financing, with special highlight to the 4th debenture issue in the amount of R\$600 million. The average accumulated cost of debt was 7% p.a. in Brazilian Reais, or 41% of the CDI, and the average maturity was 10.3 years.

Income Taxes

Second quarter income taxes totaled R\$118 million, R\$102 million less than in the previous three months due to reduced income in the period and lower losses from the exchange variation on the net equity of offshore companies.

Net Income

Net income increased by 20% over the 1Q06, mainly due to the reduction of income tax and social contribution expenses.

Year-to date EBITDA of R\$1.9 billion
Average cost of debt was 7% p.a. in Reais

Capex

Quarterly investments amounted to R\$485 million, R\$96 million of which went to projects related to the Casa de Pedra expansion (mine and port), R\$162 million to repairs, maintenance and technological updates, R\$52 million to MRS, and R\$105 million related to Metalúrgica Prada acquisition. Year-to-date investments totaled R\$735 million.

Working Capital

Working capital increased by R\$100 million, quarter over quarter, mainly due to the increase in inventories (slab acquisitions), partially offset by the reduction in accounts receivable and the increase in suppliers line (also due to slab acquisitions).

| Account | 1Q06 | 2Q06 | R\$ million Change |
|---------------------------------|----------------|----------------|-----------------------|
| Assets | 3,130 | 3,345 | -215 |
| Cash equivalents | 213 | 157 | +56 |
| Accounts receivable | 1.061 | 917 | +144 |
| Domestic Market | 874 | 795 | +81 |
| Export Market | 298 | 238 | +60 |
| Allowance for doubtful accounts | (111) | (115) | +4 |
| Inventory | 1,856 | 2,271 | -415 |
| Liabilities | 1,454 | 1,769 | +315 |
| Suppliers | 1,031 | 1,256 | +225 |
| Wages and Social Contribution | 80 | 104 | +24 |
| Tax payable | 343 | 409 | +66 |
| Working Capital | (1,676) | (1,576) | -100 |

*Net income growth of 20% compared to 1Q06
Reduction of R\$100 million in working capital*

Capital Markets

CSN's shares appreciated by 7% in the second quarter, following the 43% appreciation in the first three months. This appreciation occurred despite the unfavorable international scenario, with interest rate hikes in the US and Europe offsetting the positive developments in the steel market, with strong demand, high prices and several mergers and acquisitions.

Capital Markets - CSNA3/SID

| | 2Q05 | 3Q05 | 4Q05 | 1Q06 | 2Q06 |
|--------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| N# of shares | 286,917,045 | 272,067,946 | 272,067,946 | 272,067,946 | 272,067,946 |
| Market Capitalization | | | | | |
| Closing price (R\$/share) | 34.22 | 46.74 | 45.41 | 64.99 | 69.50 |
| Closing price (US\$/share) | 24.30 | 16.30 | 23.25 | 21.05 | 31.70 |
| Market Capitalization (R\$ million) | 9,817 | 12,716 | 12,355 | 17,682 | 18,909 |
| Market Capitalization (US\$ million) | 4,177 | 5,722 | 5,278 | 8,140 | 8,737 |
| Variation | | | | | |
| CSNA3 (%) | (29.6) | 36.6 | (2.8) | 43.1 | 6.9 |
| SID (%) | 0.8 | (32.9) | 42.6 | (9.5) | 50.6 |
| Ibovespa - index | 25,051 | 31,583 | 33,455 | 37,951 | 36,630 |
| Ibovespa - variation (%) | (4.4) | 26.1 | 5.9 | 13.4 | (3.5) |
| Volume | | | | | |
| Average daily (n# of shares) | 1,039,721 | 869,511 | 825,845 | 844,315 | 695,989 |
| Average daily (R\$ Thousand) | 48,460 | 39,741 | 37,706 | 50,665 | 48,106 |
| Average daily (n# of ADR's) | 815,547 | 812,392 | 773,876 | 1,007,920 | 1,042,424 |
| Average daily (US\$ Thousand) | 15,283 | 15,715 | 15,384 | 27,910 | 32,878 |

Source: *Economática*

Shares appreciated by 7% in 2Q and 43% in 1Q

Recent Developments

• Dividends

| Reference Year | Amount Paid | | Payment Date | Approval Date |
|----------------|-------------------------|----------------|--------------|---------------|
| | R\$ | R\$/share | | |
| 2005 | 936,814,710.14 | 3.6393 | 2/9/2006 | 1/31/2006 |
| | 387,272,072.28 | 1.50447 | 5/8/2006 | 4/28/2006 |
| 2006 | 415,000,000.00 | 1.61219 | 6/30/2006 | 6/23/2006 |
| | 333,000,000.00 | 1.29364 | 8/10/2006 | 8/3/2006 |
| Total | 2,072,086,782.42 | 8.04959 | | |

The dividend yield, calculated as the sum of all these payments over the share price (not adjusted for dividends) on January 2nd, 2006, is 16.4% .

Strategic Alliance with Wheeling-Pittsburgh Steel

On July 20 and on August 3, the Company released the main terms and conditions of an eventual merger between CSN LLC (US subsidiary) with Wheeling Pittsburgh. In addition to the capital of CSN LLC, CSN would provide US\$225 million as a loan convertible into shares, and would sign a long-term agreement for slabs supply in exchange for a 49.5% stake in the new incorporated company.

This strategic alliance would benefit both companies by combining know-how, guaranteeing sustained long-term access to key inputs, improving the portfolio of products offered to the North American market, and ensuring strategic investments in Wheeling Pittsburgh to increase its competitiveness and solid financial support for Wheeling on the part of CSN.

The alliance aims at turning the comined entity into a truly world-class company, a low-cost steel producer with expertise to compete on local and global basis.

Cement Project

The Board of Directors approved new investments in the Cement Project, totaling approximately US\$185 million, for the set up of a grinding mill with 3 million tonnes/year capacity in Volta Redonda State of Rio de Janeior, and a clinker furnace with 825,000 tonnes/year capacity in Arcos State of Mnas Gerais. These plants are expected to be operational in the last quarter of 2007 and 2008, respectively.

Long Steel Project

The Board of Directors approved investments of approximately US\$113 million, for set up of rebars, wire rod and profiles production units, with 500,000 tonnes/year capacity, located in Volta Redonda State of Rio de Janeiro. The project will be conducted in 18 months from the signing of respective contracts.

Election of Board Members and Audit Committee

In the Board of Directors meeting held on August 8, Benjamin Steinbruch and Jacks Rabinovich were re-elected for another one-year term as Chairman and Vice-Chairman of the Board.

The Board of Directors also appointed the Board members Yoshiaki Nakano, Dionísio Dias Carneiro and Fernando Perrone for another term as Audit Committee members.

Change of Executive Officers

Otavio de Garcia Lazcano, current Financial Director, takes over as Executive Officer responsible for the financial area, for a two-year term.

Otavio Lazcano, an economist with post-graduate studies in Finance, has been working in CSN for 10 years and has been the Financial Director since 2003.

Change in the Investor Relations Department

The new Investor Relations Director is José Marcos Treiger, who will report directly to the CEO.

Treiger returns to CSN, where he previously acted as head of Investor Relations from 1996 to 2002, after 4 years working at Braskem. He is a very experienced professional, leading the first IR team to reach the international standards, as the first IR manager to be involved in the listing of Level III ADRs in New York Stock Exchange (NYSE).

Marcos Leite Ferreira, who led the IR department since January 2005, steps down as Investor Relations manager, and takes over the Investment Analysis Department.

Outlook

In the domestic market, an increase in investments is expected, fueled by a loose monetary policy.

In the international front, prices should maintain the upward trend throughout the third quarter 2006, with probability of a slight downturn in the last quarter of the year.

Based on this scenario and recent developments, the Company revised its 2006 guidance for the main drivers affecting its results, as follows:

| Driver | Guidance 2006 | |
|-------------------------------|---|----------------|
| | March/06 | Revised Aug/06 |
| Output* (MM tonnes) | - | |
| Sales Volume (MM tonnes) | 5.0 | Maintained |
| % of Sales in Domestic Mkt | 80% | Approx. 65% |
| Sales Price | Average-06>Dec-05 Dom. and Internat. Mkt | Maintained |
| Cost of Coal (US\$/tonne CIF) | Approx. -5% | Maintained |
| Cost of Coke (US\$/tonne CIF) | Revised Down to US\$150/t | Maintained |
| EBITDA Margin | Stability | Maintained |
| Net Debt/EBITDA | 0.75 | Maintained |

Finished Products

**including slab sales in international market

***company acquired, in October 2005, all the required volume for 2006

Maintenance of guidances provided in the beginning of the year reflects the current solid scenario in the domestic and international steel market

Second Quarter 2006 Earnings Release Conferece Calls

CSN will host a presentation to discuss its second quarter 2006 earnings as follows:

| Portuguese Presentation | English Presentation |
|---|--|
| August 10, 2006 Thursday 10:00 am Brasília 9:00 am US-ET Dial-in: (55 11) 2101-4848 Code: CSN | August 10, 2006 Thursday 12:00 pm Brasília 11:00 am US-ET Dial-in: (1 973) 935-8893 Code: CSN or 7683867 |

Companhia Siderúrgica Nacional, located in the State of Rio de Janeiro, Brazil, is a steel complex comprising investments in infrastructure and logistics whose operations include captive mines, an integrated steel mill, service centers, ports and railways. With a total annual production capacity of 5.6 million tonnes of crude steel and consolidated gross revenues of R\$ 12.3 billion in 2005, CSN is also the only tin-plate producer in Brazil and one of the five largest tin-plate producers worldwide.

Certain of the statements contained herein are forward-looking statements, which express or imply results, performance or events that are expected in the future. They include future results that may be implied by historical results, the statements under Outlook, the expected cost of net debt compared to the CDI in 2005. Actual results, performances or events may differ materially from those expressed or implied by the forward-looking statements, as a result of several factors, such as the general and economic conditions in Brazil and other countries, interest rate and exchange rate levels, protectionist measures in the US, Brazil and other countries, changes in laws and regulations and general competitive factors (on a global, regional or national basis).

There follows eight pages with tables

INCOME STATEMENT
CONSOLIDATED - Corporate Law - In Thousand of R\$

| | 2Q2005 | 1Q2006 | 2Q2006 | 1H2005 | 1H2006 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Gross Revenue | 3,148,919 | 2,408,857 | 2,413,126 | 6,726,550 | 4,821,983 |
| Gross Revenue deductions | (603,510) | (455,910) | (494,924) | (1,318,872) | (950,834) |
| Net Revenues | 2,545,409 | 1,952,947 | 1,918,202 | 5,407,678 | 3,871,149 |
| Domestic Market | 1,845,323 | 1,345,188 | 1,508,637 | 4,019,233 | 2,853,825 |
| Export Market | 700,086 | 607,759 | 409,565 | 1,388,445 | 1,017,324 |
| Cost of Good Sold (COGS) | (1,330,622) | (1,216,783) | (1,481,707) | (2,810,199) | (2,698,490) |
| COGS. excluding depreciation | (1,119,359) | (983,655) | (1,263,440) | (2,373,438) | (2,247,095) |
| Depreciation allocated to COGS | (211,263) | (233,128) | (218,267) | (436,761) | (451,395) |
| Gross Profit | 1,214,787 | 736,164 | 436,495 | 2,597,479 | 1,172,659 |
| Gross Margin (%) | 47.7% | 37.7% | 22.8% | 48.0% | 30.3% |
| Selling Expenses | (137,334) | (110,942) | (90,282) | (272,609) | (201,224) |
| General and administrative expenses | (74,718) | (70,884) | (87,949) | (140,948) | (158,833) |
| Depreciation allocated to SG&A | (14,888) | (12,752) | (13,121) | (26,927) | (25,873) |
| Other operation income (expense), net | (38,814) | 136,255 | 408,398 | (72,088) | 544,653 |
| Operating income before financial equity interests | 949,033 | 677,841 | 653,541 | 2,084,907 | 1,331,382 |
| Net Financial Result | (213,784) | (106,634) | (101,138) | (318,030) | (207,772) |
| Financial Expenses | (372,700) | (343,806) | (238,431) | (705,048) | (582,237) |
| Financial Income | (246,530) | (23,363) | 51,633 | 143,682 | 28,270 |
| Net monetary and foreign exchange variations | 405,446 | 260,535 | 85,660 | 243,336 | 346,195 |
| Equity interest in subsidiary | 3,535 | (10,789) | (24,571) | (16,143) | (35,360) |
| Operating Income (loss) | 738,784 | 560,418 | 527,832 | 1,750,734 | 1,088,250 |
| Non-operating income (expenses), Net | (5,726) | 201 | (363) | (6,566) | (162) |
| Income Before Income and Social Contribution Taxes | 733,058 | 560,619 | 527,469 | 1,744,168 | 1,088,088 |
| (Provision)/Credit for Income Tax | (236,144) | (165,028) | (95,808) | (452,029) | (260,836) |
| (Provision)/Credit for Social Contribution | (77,712) | (55,173) | (22,197) | (156,105) | (77,370) |
| Net Income (Loss) | 419,202 | 340,418 | 409,464 | 1,136,034 | 749,882 |
| EBITDA* | 1,213,998 | 787,466 | 476,531 | 2,620,683 | 1,263,997 |
| EBITDA Margin (%) | 47.7% | 40.3% | 24.8% | 48.5% | 32.7% |

* EBITDA = Gross income excluding selling, general and administrative expenses added to depreciation, amortization and exhaustion.

INCOME STATEMENT
PARENT COMPANY - Corporate Law - In Thousand of R\$

| | 2Q2005 | 1Q2006 | 2Q2006 | 1H2005 | 1H2006 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Gross Revenue | 2,670,162 | 1,872,179 | 1,801,541 | 5,810,860 | 3,673,720 |
| Gross Revenue deductions | (545,153) | (367,492) | (405,611) | (1,203,753) | (773,103) |
| Net Revenues | 2,125,009 | 1,504,687 | 1,395,930 | 4,607,107 | 2,900,617 |
| Domestic Market | 1,674,037 | 1,103,673 | 1,255,470 | 3,716,293 | 2,359,143 |
| Export Market | 450,972 | 401,014 | 140,460 | 890,817 | 541,474 |
| Cost of Good Sold (COGS) | (1,153,460) | (1,003,240) | (1,157,006) | (2,363,015) | (2,160,246) |
| COGS. excluding depreciation | (968,824) | (798,130) | (970,833) | (1,980,657) | (1,768,963) |
| Depreciation allocated to COGS | (184,636) | (205,110) | (186,173) | (382,358) | (391,283) |
| Gross Profit | 971,549 | 501,447 | 238,924 | 2,244,092 | 740,371 |
| <i>Gross Margin (%)</i> | <i>45.7%</i> | <i>33.3%</i> | <i>17.1%</i> | <i>48.7%</i> | <i>25.5%</i> |
| Selling Expenses | (49,486) | (63,662) | (59,682) | (126,374) | (123,344) |
| General and administrative expenses | (54,343) | (48,350) | (61,731) | (99,653) | (110,081) |
| Depreciation allocated to SG&A | (5,925) | (5,769) | (6,091) | (12,532) | (11,860) |
| Other operation income (expense), net | (19,485) | 130,065 | 434,305 | (52,277) | 564,370 |
| Operating income before financial equity interests | 842,310 | 513,731 | 545,725 | 1,953,256 | 1,059,456 |
| Net Financial Result | 477,217 | (150,433) | (130,820) | 150,703 | (281,253) |
| Financial Expenses | (254,168) | (271,419) | (140,516) | (517,899) | (411,935) |
| Financial Income | (256,180) | (340,591) | (11,477) | (254,791) | (352,068) |
| Net monetary and foreign exchange variations | 987,565 | 461,577 | 21,173 | 923,393 | 482,750 |
| Equity interest in subsidiary | (760,606) | 82,948 | 25,373 | (515,515) | 108,321 |
| Operating Income (loss) | 558,921 | 446,246 | 440,278 | 1,588,444 | 886,524 |
| Non-operating income (expenses), Net | (5,563) | 104 | (130) | (6,483) | (26) |
| Income Before Income and Social Contribution Taxes | 553,358 | 446,350 | 440,148 | 1,581,961 | 886,498 |
| (Provision)/Credit for Income Tax | (183,255) | (109,125) | (59,095) | (389,241) | (168,220) |
| (Provision)/Credit for Social Contribution | (64,620) | (39,197) | (10,764) | (138,514) | (49,961) |
| Net Income (Loss) | 305,483 | 298,028 | 370,289 | 1,054,206 | 668,317 |
| EBITDA* | 1,052,356 | 594,545 | 303,684 | 2,400,423 | 898,229 |
| <i>EBITDA Margin (%)</i> | <i>49.5%</i> | <i>39.5%</i> | <i>21.8%</i> | <i>52.1%</i> | <i>31.0%</i> |
| Additional Information | | | | | |
| Deliberated Dividends and Interest on Equity | 0 | 0 | 0 | 0 | 0 |
| Proposed Dividends and Interest on Equity | 2,303,045 | - | 1,324,087 | 2,303,045 | 1,324,087 |
| Number of Shares** - thousands | - | - | 415,000 | - | 415,000 |
| Earnings Loss per Share - R\$ | 68,050.00 | 43,796.00 | 46,698.00 | 116,455.00 | 90,494.00 |

* EBITDA = Gross income excluding selling, general and administrative expenses added to depreciation, amortization and exhaustion. ** Excluding shares held in treasury

BALANCE SHEET
Corporate Law - thousands of R\$

| | Parent Comany | | Consolidated | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 06/30/2006 | 03/31/2006 | 06/30/2006 | 03/31/2006 |
| Current Assets | 5,603,694 | 4,174,905 | 9,083,267 | 7,727,828 |
| Cash | 43,378 | 34,251 | 156,528 | 212,564 |
| Trade Accounts Receivable | 935,404 | 1,595,851 | 916,988 | 1,060,728 |
| Inventory | 1,625,502 | 1,351,568 | 2,271,499 | 1,856,176 |
| Marketable securities | 1,528,252 | 125,387 | 4,042,235 | 3,422,568 |
| Deferred Income Tax and Social Contribution | 301,971 | 430,326 | 340,269 | 470,112 |
| Insurance claims | 636,226 | 176,615 | 636,226 | 176,615 |
| Other | 532,961 | 460,907 | 719,522 | 529,065 |
| Long-term Assets | 1,350,912 | 1,409,082 | 1,563,228 | 1,623,757 |
| Permanet Assets | 17,712,728 | 17,409,649 | 14,514,597 | 14,209,717 |
| Investments | 5,400,580 | 5,195,432 | 319,403 | 253,368 |
| PP&E | 12,139,383 | 12,033,378 | 13,919,724 | 13,664,783 |
| Deffered | 172,765 | 180,839 | 275,470 | 291,566 |
| TOTAL ASSETS | 24,667,334 | 22,993,636 | 25,161,092 | 23,561,302 |
| Current Liabilities | 6,016,224 | 4,215,987 | 5,480,598 | 4,263,689 |
| Loans and Financing | 3,494,263 | 1,582,751 | 3,173,764 | 1,946,570 |
| Suppliers | 1,086,213 | 909,724 | 1,256,491 | 1,031,361 |
| Taxes and Contributions | 531,565 | 468,140 | 696,574 | 595,476 |
| Dividends Payable | 92,342 | 431,179 | 92,342 | 431,179 |
| Other | 811,841 | 824,193 | 261,427 | 259,103 |
| Long-term Liabilities | 11,968,959 | 12,027,337 | 13,010,512 | 12,570,071 |
| Loans and Financing | 6,203,099 | 6,283,323 | 7,217,021 | 6,843,268 |
| Provisions for contingences | 3,143,168 | 3,116,580 | 3,233,232 | 3,160,365 |
| Deffered Income and Social Contributions | | | | |
| Taxes | 2,101,432 | 2,133,258 | 2,125,617 | 2,133,258 |
| Other | 521,260 | 494,176 | 434,642 | 433,180 |
| Future Period Results | - | - | 5,930 | 6,005 |
| Shareholders' Equity | 6,682,151 | 6,750,312 | 6,664,052 | 6,721,537 |
| Capital | 1,680,947 | 1,680,947 | 1,680,947 | 1,680,947 |
| Capital Reserve | 23,248 | - | 23,248 | - |
| Revaluation Reserve | 4,398,642 | 4,460,422 | 4,398,642 | 4,460,422 |
| Earnings Reserve | 973,800 | 973,800 | 911,051 | 911,051 |
| Treasury Stock | (676,721) | (676,721) | (676,721) | (676,721) |
| Retained Earnings | 282,235 | 311,864 | 326,885 | 345,838 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 24,667,334 | 22,993,636 | 25,161,092 | 23,561,302 |

CASH FLOW STATEMENT
CONSOLIDATED - Corporate Law - thousands of R\$

| | 2Q2005 | 1Q2006 | 2Q2006 | 1H2005 | 1H2006 |
|--|--------------------|------------------|------------------|--------------------|------------------|
| Cash Flow from Operating Activities | 432,662 | 299,797 | 660,578 | 1,928,543 | 960,375 |
| Net Income for the period | 419,202 | 340,418 | 409,464 | 1,136,034 | 749,882 |
| Net exchange and monetary variations | (808,056) | (462,454) | (62,776) | (807,416) | (525,230) |
| Provision for financial expenses | 219,259 | 185,919 | 236,051 | 454,844 | 421,970 |
| Depreciation, exhaustion and amortization | 224,334 | 245,878 | 231,389 | 463,687 | 477,267 |
| Equity results | (3,536) | 10,790 | 24,570 | 16,143 | 35,360 |
| Deferred income taxes and social contributions | (159,285) | 10,592 | 194,230 | (141,380) | 204,822 |
| Provisions | 291,252 | (133,651) | (813,323) | 233,912 | (946,974) |
| Working Capital | 249,492 | 102,305 | 440,973 | 572,719 | 543,278 |
| Accounts Receivable | (117,685) | 302,637 | 140,733 | (351,605) | 443,370 |
| Inventory | 65,811 | 50,315 | (412,403) | 277,629 | (362,088) |
| Suppliers | 136,675 | (207,036) | 221,297 | 255,836 | 14,261 |
| Taxes | 40,689 | 120,314 | 513,411 | 556,196 | 633,725 |
| Others | 124,002 | (163,925) | (22,065) | (165,337) | (185,990) |
| Cash Flow from Investment Activities | (320,268) | (245,279) | (576,039) | (472,641) | (821,318) |
| Investments | (81,188) | 4,328 | (90,748) | (81,349) | (86,420) |
| Fixed Assets/Deferred | (239,080) | (249,607) | (485,291) | (391,292) | (734,898) |
| Cash Flow from Financing Activities | (2,269,576) | (451,757) | 466,715 | (1,290,765) | 14,958 |
| Issuances | 1,059,387 | 853,713 | 1,674,924 | 2,453,457 | 2,528,637 |
| Amortizations | (596,255) | (178,989) | (214,588) | (835,203) | (393,577) |
| Interests Expenses | (204,129) | (151,156) | (193,086) | (335,852) | (344,242) |
| Dividends/Interest on own capital | (2,268,407) | (936,215) | (800,535) | (2,268,419) | (1,736,750) |
| Shares in treasury | (260,172) | (39,110) | - | (304,748) | (39,110) |
| Free Cash Flow | (2,157,182) | (397,239) | 551,254 | 165,137 | 154,015 |

Net Financial Result
Parent Company - Corporate Law - thousands of R\$

| | 2Q2005 | 1Q2006 | 2Q2006 | 1H2005 | 1H2006 |
|---|------------------|------------------|------------------|------------------|------------------|
| Financial Expenses | (372,700) | (343,806) | (582,237) | (705,048) | (926,043) |
| Loans and financing | (209,166) | (201,309) | (443,947) | (450,383) | (645,256) |
| Local currency | (47,493) | (165,239) | (110,352) | (90,729) | (275,591) |
| Foreign currency | (161,673) | (36,070) | (333,595) | (359,654) | (369,665) |
| Taxes | (97,659) | (131,417) | (71,708) | (180,963) | (203,125) |
| Other financial expenses | (65,875) | (11,080) | (66,582) | (73,702) | (77,662) |
| Financial Income | (246,530) | (23,363) | 28,270 | 143,682 | 4,907 |
| Income from cash investments | (253,654) | 40,060 | 92,718 | (174,660) | 132,778 |
| Other income | 7,124 | (63,423) | (64,448) | 318,342 | (127,871) |
| Exchange and monetary variations | 405,446 | 260,535 | 346,195 | 243,336 | 606,730 |
| Net monetary change | 4,367 | (8,397) | (33,330) | (7,974) | (41,727) |
| Net exchange change | 401,079 | 268,932 | 379,525 | 251,310 | 648,457 |
| Net Financial Result | (213,784) | (106,634) | (207,772) | (318,030) | (314,406) |

Net Financial Result
Consolidated - Corporate Law - thousands of R\$

| | 2Q2005 | 1Q2006 | 2Q2006 | 1H2005 | 1H2006 |
|---|------------------|------------------|------------------|------------------|------------------|
| Financial Expenses | (254,168) | (271,419) | (411,935) | (517,899) | (683,354) |
| Loans and financing | (91,953) | (82,390) | (126,539) | (186,788) | (208,929) |
| Local currency | (44,628) | (46,641) | (109,743) | (86,021) | (156,384) |
| Foreing currency | (47,325) | (35,749) | (16,796) | (100,767) | (52,545) |
| Transaction with subsidiaries | (67,527) | (58,547) | (204,831) | (155,169) | (263,378) |
| Taxes | (91,750) | (126,604) | (74,870) | (169,392) | (201,474) |
| Other financial expenses | (2,938) | (3,878) | (5,695) | (6,550) | (9,573) |
| Financial Income | (256,180) | (340,591) | (352,068) | (254,791) | (692,659) |
| Income from cash investments | (293,800) | 7,822 | 15,281 | (288,756) | 23,103 |
| Other income | 37,620 | (348,413) | (367,349) | 33,965 | (715,762) |
| Exchange and monetary variations | 987,565 | 461,577 | 482,750 | 923,393 | 944,327 |
| Net monetary change | 1,509 | (9,470) | (29,224) | (6,045) | (38,694) |
| Net exchange change | 986,056 | 471,047 | 511,974 | 929,438 | 983,021 |
| Deffered exchange losses | - | - | - | - | - |
| Net Financial Result | 477,217 | (150,433) | (281,253) | 150,703 | (431,686) |

NET REVENUE PER UNIT
Consolidated - In R\$/tonne

| | 2Q2005 | 1Q2006 | 2Q2006 | 1H2005 | 1H2006 |
|------------------------|--------------|--------------|--------------|--------------|--------------|
| DOMESTIC MARKET | 2,027 | 1,808 | 1,755 | 2,076 | 1,780 |
| Slabs | 818 | 650 | 651 | 838 | 650 |
| Hot Rolled | 1,709 | 1,338 | 1,297 | 1,748 | 1,315 |
| Cold Rolled | 2,102 | 1,562 | 1,546 | 2,113 | 1,554 |
| Galvanized | 2,191 | 2,013 | 2,001 | 2,335 | 2,007 |
| Tin Plate | 2,476 | 2,465 | 2,451 | 2,469 | 2,458 |
| EXPORT MARKET | 1,823 | 1,503 | 1,568 | 1,982 | 1,528 |
| Slabs | - | - | 726 | - | 726 |
| Hot Rolled | 1,311 | 1,013 | 1,119 | 1,446 | 1,042 |
| Cold Rolled | 1,586 | 1,471 | 1,450 | 1,751 | 1,462 |
| Galvanized | 1,924 | 1,565 | 1,785 | 2,086 | 1,657 |
| Tin Plate | 2,263 | 1,875 | 1,836 | 2,336 | 1,866 |
| TOTAL MARKET | 1,960 | 1,688 | 1,706 | 2,049 | 1,696 |
| Slabs | 735 | 650 | 709 | 838 | 693 |
| Hot Rolled | 1,626 | 1,242 | 1,278 | 1,697 | 1,260 |
| Cold Rolled | 1,964 | 1,535 | 1,526 | 2,048 | 1,530 |
| Galvanized | 2,056 | 1,768 | 1,906 | 2,218 | 1,833 |
| Tin Plate | 2,409 | 2,258 | 2,366 | 2,430 | 2,305 |

NET REVENUE PER UNIT
Parent Company - In R\$/tonne

| | 2Q2005 | 1Q2006 | 2Q2006 | 1H2005 | 1H2006 |
|------------------------|--------------|--------------|--------------|--------------|--------------|
| DOMESTIC MARKET | 1,931 | 1,667 | 1,647 | 1,979 | 1,657 |
| Slabs | 818 | 650 | 651 | 838 | 650 |
| Hot Rolled | 1,585 | 1,270 | 1,259 | 1,660 | 1,264 |
| Cold Rolled | 1,870 | 1,402 | 1,398 | 1,902 | 1,400 |
| Galvanized | 2,313 | 1,811 | 1,909 | 2,354 | 1,861 |
| Tin Plate | 2,394 | 2,322 | 2,275 | 2,391 | 2,298 |
| EXPORT MARKET | 1,500 | 1,211 | 1,317 | 1,657 | 1,236 |
| Slabs | 927 | - | - | 1,363 | - |
| Hot Rolled | 1,203 | 896 | 1,023 | 1,336 | 926 |
| Cold Rolled | 1,382 | 1,136 | 1,119 | 1,499 | 1,132 |
| Galvanized | 1,532 | 1,363 | 1,549 | 1,755 | 1,414 |
| Tin Plate | 2,101 | 1,557 | 1,598 | 2,173 | 1,564 |
| TOTAL MARKET | 1,816 | 1,508 | 1,605 | 1,905 | 1,553 |
| Slabs | 865 | 650 | 651 | 1,182 | 650 |
| Hot Rolled | 1,492 | 1,126 | 1,230 | 1,595 | 1,176 |
| Cold Rolled | 1,732 | 1,329 | 1,372 | 1,832 | 1,350 |
| Galvanized | 2,099 | 1,634 | 1,840 | 2,200 | 1,725 |
| Tin Plate | 2,312 | 2,074 | 2,212 | 2,333 | 2,135 |

SALES VOLME
Consolidated - Thousand of tonnes

| | 2Q2005 | 1Q2006 | 2Q2006 | 1H2005 | 1H2006 |
|------------------------|--------------|------------|------------|--------------|--------------|
| DOMESTIC MARKET | 767 | 604 | 687 | 1,664 | 1,292 |
| Slabs | 11 | 11 | 7 | 19 | 18 |
| Hot Rolled | 313 | 192 | 248 | 676 | 440 |
| Cold Rolled | 103 | 98 | 110 | 243 | 208 |
| Galvanized | 167 | 160 | 177 | 372 | 337 |
| Tin Plate | 173 | 144 | 145 | 355 | 289 |
| EXPORT MARKET | 370 | 393 | 246 | 670 | 639 |
| Slabs | - | - | 24 | - | 24 |
| Hot Rolled | 83 | 81 | 30 | 138 | 110 |
| Cold Rolled | 38 | 42 | 29 | 53 | 71 |
| Galvanized | 171 | 193 | 140 | 332 | 333 |
| Tin Plate | 79 | 77 | 23 | 147 | 101 |
| TOTAL MARKET | 1,137 | 997 | 933 | 2,334 | 1,930 |
| Slabs | 11 | 11 | 31 | 19 | 42 |
| Hot Rolled | 396 | 272 | 278 | 813 | 550 |
| Cold Rolled | 141 | 140 | 139 | 296 | 279 |
| Galvanized | 338 | 353 | 316 | 704 | 670 |
| Tin Plate | 252 | 221 | 169 | 502 | 390 |

SALES VOLUME
Parent Company - Thousand of tonnes

| | 2Q2005 | 1Q2006 | 2Q2006 | 1H2005 | 1H2006 |
|------------------------|--------------|------------|------------|--------------|--------------|
| DOMESTIC MARKET | 804 | 612 | 707 | 1,762 | 1,318 |
| Slabs | 11 | 11 | 7 | 19 | 18 |
| Hot Rolled | 336 | 182 | 243 | 697 | 425 |
| Cold Rolled | 137 | 121 | 144 | 355 | 265 |
| Galvanized | 145 | 153 | 161 | 331 | 314 |
| Tin Plate | 175 | 144 | 151 | 360 | 295 |
| EXPORT MARKET | 293 | 328 | 104 | 527 | 432 |
| Slabs | 8 | - | - | 36 | - |
| Hot Rolled | 107 | 113 | 35 | 174 | 148 |
| Cold Rolled | 54 | 46 | 15 | 74 | 61 |
| Galvanized | 55 | 100 | 38 | 115 | 138 |
| Tin Plate | 69 | 69 | 16 | 129 | 85 |
| TOTAL MARKET | 1,097 | 940 | 810 | 2,289 | 1,750 |
| Slabs | 19 | 11 | 7 | 55 | 18 |
| Hot Rolled | 443 | 295 | 278 | 870 | 573 |
| Cold Rolled | 191 | 167 | 159 | 429 | 326 |
| Galvanized | 200 | 253 | 199 | 445 | 453 |
| Tin Plate | 244 | 213 | 167 | 489 | 380 |

EXCHANGE RATE
In R\$/US\$

| | 1Q2005 | 2Q2005 | 3Q2005 | 4Q2005 | 1Q2006 | 2Q2006 |
|----------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Average | 2.6652 | 2.4818 | 2.3428 | 2.2509 | 2.1959 | 2.1852 |
| % change | -4.3% | -6.9% | -5.6% | -3.9% | -2.4% | -0.5% |
| End of Period | 2.6662 | 2.3504 | 2.2222 | 2.3407 | 2.1724 | 2.1643 |
| % change | 0.4% | -11.8% | -5.5% | 5.3% | -7.2% | -0.4% |

SIGNATURE

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

Date: August 09, 2006

COMPANHIA SIDERÚRGICA NACIONAL

By: /s/ Benjamin Steinbruch

**Benjamin Steinbruch
Chief Executive Officer and
Acting Chief Financial
Officer**

FORWARD-LOOKING STATEMENTS

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