Votorantim Cimentos 2Q19

R$ Million	2Q19	2Q18	2Q19 vs. 2Q18
Sales Volume (mtons)	**7.4**	**8.0**	**-6.9%**
Net Revenues	**3,298**	**3,219**	**2.5%**
COGS	**(2,726)**	**(2,590)**	**5.2%**
SG&A	**(412)**	**(362)**	**14.0%**
Selling Expenses	(181)	(162)	11.8%
General & Adm. Expenses	(231)	(200)	15.9%
Other Operating results	**40**	**107**	**-62.7%**
Depreciation	**299**	**253**	**18.3%**
Other additions and exceptions items	**(8)**	**(3)**	**202.5%**
Adjusted EBITDA	**491**	**625**	**-21.4%**
EBITDA Margin	**15%**	**19%**	**- 4 p,p,**

The Brazilian economy continues its slow recovery, below than the expected on the beginning of the year, due to the social security reform approval timing, as the 1Q19 GDP presented a 0.2% decrease QoQ with negative performance from agriculture and industrial sectors. In the 2Q19, Brazilian Central Bank (BCB) has reviewed its 2019 GDP growth forecast from 2.0% to 0.82% as the economic indicators during the quarter have not presented strong recovery signals. For the cement sector, the second quarter showed positive signs as domestic volumes increased by 1.7%, on a YoY basis and 1.5% accumulated increase (YTD), according to the Brazilian Cement Association (SNIC). Despite the lower performance on the economy, SNIC has maintained its 3% volume growth forecast for the year, supported by a more positive scenario after the approval of the social security reform.

The Federal Reserve (FED) has maintained its US economy growth forecast in 2019 of 2.1% supported by a strong first quarter on the economic indicators and low unemployment rate. Nevertheless, developments on the trade discussions and slower global growth presents a risk for a slowdown in the US economy. Cement consumption forecast for a 2.5% increase in 2019 was maintained in the spring forecast, according to the Portland Cement Association (PCA) driven by positive economic environment and construction spending. The harsh winter in the 1Q19 and higher than anticipated precipitation in 2Q19 presented challenges in the US market, but the overall outlook and performance remains positive in the regions we operate.

In Spain, political uncertainty remains a key point for the economic growth going forward, as the parties' have not agreed on a new government since the general elections that occurred in April/19. Year to date indicators shows solid economic performance, driven by domestic demand. Cement consumption registered 13.7% year to date increase in May (YoY), in the latest report published by Oficemen (*Agrupación de fabricaciones de cemento de España*).

A challenging economic and political scenario in Turkey, as highlighted by recent downgrades from Moody´s and Fitch on the country´s sovereign ratings, continue to impact VC performance in the country. Cement demand dropped 41% from January to April/19 according to the Turkish Cement Manufactures Association, and in addition, high cost inflation continues to put margins under pressure.

In Morocco, GDP is expected to continue growing driven by tourism and private consumption, despite a weaker activity forecasted in the agriculture sector. For the first semester of 2019, domestic cement demand presented growth of almost 2.1% on a YoY basis, positively impacted by the weather in the beginning of the year.

In Tunisia, economic indicators since the beginning of the year have fallen short of expectation due to a decrease in the agricultural activity and industrial activity. With that, IMF has reduced its growth forecast for 2019 to

2%. In the 2Q19, a positive sign for the country was the loan tranche disbursed by the IMF under the loan program arranged in 2016.

1 Net Revenues

Net Revenues (R$ Million)	2Q19	2Q18	2Q19 vs. 2Q18
VCBR	1,664	1,605	4%
VCNA	1,049	915	15%
VCEAA	431	521	(17%)
VCLATAM & Others	154	178	(13%)
Consolidated	**3,298**	**3,219**	**2%**

Consolidated net revenues totaled R$3.3 billion in 2Q19, a 2% increase when compared to 2Q18, mainly explained by higher prices in Brazilian operations (VCBR) and positive results in the North American operations (VCNA) combined with a 9% YoY BRL depreciation, which offset the decrease in Turkish results due to the economic crisis in the country.

VCBR's net revenues increased by 4%, from R$1.6 billion in 2Q18 to R$1.7 billion in 2Q19, mainly due to improved pricing dynamic despite the social security reform timing of approval impacting economic recovery. In VCNA, net revenues reached R$ 1.0 billion, a 15% YoY increase, partially impacted by the depreciation of Brazilian real and complied with a market recovery in the US with the end of the winter. In the Europe, Africa and Asia cluster (VCEAA), net revenues decreased by 17% when compared to 2Q18, and reached R$431 million, negatively impacted mainly by the decrease in sales volume in Turkey and the depreciation of local currencies, which was partially offset by increases in domestic prices in most of the countries where Votorantim Cimentos operate. Votorantim Cimentos Latam's net revenues decreased by 13% when compared to 2Q18, from R$178 million to R$154 million, as result of a more favorable domestic market dynamic in Uruguay during the 2Q18. This impact was offset by improved results in Bolivia in the domestic market and with exports to Paraguay.

2 COGS and SG&A

Consolidated COGS increased by 5% when compared to 2Q18, reaching R$2.7 billion, as a result of higher freights, fuels and energy costs and maintenance timing in Brazil, higher variable costs in Tunisia and Turkey due to increases in fuel and power prices, along with higher raw materials in VCNA. The BRL depreciation also negatively impacted the COGS figures on the operations abroad.

Consolidated SG&A totaled R$412 million, 14% higher than 2Q2018, driven by inflation and higher selling expenses in Brazil, mainly by a positive provision reversal in 2Q18, inflation and timing impact on marketing expenses, along with the depreciation of the Brazilian real which negatively impacted overall SG&A in the operations abroad.

3 Adjusted EBITDA

Adj EBITDA (R$ Million)	2Q19	2Q18	2Q19 vs. 2Q18
VCBR	76	196	-61%
VCNA	291	255	14%
VCEAA	101	128	-21%
VCLATAM & Others	23	46	-49%
Consolidated result	**491**	**625**	**-21%**

Consolidated adjusted EBITDA reached R$491 million in 2Q19, a 21% decrease YoY, with EBITDA margin reaching 15%. The most significant impact was in VCBR, which presented an adjusted EBITDA of R$76 million when compared to R$196 million in 2Q18. Nevertheless, the results in 2Q18 was positively impacted by a R$ 54 million one-off related to the reversion of tax provisions. Excluding this impact, consolidated adjusted EBITDA would have reduced by 14% due to the increase of variable costs.

VCNA’s adjusted EBITDA reached R$291 million in 2Q19 versus R$255 million in 2Q18, a 14% increase as the region starts to rebound from weather seasonality resulting in improved results mainly in the US. EBITDA margin remained stable, compared to 2Q18, at a strong 28% level.

VCEAA’s adjusted EBITDA decreased 21% YoY, amounting to R$101 million, negatively affected by the challenging scenario in Turkey with significant decrease in sales volume and reduction on margins as the high inflation rate impact the costs of the operation. Improved results in Spain along with stable figures in Tunisia and Morocco helped to support VCEAA´s EBITDA.

VC Latam’s adjusted EBITDA decreased by 49%, from R$46 million to R$23 million in 2Q19. As mentioned above, the decrease was mainly driven by the Company’s operation in Uruguay, which faced a more favorable domestic market dynamic in the 2Q18.

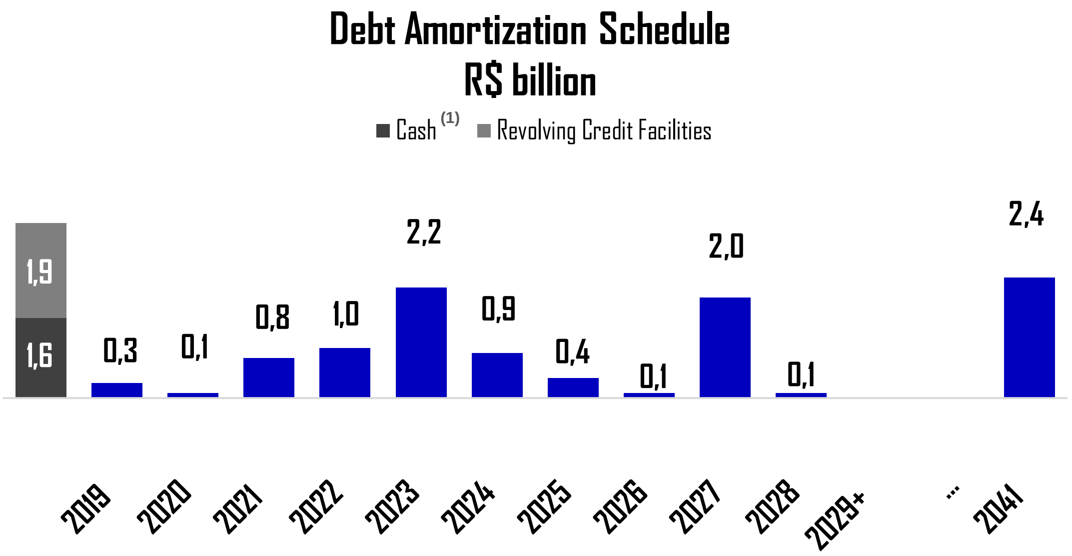
4 Liquidity and Indebtedness

At the end of the second quarter of 2019, gross debt amounted to R$10.2 billion, a R$ 0.4 billion reduction when compared to the first quarter of 2019 driven by debt prepayment and the appreciation of the Brazilian real at the end of quarter versus 1Q19.

Aligned with the company's liability management strategy, in the 2Q19, VC used the proceeds from the India divestment to prepay bilateral loans and issued a new local debt in the Bolivian capital markets to prepay more expensive local debt with shorter tenor.

Votorantim Cimentos presented a net debt/adjusted EBITDA ratio of 3.2x, a slight increase of 0.10x versus 1Q19, due to a lower adjusted EBITDA presented in this quarter, compared to 2Q18, which was partially offset by the decrease in gross debt mentioned above.

The chart below summarizes the debt amortization schedule as of June 2019 including subsequent events:



(1) Includes cash, cash equivalents and financial investments

5 Investments & Divestments

During the second quarter of 2019, Votorantim Cimentos CAPEX totaled R$244 million, 12% higher when compared to the same period of last year.

Expansion projects amounted to 8% of total CAPEX, a 70% reduction when compared to 2Q18, as the company approach the end of its international expansion plan. Nevertheless, the company increased its investments in Brazil with the completed expansions of mortar (Cuiabá) and ag. lime (Nobres) along with the announcement of the expansion in cement (Pecém).

Non-expansion projects amounted to 92% of total CAPEX, an 80% increase YoY, with the highlight being the focus on the modernization projects in all regions.

6 Subsequent Event

In replacement of the Committed Credit Facility contracted in 2015 in the amount of USD 230 million and maturity on 2020, Votorantim Cimentos, in order to improve its financial management and reinforce the liquidity position, contracted a new Facility with Sustainability Linked Loan (SLL) provisions in the amount of USD 290 million, in August 2019, with maturity in 2024. It is one of the first SLL issued in the cement industry and aligned with the Company' sustainability commitments and strategy. This line is available to the Company and can be used at any time.

On August 2019, VC concluded an agreement to purchase a mortar unit based in Ananindeua/PA. The unit supplies the metropolitan area of Belém/PA, aiming to further strengthen VCBR presence in the Center North region of Brazil and be aligned with our strategy of growth in complementary business.

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