

# 3Q23 RESULTS CONFERENCE

2023



# Notice

*Companhia de Ferro Ligas da Bahia* – FERBASA (B3: FESA3 & FESA4), Brazil's main supplier of ferroalloys and the only Ferrochrome producer in the Americas, discloses the results related to the **operational and financial performance of 2023's third quarter**, whose quarterly information was prepared in accordance with accounting practices adopted in Brazil, based on the *Lei das Sociedades por Ações* (a Model Business Corporation Act – MBCA-like law), in the standards and the announcements of the *Comissão de Valores Mobiliários – CVM* (*Securities and Exchange Commission of Brazil*), and the *Comitê de Pronunciamentos Contábeis - CPC* (*Accounting Announcements Committee*) and in the IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB). This presentation contains forward-looking statements and information regarding FERBASA, which are based on assumptions and expectations, which may or may not materialize, and are therefore not guarantees of the Company's future performance. Although FERBASA believes that the assumptions and expectations used are reasonable, we warn investors that this information is and will, as appropriate, be subject to risks and other factors related to the Company's operations and business environments, so that actual results may differ from the projections, expressed or implied, contained in this material. FERBASA expressly disclaims the duty to update the statements, prospects and expectations contained in this document.



# AGENDA

1. Institutional Vision
2. 3Q23 Highlights
3. Operational and financial performance
4. Capital Market
5. Market Overview
6. Update of Strategic Projects



**FESA**

B3 LISTED N1



# Institutional Video



# Business Units

- ✓ **VERTICALIZATION OF OPERATIONS**  
quality and sustainability to the business
- ✓ **4,850 JOBS CREATED**  
Among direct and indirect employees
- ✓ **13 CITIES**  
Operating in the State of Bahia





# Verticalization of Operations

## Safety and quality in the production of Cr and Si alloys

### Chromite Mining



Chromium – 510,000 t/year



### Production of Quicklime



Limestone - 22,000 t/year



### Production of Bioreducer



Bioreducer - 139,000 t/year



### Production of Quartz



Quartz - 100,000 t/year



### Energy Generation



Wind - 92 Wind Turbines

### Metallurgy - FeCr



Ferrochrome  
229,000 t/year in 8 furnaces



HC Ferrochrome



LC Ferrochrome



Ferrosilicon  
Chromium

### Metallurgy - FeSi



Ferrosilicon  
113,000 t/year em 6 furnaces



STD & HP Ferrosilicon

### 7 Wind Farms

Installed Power- 170.2 MW



# 3Q23 x 2Q23 Highlights



- **Adjusted EBITDA reached R\$75.7 million** and decreased 47.6%.
- **Consolidated net profit reached R\$ 74.6 million** and decreased 38.7%.
- **Cash generation of R\$ 68.7 million in 9M23.**



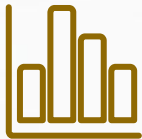
- **Decrease of 7.8% in the average sale price**, in dollars, of ferroalloys.
- **Devaluation of 3.2% in the average dollar** practiced.
- **Retraction of 2.8% in the sales volume**, with a decline of 20.7% in the shipments to the foreign market and increase of 12.8% to the domestic market.



- **Decrease of 2.0% in the COGs of ferroalloys**, accompanying the decrease in sales volume.



- **Stability (+ 0.7%) in the production of ferroalloys**, with advances of 1.5% in the production of chromium alloys and a retraction of 0.9% in silicon alloys. In the case of HP FeSi, production increased by 5.4%.



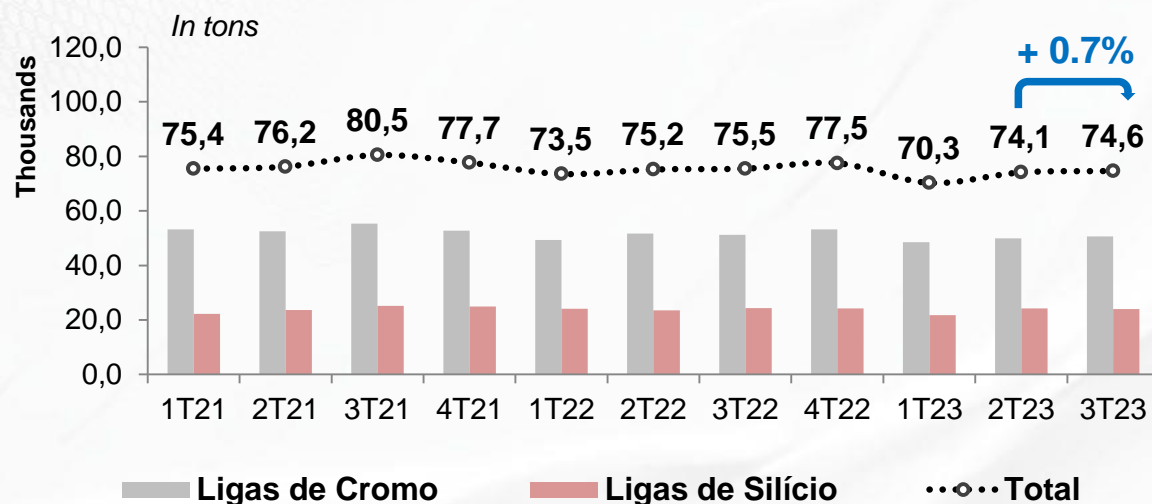
- **22.7% increase in financial results** due to the net effect of exchange rate variation, in addition to the reduction in financial expenses due to lower interest rates and a lower debt balance.



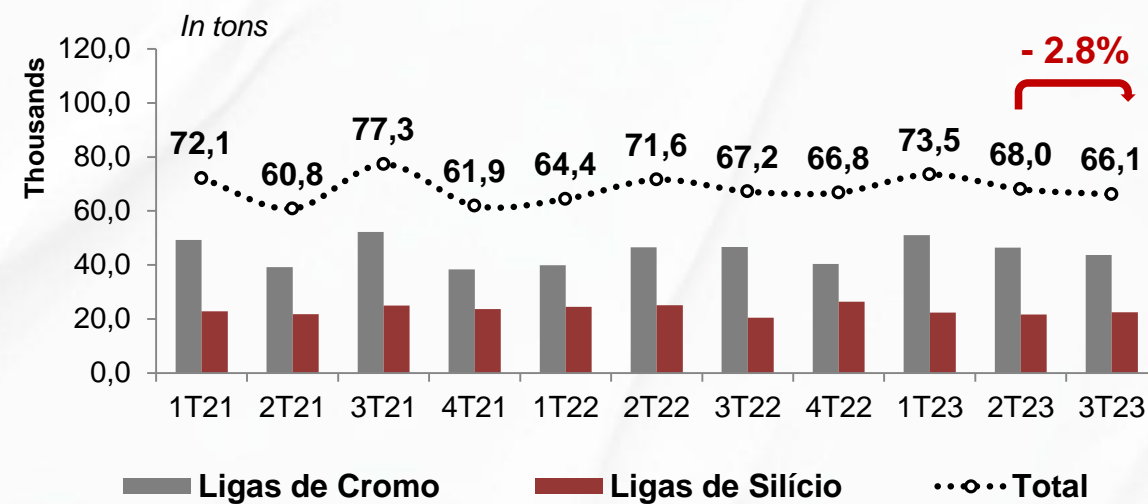
- **CAPEX reached R\$91.6 million and grew 33.5%.**

# Operating Performance

## Production of Ferroalloys



## Sales of Ferroalloys



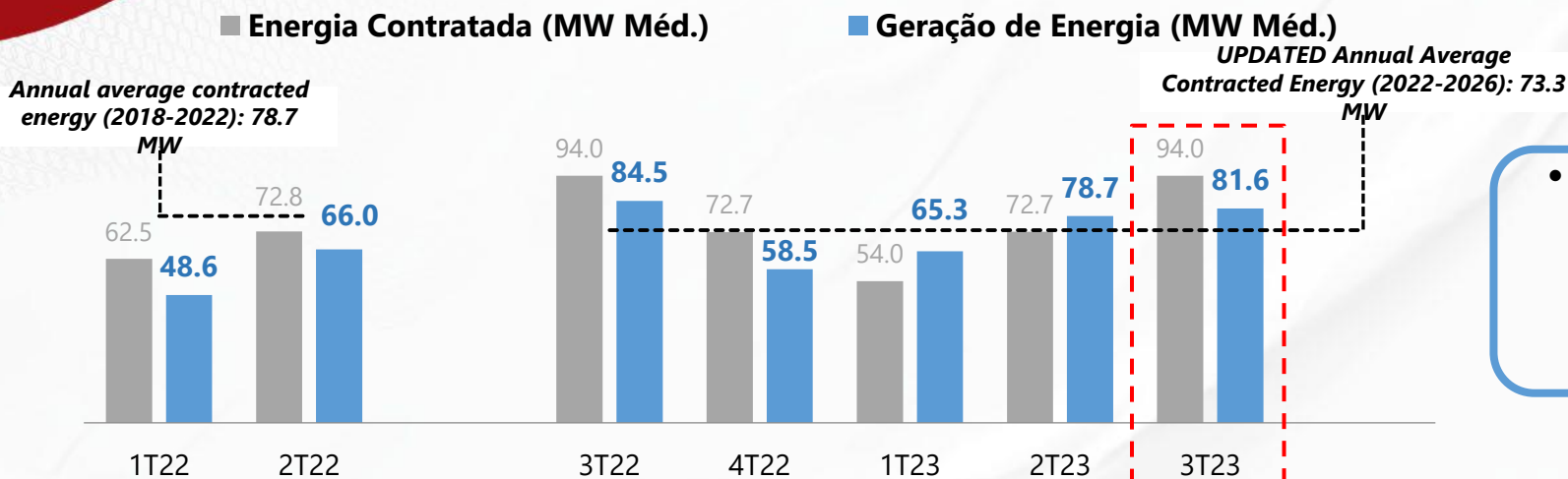
- **Stability (+ 0.7%) in the production of ferroalloys** compared to 2Q23, with an expansion of 1.5% in the production of chromium alloys and a decrease of 0.9% in the production of silicon alloys. . The production of **FeSi HP** registered an **increase of 5.4%** in 3Q23.
- **End of the Rush hour** since August 1, 2023, allowing furnaces to operate uninterruptedly.
- **Decrease of 2.8% in the sales of ferroalloys in 3Q23** when compared to the previous quarter, with the following configuration :
  - Retreat of 20.7% in the ME** due to the summer holidays in Europe and the supply excess of ferroalloys on the world market;
  - Increase of 12.8% in the MI**, with growth in sales of chromium alloys (+ 13.4%) and silicon alloys (+ 9.2%);



# BW Guirapá energy production

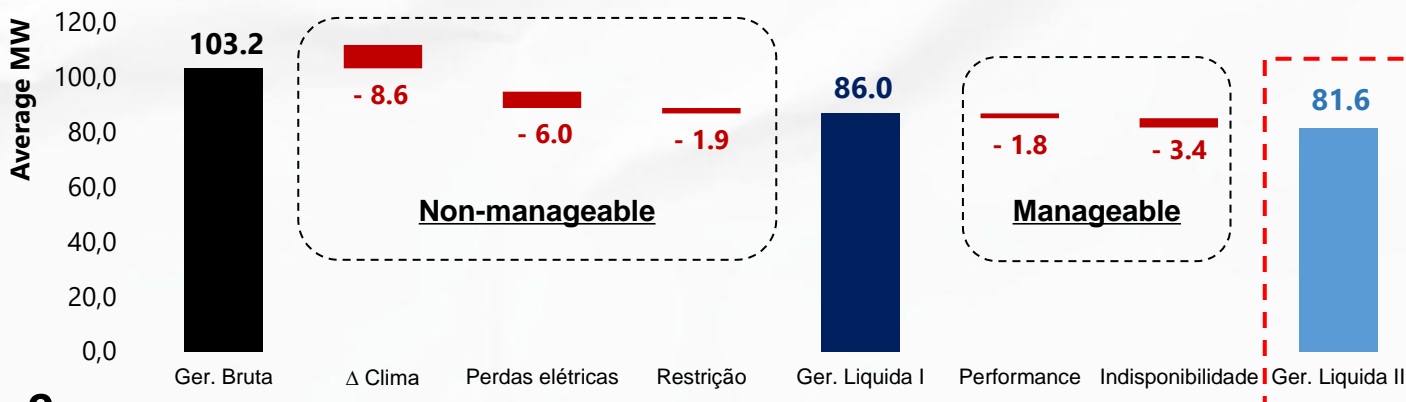


## Evolution of contracted energy x Net Generation



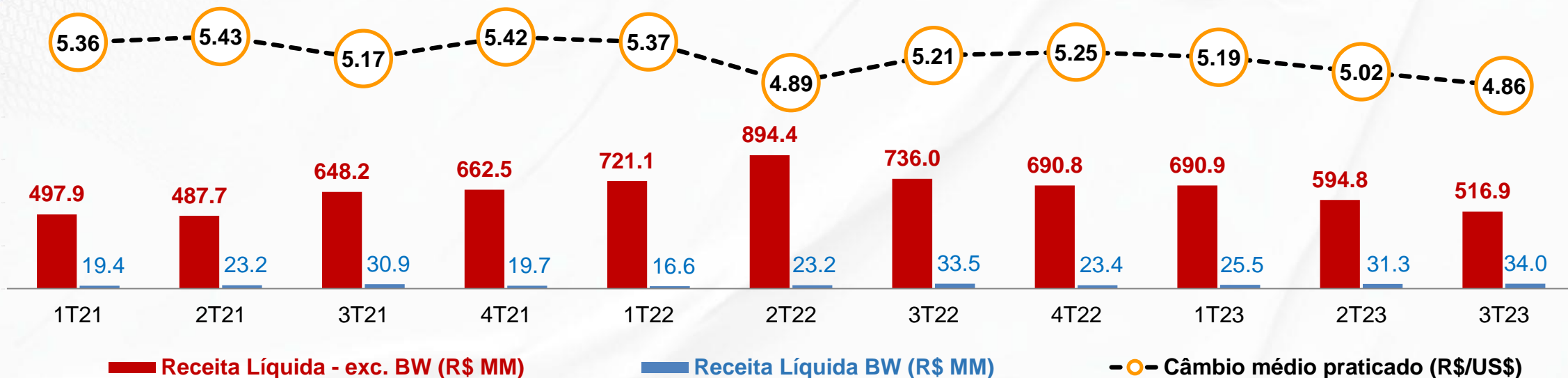
- In 3Q23, BWG's electricity generation reached 81.6 average MW, level 13.2% lower than the 94 average MW contracted for the quarter.

## Expected Gross Generation x Net Generation – 3Q23



- Deviations recorded in non-manageable factors (- 16.4 average MW) were decisive for the performance observed in 3Q23, with a negative highlight for the weather.
- The manageable factors (- 5.2 average MW) were impacted by the average performance of the equipment and by damage to wind turbines, in particular by the failure of 02 gearboxes.

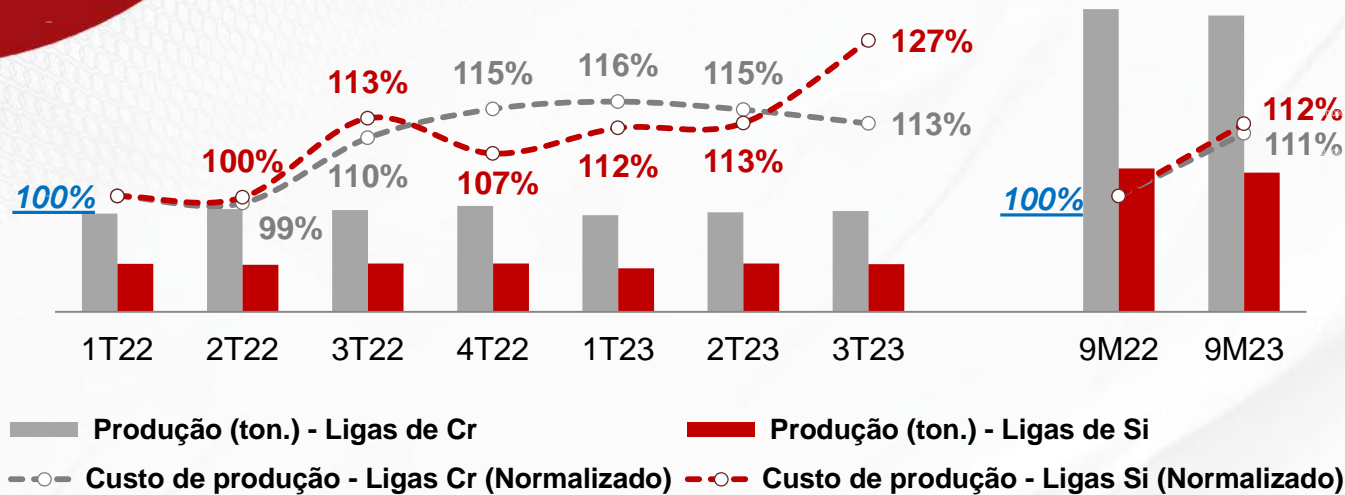
# Net Revenue and Exchange Rate Variation



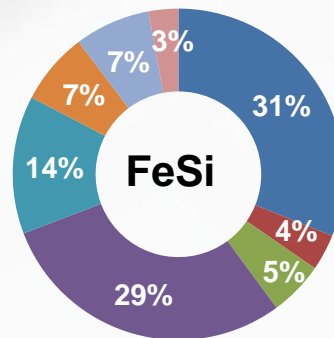
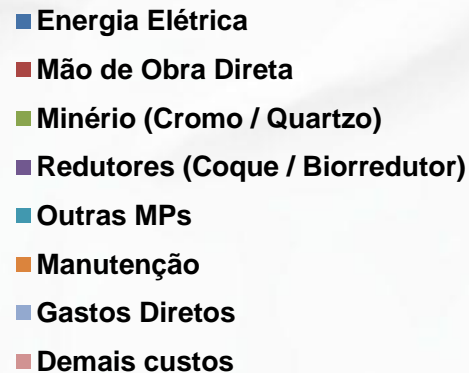
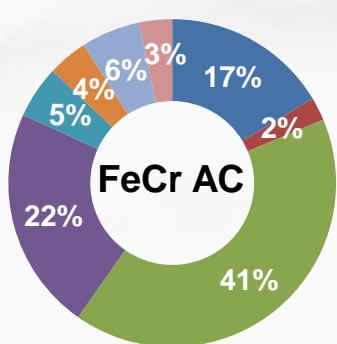
- Consolidated net revenue in 3Q23 totaled R\$550.9 million and decreased by 12.0% compared to 2Q23, basically, following the **reductions of 7.8% in the average price of ferroalloys in dollar, 3.2% in the average dollar practiced** and of **2.8% in the sales volume**.
- Still in 3Q23, **Domestic Market represented 62% and the Foreign Market 38%** of total net revenue.



# Evolution of production costs



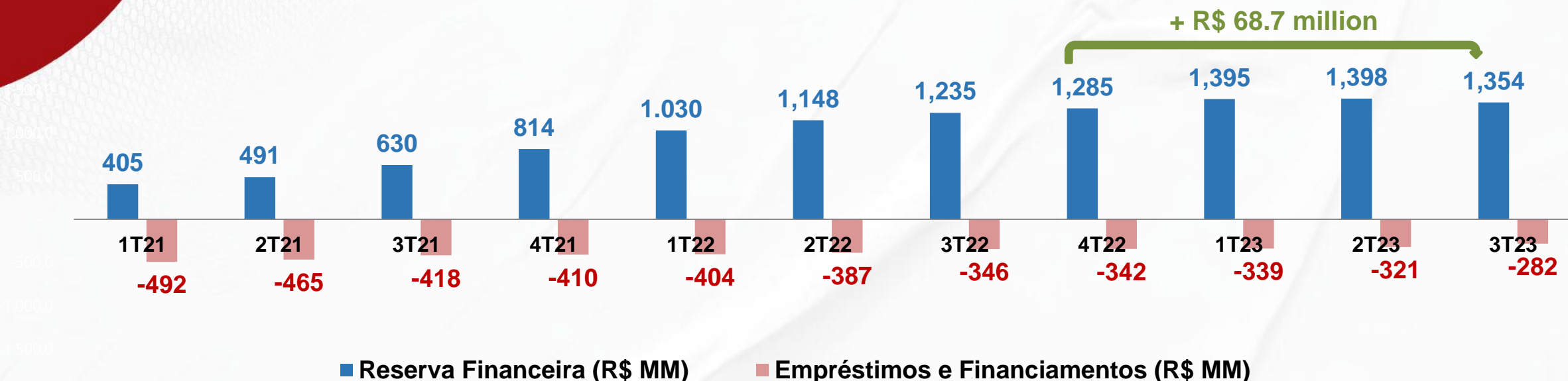
## Composition of Production Costs – 9M23



## HIGHLIGHTS OF PRODUCTION COSTS 9M23 x 9M22

- **Increase of 15% in the COGS of ferroalloys**, justified by the 2.2% increase in sales volume and the increase in the cost of inputs and raw materials in general.
- **Remaining impacts of the global inflationary process** on the vertical chain of our business.
- **Discreet increase of 0.8% in the cost of electricity** consumed due to lower sectoral charges.
- **HC FeCr: increase in chrome ore costs** due to the increase in operational reserves and the higher-than-expected waste/ore ratio, in addition to **coke**.
- **LC FeCr: increase in costs with FeSi Cr reducer** (produced internally) and **chromium ore**.
- **FeSi 75: increases in the costs of bioreducer and other raw materials** due to the improvement of the production mix. In the case of the bioreducer, as our own production experiences operational problems, we need to purchase an additional bioreducer from third parties.

# Financial Reserve and Indebtedness



## HIGHLIGHTS OF CASH GENERATION OF R\$ 68.7 MILLION IN 9M23:

- ✓ **R\$407.2 million in operating results**, including variations in working capital, interest payments and taxes;
- ✓ **Distribution of earnings** in the amount of R\$ 114.6 million;
- ✓ Realization of R\$ 217.2 million in **CAPEX**;
- ✓ **Amortization of loans and financing** in the amount of R\$ 58.8 million;
- ✓ Positive variation of **R\$67.2 million in long-term financial investments**.



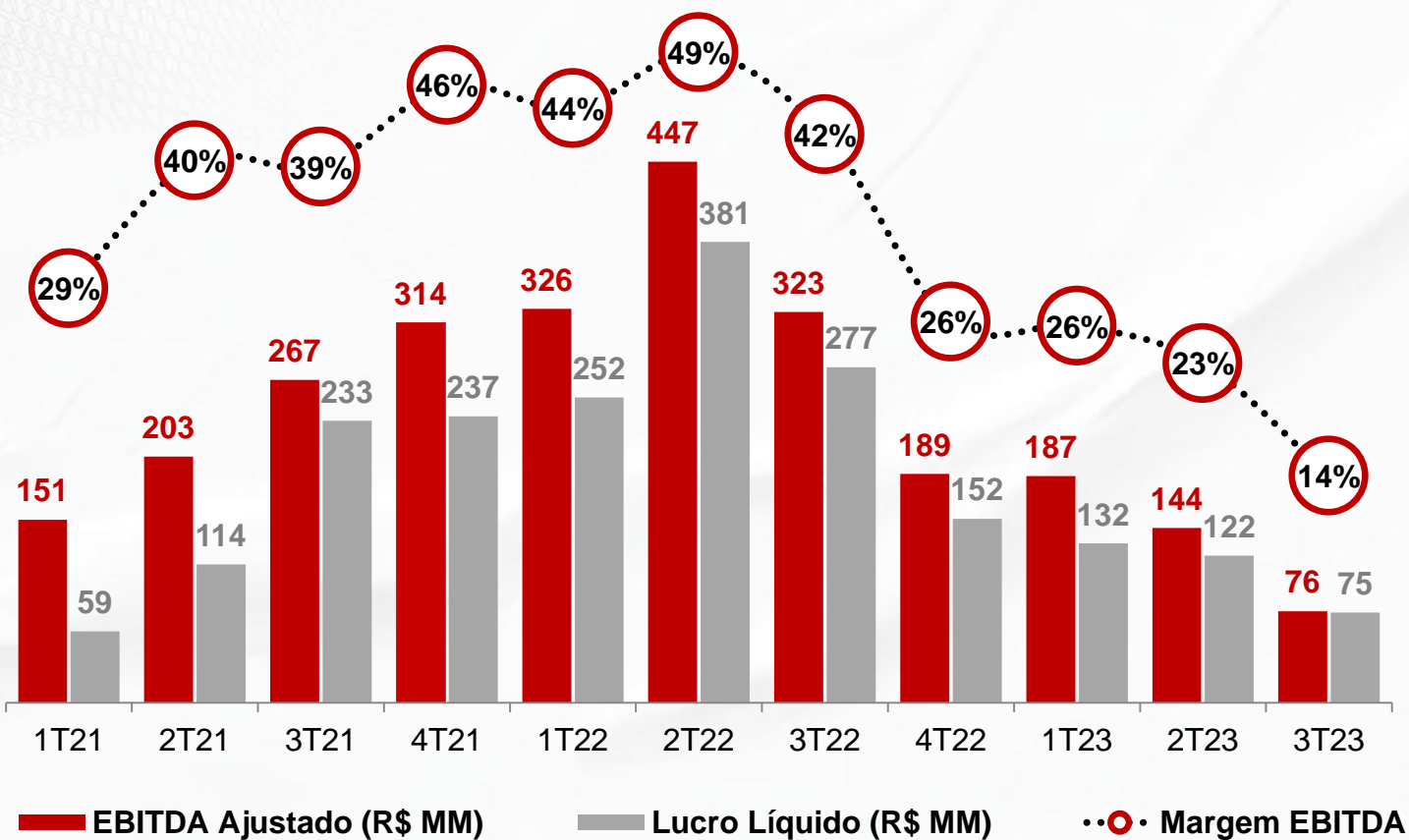
# Financial Result

Financial Result (R\$ millions)	3Q23	2Q23	Δ%	3Q22	Δ%	9M23	9M22	Δ%
Financial performance								
Financial income	45.0	46.7	-3.6%	39.6	13.6%	129.1	103.2	25.1%
Financial expense	(11.8)	(14.4)	-18.1%	(15.2)	-22.4%	(40.0)	(45.7)	-12.5%
Net exchange variation	3.0	(2.8)	-	6.8	-55.9%	(0.1)	(0.2)	-50.0%
Subtotal	36.2	29.5	22.7%	31.2	16.0%	89.0	57.3	55.3%
Result of Settled Financial Instruments	-	-	-	0.1	-	-	(9.1)	-
<b>Grand total</b>	<b>36.2</b>	<b>29.5</b>	<b>22.7%</b>	<b>31.3</b>	<b>15.7%</b>	<b>89.0</b>	<b>48.2</b>	<b>84.6%</b>

## FINANCIAL RESULT HIGHLIGHTS

- **Financial revenue of R\$45 million** in 3Q23, 3.6% below 2Q23, resulting from the beginning of the basic interest rate cut cycle (SELIC).
- **Financial expenses of R\$11.8 million** in 3Q23, represented a reduction of 18.1% compared to 2Q23 due to lower interest rates (TJLP and CDI) indexed to financing contracts and their amortization.
- **Net exchange rate variation of R\$3 million** in 3Q23, impacted by the difference between the negotiation exchange rate and that of the shipping documentation for the material for export.
- **Between 9M22 and 9M23, we had a growth of R\$40.8 million in financial results.**

# Net income and adjusted EBITDA - consolidated



## PROFIT HIGHLIGHTS BETWEEN 3Q23 x 2Q23

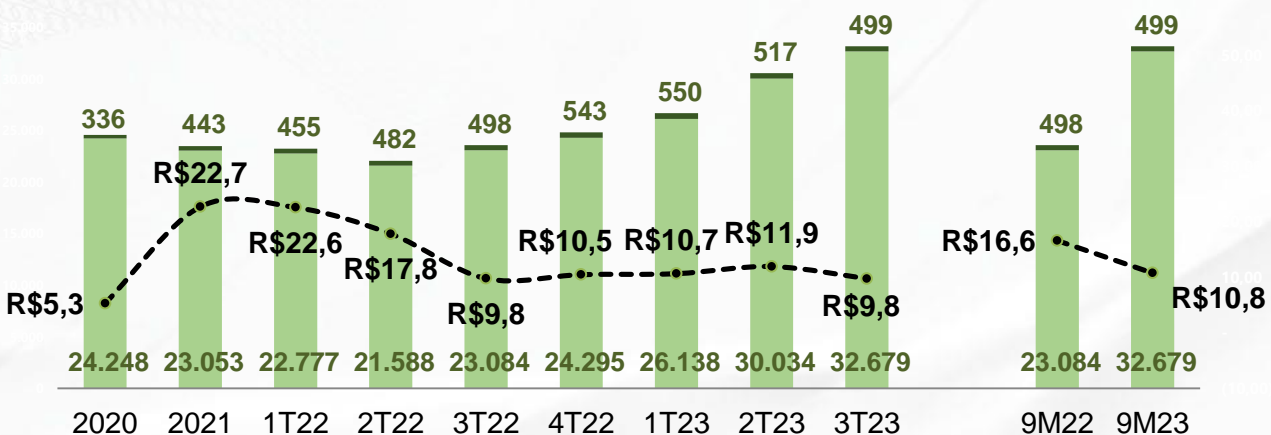
- 7.8% reduction in the dollar-weighted average price of ferroalloys.
- Devaluation of 3.2% in the average dollar practiced.
- 2.8% decline in ferroalloy sales volume.
- 2% contraction in the COGS of ferroalloys.
- Increase of R\$ 2.6 million referring to the variation in profit at BW Guirapá.
- Positive effect of R\$14.8 million referring to the calculation of the fair value of the biological asset for the period.



# Capital Market

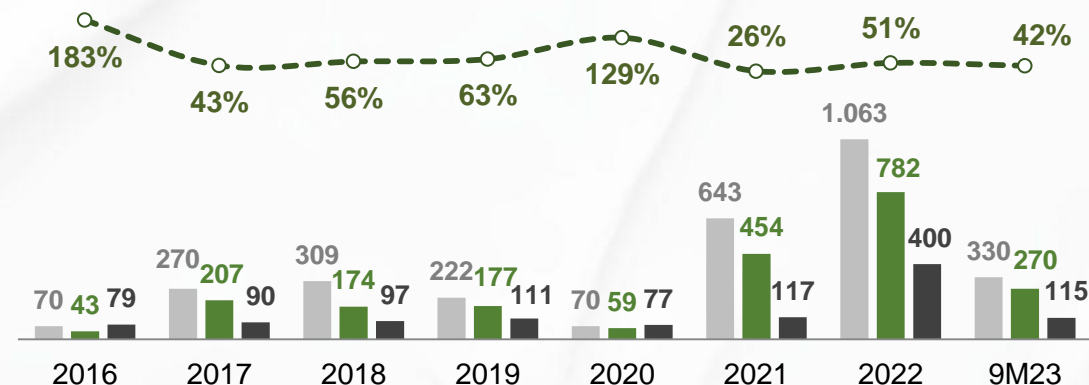
## Stock liquidity (ADTV) - FESA4 (ref. 09/30/2023)

- Qtd. de Acionistas - PJ
- Qtd. de Acionistas - PF
- - - ADTV da FESA4 (Valor negociado médio por dia) - em R\$ milhões



## Earnings distributed per fiscal year - FESA4

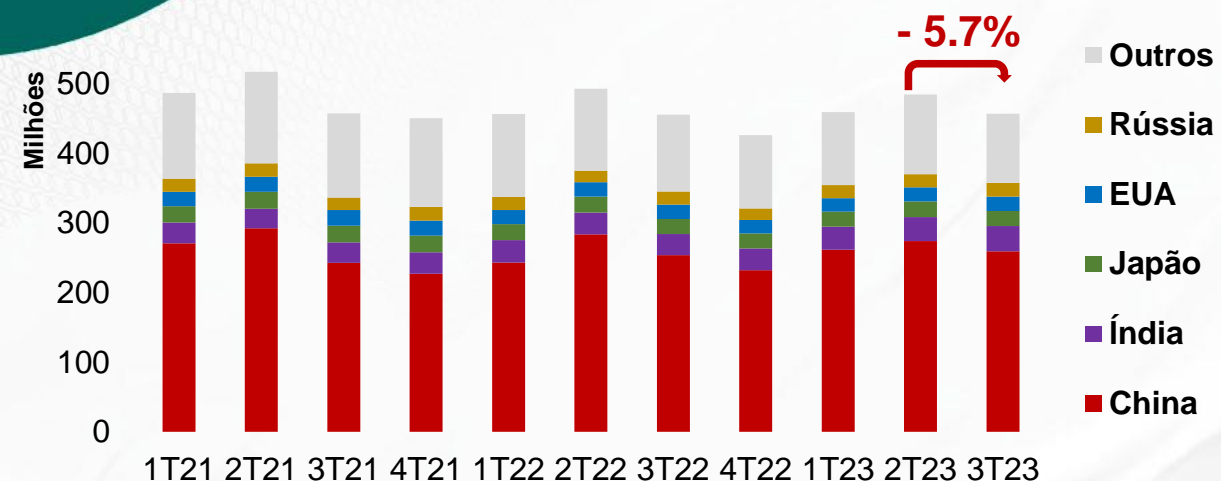
- Lucro Líquido consolidado (R\$ MM)
- Lucro Ajustado - base para distribuição (R\$ MM)
- Total de Proventos (R\$ MM)
- - - Payout do Lucro Ajustado (%)



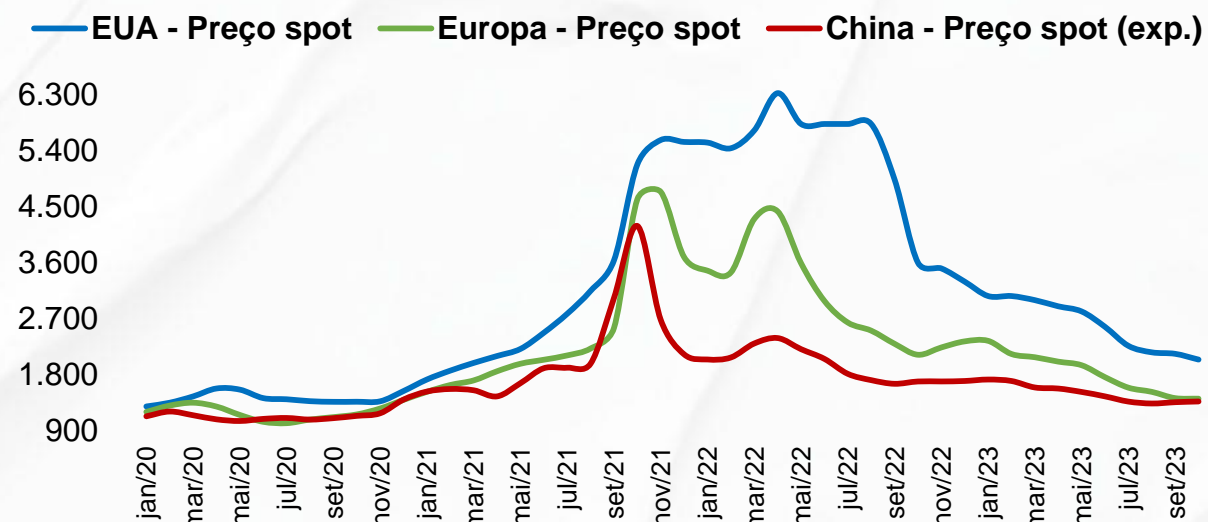
- In 9M23, ADTV recorded a decline of 35.2%, influenced by the reduction in the average volume of PNs traded (- 38.5%) and the FESA4 price (- 3.2%).
- In the first nine months of 2023, FERBASA paid R\$ 114.5 million in earnings in the form of JCP.
- In October, we disclosed a relevant fact regarding the proposal to split all of our shares in the proportion of 01 share for 04 of the same type, to be considered at an Extraordinary General Meeting (AGE) in 4Q23.

# Market Overview - Raw steel and FeSi

**World production of crude steel – ton.**



**Evolution of the price of FeSi 75 (realized) – USD/t.**



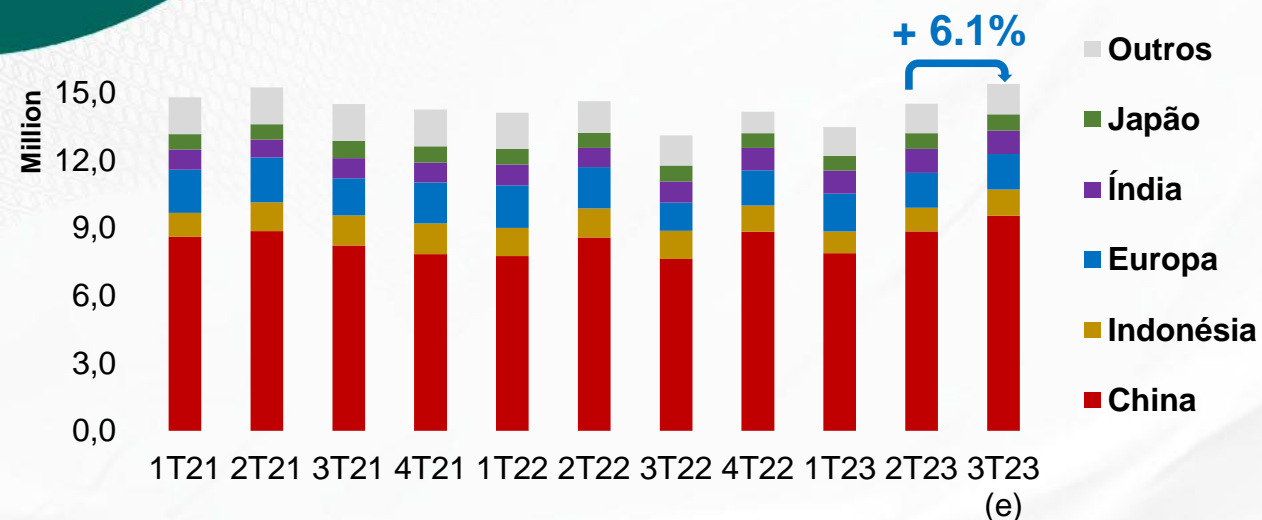
- **According to IABr, in 9M23 Brazilian crude steel production fell 8.4% compared to 9M22**, which reflects the stability (+ 0.5%) in apparent consumption, the 4.4% decline in exports and the jump in 57.9% in imports. Between 2Q23 and 3Q23, production decreased by 1.6%.
- **FeSi 75 prices remained on a downward trend in 3Q23 in all markets**, influenced by the increase in Chinese supply of silicon alloys and low demand both in Europe (summer holidays) and in China itself.

Sources: Market reports – October/2023

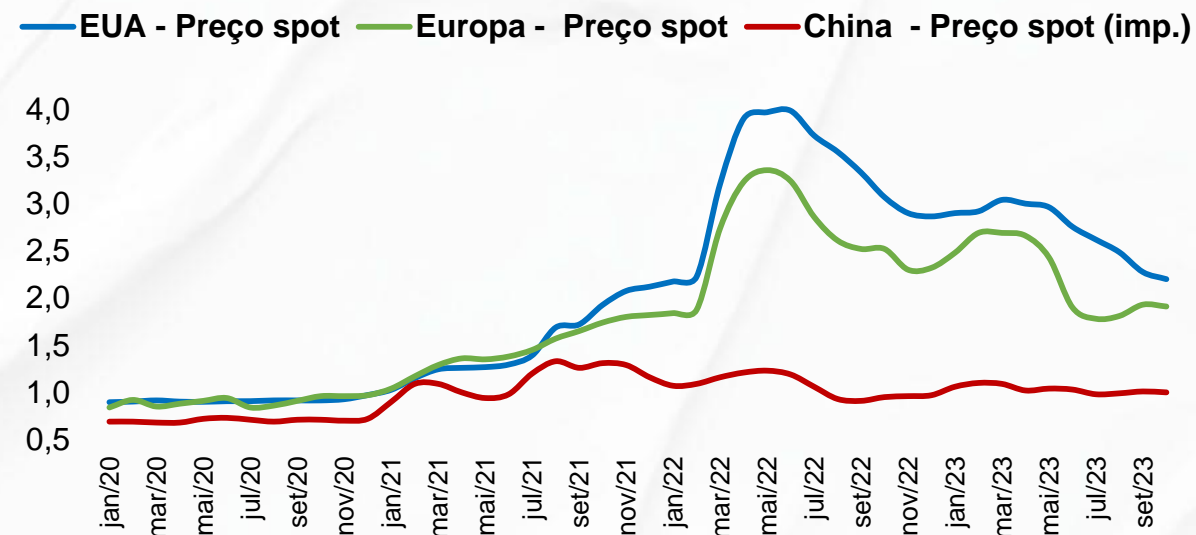


# Market Overview - Stainless steel and FeCr

**Market Overview - Stainless steel and FeCr – ton.**



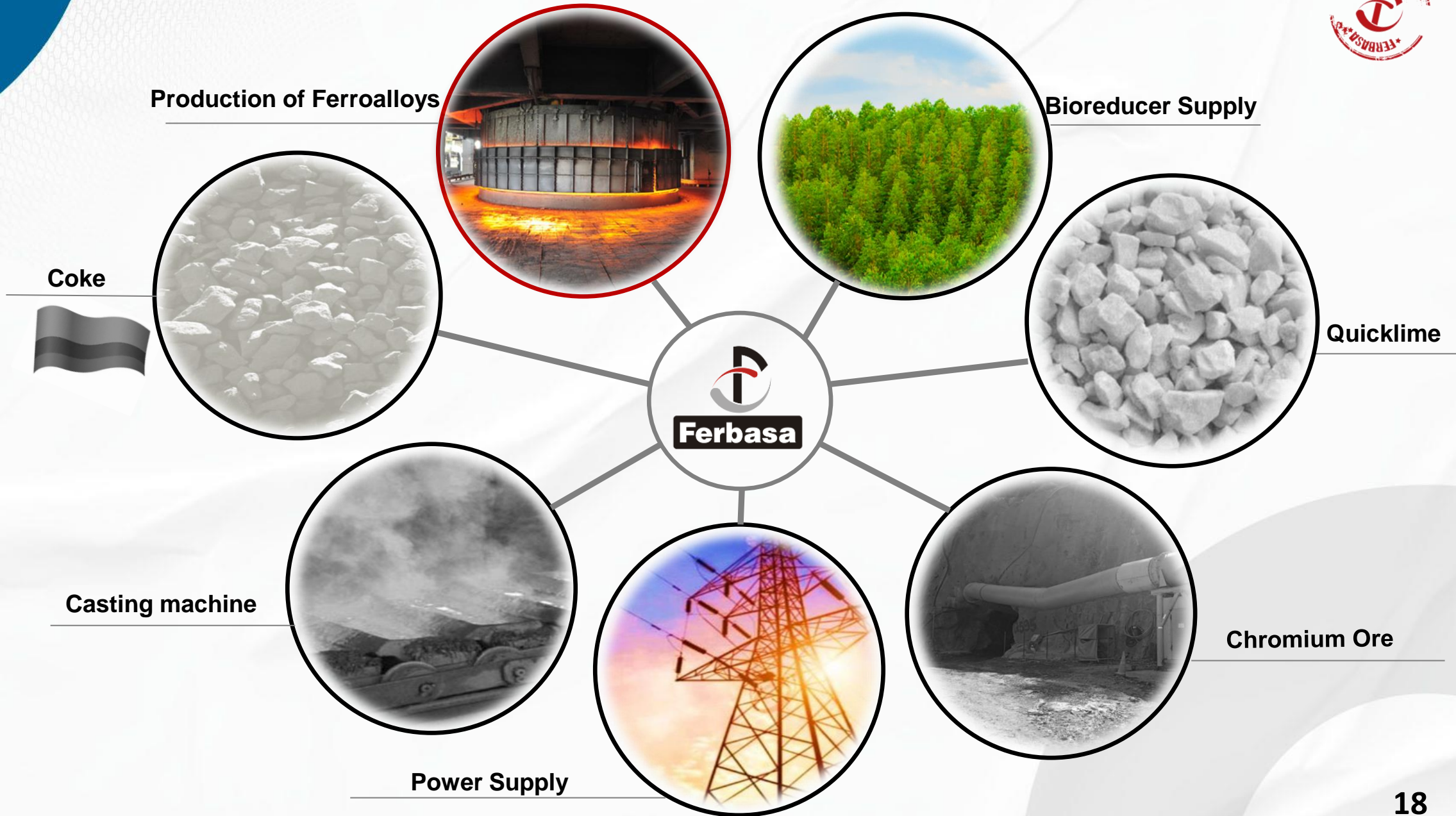
**Evolution of the price of HC FeCr (realized) – USD/lb.**



- According to estimates from specialized reports, in **9M23 Brazilian production of stainless steel grew 14% compared to 9M22.**
- **In 3Q23, after reaching the lowest level of the year in July/23, the price of Chinese HC FeCr showed a gradual upward trend.** The main responsible for these movements were cost variations (ore and coke), in addition to the record production of stainless steel in China.

Sources: Market reports – October/2023

# Strategic Projects







do empenho  
nasce o

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