

Conference Call Transcription 1Q26 Earnings Results

Vinicius Almeida:

Good morning, everyone, and welcome to Samarco 2026 1Q results and conference call. My name is Vinicius Almeida and I am the head of FP&A and investor relations at Samarco.

As usual, before we move on, just some quick reminders. Samarco is providing simultaneous translation to Portuguese. To listen in Portuguese, please click on the globe icon.

Please be advised that all participants will be in listen-only mode. Questions should be submitted using our Q&A icon in the webcast.

This conference is being recorded and the replay can also be accessed in our investor relations website. We would like to clarify that any statement that may be made during this conference regarding the Company business prospects, operational and financial projections and goals are the beliefs and assumptions of Samarco's executive board and the current information available to the Company. These statements may involve risks and uncertainties as they are related to future events and therefore depend on circumstances that may and may not occur. Investors should be aware of events related to the macroeconomic scenario, the industry and other factors that could cause results to differ materially from those expressed in the respective forward-looking statement.

Questions not addressed in this conference should be reverted to our investor relations team through the email samarco.ri@samarco.com.

Now I turn the call to our finance strategy and procurement officer, Gustavo Selayzim.

Gustavo Selayzim:

Good morning to all. It's always good to be with you here. It's time to present the 1Q26 of the performance of the Company.

Moving on, as always, we present to you what it would be the nutshell for the Company for the 1Q. We are going to say that operations stability are at a new structural level. We have been working at a 15 million tonnes level since the beginning of last year, and we have been able to maintain this new production level without any problems on the operational side.

When we go to the main highlights for the quarter, I would say that on health and safety, which is always important to us, one of our priorities, we have been able to keep the healthy levels that have been running since the start of the operation. Production and sales have been higher on their levels since the startup of the second plants during last year.

Resilient performance, even though what we are seeing, what we are suffering on the geopolitical scenario. The Company has been able to serve this scenario without any major problems.

Net debt to EBITDA has gone down from 4.8x to 4.4x when you compare 1Q25 to 1Q26. We have been discussing that since the startup of the Company, something that we expected to happen.

And just bringing something back to you, on the next quarters, we may indicate some higher levels on the leverage, but it would be something normal, according to our business plan. Phase 3, you are going to see that's going according to plan, the milestones have been covered and we are on track to start production of the pellet feed during the 1Q28.

Reparation has been working well. Also, progress has been made in all fronts of the reparation. And also, we have published our 2025 Sustainability Report this year, strengthening our ESG commitment.

Just highlighting the KPIs for performance on the safety side. We are glad to keep the track on the performance we have been having since the startup of the Company. It keeps being one of our priorities, safety comes before production in Samarco. It has always been like this since startup in 2021.

When we come here to the first numbers for the presentation, production has been 18% higher than we had during the 1Q25 and in line with what we had during the 4Q25. When you look at the sales, we are 12% above what we sold during the 1Q25.

And just highlighting something that we discussed last quarter, the year end for 2025, sales in the 4Q25 have been exceptionally higher, mainly given the strong market that we saw and the decisions that we made related to the sales of part of our inventories at that moment. So 3.2 million for the 1Q26 should be something close to what we were doing during the rest of the year.

Coming to Phase 3, one of our main goals for the next quarters, we are in line with what we have planned, 7.1% progress on the overall project. Remembering that the project is basically composed of the pellet feed circuit, the pelletizing in 2028, the pelletizing plants in 2029 and the disposal structures in 2031.

When we look specifically for the first delivery that will be the pellet feed circuit, so the production of pellet feed that will happen by the 1Q28, we are talking about the 12.4% advance of progress for the project, so in line with what we have expected for this moment, a little bit higher when you look at the fiscal side of the project.

Talking about that, here we are going according to plan, also according to our business plan. One thing that we will see a little bit later in the presentation is that we had our first cash payment for the interest since the issuance of the bond. That's good news. You all have received the payment for the year. Remembering that for 2026-2027, we will have partial cash payments of interest, and from 2028 on, we start 100% cash payment on the interest for the bonds.

When you look at the reparation progress, we have not put any money from Samarco in this quarter. The shareholders have been responsible for 100% of the payments for the quarter. Remembering that for this year, we still have the cap to be used that will be paid from Samarco depending on the conditions of the cash flow of the Company according to the rules that we have in the bonds. So up to now, Samarco has not made any payments with its own cash.

Coming to more details on the financial performance for the Company during this quarter, we are talking about production, 18% more compared to the 1Q25. When you go to sales, 12% more compared to the 1Q25. Net operating revenue, US\$404 million, 1% over what we had in the 1Q25.

Adjusted EBITDA has been a little bit lower. We are going to explain a little bit in more details in the next slides, but it's not something to worry about. Basically, we are talking about more production than sales during this last quarter, something that will catch up during the next quarters until the end of the year.

Remembering that for Samarco, one shipment, or one ship itself is irrelevant compared to the production for this quarter. That's the reason that when one ship moves from the end of one month to the beginning to the next month, you may have some movements on the sales for the quarter. That's what it's going to show here. But for the year, we are expecting for this to catch up, and we are still confirming our guidance for the year for EBITDA.

Operational cash flow, we have some movements here, positive movements on the working capital. We have operational cash flow, 4% over what we had in the 1Q25. Gross debt has gone up a little bit, as expected, since we have still partially accruals on the peak interest. Net leverage has gone down, as I mentioned, and we still have a healthy cash position for the quarter end, US\$466 million.

When you go to talk about operating revenue, pretty much in line with the 1Q25, even though we had higher sales volumes compared to the lower iron ore prices for the quarter. So we are talking here of an offset of those two that took us to almost the same level that we had during the 1Q25.

Talking about C1, we had here 14% increase compared to the 1Q25, but in line with what we saw during the 4Q25. When we compare the 1Q25 to 1Q26, we see that most of the impact comes from the appreciation of the BRL, so we have there most of the impact, and also some impact on the consumables, and we are talking here basically of the impacts that the conflict has had globally. We have suffered a little bit on that. But in any case, we have been able to keep the cost close to what we had in the 4Q25.

EBITDA, as I mentioned, has gone down a little bit, 23%. When you open the main tax here, we are talking about FX and consumables that have been responsible for a large part of this, and also we have produced a little bit more, and that also has impacted us, as we have not sold 100% of the productions during the quarter. Those sales will be done by the beginning of the current quarter, and we should come back to the levels that will bring us to the final EBITDA for the year, within the guidance for Samarco that we have provided last quarter for you.

When you look at the operating cash flow, we see here two interesting things, the main points that we will make here. CAPEX has gone as expected, so we have been catching up on the CAPEX as the project moves on. Debt interest is the first time we see it in here, so we are talking about US\$68 million, most of it related to the cash payment for the quarter, first time since the issuance of the bond.

Working capital, we have been able to have a positive movement here. And when you look at the reparation side, we had shareholders' contribution for US\$267 million, the total payments in US\$320 million. Remembering the difference here was made with the outstanding cash from less cash contribution from the shareholders.

Coming here to the final slide for the presentation, I would just like to reinforce the takeaways for the quarter. Safety and risk management sustained the highest standards, so that's again a reinforcing priority for Samarco. Production at a structurally higher operating level since the completion of Phase 2. We expect for this to be maintained during the year, and for 2027 also.

Consistent execution and support operations stability and predictability, as that's something that Samarco has been able to deliver since the start-up. And Phase 3 execution advancing as planned and supporting long-term operational continuity. So all the main goals for the Company have been kept, or have been moved as planned during this quarter.

So good news so far for the year, and for the rest of the year, we expect to be within the guidance that we have provided to you.

So that has been the main takeaways for the quarter, and now we are open for the Q&A.

Participant (via webcast):

Sales volume has declined. Should we read this as a weaker demand?

Gustavo Selayzim:

No, I think on the contrary. The sales below the quarter are mainly related to the movements of shipments during the last days of the quarter. So that's not a concern. What we are seeing is stronger demand that we saw in 2025. So the year has not been easy, but it has been stronger than what we have seen last year. And when we look for the rest of the year, we expect it to be the same.

Something that we are going to see during the year is most likely we will have lower pellet feed sales this year, since the demand for pellets has been stronger than 2025. So, so far, good news.

When you look at prices, also taking advantage of the question here, prices for the iron ore have been sustained at higher levels than we expected. So there are some good surprises. We expected the price to be at a lower level.

And premiums for the pellets have been sustained at the same level as 2025, a little bit higher than the last quarters, and with good expectations for the next quarters for the year.

Participant (via webcast):

Looking ahead in 2026, how should we think about and expect pellet feed and pellet sales volume? Can we assume sales levels and production mix broadly in line with 2025?

Gustavo Selayzim:

I would say so. It's within the guidance that we have provided last quarter. And I think the guidance, or the strategy for the Company is to sell 100% of what we produce for this year. So coming to the end of the year with really low levels of inventory, maximizing our working capital.

Participant (via webcast):

Did geopolitical tension in the Middle East has any direct impact on sales or logistics?

Gustavo Selayzim:

When you look at the net impact of this for Samarco, we had some positive externalities here. So the premiums have been sustained given the impacts on the production of pellets in the region. So the net impact for us has been positive up to now when you talk about premiums and pellets.

When you talk about the iron ore, prices have been sustained at higher levels, so partially because of the impacts that we have been feeling or been seeing in the Middle East, part of the higher demand on China, globally when we talk about this part.

So, so far we have not had any negative impact regarding the conflict on the sales side. On the cost side, we have seen that we had some impacts there on the consumables, on Brent, and also I would say there are some impacts on the depreciation of the USD globally that also impacted us negatively.

On the net, that that has been more than offsetting, the benefits, compared to the downside from the conflict.

Participant (via webcast):

How do higher energy and input prices impact Samarco's competitiveness?

Gustavo Selayzim:

The impact is not specific to Samarco, so basically it's impacting the industry as a whole. Samarco, as the first quartile of the lowest cost on the industry, has been impacted the most, but is better equipped to deal with this problem during the next quarters.

So in parallel to that, we have been working also on enhancing our cost control, or our cost optimization to offset, at least partially, what we have been impacted by these exogenous numbers from the Middle East.

Participant (via webcast):

Should we expect cost pressures to persist through 2026?

Gustavo Selayzim:

I would say that volatility is high, so we will have to wait and see what's going to happen. When you look to the forward curves on some of those prices, you will see that they tend to come back to normality, but will depend highly on the outcome of the conflict in the Middle East.

So in any case, high volatility will make us, as I mentioned, to focus a little bit more on our cost controls or cost optimization to offset whatever is coming in the next years or the next quarters.

Participant (via webcast):

The Company has reported a net loss this quarter. Can we say that this is mainly driven by effects related to reparation liabilities?

Gustavo Selayzim:

That's mainly it. That's what we saw during some of the last quarters, and you are going to keep seeing for the next year. The reparation is always impacted by the effects movements. Something that impacts us for next quarter does not actually have any cash impact for us, but it's something that you are going to see in your results.

And I think that's one of the concerns that we see in our IR questions generally, and I guess we are going to make some adjustments on the way we communicate this to make sure that everybody understands in the same page.

Vinicius Almeida:

Just to add to your comment and to let everyone be aware, right now, from this moment onwards, in our Excel modeling that we share in the Investor Relations website, we are adding two new tabs, which are pretty much the income statement and the free cash flow of Samarco without the reparation. So from this moment, since 2024, actually, so we have 2024 results, 2025 and 2026 with and without reparations. So we are adding two new tabs just to make it clear our main financial aspects without the reparation impact. And this will be included once we finish this conference call.

Participant (via webcast):

Can you provide an update on Samarco's refinancing strategy and how you are thinking about the capital structure going forward?

Gustavo Selayzim:

I think the answer on any eventual refinancing will depend on market conditions. So Samarco is continuously observing what's happening on the market or the options we have in hands. Right now, we have not found anything that is better than the structures that we have.

And when you look forward, and looking at the development of the business plan, this debt that we have right now was thought to be able to allow us to comply with the business plan. So the deleveraging, or the capital structure will come to normality or to sustainable levels as we finish Phase 3.

That is our plan. It's something better than that that comes to reality, that's something that we are going to analyze.

Participant (via webcast):

What are the key priorities for management after the 1Q26?

Gustavo Selayzim:

I think Samarco is pretty straightforward on their goals. So basically, we have to deliver the year. That's what we provided to you on the guidelines. Phase 3 is one of the main challenges for the year. Also, it's something that we have to have, it's our main goal to come back to the stability. We will reflect on capital structure, will reflect on the capacity to comply with the reparation payments. And the reparation works are also part of our daily business, and we have been keeping that as one of our priorities for the rest of the year, for the rest of the next years.

Participant (via webcast):

Does Samarco expect to have funding gap?

Gustavo Selayzim:

Right now, our view is that we do not have any expectations to have any material cash needs. For 2026, 2027, more difficult years for Samarco, we are still forecasting that we will be able to comply with all the obligations on our cash flow generation. That hasn't changed.

But in any case, just reinforcing, Samarco has access to the debt market and to lines to comply with whatever comes in the future, given the volatility that we are seeing right now.

Vinicius Almeida:

Perfect. So, Gustavo and everyone, we have concluded here the questions. Thank you very much for your presence during this conference call. See you in the next quarter.

So right now, this call is over and you may now disconnect.

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