

## Q4 2009 Earnings Call

### Company Participants

- Luis Martinez, Executive Sales Director
- Paulo Penido Pinto Marques, CFO and IR Officer
- Unidentified Speaker, Unknown

### Other Participants

- Carlos de Alba, Analyst
- Chase Walleluha, Analyst
- Jim Rice, Analyst
- Leonardo Correa, Analyst
- Marcos Assumpcao, Analyst
- Yuri Maslov, Analyst

### Presentation

#### Operator

Good morning, ladies and gentlemen. At this time we would like to welcome everyone to the CSN Fourth Quarter 2009 and full year 2009 earnings conference call.

Today we have with us the Company's executive officers. We would like to inform you that this event is being recorded and all participants will be in listen-only mode during the Company's presentation. After the Company's remarks are over, there will be a question-and-answer section. At that time further instructions will be given. (Operator Instructions).

We have simultaneous webcast that may be accessed through CSN's Investor Relations website at [www.csn.com.br/ir](http://www.csn.com.br/ir). The slide presentation may be downloaded from this website. Please feel free to flip through the slides during the conference call. There will also be a replay service for this call on the website.

Before proceeding, let me mention that forward-looking statements are being made under the safe harbor of the Securities Litigation Reform Act of 1996. Forward-looking statements are based on beliefs and assumptions of CSN management and on information currently available to the Company. They involve risks, uncertainties and assumptions, because they relate to future events. And therefore depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of CSN and could result to differ materially from those expressed in such forward-looking statements.

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Now, I'll turn the conference call over to Mr. Paulo Penido who will present CSN's operating and financial highlights for the period. Mr. Penido, you may begin your conference.

## **Paulo Penido Pinto Marques** {BIO 4384213 <GO>}

Good morning, everybody. Thanks for joining this conference call. This is Paulo Penido speaking. I would like to start with a short presentation that is available in our webcast.

I will start on page three. And -- where we have some highlights of our performance in the First Quarter of 2009. And also in the year of 2009. But first, let's say, major achievement was the EBITDA margins in the Fourth Quarter that was 39.4%, that confirms our recovery through our traditional level of margins that are roughly around 40% or above 40%.

We will -- would like to stress that CSN remains as a highly capitalized company. And that has a cash position of BRL8.1 billion at the end of the year. Just a quick comment on the steel side of our operation. Our total steel product sales grew 58% in the second half of 2009 confirming the recovery process in this market in Brazil.

And I would like to remember that this June-July, the Company has been operating at full capacity. Also in the steel area, I'd like to remember that we had a very difficult year. There was a slowdown in the domestic market and there was a reduction of around 26% in the market. But CSN's sales declined at 22%.

This means that we have increased our market share in this market during this period. Commenting a little bit about our performance in the iron ore side. We had type of high exports that amounted to almost 22 million tonnes and that represented a 48% growth when comparing to the previous year, which is a remarkable achievement.

In 2009, just remembering, we inaugurated our cement plant. We sold our first 300,000 tonnes of cement in this business. So we are now in the cement business. And it's -- and in long-term strategy, it is going to be one of our core business. As you know, we had a good performance in our shares, both in New York and San Paulo.

And summarizing all this, we had a good year in spite of all the difficulties. And we are very optimistic of the near future both in terms of demand and in terms of price trend.

Now, moving to page 4, just a quick view of our steel sales volume, it's clear that the Company has operated at full capacity, the second half of the year. Our full capacity is approximately 1.3 million tonnes per quarter. You see another limited in the First Quarter when we were adjusting things every level -- at every levels by exporting a little bit more.

So in spite of all difficulties, we sold 4.1 million tonnes last year, which was roughly 85% of our total capacity. Moving to page 5, we show our 22.4 million tonne sales volume of iron ore, that's a high for our Company. And the break-even between the export (inaudible) and export oriented market. As everybody knows, 97% of the sales were exported.

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Moving to page 6, we see the breakdown of revenues. Steel is our major source of revenue, 72% of total revenues. But more and more gradually mining is becoming more important in our Company. We reached 11 million tonnes of net sales. Sorry, 11 million -- BRL11 billion, sorry, in total sales, which is a remarkable number (inaudible). And also moving to the graph at the right side of the page, we have seen the year starts with a BRL2.4 billion sales. And the quarter that ended is almost BRL3.1 billion sales. So there's growth.

On page 7, we show a breakdown of our costs. There is no major change comparing the quarter. So that's it -- that's what we expect for the First Quarter. It may change along the year, because of the pressures that we are seeing in coke plants (inaudible) for the future that we can comment in the Q-and-A section.

On page 8, we show how resilient we have just been, just remembering that in the First Quarter of last year, our EBITDA margin was down to 20%, while most of our competitors were facing very low EBITDA margins, if not negative EBITDA margins at some situation.

So the Company even in (inaudible) stressed scenario operating costs of which Companhia was able to deliver a very small margin in terms of results.

On page 9, you all know our profitability indicators are our return on equity and our return on capital sales. No need to stay here with. I would prefer to go -- to jump to page 10 now.

And as you see, our net debt to EBITDA ratio reached 1.7 times by the end of the year. It's a comfortable level. But much higher than what we have in the previous years. We have to remember that the EBITDA level last year was affected by the performance of the first half of the year.

That number will go -- tend to reduce a little bit in 2010 as a result of a stronger EBITDA that we are having than we expect to have as the Company is now operating at full capacity. So I'm not sure if this number will be a little bit (inaudible).

On page 11, just showing what happened in terms of results -- comparing the results of the Third Quarter and the results of the fourth one.

The result of the Third Quarter was unusually high, because of the positive impact of the incorporation of the holding company of Namisa, our iron ore joint venture with Japanese and Korean investors. This is the effect that's not present in the Fourth Quarter.

But the Fourth Quarter had a positive impact of our decision to join the REFIS program, which is tax program available in Brazil according to our Brazilian law, where we were able to, let's say, to recognize and clean up our financials in terms of tax discussions with the government.

Now, on page 12 we show why our net debt went from BRL2 billion to BRL6 billion. We had a quite busy year 2009. As you will remember, we paid BRL2 billion of dividends and

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interest of capital. We made BRL1.9 billion of investment, we settled and we bought back the shares of (inaudible) and then we cancelled the shares; it was BRL1 billion last year.

We have the normal interest on our -- in there. We had some (defaults) to settle the tax liability that we had. So net debt, it was a busy year in terms of cash expenditures. And as we have a not-so-good EBITDA, it was very good comparing to the competition that (inaudible) comparing to the previous year, the net debt was soft (inaudible) a little bit.

The performance of the shares as well known by you on page 13, you'll see that we are performing roughly better than IBOVESPA and the index (inaudible) New York Stock Exchange. And our market cap is around \$23 billion as shown on page 14. That puts us in, I would say, good position among the largest mining and steel companies in the world.

On page 15, we have some more details in our long steel operation. We are working as fast as possible to inaugurate our new plant that will have a 500,000 (tonnes) capacity of long steel. And we plan to inaugurate it in the first half of 2011. There is still some money to spend there and not very much. As you can see total investment is expected to be around \$340 million.

In addition, we are very interested in the studies to implement two other new plants of the same size. So you may expect the medium term (inaudible) let's say and maybe reach 1.5 million tonnes in the long steel capacity. And that we may be expanding our target, I'd say, portfolio in the long steel adding cold (strictly) for these projects. That's something that we are doing and executing. So that's good news.

In terms of cement, as I said, we inaugurated a plant last year. Our current capacity is 1.4 million tonnes and milling capacity is going to be 2.8 now in March. We are doubling this capacity. We are also studying some additional investments in this area using our clinker capacity and our slag capacity in order to reach a 4 million tonne capacity in this business.

Expected sales for this year is still small because we are finalizing the clinker plant. We are in the (inaudible) phase. We may grow from the 300,000 tonnes total of the year to something around 1 million tonnes every year. This is the introduction that I was planning to -- that I -- we plan to do. We are now available for the Q-and-A section. Thank you.

## Questions And Answers

### Operator

Thank you. The floor is now open for questions. (Operator Instructions) Your first question comes from the line of Leonardo Correa from Barclays Capital.

### Q - Leonardo Correa {BIO 16441222 <GO>}

Hi. Good afternoon, everyone. Thank you for the call. My first question is for Martinez. And just to clarify an issue on domestic steel price in Nacional. Regarding the first price increase of 10% to 12% in domestic market, which was announced in October of last year,

we hear that from auto and the initial (inaudible) has not accepted that price increase. Can you confirm the information? That's the first part of the question.

The second one (multiple speakers).

**A - Paulo Penido Pinto Marques** {BIO 4384213 <GO>}

Sorry, Leonardo, we are -- it's been very difficult to hear you.

**Q - Leonardo Correa** {BIO 16441222 <GO>}

Hello, hello?

**A - Paulo Penido Pinto Marques** {BIO 4384213 <GO>}

Can you please speak a little bit slower as we have connection problems. Can you repeat the question please?

**Q - Leonardo Correa** {BIO 16441222 <GO>}

Yes, sorry. The first question is for Martinez, just to clarify an issue on the domestic steel prices. Regarding the first price increase of 10% to 12%, which was announced in October of last year, we knew that it was not fully accepted by some auto and industrial clients. So just if you (inaudible) if you confirm that information. And that's the first part of the question.

And the second part is regarding the political environment in Brazil. We've been hearing of government authorities threatening they'll remove (inaudible) announced total price increase so that's the question for Martinez.

**A - Paulo Penido Pinto Marques** {BIO 4384213 <GO>}

Okay, the quality of the connection for you, I don't know why, is very bad. If we understood well, you're asking about our price -- the price increase that was announced in October of 10%, right?

**Q - Leonardo Correa** {BIO 16441222 <GO>}

Correct.

**A - Paulo Penido Pinto Marques** {BIO 4384213 <GO>}

Okay.

**A - Luis Martinez** {BIO 7187744 <GO>}

Okay, Leonardo, this is Martinez speaking. Regarding last year, in fact we are -- we have not announced a price increase of 10% last year. The only thing that we really asked last year in reducing some small discounts for some markets. And also working in our product portfolio. So if you take into account in our balance sheet, we just recovered in terms of

local market price something like 3% -- 3% to 5% last year. So -- but it's not related at price increase.

Basically, last year, we did exactly the opposite. Prices have come down to something 20% in some markets. So that's one of the reasons depending on the demand and supply here in Brazil, depending on the imports, depending upon the market, it's really sad, it's really (inaudible) at this moment.

We are going to analyze if it's feasible to do some correction in the price in the Second Quarter. There is nothing defined and there is nothing stated. And we are going through actually customer by customer, market by market, analyzing all the value chains in order to keep at least our market share in the market.

This is very important for CSN at this moment. And we wouldn't like to put in a basket all the work that we've done in the last few years, okay. That's one of the reasons we need to analyze all the situations before doing the -- doing some movement.

**A - Paulo Penido Pinto Marques** {BIO 4384213 <GO>}

That's okay?

**Q - Leonardo Correa** {BIO 16441222 <GO>}

Thank you, Martinez. Okay, thank you. Just to -- just as a follow-up then. If I understood you correctly from the Brazilian -- from the conference call, you mentioned that there is potential for a double-digit price increase theoretically in the domestic market by, let's say, the second -- Third Quarter of this year.

How do you interpret the political environment for price increases in Brazil? We've been hearing some threat in from -- some threats by local authorities. Now, how do you -- now, what's your view on that please at this point in time?

**A - Luis Martinez** {BIO 7187744 <GO>}

Leonardo, again, I didn't mention (sharply) to this increase. I just analyzed the whole situation. We need to understand the raw materials cost. Of course, you know much better than me that what's happening with iron ore and coke and coal exchange rates -- US exchange rate in Brazil, imports, market. So double digit price increase could happen if everything goes okay. And obviously, we are going to analyze the movement of Brazil. We wouldn't like to spoil all the work and wouldn't like to spoil the competitiveness of the markets. We are much more integrated right now in our value chain customers. So double digit price increase is just --

**A - Paulo Penido Pinto Marques** {BIO 4384213 <GO>}

Some scenario.

**A - Luis Martinez** {BIO 7187744 <GO>}

-- some scenario, some of the better scenario. We are not forecasting the scenario for this -- the Second Quarter, okay.

Leonardo?

## Operator

Leonardo, your line is open.

## A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

We are still in the line hearing problem.

## Operator

And your next question comes from the line of Marcos Assumpcao from ITAU Securities.

## Q - Marcos Assumpcao {BIO 7474402 <GO>}

Hi. Good afternoon, gentlemen. Congratulations for the strong results. First question is regarding the iron ore, if you could give us an update regarding the potential IPO of Casa de Pedra. What are the measures that you're doing internally in order to organize or to prepare the Company to do this -- to potentially do this IPO?

And what could we expect as landmarks or the next steps in order to follow how is it going in terms of the timing and -- the timeline and the schedule?

## A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

That's -- we are working hard to prepare the Company for -- to -- first to split our iron ore activity from the -- from CSN. As you know, as we all know, there are a number of legal and operational and regulatory, I'd say, decisions that -- things that we have to do in order to follow and to have the proper documentation in all this. Our schedule is for -- to finalize it by the end of March that this year and also the next two years.

If it doesn't happen in March, it's likely to happen very soon. We still have some pending details with the authorities in Rio and in Minas Gerais. But it seems that we believe we can quickly solve and this is a operational thing, normal things that every company has. We are not complaining. Everybody is working, everybody has helped in the process.

After this, we may or we may not do an IPO. I'm not promising any IPO. It will depend on the market conditions. It will depend on our analysis. And we may or may not do an agreement with Mr. (inaudible) or we can do both. We can do an agreement and we can do an IPO.

These are decisions that our Board will analyze, I'd say, soon and that we will properly announce. I'm just doing an academic assessment of the situation. But the fact is the Company will be ready to do an IPO if the decision is to go ahead.

So timing is, I'll say, to have the Company's (inaudible) is very soon, I'll say. Let's say, maximum scenario one or two months maximum. And the decision when possible, when the Board analyze them, we -- and then we'll be announcing it.

**Q - Marcos Assumpcao** {BIO 7474402 <GO>}

Okay. And then in this regard one of the steps that we could expect in this process would be the integration or the merger between Casa de Pedra and Namisa?

**A - Paulo Penido Pinto Marques** {BIO 4384213 <GO>}

It depends on decision of the Namisa shareholders. That's something that I have no comments to do at this point in time. But as we all know Namisa, we'll go together. This is just (inaudible) which covers the Pedra mining business and Casa de Pedra will -- owns or will be having 50% of Namisa. If there is going to be a merger or not is something for the future. No comments --

**Q - Marcos Assumpcao** {BIO 7474402 <GO>}

Okay and -- and last question regarding any potential M&A activity. Do you think that CSN as an entity could go for further M&A activity on iron ore before doing this IPO or the sale to a strategic partner or this decision?

**A - Paulo Penido Pinto Marques** {BIO 4384213 <GO>}

Well, there are -- as we all know there are possibilities in the market. We have a -- I gave no promise to do in this area. We have a very, I'll say, good asset which is Casa de Pedra and Namisa. And our (inaudible) and our participation in (MRS).

So all assets are good enough for a successful IPO if we decided to do an IPO. I can't say we will not analyze the possibility. If there is a possibility of do -- of doing a good business, we may analyze it and then we decide if we go ahead or not. But I'll say, in short or summarizing what I just said, no comments to make. I'm just repeating the --

**Q - Marcos Assumpcao** {BIO 7474402 <GO>}

But nothing -- okay. But nothing going on right now, Paulo?

**A - Paulo Penido Pinto Marques** {BIO 4384213 <GO>}

As I said I have no comments in this area to make.

**Q - Marcos Assumpcao** {BIO 7474402 <GO>}

All right, no problem. Thank you, very much.

**A - Paulo Penido Pinto Marques** {BIO 4384213 <GO>}

Thank you.



## Operator

(Operator Instructions) Your next question comes from the line of Carlos de Alba from Morgan Stanley.

### Q - Carlos de Alba {BIO 15072819 <GO>}

Good morning. Thank you, very much. I just wanted to ask if you have any comments on the CIMPOR acquisition? Are you completely out of pursuing a transaction with -- for the asset of that company?

And second question regarding also your plan going forward. Are you still interested in pursuing a global presence in the cement industry? And if not, then what should we expect CSN to do with a good cash position that you're going to have? Thank you.

### A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

Okay. CIMPOR was a unique opportunity. It's a very good company that has a presence in 13, 14 countries. We took the decision to look for this opportunity to make first offer for the shares. Unfortunately, there was a huge interest of the competition from other major players, a normal situation that can happen in any deal. And we were very disciplined. We are very, I'll say, we are very happy and very proud of ourselves that we were very technical. We did a technical approach.

We had our ceiling for a large price for CIMPOR. And we, in spite of having money and credit, we did not put a price that made no sense for this deal. So CIMPOR is over. As you know, according to the regulation in Europe we cannot do another first offer for CIMPOR in the next 12 months. So that's a company that -- it is a very good company.

Do we plan to have an international presence in the cement business? Yes. But there is no hurry. We have to do it in an organized way and a careful way. So we may have -- there may be some other opportunities in the future. But there are not -- we are not talking any deal at this point in time. So you have asked about our plan.

Our plan is to first, deliver the organic growth in the several areas where we are operating right now. Second, our plan is to have as core business; mining, steel and cement, in addition some logistics and transportation that are connected to this business.

So we plan to focus in this core business. And we plan to be more international in the future. But (inaudible) -- not in a hurry and again, respecting the value creation for our minority shareholders and for the Company.

### Q - Carlos de Alba {BIO 15072819 <GO>}

Thank you, very much.

### A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

Thank you, Carlos.

## Operator

Your next question comes from the line of (Chase Walleluha) from Credit Suisse.

### Q - Chase Walleluha

Good morning. Thank you, very much for the call. My first question is your margins were better but volume decreased. Can you explain why the drop in volume? And also where -- was the margin increase driven by prices? You mentioned you're not expecting a double-digit price scenario. So what scenario are you forecasting? My first question.

And then the -- secondly, do you expect the mix between domestic and export market volume to remain constant throughout actually -- throughout the year? You exported last -- this quarter compared to the previous quarter. So --?

### A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

That is -- that's a good question and then we can -- we have a chance to comment.

First, volume. You said that our volume reduced when comparing the Third Quarter with the Second Quarter. And that's right. It went down from 1.3 million tonnes to 1.2 million tonnes. Our full capacity is 1.2 million tonnes last quarter. So the Fourth Quarter was a normal regular quarter. What happened in the Third Quarter was a decision of the Company to reduce inventories that were a little bit above the normal levels as a result of the weak first half of the year.

So we have fixed those inventories; we exported a little bit more in the Third Quarter in order to achieve a normal level of inventories. And in the Fourth Quarter we have operated at full capacity. So when I say that (inaudible) we will be, you expect as guidance to be operating at full capacity in 2010. We -- I'm saying that we plan to be operating at 1.2, 1.25 thousand tonnes per quarter during the year. And that we may be reaching, let's say, 5 million tonnes of sales in this year.

In terms of price increase as it was discussed by our commercial director, there are a number of indications that price may increase. I'm not saying it's going to increase. But this is still the threshold, the expected threshold in the raw material price, if we check the international price, if we check the exchange rate in Brazil, if we also consider the expected reduction in core import in Brazil, if we also check the premium between the international price and the domestic price that are below the normal levels.

So there may be (inaudible) this year. We don't know how much. And it will depend, as the commercial director said, it will depend on negotiations, it will depend on, I'll say, sector by sector realities that we are going to analyze together with our clients preserving our, I'll say, business and their business because we are together in this situation. And we cannot leave money on the table. But we can also -- we have to respect the situation.

In terms of mix that you have asked us, our expected mix is 15% exports and 85% domestic market in the steel sector.

### Q - Chase Walleluha

Okay, perfect. And so if I understand correctly, full capacity in the Fourth Quarter and then 85% was average for 2009?

### A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

Eighty-five % (multiple speakers) --

### A - Luis Martinez {BIO 7187744 <GO>}

Yes, 85% is our forecast for 2010. That will present exactly we've already done in the Fourth Quarter last year.

### A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

Fourth quarter was 16%, next quarter 84% for next month. So that's basically what we -- what made it happen.

### Q - Chase Walleluha

I'm so sorry, I meant --

### A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

The sales mix (multiple speaker) -- sorry?

### Q - Chase Walleluha

I meant for capacity. You said you operated at full capacity in the Fourth Quarter.

### A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

Yes.

### Q - Chase Walleluha

And then for 2009, average capacity was 85%?

### A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

In 2009, we have operated at 85% of our full capacity, that's right.

### Q - Chase Walleluha

Okay.

### A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

And in 2010, we plan to operate at full capacity.

### Q - Chase Walleluha

Okay. Thank you, very much.

**A - Paulo Penido Pinto Marques** {BIO 4384213 <GO>}

Yes.

**Operator**

Your next question comes from the line of Jim Rice from GWI.

**Q - Jim Rice** {BIO 1993179 <GO>}

Hi. I was just wondering if you could comment a little bit on what type of strategic partner you're looking for potentially with the Casa de Pedra mine? Are you considering -- do you think it'll be more like a Chinese type buyer that needs sufficient iron ore resources that they can lock in for five or six years or what types of things are you thinking about?

**A - Paulo Penido Pinto Marques** {BIO 4384213 <GO>}

Okay. We are not negotiating with any strategic partner at this point in time. But, of course, it's our, I'll say, obligation as managers of this company to consider any partner that may make sense, let's say a steel producing company that may need iron ore to be better integrated, is always welcome. As you saw -- as we did in the Namisa project, we got as partners there the second, the third. And the fourth largest steel companies in the world. They were welcome. They are working together with us in the -- in Namisa board in order to make Namisa a big company and a strong company.

So these are the type of, I would say, good partners that we plan to work with. I'm not promising anything. I'm not -- and again, I'm not saying that we are negotiating. I'm just saying that we have the fiduciary obligation to consider, analyze any partner that makes sense for us. Okay.

**Q - Jim Rice** {BIO 1993179 <GO>}

Okay. And then just one other quick question. Can you comment -- you mentioned need for market share gains during the second half of 2009. I'm just curious what products in particular you were seeing market share gains in and what you attribute that to; product quality, better distribution, or just --?

**A - Paulo Penido Pinto Marques** {BIO 4384213 <GO>}

Okay, I will (multiple speakers) Okay. I will address this question to Mr. Martinez. But I can tell you that we had started the year of 2009 with some 33% market share. And the trailing numbers that we have indicate that our market share may be, at the end of the year, between 36%, 37%. Of course, it's subject to confirmation. But there is a positive indication and Mr. Martinez, our commercial director, will further develop this answer.

**A - Luis Martinez** {BIO 7187744 <GO>}

Okay, (Yuri). Just to give some -- to give you some key points regarding to market share, first of all we have to mention that we have been recovering our market share in the outer markets. So just to give you some numbers, we used to have two years ago. Sorry for your name, Jim. We have to state that confirmation that two years ago we have been participating in the outer market in the range from 15% to 17%. And by the end of 2009, probably we are going to have something like 30% or 31% in the outer market.

As you know, outer market in Brazil is very, very strong and we're forecasting to have very strong numbers for this year. In the case of home appliances. And we also have captured some market share mainly due to our capacity of producing coating products; galvalume, hot-dipped galvanized and coil coated products. So it's a good way to serve outside Brazil since we have some incentives from the government.

And for building products, we are just starting in Brazil to have a recover of this sector. So we are very, very optimistic for 2010 to have something like the minimum 15% of growth in terms of building products in Brazil.

And the last one is distribution. We are not interested in buying or in acquiring any distribution in the markets. We are just interested in having commercial partners and that we are doing right now. And we can understand that we are -- have -- we can have a very successful strategy to work more closely with the customers (inaudible) acquire them. This is very important for us.

**Q - Jim Rice** {BIO 1993179 <GO>}

Okay. Great. Thank you.

**Operator**

Your next question comes from the line of Yuri Maslov from Nevsky Capital.

**Q - Yuri Maslov** {BIO 15101133 <GO>}

Yes, hello. I've got a question about -- I know and apologize if you have already answered it. But your volumes both production and sales were soft in this quarter. So I was just wondering what is the reason for that.

**A - Paulo Penido Pinto Marques** {BIO 4384213 <GO>}

You are talking about steel products sales.

**Q - Yuri Maslov** {BIO 15101133 <GO>}

I'm talking about iron ore.

**A - Paulo Penido Pinto Marques** {BIO 4384213 <GO>}

Iron ore. (inaudible) will explain to you why is that we have a small reduction in the iron ore sales.

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## A - Unidentified Speaker

Hi, Yuri. Compared to our total export in the Fourth Quarter to our Third Quarter, in fact the numbers were almost in line. In the Fourth Quarter, we exported almost 6.9 million tonnes. And on the Third Quarter 6.9 million tonnes, almost the same number, 6.9 for any -- 6.8 (inaudible). The difference is so small.

But if you look for Namisa and set in numbers, there is almost 4,000 tonne reduction. That's the difference when you look for the numbers. But our target was 7.5 million. And we didn't achieve the 7.5 million because of some problems with the weather and in fact (inaudible) strong winds and we had to stop the operations. But we are still in line with our forecast for 2010 to increase our expectations again.

If you look for our total figures in 2009, in fact, our exportation grew 48% while the Brazilian exportation reduced by 5%. And it was a strong achievement. But we are forecasting to reach total sales approximately of 37 million tonnes this year. That is pretty much in line with our last target.

## Q - Yuri Maslov {BIO 15101133 <GO>}

Sorry, the connection is not particularly good at this call today. Did you say 37 million tonnes in 2010?

## A - Unidentified Speaker

Yes, that's our total sales forecast for 2010.

## Q - Yuri Maslov {BIO 15101133 <GO>}

Okay. And do you mind also telling us the year forecast for production particularly for Casa de Pedra and Namisa, your guidance for 2010?

## A - Unidentified Speaker

Yes, the guidance for 2010 is Casa de Pedra is to produce approximately 25 million tonnes. We are finishing the (expansion) to 40 million tonnes this year and we're producing 25 at Casa de Pedra. And Namisa, the total sales will be 19 million. That means that Namisa will be producing 13 million. And will be buying the market around 6 million tonnes.

## Q - Yuri Maslov {BIO 15101133 <GO>}

Okay. And that's on a 100% basis, yes?

## A - Unidentified Speaker

Yes, 100% basis.

## Q - Yuri Maslov {BIO 15101133 <GO>}

All right. Thank you, very much for your answers.

## A - Unidentified Speaker

You are welcome.

## Q - Yuri Maslov {BIO 15101133 <GO>}

Thank you.

## Operator

(Operator Instructions) Your next question is a follow-up question from Marcos Assumpcao from ITAU Securities.

## Q - Marcos Assumpcao {BIO 7474402 <GO>}

Hi, Paulo. Just a follow-up on the CIMPOR deal. I know that CSN is not allowed to make a public offer in the next 12 months. I would just like to understand if CSN would be allowed to reach a private agreement with the remaining shareholders of CIMPOR like Manuel Fino or BCP. And if the answer yes -- is yes, is the Company evaluating this option right now?

## A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

The answer is yes. According to the regulation in Europe you can go up to one-third of the shares, buying one share. So we can go up to 33.32% of the shares and (inaudible) that our first offer can go after the offer to this level doing in private of the negotiation.

And the second answer to your question is that -- is no. We are not negotiating anything at this point in time. But I must say that the future belongs to the future. So I can't say what's going to happen in the future. But currently today we are not considering it.

## Q - Marcos Assumpcao {BIO 7474402 <GO>}

Okay. Thank you, very much.

## Operator

(Operator Instructions) Your next question is a follow-up question from the line of Jim Rice from GWI.

## Q - Jim Rice {BIO 1993179 <GO>}

Hello. Just one more quick question. In terms of M&A activity, what other areas are you potentially interested in other than cements right now? Any thoughts about buying other steel assets or looking for coal or other types of materials?

## A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

Okay. That's a challenging question. We -- as you know, we have five areas where CSN operates; steel, flat and long. And we are starting in the long area; mining; cement,

logistics in terms of rail, road transportation and (inaudible); and energy. We plan to focus in this universe of activity. So we're not planning to look for other types of activities.

There are opportunities available in all these areas in the world. As we have a very strong cash position, as I said in the beginning of my presentation, we now have BRL8.1 billion in cash. We are generating cash. So we are in the unique position to consider some opportunities. We are not doing anything that we have to announce at this point in time. So we are now checking the opportunities.

But I would like to stress our focus to deliver the organic growth project that are being in execution, that are in execution right now. The growth of Namisa, the expense to finish the growth in Casa de Pedra, to finish the expansion of our fourth facility, to inaugurate and double our capacity in the cement business from 1.4 million tonnes to 2.8 million tonnes, to finish our clinker plan (inaudible) in the state of Minas Gerais. And -- there are a number of things, I'm just mentioning some -- few examples.

There are a number of things that we are executing at this point in time. We may have record high CapEx of safe ventures or cash expansion this year. We had a BRL1.9 billion CapEx expenditure last year. This number may be much higher this year maybe reaching two times the value of last year. So even in this situation, the Company still has a comfortable leverage and a comfortable cash position to consider other opportunities.

So what I have to say, wait, we have shown to the market that we are well in limit, that we know the limits in terms of value creation. And that we will preserve this in term of attitude to look for good opportunities and also to have more discipline or to preserve our discipline in order to buy things that will create value for us, not that will keep -- destroy value for us.

Sorry for not being very specific because I can't be at this point in time. What I can say is that we are analyzing what is available.

**Q - Jim Rice** {BIO 1993179 <GO>}

Great. Thank you.

**Operator**

Your final question comes from the line of Carlos de Alba from Morgan Stanley.

**Q - Carlos de Alba** {BIO 15072819 <GO>}

Thank you. Just to follow up on iron ore, could you share with us the amount of run of mine tonnage that Casa de Pedra sold to Namisa in the First Quarter?

And the second question would be, there has been a lot of talks about the provisional pricing that miners may get -- be already getting from their sales into Asia of iron ore.



Could you comment if you are already receiving any provisional pricing. And if so, how much you can share that with us? Thank you, very much.

**A - Paulo Penido Pinto Marques** {BIO 4384213 <GO>}

Okay, we have here the -- our chief engineer for the Casa de Pedra and the CEO of Namisa. So one will tell what they are -- is providing to the other.

**A - Unidentified Speaker**

Hi Carlos. This is (inaudible). How are you?

**Q - Carlos de Alba** {BIO 15072819 <GO>}

Good, how are you?

**A - Unidentified Speaker**

In fact, in the Fourth Quarter, we delivered to Namisa 3.1 million tonnes of run of mine, okay, in the Fourth Quarter. And regarding the market now, you know very well that the market is on a debt. And all I can say that we'll demand it and yes, it win its first price. And the benchmark price is unbearable now. It's around 100%, okay. And this gap is unbearable.

And what we are doing is as we did last year in the moment when the market wasn't so good, negotiating with our clients shipment by shipment. Then we are having some provisional price. You're right about that that we cannot open it for you unfortunately because the (inaudible) there are some strong negotiations. And we are looking for good price. And is what I can tell you that they we are 100% is really unbearable, the difference between the spot market and the benchmark price.

**Q - Carlos de Alba** {BIO 15072819 <GO>}

Thanks, (inaudible). But have you already been getting the provisional pricing or are you just negotiating?

**A - Unidentified Speaker**

Yes, we are getting some provisional price --

**Q - Carlos de Alba** {BIO 15072819 <GO>}

Right.

**A - Unidentified Speaker**

-- but with some clients, not all of them, because we -- as I mentioned doing this shipment by shipment, okay?

**Q - Carlos de Alba** {BIO 15072819 <GO>}

Right. Okay. And let me ask you another question. When you calculate the difference between the spot prices in China and the control price, do you take -- do you start with a spot price in China and subtract the freight to have say a spot price at the port in the field and then compare that versus the control price, or do you do it the other way around, you take the control price in the fee of FOB, add the freight to bring it to China and then compare it -- that contract price on a C&F basis to the spot price.

### **A - Unidentified Speaker**

What we do Carlos, we take the spot price and we reduce the freight and most probably (inaudible) up to China. And we have a reference, let's say, FOB, you know that FOB price and that difference the 100% is comparing the freight that the spot price minus freight in our (inaudible) approach.

### **Q - Carlos de Alba** {BIO 15072819 <GO>}

Okay, thank you very much, (inaudible) Thank you, very much.

### **A - Unidentified Speaker**

You're welcome. And the next question.

### **Operator**

There are no further questions at this time. I will now turn the call over to Mr. Paulo Penido for closing remarks.

Mr. Penido, go ahead.

### **A - Paulo Penido Pinto Marques** {BIO 4384213 <GO>}

Okay. I would like to thank you all for participating in our conference call. And do remember that our investor areas' analysts and people will be available to answer any further question that you may have. Thank you.

### **Operator**

Thank you. That concludes today's CSN 4Q09 earnings conference call. You may now disconnect your lines at this time.

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