Votorantim

# CORPORATE PRESENTATION
# 2Q13 RESULTS

August 2013

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# Agenda

1 Highlights

2 Operational Performance

3 Closing Remarks

# 2Q13 Businesses Highlights

## Cement

- ✓ Market share increase in on the back of cement plants expansions and startups
- ✓ Consolidation of VCEAA positively contributed to net revenues and EBITDA,
- ✓ Sales volume record high across all products (cement, ready-mix concrete, aggregates and mortar)

## Metals

- ✓ Improved performance in spite of still pressured LME prices
- ✓ Higher sales in the Brazilian market driving margins upwards
- ✓ Sales volume increased for all metals

## Long Steel

- ✓ Improved industry fundamentals in Brazil creates room for price increase
- ✓ Sitrel (lamination plant) start up
- ✓ VSBR market share increased to 11.3% from 10.9%

## Mining Peru
(Milpo)

- ✓ Higher EBITDA in 2Q13 due to the increased production and sales volume
- ✓ Lower CAPEX, as a result of the conclusion of Cerro Lindo 15k and El Porvenir 5.6k projects

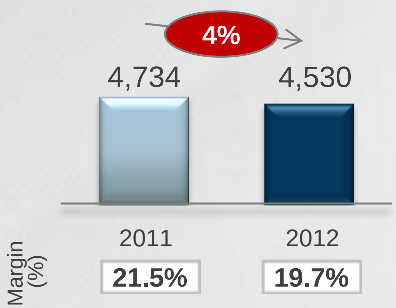
# Improved performance arising from a robust portfolio, despite challenging Brazilian and global scenario

(R$ million)

YEAR

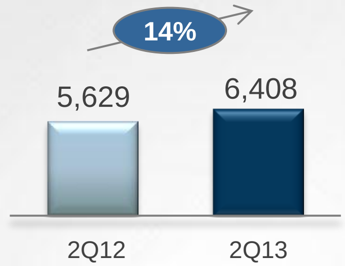
## Net Revenues


## EBITDA

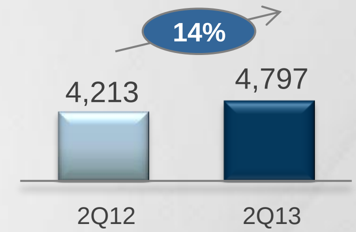



QUARTER

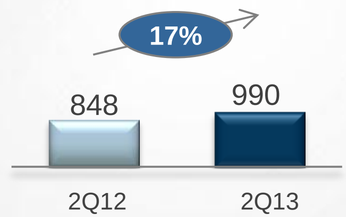
## Net Revenues



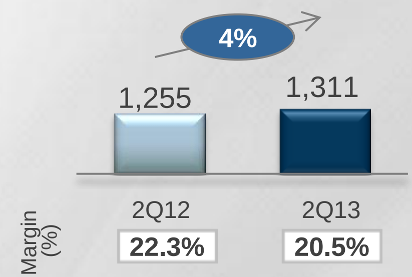

## COGS




## SG&A Expenses




## EBITDA

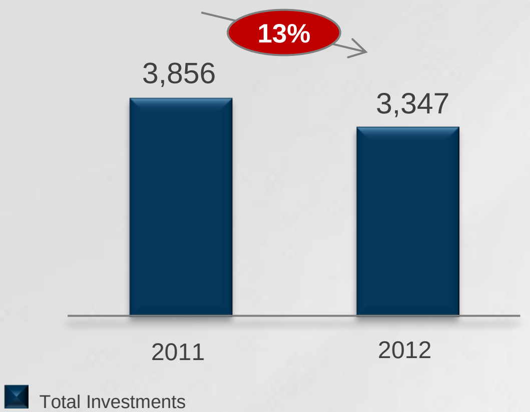


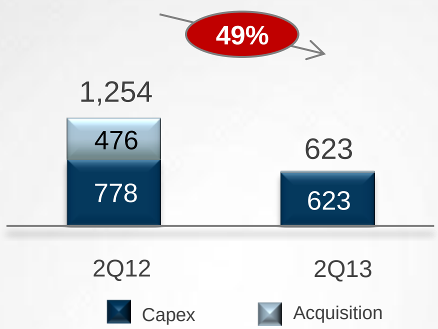

## 2Q13 vs. 2Q12 Highlights

- Robust performance in 2Q13, with all business segments improving revenues, despite the challenging scenario regarding metals prices and Brazilian economy.
- Cement segment accounted for 48% of net revenues, Metals 31%, Milpo 6% and Long Steel 15%
- COGS and SG&A increase mainly driven by the consolidation of VCEAA as well as higher sales volume across all segments
- EBITDA rose by 4% positively impacted by Milpo´s strong performance coupled with Metals segment recovery

# Diligent investment decisions balancing growth opportunities, cash generation and financial leverage

## Total Investments (R$ million)



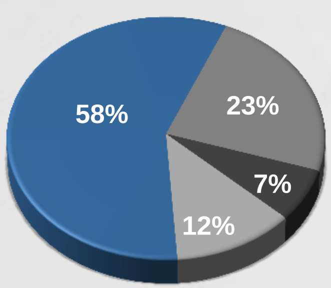




## 2Q13 x 2Q12 Highlights

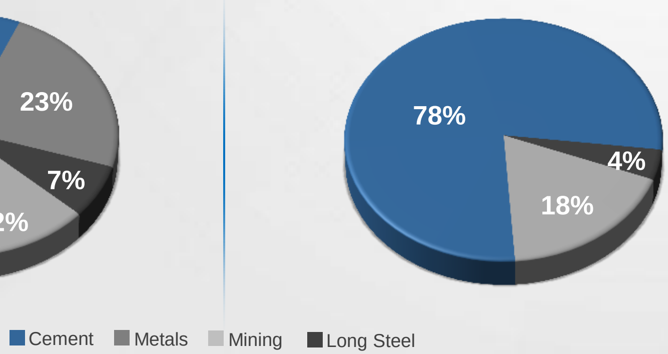
- Total investments in 2Q13 decreased by 49% to R$623 million
- 45% related to expansion projects
- Selective expansion strategy along with diligent non-expansion Capex aligns current market conditions and proactive actions towards investments

## 2Q13 Breakdown

### Total Capex



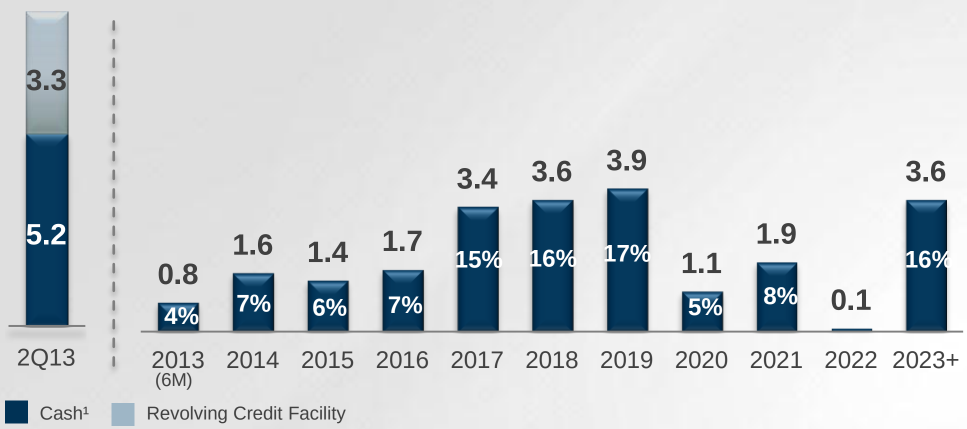

### Expansion Projects



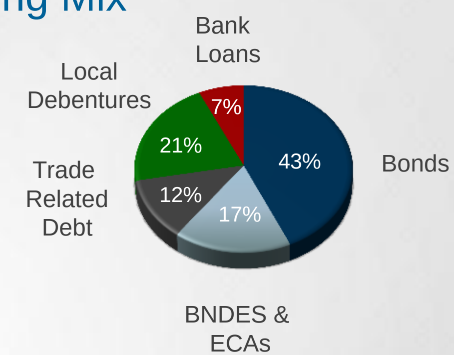

- Main expansion projects:
  - ✓ Conclusion of Rio Branco's production capacity expansion (+2Mt/year)
  - ✓ Construction/expansion of four cement plants/grinding mills in Brazil (+4.6Mt/year by 2014)
  - ✓ Milpo's project development studies at Magistral, Hilarión and Pukaqaqa

# Strong liquidity, smooth amortization schedule and extended tenors

## Debt Amortization schedule (R$ bn)
as of 06/30/13




## Funding Mix




## Average Debt Maturity


## Net Debt to EBITDA ratio


| (R$ bn) | 2012 | 2Q13 |
|---|---|---|
| Total Debt | 22.3 | 23.2 |
| Net Debt | 16.2 | 17.9 |
| LTM EBITDA | 4.5 | 4.8 |

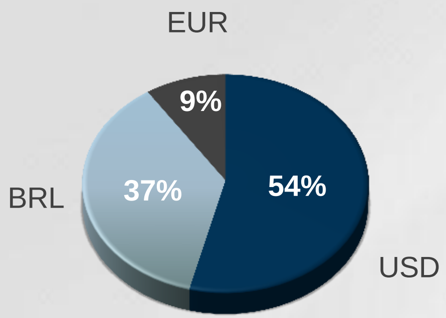
## Highlights

- Cash balance covers debt amortization for the 2013-2016 period
- Smooth amortization schedule along with strong liquidity benefits liability management execution
- BRL depreciation increased ND/EBITDA ratio by 0.25x as compared to December/12
- Commitment to the Investment Grade driving management decisions to reduce leverage

(1) Cash, cash equivalent and financial investments

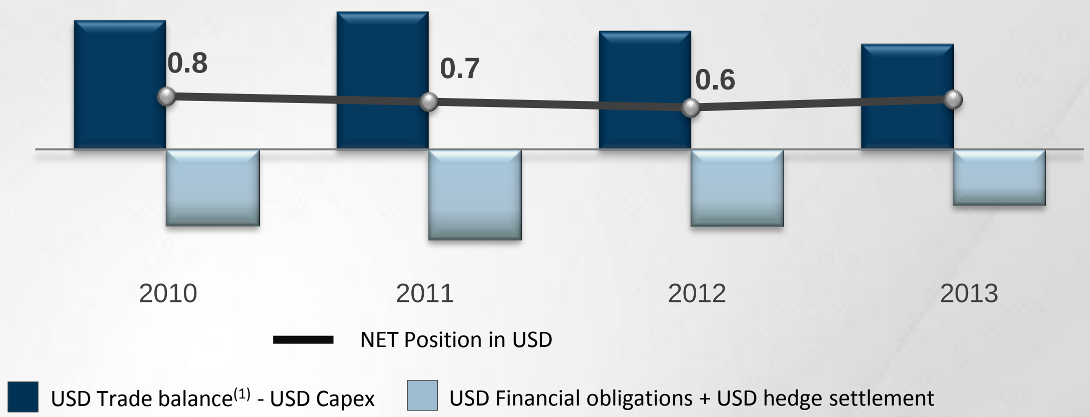
# BRL depreciation benefits cash generation, despite non cash charge in the short term

## Debt breakdown by currency




Jun/13

## Cash Flow in USD (US$ bn)




- Cash flow structurally long in USD benefits from BRL depreciation in medium/long term. A 20% BRL devaluation in a 12 months period increases EBITDA margin, on average, by 1p.p.
- Liability Management focused on reduction of USD linked debt and extension of tenors
  - Amortization of USD1.1 billion of which USD963 million refer to early payments during the last 12M
- Proceeds
  - 6y debentures amounting to R$1.2 billion
  - Cash balance reduction
  - 10y Bond issuance (USD350 million) and bilateral loans (USD80 million) in Milpo, which has its cash flow substantially denominated in USD
- Increase of offshore cash balance as natural hedge to USD short term obligations

(1) Exports + local revenues linked to USD - imports

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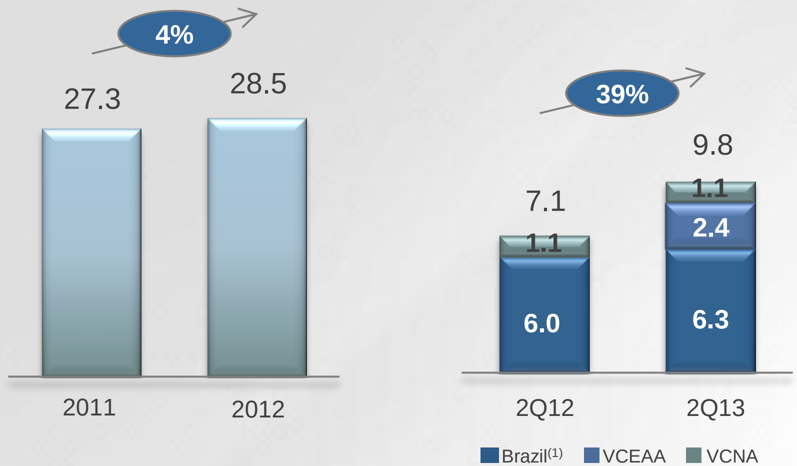
# Cement – Market Highlights

## Sales Volume (Mt)




## Price Evolution


- VCBR market share rose 1.1 p.p. to 36.2% and sales volume increased by 7%, to 6.4Mt in the 2Q13
- Production capacity in Brazil increased by 20.1% to 31.8Mt/year in 2Q13 due to plants expansions and start ups
- Building materials industry maintains solid drivers in Brazil:
  - ✓ 31.7% increase in housing credit in the first half of 2013 from 1H12
  - ✓ Disposable income growth of 4.9% in the LTM period ended in March, 2013
- VCNA sales volume decreased by 0.6% as compared to 11.8% decline in the total cement industry(2) in the Great Lakes region due to unfavorable weather conditions
- VCEAA's sales volume increase driven by Tunisia (15%) and Morroco (6%)

(1) Brazil figures include Latin American operations (2) Source: U.S. Geological Survey

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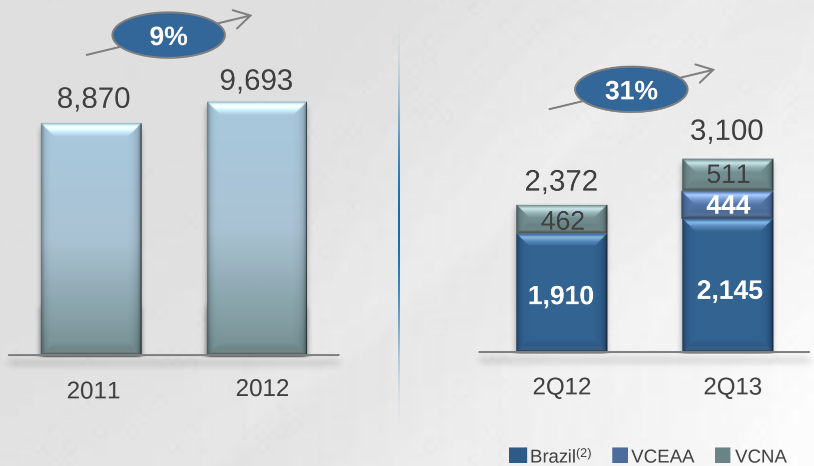
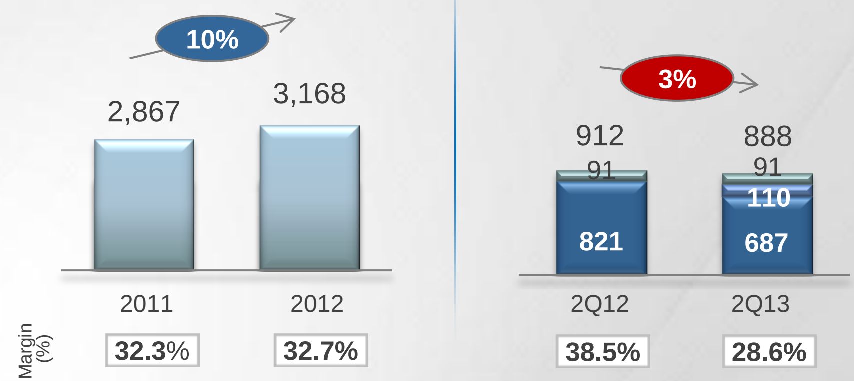
# Cement  65% of VID´s EBITDA

## Revenues (R$ million)




## Adjusted EBITDA[1] (R$ million)



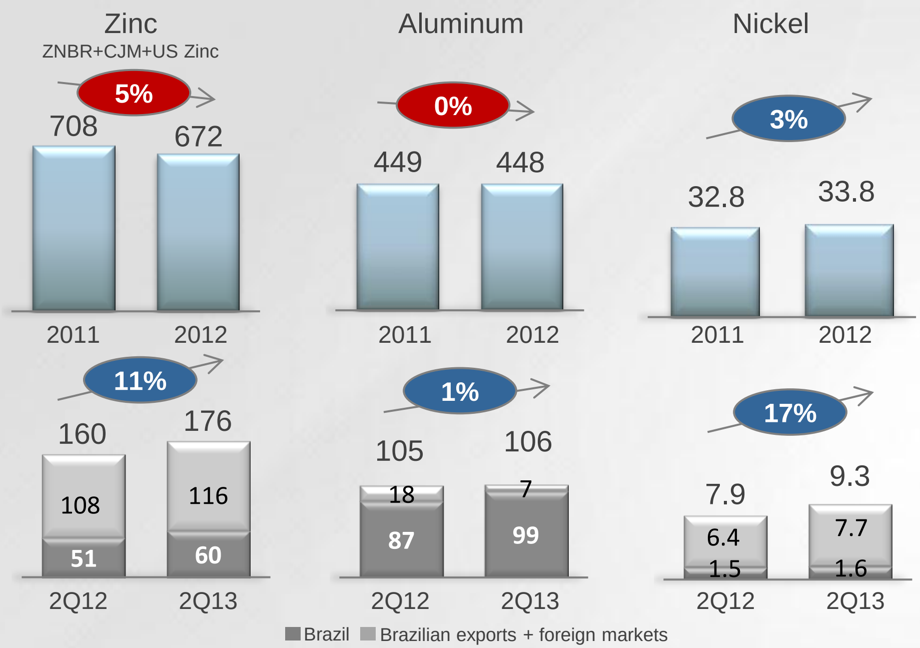

## 2Q13 vs. 2Q12 Highlights

- VCBR revenues increase as a result of higher sales volumes (7%) and prices (1%).
- Market recovery in North America supportive of VCNA's higher revenues
- Consolidation of VCEAA improved revenues and EBITDA by R$444 million and R$110 million, respectively. VCEAA's focus on synergies and turnaround has already increased EBITDA margin to 24.8% in 2Q13 from 20.8% in 2Q12
- Consolidated margin decrease due to the consolidation of VCEAA, ramp up of new plants and expansions, temporary impact from scheduled technical maintenance at 3 plants as well as increased freight expenses, impacting COGS and SG&A
- Brazil accounted for 77% of total EBITDA, VCEAA 13% and VCNA 10%

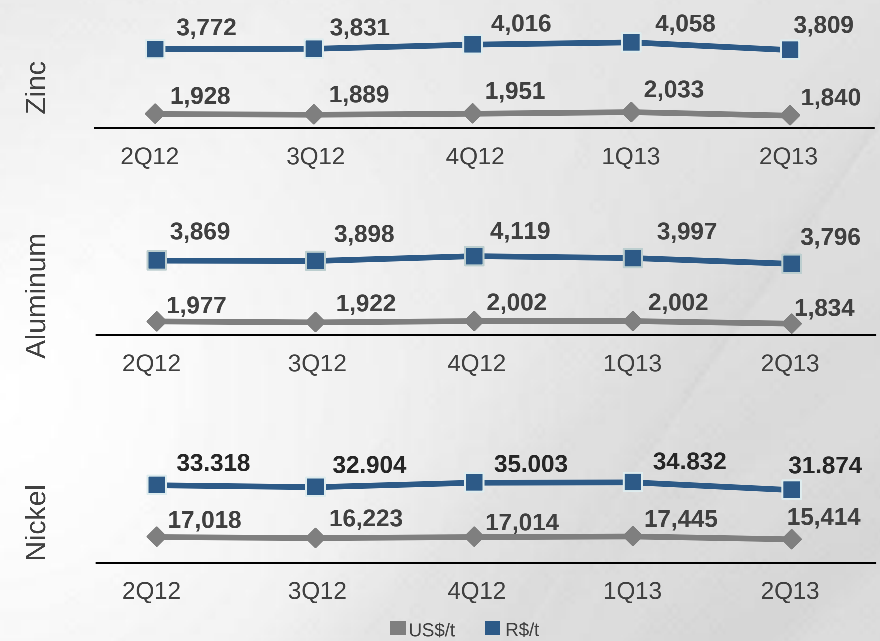
(1) Adjusted by non-recurring and non-cash items (2) Brazil figures include Latin American operations

# Metals – Market Highlights

## Sales Volume (kt)




## Price Evolution

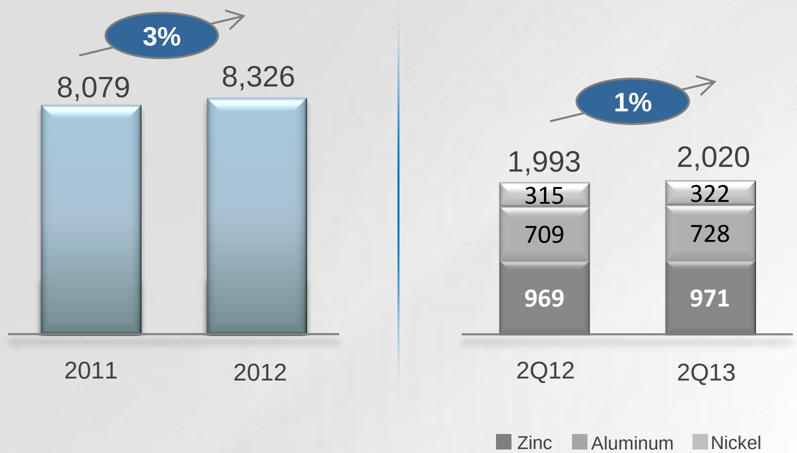



- Sales volume in Brazil, which demands higher value added products, improved in all metals
- In May, ZNBR's sales volume reached its record high since 2006. Market share in Brazil achieved 91% in 2Q13(1)
- In Brazil, transportation and construction industries drove higher demand for aluminum products. CBA's sales volumes in Brazil increased by 13% in 2Q13, while the total Brazilian aluminum market grew by 3%
- CBA is best positioned to further increase sales in the Brazilian market following announced smelting capacity cuts of 124,000 tons

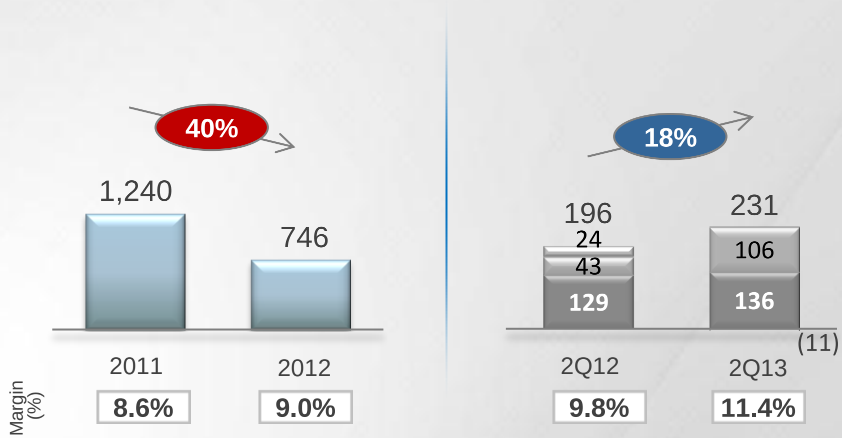
(1) Source: Aliceweb, MDIC/Secex

# Metals 17% of VID´s EBITDA

## Revenues (R$ million)




## Adjusted EBITDA[1] (R$ million)



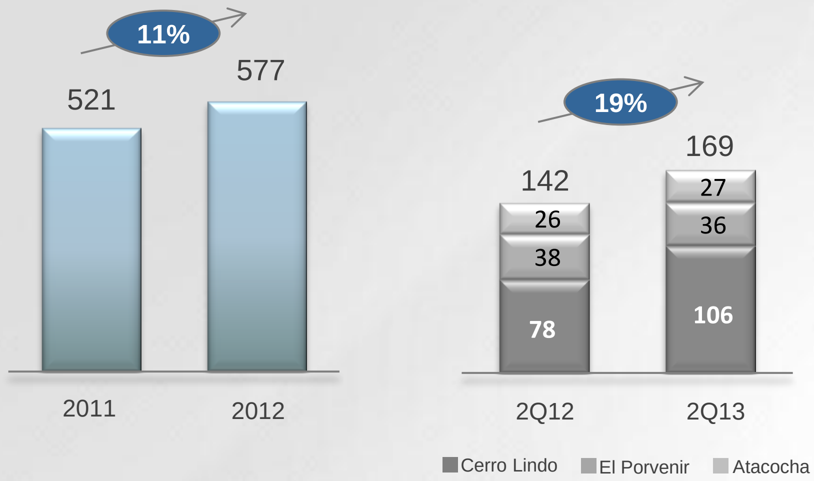

## 2Q13 vs. 2Q12 Highlights

- Revenues and EBITDA increase mainly driven by higher sales volume in the Brazilian market
- Zinc's EBITDA went up by 6% due to sales volume and BRL prices increase of 11% and 1%, respectively
- Higher sales in the Brazilian market improved aluminum revenues by 3%. EBITDA benefited from 35% lower energy cost per MWh and 9% decrease in SG&A, as a result of lower freight expenses
- Nickel's EBITDA was negatively impacted mainly by the lower LME prices
- Sale of energy arising from surplus produced by the Company's hydroelectric power plants

(1) Adjusted by non-recurring and non-cash items

# Mining Peru (Milpo) – Market Highlights

## Concentrate Production Volume (kt)



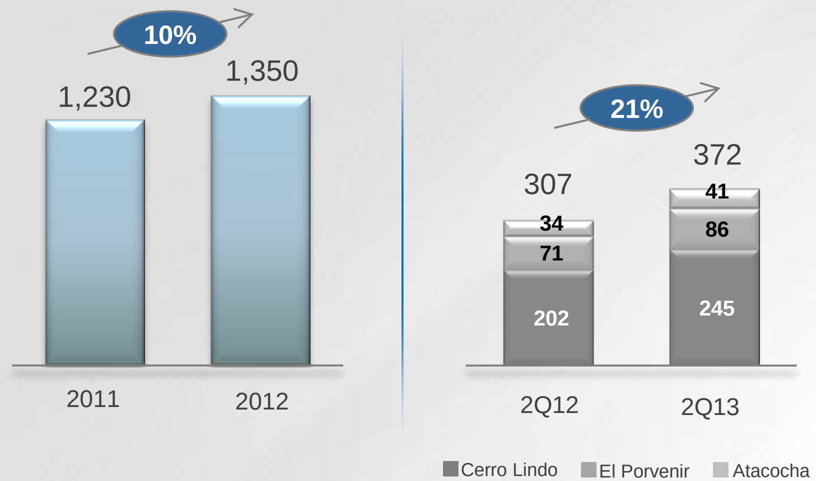

## Price Evolution (US$/ton)


- Treated ore in Cerro Lindo increased by 47% from 0.9 million tons to 1.3 million tons in 2Q13. Production of the three concentrates (zinc, copper and lead) were 36% above 2Q12
- Conclusion of the 5.6k tpd project in El Porvenir increased treated ore by 5%, reaching 480 thousand tons in 2Q13. Lead concentrate production rose 113%
- Treated ore in Atacocha remained stable. The three concentrates production was slightly higher in the 2Q13, due to greater ore grades

# Mining Peru (Milpo)

# 10% of VID´s EBITDA

## Revenues (R$ million)




## Adjusted EBITDA[1] (R$ million)

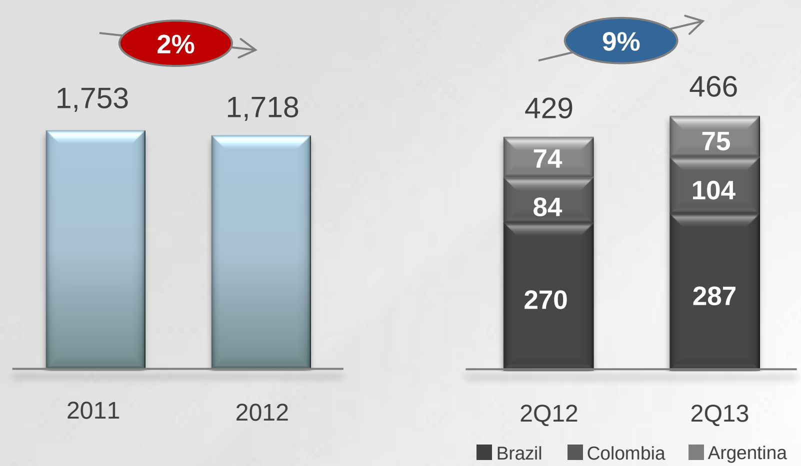

## 2Q13 vs. 2Q12 Highlights

- Revenues increased by 21% to R$372 million in 2Q13 due to higher mineral production
- Higher production levels at Cerro Lindo and El Porvenir mining units led to 47% increase in EBITDA to R$131 million in 2Q13
- EBITDA margin improved to 35.2% as a result of Milpo’s focus on more profitable mining units and the closure of Ivan and Chapi
- Continuous efforts to optimize investments, operating costs and administrative expenses, suited to current market conditions

(1) Adjusted by non-recurring and non-cash items

# Long Steel – Market Highlights

## Sales Volume (kt)



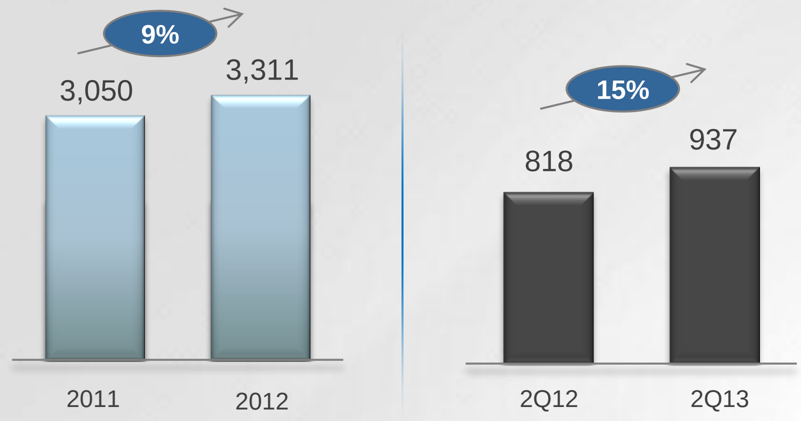

## Price Evolution


- VSBR market share increased to 11.3% in 2Q13 from 10.9% in 2Q12(1), as sales volume in the quarter rose 6.4% as compared to a decrease of 0.2% in the total Brazilian market.
- Sitrel ramp-up increased VSBR capacity utilization in 2Q13. Positive trend for sales volume in 2H13
- Better momentum for the long steel industry in Brazil, where prices moved up by 8% in 2Q13. Expected market rebound creates room for further price increase and margin recovery
- Solid results in Argentina. Prices in ARS increased by 20% while capacity utilization remained at 95%
- Sales volume recovery in Colombia despite fierce competition from imports. Government has started a safeguarding investigation into long steel imports(2)

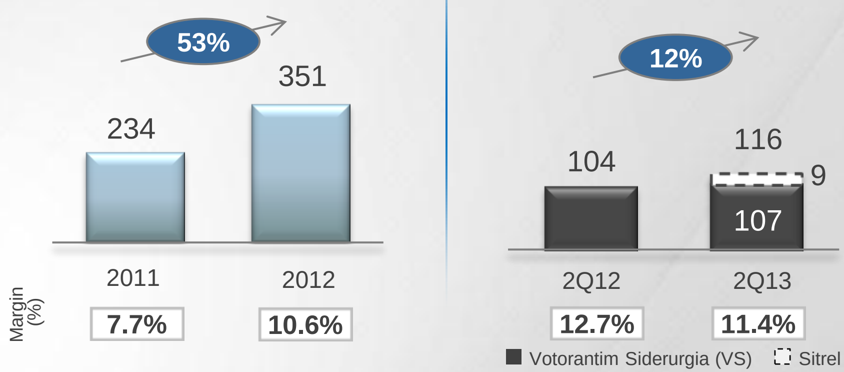
Source: (1) *Instituto Aço Brasil* and team analysis; (2) Steel First

# Long Steel 8% of VID´s EBITDA

## Revenues (R$ million)




## Adjusted EBITDA[1] (R$ million)




## 2Q13 vs. 2Q12 Highlights

- Revenues increased by 15% on the back of higher sales volume in Brazil and Colombia as well as higher prices in Brazil and Argentina
- Scrap and pig iron costs per ton in Brazil decreased by 6%. Higher sales volume increased COGS in Brazil and Colombia. Selling expenses increased in Brazil and Argentina mainly due to higher freight expenses
- Sitrel positively contributed for VSBR’s capacity utilization increase. Its operations, although still in ramp up, already achieved 23% of EBITDA margin in the quarter
- Including our participation in Sitrel, EBITDA amounted to R$116 million, a 12% increase in comparison to 2Q12
- Brazil accounted for 58% of VS’s EBITDA, Argentina 34% and Colombia 8%

(1) Adjusted by non-recurring and non-cash items. Sitrel’s EBITDA represents VID’s 50% participation in the company and, in conformity to IFRS 11, is not consolidated in VID’s financials

# Pulp – Market Highlights

## Sales Volume (kt)


## Price Evolution

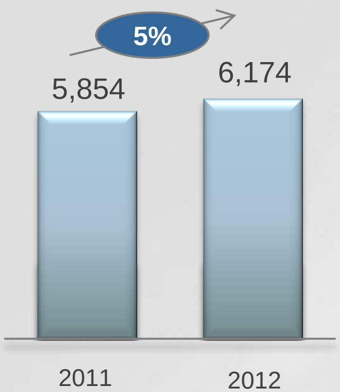

- Shipments of eucalyptus pulp 5M12 vs. 5M13: +3%[(1)]
  - China: 9%
  - North America: 15%
- Capacity closures reflected on the demand increase for eucalyptus pulp
- Inventory levels within the historical average (39 days in May)[(1)]

Source: (1) PPPC World 20 – May/2013

# Pulp (29.42% participation)

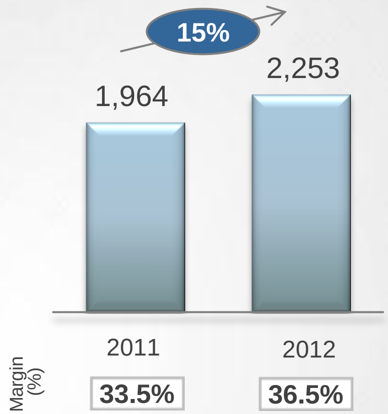
## Fibria is no longer consolidated in VID's financial results(1)

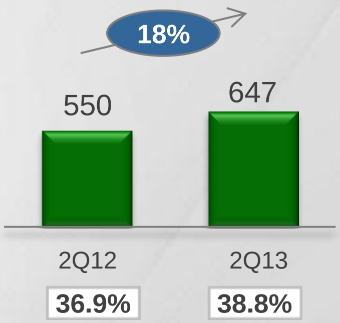
### Revenues(2) (R$ million)





### Adjusted EBITDA(2) (R$ million)




## 2Q13 vs. 2Q12 Highlights

- Net revenues totaled R$1,651 million in 2Q13, up 12% due to higher pulp price in reais
- EBITDA was up 18% and totaled R$647 million in 2Q13. EBITDA margin was 39%, expanding 2 p.p.
- 17% reduction in gross debt in USD in the last twelve months
- Reduction of net debt to EBITDA ratio in USD to 3.0x (Jun/12: 4.2x)

(1) In conformity with IFRS11
(2) Fibria's figures @ 100%. Ebitda adjusted by non-recurring and non-cash items

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# Closing Remarks

- Solid fundamentals for all business in VID’s portfolio
  - Drivers for building materials industry supportive of cement growth in Brazil
  - Positive outlook for metals and greater demand in the Brazilian market coupled with management actions backing Metal’s recovery in 2H13
  - Higher production levels enhancing Milpo’s performance
  - Expected market rebound in Long Steel creates room for price increase and margin recovery
- BRL depreciation is positive for VID’s cash generation
- Disciplined CAPEX in response to current scenario
- Strong liquidity position as well as long term debt profile minimize effects of market volatility