## Votorantim Cimentos 2Q20

| R$ Million | 2Q20 | 2Q19 | 2Q20 vs. 2Q19 |
|---|---|---|---|
| **Cement Sales Volume (mtons)** | **7.5** | **7.4** | **0.3%** |
| **Net Revenues** | **3,876** | **3,298** | **18%** |
| **COGS** | **(3,131)** | **(2,737)** | **14%** |
| **SG&A** | **(406)** | **(400)** | **2%** |
| Selling Expenses | (171) | (180) | (5%) |
| General & Adm. Expenses | (235) | (219) | 7% |
| **Other Operating results** | **(260)** | **40** | **N.M.** |
| **Depreciation** | **361** | **298** | **21%** |
| **Other additions and exceptions items** | **295** | **(8)** | **N.M.** |
| **Adjusted EBITDA** | **735** | **491** | **50%** |
| **EBITDA Margin** | **19%** | **15%** | **4 p.p.** |

The economic forecasts by IMF[1] were revised in June 2020 for all countries. The Covid-19 pandemic has had a more negative impact on activity in the first half of 2020 than anticipated, and the recovery is projected to be more gradual than the previous forecast. Following the release of the April 2020, the pandemic rapidly intensified in a number of emerging market and developing economies, requiring stringent lockdowns and resulting in even larger disruptions to activity than forecasted. Globally, lockdowns were at their most intense and widespread from about mid-March through mid-May. Currently, global growth is projected to decrease 4.9% in 2020, a 1.9% below the April 2020 forecast although there remains considerable uncertainty around recovery path.

Brazilian cement sales were less challenging than expected in the first semester of 2020. Since May an increase in demand was reported throughout the country with a better market performance as social distancing has encouraged home improvements and an anticipation on maintenance expenditure during the lockdown in commercial streets and centers while the residential sector maintained its positive trend since end of 2019. The Brazilian cement association, SNIC, has reported in June a 3.7% YTD increase when compared to the same period of 2019, however they have also warned about uncertainties and a possible challenge market dynamic for cement segment during the second half of the year.

The cement market in the US and Canada saw a positive dynamic during the first semester of 2020 driven by favorable weather conditions and lower impact of Covid-19 restrictions in some of the regions where VC has presence. In VCNA, the milder winter

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provided stronger operational results with better sales volume and prices in certain markets during the semester. The Portland Cement Association (PCA) is closely monitoring the market and, as per the latest report, foresees a drop of 5-6% for “U” and “W” scenarios in the US cement consumption for 2020. Accuracy of those projections and further ones will depend on the development of the pandemic and its impacts in the local economy.

In Spain, cement consumption declined 16.5% in the first half of 2020 when compared with the 1H19, according to the country’s cement association, Oficemen (*Agrupación de fabricaciones de cemento de España*). The association predicts a 20% drop in cement consumption for 2020. This fall is attributed to the halt in construction works due to the coronavirus pandemic. In Votorantim Cimentos’ operation, the sales volume was impacted by the full lockdown in Spanish market from end of March until beginning of April, but operations have resumed since then and are gradually recovering.

In Turkey, according to the TÇMB (*Turkish Cement Manufacturers Association),* in the first four months of the year, domestic sales decreased by 2.5% compared to the previous year. In addition, the association has commented that the cement sector, which gained a good momentum in the first quarter in line with the January data, has experienced a contraction in the domestic market again due to the pandemic, therefore there is a possibility of further decrease in the coming periods. Turkey was the less impacted country by Covid-19 restrictions in VCEAA’s cluster during 2Q20. Nevertheless, it is expected to continue to face a challenging scenario due to ongoing economic pressure added to Covid-19 effects.

In Morocco, according to L'Association Professionnelle des Cimentiers (APC) in the first half of 2020 domestic sales fell 18.5% YoY. During this period, the Moroccan market hadn’t suffered a full lockdown measure by coronavirus pandemic, however social detachment and restrictive measures combined with Ramadan period have impacted construction works, cement market and, in consequence, the sales volume of Votorantim Cimentos’ operations.

In Tunisia, the coronavirus pandemic effects completely stopped Tunisian cement market from the end of March up to end of April, due to local government’s imposition of a full lockdown measure. Votorantim Cimentos’ operations have resumed and activities are gradually recovering.

In Bolivia, a countrywide lockdown was imposed due to Covid-19 from the end of March up to mid-May, which affected the cement market. The Bolivian statistics agency, INE, reported that cement consumption has declined 34.2% YoY in the first four

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months of the year as a result of the quarantine. Accordingly, 2Q20 sales volume were impacted.

In Uruguay, the authorities have introduced a number of measures to limit the spread of the virus, despite not having imposed a lockdown. The country has so far been able to stave off widespread contagion from Covid-19 compared to other countries in the region. As a consequence, Votorantim Cimentos' operations performed well during the 2Q20, also supported by competitor's operational problems.

Despite the pandemic, cement and construction sectors have continued to operate with limited restrictions in most countries that Votorantim Cimentos operates. However, cement demand has been impacted in distinct ways and intensity in each region, and the outlook for all regions is very uncertain and challenging.

## 1 Net Revenues

| Net Revenues (R$ Million) | 2Q20 | 2Q19 | 2Q20 vs. 2Q19 |
|---|---|---|---|
| VCBR | 1,819 | 1,664 | 9% |
| VCNA | 1,473 | 1,049 | 40% |
| VCEAA | 440 | 431 | 2% |
| VCLATAM & Others | 145 | 154 | (6%) |
| **Consolidated** | **3,876** | **3,298** | **18%** |

Consolidated net revenues totaled R$3.9 billion in 2Q20, 18% increase when compared to the same period of 2019, mainly explained by better volumes and prices in VCBR and the positive impact of the BRL depreciation in VCNA, which mitigated challenging scenario in VCEAA and VCLatam & Others.

VCBR's net revenues increased by 9%, from R$1.6 billion in 2Q19 to R$1.8 billion in 2Q20, mainly due to better cement volumes and prices in all local regions.

In VCNA, net revenues reached R$1.5 billion, 40% increase YoY, mainly explained by BRL devaluation compared to the same period of 2019 and stable demand during the quarter, less challenging scenario than expected up to 2Q20.

In the Europe, Asia and Africa cluster (VCEAA), net revenues increased by 2% in 2Q20 when compared to 2Q19, and reached R$440 million due to the decrease in sales volume in all countries mainly due to Covid-19 scenario partially mitigated by the BRL depreciation.

VCLatam & Other's net revenues decreased by 6% when compared to 2Q19, from R$154 million to R$145 million, as result of lower volumes in Bolivia mainly due to

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full or dynamic lockdown since end of March/20. This impact was partially mitigated by better volumes and prices in Uruguay.

## 2 COGS and SG&A

Consolidated COGS increased by 14% when compared to 2Q19, reaching R$3.1 billion, mostly as a result of FX impact in foreign operations and better volumes in VCBR. This increase was partially mitigated by cost savings from contingency plan execution on track, low variable costs, such as fuels and materials, and also by volumes decreases in VCEAA and Bolivia during the second quarter of 2020.

Consolidated SG&A totaled R$406 million in 2Q20, 2% higher than the same period of last year, mainly driven by the BRL devaluation over the period and increased spending to adapt operation for new legislation and best practices to operate under Covid-19 pandemic, partially offset by the cost-cutting initiatives as part of contingency plan.

## 3 Adjusted EBITDA

| Adj EBITDA (R$ Million) | 2Q20 | 2Q19 | 2Q20 vs. 2Q19 |
|---|---|---|---|
| VCBR | 254 | 76 | 233% |
| VCNA | 387 | 291 | 33% |
| VCEAA | 67 | 101 | (33%) |
| VCLATAM & Others | 27 | 23 | 16% |
| **Consolidated result** | **735** | **491** | **50%** |

Consolidated adjusted EBITDA reached R$735 million in 2Q20, a 50% increase when compared to the same period of 2019. EBITDA margin reached 19%, a 4 p.p. increase.

In 2Q20, VCBR presented an adjusted EBITDA of R$254 million, a 233% increase explained by cost savings as result of contingency plan on track regarding the Covid-19 pandemic, better volumes and prices and improved performance on adjacent products.

VCNA's adjusted EBITDA reached R$387 million in 2Q20 versus R$291 million in 2Q19, a 33% increase due to FX, focus on cost control and stable volumes.

VCEAA's adjusted EBITDA decreased 33% YoY, amounting to R$67 million, negatively affected by the challenging scenario in all countries due to Covid-19, which

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led to lower volumes and margins. The result was partially offset by cost savings measures in the regions and the depreciation of the Brazilian real.

VCLatam & Others's adjusted EBITDA increased by 16%, from R$23 million to R$27 million, in 2Q20 as positive market dynamic in Uruguay was offset by challenging macroeconomic scenario and full lockdown in Bolivia due to the Covid-19 pandemic.

## 4 Liquidity and Indebtedness

At the end of the second quarter of 2020, gross debt amounted to R$15.3 billion[2], 41% higher when compared to the end of 2019 mainly driven by the foreign exchange variation.

In 2Q20, aligned with the company's liability management strategy, Votorantim Cimentos partially withdrew USD 200 million from revolving credit facility of USD 500 million. The funds were used to redeem Votorantim Cimentos International S.A.'s Euro Bonds maturing in 2021. Since the beginning of 2020, liability management plan executed aimed a reduction 2021 and 2023 concentration.

In the second quarter of 2020 the Company has maintained a strong liquidity with 50% of cash position in hard currency which mitigates BRL depreciation and enables the Company to comply with its financial obligations for the next 3.7 years. Aligned with our financial discipline and uncertainties with Covid-19 impacts, the Company´s strategy is to maintain a conservative liquidity position in the meantime and monitor the situation.

In 2Q20 the Company presented a net debt/adjusted EBITDA ratio of 4.20x, a decrease of 0.56x comparing to 1Q20, a positive evolution of ratio owing to strong EBITDA results and free cash flow generation which partially mitigate BRL depreciation.

The chart below summarizes the debt amortization schedule[3] as of June 30, 2020:

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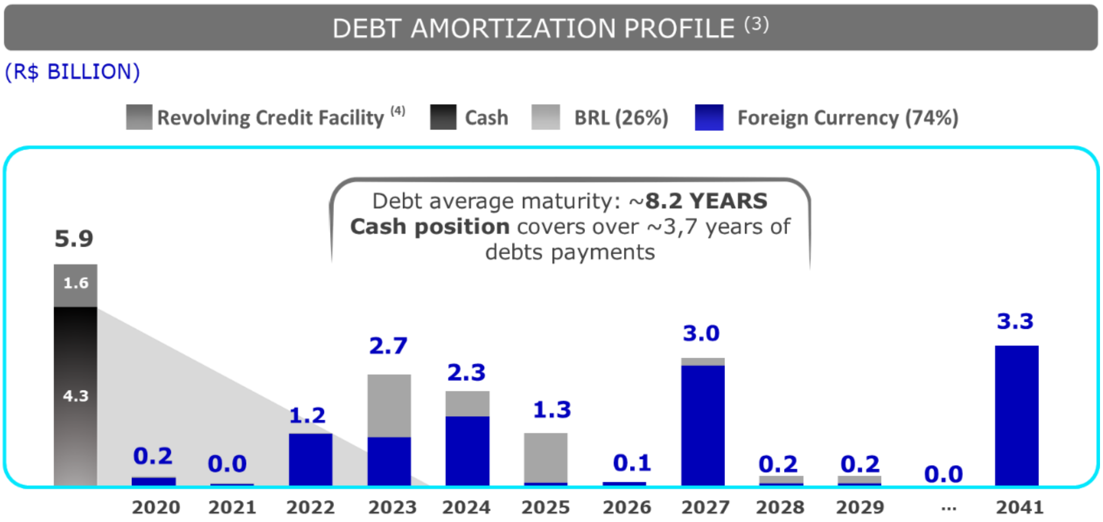


## Investments & Divestments

During the second quarter of 2020, Votorantim Cimentos CAPEX totaled R$189 million, 22% lower when compared to the same period of last year, mainly as a result of contingency plan execution and CAPEX postponement as previously disclosed, however the expenditure savings were partially offset by BRL depreciation.

Expansion projects amounted to 7% of total CAPEX and non-expansion projects amounted to 93% of this total.

## INVESTOR RELATIONS CONTACTS

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