

Q3 2010 Earnings Call

Company Participants

- Luis Fernando Martinez, Chief Commercial Officer
- Paulo Penido Pinto Marques, CFO

Other Participants

- James Jiracha
- Marcos Assumpcao, Analyst
- Phillipe Noel, Analyst
- Reinaldo Intuiz, Analyst
- Rene Claywick, Analyst
- Rodrigo Barros, Analyst
- Yuri Mazlov, Analyst

Presentation

Operator

Good morning, ladies and gentlemen. At this time we would like to welcome everyone to CSN's Third Quarter 2010 earnings conference call.

Today we have with us the Company's executive officers.

(Operator Instructions)

We have simultaneous webcast that may be accessed through CSN's Investor Relations website at www.csn.com.br/ir. The slide presentation may be downloaded from this website. Please feel free to flip through the slides during the conference call. There will be a replay service for this call on the website.

Before proceeding, let me mention that forward-looking statements are being made under the Safe Harbor of the Securities Litigation Reform Act of 1996. Forward-looking statements are based on the beliefs and assumptions of CSN management and on information currently available to the Company. They involve risks, uncertainties and assumptions because they relate to future events, and therefore depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of CSN and could cause results to differ materially from those expressed in such forward-looking statements.

Now I'll turn the conference over to Mr. Paulo Penido Pinto Marques, who will present CSN's operating and financial highlights for the period. Mr. Penido, you may begin your conference.

Paulo Penido Pinto Marques {BIO 4384213 <GO>}

Thank you. Good morning, to everybody.

I would like to start this conference following our webcast presentation, starting, please, on page 3. We present in this page the highlights of our performance in the Third Quarter of 2010.

First, I would like to remember that our EBITDA margin reached 46%, which is stable number when comparing to the previous quarter. The year-to-date EBITDA reached R\$4.9 billion, 105% improvement over the first nine months of last year. And I would like to stress (I'll say four) (record) that we have achieved in this quarter.

First was the gross profit that amounted R\$5.2 billion. Second record was the year-to-date net revenue, which R\$11 billion. The third one was mining revenues that reached R\$1.2 billion in the quarter. And the fourth one the iron ore sales reaching 7 million tons in this quarter.

Considering that position the Company has kept its net debt to EBITDA ratio at 1.5 times, stable in the last three quarters, and the Company has also maintained quite liquid position, our cash position, by the end of the quarter was R\$11.5 billion.

Now moving to page 4, please. Just showing and sharing our sales levels, it achieved 1.19 million tons in terms of steel product sales, 1.19 million tons in the Third Quarter. On an accumulated base we have 3.75 million tons in the first nine months of the year, which is exactly the guidance that we have provided, 1.25 million tons per quarter in average.

If we look down, you can see that our sales by products are being preserved. As expected, it means a high value added product mix, which is a tradition of the Company.

Now on page 5, just showing the size of the sales, the 7 million tons of sales in iron ore. And just to share as guidance, we do expect to achieve a new record in the Fourth Quarter, exceeding the 7 million tons level.

Now on page 6, our consolidated net revenue achieved R\$3.9 billion in the quarter. And you can see in the pie charts on the right side of the page that more and more the mining business is becoming more important for us, as expected.

On page 7, we show the evolution of our EBITDA margin. As I said, the 46% level is being maintained when comparing to the Second Quarter of the year. The First Quarter of '09, if you all remember, was the, I'll say, the worst situation that we had as a result of the crisis that happened at the end of 2008.

Now on page 8, we show the evolution of our EBITDA from the Second Quarter of 2010 to the Third Quarter of 2010. Basically, the major reason why we had (present of clause) where the higher volumes and the higher price for our mining products.

On page 9, just some more details on our, as we already said, on our net debt to EBITDA ratio, it's stable.

On page 10, we show the bridge between our net debt by the end of June and our net debt at the end of September. Basically, the investments in terms of CapEx and other investments that we did explained the increase in net debt from R\$8.3 billion to R\$9.4 billion.

On page 11, we just share the graph that I know you all know about our share performance that has been well known by all of you.

Now, please, let's move to the Q&A session. Thank you.

Questions And Answers

Operator

(Operator Instructions)

Your first question comes from the line of (Reinaudo Intuiz) with Barclays Capital.

Q - Reinaudo Intuiz

Hello. Good morning, everyone, and thanks for the conference call. I would like to see why your deals on inventory levels throughout the (future) in Brazil today, especially how are you seeing inventory in the clients. And when do you expect to see a more normalized levels of inventory going forward and potentially shifting the pricing power (inaudible) That's the first question.

And the second question is related maybe if you could share your views on the global outlook for steel, how are you seeing steel prices and international steel prices over the next quarters. Those are the two questions. Thank you.

A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

Okay, Reinaudo, I will take advantage of the presence of (Martinez here) to share with you some -- the situation of (inaudible) and also the global outlook. He is our chief commercial officer.

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

Okay, okay. Hello, Reinaudo. How are you today?

Q - Reinaldo Intuiz

Morning.

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

Okay, regarding to your first question about inventory level, one of the things that we have to emphasize, we are very, very comfortable with the situation here in Brazil nowadays. We are realizing that we are going to have by year end a normalized inventory here in Brazil. Take into account that in the case of industry, there is no inventory since most of them are working to reduce inventory to show a better balance sheet for the next year.

In the case of distribution market, final market is working in a range of 3.9 months of inventory and we expect to have something like 2.8 or 2.9 by year end. So we are done in terms of inventory, in our opinion. Obviously, we are going to have by year end in terms of CSN a higher inventory comparative last year. But for sure we are going to pump all of the steel in the First Quarter of next year.

In the case of global outlook, we are very, very optimistic. We have been done our homework in terms of (premium) in terms of import, in terms of price. So for -- and another seems to be very important in the case of Brazil, we have a most important thing in an economy, demand. So we are forecasting to have this year growth in a range of 35%. And for the remaining -- for the First Quarter 2011 we are forecasting to have at least 5% of growth, or 8% to 10% during the whole year.

We are going to take advantage of our portfolio since most of imports are related to the - - are related to the galvanized products. And we are forecasting to have at least 85% related to the internal markets. Okay?

Q - Reinaldo Intuiz

Thank you.

Operator

Your next question comes from the line of (Rene Claywick) with UBS.

Q - Rene Claywick

Morning, gentlemen. Just to follow up on the discussion there, in terms of the sales decline that we saw quarter-on-quarter, your sales to distributors only fell marginally and you're highlighting that industry demands or industry issues on the industrial side have been limited. Was there any specific -- what was the reason for your decline? I mean you obviously had the pain from the distributor side, but your distribution side held up quite well. So I'm just curious about if there was anything strange in the quarter in terms of why the volume declines.

Then second question is the room for additional measures from the governments, in your view, in terms of the recent changes in terms of import price requirements.

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

Okay. Good morning. This is Luis Fernando Martinez talking. Regarding to declining sales in the Third Quarter, I've already talked about we are suffering from a lot of imports here in Brazil.

In terms of local competition, we are suffer from -- we are suffering less than our local competitors in Brazil. Our sales decline in a range of 8% against 15%, another--compare with other competitor in the local markets.

In terms of guidance, we are confirming that we are going to achieve 5 million tons a year. We have already done 3.8, and we are forecasting to have a remaining 1.2 in the Third Quarter.

Another thing to be emphasized, if we have any need to export some extra material. So far, all the material supplied for our parent company (was of cedar) and LLC in U.S.. All of them are bought in a local market, so we have room, if it's necessary, to supply from Brazil from the First Quarter, and coming back strong to the local market in the First Quarter next year.

And about government measures to -- related to the imports, we have a lot of things happening right now in Brazil. It's not a problem of the steel industry. We are able to compete. We don't have any fear of competing in the local market. But we are interested in competing our loyal competition. We are suffering a lot of some case of dumping materials in Brazil, second class material entering the country. So we have to -- we have been working in the case of technical specs. We are going to work to have a minimum price in Brazil to compare with another players like China and so on and so forth.

And another thing that we are going to analyze to the end of this year is there is a common sense to implement a kind of dumping, mainly in the coated product in Brazil. Thank you.

Q - Rene Claywick

Thank you.

Operator

And your next question comes from the line of (Phillipe Noel) with Merrill Lynch.

Q - Phillipe Noel

Hi. Good afternoon, everyone. So I have two questions. The first one is related to the (inaudible). If you could just give us an update on how much volumes you intend to sell in 2010 (inaudible) a few years in 2011, 2013.

(audio gap)

Operator

Ladies and gentlemen. this is the operator. The conference call will resume momentarily. I`delay in today's conference. Please hold, and the conference will resume momentarily. Thank you for your patience.

A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

Hello?

Operator

And you may begin, sir.

A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

Okay. Is Phillipe on the line? Let me --

Operator

Phillipe, if you could please press star, 1.

A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

Looks like --

Operator

And Phillipe, your line is open.

Q - Phillipe Noel

Hello, Paulo. Can you hear me now?

A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

Yes, I can hear you, Phillipe

Q - Phillipe Noel

Okay, so --

A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

Sorry, we were disconnected. You have asked about the iron ore (inaudible) and some guidance for our future volumes, right?

Q - Phillipe Noel

Yes. And my second question was related to the margins of your steel business. If you could just tell us what your margin is in the Third Quarter and what you think of these margins in the Fourth Quarter and in 2011.

A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

Okay. So iron ore, we may be reaching close to 8 million tons in the Fourth Quarter of the year, and we may be reaching the guidance of -- achieving the guidance that we have provided to the market of 27 million tons, around it, during 2010.

For next year we still don't have the final number. We have some good news. The expansion to reach 42 million tons in (inaudible) done. That's why we are -- our CapEx numbers for the month are low. We are testing the equipment. We are continuing the sequence of tests that we have to do in the mine. And of course doing the fine-tunings that we have to do.

So our mining capacity in (inaudible) next year may be reaching, let's say, by the end of the First Quarter something around 42 million tons, which give us the opportunity to sell in excess of 31 million tons next year. As I said, we don't have the final number. We are working hard to be as accurate as possible and to be as, I would say, and to deliver as much as possible of iron ore.

In terms --for the following years, if you take for 2012, for sure we are going to be around 40 million tons or exceeding 40 million tons. Because then we will have the full year of operation of this expanded capacity.

In terms of margins for these two business, we had 38% of margin in our steel business in the Third Quarter, which is -- just to make a comment, I was getting some information about our competitors, much higher, more than two times the margin of our closest competitor. And this margin may reduce a little bit in the Fourth Quarter as a result of the price that are being used in the domestic market right now.

But in all scenarios, it will be in excess of 30%. We don't see our margin in this two business below 30% in the near term, I may say.

Q - Phillipe Noel

But you see the rest of the margins could fall to this 30% level?

A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

No not 32 or 33, it may reduce but we don't have the final number it depends on the mix. I'm talking about steel not about (inaudible). Okay? Just steel. Remarking on the mining this around 30% as we all know.

Q - Phillipe Noel

Okay thank you Paulo.

A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

Okay thanks Phillipe.

Operator

(Operator Instructions): Your next question comes from the line of Rodrigo Barros with Deutsche Bank.

Q - Rodrigo Barros {BIO 5851294 <GO>}

Hello, Paulo. Congratulations once again for the results. I have a couple of questions. The first one actually is follow on the previous caller. I just want to make sure (what is kind of coal), that I understood it correctly. Did you say that the coal cost in the second -- in the Fourth Quarter would be \$250 and in the First Quarter this goes down to \$115? This is the first question.

And my second question is for Martinez. You mentioned in this call that you're, say, bullish on steel prices early in the year and some recovery. I wonder if you can share with us what's your view on international prices. For example, how do you see (hot rolled sheet) prices for 2011 on average? Thank you very much.

A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

Okay, let's start with coal price. As I said in the previous conference call, we are buying coal today around \$210 and \$215 per ton (our plan of coal). Checking the numbers, you see that our cost of coal is around \$250 to \$260 per ton as a result of the carrying over that we have from old contracts that we are gradually eliminating.

In the First Quarter, I don't have the exact number, but it will be, I would say, much closer to \$215 then to \$(250). By then, we'll be finishing this carry over situation that we have right now.

Q - Rodrigo Barros {BIO 5851294 <GO>}

Okay. Thank you.

A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

Okay. Martinez is going to talk about --

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

Hello, Rodrigo. Martinez again. How are you?

Q - Rodrigo Barros {BIO 5851294 <GO>}

Fine, thank you.

FINAL

Bloomberg Transcript

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

Obviously, we are very happy with the Brazilian situation. We are going to grow -- in Brazil the total consumption will be around 35%. So it's a number to be celebrated for sure. We are going to -- that's one of the reason we are very, very bullish for the First Quarter next year.

Markets sometimes is bearish because the international situation is completely different and the other way. But in the case of CSN, you have to take into account that 85% of our volume goes to the local markets. And we are suffering a lot from galvanized, (inaudible) coated products imports. So we are going to capture the recovery of -- not the recovery of the economy, the recovery of supplying local customers with local steel. And that's one of the reasons we are very bullish in terms of markets.

In international markets we understand that we are going to have a steady situation, at least for the First Quarter. I don't know what's going to happen in the Second Quarter because I think is too early to analyze and I don't have enough numbers to talk with you. But anyway, we are very, very bullish in terms of Brazil.

And I cannot consider Brazil as an island comparing with the global market. But our strategy is very, very focused in local markets and in local customers in very wide range of portfolio. And you know exactly what I'm talking about, okay? Thank you, Rodrigo.

Q - Rodrigo Barros {BIO 5851294 <GO>}

Thank you.

Operator

(Operator Instructions) You have a follow-up question from the line of Rene Claywick with UBS.

Q - Rene Claywick

Sorry. Just clarifying on the iron ore volumes, the volumes you refer to are obviously purely (inaudible). You are not including any recent numbers in your guidance, correct?

A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

No, not including. That's the consolidated -- the numbers that I have mention (inaudible) plus 100% of (inaudible).

Q - Rene Claywick

Thank you, Paulo.

A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

Okay.

Operator

And your next question comes from the line of (James Jiracha) with (Genesis).

Q - James Jiracha

Yes, hello, gentlemen. I'd just like to ask if you have a feeling as to how quickly the new import taxes on steel products will actually be put into effect. And additionally, what sort of competitive response would you expect to happen by either the current importers or the foreign steel companies?

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

Hello, James. This is Luis Martinez talking. We are -- as I mentioned before, in terms of imports, we have seen -- done our homework in Brazil. So one of the things that we are going to have from now on to the end of -- at least to the end of this year or early next quarter, we are going to keep premium over imported landed material in Brazil in a range of 8% to 15%.

So we are not so -- we are not selling price in Brazil. Some of our customers are buying value. So that's one of the reasons we understand that we can compete with the current exchange rate in Brazil.

Another very important point to be pointed, in terms of imports, a lot of amateur people enter in the market in Brazil. So most of them are losing lots of money in Brazil due to our decision here in Brazil. So that's one of the reasons we understand that we are going to have much more -- much less imports in Brazil starting in January. Maybe in the Fourth Quarter we are going to foresee or are going to experience some different situation in terms of imports.

Q - James Jiracha

So --

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

Okay?

Q - James Jiracha

-- we're in the Fourth Quarter now, so I'm just curious. If -- I mean, are those new taxes already in force?

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

No. In terms of (new facts), we are working -- we are working not to -- we are able to compete no matter what the situation is. We are going -- we are interested in having our loyal competition here in Brazil. We are not interested in competing with second-class mills. We are not interested in competing with dumping.

FINAL

Bloomberg Transcript

But in terms of new facts, we have to emphasize that we are going to establish with the government not a tax increase, but we are going to establish a minimum price to be imported to Brazil because we are suffering from a lot in terms of dumping. And another thing that we are going to analyze if there is a chance to implement a kind of anti-dumping law here in Brazil, trying to prevent against newcomers and new other competitors here in Brazil.

So we are very, very optimistic that we are going to have -- to the end of this year, we are going to experience less imports than the Third Quarter and much less in the First Quarter next year.

A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

James, if I may say, this is Paulo speaking, there are no new taxes. What we have is Brazilian authorities are taking measures to provide fair business environment, avoiding excesses that are being -- were happening in Brazil, as Martinez has explained.

Q - James Jiracha

All right. Thank you.

A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

Okay. Thanks.

Operator

Your next question comes from the line of Yuri Mazlov with JP Morgan.

Q - Yuri Mazlov

Hello. I've got a couple of questions. The first one is an easy one. Your guidance for iron ore for 2011, I don't think I caught it correctly. Did you say 31 million tons?

A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

What we have said is that we are still doing our projections for next year and they will be in excess of 31 million tons. That's what we have said. We have not announced the guidance for that period and we also have said that they will be around 40 million tons for the following year.

Q - Yuri Mazlov

Okay.

A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

But these are very preliminary numbers that I'm sharing.

Q - Yuri Mazlov

FINAL

I understand. And another question I had, my understanding was that there was some delays with (port expansion) from 30 million tons to 45 million tons. Could you just talk about that?

A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

There are no major delays in the expansion of our mining capacity. We have finish the construction of all major equipments in the mine. We are testing them, as I said before. Yes. We have some delays in our (port capacity) that we are catching up as quick as possible. But is 45 million ton level of capacity for the port capacity that are being -- I would say we are working hard at this point in time.

And that's the major limitation that we have at this point in time for the exports of that steel. That's why we are still fine-tuning the numbers for next year. We are trying to deliver as much as possible to export as much as possible.

Q - Yuri Mazlov

When do you expect to have 45 million tons of port capacity?

A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

Second half of next year. I don't have the final number -- the final date. That's why we don't have the final number.

Q - Yuri Mazlov

And after this expansion of 45 million tons, what is the next expansion of port capacity? And a related question probably is what sort of (rollings) would you expect to see (inaudible) sales in 2013? I understand it's early to say, but roughly.

A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

The following step would be a 60 million ton phase. We don't expect any delay for this phase, as we have already bought all the equipment for this phase. So it's ordered. That's something that will be arriving and will be assembled as soon as possible in our port facilities.

So --

Q - Yuri Mazlov

But when do you expect 60 million tons to come? So 45 million tons you expect second half 2011. When do you expect 60 million tons?

A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

I would say in the Second Quarter of 2012.

Q - Yuri Mazlov

Bloomberg Transcript

Okay. Thank you very much.

A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

Thank you, Yuri.

Operator

Your next question comes from the line Rodrigo Barros with Deutsche Bank.

Q - Rodrigo Barros {BIO 5851294 <GO>}

I have a follow-up question because this potential increasing (in import tax debt) has been a major source of controversy over the last couple of days. The question is do you believe that there's going to be an increasing import tax from 12 to something higher? And if it does, do you think that the news will compromise (inaudible) prices?

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

Rodrigo, this is Martinez speaking again. We are not afraid of competing here in Brazil. And we are not trying to have the import tariff increased in Brazil. We are just interested in having a loyal competition in Brazil. So we are prepared to compete. We have been doing our homework. And we are going to keep our prices over imported landed materials in Brazil much lower than we used to have.

Just to remember, we used to have in the recent past something like 25% and now we are working in a range of 8% to 15%.

A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

Premium.

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

Premium over imported landed material in Brazil.

We have also to take into account that Brazil is now the highlight of the world. All of the countries are trying to grow in Brazil. And obviously, as a Brazilian company, as a Brazilian citizenship, we have the obligation trying to keep our markets good in terms of competition. But it's not a problem of CSN and it's not a problem of steel. It's a problem that we need to understand in a global view.

Okay?

Q - Rodrigo Barros {BIO 5851294 <GO>}

Sure. Okay. Thank you, Martinez. Because actually just as a follow-up, one thing that's very clear (inaudible) if you are a Brazilian (shoemaker) and you don't have raw material or

(integrated energy), (inaudible) show that your production (inaudible) is above the world average.

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

(inaudible; microphone inaccessible)

Q - Rodrigo Barros {BIO 5851294 <GO>}

(inaudible; microphone inaccessible) view is that you should focus on taxes, right, more than the tariffs?

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

Yes. And we have already (set a call with you) (inaudible) 3 p.m. --

Q - Rodrigo Barros {BIO 5851294 <GO>}

Thanks very much. Thank you.

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

Thank you.

Operator

Your next question comes from the line of Marcos Assumpcao with Itau.

Q - Marcos Assumpcao {BIO 7474402 <GO>}

Hi. Good morning, everybody. Congratulations on the results. My question is regarding the mining business. On the potential margin between (inaudible), Paulo, you mentioned in the previous call that negotiations are ongoing right now. I would just like to understand what are the key points of discussion? I understand the process is slow, but what are the key points of discussion right now?

And after there is an agreement between both companies, how long it could take in order for the Company to prepare for the IPO.

A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

Okay, Marcos. I can say that the negotiations between (JKC), which is the Japan/Korea consortium, and us is developing well. It's -- I'd say there are lots of points where we have reached the consensus. A major point is that this measure is, I would say, a good thing for both companies, for both, I would say, parties on the negotiation.

I will not share details of where we are. It's, I would say, (inaudible) details that we are managing to do.

FINAL

Bloomberg Transcript

FINAL

I can also share that we are nearly prepared to do the measure on a very quick basis in term of (inaudible) in terms of legal details, in term of accounting, tax. They're all done. So we are authorizations and (possessions), things like that, they are all under, I would say, (inaudible) what we have to do in this phase.

So as soon as we finish this negotiation, if we finish it on a successful way, the IPO can be arranged on a very quick basis. But there is another variable. It depends on the market situation. It will depend on how the market will be when we finish.

There is no hurry. As you know, CSN is quite liquid at this point in time, so we don't need to do it in a hurry. We need to do a good deal for everybody, a good deal for our shareholders, a good deal for us, a good deal for the (inaudible) shareholders (inaudible). And that's what we are looking for.

Q - Marcos Assumpcao {BIO 7474402 <GO>}

Okay, Paulo. And just a follow-up question also from the previous call. On the use of your potential liquidity or cash position, what are the main businesses and regions of interest?

A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

As we had announced before and as the market have seen, we have tried to buy (Simpor) in the beginning of the year. So cement is one of the sectors where we are looking for to use -- or to do an M&A deal. We are trying to have a better presence in Brazil and also a better presence in Latin America, in the region of (inaudible) and Paraguay or in the region of Peru, Columbia and Chile.

So there are two regions where we are focusing. But we are also focusing in the U.S. and in Europe. So cement is something where we plan to grow and to make it a bigger business. It's one of our core business but we are -- we want to expand.

Second, we -- as it is our core business, steel is something that we really always pay attention. There are very, very few opportunities, but we keep close attention to these opportunities to see if makes sense to do an acquisition in this area. So these are the two major, I would say, focuses that we have in the M&A scenario.

But I have to say that there are no limitation to it. It's it, but not limited to it. We can do some more to move this, depending on opportunities, but always focused in our core business, steel, mining and cement.

Q - Marcos Assumpcao {BIO 7474402 <GO>}

Perfect, Paulo. Thank you very much.

A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

You're welcome.

Bloomberg Transcript

Operator

You have a follow-up question from the line of Rene Claywick with UBS.

Q - Rene Claywick

Gentlemen, is there an update or can you give us an update on your expectations with the negotiations on the consolidation of the (inaudible) in terms of whether or not you expect the prepayments to be -- the prepayments to be repaid or not?

A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

Okay, Rene. The prepayments when we merge the two companies, they are extinguished because the companies will be together. Of course, the settlement of this situation will be negotiated during the merger -- in the (inaudible) that we are doing right now. But the Company becomes more simpler.

That's it.

Q - Rene Claywick

Thank you.

Operator

I'll now turn the floor over to Mr. Paulo Penido for closing remarks. Mr. Penido, go ahead.

A - Paulo Penido Pinto Marques {BIO 4384213 <GO>}

Okay, I would like to thank you all for participating in our conference call. And to remember that our investor relations area remains available for any further question. Thank you.

Operator

Thank you. This concludes today's CSN Third Quarter 2010 earnings conference call. You may disconnect your lines at this time.

This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily

reflect the views of Bloomberg LP. © COPYRIGHT 2022, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.

FINAL

Bloomberg Transcript