Q1 2018 Earnings Call

Company Participants

- Benjamin Steinbruch, Chairman & Chief Executive Officer
- Luis Fernando Barbosa Martinez, Executive Officer
- Marcelo Cunha Ribeiro, CFO & Executive Director-Investor Relations
- Pedro Gutemberg Quariguasi Netto, Executive Officer
- Unverified Participant

Other Participants

- Carlos F. De Alba, Analyst
- Ivano Westin, Analyst
- Jonathan Brandt, Analyst
- Leonardo Correa, Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Good morning, everyone, and thank you for standing by. Welcome, everyone, to CSN's Conference Call to announce results relative to the first quarter 2018. Today, with us, we have the company's executive officers. We would also like to inform you that this event is being recorded and all participants will be connected in listen-only mode during the company's presentation. After the company's remarks, we'll have a Q&A session when further instructions will be provided.

Today's event is also being simultaneously webcast, and may be accessed through the company's IR website at www.csn.com.br/ir where the slide deck is also available. The replay facility will be made available right after the closing of the session for one week. You may be free to select the slide.

Before moving on, I would like to state that forward-looking statements made during the call are based on the company's expectations and trends, and on current assumptions and opinions of the company's management. These results may, therefore, present material differences between the results and future events. Future statements are not projections, not expectations. They are based on events that might differ considerably from those expressed or implied by these forward-looking statements.

And that might happen as a result of several factors including general and economic conditions in Brazil and other countries, interest rates and exchange rate levels and future rescheduling or prepayment of debt denominated in foreign currency, also protectionist measures in the U.S., Brazil and other countries, and also depend on changes in laws and regulations and general competitive factors on global, regional or national basis.

Now, I'll turn the conference over to Mr. Marcelo Cunha Ribeiro, IRO of the company, who will be making the presentation and highlighting the company's operating and financial results.

Please, Mr. Ribeiro, you may carry on.

Marcelo Cunha Ribeiro {BIO 4997029 <GO>}

Good morning, everyone. Thank you, all, for participating in this conference call relative to the first quarter 2018. I'd now turn the floor over to our CEO, Mr. Steinbruch.

Benjamin Steinbruch {BIO 1499059 <GO>}

Good morning, everyone. I'll be participating from New York, where I am right now, but I would like to start by emphasizing the separation from the operating front from the deleveraging front of the company. As we have been mentioning before, we were quite aware of the need to reduce the company's leverage levels, and we have been working on that front for some time now, not only with the decommissioning of one asset, but of several assets. LLC, our subsidiary, in the U.S. was the first asset to be decommissioned because there's good opportunities came up in terms of the appreciation and we thought it's convenient to carry on.

Based on what's on the news or what's been announced, we see an appreciation of $400 million, $60 million of those for working capital and the remaining for assets, plus the monetization of the surplus working capital, which sits around $100 million, so either through sale of our inventory for plates (00:04:45) and final galvanized product or via absorption on the part of the buyer. In any event, we will monetize our working capital at the end of the transaction or when we really close the deal. So, again, it is a transaction which will bring us a considerable result in accounting terms and also in liquidity terms, also quite interesting.

We're talking about a significant amount here, and I would just like to emphasize that we will continue to work - to operate in the U.S. We will maintain our commercial activities in the U.S. We have an established market in the U.S. It's been here for 17 years in the lines of galvanized, painted products and also tin plates. So, we will be separating all of that. We will continue with the CSN LLP, which will become a distributing company and maybe potentially also a producer, manufacturer in the U.S. market, so we'll continue to sell plates and maybe working on the finished products line, which we'd be sending directly from Brazil.

Within this big opportunity to commission that asset, it will mean about BRL 1.8 billion in terms of reducing the company's leverage in the short term. And as I said before, it is the first step we are taking in that direction. As you all know, we are strongly committed, and as also I think we've said before, we are committed to reducing, in the very short run, about BRL 4 billion in terms of the de-leveraging. And I want to give more in this very, very short run. My desire would be to have a significant change in that debt-to-EBITDA ratio by the end of the first half. In other words, we will try to find alternatives – immediate alternatives to allow us to reduce that leverage levels by the end of the first half of this year.

As to the operating front, I would like to say that we have had isolated issues in the steel division, which implied net increase in cost basically in bringing raw material from the furnaces and also issues with the furnaces themselves. They have all been addressed and solved, and that will allow us to work throughout the second quarter with an increased amount and with decreased cost per plate. And again, because of isolated issues, we had higher costs than we had planned for – we had budgeted for actually. We're going to be working strongly around those issues because those operating problems should not happen again. Should it happen, it won't be because of a failure on our part, both human failures or maintenance failures, that won't happen. We are determined to work strongly to avoid that from happening again.

Now, in the second quarter from then on, we will consider the situation normalized going forward. Predicted technical problems should not happen, but in our case, unfortunately, they did happen. As for prices in the steel industry, we will implement another increase in June. We had already mentioned that we would be increasing the price again in June for long sales and we will maintain that. We are trying to recover our (00:09:42) side where it's still bit behind in terms of distribution, but be it for the automotive industry, auto parts and other industry, we feel a recovery coming around.

And we do believe that sometimes I said we are late but we hope I will see the economy recovering at some point. All of those who were optimistic, who expected the economy to recover this year are already redoing their calculations. We had a pressure to grow 3% of GDP, but we are now talking about 2% of GDP. We remain confident. We think – we believe that soon or sooner than later, the economy, because of government actions, because of the market pressures, the economy will resume growth in a more consistent manner. The conditions are given for that to happen. We see interest rates dropping. We expect to have another cut in the SELIC rate today. And we believe that credit will be made available again, and then that will help speed up the economy as we go forward through the end of the year.

With that, we will maintain our price, our pricing plan. As for amount, we still working at full speed. Some analysts made a couple of observations about the drop of 1% or 2% in terms of EBITDA, when compared to the budgeted number. But I would like to tell you that's the micro picture, the macro picture is different. We are coming in a good momentum with full production, cost reduction both in mining and steel.

It hasn't happened yet, it hasn't happened because of two specific issues, which happened at the high furnace, but we are still within or within the lines we had budgeted for of working at full production at with an eye at reducing cost. So, in terms of mining, I'd like to emphasize improvement in quality, the sharp decrease in the cost of silica, which was harmful for us in the first quarter. But now, with the new address, the mine will have better quality or at a higher amount for the second quarter. And we also are accounting on the purchase of ore, where we are being much more aggressive now and that allows us to meet our budget. So, really, we are working at full speed for production with better quality.

As for cement, we continue to increase our amount of products sold. We have better prices, better margins. We saw an increase in margin, which was quite relevant just now in the first (00:13:12) the first month of the second quarter. And we remain confident that we will be able to sell all of our production at better price levels and better results.

So, as we open this call, I would also like to say that we are doing what we had pledged to do, be it from the deleveraging standpoint, be it from the operating results standpoint. I also emphasize that we'll reach the end of the year with a net debt to EBITDA ratio below 3 times. And I also emphasize that that decommissioning of assets, which many thought it's difficult to see materialize – we already completed our first move on that front and we hope to have, in the very short run, some other transactions like that, (00:14:21) what the market had asked us to do, which was to have a best EBITDA ratio, which would be more comfortable for investors. At the same time, and based on what we pledged to do, we hope we will deliver a significant financial result vis-à-vis the budget. So basically, that's what I had to open the call as a message to market.

Now, I turn the conference back to over, Mr. Ribeiro, and our colleagues at the board, so that they can carry through the presentation. Thank you, everyone, for being here.

Marcelo Cunha Ribeiro {BIO 4997029 <GO>}

Thank you, Benjamin. Moving on now. I'll start providing a bit more detail about the – of the sale, and I'll try not to repeat what Benjamin said, but I think it's important to emphasize that we're not selling our U.S. business. Contrary to what was announced, what the media said, we are not leaving the U.S. far from it. We're just separating the business, reorganizing the companies. And the import distribution side will be separate now. And we will use the quotes we have available after this Q3 session (00:15:45) to take high added value products to the U.S. That's the line of business which historically has presented relevant EBITDA, when we see the results, we're not selling 100% of that EBITDA, something between 25% and 23%. And we'll keep that share, which makes the deal even more interesting when you talk about the valuation of the asset.

Speaking of that production assets once more, the sale price was $400 million, but it's important to emphasize that our expectation was to get something closer to $500 million, because as Benjamin mentioned, we have what we call the target working capital and also the market value of both inventories allow us to anticipate at the time of closing at the end of the quarter. We can anticipate an adjustment, which would lead us closer to $500 million U.S. and we're arriving at that final number BRL 1.8 billion, which would help us considerably in our deleveraging efforts, as Benjamin also said. So, those were just a few details, and I'll move back to the presentation.

Now, speaking of our financial and operating highlights, in terms of consolidated figures. And in this quarter, we had an advance in EBITDA, 3%, reaching BRL 1.242 billion in the quarter, a margin of 23%, high level, and we also had some good news in all our line of business. The most relevant of this quarter was the recovery of Brazilian economy through a strong growth in terms of volume in the domestic market, which helped materialize what we had expected, a migration of volumes from the foreign market to the domestic market with better margins and allowing for price increases. So, those are all good news. It was good news, which were offset by an increase in (00:18:16) as we'll see more detail going forward.

As for mining, quarter-on-quarter, we saw a growth of - an increase of 25% because of this better pricing conditions. The market helped and we also had quality fees and also better price and the smaller amount of ore. That's also good news, allows us to grow by BRL 20 million (00:18:47) in the quarter.

For cement, we also advanced, because of better prices and volumes. We have reached EBITDA margins of 10% when we consider to the margins of last year. And we are going through a transition moment. When you want to maintain that margin in double digits at a high double-digit figure, as it was mentioned before.

And finally, as saw from the first slide, that also from the point of view in terms of expense reduction, we still have good news on that front as well. However, we had reached probably the best historical level in percentage terms. SG&A over sales that rate reached 2%, a very strong effort, which started a few years back, and we are now reaping the benefits of those efforts.

I now move to financial indicators, which leads to what is more important, cash generation. In terms of CapEx, on the left hand side, we see a capital of BRL 223 million, in line with our guidance for the year, slightly lower when compared to just last quarter of last year, and slightly higher than the quarter because of isolated investments especially in mining, filtering projects and magnetic equipment, which will allow us to increase volume as we'll detail going forward.

The good news here, again, is that great investments in expansion, which we were making on cement are now past. So this year, it's going to be a year where we will focus on sustainability, will allow us to disburse less cash. The financial cycle, also good news on that front. We have better management, already showing, especially with suppliers, not only in terms of new negotiations, but especially in terms of sourcing, we're always looking for alternatives, especially, and the purchase of raw materials. We were doing transactions with much more advantageous conditions than before. And there is more to come, I can tell you that.

Our inventories were slightly higher than last year. So, the operation with LLC have a significant impact. Of course, our export operation for blades, for tolling in the U.S. would increase eventually, but this will be overcome, and we will manage to obtain some reduction there, which will help us in our working capital front.

Moving on, financial expenses also doing well, and the drop in the SELIC rate has also helped on that front. And with that, on right-hand side, our free cash flow reached levels, which we have been seeing for some time now.

We managed to generate surplus to help reduce our debt levels, which is what can be seen on the next slide, slide number 7, where we have a snapshot of leverage and liquidity levels. We have been generating cash to pay out the debt. Our gross debt sat at BRL 29.5 billion, that's the lowest level of the previous quarter. There were isolated repayment, early (00:22:21). We extended our debt line with Banco do Brasil, which was very beneficial. We almost doubled the duration and the average duration for that debt.

So that negotiation of the Banco do Brasil helped us reduce of our gross debt, and has an impact on our cash, of course, which sat around BRL 3 billion, which is a level that can be sustained and which is a level, which is quite close to what you consider to be a minimum cash, which will allow us to navigate throughout the next quarter.

We also have (00:22:56) leverage, which increased isolated to BRL 5.82 billion even with the cash generation. And that happened because of a couple of mathematical effect. The EBITDA for the last year, last couple of months (00:23:10), was slightly reduced, because in the first quarter of last year, we were a little above, so that effect will be offset in the second quarter.

We'll see a second quarter, which will be quite positive when you compare it to the second quarter of last year. So that means that accounts for almost half of that leverage level, another important point which is non-recurring in the quarter was the payout of the historic dividends for the CSN Mining subsidiary, dividends which were present in our balance sheet since 2015 to be paid out in 2016, and that payout was delayed because we had a problem in 2017 of that delay on presenting the balance sheet. So, we normalized that payment to the amount of BRL 500 million. And of course, that also has an impact of 0.1 times EBITDA, hence increased the leverage.

But our pathway, as Benjamin said, is quite positive. We managed to transform that indicator quite fast. We see now 5.8 times, but we are coming close to 5.4 times. And as we see speed up the decommission of assets, we will soon be below 4.5 times and then 4 times, and we will reach our target of 3.5 times as Benjamin mentioned.

Moving on for debt amortization on the next slide, which is our Achilles heel that decommissioning schedule will allow us then to reassure about - allow us to improve the conditions of our debt expansion and we'll be able to remove that pressure in the short run. We've already started. Once again, we had the debt with Banco do Brasil, but in February, already initiated a new bond for 2019 and 2020. We are in negotiations with Caixa Econômica as well. And once we materialize that deleveraging plan, we will have the objective of their partner bank. We plan to go back to the capital markets with new bond issues to face the challenges of the coming two years. So that's our plan to extend our debt .

That closes our financial part of the presentation, and we now move to the business highlights. I give the floor over to Mr. Martinez.

Luis Fernando Barbosa Martinez {BIO 17456025 <GO>}

Good morning, everyone. Before I start on the steel performance, I'd like emphasize the U.S. topic. Number one, you cannot leave behind such a strong market, we cannot afford that. The U.S. market in terms of prices, in terms of volume, it is the most appreciated market in the world. So, leaving the market would be a very bad decision. We're not doing that. It's not our intention to leave the U.S. market.

Also very important, we have a very strong client portfolio there. So, instead of working wholesale, we are working around more engineered products for niche market. So believe it or not, today, we have several clients, who will continue to buy materials from CSN, so that's an important point to emphasize. We will maintain our key new assets, Marcello and Benjamin have said, and we will have different innovative things to do in that American market.

Something else I'd like to comment is the metallic sheet or tinplate. Today, the U.S. is a net importer of that product, and we have surplus capacity in Brazil. We today produce practically 600,000, and that can easily reach 800,000 or 1 million tons of tinplate. So, we cannot fathom being away from that market. We talked about quota issue and (00:27:35) and I'm sure we'll have a positive outcome for all of them.

Going back to performance now, Benjamin said we are in a momentum, I'd say, we are flying, commercially speaking. I am very pragmatic in terms of results. Our first quarter for 2018 saw a growth of 27% in the domestic market. The market grew by 13%. In half rolled, we grew 27%; in the coats, 33%; and for galvanized, 64%. So, if we look at data, in fact, we can always say our performance is, at the very least, quite adequate for this current economy.

In terms of EBITDA, Marcelo mentioned in the last call that we had an EBITDA of around BRL 713 million, if I am not wrong, the best EBITDA for the last three years. Now, the first quarter of this year, we reached BRL 690 million, which is quite close to the value we posted in the previous quarter with the mix, which is not the most favorable for us. If we remove SWT, which is not a flat steel producer, our mix still represents 69% of the internal domestic market, around 70%, and I'm trying to reach 85%. I have an upside in the domestic market of 35,000 to 40,000, which has not been captured yet. Another important piece of data that our revenues grew 20%. Prices grew around 12%, 14% year-on-year.

So, I think, all of that reinforces what I've been saying in the previous calls about our discipline to work at full production with the right portfolio, not placing all the eggs in the same basket, and working towards improving our quality.

Doing the quick math, which I did in the last call, I talked about an average price – portfolio of BRL 2,900. If we think that we have a price correction, I'll be talking about that in a moment, and if you imagine that our costs had no reduction whatsoever, our costs would remain at around BRL 2,070, BRL 2,050, still we would be talking about a margin of around 30%, a gross margin, 30% which is quite healthy for the steel industry which shows around about BRL 500 to BRL 600 per ton in terms of EBITDA.

The outlook for the second quarter is quite positive. In the last call, we saw an increase of 7.5% in June, but because of the U.S. dollar rate, we're talking about 3.60, 3.62 for the exchange rate, that price increase might stay between 7.5% and 10%, and I'm not talking about distribution alone. We're also talking about the industry side because you cannot isolate that. So, the outlook in terms of increase is quite positive, as I said, Pedro will be talking about costs, and I still have that upside I mentioned in the domestic market where we can still grow little more.

As for our next slide, we're talking about markets, we're talking about very relevant data. You're probably aware of that, quite positive data and as Benjamin said, industry is much better positioned than distribution. Still the physical investment to the business is quite an important indicator for us. For the seventh month in a row, it has shown an increase of around 3%. Our forecast for apparent consumption in 2018 for flat steel remains at around 4 million ton which would mean an increase of 8%, about 1 million ton.

The only factor which has not taken off at full speed is the civil construction and investment in infrastructure. While the outlook for the market is positive overall, it shows a considerable increase when compared between these two years and the trend to me is to remain robust strong for the second half of the year. As for our product portfolio, we have another upside in the first quarter. I worked with 40% of tax burden. I still have an upside to increase that as well.

As for coated products and the opportunity I also mentioned in the U.S. for sheets, plates, I was still trying to capture some value there during this year. So, as Benjamin said, we're going to be working at full speed focused on the domestic market, we plan to reach 80% to 85% of the domestic market with a diversified portfolio working across different industries, and have around 20% automotive, 40% in civil construction and we are well balanced to capture other gains in the market.

I now give the floor over to Pedro, who will be talking about costs.

Pedro Gutemberg Quariguasi Netto {BIO 19803245 <GO>}

Good morning, everyone. On that slide, we have the first important message there has to do with production. You see the plate production when you compare it year-on-year, 7% up from the first quarter of 2017, which shows the company's resiliency in terms of recovering plate production, the fourth consecutive quarter where we see an increase in plate production. When we talk about deliveries, you saw in our report, we were up 12% when compared to the first quarter of last year, showing that our (00:33:56) able to supply the commercial team efficiently, especially as the market recovers growth as we recover our market share in several areas. So, that's the good news.

Yeah, you also saw an increase in the cost of plate. And as we recover higher levels of production, we saw a couple of non-recurring events some of which in terms of high furnace and raw material replenishments. And there was some increase in raw material and not very favorable weather conditions involved over down there (00:34:33). I'd say that 40% of that cost increase are tied to those non-recurring events.

On the other hand, part of that cost increase for the plates was also mitigated by a reduction in the cost of transforming the plates into rolled products. So, we can produce more at lower prices and we expect to reach more stability this month as we resume our normal levels. In other words, we tend to continue to produce plates at lower costs.

I will give the floor over to (00:35:08) who will be addressing our mining front.

Unverified Participant

Good morning, everyone. We have out here – we're talking about the mining sales and our team is all here with me today for this presentation, our mining team, to share with you our market view. After 2017, which was a strong growth year in China, the expectation for 2018 is that indicators remain at similar levels as last year. In the first quarter of 2018, we saw a positive sign with a growth of 6.8% in the Chinese economy as opposed to a 6.5% expectation for the year. We also highlight not only China, but also the increase in demand in Europe, Japan and South Korea.

In 2018, the demand for steel is expected to grow by 2% with strong demand coming from China. On the other side, the transoceanic tons will reach our previous levels with the main mining companies showing growth in margins, not in volumes. Within this context, CSN Mining have been working with the expectation of having figures which will be similar to those posted last year at a $70 per ton level.

Another important move in the market has to do with quality adjustments. The one side (00:36:41) in January, we've seen a drop in the cost of silica which dropped prices down influenced mainly by the withdraw from the market of the Brazilian market and Chinese concentrates. The market perception for aluminum and phosphorus also changed because of our high offer coming from Australia, which influence other increases. So, under those conditions, the market is more eager to receive products from Brazil aiming at meeting the market's structural changes and keeping the company in a good position in terms of competition.

2018 will be an important year in terms of (00:37:28) of projects which will base the growth of the company in the short to mid run. Those projects aim at first improving the quality of products, decreasing dependence on dams, reducing of costs and increasing production. We can highlight featuring magnetic concentrators and the dry production plants, all the start-ups expected by 2019 and with all environmental licenses already granted, we will be going into more detail about each of those projects.

Now, for our performance, CSN Mining presented strong number for the first quarter, among which our net revenues of BRL 1.2 billion in line with the revenues posted in the previous quarter despite the drop in the volume sold, the adjusted EBITDA of BRL 442 million, quarterly increase of 26% boosted by higher sales prices and better product quality. In that sense, the unit net revenues posted on the quarter set at $59.9 per ton, an increase of 12% when compared with the fourth quarter of last year despite a drop of this FIS (00:38:53) sales, that shows our gains in quality. We saw an increase of 26%, as I just mentioned, in adjusted EBITDA.

As for sales, we saw an increase of 200,000 tons, about 3% as we see on those lines, but there was a quarterly drop of BRL 2.1 million driven by a seasonal reduction in production due to higher rainfall, lower volume of purchases also influenced by seasonal effects and negative net impact of inventory variations at about 400,000 tons and sales chipping off significant numbers as well.

The next slide, in terms of quality and impact, on the left-hand side, as we just described, you see our efforts to improve quality. The first quarter of 2018 marks the consolidation of the lower level of silica in our products, dams management combined with other adjustments resulted in a net gain of $4 per ton when compared to the previous quarter. As the market adjustments are still decreasing and there is good demand for our products, the price of sale for the second quarter in 2018 should once again have a quality gain.

On the right-hand side, we update our main projects. They all aim at reducing our dependence on dams, allowing greater production and better quality. Our filtering plant one which will be started up in June this year, the filtering mill II expected to start early next year, magnetic concentrator is expected to start in the fourth quarter of this year and a significant (00:40:48) which is the dry production mill, which will reduce by 55% our costs and which will start off early next year.

Thank you for your attention. That's what I have to share with you this morning.

Luis Fernando Barbosa Martinez {BIO 17456025 <GO>}

This is Martinez again. The next slide touches upon our cement division, and our main priority there is to recover margin. So, what have we been doing for the past two years? We managed to acquire a good share in the Southeastern markets, especially in the states of São Paulo, Rio and Minas, which were our focus. And for a long time, when you work to sell less to more clients, so that's the company's strategy to granularize, to disperse and to create synergies with our long steel businesses, our flat steel businesses and to work towards leveraging this value chain with the final clients.

Margins are crucial for this business. Today, the price of cement in Brazil is the worst price in the world. I think we're only second to China, maybe you are the same level as China. So, we're talking about a price in Brazil of around $50, $45, maybe lower than that, and an opportunity which is great because you have markets in Latin America for $100, $120, also in the U.S., $80 to $100 in Europe. So, the priority in cement is to recover profitability, and that's what we're doing. And that's already translated in the results with a margin of 9%, and we are talking about a volume which is relatively lower in the last quarter.

So, our strategy now, because of an improvement in the market in the Southeastern region in Brazil, contrary to what we saw in other states, the Southeastern region is growing 3%. 3% is what we're going for (00:43:11) is to work with volumes of around 380,000 tons per month. That's our new volume targets with margin recoveries, which is again crucial in the markets we decided to focus on.

Another important point to emphasize for cement, CSN has been working hard on the product front. I usually do not touch upon that topic. We talk about steel value-added, but your base CSN has a product CP II and CP III cement, which are great incredible products. Our CP III is equivalent in terms of resistance to very high resistance cement, which is a high value-added product. So, our focus now is on working with more technical clients, so that we can capture that added-value for cement for final applications, be it in industrial construction, be it in infrastructure works and so on. That's a very exciting line of business we see, which is something linked to our strategy. It is far from the same supply chains for civil construction and long steel.

And I'll give the floor to (00:44:41) who is our mentor, if you will, in terms of costs, where we have quite a significant competitive advantage.

Unverified Participant

Good morning, everyone.

Just as a complement where Martinez said in terms of the outlook for cement in Brazil, and what we are doing to improve our competitive and profitability levels. Brazil after seeing a drop in consumption of around 30% in the last three years, we now see or now believe that there is an expectation of growth in Brazil for this year between 1% and 2%, 3%. And it's important to emphasize that growth is already taking place mainly in the Southeastern region which is where our market is located. And we expect this growth in that region to reach even higher figures than the anticipated.

And while we work on pricing and costs, we'll also be able to sell more volumes as Martinez was saying, and that will surely increase our market share and it'll help our growth in terms of EBITDA. We've been working hard on cost reduction (00:46:18) for cement and other lines and have been reducing costs at around 20% when compared to 2016. In 2018, despite an increase in the main fuel for our furnaces of around 30%, an increase in coke prices, that increase in U.S. dollars, but we're still working around the same levels as we did last years. But with the series of initiatives we're trying to implement or have already implemented within those fuel mixes, we are starting a new process of coal processing, which will also help us significantly in terms of cash costs, new raw material - new cost control procedures and with all of that, we hope to consolidate our position, which is already of high competitiveness. In Brazil and especially in the Southeastern region as it (00:47:30) was mentioned and I hope that we'd consolidate that position as an important player in this industry.

Thank you to all our respected colleagues, that's what we had to share. We can now move on to our Q&A session.

Q&A

Operator

Thank you. We'll now start our Q&A session for investors and analysts, only. Our first question comes from Mr. Ivano Westin from Credit Suisse. Mr. Ivano, you may carry on.

Q - Ivano Westin {BIO 17552393 <GO>}

Good morning, Benjamin, Marcelo. Thank you for taking my questions. Well, first of all, congratulations on closing that deal with LCC. What other assets are in your pipeline for 2018? Benjamin mentioned a possible – other possible potential in sales, what is in your pipeline? You see BRL 39 million in sales and according to your quarterly report, in February, you concluded your rollout of that of BRL 4.1 billion with Banco do Brasil and you gave as collateral stock share. How much stock was used as collateral?

And a second question about steel. Martinez, you mentioned the commercial initiatives. Quantify, if you will, how much you expect in terms of higher volume of sales in the second quarter, and for the remaining of the year? So, we see a down growth – you had a good first quarter. Can you please quantify what you expect for the second half of the year domestically and abroad?

And lastly, Martinez and Benjamin, if you mention, then just to confirm what clients can you confirm you've implemented that increase? Thank you.

A - Operator

Increase in prices. Ivano, good morning, and thank you for your questions. I had a chance to read your report and while you clearly state what happened in a very adequate way, if I may. Just as a complement and to give you some more color about what's happening around the world, I read reports from other analysts who talk about China, we need to talk about China when talk about iron ore and fuel. And something that stands out is that first data coming from China is already positive now. Overall, in terms of China and for downstream construction businesses, all those numbers are growing faster than expected at the end of 2017, which is quite positive for us too.

Another important point, I'm not sure you looked at it, but the average of steel goods used in China went up 10% when compared to last month. They are producing 1,000 million tons every day, which is the equivalent of utilization level of 77% in the Chinese industry which is quite possibly in the world balance.

As for raw materials, we also believe that coal has reached – has hit rock bottom. So, we can also expect upside in terms of costs. Pedro might have something to comment on that as well. So, the China environment is more positive than I imagined. And it has been confirmed as you analysts put out your perceptions, your reports about China.

Still on your other question, Ivano, our scenario for 2018 is quite positive. CSN had been going through a phase where we've had several operating issues and problems. We

(00:52:22) some exports. But now as Benjamin said, we are flying as I said commercially as we have always tried to do. But from the operating standpoint, we're also doing really well. What had to be put together at the plant has been done in terms of assets, in terms of maintenance and we are trying to reach a number of around 85% or close to 3.4 million. That would be a possible guidance of what I imagine going forward for this year's volume. For the domestic market, quite an aggressive target, but in the first quarter, we already reached 781 (00:53:10). So, it's nothing unreal to mention 3.4 million.

As for pricing, Ivano, we increased the automakers and contrary to our competitions, of course, we have annual agreements, but our agreements allow for adjustments throughout the year and we have increases for automakers of around 18% to 20% earlier in the year and for distribution and industry which are also important pillars. We cannot have a great disconnect, have increases of around 12%. So, we captured of about 5% to 6% in the first quarter and if we're talking about the current mix, we'll be talking about around 10% the mix I am selling today.

And we expect for the second quarter to see something around 3% to 4%, if we exclude the price increase expected for June which should sit around 7.5% to 10%, both for industry and distribution. As for the premium, it's also important to factor that in, today, I've just received an e-mail message. We have some information coming from China. The government mills are increasing $5 in cold and galvanized products, cold rolled. The private sector mills are increasing between 10% to 15% U.S. dollars. And the most important piece of data is not here. Delivery terms are July, the end of July which means that the industry is relatively taken up, those are facts, no opinions involved.

China prices today is BRL 585 to BRL 605 (00:55:16) FOB Tianjin. If we work around the foreign exchange rate at 3.5 to 3.6, the premium today from zero to minus five (00:55:27) for hot rolled products, you cannot survive in the market with imported materials with a negative premium, of course, so we are leaving money on the table, a lot of money. For the cold rolled products, the situation is similar, maybe for the hot rolled, we would be close to 2% to 3% negative when compared to domestic prices.

Where we may have some more difficulties which is an issue of pricing, as you know, are under galvanized and coated material, with the dollar at BRL 3.50 to BRL 3.60, that premium would vary from 7% to 10% which is quite palatable, if you will, for the kind of product we deliver to our clients.

So, the outlook, if you look at a growing market, a growing U.S. dollar, we look at the CSN gearing towards the domestic market at a strong pace, with all of that, the outlook is quite positive for this year. I have no doubt in my mind to say that our results will grow quarter-on-quarter towards the end of the year.

As for product portfolio, steel and rolled products, cold and hot, we have been quite selective in terms of markets to operate. So, increasingly, we are operating directly with the industry because that's what we have some market value which had not been captured by the market, at least not adequately. So, the industrial (00:57:19) working directly with industry becomes something very important for the company. Today, CSN sales for construction industry more than our players in the market, but we do believe that we can increase our participation through our value chain, our value network directly in the industry. Sorry if I extended (00:57:45) myself, but I chose to give you the bigger picture. Have I answered your question, Ivano?

Q - Ivano Westin {BIO 17552393 <GO>}

Oh, yes. Yes, you have. Thank you. Thank you.

A - Operator

If Marcelo and Benjamin could perhaps address the first question, I really appreciate it. Thank you once again.

A - Luis Fernando Barbosa Martinez {BIO 17456025 <GO>}

You're welcome. Okay. This is Martinez. We, in terms of our de-commissioning target we won't touch on specific assets. We want to be strategic and we want to optimize the value as we have been – with the sale of assets that happened with LLC. So, LLC, before we see maintenance, so from the point of execution, one was much easier than the other and that's why we still count on that guidance, 3 to 3.5 times for the next 12 months and for that we estimate, on top of those BRL 2 billion which we have already sold, we would need to sell another BRL 3 billion.

So, (00:58:57) evaluated at BRL 1.2 billion to BRL 1.3 billion. Other (00:59:04) other assets rather that could help make up that number. So, those are the assets that throughout the next few months, few months and Benjamin made it clear that we're going, moving forward at a fast movement. So, those assets will be monetized shortly to help us deleverage effort, the Bank of Brazil question, as we mentioned in our report about 50% of our preferred shares for Usiminas were used as collateral for that loan, something close to BRL 600 million of the total that with Bank of Brazil, which is today sitting around BRL 6 billion, so you could say it is a symbolic collector in terms of amount.

I hope I have addressed your question. Anything else, Ivano, you'd like to understand better?

Q - Ivano Westin {BIO 17552393 <GO>}

No, Marcelo, quite clear. Thank you very much.

A - Benjamin Steinbruch {BIO 1499059 <GO>}

Marcello, this is a complement to your answer. This is Benjamin, and say the following. We have been discussing Usiminas preferred shares for some time. And we will sell them when we find it fitting. We have sold part of it (01:00:20) before and as we moving we have reached a right value and we are of course following that on that quite closely.

And with that monitoring (01:00:40). If we haven't sold yet, because we do believe that those shares have enough trends potential. We have also been talking for a long time about possible assets you sell. And again, it is a matter of reaching the right price. Likewise, (01:01:07) which is another asset. We are being penalized €53 in the import from Brazil to the European community which will still make the Portugal assets profitable. But within that penalty, we're being able to pay which makes no sense to us that might end up be a massive; that might be interesting to another American U.S. or American steel company, company that does not need to pay taxes on that. That might be just one of those companies in U.S.

As for the mining assets, we might sell part of it or even the assets that we hold and that another part of the (01:02:07) and others. We can use those to monetize the company, so that we can reach that figure we mentioned before. My idea is that we accomplish the deleveraging of another $2 billion in the very short run. In other words by June, July, and then I expect to have another to $2 billion by the end of the year. In other words, our wish, our intention is to decommission at least one EBITDA by the end of the year, of which most – it is my desire once again and my will more than the wish, my will, my determination to do that during the first half of the year.

So, there is no change in terms of what we said before. But it's a matter of the right moment and the right price as I said, all those assets that we have that were mentioned are good assets, assets that produce positive EBITDA, assets that makes sense to digitally for the company and for country, where you do not have to pay taxes on exports. And again, Brazil in my opinion is being unfairly penalized both by Europe and the U.S., but that's part of the game, okay.

If we do not have power enough to impose ourselves, we need to recognize the fact and assume strategic position. So, just emphasize that Usiminas (01:04:07) Portugal, part of mining and/or (01:04:10) all of those assets might be the target of the commission in the very short run and by the end of the year for us to produce at least (01:04:22) EBITDA in terms of deleveraging. And my target and daily target is June the 30th to complete the first phase of that.

Q - Operator

Very clear, Benjamin. Thank you very much.

Our next question comes from the Carlos De Alba from Morgan Stanley. Mr. Carlos, you may proceed.

Q - Carlos F. De Alba {BIO 15072819 <GO>}

Yes, hello. Good afternoon, everyone. Just I wanted to make sure that I understood (01:04:56) renegotiation with Banco do Brazil already finalized and signed and also can you tell one, in terms of the negotiation with Caixa. And then, finally, of the BRL 4 billion (01:05:10) potential asset sales in the next six months, how much did you expect of EBITDA that would go away with those (01:05:20). In other words, what is the EBITDA registered to use by (01:05:26)? And then finally, the target – I think you mentioned 3.5 times net debt-to-EBITDA, that's what you expect to reach. (01:05:36) very clear to me, what is the date or time, the year with respect to be at these level, if you can be a little more specific that would be very useful? Thank you very much.

A - Operator

With respect to Caixa, we announced late January in a material fact where we had similar conditions of extension between Banco do Brasil and Caixa. We were in the process of issuing the bond. We closed that with Banco do Brasil and we obtained the approval with Caixa as well. We did not implement what was approved, did not implement. So, we have been working with Caixa to renew the conditions which are approved, perhaps changing them to reflect the company's new condition, the condition of less risk, that's where we are now.

We are discussing with Caixa so that the new conditions, which were revalidated might reflect the lower level of risk. So, we believe that, by the end of the quarter, because of the timing of the other deleveraging activities by the end of the quarter, we hope to be able to announce the expansions with Caixa already reflecting those new conditions of lower risks.

As for the deleveraging, we always have in our horizon mid-2019 to reach the 3.5 times debt EBITDA ratio. But what we're trying to do now is to speed up that process. Benjamin mentioned that we want to get there sooner, so let's benefit from the momentum that we have to produce the deleveraging level that we expect with along with the growth in EBITDA would allow us to bring that ratio down by mid (01:08:05) by mid-2019. That's a fair projection we may give you now, mid-2019 to reach 3.5 times that EBITDA ratio.

Yes, as a complement, I did not emphasize the Caixa issue back, but when we go back to Brazil, this is Benjamin again, when we go back to Brazil, our next priority will be to deal with the debt with Caixa. And I'd like to have that done and completed by the end of May or early June. So, we will be dedicating our time and effort to negotiate debt with Caixa. Those negotiations are quite advanced, but we're going to be working hard to close that extension by late May, early June.

As for the specific question about EBITDA, what it represents in terms of EBITDA, I'd say that (01:09:14) and Portugal are strategic assets, but from the point of view of contribution to EBITDA, they were complementary, if you will, for Portugal and (01:09:28) is a great potential to expand throughout the years, but it will require investments, it will require economic growth so that it can materialize that potential or that potential growth. Portugal is a smaller business, but also complementary, allows us to add value to our products in the European market, but with (01:10:00) we have been leveraged, that has decreased significantly our ability has affected our strategy in that respect.

So, in other words, they are not very meaningful in terms of contributions to EBITDA. The mining thing is another story and the participation that you sell in mining will need a loss in EBITDA, as you know. (01:10:32) we're talking about assets with very good growth potential that might be addressed differently with incorporating them to Congonhas or we could sell them or sell a small share of Congonhas, but that would contribute to reaching that reduction or by at least one EBITDA. And I insist you have to be ready for us to realign. One thing (01:11:19) going to happen again soon. We expect (01:11:21) to reach the end of June with at least parts of the deleveraging plan completed.

Just mentioning two examples, the example of Usiminas, you're talking about $1.2 billion with no EBITDA deduction, that's a non-consolidated asset. And for Tecon, just as an example, recent transactions showed high-double-digit figures. So, those two transactions have the ability of a strong deleveraging capacity. It's a very little EBITDA leading to a lot of cash coming in. We tend to do what we just did with LLC, that's how we tend to deal with the next (01:12:08) asset.

Our next question comes from Jon Brandt from HSBC. Mr. Jon, you may proceed.

Q - Jonathan Brandt {BIO 17988091 <GO>}

Hi, good morning, good afternoon. My first question on, I'm just hoping you can clarify the asset sale of CSN in Indiana and just how much exactly that the proceeds are? You mentioned that it's $400 million plus an additional $60 million and working capital post-closing. Steel Dynamics is reporting that $340 million plus the $60 million working capital. So, I guess, I'm trying to figure out exactly what the cash proceeds are that you'll be receiving. Is it $340 million, is it $400 million, is it $460 million, if you could clarify that for me?

And then the second question is just on the mining side of things, the mining plan this year, if you could comment a little bit about some of the quality of the iron ore that you're expecting, the silica, potential silica discounts structure that will be great. Thank you.

A - Operator

Starting the proceeds from the LLC, the right interpretations are following. The $400 million inclusive of the $60 million (01:13:43) target working capital which was negotiated. What happens is or as it usually happens in transactions like this, there will be an adjustment of working capital at the closing date, comparing your working capital on that date with the working capital which was the target. The target is $60 million. The historical working capital for LLC was always high because the company operated by buying in the market or importing from Brazil. So, with a very high even – sorry, when compared to other players.

So, we have negotiated that target working capital as the same working capital that Steel Dynamics would operate on historic working capital which would be reflected at the closing date is considerably higher than that. And it is higher because we have been shipping plates to be rolled in the U.S. to become raw material for galvanization in that plant. So, the working capital will be when compared the $60 million figure will lead to a surplus which to date we estimate at $90 million. So, the cash proceeds are $400 million, which is the asset value, plus an adjustment of working capital which to-date is estimated at $93 million, to be exact, $93 million. Hence, our expectation that the proceeds generated will reach BRL 1.8 billion.

And now, I give the floor (01:15:39) to talk about mining quality.

From January to April 2018, the average quality (01:15:45) 62.4% iron, 5.5% silica. The average quality for China was 60% iron and 6.5% silica. Did that answer your question? I think we can move on to the next question then.

Next question from Mr. Leonardo Correa from BTG Pactual. Please you have the floor.

Q - Leonardo Correa {BIO 16441222 <GO>}

Good afternoon, everyone. My first question to Martinez. I'd like to insist on that 7.5% 10.5% price increase for June. We have been seeing some comments, we have been talking to market people and we have felt some caution both in terms of demand and in terms of prices. Holding off on the adjustments, of course, abroad, it's a different scenario and exchange rate has been surprising somewhat, but how do you see things domestically? Do you think your peers will fall off in the price adjustments? What's the trust level for the price rise in June? And just to confirm what you said, I know the CSN works with yearly contracts for automotive companies, you mentioned the possibility of adjusting pricing for the automotive segment as well during the conference. So, are you going to be announcing an increase for the automotive in this as well in June or are you only talking about for submission and industry just to confirm?

And then, a couple of things for Marcello, just to confirm Marcello when you talked about the dividends (01:18:04) mining, it is clear what you said was clear. I have one question. Is there any outflow of cash relative to that still in the horizon just to confirm? And for the working capital that was a good job that you guys delivered in the quarter, which helped the company's net cash flow? I'm glad to hear the expectations you have going forward on that front. Thank you.

A - Luis Fernando Barbosa Martinez {BIO 17456025 <GO>}

Hi, Leo. This is Martinez speaking. Thank you for your questions. I am following up on the market very closely. That's the thing I do most. And I'm out there on the battlefield, which I cannot sit behind the desk and just watch the market work. But there are a few things and you'll understand this better, than I do. There are technical issues also. And we talk about recent events and that's not something that happened long ago. In the last call if you remember, I was talking about an exchange rate of BRL 3.25 and premium at the time I remember saying something like if my memory serves me, premiums of 3.5% to 5% in hot rolled at a starting book price of BRL 5.80 to BRL 6.10, what has changed since that last call.

The major change in my opinion and I know that you study the market from the Chinese standpoint, we had the BRL 3.22 which is a new event and I believe the impact for CSN will be minimized, because we'll continue to be present in the West. But what has changed from then is that, the China prices went up and in your report, you mentioned that the plate prices went up to BRL 5.88, if I'm not wrong from Brazil to China, but that's not the situation, but that's not the price we see in the market today. So, the price today is BRL 5.80 to BRL 6.10 in China. I think the exchange rate changed levels; that's my opinion. And there are other executives here with me who know a lot more about the exchange rates than I do, but I'm working around BRL 3.50 as a minimum exchange rate. So the increase has to be 10% at a minimum for us to be able to recover the premium on nationalized important product, that's a technical issue. The market part or the market size, that's an important thing I haven't mentioned or haven't been asked is, the imports question.

In 2017, the import penetration set at around 13%. In my last call, I was working with a figure, the best figure for 2018 would be of 4%. Imports in the first quarter is sitting at around 11%, 12%, but it's not happening in cold and hot flat rolled products, where we have zero premiums or negative premiums, right now. So, the issue is to recover some costs and recover margins. We cannot go back to the margins we had before.

If we move to other markets of higher added value markets, then CSN has a position which require caution and has capacity for galvanize products of around BRL 1.2 million a year, in terms of capacity for the total capacity for galvanized products. Ribeiro will be delivering those numbers by the end of the year with all of the modifications we are implementing. So, for galvanize and pre- painted products, for those products the premium I posted in the last call was around 10% to 12% and that figure has dropped to 7% to 10%. So I need to be more cautious there and I'm talking about civil construction, which is the focus of the company there.

The company is more focused on (01:22:40) civil construction and slightly less towards the automotive industry, because the possibility of changing prices, because of our contracts the chances are lower for those clients. So, your question was, are we going to be followed by other peers in the market? I don't know. We are not trying to get market share at any cost, no. We think about profitability first and my first dogma, if you will, is to go back to having at least 30% of gross margin. I'll only be satisfied when I do the math cost and price and have a 30% gross margin at the minimum that's our priority. Of course, the U.S. issue is influential, because I have a layout which allows me to send material their way and make money for the pricing black box, if you will, is to work with our portfolio as best as we can.

Usually I tend to be optimistic, because I see what's happening, to grow 27% in a quarter is something quite relevant. We are now there. So, we have what – we have reason to celebrate, right, and the outlook for those was – for somebody who spent two years rock-bottom, we are doing way better now. So, that's the outlook for the year. But I imagine we will close the year with a number of around 80% to 85% in the domestic market and about 50% of coated products. That's the outlook for 2018.

Q - Operator

Okay, thank you. Thank you, Martinez for your answer.

A - Marcelo Cunha Ribeiro {BIO 4997029 <GO>}

About the working capital, that's an important step but it's not everything (01:24:56) as I mentioned during the call. We have had significant advances, 10 days in terms of average term for supplies. We can improve slightly. But what we have is always the result of a lot of hard work. In terms of inventories, before we had trends that did not allow us to bring that number down as we wanted, but we do believe that going forward we will have lower numbers. Today, we're talking about 100 days. We expect to bring that number down by 10% for the next quarter.

As for the dividends in your question, that was a one-off payout, non-recurring payout, which was the focus of intense negotiations. It was a contract obligation that we had, but that is (01:26:01) as I said, it's non-recurring. What we have now ahead of us is normal dividend payout policy, which will be established in the coming months. But whatever happens now will be within this more strategic policy of the company which has an eye on deleveraging, as it was mentioned is to get as fast as we can to a level below 3.5 times.

Q - Operator

Okay. Just to confirm. Is CSN will resume paying out dividends when the leveraging level reaches 3.5 times? Am I right in understanding that or are you planning on paying out dividend before that?

A - Marcelo Cunha Ribeiro {BIO 4997029 <GO>}

Well, that's something that might come from shareholders, that hasn't happened. I'm just trying to schedule things (01:26:57). Any dividend policy will have to be linked to the deleveraging plan. And when that happens, the market will be informed within our strategy of keeping our deleveraging process within the phase we have established.

Q - Operator

Okay, Marcelo. Thank you.

Next question from Mr. Tiago from Citibank. You may carry on, sir. Mr. Tiago, you have the floor. Next question from Ms. Gabriella (01:27:43) from Banco do Brasil. You have the floor ma'am.

Good afternoon. Thank you for taking my questions. I'd like to have a bit more color about the LLC transaction. You announced the sale of the production part, but you have kept the distribution part. So, this new subsidiary will be supplied by the local CSN. How is that going to work? And how much will that represent for the company's EBITDA going forward? Thank you.

Hello, Gabriella (01:28:20). Thank you for your question. I was reading your report. It's interesting to note that Banco do Brasil has been giving me a very clear picture of what's happening in our industry; based on the numbers you have reported. Anyway something interesting that you mentioned (01:28:42). The domestic market, we will achieve a stronger position here domestically.

Today, we have even the possibility of having that company abroad, because of our client base and have a possibility of operating as a trading company. In other words, buying plates and delivering the plates there in the U.S. Of course, as I mentioned before, it would not be very responsible for us to just leave behind such a powerful market with such attractive margins and where we have a quota, which belongs to CSN. CSN last year was the largest exporter of galvanized plates in Brazil. We exported 360,000 tons to the U.S.

So, our plan is to continue to be there with our quota. And as I said before, working and market (01:29:52), working with products, nobody else wants to work and working with the clients, which have become loyal to us for the past seven years or eight years through a very strong sales team, which has been maintained. Our people there, we remain there operating in the American market as I have always done. Of course, if you have an operation in the U.S., you have much more flexibility. We are a Brazilian multinational company with clients and products in the U.S. We have clients. We have products. We have a market. That's what we expect going forward with our new configuration in the U.S.

As for the EBITDA, I cannot really quantify, what I can tell you that the U.S. delivered yearly around BRL 200 million for our EBITDA. As Benjamin also said just now, it is – is it relevant or big? No, but it is complementary and during our hardest times that number allowed us to work at full production and steel industry and it's not working at full production, it sees its expenses and cost structures change completely. Our strategy has always been since (01:31:14) and Lehman Brothers went under, we sped up whereas everybody else was coming to a halt. So we want to work at full production with high added value products and tapping out the world market, we have available.

Lastly, as for tin plates, the American market for thin plates buys 2.8 million tons of thin plates, 60% of which is imported. So, Brazil has a right and a duty to provide that material and we have the capacity for it. So there is a starting upside, which might come to life in the coming months. This is a complement in the last year. EBITDA in the U.S. was of around $40 million, 25% to 33% generated by the distribution business. So, those numbers might be maintained and even ground further.

Okay. Thank you. Congratulations once again on your good results.

Thank you.

Next question from (01:32:29) you may carry on.

Good afternoon, everyone. Thank you for the chance. Two questions, Martinez and Pedro, the cost impact was clear and there was some important reduction also going forward. I'd like to understand a little better than non-recurring parts, what kind of impact we expect coming from coal, iron? Any reduction in that horizon. And the second question, congratulations on your numbers for the quarter. But, as the new project come on board, what can we expect in terms of improvement, in terms of production capacity and also in terms of the operation of the projects which are linked to them?

A - Pedro Gutemberg Quariguasi Netto {BIO 19803245 <GO>}

This is Pedro Gutemberg. Thank you for your questions. We have a sort of delay. We import coke from China, from Colombia, coal from around the world. So, we still have something to happen in the second quarter and that drop that recently you saw in coal, especially for coke, we will start to feel it in the coming months. Now, (01:34:07) speaking about the mining question. Our focus now in mining is to focus our operating model on the highest margin products, that's how we work operationally. So, we're going through a big transformation this year towards that end and then things tend to converge to look for a product of a high margin needs to have more longevity in the dams. That's a second aspect, which will be a differentiator (01:34:49). Number one, quality; and number two, increasingly in the coming years, we tend to decrease our dependence on dams and how did they convert (01:35:00) those products.

Group quality (01:35:04) less and less on them, that combines to provide more longevity for our assets and throughout this transformation, throughout the first quarter of next year, all of those products I said, all those products have been environmentally approved and as we move forward we'll have a third technical step which will increase the level of production, the amount of production.

Q - Operator

Okay. Thank you.

Thank you. This concludes the Q&A session and I turn the floor back over to Mr. Ribeiro, Company's IRO for his final remarks.

A - Marcelo Cunha Ribeiro {BIO 4997029 <GO>}

I'd like to thank you all for being here with us during this call 1 hour and 45 minutes. Benjamin would like to say something in closing.

A - Benjamin Steinbruch {BIO 1499059 <GO>}

Yes. I'll make a final comment. I'd like to thank you all for participating in our call. We have to reaffirm our commitment to meet our deleveraging objectives as soon as possible. By June as I said, this has a little bit LLC. What we affirm our commitment towards continuously delivered results, something we've been doing for a long time and also to reaffirm our perspective with the market.

What we have pledged to make in terms of full production, in terms of bringing costs down will be delivered in the second quarter, that's what I hope and believe. We have a few isolated issues in the first quarter, as I just mentioned, in terms of production and cost. But now in terms of the outlook, it remains quite positive. As Martinez said, we are flying. We have taken off with a bit of luck in terms of the economy really recovered. We will be able to deliver very good operating results.

Along with that, as we issued bonds earlier in the year when I was surprised by investors, who said that because of the instability and uncertainty moments that we have in the world, they'd like to feel comfortable with companies. Triple A companies still have less than 2.0 times the EBITDA ratio. And I thought 3.5 times would be acceptable in market. So we should – the bond partially and we are expanding with cash. And as we come back we will by June significantly reduce our debt and reduce by the end of the year, at least once EBITDA in terms of reduction of our leveraging levels. And as per the operating results, I'm sure I'm confident we'll deliver the number, which will be the (01:38:48) 3.5 times.

So, once again thank you. We remain committed and willing to thank all of our my executive colleagues who participated, our associates, employees who are working hard for us to be able to deliver those results and to meet market expectations by the end of the first half. Thank you and have a nice day.

Operator

Thank you. CSN's results conference call is now over. You may now disconnect your lines and have a nice day.