Operator:

Good morning, ladies and gentlemen, and thank you for holding. At this time, we would like to welcome everyone to CSN conference call to present results for the 3Q23.

Today with us, we have 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. Ensuing this, we will go on to the Q&A section, at which time further instructions will be provided. Should any participant require assistance during this call, please press *0 to reach the operator.

We have simultaneous webcast that may be accessed through CSN's Investor Relations website at ri.csn.com.br, where the presentation is also available. There will be a replay service for this call on the website for a period of one week. The slide presentation may be downloaded at this website.

Before proceeding, please be advised that some of the statements herein are mere expectations or trends and are based on the current assumptions and opinions of the Company management and the performance and events may differ materially from those expressed herein, which do not constitute projection. In fact, actual results, performances, or events may differ materially from those expressed or implied by forward-looking statements as a result of several factors, overall and economic conditions in Brazil and other countries, interest rates and exchange rate levels, future rescheduling or prepayment of debt nominated in foreign currencies, protectionist measurements in the U.S., Brazil, and other countries, changes in law and regulations and general competitive factors at a global, regional, or national basis.

We will now turn the floor over to Mr. Marcelo Cunha Ribeiro, the CFO and Investor Relations Officer, who will present the highlights of CSN for the period. You may proceed, Mr. Ribeiro.

Marcelo Cunha Ribeiro:

A good day to all of you and thank you for participating at the CSN call. First of all, we will go on with the presentation and then give the floor to Mr. Benjamin Steinbruch, the Chairman of the Board.

We begin with the highlights of the period, referring to a sole thing of CSN of its business model, which is its diversification. And this quarter, it became very important. It allowed for a robust growth of our EBITDA of 25%, despite a pressure on the scenario of the steel companies worldwide. We were able to increase our profitability and increase cash generation that reached more than R$1 billion. This led to a deleveraging and a reduction of our agenda. These are the highlights we will discuss during the presentation.

We go on to the next slide, showing you the sequential evolution of our EBITDA, and you can see the enhancements of this quarter, 25% improvement. And on the other hand, we see that we are still in a semester of transition. There's more to improve, to enhance, especially in the steel segment that this quarter felt the pressure of imported steel in unfair conditions, because of the global price, impacting the domestic market.

The EBITDA had a drop of 64%, offset with a positive evolution in all of the other businesses, with the highlight of mining, more than 76%, where we also see an excellent advance in our logistics center and our cement sector that has the best EBITDA in its history. We reached R$2.8 billion, with over R$552 million sequentially.

Now we continue on. We go on to operating and financial indicators. Here you see CAPEX with an evolution of 20%, already expected as part of our annual evolution. R$304 million in steel because of important projects, especially the coke batteries and ESP, and other sintering improvements, and an advance in sustaining CAPEX that involves operating enhancement, and of course, our project of P15. We reached R$2 billion in terms of CAPEX. Working capital positive and evolution of R$1 billion, a healthy evolution of inventory, and we continue to reduce our inventory.

A number of suppliers were insisting on-time deliveries, and because of the mix of raw materials, we were able to have an advance of R$1 million in suppliers in terms of accounts receivable, an impact on the business, especially in mining, with the growth of R$500 million in terms of accounts receivable.

On the next page, as you can see, the working capital has helped us to generate operating cash flow. This quarter we reached more than R$1 billion. When we compare this sequentially, you can see the seasonality, the volatility of the business. This is the second year where at the beginning of the year, we have pressure on working capital. And then throughout the year from the 2Q to the 4Q, we are able to reverse these investments and generate quite a bit of cash. This year was not different. It translates into cash of R$1 billion even after we include CAPEX in our results.

Now on the following slide, this cash generation was sufficient for the first time after some quarters to allow for a positive evolution in our net debt. There was a drop of R$1.5 million minus 4.8%, also due to initiatives, of course, that we have undertaken to guarantee the reduction in leverage, the payment of electrical energy, something that we had already mentioned the previous quarter. And therefore not only the nominal net debt tops but leverage reached 2.6x that's an important step vis-à-vis where we would like to get to.

And this is our policy to be below 2x, but this quarter, we have an adjustment in our guidance for the end of the year, and we are within 2x to 2.x, and we are very confident that we will lower with this. With the advance of results and with the initiatives that are underway, we have visibility that this 2x of leverage will be reached in 2024.

We continue on with the presentation. We show you our cash generation also helping us to create a very robust position in liquidity. We have more than R$15 billion with a very healthy coverage when it comes to the short-term indebtedness, an indebtedness that will be gradually reduced through the coming quarters, and the gradual replacement of short-term instruments by long-term instruments.

We had an issuance of the debentures of R$700 million. This is a recent window that was opened up in the Brazilian market with balance from the railroad segment, and we will constantly make use of these instruments in coming quarters to improve the indebtedness through the years, to guarantee this evolution in the right direction of our deleveraging and lengthening this indebtedness to improve our ratings. So we have positive figures, and this shows us the possibility of future upgrades.

We will now speak about the highlights per segment. We will speak about steel performance. This was a difficult segment, with pressure on results as I mentioned, because of imported steel competition that reduced the prices. Even with the surplus of imported steel, we obtained a growth in the domestic market, in an environment of mixed domestic demand, with a positive demand such as sectors in construction and others, and others that are just stocking, automotive and equipment for example, but we maintained our market position. We had a slight reduction in the total volume sold because of the seasonality of our sales growth.

Regarding EBITDA, it was quite pressured because of another quarter of a drop in prices. We had Mexico responding to the drop of prices in the international market and what is happening globally, and cost dropping, but not sufficiently to avoid these margins.

The good news you will see on slide 15, where we see an advance in the production of slabs. And of course, this translates into a cost of slab that is 13% lower, still not equivalent to cost of merchandise sold that should happen in the 4Q. We consistently expect that stability will come from this floor that we have in the 3Q and become more positive in coming quarters.

We move on to speak about the mining segment that had a very strong quarter. Practically all of the KPIs were positive. A record in production. We not only were able to sell more, but as part of the sales, we had more of our own iron ore, and not purchased iron ore.

The price realization was quite strong because of the advance in international prices of iron ore. These are provisional prices of shipments from the previous quarter. And regarding the cost, we had this positive impact of our own iron ore that helped us in margin improvements, and this meant an enhancement because of a better production with an increase of 45% in EBITDA almost close to R$2 billion.

In the next page, all of the elements of the bridge showing a positive evolution. Adjustments in open shipments from previous quarters going through volume, price in the international market, but also that mix of our own iron ore produced, more important than purchased iron ore. The Platts with an advance in the quarter, and this is how we reach the very strong EBITDA in the 3Q, with an expectation of a very positive performance until the end of the year as all of these elements will be maintained.

We go on to comment on cement. As I mentioned, we had a nominal EBITDA, the highest in our history, but we still have a great deal to deliver. We show you growth vis-à-vis the same period last year of 4% in volumes, even with a market that is dropping towards 3%.

This shows you that the synergies have brought about a healthy gain and health market share. This quarter, we have a slight decrease because of a decrease of speed in the last month, in September, when we finally integrated all of the plans of LafargeHolcim. Of course, it's natural that in this type of transition, we had to keep a less accelerated pace in the last month of the quarter. Were it not for this, we would have had sequential growth.

In revenue, you can see an enhancement in prices, an increase of 4% in prices, and we believe that this is a trend that will remain, and the cost reduction, greater efficiency in terms of materializing synergies. And that is why we saw margins increasing 4 p.p. to the transition where we will reach higher levels. This was a good quarter that enables us to think we will have better results in 2024.

With this, we conclude the comments and I would like to give the floor to our ESG manager.

Helena Guerra:

Good morning, everybody, and thank you for allowing me to be here. I would like to share the highlights for the quarter. As you know, we have had very specific guidance in terms of our indicators, our qualitative indicators and our performance in terms of ESG.

The main highlight for the period, and this was mentioned in the CMIN call, is the completion of the stability of our dam and the conclusion of the de-characterization of civil works for the Vigia dam that will undergo a two year monitoring, and of course, we have made great stride on this.

We are also evolving in terms of our operational management. We ended, in terms of health and safety, at the lowest accident rate, 13% better than it was last year, with an expressive reduction in terms of our accident severity rate and 44% in the number of loss due to accidents involving our own employees.

We have figures that have been incorporated into all of our operations and we have an accumulated reduction of 7% in our figures vis-à-vis last year. In environmental management, you will see the expressive reduction in the use of water. We had a great deal of rainfall and we had a -19% in water consumption for the CSN Group compared to the 9M22. We were able to generate 1.2 gigawatts of our own energy.

I would like to very quickly refer to the part of diversity that continues to grow. The women's representation now reaches 15%, an increase compared to last year, and we continue to comply with our goal of 28% in 2025, and you will see the constant evolution of the Company, and in terms of MSI.

We had the first operation of a sustainable linked finance of R$500 million with Banco do Brazil for CMIN. And finally, the publication of our first Climate Action Report, a document that will include all of the details in terms of our decarbonization, and you will be able to see this at Investors Day, and it will also be published in the site.

Thank you very much.

Marcelo Cunha Ribeiro:

Thank you, Helena Guerra, for the highlights. With this, we would like to end the presentation and open the floor for questions and answers. I give the floor to Benjamin Steinbruch, the CEO, for his comments.

Benjamin Steinbruch:

Good morning, everybody. It's always very satisfying to speak to you after the presentation of the results for the 3Q. I am, very quickly, going to make some remarks on the sector.

We begin with mining, which was presented in the morning. We had a record of production, the prices aligned with the market, very good prices that we found to be somewhat surprising and they ended up being higher than we expected. Controlled costs, this was a very good quarter. And in the last quarter, the price is given of US$130 per ton. This is the market price, which will certainly enable us to have an evolution in this segment in the 4Q.

We will continue on what happened in the 3Q in terms of the improvements in the amount and the prices that have already been established. And of course, we are going to continue on with enhancements in terms of mining.

When it comes to cement, we had a growth, although the market has become ever more difficult, we believe that the market for the 4Q will continue to grow as part of what has been foreseen.

We are in mid-November already, and we do believe this will be a good quarter with a price recovery and with higher consumption of cement. As you will know, since the beginning of the year, we have been working arduously be in terms of maintenance. We have problems as you know, in the last quarter of last year in terms of our steel mill and we are working arduously on processes that are quite lengthy. We are beginning to see the initial results.

And after the work in all of the quarters of this year, I believe that we have finally returned to a situation of normalcy. With this, our production will be better as a consequence the cost should be lower and we do believe that we will have a quarter that will continue on improving on the 3Q.

Infrastructure is going beyond our forecast in terms of results, collaborating with our figures. Germany, Portugal and the United States have also had a very good performance, within what was expected, and they are also contributing to the results.

The specific case that I would like to refer to is that of imports of steel that seems to be occurring in a very disorganized way in Brazil. Most of the countries have high taxation and in some countries this taxation works. We reduced our taxation to 6%; we went back to 9%, but we are truly lagging behind vis-à-vis what happens in the rest of the world and what happens with us. And we should offer the same treatment that is being offered by other countries.

In this case, the government is clearly aware of what should be done, and our sector and other sectors of the economy have been feeling this impact and very little has been done regarding the problem. We do not need to have specific skill on the part of the government, all you have to do is copy what is being done to us and that will be sufficient.

What we cannot allow, and please forgive me, but we cannot allow Brazil to end up like this to have people producing without quality outside of technical specifications with free imports in Brazil truly compromising our security. It becomes very difficult to compete in the market without balance.

This is a warning that we are issuing not only in our segment, but for all of them because we are undergoing a period of protectionism and Brazil cannot act differently from the rest of the world in this case. I think the time has come for the government to adopt stringent measures to effectively protect employment and the growth of economy. I believe that we spoke about this in-depth of taxing more, collecting more, and nobody's speaking about spending less and spending better.

In my opinion, we should take away some of the taxes of the economy and some of these sectors need to be selected for a lack of taxation enabling these sectors to grow, to develop, and to create an appropriate plan for growth, for the growth of industry within conditions that we set forth by the government. I believe that this is necessary. It is urgent and it is lagging behind. When it comes to us at CSN, we are going to continue working on deleveraging. A priority, of course, is the safety of our dam. ESG and the investments that are already underway that will bring us better results going forward.

Thank you all for your attendance. We can now open the floor for questions. We are at your disposal.

Guilherme Rossetto, Bank of America:

Good morning, everybody. My first question to Marcelo refers to capital allocation. It usually is very expressive at CSN, but we see that CSN is inventing in very relevant things. You have increased your buyback. In which situations will the Company allocate capital, and continue to pay very good dividends?

My next question is to Martinez. If you could comment on price and distribution, and what is happening in terms of negotiations to increase the rates of steel? Will this apply to the rate for all products?

Marcelo Cunha Ribeiro:

Guilherme, thank you for the several questions. This discussion of dividends and buybacks, I do not think this has a black and white answer. We have seen our own preference that is to work with buyback to recover the price of a share. The effects are rather transitory, and what happens deep down is to pay the shareholders.

So we believe that this is a policy that can work better instead of using these buybacks that is quite discretionary and not very foreseeable. And we have mentioned this in some of our investor days. We would like to pay higher dividends to pay the investors but within a certain logic. And this is what we have done with the dividends that have just been announced of R$2.5 billion and the buyback alternative is there, but for us, we prefer to maintain consistency during the quarter.

I will give the floor to Martinez.

Luis Fernando Martinez:

Guilherme, I understood the first part of your question referring to price and distribution. The scenario that we are working with for the 4Q is of stable demand until the end of the year at stable prices. This is a scenario we are counting on in terms of parity. Nowadays, we imagine a BQ in China of US$533, US$540. We sometimes reach US$550 and in the domestic market, the variation will be R$3,900, R$4,000, I will represent 15%.

So there's no reason, therefore, to try to work on recovering prices what we have to do is sell the product. There's still a great deal of imported material in the market as

Benjamin has just remarked, this is an unfair, unloyal, and a normal situation comes with peaks of 25%. So the trend until the end of the year is to have a drop in the imports. This is the scenario that we are faced with until the end of the year.

I am sorry, I was not able to understand the second part of your question.

Guilherme Rossetto:

If you could give us more color on your negotiations to increase rates, and if these rates will apply to everybody in terms of steel.

Luis Fernando Martinez:

When we think about an increase of rate, I do not have an update on what is happening. As Benjamin mentioned, we are working in all fronts. We are specifically involved in negotiations with all of the government stakeholders, which, in one way or another, have influence in this process.

What is more important is what Benjamin mentioned, you do not need science or technology for this, simply copy what is being done abroad. We live in a decarbonized, deglobalized world, and what we need is a minimum of protection at present. The U.S. at present, we clearly perceive that they are fully protected with their antidumping, 308 rate in Europe. They worked with antidumping, and now they have safeguards implemented. So, Brazil is standing on the outskirts of the world. This situation is ridiculous, what is happening in Brazil, that the industry participates with 11% of the GDP.

What we truly expect is for the government to do its job and to increase these rates to a minimum of 25%, which is what we are claiming for, and even then, for many projects, if we take away the shipment price, we will still have difficulties from the plant inwards. Everybody is competitive.

Besides the Brazil cost that still exists, we face difficulties, as Benjamin mentioned, and in the case of CSN specifically, what we have done is heroic in truth. And forgive me for the word, with a drop of 5% in price, we are fighting against the imports with unloyal competition with products that do not comply with specifications in enormous amounts. I think the drop was small. We have been struggling strongly against this material coming into Brazil.

And CSN is directly involved. To give you an idea, Guilherme, of the imported material coming into Brazil, 63% impacts CSN. It does not impact other market players. So, those who are bearing the brunt, our CSN in terms of pre-painted material, the galvanized material, the tin plate, if you look at the drop of 5% and maintaining volume, this is quite positive considering what we are facing.

We are working like crazy. We are changing our portfolio, products, thickness, clients, and amounts to be able to exist, otherwise, the drop would be much greater. In galvanized materially, if I speak of a premium of 15% in BQ, it reaches 27% premium in the imported nationalized product.

Luckily enough, we still have a group of clients and a service portfolio that enables us to distinguish ourselves and make our package irresistible to the client. This is a more complete package and justifies what we presented in the results.

Marcelo Cunha Ribeiro:

About the NAV discount, there are two relevant actions that we are adopting to reduce this. We look at the value of the assets in CSN. The example of CMIN is very clear. It has been appreciated in a rather expressive way, with a stable value, and we have carried out some actions at CSN, and we are doing the same with our cement units to unharness this value. This is part of our plans, and we hope to do this when the capital market is stronger in 2024.

And secondly, we have to reduce our leverage. The leverage, of course, brings about concern of CSN compared to CMIN and the relative performance of their shares. A reduction of leverage will enable plus to materialize at NAV.

Guilherme Rossetto:

That was very clear. Thank you very much.

Caio Greiner, BTG Pactual:

Good afternoon. I do apologize, I had to disconnect. Only two questions here. I would like to further explore the margins in steel. If we look at what is happening, you had a drop in slabs of 13%. But in terms of tonnage, the drop was minimal, and this is reflected in the cost. I would like to understand how you view the margin of this new plants in the evolution in the coming quarters, if we will see the impact already benefiting the margins this next quarter and in 2024. If we do assume that we are in a highly binary scenario, what will happen with stable prices, and what will happen in 2024? So, if you could help us set up that equation of the margins for the steel plant for 2024.

The second question, I would like to explore your leverage guidance. Where do you foresee achieving these reductions until the end of 2024 to below 2x? When we carry out our accounts, we see the EBITDA for 2024 being very similar to that of 2023, and the same holds true to cash generation, with the same levels of EBITDA amortization for the payment of energy and the payment of minimum dividend. You would not have a great deal of cash for deleveraging. Perhaps we are working with the wrong premises or assumptions, and that is where the reduction in leverage would come. What are you thinking of other variables in terms of cash or the sale of assets? Once again, we would like to gain a better understanding of those two points. Thank you very much.

Marcelo Cunha Ribeiro:

Thank you, Caio. Very good questions. For the margins of the steel plant, they still have that internal effect. It’s not only cost and price, but also the share of our business in Germany. The share in Germany was generating two-digit margins because of the situation in Europe, the positive situation and the spreads.

And there was a normalization, a very rapid normalization between the 2Q and 3Q. The markets went back to a situation of normalcy, and seasonality in Germany is in July, August, and September. So, when we compare the 2Q and 3Q, there's a negative contribution of Germany that is significant and it's difficult to compare this with price and cost domestically.

The good news is that the volumes in Germany are growing once again. Prices are stable. Scrap, we also see a reduction. So, it's become interesting in Germany. And the situation here, which is more relevant, is one of price stability, and that range will help us in a more positive performance of production, the fixed cost. This happened at the end of the quarter, closer to September, and because of this, the cost of production is filling the inventory and this will translate into cost of merchandise sold.

Meanwhile, in the 3Q, the margin will be very positive in the 4Q, and we are going to seek that double-digit in the coming quarters. Regarding our outlook for margin, that is it.

Your question on deleveraging is very pertinent. It's a difficult thing to do. It includes uncertain premises, for example the cost of iron ore in the coming year. But you are right, there is a consensus. We are going to seek the below 2x with the risk capital of the Group. We have been very vocal about this. We have cement, we are going to seek a partner in terms of energy, and this is how we are going to make sure that our accounts are correct. We are working with a future, and this is what we believe will happen in 2024.

Caio Greiner:

Thank you, Marcelo. That was very clear. Thank you very much.

Ricardo, Safra:

Good morning. Congratulations on your results. I do not want to be too insistent on steel in Brazil, but I am trying to understand the carryover of the steel price in the last month, the price of steel in the last month, in the past and how this compares with the averages in the past. If you could give us an outlook of what happened in October and November already, which will be the evolution in the 4Q?

The second question is about the results in cement. How much of the increase in profitability is due to synergy, and which is the mix that you expect without expecting a higher growth? Your base case, I believe, is 3%.

Luis Fernando Martinez:

Ricardo, when it comes to price, as I mentioned previously, there is no carryover. We are working with a situation of price stability for the 4Q. Eventually, of course, we may have a slight variation because of the mix of products, but there will be no significant variation in terms of price.

Edvaldo Rabelo:

About cement, basically, we already have a very positive evolution in terms of the synergies. We have already remarked this in another column. We after the LafargeHolcim operation, we were able to foresee even better opportunity, and we are evolving in all the possible fronts for synergy. These synergies are incorporated in the results of the Company through time.

And we see an evolution and incorporation in the 3Q. Benjamin and Marcelo himself mentioned that cement in the last few months, in the last quarters, well, had to face a more difficult market. And we see a price recovery in the last quarter and we hope there will be a recovery in coming quarters, and we will see a more vigorous evolution of synergy.

Regarding the margins that we expect, we had margins of 30% in cement. With the incorporation of LafargeHolcim, these margins dropped immediately because Holcim was working with a 20% margin. But once again, by incorporating these synergies in the coming quarters, we will be seeing a normal recovery, an expected recovery with a potential of having margins greater than we are quoting here.

Ricardo:

Thank you very much.

Daniel Sasson, Itaú BBA:

Good afternoon to everybody. My first question is perhaps to Martinez or Marcelo. You remarked that, in terms of costs, the benefits of that reduction in the cost of slab will become more visible in the beginning of the 4Q. I would like to understand if, in the cost of production of slab that already had a good drop, there is still room for further reduction. We spoke about the price of R$4,000 per ton in steel and this expense has extremely contracted margins for the quarter.

My second question, to insist further on the previous question of cement, Edivaldo, it is clear that the capture of synergy is becoming ever more evident. There is a margin recovery, the EBITDA going to 23% margin. Going forward, do you still detect opportunities to grow through M&As in the sector? Is this still a route that you can explore, or do you believe that, as of now, the restrictions of the antitrust agencies could not make negotiations more difficult? Simply to see which is your outlook for the next steps after the capture of synergy and the growth of the business. Thank you very much.

Marcelo Cunha Ribeiro:

Thank you, Sasson, for the questions. Regarding the cost, yes, there is room for further drops. In truth, it has been reduced more. If we look at October, we see the price lower than those R$3,400, R$3,500, and there have been some movements in raw materials that might make it more difficult to have subsequent troughs. We have seen what is happening with coal, iron ore and others. But yes, this cost will continue to drop and aiding a bit our margins.

Regarding cement and the consolidation, the cement sector in Brazil continues to be fragmented compared to other large and more mature markets. And therefore, we cannot put aside the new opportunities that may come about.

At the top of the ranking, at the bottom of the ranking, we believe that all of these opportunities, of course, would be worthwhile looking at. If there will be limitations because of the law of competition, that does not refer only to cement. We know how this logic operates.

In the discussion with CADE, the antitrust agency, we had long discussions during LafargeHolcim. So, it depends on the regions where we would like to implement new opportunities for growth and inorganic growth.

Daniel Sasson:

Thank you very much, Marcelo.

Operator:

As we have no further questions, we would like to end the question-and-answer session. We will return the floor to Mr. Marcelo Cunha Ribeiro, CFO and IRO, for his closing remarks.

Marcelo Cunha Ribeiro:

I would like to thank all of you once again for your attendance, for your questions. And of course, before closing, I underscore our conviction that we are on the path to recover our results so we can have even more positive results.

I do invite you to the CSN CMIN Day that will happen in a month. You will, of course, receive a save-the-date message so that you can follow-up on this.

Once again, thank you, and have a very good day.

Operator:

The CSN conference call ends here. You can now disconnect and have a very good day. Thank you for using Chorus Call.