

## Conference Call Transcription 3Q25 Earnings Results

### **Vinicius:**

Good morning, everyone, and welcome to Samarco's 3Q25 conference call. My name is Vinicius 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 simultaneously translation to Portuguese. To listen in Portuguese, just click in the globe icon below.

Please be advised that all participants will be on listen-only mode. Questions should be submitted through our Q&A icon in the webcast. This conference is also being recorded and the replay can be assessed on our Company website. Also, the presentation will be available at Samarco's investor relations website, [ri.samarco.com](http://ri.samarco.com).

We would like to clarify that any statement that may be made during this conference call, regarding the Company's business prospects, operational, financial projections and goals are 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 or may not occur. Investors should be aware of events related to macroeconomic scenarios, the industry and other factors that could cause results to differ materially from those expressed in the respective forward-looking statements.

Questions should be addressed after the call to our Investor Relations team through our email, [samarco.ri@samarco.com](mailto:samarco.ri@samarco.com).

Now, I turn the call over to our Finance, Strategy and Procurement Officer, Gustavo Selayzim. You may proceed.

### **Gustavo Selayzim:**

Good morning. We are here on the 3Q performance presentation for Samarco. We have some good news here for you. We are going to share it within the next minutes.

I think the message for this call is turning the page and hitting record high results. So, turning the page in a few areas. Basically, when you look at the strategic fronts from Samarco, we have some news that I think have been anticipated on these calls for the last 4 to 6 quarters. That is the approval of Phase 3. It has been approved formally internally in Samarco this November, and we are bringing it here to you firsthand. So, we are going to discuss it a little bit more during the call.

Also, we have something important on the reparation works that we have been doing. That's the final liquidation from Fundação Renova, meaning that from now on, Samarco is conducting 100% of the actions directly. So, Fundação Renova, it has been liquidated this quarter.

And also, decharacterization, 95% completion, moving as expected, and no news from this side.

On the 3Q itself, I would say that the main message here is that resilient performance, even though we have challenging conditions on the market. Samarco has been able to navigate that for the last quarter without any issues. So, not bringing any risk to the forecast that we have been discussing with you for the year.

Financial performance also, a strong cash generation. So, we keep deleveraging the Company. You are going to see that also. And the judicial reorganization happened in August, but it's important to

give the news again here on the quarter. That was one of the main changes in the quarter that we had. Net debt EBITDA is mentioned, 4.1x, the number from end of September 2025.

On health and safety, one of our core values, we keep going as last quarter. So, no news from this side. It's one of the main cultural aspects of Samarco. So, safety and health is one of the main goals for Samarco, to keep it always on good conditions.

JR, we mentioned that already. So, August 25, judicial organization process was officially closed. We have some good news on this side. So, since Samarco has been coming back to the market, making this coming back to the market for the last quarters, we do not have some material changes, but it's always good news for the market to understand how the Company is moving on, is improving, keeping the plan as expected. So, it brings good news to the Company itself.

Then we start talking about sales. Comparing ourselves to the 3Q24, we have over 60% increase in production and over 68% increase in sales. So, that's the moment of truth of Phase 2 project that has been yielding the results that we expected. So, good news on sales. And again, we see that reflected on EBITDA and other financial covenants.

When we talk about Germano decharacterization, 95% concluded. We keep what the measures have been telling us for the last quarter, that will be completed during 2026. We are almost there. On the financial side, not much USD should be spent. And the final services are mainly related to making a reforestation of the areas and not exactly on earthworks that we must finish this year, most likely.

Going rapidly over market overview, and then we have some mixed feelings here. When you look at the iron ore index, also the iron ore prices, it has been sustained for the last quarter. So, we have been seeing prices over 110 at some point in time during the quarter. So, it's pretty strong. The prices are really healthy on the iron ore side.

When you look at the pellets, the premiums have dropped a lot. So, we are talking about something close to US\$30 to US\$38, when you talk about BF and DR. But overall, even though we have some reduction on the yielded price for the quarter, it's still good news. So, the market has been performing well when you look at Samarco, even more if you consider that Samarco has got 68% sales increase for the quarter.

And nothing new here. So, we have been saying, we talk a little bit more about that on the next slide, saying that in the short term, we are having some challenging situations, but on the long term, we still keep the solid forecast that we believe that the market will have for the pellets mainly.

Reparation. I think the main news here is the liquidation of Fundação Renova on November. Samarco has conducted the reparation works since November last year. That's something that we have told you here. And the liquidation of Fundação Renova is something is emblematic. The foundation was still there, managed directly by people from Samarco. The guidance came from Samarco. And now we actually have the final liquidation of Fundação Renova. So, Samarco will conduct directly 100% of the works from November on.

And a reflection of that on expenses. So, Samarco has spent in reparation up to now almost US\$4 billion, from directly US\$131 million from that. So, we keep moving there. Just remembering that whatever exceeds the cap for the year is paid fully by Vale and BHP, and it has been the way it has been done right up to now. So, for this year, we most likely will be able to comply 100% of the cap of US\$200 million for 2025.

Moving to the next session on financial performance, pellet and fines production, 4.1 million tons, compared to 2.5 million from 3Q24. Sales, 4.1 million also for the quarter.

Phase 2 ramp up, it has been successfully concluded by July this year. So, we have been able to run at full capacity at a rate of more than 15 million tons per year.

And operating performance, net operating revenue, US\$440 million for the quarter itself. Adjusted EBITDA, US\$230 million for the quarter, 47% over 3Q24. Operational free cash flow, US\$122 million, 18x more than we had on the 3Q24.

Moving to financial management, gross debt is in line with what we expected, US\$4.7 billion, compared to US\$4.4 billion one year ago. Net leverage, 4.1x. That's something that we decided to change a little bit from the last quarters. We are talking about now the net leverage, considering the cash flow for operations, excluded from whatever was contributed by Vale and BHP that may still be on the minimum cash of Samarco.

So when you consider this way to see it, and we are going to discuss that a little bit more in the next slides, it's 4.1x. If we were to consider 100% of the full cash of Samarco at the end of the quarter, that would be close to 3.7x. It seems to us that it's more straightforward to speak only of the cash that is coming from Samarco's operation.

Cash and cash equivalent by the end of the quarter, it's US\$922 million. And coming to what I just mentioned, US\$405 million of those US\$922 million, it's money from the cash contributions from Vale and BHP. In any case, we are talking here over US\$500 million in operating cash for Samarco.

Revenue, I already mentioned that, from 3Q24 to 3Q25, we have an increase of 52%. So, higher sales volume, 180% more on the sales comparing year to year. Lower item or prices offsetting that, with 18% less revenues from last year.

Cash costs, also good news. We have been running at 13% less cash costs, or C1 cash costs for the quarter, compared to 3Q24. Mainly, we are talking here that we have additional volume, diluting fixed costs. Consumables also, we have been more efficient on the consumables of Samarco. And other effects, plus US\$7 per ton. So, we are coming to an end of US\$42 per ton. That puts Samarco way closer to the lowest cost producers in the world, and that's what we expect on the tendency to be from now on.

Adjust EBITDA, 47% more than we yielded last year, 3Q24, US\$230 million. Most of this change come from the revenues. So, we have additional revenues compared to 3Q24. Cost also, we will offset that, of course, but running at a rate of US\$42 per ton, compared to more than US\$48 per ton last quarter. And we come to the end of the day at US\$230 million of adjusted EBITDA for the quarter.

Additional CAPEX has been spent. It's easily explained by the projects. From now on, we are going to see even higher numbers on the next quarter here, because we are actually starting the project of Phase 3 from now on. Everything in line with what we have expected, you are going to see that on the forecast or the guidance for the year.

Cash generation. Here, you can also see what I mentioned regarding the cash position for the end of the quarter. So, cash generation for the quarter, operational cash generation was US\$122 million, a healthy cash generation.

And then, on the right side of the second charter, you see the additional generation when you look at the cash contributions from Vale and BHP and the money that we have not spent by the end of the quarter. This money has the right use on the reparation works. That's something that will be used during the last quarter of the year. So, you are going to have more visibility on operating cash and the cash contributions from Vale and BHP from now on.

On the debt side, you see the tendency of deleveraging, the Company 4.1x for the 3Q25 at the September end. And then you also see what I mentioned a couple of slides ago, saying that this

4.1x, if you look at the final cash position without excluding the money related to the Vale and BHP cash contribution, that number would be 3.7x. From now on, you are going to see both numbers. We are going to follow the numbers with only the operating cash generation for Samarco. In any case, we are going to see this is deleveraging tendency from now on, and going to the final capital structure of Samarco, when we have Phase 3 coming online by 2028.

So, key takeaways from the 3Q. Safety performance sustained at top standards, with zero fatalities and full GISTM compliance. Despite the macro headwinds and volatility, the guidance that we gave to you by the beginning of the year is still online. So, it's still working. We believe that we will deliver what we have promised to you at the beginning of the year.

Phase 3 approval, long-term license secured, enabling operational continuity and capacity expansion. We are going to discuss that in a few more slides here, but Phase 3 is the final step for Samarco to come back to the same capacity that we had in 2015. We had the approval, again, getting the promises done, as we mentioned to you during the last quarter of the year.

Judicial reorganization, early exit concluded in August, and in Renova Foundation, liquidation completed, ensuring full transition to the new reparation framework.

Just reinforcing, so Samarco has been responsible for the reparation work since November 2024, the liquidation from the Fundação Renova is basically one emblematic step to bring that 100% inside Samarco.

So, all given, I think that was a really good quarter for the operations of Samarco. And coming to the last session of this call, we are going to talk a little bit more on the approval of the project, on the CAPEX guidance, and all the points that are important for you to follow.

Sorry, the guidance for the year, as I mentioned, no change here. So EBITDA should be close to between US\$150 million to US\$1 billion per year. I would say that it's closer to US\$1 billion than to US\$150 million. Cash cost is also closer, most likely to the middle range there. CAPEX, both total CAPEX, including the pre-commitment for Germano, is expected to be in line with what we have been guiding you for during the year. So, no news here. We should deliver something close to US\$1 billion in EBITDA for the end of the year.

And then we come to the last part of the call, Phase 3. We start these slides, this section, talking a little bit about market. We have two different views in here, short term and long term. On the short term, what we have been seeing that has been reflected on the whole of the steel and iron ore industry is that the short term volatility and challenges have been high, and there's a series of reasons for that.

But on the long term, and that's what is important here for this section, talking about the project, talking about additional capacity to the market, the drivers are solid. So GDP is expected to grow. EAF production will increase even in China. So demand for high quality products, or high quality materials like pellets will increase from now on. And just reinforcing, we have discussed that in different calls in the past. So the demand for high quality products is to increase way more than the demand on iron ore itself. So we are going to see a concentration in here. We are going to see the market demanding more products, or high quality.

And again, that's something that is rare. The market will have difficulties into bringing this new capacity online. And Samarco, I would say, is the main player to bring this capacity in the next years, with the quality that the market will demand.

So decarbonization is the main driver for this, and we keep seeing this tendency becoming every day a little bit stronger. So on the market side, we are pretty confident that we are making the right decision here.

When you look at the project itself, a couple of quarters ago, we mentioned to you the expected CAPEX for the project. We mentioned something between US\$2.2 billion and US\$2.8 billion, guiding to the mid-range of US\$2.5 billion. That was exactly what we have on the final engineering study. So US\$2.5 billion for the CAPEX.

Remembering that this CAPEX brings together the pellet feed plant, or the concentration plants in Germano, the pellet feed, the pelletizing plants in Ubu, and the tailings disposal structures in 2031 to come online, the next disposal structure that Samarco will need.

Key highlights. Strong technical operation and financial fundamentals, fully funded plan with flexibility to anticipate pelletizing plants for 2028, target capacity of 26 million by 2028, and Phase 3 approval, a strategic milestone, reinforcing competitiveness, operational continuity, and shared value creation for Samarco.

One thing that we explore in the next slides here is that we did a small change in the pelletizing coming in line. So basically, what we are doing here is following the market. The first project that we presented considered the pelletizing plant coming online with the pellet feed plants in 2028. What we did on the final approval for the project, we still consider a series of assumptions for the project.

So cash flow generation will start on 2028. We will have the beneficiation plant coming online in 2028 as expected. Pelletizing plants 1 and 2, we moved that forward for 2029. Main reason here is to follow the market. In our analysis on the market today, the market will be stronger by 2028, even though it will be online with a lot of additional demand in 2028. And what we embedded in the project is the flexibility to move these plants according to the market. So both have the embedded capacity to move these plants back to 2028 or to postpone that a little bit, if that's what the market's demanding.

And just remembering, the pelletizing plants, when we look at the full project, it's a small amount compared to the full amount of the project. So we are talking about something close to 15% plus of the total project CAPEX related to the pelletizing plants. So it's something that Samarco can, either on the financial side, absorb, postponing or anticipating, or bring forward the project. And also, on the market side, on the engineering side, we have embedded in the project, the capacity to move this pelletizing plants as we move on. And then we follow the project, the cash flow is guaranteed with the pelletizing plants that yield most of the margins for us, and the pelletizing plants will come as soon as the market needs it.

So that's the main news for the project. So it's approved. We are starting to mobilize already. Just remembering that we have started at the beginning of this year to make a pre-commitment of US\$100 million for the project. Here, we have some pictures showing that it has been running fast during the year, both in Germano, those pictures, and Ubu.

And then what we will do right now is to make sure that we continue these works according to what we have approved during this month with the board of directors of Samarco.

So that's it for the call for today. Thank you.

**Participant (via webcast):**

The realized pellet premium fell sharply in this quarter. Is this a one-off or a structural event? If you could discuss the dynamics of the pellet demand in the global market. And also, is there any expectations of improvement in average sales price for 4Q, with signs of recovery in the steel market industry?

**Gustavo Selayzim:**

I will reinforce what I mentioned. The prices for pellets are composed of both for the Agarwal index, so the 65 in our case, and the pellet premium. So when you look at the Agarwal prices, it has been stable and even a little bit higher, or growing from the last quarters, and that's one of the main things that we should focus here. So prices are still, and we believe that it will keep healthy as time moves on.

On the pellet premiums, yes, we had a drop on the premiums for the market for this quarter. We expect that to be maintained on the short term. But again, focusing on the full picture, the prices are still pretty healthy when you look at the pricing of the pellets or the iron ore plus pellet premium for the quarter.

So on the short term, we still think there will be some challenges on the next quarter or the current quarter, but with improvements, that will grow rapidly as we move on the long-term drivers for this industry.

**Participant (via webcast):**

What was the trigger for the postponement of the pelletizing plant startup? Does the license fully cover Phase 3, or will it need additional licenses? And how does the Company intend to finance Phase 3 project?

**Gustavo Selayzim:**

The license that I mentioned that in other calls, it was granted and it fully covers for the project. So for the industrial part, that was already granted before, and for the next tailings disposal areas.

When we talk about the strategy of postponing for 2029, the pelletizing plant, I think the main concept here is that we keep the possibility to run 2028 if that's what the market demands, as we keep the possibility to postpone that a little bit, if that's what the market conditions are saying.

So I think the main idea here is flexibility. We are still able to do that in 2028 if necessary, as we are also able to take the decision, without great CAPEX disbursement, if we decide to postpone that. So the concept is follow the market. The concept is that we are going to put the additional capacity, we believe in these additional needs for the market, but we are going to deliver that as market requires. So the idea here is to maximize results. And most of the margins come from the concentration plant.

On the funding, we do not foresee any material needs for funding the project. So we still believe, and even stronger now we are finishing the budget for 2026. We are pretty confident that there will be no need for external funding for 2026 and 2027. We do not foresee, at least not in material ways, the need for additional funding for 2027 either. If that change, we will bring it to you.

**Participant (via webcast):**

In regards to the JR and ratings, does the end of JR and the progress of Phase 3 impact the capital structure and risk perception? Is there a prospect of further positive rating reviews?

**Gustavo Selayzim:**

We have discussed that here before. I believe that what brings the possibility to improve the ratings for Samarco is credibility. So we have been delivering everything that we have promised. That's something that's maintained, either because we ended the judicial recovery, or because we have been delivering the production, the EBITDA, the approval of the project now. So I believe that's a combination of these deliveries that have been able to improve our ratings.

The approval of the project, my perception is that this is going to bring a lot of derisking for Samarco. So we move from the discussion of if we are going to approve to the discussion of execution risk. Execution risk for Samarco has been proved for the last four or five years to be something on the low level. So we have delivered the phase one, we have delivered the operations that we mentioned. We have also delivered approval and the startup of moment of Phase 3. That's something that the market will see, will read the right way, seeing that the risk of Samarco is almost completed.

**Vinicius:**

Gustavo, that's all. Just to reinforce here, additional comments and questions should be submitted to our mailing for Investor Relation.

Now, Samarco's call is concluded, and you may now disconnect. Thank you.