

# 4Q23 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 fourth 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. Invitation for the 2024 Public Meeting
2. 4Q23 Highlights
3. Operational and financial performance
4. Market overview



**FESA**

B3 LISTED N1

**FESA**

B3 LISTED N1



# 2024 PUBLIC MEETING

**CIA DE FERRO LIGAS DA BAHIA - FERBASA (B3: FESA3 & FESA4)**, invites its shareholders and market in general to participate in the public meeting.

## ZOOM MEETING

**April 03, 2024** (Wednesday)

02 p.m. (Brasília, Brazil: GMT-3)

01 p.m. (New York, EUA: GMT-5)

**Video conference : [register here](#)**

*Participants must log in approximately 10 minutes before the meeting begins.*

**FOR ADDITIONAL INFORMATION, CONTACT OUR IR TEAM :**

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# 4Q23 x 3Q23 Highlights



- **Adjusted EBITDA reached R\$ 47.0 million**, a decrease of 37.9%.
- **Consolidated net income reached R\$55.0 million**, a decrease of 26.3%.
- **Cash burn of R\$112.5 million in 2023.**



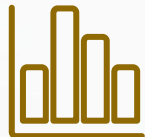
- **2.0% decrease in average selling prices**, in dollars, from ferroalloys.
- **Appreciation of 2.1% in the average dollar practiced.**
- **Maintenance in total sales volume**, with an 11.4% increase in sales of silicon alloys and a 6.0% decrease in chromium alloys.



- **Stability in the COGS of ferroalloys**, tracking sales maintenance.



- **4.1% increase in ferroalloy production**, with advances of 5.5% in the production of chromium alloys and 1.1% in silicon alloys. In the case of HP FeSi, there was a decrease of 3.3%.



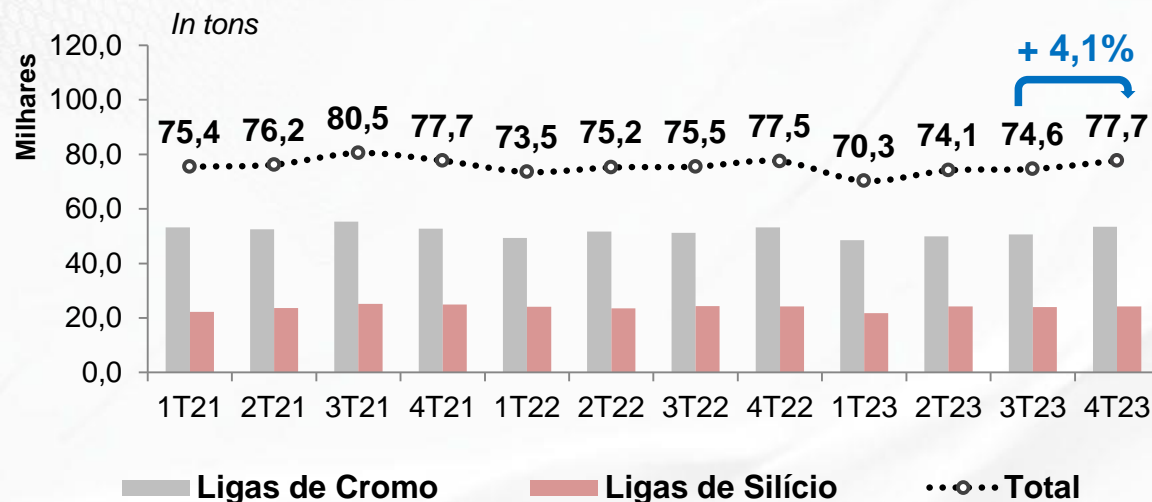
- **25.7% reduction in financial result**, mainly due to the 10.2% decline in financial revenue, driven by the drop in the basic interest rate and higher cash consumption in this period.



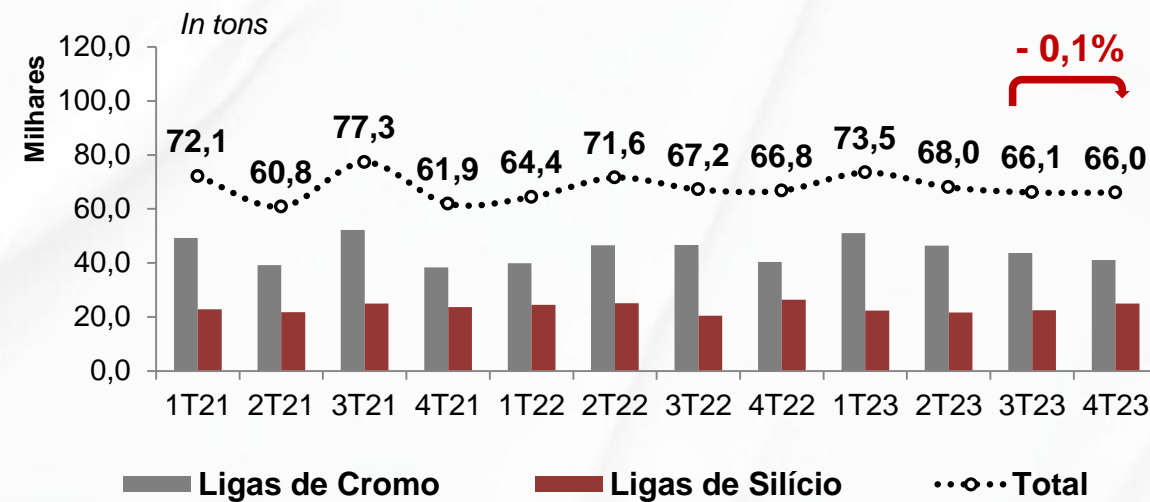
- **CAPEX totaled R\$ 111.6 million** and grew 21.8% between the analyzed periods.

# Operational Performance

## Ferroalloys Production



## Ferroalloys Sales



- **An increase of 4.1% in the production of ferroalloys** compared to 3Q23, with advances of 5.5% in the production of chromium alloys and 1.1% in silicon alloys. **HP FeSi production decreased 3.3%** in 4Q23.
- In 4Q23, there was **no restriction on peak hours**, which allowed the furnaces to operate uninterruptedly.
- **Maintenance (-0.1%) in ferroalloy sales in 4Q23** when compared to the previous quarter, with the following configuration:
  - 25.5% increase in Foreign Market** driven by the increase in consumption in Europe and the US after the summer holidays; Decrease of 15.9% in Domestic Market due to the reduction in Brazilian steel production, impacted by the high level of imports in the year.

# BW Guirapá energy production

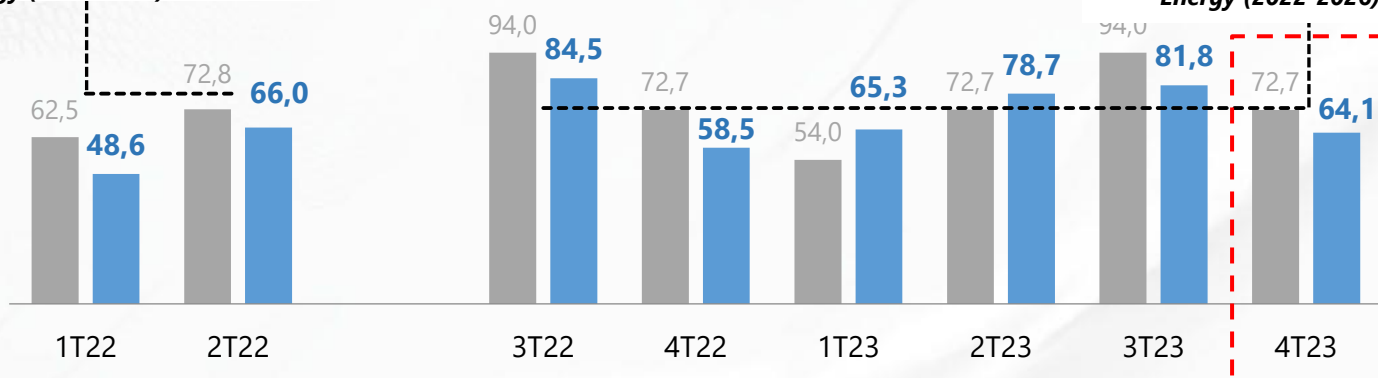


## Evolution of contracted energy x Net Generation

■ Energia Contratada (MW Méd.) ■ Geração de Energia (MW Méd.)

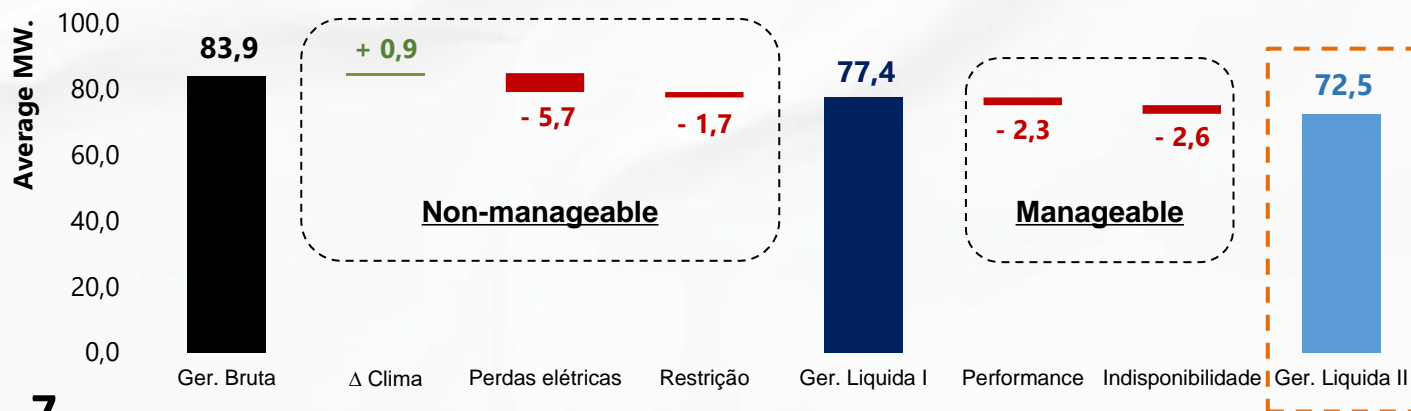
Annual average contracted energy (2018-2022): 78.7 MW

UPDATED Annual Average Contracted Energy (2022-2026): 73.3 MW



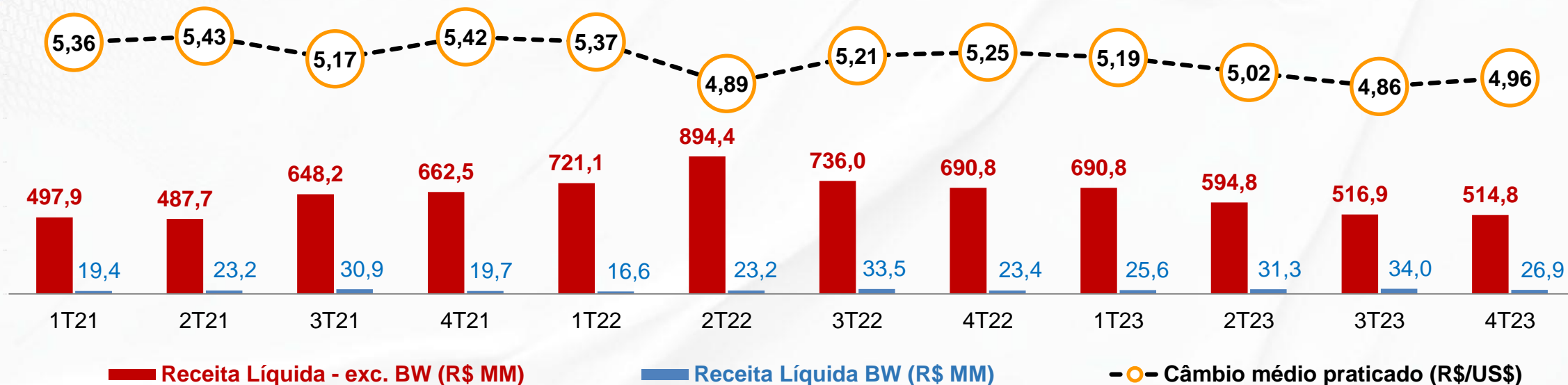
- In 2023, BWG's electricity generation reached 64.1 average MW, 9.6% above 4Q22 and 11.8% lower than the 72.7 average MW contracted for the quarter.

## Expected Gross Generation x Net Generation – 2023



- Deviations recorded in non-manageable factors (-6.5 average MW) were decisive for the 2023 performance, with a negative highlight for the electrical losses and restrictions imposed by the ONS.
- Manageable factors (-4.9 MW average) were impacted by average equipment performance and wind turbine damage, in particular gearbox problems.

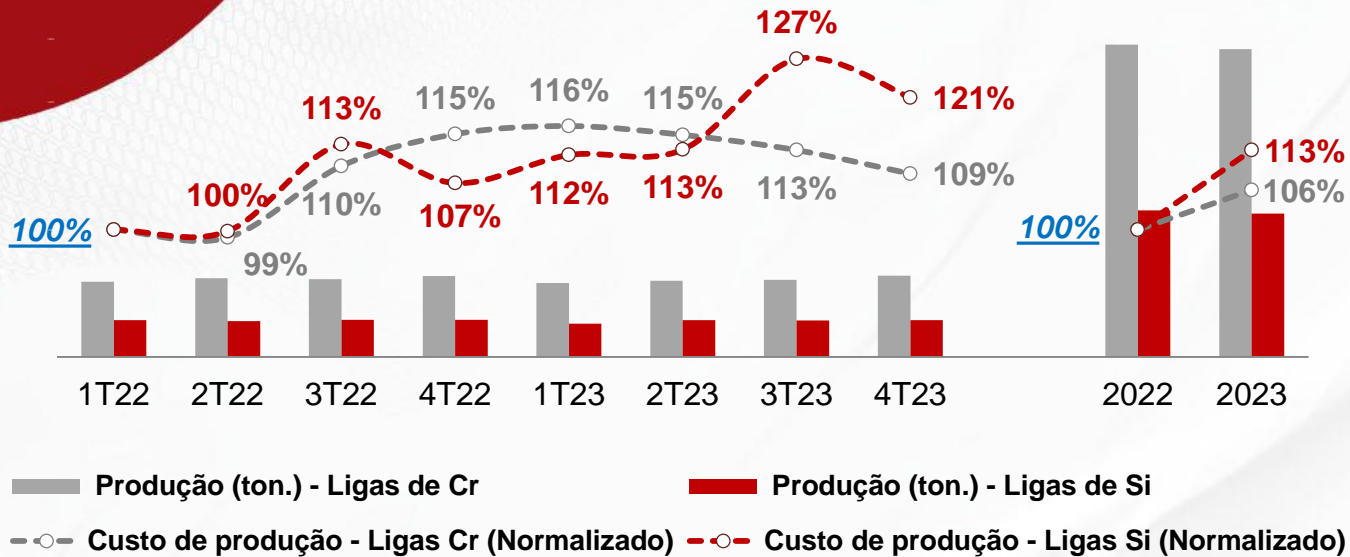
# Net Revenue and Exchange Rate Variation



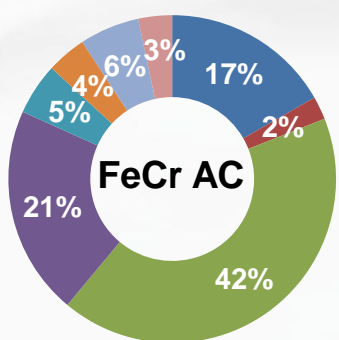
- Consolidated net revenue in 4Q23 totaled R\$541.7 million, a decrease of 1.7% compared to 3Q23, reflecting the stability of revenue from ferroalloys due to **the maintenance of sales volume**, combined with a **2.0% reduction in the average price** of alloys in dollars and a **2.1% appreciation in the average dollar price**.
- In 4Q23, **net revenue from HP FeSi** grew 17% compared to 3Q23 and **reached 59% of revenue from silicon alloys**.



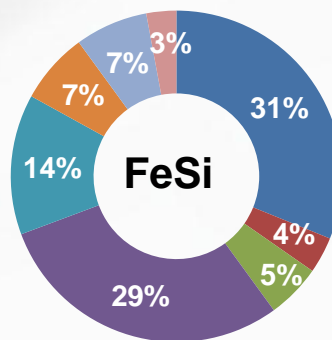
# Evolution of production costs



## Composition of Production Costs— 2023



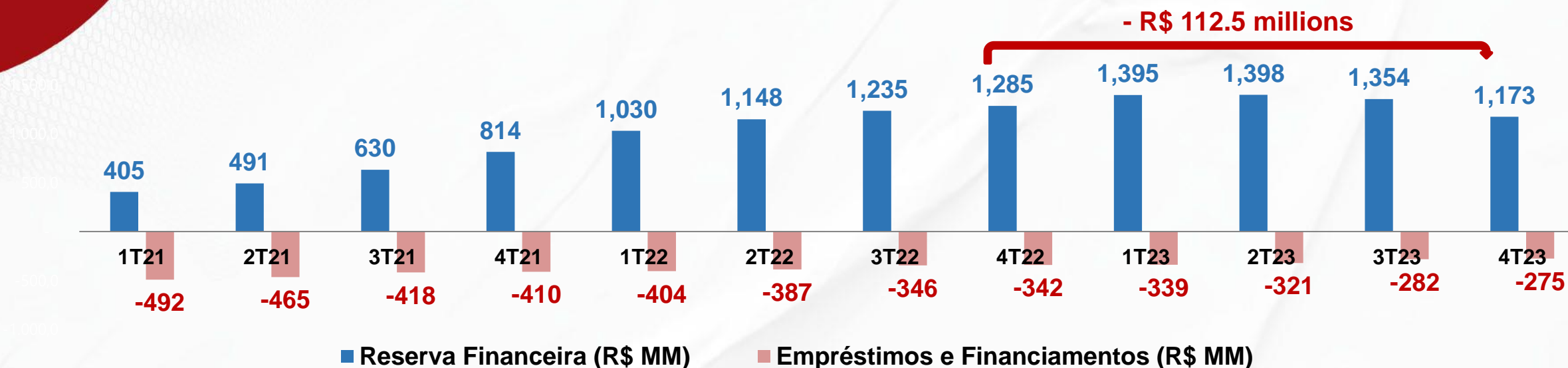
- Energia Elétrica
- Mão de Obra Direta
- Minério (Quartzo)
- Redutores (Biorredutor)
- Outras MPs
- Manutenção
- Gastos Diretos
- Demais Custos



## HIGHLIGHTS OF PRODUCTIONS COSTS 2023 x 2022

- **11.2% increase in COGS of ferroalloys**, mainly justified by increases in the costs of inputs and raw materials, especially bioreducer and chromium ore.
- **3.5% increase in energy cost** consumed due to the 10% increase in the tariff and a 9% decrease in sectoral charges.
- **HC FeCr: high costs with chromium ore** due to the expansion of the mine's operating reserves and problems in its production
- **LC FeCr: increase in costs with chromium ore and FeSiCr reducer** (produced in-house).
- **FeSi 75: Increase in the cost of bioreducer** and also with other raw materials due to the ennoblement of the production mix. In the case of the bioreducer, the operational problems in the company's production required the additional acquisition of a bioreducer from third parties, at a high cost.

# Financial Reserve and Indebtedness



## HIGHLIGHTS OF CASH BURN OF R\$112.5 MILLION IN 2023:

- ✓ **R\$ 476.6 million in operating income**, including variations in working capital, interest payments, and taxes;
- ✓ **Distribution of earnings** in the amount of R\$ 225.9 million;
- ✓ Realization of R\$ 328.8 million in **CAPEX**;
- ✓ **Amortization of loans and financing** in the amount of R\$ 67.1 million;
- ✓ Positive variation of **R\$19.8 million** in long-term **financial investments**.

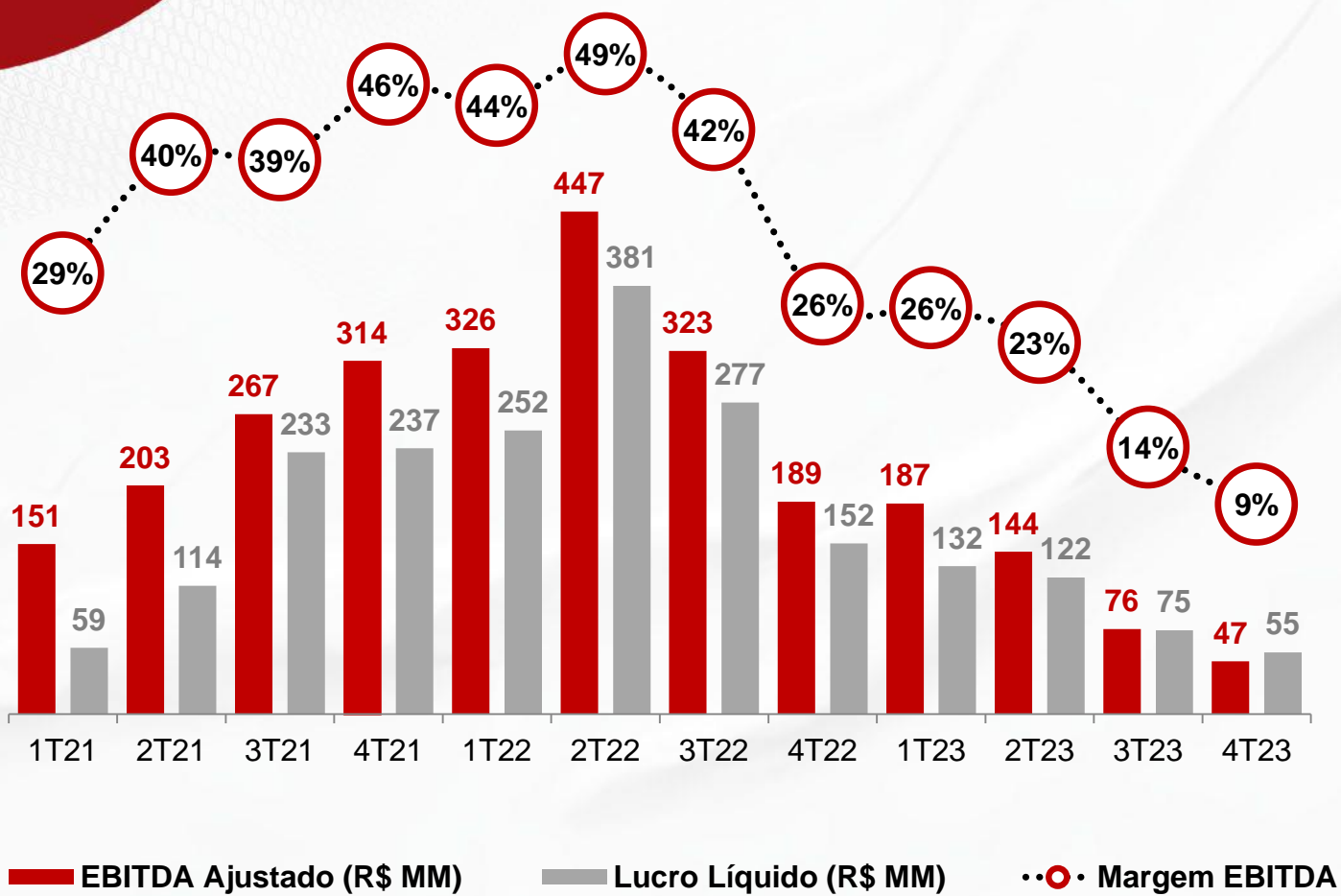
# Financial Result

Financial Result(R\$ milhões)	4Q23	3Q23	Δ%	4Q22	Δ%	2023	2022	Δ%
Financial performance								
Financial income	40.4	45.0	-10.2%	47.6	-15.1%	169.5	150.8	12.4%
Financial expense	(11.3)	(11.8)	-4.2%	(13.4)	-15.7%	(51.3)	(59.1)	-13.2%
Net exchange variation	(2.2)	3.0	-	1.1	-	(2.3)	0.9	-
Subtotal	26.9	36.2	-25.7%	35.3	-23.8%	115.9	92.6	25.2%
Result of Settled Financial Instruments	-	-	-	(0.1)	-	-	(9.2)	-
<b>Grand total</b>	<b>26.9</b>	<b>36.2</b>	<b>-25.7%</b>	<b>35.2</b>	<b>-23.6%</b>	<b>115.9</b>	<b>83.4</b>	<b>39.0%</b>

## HIGHLIGHTS OF FINANCIAL RESULTS – 4Q23 x 3Q23

- **Financial revenue of R\$40.4 million** declined 10.2% due to reductions in the basic interest rate and high cash consumption in the period.
- **Financial expenses of R\$11.3 million** shrank by 4.2% due to lower interest rates (TJLP and CDI) and debt amortization.
- **Between 2022 and 2023, there was a growth of R\$ 32.5 million** in the financial result.

# Net income and adjusted EBITDA - consolidated

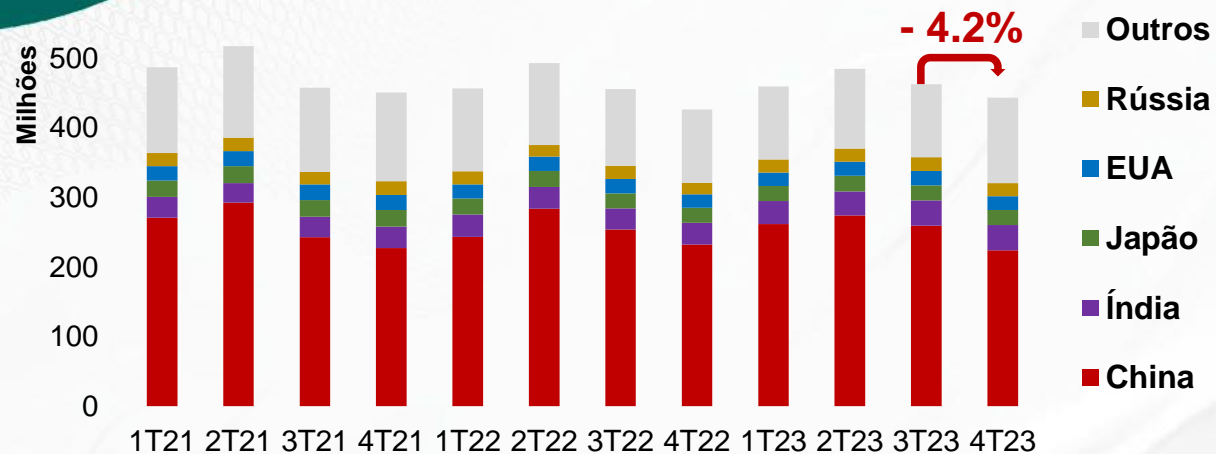


## PROFIT HIGHLIGHTS 4Q23 x 3Q23

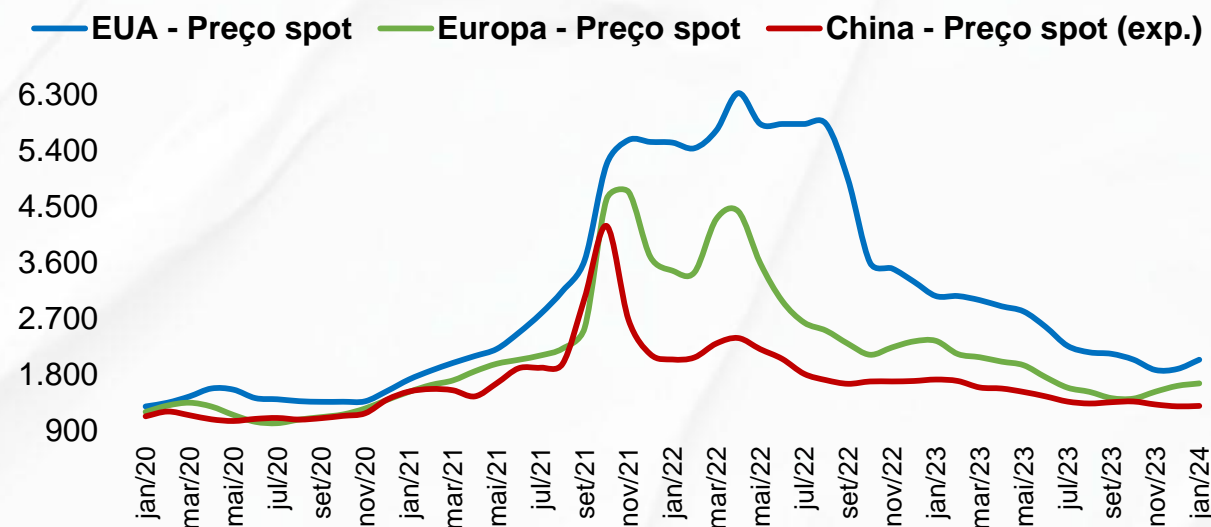
- **2.0% reduction in average price** dollar-weighted ferroalloys.
- **Appreciation of 2.1% in the average dollar.**
- **Maintenance of ferroalloys sales volume.**
- **Stability in the COGS** of ferroalloys.
- **Reduction of R\$ 9.3 million** in financial results.
- **Increase of R\$ 2.9 million** in BW Guirapá's profit.
- **Positive effect of R\$24.4 million** related to the update of the fair value of the biological asset.

# Market Overview - Crude Steels & FeSi

World crude steel production – ton.



FeSi 75 price evolution (realized) – USD/t

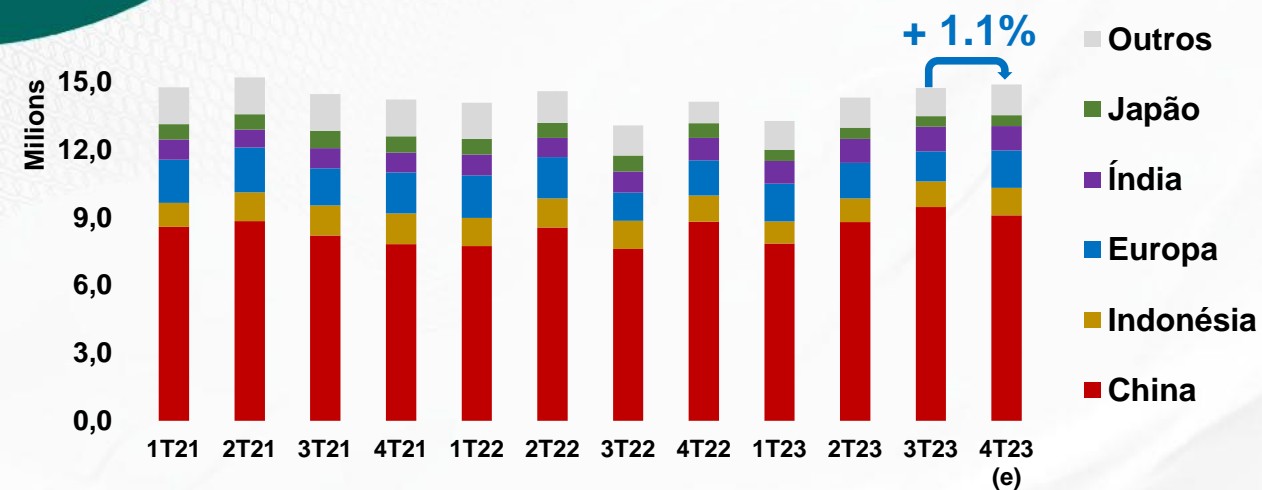


- **According to the IABr, in 2023 Brazilian crude steel production fell 6.5%** compared to 2022, reflecting the stability in apparent consumption, the decline in exports and the 50.0% jump in imports. Between 3Q23 and 4Q23, production decreased by 1.5%.
- **In Europe and the U.S., FeSi 75 prices showed an upward trend in 4Q23**, influenced by the increase in energy tariffs due to the arrival of winter, in addition to the slight improvement in European consumption. **In China**, FeSi 75 prices continued to be pressured downwards in 4Q23, when the country recorded the lowest level of consumption and the highest supply throughout the year.

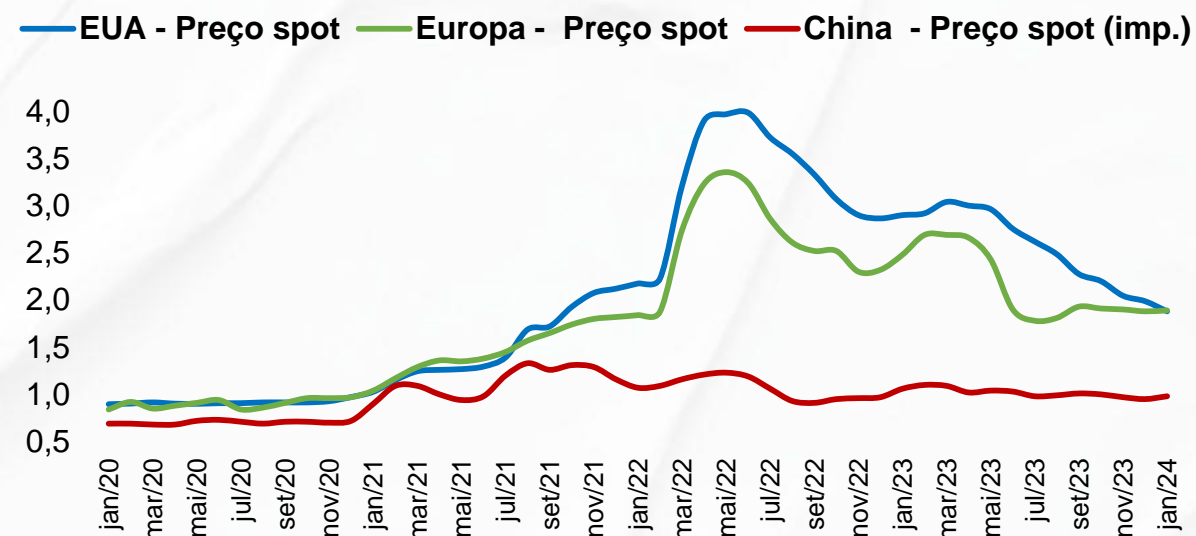
Sources: Market Reports – February/2024

# Market Overview - Stainless Steel and FeCr

World production of stainless steels – ton.



HC FeCr price evolution (realized) – USD/lb



- According to estimates from specialized reports, in 2023 the Brazilian production of stainless steel grew 12.9% compared to 2022.
- The spot price of Chinese HC FeCr reached, in December/23, the lowest level since October/22. This was due to the fact that the chromium alloys market in China, between 3Q23 and 4Q23, was marked by an increase in supply (+4.8%) and a reduction in demand (-8.4%), in addition to lower ore costs (-2.1%). In the same period, consumption grew by 22.5% in Europe and 4.4% in the US.

Sources: Market Reports – February/2024



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