

# 1Q23 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 first 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.

# SCHEDULE

1. Institutional Vision
2. 4Q22 Highlights
3. Operational and financial performance
4. Capital Market
5. Market Overview
6. Strategic Projects Update



# Institutional Video



# Business Units

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



# Verticalization of Operations

Safety and quality in the production of Cr and Si alloys

## Chrome Ore Mining



Chrome - 510,000 tons/year



## Production of Quicklime



Quicklime - 22,000 tons/year



## Production of Bioreducer



Bioreducer - 139,000 tons/year



## Production of Quartz



Quartz - 100,000 tons/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 in 6 furnaces



STD & HP Ferrosilicon

## 7 Wind Farms

Installed Capacity – 170.2 MW



UMA EMPRESA DO GRUPO FERBAS

# 1Q23 x 4Q22 Operational Highlights



- **Adjusted EBITDA reached R\$ 187.3 million and was reduced by 1.0%.**
- **Consolidated net profit reached R\$ 131.6 million and declined by 13.4%.**
- **Cash generation of R\$109.7 million in 1Q23.**



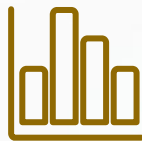
- **10% increase in sales volume**, with a 44.9% expansion in shipments to the foreign market and a 15.9% decrease in the domestic market.
- **8.4% drop in average US dollars sale price** of ferroalloys.
- **1.1% depreciation in the average effective US dollar** practiced.



- **10.9% grow in COGS** for ferroalloys, accompanying the increase in sales volume.



- **9.3% contraction in ferroalloys production**, with decreases of 8.9% in the chrome alloys output and 10.2% in the silicon alloys one. Regarding the FeSi HP, production fell by 4.1%.



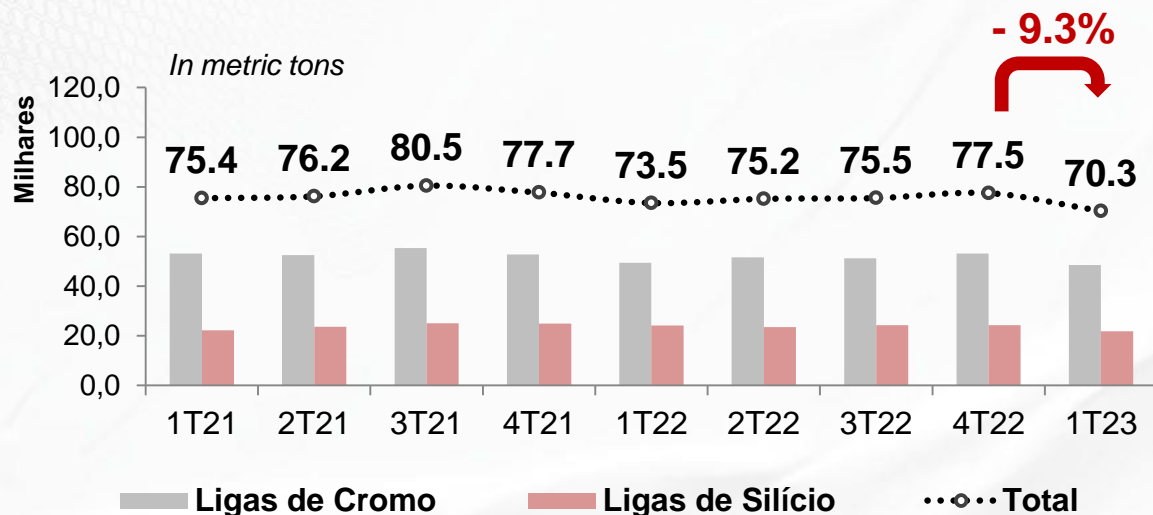
- **33.8% reduction in the financial result**, basically due to the 21.4% drop in financial income following the lowering inflation and the turmoil in financial market.



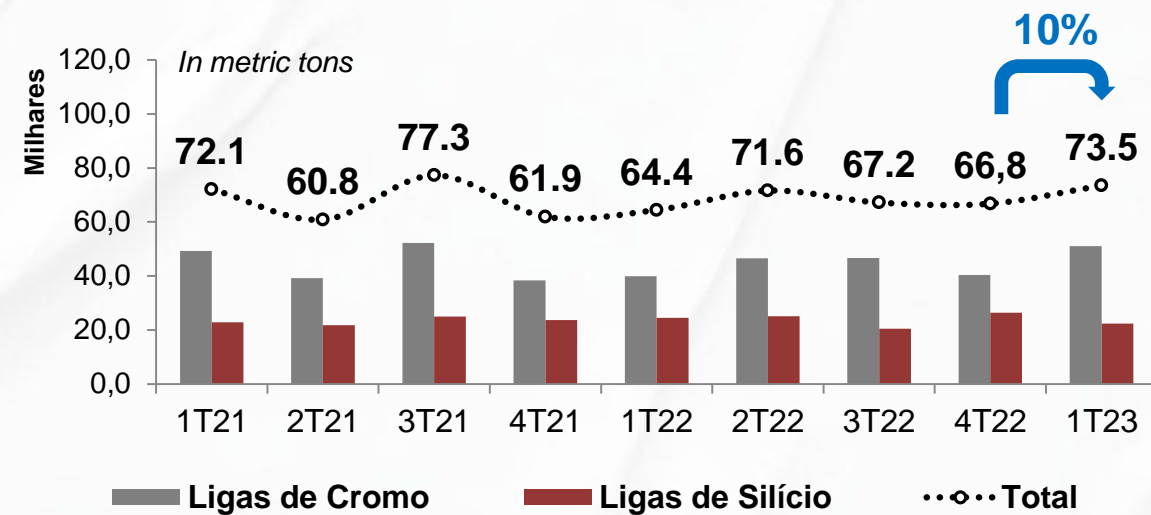
- **CAPEX reached R\$57.0 million and rised by 71.2%**

# Operating Performance

## Production of Ferroalloys



## Sales of Ferroalloys



- **9.3% reduction in ferroalloys production** compared to 4Q22, with decreases of 8.9% in the chrome alloys output and 10.2% in the silicon alloys one. Regarding the FeSi HP, production fell by 4.1% (reaching 47.1% of total silicon alloys produced, compared to 41.5% in 4Q22).
- **10% increase in ferroalloys sales in 1Q23** when compared to the previous quarter, with the following configuration:
  - 44.9% rise in External Market**, with emphasis on shipments transferred from 4Q22 due to logistical limitations;
  - 15.9% drop in Internal Market**, due to the drop in FeSi prices and its consequences for domestic producers.



# BW Guirapá energy production

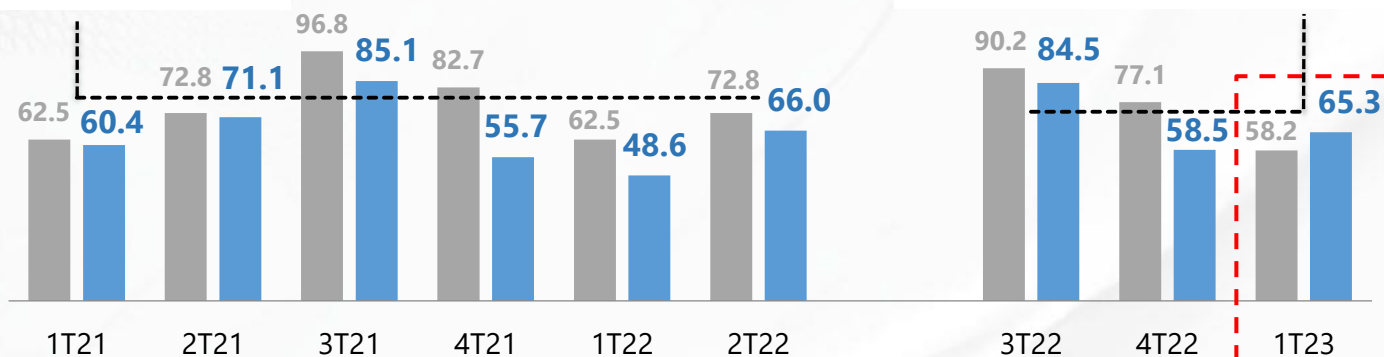


## Evolution of contracted energy x Net Generation

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

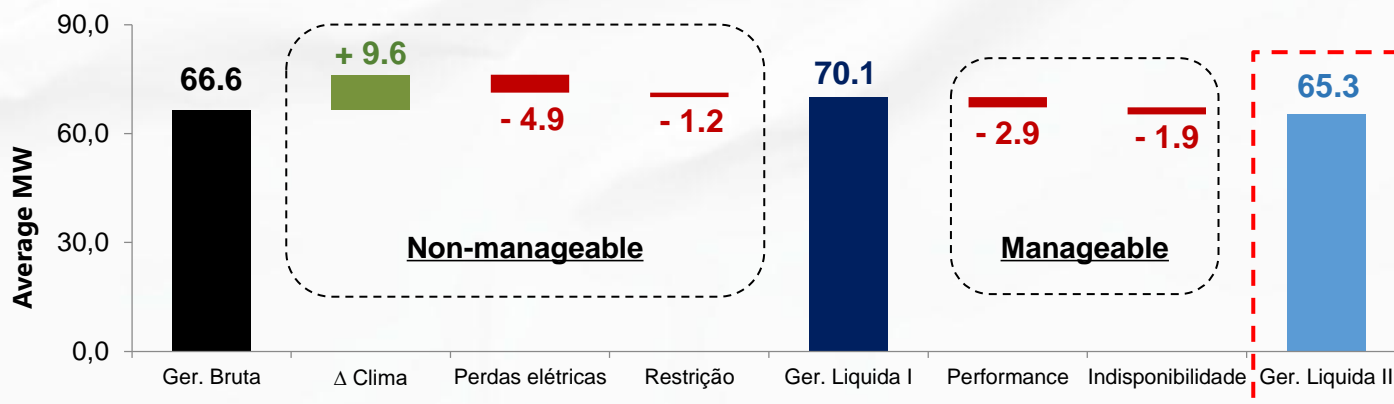
Annual average contracted energy (2018-2022): 78.7 MW

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



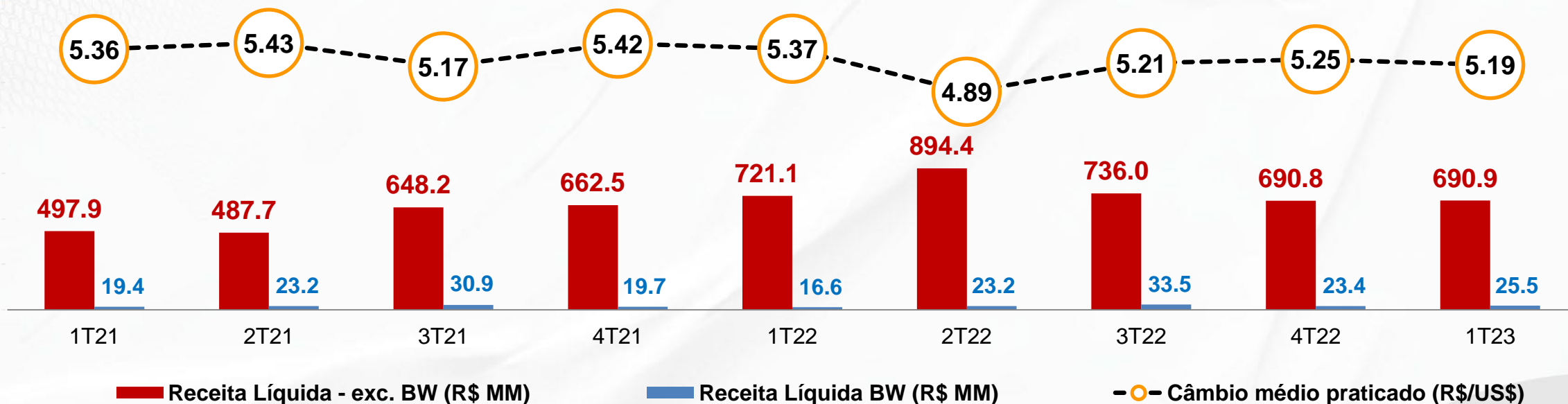
- In 1Q23, BWG's electricity generation reached 65.3 average MW, 34.3% above the 58.2 average MW contracted for the quarter.

## Expected Gross Generation x Net Generation – 1Q23



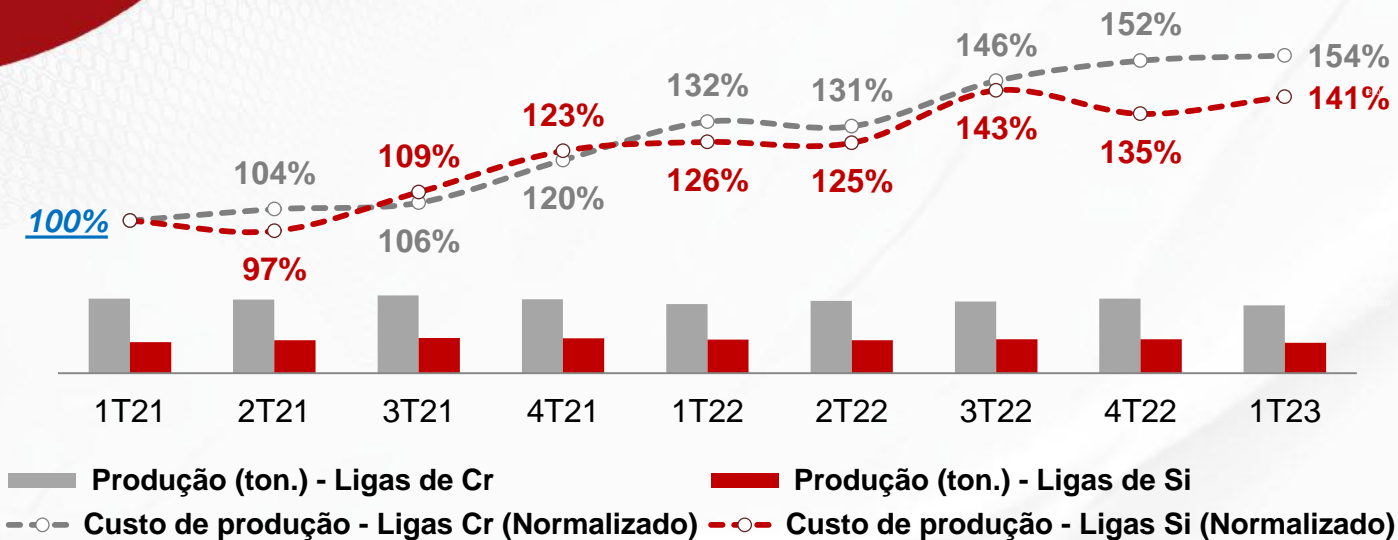
- Non-manageable factors (+ 3.5 average MW) were decisive for the performance observed in 1Q23, with a positive highlight for the climate.
- The deviations observed in the manageable factors (-4.8 average MW) were impacted by the average performance of the equipment and by equipment breakdown, such as 02 gearboxes and 01 generator.

# Net Revenue and Exchange Rate Variation

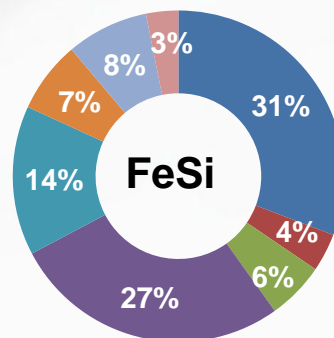
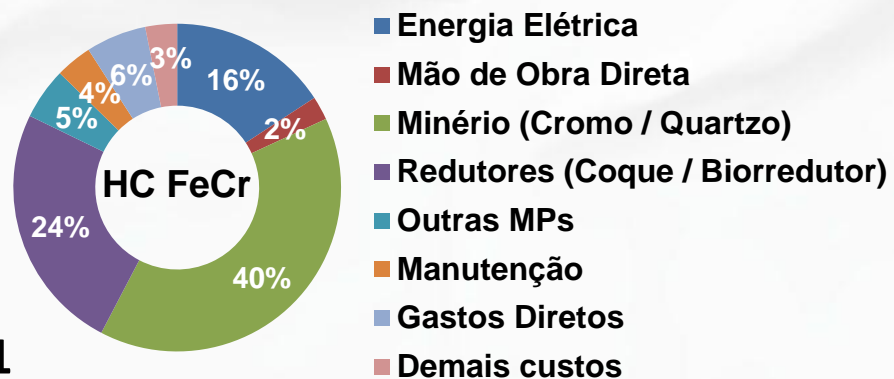


- Consolidated net revenue in 1Q23 remained at the same level as in 4Q22, due to **reductions of 8.4% in the average price of ferroalloys** in US dollars and **1.1% in the average US dollar**, which were offset by **the 10% increase in sales amount**.
- We highlight **the 12.4% growth in exports**, which now represent 56% of total net revenue for the period.

# Production costs evolution



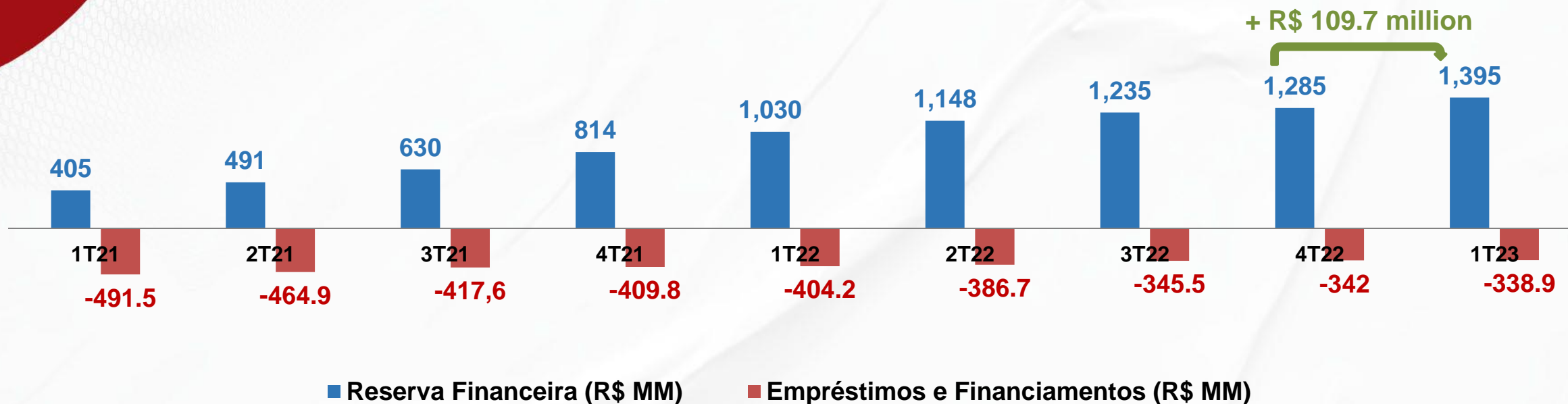
## Production Costs Breakdown – 1Q23



## HIGHLIGHTS OF PRODUCTION COSTS BETWEEN 1Q23 x 1Q22

- Increase of 31.8% in COGS of ferroalloys, heavily influenced by the 14.1% increase in sales volume.
- Chain impacts of the global inflationary process that affected our raw materials, inputs, freight and services in general (IPCA 4.65% in the last 12 months).
- Decrease of 8.7% in the average cost of electricity consumed, which had repercussions on all ferroalloys.
- **HC FeCr**: increase in chromium ore costs due to the expansion of operating reserves and coke, which reflected the rise in the international price of mineral coal.
- **LC FeCr**: high costs with FeSi Cr reducer (produced in-house) and chromium ore. In addition, there was an increase in the costs of all the main PMs.
- **FeSi 75**: increase in the costs of the electrode paste and the bioreducer. The latter was influenced by the high humidity of the wood consumed, resulting in loss of productivity and greater purchase of charcoal from third parties.

# Financial Reserve and Indebtedness



## HIGHLIGHTS OF CASH GENERATION OF R\$ 109.7 MILLION IN 1Q23 :

- ✓ **Adjusted EBITDA** of R\$ 187.36 million;
- ✓ Realization of R\$ 57 million in **CAPEX**;
- ✓ **Amortization of loans and financing** in the amount of R\$ 7.1 million;

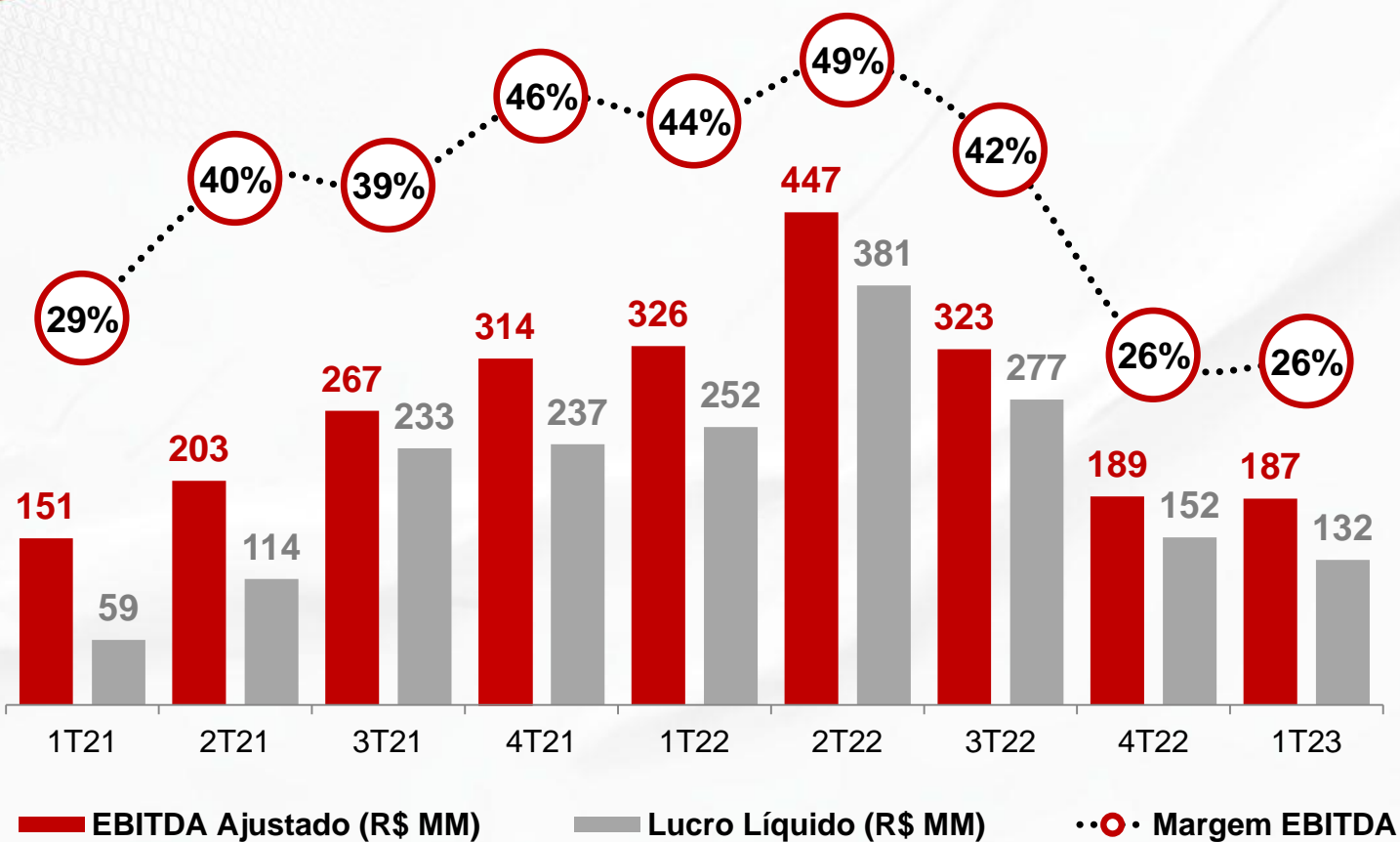
# Financial Result

<i>Financial Result</i> <i>(R\$ millions)</i>	1Q23	4Q22	Δ%	1Q22	Δ%
Financial performance					
Financial income	37.4	47.6	-21.4%	27.5	36.0%
Financial expense	(13.8)	(13.4)	3.0%	(13.6)	1.5%
Net exchange variation	(0.3)	1.1	-	(17.5)	-98.3%
Subtotal	23.3	35.3	-34.0%	(3.6)	-
Result of Settled Financial Instruments	-	(0.1)	-	(9.2)	-
<b>Grand total</b>	<b>23.3</b>	<b>35.2</b>	<b>-33.8%</b>	<b>(12.8)</b>	<b>-</b>

## FINANCIAL RESULT HIGHLIGHTS IN 1Q23

- **Income from financial investments of R\$ 37.4 million, an amount 21.4% lower than 4Q22 and due to the drop in the profitability of the Company's financial investments.**
- **Financial expense of R\$ 13.8 million** related to the financial costs of the company's debt, in line with financial expenses in 4Q22 (+3.0%) and 1Q22 (+1.5%).
- **Negative net exchange variation of R\$0.3 million**, impacted by the appreciation of the dollar resulting from sales to the foreign market in the period.

# Net income and adjusted EBITDA - consolidated

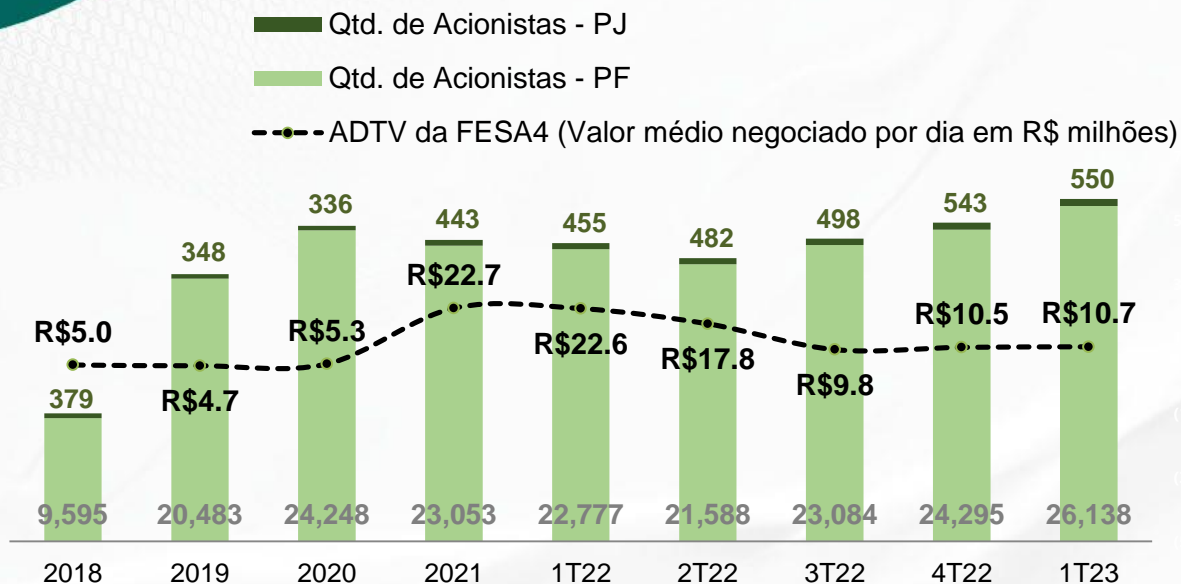


## PROFIT HIGHLIGHTS BETWEEN 1Q23 x 4Q22

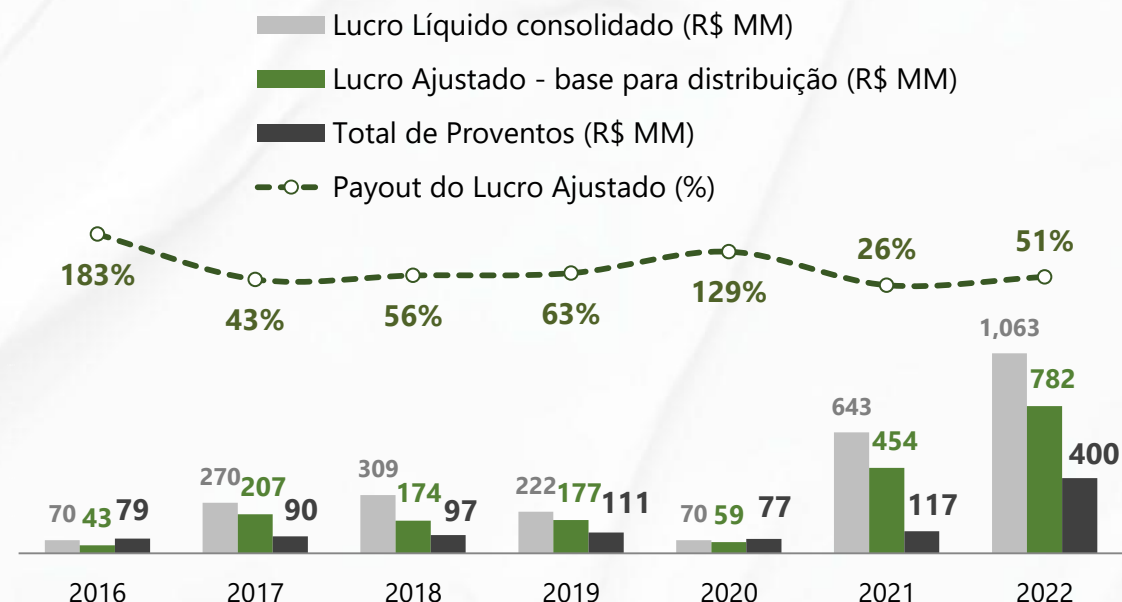
- **Decrease of 8.4% in the dollar-weighted average price of ferroalloys.**
- **Devaluation of 1.1% in the average dollar practiced, however, still remaining at high levels.**
- **10% increase in sales volume of ferroalloys and change in the sales mix in favor of the foreign market, influenced by the reduction in domestic sales.**
- **Increase of 10.9% in the COGS of ferroalloys.**

# Mercado de Capitais

**Stock liquidity (ADTV) - FESA4** (ref. 03/31/2023)



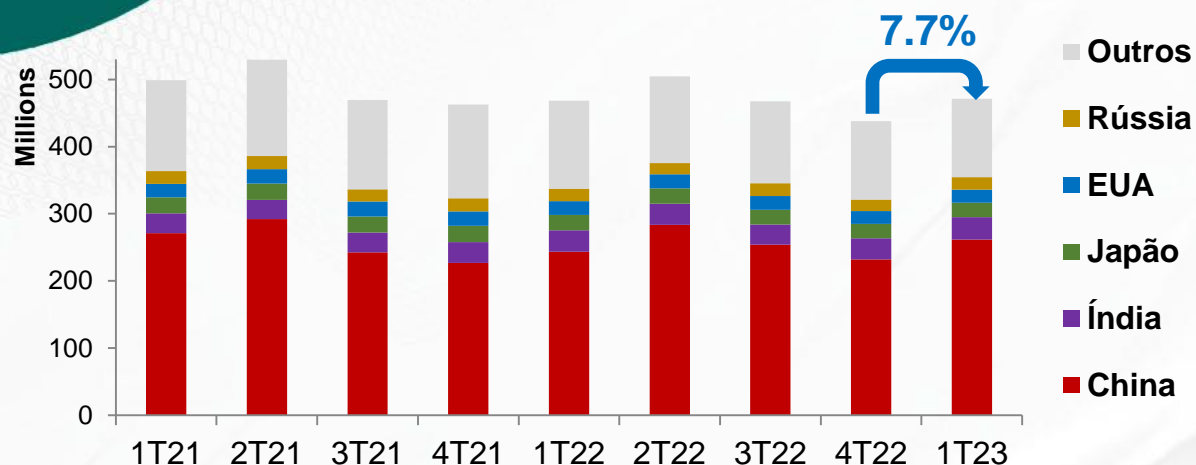
**Earnings distributed per fiscal year - FESA4**



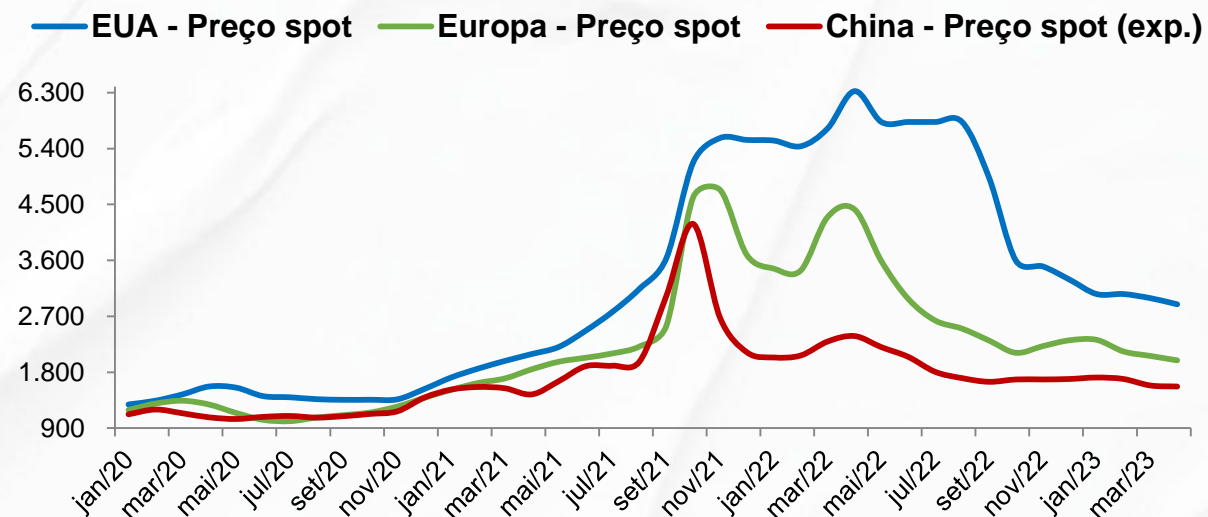
- In 1Q23, ADTV remained at the level registered in 4Q22, influenced by the maintenance of the average volume of PNs traded and the average price of FESA4.
- In the 1st quarter of 2023, the fluctuations suffered by the capital market – both due to **local turmoil** (retail and health segments) and **uncertainties about the world economy** – resulted in the **outflow of foreign capital from B3**.

# Market Overview - Crude steel and FeSi

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



**FeSi 75 price evolution (realized) – USD/t**

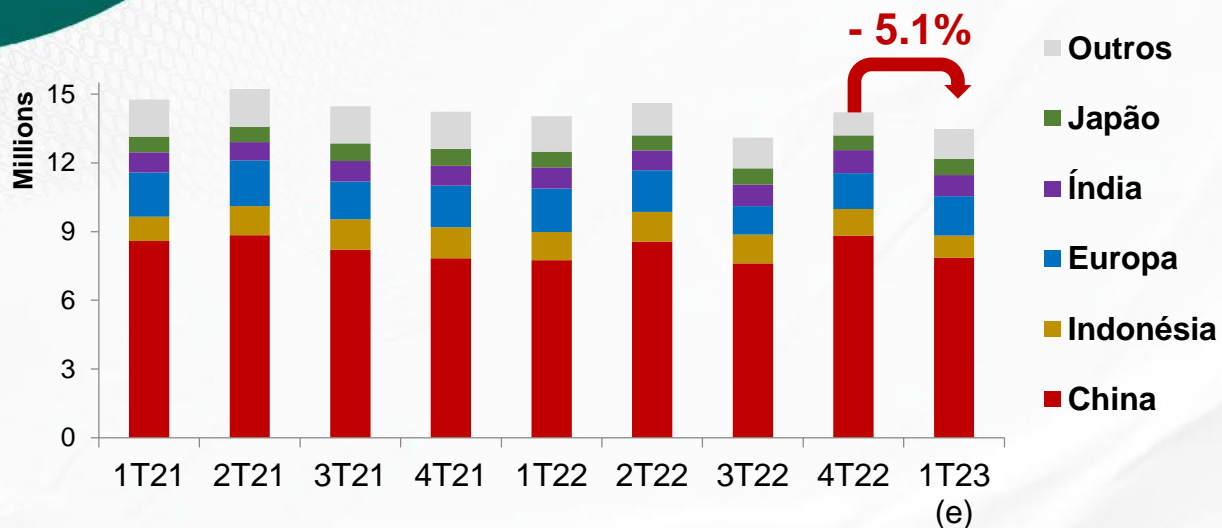


- **According to the IABr, Brazilian crude steel production was stable (+ 0.3%) in 1Q23** compared to 4Q22, which was a reflection of 5.7% growth in domestic apparent consumption and 20.2% in exports. Compared to 1Q22, 1Q23 production decreased by 6.8%.
- **FeSi 75 prices maintained a downward trend in 1Q23.** Although consumption grew in the three main markets between 4Q22 and 1Q23, with emphasis on China (+ 12.7%), the easing of energy costs prevailed in the formation of prices in 1Q23
- For 2Q23, **FeSi 75 prices remain moderately bearish.** On the one hand, the current economic scenario tends to restrict consumption and put downward pressure on costs and prices. On the other hand, many producers still seem to be operating close to breakeven.

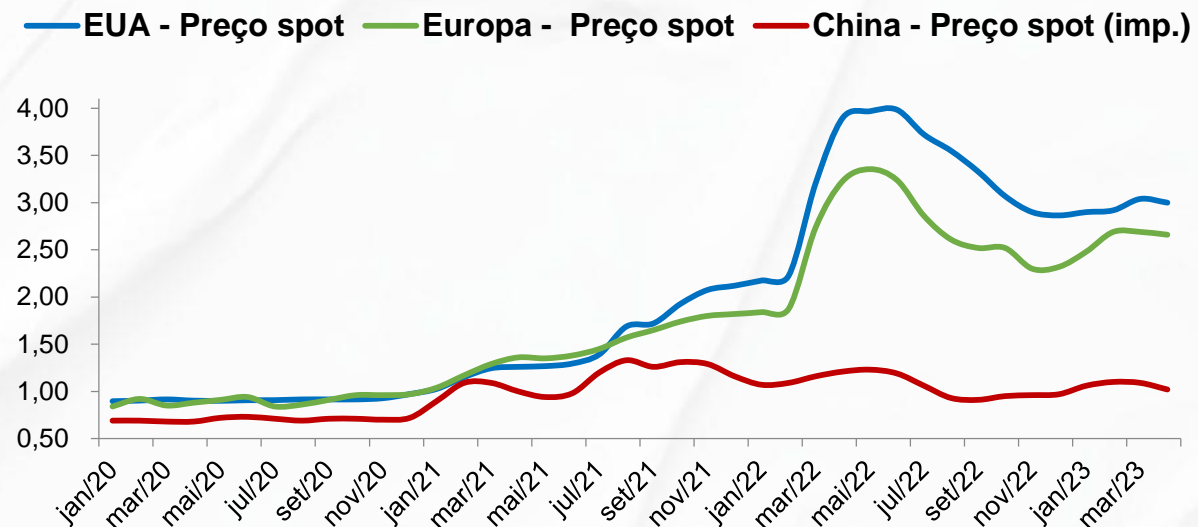


# Panorama de Mercado - Aços inox e FeCr

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



**HC FeCr price evolution (realized) – USD/lb**



- According to estimates from specialized reports, **there was maintenance (+ 0.8%) in Brazilian stainless steel production in 1Q23 compared to 4Q22**. In relation to 1Q22, production advanced 33.9% in 1Q23.
- **In 1Q23, HC FeCr prices in China remained prone to growth**. Although Chinese demand declined by 10.8% between 4Q22 and 1Q23, chrome ore costs increased by 25% and drove the rise in HC FeCr prices in 1Q23.
- For 2Q23, **HC FeCr prices tend to trend downwards**. In China, chromium ore prices began to correct in March/23, as well as coke. In South Africa, supply restriction and 19% increase in energy tariff may restrict production.

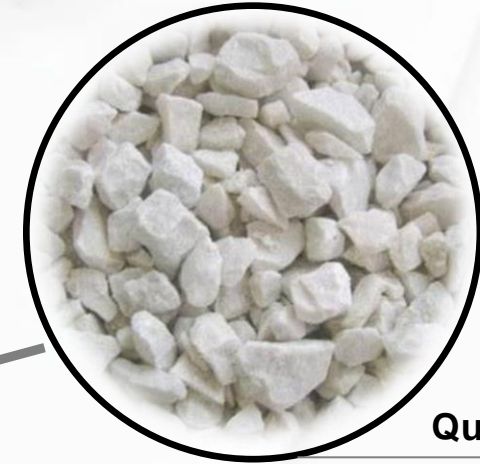
# Projetos estratégicos



Coke



Bioreducer Supply



Quicklime

  
**Ferbasa**

Casting machine



Electricity Supply



Chrome Ore





do empenho  
nasce o

*futuro*

**Heron Albergaria de Melo**  
*Investor Relations Officer*

**Carlos Henrique Temporal**  
*Investor Relations Manager*

**+55 71 3404 3065 / 3066 / 3023**

**[www.ferbasa.com.br/ri](http://www.ferbasa.com.br/ri)**

**[dri@ferbasa.com.br](mailto:dri@ferbasa.com.br)**

