



**Corporate  
Presentation**  
2017 Results

**VOTORANTIM**

**100**  
YEARS

# João Miranda

CEO Votorantim S.A.



## Votorantim Siderurgia

Business combination with  
ArcelorMittal

## JV - Votorantim Energia

Ventos do Piauí Project concluded  
JV with CPPIB focused on renewable  
energy generation

## Fibra + Suzano

Business combination

## Nexa IPO

Largest IPO of the Americas' metals  
and mining industry in the last decade

## Liability management

Deleveraging process accelerated

## Brazil

Deepening of the political crisis impacting the economy

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Approval of the labor reform and the spending cap

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Drop of interest rate and inflation

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Recovery of industrial activity

## World

North American politics

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Geopolitical concerns

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Gradual recovery of the world economy

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Metal prices in the London Metal Exchange (LME)

# 2017 Consolidated Results

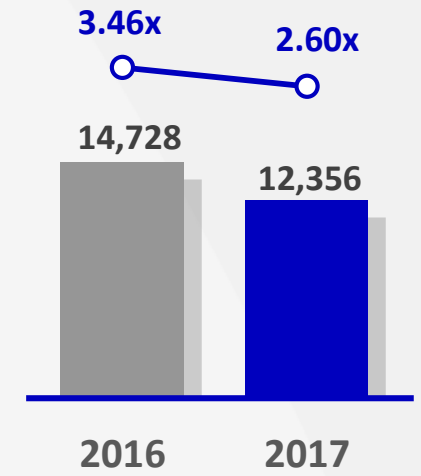
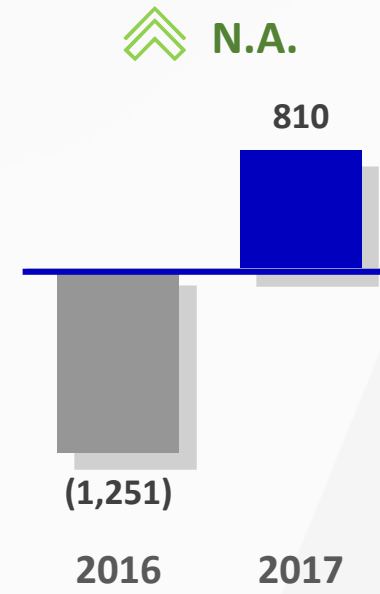
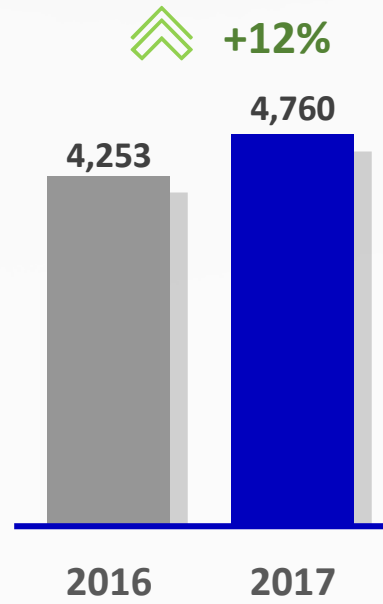
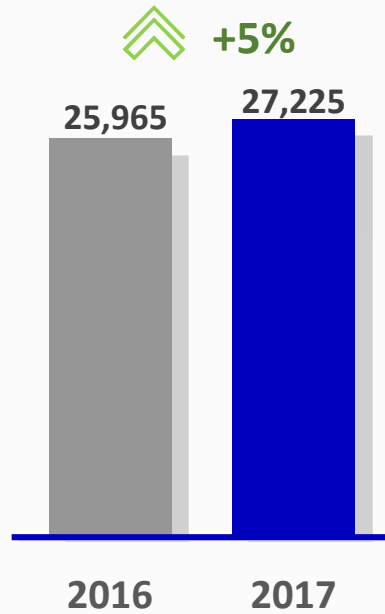
(R\$ million)

Net Revenue

Adjusted EBITDA

Net Income

Net Debt  
Net debt/Adj. EBITDA



Margin

% 16 | % 17

# Raul Cadena

CFO Votorantim Energia

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# Strategic position and business segment

## Power Generation



- Focus on renewable energy
- JV VE-CPPIB implementation

**564MW**

Piauí I +  
Araripe III acquisition

## Energy trading



- Market flexibility for growth in the generation operations

**2.1GWm**

One of the largest  
energy traders in Brazil

## Services



- Expertise in construction, operation and maintenance of generation assets

**39 assets**

32 HPPs (2.0GW<sup>(1)</sup>) +  
7 WPPs (0.2GW<sup>(1)</sup>)

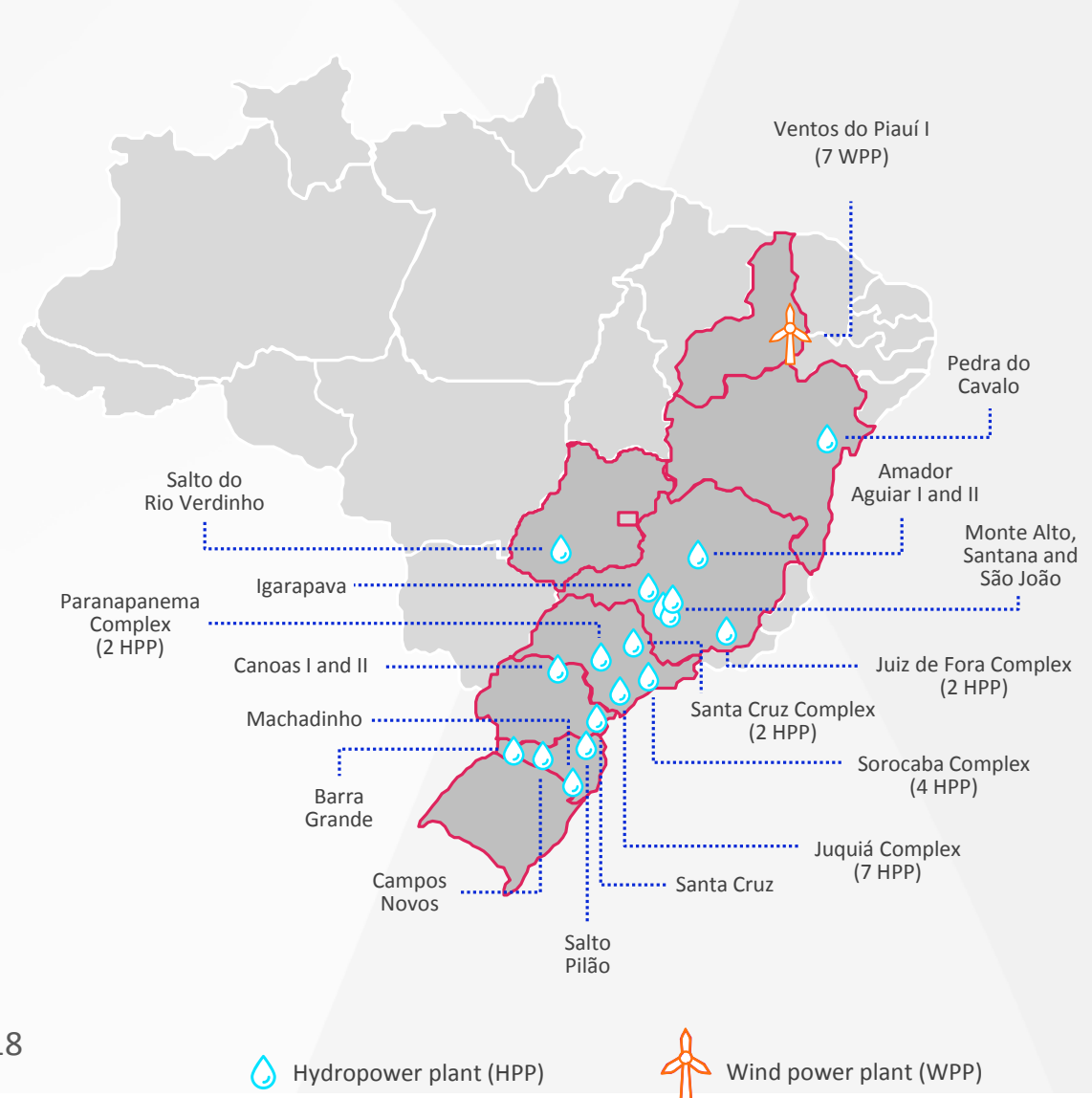
## Stake in assets



- Cash flow stability

**332MW<sup>(2)</sup>**

259MW<sup>(2)</sup> in 2017 +  
73MW<sup>(2)</sup> expected in 2018

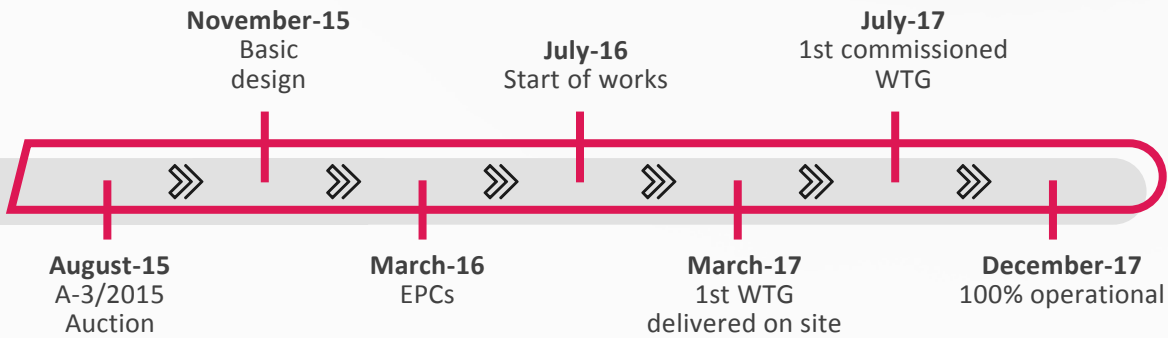


(1) Installed capacity of assets under management of Votorantim Energia.

(2) Installed capacity proportional to stake in each asset, equal to 2/3 of Votorantim's total stake in Campos Novos (45%) and Barra Grande (15%).

## Schedule

Only 1 year of construction



### Wind Turbines

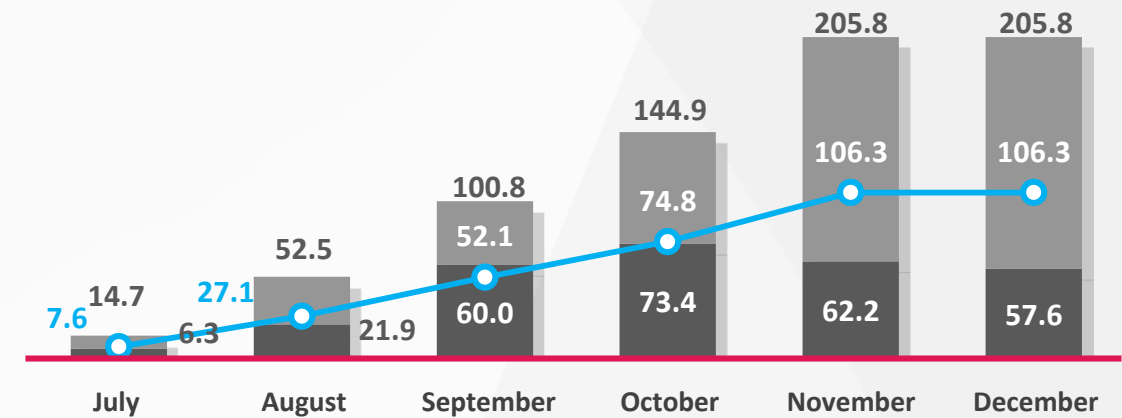


### Step-up substation

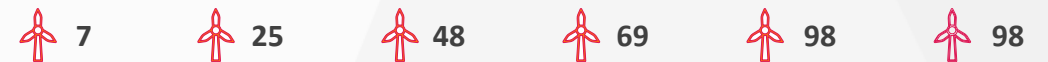


## 2H17 Performance

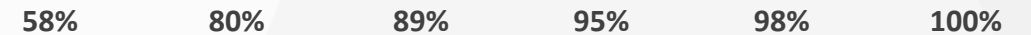
Monthly generation [MWavg] Installed capacity [MW] Assured energy<sup>(1)</sup> [MWavg]



### Wind turbines in operation



### Project progress

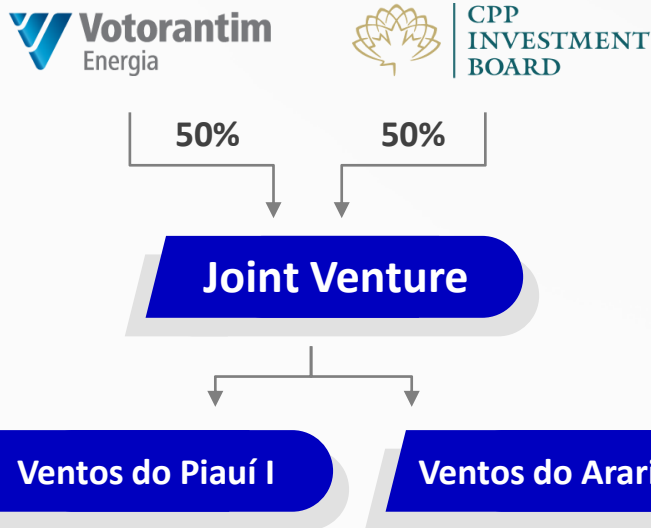


(1) Assured energy proportional to the number of wind turbines in operation



# Joint Venture between VE and CPPIB

## JV structure



Initial investment in **two operational wind complexes**

CPPIB initial commitment of **~R\$690 million** in equity

JV expects to invest more than **R\$3 billion**

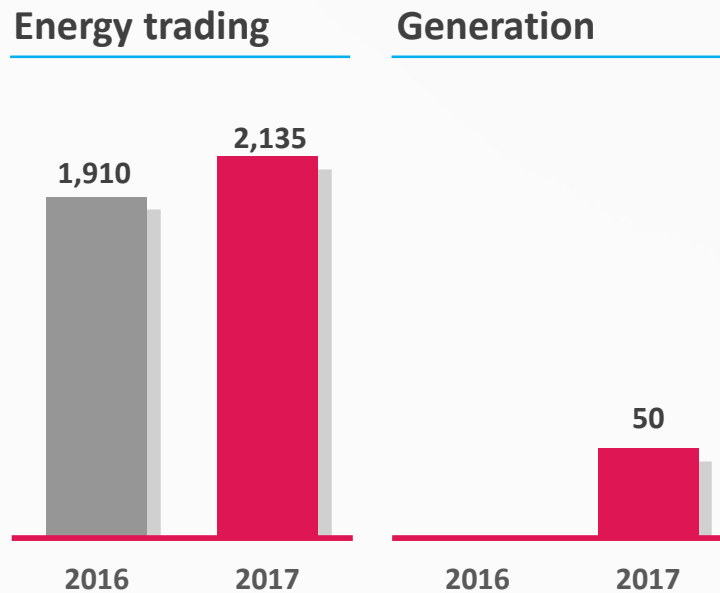
## Assets' overview

|                                  | Ventos do Piauí I | Ventos do Araripe III    | Joint Venture |
|----------------------------------|-------------------|--------------------------|---------------|
| Local                            | PI                | PI/PE                    | PI/PE         |
| Wind farms                       | 7                 | 14                       | 21            |
| Installed capacity               | 205.8MW           | 357.9MW                  | 563.7MW       |
| Assured energy                   | 106.3MWavg        | 178.5MWavg               | 284.8MWavg    |
| Capacity factor                  | 51.7%             | 49.9%                    | 50.5%         |
| Auctions                         | A-3/15            | A-5/13   LER/14   A-5/14 | 4 auctions    |
| Contracted energy                | 93MWavg           | 170.1MWavg               | 263.1MWavg    |
| Average PPA price <sup>(1)</sup> | R\$218/MWh        | R\$165/MWh               | R\$184/MWh    |
| Turbines                         | 98 (Gamesa)       | 156 (GE)                 | 254           |

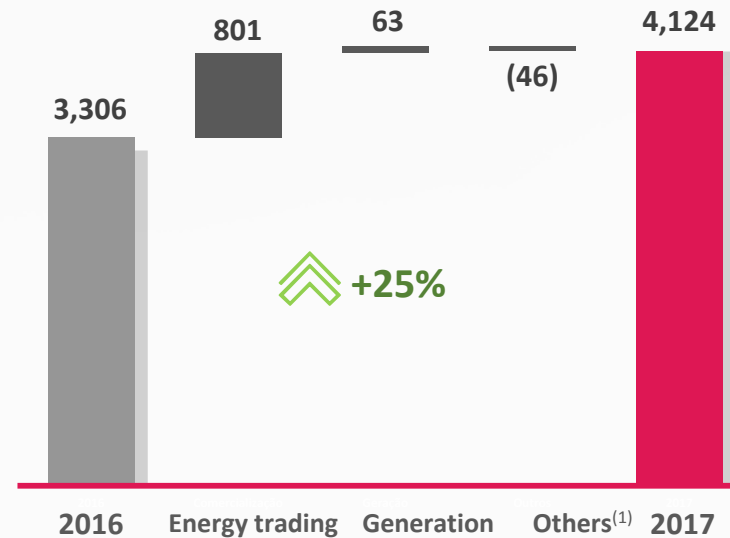
# Operational results

R\$ million

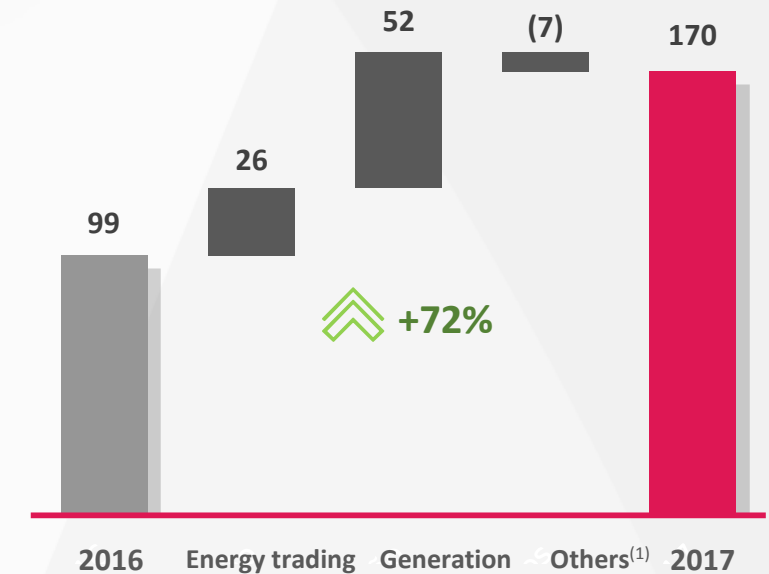
## Volume (MWavg)



## Net revenues



## Operational margin<sup>(2)</sup>



Energy trading – higher sales volume and operational margin from commercialization given **opportunities in the energy market**

Generation – results in 2H17 with **commercial startup of Ventos do Piauí I**

(1) Services results and eliminations.

(2) Excluding the non-cash effect of mark-to-market of energy contracts and depreciation and amortization.

# Oswaldo Ayres

CFO Votorantim Cimentos



## Brazil Outlook

SNIC % -6.4

Cement market reduction in 2017

SNIC % 1 to 2

Expected recovery for 2018

## Portfolio and geographic diversification

Adjacencies VCBR

New products in the portfolio  
Ag. Lime: 31% increase in revenues

SNIC  
US\$ million 271

Record EBITDA year in VCNA

## Focus on core markets

Mtpy 1.2

Sivas startup attending high growth market

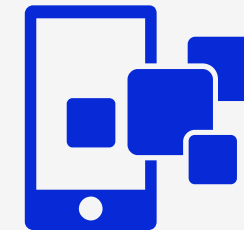
R\$ billion 2.0

Sales of non-strategic assets

## Operational Excellence and Innovation

R\$ million 273

Savings in costs due to ZBB in Brazil<sup>(1)</sup>



Digital Initiatives

VC Online: 65% of orders <sup>(2)</sup>  
Relationship Program, Platforms and Open Innovation

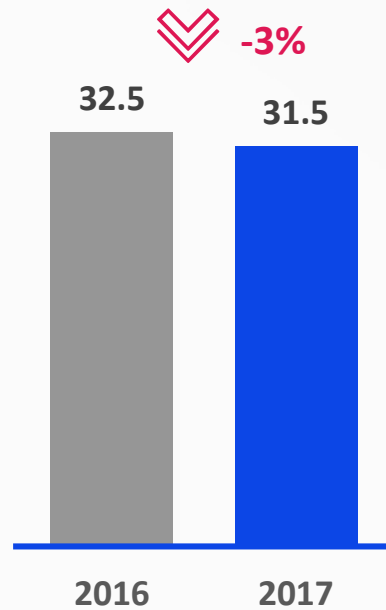
(1) Internal estimative of cost savings in real terms compared to 2016

(2) % versus total retail orders in Brazil

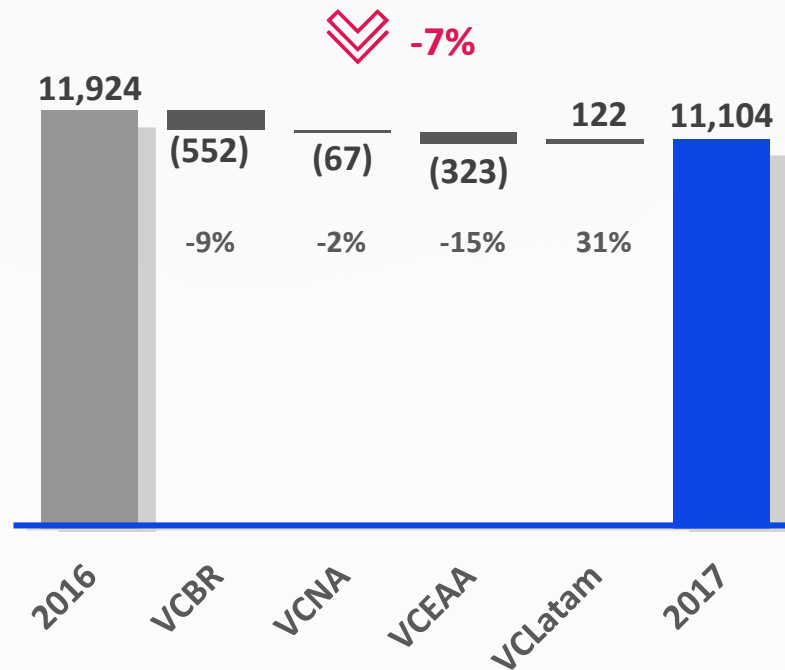
# 2017 Consolidated Result

R\$ million

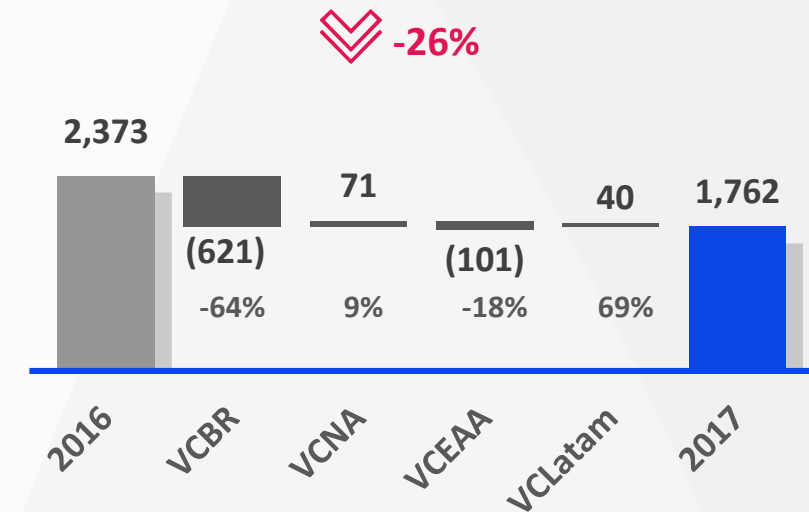
## Volume (Mt)<sup>(1)</sup>



## Net Revenues<sup>(1)(2)</sup>



## Adjusted EBITDA<sup>(1)</sup>



Margin % 2016 20 | 2017 16

(1) Does not include assets sold during 2017

(2) VCBR numbers include eliminations

# Results by region

R\$ million

|      | VCBR <sup>(1)</sup> |                 | VCNA         |                 | VCEAA        |                 | VC Latam <sup>(2)</sup> |                 |
|------|---------------------|-----------------|--------------|-----------------|--------------|-----------------|-------------------------|-----------------|
|      | Net Revenues        | Adjusted EBITDA | Net Revenues | Adjusted EBITDA | Net Revenues | Adjusted EBITDA | Net Revenues            | Adjusted EBITDA |
| 2017 | 5,821               | 344             | 2,939        | 868             | 1,827        | 452             | 517                     | 99              |
| 2016 | 6,373               | 965             | 3,006        | 797             | 2,150        | 553             | 396                     | 58              |

**Operational efficiency and diversification** partially offsets impact of cement market retraction and One-offs

**Higher prices in the US and strong volumes in Canada**

**Stable EBITDA margin** highlighted by **strong sales in Turkey** amid impact of **currency depreciation**

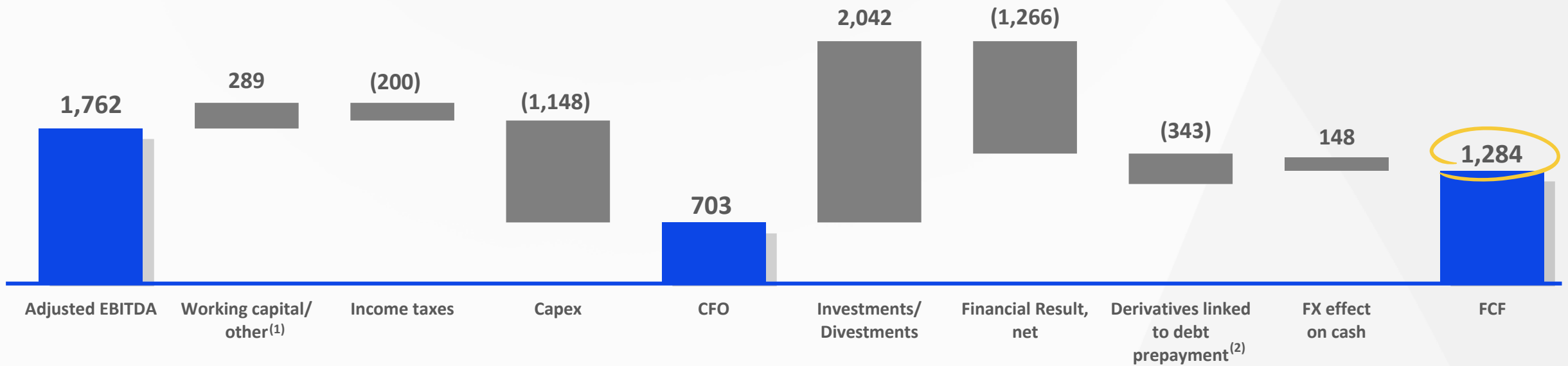
**Increased market share in Bolivia and exports to Argentina and Paraguay** as the main drivers for presented growth

(1) VCBR numbers include eliminations

(2) Argentina: consolidated through equity method

# Cash Generation

R\$ million



**Working capital discipline**

**Capex: 40% reduction YoY**  
Expansion plan near completion

**Financial Result:**  
Debt service savings due to LM strategy and local interest rate reduction

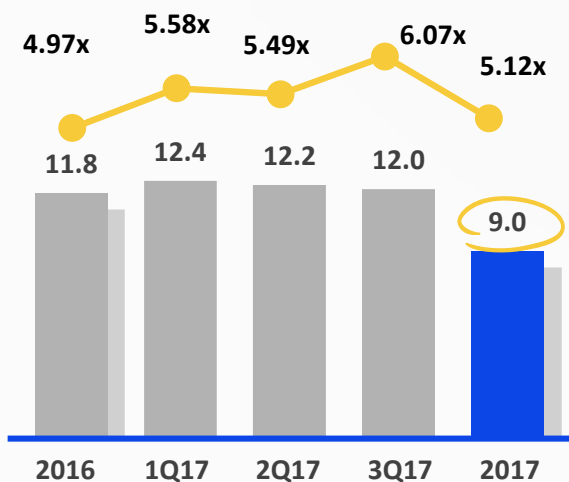
**Divestments of non-core assets** timely executed

(1) Others: items that do not represent changes in cash  
 (2) Swaps linked to the 4131 term loans that were early prepaid

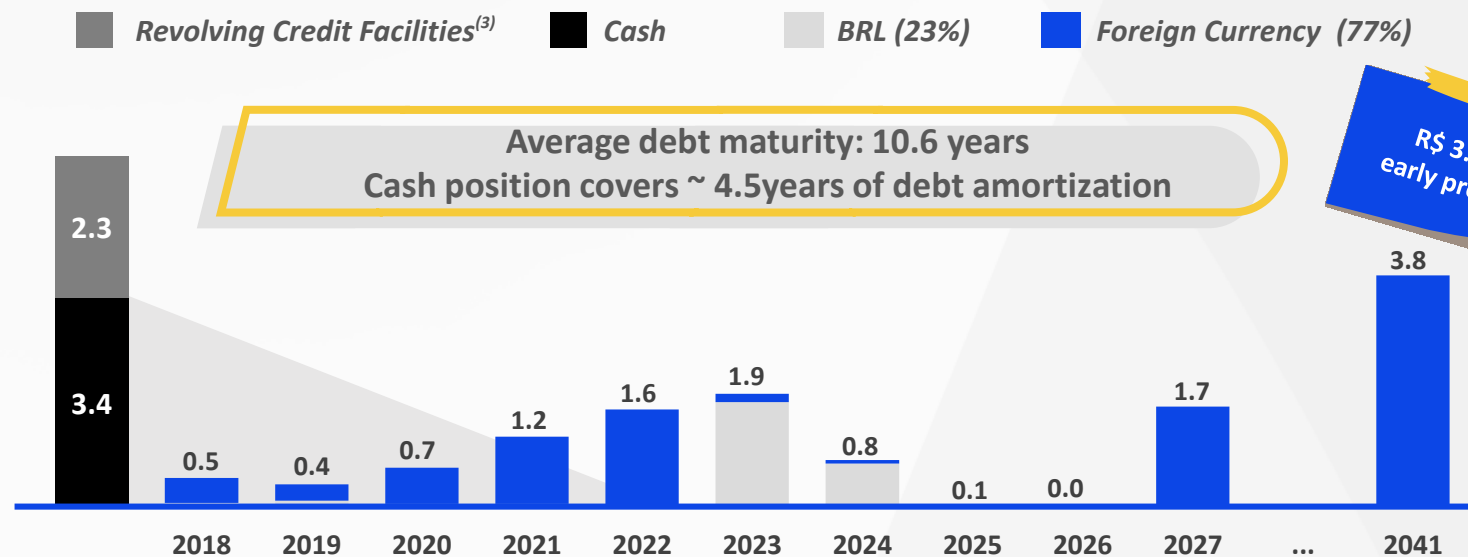
# Liquidity Position and Debt Amortization Profile

R\$ billion

## Net Debt<sup>(1)</sup>



## Debt Amortization Schedule (Pro forma)<sup>(2)</sup>



Despite a challenging Brazilian market, leverage ratio in line with 2016

Divestments plan execution along with VSA support generated R\$ 3.7bi<sup>(4)</sup>

Proceeds allocated to debt repayment maturing until 2022

(1) Net debt includes MTM from 4131 loans.

(2) As of Dec/17 considering the prepayment of ~R\$ 1.2bi in January 2018, reflected in the cash position

(3) VCSA revolving credit facility of USD 700 MM due in 2020. In addition, does not consider VCNA has revolving facility of US\$ 230 MM due in 2020.

(4) Capital increase amount of BRL 1.7bi





**Luciano Alves**

CFO CBA

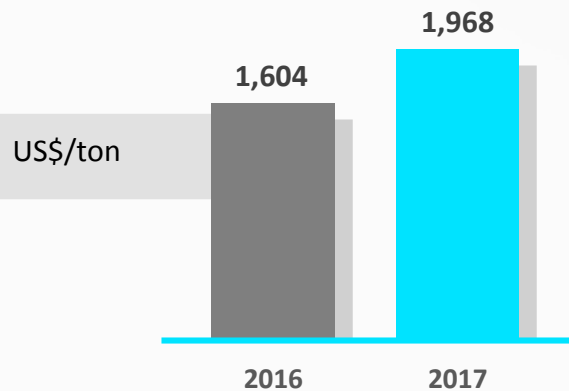
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## LME Price<sup>(1)</sup>

↑ +13%

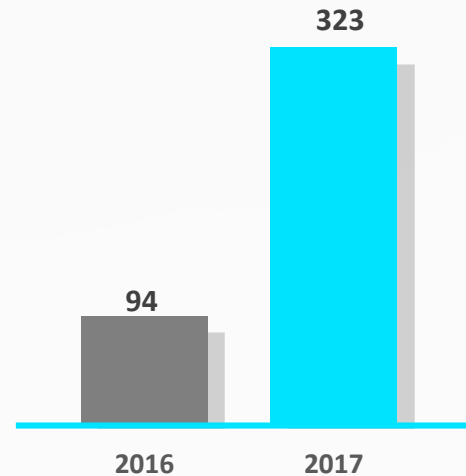
R\$/ton 5,584 6,285

↑ +23%



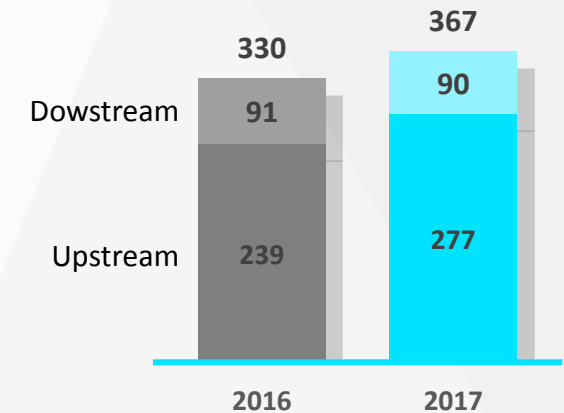
## Energy Price<sup>(2)</sup> (R\$/MWh)

↑ +244%



## Sales Volume (ktons)

↑ +11%



Ongoing **supply reforms in China** and Aluminum **deficit ex-China** favored **price increases**

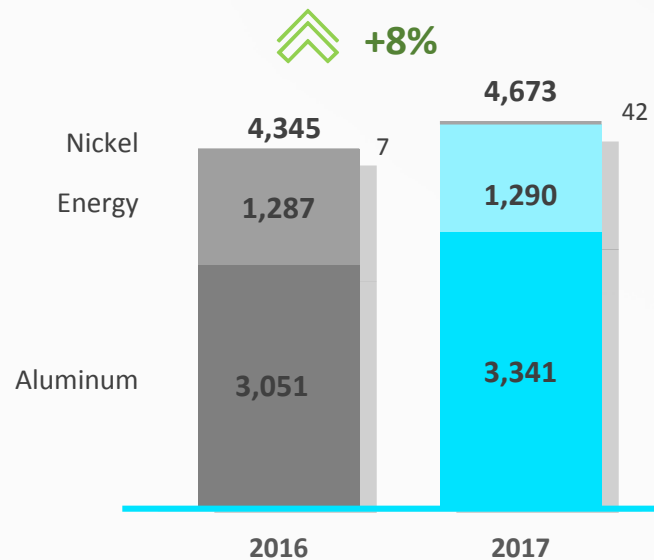
**Drought** led to **hydropower shortage** and **higher energy prices**

**Higher sales volumes** and **focus on profitability**, with increased participation of **value-added products**

# Operational Results

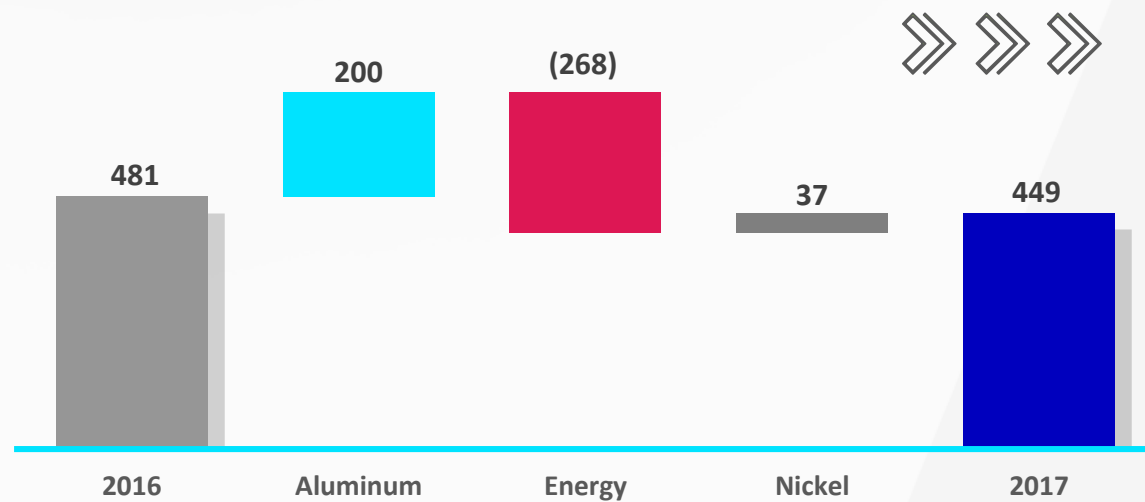
R\$ million

## Net revenues<sup>(1)</sup>



## Adjusted EBITDA<sup>(1)</sup>

### CBA Consolidated



### Aluminum



**Aluminum business up 52%**, driven by higher LME prices, focus on **value-added products sales** and operational **performance improvements**.  
**Higher GSF<sup>(2)</sup>** and MtM of future energy surplus not yet sold, contributed to a decrease in EBITDA

# Sergio Malacrida

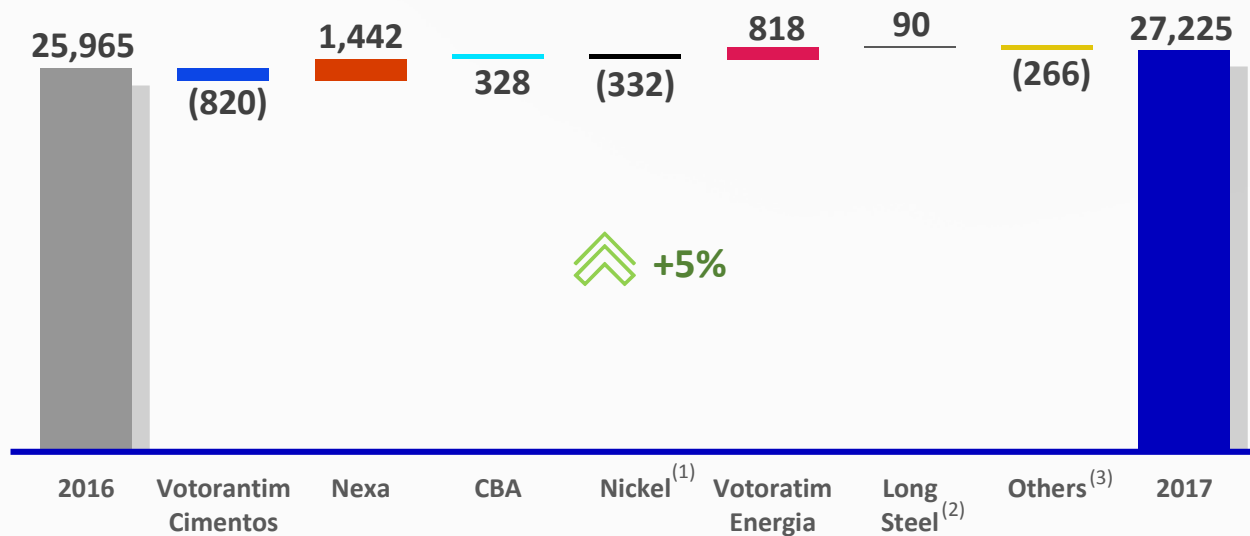
CFO Votorantim S.A.



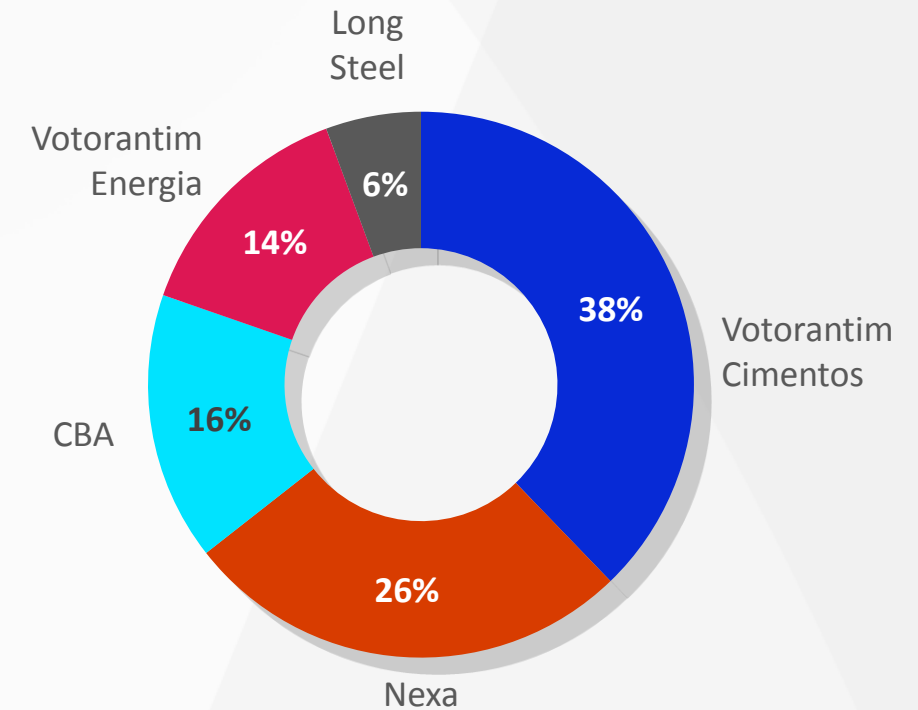
# Consolidated Net Revenues

R\$ million

## Evolution by business



## Breakdown by business



(1) Results from Nickel from the period of January to June, 2016

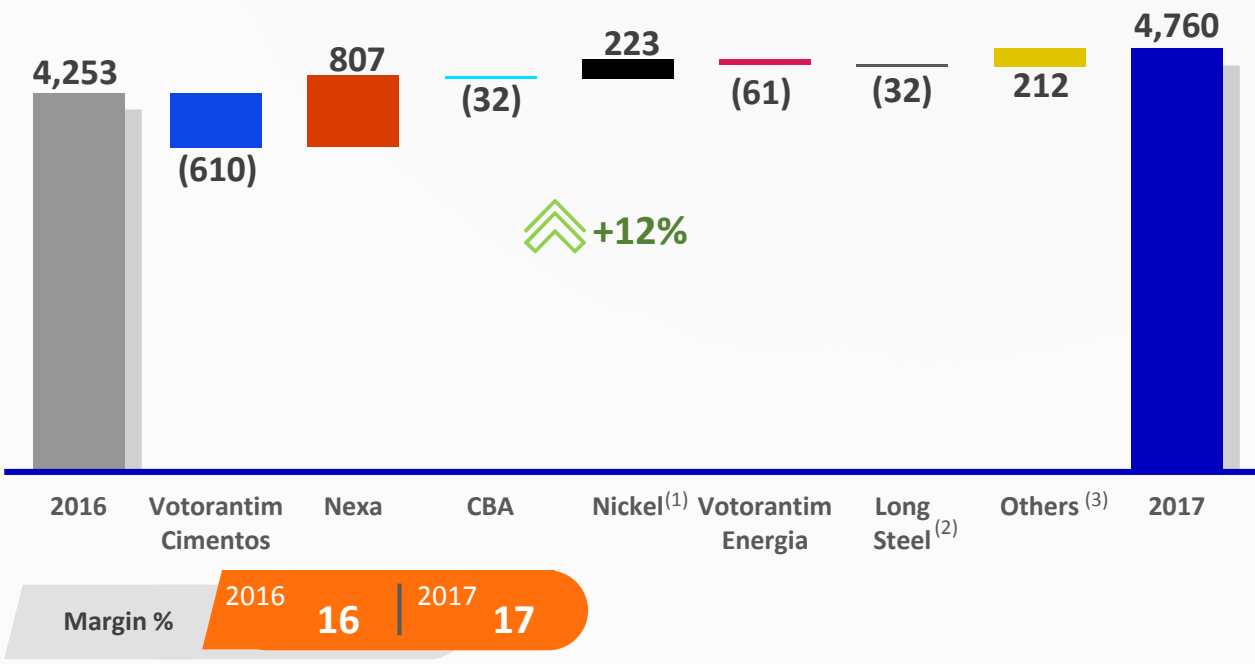
(2) Includes Argentina and Colombia

(3) Holding, eliminations and others

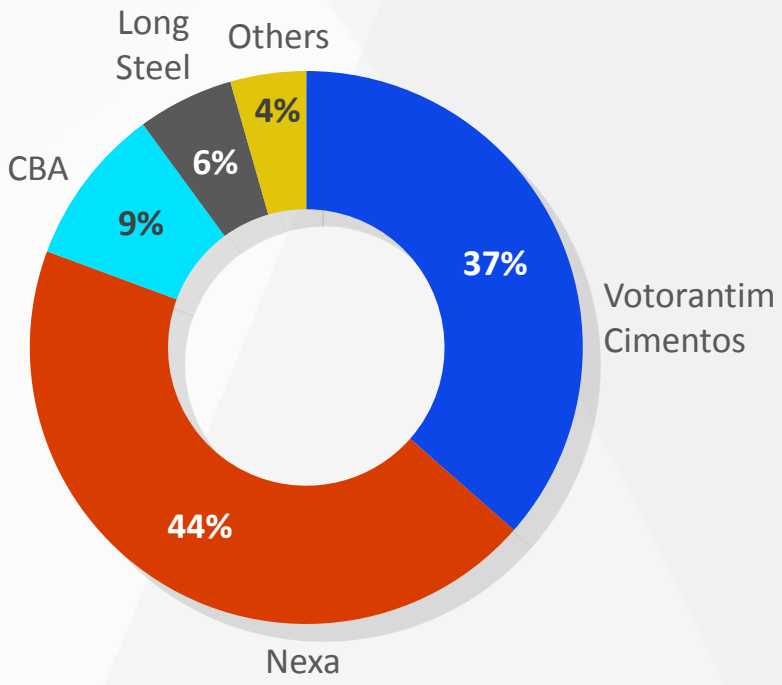
# Consolidated Adjusted EBITDA

R\$ million

## Evolution by business



## Breakdown by business



Higher metal prices in LME

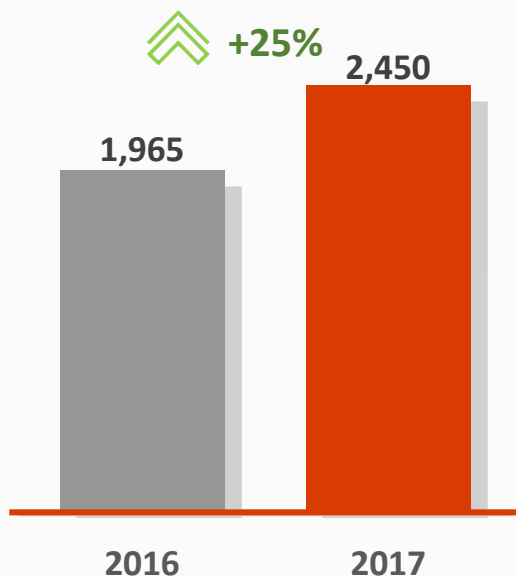
Lower prices and sales volume of cement operations in Brazil

Temporary suspension of nickel operations in 2016

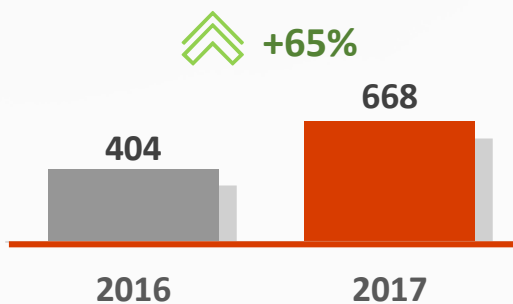
(1) Results from Nickel from the period of January to June, 2016  
 (2) Includes Argentina and Colombia  
 (3) Holding, eliminations and others

US\$ million

## Net Revenue

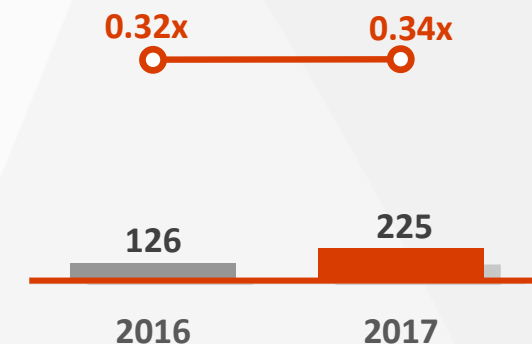


## Adjusted EBITDA



Margin % 2016 **21** | 2017 **27**

## Net Debt Net debt/Adj. EBITDA



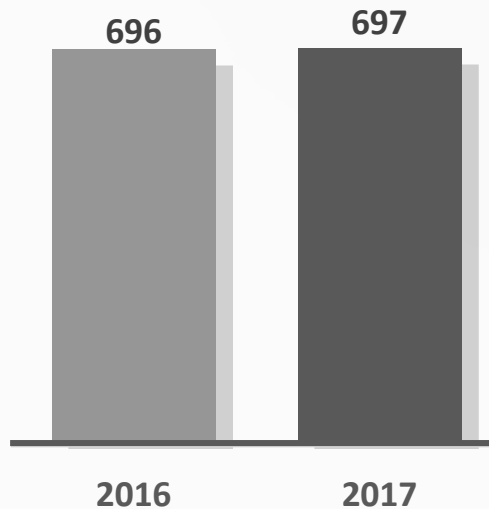
Higher metal prices in LME: zinc +38%, lead +24% and copper +27%

Finance discipline

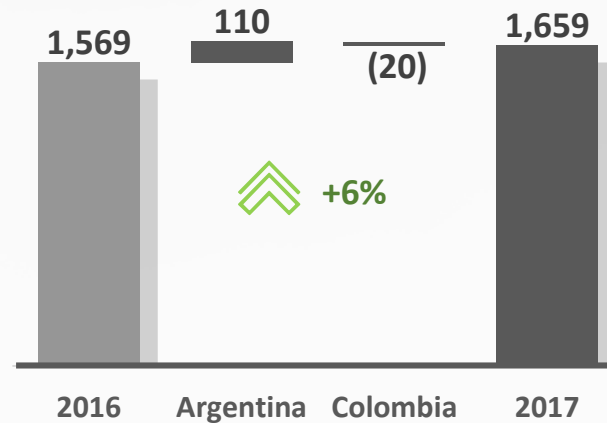
# Long Steel – Argentina and Colombia

R\$ million

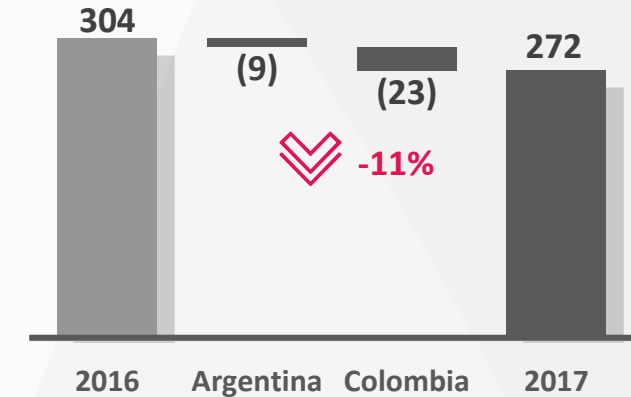
## Volume (kton)



## Net Revenue



## Adjusted EBITDA



| Margin % | 2016 | 2017 |
|----------|------|------|
|          | 19   | 16   |

Brazil: In 2018, VSBR is a subsidiary of ArcelorMittal, its results will be recognized at fair value

Argentina: higher sales volume and prices, driven by the recovery in the economic scenario

Colombia: market contraction resulting in lower sales volume



# Other Investee Companies



Adjusted EBITDA  
(R\$ million)

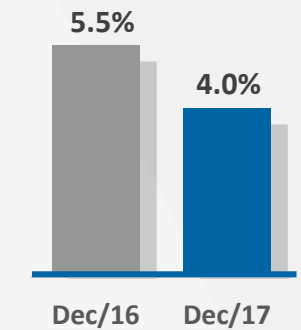
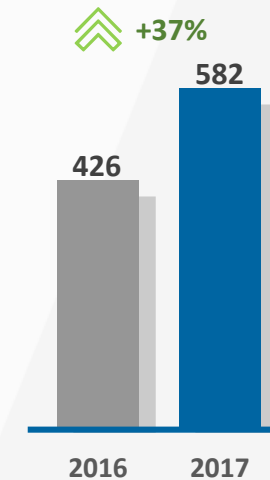
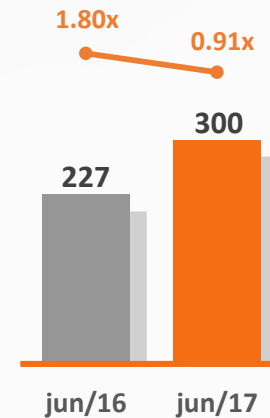
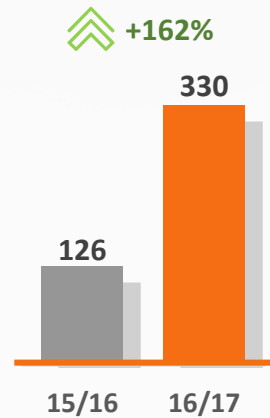
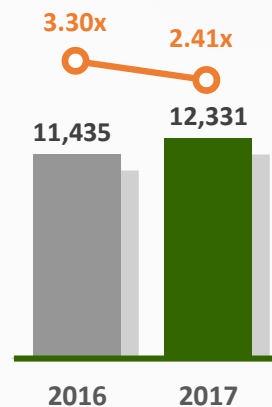
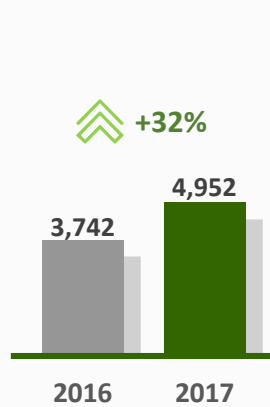
Net Debt (R\$ million)  
Net Debt/Adj. EBITDA  
(US\$ million)

Adjusted EBITDA  
(US\$ million)

Net Debt  
Net Debt/Adj. EBITDA  
(US\$ million)

Net Income  
(R\$ million)

Consolidated  
Delinquency

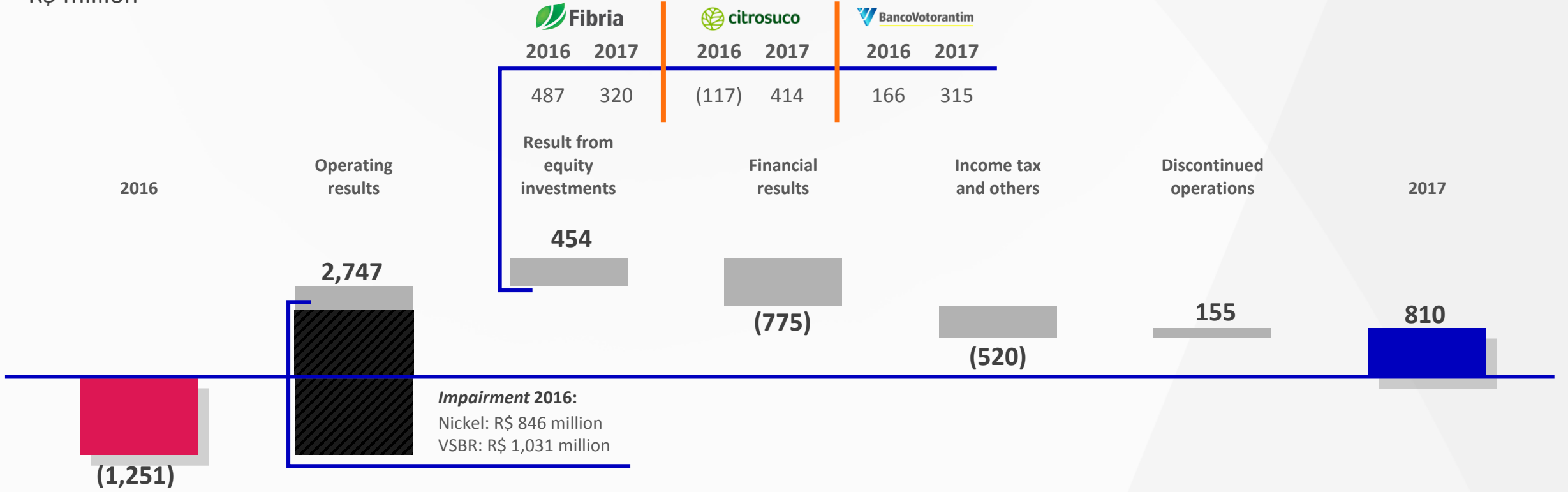


Margin <sup>(1)</sup> % 43 | % 49

Margin % 12 | % 26

# Consolidated Net Income

R\$ million



Impairment in 2016 due to the temporary suspension of nickel operations and the Brazilian long steel asset's classification as "available for sale"

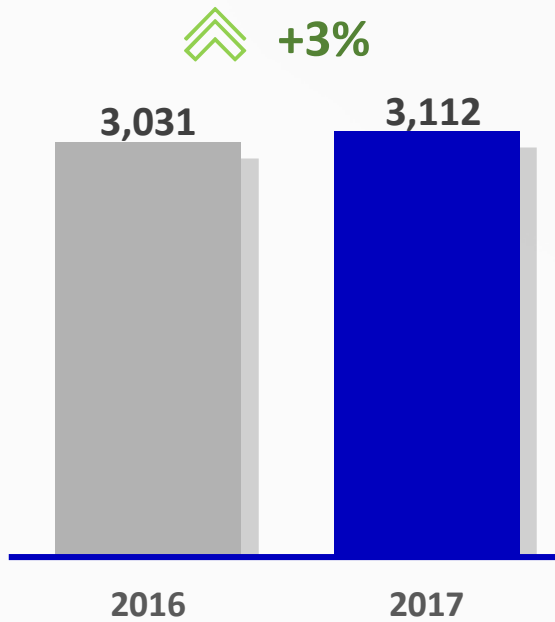
Better results from Citrosuco and Banco Votorantim

Financial result impacted by exchange variation

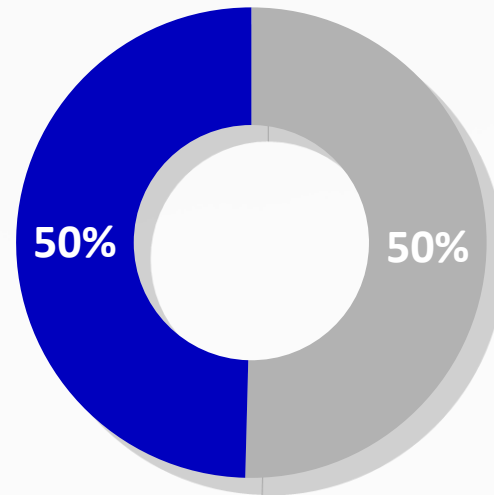
# 2017 Investments

R\$ million

## Capex

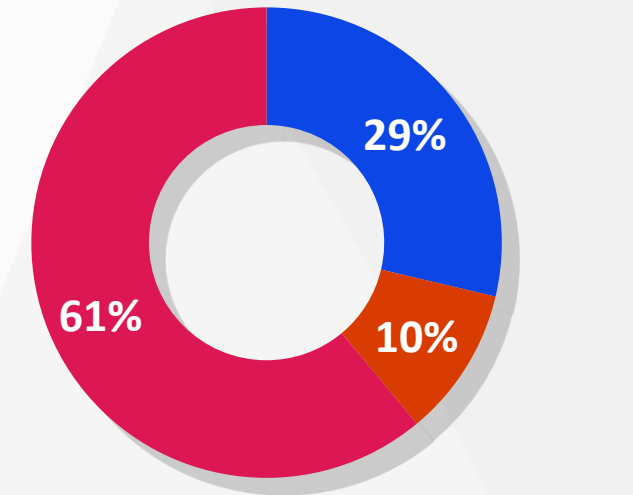


## Breakdown



Expansion Non Expansion

## Expansion Capex



Votorantim Cimentos Votorantim Energia  
Nexa

# Cash Generation

R\$ million

## Operational | Free

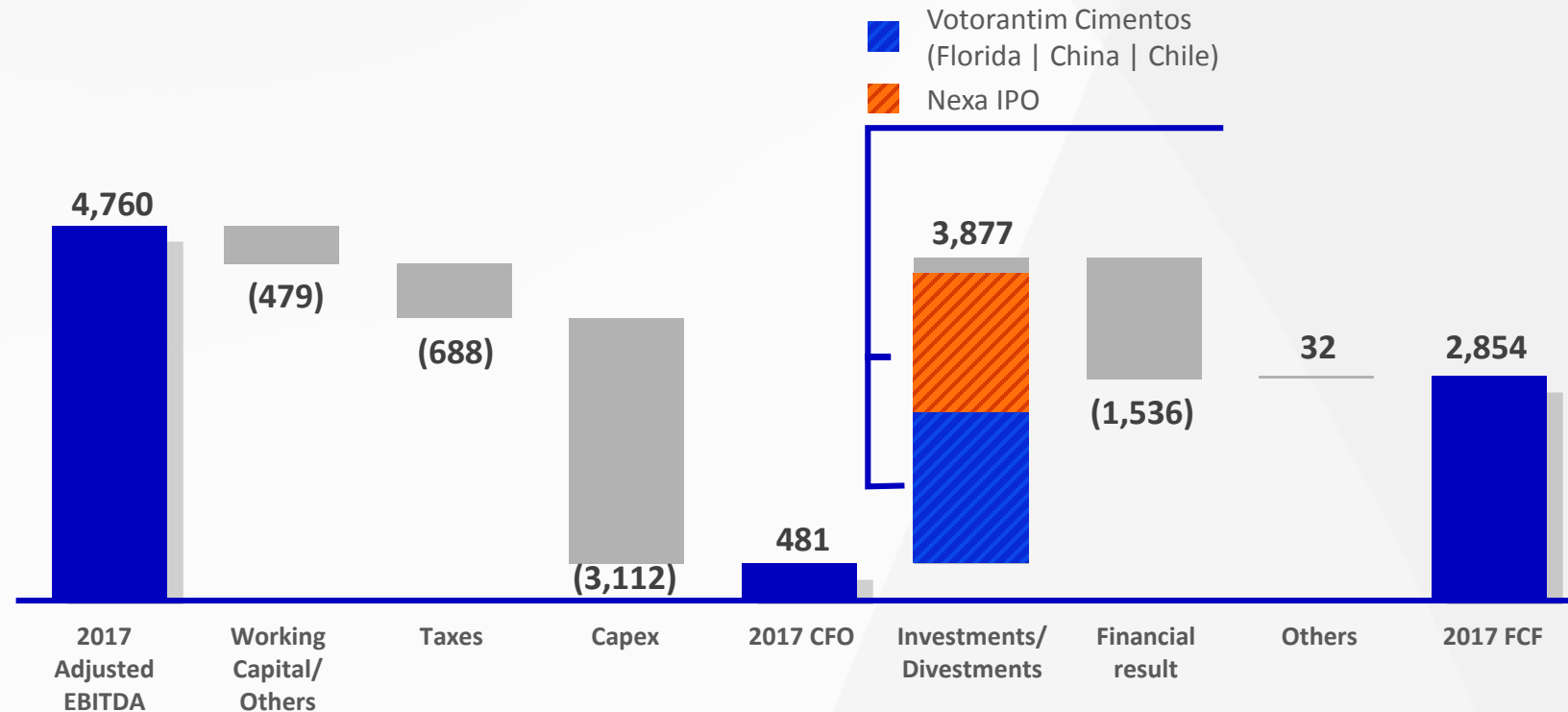
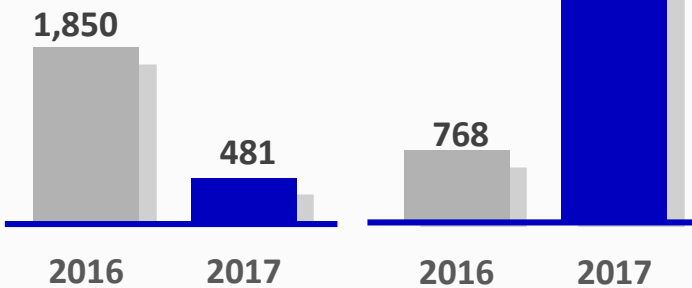
## Free Cash Flow Generation

CFO

FCF

∨ -74%

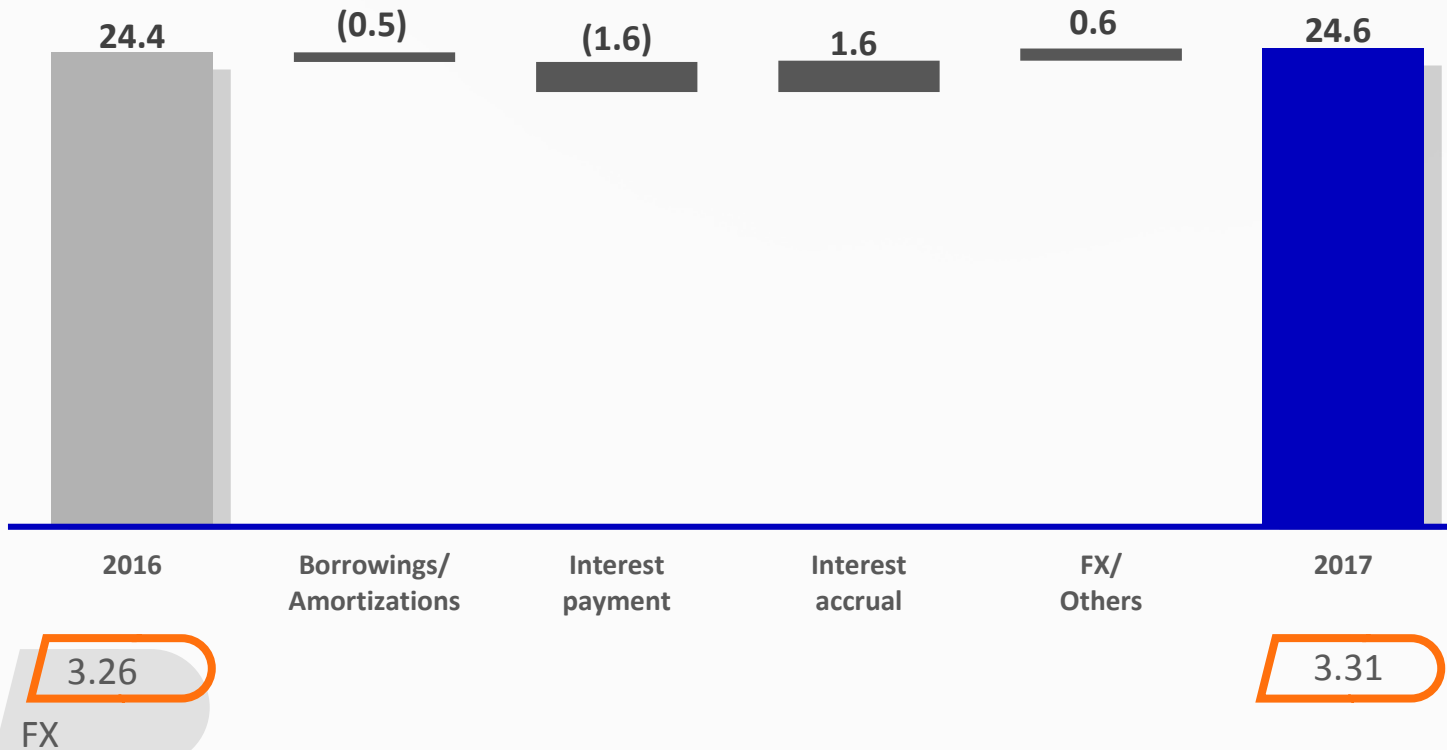
∧ +272%



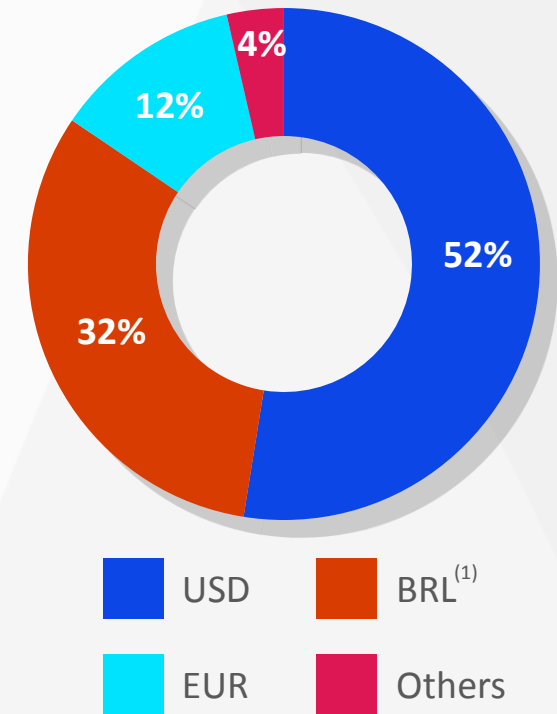
# Consolidated Gross Debt

R\$ billion

## Gross Debt



## Debt by Currency

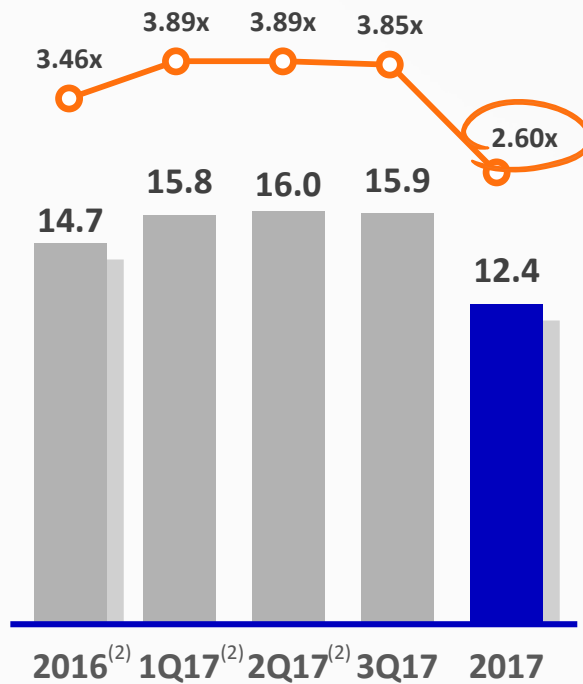


# Liquidity Position and Debt Amortization Profile

R\$ billion

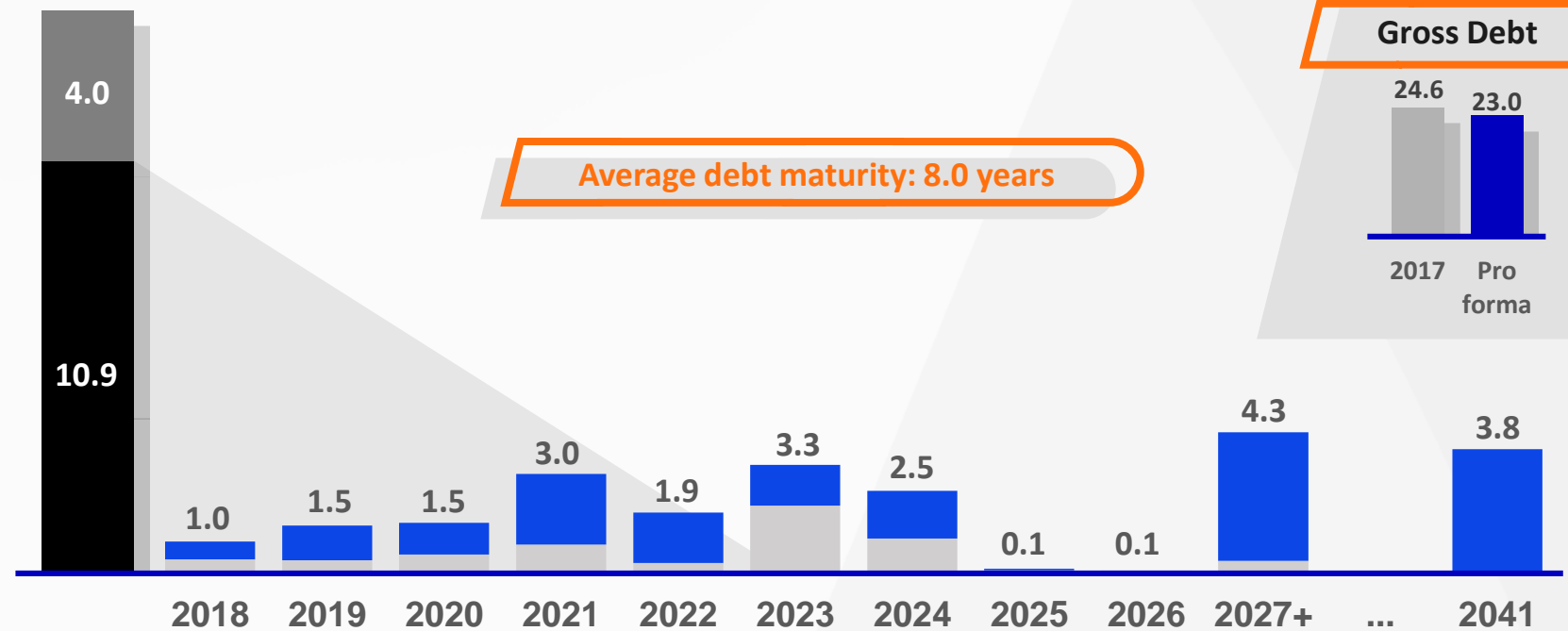
## Net Debt

### Net Debt / Adjusted EBITDA



## Debt Amortization Schedule (Pro forma)<sup>(1)</sup>


■ Revolving Credit Facilities ■ Cash ■ BRL (27%) ■ Foreign currency (73%)



(1) Pro forma includes early debt payments executed by Votorantim Cimentos and Votorantim Energia in January 2018

(2) Restated value

# Votorantim S.A. - Ratings

|   | <b>S&amp;P Global<br/>Ratings</b> | <b>Fitch<br/>Ratings</b> | <b>MOODY'S<br/>INVESTORS SERVICE</b> |
|---|-----------------------------------|--------------------------|--------------------------------------|
| <b>Ratings</b>  | <b>BB+</b>                        | <b>BBB-</b>              | <b>Ba2</b>                           |
| <b>Outlook</b>  | Stable                            | Stable                   | Negative                             |
| <b>Latest update</b>  | Mar/2018                          | Mar/2018                 | Mar/2018                             |
|  | BB-                               | BB-                      | Ba2                                  |

“Votorantim’s risk management reflects the group's debt refinancing strategy and its sale of non-core assets to preserve its solid liquidity position. [...] Votorantim's revenue base geographically and segmentally diversified, which should continue to mitigate the recent Brazilian market downturn, especially the steep drop in cement sales”

Source: S&P

“VSA has a good track record in managing its business portfolio. Despite losing a solid asset such as Fibria, VSA is expected to remain focused on further diversifying its business portfolio through addition of more stable operations and reducing its exposure to commodities business”

Source: Fitch Ratings



# João Schmidt

Corporate Development Officer  
Votorantim S.A.

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**Votorantim S.A.: permanently capitalized holding company, with long term investments, seeking superior financial returns with positive social and environmental impact**

## Decision criteria

### Capital Structure

- ▶ Financial risk appetite defined in our financial policy: leverage metrics and credit rating
- ▶ Liability management opportunities
- ▶ Financial flexibility

### Dividends

- ▶ Dividend policy

### Investments

- ▶ Strategic options created by our invested companies
- ▶ New businesses aligned with the investment objectives of our shareholders

# Considerations on New Investments

Key investment themes for new initiatives in our invested companies and new businesses

Strengthening the core: modernization, expansion, consolidation

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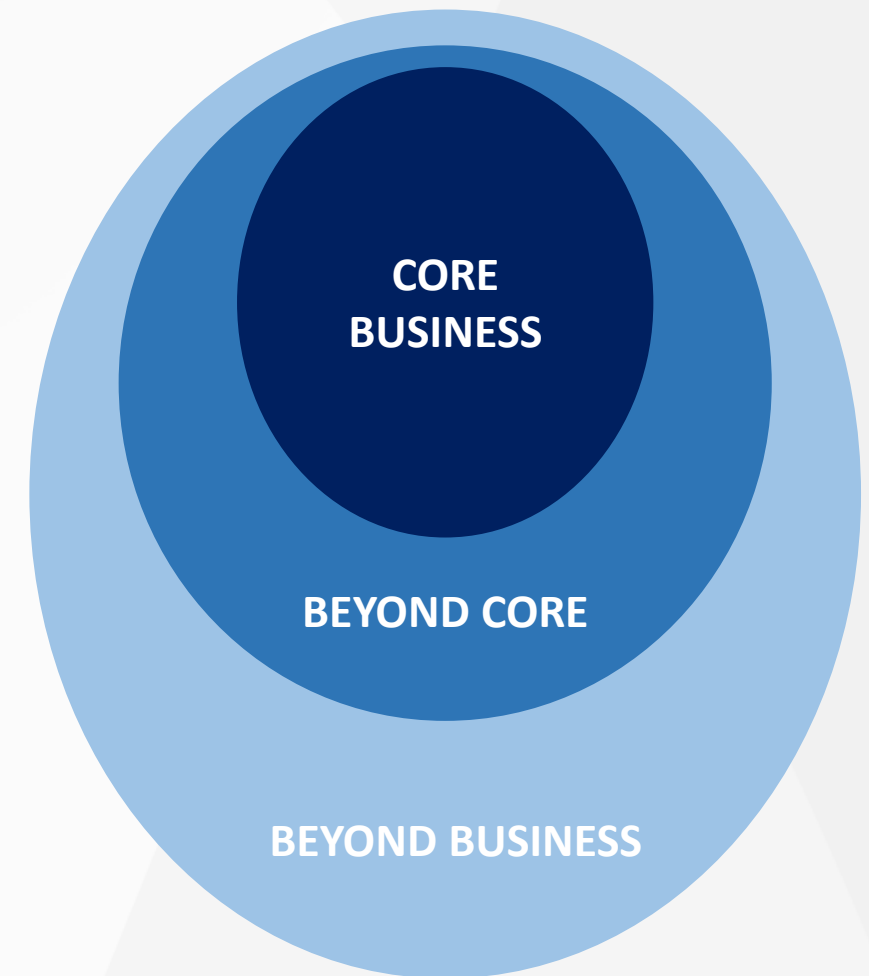
Value unlocking: extract value from the existing asset base, leveraging on existing competences and capabilities

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Adjacencies: business opportunities in the adjacencies of the companies

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New patterns of production and consumption; new business models



# Key Objectives of our Capital Allocation Strategy

## In our invested companies

Preserve the capacity to invest: sustaining, modernization and expansion

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Capital structure that allows for growth and dividends

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Foster innovation to transform the business model

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Perpetuate the Votorantim DNA

## In our portfolio

Diversification: sectors, geographies, risk factors

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Financial and strategic flexibility for large scale investments

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Delivering on the investment objectives of our shareholders

## To our shareholders

Maximize total shareholder return (TSR)

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Long term sustainability of Votorantim

**Our capital is patient, our business purpose is non-negotiable**

# João Miranda

CEO Votorantim S.A.



# Closing Remarks

General elections in Brazil, after four years of fiercely fighting corruption

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Confidence in a better economic scenario in Brazil

Protectionist trends around the world

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Changes in the US Tax Policy

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Global growth in steady pace

In 2018, Votorantim as a Brazilian company, will support causes such as Education and the exercise of Citizenship

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Prudence in conducting business and capital allocation

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Finance Discipline

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Leverage reduction