

Q4 2013 Earnings Call

Company Participants

- Daniel dos Santos, Director of Mining
- David Salama, Executive IR Officer
- Geraldo Moraes, Commercial Director
- Luis Fernando Barbosa Martinez, Commercial Officer
- Unidentified Speaker, Unknown

Other Participants

- Carlos de Alba, Analyst
- Falsa Yuani, Analyst
- Humberto Meireles, Analyst
- Leonardo Correa, Analyst
- Marcos Assumpcao, Analyst
- Renato Antunes, Analyst
- Thiago Lofiego, Analyst
- Unidentified Participant, Analyst

Presentation

Operator

(interpreted) Good morning. And thank you for waiting. Welcome to CSN's conference call for the results related to the Fourth Quarter and the full year of 2013 earnings conference call. Here with us today, we have the Executive Officers. We would like to inform you that this event is being recorded. And all participants will be in a listen-only mode during the Company's presentation. (Operator Instructions).

Today's event is also being simultaneously webcasted. And it can be accessed through CSN's Investor Relations website www.csn.com.br/ir. The slide presentation may be downloaded from this website; the selection of the slides will be controlled by the participants. The replay of the events will be available right after it's concluded. We would like to inform you that due to the large number of participants, the Company will answer the questions. But with no rights to reply. And therefore we would kindly ask you to ask all your questions at once as soon as the line is opened by the operator.

Before proceeding, let me mention that forward-looking statements that are being made 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 the Company as well as information currently available to the Company. They involve risks, uncertainties.

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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 future results of CSN and as such could lead to results to differ materially from those expressed in such forward-looking statements.

Now, I would like to turn the floor to Mr. David Salama, CSN's Executive Investor Relations Officer, who will present the Company's operating and financial highlights for the period. Please, Mr. Salama, you may proceed.

David Salama {BIO 17456021 <GO>}

(interpreted) Good morning, everyone and thank you very much for participating in our earnings conference call on the Fourth Quarter of 2013 and also the full year's result of 2013. Here with me are the other officers of the Company.

So, let's start with slide number 3, where we give you the consolidated results for the Fourth Quarter of 2013. Net revenue in 2013 of BRL17.3 billion is the record for the Company, up by 14% when compared to 2012. That was mainly due to higher revenues from mining and steel milling. In the Fourth Quarter, the net revenue of BRL4.4 billion, (sic; see slide three "BRL4.949 billion") is also a record number, up by 6% when compared to the Third Quarter of 2013 and basically due to higher revenues coming from the mining industry.

The gross profit was BRL4.9 billion, up by 23% when compared to 2012 whereas in the Fourth Quarter gross profit was BRL1.7 billion, up by 18% when compared to the Third Quarter of the same year. CSN had a net income of BRL534 million in 2013 and the results for the Fourth Quarter (was negative) by BRL487 million especially due to the fact that NAMISA and CSN complied with the REFIS program which impacted the consolidated result of CSN by BRL937 million. So, if you exclude that effect, CSN would have had posted a consolidated net income of BRL450 million in the (last) quarter of the year before.

Adjusted EBITDA for 2013 was BRL5.4 billion, up by 19% when compared to 2012, whereas in the Fourth Quarter adjusted EBITDA was BRL1.8 billion, up by 6% when compared to the Third Quarter. Considering all of the operating results of the Company, the EBITDA of 2013 was 28% and in the Fourth Quarter we posted a margin of 32%, therefore that was the highest quarterly margin since the Fourth Quarter of 2011.

Investments in 2013 was BRL2.8 billion, BRL838 million came from steel milling, BRL600 million from mining, (BRL349 million) cement. And BRL783 million coming from logistics. Considering the fact that throughout 2013 we consolidated the Transnordestina projects which demanded investments of BRL677 million throughout the year. CSN did not consolidate these investments at the end of December due to the partial spin off and also the enforcement of the new shareholders agreement.

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In the Fourth Quarter investments totaled BRL874 million, a BRL104 million was for steel milling, BRL235 million steel mining, BRL216 million to cement. And BRL229 million steel (mining). Now, in 2013, we concluded the construction of the long steel plant in Volta Redonda.

So, now let's move to slide number 4, where we will give you the results by segment. In this slide, we show you our net revenue and the adjusted EBITDA by segment where we operate. In 2013, steel milling accounted for 63% of our net revenue and 43% of EBITDA. Mining accounted for 27% of our net revenue and 46% of EBITDA.

Now going to slide number 5, here we give you our results for the steel industry. So, let's begin with the chart in the top left. Total sales of steel reached a record figure of 6 million tonnes, up by 5% when compared to 2012. From total of sales, 76% was sold to the domestic markets, 21.5% through the subsidiaries abroad. And the remaining was exported.

The amount sold to the domestic market of 4.7 million tonnes was also a record, up by 3% when compared to the volume sold in 2012. In the foreign market, sales was 1.5 million tonnes, 10% higher when compared to 2012. Out of this, total sales from our subsidiaries abroad was 1.3 million tons, being 755 million tonnes by SWT, our subsidiary in Germany; 270,000 by our subsidiary in Portugal; 269 million by CSN in the companies we hold in US. Direct imports (sic; see slide five "exports") on the other hand was 173,000 tonnes.

Now, on the right hand side of chart we see that the volume sold was 1.4 million tonnes, 5% lower when compared to the Third Quarter due to sales seasonality. In 2013, the net revenue from steel milling had a record of BRL18.5 billion, up by 5% when compared to 2012 basically due to higher sales volume and also higher pricing charge throughout the year.

In the Fourth Quarter, net revenue was BRL3.1 billion, 3% lower when compared to the number posted in the Third Quarter. In the Fourth Quarter the average net revenue per tonne was BRL2090, up by 3% when compared to the figures of the Third Quarter.

Now, let's jump to slide number 6, where we give you more details on the EBITDA for the steel industry. We will again start with the chart on the top left corner. EBITDA for the steel industry was BRL2.5 billion was 19% higher than the figures posted in 2012 due to higher volumes sold and higher prices.

On the right hand side, we see that the quarterly EBITDA in the Fourth Quarter was BRL635 million, 5% lower when compared to the numbers posted in the Third Quarter. The EBITDA margin for the steel industry was 20%, which represents an increase of 1percentage point when compared to 2012. In the Fourth Quarter the 21% EBITDA margin was in keeping with the Third Quarter of that same year.

Now, on slide number 7, we will do the same analysis. But now for the mining industry. Starting again with the chart on the top left corner, in 2013 sales of iron ore at NAMISA and CSN was 25.7 million tonnes even -- very much in keeping with the previous year 24 million

tonnes were sold by CSN and 10.3 million tonnes were sold by NAMISA. The volume of iron ore shipped in 2013 was 21.9 million tonnes, which is a 7% growth when compared to shipments in 2012.

On the right side of the slide we see the sales of iron ore of CSN and NAMISA was 7.8 million tonnes in the Fourth Quarter, meaning an increase of (2%) vis-a-vis the previous quarter; 5.5 million tonnes was sold by CSN and 2 million tonnes by NAMISA.

It is also important to mention that the volume of iron ore shipped in the Fourth Quarter was a Company's record with 8.9 million tonnes. In addition to sales to our customers, CSN consumed in our Presidente Vargas mill 5.7 million tonnes of iron ore throughout 2013. And 1.4 million tonnes in the last quarter of the year.

Net revenue from mining was BRL5.3 million last year which was an 18% growth vis-a-vis the year before, which is a reflection from higher prices. We see the net revenues from mining reached a record of BRL1.9 million, meaning 17% increase when compared to revenues posted in the Third Quarter mainly due to higher volumes sold and also because we already have (inaudible) due to profits that were not posted.

The average price of CSN was \$98 per tonne in 2013 when compared to \$97 per tonne in 2012. In the Fourth Quarter, the average price was \$96 per tonne when compared to \$105 per tonne posted the year before. And this was due to the mix of products sold.

Now let's look at slide 8, when we will now talk about EBITDA for the mining segment. The last -- (end) quarter we will have the adjusted mining from mining which was BRL2.6 million in 2013, which was up by 21% when compared to 2012. In the Fourth Quarter, still talking about mining, we have BRL1 billion, which was 17% higher when compared to the year before.

Now the EBITDA margin for mining was 49% last year, which was up by 1percentage point when compared to the margins in 2012. In the Fourth Quarter, the EBITDA margin was 53% still in keeping with the margin posted in the Third Quarter of last year.

Slide number 9, here we will show you the consolidated evolution of EBITDA. EBITDA of BRL1.8 billion in the Fourth Quarter of the year was up by 18% -- 6% vis-a-vis the Third Quarter. That was mainly due to higher prices in the steel segment, higher volume of iron ore and also Tecar insurance claims. Also we have here a drop in the prices of mining in the Fourth Quarter, higher costs and higher volumes sold in the steel segment and also increases in SG&A.

And finally, we go to slide number 10, when we show you our net debt evolution. Net debt came down BRL17.8 billion reaching BRL15.7 billion at the end of the quarter. There is a 2.1 times -- BRL2.1 billion. So the cash balance is BRL13.1 billion. Net debt EBITDA ratio fell by 3.6 times and that was a leverage of 2.9 times at the end of last year. The total of gross debt in December 74% was denominated in reais. And 36% was denominated in foreign currency specially denominated in US dollars, with that division 90% of long-term debt and 10% was short-term debt. The reduction of the net debt was due to the deconsolidation

of the net debt of BRL3 billion of Transnordestina at the end of 2013 as well as EBITDA of BRL1.8 billion in the Fourth Quarter of last year.

CapEx was BRL19 million in the Fourth Quarter, payment of dividends of BRL500 million and disbursement of BRL600 million with expenses with the debt, in addition to the impact of CSN compliance with the refinancing, compensated for all of these effects.

With that, I would like then to conclude my presentation and now we will go to our Q&A session.

Questions And Answers

Operator

(interpreted) Thank you. We will now initiate our Q&A session for investors and analysts.
(Operator Instructions) Thiago Lofiego, Bank of America.

Q - Thiago Lofiego {BIO 16359318 <GO>}

(interpreted) I have two questions. The first related to iron ore. I see a higher figure per tonne, about 10% higher. Could you please elaborate a little bit more in that in telling me about what were the factors that impact the costs in terms of iron ore?

The second question to Martinez, I would like you to talk a little bit about the current steel situation and the demand from Mexico taking into account what are the current impacts of the demand?

A - Unidentified Speaker

(interpreted) Thiago, I will ask Martinez to answer your question about steel. And then Daniel dos Santos will answer your question about mining cost.

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

(interpreted) First, I will try to give you an overview of our thoughts for the beginning of this year and the market at large. First, unlike what many people say we have a very negative atmosphere in the market. CSN is working with a more optimistic scenario. In our point of view, this year will be very good. We have elections, there is income, salaries, credit, consumption will continue, infrastructure projects that are still moving forward at a lower pace will be affected positively this year.

And the surprise of the 2.3% growth in GDP that we learned yesterday and we are very bullish vis-a-vis what may happen over 2014. 2013 the industrial GDP, which is more interesting to us grew 1.3%. And we believe this GDP in 2014 may increase and reach a minimum level of 2%.

In terms of markets, what will CSN do? CSN today works at full capacity; 98% sold to the domestic market, full capacity. And now we are getting into a (stronger base) so we can

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sell more and more value-added products working with niche, rather than selling by tonne but also sell by kilogram and (inaudible) meter. And we also have margin recovery. If you look at the Company as a whole, in the First Quarter our margin was 22% EBITDA margin and at the end of the Fourth Quarter it was 32%.

The guidance of the team therefore was characterized by coming back to the margins in the steel sector. And I believe that the same principle applies for 2014. We will have a strong program for cost reduction; there was a war in order to control costs. We are seeking very significant reduction this year. Last year, when it comes to working capital for (Finnish) inventory alone we had a reduction of close to 40% in Presidente Vargas plant. So to summarize in steel we are at full speed at CSN. We believe the market is very good, we will be diversifying our benefit from our products portfolio provided by CSN, which is unique in the market, covering all the other sectors both automotive as well as civil construction and networks.

As to apparent consumption, by the way just to give an idea despite all that in 2012 the apparent consumption for flat steel closed at 14.1; for 2013 we closed at 14.6. And our fluctuation for 2014 is at least 15.4. In other words, growing around 5.5, which is our estimate by CSN vis-a-vis 4% according to the Brazilian Steel Institute.

So this shows how CSN is optimistic when it comes to apparent growth rate for steel. And last year we have a new plant for long steel. And in this year we'll start to produce. And we already have an excellent volume for long steel, which will also be a highly value added product.

In terms of different segments. And now it's helpful to consider the markets that are popping up and the ups and downs. If we were to summarize year 2013, for capital goods we had a growth of 13%, civil construction 2%, home appliances was flat; already seeking a growth of 12% in (2012) but it is stable at a very high level. Packaging 2%. And automotive growth at 10% driven by trucks and buses.

And the automotive sector OEMs growing 8%. For 2014, this forecast is also positive. The market seeks to have capital goods growing round 9%, civil construction from 3% to 4%, home appliances 2%. And the automotive sector showed stability.

Despite market data showing some slowdown now in January and February our outlook for the Second Quarter and also for the Third Quarter and year-end is quite positive. Regarding the premium that we mentioned if we consider a hot band -- hot coil that trade at \$40, in other words 580 cost. And our cold coils in (APG), at 760 with a premium (even) ranging from 4% to 8% today, which is relatively comfortable premium in order to run the domestic market due to the wide range of services we provide to all sectors.

As the imports drop is very significant. And as flat steel market is 10% last year and went down 14% vis-a-vis 2012. Our outlook for 2014, when it comes to imports, is a slight drop. In my opinion it could be 8% owing to real depreciation. We believe it might be close to 250 or 260.

And what really bothers Brazil and also has an impact on all of our production (inaudible) indirect imports. The numbers are still very high. Today, they account basically for one CSN full of products or finished products in Brazil. And I believe that this year we'll see a slight reduction but this is expected to remain over the next eight to nine months. The numbers will go down and also having an impact on domestic consumption in Brazil, which is very positive (inaudible) in Brazil. Thank you, Thiago.

A - Unidentified Speaker

(interpreted) Now Daniel dos Santos will be answering your questions regarding mining cost. Daniel, please?

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

(interpreted) Good morning, Thiago. I think you have been following our announcement; 2013, particularly in the Fourth Quarter was a period that allow us to get ourselves ready for expansion. And this is already happening. Something important happened in late last year.

According to our plan, we have the mobilization of equipment in order to open two new mining lines, one in (Delbyne). And the other in an area known as (inaudible). Now this move causes this impact in our operations.

(We will have the lead) this year, was far delayed last year and we will see and reap the benefits this year. As a result, we still have an impact on operating costs. It is temporary but due to standards it is included in OpEx.

Operator

(interpreted) Renato Antunes, Brasil Plural.

Q - Renato Antunes {BIO 17439917 <GO>}

(interpreted) My first question is about Tecar. You mentioned it was very strong in the Fourth Quarter. I would like to hear your expectations of handling Tecar for 2014. And also hear your thoughts about the second half of the year. Once you have new port capacity in the region, do you think it might make competition more fierce, particularly when it comes to materials?

And the second question is about REFIS. You've mentioned that you are considering these values up to (inaudible). What about 2009 to 2012?

A - Unidentified Speaker

(interpreted) Renato, thank you for your question. Let me start by answering your question about REFIS. And then I'll ask (Kobo) our Port Officer to give you an outlook about handling Itaguai port.

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As you can see, we're really compliant to the REFIS program. CSN basically started in 2004 until 2009 and this has an impact in our results in BRL403 million. In terms of cash we had a disbursement of BRL113 million in December. And the balance actually was divided into 179 payments corrected and adjusted by Selic.

However, from 2010 though 2014 we did not stick to the program. What I can tell you is that our subsidiary has an accumulated income of about BRL4 billion. This is the amount from 2010 to 2013. We are seeking our income generated by our subsidiaries abroad.

Now Kobo is going to answer your question about Itaguai Port.

(interpreted) Good morning, Renato. The result of the last quarter already shows consolidation of our investments for Tecar capacity. For 2013, we started very strong. We were to have 44 million tonnes, very much compliant with our full capacity. We are confident and we have no doubt that we'll really achieve these levels.

Our operations are bringing new records in production at the port. Answering your second question about competition in Itaguai Port, we are following up the resumption of the port. We don't believe this will happen in the second half of the year, we still need a lot of actions to be done. But what we really have in mind is the delivery of the 44 million; we are very confident that we will manage to deliver this volume.

Operator

(interpreted) Marcos Assumpcao, Itau BBA International, S.A.

Q - Marcos Assumpcao {BIO 7474402 <GO>}

(interpreted) My first question is about the steel segment. I wonder if you could make comments about flat production in 2013 is going down 8% year-on-year. Could you explain the main reason behind this and what is the expectation for purchase of (inaudible) volume over 2014?

My second question is about CapEx, can you break down CapEx for 2014 and the expectations also for 2015? Thank you.

A - Unidentified Speaker

(interpreted) Thank you, Marcos. Martinez will answer your first question and I'll come back for the second question.

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

(interpreted) Marcos. Good morning. First let me explain what happened to the slab. Fourth quarter of 2012, we had a revamp in the blast furnace number two. In the first half of 2013 we had a problem in the reclaimer and also the quality or grade of the ore. In the Second Quarter 2013, we bought slabs also due to good market opportunity. In the Fourth

Quarter of 2013, we started maintenance in our coke plants. And in the Fourth Quarter, we also had a good opportunity owing to the pallet and also inventory costs.

So the slab in 2013, the purchases were 630,000 tonnes in 2013. In 2014, we don't have the close year yet. But the idea is to buy in the First Quarter from 100,000 to 140,000 up flats in the First Quarter that's the total number.

A - Unidentified Speaker

(interpreted) Marcos, your question about traffic. It's important to mention the following. If we revisit investments made in 2013 we see we had investments of about BRL820 million in the steel segment, BRL700 million in mines BRL249 million in cement, BRL667 million logistics, particularly Transnordestina and BRL240 million in MRS Logistica. It totaled approximately BRL2.8 billion as CapEx last year. Two weeks ago, our Board approved the budget for 2014. And basically it remains at the same level, BRL2.8 billion for the full year.

However there is important news I had. These BRL2.8, billion out of it BRL1.5 billion will be at mining which includes the expansion of Casa de Pedra, Porto, NAMISA and all our mine investments.

We can see that mining therefore will have an important role to play over 2014. The steel segment will have something around BRL620 million, cement BRL400 million and we'll have other projects in the pipeline in many areas that add another BRL290 million closing the figures at BRL2.8 billion. So it's important to notice the strong focus by the Company in 2014 on the mining segment.

Operator

(interpreted) Humberto Meireles, Goldman Sachs.

Q - Humberto Meireles {BIO 16541842 <GO>}

(interpreted) My question refers to iron ore. In your release you said that your revenue was positively impacted by the insurance claim. So what was the amount of that impact in the Fourth Quarter?

A - Unidentified Speaker

(interpreted) Thank you for the question. In fact, we had -- we received the insurance in the quarter and basically that involved two parts, one referring to loss of profits and the other one referring to materials.

All in all we received approximately \$170 million corresponding to BRL400 million. The impact in terms of the revenue was BRL323 million. And as I said before, we had part of it related to the material damage. And from that total you must also deduct other expenses like taxes and other corresponding costs.

Operator

(interpreted) (Operator Instructions) Leonardo Correa, HSBC.

Q - Leonardo Correa {BIO 16441222 <GO>}

(interpreted) My first question relates to iron ore. You talked about a price decrease coming down to \$96 vis-a-vis \$105 of the year before. You said that that was due to mix, we saw an increase in the spot price, we saw some companies (Bali) also reported yesterday on their figures -- so I'm making my question to Daniel -- is that I would like you to explain what happened with that decline in prices, whether it was due to different grades or it was something related to contaminants? I would just like to understand the reasons behind that price decline and how sustainable that discount is vis-a-vis both prices, of volume?

The second question is about last year you also said something about the negotiations of NAMISA and Casa de Pedra. There was some expectations related to closing in the First Quarter of this year. So I will just like you to give me an upgrade on that situation and what is the expectation that we should bear in mind?

A - Unidentified Speaker

(interpreted) Leonardo, thank you very much for your questions. I will refer your first question to Geraldo, Geraldo is our Mining Commercial Officer. Your question is very important because we just had a very important change that occurred at the end of last year. So if you will elaborate more on that change because that also impacted on the average prices of the iron ore sold. And then I'll talk about NAMISA.

A - Geraldo Morais

(interpreted) Good morning, Leonardo. Well referring to that price issue that you mentioned, part of it is justified by the mix of products that we talked about before. And the other thing has to do with the period of sales, in that quarter 60% of our product was sold during that recording period of that current quarter, 20% was across June, July and August. And the remainder was in other accounting periods sold at a fixed price.

So there is also the carryover -- adjustments that are carried over from one quarter to the other and also our contractor commitment vis-a-vis the sales. We were also impacted -- which probably impact on our average price. There is a slight difference, as you could see. But that was mainly attributed to these two main situations.

Now, concerning the prices from Bali, the prices that they report on include FOB price rather than freight prices. We only report on FOB prices. So if you look at the prices recorded by Bali, you have to make an adjustment to get the FOB prices. And then you can run a comparison with our prices.

A - Unidentified Speaker

(interpreted) Leonardo, now related to NAMISA, in fact we believe that from all of the mining assets it will be a relevant business with important synergy gains to other parties involved. We are working in an attempt to find a consensus between the parties. And this

is, as you know, it's a very complex negotiation. So in fact as what I can tell you is that this is our main option that we want to carry on with this first half of the year. However independent from this agreement, one thing that is very clear is that we will work with a single structure when it comes to mining assets because this will certainly generate more value to our shareholders.

Operator

(interpreted) (Falsa Yuani), Itau.

Q - Falsa Yuani

(interpreted) From debt adjusted EBITDA figure of BRL1.75 million that you mentioned, whether that includes also the figures for that insurance that you referred to earlier on?

A - Unidentified Speaker

(interpreted) Yes that is included in that calculation and the start of the mining revenue. And you will find a comment about that in our release in the segment on mining.

Operator

Carlos de Alba, Morgan Stanley.

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

Could you please help us with the guidance that the Company has in terms of the steel volumes, iron ore volumes, if you can break the iron ore by the volume produced at your mines in Casa de Pedra and NAMISA and volumes reported, that will be appreciated, please. Thank you.

A - Unidentified Speaker

(interpreted) Carlos, thank you very much for your question. We'll split it into two questions. The first related to steel mining and Martinez will answer that. And then I'll give the floor to (my left), Santos will give you some guidance on the mining segment.

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

(interpreted) Carlos. Good morning. Our guidance for 2014 was to have a volume of 6.1 million tonnes for 2014. In 2013, we posted a 5% growth. And in this volume part of it, about 800,000 tonnes comes from our operation in Germany and 150,000 tonnes comes from the plant in London. So this will be the guidance for 2014.

Daniel can you give us the guidance for the mining segment for the year?

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

(interpreted) Carlos, as we can export 44 million as mentioned before, 37 million will be our own sales. And in addition to that we still have transference of iron ore to Volta

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Redonda amounting to 6 million tonnes. This is a significant jump when you compare to the figures of 2013 and also the growth that we've been experiencing through the quarters basically because we've made important advances when we introduced the expansion of our mining project as I said earlier on.

There is a new fleet in operation. They are working on the opening of the mine to be able to consolidate the growth of the mine because we want to reach a different threshold in terms of growth. And this has been going on since the last half of last year. We also added an additional number of operations in number. And because of all of these measures, we were able to do whatever was necessary in order to support our growth in the mining sector.

Well, now in terms of the plans that will be in place to support the growth we already have one that started up since last year to reach high grade ore products because this will help us to increase our capacity in terms of (inaudible) we just concluded an important phase. And the dam -- and there is now -- now we are working with the cost of our margins to be able to reach the production that we have in mine, the production levels that we're having there.

We also have the conclusion of the expansion work of another project and by the end of the year and as I said the elevation project and then we also have the conclusion of the iron ore -- the iron ore plant and the expansion of a railroad terminal that should be completed by the end of this year. NAMISA, we just delivered two production mines with a new technology that allows us to increase the content of iron ore in the project; this is already under way. We are about to conclude the expansion of a unit (inaudible) that will increase our capacity as well in that time.

So all of our actions and according to what (inaudible) said, it's compatible to our growth plan, everything is underway, we are working at full speed, we experienced a big leap in our (improvement) and in 2014 we will be able to reach all of the numbers that we mentioned before.

Operator

(Roy), Bank of America.

Q - Unidentified Participant

I am afraid my questions might be repetitive but it's been difficult for me to understand the transmission of the calls so I apologize. You mentioned BRL323 million in revenues from the insurance claim for iron ore. Can I assume that this is the same impact on iron ore EBITDA? And I am curious you -- with (inaudible) of Transnordestina, do you have EBIT or CapEx contribution that you have to make that's not included in your CapEx budget you have in 2014 and how much is that?

A - Unidentified Speaker

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(interpreted) (multiple speakers) your question, as I said, mining EBITDA had contributions coming from insurance claim related to claims of (conveyor belt) throughout the year. And this impacted mining EBITDA in the Fourth Quarter. We also had in the Fourth Quarter another important event which was the deconsolidation of Transnordestina. This deconsolidation represents an important event in that project because now -- from now on, we will be able to balance all the resources that are required to conclude the project. So from now on funding will come from several other sources like public banks. And so there will no longer be the need to make enforcement from other substantial funding as we did before.

So that's why in our consolidated CapEx, as I said, this will be basically funded through public resources, public funding.

Operator

(interpreted) Marcos Assumpcao, Itau BBA.

Q - Marcos Assumpcao {BIO 7474402 <GO>}

(interpreted) I would just like you to give me a follow up related to your output guidance and production at Casa de Pedra in NAMISA throughout 2014. Could you please draw the same comparison in relation to these figures from 2013, how much of that was your own production and how much of that from third-party. And what is your expectation year-on-year?

A - Unidentified Speaker

(interpreted) Daniel, could you please repeat the guidance of the year and give some comparison figures?

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

(interpreted) Okay, we have information on consolidated sales. So in 2014 exports will be 44 million our import will be 37 million. We plan to have 7 million in port services including 2 million tonnes which are mandatory. And in addition we have the transfer of 6 million tonnes to Volta Redonda. In 2013, we had a transfer of 6 million tonnes as I just mentioned, the port -- the 29 million, we sold that's 29.7 million, which totaled 35 million from the ports of Volta Redonda.

We talked about an increase from 35 million to 50 million in 2014 due to investments in the port and many of the projects Casa de Pedra, NAMISA and we will see the consolidation of our mining position this year.

Operator

(interpreted) Humberto Meireles, Goldman Sachs.

Q - Humberto Meireles {BIO 16541842 <GO>}

(interpreted) The purchase of third-party iron, third-party ore if you could share with us what is your volume in terms of purchasing contracts from third-party ore. What is the tonnage that you will buy in 2014. And also into 2015. And I believe that this will increase your visibility?

A - Unidentified Speaker

(interpreted) (Marcelo Aguiar), thank you for your question. I will give the floor to Daniel to answer that question.

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

(interpreted) As I said earlier on we prefer to talk about consolidated figures but anyway if you want to compare what has been budgeted with what has been already hired more than 90% of contracts already signed for the purchase of ore; therefore production is very competitive in the region given our location. And also the way we've been operating since 2008 when it comes to the purchases of iron ore due to the set up of NAMISA. And then CSN had access to exports we at the very beginning already put together a very robust strategy and that's why we were able to make these applications in the region.

So as to consolidate our position and production in the region with long-term contract. And some people announce full capacity but they do not deliver. And that's why we find some good opportunities ahead of it. So we have more than 90% of contract already signed and underway.

Operator

Carlos de Alba, Morgan Stanley.

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

Could you comment on what happened to the iron ore grade mine in Casa de Pedra and perhaps NAMISA in 2013 and throughout the year? Did all grades in the second half of the year increase substantially relative to the first half of the year? Thank you.

A - Unidentified Speaker

(interpreted) Carlos, thank you for your question. Daniel will answer your question and also give you details on the problems that we mentioned before, problems related to production in the beginning of the year. These problems have already been solved, they have been fixed. And based on that, we expect to see significant improvements in our products in certain quarters. But I'll ask Daniel to give you more detail.

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

(interpreted) Carlos, what happened in the First Quarter has to do with a reclaimer at Casa de Pedra; it had a problem related to engineering and machine manufacturing.

This had a strong impact in the first half of the year. And in the First Quarter we exported half of the volume that we exported in the Third Quarter. But we reversed the picture

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when we had the operation in Casa de Pedra which was announced at the end of the previous years and then we had the funds necessary. So, we had a learning phase. So to speak. And it did have some impact in the first half of the year. And it affected some products.

In the second half of the year, we already see a very strong recovery both in production and also product grade. This year, we expect to recover the levels of production for pellets at very high levels for pellets. And we will start to work on quality as well.

We were below 2.5%. But we expect to recover as of October. (inaudible) also contributed. So when we open the mine, we can also work on the pit. And on the top, you will have some ore with higher contaminant content. But this is being managed. So we can really try and open the mine with a different production scale compatible to our production schedule this year. So, we can really move away from this (previous) phase in terms of the context with the iron, with the ore. So we can have more benefits.

And with that we expect to improve the grade in our products and we are confident that in October we will have the chance to benefit from the (inaudible) so we can have better availability and have the products come to market as soon as possible.

Operator

Roy, Bank of America.

Q - Unidentified Participant

I just would like further clarification. Well, the insurance proceeds have now contributed BRL323 million to 2012, that iron ore in the Fourth Quarter, how much did they contribute to EBITDA. And then also it is difficult to understand, the press release indicates that iron ore prices were up year over year. And that's (inaudible). But apparently it went down year-over-year from \$105 to \$96 a tonne for CSN because of the product mix and purity. Can you verify that for me and tell me the EBITDA contribution from the insurance proceeds? Thank you.

A - Unidentified Speaker

(interpreted) Well, would you mind repeating the second question. Would you mind repeating your question please?

Q - Unidentified Participant

Yes, the press release indicates that iron ore prices were up year-over-year. And it's like index prices for China, for the (inaudible) 62% for China index. And then it seems -- I believe I understood from the call that your realized iron ore price actually declined in 2013 because of differences in purity and difference in product mix. Is that true that the average iron ore price declined, I heard some, excuse me \$106 -- excuse me, \$105 a tonne in 2012 to \$95 a tonne in 2013.

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A - Unidentified Speaker

(interpreted) Okay. It's clearer now. I will ask Geraldo to answer your question.

A - Geraldo Morais

(interpreted) Iron grade or ore grade in our products were stable year-on-year. The difference between 2012 and 2013 was that in 2013 our availability of ore was different compared to 2012. So the effect or the main difference or the main driver is particularly a reduction in the volume of those products from one year to the next.

Operator

(interpreted) This concludes the Q&A session. We'd like to give the floor back to Mr. David Salama, Executive IR Officer for the closing remarks.

A - David Salama {BIO 17456021 <GO>}

(interpreted) As you could see, year 2013 was basically characterized by a strong margin recovery and we are very confident for 2014. As Martinez mentioned in the beginning of our presentation, we have head and tails when it comes to the steel segment. And our goal now is to look for a product mix of higher value added options with a practical impact on the Company's earnings. Our long product plant was completed late last year. So, now we are getting into a new product niche.

As you could also see, we are also making important investments in the mining segment and it does include our Itaguaí port where we already transshipped 45 million tonnes per year. We are also working on our whole maintenance program with investments. And over this year we also worked on a program to lower costs. So, we will be heavily focusing on costs and cost reduction will be one of our main drivers, make efforts this year we expect to expand our revenues, lower costs. And there will be a clear impact on our profitability over the year.

So, I can say that the main market where we are, some of them are being recovered and others have a very stable and reasonable demand. Particularly if we take into account -- how should I put it, our macroeconomic scenario. So impact will be visible, our expectation is to have important margin recovery, EBITDA margin recovery. And we also expect to come back to our (inaudible).

I would also like to thank you all for joining us for this conference call and let you know that the IR team is at your service for any other pending questions. Good afternoon.

Operator

(interpreted) This concludes CSN's earnings conference call. You may disconnect your lines now. Good afternoon.

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