Votorantim Cimentos 2Q18

R$ Million	2Q18	2Q17	2Q18 vs. 2Q17
Sales Volume (mtons)	**8.3**	**7.8**	**6%**
Net Revenues	**3,282**	**2,787**	**18%**
COGS	**(2,650)**	**(2,290)**	**16%**
SG&A	**(366)**	**(345)**	**6%**
Selling Expenses	(165)	(151)	9%
General & Adm. Expenses	(201)	(194)	4%
Other Operating results	109	315	-65%
Depreciation	**263**	**233**	**13%**
Other additions and exceptions items	**(3)**	**7**	**N.A.**
Adjusted EBITDA	**636**	**707**	**-10%**
EBITDA Margin	**19%**	**25%**	**- 6.0 p,p,**

In Brazil, 2Q18 was marked by a national truck drivers' strike at the end of May, impacting the performance of the Brazilian economy and the cement sector, and negatively affecting the expected economic scenario for the year. According to SNIC (Brazilian cement association), the second quarter started with better results in April (+8.9% YoY) but was offset by the impact of the truck drivers' strike in the month of May (-20.3% YoY). In June, the market partially recovered from the strike (+13.2% YoY) and, as a result, domestic cement sales volume was stable in 2Q18 compared to 2Q17. Due to the performance of the Brazilian economy at the beginning of the year, combined with the impact of the truck driver's strike, the Brazilian Central Bank reviewed the GDP growth forecast for the year, from 2.6% to 1.6% (Jun/18). Considering the recent economic scenario, SNIC also reviewed its preview forecast for the sector in 2018, from an increase of 1 to 2% to a decrease of 1 to 1.5%.

In the US, according to the latest IMF data reported, the country's 2018 economic growth is projected at 2.9% and is expected to continue to grow over the next few years along with low unemployment rates and stable inflation. By Jun/18, housing starts and building permits decreased by 4.2% and 1.5% YoY, despite the economic growth presented in the first semester. In Canada, in 2Q18, housing starts were higher by almost 4% in 2Q18, on an YTD basis, according to Statistics Canada, with Ontario, VCNA's primary market, up by 6.3%.

In Spain, domestic cement market remains solid benefited from a favorable economic scenario with an expected 2.7% GDP growth (Spanish Central Bank) for 2018, despite recent changes in government. An increase of 5.7% in private and public investment in construction is expected for 2018, according to the Spanish central bank, which could favor the results for the construction sector. Anticipated elections in Turkey, in June, resulted in the maintenance of the current government in power and continuity of economic program. Despite Turkey's economy being affected by high inflation, the depreciation of the Turkish Lira and tighter financial conditions, only minor impacts have been reflected in the local cement market YTD. In Morocco, national cement sales volume decreased by 2.8% year-to-date, up to June versus the same period of previous year, according to the country's ministry of Housing and Urbanization, mainly affected by weather conditions in the beginning of the year and decrease in housing permits in the country. In Tunisia, economy showed signs of recovery in the beginning of the year supported by agriculture output and exports resulting in a GDP growth forecast of 2.4% in 2018, according to the IMF, despite high unemployment and inflation rates combined with tighter fiscal and monetary conditions. In India, a 7.3% GDP growth is expected for 2018, as forecasted by the IMF, a consequence of the implementation of key structural reforms which started in 1Q17, such as monetary and tax reforms. As a result, a positive outlook for the cement sector in the country is expected for the year.

Consolidated net revenues increased by 18% in 2Q18 versus the same period of the previous year, from R$2.8 billion to R$ 3.3 billion, as a consequence of growth in sales volume in all VC clusters, higher local prices in VCBR and VCEAA, along with the positive impact of the Brazilian real depreciation on consolidated results. VCBR's net revenues increased by 15% in 2Q18 when compared to same period in 2017, from R$ 1.4 billion to R$1.6 billion, mainly due to higher prices and faster sales response after the truck drivers' strike. VCNA's net revenues increased by 14% in 2Q18 versus 2Q17, reaching R$915 million. Such increase was driven by the Brazilian real depreciation effect, higher prices in US dollar and higher volume sales, mainly in Ontario, as the market starts to recover from the harsh winter in 1Q18. VCEAA's net revenues improved by 25% in 2Q18 when compared to the same period of 2017, from R$466 million to R$584 million, as a consequence of increased volumes and prices in local currency in Spain, Turkey, Morocco and India combined with higher prices in Tunisia, offsetting volume decreases in this country. VC Latam net revenues increased by 46% in 2Q18 versus 2Q17, reaching R$171 million from R$117 million, mainly driven by higher sales volume in the Uruguay domestic market combined with positive results in Bolivia due to expansion ramp-up and clinker exports

Consolidated COGS increased by 16% when compared to 2Q17, reaching R$2.7 billion in 2Q18 from R$2.3 billion in 2Q17, driven by higher volumes in all regions, higher freight costs in Brazil and higher fuel costs, due to the increase in petcoke prices, which were partially mitigated by higher AFR (Alternative Fuel and Raw Materials) usage in VCBR (+3 p.p. versus YoY, reaching 27.5% of thermal substitution rate). Consolidated SG&A totaled R$366 million, 6% higher than the same period of the previous year, as a result of the increase in selling expenses, mainly driven by higher sales expenses in Latam due to the ramp up in Bolivia while General and Administrative expenses were flat compared to same period of 2017 despite impacts from FX and inflation. The Brazilian real depreciation negatively impacted overall COGS and SG&A in the operations abroad.

Consolidated Adjusted EBITDA amounted to R$636 million in 2Q18, a decrease of 10% when compared to the 2Q17 result of R$707 million. However, on a like-for-like basis, excluding one-off impacts related to the reversion of tax provisions in VCBR that affected both periods, Adjusted EBITDA amounted to R$ 581 million in 2Q18 versus R$440million, a 32% increase YoY. In VCBR, adjusted EBITDA, on a like-for-like basis, increased by R$90 million, positively impacted by higher volumes and prices which mitigated increased fuel costs in local currency. In VCNA, 2Q18 adjusted EBITDA increased by 4%, from R$245 million to R$255 million in 2Q18 versus 2Q17, driven by higher revenue and Brazilian real depreciation. VCEAA recorded a 20% adjusted EBITDA increase in 2Q18, when compared to 2Q17, reaching R$138 million from R$ 116 million, backed by higher local results in Spain, due to increased sales in regions with higher margins in the country, and in Tunisia, due to positive impact in margins as a result of higher prices and higher clinker exports. Morocco and India also positively contributed to Adjusted EBITDA while in Turkey, higher fuel and power prices, higher inflation pressuring costs and the devaluation of the Turkish lira, offset higher revenues and negatively impacted margins. VC Latam increased by 71%, from R$26 million to R$44 million, with a 26% adjusted EBITDA margin in 2Q18, when compared to the same period of the previous year, backed by higher cement volumes in Uruguay and positive results in Bolivia due to the Yacuses ramp-up and clinker exports.

INVESTOR RELATIONS CONTACTS

ri@vcimentos.com