# Q2 2007 Earnings Call

## Company Participants

- Benjamin Steinbruch, Chairman & CEO
- Eneas Diniz, Director & Production Section
- Juarez Saliba, Director & MINING
- Luis Martinez, Commercial Director
- Otavio Lazcano, CFO
- Unidentified Speaker, Unknown

## Other Participants

- Ire Math, Analyst
- Marcelo Agular, Analyst
- Marcos Dasasalle, Analyst
- Paolo Di Sora, Analyst
- Rafael Bitterman, Analyst
- Unidentified Participant, Analyst

## Presentation

### Unidentified Speaker

Good morning, everybody. On behalf of CSN and of our Board, I would like you all to come and have breakfast with us. I would also like to thank our colleagues at the CSN board and also those that are not in our Board but came here to be with us in this event. And I would ask for your understanding first because I reduced the number of panelists on our table here to make things a bit more effective. So that here, we're going to have the colleagues that are going to make presentations or receive the greater amount of questions.

Now, for sell and buy-side analysts, we have George (inaudible), Martin is all [ph] of them are here. So if there are more specific questions as agreed with them, we're going to be counting on them.

So quite honestly, we are waiting for Dr. Ebesamine [ph] to arrive. Unfortunately, there was a car crash close to here. And if it is close to 9:00 and the market is going through a very taxing moment, I think we should not have any further delays. So we're going to start our presentation. And if Dr. Ebesamine can make it, he is going to be here with us.

The presentation was essentially made in a very practical objective manner or so we tried. And our speaker today is Otavio. And in terms of mining, Juarez is going to make the presentation. So the idea is to start with Otavio and then we will have Juarez. All questions related to sell meals [ph] investments, (foreign language), etc. are going to be hosted by Eneas if possible.

So with that, let's start. And once again, thank you very much for being here with us. Thank you.

## Otavio Lazcano {BIO 4999009 <GO>}

(interpreted) Good morning, everybody. I'm going to go briefly by the presentation for us to go to the most important part of our meeting which are questions and answers. So first, I am going to talk about the steel industry in the second [ph] industry. The Brazilian flat steel market increased 16% in relation to the same semester in the last year.

In the case of CSN, the sales volume increased even more. We had an increase in market share in 35% and the same in other industries -- distribution where market shares went up to 47%; civil construction went up to 51%; in auto parts, it went up to 20%.

In the United States in the international scenario, we had a decreased demand because of worst performance of automotive and the white goods. In Europe too we had a decrease because of import of steel goods coming from China. In China also we had depressed prices. The Chinese government from time to time wants to have discipline in the market. We recently saw a new system for import licenses and tariffs on hot-rolled goods.

The perspective for the steel industry in the international market is to have a recomposition of our inventory in the United States, stable prices along the whole of the semester. In Europe, the maintenance of prices and aid recovery of prices especially because of the better activity in the automotive and to the construction segment.

In Brazil, a much more preferable environment in terms of economic wise. Interest rate is much more reduced and a relative stability in the exchange. Also, investments started in the public and private sectors, that guarantees strong demand for the second half of the year.

In fact, the factors that have been supporting historically high prices are still in effect. And what are these factors? First, a cost pressure along the whole of the chain's iron ore, we have most recently witnessed some analysts projecting an increase of two figures for iron ore in 2008. Coal and coke should be the same. So we increased the prices for coal and for coke. We also see that. So there is a substantial increase of prices for the next year.

We also have a coordinated global growth. We don't have a major imbalance -- economic imbalance in the world. All the markets are much more protective against financial crisis. The whole of Latin America is performing wonderfully well. China entered with growth superior to 7%, 8%, 9%, 10%. Germany going up almost by 3%. The United States, even with the problems that we cannot assess exactly what the extension is. But growth of -- is likely more than 3% of the consolidation of the sector that imposes a discipline of structures in the market. So I think that also factors remain effective. And that ensures good results for the steel industry along the next two years at least.

So the highlights of the Second Quarter that are very good news, let's just start with the net profits of BRL1.7 billion. This is a blister [ph] historic landmark for the Company -- BRL952 million in the Second Quarter, 21% better than the First Quarter.

And in terms of less misty [ph], we still were with the claims of equipment and things like that. And that revenue of almost BRL3 billion, it is also a new quarterly record. This is basically sales volume. CSN took over the market -- the local market from its competitors. The resumption of full production capacity in the present bag of steelworks [ph] were at 0.4 million tons.

Road [ph] steel production came to 1.3 million tons. We are a bit of BRL1.3 billion, 26% above the First Quarter of 2007 with a margin of 43% consolidated margin. I would like to highlight that in June, the EBITDA margin in the parent company was 62% and in July 15 54% in the parent company. So part of the price increases implemented by the Company were implemented in May and June. So their price increases are going to reflect the second semester. So it is correct to say that the Company results are going to be strong for the next semester.

So going on to revenue and sales volume by market, let's just start with the graph on your left. We have an increase of sales volume of 19% to 1.4 million tons. It is an impressive increase of 27% in sales in the market. Sales allocation was 64% in the local market, 36% in the international market. These are consolidated data.

Going to the graphs or the charts to your right, we had an increase of 20% of net revenue related to the First Quarter of 2007 and 56% as the same quarter in the last year higher sales volume with a poorer product mix.

Going now to sales volume by product and market segment, again we're starting with the pie on the left. Once again, the Company had something close to 50% of its sales volume being represented by products with higher value added. So this is a characteristic of our product portfolio, a more defensive portfolio so to speak, products that are less successful to variations in the economic scenario.

To the right, you will have net revenue. You'll have steel 85%, mining, 10%. That should dramatically increase in the next year as Juarez is going to explain without major variations in relation to the previous quarter.

Going to EBITDA and EBITDA margin, this is a landmark of the Company since 2002 when we completed a major investment program with $4 billion being invested in our business from 1996 to 2001. Since then, we have been reporting EBITDA margins over 40%. The margin of 25% along the Second Quarter of 2006 should be seen as optimistic. That's good news. At this moment, we were out of operation.

The BF that is responsible for -- the blast furnace that is responsible for the production of our Company was out. And even without this because -- in this Company interim time, we had EBITDA margin of 25%. So that's amazing.

So going now to our indebtedness, here you see a reduction of that approximately BRL500 million from one quarter against the other. Ratio of net debt to EBITDA almost one time. This is a guidance that we have communicated to the market. We believe that if we leverage the Company too much, it's not worth it. We lose a bit. And on the other hand, they cannot finance the company as an AA; based on a better -- or a jurisdiction that is better perceived than Brazil. So this is the Company guidance. This is the leverage that we expect one time to 1.5 times along the investment programs of the Company.

Going then to the charts to the left is our average debt time is 13 years. And what is important is that we can support all kinds of investments until 2013. There is no pressure in terms of refinancing, quite the opposite. There is no need to issue any debt except to do to the capital structure of the Company or to make some investment program or acquisition physical.

Now, the reconciliation of net debt, let's take a look at its strengths from December 2006 to June 2007. We had a net debt of BRL6.7 billion. We reported an EBITDA of BRL2.3 billion in the time. We had in the currency section 1.1 billion. We had the court payment of BRL700 million negative, investment of BRL500 million, income tax provisioning for income tax for BRL400. And others was working capital and etc. with an indebtedness of BRL5.1 billion in the end of the semester.

Again, consolidating the net incomes in the First Quarter, we had a profit of BRL763 million. The financial results along the Second Quarter was superior in BRL338 million. And that includes a victory in the calculation days for things [ph] and for fees, treasury gains, exchange, interest. And so we had a better sales volume for obvious reasons. We did not see the same net effect of Corus. In the second term, we had administrative expenses of BRL34 million because of the commercialization of products and other operating expenses with a net income of BRL952 million for the Second Quarter.

So I'm going to conclude my part of the presentation. Now, we are going to talk to Juarez, the director who is responsible for the Company's mining projects.



## **Juarez Saliba** {BIO 16483817 <GO>}

(interpreted) Good morning, everybody. I think we're going to have an opportunity of speaking here about what I mentioned to you in the presentation of the First Quarter of 2007 when we talked about a new view of new extensions for our iron ore project.

Here in this first slide, I'm just putting the important dates on reserve and things like that. But there is a comment to be made here. Between a reserve of 1.6 billion tons audited reserves, this reserve has supported our project that we announced of 53 billion. So it was -- there was 35 million tons and 53 tons in the peak but 40 million tons a year.

And today, I am going to tell you that we are already working as we mentioned in the last meeting in a project of 65 billion tons produced from Casa de Pedra mine alone. So this increase of tons in a year in relation to the 40 normalized for the previous project is basically supported by the aggregation of additional reserves in addition to that that is already audited by an international body.

For you to have an idea, it's very good that we explain it clearly to you. There are classifications of what you have in terms of resources and reserves in a mining site. The total resources that you have in Casa de Pedra are 8.4 billion tons.

What are resources? Resources are everything that has some kind of iron ore content. So you separate resources from what is a ferro [ph]. Ferro has no content. So out of this 8.4, we separated and probed in areas of the mine that gave us the support for the original project of 53 tons, normalized to 40.

So what happened there? We started as of the end of last year when we finished this work and we had this reserve audited. When we finished the work, we started a new work which was an additional probing, technology work to take benefits of additional portions of the whole of this resource of 8.4 billion tons. So today, we have a project that elevates reserves from 1.6 to 3 billion tons this aggregation of 1.4 billion tons. So the 1.6 audited billion tons are the advantage -- taking advantage or taking benefits of poorer parts of mining of Casa de Pedra, the same concept that people from MMX are using for reserves.

So these are the reserves that are in Minas Gerais. So when I'm talking about this poorer ore, I'm talking about ore that has about 43% content of ore. Our original reserves had 56% of ore content.

Technology wise, there is no problem in making this resource become reserves. The technology of concentration for these ores is absolutely known. We mastered this technology. We use it already in our process in Casa de Pedra. For you to have an idea, the flow -- the process that is going to be used in the production additional is exactly the same that Marcos [ph] uses in its installations.

So there's no technological secret about it. And we're now then working to complete a basic project to design CapEx and therefore implement this project. We do not have the least concern. We've made many accounts in terms of estimates of investment and the profitability is going to be extremely high. So we have no doubts that this investment is going to be approved probably as of 2008 by our Board.

So what do we see -- oh, just another point to be approached before I go on. The creative barrier of mining projects to come into Brazil is logistics. And if you take a look at the region of Minas Gerais and Rio de Janeiro, the barrier means eight ports because MRS is a company that we hold one-thirds of their capital. And it is a company that this year should make 20 million tons of transportation. It has an expansion project to 200 million tons. And it doesn't go beyond 200 because this is what it is until 2010.

So the expansion of MRS builds 200 is possible to be done. It's cheap to be done. The only thing is that we're still thinking of a view up to 2010. And by 2010, 200 million for MRS are okay.

So the basic bottleneck that we have in terms of (inaudible) barriers is port. Because technologically and economically speaking, the reserves that we have of iron ore can go into higher levels of exposure. So we work on the two ends. How? Make our ports that today have the capacity of exports of 8 million tons and in February next year, 30 million.

How can we get it to a level of capacity that could support our increase of capacity in Casa de Pedra in addition to what is expected and also could support the company that we built that is NAMISA that is a parallel company that worked parallel to Casa de Pedra also with iron ore? And we have expectations of getting to a level of up to 2 million -- 20 million tons until 2010.

So talking about port, we are with the 8 billion tons completed this -- we're in the final phase of this implementation [ph]. We should be operating by February; March next year. There is no doubt about that. The equipments are all in place. We're going to start with 30 million.

Of course, there is a ramp-up in capacity. But as of February, this is going to be operating. And we already have a design of an additional capacity for the port going from 30 to 45 million tons in the Second Quarter of 2009, not next year, 2009. Then we want to go up to 70 million. This is already completely designed. We're completing the basic project. We want to get to 7 million tons at the ports by the end of 2010; 2011.

So this increase in the ports' capacity and additional capacities of the mine gave us the possibility of thinking that today we have 16 million. In March next year, we're going to reach 21. After the end of the next year, 40 million. Second quarter of 2009, we're going to 45 in Casa de Pedra. And in the beginning of 2011, we get 65 tons in Casa de Pedra with this project of making use of the poorer ores that are in Casa de Pedra.

Another important point is our pilot plans. We are in final plans to have a license of installation of both plants. We should if the land ceiling [ph] in the area for the next semester. We have made all hirings of infrastructure and equipment. And we suppose we're going to start operations with 6 million tons of pellets in 2010, beginning of 2010, end of 2009. So we're completing the stage of investment in the pellet plants.

Next slide. Let's talk now about NAMISA, Nacional Minerios. In July 2007, we acquired a company that produces iron ore in the state of Minas Gerais. It's called Companhia de Fomento Mineral, CFM. And it has a production capacity of 6 million tons. And it has contracts to purchase ore for 2 million tons so that CFM alone adds 8 million tons to the volume available within NAMISA.

And this acquisition, that is we have paid already $350 million and we're going to pay $90 million in additional expensing on the existence of contingencies in the company. We have two years to pay this $90 million if there are no contingencies. The maximum price to be paid is $440 million. And just for the record, in 2006, we had then sold 3.6 million tons. And in this year in the first semester alone, 2.7 million tons have been sold.

We expect to end 2007 with CFM having sold practically 6 million tons. And for next year, we expect to sell the 8 total million tons that CFM can sell. As of January next year, CFM should be incorporated -- merged into NAMISA so that the volumes of CFM will be added to the volumes of NAMISA. Our projection of sales for NAMISA for 2008 is 11.5 million tons. And in 2009, 14 million tons with what has been done without including the additions.

That is, we will grow with Casa de Pedra. And additionally, we will have NAMISA with higher volumes at 11.5 and then 14 million tons. NAMISA's volume already shows. The market today if we had more volumes, we would sell them very easily.

This is a drawing that shows the 45 phase if we have the 30 million five phase [ph]. Then, in this phase, the 30 million phase -- in the 30 million phase, we have this two first stock yards. Then in the 45 phase, we will have a third stockyard. These facilities here on the right side are transitional provisional facilities to unload wagons that we're using in the 8 million phase. According to our project, when we went to the 30 phase, the facilities would be abandoned and we would begin to operate with the wagon facility at this point here. And this, we would be able to stop and interrupt the operation on the other side.

Because we grew very much in terms of availability of ore, we worked very fast to allow additional capacity in the fourth before achieving the 70 million phase that should be ready by 2011. What we did is we maintained this unloading facility which is now fat and definitive. So we can unload ore in the port 30 million and an additional 15 million in this unloader. To reach 15 million, this unloader is being enlarged. We can unload 4 wagons. And by 2009, we will be able to unload 12 wagons.

So we're going to enlarge the capacity over the 15 we need. We will have idle capacity for iron ore unloads in the ports. We will be able to reach 45 million tons of unloading. Additionally, in the yards, in order to be able to make it operational for iron ore, we're putting an additional two machines there, one recovery and one for stacking so that we can increase the loading rate of wagons and ships by having another recovery machine. And we will be able to improve our capacity of stacking ore in the yard.

In addition to these two machines, we will have another machine -- a stacking machine that will be integrated to stack the ore that goes from the unloader. So in terms of unloading and stocking storage, we can all surpass 45 million.

And in terms of loading the ships, I'm going to tell you what's happening. Just to give you an idea, today in the Itaguai Port, we have three facilities for stocking of ships. One is being used to unload coal. The other one is using to load iron ore. And the other one is used for different types of shippings that we do for third parties.

The two docking facilities for coal and iron ore have a depth of up to 18 meters. In the two docks, we can dock cape [ph] sizes, ships of up to 180,000 tons of load.

Why did we do it for the coal docking facility as well? We receive coal basically from Panamax ships of up to 60,000 tons because of some characteristics of the type of coal that we need. We have deepened this because we're going to dock ships for iron ore as well. The only docking facility that has been scheduled to achieve 30 million dock capacity with these changes that we're making, we will be able to load about 45 million tons of iron ore.

Unloading coal today is at a commercial rate of 2500; 3000 tons per hour. We have three unloaders for coal ships -- one for 2.2 million tons per hour and the other ones -- the other two up to 800 tons per hour. When they operate commercially, the average rate from the time we begin and then the unloading is 2500 to 3000 tons. We have another loader for 200,000 tons. We will increase the speed of unloading the coal mine to 4000 to 4500 tons per hour.

What does it have to do with coal with iron ore? We unload approximately 4 million tons of coal and coke in the Sepetiba Port per year from Panamax ships -- 60,000 ton ships. When we increase the commercial rate of unloading, we can unload ships faster, coal ships. We will have the capacity of unloading one Panamax per day in the coal terminal.

What does it mean? We are talking about 60,000 ton ships, 4 million tons. So each coal ship will stay in the docking facility for one whole day. We will spend one day for each ship. And so, the docking facility will be occupied for 70 days per year -- only 70 days per year. Today, we have it for 150 days. But this will fall to 70 days per year. So we will have more facilities available to be used.

What is the idea then? When you have a dock -- one docking facility in addition to the loading time, you -- the ship has to leave the port and then the other one has to come in. So leaving the port and then coming into the port takes like six hours in Sepetiba because the canal is quite long. When this coal docking facility is empty, the other ships can dock in there. So this time of three hours that was needed to get the ship into the canal is not wasted. The ship is already docked.

When the iron ore ship goes out of the port, when it leaves the docking facility, we do shifting. That is, we change the ship from one docking facility to another. It's just right for 300 meters. Therefore, we don't waste time while docking and undocking in the iron ore docking facility.

Our system to load ships can load approximately 18,000 tons per hour. Our pieces of equipment are ready to work at this rate. In the 30 million sales, the commercial loading sales should be 7000 tons per hour. With the new recovery machine and with the new stacking machine, which is also important to ensure the loading rates because it releases all the stackers, we will have always when we load the ship at least two recoveries with 8000 tons of capacity per hour loading the ship with the additional machine. So we're going from 7000 tons per hour to approximately 10 to 11,000 tons per hour with the introduction of these two machines and with the adaptation that is being made in the docking facility.

When we reach 10,000 tons per hour, the average ship that we receive in Itaguai -- that is 150,000 tons -- we unload one ship of coal per day and we will be able to load one ship per day in the iron ore docking facility. We're not wasting time docking and undocking.

And so, the capacity calculated by us and by specialist technicians, we will exceed 45 million in capacity in the iron ore docking facility as well. This is a critical path of this operation, this increase of capacity from 30 to 45. It has to do with the purchase of these machines. Between the purchase order and the purchase itself, we have 16 months. So in two years, these new facilities will be in place.

The additional expansion that we were projecting, it takes a lot longer. It is an expansion that has to do with earthmoving projects and difficult constructions. This is underway but this one with a streamlining of the system and the removal of bottlenecks will make things faster. So in 2009 in two years, we will reach a capacity of 45 million tons. We will then implement the other project. We are finishing the basic part of it and this will be ready by 2010 and the beginning of 2011.

We have see [ph] 21 million tons in the mine by February of next year, 40 million by the end of next year, 45 million in the second semester of 2009 and 65 in Casa de Pedra in January 2011. In 2011, we are conducting the two projects so that when we reach 65 in Casa de Pedra, we achieve 70 in the capacity of the port. When we reach 45 in the mine in November 2009, the port will be ready for 45 as well in Itaguai.

Something important that we mustn't forget -- we're talking about Casa de Pedra in the upper part but we have to add the production of NAMISA. So we're talking about reaching 21. Actually in terms of production capacity when we add NAMISA to Casa de Pedra, we will have 33 million tons. When we achieve 40 in the mine, NAMISA will be heading to 14 million tons. So the total capacity will be 54.

You may say you have 54 by the end of 2008 but the port is ready for 13. What about this difference? In addition to what we ship through the port, we send two 8.5 million tons to Volta Redonda. And we sell today 3.5 million in the domestic market. And NAMISA also will be selling 2 or 3 million to the domestic market. So if you sum up the volumes to the domestic market to the Volta Redonda mill, is about 14 million tons which added to the 13 million shipped through the port, accounts for the capacity of the Mina de Pedra mine and the other mine in 2009.

Another important point for you to see is the -- here in the upper part of the slide is the Casa de Pedra production and the NAMISA production and the total production. In 2008, we forecast the production of 29.5 million tons and here for CSN/NAMISA sales of 36 million tons. Why this difference? In the Casa de Pedra mine today, we have ready 10 million tons of iron ore ready to be shipped.

Just to give you an idea, no other mining company in the world -- and even if you sum up the three largest ones have inventories as we do. We have strategically produced this stock so that when the port starts operating, we can work at full capacity. We will have then a production capacity of 29.5 in 2008, 42 in 2009 and 65 by 2010 -- 56.5 by 2010.

In the lower part for CSN and NAMISA, we have the forecast for the next three years. In 2008, we also consider as sales the delivery of iron ore to Volta Redonda mill 36 million tons in 2008, 40 million in 2009 and 54 in 2010. And as of 2011, this figure grows a lot dramatically to over 60 million tons with the new plant in Casa de Pedra and with the new phase of the port in Itaguai.

Thank you. We will be available to take your questions after the presentation.

## Unidentified Speaker

(interpreted) I just wanted to draw your attention to a very interesting aspect. This whole thing about mining, it's obvious that Casa de Pedra today is a new entity [ph] has the best ore assets in the world. But the difference really is its logistics. And I wanted to have the opportunity together with Juarez to take benefit of this occasion to show you the details of being able to be an international player and how this is linked to our logistics capacity. And you will have the opportunity of asking questions to Juarez about that.

Our stock has been performed well. As you know the lasays [ph] the market is going through a major impact. We know it was originated by a local crisis in the North American market. We are confident that the effect in the medium-term are going to dissipate because we believe the fundamentals of the international economics are preserved.

So I will now open to questions and answers. And the only thing I would ask you is please before you ask your question, introduce yourselves and introduce your (inaudible). So we're open for questions now.

## Marcos Dasasalle

(inaudible-audience question) (interpreted) I am Marcos Dasasalle [ph] from Banco Merrill Lynch. First, about the sales mix in the domestic market. We saw a stronger expense in the domestic market in the Second Quarter with the sale mix reaching 64% in the consolidated for the domestic market in Brazil and 70% in the parent company. What I want to understand from you with a strong growth that we witnessed in Brazil, what is the level that you consider that is optimal to where you can get in the second semester and in 2008?

## Unidentified Speaker

(interpreted) I would ask Martinez to answer this question. Where is Martinez? Please a microphone to Martinez.

## Luis Martinez {BIO 7187744 <GO>}

(interpreted) As we mentioned this morning, 64% refers to the consolidated volumes of sales in the domestic market. And we believe in fact that we will have room to grow in some product lines. We're targeting this mix to 70% of market share in the domestic markets and 30 in the international markets. If we take into consideration the volume of the parent company, imagine an operation that is not real but in comparison to other mills this is okay. The placement of our products is around 80% in the domestic markets.

Another important factor in relation to growth is that our view is very positive for the third and Fourth Quarters because the segments that are growing more substantially like civil construction and distribution itself in a consolidation in fact really get CSN products directly. So our product portfolio for the sector should grow a little more than what we have estimated.

So answering your question, we have a small room for growth we believe generating consolidated results of around 70%.

## Marcos Dasasalle

(interpreted) Second question is for Otavio. In relation to dividends and if you could give us an update in terms of your provision for premium credit, EPI [ph] and you said in the release that you believe that the release of dividends can be in the near future. What is your expectation?

## Otavio Lazcano {BIO 4999009 <GO>}

(interpreted) There are two movements. First, we are really finalizing negotiations with the Attorney's Office in the United States a package of guarantees. And we're still discussing the merits of the issue at the Supreme Court. After this agreement is concluded, we're changing drafts. So we're basically about to finalize this agreement at the Justice Court and we're going to be able to pay the dividends.

In parallel, a movement by initiative of the federal government, this is public. It's not private information. This is what can be read in the media. By initiative of the federal government, there are negotiations with Fiaspi [ph] to solve this problem with all industrial segments in Brazil. So what we heard is that this is also in an advanced state of negotiations. And once having a favorable report on that, we're going to revert because of a lack of accounting reports. We're going to revert this and this is extremely important.

We in a very conservative manner adopted as an accounting practice to provision our financials along the time using this tax practice provisions, the principal and the charges. So there is not an impact in our balance sheet in the worst-case scenario which we don't believe is going to happen. Okay. Thank you very much.

## Marcos Dasasalle

(interpreted) The last question, taking advantage of the honorable presence of Benjamin, could you talk a bit to investors about the eventual AVO [ph] or sale of a piece of a stake in Casa de Pedra? And what is the arbitrage process with Vale do Rio Doce and if that is a barrier for you in the short-term?

## Benjamin Steinbruch {BIO 1499059 <GO>}

(interpreted) Good morning, everyone. Otavio says that we cannot talk about the IPO of Casa de Pedra yet. But what I could say is that everything we have been announcing, we have been doing a long time.

What we said last year is still true. I don't think there is any news about that. I've always told you not to concern about the right of preferences of Vale do Rio Doce and that we would be doing our share. As Juarez mentioned, we are considering the mining part of the company as a very important asset and independent asset. So this is the treatment that we are dealing with in terms of structuring, in terms of investment for the company to be divided into five sectors, including mining. And that we have already presented those to you. So everything continues as it was.

Of course, in the whole of the turbulences that we have had, launching IPOs are a bit affected in the short time. But in their absence, in the fundamentals of the Company, I believe that everything remains the same as we have mentioned before to you.

In terms of the turbulence, I think it is momentanas [ph] to tell you the truth at this time to separate things directionally. I think we're living a much more financial moment than anything else. No one knows exactly its size of what it is. Whoever says something is enough [ph] for sure. We have to wait.

But for countries, like Brazil, or companies like ours I think their reality was much worse as it was with dollar at $1.81; $1.82 because it would destabilize the national production in relation to imported goods and also the issue of imports for companies that have invested in the market.

So I think it is a financial mess. I think we have to separate things. Sometime, we're going to know the extension of the issue. I think that in Brazil, there are many people that are relieved with this confusion. We were in a way taking a ride in the growth. We did not have the structure to grow at the pace the world was growing. If you take a look in the past years, Brazil did not keep pace with the rates. And if we hit the wall, it's not going to be as hard as other countries. And I think there is an internal work to be done by companies in the real world of production which is really to seek for the internal markets.

And today, as it was mentioned, our production is basically prioritizing the domestic market. We can do more I believe. Eventually, that would enable us -- was unable to us in exports is going to be soft in the internal markets.

Now going back to your question, what I can say is that everything remains the same. We are prepared to go on with our job of differentiating in our assets, both structurally and accounting out what each one is and what is each one's share in the Company's whole cash flow.

## Unidentified Speaker

(interpreted) Just to add to his question, as regards arbitrage, is something that we have been conducting. We have information that the arbiters have decided on the issue. And just for you to know, what is arbitrage? There is a contract where Vale has exercised their tapes [ph] and rights for 51 million tons and 10 million tons per year. And we are discussing via arbitrage whether this is going to be delivered in the mine or to the ports in the ships.

As I have said, we have information that the arbitrators have decided on this, have made their decision. This decision has been sent to the Efficient [ph] Court in Paris. And it's being reviewed for approval and we are waiting for the court to inform us the results. We were told that we would receive it last week and we are waiting for these results to arrive this week.

I can say and I am being conservative here to say these figures that I said, we have included that the figures of the mine that is going to be shipped through the port, if it's delivered in the mine, we will have additional figures to export through the ports and it's going to be over 40. I'm being conservative but I'm sure we're going to win it. But you know anyway to be conservative and run no risk of saying a figure that would be lower if we lost the decision, I prefer to be conservative. That is 100% of Vale's volume for delivery next year after the decision of the arbiters if we included here as sales in the port.

(interpreted) I would like to say that this event is being transmitted through the Internet. It's a webcast and that questions that we receive through the Internet will be entered soon after the event by the IR team, by Otavio through the Internet as well.

## Rafael Bitterman

(interpreted) I am Rafael Bitterman from Bradesco. Congratulations to all of you for the results for the presentation. And my job has to do with the issue of Casa de Pedra. I would like to understand the sales process of the ore. If the preemption right is somehow hampering the negotiation with customers in terms of long-term contracts and I think you have also a contract with Mitsubishi. You are negotiating it and then Vale came and exercised the expansion rights. I would like to understand whether this hampers negotiations.

And also, as regards NAMISA, if you could talk about the size of the reserves of CSN, the size of the reserves and whether the estimations of production include an increase in the production of CSN and the quality of the ore in terms of phosphorus and iron content.

## Unidentified Speaker

(interpreted) Firstly as regard to sale of iron ore, Evo [ph] from Valor Economico, he published that we are selling -- we're beginning the sale process. We haven't done this in 2007 for a very simple reason. We wanted to reserve the capacity of the port for us to consolidate NAMISA so that most of the exports will take place through the port in 2006 and 2007.

The process has started for next year. First just to give you a bit of figures from the 36 million tons, 8.5 million tons are for Volta Redonda. 3.5 are sold of iron ore from the Casa de Pedra mine to the domestic market and they are free from preemption rights and from preference rights and another 3 million are for the domestic market of CSN/NAMISA. If we add these up, we're talking about 14 million tons.

Additionally, we do have next year predictions for deliveries of another 5 million tons through Vale do Rio Doce. So we're talking about 60 million tons with respect to the 36. We have begun talking and actually a long time ago we're in the final phase of negotiation with several clients to begin to receive proposals for deliveries for March of next year. And why? Because the second phase of the port will only be ready in March let's say so.

Most of these 16 million which are still around are from NAMISA. So the ore from Casa de Pedra that will be sold to the international market next year will be about 10 million tons. This is as of 2009. We have all the offers we need until 2012 to sell 100% of the Casa de Pedra's production. And in the second semester, we will put this offer for value to exercise its preemption rights. If Vale buys it, we sell to Vale and we sell 100% of what we have expected. If they don't exercise their right, we're going to sell to third parties.

I would like Vale to exercise its preemption rights on the next proposals that we place because the more ore and the discussion in the arbitrage about delivery at the port or the mine will not be included in the next offers because the offers have been improved with the clients. Vale has created this duplicity.

But in the new offer, there will be no doubts about it. The first offer, they had no arguments in favor of it the first sale that we did and that according to Evo was to MM's shares -- MMX but I don't want to confirm it. This has been examined and reviewed by Vale and the offer is so clear and clean that there are no doubts. So everything has been prepared.

If Vale decides to exercise its rights for a certain tonnage, it will be in the mine. So we will be able to export additional volumes or additional -- make additional sales to Vale itself. Vale can exercise rights on lots of ore and we still have lots of ore to export and to make additional sales. For each ton that Vale decides to exercise its rights for is an additional ton that we can sell in 2008.

As regards to the CSN reserves, let's talk about resources. We -- there are no -- there is no -- we don't need lots of probing to define the resources. CSN has resources estimated at 500 million tons. There is no company in Minas Gerais that has audited reserves talking about CFM, ABC [ph] (inaudible). None of them has details in terms of probing of their reserves and geological models that could support a study to assess reserves.

So we cannot say about proven or unproven reserves. But the resources of 500 million tons we know about them because they are very close to the Mina de Pedra mine. The Ingeno mine [ph] of CFM belongs to Vale but they lost the right to it. We know that reserve very well and it's the major reserve that supports our business plan. We're going to prove the reserves in the Ingeno mine and it's about 100 million tons.

So considering the resources and the reserves that are proven or unproven that will be proved or not for the levels of production for CFM, we have reserves for 20 years of production and this without including additional probing works that we're going to do within CFM. In terms of increasing production in CFM, I told you that the production capacity of CFM including its own production and the purchase of other ore is 8 million.

For NAMISA, I said 111.5 and this comes from CFM Incorporated. And NAMISA had also other projects to add additional amounts for export. We have been working with the possibility of taking advantage of fuller size [ph] in the Ingeno mind and build a new plant for 5 million tons. I'm going to talk about this later because we are in the beginning of the project. We have just created the company. But in six months, we will be able to talk about economical and technical viability of this new plant because this is an additional 5 million in CFM/NAMISA.

We're working with this outlook. We believe that by the end of the decade, we will be working with NAMISA/CFM with something between 15 and 20 million tons.

## Rafael Bitterman

(interpreted) Just a follow-up. This 1.5 million tons that Evo believes has been sold to MMX, at this price if it's a long-term price or does it have a small premium in relation to Vale's long-term price?

## Unidentified Speaker

(interpreted) We're not in the market to be a player in the export market. We are players in long market. So all our practice are based on main spot prices in the international market, not only for this sale (inaudible) sales in the market. Of course, there are some markets where we are with premium prices in related to the market price customer but this is not our future. Because we're players of almost 100 million tons. So we cannot have such volumes. In spot, we're going to have a long-term contract.

## Rafael Bitterman

(interpreted) Another doubt. If Vale wins this dispute and you have to deliver at the port, is it at the port or inside the ship?

## Unidentified Speaker

(interpreted) Inside the ship. And the price is exercised the principal part [ph] over international prices. So the problem of delivering in the port is that it consumes capacity that we could be using in another sales. But if in the end that is the decision of the other trials, we're going to comply with it. And we're going to still be reaching the level of production that we told you. If it is on our favor that is to deliver at the mine, we're going to go beyond that.

## Marcelo Agular

(interpreted) Marcelo Agular from Goldman Sachs. And I have got a question for you. I would like you to talk a bit about the growth of the steelworks, a bit of the expense on project of Itaguai. You had a negotiation with other parties. So could you talk a bit about that?

## Unidentified Speaker

(interpreted) As you know, CSN's growth is based on four major projects. One is mining -- that is what is I have mentioned. The second is our cement plant that is already in progress in our Volta hit on the plant [ph] with startup in 2008. We also have a project of deliveries to the Chinese together with SEAISI Institute. We're starting -- we are very excited [ph] equipment are being built in China.

Our Itaguai project is being finalized. We have the presence of CISA next week here for the concepts of supplies, costs, timeline. And prices. So we believe that in 15 days or until the end of September, we will be defining the beginning of work for the Itaguai plant.

## Marcelo Agular

(interpreted) The second question is for Otavio. In the Second Quarter, you had high sales volumes. In the beginning, you have announcement of 5.6 million for 2007 which was a bit polemical at the time. Do you keep this first estimate [ph] after the Second Quarter with 5.6 million deliveries for 2007?

## Otavio Lazcano {BIO 4999009 <GO>}

(interpreted) I'm going to ask Martinez if you don't mind to answer this question.

## Luis Martinez {BIO 7187744 <GO>}

(interpreted) The guidance is maintained for 5.6 million. And if you could pay attention to the 1.4 in the Second Quarter, it's almost 5.6. We're very comfortable with the results and the guidances that we have, especially because in the Third Quarter, CSN still has strong licenses in the domestic market recovering market share. It recovered almost 5 points in market share in products that we believe that have lesser value added but they are hot rolls [ph] that have high added value to tell you the truth.

And in addition, in the distribution market, we have our own distributor which is Enow [ph] that is growing more and more in the market. It should have an outstanding position in the year. So the guidance is maintained for the year of 2007. Any more questions? Paolo Di Sora, please a microphone.

## Paolo Di Sora {BIO 3285292 <GO>}

(interpreted) My question is about internationalization. I would like Benjamin to tell us what the Brazilian companies are missing to finally get the whole (inaudible) potential of Brazil to leverage its growth in the global markets.

## Benjamin Steinbruch {BIO 1499059 <GO>}

(interpreted) I would say that we lack rationality. We still haven't been able to justify any investments that were analyzed in terms of return to shareholders. We're very much concerned with the last line. We're motivated and directed in the terms to present the results.

And in fact, the investments that were made, we also have many doubts in terms of return of investment. So I would say that to understand out of involves [ph] two weeks has been most aggressive in terms of analysis and participation in the international markets. But we would never do anything that would not give us a suitable return on investment.

Margins outside and deals that have been made were in fact directed to a good market. And in our assessment when you make an investment, especially of the amount such as we are used to make, we have to be prepared to a bad market. And if the market gets a bit worse, to tell you the truth, of all the investments that were made by large, medium and small stewards in terms of mergers and acquisitions, we're going to have a second round of opportunities because none of them provided or foresaw or forecasted that bad market.

So we are of course very attracted to internationalizing our Company. But our brand is EBITDA [ph]. The businesses that we're investing, mining, as demand and others are all directed to contributing to maintaining and growing the EBITDA. And that's so what we're focused on.

In terms of investments that we're making in Brazil, I would say that half of the production is for the internal market and the other half is for exports. But to add value to this quantity exported, we have to have the certainty that our margin is not going to be affected.

So I think that we have projects that are ongoing. Some of our investment plans are very aggressive. But they are very diversified. We decided to go for diversification as an insurance so to speak. We're going to market that we did not operate before. And based on our strengths, we wouldn't have any difficulties to have 10, 20% in each of those markets, be them in late scale growth plates [ph] or others.

So the plan is the same. Half of it is directed to the internal market, half directed to exports waiting for that timely moment where we can add value to the domestic production, maintaining the margins that we're used to work with.

## Unidentified Participant

(interpreted) Bruno [ph] (inaudible) is an opportunity. Juarez, could you talk about the extension of 21 and 40 million tons which are the two next stages of the mining? What in terms of equipment, trucks, infrastructure, landfilling has been done? And should we expect some kind of delay or is the timeline going to be maintained?

## Unidentified Speaker

(interpreted) So first in terms of equipment, mining equipment has all been bought and delivered for the phase of 40 100%. When I'm talking about mining, I am talking about the trucks, excavators, all of the equipment 100% bought and delivered.

There is a problem that is not affecting us because we have a relatively idle capacity for this equipment which is tires for trucks of 240 tons. This is a world problem that all miners are facing. But we hope and we are supporting with long-term agreements that this problem is not going to affect us.

In relation to a concentration mill, up to 40 tons all contracts have been signed. The civil works are going on. If you go to Casa de Pedra, you're going to see that there are lots of work taking place. Our timeline is really within schedule. Of course, we had delays already. But they are already included in the new schedule. So the schedule that we showed you is a schedule that we believe we're going to follow. In practice, if you take a look at the production that are considered for Casa de Pedra in 2008, it's still small; although, the phase of 31 already starts in March. But even with the start of 21, we have lots of interference in terms of assembly for the base of 40 that will not let them get to the 51 because of the assembly.

If the 21 phase does not get into operation, we would be producing even less than 16 because of those assembling interferences. So we're not forecasting up to 40 any kind of delay because we have already signed all contracts, bought everything, we're seen what is going [ph] on, civil works are going on. So of course, we say February, can be April. But that's not really a delay. It is the minor changes because of the work itself. But it's within control and within plans.

For 45, we are ready to have the installation licensed for this new plant of 5 million. We have the licensing hand and we're now having works and equipment. But the equipment that was a critical path for the plant of -- that's going to 45 million that was 40 meant for delivery, has already been bought. So the risk of delay that would be because of the delivery of the mills is nonexistent any longer. And the additional plant of 20 million, we're finishing that design now. And we have all times -- this is about to be delivered in 2011. So we do not expect any additional delays.

Another thing that is important is that we are discussing CSN a lot last year and this year and last year because of the accident and all the problems with that. And we decided that despite the accidents, we would produce as much capacity as possible so that we would have talks. So that as the ports were ready, the facilities were ready, we would not have any problems in terms of delay in Casa de Pedra that would prevent us from implementing the sales we're expecting. So even if we had delays that were not in our schedule, we would still have support of stocks to keep the sales forecasts that we have shown you. Any other questions?

## Ire Math

(interpreted) My name is Ire Math [ph] as I'm from Porto Alegre. I saw you slightly touching the accidents. Generally, companies -- well some companies learn a lot from this event and it seems that you did. Others don't.

What can you tell us that you learned in relation to those events which is a movement of 70% of capacity? I would ask Eneas to comment on that. Because he was forwarded this -- all the work of recovery in the plant.

## Eneas Diniz {BIO 15087108 <GO>}

(interpreted) The learning was the following but very simple and pragmatic. Our projects when we are discussing the project of Itaguai for instance, it was to be one of the largest blast furnaces in the world, not anymore. Today, we want to have an average blast furnace that we believe are much more economical. So our projects from now on just have to ensure us for never again to have a condition of having a whole company based on a blast furnace that accounts for 70% of its production.

Another thing that we learned is having a qualified technical team is very important. In the past two months, our blast furnace is a world record in coke rates. So all this was only made available because of our capacity of recovery of our technical teams and another thing to have good insurance. The insurance enabled us to go smoothly through this problem.

So I think this is all the learnings that we had. I would like to ask Otavio to complement on the insurance upsetting the market.

## Otavio Lazcano {BIO 4999009 <GO>}

(interpreted) Well in the accident, the claim was not in the blast furnace. The blast furnace was intact. It was just in the agitate [ph] equipment in the powder collector. So we received our best collector. We received a resident [ph] in insurance of the international reinsurers and we're going through the regulation process. But many months ago, we were informed formally by the reinsurers and the insurance company and the IRB that there is no restriction in our insurance policy. So we're going to calculate the loss and we're going to receive the resources in full.

## Unidentified Speaker

(interpreted) I would like to say that we learned a lot but we also talked a lot. Next day, we bought 1 million tons. Our team worked like crazy. And when I compare our first semester of this year with the first semester of last year, a company that had an accident on January 22 that compromises 72% of the production and we were able to react [ph] the accidents and were able to minimize the consequences as we did. It was a lesson that we learned and it was also something that we taught to third parties.

CSN was ready in 2006 to have a landmark year. Since the beginning, we have been guided towards reduction of costs and increasing the competitively [ph] of the Company.

We're working with margins of 54% of EBITDA. For sure, I can say that we are the highest margin worldwide and this does not have to do with luck. It has to do with dedicated work and efforts that have been in place for a long time.

2006 was to be our best year. We have prepared CSN to stand hurricanes. But we had no hurricanes but a benign scenario. So 2006 was to be a landmark year. Unfortunately, we had to learn that things are not as we expect them to be or as we would like them to be. But the Company's ability to recover was fantastic. The second semester of 2006 was very good. And from the point of view of the steel industry, we are ready to have the year of our life in 2007.

And for CSN as a whole, considering the mining flow that will be stronger as of next year, I would say that 2008 also we are poised to have a booming year in any market. These margins were not obtained at no cost. We were all always concerned about investing, not only in quantitative terms but in qualitative terms in industrial facilities and industrial processes. Our cost is today one of the lowest in the world in mining as well.

So I think that the accident last year taught us that things do not depend only on our will. If it depended only on our will, 2006 would be our year but we had a great ability to react. We were steadfast. And in 2007 -- 2007 will be the best for the Company. I would like to thank the presence of our regional people. Some people came from Porto Alegre and Belo Horizonte in Brasilia and I would like to open for a last question.

## Unidentified Participant

(interpreted) First question has to do with sales to the domestic market. From the listed companies, CSN was the only one that had the large market share. I would like to hear from you what you intend for the second semester. Are you going to capture new gains in distribution and civil constructions? Do you see opportunities in other segments?

And as for price readjustment, because the demand is heated in Brazil, do you see any possibility of adjusting prices up in the next year -- two months?

## Unidentified Speaker

(interpreted) As regards prices, we haven't captured the prices that were readjusted in the Second Quarter. In the Third Quarter, we will have a good surprise with regards to price.

Today, just to give you an idea, CSN has brought rolled prices at $850 -- $850; $870; cold rolled, $1100. Pre-painted products is at $1700, a $300 premium over zinc products. The Parana line works at full capacity focused on the domestic markets. And today we're planning new investments in a painting line in Parana to meet future demands in the civil construction market.

Another important -- this is a scenario with respect to prices. For the Third Quarter, we should capture something that was left from the second. This is for the internal market. As regards to demand in Q3, it is still strong. I mentioned the distribution segment. We have increased our share in the hot and cold-rolled product market. We are experiencing unprecedented growth. Fearsend [ph] grew by 41% and the market grew by 22%.

Another very important point that guarantees some sustainability in civil construction is that when we look at the growth of bar products, non-flat products, they are growing at 12%. What does it mean to CSN? It means that what is introduced in the form of bars will need coverage, will need roofing, etc. Then, we can come in presenting [ph] flat products. This gives us some guarantee that the products will boom in the next years -- in the next months.

Another important thing is the car sector or the car industry over this year and we began working on this last year. But over this year, we're reaping the fruit of the work we did with the car industry. So in the auto parts industry, our market share is at 23 or 24% in products with high added value. And in products such as hot rolled for the car industry, these are differentiated products as compared with the distribution industry. We are now selling to all car manufacturers and in this year, not so strongly. But in next year, we're going to have a larger share in this industry.

And as for the last industry that I would like to comment on, the packaging industry, we're focusing more on innovations. So it's -- we supply steel to this industry. During this semester, we will have novelties with clients that will show how possible it is to innovate in steel so we can compete with Tetra Pak in glass.

And just to wrap up, Q3 looked strong. The outlook is positive and we do not feel that CSN volumes will drop. We maintain the guidance and we focus more on the domestic market.

Okay, just one more question.

## Unidentified Participant

(interpreted) As regards mining and steel products as regards the steel industry, you said that you want to start working with thick slab products in the racks trails [ph]. Thick slab is a monopoly practically in Brazil. It has to be imported sometimes. It is a benign outlook for the industry but it is an exciting industry.

Do you see opportunities for investments in this area? And what about the rails? There are very few players wanted to get into this industry. I don't know what is the type of attractiveness of return of this type of project.

## Unidentified Speaker

(interpreted) So as for rails in Brazil, there is a demand of 80,000 tons. The railway industry has been abandoned in Brazil zero priority. And somehow using competitive and modern railway lines, this is a strong trend. MRS is a railway company -- a state-of-the-art railway company. I would also say that Vitoria-Minas is also and Casas Carajas is also state-of-the-art railway, LL [ph] as well.

And there are other projects, such as the North-South and trans-North Casina [ph] that will be implemented. I think that railway transportation in Brazil will finally become as important as it should have been in the last years. It's finally getting some focus.

I would say that the cost of play is about $200. And as for the import of rails, it's about 600 to $700, the cheapest rail we can buy from China. So there is a large margin for any of Brazilian steel companies to produce this type of product. And if we consider not only the domestic market that tends to increase but also export markets, I think that we will be competitive.

As regards to thick slab, I think that within our policy of diversifying risk and participating in all markets but focusing on the domestic market, we decided to enter all these markets. The quantity will not be expressive at first. But it will meet technical rationality criteria. That is of the investments made, we will direct this investment as much as we can to the diversification of products and direct these products to the domestic markets.

I don't think as I have said before that CSN lacks competence to participate or to take at least a 20% market share of this new market for us. So I think that more than anything, it is a strategy that we are adopting to instead of producing slabs just for exports, we can produce half for the domestic market and half for export. And in this 50% for the domestic market, we will prioritize products that we currently do not produce and we believe that we can include 1.5 million hot coils with Siemens [ph] lab testing hot coils which are cheaper with some usage restrictions but that can be used instead of construction. And we would allow these investments to be directed to the domestic markets.

Bear in mind, the products that we currently do not produce. So when you can produce 1.5 million tons of hot coils with this type of equipment, the laminator can be released to produce high quality and added value products for the car industry. And this 1.5 million tons of hot coils would go for the civil construction industry. There is an industrial adjustment that we have to make but we're very comfortable with this vision we have that we have to prioritize the domestic market in the markets that we do not participate yet and acquire a 20% market share of these markets.

It's now 10.30. Most of you have been here since 8 o'clock in the morning. And I would like Benjamin to make his final remarks.



## Benjamin Steinbruch {BIO 1499059 <GO>}

(interpreted) I would like to thank you all for coming. We are certainly concerned about the moment we're going through. It is a moment of strong turbulence. It is a moment that no one knows exactly the size of the hole and where it is. But I believe that as that are more geared to the real economy, production sales are more concrete economy you have to do our share.

We believe our Company. We're prepared for a bad market. We have experienced a very good market in the past year and a portrait of that is our margins. So I think that we have to wait a bit to understand what's going on financially wise, what is the laws, where it is located. But personally, I do not believe we're going through a recession period. I don't believe Red China will stop consuming, India is going to stop consuming even the United States is going to stop consuming. I think we're going to have losses basically in financial institutions and as a consequence a retraction of credit. But I don't think it is a qualitative issue. I think it's much more quantitative. That is these institutions after the loss will continue granting credit but more qualified credit.

Today, what we saw -- everything was good. Everything we did was work. Everyone was a genius. Everything was valued. But in fact, it was a situation of minimizing competence and favoring let's say quantity. And the things were mixed up to tell you the truth.

So the model in which I believe in is that after the realization of the loss, things are going to go back to normal. And those investments, those companies, those opportunities that deserve credit will have credit. If I'm wrong and things are more towards a recession in terms of consumption in the American market and as a consequence of recession in China, then we're talking about something that is completely different with much bigger losses and a situation that is completely unexpected and that we cannot quantify.

But I really cannot see China stopping consuming. Of course, it does not have to grow 15%, 10%. If it grows 2%; 3%, it is enough for things to remain as they are. I don't believe India will stop; winter is picking up for a long time. I don't think those countries can stop with a big social trauma and much more implications that -- and economic implications.

So I prefer to focus on this model that there will be losses. Unfortunately, this is true. But that will not jeopardize consumption for us to get into recession. Things are going to be much more qualified as they should always be. And they are going to be considered much more for what they are in fact. And I think of living an illusion I think is over. I think we have to start going back to reality.

Then, we have advantages as a company because the Company is trusted, prepared for bad market. It is diversifying its production line. It is very low-cost. And as I mentioned before, if we're not able to take part in a first moment of mergers and acquisitions that took place, we will certainly be ready for the second round but always thinking just the same way as we always do, mainly thought that we were a bit foolish in the past. But I think we did the right thing.

If the investment would not give us what we wanted in terms of return, we had the seriousness, the staff of reflections to say no. And for our shareholders, we did the right move. We prefer to be a little smaller but we're certainly much better. Thank you very much.

## Questions And Answers

## Operator

There are no questions.