



Companhia Siderúrgica Nacional

CSN's Energy Strategy

Presentation to the Market

08/03/2022



Strategic Rationale



Consolidation of the strategy by seeking self-sufficiency on energy and competitiveness through the acquisition of renewable energy generation projects: to support the growth of CSN's operations and its energy pillar

Acquisition Overview | Sacre And Santa Ana SHG (Small Hydroelectric Generator)



Sacre is the **#1 SHG** in generation **capacity factor** by CCEE (~100%). Santa Ana is a SHG that is integrated to the PRM (Power Reallocation Mechanism) with guaranteed energy



Solid generation history with **low volatility**



Encouraged Energy (I5), with a **50% discount** on the **distribution/transmission tariff**



- Concession Deadlines:
- Extension of the concession already granted by ANEEL until 2039 (Sacre) and 2046 (Santa Ana)
 - Potential renewal of the concession until 2069 (Sacre) and 2076 (Santa Ana) - Existing precedent



100% allocated energy at CSN Cimentos from Jan/23 (reduction of **↓ 73%** in energy costs for CSN)



Acquisition price of R\$466MM¹ (% financed through commercial operation)



Transaction closing on 06/30/22



SHG Sacre



SHG Santa Ana



	SHG Sacre	SHG Santa Ana
Location	Mato Grosso	Santa Catarina
Submarket	Southeast	South
Installed Capacity	30.00 MW	6.30 MW
Capacity Factor	97.0%	59.5%
Physical Warranty	29.0 MW	3.75 MW
Contracted Energy	Up to Dec/22	Up to Dec/22
Start of Operation	Sep-06	Apr-10
End of Concession	2039	2046
Potential Renewal	2069	2076

¹Enterprise Value (Cash Free/Debt Free)

Acquisition Overview | UHE (Hydroelectric plant) Quebra Queixo



UHE with **consistent historical generation** and **guaranteed power of 57.4MWm** (above-physical warranty generation)



100% of its available energy available as of 2023, enabling the capture of benefits linked to self-production energy



Concession Deadlines:

- Extension of concession already granted by ANEEL until 2040
- Possibility of renewal of the concession by 2070: still unprecedented, depending on the regulatory environment



100% energy allocated at CSN Mineração as of Jan/23 (reduction of 75% energy costs for CSN Mineração)



Acquisition Price of R\$427MM¹ (Transaction signing on 07/01/22. Closing estimated for 3Q22)



UHE Quebra Queixo











Location	Santa Catarina
Submarket	South
Installed Capacity	120 MWm
Capacity Factor	48%
Physical Warranty	57.4 MWm
Contracted Energy	Up to Dec/22
Start of Operation	2003
End of Concession	2040
Potential Renewal	2070

¹Enterprise Value (Cash Free/Debt Free)

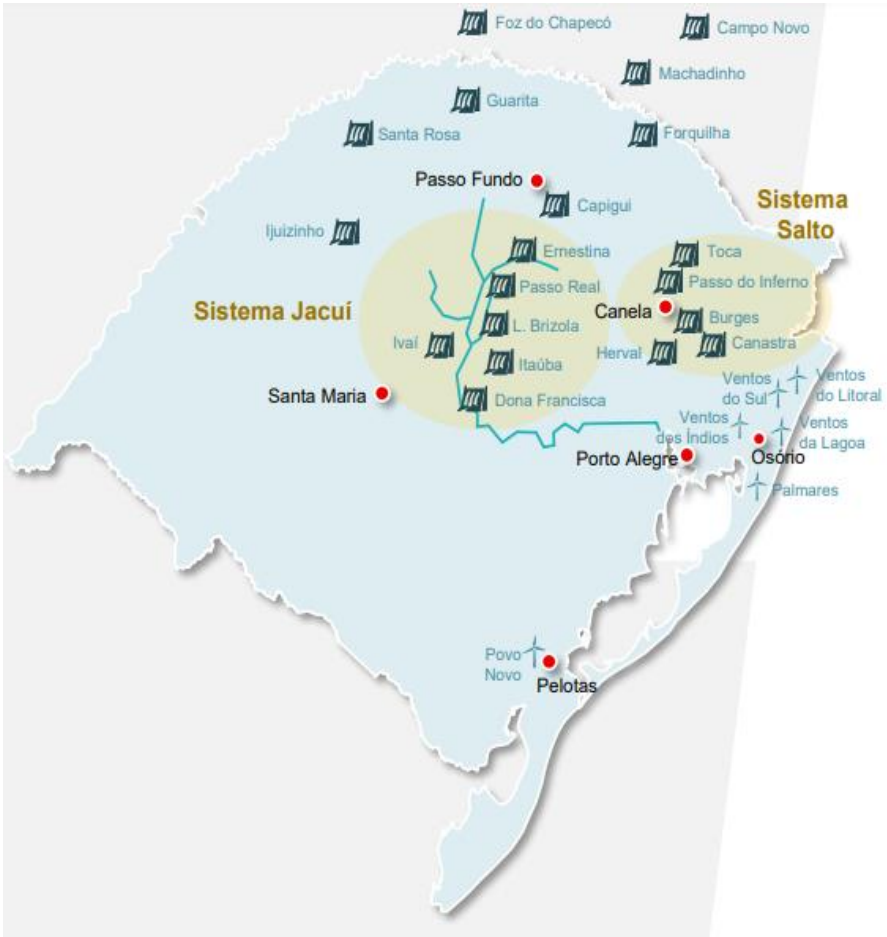
Acquisition Overview | CEEE Geração

CEEE-G is a relevant **renewable generation** platform (hydroelectric and wind) in Rio Grande do Sul, **with 15 owned assets (UHEs and SHGs), 11 minority interests and 3 wind projects**

Assets overview

Total Property			
15		910 MW	
Power Plants		Installed Capacity	
399 MWavg		100%	
Physical Warranty		Free Market / Uncontracted	
Minority Interest			
13		356 MW	
Power Plants		Installed Capacity	
156 MWavg		100%	
Physical Warranty		Free Market / Uncontracted	

Overview of generation assets



Acquisition Overview | CEEE Geração



Privatization of generation assets resulting from the spin-off of CEEE



Transaction Perimeter: % of the shares held by the government of the State of Rio Grande do Sul (66.23%)



Concession: privatization will result in a 100% lease uncontracted for the 30-year period (until 2052)



Acquisition Price of **R\$928MM (shares)** and **R\$1,944MM (grant bonus)**¹. Closing of the transaction estimated for 4Q22 and eventual Eletrobrás tag along to 1Q23



Modernization CAPEX planned of ~R\$1Bi over the first 15 years with a physical warranty increase of 47MWm

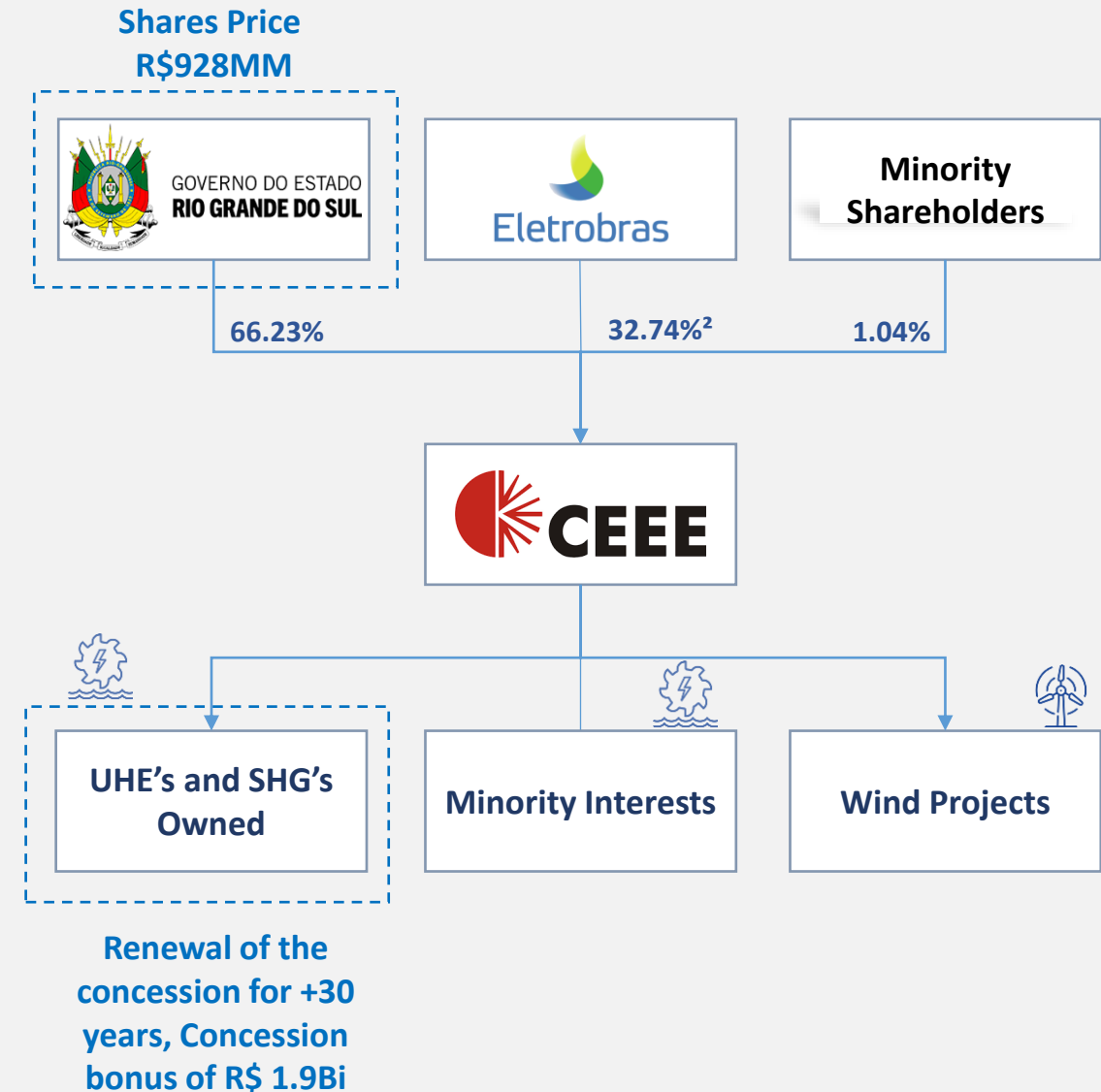


56% of the energy allocated between steel, cement and mining from Jan/23 (reduction of ↓ 60% in energy costs for CSN)

¹Enterprise Value (Cash Free/Debt Free)

²Possibility of tag along with discount of 20% of the price

Transaction Perimeter

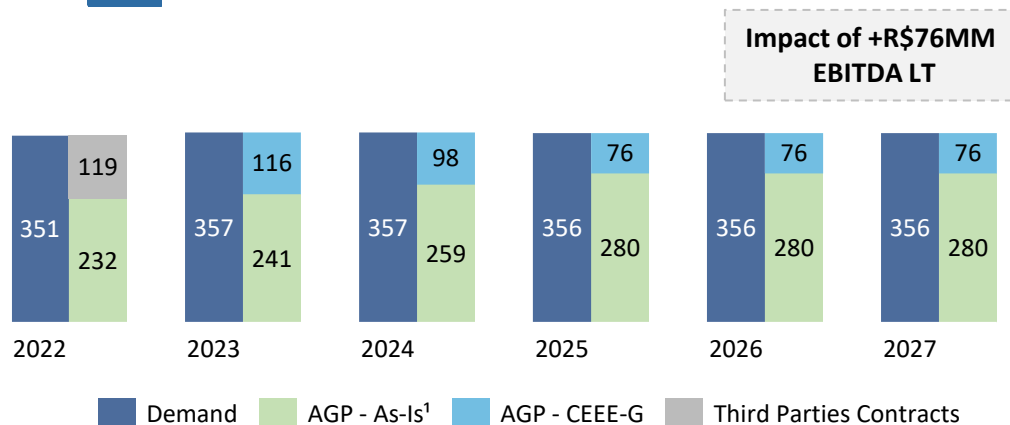


CSN Energy Balance with Acquisitions

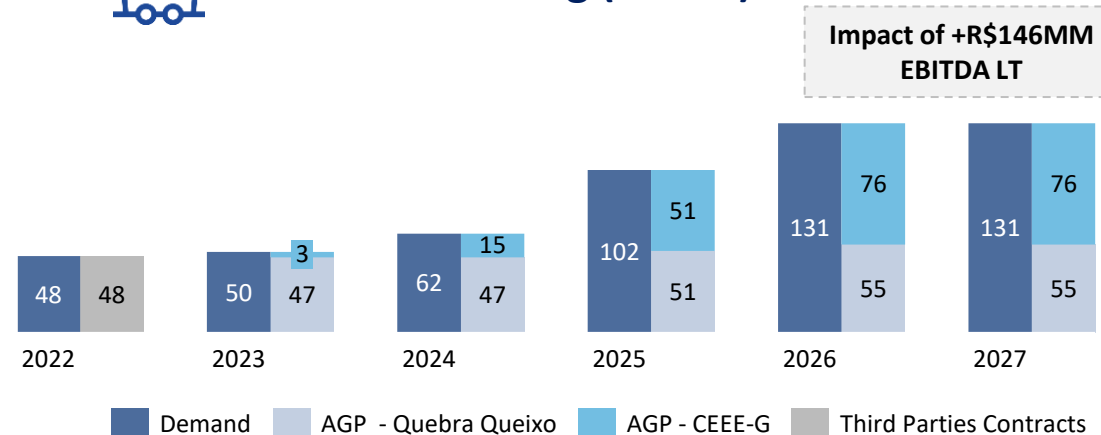
Allocation of CEEE's Generation in CSN's business: self-sufficiency with self-production benefit



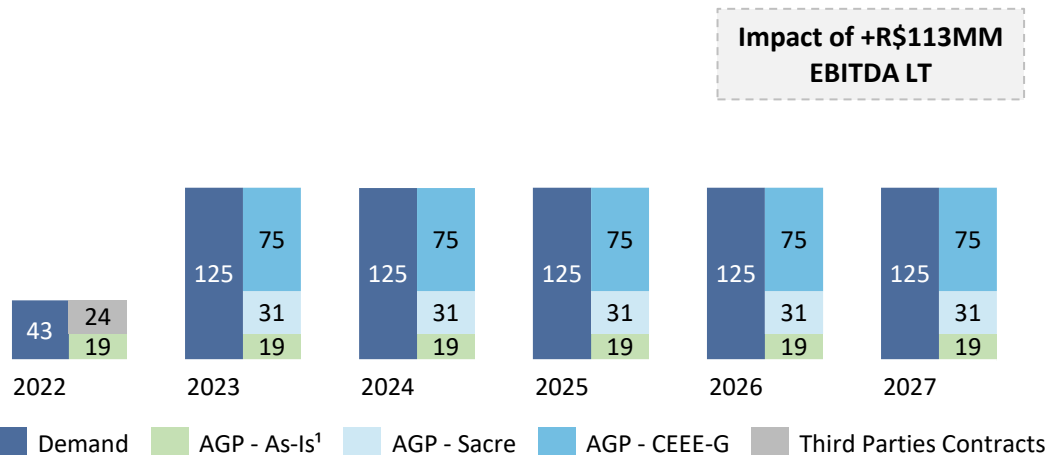
CSN Steel (MWm)



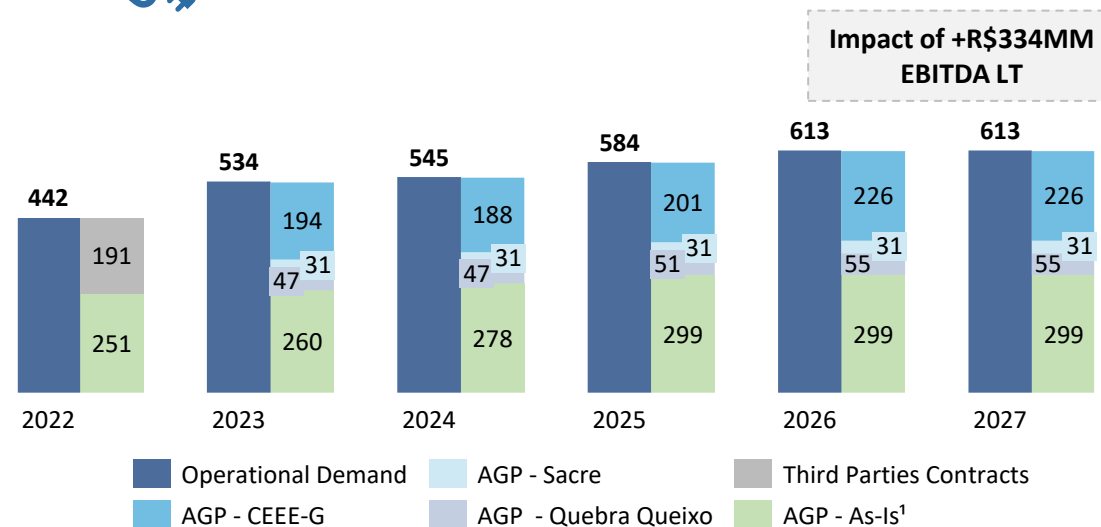
CSN Mining (MWm)



CSN Cements (MWm)



Consolidated CSN (MWm)

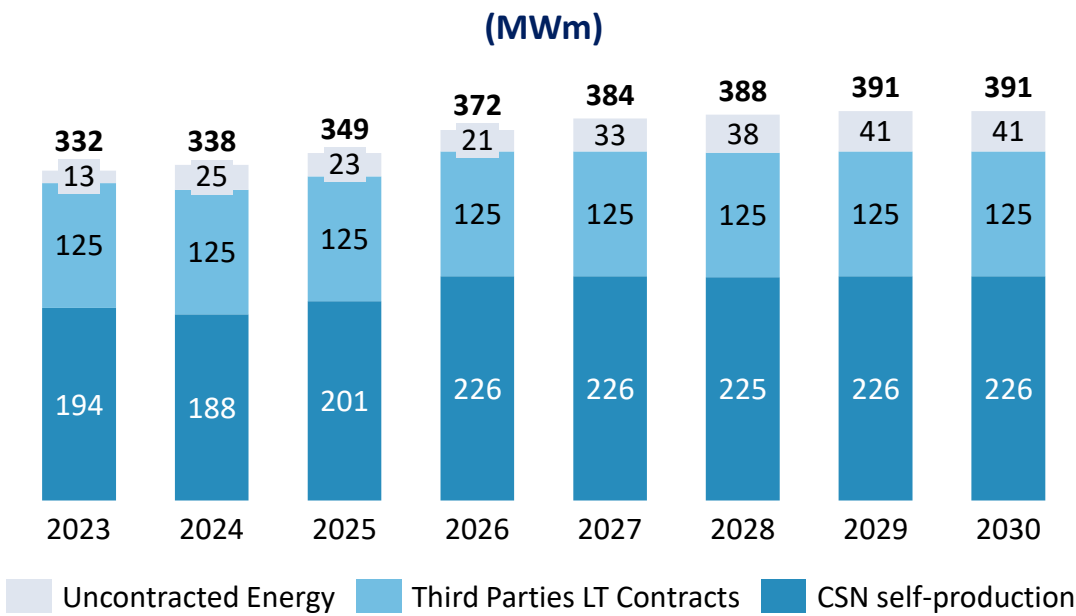


¹AGP As-Is considers the generation of CTE-1, CTE-2, TRT and participations in the Igarapava and Itá UHE.

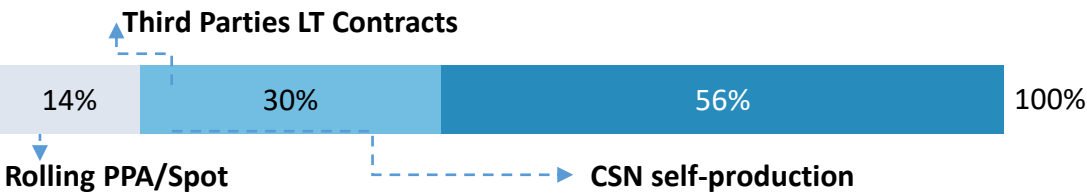
CEEE-G' Trade Strategy



CEEE - Power Generation¹ and Allocation Strategy



Breakdown of Contracted Energy - Long Term (%)



Trade Strategy

The trade strategy will meet the company's requirements in relation to portfolio risk management, aiming at maximizing results – **Low risk of exposure to energy prices**

56%

Energy for self-sufficiency/self-production (synergies with CSN business) - PPA to market

30%

Long-term PPAs fixation with solid market players

14%

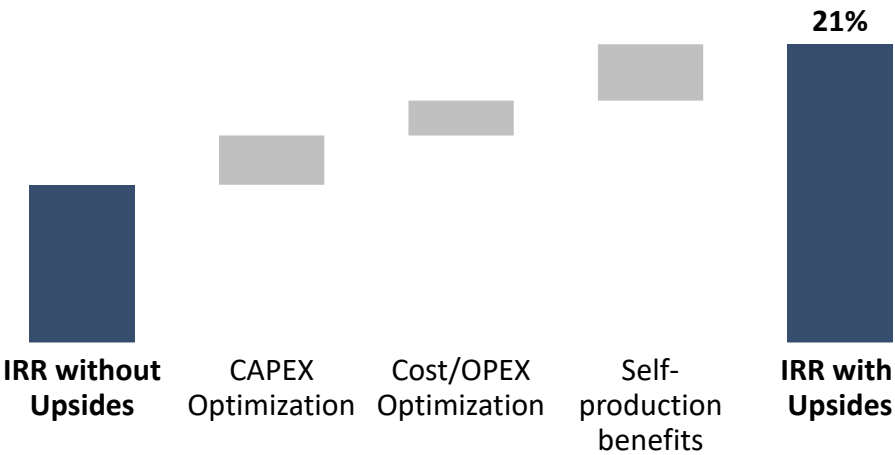
Rolling PPA: Energy aimed at maximizing results through short/medium-term PPAs

¹Net loss generation and GSF

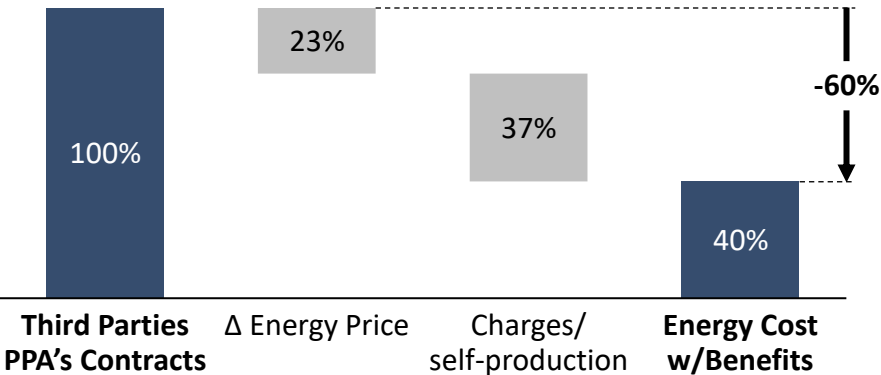
Economic and Financial Returns and Impacts of the CEEE



Attractive Returns - Nominal IRR (%)



Energy Cost Reduction for CSN (%)

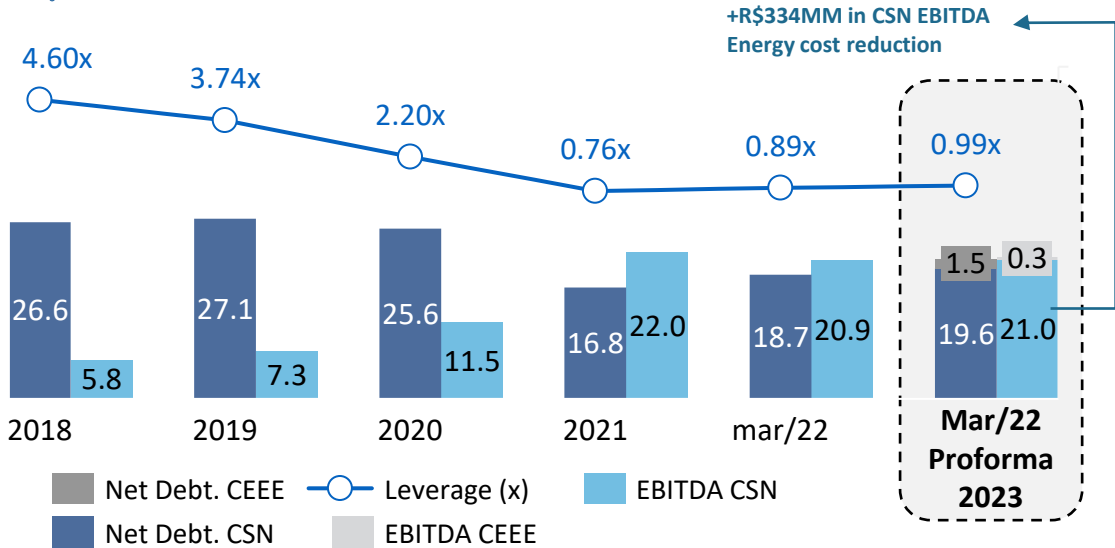


Unquantified Upsides

- Significant increase in return with the exercise of the **tag along of Eletrobrás**
- **Equity Reduction** with the preferred right exercise of minority shareholders
- **Leverage strategy with competitive costs in the CEEE** (potential incentivized debenture issuance)
- Study/Resizing of the **project related to the Povo Novo Wind Complex**



Neutral Impact on CSN Leverage (x)



CEEE Challenges and Next Steps



Auction Approval, regulatory approvals (CADE/ANEEL), closing of the transaction, renewal of the concession, public offering



Structuring of the team and operations take over



Implementation of investments for revamp and concession-linked upgrades



Evaluation of alternatives aimed at the greenfield project of the Povo Novo Wind Complex



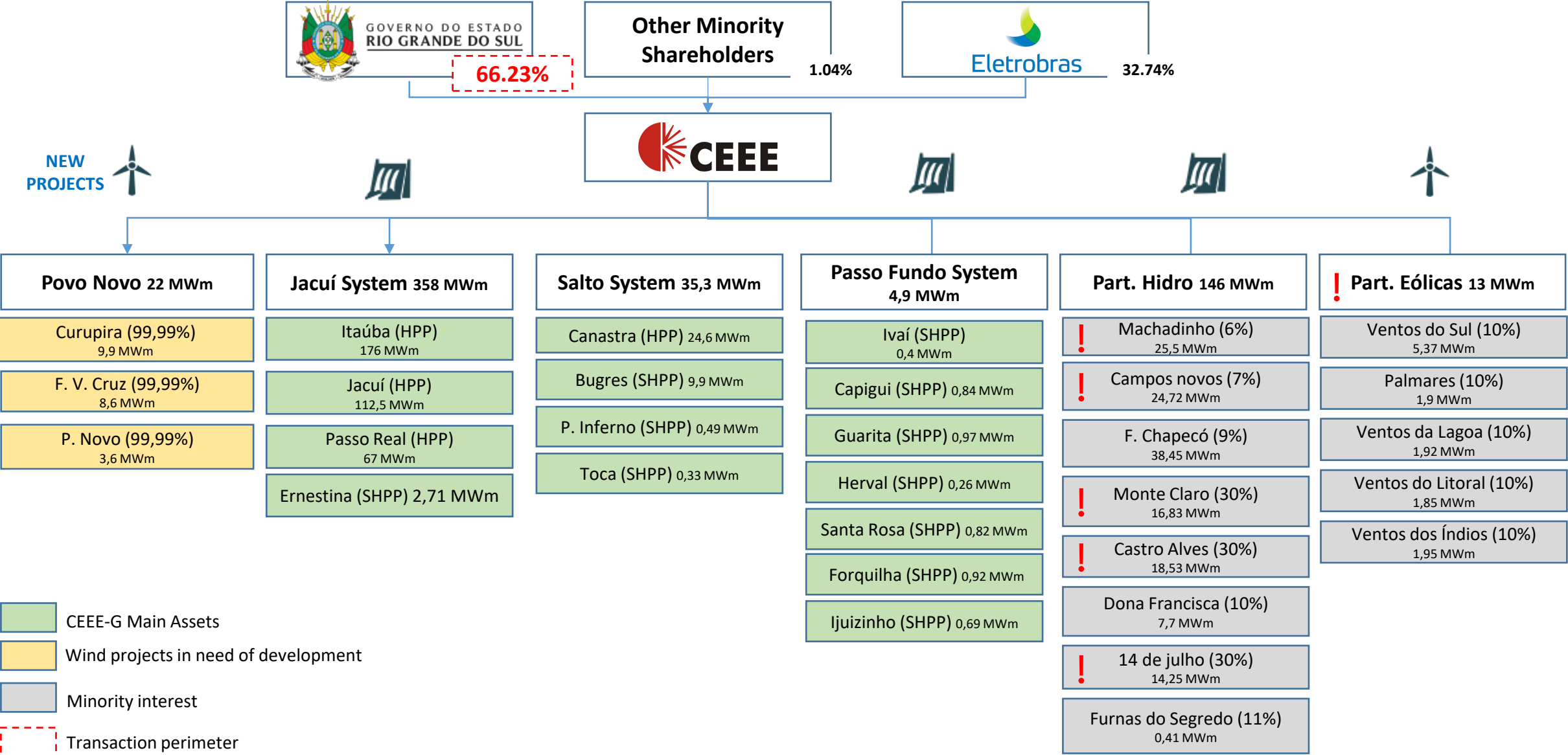
Capturing synergies with other business and Corporate CSN



Commercial Optimization

Backup

CEEE-G 66.23% from RS Government





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