

## Q3 2021 Earnings Call

### Company Participants

- Alberto Akikazu Ono, CFO and IR Vice President Officer
- Carlos Hector Rezzonico, Chief Executive Officer
- Leonardo Karam Rosa, Generag Investor Relations Manager
- Miguel Angel Homes Camejo, Commercial Director Vice-President
- Sergio Leite de Andrade, Chief Executive Officer

### Presentation

#### Leonardo Karam Rosa {BIO 20523815 <GO>}

Good morning, ladies and gentlemen, and thank you for waiting. Welcome to the Usiminas' Conference Call to discuss the results of the Third quarter of 2021. I'm Leonardo Karam, General Investor Relations Manager of Usiminas. For those who wish to follow us in English, we offer free translation in our IR website. There is also simultaneous interpretation. Please choose the language channel on the icon on the bottom of your Zoom screen. All participants are logged on listen-only mode and questions can be posted in writing in this Zoom Q&A session. That is the below your screen.

Participants who are listening in English will also be able to ask questions directly in this section. This conference call is being recorded and broadcasted simultaneously through the Usiminas YouTube channel. We would like to highlight that this conference is exclusively for investors and market analysts and for everyone's convenience, we request you limit your questions to one question per participant.

We also request that questions from journalists be directed towards in Usiminas media relation by the phone 31-3499-8918 or email [imprensa@usiminas.com](mailto:imprensa@usiminas.com).

Before proceeding, we would like to clarify that forward statements made during this conference call regarding the company's business prospects as well as projections, operating and financial targets regarding its growth potential, are forecasts-based on the management's expectations regarding Usiminas' future. These expectations are highly dependent on the performance of the steel sector, the country's economic situation and the situation of international markets and therefore are subject to change.

With us today we have the Executive Management of Usiminas our President Sergio Leite; the Vice President of Finance and Investor Relations, Alberto Ono; the Industrial, Vice President, Americo Ferreira; the Vice President of Corporate Planning, Yoshiaki Shimada; the Vice President, Technology and Quality Kohei Kimura; the Commercial Vice President, Miguel Homes. The CEO of Usinas Minas Carlos Rezzonico; the Executive Director of

Solution is (inaudible); the Managing Director of Usiminas mechanical Fernando; the Legal Director Bruno Paulino; the controllership Director Julia Roio.

Initially Sergio Leite will initiate with opening remarks. Subsequently Alberto Ono will present the results, then the questions in the Q&A session will be answered. Now I turn it over to Sergio Leite. Sergio you have the floor.

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

Good morning to everyone. Now, excuse me. I will take my mask off. We are undergoing a celebration moment. This is a very special moment for each one of us and our team. This week we are celebrating 59 years of our operations. We started our celebration of the six decades of operation. Our research centers celebrated 50 years of activity on the 24th. We will celebrate 30 years of privatization. These are very important landmarks in our history and this is something that we're celebrating together with the communities where we are present, with our employees and with their family members.

And in terms of the results that we will present today. The result of Q3 -- consolidates the results that we have been building since this first semester. There is no doubt that 2021 will be the best year in terms of results in the 21st century. Today we're presenting a result of steel mill in terms of EBITDA without including the non-recurrent effects. This is the best quarterly steel result that represent our landmark regarding what our team has done.

Our consolidated cash flow is BRL7.3 billion which places us in a debt position that is negative. We are also making progress significantly in our ESG agenda. Alberto subsequently will comment on the seven targets that we presented to the market in the beginning of the year. We're making -- we are striving positively and for us it is important, our commitment with climate change, our commitment with decarbonization, pursuing carbon-neutral FX and we are going to intensively work with this target.

In the past days we delivered important results within our ESG commitment on Tuesday in Ipatinga within our social commitment. We delivered to the community, the center of Usiminas memory. This memory center in an icon building in the City of Ipatinga. This is heritage of our this see this construction from 1959 and it belongs to the company and it's the made great hotel of the Ipatinga.

This construction was enacted for many years and now after a refurbishment, it's been delivered to a community as a memory center where we can tell the story of Usiminas of the Minera industrialization, Brazilian industrialization, the story about Ipatinga, the story of the steel volume we will present the entire community, the collection that was gathered throughout the six decades of the company's operation.

This is some thing that we will deliver in the social sphere and we have the social commitment.

In addition, we have in the South Sao Francisco Xavier. That is the social branch of the company that works with health and education and doubtfully we are referencing Brazil

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and we have reference in the international level. We were able to participate in the construction of the City of Ipatinga, one of the 156 Brazilian cities with over 200,000 inhabitants.

In September, we also launched the Libertas hospital in Belo Horizonte will be the sixth hospital of the Sao Francisco Xavier. They will contribute in Belo Horizonte that will contribute with the entire population of the metropolitan area of Belo Horizonte with over three million people.

Now, within our ESG commitment, regarding the environment on November 19, we will open the dice tracking in Usiminas. This is a filtering process and dry stacking of residues and this is state-of-the-art technology, because we will not use the less dam of Mineracao Usiminas. This is an important moment for Mineracao Usiminas and this shows how we're making progress in our social environmental and governance commitments. We are highly satisfied with the presence of you in our results slide from Usiminas as we do every quarter.

And currently, I will give the floor to Alberto to present in details our results from the third quarter of 2021. Thank you very much. It's a great pleasure to be here with you.

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

Thank you, Sergio. Please excuse me. I will take my mask off. Well now to our presentation. Let's go to Slide number 2. Here we have the main figures. Here, we have steel unit sales. There has been a drop. As we had already mentioned and it's slightly below the guidance. This is a drop of 10% in terms of volume, more concentrated in the domestic than in the exports market. In the export market there was an increase of 60%. Here, we're more concentrated in the domestic market.

In terms of iron ore, aligned with our guidance, we have already surpassed 2.4 million tons, 18% higher than the last quarter. Therefore, in the -- both in the domestic market and the export market.

The EBITDA, we can see a significant drop. You should remember that during the second quarter, we had non-recurrent effects, mainly because of these Cofins tax credits that were accounted in this quarter, because of the STF and during this quarter, there are less non-recurrent effects.

And another point would be the effect of the significant drop of prices in iron ore in the international market. This also affected our figures. Although we increase the volume. Also net profit, there was a drop of 60%. We would like to remind you that during the second quarter, we suffered a significant effect from the non-recurrent effect of the tax credits of over BRL2.4 billion and here we have the effect of the exchange variation that was positive during the quarter and this benefited the results at BRL480 million and during the third quarter, the exchange rate effect was negative of over BRL300 million and we have a non-recurrent effect that is negative of a legal provision of a tax case.

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Now, when we go to our next slide. Here we, you can see the non-recurrent effect on our EBITDA. When we eliminate the non-recurrent effect, the drop is around 16% between Q2 and Q3. Now legal provisions in the EBITDA is BRL80 million, and then the result, it is higher because of monetary correction.

Now the result of the steel mill unit in case. Well, this was the best EBITDA in a quarter. We surpassed BRL2.1 billion. If we eliminate the non-recurring effect because of the legal provision, so we surpassed the EBITDA of Q2 of BRL2.02 billion considering the exclusion of the non-recurrent effects, strong margin of 26% and here we have a very positive figure, remembering that we had this drop in volume during the quarter so here you have the EBITDA result because of better average prices practice during the third quarter. So there is an improvement vis-a-vis the second quarter being in terms of prices by 14%.

Let's go to our next slide now. Well, as I mentioned at the beginning, the price effect -- the international prices of high iron ore was significant. What you can observe here is a drop of over 50% in our result. Although you can see that we've had a positive year vis-a-vis the past years. Therefore, we are back to the level of the third quarter of 2020.

In historic terms was a very good quarter although there was a drop in price. Our EBITDA is reasonable in Mineracao but not significant as we observed as of the fourth quarter of 2020.

Now, we have our next slide. Here Solucoes Usiminas. Here we have EBITDA. When we eliminate the non-recurrent effects, it's strong. There is a variation regarding the second quarter. Over 10% negative but here Solucoes Usiminas also dropped its volume when we compare it to the second quarter, and this is around 12%. This was more affected than volume than in terms of margin drop.

When we analyze the margin without recurrent effects here, we have a solid figure. It is an impressive figure when you compare it to the quarters from last year.

Our next slide. Now other financial indicators. Number one, you can see our working capital. We are classifying the tax credits, Pis/Cofins that are recoverable in the short term. This is why they're part of our working capital. We would like to remind you that they will be converted but as of the second quarter, increased our figures. When we exclude these effects, we can see an increase of working capital from Q2 to Q3 of around BRL1.2 billion, around 20% of growth. And here, there is a lower portion that is 20%, that is connected to steel volumes mainly.

I will show this on our next slide and mainly what is important in this variation, would be prices, cost and prices. Prices and accounts receivable. This is the material that was sold throughout the quarters. The average prices were 14% higher than Q2 regarding regarding sold products and here in terms of raw material and intermediary product, these are the -- here we have higher costs of iron ore. It's something that we've seen throughout the second quarter. And we've -- now this -- we've also seen the increase of slab and we also have stock and price.

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Now when we go to our next slide, there was an increase of 19% in steel stocks and this increase was a one-off event that was a scheduled shutdown in the main roller machine that stopped. And there was a disbalance also in slab consumption. There was an accumulation of slabs and also we had to -- have stocks for the downstream line. This is why we had higher inventories in this quarter that we will put back to -- will bring back to normal, But there has been an increase in steel inventories, but this will be normalized. This is something that explains the increase in volumes in terms of inventories.

Now, our cash position and indebtedness. As Sergio explained in the beginning, our cash flows is BRL7.3 billion -- BRL3.7 billion. This is historic. And this surpasses our -- that BRL1.2 billion we are net cash, BRL1.2 -- negative net leverage of 0.1 times. Although there was an exchange rate variation of almost 9% during the quarter, and this is something that affected our debt in dollar. Although this exchange rate variation that the increase of our cash flow was higher and therefore we -- there is a significant improvement in our cash position and indebtedness.

Here you can see our CapEx that was slightly below last quarter. This is 10% below last quarter, but we still maintain our guidance of BRL1.5 billion. The expectation now during the fourth quarter is to speed up and we will achieve our guidance.

This is our last slide of the presentation. And here you can see our goals, our ESG goals. As you can see here, most one of our goals are going according to our plan. Here also we have the accident frequency rate. We are still slightly above what we expected, but we are still striving in order to fulfill our goals. And in terms of the dam and dry stacking and residues, our expectation was to end this during the first quarter.

The first semester, second quarter, I apologize, but as Sergio already mentioned, despite the delay we will deliver this project in November. So when the dry stacking becomes operation, we will no longer use the last downstream dam. So we will no longer have dams in our operations. Yellow means that we are a little bit delayed, but the expectation is to deliver this in November.

And this is where my presentation and well, Leonardo you have the floor for a Q&A session.

## Questions And Answers

### A - Leonardo Karam Rosa {BIO 20523815 <GO>}

Thank you. Alberto, Sergio. We will go our to our Q&A session. Our first question from Carlos de Alba from Morgan Stanley.

Regarding the automobile industry, here as -- what is the sector like in Brazil. What is our view regarding this sector, this industry? When do we expect the volumes from the automobile industry to recover and what is our expectation in terms of price increase for 2022?

We have more people asking practically the same question. There is an investor that didn't identify himself. He is also asking about the automobile demand and volume and transference of prices of 2022.

Rafael Barcellos from Santander also wants details regarding price negotiations with the auto industry.

And Mr. Correa from BTG wants to know if we know -- if there is -- what kind of difference in prices is there?

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

But everything is regarding -- thank you and good morning to understand the automobile industry, we have to understand how the automobile industry evolved throughout the quarters this year. If we go back to the first quarter of '21, there was a production average of 200,000 units during the second quarter. This was around 190,000 units. The month ended the third quarter presents a production average of around 175,000 units.

This is a sector that was strongly impacted because of the lack of semiconductors. And this is the global situation affecting this industry and according to experts, the normalization of the supply of semiconductors can be expected throughout 2022. There are experts that say that the normalization will take place during the second semester and some people that are more conservative, that say that this will take place after the second semester,

After -- according to the last report on Feb, the forecast is two scenario. There is a forecast for two scenario. There is a scenario more conservative and one more optimistic that talk at total car production of Brazil between 2,120,000 units or 2,230,000 throughout the year of 2022. This is a growth below what we expect, because this was the sector that was strongly impacted because of the lack of semiconductors.

Now with these production restrictions, we have a low car inventory. This creates opportunities, And Usiminas and the car industry is prepared to follow this growth potential. And to me the demand or the backlog of orders that have accumulated throughout the assembly lines in the last month.

Now, when we think about prices negotiations, still haven't started. Now around 25% of the auto industries do their contracts in January and 75% will contract -- will update their contracts in April. The January negotiations haven't started yet. But we have meetings every week. In these meetings, we talk about the different scenarios, both in the global and domestic market in terms of steel and in terms of automobile.

So we have an -- we see the international situation and we see the situation of the contracts in Brazil. We can see a gap between the current price and the contract prices above 50%. All of these variables will be taking into account when we renew the contracts be it as of January or as of April.

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**A - Leonardo Karam Rosa {BIO 20523815 <GO>}**

Thank you, Miguel. Our next question from Rafael Barcellos, Santander regarding inventories. Miguel, this question is for you. In your opinion, how -- what are the inventory levels in the chain. Have you seen a slowdown in your order portfolio.

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

Well, the inventories are toward totally normalized in the industries that consume steel and what we expect is a typical seasonality of the 4th quarter of the year as we have seen in the other years.

Last year was an a typical year. And during the fourth quarter, we saw an increase of consumption because of a strong recomposition that was strong from the different chains. We see equipment machinery with road implementation, agri business, construction businesses. These are sectors that have presented slowdown in activity like white line and also steel and they were impacted by inflation and consumption capacity. And there will be seasonality during the fourth quarter into domestic market, which is typical in this time of the year.

**A - Leonardo Karam Rosa {BIO 20523815 <GO>}**

We have a question from Rafael Barcellos about export. Can you talk about what you expect in terms of export and sales during the fourth quarter and what is the margin level of your exports?

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

We communicated the guidance between 1.1 million tons to 1.2 million tons in sales, we do not announce a greater information but as we have a typical seasonality in the domestic market, it is logical to think about greater market -- greater share in the exports and the sales guidance. We are capitalizing import and opportunities in the export market. And in terms of demand, there is international market -- there is a strong -- if we see strong export story chain restrictions towards China, this opens opportunities to other countries.

But Brazil has an important position. So yes, we are making progress in important businesses with sound margins in the export market. In natural markers or historic markets where we participate in like Europe or Argentina, but always capitalizing market opportunities in the US and Canada and Latin America. The Pacific side of Latin America where the past year, China had a very important share in the imports of the Columbia Pacific Chile, Peru, Bolivia.

We are capitalizing interesting business in this new market that has production restrictions regarding Chinese exports.

**A - Leonardo Karam Rosa {BIO 20523815 <GO>}**

Thank you, Miguel. There Isabella -- our guidance 1.2 million tons and how we see higher exports and the demand in the domestic market.

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Now for Alberto. We have a question regarding costs. Isabella from Bradesco, your outlook of cost per tons for the next quarter. And the impact of the high price of coal and the impact on the third quarter and the upcoming quarters. Isabella and Alexandre regarding costs.

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

Although we don't provide you a guidance, what can we say. Regarding the evolution of cost the fourth quarter we believe that we tend to stabilize. I believe that in terms of production costs during Q3 vis-a-vis Q2, the variation was 5%, the pace was 10 -- higher than 10 following the rise of iron ore, and the exchange rate from Q2 to Q3, we had a lower variation that was 5%. And I would say that we believe that on the next quarter we will see a stability. But as you asked, although the iron ore is dropping and this will be strongly reflected on the fourth quarter.

This will be reflected on our costs and there was a significant rise in the price of coke and coal and this reflects on the international prices on us. Well, by and large between products and inventory in the plant, in the port and in transit, we have three or four months of inventories. So those prices that increased during the third quarter, I believe will actually impact the production costs.

During the first quarter of next year because -- between the third and fourth quarter, we will be using the inventories that had already been bought. And with prices from the past. I believe that we will feel the effect as of the first quarter of next year.

This doesn't mean that we won't feel anything on the fourth quarter. But we still have three or four months of inventory between plants, ports and ships that are in transit. This is what we can say. So there is a bias of improvement in iron ore but carbon -- but coal and coke, it is difficult to say what the final result will be after the first quarter of 2022. What I can say is a trend of production cost stabilization.

**A - Leonardo Karam Rosa {BIO 20523815 <GO>}**

We have a question for Miguel. From Caio from BTG. Can you talk about the price carryover do you expect an increase of price for industry and distribution and Carlos also asks, what is happening with prices if -- can -- are we feeling pressure in order to give discounts to our -- some of our customers?

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

Regarding the price carryover towards the fourth quarter, we always talk about the average price from September how it compares to the average price of the quarter. Now, the price of September closed at a similar level to that of the quarter. This -- therefore, there won't be a carryover of prices towards the fourth quarter, regarding the closing of the third quarter.

Regarding parity, today we observed parity that could be between zero and 5% depending on the product and how we calculate this parity, our objective of parity is between 10% and 15%. Today, we are below this parity objective. Therefore the



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difference between the current parity and our target parity will not exist for a long period of time. I believe we will have a correction until we reach the parity that we expect in the domestic market.

Regarding the local prices, we have to understand the evolution of Q3. During Q3, well, when we classify the market distribution, industry and automobile, automobile industry with defined contracts, with stable prices until you update the contract. In the case of the industry, there have been price updates according to the contract.

In distribution, there has been a stability throughout the third quarter and there have -- there was a price reduction to the distribution sector of around 7% by the end of September.

Now this price discount also followed the market conditions, but with the parity between 0% and 5%, that is being low. Usiminas parity objective is defined for the domestic market. We believe that we will have price stability throughout the fourth quarter and you will have to understand the typical seasonality that we will face during the fourth quarter.

#### **A - Leonardo Karam Rosa {BIO 20523815 <GO>}**

Thank you, Miguel. Our next question to Carlos Rezzonico from Leonardo Correa from BTG, Carlos de Alba from Morgan Stanley. What is the breakeven of iron and ore delivered in China and what is the expectation regarding freight costs for Mosa on the fourth quarter?

#### **A - Carlos Hector Rezzonico {BIO 20703029 <GO>}**

Good morning, Leo. Good morning. Carlos. Thank you for the question. Now regarding the breakeven prices, the company has decided not to publish this information because this is sensitive information for the market. But we have to consider the following.

The breakeven situation changes day-by-day because this doesn't only depend on the price of China, but other variables, like discounts that the market provides to the type of iron ore that we are selling. As an example, during the last two weeks, the discount mid grade -- like what we sell went from a level of \$15 to \$11. The prices drops. The discounts are reduce. The freight has dropped. A month ago, it was at levels above \$45 today, they are around \$28 - \$29.

This value changes on a daily basis. The port costs are also pegged to market prices, but also to shipments. There is a delay of approximately two months to adjust the contract prices. This breakeven value changes day-by-day. And according to market events.

#### **A - Leonardo Karam Rosa {BIO 20523815 <GO>}**

And what is our expectation regarding freight?

#### **A - Carlos Hector Rezzonico {BIO 20703029 <GO>}**

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Well, a number of circumstances took -- created these prices, but the coincidence of factors we -- there were longer routes regarding the coal ships from China, but the market always adjusts itself because of the change in these variables and our expectation of the market is that we will see a drop in the upcoming months. The speed will also depend on how the market reacts.

**A - Leonardo Karam Rosa** {BIO 20523815 <GO>}

And the solution of the problems that took the prices at that level?

**A - Carlos Hector Rezzonico** {BIO 20703029 <GO>}

Well, we expect drops in freight in the upcoming months.

**A - Leonardo Karam Rosa** {BIO 20523815 <GO>}

Thank you, Carlos. Well. Our next question is connected to capital allocation, Alberto. Caio Greiner from BTG and an investor ask, any novelty regarding the capital allocation strategy. You have BRL2.1 billion of net cash. Will you accelerate the payout of dividends or do you carry -- do you plan to carry out an expansion plan.

Evandro Mosa, the investor wants to know if we expect any payout of dividends that is more aggressive? These are complementary question.

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

Thank you. Caio. Thank you Investor. Regarding capital allocation, this will not change in our policy. As we have already informed the market, the priority is to finance our CapEx projects. Number two, considerations regarding our indebtedness and these are our two priorities.

Now regarding payout to our shareholders, In October we anticipated the payment because of the results that we observed during the first semester, somethings we haven't done for a long period of time. But now, due to the good results it was possible to advance the payout of dividends. This was an advance.

Now in terms of pay out or other policy, for the time being, there is no news. We will continue doing what the company has always done. So I have nothing to add regarding this point.

**A - Leonardo Karam Rosa** {BIO 20523815 <GO>}

Thank you. Our next question comes from (inaudible) They ask, we would like to know how you see your market regarding the drop of steel production with China? What will happen with the global steel price? And Lincoln ask about the impact of the movement of China in the global market?

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

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Thank you, Leo. These price reductions from China give us great opportunities we could classify in two opportunities. Number one, 80% of flat steel come from China. So we can replace these exports because of our production capacity of additional flat steel production, something that we're not using right now and being in our main production lines and Cubatao.

On the other side, the the China drop -- eliminates pressure on the international market. And here we can export to the market both to Latin America and Europe and even in Africa. So this is an opportunity. These are two positive impacts that we could consider.

### **A - Leonardo Karam Rosa {BIO 20523815 <GO>}**

At Usiminas, we would -- with the drop of steel production in China, what will happen with the global steel price?

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

Well, to understand what can happen with the steel price, we can see supply and demand. Supply, as you can observe, yes, there is a strong drop of Chinese production. The September show us a production drop above 20%. On the other side China has announced that these production restrictions will be maintained until Q1 of the next year.

So during the -- so they will -- this generates pressure on supply and it maintains high prices. Now demand -- the Last World Steel report shows a growth of 4.5% of steel used in 2021. What is important of this 4.5% is that the world excluding China is growing at two digit. They growing above 10%. The parent consumption -- global consumption of steel excluding China.

So this growth above 10% in the apparent steel consumption drives the demand of steel, a strong demand and the stable supply are tending to drop because of the drop of production in China. Here, we believe that the international prices will remain high as we are seeing today.

### **A - Leonardo Karam Rosa {BIO 20523815 <GO>}**

Thank you, Miguel. We have two questions that complement each other from a person that hasn't identified themselves. Could you give us, labor -- regarding the sales volume of this Q3, and also the shut down that created inventories. And they want to know about the steel volume in the domestic market. This drop if this was disseminated in all the segments. Was it more concentrating automobile industry white line?

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

Thank you very much. Low end investor, when we analyze Usiminas' sales during Q3, we have auto industry and -- in automobile, we talked about the restrictions because of the lack of semiconductors. The drop of production of the third quarter, vis-a-vis the two quarter was 10%. This drop in the sector that is so relevant for was Usiminas impacted the volume during the third quarter.

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Now when we analyze distribution industry, and when we see the latest report of the third quarter, we can see that in purchases that -- from the distributors that are part of inventory was a drop of 70% in sales. When you compare Q3 vis-a-vis second Q, this represents the drop in the distributor -- drop in distribution purchase towards steel.

Steel, we have of industrial sectors that are thriving like equipment, machinery, agri business, electronics, also highway construction, but we don't feel the impact that we felt until the second quarter of this year.

Yes, there was normal distribution of this drop throughout the sectors that Usiminas services in the domestic market.

### **A - Leonardo Karam Rosa {BIO 20523815 <GO>}**

Thank you, Miguel. Our last question from Rodolfo Angele, J.P. Morgan. Please elaborate on the decarbonization from what has the company done about this, and if there is an initiative for a potential change in the mix of raw material? Sergio.

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

Thank you. Rodolfo for your question. As I mentioned in my remarks, when we think about decarbonization, when we think about climate change, this is a theme that is of interest of the world and strategic for Usiminas. This year we are intensively working on this long-term -- on our long-term strategic planning, that is our 2030 Vision. In our 2030 Vision, we have discussed strongly on the progress of the company, considering decarbonization.

Now the technological impact that we will see in the future regarding steel production during this decade, we will invest and we will develop different process alternatives. Now, we are not seeing any technologic alternative of great impact being implemented this decade. This deployment did the operational level and financially feasible will take place in by 2030.

We are discussing follow up -- following up and paying attention to the technological unfoldings and the evolution of the steel production in the future because in our view, we will be stronger in the '30s. The steel industry has a long history and there were moments of rupture that were important. The major moments of ruptured took place last century. It was the steel LD production in the '50s and the '60s. From there on, in terms of technology, we've seen permanent and continuous improvement and now the great challenges decarbonization that will provide rupture in steel production.

Here we are discussing this thoroughly. Now, what have we done in the field of decarbonization? This year we reassess the inventory of green gas gas emissions -- greenhouse gas emissions. This is an important reference for us. The result puts us in a position that is very positive.

When we analyze the average of the steel industry, Brazil, in terms of greenhouse gas emissions has a privileged position internationally. The steel industry in Brazil has a level of

greenhouse gas emissions, lower than the global average. Therefore the Brazilian steel mill industry is in a positive situation.

Now what we are going to do throughout this decade is, is to pursue incremental gains -- the greater gains in the '30s. So we are strongly working with energy efficiency. We want to improve our operations in terms of greenhouse gas emissions, and we will continue doing this in the upcoming 10 years. And the technological impact will be seen after the '30s.

**A - Leonardo Karam Rosa** {BIO 20523815 <GO>}

Thank you. Sergio. So we've brought -- we can bring to our Q&A session. So Sergio, you can make your final remarks.

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

Well, first and foremost, thank you very much for participating in our live result of the third quarter. It is always an important opportunity for us, from the management to have this contact with you to talk to you. The themes that we have discussed are extremely important and relevant. This last matter allowed us to reflect on the future, which is a challenging future for the steel industry and Usiminas is totally engaged for carbon net in the construction of an environment that is more pleasant and adequate for human beings. And our commitment continues with the market, with you, clients, investor, stakeholders shareholders.

Our team constantly strives to improve the results of the company. We've made great progress in the past six years. This year has been a year of record results. This is a year with the results of the third quarter. Well, we can see this as the best result of the 21st century and the challenges in the future of economic growth in Brazil.

We are pursuing products that are carbon-neutral for the worldwide community. We are engaged in this process. We have a research center that is the biggest Research Center of flat steel in Latin America that celebrates its 50 years of existence. We are committed with all the challenges of the steel industry and Usinas de Minas team is committed to build the present and the future of the company.

Thank you very much. It was a great pleasure to be here with you today.

**A - Leonardo Karam Rosa** {BIO 20523815 <GO>}

Should you have any questions, our IR team is at your disposal and we thank you for your participation.

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