
Mineração Usiminas S.A.

***Financial statements at
December 31, 2021
and independent auditor's report***



Independent auditor's report

To the Board of Directors and Stockholders
Mineração Usiminas S.A.

Opinion

We have audited the accompanying financial statements of Mineração Usiminas S.A. ("Company"), which comprise the balance sheet as at December 31, 2021 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mineração Usiminas S.A. as at December 31, 2021, and its financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other information accompanying the financial statements and the auditor's report

The Company's management is responsible for the other information that comprises the Management Report.

Our opinion on the financial statements does not cover the Management Report, and we do not express any form of audit conclusion thereon.

In connection with the audit of the financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

Mineração Usiminas S.A.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting practices adopted in Brazil and with the IFRS as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

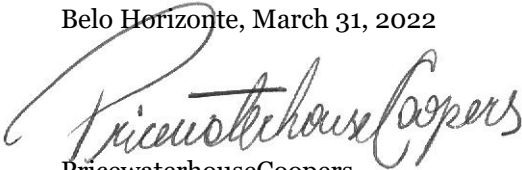
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Mineração Usiminas S.A.

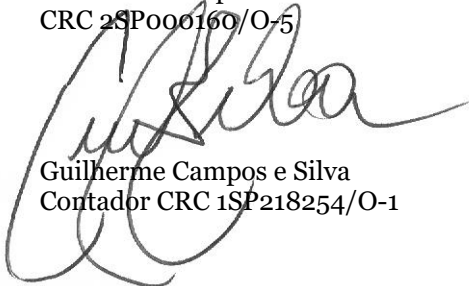
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of associates to express an opinion on the Company's financial statements. We are responsible for the direction, supervision and performance of the audit, considering these investees. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Belo Horizonte, March 31, 2022



PricewaterhouseCoopers
Auditores Independentes Ltda.
CRC 2SP006160/O-5



Guilherme Campos e Silva
Contador CRC 1SP218254/O-1



MANAGEMENT REPORT 2021

Dear Stockholders,

The Management of Mineração Usiminas S.A. ("Mineração Usiminas" or the "Company") hereby submits to your appreciation the Company's Management Report and the Financial Statements, accompanied by the independent auditor's report, for the year ended December 31, 2021.

A year of meaningful accomplishments

The year of 2021 represented to Mineração Usiminas the achievement of some important milestones. As part of the ESG Agenda, it is highlighted the Dry Stacking, dewatering and filtering project, conclusion, eliminating further waste disposal in dams during its operations. Still regarding the ESG Agenda, the Company has kept its concern with its community and its employees, through actions aimed at fighting the Covid-19 pandemic, such as distribution of safety equipment and food to families, and donations to the hospital in the region.

From the financial point of view, the Company was able to expand its previous achievements, despite the market's ups and downs and uncertainties. Several indicators, such as production and sales volumes, reached unprecedented results, with sales breaking the 9 million metric tons annual mark for the first time, and EBITDA at year-end reaching the historic level of R\$ 3.5 billion, influenced by the favorable iron ore prices (Platts IODEX) recorded throughout the year, and finally achieving a cash balance of R\$ 4.3 billion. With this, the Company will be able to continue with investments in major projects.

Mineração Usiminas is established with good corporate governance and compliance practices. Significant advances have been made in integrity and internal control systems, allowing a balance between efficiency and process control.

Environmental, Social and Governance

Social performance

- **Health and safety**

In a year still marked by the Covid-19 pandemic, which affected how we work, our productivity was not impacted. The Company has continued to prioritize employees' Health and Safety, with the continuation of preventive measures in the face of Covid-19, and monitoring the vaccination status of its workers.

Mineração Usiminas has also adopted important actions related to the continued training in Health and Safety provided to its employees. An example is the Center of Excellence in Occupational Health and Safety, a space comprising 4 different environments, each one representing a stage of maturity in the safety culture, where participants interact, by using audiovisual resources to intensify learning and raise awareness towards the goal of "zero occupational accidents".

, In the risks management, involved in operations with mobile equipment, there are the acquisition of a new simulator for equipment operation, and the implementation of anti-fatigue, anti-collision and telemetry systems, covering both own and third-party employees.

As a result, Mineração Usiminas' team achieved the lowest severity rate in the Company's history. Compared to the previous year, the severity rate decreased by 98%.

- **Personnel**

At the end of the year, Mineração Usiminas had 1,523 employees, a 9% increase in comparison with 2020, with the arrival of 140 new employees, many of them coming from the Company's professional training projects, such as the Apprentice, Internship, and Trainee Programs.

It is highlighted the Trainee Program, not only targeted at recent graduates from leading universities in Brazil, but also open to the Company's employees who have recently graduated. This year, all the Trainees who passed the selection process are already part of Mineração Usiminas' staff.

Another aspect of the staff to be emphasized in 2021 is the 22% increase in the number of women and 12% in the number of black people, which reinforced the Company's commitment to pursue inclusion and diversity.

The number of employees at service providers also increased, ending the year with an average headcount of 2,723.

Following all the biosecurity protocols to curb the impacts of the Covid-19 pandemic, training and development activities were not interrupted in 2021, totaling more than 133 hours per

employee during the year, well above the average of 58 hours per employee in the previous year.

Also noteworthy is the Profit-Sharing Program, which surpassed the target, reaching 140% of the projected goals, reflecting the effort and dedication of all employees towards the Mineração Usiminas's positive results.

Community and environment

- **Actions for communities**

Despite all the adversities caused by the pandemic, the Company kept its commitment to strengthen and support the towns in the areas nearby its mines in the Serra Azul region, establishing new partnerships through actions and projects that contribute to a sustainable development.

In 2021, the Company donated R\$ 300 thousand and 14,000 masks to Manoel Gonçalves Hospital in Itaúna, a regional reference in health care.

- **Water**

In relation to water issues, Mineração Usiminas maintains recycling rates close to 92.5% for all the water consumed in the ore processing operation and follows up on 44 water quality monitoring points spread throughout the mining site, whereby the most diverse physical and chemical parameters are analyzed.

- **Reusing and filtering system**

Regarding the process of reusing the ore waste coming from the Central Dam and treated at ITM Flotation, started in 2014, approximately 4 million metric tons were handled in 2021, contributing to the decommissioning of the structure and recovery of the area. In addition to forming part of a responsible production process, the initiative has generated jobs and financial results, and helped speeding up the process of reintegrating the area into the local environment in compliance with all safety rules.

The Company has taken another important step towards the end of the use of dams for disposal of new waste. In December 2021, the operation of the Dry Stacking system began, closing Samambaia Zero Dam use, which was raised downstream and will be decommissioned, although there is no legal requirement to this end.

In addition, the decommissioning process of the Central Dam has reached its final stage, with the adjustment of the drainage system and the revegetation of embankments. The

decommissioning is part of a plan to make operations sustainable and provide workers and residents in the region with even greater reassurance.

The actions described above confirm the Company's concern with environmental issues and sustainable development, by encouraging a proactive attitude in favor of the development and application of safer and more efficient technologies regarding the consumption of energy, natural resources, and other materials, and offering special conditions to the parties involved in the enterprise region.



Image 1: Dry Stacking launching event



Image 2: Dry Stacking plant

• Fauna

The monitoring program has been redesigned, becoming more robust with the inclusion of more fauna groups and an increase in the monitoring target area. Currently, 11 target areas are monitored, distributed throughout the mining site of the Company. This monitoring process addresses the groups of mammals, including large, medium and small, flying and non-flying mammals, avifauna, herpetofauna, entomofauna and ichthyofauna.

Coupled with this broadening of targets, an increase in the sampling effort was carried out, with quarterly campaigns (previously they were held every six months) and an improved methodology for monitoring large carnivores by telemetry (*Chrysocyon brachyurus*, *Leopardus pardalis*, and *Puma concolor*). With these changes, the program has reached another level, turning to research work, including behavioral research, of great proportions.

The work has already yielded results. In 2021, important biological data was collected on individuals of the maned wolf species (*Chrysocyon brachyurus*), which are being closely monitored, through a GPS collar, to track their daily movements in detail, with no interference in their quality of life.

Governance

- **Management**

The Company is managed by a Board of Directors and an Executive Board.

The Board of Directors comprises six sitting members and their respective alternates and usually convenes four times a year, plus extraordinary meetings as required, or in accordance with previously agreed schedules.

The Executive Board, whose members are elected and may be removed at any time by the Board of Directors, is currently made up of three members appointed pursuant to the Company's bylaws, namely a Chief Executive Officer, a Chief Financial Officer, and a Chief Development Officer.

Additionally, the Company has a group of executives, who work in the areas of Mining Operations, Engineering, Development, Sales, and Sustainability.

- **Innovation**

The mission of the Innovation function is deploying emerging technologies that allow digitalizing processes, modernizing equipment, developing innovative products, expanding safety practices, and, above all, creating a culture of experimentation that allows all employees to innovate and generate results for the Company.

Among the main Innovation actions, the creation of the *inovaAí* platform stands out. The platform is made up of four pillars (challenges, partnerships, ideas program, and events). The engagement of employees with this purpose was significant in 2021, as measured through the use of *inovaAí*. In all, 400 ideas were registered, generating 11 projects implemented and one patent application. The ideas developed show a potential return of more than R\$ 12 million/year, against an investment of R\$ 700 thousand.

The ideas registered also brought results that had considerable impact on operational safety, reducing from 1,863 to 216 the potential risks inherent in the Company's processes.

Furthermore, the creation of the Working Group - Mining 4.0 aimed to trigger a critical look to our operations and, with a clear view of the technological trends in the Mineral industry, bring to our practices actions that can put us at the forefront, in terms of sustainability, productivity and efficiency.

The positive indexes obtained are the result of the continuous incentive for employees to innovate, develop in-house technologies and improve those already acquired. Additionally, new businesses are generated, either through the licensing of patents, such as the reuse of inputs in *Jigagem* project, where a system for classifying spheres that can be reused in the process will be installed

- **Integrity**

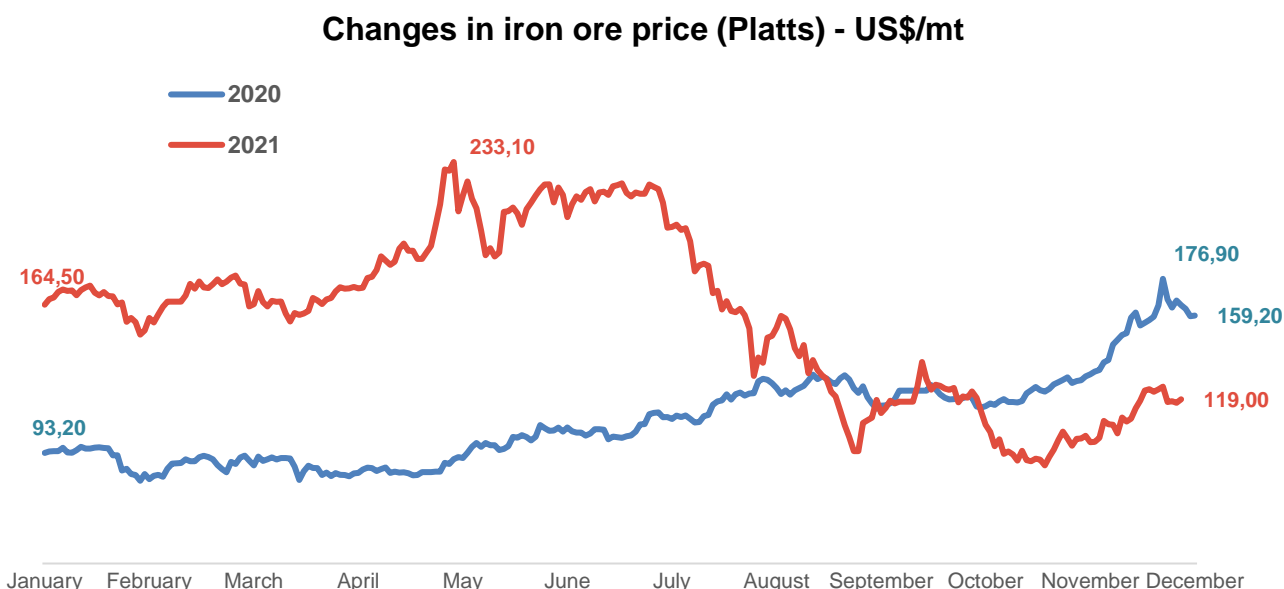
In 2021, the Integrity Department outsourced the Whistleblowing Channel, which operates on a 24/7 basis, providing even more confidentiality, transparency and fairness in the receipt and investigation of reports.

Additionally, in order to further educate our employees on the Company's culture, six new training programs have been developed. In line with the Simplicity and Agility DNA, the Integrity Department has also automated the inquiries receivment from employees on topics related to the Integrity Program; a form to report contact with a public agent; a questionnaire attached to the conflict-of-interest policy and transactions with related parties; and a form to report the receiving and/or offering of gifts, presents and hospitality. All these functionalities are centered on the "integrity tool". In addition, a number of actions aimed at internal stakeholders, including the Operations area, as well as external stakeholders, were carried out, with the support of Senior Management.

Economic scenario

In 2021, the Brazilian Gross Domestic Product (GDP) increased by 4.6%, according to data released by the Brazilian Institute of Geography and Statistics (IBGE) in March 2022, which represents the best result since 2010, when the economy had grown 7.5%. This increase reflects a recovery from the losses incurred in 2020, when the Brazilian economy shrank by 3.9% due to the Covid-19 pandemic. For 2022, a growth of 0.30% is expected, according to the Focus Report issued by the Brazilian Central Bank, also released in March 2022.

In the iron ore market, 2021 was marked by a price increase due to the strong demand from the Chinese industry and a limited supply of the commodity in the global market. The sales price (Platts IODEX 62%) surged to its highest level in recent years, reaching US\$ 233.1/mt. The average price in 2021 was US\$ 159.3/mt, an increase of 47% compared to US\$ 108.7/mt in 2020.



In 2021, the depreciation of the Brazilian Real against the U.S. Dollar helped achieving better results. Comparing the Ptax for the last business day of 2020 (R\$ 5.20/US\$) and 2021 (R\$ 5.58/US\$), the U.S. Dollar appreciated by 7% in the comparison, peaking on March 9, 2021, at R\$ 5.84/US\$.

Changes in foreign exchange rates- R\$/US\$



Both factors had a favorable effect on the Company's revenue.

Highlights of the Company's performance

EBITDA

R\$ 3.5 billion
+59.7%

EBITDA was R\$ 3.5 billion, or 59.7% above the R\$ 2.2 billion recorded in 2020, mainly due to the higher prices, higher sales volume and by the devaluation of the Real against the Dollar, partially offset by higher costs.

Sales volume

9.0 MT +3.9%

The company recorded historic levels of annual production and sales volumes. Sales of iron ore totaled 9.0 mt in 2021, against 8.7 mt in 2020.

Production volume

9.1 MT +4.6%

The annual production of iron ore reached 9.1 mt, an increase of 4.6% when compared to the production in 2020. Pellet Feed remained the most produced material, reaching a new record of 4.1 mt in the period.

Net cash

R\$ 4.3 billion
+99.5%

Investments, which totaled R\$ 305 million (CAPEX), were mainly made in projects related to sustainability and safety. The Company's net cash ended the period on R\$ 4.3 billion (R\$ 2.1 billion in 2020).

Operating, economic and financial performance

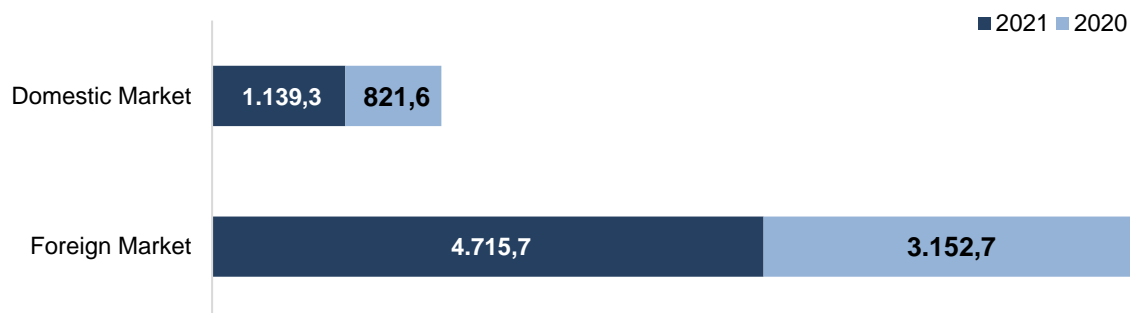
- **Main indicator**

In millions of R\$	2021	2020	Variation 2021/2020
Sales volume (in thousands of metric tons)	9,023	8,683	3.9%
Net revenue	5,855	3,858	52%
Cost of sales	(2,072)	(1,480)	40%
Gross profit (loss)	3,783	2,378	59%
Net profit (loss)	2,486	1,940	28%
EBITDA	3,507	2,195	60%
EBITDA margin	60%	57%	+3 p.p.
Investments	(305)	(209)	46%
Net cash	4,259	2,135	99.5%

- **Net revenue**

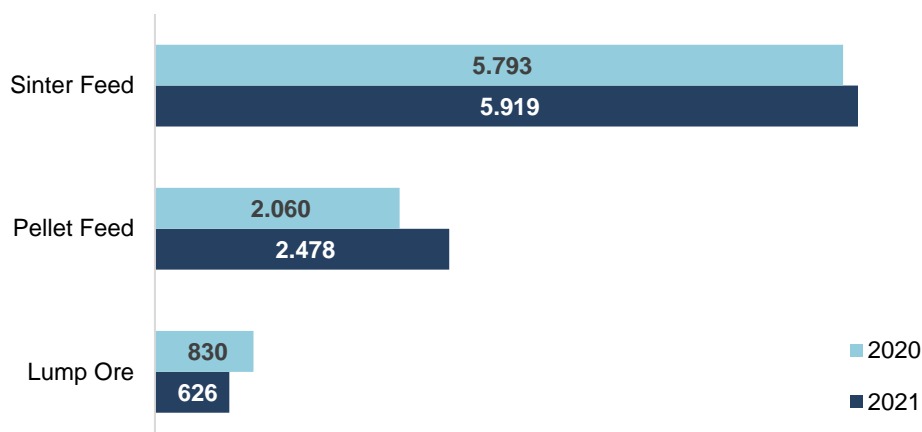
In 2021, net revenue totaled R\$ 5,855 million, against R\$ 3,974 million in 2020, an increase of 47,3%.

Share of revenue by market (in million of Reais)



Net revenue increased in comparison with 2020, due to the higher prices, the depreciation of the Brazilian Real, and the higher sales volume resulting from the increase in iron ore exports.

Sales volume by product (Kmt)



- Cost of sales**

Cost of goods sold amounted to R\$ 2.1 billion, increasing by 29.8% in relation to 2020 (R\$ 1.6 billion). In unit terms, the cost of goods sold per metric ton, of R\$ 229.7, was 24.9% higher than in 2020 (R\$ 183.8). The increase, in both cases, was due to the inflationary pressure during the year, which impacted the operational costs, as well as the higher freight rates and production configuration at the mine.

- Selling, general and administrative expenses**

Selling, general and administrative expenses totaled R\$ 352 million in 2021, an increase of R\$ 130 million in relation to 2020. Selling expenses, of R\$ 314 million in 2021 (R\$ 195 million in 2020) increased due to the higher sales volume, which affected the distribution costs. General and administrative expenses increased by R\$ 11 million, primarily as a result of the higher costs with third-party service and personnel.

- Other operating income (expenses)**

Other operating income and expenses were negative by R\$ 96 million in 2021, against the positive figure of R\$ 528 million in 2020, thanks to the reversal of impairment on non-financial assets. Excluding this aspect, expenses decreased by R\$7.6 million in 2021, mainly due to the offsetting of PIS/COFINS credits.

- Finance result**

Net finance income amounted to R\$ 143.9 million, an increase of R\$ 77.8 million when compared to the R\$ 66.1 million in 2020, mainly due to higher interest rate (end of period Selic – 2021: 9.25% p.a.; 2020: 2.00% p.a.), partially offset by lower exchange variation, compared to the previous year.

• Equity in the results of investees

The Company holds an 83.3% equity interest in Usiminas Participações e Logística (UPL), a company that holds an 11.13% equity interest in MRS Logística, which has shown higher results, in comparison to the previous year. With that, equity in the results of associates and subsidiaries was superior in 2021, with R\$ 80 million, against R\$ 49 million in 2020.

Adjusted EBITDA

R\$ thousand	2021	2020
Profit (loss) for the year	2,499,315	1,947,452
Income tax / social contribution	1,073,487	860,238
Finance result	(144,121)	(66,486)
Depreciation and amortization	174,053	142,030
EBITDA - CVM Instruction 527	3,602,734	2,883,234
Share of profit or loss of jointly-controlled subsidiaries	(93,888)	(58,433)
Impairment of mineral rights	(3,030)	(630,976)
Proportionate EBITDA of jointly-controlled subsidiaries	4,124	3,429
Adjusted EBITDA	3,509,940	2,197,254

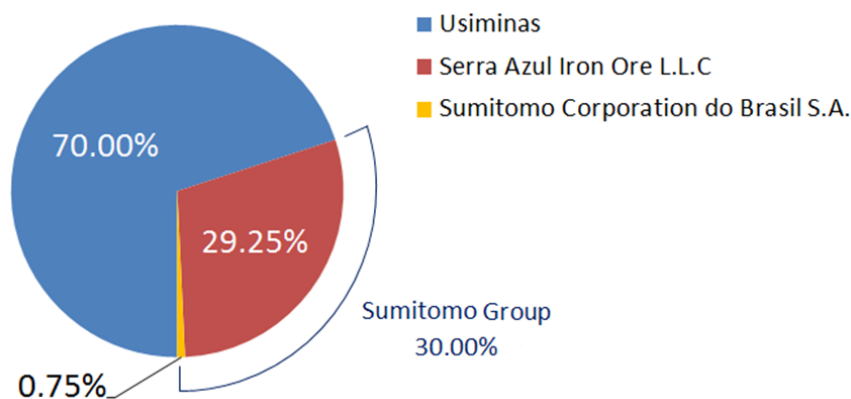
Adjusted EBITDA considers the proportionate 50% interest in Modal, company dedicated to operate in road and rail cargo terminals, storage and handling of ore and steel products, and road cargo transportation. In 2021, adjusted EBITDA was R\$ 3.5 billion, an increase of 59.7% when compared to 2020.

• Profit

Profit for 2021 totaled R\$ 2,486 million, an increase of R\$ 547 million in relation to 2020 (R\$ 1,940 million).

Shareholding structure

The Company's share capital, of R\$ 3,194,541,756.07, is represented by 2,811,607,351 registered common shares. The Company is a subsidiary of Usinas Siderúrgicas de Minas Gerais S.A. - Usiminas ("Usiminas"), which holds 70% of its share capital. The remaining 30% is held by the Sumitomo Group, through Serra Azul and Sumitomo Corporation.



Investments

In 2021, the Company invested significantly in safety and innovation projects. A total of R\$ 305 million was invested, surpassing by 46% the R\$ 209 million spent in 2020, with emphasis on the conclusion of the waste dewatering and stacking project (Dry Stacking), with a total expenditure of R\$ 126 million throughout the year (total investment estimated until 12/31/2021: R\$ 235 million).

Reaffirming its commitment of safety, the Company acquired an anti-collision system for its fleet, and a high-fidelity immersion simulator. In addition, the large-scale equipment used in the production process was renewed. Additionally, the Company invested in the maintenance and improvement of its activities.



Image 3: Fatigue detection system in operation

Management compensation

The compensation paid or payable to key management personnel, including the Statutory Executive Board and the Board of Directors, is shown below:

	2021 R\$ thousand	2020 R\$ thousand
Management fees	6,632	3,587
Social charges	987	798
Total	7,619	4,385

Internal audit

The Company's governance structure is assisted by the Internal Audit function of the parent company, whose mission is to monitor good practices in governance, assessing the Company's internal control system and risk management.

Policy regarding the independent auditors

In accordance with the Company's policy, the relationship with its independent auditors regarding the contracting of services unrelated to the external audit ensures that there will be no conflict of interest and preserves the independence and objectivity of the audit work. This policy is based on the following internationally accepted principles: (a) the auditors shall not audit their own work; (b) the auditors shall not perform management functions for their clients; and (c) the auditors shall not generate conflicts of interest with their clients.

PricewaterhouseCoopers was responsible for the independent audit of the Company's financial statements for the year ended December 31, 2021, and total fees paid for their services amounted to R\$ 267,9 thousand.

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Mineração Usiminas S.A.

Balance sheet

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Note	12/31/2021	12/31/2020
Assets			
Current assets			
Cash and cash equivalents	8	3,708,617	1,280,552
Marketable securities	9	550,667	854,273
Trade receivables	10	565,158	881,767
Inventories	11	159,192	108,613
Taxes recoverable	12	7,488	30,612
Dividends receivable		15,359	9,130
Current account		147	2,042
Other receivables		8,119	4,069
Total current assets		5,014,747	3,171,058
Non-current assets			
Long-term receivables			
Deferred income tax and social contribution	14	647,250	619,917
Judicial deposits	15	105,054	71,055
Income tax and social contribution recoverable	24	7,854	-
Contractual advances	13	185,677	97,267
Other receivables		123	-
		945,958	788,239
Investments	16	478,578	440,300
Investment properties		66,430	63,400
Property, plant and equipment	17	1,177,733	1,074,941
Intangible assets	18	1,444,172	1,408,394
Total non-current assets		4,112,871	3,775,274
Total assets		9,127,618	6,946,332
Liabilities and equity			
Liabilities			
Current liabilities			
Trade payables	20	301,653	210,160
Salaries and social charges		58,049	25,480
Taxes payable	21	28,916	41,861
Lease liabilities	22	18,931	18,805
Income tax and social contribution	14	830,706	436,722
Financial instruments	6	68,772	-
Dividends payable	31	387,509	486,277
Other payables		41,744	42,019
Total current liabilities		1,736,280	1,261,324
Non-current liabilities			
Lease liabilities	22	20,757	32,030
Environmental restoration liability	23	233,178	230,002
Provision for litigation	24	8,811	10,073
Payables to related parties	31	91,448	80,042
Other payables		10,815	8,267
Total non-current liabilities		365,009	360,414
Total liabilities		2,101,289	1,621,738
Equity	25		
Share capital		3,194,541	1,984,219
Capital reserves		-	1,210,322
Revenue reserves		3,844,239	2,133,132
Carrying value adjustment		(12,451)	(3,079)
Total equity		7,026,329	5,324,594
Total liabilities and equity		9,127,618	6,946,332

The accompanying notes are an integral part of these financial statements.

Mineração Usiminas S.A.

Statement of income

All amounts in thousands of reais

(A free translation of the original in Portuguese)

		Years ended	
	Note	12/31/2021	12/31/2020
Net revenue	26	5,855,046	3,974,316
Cost of sales	27	(2,072,141)	(1,596,140)
Gross profit		3,782,905	2,378,176
Operating income (expenses)			
Selling expenses	29	(313,690)	(194,910)
General and administrative expenses	29	(38,088)	(26,718)
Other operating income (expenses), net	29	(95,525)	527,879
Share of profit or loss of jointly-controlled subsidiaries and associates	16	80,330	49,375
		(366,973)	355,626
Operating profit		3,415,932	2,733,802
Finance result	30	143,859	66,084
Profit before income tax and social contribution		3,559,791	2,799,886
Current and deferred income tax and social contribution	14	(1,073,441)	(860,142)
Profit for the year		2,486,350	1,939,744

The accompanying notes are an integral part of these financial statements.

Mineração Usiminas S.A.

Statement of comprehensive income

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Years ended	
	12/31/2021	12/31/2020
Profit for the year	2,486,350	1,939,744
Other comprehensive income (loss)		
Actuarial gain (loss) on retirement benefits	(1,342)	(1,608)
Hedge accounting (constitution) reversal	(8,030)	-
Total other comprehensive income	(9,372)	(1,608)
Total comprehensive income for the year	2,476,978	1,938,136

-Amounts presented net of taxes (Note 14).

The accompanying notes are an integral part of these financial statements.

Mineração Usiminas S.A.

Statement of changes in equity All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Share capital	Capital reserves Premium on share subscription	Legal reserve	Revenue reserves Reserve for investments and working capital	Carrying value adjustment	Retained earnings	Total equity
At December 31, 2019	1,984,219	1,210,322	-	705,818	(1,471)	-	3,898,888
Comprehensive income for the period							
Profit for the year	-	-	-	-	-	1,939,744	1,939,744
Actuarial gain (loss)	-	-	-	-	(1,608)	-	(1,608)
Total comprehensive income for the period	-	-	-	-	(1,608)	1,939,744	1,938,136
Transfer to reserves	-	-	-	1,427,314	-	(1,427,314)	-
Dividends and interest on capital 2020	-	-	-	-	-	(512,430)	(512,430)
At December 31, 2020	1,984,219	1,210,322	-	2,133,132	(3,079)	-	5,324,594
Comprehensive income for the period							
Profit for the year	-	-	-	-	-	2,486,350	2,486,350
Hedge accounting	-	-	-	-	(8,030)	-	(8,030)
Actuarial gain (loss)	-	-	-	-	(1,342)	-	(1,342)
Total comprehensive income for the period	-	-	-	-	(9,372)	2,486,350	2,476,978
Capital increase	1,210,322	(1,210,322)	-	-	-	-	-
Transfer to reserves	-	-	124,319	1,735,700	-	(1,860,019)	-
Dividends and interest on capital 2021	-	-	-	(148,912)	-	(626,331)	(775,243)
At December 31, 2021	3,194,541	-	124,319	3,719,920	(12,451)	-	7,026,329

The accompanying notes are an integral part of these financial statements.

Mineração Usiminas S.A.

Statement of cash flows

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Note	Years ended	
		12/31/2021	12/31/2020
Cash flows from operating activities			
Profit for the year		<u>2,486,350</u>	<u>1,939,744</u>
Adjustments to reconcile profit or loss			
Interest / indexation accruals and foreign exchange gains/losses		28,506	34,165
Interest		(5,147)	(3,015)
Depreciation, amortization and depletion	27	174,053	142,030
Gain (loss) on the sale/write-off of PP&E/Investment		(1,069)	(917)
Share of profit or loss of jointly-controlled subsidiaries and associates	16	(80,330)	(49,375)
Impairment adjustment assets		(3,030)	(630,976)
Deferred income tax and social contribution	14	(22,378)	230,991
Increase in provisions		1,087,271	618,838
(Increase) decrease in assets			
Trade receivables		396,303	(485,993)
Inventories		(50,579)	(62,908)
Taxes recoverable		22,297	2,520
Judicial deposits		(32,010)	(28,677)
Other		(159,812)	(35,066)
Increase (decrease) in liabilities			
Trade payables		91,493	(20,584)
Taxes payable		(26,620)	65,931
Other		(5,256)	179,427
Income tax and social contribution paid		(646,551)	(185,703)
Interest paid		-	(10)
Net cash provided by operating activities		<u>3,252,938</u>	<u>1,710,422</u>
Cash flows from investing activities			
Marketable securities		303,606	(202,450)
Purchases of property, plant and equipment	17	(253,829)	(207,701)
Proceeds from sale of PP&E		4,384	1,212
Additions to intangible assets	18	(51,967)	(1,114)
Capital reduction in subsidiary		-	(22)
Dividends received		36,067	31,774
Net cash provided by (used in) investing activities		<u>38,261</u>	<u>(378,301)</u>
Cash flows from financing activities			
Repayments of borrowings		-	(1,654)
Settlement of hedging transactions		(23,089)	(180,719)
Dividends and interest on capital paid		(840,045)	(30,291)
Net cash (used in) financing activities		<u>(863,134)</u>	<u>(212,664)</u>
Net increase in cash and cash equivalents		<u>2,428,065</u>	<u>1,119,457</u>
Cash and cash equivalents at the beginning of the year		<u>1,280,552</u>	<u>161,095</u>
Cash and cash equivalents at the end of the year		<u>3,708,617</u>	<u>1,280,552</u>
Net increase in cash and cash equivalents		<u>2,428,065</u>	<u>1,119,457</u>

The accompanying notes are an integral part of these financial statements.

1 Operations

Mineração Usiminas S.A. (“Mineração Usiminas” or the “Company”) is a privately-held corporation based in the city of Belo Horizonte, State of Minas Gerais. Its stockholders are Usinas Siderúrgicas de Minas Gerais S.A. - USIMINAS (“Usiminas”), which holds a 70% interest of its capital and the Sumitomo Group, which holds a 30% interest, through its subsidiaries Serra Azul Iron Ore L.L.C. (“Serra Azul”) and Sumitomo Corporation do Brasil S.A. (“Sumitomo”).

The Company and its jointly-controlled subsidiaries and associates are mainly engaged in operations relating to mineral deposits and the trading of iron ore, railroad transport, logistics and cargo terminals. Currently, it has iron ore treatment facilities in the municipalities of Itatiaiuçu and Mateus Leme, State of Minas Gerais, with an annual production capacity of 12 million metric tons (unaudited).

Most of its production is sold in markets abroad and to steel plants owned by its parent company, Usiminas.

The Company holds direct or indirect interest in the following jointly-controlled subsidiaries and associates:

(a) Jointly-controlled subsidiary

Company	(%) Ownership interest	(%) Voting capital	Headquartered in	Core business
Modal Terminal de Granéis Ltda.	50	50	Itaúna/MG	Operates highway and railway cargo terminals, storage and handling of ore and steel products, and highway cargo transport.

(b) Associates

Companies	(%) Ownership interest	(%) Voting capital	Location	Core business
Terminal de Cargas Sarzedo Ltda.	22.22	22.22	Sarzedo/MG	Storage, handling and transportation of cargo and terminal operation.
Usiminas Participações e Logística S.A.	83.30	49.90	Belo Horizonte/MG	Investment in MRS Logística S.A, holding a 11.13% interest in the company's share capital and participating in its control group (i).
Terminal de Cargas de Paraopeba Ltda.	22.22	22.22	Sarzedo/MG	Storage, handling and transportation of cargo and terminal operation.

(i)MRS is a logistics company that manages a 1,600km long railway network in the States of Minas Gerais, Rio de Janeiro and São Paulo. It is among the longest cargo railways in the world. Approximately one third of all rail cargo in Brazil uses MRS services.

The accompanying notes are an integral part of these financial statements.

2 Approval of the financial statements

The issue of these financial statements was authorized by the Company's Board of Directors on March 31, 2022.

3 Basis of preparation of the financial statements

3.1 Basis of preparation and statement of compliance

The financial statements have been prepared on a going concern basis, under the historical cost convention, as modified to reflect the measurement of financial assets and financial liabilities (including derivative financial instruments, if any) at fair value through profit or loss.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

The financial statements have been prepared and are presented in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB), and the accounting practices adopted in Brazil, issued by the Brazilian Accounting Pronouncements Committee (CPC), and disclose all information of significance to the financial statements, which is consistent with the information utilized by Management in the performance of its duties.

3.2 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in Brazilian Real/Reais (R\$), which is the Company's functional currency.

3.3 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

Accounting policies applied in transactions considered immaterial were not included in the financial statements.

The accounting policies, which are the same as those adopted in the previous year, have been consistently applied to the associates and jointly-controlled subsidiaries.

(a) Jointly-controlled subsidiaries and associates

The accompanying notes are an integral part of these financial statements.

The Company classifies its investments as follows:

- associated companies are the entities over which the Company has significant influence, but not control or joint control by participating in decisions relating to their financial and operating policies; and
- jointly-controlled subsidiaries are entities in which the Company shares control with one or more parties.

Investments in associates and jointly-controlled subsidiaries are accounted for using the equity method and are initially recognized at cost.

The reporting periods of the jointly-controlled subsidiaries and associates are consistent with those of the Company. However, for equity accounting purposes, the Company used the accounting information as at November 30, 2020 pursuant to CPC18 (R2) and IAS 28, except for the associates Terminal de Cargas Sarzedo Ltda. and Terminal de Cargas de Paraopeba Ltda., in addition to the jointly-controlled entity Modal Terminal de Granéis Ltda.

The Company's share of profit or loss of its associates and jointly-controlled subsidiaries is recognized in the statement of income and its share of changes in reserves is recognized in the Company's reserves. When the Company's share of losses in an associate or jointly-controlled subsidiary equals or exceeds the carrying amount of the investment, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate or jointly-controlled investee.

Accounting policies of associates and jointly-controlled subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

(b) Translation of transactions and balances in foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation, on which the items are measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

Foreign exchange gains and losses relating to assets and liabilities are presented in the statement of income in finance result.

(c) Cash and cash equivalents and marketable securities

The accompanying notes are an integral part of these financial statements.

(i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, bank deposits, and other short-term highly liquid investments, with an immaterial risk of changes in value, with the objective of meeting short-term commitments.

(ii) Marketable securities

Highly liquid investments, redeemable in three months or less, which are not intended by management to meet short-term commitments are classified as marketable securities.

(d) Financial assets

(i) Classification

Upon initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

A financial asset is measured at amortized cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at fair value through other comprehensive income if both of the following conditions are met:

- the asset is held within a business model whose objective is achieved through both the collection of contractual cash flows and the sale of financial assets; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that represent payments of principal and interest on the principal amount outstanding.

All the other financial assets are classified as measured at fair value through profit or loss.

In addition, upon initial recognition, the Company may irrevocably designate a financial asset that meets the requirements to be measured at amortized cost, as FVOCI or even as FVTPL. This designation has the purpose of eliminating or significantly reducing a possible accounting mismatch arising from the gains or losses produced by the respective asset measured on different bases.

(ii) Recognition and measurement

The accompanying notes are an integral part of these financial statements.

Purchases and sales of financial assets are recognized on the trade date. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value recognized in profit or loss. Financial assets carried at fair value recognized in profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of income in the period in which they arise. The fair values of investments with publicly available quotations are based on current bid prices. For financial assets without an active market, Companhia Usiminas determines fair value through valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, prioritizing market inputs and minimizing the use of entity-specific inputs.

(iii) Impairment of assets carried at amortized cost

The Company assesses, at the end of each reporting period, whether there is objective evidence that a financial asset or a group of financial assets is impaired. The criteria that the Company uses to determine whether there is objective evidence of impairment include:

- significant financial difficulty of the issuer or borrower;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- probability that the debtor will enter bankruptcy or financial reorganization; and
- the disappearance of an active market for that financial asset as a result of financial difficulties.

(iv) Derecognition of financial assets

A financial asset (or, when applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized specially when:

- the rights to receive cash flows from the asset have expired; and
- the Company has transferred its rights to receive cash flow from the asset or has agreed to pay the full amount of the cash flow received, with no significant delay, to a third party as a result of a "transfer" agreement; and (a) the Company has transferred substantially all of the risks and rewards of the asset, or (b) the Company has neither transferred nor substantially retained all of the risks and rewards related to the asset, but has transferred control over this asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a transfer agreement and has not substantially transferred or retained all of the risks and rewards related to an asset, the asset is recognized to the extent of the continuous involvement of the Company with this asset.

(e) Financial liabilities

The accompanying notes are an integral part of these financial statements.

(i) Recognition and measurement

A financial liability is classified as measured at fair value through profit or loss if it is defined as held for trading or designated as such upon its initial recognition. Transaction costs are recognized in profit or loss as they are incurred. These financial liabilities are measured at fair value and any changes in fair value are recognized in the statement of income for the year.

The Company's financial liabilities, which are initially recognized at fair value, include trade and other payables, borrowings and derivative financial instruments. The cost of the transaction directly related to borrowings and payables is added to them.

(ii) Subsequent measurement

After the initial recognition, borrowings, debentures, trade and other payables are subsequently measured at amortized cost, using the effective interest method.

(iii) Borrowing costs

Borrowing costs related to the acquisition, construction, or production of an asset that requires a substantial period of time to prepare for its intended use or sale are capitalized as part of the cost of that asset. Borrowing costs are comprised of interest and other costs incurred by the Company in connection with the raising of funds.

(iv) Derecognition of financial liabilities

A financial liability is derecognized when the obligation is revoked, canceled, or expire.

When an existing financial liability is replaced by another liability of the same lender with substantially different terms, or when the terms of an existing liability are altered significantly, this replacement or alteration is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the corresponding carrying amounts is recognized in the statement of income for the year.

(v) Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value through profit or loss.

(f) Inventories

Inventories are stated at the lower of their average purchase or production cost (weighted moving average) and their net realizable value. Imports in transit are stated at the accumulated cost of each import.

(g) Judicial deposits

Judicial escrow deposits are made into a bank account linked to legal proceedings, in Reais and accrue interest/indexation for the purpose of ensuring the settlement of potential future liabilities.

(h) Property, plant and equipment

The accompanying notes are an integral part of these financial statements.

Property, plant and equipment are recorded at cost of acquisition, formation or construction, less depreciation and, when applicable, impairment losses. Upon replacement, the key components of certain property, plant and equipment items are recorded as individual and separate assets and depreciated considering the specific economic useful lives of these components. The carrying amount of the replaced component is derecognized. Maintenance costs incurred to keep the original performance pattern are expensed in the statement of income as incurred. Engineering, research, studies and development expenses are accounted for as operating expenses until the economic feasibility of a certain project is evidenced; from then on, the expenses incurred will be accounted for as property, plant and equipment.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, except for costs to cease mineral deposit operations (environmental restoration liabilities) (Notes 3.3.(m) and 17).

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, during the year.

An asset's carrying amount is adjusted immediately if it is greater than its estimated recoverable amount.

The Company has parts and spare parts for the maintenance of property, plant and equipment items, which have estimated useful lives of more than 12 months. Therefore, the balance of inventories of these parts is classified in property, plant and equipment.

(i) Investment properties

Investment properties are initially measured at cost, including transaction costs. After initial recognition, investment properties are presented at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair value of investment properties are included in the statement of income for the year in which they are generated. Investment properties are written off when they are sold or no longer used on a permanent basis, and no future economic benefit is expected from their sale. The difference between the net value obtained from the sale and the carrying amount of the asset is recognized in the statement of income for the write-off period.

(j) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the net fair value of assets and liabilities of the acquired entity. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to

The accompanying notes are an integral part of these financial statements.

benefit from the business combination in which the goodwill arose, duly segregated, by operating segment.

(ii) Mineral rights

Mineral rights are recorded at their purchase value and reduced based on the depletion of the mineral reserves.

Mineral rights arising from acquisitions of companies are recognized at their fair values, considering the allocation of assets and liabilities acquired.

Mineral rights are depleted in accordance with the development of the mineral reserves.

(iii) Software

Software licenses purchased are capitalized and amortized on a straight-line basis over their estimated useful lives at the rates described in Note 18.

(k) Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets with defined useful lives are reviewed to identify evidence of impairment at the balance sheet date and whenever events or changes in circumstances indicate that the book value may not be recoverable. If there is an indication of impairment, the assets are tested for impairment. An impairment loss is recognized when the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-generating units or CGU). An impairment loss is recognized for the amount by which an asset's carrying amount exceeds its recoverable amount.

(l) Provisions for litigation

Provisions for litigation related to labor, tax, and civil administrative and legal proceedings are recognized when there is a legal or informal present obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

(m) Environmental restoration obligation

Environmental restoration expenditures, when related to an asset construction or acquisition, is recorded as part of the cost of that asset and takes into consideration management's estimates.

The expenditures are measured at the present value expected to be required to settle the obligation, which reflects the market current assessments and the risks specific to the obligation. The increase in the provision due to the time elapsed is recognized as interest expense.

The Company recognizes a liability related to expected mine closure and asset retirement obligation costs on an accrual basis, at present value. The Company considers the accounting estimates related to the reclamation of the degraded areas and mine closure costs as a critical accounting practice, since it involves significant provision values and is based on a number of assumptions, such as interest and inflation rates, the useful life of the asset considering the current depletion level, and the projected depletion dates of each mine. These estimates are reviewed annually.

(n) Current and deferred income tax and social contribution

Taxes on profit are recognized in the statement of income, except to the extent that they relate to items recognized in comprehensive income or directly in equity.

Deferred taxes are calculated on corporate income tax (IRPJ) and social contribution (CSLL) losses and on the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets and liabilities are presented on a net basis in the balance sheet when there is a legally enforceable right and an intention to offset them upon the calculation of current taxes, generally when they are related to the same legal entity and the same tax authority.

(o) Employee benefits

(i) Supplementary retirement plan

The Company offers its employees supplementary pension plans, which are managed by Previdência Usiminas, a closed non-profit supplementary pension entity with administrative and financial autonomy.

Currently, the only pension plan offered to the Company's employees open to new participants is USIPREV, a Variable Contribution plan. However, a participant who enrolled in the plan before April 13, 2011, a Founder Member, may also opt for converting to a monthly life annuity. In this case, during the payout phase, USIPREV will be similar to a Defined-Benefit-type plan.

The liability recognized in the balance sheet in respect of Defined-Benefit-type plans is the present value of the defined benefit obligation at the balance sheet date minus the market value of plan assets, adjusted for: (i) actuarial gains and losses; (ii) rules for limiting the value of the asset determined; and (iii) minimum requirements. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the future cash outflows using market interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related retirement plan liability.

Actuarial gains and losses are charged or credited directly in other comprehensive income in the period in which they occurred. The contributions are recognized as finance costs in the period in which they are due.

(ii) Post-retirement healthcare benefit plan

The Company records the obligations arising from the Brazilian retirement plan legislation, which guarantees employees who have contributed to the retirement plan the right to remain as beneficiaries when they retire, provided that they continue to pay the full amount of the contributions to the plan. The maintenance term after retirement is one year for each contribution year and if contributions were made for at least 10 years, this term is indefinite.

These obligations are valued annually by independent actuaries.

(iii) Employee profit sharing

The Company provides for employee profit sharing based on the fulfillment of operating and financial targets set for its employees. These amounts are recorded under "Cost of sales", "Selling expenses" and "General and administrative expenses", in accordance with the position of each employee.

(iv) Share-based payments

The Company has a share-based compensation plan, to be settled with preferred shares held in treasury, under which management members and other executives appointed by the Board of Directors can purchase Company's shares. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense.

When the options are exercised, the proceeds received, net of any directly attributable transaction costs, are credited to capital reserves (nominal value).

(p) Revenue recognition

Revenue is shown net of taxes, returns, rebates and discounts. Revenue is measured at the fair value of the consideration received or receivable, to the extent it is probable that future economic benefits will flow to the entity, and the amounts of revenue and costs can be reliably measured.

Sales of the Company's products refer basically to sales of iron ore as sinter feed, pellet feed, and granulated. The Company recognizes revenue on the date the product is delivered to the purchaser in accordance with the contractual condition. In certain cases, the selling price is determined provisionally on the date of the sale and subsequently adjusted according to the changes in quoted market prices up to the date on which the final price is fixed.

(q) Finance income and costs

Finance income and costs, comprise income from financial investments, monetary effects, interest, discounts and credit assignment, are recognized on an accrual basis, using the effective interest rate method.

(r) Distribution of dividends and interest on capital

The accompanying notes are an integral part of these financial statements.

Dividends and interest on capital distributable to the Company's stockholders are recognized as liabilities in the financial statements at the year-end, in accordance with the Company's bylaws. Amounts above the minimum mandatory limit established by law are only subject to provision when approved by the General Stockholders' Meeting.

The tax benefit of interest on capital is recognized in the statement of income.

(s) Pronouncements issued but not yet effective at December 31, 2021

Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IFRS 3	Reference to Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment - Proceeds Before their Intended Use
Amendments to IAS 37	Onerous Contracts - Costs to Fulfill a Contract
Annual Improvements to the IFRS 2018-2020 Cycle	Amendments to IFRS 1 - First-time Adoption of International Financial Reporting Standards, IFRS 9 - Financial Instruments, IFRS 16 - Leases and IAS 41 - Agriculture

The Company does not expect that the adoption of these standards will have a material impact on the parent company and consolidated financial statements.

4 Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make certain judgments and estimates and adopt assumptions that impact the stated amounts of revenue, expenses, assets and liabilities and their related disclosures, as well as the disclosure of contingent liabilities.

4.1 Judgments

In the process of applying the Company's accounting policies, management applied the following judgments, which have the most significant effects on the amounts recognized in the financial statements:

(a) Segregation of components of interest and indexation on financial investments and local borrowings

The Company segregates the effects of inflation based on the Extended Consumer Price Index (IPCA) from borrowings and financial investments, which are linked to the CDI and TJLP. Therefore, the IPCA portion is segregated from the interest on borrowings and income on financial investments and presented within "Indexation effects", in Finance result (Note 30).

(b) Classification of investment control

The Company classifies its investments in accordance with CPC 18 (R2) - Investment in Associates and Joint Ventures and with CPC 19 (R2) - Joint Ventures, the adoption of which is subject to the use of judgment to determine the extent of control and significant influence over investees.

4.2 Estimates and assumptions

The main assumptions concerning sources of uncertainty in future estimates and other important sources of uncertainty in estimates at the balance sheet date, involving significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are presented below.

(a) Impairment of non-financial assets

Annually, the Company tests goodwill and other long-term assets for impairment. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-generating units (CGUs)). The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations were based on estimates (Note 19).

(b) Income tax, social contribution, and other tax credits

Management reviews, on a regular basis, the recoverability of deferred tax assets considering the historical profit generated and the estimated future taxable income, based on technical feasibility studies (Note 14 (b)).

(c) Retirement plan benefits

The present value of the retirement plan obligations depends on a number of factors that are determined on an actuarial basis. The assumptions used in determining the net cost (income) of retirement plans include the discount rate.

The Company determines the appropriate discount rate at the end of each year to determine the present value of estimated future cash outflows.

Other assumptions for retirement plan obligations are based on current market conditions.

(d) Provisions for litigation

The Company is a party to various judicial and administrative proceedings (Note 24). Provisions are recorded for all proceedings that represent probable losses. The probability of loss is assessed based on available evidence, following the advice of internal and external legal counsel.

(e) Environmental restoration obligation

The Company records provisions for the expected costs of future decommissioning of its operations and the environmental recovery of the areas impacted by its activities. The amount of the provision is determined based on specialized technical surveys. When the provision is recognized, the estimated costs are capitalized in property, plant and equipment and depreciated over the useful life of the corresponding mining assets, generating an expense that is recognized in the statement of income for the year. In 2021, the rate of 6.92% p.a. was used to update the balance of the provision for environmental restoration.

(f) Useful lives of property, plant and equipment

The depreciation of property, plant and equipment is calculated using the straight-line method over the useful lives of the assets. The useful lives of assets are determined based on reports issued by the Company's engineers or by external consultants, and are reviewed annually.

(g) Leases

The Company has entered into lease agreements, mainly related to vehicles used for internal transportation in mines. Lease terms are negotiated on an individual basis and under a wide range of different terms and conditions. The lease agreements do not include restrictive covenants. However, the related leased assets must not be pledged as collateral for borrowings.

Lease liabilities are measured and estimated as described in Note 22.

Right-of-use assets are measured at cost according to the following items:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the lease term, on a straight-line basis. Changes in right-of-use assets are disclosed in Note 17.

5 Financial risk management

The Company has a financial risk management program in place that seeks to reduce the impacts of such risks on its financial assets, financial liabilities and cash flows. This program was prepared in accordance with the financial policy of the parent company, Usiminas. The Company's management evaluates, monitors, and adopts, where necessary, measures to mitigate the effects of these risks, including by contracting derivative financial instruments.

5.1 Financial risk factors

Mineração Usiminas is exposed to a number of financial risks, such as market risk, foreign exchange risk, interest rate risk, fair value risk, credit risk and liquidity risk. The Company's Board of Directors establishes principles for the management of these risks, including with financial instruments and investment of excess liquidity.

5.2 Policy for using financial instruments

The purpose of the policy for managing financial assets and liabilities is to: (i) maintain the intended level of liquidity, (ii) define the level of concentration of operations, and (iii) control the level of exposure to financial market risks.

Management monitors the risks to which the Company is exposed and evaluates the need to contract derivative transactions to minimize the impacts on its financial assets

and liabilities, and reduce the volatility in its cash flows caused mainly by foreign exchange exposure, and the effects of the price of iron ore.

5.3 Financial risk management policy

(a) Credit risk

Credit risk arises substantially from the relationship with financial institutions in which the Company maintains financial resources, publicly-held companies, from which securities and notes are acquired, as well as from exposure to receivables from customers.

As a means to mitigate credit risk, with respect to cash and cash equivalents, Mineração Usiminas carries out transactions exclusively with prime financial institutions.

Regarding financial investments, only securities and notes of entities rated by the international rating agencies as "A-" or higher are traded. In addition, other criteria must be complied with, such as equity and cash concentration by institution.

Mineração Usiminas' sales policy seeks to minimize any risks arising from customer defaults. The finance and sales areas evaluate and monitor customer performance. Customers are selected based on their ability to pay, debt ratio and other items in the balance sheet.

(b) Liquidity risk

The policy that governs the management of financial assets and liabilities involves an analysis of the counterparties based on an evaluation of their financial statements, equity and credit ratings. This policy is intended to ensure that the Company is able to maintain the intended level of liquidity, define the concentration level of its operations, as well as to control the level of exposure to financial market risks, thus diluting its liquidity risk.

Cash flow forecast is based on the budget approved by the Board of Directors; where necessary, cash flow forecasting is reviewed and updated.

At December 31, 2021, the cash maintained by Mineração Usiminas was invested in Bank Deposit Certificates (CDBs), repurchase agreements and investment funds.

The table below analyzes the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

The amounts shown below relate to undiscounted cash flows contracted.

	<u>Up to 1 year</u>	<u>From 1 to 2 years</u>	<u>From 2 to 5 years</u>	<u>Over 5 years</u>
At December 31, 2021				
Trade payables	288,401	-	-	-
Payables to related parties	13,252	-	91,448	-
Lease liabilities	18,931	10,563	10,194	-
At December 31, 2020				
Trade payables	194,483	-	-	-
Payables to related parties	15,677	-	94,639	31,546
Lease liabilities	18,805	16,177	15,853	-

(c) Foreign exchange risk

(i) Foreign exchange exposure

Mineração Usiminas carries out transactions with counterparties abroad and, therefore, is exposed to foreign exchange risk, mainly related to the U.S. dollar. The Company's net exposure value in foreign currency at December 31, 2021 and 2020 is presented below:

	<u>12/31/2021</u>	<u>12/31/2020</u>
Assets in foreign currency		
Cash and cash equivalents	479,012	227,103
Trade receivables	306,724	591,223
	<u>785,736</u>	<u>818,326</u>
Liabilities in foreign currency		
Trade payables	<u>(31,311)</u>	<u>(10,780)</u>
Net exposure	<u>754,425</u>	<u>807,546</u>

(ii) Sensitivity analysis - foreign exchange risk arising from assets and liabilities denominated in foreign currency

The analysis below estimates the negative impact on the Company's future finance result of any unfavorable variation in the foreign exchange rate against the U.S. Dollar (R\$/US\$). For purposes of the net exposure to assets denominated in foreign currency, at December 31, 2021 three scenarios were defined. Scenario I considers 5% of the foreign exchange rate (R\$/US\$) effective at December 31, 2021. Scenarios II and III were stressed 25% and 50%, respectively.

		<u>12/31/2021</u>		
<u>Currency</u>	<u>Foreign exchange rate at the end of the year</u>	<u>Scenario I</u>	<u>Scenario II</u>	<u>Scenario III</u>
US\$	5.5805	5.3015	4.1854	2.7903

Gains (losses) on finance result, considering Scenarios I, II and III, are shown below:

		<u>12/31/2021</u>	
<u>Currency</u>		<u>Scenario I</u>	<u>Scenario II</u>
US\$		(37,721)	(188,606)
			(377,213)

The accompanying notes are an integral part of these financial statements.

(d) Interest rate risk

The Company has financial investments in Reais (R\$) linked to the Interbank Deposit Certificates (CDI) rate, and fixed-rate investments abroad, denominated in U.S. dollars. The net exposure to interest rates is as follows:

	<u>12/31/2021</u>	<u>12/31/2020</u>
Assets in CDI		
Cash and cash equivalents	3,218,563	1,052,310
Marketable securities	<u>550,667</u>	<u>854,273</u>
Net exposure	<u>3,769,230</u>	<u>1,906,583</u>

(i) Sensitivity analysis of changes in interest rates

The analysis below estimates the negative impact on the Company's future finance result of any unfavorable variation of the interest rate indexed to the CDI. Therefore considering the net exposure of assets linked to the CDI rate, at December 31, 2021 three scenarios of analysis were defined. Scenario I considers a 5% decrease in the interest rate of December 31, 2021. Scenarios II and III were stressed by 25% and 50%, respectively.

The sensitivity analysis of the interest rate variation based on the related scenarios is presented below:

Index	<u>12/31/2021</u>			
	Interest rate at the end of the year	Scenario I	Scenario II	Scenario III
CDI	9.15%	8.69%	6.86%	4.58%

Gains (losses) on finance result, considering Scenarios I, II and III, are shown below:

Index	<u>12/31/2021</u>		
	Scenario I	Scenario II	Scenario III
CDI	(17,244)	(86,221)	(172,442)

5.4 Capital management

The Company's capital management aims to establish a capital structure that ensures business continuity in the long term, while providing the expected return to stockholders. At December 31, 2021, the Company had no material financial liabilities, and maintained an important level of cash, to be used in future projects.

6 Derivative financial instruments

The Company enters into hedging transactions related to iron ore prices and foreign exchange rates in order to protect its financial position and its cash flow. To decide on contracting financial hedges, management analyzes the future prices of ore and future foreign exchange rates (R\$/US\$).

The Company does not carry out derivative transactions for speculative purposes, and does not settle or pay its operations before their original maturities.

In 2021, iron ore price hedging transactions were carried out, which resulted in a financial loss of R\$44,598.

Hedged item	Maturity month/year	INDEX		NOTIONAL AMOUNT (amount contracted)				FAIR VALUE (MARKET) - ACCOUNTING		Result for the period
		Asset position	Liability position	12/31/2021		12/31/2020		12/31/2021	12/31/2020	12/31/2021
				Asset position	Liability position	Asset position	Liability position	Asset (liability) position	Asset (liability) position	Gain (loss)

HEDGE OF COMMODITIES PRICE

Iron ore (CFR China 62% Fe)	11/21	Ore FWD USD 104,95	Ore_Fut_SCOV1	-	-	-	-	-	-	(4,566)
Iron ore (CFR China 62% Fe)	11/21	Ore FWD USD 98,00	Ore_Fut_SCOV1	-	-	-	-	-	-	(13,031)
Iron ore (CFR China 62% Fe)	11/21	Ore FWD USD 109,40	Ore_Fut_SCOV1	-	-	-	-	-	-	(3,185)
Iron ore (CFR China 62% Fe)	11/21	Ore FWD USD 113,60	Ore_Fut_SCOV1	-	-	-	-	-	-	(2,140)
Iron ore (CFR China 62% Fe)	11/21	Ore FWD USD 115,10	Ore_Fut_SCOV1	-	-	-	-	-	-	(3,438)
Iron ore (CFR China 62% Fe)	12/21	Ore FWD USD 108,15	Ore_Fut_SCOX1	-	-	-	-	-	-	3,569
Iron ore (CFR China 62% Fe)	01/22	Ore FWD USD 106,95	Ore_Fut_SCOZ1	R\$ 27,097	R\$ 27,097	-	-	(1,486)	-	(1,486)
Iron ore (CFR China 62% Fe)	01/22	Ore FWD USD 91,50	Ore_Fut_SCOZ1	R\$ 56,338	R\$ 56,338	-	-	(13,001)	-	(13,001)
Iron ore (CFR China 62% Fe)	01/22	Ore FWD USD 91,50	Ore_Fut_SCOZ1	R\$ 10,172	R\$ 10,172	-	-	(2,342)	-	(2,342)
Iron ore (CFR China 62% Fe)	01/22	Ore FWD USD 102,00	Ore_Fut_SCOZ1	R\$ 48,414	R\$ 48,414	-	-	(4,978)	-	(4,978)
Iron ore (CFR China 62% Fe)	02/22	Ore FWD USD 90,00	Ore_Fut_SCOF2	R\$ 25,174	R\$ 25,174	-	-	(8,659)	-	(8,659)
Iron ore (CFR China 62% Fe)	03/22	Ore FWD USD 102,00	Ore_Fut_SCOG2	R\$ 84,334	R\$ 84,334	-	-	(15,453)	-	(15,453)
Iron ore (CFR China 62% Fe)	03/22	Ore FWD USD 105,00	Ore_Fut_SCOG2	R\$ 87,695	R\$ 87,695	-	-	(12,979)	-	(12,979)
Iron ore (CFR China 62% Fe)	04/22	Ore FWD USD 109,00	Ore_Fut_SCOH2	R\$ 29,677	R\$ 29,677	-	-	(3,070)	-	(3,070)
Iron ore (CFR China 62% Fe)	04/22	Ore FWD USD 111,00	Ore_Fut_SCOH2	R\$ 61,463	R\$ 61,463	-	-	(5,099)	-	(5,099)
Iron ore (CFR China 62% Fe)	02/22	Ore FWD USD 116,00	Ore_Fut_SCOF2	R\$ 33,134	R\$ 33,134	-	-	(1,413)	-	(1,413)
Iron ore (CFR China 62% Fe)	02/22	Ore FWD USD 120,00	Ore_Fut_SCOF2	R\$ 33,494	R\$ 33,494	-	-	(292)	-	(292)

Gain (loss) of Revenue from exports in the period (91,563)

Book balance (asset position net of the liability position) (68,772)

The carrying amounts of the derivative financial instruments are as follows:

	12/31/2021
Current liabilities	68,772
	12/31/2021
	12/31/2020
In gross revenue - foreign market	(44,598)
In finance result	-
	(44,598)
	(182,841)
	1,535
	(181,306)

Hedging activities – cash flow hedge (hedge accounting)

The Company has entered into some hedging transactions to protect against fluctuations in iron ore price, which have an impact on its sales to the foreign market.

Hedge accounting involves the recognition, on profit or loss, of the net effect of gains/losses arising from changes in the fair value of the hedging instrument and the hedged item at the same time.

The commodity price hedge transactions designated as hedging instruments at December 31, 2021 are presented below:

The accompanying notes are an integral part of these financial statements.

Hedged item	Maturity (year/month)	Index		Notional amount (amount contracted)	Balance
		Asset position	Liability position		
Iron ore (CFR China 62% Fe)	01/22	Ore FWD USD 106.95	Ore_Fut_SCOZ1	R\$ 27,097	(1,486)
Iron ore (CFR China 62% Fe)	01/22	Ore FWD USD 91.50	Ore_Fut_SCOZ1	R\$ 56,338	(13,001)
Iron ore (CFR China 62% Fe)	01/22	Ore FWD USD 91.50	Ore_Fut_SCOZ1	R\$ 10,172	(2,342)
Iron ore (CFR China 62% Fe)	01/22	Ore FWD USD 102.00	Ore_Fut_SCOZ1	R\$ 48,414	(4,978)
Iron ore (CFR China 62% Fe)	02/22	Ore FWD USD 90.00	Ore_Fut_SCOF2	R\$ 25,174	(8,659)
Iron ore (CFR China 62% Fe)	03/22	Ore FWD USD 102.00	Ore_Fut_SCOG2	R\$ 84,334	(15,453)
Iron ore (CFR China 62% Fe)	03/22	Ore FWD USD 105.00	Ore_Fut_SCOG2	R\$ 87,695	(12,979)
Iron ore (CFR China 62% Fe)	04/22	Ore FWD USD 109.00	Ore_Fut_SCOH2	R\$ 29,677	(3,070)
Iron ore (CFR China 62% Fe)	04/22	Ore FWD USD 111.00	Ore_Fut_SCOH2	R\$ 61,463	(5,099)
Iron ore (CFR China 62% Fe)	02/22	Ore FWD USD 116.00	Ore_Fut_SCOF2	R\$ 33,134	(1,413)
Iron ore (CFR China 62% Fe)	02/22	Ore FWD USD 120.00	Ore_Fut_SCOF2	R\$ 33,494	(292)
				-	(68,772)

Hedge accounting recognized in equity is shown below:

	12/31/2021
Opening balance recognized in equity	-
Amount recognized as hedging instrument in the period	(46,965)
Amount recognized as hedged item in the period	34,798
	(12,167)
Deferred taxes on profit (34%)	4,137
Closing balance recognized in equity	(8,030)
Amount reversed from equity and classified in export revenue (redemptions)	(44,598)

7 Financial instruments by category and fair value

	12/31/2021			12/31/2020		
	Assets at amortized cost	Assets measured at fair value through profit or loss	Total	Assets at amortized cost	Assets measured at fair value through profit or loss	Total
Assets						
Cash and cash equivalents	3,708,617	-	3,708,617	1,280,552	-	1,280,552
Marketable securities	-	550,667	550,667	-	854,273	854,273
Trade receivables	558,127	-	558,127	881,767	-	881,767
Other asset financial instruments	21,788	-	21,788	5,431	-	5,431
	<u>4,288,532</u>	<u>550,667</u>	<u>4,839,199</u>	<u>2,167,750</u>	<u>854,273</u>	<u>3,022,023</u>

The accompanying notes are an integral part of these financial statements.

	12/31/2021	12/31/2020
	Liabilities at fair value through profit or loss	Liabilities at amortized cost
Liabilities		
Trade payables	301,653	210,160
Lease liabilities	39,688	50,835
Financial instruments (Swap)	-	-
Payables to related parties	91,448	80,042
	<u>432,789</u>	<u>341,037</u>

The fair values of financial instruments are categorized into different levels of the following hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities (unobservable inputs).
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At December 31, 2021, financial instruments measured at fair value include financial investments that are fully classified at Level 2.

The fair value of the financial instruments does not differ significantly from their respective carrying amounts, considering that they have been contracted and recorded at rates and conditions practiced in the market for transactions of similar nature, risk and terms.

8 Cash and cash equivalents

Cash and cash equivalents include financial assets, as follows:

	12/31/2021	12/31/2020
Bank accounts	11,042	1,139
Bank accounts abroad	479,012	227,103
Bank Deposit Certificates (CDB) and repurchase commitments	<u>3,218,563</u>	<u>1,052,310</u>
	<u>3,708,617</u>	<u>1,280,552</u>

At December 31, 2021, financial investments in Bank Deposit Certificates (CDB) and repurchase agreements have immediate liquidity and earn on average 106.08% (December 31, 202 - 104.96%) of the CDI rate.

At December 31, 2021, the significant increase in the balance of Bank Deposit Certificates (CDB) and repurchase agreements resulted from a higher cash generation in comparison with December 31, 2020.

9 Marketable securities

	<u>12/31/2021</u>	<u>12/31/2020</u>
Bank Deposit Certificates (CDB)	<u>550,667</u>	<u>854,273</u>

Financial investments in CDBs earn on average 106.08% (December 31, 2020 - 104.96%) of the CDI rate.

Financial investments mainly comprise CDBs, which are held at prime financial institutions, and are redeemable in one year or less.

10 Trade receivables

	<u>12/31/2021</u>	<u>12/31/2020</u>
Trade receivables - local currency	4,722	7,196
Trade receivables - foreign currency	<u>306,724</u>	<u>591,223</u>
Trade receivables	<u>311,446</u>	<u>598,419</u>
Receivables from related parties (Note 31)	<u>253,712</u>	<u>283,348</u>
	<u>565,158</u>	<u>881,767</u>

At December 31, 2021 and 2020, the Company did not have overdue trade receivables.

11 Inventories

	<u>12/31/2021</u>	<u>12/31/2020</u>
Current assets:		
Finished products	67,884	49,695
Work in progress	19,958	15,932
Raw materials	2,945	591
Supplies and spare parts	65,229	44,687
Imports in transit	4,787	74
Provision for losses	<u>(1,611)</u>	<u>(2,366)</u>
	<u>159,192</u>	<u>108,613</u>
Non-current assets (i):		
Finished products	1,865	1,627
Raw materials	51,163	53,260
Provision for loss	<u>(1,865)</u>	<u>(1,627)</u>
Impairment of assets (ii)	<u>(51,163)</u>	<u>(53,260)</u>
	-	-
Total inventories	<u>159,192</u>	<u>108,613</u>

- (i) Mineração Usiminas, based on its production plan, classifies in non-current assets inventory that is expected to be realized in more than 12 months.
- (ii) At December 31, 2021, a reversal of impairment loss was determined in the inventories of iron ore, in the amount of R\$ 2,097, due to the increase in inventories. At December 31, 2020, an additional impairment loss was determined in the inventories of iron ore, in the amount of R\$423.

12 Taxes recoverable

Taxes recoverable recorded in current assets are disclosed below:

	<u>12/31/2021</u>	<u>12/31/2020</u>
Social Integration Program (PIS) and Social Contribution on Revenues (COFINS)	<u>7,488</u>	<u>30,612</u>

The accompanying notes are an integral part of these financial statements.

13 Contractual advances

The Company has a lease agreement in force, signed in July 2011, for the mining rights adjacent to its mining reserves. Starting October 15, 2012, the date on which the lease agreement was authorized by the National Mining Agency (ANM), the agreement has a duration of 30 years, or until the depletion of these mineral reserves.

Lease payments are linked to the volume of ore mined in the areas covered by the lease agreement. As from 2015, a minimum annual volume of 3.6 million metric tons was established. In the event the annual volume of ore mined is below the minimum volume set, a payment under a take-or-pay arrangement will be due, corresponding to the difference between the minimum volume set and the ore volume mined.

The agreement was amended on December 19, 2019, with a new mechanism providing for an offset of unmined ore. Exclusively for the period from January 1, 2019 to December 31, 2024, take-or-pay amounts will be treated as a credit to be offset against surplus minerals extracted between 2025 and 2033.

At December 31, 2021, in accordance with the provisions of the lease agreement and its amendments, an available credit of R\$185,677 was recorded as a contractual advance in non-current assets.

14 Income tax and social contribution

(a) Taxes on profit

Income tax expenses differ from the theoretical values that would have been obtained using the statutory nominal rates applied to profit before taxation, as shown below:

	12/31/2021	12/31/2020
Profit before income tax and social contribution	3,559,791	2,799,886
Nominal statutory rates	34%	34%
Taxes on profit at nominal rates	(1,210,329)	(951,962)
Adjustments to arrive at tax on income expense:		
Equity in the results of investees (25% and 9%)	27,313	16,788
Permanent (differences) (25% and 9%)	(3,003)	(8,062)
Tax incentives	31,378	20,774
Interest on capital benefit	81,200	62,320
IRPJ and CSLL determined	(1,073,441)	(860,142)
Current	(1,095,819)	(629,151)
Deferred	22,378	(230,991)
Taxes on income in the statement of income	(1,073,441)	(860,142)
Effective rates	30%	31%

(b) Deferred income tax and social contribution

The balances and changes in deferred income tax and social contribution assets and liabilities at nominal rates are as follows:

The accompanying notes are an integral part of these financial statements.

	12/31/2020	Recognized in Equity/ Comprehensive income	Recognized in profit or loss	12/31/2021
Assets				
Income tax and social contribution				
Temporary differences				
Provision for litigation	3,425	-	(429)	2,996
Environmental restoration liability	34,419	-	1,080	35,499
Provision for inventory adjustments	19,466	-	(888)	18,578
Goodwill - merger of companies	284,470	-	(3,808)	280,662
Provision for employee profit sharing	3,895	-	8,865	12,760
Impairment of assets	183,495	-	(2,206)	181,289
Provision for actuarial liability	2,064	818	186	3,068
Hedge accounting	-	4,137	-	4,137
Other	106,580	-	16,696	123,276
Total assets	637,814	4,955	19,496	662,265
Liabilities				
Income tax and social contribution				
Indexation of charges on judicial deposits	(2,145)	-	(1,022)	(3,167)
Leasing – as per Law 11,638	(63)	-	26	(37)
Adjustment to present value	(15,689)	-	3,878	(11,811)
Total liabilities	(17,897)	-	2,882	(15,015)
Total, net	619,917	4,955	22,378	647,250

The long-term deferred income tax and social contribution were tested for impairment and justified based on projected future taxable income as estimated by the Company's management. These projections are based on reports from recognized entities operating in the mining industry and macroeconomic projections provided by public agencies, among others.

(c) Income tax and social contribution in current liabilities

	12/31/2021	12/31/2020
Income tax		
Current income (expense)	(797,437)	(457,103)
Prepayments and offsets in the year	176,871	132,403
	(620,566)	(324,700)
Social contribution		
Current income (expense)	(298,382)	(172,048)
Prepayments and offsets in the year	88,242	60,026
	(210,140)	(112,022)
Total IRPJ and CSLL payable	(830,706)	(436,722)

15 Judicial deposits

	12/31/2020	Additions	Disposals	Accruals	12/31/2021
Civil (i)	-	1,268	-	11	1,279
Labor (ii)	5,914	-	(1,615)	196	4,495
Tax (iii)	65,141	31,174	-	2,965	99,280
	71,055	32,442	(1,615)	3,172	105,054

The accompanying notes are an integral part of these financial statements.

- (i) Relates to an Action to Constitute Mining Easement filed by Musa against Isaltino Crispim Rosa to enable iron ore extraction linked to the Dry Stacking operation. The deposit refers to the fair market value of the properties, based on two independent appraisal reports.
- (ii) Relates to labor claims from former employees and outsourced personnel; various termination amounts are claimed, in addition to administrative proceedings related to notices served by labor inspectors.
- (iii) The balance at December 31, 2021 and December 31, 2020 relates to a Writ of Mandamus for payment of the Financial Compensation for Mineral Resources Exploration (CFEM).

16 Investments

(a) Changes in investments

	12/31/2020	Equity in the results of investees	Dividends	Actuarial liability	12/31/2021
Jointly-controlled subsidiary					
Modal	2,382	3,365	(3,307)	-	2,440
Associates					
Sarzedo Terminal (i)	3,766	12,319	(11,310)	-	4,775
Paraopeba Terminal	925	(25)			900
UPL	421,359	64,671	(27,679)	244	458,595
	<u>428,432</u>	<u>80,330</u>	<u>(42,296)</u>	<u>244</u>	<u>466,710</u>
Goodwill					
Modal	4,668	-	-	-	4,668
Sarzedo Terminal	7,200	-	-	-	7,200
	<u>11,868</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,868</u>
	<u>440,300</u>	<u>80,330</u>	<u>(42,296)</u>	<u>244</u>	<u>478,578</u>

- (i) In order to calculate the investment in the associate Sarzedo Terminal, the prepaid dividends received in the month of December of R\$1,111 were deducted from the equity, as well as the amount of R\$120 related to the equity valuation adjustment of 2020.

(b) Financial information on associated companies

The Company's equity in the results of its associates at December 31, 2021 is as follows:

	Country of incorporation	Investment %	Assets	Liabilities	Equity	Net revenue	Results
Sarzedo Terminal	Brazil	22.22	42,812	9,185	33,627	105,625	55,446
Paraopeba Terminal	Brazil	22.22	4,163	112	4,051	-	(115)
UPL	Brazil	83.30	568,972	18,440	550,532	-	77,636

The Company used the balance sheet at November 30, 2021 to calculate the effects of equity in the results of associates Sarzedo Terminal and Paraopeba Terminal.

The capital of the associate UPL comprises 33.3% of voting shares and 66.7% of non-voting shares. The Company owns 100% of non-voting capital and 49.9% of the voting capital, and is not the controlling stockholder of UPL.

(c) Joint ventures

The accompanying notes are an integral part of these financial statements.

The summarized financial information of the jointly-controlled subsidiary Modal is presented below:

(i) Summarized balance sheet

	<u>12/31/2021</u>	<u>12/31/2020</u>
Assets		
Current assets	4,256	3,562
Property, plant and equipment	<u>2,001</u>	<u>2,205</u>
Total assets	<u>6,257</u>	<u>5,767</u>
Liabilities and equity		
Current liabilities	1,378	1,003
Equity	<u>4,879</u>	<u>4,764</u>
Total liabilities and equity	<u>6,257</u>	<u>5,767</u>

(ii) Summarized statement of income

	<u>12/31/2021</u>	<u>12/31/2020</u>
Net sales and services	12,033	10,374
Cost of sales	(3,971)	(3,696)
Operating income (expenses)	(19)	(3)
Finance income (costs)	77	50
Provision for IRPJ and CSLL	<u>(1,391)</u>	<u>(1,196)</u>
Profit for the year	<u>6,729</u>	<u>5,529</u>

17 Property, plant and equipment

		<u>12/31/2021</u>			<u>12/31/2020</u>		
	Weighted average rate of annual amortization (%)	Cost	Accumulated depreciation	PP&E, net	Cost	Accumulated depreciation	PP&E, net
In operation							
Buildings	13	152,048	(93,976)	58,072	133,370	(67,277)	66,093
Machinery and equipment	21	650,535	(515,308)	135,227	634,643	(476,756)	157,887
Facilities	18	687,730	(458,409)	229,321	667,379	(397,384)	269,995
Furniture and fittings	29	4,276	(3,342)	934	3,646	(3,055)	591
IT equipment	26	24,284	(12,708)	11,576	13,712	(11,223)	2,489
Vehicles	29	13,699	(12,331)	1,368	14,491	(12,639)	1,852
Tools and instruments	30	5,333	(4,063)	1,270	4,791	(3,607)	1,184
Right of use	34	84,529	(48,382)	36,147	75,564	(27,729)	47,835
Environmental restoration liability		115,496	(16,807)	98,689	115,496	(13,365)	102,131
		<u>1,737,930</u>	<u>(1,165,326)</u>	<u>572,604</u>	<u>1,663,092</u>	<u>(1,013,035)</u>	<u>650,057</u>
Land		<u>130,814</u>	<u>-</u>	<u>130,814</u>	<u>131,796</u>	<u>-</u>	<u>131,796</u>
Total in operation		<u>1,868,744</u>	<u>(1,165,326)</u>	<u>703,418</u>	<u>1,794,888</u>	<u>(1,013,035)</u>	<u>781,853</u>
Under construction							
Construction in progress		465,889	-	465,889	275,409	-	275,409
Imports in transit		266	-	266	5	-	5
Advances to suppliers		1,287	-	1,287	13,774	-	13,774
Other		6,873	-	6,873	3,900	-	3,900
Total under construction		<u>474,315</u>	<u>-</u>	<u>474,315</u>	<u>293,088</u>	<u>-</u>	<u>293,088</u>
		<u>2,343,059</u>	<u>(1,165,326)</u>	<u>1,177,733</u>	<u>2,087,976</u>	<u>(1,013,035)</u>	<u>1,074,941</u>

Changes in property, plant and equipment were as follows:

The accompanying notes are an integral part of these financial statements.

	12/31/2020	Additions (i)	Remeasurement - IFRS 16	Disposals	Depreciation	Transfers	12/31/2021
In operation							
Buildings	66,093	-	-	-	(26,699)	18,678	58,072
Machinery and equipment	157,887	-	-	(119)	(41,413)	18,872	135,227
Facilities	269,995	-	-	-	(61,025)	20,351	229,321
Land	131,796	-	-	(53)	-	(929)	130,814
Tools and instruments	1,182	-	-	(1)	(485)	574	1,270
Environmental restoration liability	102,131	-	-	-	(3,442)	-	98,689
Right of use	47,835	-	9,015	-	(20,703)	-	36,147
Other	4,934	-	-	(1)	(2,256)	11,201	13,878
	<u>781,853</u>	<u>-</u>	<u>9,015</u>	<u>(174)</u>	<u>(156,023)</u>	<u>68,747</u>	<u>703,418</u>
Under construction							
Construction in progress	293,088	253,829	-	(2,014)	-	(70,588)	474,315
	<u>1,074,941</u>	<u>253,829</u>	<u>9,015</u>	<u>(2,188)</u>	<u>(156,023)</u>	<u>(1,841)</u>	<u>1,177,733</u>

(i) Additions to property, plant and equipment comprise cash purchases totaling R\$253,829.

	12/31/2019	Additions (i)	Remeasurement - IFRS 16	Disposals	Depreciation	Transfers	12/31/2020
In operation							
Buildings	58,988	-	-	-	(16,520)	23,625	66,093
Machinery and equipment	161,791	-	-	(295)	(44,814)	41,205	157,887
Facilities	309,118	-	-	-	(46,480)	7,357	269,995
Land	375,862	784	-	-	-	(244,850)	131,796
Tools and instruments	1,562	-	-	-	(494)	114	1,182
Environmental restoration liability	119,905	-	-	(13,942)	(3,832)	-	102,131
Right of use	68,630	-	428	-	(21,223)	-	47,835
Other	2,423	-	-	-	(918)	3,429	4,934
	<u>1,098,279</u>	<u>784</u>	<u>428</u>	<u>(14,237)</u>	<u>(134,281)</u>	<u>(169,120)</u>	<u>781,853</u>
Under construction							
Construction in progress	163,137	206,917	-	(982)	-	(75,984)	293,088
	<u>1,261,416</u>	<u>207,701</u>	<u>428</u>	<u>(15,219)</u>	<u>(134,281)</u>	<u>(245,104)</u>	<u>1,074,941</u>

(i) Additions to property, plant and equipment comprise cash purchases of R\$207,701.

At December 31, 2021, depreciation was recognized in "Cost of Sales", "Selling expenses", "General and administrative expenses" and "Other operating expenses" in the amounts of R\$142,904, R\$1,168, R\$1,320 and R\$10,631 (December 31, 2020 - R\$122,354, R\$965, R\$391 and R\$10,571), respectively.

18 Intangible assets

Changes in intangible assets were as follows:

	Mineral rights (i)	Mining easements	Other (ii)	Total
Residual value at December 31, 2020	1,404,005	1,000	3,389	1,408,394
Additions	50,001	-	1,966	51,967
Amortization	(16,882)	(142)	(1,006)	(18,030)
Transfers	-	-	1,841	1,841
At December 31, 2021	<u>1,437,124</u>	<u>858</u>	<u>6,190</u>	<u>1,444,172</u>
Total cost	1,557,332	4,478	16,208	1,578,018
Accumulated amortization	(120,208)	(3,620)	(10,018)	(133,846)
Residual value at December 31, 2021	<u>1,437,124</u>	<u>858</u>	<u>6,190</u>	<u>1,444,172</u>

(i) Mineral rights are amortized in accordance with mine depletion.

(ii) Refers basically to software with an average amortization rate of 31% p.a.

Mineral rights	Mining	Other (ii)	Total
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The accompanying notes are an integral part of these financial statements.

	(i)	leases		
Residual value at December 31, 2019	598,538	1,143	2,668	602,349
Additions	-	-	1,114	1,114
Amortization	(7,109)	(143)	(497)	(7,749)
Transfers	-	-	104	104
Impairment	812,576	-	-	812,576
At December 31, 2020	1,404,005	1,000	3,389	1,408,394
Total cost	1,507,331	4,478	12,401	1,524,210
Accumulated amortization	(103,326)	(3,478)	(9,012)	(115,816)
Residual value at December 31, 2020	1,404,005	1,000	3,389	1,408,394

(i) Mineral rights are amortized in accordance with mine depletion.

(ii) Refers basically to software with an average amortization rate of 22% p.a.

At December 31, 2021, the amortization of intangible assets was recognized in "Cost of sales" and "General and administrative expenses" in the amounts of R\$17,498 and R\$532, respectively (December 31, 2020 – R\$7,381 and R\$368).

19 Impairment of non-financial assets

The recoverable amount of non-financial assets is calculated using the discounted cash flow method based on the economic and financial projections of each Cash Generating Unit (CGU). The projections take into consideration the changes observed in the economic scenario, assumptions of expected results, and the history of profitability of each CGU.

At December 31, 2021, Mineração Usiminas evaluated its cash generating units as described below:

(a) Impairment testing of goodwill

The Company tested for impairment the cash generating units that include intangible assets with indefinite useful lives (goodwill) and no impairment losses on goodwill were identified at December 31, 2021 and 2020.

To calculate the recoverable value, eight-year projections of sales volumes, average prices and operating costs were prepared by the commercial and planning areas, using inflation rates drawn from market reports. The need for working capital and investments to maintain the assets tested were also considered.

The discount rates used were based on market information available on the testing date. The actual rate used to discount the cash flow of each cash generating unit was 8.71% p.a. in 2021 (pretax rate equivalent to 11.49% p.a.).

(b) Impairment testing of mineral rights

The recoverable amount of the assets of the mining CGU was updated to reflect management's best estimates of future results from the processing and sale of iron ore, based on projected sales price, expenses and investments. This evaluation may change depending on commodity price fluctuations, and on any changes in long-term expectations leading to future adjustments to the recognized amount.

The discount rate applied to the projections of future cash flows was an estimate of the rate that the market would use to meet the risks of the asset being evaluated. The actual rate used was 8.71% p.a. in 2021 (pretax rate equivalent to 11.49% p.a.). The Company considered market sources to project inflation and foreign exchange rates used in the future cash flows. For the projection of annual exchange rates (R\$/US\$), the long-term inflation rates in the United States and Brazil were considered. Projection prices for iron ore (CFR China, 62% Fe) ranged from US\$72.00 to US\$107.50 for the short-term, and US\$70.00 for the long-term. The prices used to calculate future cash flows are within the range of the estimates published by market analysts.

At December 31, 2021, no impairment loss/reversal of impairment of mineral rights was recorded in intangible assets. A reversal of impairment in the amount of R\$3,030 was recorded in Investment properties, related to a plot of land in Itaguaí. The reversal resulted from the appreciation of the fair value of the property in relation to its cost, which reflects the market conditions on the balance sheet date. The remaining impairment loss of R\$533,203 continues to be monitored by the Company and may be reversed considering future projections.

(c) Impairment testing of other long-term assets

The assumptions used in the impairment testing of long-term assets are the same assumptions used in the impairment testing of mineral rights, as described in item (b).

In the year ended December 31, 2021, a reversal of the provision for impairment losses in the amount of R\$2,097 was recognized for the other long-term assets. This reversal related to the consumption of iron ore inventories. The remaining impairment loss of R\$51,163 continues to be monitored by the Company and will be adjusted considering future projections.

20 Trade payables

	<u>12/31/2021</u>	<u>12/31/2020</u>
In Brazil	257,090	180,208
Abroad	31,311	10,780
Payables to related companies (Note 31)	13,252	19,172
	<u>301,653</u>	<u>210,160</u>

21 Taxes payable

	<u>12/31/2021</u>	<u>12/31/2020</u>
Value-added Tax on Sales and Services (ICMS)	541	477
Withholding Income Tax (IRRF)	1,317	1,091
Services Tax (ISS)	1,452	769
Financial Compensation for Mineral Resources Exploration (CFEM)	23,212	37,927
Other	<u>2,394</u>	<u>1,597</u>
	<u>28,916</u>	<u>41,861</u>

The accompanying notes are an integral part of these financial statements.

22 Lease liabilities

At the end of 2021, the Company had lease agreements, mainly related to vehicles used for internal transportation at the mines (off-road vehicles).

The lease liability is initially measured by discounting the remaining minimum contractual payments to present value. The Company estimated the discount rates based on risk-free interest rates observable in the Brazilian market, for the term of the agreements. The rates used in the calculation ranged from 7.34% to 10.53% p.a.

Changes in lease liabilities are shown below:

	<u>12/31/2021</u>	<u>12/31/2020</u>
Opening balance	50,835	69,861
Addition/ Remeasurement	9,015	428
Payments	(24,565)	(25,056)
Interest accrued	4,403	5,602
Closing balance	<u>39,688</u>	<u>50,835</u>
Current liabilities	18,931	18,805
Non-current liabilities	<u>20,757</u>	<u>32,030</u>

The estimated future minimum payments related to lease agreements are as follows:

	<u>12/31/2021</u>			
	<u>Less than 1 year</u>	<u>From 1 to 2 years</u>	<u>Over 2 years</u>	<u>Total</u>
Lease agreements	21,712	11,954	11,459	45,125
Adjustment to present value	(2,781)	(1,391)	(1,265)	(5,437)
	<u>18,931</u>	<u>10,563</u>	<u>10,194</u>	<u>39,688</u>
	<u>12/31/2020</u>			
	<u>Less than 1 year</u>	<u>From 1 to 2 years</u>	<u>Over 2 years</u>	<u>Total</u>
Lease agreements	22,625	18,382	17,212	58,219
Adjustment to present value	(3,820)	(2,205)	(1,359)	(7,384)
	<u>18,805</u>	<u>16,177</u>	<u>15,853</u>	<u>50,835</u>

The table below shows the estimated value of the potential right to PIS/COFINS recoverable, which is included in the lease consideration, according to the scheduled payment periods:

	<u>12/31/2021</u>	
<u>Cash flow</u>	<u>Nominal</u>	<u>Adjusted to present value</u>
Lease consideration	40,950	36,017
Potential PIS/COFINS (9.25%)	<u>4,174</u>	<u>3,671</u>
	<u>45,124</u>	<u>39,688</u>

The accompanying notes are an integral part of these financial statements.

Cash flow	12/31/2020	
	Nominal	Adjusted to present value
Lease consideration	52,834	46,133
Potential PIS/COFINS (9.25%)	5,385	4,702
	<u>58,219</u>	<u>50,835</u>

23 Environmental restoration obligation

At December 31, 2021, the Company had a provision of R\$233,178 (R\$230,002 at December 31, 2020) recorded for environmental restoration of the areas degraded during the mineral development process.

The expenditures for environmental restoration were recorded as part of the costs of these assets with a corresponding entry to the provision for expenses.

A specialized company was contracted to calculate the estimated expenses, based on a technical survey of field information and the environmental profile and conditions of the currently degraded areas.

The estimated expenses, as well as the area affected by the mineral development activity are reviewed periodically, adjusting, whenever necessary, the amounts previously recorded.

The changes in the provision for environmental recovery were as follows:

	12/31/2021	12/31/2020
Opening balance	230,002	231,591
Indexation accruals	15,885	14,898
Reductions	-	(13,942)
Amortization	(12,709)	(2,545)
	<u>233,178</u>	<u>230,002</u>

24 Provision for litigation

Changes in the provision for litigation were as follows:

	12/31/2021	12/31/2020
Opening balance	10,073	11,125
Additions	589	3,193
Interest/charges	911	2,109
Payments/reductions	(1,736)	(2,759)
Reversals	(1,026)	(3,595)
	<u>8,811</u>	<u>10,073</u>

The accompanying notes are an integral part of these financial statements.

(a) Litigations - probable losses

The provision for litigation was recorded to cover probable losses arising from administrative and judicial proceedings in amounts considered sufficient by Management, based on the advice and evaluation of internal and external legal counsel. The most significant claims at December 31, 2021 and 2020 are described below:

Description	Status	12/31/2021	12/31/2020
		Balance	Balance
Labor proceedings involving employees, former in-house employees and outsourced personnel of Mineração Usiminas, claiming termination amounts, and administrative proceedings.	Pending judgment by the applicable agencies at various judicial levels.	3,655	4,693
Filing for mineral easement with a request for early relief authorizing the MUSA to carry out the necessary activities for the licensing and mineral development of the area.	Sentence handed down (upheld). Pending enforcement of the sentence and payment of the indemnity related to the easement obtained.	735	890
Assessment for alleged environmental degradation, for silting up the downstream basin.	The proceeding was changed as an appeal was filed.	1,360	1,156
Action claiming that the social security contribution (INSS) should be not levied on the 1/3 vacation bonus.	Pending judgment by the appellate court.	2,871	2,792
Other	-	190	542
Total		8,811	10,073

(b) Litigation - possible losses

Mineração Usiminas is a party to other proceedings that involve risks of losses classified by management as possible, based on advice of its internal and external legal counsel, for which no provisions have been recorded.

Description	Status	12/31/2021	12/31/2020
		Balance	Balance
Tax assessment notice for the collection of PIS and COFINS on the use of credits on services related to the activity of the legal entity.	Pending judgment at administrative level.	39,448	38,447
Proceeding challenging the exclusion of freight and insurance expenses incurred in the selling phase of the mineral product from the calculation and payment of the CFEM.	Pending judgment by the appellate court.	91,834	58,364
Other civil proceedings.	-	15,269	12,136
Other labor claims.	-	5,730	6,690
Other tax proceedings.	-	5,972	4,019
Total		158,253	119,656

(c) Contingent assets

(i) Inclusion of ICMS in the calculation basis of PIS and COFINS

In June 2019, a final and unappealable decision was issued on the petitions for writ of mandamus filed by the Company, which challenged the inclusion of the Value-Added Tax on Sales and Services (ICMS) in the PIS and COFINS tax base. Based on these

The accompanying notes are an integral part of these financial statements.

favorable decisions, the Company determined, together with its external consultants, the amounts of taxes overpaid for the period from August 2010 to April 2017. Accordingly, the amount of R\$14,332 was recorded in the financial statements for the year ended December 31, 2021, under "Taxes recoverable" with a corresponding entry to "Other operating income" and "Finance result" in the amounts of R\$9,565 and R\$4,767, respectively.

(i) Exclusion of Selic interest on overpaid tax

In a final decision rendered on September 24, 2021, the STF ruled out the levy of IRPJ and CSLL on late payment interest (SELIC) received by taxpayers as refund of undue tax payment. In light of this, the Company reassessed the judgment on the lawsuit, as required by ICPC 22/IFRIC 23, and concluded that the facts and circumstances on which the decision was based had changed. Therefore, at the year ended December 31, 2021, the Company recognized tax credits of R\$7,854 in non-current assets with a corresponding entry to the statement of income as "Income tax and social contribution". Once a final decision is issued on the Company's lawsuits, the corresponding amounts will be considered in the tax calculations, pursuant to the rules of the Brazilian Federal Revenue Service.

25 Equity

(a) Share capital

At December 31, 2021, the Company's capital totaled R\$3,194,541 (R\$1,984,219 at December 31, 2020).

At December 31, 2021 and 2020, the Company's shareholding was as follows:

Stockholder	12/31/2021 and 12/31/2020	
	Common shares	
	Number	%
Usinas Siderúrgicas de Minas Gerais S.A. - Usiminas	1,968,125,146	70.00
Serra Azul Iron Ore L.L.C.	822,395,150	29.25
Sumitomo Corporation do Brasil S.A.	21,087,055	0.75
Total	2,811,607,351	100.00

Each common share gives its holder the right to one vote at General Meetings.

The stockholders are entitled to a minimum dividend of 25% of the net income for the year, calculated in accordance with Brazilian corporate legislation.

(b) Reserves

- Share premium - established in accordance with article 14, sole paragraph, of Law 6,404/1976. At December 31, 2020, this reserve balance totaled R\$1,210,322, being fully used for capital increase, upon approval of the Company's Board of Directors at December 28, 2021.

- Legal reserve - which amounted to R\$124,319 at December 31, 2021, is credited annually with 5% of profit for the year up to a maximum of 30% of capital, provided that it includes the capital reserve amount (according to Law 6,404/1976, paragraph 1 of Article 193).
- The reserve for investments and working capital at December 31, 2021 totaled R\$3,719,920 (R\$2,133,132 at December 31, 2020), which is in line with the provisions of the Company's bylaws for the development of its activities, as established in its capital budget. The allocation of the amount exceeding the share capital will be decided at the General Stockholders' Meeting (as provided for in article 199 of Law 6,404/1976).

(c) Carrying value adjustments

The carrying value adjustments refer substantially to:

- Actuarial gains and losses: correspond to actuarial gains and losses calculated in accordance with CPC 33 and IAS 19. At December 31, 2021, the debit balance of this account totals R\$4,421 (December 31, 2020 - R\$3,079).
- Hedge Accounting: correspond at net effect, after deduction of taxes, of hedge accounting (Note 6). At December 31, 2021, the credit balance of this account totals R\$8,030 (December 31, 2020 - R\$0).

(d) Dividends and interest on capital

Proposed dividends and interest on capital related to the profit for 2021 and 2020 are as follows:

	<u>12/31/2021</u>	<u>12/31/2020</u>
Profit for the year	2,486,350	1,939,744
Legal reserve (5%)	<u>(124,319)</u>	<u>-</u>
Calculation basis of dividends and interest on capital	<u>2,362,031</u>	<u>1,939,744</u>
Proposed minimum dividends and interest on capital (25%), net of Withholding income tax (IRRF)	<u>590,508</u>	<u>484,936</u>
Proposed dividends to be considered as minimum mandatory dividends	387,509	329,136
Interest on capital paid and considered as minimum mandatory dividend	202,999	155,800
Interest on capital paid - supplementary payment (i)	1,746	1,340
IRRF on interest on capital (i)	34,077	26,154
Total gross dividends and interest on capital	<u>626,331</u>	<u>512,430</u>
Amount per share (ii)	R\$0.210025	R\$0.172476

- (i) Arising from the tax benefit (Brazil-Japan agreement) of one of the stockholders. At December 31, 2021, the effective IRRF rate levied on the payment of interest on capital was 14.3% (December 31, 2020 – 14.3%).
- (ii) Calculated based on the IRRF net amount.

The accompanying notes are an integral part of these financial statements.

Changes in dividends and interest on capital payable are presented below:

<u>Nature</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Dividends payable at the beginning of the year	486,277	29,495
Dividends and interest on capital related to the prior year	148,912	-
Payment of dividends and interest on capital	(874,011)	(55,648)
Proposed dividends and interest on capital	626,331	512,430
Total net dividends payable at the end of the year	<u>387,509</u>	<u>486,277</u>

The Company's bylaws determine the distribution of a minimum mandatory dividend corresponding to 25% of adjusted profit for the year, as established in law. Dividends payable were deducted from equity at the end of the reporting period and recorded in liabilities.

The Board of Directors' meeting held on March 31, 2021 approved the distribution of interest on capital to the Company's stockholders, in the gross amount of R\$238,823, calculated based on the Long-term Interest Rate (TJLP), considering the net amount of R\$204,746 as the 2021 mandatory minimum dividend.

26 Revenue

Reconciliation of gross to net revenue was as follows:

	<u>12/31/2021</u>	<u>12/31/2020</u>
Sales of products		
Domestic market	1,273,613	908,731
Deemed as exports	1,370,104	520,352
Foreign market	<u>3,585,426</u>	<u>2,642,380</u>
Gross revenue	<u>6,229,143</u>	<u>4,071,463</u>
Deductions from revenue	<u>(374,097)</u>	<u>(97,147)</u>
Net revenue	<u>5,855,046</u>	<u>3,974,316</u>

Net Revenue for the year 2020 was adjusted due to the reclassification of the amount referring to CFEM, from Deductions from Revenue to Cost of Sales (Note 27).

Sales contracts at provisional prices

Some commercial contracts entered into by the Company include a future price clause (provisional prices), which exposes the related revenue to the volatility of the iron ore prices. The sales prices of products sold under this provision are measured reliably due to the existence of an active market, which provides the basis and reference for the contracts entered into under these terms.

The accompanying notes are an integral part of these financial statements.

The sensitivity analysis of the Company's risk in the final settlement of its receivables at provisional prices are shown below:

12/31/2021			
Volume (thousand metric tons)	Provisional price (US\$/metric ton)	Variation	Gain (loss) on revenue
1,067	53.8	+/-10%	32,041

27 Expenses by nature

	12/31/2021	12/31/2020
Depreciation and amortization	(174,053)	(142,030)
Employee benefit expenses	(187,818)	(137,083)
Freight on sales	(903,178)	(767,810)
Raw materials and consumables	(426,388)	(296,415)
Distribution costs	(284,018)	(165,841)
Third-party services	(291,329)	(210,187)
Judicial proceedings, net (additions and write-offs)	(469)	(2,002)
Gain on the sale/write-off of PP&E, investments and intangible assets	1,069	917
Gain on sale of electricity, surplus to own needs	2,073	(526)
Changes in provisions for impairment of assets (i)	3,030	630,976
Lease - mineral rights	(77,025)	(45,904)
Provision for impairment of ICMS	(44,765)	(44,978)
ICMS in the calculation basis of PIS and COFINS	9,564	12,679
Financial Compensation for the Exploration of Mineral Resources (CFEM) (ii)	(178,578)	(116,128)
Other operating income (expenses)	(32,441)	(5,557)
	<u>(2,519,444)</u>	<u>(1,289,889)</u>
Cost of sales	(2,072,141)	(1,596,140)
Selling expenses	(313,690)	(194,910)
General and administrative expenses	(38,088)	(26,718)
Other operating income (expenses), net	(95,525)	527,879
	<u>(2,519,444)</u>	<u>(1,289,889)</u>

(i) In the year ended December 31, 2021, impairment losses on investment properties of R\$3,030 were recorded in connection with the land in Itaguaí. In the year ended December 31, 2020, the amount of R\$812,576 was recorded in intangible assets as reversal of impairment of mineral rights. The reversal resulted from the appreciation of the fair value, which reflects the market conditions of the property at the balance sheet date in relation to its cost. Additionally, an impairment loss of R\$181,600 was recorded in investment properties, related to a plot of land in Itaguaí. The loss was determined based on the devaluation of the property fair value in relation to its cost value, which reflects the market conditions on the balance sheet date.

(ii) The Company started to classify the Financial Compensation for the Exploration of Mineral Resources (CFEM) as Cost of Sales, previously classified as Deductions from Revenue, requiring the reclassification of the related amounts, in 2020, for comparability purposes.

28 Employee expenses and benefits

	12/31/2021	12/31/2020
Salaries and social charges	(140,152)	(109,710)
Social security charges	(19,101)	(15,219)
Employees' profit sharing	(23,305)	(8,640)
Other	(5,260)	(3,514)
	<u>(187,818)</u>	<u>(137,083)</u>

Employee benefit expenses are recorded under "Cost of sales", "Selling expenses" and "General and administrative expenses" and "Other operating expenses", in accordance with the position of each employee.

The accompanying notes are an integral part of these financial statements.

29 Operating income (expenses)

(a) Selling expenses

	12/31/2021	12/31/2020
Personnel expenses	(6,927)	(4,752)
Third-party services	(3,234)	(2,973)
Depreciation and amortization	(1,168)	(965)
Distribution costs	(298,193)	(184,049)
General expenses	(4,168)	(2,171)
	<u>(313,690)</u>	<u>(194,910)</u>

(b) General and administrative expenses

	12/31/2021	12/31/2020
Personnel expenses	(9,472)	(6,179)
Third-party services	(14,102)	(11,339)
Depreciation and amortization	(1,852)	(757)
Management fees	(7,419)	(4,327)
General expenses	(5,243)	(4,116)
	<u>(38,088)</u>	<u>(26,718)</u>

(c) Other operating income (expenses)

	12/31/2021	12/31/2020
Other finance income		
Revenue from sale of electricity	4,644	3,795
Sales of investments, fixed assets and intangible assets	4,384	1,212
Recovery of expenses	3,105	2,771
Inclusion of ICMS in calculation basis of PIS and COFINS	9,564	12,679
Royalties	6,273	1,889
Other revenue	3,971	1,746
	<u>31,941</u>	<u>24,092</u>
Other operating expenses		
Impairment adjustment	3,030	630,976
Expenses from temporary shutdown of equipment	(20,812)	(25,698)
Provision for impairment of ICMS recoverable	(44,765)	(44,978)
Expenses on the sale of electricity	(2,142)	(3,970)
Cost on the sale/reduction of PP&E, investment and intangible assets	(3,315)	(295)
PIS and COFINS on the sale of electricity	(429)	(351)
Engineering project expenses	(1,328)	(99)
Taxes (INSS, ICMS, Municipal real estate tax (IPTU), Income Tax, etc.)	(17,393)	(13,684)
Judicial charges	(193)	(1,325)
Income (expenses) in litigation, net	(469)	(2,002)
Donation, sponsorship and cultural incentives	(28,773)	(18,746)
Other expenses	(10,877)	(16,041)
	<u>(127,466)</u>	<u>503,787</u>
	<u>(95,525)</u>	<u>527,879</u>

The accompanying notes are an integral part of these financial statements.

30 Finance result

Finance income (costs) are summarized below:

	12/31/2021	12/31/2020
Finance income		
Income from financial investments	2,411	11,322
Indexation credits	150,273	16,652
Realization of adjustments to present value	8,764	10,611
ICMS in the calculation basis of PIS and COFINS (update)	4,767	8,183
Other	1,251	5,570
	<u>167,466</u>	<u>52,338</u>
Finance costs		
Interest on contingent liabilities	(911)	(2,109)
Indexation charges	(18,848)	(15,843)
Realization of adjustment to present value of trad payables	(15,680)	(26,899)
PIS and COFINS on finance income	(10,866)	(3,911)
Other finance costs	(2,669)	(1,418)
	<u>(48,974)</u>	<u>(50,180)</u>
Foreign exchange gains/losses, net	<u>25,367</u>	<u>63,926</u>
	<u>143,859</u>	<u>66,084</u>

Foreign exchange gains/losses recognized in the statement of income arise from cash and cash equivalents, trade payables, and receivables denominated in foreign currency.

31 Transactions with related parties

The main balances and transactions with related parties are as follows:

(a) Current assets

	12/31/2021		12/31/2020	
	Trade receivables	Dividends receivable	Trade receivables	Dividends receivable
Stockholders	253,712	-	283,348	-
Associates	-	15,359	-	9,130
Total	<u>253,712</u>	<u>15,359</u>	<u>283,348</u>	<u>9,130</u>

Trade receivables from related parties arise mainly from sales transactions based on terms agreed between the parties. The receivables are not secured.

(b) Liabilities

	12/31/2021			12/31/2020		
	Trade payables	Dividends	Amounts payable	Trade payables	Dividends	Amounts payable
Stockholders	842	387,509	-	507	486,277	-
Jointly-controlled subsidiaries	1,296	-	-	1,065	-	-
Associates	4,254	-	91,448	8,062	-	80,042
Other related parties (i)	6,860	-	-	9,538	-	-
Total	<u>13,252</u>	<u>387,509</u>	<u>91,448</u>	<u>19,172</u>	<u>486,277</u>	<u>80,042</u>
Current	13,252	387,509	-	19,172	486,277	-
Non-current	-	-	91,448	-	-	80,042
Total	<u>13,252</u>	<u>387,509</u>	<u>91,448</u>	<u>19,172</u>	<u>486,277</u>	<u>80,042</u>

The accompanying notes are an integral part of these financial statements.

- (i) In December 2015, in order to restore the financial equilibrium for contractual services for the transportation of iron ore between MRS and the Company, the parties agreed to suspend the contract paying compensation to MRS. At December 31, 2021, this totals R\$91,448 (present value) (December 31, 2020 – R\$80,042), which was recognized in non-current liabilities, following prepayments in 2021.

Payables to related parties classified as trade payables arise mainly from purchase transactions, as described in item (c), based on terms agreed between the parties. Payables are interest-free.

The other amounts payable to related parties refer mainly to reimbursements of shared services.

(c) Sales and purchases

	12/31/2021		12/31/2020	
	Sales (i)	Purchases	Sales (i)	Purchases
Stockholders	1,172,410	25,886	832,048	19,251
Jointly-controlled subsidiaries	-	12,634	-	11,257
Associates	-	48,056	-	35,556
Other related parties	-	252,258	-	258,668
	<u>1,172,410</u>	<u>338,834</u>	<u>832,048</u>	<u>324,732</u>

(i) Gross sales

(d) Finance and operating result

	12/31/2021	12/31/2020
Stockholders	571	5,295
Associates	(11,406)	(21,297)
	<u>(10,835)</u>	<u>(16,002)</u>

The main transactions between the Company and related parties are summarized below:

- Purchase of railway transportation services from MRS for the transportation of iron ore.
- Sale of iron ore to Usiminas and purchase of shared services;
- Purchases from Modal and Sarzedo Terminal of services for storage and transportation of iron ore;
- Purchases of services and materials from Usiminas Mecânica S.A. for construction of project metallic structures; and
- Purchase of equipment, materials and services from Takraf do Brasil, the current name of Tenova do Brasil's mining division.

Transactions with related parties are substantially contracted under market conditions, considering prices and terms.

(e) Compensation of the key management personnel

The compensation paid or payable to key management, which includes the Executive Board and the Board of Directors of the Company, is shown below:

	<u>12/31/2021</u>	<u>12/31/2020</u>
Management fees	6,632	3,587
Social charges	987	798
	<u>7,619</u>	<u>4,385</u>

32 Commitments

- (a) Contractual obligations** - The table below sets forth the required annual minimum future payments related to the contractual obligations assumed by the Company at December 31, 2021:

	<u>12/31/2021</u>	<u>12/31/2020</u>
Less than 1 year	177,847	225,877
From 1 to 3 years	353,487	287,666
From 4 to 5 years	295,000	321,103
Over 5 years	1,083,000	887,000
Total required minimum payments	<u>1,909,334</u>	<u>1,721,646</u>

Contractual obligations relate principally to the agreement for the lease of the mining rights, acquisition of property, plant and equipment and electricity.

The Company signed an agreement with third parties to lease mining rights in areas adjacent to its own operations. The lease was established for a 30-year term, starting on October 15, 2012 the date on which the lease agreement was authorized by the National Mining Agency (ANM), or until the mineral reserves are depleted. Minimum future payments were calculated considering the residual lease term, ore price conditions and foreign exchange rates (R\$/US\$) at the end of each period.

(b) Guarantees granted

The Public Prosecution Office of Minas Gerais and the Municipality of Itatiaiuçu were the intervening parties to the Conduct Adjustment Agreement signed on April 26, 2019, with an initial term of 24 months. This Agreement had the purpose of authorizing the Company to continue operating the Samambaia Zero dam, until the effective replacement of the structure with the dry iron ore filtration system and approvals of the measures taken by the Public Prosecution Office of Minas Gerais. The Agreement established an environmental guarantee in the amount of R\$49,000, which was granted by a letter of guarantee. The expense related to the commission contracted with the issuing bank was recognized as finance cost.

At December 31, 2021 and 2020, there were no financial guarantees granted by the Company.

33 Insurance coverage

The Company's insurance policies provide coverage deemed sufficient by management. At December 31, 2021, these policies covered buildings, products, equipment, machinery, furniture, objects, fittings and installations at the insured establishments and the respective facilities of the Company, with value at risk of R\$1.817,662 (R\$1,368,759 at December 31, 2020), an insurance policy for operating risks (material damages), with a maximum indemnity of US\$250,000 per claim. At December 31, 2021, the amount deductible for material damages was R\$1,500 and the coverage for loss of profits (loss of revenue) had a deductible term of 45 days (lead period). This insurance policy expires on March 31, 2022.

Board of Directors

Sergio Leite de Andrade
Chairman

Americo Ferreira Neto
Board Member

Haruo Matsuzaki
Board Member

Miguel Angel Homes Camejo
Board Member

Nobuhiro Yoshida
Board Member

Yoshiaki Shimada
Board Member

Executive Board

Carlos Héctor Rezzonico
CEO

Marcelo Héctor Barreiro
CFO

Bruno Fonseca Campos
Accounting Manager
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