Q4 2012 Earnings Call

Company Participants

- Daniel dos Santos, Mining Director
- David Salama, IRO
- Geraldo da Silva Maia, General Manager
- Luis Fernando Barbosa Martinez, Commercial Officer
- Unidentified Speaker, Unknown

Other Participants

- Andre Pinheiro, Analyst
- Carlos de Alba, Analyst
- Ivan Fernandes, Analyst
- Leandro Cappa, Analyst
- Marcelo Aguiar, Analyst
- Miguel Falcao, Analyst
- Renato Antunes, Analyst
- Rodolfo De Angele, Analyst
- Rodrigo Barros, Analyst
- Thiago Lofiego, Analyst

Presentation

Operator

(interpreted) Good morning, ladies and gentlemen. Thank you for waiting. At this time we would like to welcome everyone to CSN Fourth Quarter and Full Year of 2012 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 session when further instructions will be given. (Operator Instructions)

We have a simultaneous Webcast that may be accessed through CSN's investor relations Website at 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 be a replay service for this call on the Website.

We would like to inform that due to the number of participants, the Company will answer only up to two questions per participant, with no rights to reply and therefore we kindly ask that all of the questions are made at once as soon as the line is opened by the operator.

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 the beliefs and assumptions of CSN's 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 cause results to differ materially from those expressed in such forward-looking statements.

Now I'll turn the conference over to Mr. David Salama, CSN's executive investor relations officer, who will present the Company's operating and financial highlights of the period. You may begin your conference, sir.

David Salama {BIO 17456021 <GO>}

(interpreted) Good morning, everyone, I would like to thank you for participating in CSN's conference call to discuss the results. Participating with me, we have some executive officers.

We will start on slide three where we give you our consolidated results for 2012. Net revenue for 2012, BRL16.89 billion was a record mark for the Company, 2% up compared to that of 2011. Highlight going to record steel sales of 5.8 million tonnes because of this Company strategy to prioritize domestic marketed demand.

(Now onto the) acquisition of SWT in Germany in February of last year. In the First Quarter the net revenues was BRL4.6 billion another record, 8% up compared to the previous quarter.

Gross profit BRL4.8 billion in 2012 and BRL1.4 billion in the Fourth Quarter of 2012, coming from the 17% above that of the Third Quarter of 2012. Adjusted EBITDA BRL4.5 billion, 30% lower than that posted in 2011, basically due to the results of the mining and steel segments.

In the Fourth Quarter, EBITDA was BRL1.2 billion, up 14% compared to the Third Quarter of 2012. Adjusted EBITDA margin was 27%, same as posted in the last quarter of 2012. CapEx for 2012 was BRL3.1 billion, highlights going to investments in steel, BRL724 million, mining, BRL463, Logistics, BRL1.3 billion. And Cement, BRL83 million.

In the Fourth Quarter of 2012, consolidated CapEx was BRL788 million. Net income was BRL316 million for the Fourth Quarter. The result for year was negative BRL481 million, impacted by the accounting reclassification of the losses from the Company's investments in Usiminas, which I should highlight did not impact the Company's cash. If we were to disregard this reclassification, the net income would be BRL864 million in 2012.

Moving on to slide four, where we give you the EBITDA evolution in the last quarter of 2012. EBITDA, BRL1.2 billion in the Fourth Quarter was 14% superior to that of the Third Quarter. Positively impacting the EBITDA were the higher prices of steel, higher prices and volume of iron ore sold in consolidated terms.

On the other hand, we have the negative effect of the increase in steel and mining prices in the quarter. And also the reduction of sales volume of steel. It's important to highlight that the previous quarter posted a record sales of steel.

Now we are moving to slide five. In the slide, we give you the net revenue by segment and adjusted EBITDA by segment where CSN operates. Steel accounted for 63% of our net revenue and 43% of our total EBITDA. Mining accounted for 26% of the net revenue and 45% of the EBITDA.

Moving to slide six, we have details about the steel segment. We'll start with the upper left-hand corner. In the Fourth Quarter, sales volume for steel 1.5 million tonnes was the second best quarter of CSN in terms of sales of steel only we had 1.6 tonnes million posted in the Third Quarter as mentioned previously. Of the total sales 77% were sold in the domestic market, 20% through our overseas subsidiaries. And 3% exports.

Worth highlighting is that in 2012 CSN sold a record volume of 5.8 million tonnes, 19% compared to 2011 because of the strong domestic demand where we had record sales of 4.5 million tonnes which collaborated to the sales volume SWT was included as of February.

On the right upper hand corner, we see net revenue BRL2.8 billion, 3% down compared to the Third Quarter, basically given the lower volume sold. Net revenue of 2012 BRL10.8 billion, is a record mark for the Company and 14% up compared to that of 2011.

Now in the bottom of the slide we'll look at the EBITDA. Adjusted EBITDA, BRL564 million for Steel, 20% margin in the Fourth Quarter. They remained at the same level of those seen in the Third Quarter, while in 2012 the adjusted EBITDA totaled BRL2.1 billion with a margin of 19%.

Moving on to slide seen, same analysis now for the mining segment. We'll start again with the upper left hand corner. In the Fourth Quarter, iron ore of CSN and Namisa reached 6.4 million tonnes, 2% down compared to the Third Quarter of 2012, totaling in the year, 26 million tonnes. It is important to highlight that in addition to sales to customers, CSN consumed additionally 6.1 million tonnes of iron ore last year.

Still in the upper part of the slide. But on the right hand corner now, we see that the net revenue for the First Quarter was BRL1.3 billion, 39% up compared to the Third Quarter as a result of higher iron ore sales and consolidated terms and higher prices. And in the Fourth Quarter reached an average of $88 compared to $82 of the Third Quarter. In the year net revenues for mining reached BRL4.5 billion.

Now let's look at the EBITDA for the Mining segment in the bottom part of the slide. In the Fourth Quarter, EBITDA totaled BRL572 million, 44% up compared to the Third Quarter of 2012, with an EBITDA margin of 44%. For 2012, EBITDA was BRL2.2 billion with an EBITDA margin of 48%.

Let us now move to slide eight, where we are going to talk about the net debt to the Company. Net debt amounted to BRL15.7 billion, remained in line with the Third Quarter, a gross debt of BRL31 billion, a cash balance of BRL14.4 billion.

On one hand, we have invested BRL800 million, (unsuccessives, the out lay) of BRL600 million with net charges that contributed to an increase in the net debt. But that was practically offset by an EBITDA of BRL1.2 billion and by an important reduction of BRL300 million in the Company's working capital.

At the end of the Fourth Quarter, net debt over EBITDA ratio was 3.5 times, EBITDA BRL4.5 billion for last year. Total of the growth, the net of 64% and of the net was the real denominated. And 36% denominated in foreign currency, particularly US dollars. In this position 92% of the debt was long-term and 8% of the debt was short-term.

That basically ends our presentation. We can move now to the Q&A.

Questions And Answers

Operator

(interpreted) Thank you. The floor is now open for questions for investors and analysts. (Operator Instructions)

Mr. Renato Antunes would like to ask a question.

Q - Renato Antunes {BIO 17439917 <GO>}

(interpreted) Thank you. Good morning. My first question is about mining. If you could tell us about the beginning of the First Quarter qualitatively and quantitatively that would be great. And if you could help us looking forward what can we expect in terms of CSN's own iron ore production. And what volume the other company will contribute with?

My second question, we saw strong results from CSN, better than what we expected and from your peers, if you could tell us a little bit about the market, how it stands in the beginning of the year, could give us the detailed information about the prices that would be great. Thank you.

A - David Salama {BIO 17456021 <GO>}

(interpreted) I will ask Daniel dos Santos, our mining officer to answer your first question and Martinez who's sitting next to me, will answer your second question.

A - Daniel dos Santos {BIO 6218699 <GO>}

(interpreted) Okay, as for Namisa and CSN, we expect to have a volume very similar to that of 2011. In other words, exporting 29 million tonnes, around that, in maintaining the usual transfers that we normally have for PV, for UPV.

And as for the first month of 2013, in the First Quarter shipments were a little bit below expected, particularly because we had a problem in one of the machines that feeds the Casa de Pedra plant and with that operating issue that we had there at Casa de Pedra mine we will post a slightly lower figure in the First Quarter.

But mining is certain because we have adopted some mitigating measures to replace that capacity, adding machines in the mine and having additional equipment to help with the shipment. And as you know most of the local demand for iron ore did not materialize and the supply on the other hand increased quite a lot because the supply of port services did not materialized, in fact (inaudible) CSN when we were able to include the second car dumper and we have therefore an additional capacity.

Starting as of the next weeks we are in the phase of making some adjustments to reach full production in the car dumper. And the port which was an important bottleneck in recent years is now a case is no longer a bottleneck and at a good timing as well because our competitors were not able to have their additional capacity of port services that they were expecting.

For that, the supply of ore locally is quite favorable for us and we are able to close good contract with good terms so that we can offset part of the losses that we are sustaining with the operating problem that we had in Casa de Pedra with the purchase of ore and the additional capacity that we were able to install at the port.

So, despite beginning of the year, a little bit difficult because that machine broke down and showed a structural problem, we were able to offset with some in-house mitigating factors, adding equipment both in the mines and in feeding the plant and also with a higher supply that we have now, given that our competitors were not able to deliver because of port issues. We have supply with stimulating demand and giving us good conditions for the acquisition of ore. So, we expect to post very similar to what we had in 2011.

A - Luis Fernando Barbosa Martinez {BIO 7187744 <GO>}

(interpreted) Renato. Good morning. This is Martinez. I'm going to try to tell you to a little bit about the five points that I always mention. I'll talk a little bit about supply, demand, imports, which is also very important for 2013, costs, which I believe a little less relevant at this point, exchange rate. And the competitiveness of the production chains where CSN operates.

Very well, let's talk about the economy. Let me give you an interesting piece of data. Although the GDP was low, 0.9%, this is well known. But still it's worthwhile highlighting that the industrial GDP was negative 0.8% and in the transformation industry where CSN serves, the processing segment that GDP was higher. So 2012 was the year which was relatively difficult for the processing industry.

We expect a much better outlook for 2013. CSN is working with the GDP growth for the processing industry of 3.2% for 2013. As for supply and demand, the average consumption of flat steel in 2012 was about 14 million tonnes a year and long steel about 11 million. It is really worth mentioning in terms of flat is that the 14 million tonnes of apparent consumption, practically 2.2 million, 2.4 million are relative to imports.

I am planning that in 2013 imports will not reach 1 million. I believe it will be around 800,000, which means that practically all of that volume will go back to supply local plants, local mills, which is very healthy for our market.

As for the industries and it's interesting to mention very quickly, civil construction, growth was timid. But grew about 2% vis-a-vis 2011. Our outlook for 2013 is that this industry will continue to grow sustainably given that households are consuming more, both for long steel and for construction. And we need to unlock some infrastructure projects that are in the pipeline.

For that we're planning -- we're expecting a 3.5% to 4% growth in civil construction. In terms of consumption of materials. And here I include cement, something around 4% to 5% growth. And since I'm talking about civil construction, cement in 2013 is expected to reach 74 million tonnes in the year in CSN.

We've been investing more and more and later on I'm going to tell you what we're investing in the cement segment. As for pipelines, 2012 growth was around 15%. And at least in the First Quarter I don't see anything different. We are working with the same prospect we had in 2012.

For the automotive industry, there was some doubt, which was solved basically this year. IPI reduction continued for cars, number of cars licensed about 12 million cars a day, should remain at least at this level.

I'd like to remind you that when the industry was at rock bottom, this was down to 8 million. So in those two segments are consume still white line and automotive industry I don't see major issues expected for 2013. So we should see a positive trend there.

An important novelty is that in the packaging industry where CSN supplies tin plates, more and more Brazilians dislike bad stuff and they end up buying cans. So cans should take more space in the packaging mix of our customers. And we can see that improving.

In distribution an important piece of data, the channel is very competitive and inventories are quite controlled. So the outlook for distribution is quite positive for 2013.

As for costs, I don't think there is anything relevant to mention. I think the costs are relatively under control. So we are going to talk about the price of ore in a little while and about the price of other raw materials.

As for the premium of imported material, nationalized compared to domestic market, if we imagine the (BG) with starting point of $610 FOB per tonne, the premium compared to the domestic is 1% to 3%. For cold-rolled products, 3% to 6%. In galvanized, about 5%. And tin plates about 10% to 11%.

So in terms of the import equation there is no reason to think that we should have a significant import during this year, of 2013.

Basically this is the outlook that we are working with for 2013. It is quite positive. CSN had a fast recovery in the First Quarter of about 5% and part of that price realignment and discount reduction should probably be seen in the First Quarter on its results. We're looking at the Second Quarter was a lot of optimism and along the year we mentioned that we might have some price recoveries coming up there.

As for the guidance for 2013, it is quite impressive. We are working with 6.2 million tones for 2013, 4.9 million of those for the domestic market. And practically 200,000 going to exports of tin plates for Latin America, 800,000 for our unit in Germany and for LLC and (US Alusaceasar) 500. That means vis-a-vis 2012, 6.2 million down to 5.8 million.

So that's basically it. International market remains with relatively firm prices, with little margin to -- of reduction. Some mills are working very close to their cost line. So basically that's Renato.

Q - Renato Antunes {BIO 17439917 <GO>}

(interpreted) Thank you.

Operator

(interpreted) I would like to remind you that due to the large number of participants, the Company will only answer up to two questions per participant, with no right to reply. Ask your question as soon as your line is released by the operator. Leandro Cappa from Deutsche Bank would like to ask a question.

Q - Leandro Cappa {BIO 17871464 <GO>}

(interpreted) Good morning, everyone. Thank you for the opportunity. First question, how much do you intend to invest in 2013? What is the life-cycle? And a little bit about iron-ore pricing, what is the mix. And the (start) and contract price and the strong recovery in the Fourth Quarter were a surprise to the market. So I would like to have a better understanding of these two points. Thank you.

A - David Salama {BIO 17456021 <GO>}

(interpreted) Let us start -- well Geraldo, our Commercial Officer for Mining will be answering the second question first. And then I'll be answering your question about investments in steel.

A - Geraldo da Silva Maia {BIO 21888368 <GO>}

(interpreted) Good morning, the price of ore, since the second half of last year has been growing very dramatically. We had a peak of $160 in March this year. Ever since then, the price is around $140 per tonne. And the price level is way above the market expectation at the end of last. We've already recovered prices between quarter three and four and the First Quarter of this year, we expect to have an additional increase in prices due to the follow-up of these indexes

Another important variable, when it comes to price, is freight. Freight has very low historic levels. We have been performing many sales in these modalities, cost of freight and we can absorb part of our sales margin, benefiting from higher prices. For 2013, we expect prices to be above 2012. So we believe they'll be exceeding last year's results.

As a result, our inventories are very low, we've been following this very closely and we believe 2 million per tonne in the beginning of this year, these levels will be back to the inventories and will need ore to maintain our operations.

A - David Salama {BIO 17456021 <GO>}

(interpreted) Answering your first question, related to our CapEx for steel, just to give an idea. We expect for this year investments amounting to BRL400 million in terms of current CapEx for steel. And one of the projects we have in mind is to rebuild our coke factory. You know that CSN today is self-sufficient, about 65% in coke production from third party purchase. And obviously we're going to maintain. And overtime we also want to expand this number. So this is in our agenda for 2013 and also for 2014.

Operator

(interpreted) Thiago Lofiego from Merrill Lynch would like to ask a question.

Q - Thiago Lofiego {BIO 16359318 <GO>}

(interpreted) Good morning, everyone, I have two questions. What is the average price for mining you have in the Fourth Quarter, it seems to be slightly higher compared to the competition? Could you give us a breakdown of your realized price? And also the other factors embedded in the revenue for mining, or for ore, more specifically? You can have the port revenue embedded. So how can we calculate exactly what each factor was?

Second question, what about your third party purchased slab? We didn't see that happen in 2011. So what should we expect for the future? Thank you.

A - Unidentified Speaker

(interpreted) For ore price, that quotation period that is behind ore prices, in the Fourth Quarter we had an average from October, November and December. And as a result they were higher compared to previous quarters. Basically we have three kinds of pricing systems, we have those that are lagging behind, three months backwards. Three month that coincide with shipment dates and also quotation periods related to spot (clearance).

In the Fourth Quarter, our volume was higher, our sales volume was higher. Quotation period coincided with the quarter of -- with the Fourth Quarter and the average was higher compared to the Third Quarter. And we also had come spot clearance and we waited until the right time to sell them.

It is the so-called time-to-market. The product was available and we just waited the timely moment to benefit from the market. So basically that's the profile of our sales vis-a-vis our quotation period and the time-to-market related to the shipment in a more timely manner.

(interpreted) Thiago answering your question related to the slabs. Actually we had preventative maintenance, or scheduled maintenance in our (inaudible). Thiago coming back to your question, at the end of last year we had scheduled in (inaudible) and it eventually led to a reduction of about 150,000 tonnes of our own slab production. And this shows why we had to resort to the market, buying approximately 140,000 tonnes to offset our volume.

And as you know CSN, one of the few companies that works at full speed, full capacity and that happened in the second half of 2009, ever since then. And we're very proud of it. So whenever the Company requires scheduled maintenance, or any other kind of adjustment in production, it is in the limit, production-wise. And this happened in the last quarter of last year. And whenever that happens we will try to supply, in order to maintain the Company, always at full capacity.

Operator

(interpreted) Andre Pinheiro from Itau BBA would like to ask a question.

Q - Andre Pinheiro {BIO 17114104 <GO>}

(interpreted) Good morning, everyone, I have two questions. First question, what about leverage, we could see leverage is higher last year, almost 3.5 times the net debt over EBITDA ratio, how are you handling this? What are the measures that you are considering to lower this leverage?

And the second question, I wonder if you could give us an update as to long steel products, if the project is really expected to happen in the Third Quarter of this year? And what is the volume expected for 2013 and '14?

A - Unidentified Speaker

(interpreted) Martinez will answer the second question vis-a-vis the long steel product plant and then I'll answer about leverage

A - Luis Fernando Barbosa Martinez {BIO 7187744 <GO>}

(interpreted) Andre. Good morning. The long steel plant, well the start-up is scheduled for August this year, it has already been confirmed. This year shipment will basically be used to qualify and also to rectify our product. And investments made up to now in this plant, which is virtually concluded is about BRL1.2 billion, that's the total.

For 2013, the volume is very small, virtually related to approval. And for 2014, we have a very strong curve, something around 500,000 tonnes per year, since these are products that are -- but when it comes to technology and also when it comes to logistics and production, they are fully controlled.

We understand, it shouldn't be a problem for CSN to be in the market. And the market is also growing. Basically it has 11 million tonnes per year. And CSN accounts for 500,000 tonnes. So basically that's our update for long steel products.

Now just to give you more details on the long steel products project, sometimes people are not that certain. The part of civil construction has 97% completed, metal structures 94%, electro mechanic assembly, which is the part that is basically working now is 62% in line with the electric work at 68%, piping virtually completed, around 88%. At mechanics also aligned to electro-mechanics at 70%.

So for those of you who are following up the construction works, you can see a very good performance. And this year we intend to invite you all for start-up, for the plant start-up and visit our new facilities. Thank you.

A - Unidentified Speaker

(interpreted) Answering your other question related to the leverage, you know this is one of the main issues that is being currently discussed at CSN. What I can tell you right now is that the Company will be maintaining a very stringent attitude when it comes to cash use or cash burn discipline. Our expectation is that this net debt over EBITDA ratio is below 3 times at the end of the year. And basically that will happen due to an increase in EBITDA over the year.

Our steel and mining personnel have already given their expectation, vis-a-vis the volume. Please bear in mind that now we are in a phase in which investments are very significant in these areas where the Company operates in. Our expectation is that the ratio will be slightly below 3 times by yearend. And it's expected to be maintained at the same level for a short time. And once our projects already start generating results, we expect this ratio to go down.

Operator

(interpreted) Mr. Rodolfo from JPMorgan would like to ask a question.

Q - Rodolfo De Angele {BIO 1541593 <GO>}

(interpreted) Good morning. I would like to focus my questions on mining. First of all, I would like to understand what precisely, what is the operating problem that you're facing in the mine?

And second. And most important question, I wonder if you could -- well I saw the guidance that you just mentioned. However what I'd like to have from you is an update, I'd like to know something about your business plan or the case study for Casa de Pedra and for Namisa. When do you expect to see increased capacity, what has already been done? And Namisa, most specifically, what are the commitments with partners both ways? Thank you.

A - Unidentified Speaker

(interpreted) As to the operating problem we had, it happened in the last week of January. Actually, that machine is one of the machines that feeds our processing plant.

In other words, it removes the ore from a yard in Casa de Pedra and sends the materials to be processed at the processing plant. And that's where all the products come from. With recent equipment, began to show structural problems. We had some fissures and cracks in the equipment structure in the second or third week of January and then at the end of the month we had to shut down the equipment in order to have a technical evaluation and in depth evaluation and then take any repair measures necessary to the piece of equipment.

At the same time, we also began a planned to recover as much as possible the capacity we lose whenever we have to shut down such a big piece of equipment. Just to give an idea, in our homogenization yard we have four aisles and also fork lift that can work on two piles simultaneously and also two recovery machines.

We are speaking one of these recovery machine 52 meters wide and 700 tonnes. It does take a lot of caution and we really have to do very careful whenever we start any necessary repair. As to mitigate and actions that have been implemented over the last weeks where we had a real war operations, we've allocated some additional equipment both in the mine anticipating part of the mine purchases scheduled for this year.

So, we anticipated part of the CapEx right now and also equipment for processing that are in the homogenization yard. In order to replace the plant's capacity we have some hoppers in order to feed the conveyor equipment and they also received the materials from the power shovels. So we did it out of emergency in order to have the right production levels and in the following weeks we'll be finding a final solution.

Anyway, as I said in the beginning, this problem appeared at a time in which we have a very interesting ore supply in the region. The iron quadrilateral region is going through a very interesting moment right now. There were a series of announcements about additional port capacity that would come from other ports, other competitors. Many people got ready to produce. There are many people delivering.

We have about 12 to 14 small producers in the region that have been investing through their operations up and running. And now we're just benefiting from this scenario offsetting part of the losses on top of our in-house solutions, offsetting them with the purchase in a timely manner of the supply that is coming right now, particularly in the iron quadrilateral, particularly MRS that includes (Auto Pariparba and Sara Azur). So, we're benefiting from the circumstance as best possible.

So, basically, the operational problem lies in this machine. And that's a structural problem. And with this kind of thing, we cannot just relax out of safety reasons, occupational safety. And also equipment integrity and facilities that we have in the yards. Therefore, we are trying to provide the best repair possible.

The root causes are still being investigated. We have some experts working on that problem. But with this higher ore supply and our in-house solutions, at least we can deliver in a very timely manner and also reach the export levels we had in 2011, particularly because now we have additional port capacity.

As to the business line you asked, we maintained the big lines of our business plans. Today, at Casa de Pedra, we have about 1,500 staff working in the extension for 40 million tonnes. We have three companies of large size that are working with us at this point is a finished engineering company providing the engineering work of the plant in many details, (milkmen in) local company and they have a lot of penetration in the mining market and have local resources very efficiently and we also have another company to conclude the civil works.

There are some details to be completed there and (Calling) is a company from Espirito Santo state. As to Namisa we are about to conclude works at (Pires) terminal. They also have a facility to treat ore and we have two concentrations, magnetic concentration lines that take part of the production. But they are important because they produce high grade ore 66% iron that helps in the mix of the purchase and also our own production.

Between June and July we expect to open another two lines, two additional lines and by year-end, another two lines in Pires. In addition, one of the main projects, one of the key projects at Namisa is still reclaim some waste dams.

As you know in the iron quadrilateral region, we have some dams that are very old and they have high grade ore that can be sold for a very good price today. We concluded the earthmoving works, installation of the dredging system. And we're about to start the feeding systems in order to use for civil construction and electro-mechanic assembly in mid this year for the project to recover or reclaim the dams.

So, we are sticking to the plan. We are emphasizing the basics. For instance, higher levels for dams, which is critical for any mining company, particularly in assets that have the same age as CSN's asset. We have thousands of people involved working with, well, 500 or 600 pieces of equipment for Casa de Pedra.

And, like I said, we are sticking to the basics when it comes to waste disposal with a very strong focus in order to unlock things that are basic to allow the company grow.

So, the plan is still the same. We maintain our focus on development, higher levels for the dams, recovery of high-grade ore found in the dams, expanding Namisa's activities. And we are all working together with a lot of funds concentrated in Casa de Pedra.

Operator

(interpreted) Mr. Miguel Falcao from HSBC would like to ask a question.

Q - Miguel Falcao {BIO 17481409 <GO>}

(interpreted) Good morning. My question has to do with the interest in ThyssenKrupp in American units. Could you give us an update regarding that process?

My second question has to do with your stake, your interest in Usiminas and what do you expect for the future regarding your interest in Usiminas?

A - Unidentified Speaker

(interpreted) To answer your first question regarding (CSA), as you know, we have a fiduciary obligation of following all of the movements happening in the industry where we operate. It is also important to mention that CSN always had in its DNA working and following a conservative path in terms of acquisitions. So what I can tell you is just as previously in the past, if there's anything out there that is relevant, it will be immediately informed to the market.

And for the second question regarding investments in Usiminas, really this investment became a financial investment, we tried to somehow recover the cash that we invested. And we are always looking for the best opportunity for those investments.

It is important to point out that we had a division in mid last year the regulation authority asked CSN not to make any additional acquisition and we respect that decision by the authorities. And we want at the same time to preserve the investment that we've made to-date.

Operator

(interpreted) Mr. Marcelo Aguiar from Goldman Sachs would like to ask a question.

Q - Marcelo Aguiar {BIO 3721791 <GO>}

(interpreted) Thank you for the opportunity. Good morning. I would like to go back to the mining issue. I'm referring to Daniel's explanation regarding what happened in the reclaimer machine. But it's not clear to me how much you are expected to produce at Casa de Pedra. Could you give us some figures? You do not include how much you produced in the past in the release, how much you expect to produce this year. And when would be the startup of the BRL40 million. And this problem with the reclaimer will delay the startup of the BRL40 million? So perhaps if you could elaborate more on that.

My second question has to do with your leverage. You have all the investment in Namisa to be made. So I would like to have a simulation of your CapEx perhaps you could breakdown your CapEx for this year total consolidated for your business for this year and for next year. So that we can model the Company a little bit better.

A - David Salama {BIO 17456021 <GO>}

(interpreted) Marcelo, Daniel will answer your first question and I will answer the second one regarding CapEx.

A - Daniel dos Santos {BIO 6218699 <GO>}

(interpreted) Well, we have always been fond of production in a consolidated way. On the first stage of the release, we have information about iron ore production. We exported about about 26 million tonnes last year and we transferred to Presidente Vargas Mill in Volta Redonda about 7 million tonnes. This was the total in terms of Casa de Pedra and Namisa production and purchase of all last year.

So, this year the consolidated information will be around 36 million tonnes, of which we will be exporting 29 million. Therefore the impact of the reclaimer on the project to double capacity which would be the 40 million tonne plant. So actually this is non-recurring problem, it should be solved during the year. There will be no direct impact on expansion. Expansion that will continue independently.

A - David Salama {BIO 17456021 <GO>}

(interpreted) Marcelo, to answer your second question about the CapEx for this year, we have in our budget for a total of BRL3.1 billion to be invested. This involves the expansion CapEx and also the current maintenance CapEx. So, I'd like to try to breakdown the figures for you.

When we talk about mining as a whole, we estimate BRL660 million, for cement BRL170 million, concluding the long steel plant BRL370 million, also for this year we are expecting to invest BRL1 billion in Transnordestina Logistica.

Specifically, regarding Transnordestina, during this year I will make a presentation where we intend to give you more details regarding what we are doing there, the new business for Transnordestina as of now, we are planning to give a big package. The package is being discussed and we are discussing it with the government and this is unfolding quite smoothly. We expect it to have it signed in the coming months.

And as soon as they have all of the documentation signed, we will disclose the plan to you. What I can tell you now is that overall it (echoes) how the project is going to be financed. So looking forward. And it's more clear how we are going to have return on invested capital.

So, going back to the CapEx, because I was trying to break down the figures for you, right. So overall the expansion CapEx totaled BRL2.3 billion and in the consolidated terms, including steel, mining, (purge) we have a current CapEx of another BRL900 million.

Operator

(interpreted) Ivan Fernandes from Barclays would like to ask a question.

Q - Ivan Fernandes {BIO 22125325 <GO>}

(interpreted) Good morning. Just to add to what was said before, when it comes to the problem you had in the First Quarter and also the change in logistics or how you transport ore, will this add more pressure on costs to the First Quarter or why the problem persists or basically will be the same operating cost that you had before? Thank you.

A - Unidentified Speaker

(interpreted) Actually, there was no significant change in the way we transport ore. In reality, our operating model has three main pillars; the first pillar is Casa de Pedra production followed by Namisa production. And lastly ore purchases that we have either logistics access of MRS.

As to cost, we won't have any significant change, I don't see any change that might be worth mentioning right now. Anyways, what happens is that by and large we end up by bringing a little bit more ore that is not in-house. But like I said before, the condition to buy ore abroad are far more favorable compared to previous years. So much so that most local producers got themselves ready to afford capacity way above what they see today.

So, the only port that has additional capacity is ours and eventually we buy in a very attractive manner and to some extent we have stable prices without significant changes.

Operator

(interpreted) We have a question in English. Carlos de Alba from Morgan Stanley would like to ask a question.

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

Yes. Good morning. Thank you for taking the question. It's regarding the CSA assets and the US assets of Thyssen. Did you present an offer because we understand that the timing for present bids already passed and we just want to know if CSN presented an offer and if you didn't, is this because the negotiations with BNDES are delayed? Any color on this will be appreciated.

And then the other question is regarding your expectation for Transnordestina. Just can you give us a little -- an idea of when do you think you will be starting to generate revenue out of this project? Thank you, very much.

A - Unidentified Speaker

(interpreted) Carlos, I'll be answering both questions. First question about CSA, I would like to say about the Company up to now -- and by the way I say that before in documents sent to (BN), we don't have any binding offer yet when it comes to the acquisition of its assets.

And I'd rather avoid making any further comments that might generate speculation in the market. I can tell you that if the Company has any binding offer or any decision related to that, we'll be making use of legal instruments to be announcing that to you.

Answering your second question vis-a-vis Transnordestina, our expectation is that the project to some extent be completed by in 2016. By doing so we have a consolidated flow of revenues starting right now or then and not only that, we also have a clear picture of the return of this project. Like I said before, I'd rather wait until we have the execution of the documents.

There is very good headway. And as soon as we have the execution of these documents, we'll prepare a presentation and you are all invited to attend this presentation in which we'll be breaking down the whole project as well as funds, returns, giving you very clear visibility for Transnordestina project.

Operator

(interpreted) Rodrigo Barros from -- he would like to ask a question.

Q - Rodrigo Barros {BIO 5851294 <GO>}

(interpreted) Thank you, all for the opportunity. I have two questions. My first question has to do with the third-party ore purchase. You might be buying 14 million tonnes of iron ore from third-parties to have a 29 million go for exports, does these figures make sense?

The second question has to do with the coke plant. You have approximately 1.7 tonnes of coke. And if you consider using (Nunes Bank), then you will have (BRL2 billion) as investment. So, how much would be recovered. And do you have any anticipated CapEx for that?

A - Unidentified Speaker

(interpreted) Rodrigo, I think I answered the first question previously when I broke down the CapEx for maintenance this year. Actually what we have is a reform and revamp of this coke plant at first in order to maintain our self-sufficiency around 65% or 70% in coke production. Daniel will be answering the second question about third-party ore.

A - Daniel dos Santos {BIO 6218699 <GO>}

(interpreted) Rodrigo, like I said in the beginning, we announced our amount in a consolidated basis. So when you ask Casa de Pedra, Namisa production. And iron ore purchase our expectation is 36 million tonne and another piece of information is that because we don't operate by traders, this kind of information what it gets to us within trader is not official information by the Company because no trader is in charge of that. We buy directly. But I can tell you is this; consolidated production is 36 million tonnes and 29 million will be submitted for exports.

Operator

(interpreted) There are no further questions. So, I would like to turn the floor over to the company's officers for the closing remarks.

A - David Salama {BIO 17456021 <GO>}

(interpreted) Once again I would like to thank you all for being with us for this conference call. Our IR team is at your service for any other questions that remains unanswered. Have a great day.

Operator

(interpreted) Thank you. This concludes today's CSN's earnings conference call. You may disconnect your lines now at this time. Have a good day.