

## Y 2021 Earnings Call

### Company Participants

- Benjamin Steinbruch, Chairman & Chief Executive Officer
- Luis Fernando Barbosa Martinez, Executive Director
- Marcelo Cunha Ribeiro, Investor Relations

### Other Participants

- Carlos de Alba, Analyst
- Daniel Sasson, Analyst
- Thiago Lofiego, Analyst

### Presentation

#### Operator

At this time, we would like to welcome everyone to CSN's Conference Call to present results for the Fourth Quarter '21. Today we have with us the company's executive officers. We would like to inform you that this event is being recorded and all participants will be in listen-only mode. During the company's presentation and during this there will be a question-and-answer session. At which time further instructions will be given. (Operator Instructions) We have simultaneous webcast that may be accessed through CSN's Investor Relation website [ri.csn.com.br](http://ri.csn.com.br) where the presentation is also available. The replay of this event will be available soon after closing for one week.

You may flip over the slides at your own convenience, please bear in mind that some of the forward-looking statements made herein are mere expectations or trends and are based on the current assumptions and opinions of the company management, they may differ materially from those expressed herein as they do not constitute projections. In fact, actual results, performance or events may differ materially from those expressed or implied by the forward-looking statements. As a result of several factors such as the general and economic conditions in Brazil and other countries, interest rates and exchange rate levels, future rescheduling or prepayment and denominated in foreign currencies, protectionist measures in the U.S., Brazil and other countries, changes in laws and regulations and general competitive factors a global, regional or national basis.

We will now turn the conference over to Mr. Marcelo Cunha Ribeiro, Investor Relations Executive Officer. He will present the operating and financial highlights for the period.

You may proceed, sir.

## Marcelo Cunha Ribeiro {BIO 4997029 <GO>}

Hey, good day to all of you. Thank you very much for joining us and this Earnings Conference call for 2021. I have Luis Martinez, the Commercial Director; and the Chairman, Benjamin Steinbruch, who will make his considerations before the Q&A. I'll begin with the presentation, speaking about the period highlights of course we have operational and financial records that are exceptional records.

We doubled the results obtained in BRL22 billion highs and EBITDA, almost BRL50 billion highs of net revenue and we're going to surpass this goal without a doubt in 2022, making the most of the excellent moment of international commodities but also due to operational efficiency and stringency with cost. We go on to highlight to where we were able to resolve the problem in our balance excessive leverage. We have now turn the page, we are below our goal of 1 times EBITDA, we are 0.76 times with a solid cash generation and a commitment to maintain this transforming the ability of companies of being a large capital allocating company. Now we have already begun this journey and we have made the most of this good moment to make transformational moments we had the IPO of CMIN important for the growth of the business and of course through the acquisitions of cement we will become the second cement player in Brazil.

We go on to the next page, to speak about the details of the quarter. A very clear change between the first semester of the year and the second semester we begin to see gradual readjustment in the price of commodities, in the third and fourth quarter this was also continued and CSN continued a very correct strategy of margin over volume maintaining our percentage margins very high and moving away from the records in the second semester.

In the fourth quarter, we had an important impact, lower mining volumes because of the commercial strategy, but also because of the heavy rainfall and a readjustment in the steel price, we got to EBITDA of BRL3.7 billion. The good news is that this readjustment underwent a reversion and enable us to foresee a 2022 as good as or better than 2021 very similar to the average of 2021. We go on to the next slide where we will speak about cash generation, we begin with CapEx, we ended the year with almost BRL1 billion highs in investments as had been foreseen getting to an annual value very close the BRL3 billion highs. With that logic of increasing investments and the Presidente Vargas Plant, that is competitive we've cohesive battery improvement and a projects for productivity and quality gain with magnetic concentrators as well as the new fleets that will enable us to reduce cost and in a trajectory to get to a guidance of almost BRL4 billion of CapEx in 2022 as we speed up our growth projects in mining, as well as in cement.

In terms of the working capital, this semester demanded more working capital, the stocks were pressured, because of the growth in raw material and because of the strategy of margin over volume, we maintained a high inventory of finished products and we going to explore this in 2022. We have a gradual reduction that will help us in sales as well as cash generation during the period. In the next slide, we speak about cash generation. We have a semester that is different from the previous one, BRL575 million highs in cash generation impacted by the EBITDA, the price of commodities that are somewhat lower. The higher volumes and in a typical working capital that of course will be reverted this

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cash flow should return to levels more similar to those of the previous semester because this was a different fourth quarter.

We continue on with the evolution of net debt and we underscore that we attained, our main goal which was to reduce leverage to less than 1 times. We stand at 0.76 times and it's very important to maintain this as a ceiling. The only reason while the debt grew this semester went from BRL4.8 billion to BRL16.8 billion was because of the set of actions, remuneration to shareholders, buyback of shares and exchange variation. Almost 80% of our indebtedness is pegged to the dollar, were it not for that net debt would have been relatively stable. And this is a forecast to maintain net debt low and leverage below 1 times.

We show you our debt amortization schedule and show you how active. We have been in the last few months and liability management, the management of liability and we lengths and indebtedness. We reduced cost and increase cash coverage. We maintained cash at high level BRL70 billion highs gives us a coverage of 6 years in terms of amortization. This is the policy to maintain our cash above BRL15 million in the next quarters and all the other actions adopted to make sure that our indebtedness would become more extended, we issued the first debenture in 10 years for BRL1.5 billion highs, we issue the first infrastructure debenture in CSN Mineracao's a period of 15 years. We also issued an international bond the last in the window allowing for a reduction of our bond lengthening the debt for another 10 years. And finally, we issued our first CRI for the balance and CSN Cements we had a good demand, we went beyond the original size foreseen and the cost was very interesting. Now, this will continue, we're going to attack these towers in 2020, 2023 and focusing on the banks that are close to CSN and who that will roll over the debt for periods of 4 or 5 years lifting that pressure of short-term indebtedness.

We will now speak about each different business we begin with steel with a fantastic year. We had an EBITDA with a growth of 300% more than BRL2.5 million highs and 2020 in BRL10 million in 2021 very strong volumes, very similar to the volumes of 2020 that had been a good year, we were recovering from the pandemic, but especially in terms of prices very strong prices around the world, not only in Brazil, United States, Europe and China and the good news is that we continue on at a very high trajectory in the fourth quarter. Once again, that strategy of margins over volume, we had the advantage of being able to grow despite the seasonality that was unfavorable there was a drop of more than 20% during that quarter and we were able to grow 4%.

We maintained prices in the domestic market at interesting levels and increased prices in the foreign market. Our mix was more favorable with the U.S., we increase the average price this year and our foreign business continues at a record pace, Germany with EUR10 billion of EBITDA Portugal EUR60 billion in EBITDA and with a very favorable beginning of the year, which means that in the fourth quarter the EBITDA had a margin of 33%, BRL2.5 billion and a pace very similar to what we expect to have throughout this year. From the viewpoint of production and cost, as you can see on the following page, it was also an interesting year.

We increase the production of slab almost 4.1 million tons. The second largest in the history of the company. This enabled us to make maintain relatively stable costs, hub

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costs in the fourth quarter and even with the growth of cost in raw material, we did not have to purchase slab from third parties we reduce costs in highs as well as in dollars and this helped us an EBITDA per ton that over surpassed \$400, three fold, our historic average, and this is what we would like to deliver in 2022. We go on to mining in the next page, once again we celebrate a year with a growth of sales and the growth in net revenue of course, a growth of 6% in sales and EBITDA with a growth of 30% and it's a year with two different histories, growing figures in the first semester falling figures in the second semester and impact on price realization as we have sales from previous periods that were simply provision that therefore readjusted.

But despite this, we were able to deliver this growth, production with a growth of almost 20% also helps us to begin the year with a very strong pace and sales higher in the fourth quarter because of the margin over volume strategy. We decided to not sell shipments of iron ore to wait for moments that we're better and also impacted within unusual volume of rainfall. Now, all of these falls or declines will be offset in the first quarter. In the next page, we see a comparison that perhaps is more fair in terms of the results of the quarter to eliminate the effects of previous periods.

Evidently, this EBITDA of the fourth quarter is not representative of our recurrent results in that specific quarter. We had almost BRL500 million highs in impact because of provisions and shipments from previous periods. Between the third and fourth quarters. There was a negative impact, the volume because of the delays and the Platts decline of 30% mitigated by shipments of previous quotational periods that were sold at higher prices. So this readjustment shows you that without this reversion of provision the EBITDA would be close to BRL1.0 billion highs still not representative of what we would like to deliver in 2022 a growth in volumes and now we will have the opposite effect Platts increasing to \$160 and the reversion of provision will be positive positively impacting the results for the first quarter. We go on to the cement business with a quarter where once again we observe growth at a moment of opposite seasonality at the end of the year, there are many holds, heavy rainfall that delays works, but we were able to show a growth of 9% not only in the plants in the Southeast, but integrating the acquisition in Paraiba, the Elizabeth Plant responsible for 20% of our volume and growth in revenues.

The cost of raw material had an impact. We have the cost of transportation, diesel, coke, and oil that also exerted pressure on the sector. But this is a proof that we will transfer these costs to prices and we will maintain the margins at the level of 2021 and continue to grow our volumes. Here, you have some data from 2022 showing growth. The growth will perhaps be lesser than previous years, but we will have good margins and we'll continue to grow.

Well, that is the presentation of our business. We would now like to update you in terms of what we call strategic priorities we begin with an efficient and disciplined capital allocation. We want CSN be a smart capital allocator and respond to our shareholders, the example we just announced is an acquisition that complements us a metal plant in Iguacu, it's a type of acquisition that we will continue to seek out a reasonable size without an impact on our balance and that adds strategic value brings us control over distribution channel for a very specific product. This will allow us the capacity -- to increase our capacity of metal tin and will allow us for a more efficient distribution.

We're going to continue along these lines in terms of capital allocation using complementary lines to add strategic value. Regarding innovation one more investment in CSN Nova had already we invested in a company -- innovative company for the production of hydrogen and they have found another promising start-up H2O pro Israeli startup that works with renowned people and very important investors, such as Bill Gates that are betting on hydrogen as alternative fuel and as an alternative for the production of green steel.

This is another pillar in our search for technology to help CSN in the future with its business. To conclude regarding ESG, we don't have Helena Guerra with us today, but she has given me the mission of sharing the good news with you an evolution in our sustainability indicators, and these efforts are being acknowledged. We see this in the sustainability ratings for the company, globally renowned agencies like Sustainability, S&P and MSCI have disseminated reports all pointing to significant improvements and making CSN a benchmark for the sector in Brazil, and of course, all of this is not in vain at the last page, you can see what we have done a very clear and transparent evolution, an evolution of SCOR's this because of more complex integrated reports the reduction of CO2, our goals for decarbonization that were disseminated on CSN Day, our benchmarks in the sector and cement and mining.

We are the most efficient in the sector, our management of dams. We continue to decommission these dams maintaining stability in a 100% of them and in terms of security, we had one more year of strides with better indicators and then environmental management. The effort is a better use of water, a better use of residues with positive impacts on our rating agencies that have classified as better. And regarding the diversity aspect, we already have very good indicators, the female participation with ever more ambitious goals that are advancing quickly.

And in terms of the social goals a historical mark to get to BRL100 million highs in the CSN foundation to support social risk responsibility work for the communities around our businesses is something that gives us a great deal of pride with this I would like to end the presentation very soon.

We will go on to the question and answer. I would now like to give the floor to the Chairman, Mr. Benjamin Steinbruch.

### **Benjamin Steinbruch** {BIO 1499059 <GO>}

Thank you, Marcelo. Good day to all of you. I would like to thank all of you for your participation in the call and express my satisfaction for being able to witness this moment where CSN has delivered better -- the best results in this 80 years, CSN celebrates 80 years this year and all of you know, how difficult it is to work with a company in Brazil and to keep it alive and active after 80 years, and we are now celebrating these 80 years at the very best moment and to be alive to witness this is something that is a bomb for my soul during the last few years for all of you who have kept up with us that was our commitment, -- a commitment to deleverage the company to maintain growth and of course, to maintain margins.

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This has always been our brand and our differentiated levels of EBITDA that throughout the year allowed us to become a benchmark. So the fact that I am here today in which we announce the results for the last quarter and the full-year 2021 is something that fills me with pride and motivation, pride because we did what most people did not believe in. They did not believe that this could be done, especially the way it was done which means that we maintain the assets, the company businesses, we left from almost nothing, we enhance the indicators in terms of margin, cash generation. We allow the company to grow in an extraordinary fashion, not only in terms of net revenue, but also as regards EBITDA and we have deleveraged the Company radically, which means that we began with 3.2 net debt-EBITDA ratio in 2020 to 0.76 or 0.78 at the end of 2021 and this is a commitment that we had made to the market. Our main priority in the company, as this was the greatest demand that we had from our shareholders, stockholders to have a lower leverage below one times net debt-EBITDA. So this of course is of supreme importance and those who feel gloating when they see the results of the fourth quarter but don't look at the fantastic results of the company during the entire year.

Well, this is something that offers us a great deal of satisfaction and motivation. The fourth quarter have a significant specificity because of the drop of prices of the Platt Index, the heavy rainfall, exacerbation in the market as a whole and basically, because of the strategic decision made by the company we preserve the margins we were less aggressive with the market we stocked up the products and we are ready in the year 2022, to reap all of the benefits of this policy. So besides thoroughly celebrating the results of 2021. What motivates us even further is that outlook that we have for 2022.

And I don't want to debate this as a one off thing, I don't want to shrink and that universe of the past and the future. I want to have a full view of the results of the company in 2022 everything that was hampered in the fourth quarter will be benefited will be improved in the first quarter of 2022. This efforts speaking of prices of margins market recovery or sale of inventories or stocks. We are prepared and we're going to reap the benefits that we did not have in the fourth quarter. In this first quarter, but beyond that, we have already set forth our commercial policy for domestic market for all of our products, which will be to add even more value and more quality to our production in whichever product in iron ore, in the steel mill, cement. We're going to always attempt to add value, add quality to have a more horizontal distribution in the market and to have a vertical distribution as well. through the purchase of content participants, be it in the supplier chain or in the client chain which means to say that we're going to be working in a more aggressive fashion, much more than in the past in the domestic market and the basic assumption will always be quality added value and distribution.

As part of that concept of selling steel, cement, and iron ore not by ton but by kilo, so that we can be ever closer to the end consumer, to have a consolidated well established brand at all levels and to work in an organized way to be able to grow in the domestic market. And the same applies to the foreign market. We're going to use our plants in the U.S. and Europe to enhance our distribution. We will be ever more aggressive and grow with our local production.

What we yearn is to have our own production in the USA, Germany, and Portugal to increase two fold our activities and to carry out all of this growth that we set forth in the

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past, it continues to be have goal going forward. We want to double the size of the company in the coming 3 years. Maintaining our commitments in a rigorous way with the market in terms of leverage, margins and growth.

And 3 years, we want to have a company that will be double of what it is, maintaining a very low leverage. We have less than 1 times net debt-EBITDA, enhance the quality of our margins to do this without losing margin and participating more and more in the domestic and foreign markets. These are challenges ahead of us. We want to grow our assets outside of Brazil. As we do have that concrete possibility at present, we want to have 20% or 30% of our assets outside of Brazil. For the sake of geographical diversification and this will enables us to work with new verticalization and a more horizontal distribution for the production of what we produce. It's with a great deal of joy that I am here alive addressing you, delivering everything that we have promised in the last 3 years and most people did not believe in this not because of the company, but they would say that, Benjamin we're never reduce debt, would never sell off, would never give up on working with deleveraging and we have done all of this.

We have deleveraged the company with a singular growth, very few companies in Brazil and abroad have had the growth that we have had year-on-year and furthermore with the margins and the results that we are delivering. A net revenue of BRL14 billion and EBITDA of BRL23 billion. Once again historically, everybody doubted this and I do understand that doubt, but It has proven to be perfectly feasible to put into practice this new exercise in 2021 and for 2022 the outlook upon entering is much better than that of 2021, the company is structured in terms of capital.

The debt has been extended or lengthened with BRL16 billion in cash. Which means that we will be able to do much more than was done last year with a business strategy that is well defined clear and already transferred on to all of the managers, so that we can be persistent and ensure that we are able to attain this growth with de-levering and enhancement of margins. I would like to thank the entire team of the company, the Board of Management, the Directors, all the workers who believed in this and we're willing to make the sacrifices that they made in the years 2020 and 2021 and we hope that they will share with us is truly extraordinary moment of a victory of success of feeling that your hard work has reaped benefits we share this with everybody, our employees, our shareholders, stockholders everybody.

This is a highly gratifying moment for everybody and the company and especially for me and I reiterate my commitment and my optimism regarding the coming years in this wonderful company that is little known by part of the market, but that will certainly be able to fulfill its potential and habit acknowledge in the coming 3 years. Once again I express my pride and satisfaction from being at CSN since 1993. I entered the company that was about to disappear and we transformed it into this very aggressive animal. That is ever present determine searching for impossible things searching for greater challenges and at the moment, like this one when it is able to deliver this type of result all difficulties. All the work all the dedication or something of the past. And what we now want is a yearning and commitment to deliver ever more.

Thank you very much to all and let us go on to questions and answers, the Executive Directors are all here to respond to your questions. Thank you. Once again, thank you very much.

## Questions And Answers

### Operator

Thank you. We will now go on to the question and answer session for investors and analyst. (Operator Instructions). Our first question is from Thiago Lofiego from Bradesco BBI. You may proceed.

### Q - Thiago Lofiego {BIO 16359318 <GO>}

Thank you. And the good afternoon to all of you, congratulations Benjamin for the company journey trajectory. I have 2 questions to Martinez if you could speak about steel here. First, the cost of iron ore, coal that are increasing for the plants, the slab increasing as well. What is your outlook for the price of steel in the global context? Do you think that at the end of the day at the end all of this confusion that we observe in the market, would steel will maintain its margin or lose its margins?

The second question also in the steel context. In Brazil what it is the demand now at the beginning of the year, if you could speak about your plan for long steel that would be excellent to understand the market dynamic in these 2 segments. Thank you.

### Operator

It seems Martinez may have a problem and returning to the call.

Luis Fernando Martinez, you may proceed, sir.

It truly seems that Martinez's connection has dropped, he will be back soon, I'll go if it is not too uncomfortable let me hold on to your questions and for Martinez to answer them and we can go on to the next question.

### Q - Thiago Lofiego {BIO 16359318 <GO>}

Of course, no problem. Let's go on to the next question next question.

### A - Marcelo Cunha Ribeiro {BIO 4997029 <GO>}

Next question as soon as Martinez is back, we will convene you again we do apologize for this inconvenience. Operator, next question please.

### Operator

Our next question is the Daniel Sasson from Itau BBA, you may proceed.

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## Q - Daniel Sasson {BIO 19234542 <GO>}

Good afternoon to all of you. Thank you for taking my questions. I reinforce the congratulations offered by TECAR bench. I mean my question already you referred to what you said at the end reflections on the coming years of CSN, you spoke about doubling the size of the company in the coming years. If you could remark on your plans perhaps. Not only for mining but for international expansion, where we could have better upsides if you're considering when you analyze investment opportunities to expand outside of Brazil. Once again, if you could refer to this angle. I have another question for Martinez as well. But we'll leave it for later also along the lines of the question as formerly.

I wanted to understand the competitive environment in Brazil in how successful the latest announcement of price increases have been or not. Thank you.

## A - Benjamin Steinbruch {BIO 1499059 <GO>}

Very well. Regarding the first question. I would like to make it very clear and decisive for you that we're going to grow the company based on the assumptions that we have mentioned that deleveraging that is to say, to maintain 1 times net debt-EBITDA as a reference and the main priority for all of our efforts, we're going to work with an enhancement of quality of all of our products, work with more added value as much as possible. We want to work in a different fashion, which means to say coming or bringing the product ever closer to the consumer and perhaps by adding more services to the product.

And making the most of the opportunities for expansion that we observe in each of the sectors in which we work. I don't see great novelties for new types of products for the company. We're going to continue working strongly with a steel mill with mining with infrastructure and logistics and of course with energy. Now energy is one of the things we're going to invest in rapidly and invest in correctly, so that we will not only be sustainable in terms of generation, but we'll make of energy important a large business for CSN. Basically, we're going to be working on the segments that you are all aware of, our commitment is to increase the size of the company two fold in the coming 3 years based on that assumption of deleveraging the search for technology. We're going to become an important player in technology enhancement, in our continues search for abatement. We're already implementing this we're committed with it.

And always complying with what we mentioned formerly the 4 pillars basically technology and ESG. The new CSN says in Inova that has been working in the field of technology in ESG is much larger and much better than you can imagine. We're going to make it better known and it will be closer to the investors, because there lies a secret that will bring you very good news for all of those who are following up with and live daily with CSN.

So our growth basically will be geared on low leverage, which is a priority. They use of technologies and greater commitments with not only in speech, but throughout our actions. We're going to work ever more in decarbonization in abatement and above this work in conservation, we're going to have very large areas that will be preserved, they will be purchased and maintained by the company.

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And because of this commitment, not only to decarbonize, but also to preserve, conserve and we're going to be very active along these lines, and they seem to be a priority, not only for the present, but for the future. For those who want to make a differentiated entrepreneurial proposal for the future. So basically this is it, make the most of the opportunities in and the domestic market, this was the case with Elizabeth Cements and LafargeHolcim in Iguacu. We want to increase among whatever is offered to us in the domestic market. Our acquisitions and we have the commitment for the coming 3 years to have 20% to 30% of our assets in the foreign market, increasing the size of those we have a present two-fold and look at the feasibility of the infrastructure in the market. So that this can be achieved and also working with Greenfield projects in the United States and we are involved in this in cement as well as in the steel mill and we believe that in the coming 3 years we will be able who already count upon their full operation of course, there is the issue of the investments and yes we have to have a return, everything that we do is to add quality to our margins.

This is mandatory, so we will not do anything that does not respond to this, along with the leverage along with the technology and ESG, the margins are important there part of our challenge and we're going to make the most of it is through a more aggressive policy from the commercial viewpoint in all of our products. This has already been set for it is being put into place. We do want to participate more in the market both in the domestic and foreign market. We're going to verticalize in terms of suppliers or clients to have a greater market share and with this have a better healthier distribution that is closer to the end consumer.

This is it basically to continue doing what we were doing among the assumptions that we have in the market and what is different now perhaps is that possibility that we have detected and where we are well advanced, now investing more abroad to have a greater geographic diversification of assets. All these respecting leverage technology ESG and quality and ever better quality products. Cooperating with the margins -- a better margins that we want to deliver. This is the direction that we will follow, we're already in movement for this and everything that we're going to -- well everything that you're going to think, of course will include these assumptions and leveraging we're only going to work with very conservative leveraging.

There is Martinez.

**A - Luis Fernando Barbosa Martinez** {BIO 17456025 <GO>}

Can you hear me?

**A - Benjamin Steinbruch** {BIO 1499059 <GO>}

Yes, we do. Please join us. I'm concluding my remarks. Very well and to conclude, we have the deleveraging as our main premise technology as a second assumption. ESG, our third main assumption, margin contributions, fourth, assumption and then fifth would be diversification of assets 30% in mature and developed countries. This is our plan by the coming 3 years and this will enable us to increase the size of the company two fold based on these assumptions.

This is what I offer to all of our workers at CSN, our shareholders and we're going to work hard obviously to be able to deliver this. I hope in 3 years to be able to speak to you with these challenges already surpassed, Martinez, we have 2 questions for you. I don't know if you heard them.

**A - Luis Fernando Barbosa Martinez** {BIO 17456025 <GO>}

I will first of all, answer the question made by Thiago. And the second, if you would be kind enough to repeat it, I do apologize once again a technological glitch. But everything is working. Can you hear me?

**A - Marcelo Cunha Ribeiro** {BIO 4997029 <GO>}

Yes, we do. Please continue.

**A - Luis Fernando Barbosa Martinez** {BIO 17456025 <GO>}

Thiago to go back to your question and to speak about the global steel situation, the cost of slabs and our outlook for the future. If we put aside all of the movements that we see in the world scenario. There is a very clear scenario of decarbonization, deglobalization as mentioned by Benjamin regarding the deglobalization, we perceive more and more that there that the strong economies are closing up and they're producing their own steel this is something that we have observed in Europe and the United States and generally and the situation will not be different in Brazil. United States is a very strong country and at present they're going through an onshoring phase, bringing several products to be produced again in the U.S., there is a new industrialization the issue of ports in the U.S. All of this has contributed so that economies can become ever more de-globalized. Now in the world that present to give you an idea of what is happening.

We have a situation impacted by this crisis between Russia and Ukraine. Now in terms of prices, we have some consultations for slabs that are around \$900 in the spot market. But the world will tend to increase these values because of the scarcity of products in some regions. Today for example the BQ from China, the prices are \$870, \$895 and the Turkish Rods have increased to \$900 today, because of these world movements now besides these world movements. We have a very clear view of cost.

The cost of coal of approximately \$15, the Australian coal, which is a one that we use. In coke \$865, \$800 iron ore at \$270. So the world scenario of steel I think will be quite favorable, although we are undergoing complex in the world -- world trade will be favorable, I believe for the steel sector as a whole and will enable it to recover its margins. In Brazil, to give you an idea of what is happening. We have entered a level in Brazil, where we had apparent consumption of 12 million -- 12.5 million tons a year.

In 2021, we ended with 15 million, a growth of 25% and for 2022 the ABR speaks to have a growth of 2.2%. There is a plan, according to what Benjamin said of growing a minimum of 10% in the domestic market. So we will go from 3,000 -- 3.5 million tons in the domestic market. Regarding exports. It is worthwhile mentioning that in 2021, the penetration in Brazil was 19%. for 2022, we are estimating levels of 12%, which will bring the Brazil once again 600,000 tons that were being imported and they will be produced here which is

very favorable. Now this is a scenario of Brazil. While we speak about markets, which are the market projections for CSN.

We have a market projection a strong one of 5% for the industry as a whole, in civil construction 4.5%, the railroad implements, agricultural trucks, 10%. This also applies to trucks and in the distribution sector, a growth of 5%. So from the viewpoint of demand, we don't foresee any problem. Demand continues to be good there was seasonality at the end of 2021, beginning of 2022 and we have a unique opportunity of stocking up with higher prices. As part of the strategy mentioned by Benjamin. Now to reinforce the strategy besides everything that was said and to speak about our cost pillar and operational excellence.

CSN no longer has any maintenance or renewal our equipment is ready to work at full steam. The steel mill everything can work at full capacity. Additionally, to this and to reinforce what was said by Benjamin, we have a very good opportunity for long term project with partnership, so that we can verticalize, everything integrate the chain better and work with acquisitions as we did with the Iguacu company and to reinforce exports, we're going to continue to work as a local player in the markets where we are present Germany, United States and Portugal. I also believe that because of the world situation we begin to detect opportunities to export to other markets perhaps to Turkey with BQ at very interesting values regarding the domestic price, but our strategy as it was in 2021 of value over volume as Marcelo mentioned stronger for longer, we want to increase our market share and return to the market stronger.

Now from the viewpoint of long steel, the situation in Brazil is perhaps more favorable because nowadays if you compare long steel with the Turkish market, the premium is negative 22% negative, which is very bad. So it's a strong opportunity to recover prices. If you were to make calculations of BQ in China, \$800 and \$1 at 5.5, the prices vary from 1% to slightly negative as part of that supply and demand equation in cost, which is increasing strongly.

The decrease of imports and the dollar rate, without a doubt, we will have room to recover prices this month or the coming months, 8% to 10%. So our plan is to redress the prices of the hot rolled and long plans packaging by 8% to 10%. So this is the scenario that we are observing in the domestic market.

Well, even with this very anomalous world scenario and with the pandemic last year, I do apologize for taking some time to come in. If you could repeat the second question, I can answer it?

## Operator

Mr. Thiago Lofiego. Your line is open, if you could repeat your question.

## Q - Thiago Lofiego {BIO 16359318 <GO>}

Well, I have already had my question answered. Perhaps you could open the floor for Mr. Daniel Sasson.

## A - Benjamin Steinbruch {BIO 1499059 <GO>}

Sasson had asked about competition in the Brazilian market petition in the Brazilian market precisely. We're going to allow him to come back, if you could already begin to answer. Well he is coming back very well.

## A - Luis Fernando Barbosa Martinez {BIO 17456025 <GO>}

Daniel, thank you once again for the question. Obviously, Brazil at present has very important information in the case of CSN. We have 40% to 45% of our products that are coated products and the greatest competition in the Brazilian market in coated products AHDT, the pre-painted of material was very strong of the imported material. So the scenario is quite positive.

Because of a shows of an increase in world prices and the difficulties of imports, we should have in the domestic market, a return of almost 700,000 tons of coated material, which means that CSN will benefit from better imports and capture the value of this material.

This is also -- this also applies to tin plate. There is very little imports and our vertical integration will improve so that we can increase the size of the market vis-a-vis competition in packaging. Now regarding the competition in other products. Competition is stronger in terms of hot rolls. But there is no import of these hot rolls or hot rolled coils or reels. So the market doesn't have excess capacity. It has a very tight supply-demand equation even in hot rolling. We have a very clear strategy for working with civil construction.

We are more focused on added value, quality, and fragmentation and we have 75% to 80% of spot prices. So, we're well positioned in different markets, different sectors, with the possibility of exporting BQ to Portugal. Nowadays, if you imagine CSN in terms of guidance for 2022 as I had mentioned we're going to look in the domestic market for longs 1,500,000 in the foreign market exports of 120,000 tons as a minimum lucociderm that we supply with hot roll 350,000 to 400,000. SWT that is operating at full speed with very good margins 800,000 tons in 2022 and our company and the U.S. nowadays, we market our entire production 300,000 tons. So all of this is important, so that the plans that we have to resume and industrial address in the United States and double the production in Portugal. So that all of this can become reality.

We are going to focus on the markets where we decided to participate and where we have local services. Basically, this is the competition dynamic. I don't know if there is something I did not answer.

## Q - Daniel Sasson {BIO 19234542 <GO>}

Thank you. Martinez, that was very clear.

## Operator

Our next question is in English and comes from Carlos Alba from Morgan Stanley. You may proceed, Mr Alba.

### **Q - Carlos de Alba** {BIO 15072819 <GO>}

Yeah. Thank you very much, good morning -- good afternoon everyone. Congratulations on the rise of 80 years of CSN. Just a couple of questions, first maybe for Martinez with the appreciation of the Rei that we have seen and what makes you believe that we're going to see this drop in the imports into the domestic market that will be able to be capture but my local producers, maybe I'm missing something.

But if you could maybe elaborate on that, given again the strong currency that will be great Martinez and then maybe Mr. Steinbruch do you issue companies in the world, let alone in our coverage would be able to double the size of their size in the next 3 years.

But when can we have more concrete details about the CapEx the pace of these expansion and maybe more concrete plans in terms of what projects, specifically would take you there.

### **A - Luis Fernando Barbosa Martinez** {BIO 17456025 <GO>}

Carlos, good day and thank you once again for your question. I would once again explain to you why we believe we can recompose prices comparing the domestic prices within international prices. If we go back to supply and demand that demand in Brazil at present, went through a drop because of seasonality that demand is back in the first quarter. Several sectors have experience growth, a growth of 5% as a minimum, the agricultural, railway, the truck market, the market of civil construction itself.

We have several buildings that have been launched that are presently being built and we're also capturing value there and we have the beginning of the infrastructure work. So in terms of supply and demand, there won't be great problems. Because at CSN we are also able to export spot to make the most of the world situation in terms of prices or the market share of CSN in the markets where we already exist, Germany, United States and Portugal.

Now, the issue of cost there is nothing that we can do. Our cost of slabs which presently is BRL3,600 will jumped up BRL4,200. We have to recover this cost. The price of coal has increased BRL500 coke, BRL750 in iron ore that will remain at \$170. Another important point there could be better than I imagine, because of the world trade problems in general, the trend is for imports to be reduce constantly, so local production will be in a privilege position and nowadays, if you imagine the prices in the market with the transfer rising BQ at \$895 exchange, at \$5.05 and a BQ in the domestic market of BRL5,800 The premium is -- are now slightly negative.

So this will support the possibility of increasing prices by 8% to 10% in the hot rolled, cold rolled, zinc products, and coated products, and tin plate. This is the logic that we are basing ourselves on to recover prices in the domestic market.

## A - Benjamin Steinbruch {BIO 1499059 <GO>}

To add to what Martinez has just answered for Carlos, our strategy for growth and our market position as I mentioned formerly. We'll contemplate the purchase of suppliers and clients in the market. Which means that besides servicing the traditional market that we already had. We will have a growth that will go beyond the normal growth because we want to add value to our products. We also want to add services. So all of this represents a different attack in the traditional market because we are offering services and we're willing to acquire some suppliers and clients to have a more diversified market with a greater potential.

So all of this will contribute towards this growth in the domestic market. We're not considering a normal market growth, we're projecting an additional growth through this process of verticalization of suppliers and clients. So that we can expand this market outside of the normal growth and with this idea being closer to the end consumer offering services as well based on neutral agreements of course. So this for the domestic steel market in terms of mining our approach will be different as well. Besides the projects that we already have and besides the purchase of iron ore, we're going to offer smaller companies, the opportunity of working on our reserves in a partnership.

Whatever is not our priority in terms of exploitation of mineral reserves. We're going to offer to third parties that are more aggressive have greater flexibility and are willing to work there, we're going to invite them to participate in the exploitation of these reserves. In short periods of time to complement our efforts in production with the purchase of products and the production of third parties as well. So this market growth domestically, and in the foreign market is based on these assumptions and the proposal is very different, quite unique compared to what others are doing regarding growth, Carlos, I think you can look in the rear view mirror and look at the growth that CSN has had in the last 2 years. Their unique growth, they are difficult to understand how a company can grow 70% year-on-year enhancing the EBITDA margins and deleveraging. But all of this is because we have a good quality of assets that we're not acknowledged by the market.

This is what has allowed us to do this now, as I mentioned regarding the market we're going to be very aggressive, more flexible and more determined when it comes to buying out the market and this also refers to assets. Our priority is to acquire ready assets. This is our preference to buy assets that are ready to develop Greenfield projects and this of course will bolster our growth.

If you look at cement, we're going to go from 6 million tons to 16 million tons. A significant growth and eventually, we will work with M&As in the domestic market and M&As in the foreign market in cement with mining, I have already explained this and the same applies for steel. We're looking and searching for assets that are ready that will have a good fit with our strategy and that will at least contribute towards our margins.

Now, international diversification we're speaking of \$2 billion to \$3 billion that will be invested as well between ready assets and Greenfield projects. Now always considering the leverage in margin contribution, therefore, it has been much more difficult to look at the year 2020 and 2022 -- 2021, I'm sorry, in terms of growth and the search for an

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adequate capital structure so that we could share this growth with a reduction of indebtedness and an improvement of margin. All of this compared with 2022 -- '23 and '24 I look upon the future more calmly than the past. Our last three years were based on determination works struggle becoming convinced of what we wanted to do. But all of this will help us in the coming 3 years. We have spoken to the rating agencies and with these results, we hope to get to investment grade, which is what we desire and of course, this will facilitate the fundraising and understanding of our capital structure and will enable us to work at a faster pace and a lower cost. With these results and with a continuous improvement in and growth in our results, we will have this investment grade. We should obtain it in the coming months for me.

This would be unacceptable that they not acknowledge. The improvement of quality in the capital structure of the company. These are figures are now words. So this should allow us to overcome a great difficulty that we had in the call. I see so many opportunities Carlos to speak to you very transparently, if you look at the energy sector, we would like to have a three-fold increase with investments and returns that make sense. I'm not speaking of anything new. I'm speaking of acquiring, something that is in the market and that are being surveyed for the short term. Without a doubt and complying with the assumptions of deleveraging technology ESG and margin enhancements in the coming 6 months.

All of this will be drawn up and perhaps fulfilled. With a full guarantee to the market that we're not going to go beyond that 1 times net debt-EBITDA. We do have reserves that enable us to do this, we have good movements, we have a protection, we have shares from USIMINAS, CSNA, CMIN that have a very good value and that without a doubt would help us to carry out these investments without having to change our leverage. There does exist that possibility, because of the margins that we have obtained in the businesses and this gives us tranquillity along with the stocks that we have. We're sure there, we will be able to do this always complying with those premises and the commitment with the market and making the most of these sales of assets of other companies that would be very complementary in our portfolio and you will see that in 3 years, the company will at least have doubled in size.

**Q - Carlos de Alba** {BIO 15072819 <GO>}

Thank you very much.

**Operator**

(Operator Instructions)

Thank you. As we have no further questions I would like to turn the floor over to Mr. Marcelo Cunha Ribeiro, Executive IR Officer, Mr Cunha, you can continue with your closing remarks.

**A - Marcelo Cunha Ribeiro** {BIO 4997029 <GO>}

I would like to close by sharing our enthusiasm with the year 2022. It will be better than our record year 2021. We thank all of you for your participation. We wish you a very good



day and we hope to see you in our next earnings call. Thank you very much.

## Operator

The earnings results call for CSN ends here. You can now disconnect and have a good day.

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