Companhia Siderúrgica Nacional



# 1Q16 Earnings Presentation

May 12th, 2016

# Disclaimer

Certain statements contained herein are forward-looking statements based on Management's current estimates regarding future performance that may result in material differences regarding future results, performance and events. In fact, 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, future rescheduling or prepayment of debt denominated in foreign currencies, 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).

# Operational and Financial Highlights during 1Q16

- **R$733 million EBITDA** generated with **18.1% EBITDA Margin**
- **Steel Sales** of **1,247kt, 10% higher** than **4Q15**
- **Increased share of Coated Products,** achieving **58% of the flat steel sales**
- **Total Steel EBITDA of R$420 million** vs R$222 million during 4Q15
- **Iron Ore Production of 7.33Mt,** with **Sales of 8.3Mt**
- Delivered **Iron Ore Costs** of **US$31.2/wmt,** against US$33.3/wmt in 4Q15
- **Cement Sales of 571kt, a 15% increase** in comparison with **4Q15**
- **Inventories** reduction of **R$472 million**

# CSN is focused on increasing businesses competitiveness and generating shareholder return

**MAIN GOALS: Increase Competitiveness and Recover Cash Generation**

## Operational Efficiency

- Synergies between businesses.
- Focus on cost leadership.
- Export competitiveness
- Production capacities adequacy with the currently scenario

## Projects Delivery

- Revamp of coke batteries 4A and 4B
- Conclusion of the Arcos Clinker Kiln

## Financial Management

- Financial discipline and liquidity preservation
- Focused on Cash generation recovery
- Implementation of actions focused on deleveraging

# Differentiated assets with high integration generate resilient performance even in adverse market conditions

## STEEL



- Unique portfolio in Long and Flat Steels
- Cost competitiveness
- Strong Sales network in Brazil and growing international distribution capacity

## MINING



- "*World- class*" assets
- Production chain integration
- Competitive portfolio
- Cost competitiveness from mine to client
- Mix of spot and contract sales

## CEMENT



- High synergy with other businesses
- Growing production capacity with unique assets
- High Quality products and portfolio expansion

## LOGISTICS



- Businesses integration
- Differentiated assets (TECON, MRS) with high performance
- Prime location in RJ-SP-MG

## ENERGY



- Hydropower and thermal power mix.
- Low generation cost.
- Over 400MW capacity.
- High integration with businesses

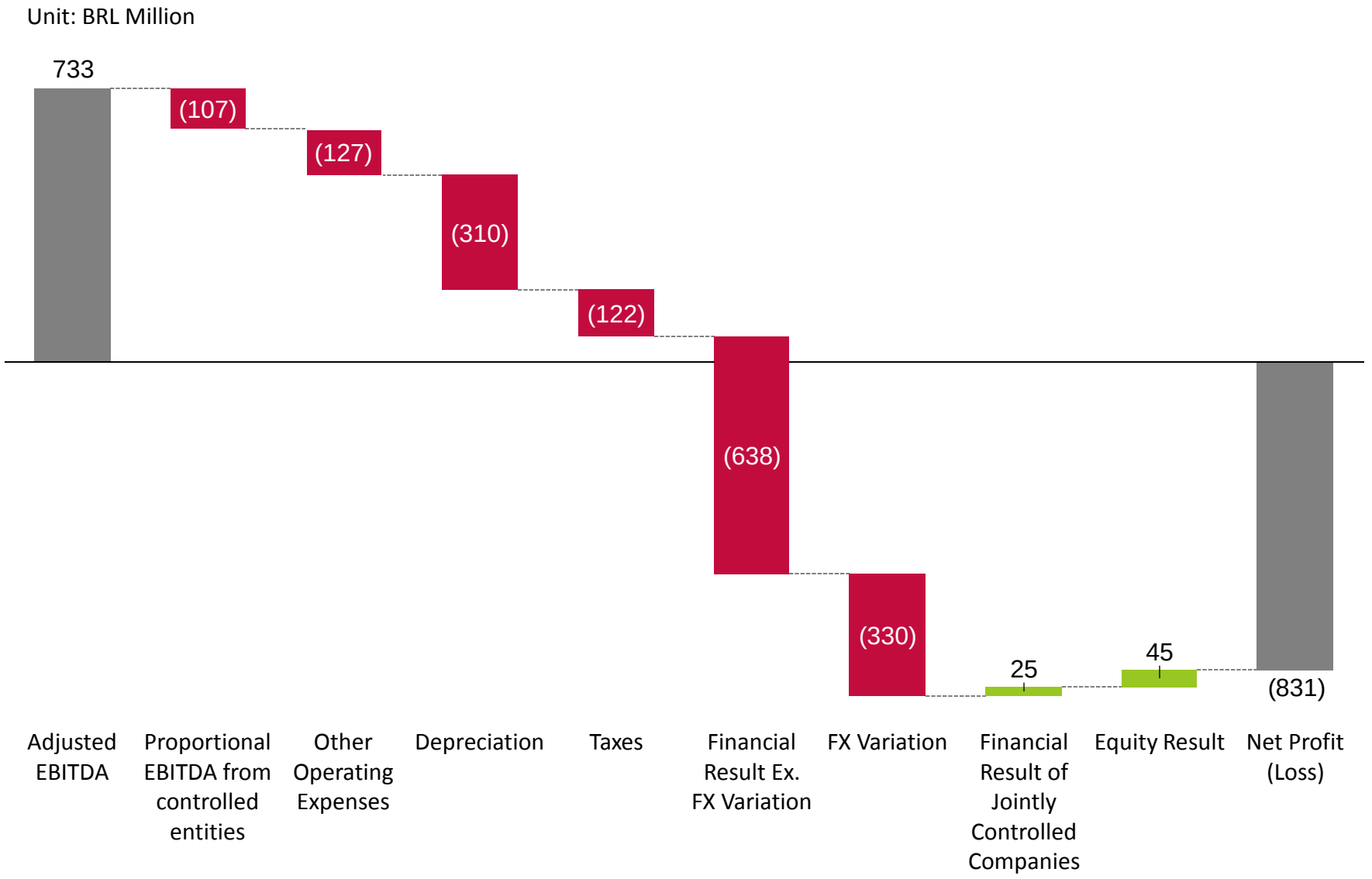
# Consolidated Results

| BRL Million | 1Q15 | 4Q15 | 1Q16 |
|---|---|---|---|
| **Net Revenues** | 4,010 | 3,678 | 3,844 |
| **Gross Profit** | 985 | 767 | 926 |
| **Adjusted EBITDA[1]** | 911 | 686 | 733 |
| **Adjusted EBITDA Margin[1]** | 21.5% | 17.0% | 18.1% |
| **Net Profit (Net Loss)** | 392 | 2,371 | (831) |
| | | | |
| **Adjusted Gross Debt** | 32,230 | 35,361 | 33,126 |
| **Adjusted Net Debt** | 19,979 | 26,499 | 26,654 |
| **Net Debt/Adjusted EBITDA** | 4.8x | 8.2x | 8.7x |
| **Adjusted Cash** | 11,102 | 8,862 | 6,472 |
| **IFRS Cash** | 9,071 | 8,625 | 6,305 |

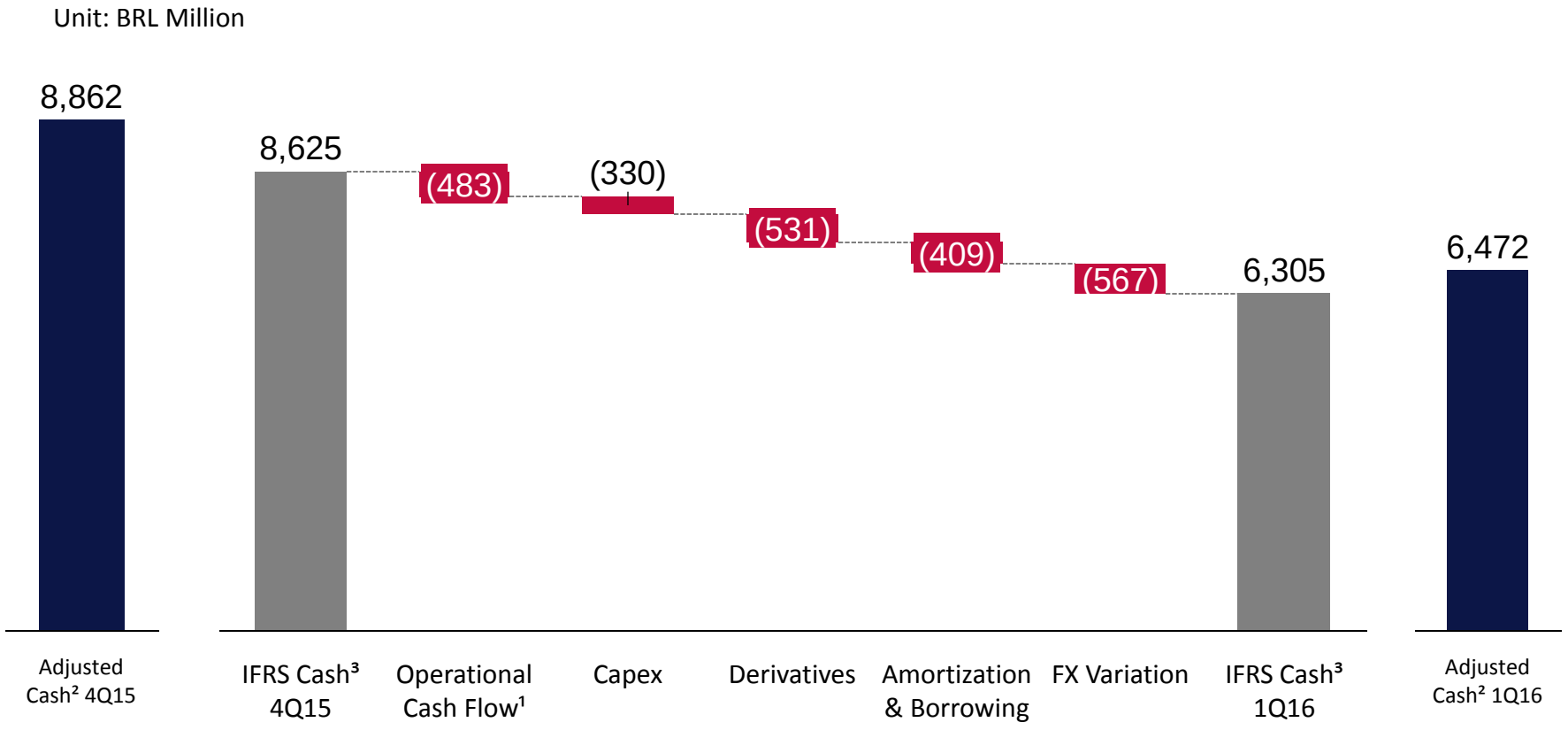
Notes:
[1] The Adjusted EBITDA and Adjusted EBITDA Margin include 37,27% stake in MRS and 50% stake in CBSI.

Coments:
- The adjusted Debt and Cash consider 37,27% stake in MRS and 50% stake in CBSI.
- The Adjusted Debt does not include Forfaiting and Drawee Risk operations.

# Net Results Build-up for 1Q16

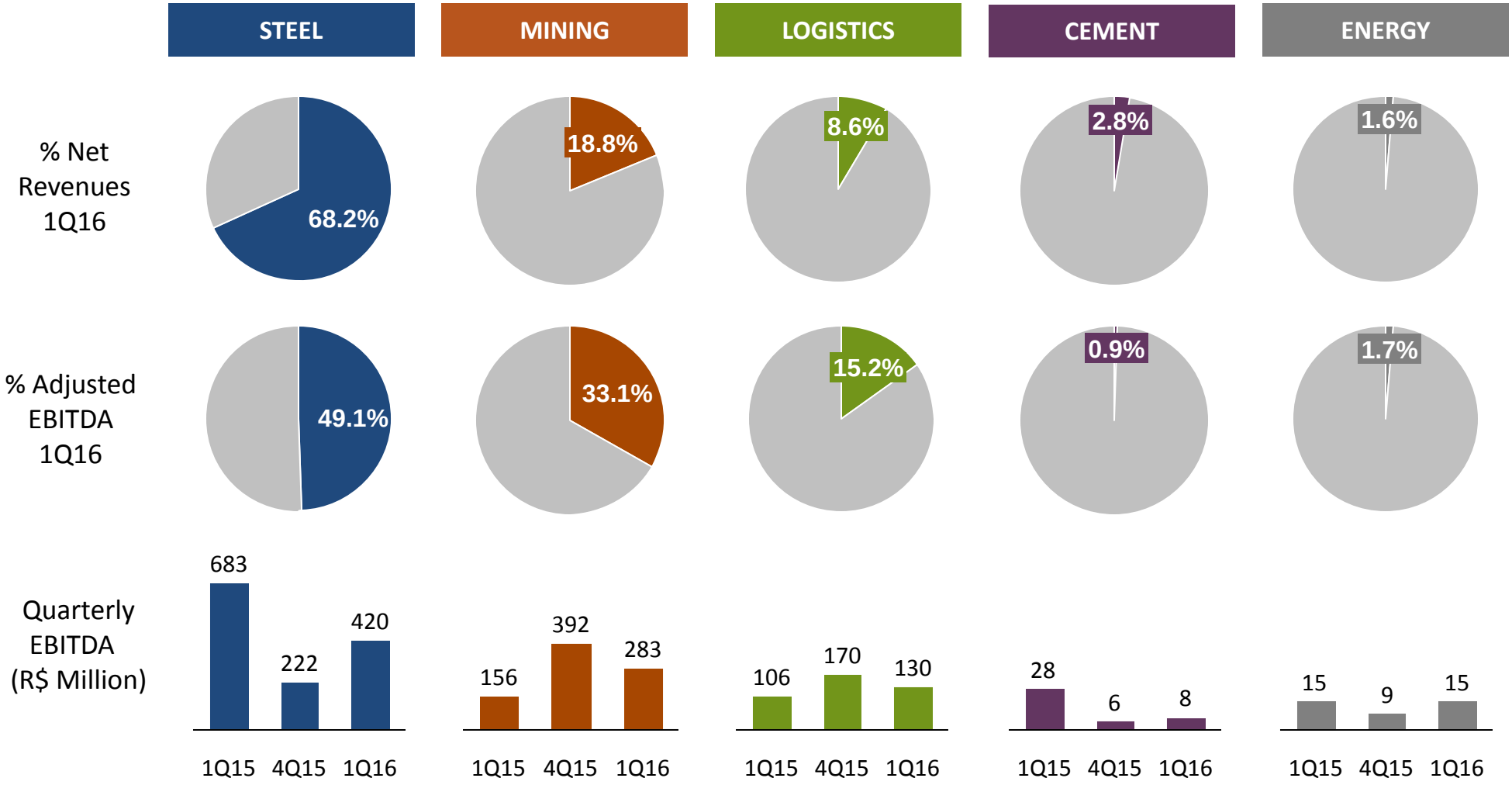


# CSN's Cash Position




[1] The Operational Cash Flow includes EBITDA, Financial Result ex. FX Variation, Working Capital & Taxes
[2] The Adjusted Cash in 4Q15 and 1Q16 include 37,27% stake in MRS' cash, 50% stake in CBSI's cash and financial investments in guarantee for exchange operations in BM&F
[3] The IFRS Cash in 4Q15 and 1Q16 considers financial investments in guarantee for exchange operations in BM&F

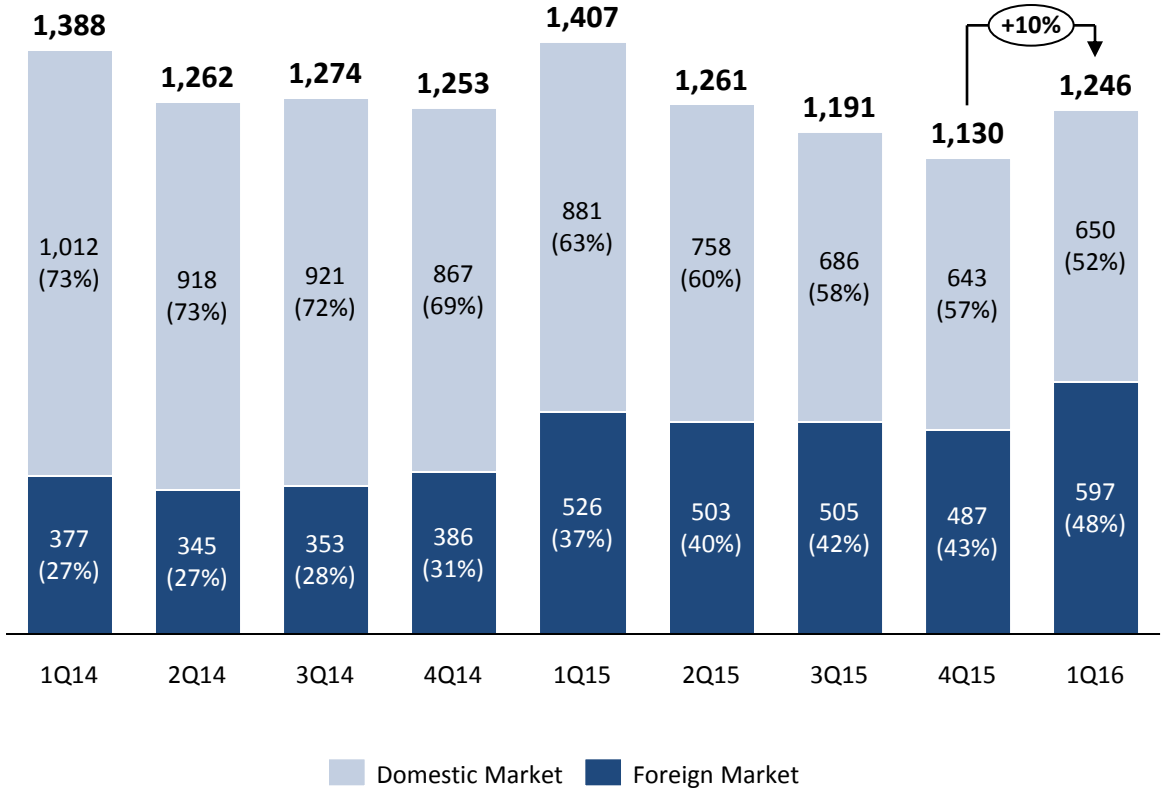
# Results by Segment during 1Q16



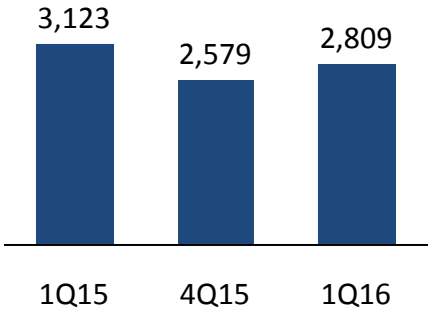
# Steel Performance during 1Q16

Sales increase of 10% against 4Q15. Steel EBITDA reached R$420 million during 1Q16, an increase of R$198 million over 4Q15, generating R$337/t.

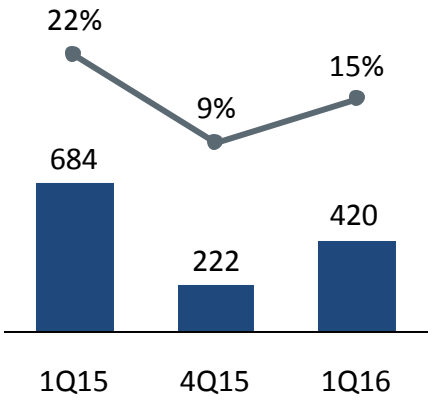
**Sales Volumes (thousand tons)**




**Net Revenues (R$ million)**

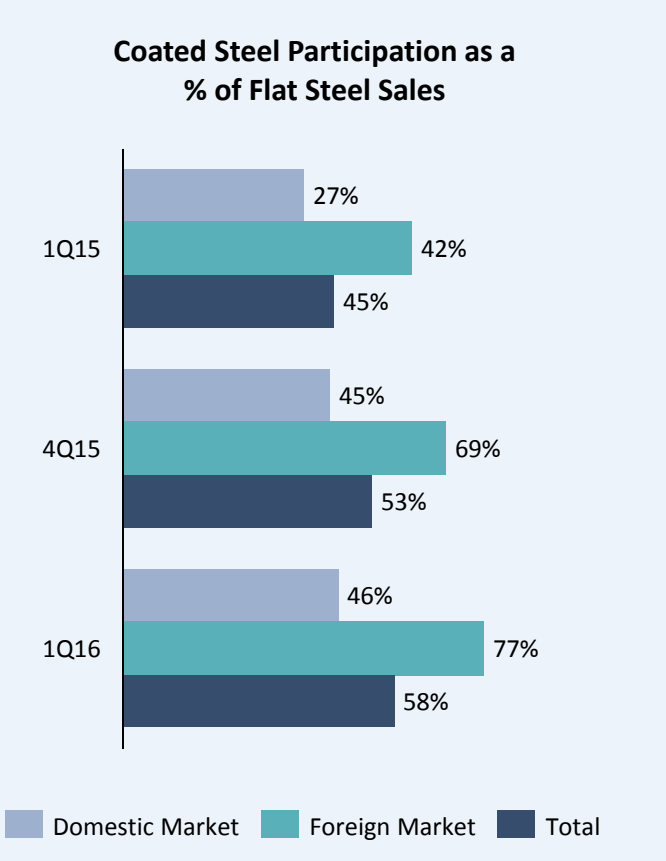


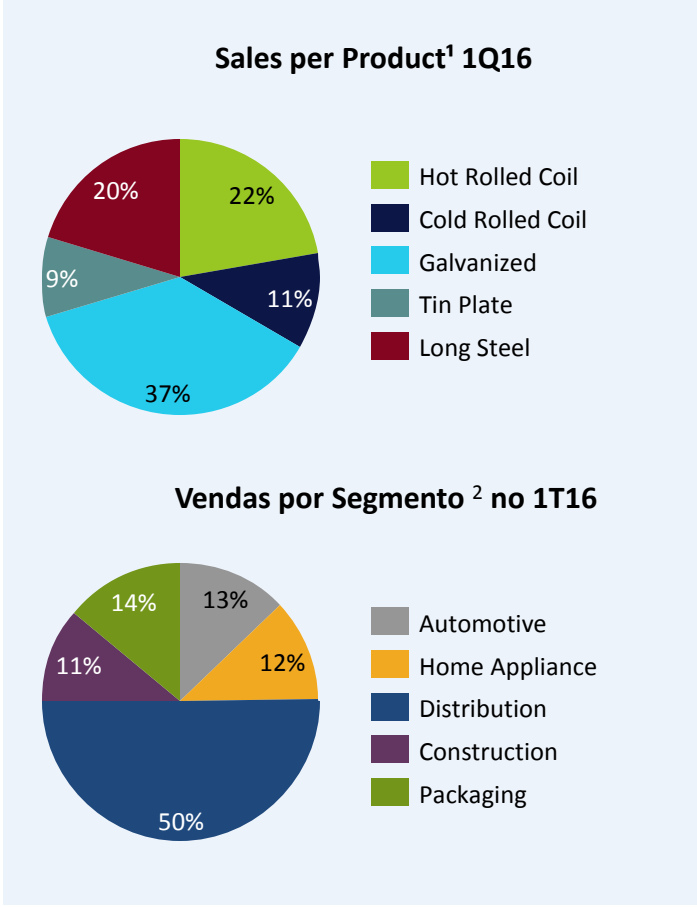

**EBITDA (R$ million) and EBITDA Mg. (%)**

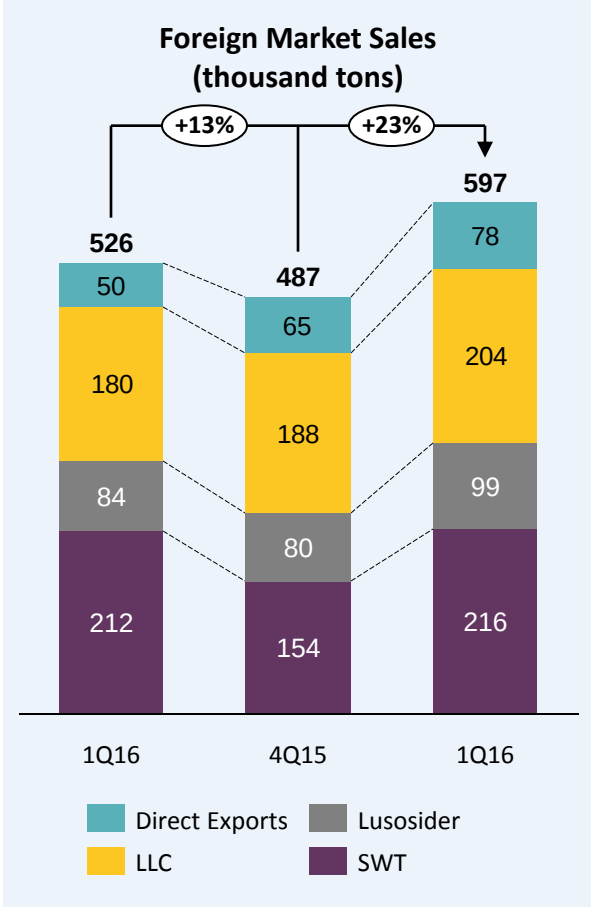


# Steel Performance during 1Q16

Increase in coated steel participation in CSN´s sales during 1Q16. Exports and Foreign Sales drove total volumes, with a strong increase during 1Q16, +23% and +14%, compared to 4Q15 and 1Q15, respectively.



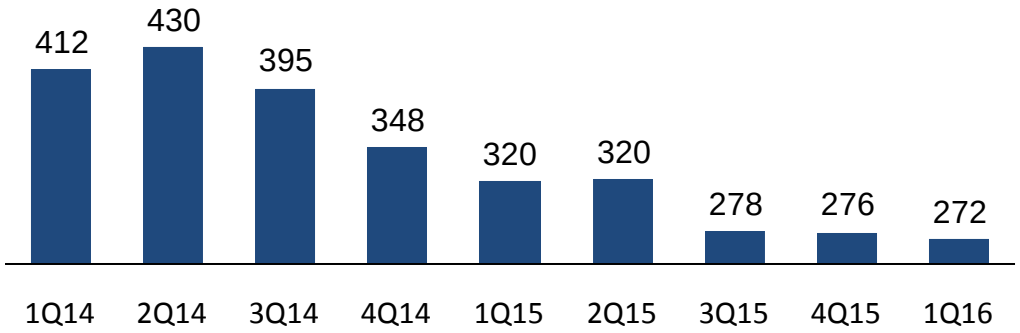

(1) Sales per product total market
(2) Sales per segment at CSN Parent Company. Doesn't include SWT, CSN LLC or Lusosider

# 1Q16 Steel Cost Competitiveness

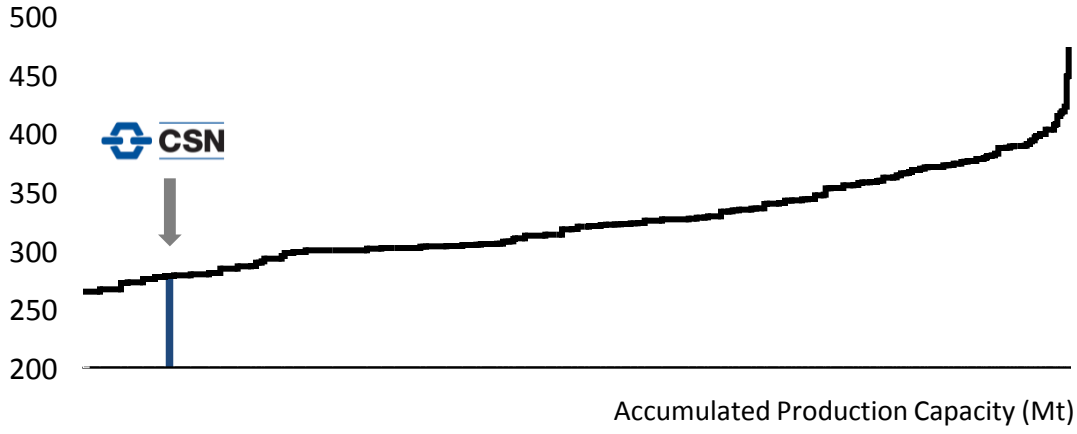
CSN kept its slab production cost below 280 USD/tonne, even with 100% of its iron ore supply accounted at market price, ensuring its presence in the 1st Global Quartile.

**Custo Slab Production Cost at President Vargas Steelworks (US$/t)**

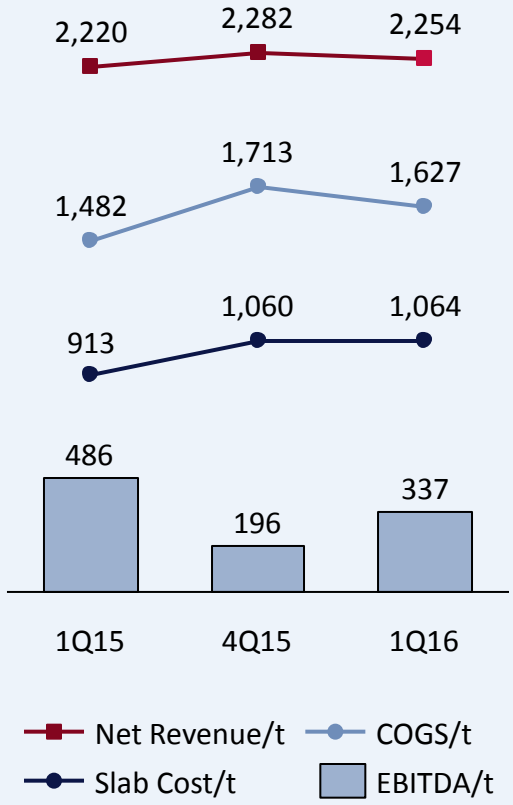
OBS: ~40% of slab costs are dollar denominated




**Slab Cost Curve 2015e (US$/t FOB)**




**Performance Indicators per tonne (R$/t)**

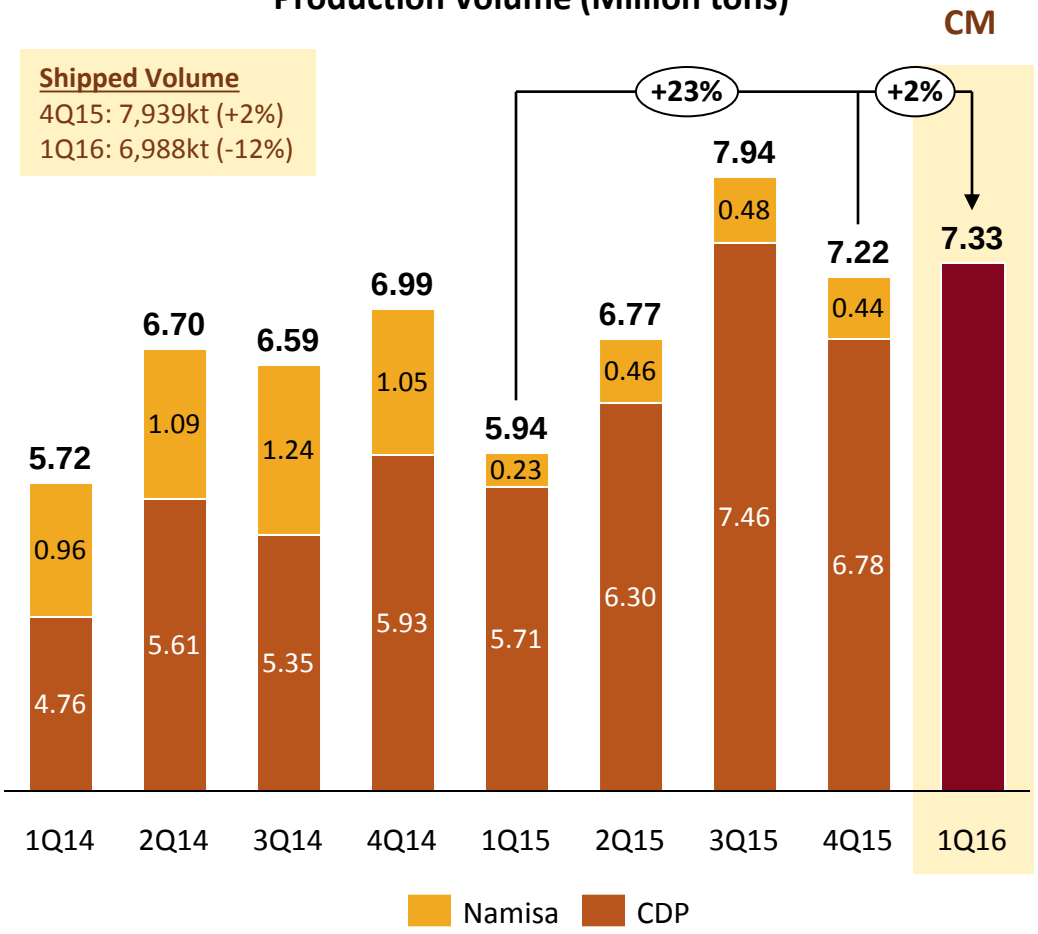



SOURCE: CRU data and CSN macro assumptions

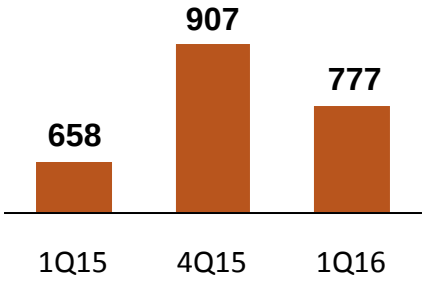
# Mining Performance during 1Q16

During 1Q16 Congonhas Minérios produced 7.3Mt, 23% higher than 1Q15.

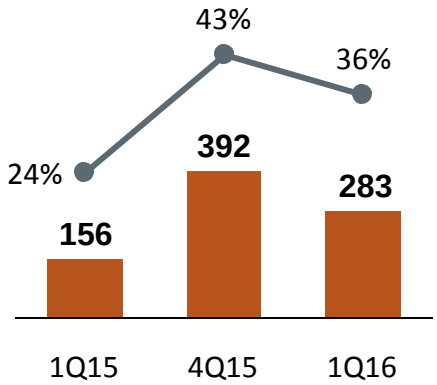
**Production Volume (Million tons)**




**Net Revenue (R$ million)**



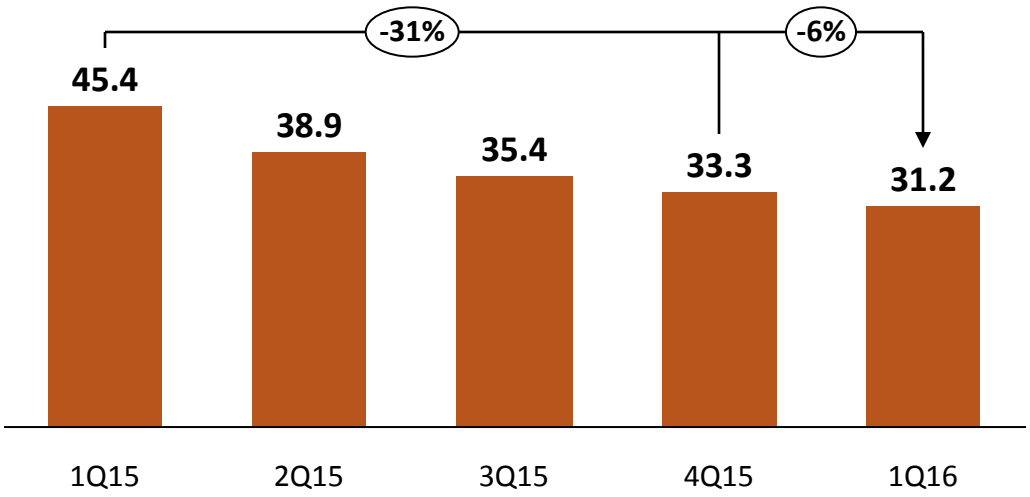

**EBITDA² (R$ million) and EBITDA Mg. (%)**



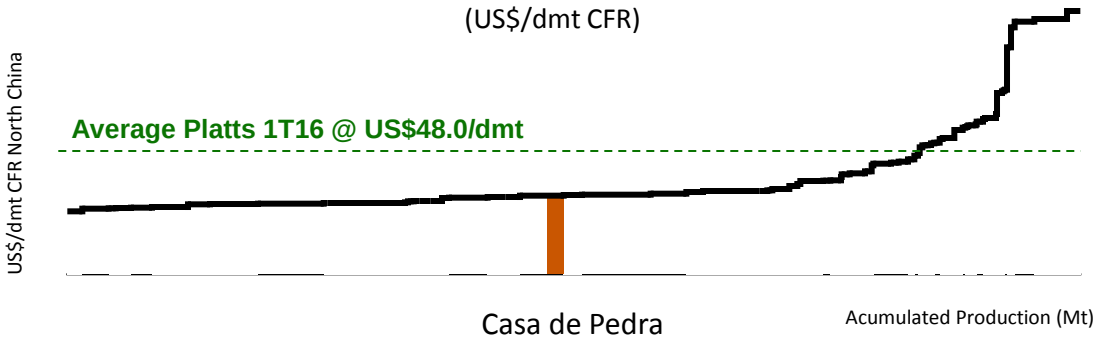
# Cada de Pedra's Delivered Cash Cost

## Cost reductions Plan generated a 6% decrease during 1Q16, even with BRL appreciation

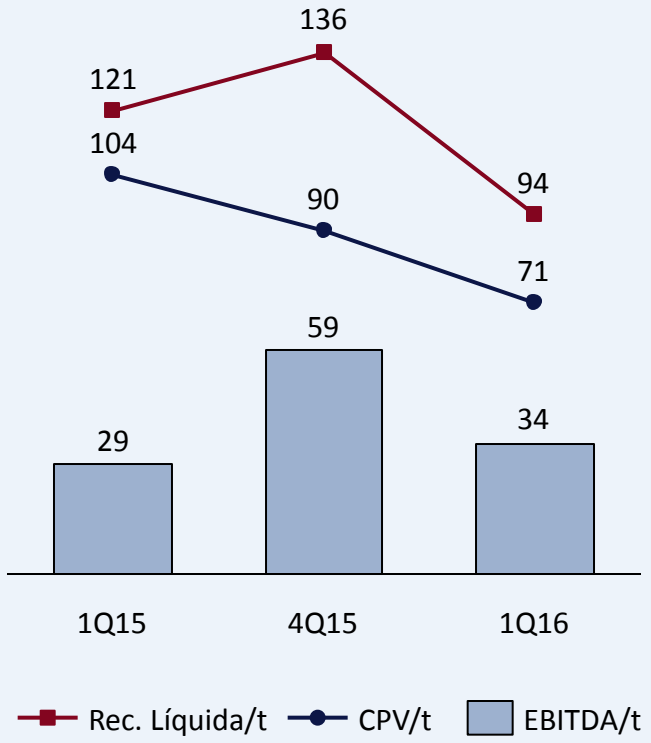
### Delivered Iron Ore Cash Cost at China
(USD/wmt)




### Iron Ore Cost Curve 62%Fe CFR North China
(US$/dmt CFR)




### Performance Indicators per tonne[1]
(R$/t)

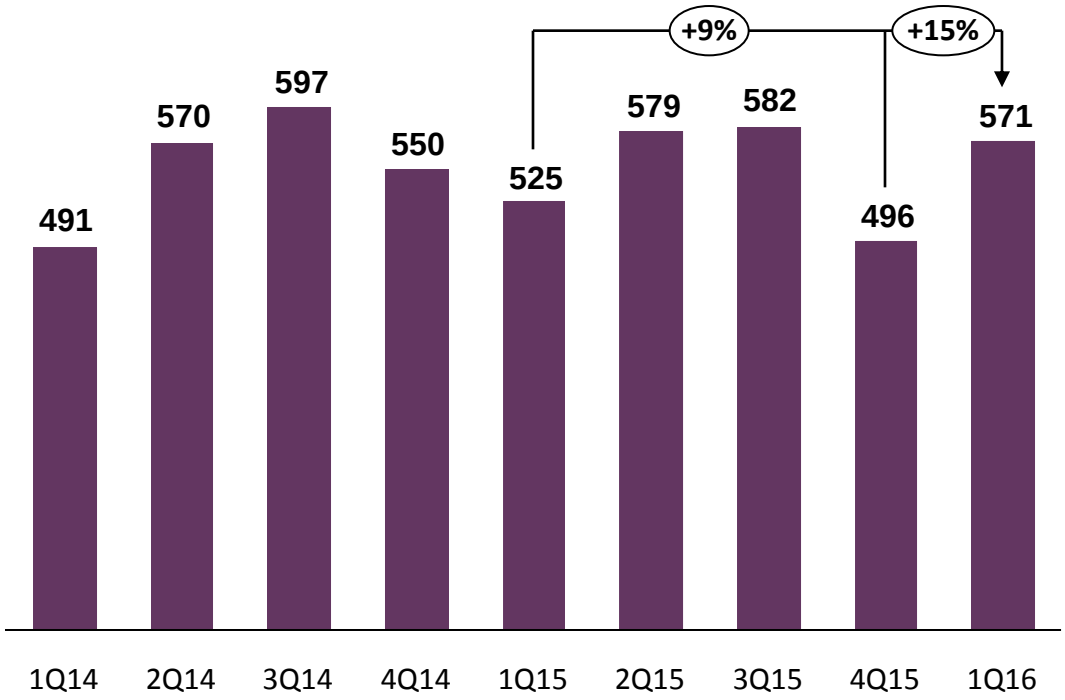



[1]The Performance Indicators are calculated over the total iron ore sales volume.
SOURCE: SRK data and CSN macro assumptions.

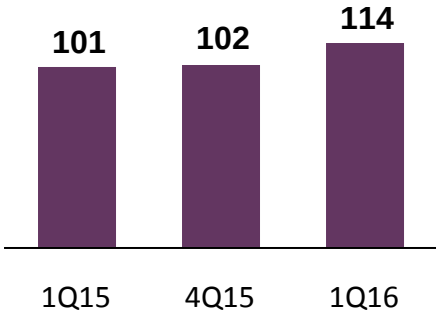
# Cement Performance during 1Q16

The ramp-up of Arcos cement operation enabled a 15% sales increase during 1Q16. The short-term EBITDA increase by R$2 million during the 1Q16, due to the ramp-up of the Arcos complex.

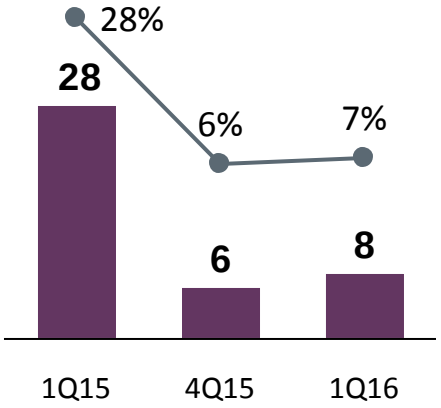
**Sales Volume (thousand ton)**




**Net Revenues (R$ million)**

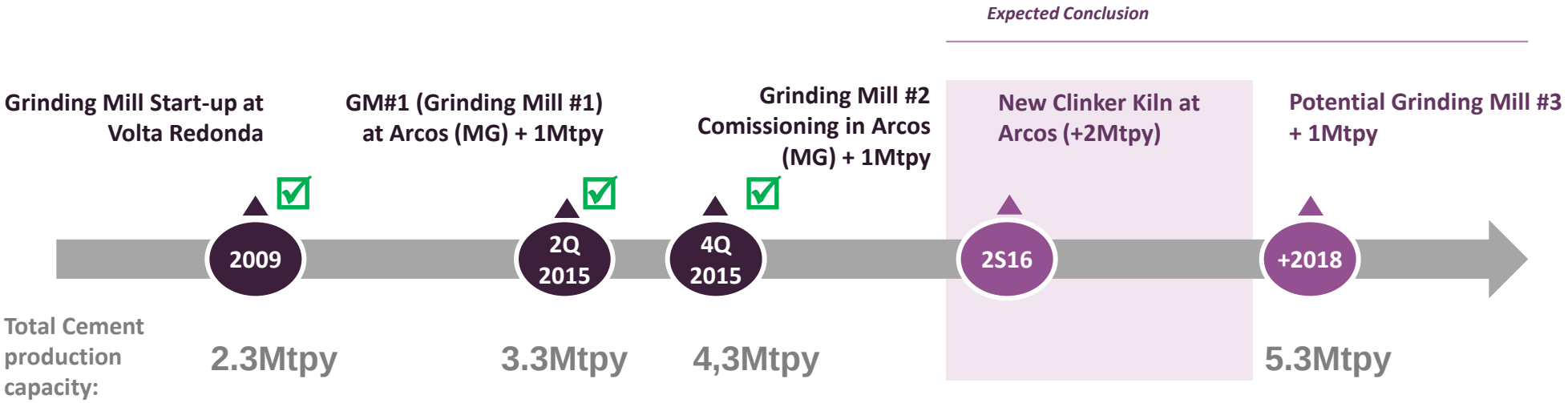



**EBITDA (R$ million) and EBITDA Mg. (%)**



# Conclusion of Grinding Mills #1 and #2 in Arcos (MG)

Grinding Mills #1 and #2 are operating, expanding the total nominal capacity to 4.3Mtpy. The New Clinker Kiln will allow CSN to capture greater competitive margins and scale in the southeast region.




**Southeast Cement Project:**

- Addition of 2 Mtpy of production capacity (Grinding Mill #1 and #2)
- Cement portfolio increase with CP II e 32
- Project delivered on time and on budget

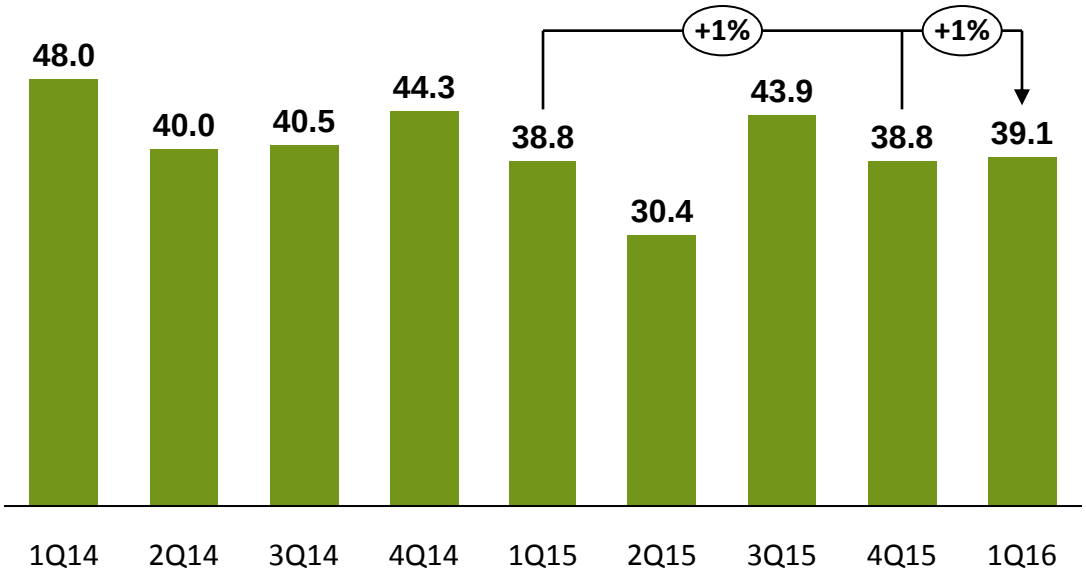




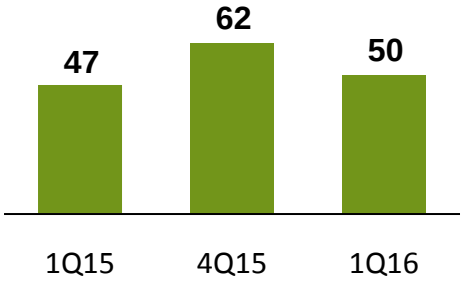
# Sepetiba Tecon Performance during 1Q16

TECON transported over 152´000 conteineres over the last 12 months.

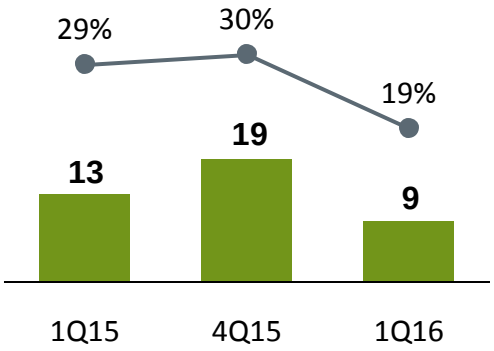
**Transported Volume (Thousand Containers)**




**Net Revenues (R$ million)**

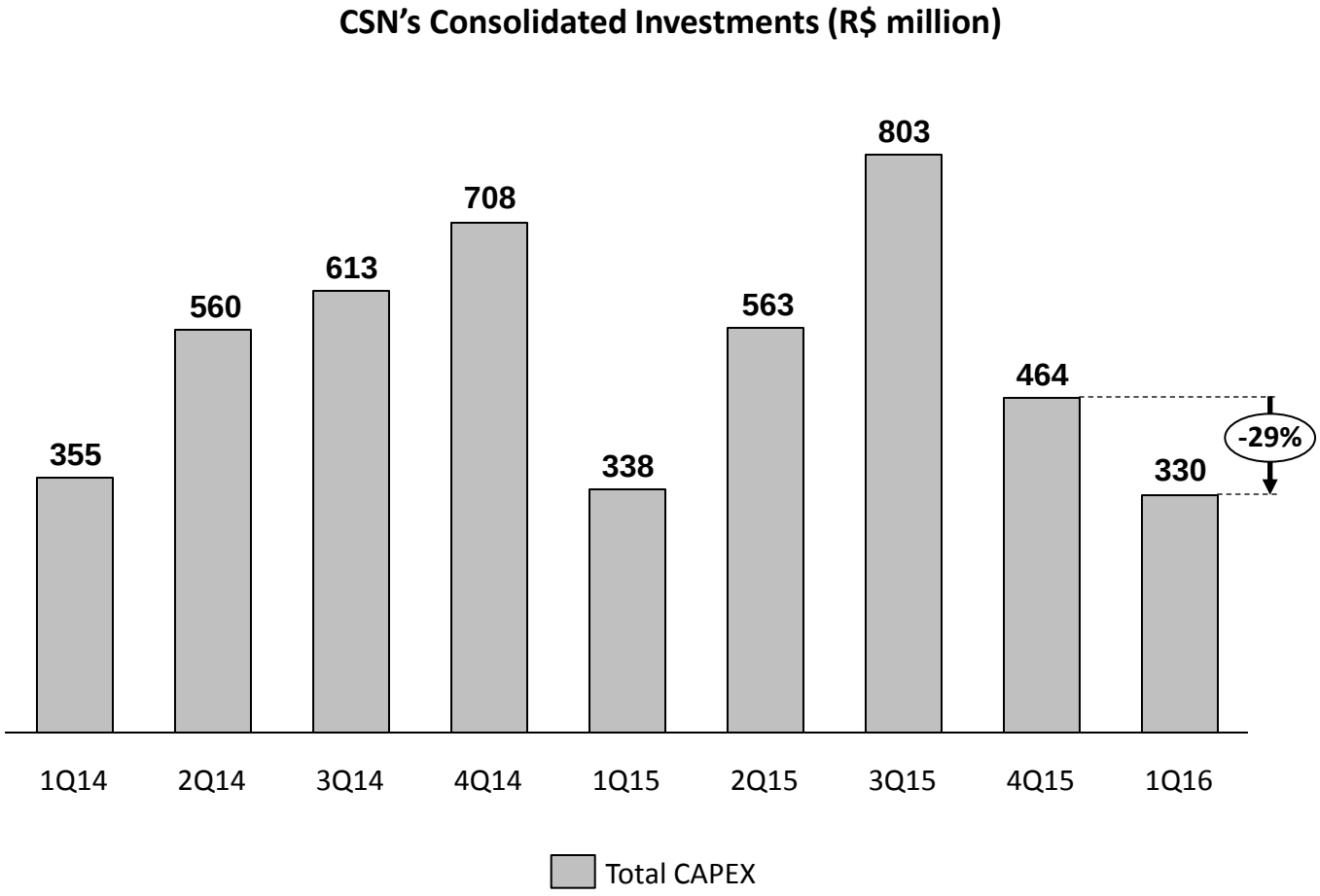


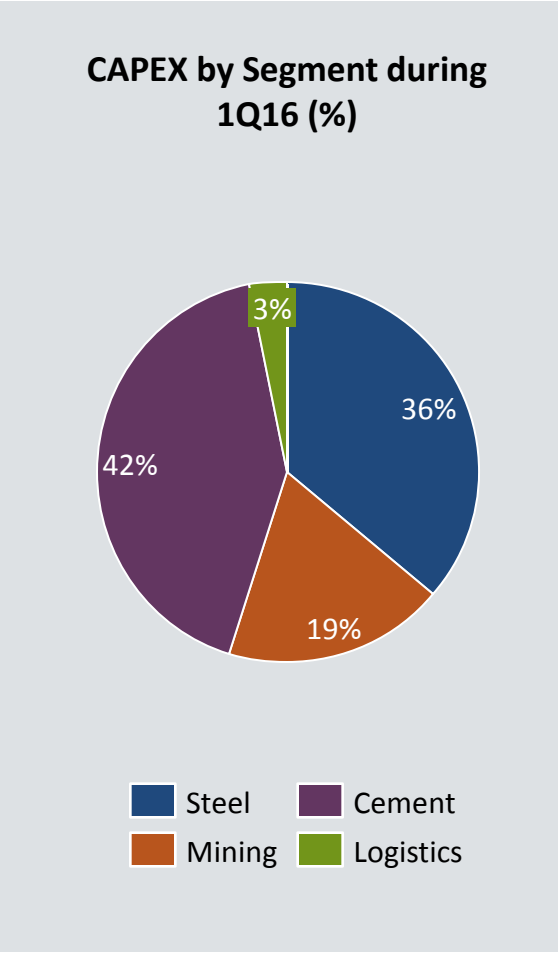

**EBITDA (R$ million) and EBITDA Mg. (%)**



# CAPEX during 1Q16

During 1Q16, CSN spent R$155 million in sustaining CAPEX. The main expansion capex (R$121 million) were the Clinker Kiln in Arcos (MG) and the Coke Batteries revamp.



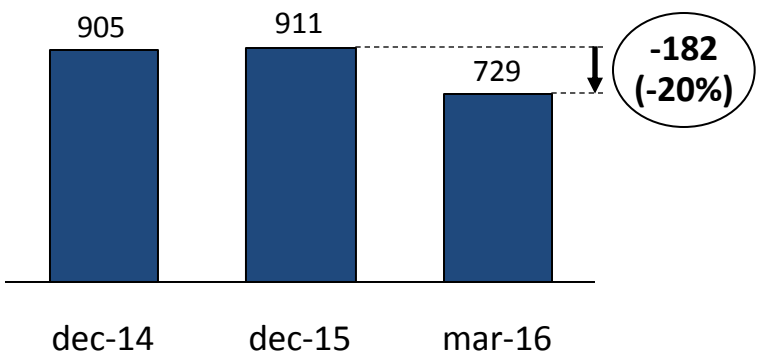



# 1Q16 Working Capital

Strong inventory decrease during 1Q16, with a significant Working Capital reduction expectation during 2016.

| Working Capital (R$ milhões) | 1Q15 | 4Q15 | 1Q16 | Change | |
|---|---|---|---|---|---|
| | | | | 1Q16 x 4Q15 | 1Q16 x 1Q15 |
| Trade Receivables | 1,901 | 1,501 | 1,746 | 245 | (155) |
| Inventories | 3,107 | 4,092 | 3,621 | (472) | 514 |
| Suppliers | 1,556 | 1,671 | 1,542 | (129) | (14) |
| **Working Capital[1]** | **2,839** | **3,175** | **3,083** | **(92)** | **244** |

**Steel Finished Products Inventories (thousand tons)**




- R$472 million reduction in inventories against 4Q15
- Physical reduction in inventories of intermediate and final products

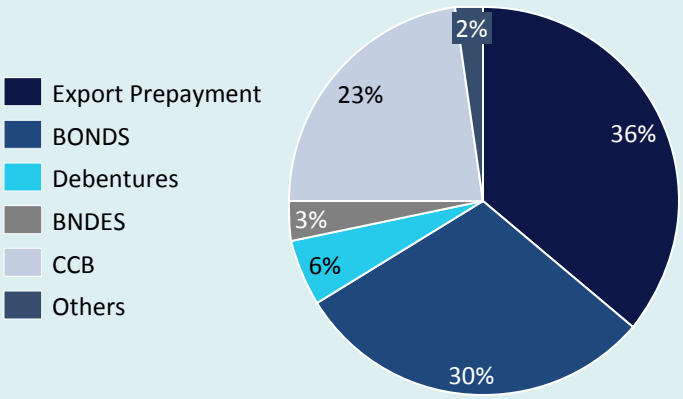
[1]Working Capital includes other items such as Taxes Advance , Salaries, Social Contributions, Taxes Payables, Advance from Costumers & Forfaiting

# Financial Agenda

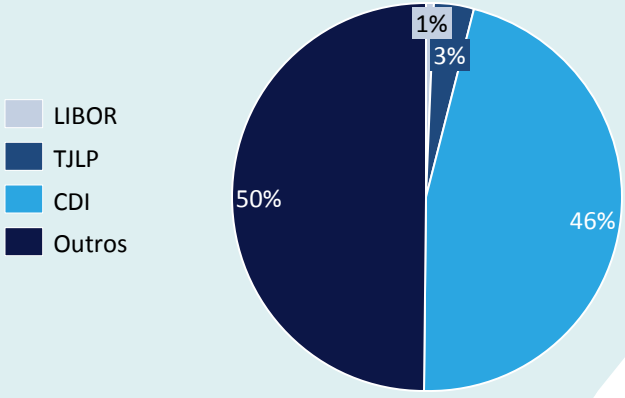
| | |
|---|---|
| 1 **Cash Management** | • Higher Financial Revenues ✓<br>• Hedge Accounting implementation ✓<br>• Focus on Liquidity |
| 2 **Debt Management** | • Debt Extension concluded with BB and CEF (R$4.8Bi) ✓<br>• Funding Instruments Diversification and Debt Extension |
| 3 **Cost Reduction & Working Capital** | • Matrix Budgeting Practices Implementation ✓<br>• Inventories Reduction of R$472 million ✓<br>• CAPEX Reduction (R$330 million during 1Q16) ✓ |
| 4 **Partnerships and Divestments** | • Assets mandated and under due diligence ✓<br>• Partnerships and divestments alternatives to reduce indebtedness |

# 1Q16 Debt Profile and Currency Exposure

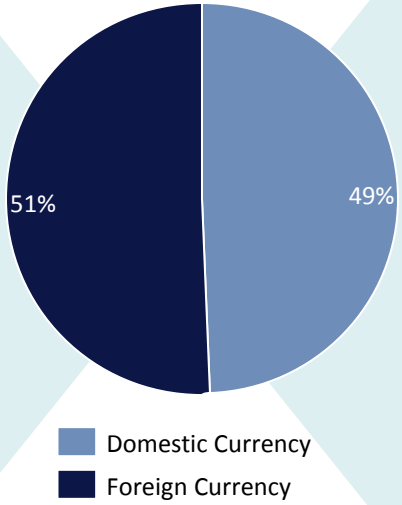
## Debt by Instrument



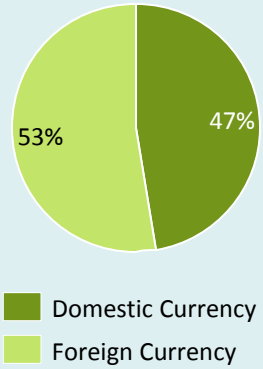

## Debt by Index



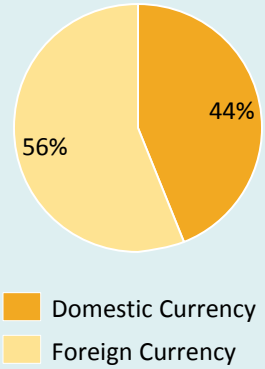

## Total Debt by Currency



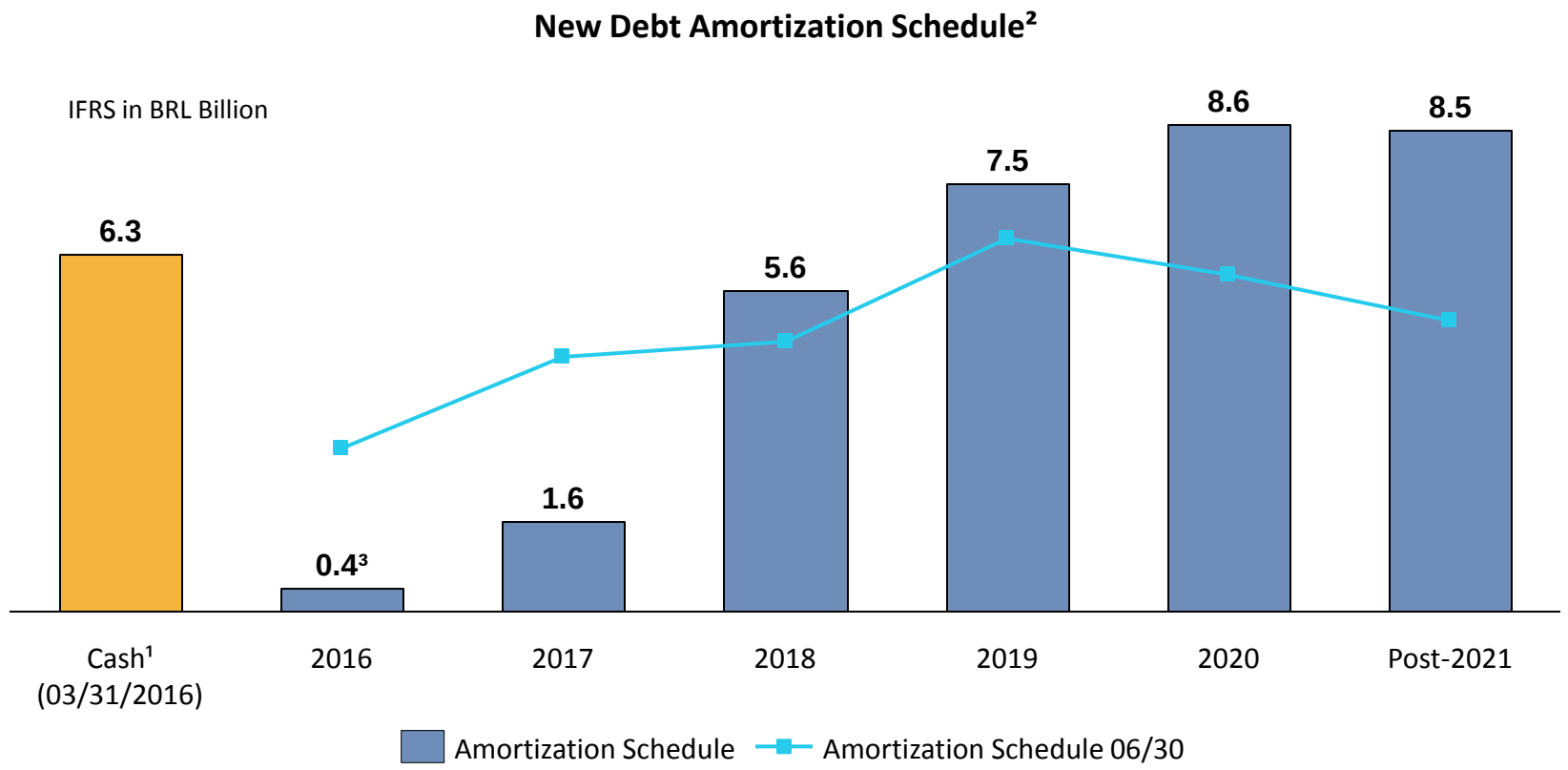

## Revenue by Market




## EBITDA by Market



# 1Q16 Debt Amortization Schedule




**Average Debt Maturity:** 7.32 years
**Average Debt Cost (Domestic Currency):**107.4% CDI
**Average Debt Cost (Foreign Currency):** 5.70%

[1]Includes financial investments as collateral for foreign exchange transactions on the BM&F.
[2]Debt amortization schedule does not include accrued interest.
[3]The 2016 amortizations do not include Forfaiting & Drawee Risk.

# Environmental and Community Actions

CSN strengthens its commitments with sustainable practises and integration with local comunities







- **On April 12th, 2016, CSN signed a Conduct Adjustment Agreement ("TAC"), comprising the resolution of all pending environmental issues related to the Presidente Vargas Steelworks (UPV).**
  - INEA (Rio de Janeiro Environmental Agency) will grant CSN an Environmental Operating Authorization;
  - CSN will invest R$178 million in environmental improvements;
  - CSN will pay R$22 million to INEA to be used in environmental programs in the Volta Redonda region;
  - CSN will voluntarily monitor water and land emissions in the Paraíba do Sul River and air monitoring;

PROJETO GAROTO CIDADÃO

FUNDAÇÃO CSN

LINHA VERDE CSN 0800 2824440

## Corporate Information

- Website: www.csn.com.br
- Comunication channel with IR: invrel@csn.com.br

## Investor Relations

- Paulo Caffarelli – Corporate Executive Officer and IR

- Investor Relations team: Guilherme Hernandes, Bruno Tetner, Ana Rayes, Rodrigo Bonsaver & Lucas Boareto

| Negotiated Securities | Ticker | CUSIP |
|---|---|---|
| Share negotiated in Bovespa | CSNA3 | - |
| ADR listed in NYSE | SID | - |
| 6.875% Senior Note due 2019 | CSNABZ2019 | EH9753391 |
| 6.50% Senior Note due 2020 | CSNABZ2020 | EI3251630 |
| 7.00% Perpetual Notes | CSNABZPerp | EI4100208 |

CSN

Companhia Siderúrgica Nacional

**Fazer bem,**

**Fazer mais,**

**Fazer para sempre.**