

NATIONAL STEEL CO
Form 6-K
May 15, 2018

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of the
Securities Exchange Act of 1934

For the month of May, 2018
Commission File Number 1-14732

COMPANHIA SIDERÚRGICA NACIONAL

(Exact name of registrant as specified in its charter)

National Steel Company

(Translation of Registrant's name into English)

Av. Brigadeiro Faria Lima 3400, 19º e 20º andares
São Paulo, Estado de São Paulo
CEP 04538-132

(Address of principal executive office)

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

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

Yes No

São Paulo, May 14, 2018

1Q18 Earnings Release

Companhia Siderúrgica Nacional (CSN) (BM&FBOVESPA: CSNA3) (NYSE: SID) **announces today its results for the first quarter of 2018 (1Q18)** in Brazilian reais, and its consolidated financial statements, which are presented in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and with the accounting practices adopted in Brazil, which are fully convergent with international accounting standards, issued by the Accounting Pronouncements Committee (CPC) and approved by the Brazilian Securities and Exchange Commission (CVM), pursuant to CVM Instruction 485 of September 1, 2010. The comments presented herein refer to the Company's first quarter of 2018 (1Q18) and comparisons refer to the fourth quarter of 2017 (4Q17) and first quarter of 2017 (1Q17). The Brazilian real/US dollar exchange rate was R\$3.3238 as at March 31, 2018 and R\$3.3080 as at December 31, 2017.

1Q18 financial and operating highlights

- **Generation of adjusted EBITDA of R\$1,242MM**, an increase of 3% compared to the previous quarter, with EBITDA margin of 23%, due to better performance in the mining segment.
- **Steel sales volume** in the domestic market in 1Q18 reached 782 thousand tons, an increase of 27% compared to the same period in 2017.
- **Increase in the production of flat rolled products** from 12% to 2% compared to 1Q17 and 4Q17, respectively.
- **Mining adjusted EBITDA reached R\$442MM**, an increase of 26% compared to 4Q17, with highlight for the higher average price and adjusted EBITDA margin, an increase of 8.5 p.p. compared to the previous quarter.
- **Free cash flow, before the financing activities, significantly increased in 1Q18, totaling R\$544MM, compared to R\$73MM in 4Q17.**

- **Net profit of R\$1.486MM in 1Q18**, due to the gain accrued from the adjustment of the fair value of the Usiminas' shares, which began to be recorded in profit or loss, under IFRS9.

Steel sales (thousand tons)	1,194	1,253	1,277	7%	2%
- Domestic market	617	770	782	27%	2%
- Subsidiaries abroad	485	401	436	(10%)	9%
- Export trade	92	82	60	(35%)	(27%)
Iron ore sales (thousand tons)	7,244	9,561	7,474	3%	(22%)
- Domestic market	1,347	1,236	1,309	(3%)	6%
- Foreign market	5,897	8,325	6,165	5%	(26%)
Consolidated profit or loss (R\$ million)					
Net revenue	4,412	4,993	5,066	15%	1%
Gross profit	1,318	1,413	1,381	5%	(2%)
Adjusted EBITDA ¹	1,333	1,203	1,242	(7%)	3%
Adjusted net debt ²	25,477	26,268	26,508	4%	1%
Adjusted cash/cash equivalents ²	5,146	4,328	3,070	(40%)	(29%)
Adjusted net debt/adjusted EBITDA	5.45x	5.66x	5.82x	0.37 x	0.16 x

¹ Adjusted EBITDA is calculated based on net profit/loss, plus depreciation and amortization, income tax, net finance income (costs), share of profit (loss) of investees and other operating income (expenses), and includes the proportionate share of EBITDA of the jointly-owned subsidiaries MRS Logística and CBSI. Adjusted EBITDA includes 100% in Congonhas Minérios, 37.27% in MRS and 50% in CBSI beginning December/15.

² Adjusted net debt and adjusted cash account for, beginning December 15, 100% stake in Congonhas Minérios, 37.27% in MRS and 50% in CBSI, and exclude forfeiting and payor risk operations.

For further information, please access: www.csn.com.br/ri

EARNINGS RELEASE

1Q18

CSN's Consolidated Result

- **Net revenue** in 1Q18 totaled R\$5,066 million, 15% and 1% higher than those recorded in 1Q17 and 4Q17, respectively. The improvement in performance compared to 4Q17 was due to the increase in steel product prices, while in the mining segment net revenue remained stable.
- In 1Q18, **cost of sales** totaled R\$3,685 million, an increase of 2.9% compared to 4Q17, due to coal HCC FOB Aus US\$/ton (+17.0%) price increases and iron ore Platts Iron Ore Fines 62% CFR North China (+13.3%).
- In the first quarter of **2018**, **gross profit** totaled R\$1,381 million, a decrease of 2% compared to 4Q17, and decrease in gross margin by 1.0 p.p. against the same comparison basis, reaching 27.3%, due to the increase in steel costs, partially compensated by the recovery of the mining margin.
- In 1Q18, **general and administrative expenses** totaled R\$102 million, a decrease of 9% compared to the same period in 2017, from 2.5% (1Q17) to 2.0% (1Q18) of net revenue, reflecting the dilution of expenses against an increase in revenues. **Selling expenses** totaled R\$455 million, or 9.0% of net revenue, a growth of 0.7 p.p. compared to 1Q17 (8.3% of net revenue) due to an increase in sales for the period.
- In 1Q18, **other net income (costs)**, totaled R\$1,797 million arising mainly from the gain on the appreciation of Usiminas' shares, which were recognized at fair value through results, under IFRS9/CPC48, effective in January 2018.

- In 1Q18, **net finance costs**, totaled R\$594 million. **Finance costs (ex-variation)** continue to decrease, by virtue of the decrease in Selic rate, generating a **reduction of R\$264MM** compared to 1Q17. The losses on inflation adjustments and exchange rate changes, in the amount of R\$138 million, were partially compensated by the hedge accounting positions.

Finance income (costs) - IFRS	(497)	(860)	(594)
Finance income	103	48	43
Finance costs	(601)	(908)	(637)
Finance costs (ex-variation)	(787)	(683)	(523)
Exchange rate changes	186	(225)	(113)
Inflation adjustments and exchange rate changes	308	(427)	(138)
Hedge accounting	(135)	202	24
Derivative gains	13	-	1

The finance income (costs) includes 100% stake in CSN Mining, 37.27% in MRS and 50% in CBSI, beginning December/15.

- Share of profit of investees** totaled R\$25 million in **1Q18**, compared to R\$11 million in 4Q17, mainly due to the better results in MRS and Arverdi.

MRS Logística	39	25	33	32%	(15%)
CBSI	0	0	1	-	-
TLSA	(4)	(2)	(3)	50%	(25%)
Arvedi Metalfer BR	(1)	(5)	0	-	-
Eliminations	(13)	(8)	(6)	(25%)	(54%)
Share of profit of investees	20	11	25	127%	25%

- In **1Q18**, the Company recorded **net profit of R\$1,486 million**, compared to net profit of R\$378 million in 4Q17, arising from the adjustment to fair value of Usiminas' shares, which were recorded in results, under IFRS9.

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Net profit (loss) for the period	118	378	1,486	1,159%	293%
(-) Depreciation	390	319	305	(22%)	(4%)
(+) Income tax and social contribution	137	(1)	559	308%	-
(+) Finance income (costs), net	497	860	594	20%	(31%)
EBITDA (ICVM 527)	1,142	1,556	2,944	158%	89%
(+) Other operating income (expenses)	99	(473)	(1,797)	-	280%
(+) Share of loss of investees	(21)	(11)	(25)	25%	127%
(-) Proportional EBITDA in jointly-owned subsidiaries	113	132	119	6%	(10%)
Adjusted EBITDA	1,333	1,204	1,242	(7%)	3%

¹The Company's adjusted EBITDA excludes equity interest and other operating income (expenses) as these items should not be considered when calculating the cash flow generated from operating activities.

- **Adjusted EBITDA** totaled R\$1.242 million, compared to R\$1.204 million in 4Q17, an increase of 3% due to the increase in the mining segment. **Adjusted EBITDA margin reached 23.5%**, an increase of 0.5 p.p. compared to the previous quarter.

Adjusted EBITDA margin is calculated based on Adjusted EBITDA divided by Adjusted net revenue, which includes 100% stake in CSN Mining, 37.27% in MRS and 50% in CBSI, beginning December/15.

Debt

As of March 31, 2018, adjusted net debt totaled R\$26,508 million, while net debt/EBITDA ratio, calculated based on the adjusted EBITDA for the last twelve months, reached 5.82x. The increase resulted from the exchange gains for the period that impacted the US dollar-denominated debt and dividends to minority shareholders for the 2015-2016 period of the former subsidiary Nacional Minérios S.A. (merged into CSN Mineração S.A.), paid in 1Q18.

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Foreign exchange exposure

The net foreign exchange exposure of the consolidated balance sheet was US\$2,539 million as of March 31, 2018, as shown in the table below. It should be noted that within the net foreign exchange exposure, a liability of US\$1.0 billion is included in line item "Borrowings and financing" related to the perpetual bond, which, due to its nature, will not require disbursement for settlement of the principal amount in the foreseeable future.

The hedge accounting adopted by CSN correlates the projected export inflow in US dollars with part of the scheduled debt payments in the same currency. As a result, the exchange rate changes in the US dollar-denominated debt is temporarily recorded in equity and subsequently recorded in profit or loss when revenues in US dollars from exports occur.

Cash	777	244
Accounts receivable	311	322
Other	3	4
Total assets	1,091	571
Borrowings and financing	(4,333)	(4,236)
Trade payables	(98)	(175)
Other payables	(4)	(5)
Total liabilities	(4,434)	(4,417)
	-	-
Natural foreign exchange exposure (assets - liabilities)		