

## Y 2020 Earnings Call

### Company Participants

- Alberto Akikazu Ono, CFO, VP of Finance, IR & Corporate Planning and Member of Executive Board
- Americo Ferreira Neto, Industrial VP Director & Member of Executive Board
- Miguel Angel Homes Camejo, Commercial Director, VP & Member of Executive Board
- Sergio Leite de Andrade, CEO & Member of Executive Board
- Unidentified Speaker, Unknown

### Other Participants

- Unidentified Participant, Analyst

### Presentation

#### Unidentified Speaker

(Speaking in Foreign Language).

For those who want to follow us in English, a free translation of the webcast presentation is available on the Usiminas IR website. We also have an (inaudible) simultaneous translation. Please choose the sound channel on the icon at the bottom of your Zoom screen.

(Speaking in Foreign Language).

#### **Sergio Leite de Andrade** {BIO 6771322 <GO>}

(Technical difficulty) number of records here.

One special record is very important for us. That is the EBITDA. The EBITDA, well, we reached BRL3.2 billion in EBITDA. This figure for us has a very special meaning because it's during the difficult times of 2016, our dream was to have an EBITDA of BRL3 billion, and we achieved it in the middle of such a difficult year.

And we need -- and each one of us made a great effort, and we achieved it in a consolidated fashion, where each one of the companies prepared themselves strongly for the performance that we're showing now. These -- these results, you will see with Alberto in details, and we will also highlight some important actions. I would like to highlight a very important project, a project where we are working is the diversity and inclusion project where we've worked in five fronts, involving all the T-Mobile this means

[ph] this diversity and inclusion project that has been able to receive national and international awards.

It is a very valuable project for us in Usiminas and for us and for us in the management. June last year, we created the general management of sustainability in the company, which is connected to the presidencies and now consolidates and manages in an integrated fashion. All of our actions connected to sustainability, actions that had been developed throughout the year. But with the creation of this general management, we were able to focus even more. An agenda and SGA is present with more intensity.

Today here, we're going to present, and Alberto is going to state our main actions in our ESG agenda and the main objectives, especially for 2021. This is a commitment from the entire management to work in responsibility, to work with social, environmental responsibility and governance that is a very important point, not only for us but for all the companies and all the universe -- in the world, right?

We also carried out, and I will show you a number of actions in order to increase our competitiveness. And my comment here reflects our spirit when we make certain decisions. The example here is an example that we communicated in December that was the cell of our headquarters in Belo Horizonte where we are present this headquarter that we will leave in the middle of March that was sold to -- to the Foundation Sao Francisco Xavier that is our social arm that works with health and education. This selling point meant a lot to us. Within the meaning, I would show you 4 special meanings. One of it is that we reduced BRL130 million. This is was immobilized in this area.

And now we can invest in other activities. Number two, we are going to a new headquarter in the central area of Belo Horizonte we will announce the new address in the upcoming days. What is important to highlight that is in this new headquarters, we are reducing the operating cost in over 30%. And now we're going to paying lease. Even paying lease, we're reducing our operating cost at 30%. We are doing this in all of our areas in all of our companies.

In our Sao Paulo office, we reduced 50%. Another important point just for you to bear in mind in this building where we are present today that has sheltered us for over 40 years, we had six floors at our disposal with 3,400 square meters in each one of these floors, and we already occupied less than half. So now we're going to a new headquarter where we will occupy in a number of floors, 3,200 square meters. That is 1/6 of this headquarter in terms of size. The legacy is very important for us, the legacy that we're leaving in these headquarters that are very important for us. Here in March of 2022, we will inaugurate Usiminas Hospital, an additional hospital unit in Belo Horizonte that will service, will be of reference because in AR FUNDA,ÌO SÌO FRANCISCO XAVIER, including this hospital that we will -- we will have 6 hospitals and 5 are being built.

We are reference hospitals. So when (inaudible) de Chica has been considered one of the best hospitals in Bella (inaudible). So it's with this spirit that we continue building the present and the future. Looking for competitiveness, productivity, a great effort to rid us

costs, to improve processes, to the commitment with our ESG agenda, innovation is also a very important point for us, and we have already been nationally recognized.

We are amongst the companies that more interacts with startups. So we are going towards the building of the present and the future. And currently, we are creating our new long-term view, something that we call the Usiminas Vision 2030 as we are building this new vision together. With our pluriannual 2021, '21. Why? Because we want to be able to offer to the market, to offer to our customers, to offer to our employees, the communities where we're present that involve 13 cities in Brazil.

And our influence affects dozens of cities in Valle Duouiso [ph] we are strongly influential. And first and foremost, we have assumed the commitment with each one of you, investors and analysts that trust our company, the commitment that we always had, that is to continue working more intensively with innovation, pursuing the improvement of our results, committed to our ESG agenda and to make progress so that we have a better future for companies and for all of our stakeholders.

Now I give the floor to Alberto Ono, our Finance Vice President that will show the results of the Fourth Quarter of 2020 and of the year 2020.

Thank you very much for being with us. Your presence is very important for us in Usiminas.

A great hug and thank you.

**Alberto Akikazu Ono** {BIO 20633628 <GO>}

So good morning to everyone. I am also going to take my mask off. We are maintaining social distancing.

Well ladies and gentlemen. we will see the figures of the Fourth Quarter, then we will comment on the figures of the year.

Now regarding the Fourth Quarter, now sales of steel, they exceeded 1.1 million tons. We didn't achieve this since 2015 for some time, there wasn't a quarter with such a high-volume. And also 21% above the past quarter, and in the domestic market in sales, we outperformed 1 million tons, almost 1,000,100 tons. This figure is also very important, because we hadn't been able to achieve this level since 2015. This demonstrates -- this demonstrates that we have prioritized on the domestic market. You can see that the growth from the third to the Fourth Quarter, up 37%, is because we prioritized the demand in the domestic market.

Regarding iron ore sales, practically, this is stable. What I would like to highlight here is the increase in sales from the mining unit to steel unit. This is -- this is why a blast furnace, one was -- resumed its operation in the First Quarter. We had a blast furnace that worked for an entire quarter. This also shows you how crude steel increased in Ipatinga.

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And here, we have our EBITDA. Practically, we doubled our EBITDA from BRL826 million to BRL1.607 billion with the margin, 29%, an improvement, and we will see in the future. There was an improvement in the Mineracao unit. The figures are very similar, but it but with higher prices, but also we have an improvement in our result in our steel unit.

In addition to higher volumes, we will see better results in terms of our steel unit. Talking about net profit. There was a variation very significant of tenfold. But here, we have to highlight two noncash flow effects. If we add them, this will add up to BRL1 billion from BRL1.9 billion that we see in net profit during the Fourth Quarter. As a matter of fact, there are two effects. The exchange rate effect because the valuation of the real vis-a-vis the dollar that impacted here and the impairment reversion that was carried out this quarter of BRL737 million. When you add them this adds up to BRL1 million -- BRL1 billion. But when we discount this cash effect, we have had a very significant net profit.

Now our next slide. Here, you can see the EBITDA and the consolidated margin in the last quarters. Here, you can see, as a matter of fact, that we have made progression since the Second Quarter of 2020, where we had a very negative result, and we have had strong recovery. And another point that I would just like to add in terms of nonrecurring effects during the Fourth Quarter, we basically had an effect because we sold property in addition to selling our headquarters.

But we also sold a commercial building in the shopping mall, valle duas [ph]. So this is why we have this nonrecurring effect of BRL151 million. Our next slide now. Here, you can see the steel unit results. Here we have an adjusted EBITDA of BRL605 million. Therefore, this is an improvement, 4x greater than the last quarter with the margin of 14%. This is a significant recovery in the steel unit results. Now let's go to our next slide. Here our mining unit. Our mining units has been achieving record results quarter-on-quarter. Here, we have a new record, reaching almost BRL1 billion in the Fourth Quarter and a margin of 68%.

As we have seen the volumes of the third and the Fourth Quarter are very similar. And basically, this is an effect of price and exchange rate during this quarter. Another unit with very good performance and a good recovery were our Solucoes Usiminas, once again this is EBIT [ph] record of BRL137 million, more than double than last quarter. This is the highest historic margin of 10%, with very strong performance during the Fourth Quarter in this unit.

Usiminas Mecanica, as we already mentioned, the intention with the restructuring is to have positive results. And here, you can see although we have a negative result, but it has improved, and this is a result of our restructuring actions that ended at the end of the year. So we do hope that as of now, as of 2021, we are able to attain better results, and we go back to good levels. Now the results of the year. In terms of steel sales, there was a global drop of 9%, basically concentrated in the domestic market, which is 10%. I would like to remind you that the -- we had -- this is because of the drops that we saw during the Second Quarter, and there was a recovery.

The Fourth Quarter was stronger, but it wasn't enough to recover it -- to recover. When we compare it to the last year, iron ore and iron, stable, although BRL8.233 [ph] million --

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it's a new record, but it's a new record for our mining unit. What was a significant -- was exports, 28%. We had almost 6 million tons towards the international market.

In terms of EBITDA, as I said, we reached BRL3.2 million, an improvement of over 60% vis-a-vis 2019, with a 20% margin in the year. In terms of net profit, we also have a significant improvement regarding 2019 with almost BRL1.3 million. Just an observation. When we see the results of the year, the exchange rate variation was negative BRL765 million and impairment reversion, BRL731 million positive. The noncash effects are lower when we see the year, and this will represent more or less BRL34 million. In the year, the net profit, we can say this is -- it's a result that comes from our operational results. Now so here we can see since 2016, we've had -- as Sergio mentioned, a historic EBITDA since 2018.

When we see nonrecurring effects, when we add them, this is BRL141 million. I would like to highlight the quarter effect that is BRL151 million, and we commented the other figures throughout the year. Here, we're talking about our steel unit. Here our steel unit BRL1 billion, nonrecurring FX of BRL151 on the globe -- BRL160 globally, we were below last year. But when we when we see that we have strongly recovered when we remembered the bad results of the Second Quarter of 2020.

Here for Mineracao in terms of the quarters and in the year, this is a new record, BRL2.2 billion throughout 2020, with a margin of 57%. In terms of margin, we've seen higher margins in the past. But in terms of the total EBITDA of the year, this is a new record for us. Now Solucoes Usiminas, BRL212 million of EBITDA. And practically, twice of what we observed in the past three years, so the year of 2019 had reached a record. And now we have a new record, practically doubling the EBITDA that we've seen in the past. With Usiminas Mecanica here, this is the consolidated result of the year.

Here, the result is still negative. Now we have other financial indicators. The first one would be on working capital. Our working capital in financial terms, there was still a drop during the Fourth Quarter. There was a 4% drop. Therefore, we were below BRL3 million. Although we had an increase in our steel inventories. Here, we have an increase of 8% in tons, totaling almost 600,000 tons because of the increase of production, if we analyze the production, in terms of world products. The increase from the third of 4% was we had a recovery in sales and also better inventories.

Although working capital dropped the days of stock were 48 days. And here, going to our next slide. What about our net debt and cash? number one, I would like to stress that the - that we've seen an increase of our cash flow since the Fourth Quarter of 2019. So here, you can observe that we have accumulated cash position. And during the last quarter, there was a significant increase of 30% totally BRL4.9 billion -- million reais and because of a reduction of our debt because of the exchange rate variation, this means that we have a net debt of BRL1.1 billion and a net leverage, which is something that we hadn't seen since 2008 of 0.3x.

Therefore, we are way below 1. Regarding our CapEx during the Fourth Quarter, we had BRL245 million, maintaining a level of BRL180 million and BRL200 million, now slightly above. When we analyze our consolidated CapEx, we are aligned with our guidance on

the year. Here, we have BRL799 million. And as it has been stated, mostly concentrated in steel, that's BRL576 million.

And here, I end my financial presentation, as Sergio already mentioned, we are focusing more, and we're trying to show what we have been doing in terms of ESG, it is important to highlight. And a number of you have already heard me say this, that the company was always concerned with social environmental matters and governance. But I believe that we can do something better to announce how we're working these -- working with these points so this is why we want to show our main actions in our earnings results. So just to show your achievements of 2020. Number one, as Sergio mentioned, as a result of our program of diversity and inclusion, we had a significant moment. Practically, we doubled the number of women in leadership positions during 2020.

The diversity and inclusion program started in 2019. So in one year, we practically doubled. Now we have women female leadership in organization, reaching 12%. Point number two would be Camino do Vale program. In 2020, there was a recovery of about 500 kilometers of rural roads with one of our products that is steel aggregates.

During 2020, we started our dry stacking and filtering project with conclusion schedule for the Second Quarter of 2021. And also, this is something that we already mentioned. And as a matter of fact, there were more than BRL27 million destined to combat COVID-19 through our foundation, San Francisco Xavier. And here are our targets or goals for 2021 and part of our goals for 2022, but these are short-term goals. With the diversity and inclusion program. Now we have a target of increasing the participation of women in the operational area, not only in the managerial positions, but also in the industrial area, we want a 10% share of participation of women. Occupational safety, we've been talking about our goals.

We want zero accidents as a target. But for 2021, what we pursued is to have an LTI frequency rate less than 0.3. Now in terms of energy efficiency and greenhouse effects emissions. Our target is to have carbon inventories and to participate in the CDP. In terms of dams, or reservoirs, we have announced to the market we are including the migration of waste disposal for filtering in 2020 and the mischaracterization of the central dam during the First Quarter of 2022. The mischaracterization of the dam has already been done in January. So when you mischaracterize the central dam and the deployment of the filtering project and dry stacking during 2021, with this we will no longer have dams. With the mischaracterization of these two dams and we will interrupt the only dam that is on operation that is the Samambaia dam that has a safe design that is downstream.

So with this, I end my presentation, and now we're at your disposal to answer questions.

## Questions And Answers

### A - Unidentified Speaker

Thank you, Alberto. Thank you, Sergio. And now we will go to our Q&A session. Here, we have a number of questions. So we will try to group these questions so that they don't repeat themselves. Number one comes from Daniel Sasson, Ita  Corretora de Valores

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S.A., Rese [ph] Rodolfo De Angele from JPMorgan is also posing a similar question. In the steel unit, I would like to know what is the premium on the domestic market after January and February?

If the drop of global price has concerned you regarding inability of the prices in the domestic market, can you confirm that the yearly increase in the automobile industry was 35%. Daniel asks why is it below the levels of increase that we saw for distribution in 2020. And Rodolfo also asks about the increase in prices since the middle of last year. What are the expectations for 2021, if we can talk about the increase about the increase in prices in February.

### **A - Miguel Angel Homes Camejo {BIO 20661364 <GO>}**

Daniel and Rodolfo to answer your question, I would like to show you the evolution of the international steel market. What we did domestically to follow-up the movements seen throughout the year. We observed since the second semester of last year, a strong increase of the price of commodities in coal, steel, and iron ore, and this was driven by China.

China was very strong in the recovery of its economy, showing indicators that were important in terms of growth, not only in the economy and the consumption of steel. This increase of prices also is the pressure of raw material, the exchange rate in Brazil was more intense during the last two, three months of the year from October to January, we saw a strong increase in addition to what we had in the past four, five months.

Therefore, we follow this movement as a response to the pressure of the cost of raw material of our operation. Now we always say that our parity objective, it is a sound objective for any domestic market, and this would be 10%. Give or take. We believe that we are reaching this target that was defined by Usiminas for its domestic market.

Now regarding the negotiation with the automobile industry, we have to understand the times and the dynamic of the negotiation. Part of the automobile industry goes from January to December in terms of contracts and the greatest part starts the period of new contracts as of April, so April and March. Each one of these negotiations has to be finalized between 60 and 90 days before the beginning of this contract.

Why? Because the steel process needs a schedule of production of this plant between 60 and 90 days for the contracts that start -- the start. As of January, these contracts, the negotiations are ended between September and October. Now within this moment when the contracts were negotiated, that would start in January, all the market conditions via cost of raw material, exchange rate and international price allowed us to make adjustments of increases of 40% and not 35% as you mentioned So this proportion of contracts adjusted as of January represent more or less 20% and 25% of the volume associated to the automobile industry, the other part will be adjusted as of April.

So when we from January until today the evolution has been an additional increase. We have seen here cost international prices, exchange rate and the cost of raw material. So the contracts as of April will reflect this movements that go from October up till the date.

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Now regarding the second question, Rodolfo, when you talk about the increase of prices in the industry. We have already explained in a number of calls that our price policy is different.

And it follows the dynamic of different sectors. There are different negotiations here. We have the automobile sector with yearly contracts and the other industrial sectors that can be monthly, quarterly or semestrial contracts. So each contract, each business has its terms of negotiation and adjustments. We do not disclose future provisions of prices and volumes. But what we can say today is that the average price of December of 2020 was around 4.5% and 5% above the price of the Fourth Quarter, and we have already carried out adjustments throughout the two first months of this year, which will impact the average price of the upcoming quarters and the adjustments of the price of one part of the assembly line and the adjustment that we saw in a number of industries throughout the first months or weeks of the year.

## A - Unidentified Speaker

Thank you, Miguel.

Now we have a question. Question posed by many. Daniel Sasson; from Caio Ribeiro [ph]; Carlos De Alba, Morgan Stanley; Rodolfo De Angele from JPMorgan are asking about the mining unit, Alberto.

What about investment to increase the production of iron ore? Can you talk about the CapEx and of this investment? And basically, it is -- if we have an update regarding Mosa and what do we expect for our compacting project?

## A - Alberto Akikazu Ono {BIO 20633628 <GO>}

I thank you for the question. I think in the mining unit, we have two points. Number one, it would be the initial expectation. In terms of decisions, was for the second semester of 2021. But we had to review a number of points regarding our expectations. What we can see now is that, number one, environmental studies and previous licensing.

Before taking decisions, we're seeing that environmental license -- license will take longer than expected, and all mining companies in Brazil will go through this. This will change the pipeline of decision, probably not for 2021. Yes, for 2022. There is another point that helps us in terms of firm expansion, high valuation that was done at the end of last year showed us that our reserves will last longer.

So the -- what -- now until 2026, we will use our reserves. So because of this, we will have a term extension and now we believe that this will not happen in 2021, but in 2022. Regarding the amount of investments, we are still refining our project in terms of amounts. So I will not talk about figures right now. But I believe what is important is that we will have more time to discuss all of this internally, but we do have two points. We are leaving this for the future. There are matters regarding licensing. We believe that this will take longer than what we expected in the beginning. Thank you very much.



## A - Unidentified Speaker

Thank you, Alberto. Our next question is a collective question. We have done (inaudible), (inaudible) from Bank of America. I'll ask about capital allocation because we ended the year with practically no debt. What are the best opportunities that the company sees in terms of capital allocation? And if there -- you could elaborate on this?

## A - Alberto Akikazu Ono {BIO 20633628 <GO>}

I thank you all for your question. Regarding capital allocation, our first priority is to finance our CapEx, as we mentioned in our guidance that was published today. The CapEx guidance for the year is going to be BRL1.5 billion. And for the steel unit will be 1.2 [ph] . So the main focus here will be CapEx. So this is an issue that we will prioritize. That will be the generation of our own cash flow for these investments. In addition, what we are analyzing, although the net debt is low, we do understand that perhaps it would be proper to see gross debt and perhaps we could carry out another action that would be a second priority -- but our first priority is our CapEx -- is to be reassured that our cash generation will be sufficient and adequate to finance our projects.

## A - Unidentified Speaker

Thank you, Alberto. Our next question from Thiago Lofiego from Bradesco BBI. Could you please elaborate on cost pressure in the coming quarters. What about the cost of slabs will be higher? Or if we still have inventories with lower costs and also the cost of coal, how we will see the evolution of this item in the upcoming quarters?

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

Thiago, regarding the cost of our slabs. The trend is to see an increase at least during the First Quarter. Why? Because by and large, where we use the slabs that are bought is in Cubatao. There is a fast overturn. We don't have a high stock because there is fast overturn and all the price effects, like in the last quarter in the international slab market, is reflected on the next quarter because we have mainly for slabs that were bought.

In the domestic market, we have two main suppliers of slabs. The supply lead time hasn't been broadened while the imported is longer. There is fast turnover so we will see effects in the quarter because there will be an increase in the cost of the slab, and this is something that we have already been observing since the Third Quarter. The trend, yes, is a rising price.

## A - Miguel Angel Homes Camejo {BIO 20661364 <GO>}

Our next question from Leonardo Correa, BTG Pactual. He wants to know about the carryover of the -- of the price of steel in the First Quarter. Although we don't announce prices, we can talk a little bit about real data so that you can calculate this. The average price of December 2020 was 4.7%, 4.8% above the average price of the quarter. We also adjusted prices to our customers since the beginning of the year for the distribution sector and new projects and also for [ph] contracts in the industry that were updated in the beginning of the year. We also have the adjustment for the automobile industry that started their contract in January, and this was an increase of 40% for a proportion of 25% of this automobile sector that we service.

Therefore, you can make your own calculations after I have given you these real numbers.

## A - Unidentified Speaker

Thank you, Miguel. Our next question from Carlos (inaudible) from the mining unit. Carlos De Alba for Morgan Stanley is asking what was the quality average of the iron ore during the Fourth Quarter? And what is the expectation for the year 2021?

## A - Miguel Angel Homes Camejo {BIO 20661364 <GO>}

Thank you, Carlos, for your question. MUSA has a number of products. We can talk about an average quality because they are defined next year is the average, we could say. We have a constant trend. They had an average of 64.35%. Silica, 3.3; aluminum, 1.1. These are concentrated. Now we have a product. We have products that have quality differences in the domestic, the export market.

But in average, we can say that iron is 61, 62, silica can vary between 6.6 to 7.7 [ph], give or take, and alumina of 0.9. As of now, we have a new plant. It is a high-frequency plant that allows us to predict product of better quality. We are in a ramp-up curve and the silica that is for 2.5 (inaudible) or the quality of the last quarter on and we believe that we will maintain this throughout 2021. Periods where there will be a drop of quality because of the licenses. They are very important today. Will we consider the situation of last year. So the licenses are very important. This is something that is connected to quality, and this will determine if we will be above or below the quality.

## A - Unidentified Speaker

Our next question from Rafael Barcellos, Santander and Rodolfo, JPMorgan. I'm grouping both, they want you to elaborate what the inventories are like in the chain and what about the portfolio of orders in the upcoming months. When do we believe that the productive chains will have their inventories normalized?

## A - Miguel Angel Homes Camejo {BIO 20661364 <GO>}

Thank you, Rafael, Rodolfo. It is a fact that the inventories of the chain now have been improving. The chain, by and large, reached minimum levels of inventory by the end of the year. Now obviously there are sectors that have been more affected than other. But when we see the inventories of processed and finished products from the steel sector, or steel intensive sectors, we can see very low levels. The automobile sector still has a chain that has been suffering in order to guarantee a service level, but this segment needs.

Now when we see the level of inventories of cars in the garage was 10 days, we had never seen this. It improved in terms of days of sale. But in our view, we will need two or three additional months in order to normalize our inventories, by and large, for the different chains. Now in distribution, Inda announced a slight recovery of the inventories at the end of the year. We believe that January, February and March, will continue the normalization trends in terms of the inventories that the chains need to operate normally and efficiently.

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Now the levels of inventories are based on the levels of expectations of the market. Today the expectations are positive and practically all of the segments. The automobile sector through on AVI has announced an increase of 25% of production of cars this year, Abema [ph] also announced a strong recovery in equipment and machinery, construct -- the construction sector sees solid demand with very positive prospects for the year. So we believe that this inventory demand will normalize in the upcoming two or three months, but will depend on the future expectations and demands from each one of these sectors.

### **A - Unidentified Speaker**

Thank you, Miguel. Our next product for Alberto from Udi Pereira from XP [ph]. He's also asking about capital allocation, consider ever-growing demand? And how do you see the resumption of the primary areas of Cubatao?

### **A - Alberto Akikazu Ono {BIO 20633628 <GO>}**

Udi, thank you for your question. I, first and foremost, I want to stress that we are observing the recovery of demand. Nonetheless, by and large, when we see global demand for steel, when you see the projection of steel in Brazil for 2021, we believe that this will be a growth of 6%. And -- give or take.

A growth of this level doesn't justify to resume operations in the primary area of Cubatao. What we have done first, we are resuming the blast furnace 2 [ph] of Ipatinga that we interrupted last year because of the crisis, and it's taking some time because we need CapEx. It is already ongoing. It's on this - maintenance is underway. In June, it will be up and running. So with this, we will have an additional part, 400,000 -- 600,000 tons of our own steel production. So we are already doing this, and this is a next step in terms of an increase of production of steel.

The next step, we would still need more steel consumption than what we know or what we've seen in terms of expectations of steel in Brazil for this year. This is something that we could think in the medium run. But for the short run, we are not considering this scenario.

### **A - Unidentified Speaker**

Thank you, Alberto. Our next question comes from Caio Ribeiro from Credit Suisse. He would like you to elaborate the demand of --

### **A - Alberto Akikazu Ono {BIO 20633628 <GO>}**

Here, we -- as we can see, as you can see, our -- I think that here the heavy plate. We could see highlights in a number of infrastructure. This segment hasn't had this increase, like the rest of the economy. Still, we have the project of infrastructure. We have this in our portfolio, but we haven't started. Another segment connected to heavy plates is oil and gas. This has been one of the segments that has had weak demand, and it's not driving the recovery for the demand of heavy plates, but there are other segments that are positive like machinery and equipment, there it is. There are orders, and there has been an evolution of the use of our equipment.

Now wind energy also -- wind power is making progress in Brazil because there are projects that are undergoing. We have projects in our portfolio. This is why we have used 50%, remembering that we always, we have a unit of heavy plate interrupted. But we are increasing the use of our machines to make heavy plates in Ipatinga.

## A - Unidentified Speaker

Our other question is Caio Ribeiro from Credit Suisse wants to know -- wants to know about the export mix vis-a-vis the domestic market. What I -- what will be the evolution in 2021? And if you can compare it to the Fourth Quarter. And here, we have (inaudible) from Bank of America, she wants to know the demand of Argentina, which has increased our exports during the Fourth Quarter. Two questions about export.

## A - Alberto Akikazu Ono {BIO 20633628 <GO>}

Thank you, Caio and China [ph] regarding exports and local sales, we have to clarify that we are prioritizing our customers of the domestic market. We are supporting them since the recovery of the economy since the second semester of last year. Over 95% of our sales are geared toward the domestic market and 5% that is export. It is directly connected to the productive change of the Brazilian industry, mainly in the auto zone [ph], when we see our service in the domestic market and the chain connected to the Brazilian industry.

So 95% of our sales support the growth of the industry and the local Brazilian market. We sent a guidance of our sales volume of the first semester, and we believe that there will not be changes in terms of mix of product and mix of market. This is in the upcoming quarters of the year.

Now regarding Argentina, as a matter of fact, there is a recovery of the Argentine market, especially in the automobile sector. That is one of the industries that is integrated and is connected to the recovery of the Brazilian market. We are following this growth. All the assembly lines in Argentina work in Brazil, and we're following this. Of course all of them are connected.

## A - Unidentified Speaker

We have a question here from (inaudible) Campus. If you can describe the initiatives of the industry 4.0. What level of maturity are you on? Are you -- Americo -- I think this is a question for you to answer.

## A - Americo Ferreira Neto {BIO 21780394 <GO>}

Can you hear me? Okay. Thank you for the question. I believe that Usiminas has good prospects regarding the -- its production. We are resuming the steel production with the blast furnace in Ipatinga. Here, we have a laminating machine. With this, we want to supply the domestic market with quality products because of recovery that we've seen from -- since the last quarter of 2020. We are reducing costs. We also made important decisions, post-pandemic period, so that our processes become more competitive, aligned to the good practices. With this, we are strong. This is why we're strong in the beginning of 2021.

## A - Unidentified Speaker

We have a next question for Miguel and China Turn from Bank of America [ph]. If there are comments regarding the expectations of 2021 and the impact of the operation of the blast furnace? And what is your expectation with the resumption?

## A - Miguel Angel Homes Camejo {BIO 20661364 <GO>}

These expectations are positive. When we see it from a macro point of view, we see the growth of GDP in Brazil of 3.5%, a low interest rate that could encourage the local consumption when we see the possibility of tax reforms throughout the year. These are also positive variables that create positive expectations for 2021. Now when we see the expectation of the institute, Aco Brasil, they believe that there will be an increase of steel consumption of 6% when we see microeconomic optics. We see the automobile industry according to ANFAVEA, the growth would be 25% in 2021, Abema expects a growth of 7%, the contribution because the agricultural sector and everything connected to it has an expectation of having record harvests of 2021.

All the macro and -- macro and micro optics allow us to see 2021 positively. When we see the resumption of the blast furnace of Ipatinga, this will help Usiminas and will help to recompose the inventory so that the industry can work because of the future demands that they will receive.

## A - Unidentified Speaker

Thank you, Miguel. In this line (inaudible) Bergman from Capital Investments asks how the resumption of blast furnace to Ipatinga will there -- will there be a drop in the need of slabs?

## A - Alberto Akikazu Ono {BIO 20633628 <GO>}

As Miguel mentioned, blast furnace will resume in the beginning of June. We're talking about 600,000 tons of slabs that this blast furnace would produce. This could be replaced in terms of slab purchase, and this is going to depend on the reaction of the market. As we mentioned, the expectations are positive. Aco Brasil is talking about a growth. And maybe we will continue buying slabs and we will -- but the yearly capacity would be 600,000 tons.

## A - Unidentified Speaker

Thank you, Alberto. Our next question comes from Malone Junior [ph] and he asks about the CapEx of BRL800 million of 2020. The guidance of BRL1.5 billion for 2021. Where you - how are you going to use this additional CapEx? And what is the forecast for the upcoming years?

## A - Alberto Akikazu Ono {BIO 20633628 <GO>}

Thank you for your question. Regarding the 2021 CapEx within our guidance, we have given information about the distribution. When we talk about BRL1.5 billion, or BRL1 billion that will we use in 2021, BRL1.2 billion goes to the steel unit, out of which half of it around BRL600 million are to refurbish the blast furnace 3.

As we communicated, this is a project of BRL1.8 billion. This year, it will -- you will need BRL600 million for the retrofit of the blast furnace and BRL600 million for steel unit for -- BRL600 sustaining the blast furnace 3. This is the greatest split of the BRL1.5. Then you also have around BRL250 million for Mineracao Usiminas and the main project is for dry stacking, that we will end at the end of the Second Quarter and BRL50 million for the other units.

So basically, this is how we break this out for the upcoming years, 2022. We still do not have a formal guidance. But the main project is the retrofit of blast furnace 3. Its interruption will be in 2020. To a great part of the CapEx as in 2021 will be for blast furnace 3 in 2022.

### **A - Unidentified Speaker**

Thank you, Alberto. Now we have a question in English. Halbach from 91 [ph]. He's asking - he wants to better understand as we have an SEG Committee, if this committee is connected to our Board. If the compensation of the managers are connected to the targets that we announced today.

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

(inaudible), as I mentioned, last year, we created a general management for sustainability. They lead everything regarding our actions and the discussion of our ESG agenda. We also created a committee called sustainability, where we discuss all the themes regarding ESG. In the case of Usiminas, it is connected to the executive management, and they meet on an ongoing basis. In the case of the short-term incentives, we do have targets that are connected to ESG.

We do have a connection.

### **Q - Unidentified Participant**

And thank you and how is it [ph] if we plan to reduce Greenhouse effect or the anticity of the issuance of Greenhouse effects per ton of steel. How?

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

Currently, we are discussing in Usiminas, the new long-term view, something that we call PAUSE Usiminas 2030. This NIM is part of all of our discussions. This is something that we are discussing. This is part of the long-term view of our company.

### **A - Unidentified Speaker**

Thank you, Sergio. We have also a question that comes from Milton Sullyvan from XP. What was the coal impact in the quarter? And if there was a change in strategy in buying coal because of lower prices.

### **A - Alberto Akikazu Ono** {BIO 20633628 <GO>}

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Milton, thank you for your question. The coal impact during the Fourth Quarter, we observed that there was a drop. We saw a drop in the past quarters. It positively affected because we had a lower cost of coal in our inventories. This was reflected on our production costs. But we did not have any changes in our strategy because generally, we have a coal inventory that is around four months.

So it is already a reasonable inventory. We don't see why we should speculate with our volume. The volume of inventory because it can help us with cost, and it could be a burden on working capital. By and large, we work with an adequate inventory level as it is imported, we need to be safe in because of the lead times, but there were no significant changes.

### **A - Unidentified Speaker**

Thank you, Alberto. Our last question comes from Thiago Lofiego from Bradesco BBI and he asks: Does it make sense for Usiminas to increase its volume in the domestic market to recover the market share that they lost in 2020?

### **A - Miguel Angel Homes Camejo {BIO 20661364 <GO>}**

We do not announce this. We have to understand the expectations of the market. The Institute Aco Brasil has forecast an increase but we have to see the expectation of each one of the segments that are part of the consumption. The automobile segment -- and we lead -- we are leaders in steel supply, and they represent 1/3 of our sales. On fabs, that this sector will increase 25%. On now machinery and equipment, this is another segment where we have strong participation. The growth expectation is 7%. The agricultural sector has an expectation to grow above the market. So in the sense, Usiminas can confirm that it will follow the growth of these segments where we regularly operate and where we have a relevant share of market.

### **A - Unidentified Speaker**

Thank you, Miguel, and thank you to our members of our management, we would close our conference thanking all of you. If you have any questions, our Investor Relations team is at your disposal, and we thank all of you for your participation, and we wish you an excellent afternoon.

Have a good afternoon.

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