

Q3 2018 Earnings Call

Company Participants

- Alberto Akikazu Ono, Finance and Investor Relations Vice-President
- Cristina Morgan Cavalcanti, Head of Investor Relations
- Miguel Angel Homes Camejo, Comercial Vice-President Officer
- Sergio Leite de Andrade, Chief Executive Officer
- Tulio Cesar do Couto Chipoletti, Industrial Vice President Officer

Other Participants

- Carlos de Alba, Analyst
- Gabriela Cortez, Analyst
- Gustavo Allevato, Analyst
- Leonardo Correa, Analyst
- Marcos Assumpcao, Analyst
- Rafael Cunha, Analyst
- Thiago Lofiego, Analyst

Presentation

Operator

Ladies and gentlemen, good afternoon. Thank you for holding. Welcome to the Usiminas Conference Call to discuss the Third Quarter of 2018. All participants are connected on listen-only mode and later on, we'll conduct a question-and-answer session and instructions will be given at that time. (Operator Instructions) As a reminder, this conference is being recorded.

This presentation and the slides is also being broadcast live on the company's Investor Relations website www.usiminas.com/ri. You will also find the copies of the company's releases. The participants that are listening in English can also make questions to the speakers.

Before beginning, let me mention that forward-looking statements that are being made under -- are under the Safe Harbor of Securities Litigation Reform Act of 1996. Actual performance could differ materially from that anticipated in any forward-looking comments, as a result of macroeconomic conditions, market risks and other factors. These expectations depend on future development of the steel industry and the conditions of the international market.

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With us today, we have the Usiminas' Executive Board Mr. Sergio Leite, CEO; Mr. Alberto Ono, Finance and Investor Relations, Vice President Officer; Mr. Tulio Chipoletti, Industrial Vice President Officer; Mr. Takahiro Mori, Corporate Planning Vice President; Mr. Kohei Kimura, Technology and Quality Vice President; Miguel Homes, Commercial Vice President; Ms. Cristina Morgan, Finance Director of Mineracao Usiminas; Ascanio Merrighi, Managing Director of Solucoes Usiminas; Heitor Takaki, Managing Director of Usiminas Mecanica; Bruno Paulino, Head of Legal Department; and Julio Arroyo, Controller; and Leonardo Karam, Head of IR.

Firstly, Mr. Sergio Leite will make some initial comments, followed Mr. Alberto Ono, they will comment on the third quarter results for 2018. Later, management will be available for a question-and-answer session.

I will now give the floor to Mr. Sergio Leite.

Sergio Leite de Andrade {BIO 6771322 <GO>}

Good morning, everyone. Thank you again for being here in our results conference for Usiminas, which is always for us an important way of meeting the market. And today, we have a ritual for the entire day here at Usiminas. I mean in the morning, after we disclosed the results, we hold a meeting with our employees. Through video conferences, we connect all our website in the five companies and we present first-hand for our employees the results for the quarter.

And today, the special day for Usiminas, because today, we are celebrating 56 years. This is the moment, our 56 anniversary and with this meeting today with our employees, we have celebrated this moment and we have always -- and we are always celebrating that today we are launching officially the new Usiminas uniform.

Usiminas is now again having a gray uniform, which is a historic color for our 56 years of existence and the design is now revamped and more adequate through our new time. And we are also very happy to present to the market the results, the positive result, we have the best EBITDA results for the quarter since the third quarter of 2010 and this result is the fruit of the entire Usiminas team, of the entire team of over 13,000 employees, which we began in the first -- at the end of the first half of 2016 and this is the ninth quarter in a row that we are addressing the markets to present a growing results.

As you may recall, in 2016, in the second half, we recorded a quarterly EBITDA of BRL300 million per quarter. In 2017, we operated the year over BRL500 million in EBITDA per quarter. And in 2018, we are already at a level of over BRL600 million in EBITDA per quarter. This level for us is very important. We still have a long way ahead, but the Usiminas team it sounds is together is highly motivated. Today, we notice the motivation in a very intense way when we were disclosing our results because this is very important to us. We have a company that happy people work at. They are energetic and are willing to work to generate results and I would like to reiterate our commitment to continue working hard on a daily basis to build better results. Thank you. I will now give the floor to Alberto. So, he will provide you with information on our results.

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Alberto Akikazu Ono {BIO 20633628 <GO>}

Good afternoon, everyone. We're going on to the slide with the consolidated results. We see the main indicators. You can see that in these four blocks that we have here.

There has been a development a positive one on growth compared to the previous quarter. And still, we have over 1.1 billion tons, which is an increase of 19% compared to the previous quarter in the domestic market. In terms of iron ore, has growth of two-digit figure 28% and we will see further along that this has been the results because of the sales in the domestic market and to still. That takes us to a new kinds of consumption in terms of iron ore and adjusted EBITDA as Sergio mentioned it's BRL703 million. It's the best quarter results, in the third quarter since the 2010.

And if you consider some of the results we had in 2017. This is 35% higher than the previous quarter. And here you can see we now we -- we go from loss to profit in BRL289 million. You can see the exchange rates there has been fluctuation. Therefore, we do not have the negative effect that we experienced in the previous quarter, but this is an events of exchange fluctuation therefore it's representing a higher profits.

Going on to the next page, we have the evolution of the steel sales and then last five quarters. You can see that the level above 1.100(ph) billion tons is the highest sales volume since the fourth quarter of '15. We can see, we are at a historic level, which is much higher and reinforcing the growth of the domestic market is 9% , 99% and now we have on the next slides. The EBITDA and EBITDA margin are in sale.

In this specific case of steel, the BRL578 million is the best EBITDA since the second quarter of -- 2010 to eight years ago. It's worth highlighting. Going on to the next slide, we have our breakdown of the iron ore sales, you can see that in the previous quarter. All the kinds of sales, sales to the Usiminas -- sales to the domestic party and sales for exports have increased on a total the increase was 28% and this combined into a better price internationally and because of the exchange rate, which is better than in the previous quarter. This means that our EBITDA, which is on the next slides had a significant increase hitting BRL83 million.

So this is also the best EBITDA in the last five quarters. Going on to the next slide, which is number seven, we have Solucoes Usiminas. This is the quarter that was very strong as well in our unit for sale transformation. It's similar in terms of steel. We have the best EBITDA since the second quarter of 2010, BRL40 million and both steel, iron ore and Steel Transformation for Solucoes Usiminas have collaborated in the expressive significant results for the consolidated figures.

And in the next slide. We have Usiminas Mecanica results. Usiminas Mecanica still suffering the depression that exists today in terms of the investment of capital goods and infrastructure then combined with this there is the projects that's also having negative results and this impacted in persisting negative results for this quarter. Going on to the consolidated figures as mentioned. Again, this is the best EBITDA since the third quarter of 2010, including extraordinary effects such as Porto Sudeste.

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And again this is a level which is very specific. Going on to the slide that follows, this is working capital. There is a drop by 5.4% of BRL3.5 billion. This figure is what we believe that for the level of operations in this quarter. This means that we are at a normal and adequate level. Going on to the next slide. We have working capital in steel inventories in thousand tonnes. This shows you that in this case that although the effects that we had in the second quarter as we know, we have an increase in the start of inventories and finished goods. We see a drop by 25% and then we have now a normality rates and if we compare the inventory with this quarter of the days in inventory of the third quarter of '17 which seasonally would be equivalent. We see that they are very much aligned.

Going on to the next slide. This is our indebtedness with interest because of the exchange rates in this quarter was small, we can see that the debt only varied BRL50 million because of the exchange fluctuation. On the other hand, our cash has increased by almost BRL600 million because of the operational results and of course because of working capital.

And on the last slide, this is CapEx for the quarter, we had an increase compared to the previous quarter of 34%. And the trends that we believe will continue for the last quarter, is that there will be a pickup as we have seen in the -- last quarter of last year and our estimate is that CapEx for the year will be around BRL450 million. This is the end of our presentation. And we are available for questions-and-answers. Thank you very much for your attention.

Questions And Answers

Operator

Excuse me, ladies and gentlemen we will now begin the session of questions-and-answers. (Operator Instructions) I would like to note that this teleconference is only for investors and market analysts. If there are questions on the part of journalists they should be forwarded through the telephone 313-499-8918 or at for via email in imprensa. actually -- imprensa@usiminas.com. Please hold. The first question comes from Mr. Thiago Lofiego from Bradesco BBl.

Q - Thiago Lofiego {BIO 16359318 <GO>}

Good afternoon. I have two questions. One, in terms of the price of steel, we see that we have hot steel at 15%. I would like to understand at what level do you think will be sustained in terms of the demand levels that we're having now, if you have a tendency of -- maybe expecting a drop in the fall of the prices. If we look at the prices in China, for example, they are falling and we see that clients are asking for discount for the fourth and in terms of price. How are the agreements with the automotive sector? We have of an increase of 20%. 30%. But, maybe you're not expecting this kind of increase because of the new variables.

And the other question is that, looking at the cost of the steel production. You had a moment that you recovered. What is the perspective in terms of the price of coal and high exchange rates? What are your expectations?

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

Good afternoon, Thiago. I'll start answering your question on price. The first one, you said on the price, or you maybe remember that in the last call, we expected an increase for the next quarter at 10%. This happens. This was accomplished. And for that time, we said that our parity was negative around 5%. After the increase today, we consider that we are at 3%, 5%, 10% level, which we believe is reasonable for the markets, the Brazilian market. So, our forecast for the first quarter will be -- for the fourth quarter will be to maintain the current price level. That's the answer to your first question.

Your second question related to the automotive industry. We have already announced our -- with -- actions with major automakers. And today, our best estimates is to have an increase in 2018. They have started discussing and our business is expected to grow and to start with new conditions as of next year in January.

Q - Thiago Lofiego {BIO 16359318 <GO>}

Okay. Just going back in terms of automakers, you mentioned that the expected increase may be bigger than the increase you have already given in distribution. Looking, at the reported figures here and thinking of the fourth quarter of last year until now, we are maybe thinking of an increase by 20%. I would like to confirm if I understand this correctly?

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

Yes. Thiago, that's correct.

Q - Thiago Lofiego {BIO 16359318 <GO>}

Yes. Okay, thank you.

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

Thiago, this is Alberto. Speaking on the production costs, our expectation for the fourth quarter is that they remain stable.

Q - Thiago Lofiego {BIO 16359318 <GO>}

Okay, thank you.

Operator

Our next question comes from Leonardo Correa, BTG Pactual.

Q - Leonardo Correa {BIO 16441222 <GO>}

Hi, good afternoon, everyone. Thank you. My first point for Sergio is considering new investments. We see that Usiminas has many options down the table. You have the increase of Ipatinga, to take up the operations in Cubatao, plated steel as well. What are all the analysis? And what is your preference?

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In your investment plan, I would also like to explore a little bit more the capacity of galvanized seats. Usiminas operates at lower than its capacity. There is a lot of idle capacity, especially in terms of fixed plates, fixed sheets. So, if the Usiminas continues to focus in automakers, does Usiminas have room for growth in terms of volumes of galvanized sheets in 2019? These are my first points.

And lastly, and maybe this is a bit premature this question, but in order for me to attempt to understand this better, we are in the view of a transition of government and lots of expectations have been on the press and some figures in variables, I don't[ph] have said, but they will open the economy, they will reduced tariffs. I have not seen anything in terms of the steel industry, but I believe that there is always a lot of questions.

You have a sector that it's protected in every country? Every country is protecting its steel industry. And how do you see our situation? What does Usiminas think and expect in terms of reducing tariffs and opening of Brazil?

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

Leonardo, good afternoon. Concerning your first question on investments. The important thing is, last year when we presented the second-quarter results of 2017 in July. We commented in this teleconference that Usiminas was going back to being a normal company and because of this, because it was back to normal. There was a discussion of long-term planning. And for two or three years, we were not able to plan long term. Therefore, one year ago, we took up long-term planning again, investments that you mentioned as the reform of (inaudible) is an investment which is mandatory.

It is an operation, which is predicted in the furnaces. You also mentioned the new galvanization line, you mentioned the primary lines of Cubatao, all of these are projects being studied, been discussed within Usiminas. We will not have short-term decisions and the decisions that happens in 2000 -- and that will happen, will only be in 2019 and very likely in the second half.

But, the important thing we are addressing all of these topics, we are studying all of them because they are all based on Usiminas long-term planning. We are working with a projection and a plan of at least five years forward and all these projects that you mentioned and referred to are in our portfolio, so to speak.

In terms of galvanized sheets, we are operating them normally. Electro-galvanization is being increased. Electroplating, we are working in three lines: hot, galvanization, electroplating, in terms all of -- in terms of increasing production and we are prepared to meet the needs of the automakers and debt products. And so we are ready for growth in the sector. We had a significant growth in the sector in 2017. We are having a two-digit growth for 2018 and we are therefore prepared to meet the growth that comes and we are increasing our productivity.

In the long term, a new line will be significant to meet the automakers in term of long-term needs. In terms of the country's outlook of 2019 and I'm speaking as Usiminas and not speaking as President of Brazil, this is Usiminas. I will say -- I will tell you our view about

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how Usiminas. We understand that the country is coming at the end of the cycle, which was very hard on the Brazilian economy. It was a five-year cycle, that half of us had -- have faced very harsh recession, the harshest one in the 100 years.

We have last recession under two years ago, it had very, very little growth insignificant, 1%. Therefore, this is nothing. It is insufficient growth. So, our expectation as Usiminas is that Brazil will come into a new growth cycle, a significant cycle that we have experienced in the 20th century and this new cycle is important for us to save the several problems that Brazil has.

Brazil is a -- consume as a lot potential, but a lot of needs. We have a very high unemployment rate. We have over 12 million unemployed people, if we consider the methodology -- official methodologies, but if we look at under employment, so that's 25 million people. The country has to pickup in terms of growth and the industry has to lead this comeback and the industry has dropped from 25 -- but the transformation industry drop from 25% -- the transformation industry dropped from 25% of the GDP to 10%. This is insufficient for countries such as Brazil, which is one of the ten economies in the world. So, our expectation is that the industry is prioritized and we believe that Brazil is around and you mentioned protectionism in close countries, in our view, is in the sense. The world is being protective. That is because of Trump. Trump has taken this -- this line of action, to find balance in terms of the competition of China and this behavior has reacted, a reaction was protectionist.

Brazil is liberal. We are also liberal. We are in favor of free trade as of trade exchanges. But, in a very balanced way across the world. However, if the world is protectionist why should Brazil adopt a liberal approach in his commercial relation, so we have to think of all of this, but we have a positive outlook because Brazil does need it and so does the Brazilian people.

Q - Leonardo Correa {BIO 16441222 <GO>}

Thank you. Could you open up where galvanization is?

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

We are as utilization rates, which is full, what we are doing is to increase productivity and for the automaker sector we have made things go from other sectors to focus on automakers. But, we are operating it to handle. Three lines at full capacity.

Q - Leonardo Correa {BIO 16441222 <GO>}

Thank you very much Sergio.

Operator

The next question comes from Mr. Rafael Cunha, Credit Suissie.

Q - Rafael Cunha {BIO 20229675 <GO>}

Bloomberg Transcript

Good afternoon everyone. Thank you for the questions and answers. If you could clarify a little bit more on costs, especially on (inaudible). We've seen the pocket price in dollars, dropping and because of the dollar, which is stronger. Have you any idea, in terms of the costs for the impact for the next year? Or do you have a platt price that you may inform us and in line with it. What is the outlook for the spread for hot filing and plates in your average performance? I think this would help us a lot. Thank you.

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

Hi, Rafael. The issue of the plates price, this has to do with our operations in Cubatao. What we can comment is as you have said, we are seeing that there is a fall, in terms of the international price. This obviously reflects on the acquisition costs for Usiminas. The real coming stronger will help in this but, if the trend is kept away, this will show up in the next quarter. But, we -- I tend to see that there is the issue of the inventory and of course, this is gradual.

It won't be a direct impact that will be observed because of the variation of the plate price and exchange rates. But there is a trend that, we have noted and if the trends continues it will of course impact the price, especially the Cubatao products.

Q - Rafael Cunha {BIO 20229675 <GO>}

Okay, thank you.

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

Another thing, the issue of the spreads on plates. In our view, is -- it should be at \$50. That is historically and operationally is the ideal.

Q - Rafael Cunha {BIO 20229675 <GO>}

Perfect. Thank you very much.

Operator

The next question comes from Gustavo Allevato of Banco Santander.

Q - Gustavo Allevato {BIO 18933135 <GO>}

Good afternoon to everyone. I have two questions. The first one is about the volume of 1.1(ph) tons. If it is parts of -- how much was the lateness, in order to normalize the value and how should we expect for this in terms of mining? And my second question, has to do with steel. How much improvement in volume do -- can we consider a repressed demand or how much is it, in terms of renewing inventories?

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

Hi, Gustavo. Concerning the volumes in exports because of the strike of the truck drivers we had an impact in the second quarter, which was displayed to the third quarter. So, in the second quarter we had imports in fifth and in this quarter we did sixth. For the last

quarter. We have four and five, that's our expectation. And imports will be in 2018 at a volume of 3.5 billion tons.

Operator

Next question Marcos Assumpcao, Itau BBA.

Q - Marcos Assumpcao {BIO 7474402 <GO>}

My first question. Is in terms on the recovery of demand. Sergio, if we have a scenario, which is a little bit more optimistic in terms of the growth of the GDP and if this means that we'll have a stronger industrial productivity. What would be in this context, the best alternative for Usiminas to deal with this demands?

It will be around 4.3 million tons. What would be the best structure for you in terms to increase capacity in Ipatinga or depending on the slate price would you use Cubatao more. What are the alternatives for Usiminas to increase its production?

And second question this is for Miguel. If you could talk about the price of Usiminas. How much it increased for distribution and for the industry, comparing the end of September and the end of last year? So we can have an idea, I think this will be a good for us to know how prices will be negotiated in the automaker industry?

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

Your first question concerning the strategies, the production strategies to cope with the growth. So, that we do expect Brazil will have in the following years, (Technical Difficulty) combine that our installed capacity for laminated is 10 million tons. We are operating at 4.5 million a year that's one point -- the second point. We have a two year, two calls ago. By considering that equipments that are in operation, we are able to reach a level at plain laminated at 6.5 million, which would be a growth by 50% and this growth will be good if it happens, but I'm sure it will not in a short-term period.

The other aspect, concerning the capacity of plates of producing plates. We are operating Ipatinga at full speed with three high furnaces, it was commented today which will be that there is a project study. Alternative strategies for the primary areas in Cubatao. But, we are only going to make a decision as of next year and nothing in Cubatao will happen before 2021. So, concerning our capacity to meet the needs of the market. We are okay -- we have lead ways. Obviously, that if the production in Cubatao we could increase the purchase of plates, both in the internal markets, we have Termium Brazil, which is our main supplier, but we can also have team[ph]. Therefore, we are okay, we can be supplied.

Usiminas is prepared for Brazilian's -- Brazil to grow in the next five years. And on your question on distribution and prices we can see that throughout 2018, it was above 20%. So, today our estimates for adjustments in the automaker industry for 2019.

Q - Marcos Assumpcao {BIO 7474402 <GO>}

Miguel, and for the industry was it similar?

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

Yes, the price operated in the same dynamics is due to the agreements that we have and the sectors, we have automaker, electrical and industrial and there are time differences in terms of the projects.

Q - Marcos Assumpcao {BIO 7474402 <GO>}

Okay. Thank you very much.

Operator

The next question in English comes from Carlos de Alba from Morgan Stanley.

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

Hello, thank you very much.

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

Ole.

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

Ole. Can you hear me now?

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

Yes.

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

All right. So, the question is on capital goods, the business unit continues its offer on this quarter and last two quarters because of the railway program or contract. Can you tell us when do you expect this to be over or when do you see the situation no longer affecting the results? And once that happens, what is your expectation of a normalized EBITDA level at least in the coming quarters and into your Brazil recovery you accelerate?

And then, does the company have any preliminary outlook towards 2019? If steel and iron ore volumes as well as CapEx, iron ore cost? Thank you.

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

Carlos, your first question concerning the capital goods and Usiminas Mecanica, which has presented in this period negative result in terms of EBITDA. We are at a time in Usiminas that we're looking at the final -- the details of the budget for 2019. And for 2019, joining the effort that we're doing in Usiminas Mecanica. In order to make it as equipped to

increase productivity, reduce costs and needs the growth expectations for Brazil. We expect Usiminas Mecanica to go and attain a positive EBITDA by next year.

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

All right. And in the fourth quarter, we should no longer see the negative impact of the railway contract?

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

Carlos, on your question of the next quarter, we may have some relative impact in the fourth quarter. Concerning the negative results of Usiminas Mecanica.

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

Thank you.

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

Could you please repeat the question in the -- your question on mining? You also had a question on the mining for 2018 and 2019, wasn't that right?

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

No, it was not on mining. It was on -- any outlook on steel or mining volumes for 2019 as well as CapEx? If there is any preliminary budget or forecast?

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

Carlos, on this question, our expectations for 2019 in steel, we are exactly at this time developing the budgets. So, we don't have anything to disclose at present.

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

All right. Thank you.

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

Concerning iron ore, we Usiminas, we have a return of some of buyer plans. That had been approved for next year. So, we are working for the production volumes for next year, which will affect volume sales will be higher than the volumes of 2018. So, we are working on the budgets that will be approved by the Board at the end of the year and then, we will make official disclosure in terms of the figures for next year.

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

All right. Very clear. Thank you.

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

(Foreign Language)

Operator

Our next question comes from Gabriela Cortez from Banco do Brasil.

Q - Gabriela Cortez {BIO 18801371 <GO>}

Hello, thank you for the questions and answers and congratulations on your 56th anniversary. I would like to confirm the volumes of sales of iron ore for 2018. It's 2.5 million tons for Usiminas and 3.5 exports and 2019 this will be higher. And in the second question, in terms of the comments that Sergio made of reforming the furnace in Ipatinga, I understand it's mandatory and necessary, but I would like to know how -- until when can this furnace operate before it starts for the reform?

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

Good afternoon. Concerning the figures that you mentioned in 2018. Usiminas buys 2.3 million, 2.5 million tons of iron ore of our mining units and the expectation for 2019. The figures will remain the same. Concerning the internal market, the domestic markets, we have more or less the amounts that will be seen that it's attached to the foreign market price. We have seen that the prices have affected in the last days. Exports, we will expect as I said before, the volumes of export for 2018, it will be 3.5 billion tons and for next year, we are still discussing the budget.

But, our perspective is that these figures will be higher, yes. So, we have to see that -- we have more room to grow in exports and the products that we have. We are able to have that they are around cleansers[ph] and alumina. This is the level that we are going to be able to meet in the import markets because we have a high quality of our product. It's concentrated iron ore and a direct relation to the profitability.

Q - Gabriela Cortez {BIO 18801371 <GO>}

Okay, thank you.

A - Tulio Cesar do Couto Chipoletti {BIO 1653607 <GO>}

Gabriela, this is Tulio. On your question of high furnace, of its useful life. So furnace in normal operation conditions, this -- it has the normal productive life with a production curve. We estimate that it can operate normally and this can be maintained in operation in 2020 which until 2021, and then in 2021, we will be doing the renovation that has already been forecast for and it will take place in 2021 or 2022.

Q - Gabriela Cortez {BIO 18801371 <GO>}

Thank you very much everyone.

Operator

The next question comes from Marcos Assumpcao, Itau BBA.

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Q - Marcos Assumpcao {BIO 7474402 <GO>}

Hi, Sergio. I know that you are in the budgets periods. So, could you give us some guidance in terms of CapEx for the next year? This year CapEx the guidance was around BRL500 million and on the pace you are at, it maybe lower, right? Could you give us some more flavor on this?

And then second question maybe to Cristina. We would like to understand the part of revenue per iron-ore ton, because when we see that the iron ore price went from \$50 -- the average price to \$50 to \$62 in the quarter because of exchange rate, the export price. Could you explain this a little bit to us? Does it have anything to do with quality?

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

Marcos, concerning CapEx a normal impact that we understand is sustaining would be around BRL560 million. Of course, but when you are outside, sustaining like a new galvanization line, this amount will be higher. But, at a normal rate between 560 -- 600 is the reasonable figure.

A - Cristina Morgan Cavalcanti

Marcos, concerning your question on mining. The way I -- just as I mentioned, we are able to produce iron-ore, which is high in iron and low in contaminants. And we have rates, alumina (inaudible) and we are also able to produce and have a beneficiation because we have a higher iron-ore rates, which is 62% and we have no penalty because of the contaminants. These beneficiation are on a case-by-case basis per clients. So, we have seen that the mining not only give the proceeds, but it bonafides the high quality products. And this is very good because we are better than China and that I think will continue for the next years.

Q - Marcos Assumpcao {BIO 7474402 <GO>}

Thank you, Alberto. Thank you, Cristina.

Operator

Ladies and gentlemen, since there are no further questions. We are now closing this conference call. We, IR team is available to assist you if you like. I would like to thank your participation and have a good afternoon.

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