NATIONAL STEEL CO
Form 6-K
May 06, 2015

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 May 6, 2015
Commission File Number 1-14732

COMPANHIA SIDERÚRGICA NACIONAL

(Exact name of registrant as specified in its charter)

National Steel Company

(Translation of Registrant's name into English)

Av. Brigadeiro Faria Lima 3400, 20º andar
São Paulo, SP, Brazil
04538-132
(Address of principal executive office)

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

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

Yes _______ No ___X____

São Paulo, May 6, 2015

Companhia Siderúrgica Nacional (CSN) (BM&FBOVESPA: CSNA3) (NYSE: SID) announces today its consolidated results for the first quarter of 2015 (1Q15), which are presented in Brazilian Reais and in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and with Brazilian accounting practices, which are fully convergent with the international accounting norms issued by the Accounting Pronouncements Committee (CPC) and approved by the Brazilian Securities and Exchange Commission (CVM), pursuant to CVM Instruction 485 of September 1, 2010. The comments herein refer to the Company's consolidated results of the first quarter of 2015 (1Q15) and comparisons refer to the fourth quarter of 2014 (4Q14) and to the first quarter of 2014 (1Q14), unless otherwise stated. On March 31, 2015, the Real/US Dollar exchange rate was R$3.208.

Executive Summary

Consolidated Net Revenue (R$ MM)	4,371	3,820	4,010	-8%	5%
Consolidated Gross Profit (R$ MM)	1,336	921	985	-26%	7%
Adjusted EBITDA (R$ MM)	1,440	1,010	911	-37%	-10%
Total Sales (thousand t)					
Steel	**1,388**	**1,253**	**1,407**	**1%**	**12%**
- Domestic Market	73%	69%	63%	-10 p.p.	-6 p.p.
- Overseas Subsidiaries	25%	26%	34%	9 p.p.	8 p.p.
- Exports	2%	5%	3%	1 p.p.	-2 p.p.
- Iron Ore	**6,385**	**7,543**	**5,442**	**-15%**	**-28%**
- Domestic Market	1%	0%	1%	0 p.p.	1 p.p.
- Exports	99%	100%	99%	0 p.p.	-1 p.p.
Adjusted Net Debt (R$ MM)	**15,792**	**18,908**	**19,979**	**27%**	**6%**

Adjusted Cash Position	12,889	12,075	12,251	-5%	1%
Net Debt / Adjusted EBITDA	2.66x	4.0x	4.76x	2.1x	0.8x

Iron ore sales volumes include 100% of the stake in NAMISA.

At the close of 1Q15

- BM&FBovespa (CSNA3): R$5.43/share
- NYSE (SID): US$1.68/ADR (1 ADR = 1 share)
- Total no. of shares = 1,387,524,047
- Market Cap BM&FBovespa: R$7.53 billion
- Market Cap NYSE: US$2.33 billion

Investor Relations Team

- **IR Executive Officer:** David Salama (11) 3049-7588
- **IR Manager:** Claudio Pontes - (11) 3049-7592
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Economic Scenario

Global economic activity is showing gradual signs of a recovery. The U.S. economy continues to grow moderately, while most of the European countries managed to reverse in 2014, the shrinkage of recent years. The emerging economies, however, have been presenting a slower growth pace.

The global Purchasing Managers Index (PMI) closed March at 53.5 points. The IMF expects global GDP growth of 3.5% this year and 3.7% in 2016.

USA

The U.S. activity indicators are pointing to a moderate economic growth. GDP growth of 0.2% in 1Q15 was negatively impacted by the rigorous winter and port strikes on the west coast, which jeopardized exports. The FED estimates 2015 GDP growth of between 2.3% and 2.7%.

Although industrial production fell by 0.6% in March over February, the 12-month figure moved up by 2.0%, with installed capacity use of 78.4%.

Unemployment fell to 5.5% in March, 1.1 p.p. down on the same month last year and within the 5.2% to 5.5% band considered by most of the FOMC (the FED's Monetary Policy Committee) to be full employment.

In the 12 months through March, the Consumer Price Index dipped by 0.2%, well below the FOMC's target of 2% p.a.

Given this scenario, at its last meeting in April the FOMC deemed it appropriate to maintain interest rates at between 0 and 0.25% until the labor market improves and inflation converges towards the 2% p.a. target.

Europe

The Eurozone is showing signs of a recovery in activity, with the adoption of an expansionist monetary policy by the ECB. The block'scompound PMI reached 54.0 points in March 2015, versus 53.3 points in February, while industrial production increased by 1.1% in February over previous month.

According to Eurostat, unemployment rate was 11.3% in March 2015, flat over the previous month, but below the 11.7% recorded in March of last year. Of the member nations, Germany posted the lowest rate, with 4.7%, while Greece and Spain had the highest, with 25.7% and 23%, respectively.

Also according to Eurostat, retail sales fell by 0.2% in February 2015 over January but moved up by 3% year-on-year.

In the UK, manufacturing PMI closed March at 54.4 points, the highest figure for the last eight months. According to the British Treasury, the consensus of estimates points to GDP growth of 2.7% in 2015. The consumer price index edged up by 0.3% in 1Q15 over 1Q14.

Asia

China has been showing signs of a slowdown in growth. Preliminary figures from the Chinese Bureau of Statistics indicate GDP expansion of 7.0% in 1Q15, versus 7.4% in 1Q14, but still within the target defined by the government. Manufacturing PMI, disclosed by HSBC, has been signaling a deterioration in economic conditions since December 2014 and closed March at 49.6 points.

The growth rate of Investments in fixed assets fell from 17.6% in 1Q14 to 13.5% in 1Q15, while industrial production growth of 5.6% in the 12 months through March 2015 was below the average of 7.9% recorded in the previous 12 months.

The deceleration in the construction industry was even more apparent. According to the National Bureau of Statistics, sector investments increased by 8.5% in 1Q15, close to half the 16.8% recorded in 1Q14.

Given this scenario, the Chinese government once again reduced the reserve requirements rate by 1 p.p. and further monetary and fiscal stimuli are expected ahead.

Japan continued to stage a moderate recovery. Manufacturing PMI fell to 50.3 points in March 2015 from 51.6 points in the previous month, while retail sales declined from 1.3% in January 2015 over December 2014. Despite the government measures to stimulate the economy, inflation remained below the target of 2% p.a. determined by the Japanese Central Bank, whose Monetary Policy Committee estimates GDP growth of between 1.5% and 2.1% in 2015.

Brazil

Against a background of political uncertainty, Brazil's economy slowed, accompanied by increased inflation, higher interest rates and the depreciation of the currency.

GDP in 2014 remained virtually flat over the previous year, while in the 12 months through February 2015, the seasonally-adjusted Central Bank Economic Activity Index (IBC-Br) fell by 0.6%.

According to a survey by the CNI (National Confederation of Industry), industrial production fell in March, with the index closing at 48.2 points, under 50 points.

The Central Bank's FOCUS report estimates GDP shrinkage of 1.18% in 2015, followed by growth of 1.0% in 2016.

Inflation measured by the IPCA consumer price index increased by 1.32% in March, giving 8.13% in 12 months, above the ceiling of the inflationary target defined by the Monetary Policy Committee (COPOM). As a result, the COPOM has been maintaining a restrictive monetary policy, raising the Selic benchmark interest rate by 0.5 p.p. to 13.25% p.a. at its last meeting in April. The FOCUS report expects 2015 inflation of 8.26%, with a Selic of 13.50% at year-end.

On the foreign exchange front, the dollar appreciated by 20.8% against the real in 1Q15, closing March at R$3.208.

Macroeconomic Projections

	2015	2016
IPCA (%)	8.26	5.60
Commercial dollar (final) – R$	3.20	3.30
SELIC (final - %)	13.50	11.50
GDP (%)	-1.18	1.00
Industrial Production (%)	-2.50	1.50

Source: FOCUS BACEN Base: April 30, 2015

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Consolidated net revenue totaled R$4,010 million in 1Q15, 5.0% up on the previous quarter, chiefly due to higher net revenue from the steel segment, which offset the reduction in revenue from the mining segment.

In 1Q15, consolidated COGS came to R$3,025 million, 4% more than in 4Q14, mainly due to lower steel product sales volume.

Gross profit totaled R$985 million in 1Q15, 7% up on the previous three months, primarily due to the gross profit from the steel segment.

SG&A expenses totaled R$411 million in 1Q15, 9% down on the R$450 million recorded in 4Q14, mainly due to lower expenses with iron ore freight, given the Company's sales strategy.

Other Operating Expenses (Revenues) amounted to R$214 million in 1Q15, 28% less than the R$295 million posted in quarter before, basically due to the non-recurring negative impact of R$133 million in 4Q14, related to the reclassification of accrued losses from investments in shares recorded as available for sale, partially offset by the addition of tax provisions of R$34 million in 1Q15.

The Company uses Adjusted EBITDA to measure the segments' performance and operating cash flow capacity. It comprises net income before the net financial result, income and social contribution taxes, depreciation and amortization, results from investees and other operating revenue (expenses).

Adjusted EBITDA includes the Company’s proportional interest in Namisa, MRS Logística and CBSI.

Adjusted EBITDA totaled R$911 million in 1Q15, 10% down on 4Q14, basically due to the EBITDA from the steel and mining segments. The adjusted EBITDA margin EBITDA came to 22%, 3 p.p. down on the previous quarter.

Equity Result

The 1Q15 equity result totaled R$398 million, 62%, or R$152 million more than in 4Q14, essentially due to the positive result from the joint controlled entity, Namisa.

Financial Result and Net Debt

The 1Q15 net financial result was negative by R$870 million, chiefly due to the following factors:

- Interest on loans and financing totaling R$803 million;
- Expenses of R$11 million with the monetary restatement of tax installments;

- Other financial expenses totaling R$47 million;
- Monetary and exchange variations amounting to R$65 million;

These negative effects were partially offset by consolidated financial revenues of R$56 million.

Gross debt, net debt and the net debt/EBITDA ratio presented below reflect the Company’s proportional interest in Namisa, MRS Logística and CBSI, as well as the impact from the partial spin-off of Transnordestina Logística S/A.

On March 31, 2015, consolidated net debt came to R$20.0 billion, R$1.1 billion more than the R$18.9 billion recorded at the end of 4Q14, mainly due to:

- Dividend payments of R$0.5 billion;
- Investments of R$0.4 billion in fixed assets;
- A R$0.7 billion effect related to the cost of debt;
- Net foreign exchange variation of R$0.4 billion.

These effects were partially offset by 1Q15 EBITDA of R$0.9 billion.

The net debt/EBITDA ratio based on LTM adjusted EBITDA closed the first quarter at 4.8x, 0.8x up on the ratio recorded at the end of the previous quarter.

Net Income

CSN posted consolidated net income of R$392 million in 1Q15, R$325 million higher than in 4Q14, primarily due to the upturn in gross profit, reduced operating expenses, the improved equity result and the timing difference between the tax and accounting treatment of the foreign exchange variation.

Investments reflect the Company's proportional interest in Namisa, MRS Logística and CBSI. The Company has ceased consolidating its interest in Transnordestina Logística S/A, due to the latter's partial spin-off at the end of 2013, and the consequent entry into effect of the new shareholders' agreement.

CSN invested R$407 million in 1Q15, allocated as follows:

ü Mining: R$123 million;

ü Steel: R$121 million;

ü Cement: R$90 million;

ü Logistics: R$73 million.

At the close of 1Q15, working capital allocated to the Company’s businesses totaled R$2.65 billion, very close to the end-of-2014 figure, given that the increase in accounts receivable and the reduction in the suppliers line were virtually offset by the reduction in inventories, due to the sending of finished products to the subsidiaries abroad and the upturn in taxes payable. The inventory turnover period narrowed by 11 days, offsetting the 5-day increase in the average receivables period and the 6-day reduction in the average supplier payment period.

Assets	**4,126**	**5,006**	**5,153**	**147**	**1,027**
Accounts Receivable	**1,621**	**1,651**	**1,901**	**250**	**280**
Inventory (*)	**2,415**	**3,296**	**3,115**	**-181**	**700**
Advances to Taxes	**89**	**59**	**137**	**78**	**48**
Liabilities	**1,616**	**2,373**	**2,499**	**126**	**883**
Suppliers	**1,105**	**1,672**	**1,589**	**-83**	**484**
Salaries and Social Contribution	**196**	**340**	**374**	**34**	**178**
Taxes Payable	**286**	**338**	**512**	**174**	**226**
Advances from Clients	**30**	**23**	**24**	**1**	**-5**
Working Capital	**2,510**	**2,633**	**2,654**	**22**	**145**

Receivables	**28**	**31**	**36**	**5**	**8**
Supplier Payment	**33**	**53**	**47**	**-6**	**14**
Inventory Turnover	**72**	**104**	**93**	**-11**	**21**
Cash Conversion Cycle	**67**	**82**	**82**	**0**	**15**

(*) Inventory - includes "Advances to Suppliers" and does not include "Supplies".

Results by Segment

The Company maintains integrated operations in five business segments: steel, mining, logistics, cement and energy. The main assets and/or companies comprising each segment are presented below:

Usina Presidente Vargas	**Casa de Pedra**	**Railways:**	**Volta Redonda**	**CSN Energia**
Porto Real	**Namisa (60%)**	**-MRS**	**Arcos**	**Itasa**
Paraná	**Tecar**	**-FTL**		
LLC	**ERSA**			
Lusosider				
Prada (Distribution and Packaging)		**Port:**		
		-Sepetiba Tecon		
Metalic				
Long Steel (UPV)				
SWT				

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The information on CSN’s five business segments is derived from the accounting data, together with allocations and the apportionment of costs among the segments. Results by segment reflect the Company’s proportional interest in Namisa, MRS Logística and CBSI, as well as the full consolidation of FTL.

Net Revenue by Segment – 1Q15 (R$ million)

Adjusted EBITDA by Segment – 1Q15 (R$ million)

Results by Segment

R$ million					
Net Revenue	**3,123**	**658**	**47**	**251**	**6**
Domestic Market	2,011	38	47	251	6
Foreign Market	1,112	620			
Cost of Goods Sold	(2,366)	(567)	(31)	(180)	(47
Gross Profit	**758**	**91**	**16**	**71**	**1**
Selling, General and Administrative Expenses	(232)	(21)	(6)	(23)	(6
Depreciation	158	86	3	45	

Proportional EBITDA of Jointly Controlled Companies					
Adjusted EBITDA	**683**	**156**	**13**	**93**	**1**

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R$ million					
Net Revenue	**2,734**	**831**	**56**	**267**	**7[illegible]**
Domestic Market	1,971	54	56	267	7[illegible]
Foreign Market	763	777	-	-	
Cost of Goods Sold	(2,021)	(734)	(40)	(173)	(47[illegible]
Gross Profit	**714**	**98**	**16**	**95**	**2[illegible]**
Selling, General and Administrative Expenses	(192)	(12)	(6)	(38)	(5[illegible]
Depreciation	201	113	3	49	[illegible]
Proportional EBITDA of Jointly Controlled Companies	-	-	-	-	
Adjusted EBITDA	**723**	**199**	**13**	**106**	**28[illegible]**

<u>Scenario</u>

According to the World Steel Association (WSA), global crude steel production totaled 400 million tonnes in 1Q15, 1.8% less than in the same period last year, with China, responsible for 200 million tonnes, recording a 1.7% downturn. Existing global capacity use fell by 1 p.p. in March/2015 over the close of 2014 to 71.6%.

The WSA expects apparent steel consumption to edge up by 0.5% worldwide in 2015 and dip by 0.5% in China.

According to the Brazilian Steel Institute (IABr), domestic crude steel production came to 8.4 million tonnes in 1Q15, 0.7% up on 1Q14, while rolled flat output totaled 6.6 million tonnes, up by 4.4% in the same period last year.

Apparent domestic steel product consumption amounted to 6.1 million tonnes in 1Q15, 2.7% less than in 1Q14, while sales of rolled flat and long steel, both produced in the country totaled 5.1 million tonnes, down by 5.1% over 1Q14.

On the other hand, imports of long and flat steel came to 1.0 million tonnes in 1Q15, 13%

more than in 1Q14, while exports climbed by 39% to 2.8 million tonnes.

The IABr estimates domestic sales of 19.1 million tonnes, 8% less than in 2014, accompanied by a 8% decline in apparent consumption to 22.7 million tonnes. On the other hand, imports are expected to fall by 6% to 3.6 million tonnes, with exports increasing by 38% to 13.5 million tonnes.

Automotive

According to ANFAVEA (the Auto Manufacturers' Association), vehicle production totaled 663,000 units in 1Q15, 16% down on 1Q14, while domestic sales in 1Q15 came to 674,000 units, down by 17% in the same period last year, reflecting the slowdown in domestic economic activity. Also according to ANFAVEA, exports amounted to 79,000 units in 1Q15, up by 6% over the same quarter last year.

FENABRAVE (the Vehicle Distributors' Association), on the other hand, estimated a 15% year-on-year reduction in sales in 1Q15, led by the truck segment with a decline of 36%.

ANFAVEA expects vehicle production and sales to fall by 10% and 13%, respectively, in 2015, accompanied by a 1% upturn in exports.

Construction

According to SECOVI (the São Paulo Residential Builders' Association), new residential real estate launches in the city of São Paulo totaled 1,418 units in the first two months of 2015, 4.8% up on the 1,353 units recorded in the same period last year. In the 12 months through February 2015, however, there was a 1% year-on-year reduction to 31,679 units.

According to ABRAMAT (the Construction Material Manufacturers' Association), domestic sales of building materials fell by 8.8% in 1Q15 over 1Q14, reflecting reduced building activity in the real estate and infrastructure areas. The Association expects sales to inch up by 1% in 2015.

Home Appliances

Production by the home appliance industry fell by 10% in the first two months of 2015 over the same period the year before, due to the reduced pace of economic activity.

Eletros (the Home Appliance and Consumer Electronics Manufacturers' Association)expects a 15% decline in the sale of stoves, automatic washing machines and refrigerators in 1Q15.

Distribution

According to INDA (the Brazilian Steel Distributors' Association), flat steel purchases by distributors in 1Q15 totaled 1.0 million tonnes, 6.1% down year-on-year.

Domestic sales by the associated network came to 982,000 tonnes, 16% less than in 1Q14. On the other hand, inventories closed March at 1.1 million tonnes, 1.8% up on the previous month and representing 3.2 months of sales.

INDA expects domestic flat steel sales by distributors to fall by 5% in 2015.

Sales Volume

CSN sold 1.4 million tonnes of steel in 1Q15, 12% up on 4Q14. Of this total, 63% went to the domestic market, 34% were sold by overseas subsidiaries and 3% went to exports.

Domestic Sales Volume

Domestic steel sales totaled 881,000 tonnes in 1Q15, 2% more than in 4Q14.

Foreign Sales Volume

Foreign steel sales amounted to 526,000 tonnes in 1Q15, 36% up on the previous three months. Of this total, the overseas subsidiaries sold 476,000 tonnes, 212,000 tonnes of which by SWT, 84,000 tonnes by Lusosider and 180,000 tonnes by LLC, continuing with the Company's strategy begun in 4Q14 of increasing its sales abroad. Direct exports came to 50,000 tonnes in 1Q15.

Prices

Net revenue per tonne averaged R$2,162 in 1Q15, 1% higher than the 4Q14 average.

Net Revenue

Net revenue from steel operations totaled R$3,123 million, a 14% improvement over 4Q14, chiefly due to the upturn in sales volume.