NATIONAL STEEL CO
Form 6-K
November 01, 2012

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 November, 2012
Commission File Number 1-14732

COMPANHIA SIDERÚRGICA NACIONAL

(Exact name of registrant as specified in its charter)

National Steel Company

(Translation of Registrant's name into English)

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

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

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

Yes _______ No ___X____

CSN STEEL SALES REACH 1.6 MILLION TONNES IN 3Q12, A COMPANY RECORD

São Paulo, October 31, 2012

Companhia Siderúrgica Nacional (CSN) (BM&FBOVESPA: CSNA3) (NYSE: SID) announces today its consolidated results for the third quarter of 2012 (3Q12), which are presented in Brazilian Reais and in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and with Brazilian accounting practices, which are fully convergent with international accounting norms, issued by the Accounting Pronouncements Committee (CPC) and approved by the Brazilian Securities and Exchange Commission (CVM), pursuant to CVM Instruction 485 of September 1, 2010. The comments herein refer to the Company's consolidated results and comparisons refer to the second quarter of 2012 (2Q12) and third quarter of 2011 (3Q11), unless otherwise stated. On September 28, 2012, the Real/U.S. Dollar exchange rate was R$2.031.

- Net revenue totaled R$4.3 billion in 3Q12, 3% up on the 2Q12. In the same period, domestic market net revenue increased by 14%;

- 3Q12 steel sales volume reached the record level of 1.6 million tonnes, 13% more than in 2Q12 and 35% up year-on-year. Sales in 9M12 amounted to 4.3 million tonnes, 17% higher than in 9M11;

- Domestic market steel sales reached 1.3 million tonnes in 3Q12, also a new record, 21% higher than in 2Q12 and 24% up on the same period last year. Year-to-date domestic sales volume totaled 3.3 million tonnes, a 5% improvement over the first nine months of 2011.

Executive Summary

Consolidated Highlights	3Q12	2Q12	3Q11	3Q12 x 2Q12 (Change)	3Q12 x 3Q11 (Change)

Net Revenue (R$ MM)	4,267	4,137	4,241	3%	1%
Gross Profit (R$ MM)	1,164	1,156	1,719	1%	-32%
Adjusted EBITDA (R$ MM)	1,076	1,120	1,703	-4%	-37%
Adjusted EBITDA Margin (%)	25%	27%	40%	- 2 p.p.	-15 p.p.
Total Sales (thousand t)					
- Steel	**1,589**	**1,412**	**1,180**	**13%**	**35%**
- Domestic Market	79%	74%	86%	5 p.p.	-7 p.p.
- Overseas Subsidiaries	19%	23%	10%	-4 p.p.	9 p.p.
- Export	2%	3%	4%	-1 p.p.	-2 p.p.
- Iron Ore[1]	**6,564**	**6,099**	**7,972**	**8%**	**-18%**
- Domestic Market	3%	3%	4%	-	-1 p.p.
- Export	97%	97%	96%	-	1 p.p.
Net Debt (R$ MM)	**15,644**	**15,605**	**12,069**	-	**30%**
Cash Position	14,554	13,690	15,635	6%	-7%

(1) Sales volumes include 100% of NAMISA sales

At the close of 3Q12

- BM&FBovespa: CSNA3 R$11.42/share
- NYSE: SID US$5,63/ADR (1 ADR = 1 share)
- Total no. of shares = 1,457,970,108
- Appreciation of share (CSNA3): 0.4%
- Appreciation of ADR (SID): -0.7%
- Market Cap: R$16.7 billion/US$8.2 billion

Investor Relations Team

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Economic Scenario

The global economy is still marked by a climate of uncertainty and growth prospects remain low. In the Eurozone, besides political issues, doubts concerning the solidity of the banking system in certain member countries remain. In the United States, the economic recovery remained sluggish, influenced by the political risk of a fiscal squeeze and the reduced momentum of the job market. The outlook for the emerging countries in Asia and Latin America is one of moderate growth, influenced by the weak performance of the mature economies. In this context, the International Monetary Fund (IMF) revised its 2012 global growth estimate down from 3.5% in July to 3.3% in October.

USA

In a fragile global environment, the U.S. economy has still been posting a modest recovery, with growth of 2.0% in 3Q12, chiefly due to increased personal consumption expenses, federal government expenditures and residential investments.

Despite the 0.4% increase in industrial production in September, the latest FED figures indicate a 0.4% reduction in 3Q12. The manufacturing Purchasing Managers Index (PMI), climbed from 49.6 points in August to 51.5 points in September, the first upturn after three consecutive months of decline.

The FED’s Beige Book for September showed that economic activity was still recording moderate growth.

The FED once again reduced its annual GDP forecasts in September. It now expects growth of between 1.7% and 2.0%, versus the 1.9% to 2.4% estimated in July. It also expects annual inflation of between 1.7% and 1.8% and unemployment of between 8.0% and 8.2%.

Europe

According to Eurostat, Eurozone GDP decreased by 0.2% in 2Q12 over the previous quarter, impacted by increasing financial pressures in the region’s peripheral countries. The main peripheral economies are in recession, affecting other European economies due to their strong financial and trade links. The European Central Bank expects Eurozone GDP to shrink by between 0.6% and 0.2% in 2012.

In the UK, preliminary figures are pointing to a GDP upturn of 1% in 3Q12. This positive result was due to the Olympic Games held in August and is the strongest growth recorded in the last 5 years. For 2012, the Bank of England expects annual GDP to remain flat over the year before.

In an attempt to mitigate the scenario, at the beginning of October the Eurozone Finance Ministers launched a new €500 billion rescue fund, called the European Stability Mechanism (ESM), which will allow banks to be recapitalized directly. However, the resistance of some member countries to partially give up their sovereignty hampers the creation of a fiscal and banking union.

Eurozone manufacturing PMI reached 46.1 points in September, its highest level for six months. The only two countries to record an upturn were Ireland and the Netherlands, with 51.8 and 50.8 points, respectively. France’s slide to 42.7 points was one of the most accentuated in its history.

In August, Eurozone unemployment averaged 11.4%, in line with July’s figure, equivalent to 18.2 million people out of work. Germany, with 5.5%, had one of the lowest rates, while Spain and Greece had the highest – 25.1% and 24.4%, respectively. Annualized inflation reached 2.6% in September, stable when compared to August.

Asia

The Chinese economy has continued to grow, despite the slightly reduced pace. GDP increased by 7.4% in 3Q12, below the 7.6% recorded in 2Q12, marking the seventh consecutive slowdown. The more modest GDP growth this year is primarily due to the reduced pace of exports and investments. The Chinese Central Bank estimates a 7.5% GDP growth for 2012, with a recovery in the final quarter of the year.

Chinese manufacturing PMI reached 47.9 points in September, a slight improvement over the 47.6 points registered in August, while year-to-date industrial output recorded growth of 10% over 9M11 and retail sales moved up by 14% in the same period. Inflation between January and September averaged 2.8%.

In Japan, GDP posted annualized growth 0.7% in 2Q12 when compared to the same period in the previous year, while in 1Q12 an annualized growth of 5.3% was registered in relation to 1Q11. This slowdown reflects the end of post-earthquake reconstruction. For 2012 as a whole, the Japanese Center for Economic Research expects growth of 2.0%.

Brazil

The recovery in domestic economic activity has been gradual, but the tendency is for the pace to pick up in the second half, continuing in 2013. Domestic demand has been positively impacted by the government's monetary policy initiatives and stimulus measures. These effects, together with the public service concession programs and the gradual recovery in confidence, have led to healthy investment prospects.

According to the IBGE (Brazilian Institute of Geography and Statistics), GDP moved up by 0.6% in 1H12 over the first half of 2011. The Central Bank's latest FOCUS report points to a GDP growth of 1.5% in 2012, below the 3.3% expected at the beginning of the year.

In August, industrial output increased by 1.5% over July, leading to an year-to-date fall of 3.4%, which reflected the negative results at the beginning of 2012.

Inflation measured by the IPCA consumer price index inched up by 0.57% in September, resulting in a rate of 3.77% in the first nine months of 2012.

The Monetary Policy Committee (COPOM) promoted the tenth successive reduction in the Selic base rate, which reached 7.25% in October, having begun the year at 11.00%.

In the first nine months of 2012, the real depreciated by 8.3% over the U.S. dollar, reaching an exchange rate of R$2.03/US$ on September 28, while foreign reserves closed the third quarter at US$379 billion.

Macroeconomic Projections

	2012	**2013**
IPCA (%)	5.45	5.40
Commercial dollar (final) – R$	2.01	2.01
SELIC (final - %)	7.25	7.75
GDP (%)	1.54	4.00
Industrial Production (%)	-2.10	4.15

Source: FOCUS BACEN

Base: October 26, 2012

CSN recorded consolidated net revenue of R$4,267 million in 3Q12, 3% up on 2Q12, while net revenue from domestic sales increased by 14%. This improvement was chiefly due to higher steel product sales volume, particularly in the local market, partially offset by the reduction in iron ore prices.

In 3Q12, consolidated COGS reached R$3,103 million, 4% up on the previous quarter, chiefly due to higher steel sales.

SG&A expenses totaled R$391 million in 3Q12, 20% more than in 2Q12. This increase is chiefly due to retroactive reclassifications in SWT, from COGS to Selling, General and Administrative Expenses.

The "Other Operating Expenses" line was negative by R$115 million in 3Q12, versus a negative R$2,283 million in 2Q12, essentially due to the reclassification of CSN's accumulated losses from its investments in Usiminas' common and preferred shares, which were previously booked under other comprehensive income line in Shareholders' Equity to the income statement in 2Q12.

Adjusted EBITDA comprises net income before the financial result, income and social contribution taxes, depreciation and amortization and other operating revenue (expenses), the latter item being excluded due to its non-recurring nature.

Adjusted EBITDA totaled R$1,076 million in 3Q12, 4% down on the R$1,120 million recorded in 2Q12, basically due to lower iron ore prices, partially offset by higher steel sales.

Adjusted EBITDA margin came to 25%, 2 p.p. less than in 2Q12.

Financial Result and Net Debt

The 3Q12 net financial result was negative by R$497 million, chiefly due to the following factors:

§ Interest on loans and financing totaling R$551 million;

§ Expenses of R$33 million with the monetary restatement of tax payment installments;

§ Other financial expenses of R$11 million.

These negative effects were partially offset by:

§ Returns on financial investments of R$52 million;

§ Monetary and exchange variations totaling R$46 million.

On September 30, 2012, consolidated net debt stood at R$15.6 billion, stable in relation to the figure of June 30, 2012. It is worth mentioning certain factors that offset one another:

§ Investments of R$0.8 billion in fixed assets;

§ A R$0.5 billion effect from disbursements related to debt charges.

These effects were offset by adjusted EBITDA of R$1.1 billion, a R$0.1 billion reduction in working capital and other accumulated effects totaling R$0.1 billion.

The net debt/EBITDA ratio closed the third quarter at 3.28x, based on LTM adjusted EBITDA.

It is worth noting that in September the Company issued non-convertible debentures in the amount of R$1,565 million, maturing in 2015.

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CSN posted consolidated net income of R$159 million in 3Q12, versus a net loss of R$1.0 billion in 2Q12, when the accounting reclassification described under “Other Operating Expenses” occurred.

CSN invested R$892 million in 3Q12, R$517 million of which in the parent company, allocated as follows:

ü Expansion of the Casa de Pedra mine and Itaguaí Port: R$136 million;

ü Construction of the long steel plant: R$144 million;

ü Expansion of the clinker plant: R$42 million;

ü Current investments: R$61 million.

The remaining R$375 million went to subsidiaries or joint subsidiaries, mostly in the following projects:

ü Transnordestina Logística: R$229 million;

ü MRS Logística: R$80 million;

ü Namisa: R$29 million.

Working capital closed 3Q12 at R$2,170 million, R$131 million down on the end of 2Q12, chiefly reflecting the Company's improved management of inventories. Compared to the close of 2Q12, the average inventory turnover period was reduced in six days, the average receivables period was narrowed in one day and the average supplier payment period moved down by two days, improving the cash conversion cycle by five days.

WORKING CAPITAL (R$ MM)	2Q12	3Q12	Change 3Q12 x 2Q12
Assets	4,372	4,268	(104)
Accounts Receivable	1,657	1,636	(21)
Inventory (*)	2,648	2,509	(139)
Advances to Taxes	67	123	56
Liabilities	2,071	2,098	27
Suppliers	1,517	1,475	(42)
Salaries and Social Contribution	231	272	41
Taxes Payable	294	289	(5)
Advances from Clients	29	62	33
Working Capital	2,301	2,170	(131)

TURNOVER RATIO Average Periods	2Q12	3Q12	Change 3Q12 x 2Q12
Receivables	31	30	(1)
Supplier Payment	48	46	(2)
Inventory Turnover	84	78	(6)
Cash Conversion Cycle	67	62	(5)

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

Results by Segment

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

Steel	Mining	Logistics	Cement	Energy
Pres. Vargas Steel Mill	Casa de Pedra	Railways:	Volta Redonda	CSN Energia
Porto Real	Namisa (60%)	- MRS	Arcos	Itasa
Paraná	Tecar	- Transnordestina		
LLC	ERSA	Port:		
Lusosider		- Sepetiba Tecon		

Prada (Distribution and Packaging)
Metalic
SWT

The information on CSN's five business segments is derived from the accounting data, together with allocations and the apportionment of costs among the segments. CSN's management uses adjusted EBITDA as an indicator to measure recurring net operating cash flow.

The charts below show the various segments' contribution to CSN's overall net revenue and adjusted EBITDA:

Net revenue by segment (R$ million)

Adjusted EBITDA by segment (R$ million)

The Company’s consolidated results by business segment are presented below:

R$ million								3Q12
Consolidated Results	Steel	Mining	Logistics (Port)	Logistics (Railways)	Energy	Cement	Eliminations/ Corporate	Consolidated
Net Revenue	**2,917**	**937**	**41**	**284**	**56**	**109**	**(77)**	**4,267**
Domestic Market	2,338	142	41	284	56	109	(125)	2,845
Foreign Market	579	795	-	-	-	-	48	1,422
Cost of Goods Sold	(2,323)	(571)	(21)	(183)	(40)	(76)	110	(3,103)
Gross Profit	**594**	**366**	**20**	**101**	**16**	**33**	**34**	**1,164**
Selling, General and Administrative	(216)	(16)	(5)	(25)	(5)	(16)	(108)	(392)
Depreciation	189	48	2	35	4	6	19	304
Adjusted EBITDA								