Q3 2014 Earnings Call

Company Participants

- Romel Erwin de Souza, Chief Executive Officer and Technology and Quality Vice-President Officer
- Ronald Seckelmann, Chief Financial Officer, Investor Relations Officer
- Sergio Leite de Andrade, Chief Commercial Officer
- Unidentified Speaker

Other Participants

- Alan Glezer, Analyst
- Andre Pinheiro, Analyst
- Carlos de Alba, Analyst
- Ivano Westin, Analyst
- Leonardo Correa, Analyst
- Marcelo Aguiar, Analyst
- Renato Antunes, Analyst
- Rodolfo D'Angele, Analyst
- Thiago Lofiego, Analyst

Presentation

Operator

Good morning, ladies and gentlemen, thank you for standing by. Welcome to Usiminas Conference Call to discuss the results for the third quarter of 2014. All participants are now in a listen-only mode. Later, we will conduct a Q&A session and further instructions will be given at that time. (Operator Instructions) As a reminder, this conference is being recorded.

I would like to mention that this conference call is being broadcast live on the company's Investors Relations website www.usiminas.com/ir. There you can also find the release of the company. Participants who are listening to the conference in English may also ask questions directly to the speakers.

Before proceeding, let me mention that forward-looking statements are being made under the Safe Harbor of the Securities Litigation Reform Act of 1996. Actual performance could differ materially from that anticipated in any forward-looking statements as a result of macroeconomic conditions, market risks and other factors. They are highly dependent on the fields, industries, the macroeconomic conditions and international markets. Therefore they are subject to changes.

With us today we have the Executive Board Mr. Romel Erwin, CEO and Technology and Quality Vice-President Officer; Ronald Seckelmann, Finance and Investor Relations Vice President Officer and Subsidiaries Vice President Officer; Sergio Leite, Commercial Vice President Officer; Tulio Chipoletti, Industrial Vice President Officer; Nobuhiko Takamatsu, Corporate Planning Vice President Officer; Wilfred Bruijn, Managing Director of Mineracao Usiminas; (inaudible) Quality Director of Usiminas, China and Cristina Morgan, Head of IR. First Mr. Erwin will make a brief statement followed by Mr. Seckelmann's comments on the third quarter results for 2014. To conclude, management will be available for a Q&A session.

Now let me give the floor to Mr. Romel Erwin.

Romel Erwin de Souza {BIO 17406447 <GO>}

Good morning, ladies and gentlemen. We member of the board conduct this conference call to present the results regarding the third quarter of 2014. Then we will be available for any questions you may have. We always value open dialog and notable transparency. As you all know, the current scenario we are going through especially in the area of steel production currently we see a reduction in production and consumption. And in mining we see the pressure of international prices. This is a scenario of squeezed margins and the only alternative we have is to focus on our work, on our pursuit of efficiency, higher volumes, cost reduction and creating leading-edge aspect in our products through quality and service. After all, we have a portfolio of products that places us in a singular unique position in the Brazilian market. This is the consequence of a long work in the development of work.

In the last days I listed some of our units and talked to our people and I noticed a great journey for walking in cohesive manner to understand the problems and to deal with these problems with attitude. We are all ready to face what is really within our hands reach.

As much as the signs of market improvement are still inconsistent, we are aware that we do have valuable strength to make a difference rigor on cost, market knowledge, quality and knowledge. We need to keep our team together motivated and prepared to face the challenges of an adverse economic scenario because after all it is from the people that we will reach the results that we want and aim for. Our role as the Board of this company is to conduct our teams to that which is our responsibility, i.e. through to the competitiveness of our business and to do whatever we can do. Thank you very much.

Ronald Seckelmann {BIO 3722329 <GO>}

Thank you to all of you listening to me. I will make some comments on the results of the third quarter of 2014. Let me start by slide number two. As you can follow me in the webcast there you have the mainly operating and financial indicators. So starting on steel sales, surprisingly in the strongest quarter of the month traditionally our sales dropped 4%.

Iron ore sales, this seasonality of iron ore is not as pronounced and the drop was 15% in iron ore. As a consequence of the effect, our adjusted EBITDA posted a reduction of 35% and our profit in the second half 2014 from BRL129 million turned out to be a loss of BRL24 million.

Going to the next slide, you see that in addition to a reduction in total sales of steel in the quarter which is traditionally the strongest in the year, the deterioration of the geographic mix in sales was very pronounced. Our sales into domestic market dropped 14% and our exports in an effort to maintain production levels at higher levels increased 53%. This is the main factor that led to a significant reduction in the results of steel-making.

What you can see in the next chart on slide number four. EBIT margins which in absolute values have recorded 20% drop, dropped from 16% to 13%.

Going to slide number five, you see the sales volume in mining. Here you see the mix in sales. In addition to a total drop of 15% we did not post any exports during this period and we've had a significant reduction in sales to third parties in the domestic markets, basically all iron ore sales were to Usiminas plants.

On slide number six you see the consequence not only a drop in volumes in mining, but also the sharp drop in prices in the period. Here EBITDA practically disappeared going from 67 million to 11 and the margin which had already been reduced from 51% to 33% dropped down to 11% in this quarter.

On slide number seven we have the combination of the several business units in the company and the results you see the same pattern of drop, 35% reduction with an EBITDA margin dropping from 18% to 12%. SG&A, which has been stable around 4% in the last quarters, 4% over net sales now dropped even further, basically to non-recurring effect. If we don't consider this, we are stable around 4% on our net sales in terms of G&A.

On slide number nine you see a reduction of the working capital, a reduction of 10%. This is very important to contribute to maintaining our net debt from quarter to quarter.

On the next slide, number 10, you see that most of this reduction in working capital occurred due to reduction in inventories, even though we consider a period when sales levels were sharply reduced but production levels were calibrated so that we wouldn't have more inventories in a period where the perspective of recovery are not very certain. So we went from a level of more than 60 days of inventory to a little less than 60 days, with a reduction in total value of steel inventories of 11%.

On the next slide, you see the evolution of CapEx in the last years. And YTD total expenses of 767 million and most probably by the end of the year we will reach something around BRL1.100 billion for 2013.

Finally on slide number 12, you see the evolution of our debt levels. In spite of the weaknesses at the operating level, we managed to maintain a robust cash volume maintaining our net debt stable.

So this is what I had to show you and now we are open to questions that you may have.

Questions And Answers

Operator

Ladies and gentlemen, we will now start the Q&A session. (Operator Instructions) Our first question comes from Thiago Lofiego, Merrill Lynch.

Q - Thiago Lofiego {BIO 16359318 <GO>}

Good morning. I have two questions to Sergio Leite. Sergio, could you please talk about the sales outlook for the fourth quarter this year and also for 2015 in the domestic market? And also talk a little about the premium prices of steel in the domestic market vis-a-via imported products, what is the sustainable level and what level of exchange rates would make us expect an increase in prices?

A - Sergio Leite de Andrade {BIO 6771322 <GO>}

Good morning, Thiago. Regarding the first question, the outlook for the fourth quarter, what we see in the Brazilian economy and especially in the steel producing industry is low activities. Considering the GDP for steel producers, the expectation of drop is around 10%, two digit, therefore for the fourth quarter in these sectors which are after all our markets it is more or less the same level as the third one. But in the fourth quarter seasonality, traditional seasonality let us -- makes us predict that after the 15th we are going to have a reduction in activity because of the less -- at the end of the year season.

So, we are going to see a drop. Exports should be more or less at the same level. Regards 2015, we are currently working, still working in our budget. So it's still early to talk about 2015. But what we can tell is that our expectations are first of all a difficult year, a year of adjustments, but also a perspective of GDP growth. According to Focus, the Central Bank's bulletin of about 1%, so we do expect the current consumption to grow in 2015.

Let's talk about an exchange rate of 2.48. Well if we consider a 2.48 premium as you call we call price differential, this is oscillating between 10% and 13% in our product portfolio. So we see a balanced situation between 5% and 10%. When you go from 10 to 15, we have the yellow light but it's still possible to operate between 10 and 15. We've been doing so for two quarters actually. Above this range then we see more severe effect.

You also asked for the exchange rate that would give us a perspective for increase in prices. Keeping with the current price levels at the international market, to go from 10 to 15 to a range of increase in perspective between zero and 5 we would have to have an exchange rate of 270. This would entail or allow us a price increase perspective.

Q - Thiago Lofiego {BIO 16359318 <GO>}

Just one question regarding the referenced steel prices that you use for this 10 to 15% calculation. Domestic prices in reals.

A - Unidentified Speaker

I'm sorry.

Q - Thiago Lofiego {BIO 16359318 <GO>}

The domestic prices in reals what is the figure that you use to make your calculation?

A - Unidentified Speaker

We are considering something around 700 reals.

Operator

Our next question comes from Rodolfo D'Angele, JPMorgan.

Q - Rodolfo D'Angele

Good morning. Piggybacking on Thiago's question. I would ask Sergio, in situations of stability, market stability we've been talking about this 5, 10 premium, but I would like for you to elaborate on what these references mean when we see no demand. So my question is there any space, any room to think about no premiums can increase in prices? The second question regarding mining. What is the economic situation that would enable us to see Usiminas competitive again in exports? So in other words, what would be the exchange rate in that or being at BRL80 in the foreign market? Do you see any trend for drop in cost in transportations and so on.

A - Sergio Leite de Andrade {BIO 6771322 <GO>}

Rodolfo, regarding the price differential, prices in the domestic market, we are operating at 248 exchange rate differentials between 10 and 15. This is a scenario of price stability actually. We don't see any perspectives either way, so it is a stable scenario.

A - Ronald Seckelmann {BIO 3722329 <GO>}

Hi, Rodolfo, this is still regarding mining in this level of BRL80 that we've been seeing recently and which seems to be the average prices for November because the average quoted price have already closed. So of course an exchange rate at 2.50 is helpful. The highest the exchange rate, the better our profitability ratios.

Regarding cost, logistic costs as you mentioned the great component of logistic costs for mining companies is railway and ports. Ports had been charging tariffs which were in line with the previous market situation. So we expect now ports to charge less for the same services because if they don't adapt to the market reality, they'll probably not receive loads from third parties.

Regarding MUSA, as you all know we have a contract with Sudeste port, the tariff is $12.73. So this is what we are going to use. Regarding railway, MRS is constantly looking for cost reductions in its services. This has a positive impact on users because the tariff model also takes into consideration the cost component. So looking forward at $80 and if the exchange rate is kept at 2.40, 2.50 with this cost reduction efforts that we are making, that we've been making action since July this year and also aiming at 2015 budget, we do see space for profitable exports.

Operator

Our next question comes from Leonardo Correa, BTG Pactual.

Q - Leonardo Correa {BIO 16441222 <GO>}

Good morning, everybody. Thank you for the conference. The first question to Sergio. Asking about product mix in the domestic and foreign markets and also galvanized rolled products, hard rolled. We are seeing something around 25% of exports. So Sergio, when you talked about the fourth quarter, but what do you say about the mix for 2015, how can we imagine it? And also regarding product mix, in this quarter we saw a high increase in plates you sold around 120,000 tons in plates as the previous level was 12, so this trend of increase in sales in plates will it keep on in the next quarters. And second question energy sales because we clearly see a lot of uncertainties regarding these sales. But could you tell us what would be the range of energy sales. We saw a very strong level BRL120 million, how sustainable is this very strong volume of energy is?

A - Sergio Leite de Andrade {BIO 6771322 <GO>}

Now regarding the product mix, in the domestic markets, we had a drop of 14%. But the products were basically the same half rolled and cold rolled. These two products the main impact is that in the third quarter of 2014 we had a record of hot rolled and cold rolled. If you consider the quarterly values for the last three years, talking about 2012, '13 and '14, so if you compare the third quarter with the average for 2013, we see a growth of more than 60% cold rolled, also comparing the averages of last year, you see an increase of 97%, almost 100%. So this did have an impact in our mix.

In terms of heavy plates, we saw a drop in imports. YTD vis-a-vis last year just drop of 44% especially due to the process that was deferred by the federal government October last year. So it was a positive impact. On the first quarter, our expectation is to have a mix similar to the third quarter. For 2015, if you allow me I still, I'd rather not make any comments, because we are still working on our budget.

Q - Leonardo Correa {BIO 16441222 <GO>}

Regarding heavy plates why did we see a larger volume of plates in the second half of the year, 120,000 tons. 21 is domestic market and the rest in exports.

A - Unidentified Speaker

Well, we had two batches of plates, around 80,000 tons and the remainder is inventory plates that we usually export to Asia. Domestically we sold our plates which were in inventory, which are used for recasting. For the fourth quarter we don't see this. We are going to have inventory plates of course sales at the same levels those in the domestic market and in the foreign markets.

A - Romel Erwin de Souza {BIO 17406447 <GO>}

This is Romel speaking now. Regarding energy sales, the energy that we trade now is what exceeds capacity and the contract of power that we have. So part of the energy we generate in line with the market prices. If the prices are worth it, we sell energy, we put our equipment to work and we sell. So, this will depend on market prices and on our needs for energy. If we have to increase our industrial activities, we are going to reduce the amount of energy we sell. So it's always going to be in line with our industrial activity levels and the spot market prices.

Operator

Next question comes from Ivano Westin, Credit Suisse.

Q - Ivano Westin {BIO 17552393 <GO>}

Good morning, everybody. Thank you for the opportunity. First, about the outlook for steel. Looking at the global scenario, you don't see a very positive outlook and apparently for 2015 we don't expect positive figures for this industry. So is there any effort, are you making any effort by IABR to encourage or to make additional incentives to be granted by the government like incentives on exports or something like that. And also on mining, if you can give me some amount in terms of cost reduction, especially in terms of cash cost?

A - Unidentified Speaker

Well the international steel scenario, we agree with you but what we have been working together with the federal government in (inaudible). This is something that we never stop working on. As of October 1, we had the return of (inaudible) of 3%, it was going to be first as of January but it's already enforced as of October 2014. This is the result of our efforts with the federal government.

We are going to keep on working with the federal government discussing list of exceptions. You remember that in the past we had a list of 100 products, this was eliminated last year, but this is back at the discussion table again. And we also have a process, an anti circumvention process. Even though the imports of heavy plates has dropped, we see in the market, the entry of heavy plates in alternative MCMs where you have the addition of small percentage of (inaudible) and also pre-painted plates. So some plates only with primer entering as if they were pre-painted.

So, we have this process ongoing in the government and we expect to have a decision by the end of this year. This is what the government signaled us. And we've also been working together with the government and with other industrial units to promote a tax reform, labor reform. So there are many points we are working at with the government.

Regarding cash costs when we analyze mining costs the ore at the customer of course we don't have a lot control of maritime freight, we do have some control on the port prices, we have been trying to reduce cost, but the rest of it the area where we can really have some control is the production cost at the mine. This cost at the mine we are making a very strong effort all of our team to reduce it. And we may be talking between $5 and $10 per ton at the mine. This could lead to more or less 20% reduction or even 25. This is prepping for a scenario of $80 or maybe it might reach $90 (inaudible) but our objective our main preference is to lead -- we will set to a position of competitiveness even at $80. So, if we deploy, if we implement this reduction that I talked about, we will be profitable also in foreign sales with our port tariff.

Q - Ivano Westin {BIO 17552393 <GO>}

Thank you. Now, one clarification, when you think you are going to have this reduction?

A - Unidentified Speaker

Well, as soon as possible. We're not going to wait for the next year to start. So we expect that we should see something in October, a little bit more in November and gradually reach this level of reduction.

Q - Ivano Westin {BIO 17552393 <GO>}

Thank you very much.

Operator

Our next question comes from Andre Pinheiro, Itau BBA.

Q - Andre Pinheiro {BIO 17114104 <GO>}

I have two questions. Going back to the steel segment, what is the average profitability of steel exports and at what exchange rate level -- what would be the breakeven in terms of exchange levels that would make it profitable? And the second question, do you think you consider to close any of your furnaces because of the drop in domestic production or domestic demand?

A - Unidentified Speaker

Regarding our exports, they are currently concentrated in the Latin American countries. The Asian exports are either rolled plates or (inaudible) plates. Exports to Argentina account for the -- are more or less internal domestic market. So our exports to the OEM, automobile industry and the plates generated EBITDA margin. Hot rolled, cold rolled and plates to the North America market also generated EBITDA margins. Exports to other Latin American countries will generate a margin of contribution. I will ask you to ask our people in IR about the profitability vis-a-vis the foreign market and the domestic market at what exchange rate level this breakeven would occur. I cannot give you these figures, but the IR staff is certainly ready to answer these questions.

Regarding the possibility of stopping the blast furnace, this is not something we have considered yet. We're making our best efforts to reach more efficiency, productivity and increased volumes. This is what we've been looking for, this is our job. So far we don't see this possibility of reducing or stopping a blast furnace. We believe that with efficiency we are going to increase our sales.

Operator

Our next question comes from Carlos de Alba from Morgan Stanley.

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

Yeah. Thank you very much. Ronald, given that about 33% of the reported EBITDA in the third quarter came from energy sales, could you give us more details in terms of the contract that the company has with Cemig when this should expire? And the price at which you buy fix, so that we can assess a little bit in more detail how the evolution going forward of these profits? That's my first question.

A - Ronald Seckelmann {BIO 3722329 <GO>}

Regarding the energy contracts, we have a contract with Cemig and Taesa. These contracts are long term contracts and power is also traded at the spot market and also contracted till 2019. So this is what we have as far as electric energy is concerned.

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

Excellent. And then we are talking about the iron ore business, with these initiatives to reduce cost by 20% you mentioned and maybe MUSA is going to be able to be profitable with iron ore and AED. Does that mean that these initiatives will enhance the likelihood that Usiminas goes ahead with the expansion of the iron ore business or at these levels that expansion considering the CapEx required is off the table?

A - Ronald Seckelmann {BIO 3722329 <GO>}

In terms of our profitability at $80 and also future expansion, the focus -- so to get deeper in the pre-compact studies, recently, we received the results from conceptual engineering with the CapEx volumes that we deem to be too high. Therefore, the future OpEx for the same projects are also above that which we would judge reasonable. Therefore, we are now hiring a scoping study, in other words a study to revisit the scope of this project in order to bring CapEx and OpEx to levels that would make it more comfortable to move ahead with the project. So this phase is still ongoing. We need to wait a little bit more to have a position regarding the first conductors [ph] and its feasibility.

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

All right. Thank you very much.

Operator

Our next question comes from Renato Antunes, Brasil Plural.

Q - Renato Antunes {BIO 17439917 <GO>}

The first one is about fuel cost. In the last quarters, I think ever since the beginning of the year, if you consider the cost per ton, it hasn't dropped or dropped very little, but it brought our attention because raw material has dropped a lot, this iron ore and coal. So what are the reasons behind it? What do you see ahead if there a problem with inventory? I would like to understand there. The second question is still regarding the steel industry. We are now focusing on the domestic market, how do you see inventory levels in the chain outside Usiminas in the distribution chain at the end customers. So in the current scenario, maybe with the elections, the customers have worked with very low inventory levels. So could you give us some color on inventory levels?

A - Ronald Seckelmann {BIO 3722329 <GO>}

Hi, Renato, this is Ronald. Regarding cost, yes, the prices of our raw materials have been dropping since the end of last year. In the second quarter conference call, I mentioned that this was already impacting our production costs in the second quarter. This impact in the third quarter was simplified. We saw it much more clearly in production costs and the COGS. We saw this impact of the reduction in raw materials, but there were two other factors that offset this positive impact. First a devaluation of 11% in the exchange rate from the second to the third quarter, but most importantly what we saw was a reduction in the absorption of fixed cost. In other words, that increase in fixed costs per ton saw a drop in production. We sold less but we reduced inventory so we managed our inventories well. And this led to a higher cost per ton, a little higher. We still project for the fourth quarter for raw material prices to keep on dropping. So if there is no other impact, other effect we will be able to see it more clearly.

Regarding inventories, what we have been in the chain, in the customer chain is that due to a drop in the activities, our customers have also adjusted their inventories to the level of activity. So if you compare the inventories with then the customers to what they would have in normal times, we would say that their inventory levels are lower. Of course, they are facing a pressure in terms of reducing working capital as we are. Of course if economic activities pick up at a higher level, it will find customers with low inventories.

Q - Renato Antunes {BIO 17439917 <GO>}

Thank you.

Operator

(Operator Instructions) Our next question comes from Rodolfo D'Angele, JPMorgan.

Q - Rodolfo D'Angele

Hi, just following up still on that issue of $5 to $10 reduction per ton, could you give us some color as to the main drivers, the main projects that will allow you to reach this expressive cost reduction?

A - Unidentified Speaker

Hi, Rodolfo. There are different efforts going on, some will lead to more reductions, other ones to less. But next year, especially with the operation of Port of Sudeste which will enable MUSA to flow its production at a larger scale, we expect that for Samambaia (inaudible) operating at volumes higher than what they've been operating. We'll be able to evaluate fixed cost that we today have. Today, we have a flotation plant at very low levels. So we'll have scale benefits in 2015. In addition to that we see cost reduction in several activities, be it in the area of operation, reduction, reduced cost and ore handling, taking ore from one yard to another. Another actions related to human resources where we would see some improvements in productivity, more efficient operation and better results. But I think the most important contribution will come from improved scales in the new plants.

Q - Rodolfo D'Angele

Thank you very much for your answer.

Operator

Our next question comes from Marcelo Aguiar, Goldman Sachs.

Q - Marcelo Aguiar {BIO 3721791 <GO>}

Thank you for the opportunity. Going back to bill, I would like some more details about money. About well, number 10, when you think the shipping to the millers in 2015 at the Sudeste, what is the average grade of the product, so next year I mean iron percentage and contaminants? And regarding exports, do you see any problem in shipping with larger vessels in the Sudeste port? Would you have to pay higher freight costs than what you pay today? And another question regarding coal, as Ronald said what is the cost for purchasing coal for the fourth quarter compared to the cost that you had to pay in the third quarter?

A - Unidentified Speaker

Hi, Marcelo. Regarding port we have very good news. We have a very close relation with the Sudeste port operating people. We don't have a firm date, but it's very probable that till this year we'll be able to see the port operating receiving ore, so we have positive projections, positive news, we've been waiting for this at for a long time. And as soon as the port opens, we'll be ready to send iron ore to the Sudeste port. In terms of capsize, we see a need because the port authorities -- and also for people to get more familiarized with the channels, it has to be made through Panama. This will generate additional freight cost, it's not very interesting. So on our side we expect that very soon we'll be able to ship in capsize. We don't know when this will happen, but we know that it will happen soon.

About the mix for next year, it's going to be very similar to this year's. So if you consider all MUSA's products, especially centrifugal and concentrated because our granites [ph] will decrease in volume in the mix next year. We'll see a quality of 63% of iron, it could go up to 64.5, 65 concentrated ore and this will benefit us in terms of exports to the Asian markets. Recently, we studied the market and the level of acceptance for concentrated iron because it's a corrective for the Australian ore, it could be very well accepted. That's what we found out. So we will be around these levels. And we are hoping that the port will soon be operating. This is what we get from them anyway.

Q - Marcelo Aguiar {BIO 3721791 <GO>}

What about the contaminants. Do you have any idea of the silica percentages?

A - Unidentified Speaker

In the channel portfolio it should be 5.5 to 6 silica and in the concentrated this would drop to 3, 3.5. Regarding coal, the expectations for the fourth quarter, we already have the prices for the first month of the fourth quarter, so we feel that the prices will be stable vis-a-vis the previous quarter.

Operator

Our next question comes from Alan Glezer from Bradesco.

Q - Alan Glezer {BIO 17508681 <GO>}

Good morning. I have two questions, the first one regarding steel industry. What's your vision regarding imports? We saw a substantial increase of imports of steel in Latin America. China's share has gone from 40% to 50%. What risks do you see in this hike in imports in Brazil? What are the risk for Usiminas? Even though this is more for north and northwest, an area where you have less of an operation but what could be the impact? Now regarding Sudeste port, you have receivables of BRL310. What's the expectation of receiving this regarding the take or pay that you had in the next quarters? These are my two questions.

A - Unidentified Speaker

As far as the imports are concerned, as you said, imports increased. We saw a highlight in the drop in heavy plates imports and also an increase in coated materials. Another fact that drew our attention was participation of China. So imported materials comes from China actually 70% is China's share, 70%. So all this is leading to a share in 2014 of about 15% to 16%.

Now what do we expect for next year? We expect a drop in imports. We will still see imports at two digit levels, but no longer 15%, 16% something closer to 10%. This is what we expect for next year. Another aspect for next year is less direct import of steel. In other words, still contained in the products. This would gives us more of an edge, more of a competition leverage with our customers. So we didn't see anything very significant, very meaningful, but we do see a drop.

Regarding the Sudeste port, your question about the receivables that we have that what I can tell you of course these are confidential matters, I cannot disclose everything, but we have a good level of dialog with Port of Sudeste and we hope to solve this financial pending item very soon. So it's on the table, we are discussing the issue. As soon as we have any news we will report it to you.

Q - Alan Glezer {BIO 17508681 <GO>}

Thank you.

Operator

As there are no more questions, let me give the floor to Mr. Ronald Seckelmann for his final consideration.

A - Ronald Seckelmann {BIO 3722329 <GO>}

Well, thank you very much for your participation and for the questions which help us clarify many important points. I await you at the next conference next year when we'll talk about the fourth quarter and the whole year of 2014. Thank you.

Operator

Usiminas' teleconference now comes to an end. We thank you very much for attending. Have a nice afternoon. Thank you.