Q1 2015 Earnings Call

Company Participants

- Romel Erwin, Chief Executive Officer and Technology and Quality Vice-President Officer
- Ronald Seckelmann, Finance and Investor Relations
- Wilfred Bruijn, Managing Director

Other Participants

- Alex Hacking, Analyst
- Andre Pinheiro, Analyst
- Carlos de Alba, Analyst
- Ivano Westin, Analyst
- Leonardo Correa, Analyst
- Rodolfo D'Angele, Analyst
- Thiago Lofiego, Analyst
- Unidentified Participant

Presentation

Operator

Good morning, ladies and gentlemen, thank you for standing by. Welcome to the Usiminas conference call to discuss the First Quarter 2015 Results. All participants are in a listen-only mode. Later on, we'll conduct a question-and-answer session when the instructions will be given. (Operator Instructions) As a reminder, this conference is being recorded.

I would like to mention that this conference together with the slides is also being broadcast via Internet at www.usiminas.com/ir. There we also have a copy of the company's recent release [ph]. If you're listening in English you can also ask questions directly to the speakers.

Before proceeding, let me mention that forward-looking statements during this call regarding the perspectives of the company as well as projections, operating targets and financial targets regarding a potential for growth are projections based on management's projections. These expectations are highly dependent on the steel industry on the economic situation and international market situation. So they are subject to change. Today with us we have the Executive Board of Usiminas; Mr. Romel Erwin, CEO and Technology and Quality Vice President; Ronald Seckelmann, Finance and Investor Relations Vice-President and Subsidiaries Vice-President; Sergio Leite, Commercial Vice-

President; Tulio Chipoletti, Industrial Vice-President; Nobuhiko Takamatsu, Corporate Planning Vice President Officer and Wilfred Bruijn - Bill; Managing Director of Mineracao Usiminas; Heitor Takaki, Managing Director of Usiminas Mecanica and Cristina Morgan, Head of IR.

First, Mr. Erwin will make a brief statement followed by Mr. Seckelmann who will talk about the first quarter 2015 results. And the executives will be available for questions. I will now give the floor to Mr. Romel Erwin.

Romel Erwin {BIO 17406447 <GO>}

Good morning, everybody. Usiminas Board is here at this conference to present the results regarding the first quarter 2015, as we have already said, after the presentation we'll be available to talk about the company's results. Beginning of this year has been very challenging to the Brazilian industry. Main consumers are flat steel, like the automotive sector, machines and equipment, distribution, civil construction and white goods are recording low levels of security [ph].

Today, however, in the first quarter of 2015, we have recorded an increase of a parent consumption of flat steel in Brazil vis-a-vis the fourth quarter of 2014.

So, where the Brazilian market consumes 55% more in this quarter, Usiminas managed a better performance. In our sales to the domestic market, we saw a hike of 10% vis-a-vis the fourth quarter of last year accounting for 88% of total sold.

This performance has had a positive impact on our EBITDA. When we compare this EBITDA with the previous quarter, the hike were 26% even with less electric energy sales. Our operating profit has reached 35 million.

However, Real's 21% depreciation against the dollar has led to a negative final result. In spite of the fact that all business units have had a better operating performance. The analysis of these results allows us to identify actions to reduce cost, improve quality and making the most of our market opportunities.

These results and measures also reaffirm our commitment to efficient management of the company and most of all, with transparency. (inaudible) economic scenario is a reality we'll have to deal with trying to extract as many opportunities from our businesses as possible. This requires discipline and focus, most of that was Usiminas' associates commitment in a true spirit of cooperation, they always know how to overcome challenges such as the one we have overcome in the first quarter. Thank you.

Ronald Seckelmann {BIO 3722329 <GO>}

Good morning to you all listening to our call. I'm going to make some comments regarding the results of the first quarter and I'm going to be supported by the slides which you have access to in our webcast. The first slide compares some physical indicators, total steel sales and iron ore sales, which have had slight variations between the two quarters. We also have two financial indicators, adjusted EBITDA and net loss profit was more expressive affiliations in opposite directions, EBITDA growing 26%, comparing last quarter of last year and the first quarter of this year and net loss profit growing twice as much from one quarter to the other but we have to remember that the exchange rate variation during this quarter is to be accounted for.

Then we have the evolution of sales volume in steel and we noticed that comparing the fourth quarter of 2014 with the first quarter of 2015, we see a better mix of geographic sales, increasing domestic sales and decreasing exports.

The next slide shows adjusted EBITDA and EBITDA margins for steel. So if we do not consider the sales of electric energy surplus which are highlighted in yellow in the columns, the results were above the two quarters, the last two quarters of last year. And looking at the sales volumes in mining, we see that for the first quarter in a row, we have no exports in this business unit. EBITDA margins shown on the next slide show an improvement in spite of still very low result.

In the comments we're going to make later, we're going to see the results of the fourth quarter of 2014 were impacted by extraordinary effects, -- one-off effects, which did not occur in the first quarter of 2015. Now talking about the consolidated results on the next slide, it shows that there has been an improvement. Margins are relatively stable for the last three quarters.

G&A expenses are under control in the last five quarters, which shows our objective to try to offset inflation impact with internal management effort, and we've been successful so far.

The next slide shows our working capital, which has increased but it's still below what was reached in first quarter of 2014 in nominal terms. In terms of steel inventories, as you can see in the next slide, we are more or less at the same levels of first quarter of 2014 with a one day difference between last year and this year inventories.

I would say that the capital [ph] shows the fluctuations, which we expect for this season. The next slide shows our indebtedness and our cash position, our net debt and the leveraging rate were impacted by the exchange rate fluctuations.

Finally, CapEx which is been following what we have projected for this year without greater surprises, worth commenting.

So these were the aspect that I wanted to highlight and now we are available for questions. Thank you.

Questions And Answers

Operator

Ladies and gentlemen, we are now going to start our Q&A session. (Operator Instructions) This conference is exclusive for investors and market analysts. Questions by journalists should be forwarded to our press support at 31-3499-8918 or via email to imprensa@usiminas.com. Thiago Lofiego from Merrill Lynch has the first question.

Q - Thiago Lofiego {BIO 16359318 <GO>}

Good morning, I have two questions. The first one regarding steel prices, for exports, because we see that your prices increased 11% in dollars in the quarter, I'd like know what's happening whether it's a mix, whether it's seasonal and also talking about the steel prices in domestic market, I'd like to have some color on the premium and what the price bias is, considering our market situation.

Finally, the cost of iron ore, which you're going to cut more of course is mining and what are the expectations for the (inaudible) and so on.

A - Romel Erwin {BIO 17406447 <GO>}

Good morning, Thiago. Regarding price, in terms of exports, we increased our average price at several regions, the first one being the exchange rate variation. We also were impacted by the mix, in our mix, we have reduced our hot rolled by 35%, our slabs we had exported 29,000 in the fourth quarter we've reduced the rate. And we had a reduction of 45% in heavy plates keeping galvanized products, which is the lowest price. So, we had a difference in the product mix. We've reduced our efforts in the first quarter, so this also provided for an improvement in the regional aspects.

We were concentrated in best prices markets. This enabled us to increase our average prices, vis-a-vis the fourth quarter of 2014. Regarding the domestic market, our average prices were above the fourth quarter of last year. You asked about the price situation that you call premium, well this premium is currently at 5% to 10% which is an equilibrium level, for a few weeks our exchange rate was above 320 and we had to think about a probable price increase, but in the last weeks, we saw a dollar depreciation and today we are exchanging the real for 305. This has brought about a generalized drop of products and a bias of stability in terms of prices for the second quarter.

A - Wilfred Bruijn {BIO 16707173 <GO>}

This is Bill, good morning. When you are ask about cutting costs, yes, we still are making efforts along these lines, we're negotiating with different service providers, we are renegotiating our contracts and we're revisiting the scope of our contracts too, this is regarding contracts with third parties.

Now -- as the clients themselves we have the mining costs, we are analyzing and trying to reduce or to optimize the transportation costs between the mines and the centers for benefiting the ore, this would decrease variable costs, so the message is, cost savings is a huge part of our action or of our efforts to face the current situation.

Regarding the Southeast port, we have been in contact with the Southeast port, port of Sudeste, because we want to know when the port is going to start operating.

What we can apprehend this is not official information but what we can apprehend is that it should start operating at the beginning of the second half of this year, between June and July. Thank you.

Operator

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

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

Thank you very much and good morning. The question that I have on iron ore is apparently there was a reversal of -- or an adjustment for lower payments regarding the freight contracts with take or pay conditions. So that are booked as a reduction of growth revenues and I would like to understand why this -- the reason, and what do you expect going forward given that it created some distortions on the realized price that we can back out from the reporting numbers and also if you could provide some comments about the revision in the useful life of your mining assets. And then finally, what are your expectations in terms of sales mix for steel in the second quarter and the remaining of the year?

Clearly, we were positively surprised by the stronger sales in the domestic market in Q1, but the reality is demand conditions in Brazil seems to be quite challenging, and I wonder if what we saw in Q1 is sustainable. Thank you.

A - Romel Erwin {BIO 17406447 <GO>}

Good morning, Carlos. Regarding your question on the take or pay for flight, our explanation is as follows. In the fourth quarter of 2014, there's been an increase of the provision of the take or pay for our contract and this provision was more strongly allocated in the fourth quarter, because along 2014, we were still waiting the possibility of opening the Sudeste port, we expected it to be opened on 2014, so we wanted to perform with exports using our logistics chain with MRS but as the year went by, as the news from the Sudeste port were rather frustrating because we realized that it wouldn't be opened in 2014.

So with a lack of exports and the lack of use of MRS, the adjustment of this provision is more concentrated on the fourth quarter of 2014. For this year, the first quarter of 2015, it have a provision but it was lower, because today we are expecting that Sudeste port will open in the second quarter or rather in the second half of the year.

So we expect to use this logistics chain and to minimize take or pay payments. So regarding MRS this is what we have to say.

Now at your second question, the revision of some assets and their useful life. This is a movement that we primarily study and analyze because we're always trying to see what the possibilities are of counting on our tools and our assets and mining. What we've realized regarding some pieces of the equipment is that useful lives maybe shorter. Therefore, we need to adjust depreciation up a little bit.

Carlos, regarding 2015 and the economic projections, what we see is, first of all, our economy in Brazil is going through a very delicate moment, we have expectations of GDP drop for 2015. So this drop of total GDP to the levels it's expected to drop if you look specifically to the transforming industry, the drop is even greater.

Now when you look at the steel consuming industries, the drop which last year was a good digit drop is still going to be very accentuated, very steep this year. The steel institute has already projected a drop of 7.8% in the apparent consumption of steel.

So for our business which is flat steel the drop is of 60%. This is the expected drop. So right now, talking about sales to the domestic market is a complicated matter what we can say is that regarding the second quarter, we do expect a drop in the domestic market.

In parallel, we expect to increase our export sales, our total sales would remains at the same level. The levels of the fourth quarter of 2014 and the first quarter of 2015.

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

Thank you.

Operator

Our next question comes from Leonardo Correa, BTG Pactual.

Q - Leonardo Correa {BIO 16441222 <GO>}

Good morning. Thank you. The first question regarding cost performance in this quarter, it was much higher than what the consensus for us, so let me understand what's written in the release. There was an impact of raw material, a drop in raw material cost, but you also talked about the sales mix, could you explain a little bit what happened and what led to this drop in steel and whether this can be sustained for the next quarters? And my second question is still talking about costs in mining and Bill thank you for your explanation was rather clear, but what would be the breakeven? What would be a level where exports would become interesting?

So at this scenario of 45, is it still worth exporting with the operation of port of Sudeste? And also speaking about the cost of mining and profitability, we see strong margins in mining in spite of the depressed cost and EBITDA margin of almost 40%.

So Bill, you've said there's been a reduction in the life of some piece of equipment and this has led to an increase in your depreciation rate, thus generating an impact in the EBITDA.

Could you please break down what is recurrent and what was an one-off situation and due to the accounting changes this would help us understand the situation a little bit better. And regarding working capital, we did see an increase, and this is a very volatile line. So it's very difficult to talk about the trend regarding just one quarter, but we see an investment of around R$300 million which is close to the negative fluctuation of cash flow.

So this was accountable in large part for the negative results.

So could you tell us what the trends are in the next quarters, will we be able to recover the working capital aspect and what would happen?

A - Ronald Seckelmann {BIO 3722329 <GO>}

Hi, Leonardo. Let's start talking about cost. So we tell you about the current costs and production and the cost of products sold, COGS, which is what we sold, but obviously was introduced in the same period. What we want to say is that our current costs have been impacted by the depreciation on raw materials.

So there was an increase or a pressure up. However, what we saw in this period was impacted by previous prices, and it's also about the mix sold and the mix produced.

So the products we produced for the period and what we sold. That's why we have both figures, because the impact on results comes from COGS, Cost Of Goods Sold, but what we are seeing here is that the exchange rate devaluation has had an impact on current cost. And this has an impact on our results from now on. We also had an increase on energy cost in this period.

So let me go to the last question that you asked. This increase in working capital is a little bit linked to the seasonality of sales, so in line with what happened, last year we had a very low level of raw materials inventory coal for example, we buy coal at the spot price, so when we had it on Board it's already now in our inventory and it was at very low prices last year and now it's normalized.

If you consider what happened last year, the trend in terms of working capital is to have a slight increase and then a reduction in the second half of the year. It's hard to tell whether this is going to occur again this year or not. But working capital is an account that is the object of our strict control and monitoring.

So we are going to keep it under control, cash is key at this point, but there are some seasonal variations from one quarter to the other that we have to make up with.

A - Wilfred Bruijn {BIO 16707173 <GO>}

Hi, this is Bill, Leonardo, I'm going to talk about the mining questions, I'm going to start talking about our breakeven at the port. When the port eventually opens and when we can export. Basically of course, this is not the only indicator we are going to take into consideration, that's important but it has to regarded together with three other factors.

The Maritime freight which is today contagious [ph] to us around $10 to $12 Brazil, China. The exchange rate which is still above R$3 and the iron ore quality, so if you have iron ore with the silica of 4.5 or more. You don't pay the penalties applied by global buyers, likewise, iron ore with iron grade of 65, which is a possibility if we have these projects.

This demands a different term, a premium of $4 to $5. So the combination of all these factors allied to the exact date when the Sudeste port is going to start operating, all these factors are going to say whether we are competitive or not.

But based on what we have today, because today we're going through a very difficult moment in the iron ore market. Each dollar does make a difference right now. And this speaks in favor of our efforts to reduce cost as much as possible to be as competitive as possible.

This leads me to the second half of your question, when you ask about the cost compositions, as I said there is a daily struggle to make all our suppliers aware, our vendors aware that they have to reduce cost, that we have to reduce cost by reducing prices or reducing scope.

This will still bear some fruit in the next quarters. We won't have an asset revaluation in the second quarter, so this won't be recurring factor. So this is what I have to say about the breakeven.

Q - Leonardo Correa {BIO 16441222 <GO>}

Thank you.

Operator

Next question, Rodolfo D'Angele from JP Morgan.

Q - Rodolfo D'Angele

Let me go back to the domestic market, could you tell us more specifically in this beginning of the second quarter, because the first quarter was considerably better than the fourth quarter of last year, in terms of domestic sales. I'd like to know whether you can say right now, or if you can already say that the second quarter will follow the same lines.

How is this short term going on, and when you talk about steel costs, how do you see the potential for cost drops, especially in the steel industry?

A - Wilfred Bruijn {BIO 16707173 <GO>}

Regarding our domestic market and the projections for the second quarter, we have already said a few words what we see is that our economy in Brazil is showing signs of weakness and is still in second quarter. So what we expect in terms of sales for the second quarter vis-a-vis the first quarter is a drop in sales.

We are working to offset this drop in sales by increasing our export, so that our total volume of crude sold is at the same level as in the first quarter. Regarding cost, 40% of our production cost is raw materials which were dollar denominated.

So in the first quarter, we had an impact of more than a 5% due to the depreciation of the exchange rate. So it all depends on how the exchange rate behaves from now on. Energy has increased in price in the second quarter and there are no projections for our decrease, we have inflation rates, we have collective bargain ahead and our effort is to try and feel [ph] those indexation process that we have in Brazil and try to offset the increases one way of offsetting the increases is scale.

If you have scale you can mitigate part of these effects is not something we expect for this year due to the economic perspectives which have just been mentioned. So what we can do is to try and become more efficient on a line by line basis, reduce operating cost and this is where we're focusing our efforts.

However, foreign impact such as exchange rate, power, electric energy and production volumes not always can you offset these by management efforts, or with management efforts. Thank you.

Operator

Our next question from Credit Suisse, Ivano Westin.

Q - Ivano Westin {BIO 17552393 <GO>}

Good morning. Thank you for the presentation. Regarding the energy, we see a strong movement in (inaudible)what should we expect for the remainder of the year? Now SG&A what can we expect for the remainder of the year, can you quantify it for us?

A - Romel Erwin {BIO 17406447 <GO>}

The electric energy issue, well our projections for 2015 is around R$40 million. In the first quarter just a little bit higher because of the seasonality of our energy contract, for the projection for 2015 are at R$40 million. Now, regarding SG&A, we have been managing to keep them stable in nominal terms for five quarters in a whole on average.

85% of these expenditures are our own personnel and third parties, and this is an item that's still highly indexed in Brazil. Highly pledged, so we need to offset this, these mandatory increases of labor with other efforts to decrease cost.

So we're trying to offset the figures, but this is more and more difficult, as you extinguish the possibilities you have. So in the short term, we don't expect any big changes in this account. Thank you.

Operator

Next question from Andre Pinheiro, Itau BBA.

Q - Andre Pinheiro {BIO 17114104 <GO>}

I have two questions, the first one is (inaudible) you said, you are going try to increase the exports to offset the drop in demand in the domestic market, however our exchange rate had a fluctuation of close to R$3, what does this do for exports, and then when you talk about cost the sales mix had a slightly lower cost, but the production cost was slightly higher.

So the gross margin of 9%, do you expect it to drop just because you have higher production cost?

A - Romel Erwin {BIO 17406447 <GO>}

Regarding the exports, Andre, I'm going to answer this is two blocks, right, one blocks is exports to Argentina, which is like an extension of our domestic market, it's part of Marca U, these exports still generate EBITDA margins, the other export are on margin on variable cost.

Even in with an exchange rate at 3, 310, due to the drop in prices at the international level, we still have results on marginal cost.

A - Ronald Seckelmann {BIO 3722329 <GO>}

Hi, Andre. I'm sorry. So going back to your questions regarding COGS, the evolution of COGS, for the next quarters, which will have an impact on the results, it's hard to anticipate. We would have to know what products we're going to sell in the next quarter. So it is hard to tell. What did have an impact in the first quarter was the exchange rate and the electric energy.

Well, the exchange rate has receded a bit. So in terms of what we lost, in terms of production cost, this will come back with the appreciation of Real in the second quarter. How this is going to impact COGS in the next quarter is still a little bit hard to tell.

When we see the behavior, we can tell a little bit about the trend in the mid-range. So in the first quarter, you see pressure on cost basically due to exchange rate levels and electric energy. In the second quarter, if everything stays the same, which is hard to tell, but maybe there will be a retraction in the imported raw materials.

So this will impact the COGS for the next quarter. So it's hard to anticipate. In principle, we don't expect huge variations in COGS for the next quarters.

Q - Andre Pinheiro {BIO 17114104 <GO>}

Okay. Thank you very much.

Operator

(Operator Instructions) Our next question comes from (inaudible).

Q - Unidentified Participant

Good morning, the first question regarding the investment plan and indebtedness in the first quarter, we just saw an investment of R$200 million, I remember that in the previous call, you said the expectation was 1 billion for CapEx in 2015.

So do you expect to reduce CapEx for the year as a whole, because your indebtedness is three times EBITDA and you have some covenants at 3.5, this is the first question.

The second question regards your imports in Brazil. You saw a very important volume sort of diminish in the third quarter, 10% higher than on the previous quarters.

In spite of the fact that still import or still going up, so what do you expect in terms of importing flat steel in Brazil, and this trend of an increase in the domestic market? Could it mean a decrease in the exports of steel?

A - Ronald Seckelmann {BIO 3722329 <GO>}

Hi, this is Ronald. CapEx and debt, okay, as you said these are two aspects that we see side by side, just like capital, working capital CapEx is very important in terms of keeping our indebtedness in adequate levels. In the first quarter, CapEx was at what we expected. And this is exactly where we can manage our CapEx account. If we adapt the pink [ph] of our expenditures in terms of cash generation and indebtedness.

In the next quarters, we don't see any possibility or projection to reduce or to stop the ongoing projects basically all CapEx projects that we have ongoing in the company are projects which have started in years ago and which are about to be finished or about to be concluded.

So we don't feel, we don't intend to stop anything. However, we can do something to pink our disbursement. So we can make some disbursements in the following quarter or sometimes in the following year with no impact to those project itself.

This is something we keep closed eyes on or we keep track very closely. And this is something we're going to do in the next month. Indebtedness is something that we also keep track of very carefully up to now there is no indication that we are going to break our net debt covenants by next June.

But this is indeed an account that is constantly monitored by management. Regarding steel imports this is a very important aspect for us.

In 2014, we had a rate of 50% which is high. But in 2014, we preferred to manage prices to the betterment of imports of higher import. So we've had an increase of domestic prices, vis-a-vis the previous year. Our comfort situation would be imports at 1 digit levels or in other words, below 10%.

In the first quarter, as you said, we had an expressive increase of imports vis-a-vis the fourth quarter of last year. We had a growth of 25%, it was a high hike, but these imports had been contracted, had been hired at the third and fourth quarter of 2014.

For 2015, we expect a drop in imports. First of all, due to the exchange rate risk, and next due to the slowing down of the Brazilian economy bringing on market risk. So these are two very important risk. So we expect to see a reduction in the rate of penetration in 2015, the first quarter was 16%, but we expected to close the year below 15%, but still not at 10%.

So this will be something balanced, there is a management factor that we could use, but we'd rather not use it at this point, but we expect this to drop. The volumes that entered in the fourth quarter will put pressure on the market for the second quarter.

This is one of the reasons why we see a drop in our sales in the domestic market, because the material that's in the market puts pressure on the market itself for the next quarter.

Operator

Alex Hacking from Citi Bank, next question.

Q - Alex Hacking {BIO 6599419 <GO>}

Thank you. Good morning and congratulations on the good result in the quarter. I'm happy for everybody at Usiminas to see the improvement. I have two clarifications, if it's okay. The first clarification was regarding a cost of goods sold, earlier you said that, in this quarter you are -- I think you were benefitting from lower COGS, lower selling inventory that was produced at lower cost, and therefore we should expect the cost of goods sold to be higher in the next quarter. I think that was from a question from Leonardo, so can I just clarify that that's what you were implying?

And then a second question, clarification are you still expecting the Sudeste port to open this year? Is that what they are indicating to you because it seems unrealistic in this environment that, that port would actually open but I'm just curious because I think earlier you said that you're still expecting to open this year. Thank you.

A - Ronald Seckelmann {BIO 3722329 <GO>}

Good morning, Alex. Regarding COGS, your question about COGS the transfer [ph] in next quarters, actually if we imagine that if we keep a constant mix of products that what you produce in one quarter, you sell in the next quarter, if you consider that, there is a tendency or a trend to increase costs in the second quarter due to the production COGS in the first quarter, but there are other factors to take into consideration.

The product mix, a number of other accounts, which have to do with the products, cost of product sold, maintenance, for example, important maintenance this impacts the cost of products sold and the production cost. So there are some other factors which might have an impact.

Therefore, I'd say there is a pressure on costs, basically due to the exchange rate and to the electric energy prices, but this does not mean that the COGS are necessarily going to rise in the second quarter. So there are some possibilities that this will happen but there may be other factors at play.

A - Wilfred Bruijn {BIO 16707173 <GO>}

Hi Alex this is Bill, I'm going to address your questions regarding the opening of the port of Sudeste, this port, and that's not before based on some contacts we've had with high officials at the Sudeste port and in light of market information, maybe not official information with the regulation, but we expect that port of Sudeste will start operating in mid-year.

We know that for this to occur they still have to get some other (inaudible) and licenses, the media has been talking about this a lot and so this has to be fulfilled and accomplished, so that they can actually open. Our expectation and our hope because we have a long-term contract it's been years and so our expectations is that the port will start operating this year as soon as possible.

Q - Unidentified Participant

Thank you.

Operator

Next question (inaudible).

Q - Unidentified Participant

Good morning. So you had a very positive result regarding exports considering the backs [ph] in the region. This increase in exports for the next quarters, do you think you can keep this mix or do you expect a worse mix or worse (inaudible)?

A - Ronald Seckelmann {BIO 3722329 <GO>}

We have already said that regarding exports, we are going to increase our exports for the second quarter of course, the way the international market is today with prices going down, you increase exports, you're going to reach markets with lower-margin.

So for the second quarter and for the second quarter, we expect margins that are lower than the first quarters. Thank you.

Operator

The Usiminas teleconference now comes to an end. We thank you for your participation, have a nice day. Thank you.