Financial statements

Mineração Usiminas S.A.

December 31, 2023
with Independent Auditor's Report

Building a better working world

A free translation from Portuguese into English of Independent Auditor's Report on Financial Statements prepared in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board – IASB

Independent auditor's report on financial statements

To the
Shareholders, Board of Directors and Officers of
Mineração Usiminas S.A.
Belo Horizonte - MG

Opinion

We have audited the financial statements of Mineração Usiminas S.A. (the "Company"), which comprise the statement of financial position as at December 31, 2023, and the statements of profit or loss, of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of Company as at December 31, 2023, and its financial performance and cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) 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 relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by Brazil's National Association of State Boards of Accountancy (CFC) 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 opinion.

Other matters - Audit of corresponding figures

The Company's financial statements for the year ended December 31, 2022 were audited by another independent auditor, who issued an unmodified audit report dated March 23, 2023.

Responsibilities of the executive board and those charged with governance for the financial statements

The executive board is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as the executive board 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, the executive board 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 the executive board 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 conducted in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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.

- Obtained 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.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive board.
- Concluded on the appropriateness of the executive board'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.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 21, 2024.

ERNST & YOUNG
Auditores Independentes S/S Ltda.
CRC SP-015199/O

Rogério Xavier Magalhães
Accountant CRC MG-080613/O

Mineração
USIMINAS

Contents

Mineração Usiminas S.A.

Balance sheet
In thousands of reais

	Note	12/31/2023	12/31/2022
Assets			
Current assets			
Cash and cash equivalents	8	859,644	868,610
Marketable securities	9	1,043,441	1,854,428
Trade receivables	10	738,304	649,195
Inventories	11	160,181	202,744
Taxes recoverable	12	12,166	16,938
Dividends receivable	31	26,487	19,237
Other receivables		6,047	33,462
Total current assets		2,846,270	3,644,614
Non-current assets			
Long-term receivables			
Deferred income tax and social contribution	14	591,344	557,020
Judicial deposits	15	211,691	156,546
Income tax and social contribution recoverable	14	9,683	8,763
Contractual advances	13	327,285	255,205
Other receivables	11	22,766	-
Other amounts receivable		142	132
-		1,162,911	977,666
Investments	16	618,055	541,333
Investment properties		71,152	69,590
Property, plant and equipment	17	1,469,642	1,395,839
Intangible assets	18	1,694,539	1,718,891
Total non-current assets		5,016,299	4,703,319
Total assets		7,862,569	8,347,933
Liabilities and equity			
Liabilities			
Current liabilities			
Trade payables, contractors and freight charges	20	311,441	323,834
Salaries and payroll charges		58,812	58,106
Taxes payable	21	35,804	23,018
Lease liabilities	22	28,931	18,420
Income tax and social contribution payable	14	8,499	46,171
Derivative financial instruments	6	11,913	100,678
Dividends and interest on capital payable	31	21,041	58,600
Environmental restoration liability	23	6,703	39,030
Other payables		40,969	52,144
Total current liabilities		524,113	720,001
Non-current liabilities			
Lease liabilities	22	34,632	46,605
Environmental restoration liability	23	290,795	283,060
Provision for litigation	24	70,506	10,011
Payables to related companies	31	51,780	72,933
Other payables		6,982	12,185
Total non-current liabilities		454,695	424,794
Total liabilities		978,808	1,144,795
Equity	25		
Share capital		3,194,541	3,194,541
Revenue reserves		3,687,544	4,029,549
Carrying value adjustments		1,676	(20,952)
Total equity		6,883,761	7,203,138
Total liabilities and equity		7,862,569	8,347,933

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

Mineração Usiminas S.A.

Statement of profit or loss
In thousands of reais unless otherwise stated

	Note	12/31/2023	12/31/2022
Revenue	26	3,529,770	3,617,708
Cost of sales	27	(2,456,765)	(2,265,310)
Gross profit (loss)		1,073,005	1,352,398
Operating income (expenses)			
Selling expenses	29	(326,510)	(353,687)
General and administrative expenses	29	(51,645)	(41,984)
Other operating income (expenses), net	29	(153,228)	184,397
Share of profit or loss of jointly-controlled subsidiaries and associates	16	127,042	96,865
		(404,341)	(114,409)
Operating profit		668,664	1,237,989
Finance income (costs)	30	199,427	307,626
Profit before income tax and social contribution		868,091	1,545,615
Income tax and social contribution	14		
Current		(235,037)	(306,594)
Deferred		45,957	(94,588)
		(189,080)	(401,182)
Profit for the year		679,011	1,144,433

Mineração Usiminas S.A.

Statement of comprehensive income
In thousands of reais

	Years ended	
	12/31/2023	**12/31/2022**
Profit for the year	679,011	1,144,433
Other components of comprehensive income		
Actuarial gain (loss) on retirement benefits	6,201	(432)
Hedge accounting (constitution) reversal	16,427	(8,069)
Total other comprehensive income (loss)	22,628	(8,501)
Total comprehensive income for the year	701,639	1,135,932

Amounts presented net of taxes.

The tax effects relating to each component of other comprehensive income are disclosed in Note 14.

Mineração Usiminas S.A.

Statement of changes in equity
All amounts in thousands of reais

		Revenue reserves				
	Share capital	Legal reserve	Reserve for investments and working capital	Carrying value adjustments	Retained earnings (accumulated deficit)	Total equity
At December 31, 2021	3,194,541	124,319	3,719,920	(12,451)	-	7,026,329
Comprehensive income for the year						
Profit for the year	-	-	-	-	1,144,433	1,144,433
Hedge accounting	-	-	-	(8,069)	-	(8,069)
Actuarial gains (losses)	-	-	-	(432)	-	(432)
Total comprehensive income for the year	-	-	-	(8,501)	1,144,433	1,135,932
Capital increase	-	57,221	777,785	-	(835,006)	-
Dividends and interest on capital	-	-	(649,696)	-	(309,427)	(959,123)
At December 31, 2022	3,194,541	181,540	3,848,009	(20,952)	-	7,203,138
Comprehensive income for the year						
Profit for the year	-	-	-		679,011	679,011
Hedge accounting	-	-	-	16,427	-	16,427
Actuarial gains (losses)	-	-	-	6,201	-	6,201
Total comprehensive income for the year	-			22,628	679,011	701,639
Transfer to reserves	-	33,951	459,050	-	(493,001)	-
Dividends and interest on capital	-	-	(835,006)	-	(186,010)	(1,021,016)
At December 31, 2023	3,194,541	215,491	3,472,053	1,676	-	6,883,761

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

Statement of cash flows
In thousands of reais

	Note	Years ended 12/31/2023	12/31/2022
Cash flows from operating activities			
Profit for the year		679,011	1,144,433
Adjustments to reconcile profit or loss			
Charges and indexation accruals// foreign exchange variations, net		54,372	29,610
Depreciation, amortization and depletion	27	314,154	210,796
Gain/loss on the sale/write-off of PP&E/investment		382	(1,038)
Share of profit or loss of jointly-controlled subsidiaries and associates	16	(127,042)	(96,865)
Changes in Impairment of assets		(1,562)	(296,624)
Current income tax and social contribution		235,037	306,594
Deferred income tax and social contribution	14	(45,957)	94,588
Derivative financial instruments		157,157	(15,263)
Constitution (reversal) of provisions		70,907	19,610
(Increase) decrease in assets			
Trade receivables		(137,956)	(57,576)
Inventories		3,723	(52,628)
Taxes recoverable		(45,335)	(71,446)
Judicial deposits		(36,406)	(38,559)
Contractual advances		(72,080)	(69,528)
Others		7,845	(25,201)
Increase (decrease) in liabilities			
Trade payables		(12,393)	22,181
Taxes payable		12,786	(5,898)
Others		(98,780)	(53,824)
Settlement of hedge transactions		(172,183)	8,482
Income tax and social contribution paid		(203,930)	(1,030,043)
Net cash provided by operating activities		581,750	21,801
Cash flows from investing activities			
Marketable securities		810,987	(1,303,761)
Purchases of property, plant and equipment	17	(324,288)	(269,568)
Proceeds from sale of property, plant and equipment		(382)	1,993
Additions to intangible assets	18	(6,319)	(2,221)
Capital reduction in subsidiary		-	(67)
Dividends received		43,113	30,261
Net cash provided by (used in) investing activities		523,111	(1,543,363)
Cash flows from financing activities			
Payment of lease liabilities		(26,158)	(27,515)
Dividends and interest on capital paid		(1,058,575)	(1,288,032)
Net cash used in financing activities		(1,084,733)	(1,315,547)
Exchange variation gains (losses), net, on cash and cash equivalents		(29,094)	(2,898)
Net increase (decrease) in cash and cash equivalents		(8,966)	(2,840,007)
Cash and cash equivalents at the beginning of the year		868,610	3,708,617
Cash and cash equivalents at the end of the year		859,644	868,610
Net increase (decrease) in cash and cash equivalents		(8,966)	(2,840,007)

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

1 Operations

Mineração Usiminas S.A. ("Mineração Usiminas"; or "Company") is a privately held corporation, headquartered in the city of Belo Horizonte, State of Minas Gerais, whose shareholders are Usinas Siderúrgicas de Minas Gerais S.A. - USIMINAS (" Usiminas") with a 70% stake in the share capital and the Sumitomo Corporation Group, with a 30% stake.

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 transportation, logistics and cargo terminals. Currently, the Company has iron ore processing plants 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 the following direct or indirect investments in jointly-controlled subsidiaries and associates:

(a) Jointly-controlled subsidiary

Company	Ownership interest (%)	Voting capital (%)	Location	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

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

(i) MRS is a logistics operator that manages a railway network that covers the states of Minas Gerais, Rio de Janeiro and São Paulo.

2 Approval of the financial statements

The issue of these financial statements was authorized by the Company's Board of Directors on March 21, 2024.

3 Significant accounting policies

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

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

The accounting policies, which are consistent with those adopted in the previous year, have been evenly applied to the parent company, subsidiaries, associates and jointly-controlled subsidiaries. The financial statements of the subsidiaries were adjusted, as applicable, to meet this criterion.

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 financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of 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). Disclosures are limited to all information of significance to the financial statements, being consistent with that used by management in the performance of its duties.

3.2 Joint ventures and associates

The Company classifies its investments as follows:

- associated companies are entities over which the Company does not have the control or joint control, but has significant influence through the participation in decisions relating to their financial and operating policies; and

- jointly-controlled subsidiaries are entities in which the Company shares the 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.

In the year ended December 31, 2023, the Company used, for equity accounting purposes, in accordance with CPC 18 (R2) and IAS 28, the financial statements of November 30, 2023 of the associates Terminal de Cargas Sarzedo Ltda, Terminal de Cargas de Paraopeba Ltda, and of the jointly-controlled subsidiary Modal Terminal de Granéis Ltda. The fiscal year of the associated company Usiminas Participações e Logística S.A (UPLS) is the same as that of the Company.

The Company's share of profit or loss of its associates and jointly-controlled subsidiaries is recognized in the statement of profit or loss 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 is equal to or greater than the carrying amount of the investment, including any other 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.

3.3 Foreign currency translation

(a) 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.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions or valuation when 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 profit or loss.

Foreign exchange gains and losses relating to assets and liabilities are presented in the statement of profit or loss as finance result.

3.4 Cash and cash equivalents and marketable securities

(a) Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits, and other short-term highly liquid investments, with immaterial risk of change in value, which are held for the purpose of meeting short-term commitments.

(b) Marketable securities

Securities refer to highly liquid investments, the intention of which Management does not aim to meet short-term commitments. The Company adopted the classification as securities for those investments for which Management intends to maintain the application for a period exceeding 180 days.

3.5 Financial assets

(a) Classification

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

A financial asset is measured at amortized cost if it meets both of the following conditions:

- 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 FVOCI only if it meets both of the following conditions:

- 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 measured at fair value through profit or loss.

Furthermore, upon initial recognition, the Company may irrevocably designate a financial asset that meets the requirements to be measured at amortized cost, FVOCI or even FVTPL. This designation aims to eliminate or significantly reduce a possible accounting mismatch resulting from the result produced by the respective asset.

(b) Recognition and measurement

Purchases and sales of financial assets are recognized on the trade date. Investments are initially recognized at fair value plus the transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and the transaction costs are expensed in the statement of profit or loss for 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, the Company 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.

(c) Impairment of assets carried at amortized cost

The Company assesses, at the end of each reporting for the year, 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.

(d) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized 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 not transferred or has not substantially retained all of the risks and rewards related to the asset, but 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) Offsetting of financial assets

Financial assets or liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3.6 Financial liabilities

(a) 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 incurred. These financial liabilities are measured at fair value and any changes in fair value are recognized in the statement of profit or loss 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. Borrowings and payables are added by the directly related transaction costs.

(b) Subsequent measurement

After initial recognition, borrowings, debentures, trade and other payables are subsequently measured at amortized cost, using the effective interest rate method. The discount rates for lease liabilities were estimated by management based on risk-free interest rates observable in the Brazilian market plus a spread, and adjusted for the term of the lease agreements.

(c) Loan and financing costs

Loan and financing costs attributed to the acquisition, construction or production of an asset that necessarily requires a substantial period of time to enter into operation or for sale are capitalized as part of the cost of these assets. Loan and financing costs are made up of interest, in addition to other charges that the Company incurs in connection with raising funds.

(d) 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 from the same lender on substantially different terms, or when the terms of an existing liability are substantially modified, such a replacement or modification is treated as settlement of the original liability and recognition of a new liability, and the difference in the corresponding carrying amounts is recognized in the statement of operations.

(e) Offsetting of financial assets and liabilities

Financial assets or liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3.7 Derivative financial instruments and hedging activities

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

3.8 Inventories

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

The storeroom houses maintenance and replacement materials that are available for immediate consumption regardless of the turnover, which can exceed 12 months in certain strategic situations.

The acquisition and production cost is increased by expenses related to transportation, storage and non-recoverable taxes. Net realizable value is the estimated selling price in the ordinary course of business, less estimated completion costs and directly related selling expenses. The net realizable value of certain inventories held in the storeroom was based on the estimated selling price in the normal course of business.

3.9 Judicial deposits

Judicial deposits are those made in a bank account in connection with legal proceedings, in Brazilian currency and adjusted for inflation, and intended to ensure the settlement of potential future liabilities.

3.10 Property, plant and equipment

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

Depreciation of property, plant and equipment items is calculated using the straight-line method to allocate their cost to the residual values over their estimated useful lives, except for mine decommissioning costs (environmental restoration liabilities) (Notes 3.15 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 when it is greater than its estimated recoverable amount.

The Company has parts and spare parts for the maintenance of property, plant and equipment items, of which the estimated useful lives are of more than 12 months.

Accordingly, the balance of inventories of these parts and spare parts is classified in property, plant and equipment.

3.11 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 profit or loss 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 when no future economic benefit is expected from their sale. The difference between the net proceeds from the sale and the carrying amount of the asset is recognized in the statement of profit or loss for the year when the asset is written off.

3.12 Intangible assets

(a) Goodwill

Goodwill represents the positive difference between the amount paid and/or payable for the acquisition and the net fair value of the acquired entity's assets and liabilities. 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 benefit from the business combination in which the goodwill arose, duly segregated by operating segment.

(b) Mineral rights

Mineral rights are recorded at acquisition cost 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 using the unit-of-production method, as the reserves are exploited.

(c) 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.

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

3.14 Provision 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.

3.15 Environmental restoration liability

The provision for environmental restoration, when related to an asset construction or acquisition, is recorded as part of the cost of that asset and takes into consideration estimates of the management of Mineração Usiminas S.A.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, which reflects current market 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 for the expected costs of mine closure and decommissioning of the related mining assets in the period in which they occur, discounted to present value. The Company considers the accounting estimates related to the reclamation of degraded areas and mine decommissioning 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.

3.16 Current and deferred income tax and social contribution

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

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.

3.17 Employee benefits

(a) 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 accepting new enrollments 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 its account balance into a monthly life annuity. In this case, during the payout phase, USIPREV will be similar to a Defined Benefit 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 denominated in the currency in which the benefits will be paid, and with terms to maturity that approximate those of the related retirement plan liability.

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

(b) Post-retirement healthcare benefit plan

The Company records the obligations in accordance with the legislation in force, which ensures to employees who contributed to the retirement plan the right to remain as beneficiaries after retirement, 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 the contributions have been made for at least 10 years, this term is indefinite.

These obligations are valued annually by independent actuaries.

(c) Employee profit sharing

The Company provides 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.

3.18 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 based on the changes in quoted market prices up to the date when the final price is fixed.

3.19 Finance income (costs)

Finance income arises primarily from financial assets, such as trade receivables and financial investments, the interest and earnings of which are recognized on a *pro rata temporis* basis, using the effective interest rate method.

Finance costs arise primarily from financial liabilities, such as borrowings and provisions for litigations; the related interest and inflation adjustments are recognized on a *pro rata temporis* basis, using the effective interest rate method.

3.20 Distribution of dividends and interest on capital

The distribution of dividends and interest on capital to the Company's shareholders is recognized as a liability in the financial statements at year-end based on the Company's bylaws. Amounts above the minimum mandatory limit established by law are only provided for when approved at a General Shareholders’ Meeting.

The tax benefit of interest on capital, where applicable, is recognized at the computation of income tax and social contribution. In the Company’s financial statements, the same accounting treatment is adopted for interest on capital and dividends.

3.21 Leases

The Company, as a lessee, recognizes a right-of-use asset representing its right to use the leased asset, and a lease liability representing its obligation to make future lease payments. Exemptions are allowed for short-term leases and leases of low-value assets. The Company recognizes new assets and liabilities for its leases, and the depreciation of right-of-use assets and interest expense on lease liabilities. The discount rates for lease liabilities were estimated by management based on risk-free interest rates observable in the Brazilian market plus a spread, and adjusted for the term of the lease agreements.

3.22 Pronouncements issued but not yet effective at December 31, 2023

The Company does not expect that the adoption of the standards described below will have a material impact on the parent company and consolidated financial statements in future periods.

Amendments to IAS 12/IFRS 16:	Lease liabilities in a sale and leaseback transaction
Amendments to IAS 12/IAS 1:	Classification of liabilities as current or non-current
Amendments to IAS 7 and IFRS 7	Financing agreements with suppliers

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 affect 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 used 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 Extended Consumer Price Index (IPCA) on borrowings from debentures and financial investments that are linked to the Interbank Deposit Certificate (CDI) rate. Therefore, the IPCA portion is segregated from interest on borrowings, debentures and income from financial investments, and included in "Indexation adjustments", 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 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. The Company has an investment classified as a Joint Venture, in which the control is shared regardless of the percentage of ownership interest in the investee's capital.

4.2 Estimates and assumptions

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

(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 profit, based on technical feasibility studies (Note 14 (b)).

(c) Fair value of derivative financial instruments and other financial instruments

The fair value of derivatives and other financial instruments that are not traded in an active market is determined through the use of valuation techniques. Management uses its judgment to select among a variety of methods and assumptions that are mainly based on market conditions existing at each reporting date.

(d) 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) for 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.

(e) Provisions for litigation

The Company provisions the expected costs for the future deactivation of its operations and the environmental repair of areas impacted by its activity. The determination of the value of the provision is carried out considering a specialized technical survey. When recognizing the provision, the estimated costs are capitalized in fixed assets and depreciated over the useful life of the corresponding mining assets, generating an expense that is recognized in the income statement for the year. In 2023, the monthly IPCA was considered to correct the balance of the provision for environmental recovery (9.60% in 2022).

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(f) Environmental restoration liability

The Company records a provision for the expected environmental restoration costs upon ceasing its mining operations in the areas affected by its activities. The provision is determined based on a specialized technical study. At the recognition of the provision, 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 profit or loss for the year. In 2022, the rate of 9.60% p.a. was used to update the balance of the provision for environmental restoration.(6.92% in 2021).

(g) 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 based on reports issued by the Company's engineers or external consultants, and are reviewed annually.

5 Financial risk management objectives and policy

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 its parent company Usiminas. The Company's management evaluates and monitors these risks, and where necessary, adopts measures to mitigate their effects, 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. These risks are managed through rules and policies established by the Board of Directors, which include the use of financial instruments and investments of establishes principles for the management of these risks, including with financial instruments and investment of cash surplus.

5.2 Policy for the use of financial instruments

The policy for managing financial assets and liabilities has the purpose of: (i) maintaining the intended liquidity; (ii) defining the concentration level of operations; (iii) controlling 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 in order 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 mainly from the exposure of the Company's financial resources held by financial institutions, securities and notes acquired from publicly traded companies, and credit to customers.

Mineração Usiminas carries out transactions exclusively with prime financial institutions to mitigate the credit risk with respect to its cash and cash equivalents.

With respect to 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 for managing financial assets and liabilities involves an analysis of the counterparties based on their financial statements, equity and credit rating. This policy aims to ensure the Company's intended level of liquidity, to define the concentration level of its operations, as well as to control the level of exposure to financial market risks, thus diluting the liquidity risk.

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

At December 31, 2023, 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 contracted undiscounted cash flows are shown below:

	Less than 1 year	**From 1 to 2 years**	**From 2 to 5 years**	**Over 5 years**
At December 31, 2023				
Trade payables	252,831	-	-	-
Payables to related parties	58,610	51,780	-	-
Lease liabilities	28,931	11,707	21,828	1,097
At December 31, 2022				
Trade payables	266,536	-	-	-
Payables to related parties	57,298	31,546	41,387	-
Lease liabilities	18,420	16,625	28,664	1,316

(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, 2023 and 2022 is presented below:

	12/31/2023	**12/31/2022**
Assets in foreign currency		
Cash and cash equivalents	498,160	343,454
Trade receivables	471,391	354,603
	969,551	698,057
Liabilities in foreign currency		
Trade payables	(38,294)	(1,136)
Net exposure	931,257	696,921

(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$/US$). Three scenarios were defined, considering the net exposure to assets denominated in foreign currency at December 31, 2023. Scenario I considers a 5% reduction in the foreign exchange rate (R$/US$) effective at December 31, 2023. Scenarios II and III consider a reduction of 25% and 50%, respectively, in the same variable.

				12/31/2023
Currency	**Foreign exchange rate at the end of the year**	**Scenario I**	**Scenario II**	**Scenario III**
US$	4.8413	4.5992	3.6310	2.4207

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

			12/31/2023
Currency	**Scenario I**	**Scenario II**	**Scenario III**
US$	(46,570)	(232,809)	(465,619)

(d) Interest rate risk

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

	12/31/2023	**12/31/2022**
Assets linked to the CDI rate		
Cash and cash equivalents	359,919	511,676
Marketable securities	1,043,441	1,854,428
Net exposure	1,403,360	2,366,104

(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 in the CDI rate. Three scenarios of analysis were defined considering the net exposure of assets linked to the CDI rate, at December 31, 2023. Scenario I considers a 5% reduction in the interest rate as of December 31, 2022. Scenarios II and III consider a reduction of 25% and 50%, respectively, in the same variable.

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

	12/31/2023			
Index	Interest rate at the end of the year	Scenario I	Scenario II	Scenario III
CDI	11.65%	11.07%	8.74%	5.83%

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

	12/31/2023		
Index	Scenario I	Scenario II	Scenario III
CDI	(8,139)	(40,838)	(81,676)

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 shareholders. At December 31, 2023, in addition to not having any material financial liabilities, the Company retained a significant 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 for the purpose of hedging its financial position and cash flows. Management's decision about the contracting of financial hedges is based on an analysis of future prices of ore and projected foreign exchange rates (R$/US$).

The Company does not enter into derivative financial instruments for speculative purposes. In accordance with its policy, the Company does not settle transactions before their original maturity date and does not prepay its derivatives.

(a) Breakdown of derivative financial instruments

Hedged item	Maturity groups by month/year	INDEX		NOTIONAL AMOUNT (contracted amount)				FAIR (MARKET) VALUE - BOOK VALUE		Gain/loss for the period
				12/31/2023		12/31/2022		12/31/2023	12/31/2022	12/31/2023
		Asset position	Liability position	Asset position	Liability position	Asset position	Liability position	Asset (liability) position	Asset (liability) position	Gain (loss)
COMMODITIES' PRICE HEDGE										
iron ore (CFR China 62% Fe)	01/23	Ore FWD USD 111.85	Ore_Fut_SCOZ2	-	-	R$ 56,987	R$ 56,987	-	284	-
iron ore (CFR China 62% Fe)	01/23	Ore FWD USD 114.54	Ore_Fut_SCOZ2	-	-	R$ 29,119	R$ 29,119	-	832	-
iron ore (CFR China 62% Fe)	01/23	Ore FWD USD 90.23	Ore_Fut_SCOZ2	-	-	R$ 69,424	R$ 69,424	-	(16,142)	-
iron ore (CFR China 62% Fe)	02/23	Ore FWD USD 86.30	Ore_Fut_SCOF3	-	-	R$ 48,306	R$ 48,306	-	(17,853)	(20,704)
iron ore (CFR China 62% Fe)	02/23	Ore FWD USD 86.30	Ore_Fut_SCOF3	-	-	R$ 15,629	R$ 15,629	-	(5,680)	(6,588)
iron ore (CFR China 62% Fe)	02/23	Ore FWD USD 90.47	Ore_Fut_SCOF3	-	-	R$ 69,613	R$ 69,613	-	(20,350)	(24,219)
iron ore (CFR China 62% Fe)	02/23	Ore FWD USD 97.30	Ore_Fut_SCOF3	-	-	R$ 77,110	R$ 77,110	-	(15,142)	(19,193)
iron ore (CFR China 62% Fe)	02/23	Ore FWD USD 106.33	Ore_Fut_SCOF3	-	-	R$ 80,135	R$ 80,135	-	(8,251)	(12,543)
iron ore (CFR China 62% Fe)	04/23	Ore FWD USD 107.04	Ore_Fut_SCOH3	-	-	-	-	-	(6,224)	(14,719)
iron ore (CFR China 62% Fe)	05/23	Ore FWD USD 106.45	Ore_Fut_SCOJ3	-	-	-	-	-	(6,129)	(7,003)
iron ore (CFR China 62% Fe)	06/23	Ore FWD USD 105.82	Ore_Fut_SCOK3	-	-	-	-	-	(6,023)	552
iron ore (CFR China 62% Fe)	07/23	Ore FWD USD 124.50	Ore_Fut_SCOM3	-	-	-	-	-	-	8,283
iron ore (CFR China 62% Fe)	07/23	Ore FWD USD 104.40	Ore_Fut_SCOM3	-	-	-	-	-	-	(1,956)
iron ore (CFR China 62% Fe)	07/23	Ore FWD USD 106.40	Ore_Fut_SCOM3	-	-	-	-	-	-	(4,432)
iron ore (CFR China 62% Fe)	08/23	Ore FWD USD 100.30	Ore_Fut_SCON3	-	-	-	-	-	-	(8,626)
iron ore (CFR China 62% Fe)	08/23	Ore FWD USD 103.40	Ore_Fut_SCON3	-	-	-	-	-	-	(1,071)
iron ore (CFR China 62% Fe)	08/23	Ore FWD USD 103.45	Ore_Fut_SCON3	-	-	-	-	-	-	(2,130)
iron ore (CFR China 62% Fe)	09/23	Ore FWD USD 100.20	Ore_Fut_SCOQ3	-	-	-	-	-	-	(3,412)
iron ore (CFR China 62% Fe)	09/23	Ore FWD USD 100.20	Ore_Fut_SCOQ3	-	-	-	-	-	-	(3,412)
iron ore (CFR China 62% Fe)	09/23	Ore FWD USD 100.32	Ore_Fut_SCOQ3	-	-	-	-	-	-	(6,739)
iron ore (CFR China 62% Fe)	09/23	Ore FWD USD 108.55	Ore_Fut_SGX	-	-	-	-	-	-	(628)
iron ore (CFR China 62% Fe)	10/23	Ore FWD USD 103.95	Ore_Fut_SCOU3	-	-	-	-		-	(12,653)
iron ore (CFR China 62% Fe)	11/23	Ore FWD USD 108.36	Ore_Fut_SGX	-	-	-	-		-	(534)
iron ore (CFR China 62% Fe)	11/23	Ore FWD USD 108.36	Ore_Fut_SGX	-	-	-	-		-	(534)
iron ore (CFR China 62% Fe)	11/23	Ore FWD USD 108.36	Ore_Fut_SGX	-	-	-	-		-	(354)
iron ore (CFR China 62% Fe)	11/23	Ore FWD USD 108.36	Ore_Fut_SGX	-	-	-	-		-	(2,134)
iron ore (CFR China 62% Fe)	11/23	Ore FWD USD 108.36	Ore_Fut_SGX	-	-	-	-		-	(533)
iron ore (CFR China 62% Fe)	11/23	Ore FWD USD 104.36	Ore_Fut_SGX	-	-	-	-		-	(5,151)
iron ore (CFR China 62% Fe)	11/23	Ore FWD USD 110.58	Minério_Fut_SCOV3						-	(6,322)
iron ore (CFR China 62% Fe)	03/24	Ore FWD USD 130.08	Ore_Fut_SCOG4	R$ 96,387	R$ 96,387	-	-	(6,225)	-	
iron ore (CFR China 62% Fe)	04/24	Ore FWD USD 129.00	Ore_Fut_SCOH4	R$ 7,010	R$ 7,010	-	-	(422)	-	
iron ore (CFR China 62% Fe)	04/24	Ore FWD USD 129.08	Ore_Fut_SCOH4	R$ 87,315	R$ 87,315	-	-	(5,266)	-	
								Gain (loss) on export revenue for the year		**(156,755)**
							Book balance (asset position net of the liability position)	**(11,913)**	**(100,678)**	

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

	12/31/2023	12/31/2022
Current liabilities	11,913	100,678

	12/31/2023	12/31/2022
In gross revenue - foreign market	(156,755)	16,559

(b) Hedging activities – cash flow hedge (hedge accounting)

At December 31, 2023 and 2022, Mineração Usiminas S.A.:

- Entered into some hedging transactions to manage the risk of fluctuations in ore prices, which affect its sales in the foreign market.

- Designated some transactions with derivatives as hedge accounting. Hedge accounting involves the recognition, in the statement of profit or loss, of net gains/losses arising from changes in the fair value of the hedging instrument and the hedged item at the same time.

- Performed retrospective and prospective hedge effectiveness tests in accordance with IAS 39/CPC 38, which showed 100% effectiveness for transactions with derivative financial instruments designated as hedge instruments, as well as for exports designated as hedged items.

The commodity price hedge transactions designated as hedging instruments at December 31, 2023 are presented below:

					12/31/2023
		Index		Notional amount	
Hedged item	**Maturity (month/year)**	**Asset position**	**Liability position**	**(amount contracted)**	**Gain (loss)**
Iron ore (CFR China 62% Fe)	03/24	Ore FWD USD 130.08	Ore_Fut_SCOG4	R$ 96,387	(6,225)
Iron ore (CFR China 62% Fe)	04/24	Ore FWD USD 129.00	Ore_Fut_SCOH4	R$ 7,010	(422)
Iron ore (CFR China 62% Fe)	04/24	Ore FWD USD 129.08	Ore_Fut_SCOH4	R$ 87,315	(5,266)
				-	(11,913)

Hedge accounting recognized in equity is shown below:

	12/31/2023	12/31/2022
Opening balance recognized in equity (a)	(16,099)	(8,030)
Gain (loss) recognized as hedging instrument in the year	(11,913)	(38,687)
Gain (loss) recognized as hedged item in the year	12,411	26,461
Net gain (loss) recognized in the year	498	(12,226)
Balance before deferred taxes on gain (loss)	(15,601)	(20,256)
Deferred taxes on gain (loss) recognized in the year (34%)	(170)	4,157
Gain (loss) recognized in the year, net of deferred taxes (b)	16,427	(8,069)
Closing balance recognized in equity (a + b)	328	(16,099)
Gain (loss) recycled from equity to export revenue (redemptions)	(156,755)	16,559

7 Financial instruments by category

	Assets at amortized cost	Assets at fair value through profit or loss	12/31/2023 Total	Assets at amortized cost	Assets at fair value through profit or loss	12/31/2022 Total
Assets						
Cash and cash equivalents	859,644	-	859,644	868,610	-	868,610
Marketable securities	-	1,043,441	1,043,441	-	1,854,428	1,854,428
Trade receivables	738,304	-	738,304	649,195	-	649,195
Other asset financial instruments	27,959	-	27,959	49,904	-	49,904
	1,625,907	1,043,441	2,669,348	1,567,709	1,854,428	3,422,137

	Liabilities at amortized cost	Liabilities at fair value through profit or loss	12/31/2023 Total	Liabilities at amortized cost	Liabilities at fair value through profit or loss	12/31/2022 Total
Liabilities						
Trade payables	311,441	-	311,441	323,834	-	323,834
Lease liabilities	63,563	-	63,563	65,025	-	65,025
Derivative financial instruments	-	11,913	11,913	-	100,678	100,678
Payables to related companies	51,780	-	51,780	72,933	-	72,933
	426,784	11,913	438,697	461,792	100,678	562,470

The fair values of financial instruments are classified 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, 2023, financial instruments measured at fair value include financial investments that are fully classified at Level 2.

The amounts of the financial instruments measured at fair value do not significantly differ from their carrying amounts, since they have been contracted and recorded considering rates and conditions adopted 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:

	12/31/2023	12/31/2022
Banks - current accounts	1,565	13,480
Bank accounts abroad	498,160	343,454
Bank Deposit Certificates (CDB) and repurchase agreements	359,919	511,676
	859,644	868,610

At December 31, 2023, financial investments in Bank Deposit Certificates (CDBs) and repurchase commitments had immediate liquidity and earned on average 104.64% (104.58% at December 31, 2022) of the CDI rate.

9 Marketable securities

	12/31/2023	12/31/2022
Bank Deposit Certificates (CDB)	668,813	1,341,912
Investment funds	374,628	512,516
	1,043,441	1,854,428

At December 31, 2023, financial investments in CDBs earned on average 104.64% (104.58% at December 31, 2022) of the CDI rate. Investment Funds earned on average 102.66% (102.76% at December 31, 2022) of the CDI rate. As these investment funds are exclusive to Usiminas, there are no obligations to third parties to be disclosed.

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

10 Trade receivables

	12/31/2023	12/31/2022
Trade receivables - local currency	10,718	7,844
Trade receivables - foreign currency	471,391	354,603
Trade receivables	482,109	362,447
Receivables from related parties (Note 31)	256,195	286,748
	738,304	649,195

At December 31, 2023 and 2022, no trade receivables were overdue.

11 Inventories

	12/31/2023	12/31/2022
Current assets:		
Finished products	88,656	101,471
Work in progress	22,527	27,646
Raw materials	5	2,661
Storeroom	80,749	75,387
Imports in transit	602	474
Provision for losses	(32,358)	(4,895)
	160,181	202,744
Non-current assets (i):		
Raw materials	49,323	22,265
Provision for losses	(26,557)	(22,265)
	22,766	-
Total inventories	182,947	202,744

(i) Based on its production plan, Mineração Usiminas classifies as non-current iron ore inventories that are expected to be realized in more than 12 months.

Changes in the provision for inventory losses were as follows:

	12/31/2023	12/31/2022
Opening balance	(4,895)	(1,611)
Provision for adjustment of inventories to realizable value	(33,108)	(3,284)
Reversal of adjustment of inventories to realizable value	5,645	-
Closing balance	(32,358)	(4,895)

On December 31, 2023, a provision was set up for losses in inventories, which totaled R$27,463 (December 31, 2022 - R$3,284), relating to the deterioration that occurred in the storage and movement process of iron ore and warehouses. In the result, the corresponding provision was made under the heading "Costs of sales".

Changes in the provision for inventory losses in non-current assets were as follows:

	12/31/2023	12/31/2022
Opening balance	(22,265)	(51,163)
Provision for adjustment of inventories to realizable value	(21,327)	-
Reversal of adjustment of inventories to realizable value	17,035	28,898
Closing balance	(26,557)	(22,265)

On December 31, 2023, a provision was set up for losses in inventories, which totaled R$4,292, relating to the deterioration that occurred in the storage and movement process of iron ore and warehouses. In the result, the corresponding provision was made under the heading “Costs of sales”. On December 31, 2022, the provision for inventory losses was reversed, which totaled R$28,898, referring to the effective write-off of inventory, as a contra entry to the result, under the heading “Costs of sales”.

12 Taxes recoverable

Taxes recoverable recorded in current assets are presented below:

	12/31/2023	12/31/2022
Social Integration Program (PIS) and Social Contribution on Revenues (COFINS)	11,785	16,557
State Value-added Tax (ICMS) (i)	269,307	213,039
Provision for impairment of ICMS credits	(269,307)	(213,039)
Others	381	381
	12,166	16,938

(i) Mineração Usiminas has accumulated ICMS credits, for which a provision was set up, since there is no expectation of recovering such credits.

13 Contractual advances

The Company has a lease agreement in force, signed in July 2011, related to 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 is effective for 30 years, or until the depletion of these mineral reserves.

The monthly lease payments are linked to the volume of ore extracted from 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 extracted 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 volume effectively extracted.

The agreement was amended on December 19, 2019 and July 20, 2023, with the inclusion of an offset mechanism for unmined ore. Exclusively for the period from January 1, 2019 to December 31, 2027, take-or-pay amounts will be treated as credit to be offset against surplus amounts mined in the period from 2028 to 2039.

At December 31, 2023, in accordance with the provisions of the lease agreement and respective amendments, a credit of R$327,285 to be offset was recognized 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:

	12/31/2023	12/31/2022
Profit before income tax and social contribution	868,091	1,545,615
Nominal rates	34%	34%
Taxes on profit calculated at nominal rates	(295,151)	(525,509)
Adjustments to determine effective taxes on profit:		
Equity in the results of investees	43,194	32,934
Permanent exclusions (additions)	(3,166)	(4,638)
Tax incentives	9,954	10,750
Interest on capital	56,089	85,281
Taxes on profit computed	(189,080)	(401,182)
Current	(235,037)	(306,594)
Deferred	45,957	(94,588)
Taxes on profit (loss) in the result	(189,080)	(401,182)
Effective rates	22%	26%

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(b) Deferred income tax and social contribution

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

	12/31/2022	Equity/ Comprehensive income	Recognized in profit or loss	12/31/2023
Assets				
Income tax and social contribution				
Temporary provisions				
Provision for litigation	3,404	-	20,568	23,972
Environmental restoration liability	34,249	-	(13,573)	20,676
Provision for inventory adjustments	9,234	-	10,797	20,031
Goodwill on merger of companies	276,118	-	(4,662)	271,456
Provision for profit sharing	11,204	-	261	11,465
Impairment of assets	78,882	-	(1,191)	77,691
Provision for actuarial liability	3,636	(3,171)	1,123	1,588
Hedge accounting	8,293	(8,293)	-	-
Others	146,958	-	35,529	182,487
Total assets (a)	571,978	(11,464)	48,852	609,366
Liabilities				
Income tax and social contribution				
Indexation accruals on judicial deposits	7,567	-	6,439	14,006
Leasing – as per Law 11,638	11	-	(11)	-
Hedge accounting	-	169	-	169
Adjustment to present value	7,380	-	(3,533)	3,847
Total liabilities (b)	14,958	169	2,895	18,022
Net total recognized in non-current assets (a – b)	557,020	(11,633)	45,957	591,344

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 renowned entities operating in the mining industry, and macroeconomic projections provided by public agencies, among others.

(c) Income tax and social contribution in current liabilities

	12/31/2023	12/31/2022
Income tax		
Current income (expense)	(170,393)	(222,585)
Prepayments and offsets in the year	167,312	180,490
	(3,081)	(42,095)
Social contribution		
Current income (expense)	(64,644)	(84,009)
Prepayments and offsets in the year	59,226	79,933
	(5,418)	(4,076)
Total IRPJ and CSLL payable	(8,499)	(46,171)

(c) Income tax and social contribution to be recovered

On December 31, 2023, the balance of income tax and social contribution to be recovered, recorded in non-current assets, in the amount of R$ 9,683, (December 31, 2022 – R$ 8,763), refers to the decision of the STF on the non-levy of IRPJ and CSLL on late payment interest amounts (SELIC) received by taxpayers as a result of repeated tax overpayments. After the legal action becomes final, the aforementioned amount will be considered in tax calculations, in compliance with the rules of the Federal Revenue of Brazil.

15 Judicial deposits

	12/31/2023	12/31/2022
Opening balance	156,546	105,054
Additions	36,654	38,703
Reversals	(248)	(145)
Write-offs	(314)	(79)
Adjustment for inflation	19,053	13,013
Closing balance	**211,691**	**156,546**

As of December 31, 2023, the additions to the Company refer, substantially, to a tax case, in the amount of R$32,368, related to the Writ of Mandamus filed against the requirement for Financial Compensation for the Exploration of Mineral Resources (CFEM). The Company, based on the opinion of its internal and external legal advisors, considers the risk of this action, associated with this judicial deposit, as an expectation of possible loss. Therefore, there is no provision made for this cause.

16 Investments

(a) Changes in investments

	12/31/2022	Equity in the results of investees	Dividends	Actuarial liability	12/31/2023
Jointly-controlled subsidiary					
Modal	2,456	3,297	(3,316)	-	2,437
Associates					
Sarzedo Terminal (i)	5,745	12,235	(12,109)	-	5,871
Paraopeba Terminal	946	(14)		-	932
Usiminas Participações e Logística S.A. (UPL)	520,318	111,524	(34,939)	44	596,947
	529,465	127,042	(50,364)	44	606,187
Goodwill					
Modal	4,668	-	-	-	4,668
Sarzedo Terminal	7,200	-	-	-	7,200
	11,868	-	-	-	11,868
	541,333	127,042	(50,364)	44	618,055

(i) In order to calculate the investment in the associate Sarzedo Terminal, prepaid dividends of R$1,111 received in December were deducted from equity (as presented below), with the addition of R$965 related to carrying value adjustments in 2022.

(b) Financial information on associated companies

The Company's equity in the results of its associates at December 31, 2023 is shown below:

	Country of incorporation	Ownership interest (%)	Assets	Liabilities	Equity	Net revenue	Results
Sarzedo Terminal	Brazil	22.22	83,218	40,053	43,165	146,383	62,022
Paraopeba Terminal	Brazil	22.22	4,204	11	4,193	-	(65)
Usiminas Participações e Logística S.A. (UPL)	Brazil	83.30	748,435	31,812	716,623	-	133,882

The Company used the balance sheet at November 30, 2023 to calculate the effects of equity in the results of the associates Terminal Sarzedo and Terminal Paraopeba.

The capital of the associate UPL is comprised of 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 shareholder of UPL.

There were no changes in ownership interests in 2022 and 2023.

(c) Jointly-controlled subsidiary

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

(i) Summarized balance sheets

	12/31/2023	12/31/2022
Assets		
Current	3,984	4,043
Property, plant and equipment	1,958	1,795
Total assets	5,942	5,838
Liabilities and equity		
Current	1,067	929
Equity	4,875	4,909
Total liabilities and equity	5,942	5,838

(ii) Summarized statement of profit or loss

	12/31/2023	12/31/2022
Net sales and services	12,382	13,370
Cost of sales	(4,529)	(4,793)
Operating income (expenses)	(57)	(37)
Finance income (costs)	305	293
Provision for IRPJ and CSLL	(1,508)	(1,619)
Profit for the year	6,593	7,214

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17 Property, plant and equipment

	Weighted average rate of annual amortization (%)	12/31/2023 Cost	Accumulated depreciation	PP&E, net	12/31/2022 Cost	Accumulated depreciation	PP&E, net
In operation							
Buildings	16	305,790	(133,485)	172,305	182,236	(109,269)	72,967
Machinery and equipment	20	909,004	(633,153)	275,851	736,969	(540,162)	196,807
Facilities	20	961,221	(622,997)	338,224	926,837	(537,730)	389,107
Furniture and fittings	24	6,806	(4,441)	2,365	4,880	(3,787)	1,093
IT equipment	32	31,746	(20,777)	10,969	27,137	(16,265)	10,872
Vehicles	45	14,320	(12,653)	1,667	14,862	(12,120)	2,742
Tools and instruments	26	13,538	(6,778)	6,760	7,280	(4,756)	2,524
Right of use	21	151,823	(87,310)	64,513	132,444	(70,947)	61,497
Environmental restoration liability	-	223,411	(74,934)	148,477	208,081	(20,913)	187,168
		2,617,659	(1,596,528)	1,021,131	2,240,726	(1,315,949)	924,777
Land		147,260	-	147,260	136,939	-	136,939
Total in operation		2,764,919	(1,596,528)	1,168,391	2,377,665	(1,315,949)	1,061,716
Under construction							
Construction in progress		300,467	-	300,467	333,308	-	333,308
Imports in transit		266	-	266	266	-	266
Advances to suppliers		-	-	-	549	-	549
Others		518	-	518	-	-	-
Total under construction		301,251	-	301,251	334,123	-	334,123
		3,066,170	(1,596,528)	1,469,642	2,711,788	(1,315,949)	1,395,839

Changes in property, plant and equipment were as follows:

	12/31/2022	Additions (i)	Measurement - IFRS 16 (ii)	Write-offs	Depreciation	Transfers	12/31/2023
In operation							
Buildings	72,967	37,134	-	-	(24,216)	86,420	172,305
Machinery and equipment	196,807	15,945	-	(379)	(95,610)	159,088	275,851
Facilities	389,107	4,843	-	-	(85,268)	29,542	338,224
Land	136,939	-	-	-	-	10,321	147,260
Tools and instruments	2,524	-	-	-	(2,022)	6,258	6,760
Environmental restoration liability	187,168	15,329	-	-	(54,020)	-	148,477
Right-of-use assets	61,497	-	19,379	-	(16,363)	-	64,513
Others	14,707	122	-	(1,299)	(6,248)	7,719	15,001
	1,061,716	73,373	19,379	(1,678)	(283,747)	299,348	1,168,391
Under construction							
Construction in progress	334,123	266,244	-	-	-	(299,116)	301,251
	1,395,839	339,617	19,379	(1,678)	(283,747)	232	1,469,642

(i) Additions to property, plant and equipment comprise cash purchases of R$324,288.
(ii) Right-of-use assets comprise equipment lease agreements in the amount of R$19,379.

	12/31/2021	Additions (i)	Measurement - IFRS 16 (ii)	Write-offs	Depreciation	Transfers	12/31/2022
In operation							
Buildings	58,072	559	-	-	(15,293)	29,629	72,967
Machinery and equipment	135,227	946	-	(332)	(54,689)	115,655	196,807
Facilities	229,321	4,034	-	(625)	(87,150)	243,527	389,107
Land	130,814	-	-	(1,178)	-	7,303	136,939
Tools and instruments	1,270	-	-	-	(871)	2,125	2,524
Environmental restoration liability	98,689	92,585	-	-	(4,106)	-	187,168
Right-of-use assets	36,147	-	47,915	-	(22,565)	-	61,497
Others	13,878	2	-	-	(4,476)	5,303	14,707
	703,418	98,126	47,915	(2,135)	(189,150)	403,542	1,061,716
Under construction							
Construction in progress	474,315	264,030	-	-	-	(404,222)	334,123
	1,177,733	362,156	47,915	(2,135)	(189,150)	(680)	1,395,839

(i) Additions to property, plant and equipment comprise cash purchases of R$269,568.
(ii) Right-of-use assets comprise equipment lease agreements in the amount of R$47,915.

At December 31, 2023, depreciation was recognized in "Cost of Sales", "Selling expenses", "General and administrative expenses" and "Other operating expenses" in the amounts of R$269,770, R$1,536, R$2,809 and R$9,632 (R$162,597, R$1,432, R$2,433 and R$22,688 at December 31, 2022), respectively.

18 Intangible assets

Changes in intangible assets are as follows:

	Mineral rights (i)	Mining easements	Other (ii)	Total
Net book value at December 31, 2022	1,710,472	715	7,704	1,718,891
Additions	-	-	6,319	6,319
Reductions	-	-	(32)	(32)
Amortization	(25,069)	(143)	(5,195)	(30,407)
Transfers	-	-	(232)	(232)
At December 31, 2023	1,685,403	572	8,564	1,694,539
Total cost	1,850,796	4,478	25,111	1,880,385
Accumulated amortization	(165,393)	(3,906)	(16,547)	(185,846)
Net book value at December 31, 2023	1,685,403	572	8,564	1,694,539

(i) Mineral rights are amortized in accordance with mine depletion.
(ii) Refers basically to software with an average amortization rate of 46% p.a.

	Mineral rights (i)	Mining easements	Other (ii)	Total
Net book value at December 31, 2021	1,437,124	858	6,190	1,444,172
Additions	-	-	2,221	2,221
Reductions	-	-	(53)	(53)
Amortization	(20,116)	(143)	(1,334)	(21,593)
Transfers	-	-	680	680
Impairment	293,464	-	-	293,464
At December 31, 2022	1,710,472	715	7,704	1,718,891
Total cost	1,850,796	4,478	19,056	1,874,330
Accumulated amortization	(140,324)	(3,763)	(11,352)	(155,439)
Net book value at December 31, 2022	1,710,472	715	7,704	1,718,891

(i) Mineral rights are amortized according to the depletion of mines.
(ii) Refers basically to software with an average amortization rate of 40% p.a.

At December 31, 2023, amortization of intangible assets was recognized in "Cost of sales" and "General and administrative expenses" in the amounts of R$25,945 and R$4,462 (R$20,946 and R$700 at December 31, 2022), respectively.

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, as well as assumptions of expected results and the history of profitability of each CGU.

At December 31, 2023, 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 have intangible assets with indefinite useful lives (goodwill), and no impairment losses on goodwill were identified for the years ended December 31, 2023 and 2022.

The recoverable amount was calculated based on eight-year projections of sales volumes, average prices and operating costs prepared by the commercial and planning areas, considering the inflation forecast from market reports, as well as the need for working capital and investments to maintain the assets tested.

The discount rates used were based on market information available on the testing date. In 2023, the effective rate used to discount the cash flow of each cash generating unit was 8.88%, and the nominal rate, 12.69%.

(b) Impairment testing of mineral rights

The recoverable amount of the mining CGU assets was updated to reflect management's best estimates of future results from the processing and sale of iron ore, based on projections of sales price, expenses and investments. This evaluation may change depending on fluctuations in commodity prices, and any changes in long-term expectations may lead to future adjustments in 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 address the risks of the asset being evaluated. In 2023, the effective rate used was 8.88% and the nominal rate, 12.69%. The Company considered market sources to define the inflation and foreign exchange rates used in projections of 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. Short-term projections of iron ore prices (CFR China, 62% Fe) ranged from US$95.00 to US$105.00/metric ton, and US$88.20 for long-term projections. The prices used to calculate future cash flows are within the range of estimates disclosed by market analysts.

In the year ended December 31, 2023, no impairment /reversal of impairment was recorded for mineral rights in intangible assets. A reversal of impairment in the amount of R$1,562 was recorded in Investment properties, related to a plot of land in Itaguaí/ State of Rio de Janeiro, resulting 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$228,503 continues to be monitored by the Company and may be reversed considering future projections.

20 Trade payables, contractors and freight charges

	12/31/2023	12/31/2022
In Brazil	214,537	265,400
Abroad	38,294	1,136
Payables to related companies (Note 31)	58,610	57,298
	311,441	323,834

At December 31, 2023, the Company did not enter into forfaiting transactions. Some of the Company's suppliers contracted, on their own initiative, forfaiting transactions with banks, in the amount of R$12,232 (R$81,455 at December 31, 2022). These transactions did not change the balance sheet balances, as no financial charges were imputed to the Company.

21 Taxes payable

	12/31/2023	12/31/2022
Value-added Tax on Sales and Services (ICMS)	691	639
Withholding Income Tax (IRRF)	167	1,604
Services Tax (ISS)	1,900	1,641
Financial Compensation for Mineral Resources Exploration	27,435	17,143
Others	5,611	1,991
	35,804	23,018

22 Lease liabilities

At December 31, 2023, the Company had lease agreements, mainly related to vehicles used for internal transportation in mines (off road vehicles).

Lease liabilities are 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 between 9.55% and 16.74% p.a. at December 31, 2023 and 2022.

Changes in lease liabilities are shown below:

	12/31/2023	12/31/2022
Opening balance	65,025	39,688
Addition	19,379	47,915
Payments	(26,158)	(27,515)
Interest accrued	6,617	4,937
Foreign exchange gains	(1,300)	-
Closing balance	63,563	65,025
Current liabilities	28,931	18,420
Non-current liabilities	34,632	46,605

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

	Less than 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	12/31/2023 Total
Lease agreements	34,298	15,255	24,641	1,213	75,407
Adjustment to present value	(5,367)	(3,548)	(2,813)	(116)	(11,844)
	28,931	11,707	21,828	1,097	63,563

	Less than 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	12/31/2022 Total
Lease agreements	24,695	21,113	33,991	1,520	81,319
Adjustment to present value	(6,275)	(4,488)	(5,327)	(204)	(16,294)
	18,420	16,625	28,664	1,316	65,025

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

		12/31/2023
Cash flow	**Nominal**	**Adjusted to present value**
Lease consideration	68,432	57,683
Potentially recoverable PIS/COFINS (9.25%)	6,975	5,880
	75,407	63,563

		12/31/2022
Cash flow	**Nominal**	**Adjusted to present value**
Lease consideration	73,797	59,010
Potentially recoverable PIS/COFINS (9.25%)	7,522	6,015
	81,319	65,025

23 Environmental restoration liability

The Company has a provision for environmental recovery of areas under exploration and demobilization of assets, the balance of which on December 31, 2023 was R$297,498. Of this total, the amount of R$6,703 was recorded in current liabilities, under the heading Other accounts payable, and the amount of R$290,795 was recorded in non-current liabilities (December 31, 2022 – R$39,030 and R$283,060, recorded in liabilities current and non-current liabilities, respectively).
Changes in the provision for environmental restoration were as follows:

	12/31/2023	12/31/2022
Opening balance	322,090	233,178
Indexation adjustments	15,009	20,908
Addition	15,329	92,585
Amortization	(54,930)	(24,582)
	297,498	322,090
Current liabilities	6,703	39,030
Non-current liabilities	290,795	283,060

Expenditures related to environmental restoration and asset retirement obligations were recorded as part of the costs of these assets against the provision that will support such expenses, based on management's estimates. These estimates are reviewed periodically, and the amounts previously recorded are adjusted, if necessary.

In 2023, the Company revised the estimated expenses for environmental restoration and asset retirement of areas under exploration, based on an increase in the extension of degraded areas. It also carried out an internal technical review of certain expenses, considering that the 2022 review, performed by a specialized consultancy firm, was based on the legislation in force, which remained unchanged in 2023.

In addition to the existing reclamation plans, this review, considered also the Samambaia Dam Decommissioning Plan. This new Plan approved by the Board of Directors, was set in motion in 2023, with completion scheduled for the end of 2025 and total expenditure estimated at R$156,930. Up to December 31, 2023, the Plan's expenses totaled R$45,427, in addition to costs incurred to restore other areas.

24 Provision for litigation

Changes in the provisions for litigation were as follows:

	12/31/2023	12/31/2022
Opening balance	10,011	8,811
Additions	50,212	841
Interest/inflation indexation	13,531	884
Repayments/reductions	(1,299)	(182)
Reversals	(1,949)	(343)
	70,506	10,011

Provisions for litigation were set up to cover probable losses on administrative and judicial proceedings related to tax, labor, civil, and environmental matters. The accrued amounts were considered sufficient by management, based on the assessment and opinion of its internal and external legal advisors.

Additions to the provisions in 2023 refer mainly to environmental claims related to mining site boundary in the amount of R$47,405, in addition to civil and tax claims in the amount of R$2,807 (R$824 of labor nature and R$17 of tax nature in December 31, 2022). The adjustments are related to environmental contingency lawsuits in the amount of R$12,413, and other matters in the amount of R$1,118 (R$330 for labor claims; R$252 for tax claims; and R$302 for other matters at December 31, 2022).

In relation to amortization balances, on December 31, 2023, it refers to a labor claim in the amount of R$786 and a civil case in the amount of R$513 (December 31, 2022, labor claim, R$182). The reversal balances are mainly related to environmental causes in the amount of R$1,573. As of December 31, 2022, the amount mainly refers to the labor claim in the amount of R$324.

(a) Litigation - 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 its internal and external legal counsel. The most significant claims at December 31, 2023 and 2022 are described below:

Description	Status	12/31/2023 Balance	12/31/2022 Balance
Labor and administrative proceedings involving employees, former in-house employees and outsourced personnel of Mineração Usiminas, claiming termination amounts.	Pending judgment by the applicable agencies at various court levels.	5,995	4,305
Filing for mining easement with a request for early relief authorizing the Company 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.	926	835
Notice of infraction for alleged environmental degradation caused by siltation of the micro basin downstream.	The proceeding was changed as an appeal was filed.	-	1,523
Lawsuit claiming that the social security contribution (INSS) should be not levied on the 1/3 vacation bonus.	Pending judgment by the appellate court.	3,379	3,113
Notice of infraction concerning mining outside the boundaries of the Company's concession, based on an unsolicited report to the Brazilian National Mining Agency (ANM)	Pending judgment at administrative level.	26,934	-
Notice of infraction concerning mining activities outside the boundaries of the Company's concession.	Pending judgment at administrative level.	32,751	-
Others	-	521	235
Total		70,506	10,011

(b) Litigation - possible losses

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

Description	Status	12/31/2023 Balance	12/31/2022 Balance
Tax assessment notice for the collection of PIS and COFINS on the use of credits on services related to a legal entity's activity.	Pending judgment at the administrative level.	45,849	42,493
Lawsuit requesting the exclusion of freight and insurance expenses incurred at the sale of mineral products from the calculation and payment of the CFEM.	Pending judgment by the appellate court.	195,377	142,448
Lawsuit for collection of CFEM debts related to the Mining Process..	Pending judgment at the administrative level.	58,989	54,082
Tax assessment notice issued by the Federal Revenue Service to collect income tax (IRPJ) and social contribution (CSLL) amounts arising from adjustments to the tax bases for the 2019 calendar year.	Pending judgment at the administrative level.	34,483	-
Other civil proceedings.	-	30,452	24,830
Other labor claims.	-	30,704	17,325
Other tax proceedings.	-	13,133	11,044
Total		408,987	292,222

25 Equity

(a) Share capital

At December 31, 2023, the Company’s share capital totaled R$3,194,541 (R$3,194,541 at December 31, 2022).

At December 31, 2023 and 2022, the Company's shareholding structure was as follows:

	12/31/23 and 12/31/22	
	Common shares	
Shareholder	**Number**	**Percentage (%)**
Usinas Siderúrgicas de Minas Gerais S.A. - Usiminas	1,968,125,146	70.00
Sumitomo Corporation (Japan)	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.

All shareholders are entitled to a minimum dividend of 25% of the profit for the year, calculated in accordance with the Brazilian corporate legislation.

(b) Total capital and revenue reserves

Revenue reserves

- Legal reserve - whose balance on December 31, 2023 is R$215,491 (December 31, 2022 – R$181,540) is constituted on the basis of 5% of the net profit of each year until reaching 30% of the share capital, as long as it is increased of the amount of the capital reserve (as provided for in paragraph 1 of article 193 of Law No. 6,404/1976).

- Reserve for investments and working capital, whose balance on December 31, 2023 is R$3,472,053 (December 31, 2022 – R$3,848,009). According to the Bylaws, this reserve aims to ensure the development of the Company's activities in accordance with the needs of its capital budget.

  The application of excess profit reserves, which in the 2023 fiscal year exceeded the balance of share capital, will be decided at a meeting (as provided for in article 199 of Law No. 6,404/1976).

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(c) Carrying value adjustments

Carrying value adjustments related substantially to:

- actuarial gains and losses calculated in accordance with CPC 33 and IAS 19. At December 31, 2023, this account credit balance totaled R$1,348 (debit balance of R$4,853 at December 31, 2022).

- Hedge accounting: net effect of hedge accounting, after tax deduction (Note 6). At December 31, 2023, this account credit balance totaled R$328 (debit balance of R$16,099 at December 31, 2022).

(d) Dividends and interest on capital

Proposed dividends and interest on capital related to the profit for 2023 and 2022 are as follows:

	12/31/2023	12/31/2022
Profit for the year	679,011	1,144,433
Allocation to the legal reserve (5%)	(33,951)	(57,221)
Calculation basis of dividends and interest on capital	645,060	1,087,212
Proposed minimum dividends and interest on capital (25%), net of Withholding income tax (IRRF)	161,265	271,803
Proposed dividends to be considered as minimum mandatory dividend	21,041	56,766
Interest on capital paid, considered as minimum mandatory dividend	140,224	215,037
Interest on capital paid - supplementary payment (i)	1,206	1,834
IRRF on interest on capital (i)	23,539	35,790
Total dividends and interest on capital, gross	186,010	309,427
Amount per share (ii)	R$0.057357	R$0.096672

(i) Arising from the tax benefit (Brazil-Japan agreement) of one of the shareholders. At December 31, 2023, the effective IRRF rate levied on the payment of interest on capital was 14.3% (December 31, 2022 – 14.3%).
(ii) Calculated based on IRRF net amount.

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

Nature	12/31/2023	12/31/2022
Dividends payable at the beginning of the year	58,600	387,509
Additional dividends and interest on capital related to the prior year	835,006	649,696
Payment of dividends and interest on capital	(1,058,575)	(1,288,032)
Proposed dividends and interest on capital	186,010	309,427
Total net dividends payable at the end of the year	21,041	58,600

The Company's bylaws provide for the distribution of 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 Company's Board of Directors approved, in a meeting held on April 28, 2023, the additional distribution of dividends for the year 2022, to its shareholders, in compliance with the provisions of article 199 of Law 6,404/76, the gross amount of R$835,006.

The Board of Directors ‘meeting held on December 14, 2023, approved the distribution of interest on capital to the shareholders, in the gross amount of R$164,969, calculated based on the Long-term Interest Rate (TJLP), of which the net amount of R$141,430 was deducted from the mandatory minimum dividend for 2023.

26 Revenue

Reconciliation of gross to net revenue:

.	12/31/2023	12/31/2022
Sales of products		
Domestic market	747,592	1,083,559
Deemed as exports	692,208	301,873
Foreign market	2,214,626	2,495,524
Gross revenue	3,654,426	3,880,956
Deductions from revenue	(124,656)	(263,248)
Net revenue	3,529,770	3,617,708

27 Expenses by nature

	12/31/2023	12/31/2022
Depreciation and amortization	(314,154)	(210,796)
Employee benefit expense	(238,038)	(219,651)
Freight on sales	(966,757)	(1,060,245)
Raw materials and consumables	(473,709)	(423,745)
Costs of distribution and commissions	(305,086)	(333,874)
Third-party services	(437,792)	(361,638)
Judicial expenses and charges	(49,483)	(534)
Gain (loss) on the sale/write-off of PP&E, investments and intangible assets	(382)	1,038
Gain (loss) on sale of electricity surplus	(305)	(5,159)
Changes in the provision for impairment of assets (i)	1,562	296,624
Lease - mineral rights	-	6,841
Provision for impairment of ICMS recoverable	(56,269)	(58,631)
Provision for inventory losses	(16,074)	(9,076)
Financial Compensation for Mineral Resources Exploration (CFEM)	(94,664)	(95,017)
Other operating income (expenses)	(36,997)	(2,721)
	(2,988,148)	(2,476,584)
Cost of sales	(2,456,765)	(2,265,310)
Selling expenses	(326,510)	(353,687)
General and administrative expenses	(51,645)	(41,984)
Other operating income (expenses), net	(153,228)	184,397
	(2,988,148)	(2,476,584)

(i) In 2023, a reversal of impairment in the amount of R$1,562 was recorded in Investment properties, related to a plot of land in Itaguaí/ RJ. The reversal resulted from the appreciation of the property's fair value, which reflects the market conditions on the reporting date. In the year ended December 31, 2022, a reversal of impairment loss of R$296,624 was recorded, corresponding to the reversal of loss on mining rights in the amount of R$293,464, plus R$3,160, corresponding to a plot of land in Itaguaí/RJ, allocated to intangible assets as investment properties.

28 Employee expenses and benefits

	12/31/2023	12/31/2022
Salaries and social charges	(173,003)	(162,391)
Social security charges	(24,373)	(22,181)
Employee profit sharing	(32,695)	(28,319)
Other	(7,967)	(6,760)
	(238,038)	(219,651)

Employee benefits and expenses are recorded under "Cost of sales", "Selling expenses", "General and administrative expenses" and "Other operating expenses", based on the position of each employee.

29 Operating income (expenses)

(a) Selling expenses

	12/31/2023	12/31/2022
Personnel expenses	(8,599)	(8,071)
Third-party services	(6,322)	(4,318)
Depreciation and amortization	(1,536)	(1,432)
Costs of distribution and commissions	(305,086)	(333,874)
General expenses	(4,967)	(5,992)
	(326,510)	(353,687)

(b) General and administrative expenses

	12/31/2023	12/31/2022
Personnel expenses	(12,588)	(10,394)
Third-party services	(19,013)	(15,283)
Depreciation and amortization	(7,271)	(3,133)
Management fees	(8,060)	(7,741)
General expenses	(4,713)	(5,433)
	(51,645)	(41,984)

(c) Other operating income (expenses)

	12/31/2023	12/31/2022
Other finance income		
Revenue from sale of electricity	246	2,845
Sales of investments, PP&E, and intangible assets	-	1,993
Expenses recovered	2,220	4,383
Royalties	8,443	5,716
Contractual fines	-	19,461
Other income	3,304	3,747
	14,213	38,145
Other operating expenses		
Impairment adjustment	1,562	296,624
Expenses from temporary shutdown of equipment	(834)	(30,020)
Provision for impairment of ICMS recoverable	(56,269)	(58,631)
Expenses with the sale of electricity	(528)	(7,741)
Cost of sale/disposal of PP&E, investments, and intangible assets	(382)	(955)
PIS and COFINS on sale of electricity	(23)	(263)
Expenses with engineering projects	(1,445)	(2,506)
Taxes (INSS, ICMS, Municipal real estate tax (IPTU), Income Tax, etc.)	(22,069)	(20,663)
Judicial charges	(165)	(142)
Litigation income (expenses), net	(49,483)	(534)
Donations, sponsorships and cultural incentive expenses	(5,775)	(8,000)
Expenses with related companies	(5,710)	-
Incidental Expenses and Service Terms of Conduct	(5,644)	(12,857)
Private Pension and Actuarial Liabilities	(3,672)	(1,241)
Other expenses	(17,004)	(6,819)
	(167,441)	146,252
	(153,228)	184,397

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30 Finance result

Finance income (costs) were as follows:

	12/31/2023	12/31/2022
Finance income		
Revenue on financial applications	248,956	329,170
Revenue on financial applications	19,053	13,012
Realization of adjustment to present value	42,109	29,958
Other	7,049	1,000
	317,167	373,140
Finance costs		
Interest on contingent liabilities	(13,531)	(884)
Indexation adjustments	(15,516)	(21,739)
Realization of adjustment to present value of trade payables	(17,012)	(17,968)
PIS/COFINS on other financial income	(13,769)	(19,701)
Other finance costs	(5,666)	(4,564)
	(65,494)	(64,856)
Foreign exchange gains/losses, net	(52,246)	(658)
	199,427	307,626

The foreign exchange gains/losses in the statement of profit or loss arise from cash and cash equivalents, trade payables and receivables denominated in foreign currency.

31 Related-party transactions

Main balances and transactions with related parties:

(a) Current assets

	12/31/2023		12/31/2022	
	Trade receivables	Dividends receivable	Trade receivables	Dividends receivable
Shareholders	256,195	-	286,748	-
Associates	-	26,487	-	19,237
Total	256,195	26,487	286,748	19,237

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

(b) Liabilities

			12/31/2023			12/31/2022
	Trade payables	Dividends	Amounts payable	Trade payables	Dividends	Amounts payable
Shareholders	13,398	14,729		10,964	41,020	-
Non-controlling shareholders	1,655	6,312	-	-	-	-
Jointly-controlled subsidiaries	1,521	-	-	1,025	-	-
Associated companies (i)	41,796	-	51,780	41,831	-	72,933
Other related parties	240	-	-	3,478	-	-
Total	58,610	21,041	51,780	57,298	58,600	72,933
Current	58,610	21,041	17,167	57,298	58,600	-
Non-current	-	-	51,780	-	-	72,933
Total	58,610	21,041	51,780	57,298	58,600	72,933

(i) In December 2015, in order to restore the financial balance in services contracted for the transportation of iron ore between MRS and the Company, the Parties agreed, on an exceptional basis, to suspend the performance of the Contract against the payment of a compensation to MRS. At December 31, 2023, the amount agreed totaled R$51,780 (present value) (R$72,933 at December 31, 2022), which was recognized in non-current liabilities, due to prepayments made in 2023.

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 for shared services.

(c) Sales and purchases

		12/31/2023		12/31/2022
	Sales (i)	Purchases	Sales (i)	Purchases
Shareholders	573,309	15,012	951,887	14,587
Jointly-controlled subsidiaries	-	13,468	-	13,900
Associates	-	347,603	-	48,164
Other related parties	-	504	-	235,428
	573,309	376,587	951,887	312,079

(i) Gross sales

(d) Finance and operating result

	12/31/2023	12/31/2022
Shareholders	28,679	41,832
Associates	(10,393)	(13,031)
	18,286	28,801

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

- Purchase of railway transportation services from MRS for the transportation of iron;
- Sale of iron ore to Usiminas and purchase of shared services;
- Purchases from Modal and Terminal Sarzedo of services for storage and loading of iron ore;
- 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 price and conditions.

(e) Key management compensation

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

	12/31/2023	**12/31/2022**
Fees	(7,696)	(6,444)
Social charges	(364)	(1,297)
	(8,060)	(7,741)

32 Commitments

(a) Contractual obligations

The table below sets forth the required annual minimum future payments related to contractual obligations assumed by the Company at December 31, 2023:

	12/31/2023	**12/31/2022**
Less than 1 year	185,551	255,695
From 1 to 3 years	317,907	298,130
From 3 to 5 years	300,000	260,000
Later than 5 years	931,000	892,000
Total required minimum payments	**1,734,458**	**1,705,825**

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

The Company signed a mining rights lease agreement with third parties for mining operations in areas adjacent to its own operations. The lease was established for a 30-year term, as from October 15, 2012, which is the date on which the lease agreement was authorized by the National Mining Agency (ANM), or until the depletion of the mineral reserves. 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.

The contractual obligations related to the acquisition of property, plant and equipment items include those in the agreement signed on December 29, 2022 for the performance of works in the electric system and facilities by the utility company, with the purpose of meeting the Company's demand, which will increase from 32,200 kW to 158,000 Kw, by mid 2027.

(b) Guarantees granted

The Public Prosecution Office of Minas Gerais and the Municipality of Itatiaiuçu were the intervening parties to a Conduct Adjustment Agreement (TAC) signed on April 26, 2019, for the purpose of authorizing the Company to continue operating the Samambaia Zero dam. After the effective replacement of the structure with the iron ore dry filtering system, the requirement of an environmental guarantee, in the amount of R$49,000, was maintained until the dam's decommissioning, for which a letter of guarantee was issued. The commission expense agreed with the issuing bank was recognized as finance cost.

At December 31, 2023 and 2022, there are no financial guarantees granted by the Company.

33 Insurance

The insurance policies taken out by the Company provide coverage deemed sufficient by Management. At December 31, 2023, these policies covered the Company's buildings, products, equipment, machinery, furniture, objects, fittings and installations at the insured establishments and respective facilities, with value at risk of R$2,500,191 (R$2,249,181 at December 31, 2022), in addition to an insurance policy for operating risks (material damage), with a maximum indemnity of US$250,000 per claim. At December 31, 2023, 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 May 30, 2024.

34 Non-cash transactions

At December 31, 2023 investment and funding transactions with no cash effect were carried out, as shown below:

	12/31/2023	12/31/2022
Addition to property, plant and equipment related to the provision for environmental restoration	15,329	92,586
Addition to property, plant and equipment related to right-of-use assets (IRFS16)	19,379	47,915
Addition (reduction) of trade receivables related to the hedging instrument	(48,847)	26,461
Financial instrument recognized as hedged item	73,739	(38,687)
Deferred taxes recognized as hedged items	(8,465)	4,157
	51,135	132,432

Board of Directors

Marcelo Chara
Chairman

Fernando Caracoche
Board Member

Gino Eugenio Ritagliati
Board Member

Thiago da Fonseca Rodrigues
Board Member

Shimpei Nitta
Board Member

Yuji Watanabe
Board Member

Executive Board

Carlos Héctor Rezzonico
CEO

Marcelo Héctor Barreiro
CFO

Hiroyuki Matsumoto
CDO

Bruno Fonseca Campos
Accounting Manager
CRC-MG 086-514/O-0