Votorantim

VOTORANTIM DAY 2014

Agenda

Business performance

Financial highlights

Closing remarks

2013 was a challenging year, presenting more instability and posting a disappointing growth

- USA: improved fundamentals and uncertainty about quantitative easing tapering
- Europe: slow recovery
- China slowdown but without expectation of "hard landing"
- Brazil: new frustration with economic growth

2013 Economic growth		
Country/ Region	IMF figures as of(1)	
	Jan/13	Jan/14
USA	2.0%	1.9%
Euro Area	-0.2%	-0.4%
China	8.2%	7.7%
Brazil	3.5%	2.3%
World	3.5%	3.0%

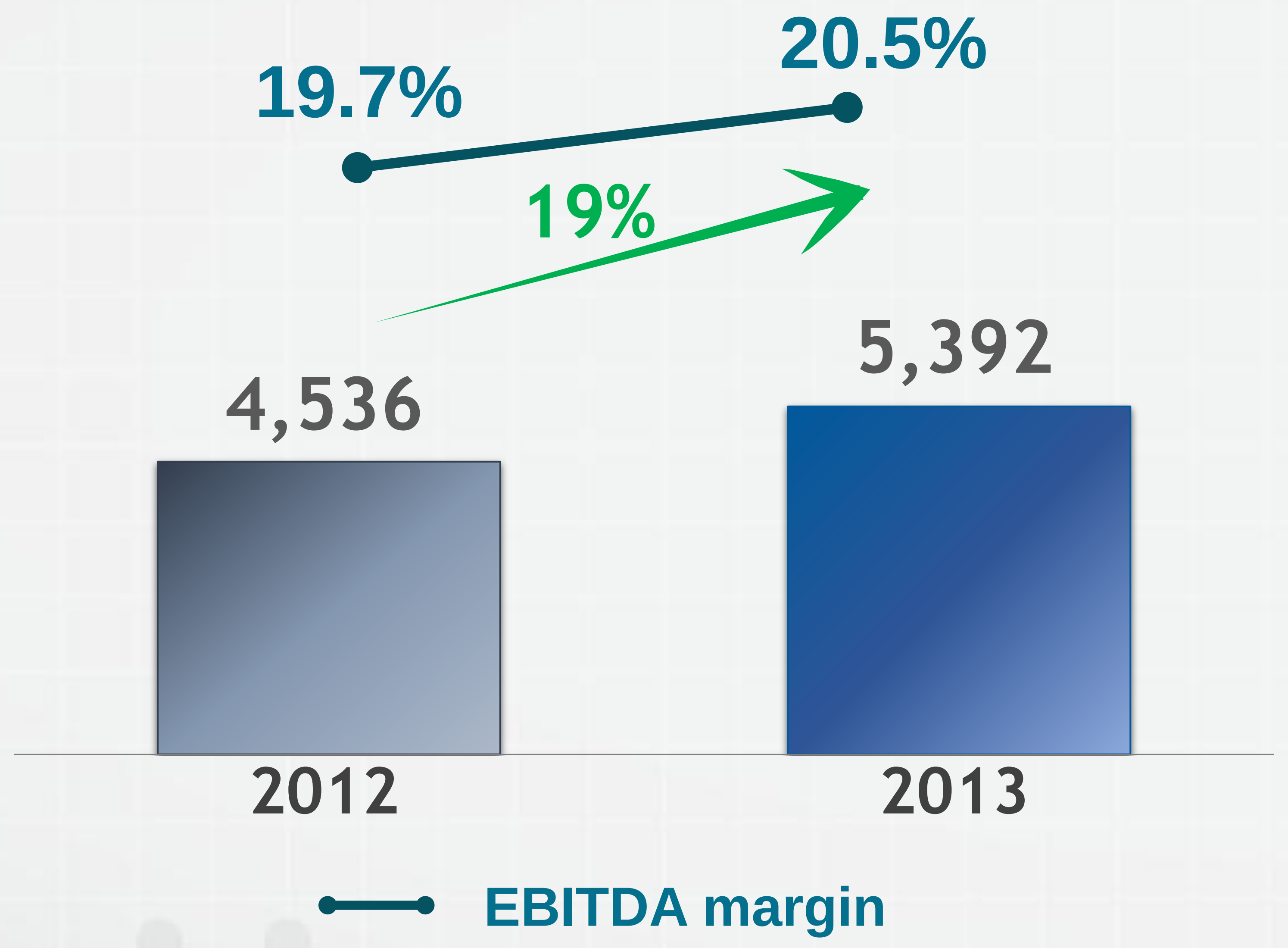
(1) IMF World Economic Outlook

Management action drove performance, despite adverse scenario

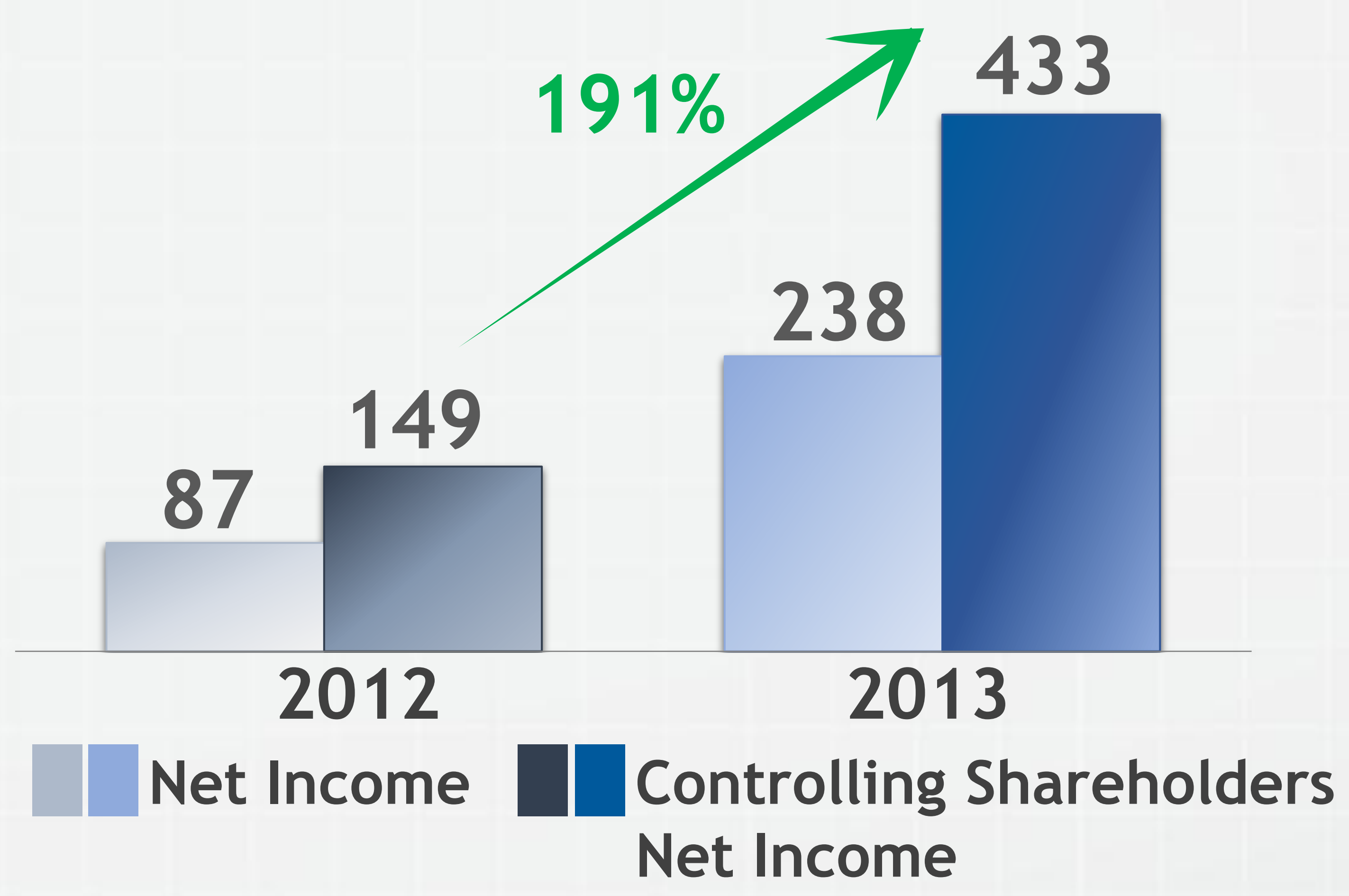
(R$ million)

Net Revenues

Adjusted EBITDA



Net Income



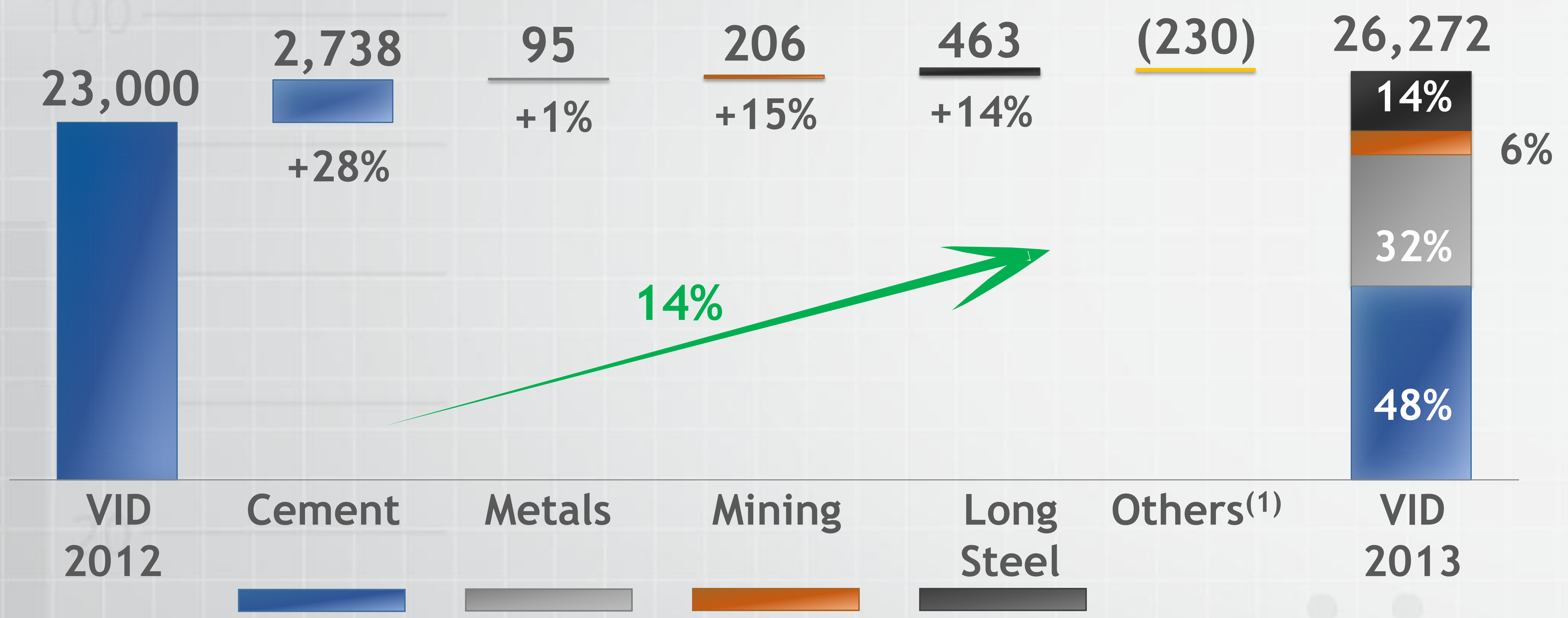
Highlights

- Consistent performance resulted in Net Revenues and EBITDA increase
- Focus on operational efficiency improvement driving healthy EBITDA margin growth
- Net income increase despite extraordinary, non-cash items

Strong Revenues and EBITDA growth, all business segments contributed

(R$ million)

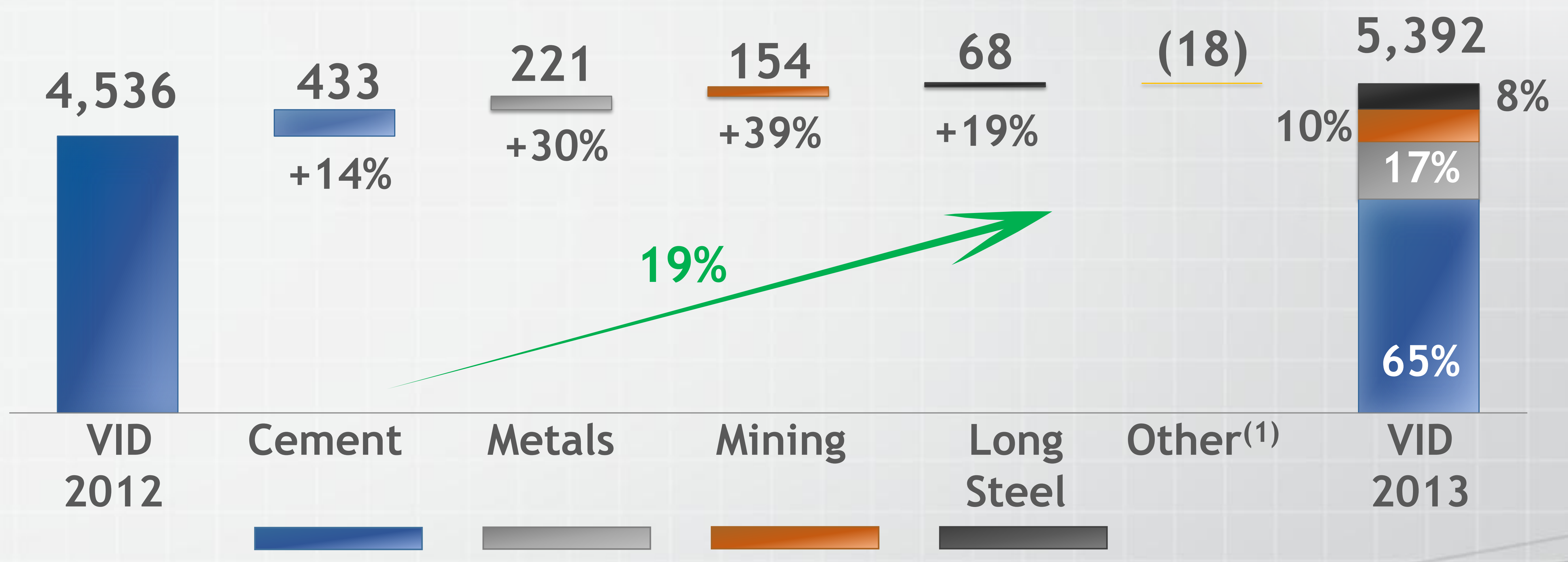
Net Revenues



Highlights

- Two digit EBITDA growth as a result of VCEAA's consolidation, Metals focus on the Brazilian market as well as Milpo's expansions and the sale of energy surplus
- Metals, Mining and Long Steel segments improved EBITDA margin

Adjusted EBITDA



(1) Figures include Holding, elimination and others

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Cement Results

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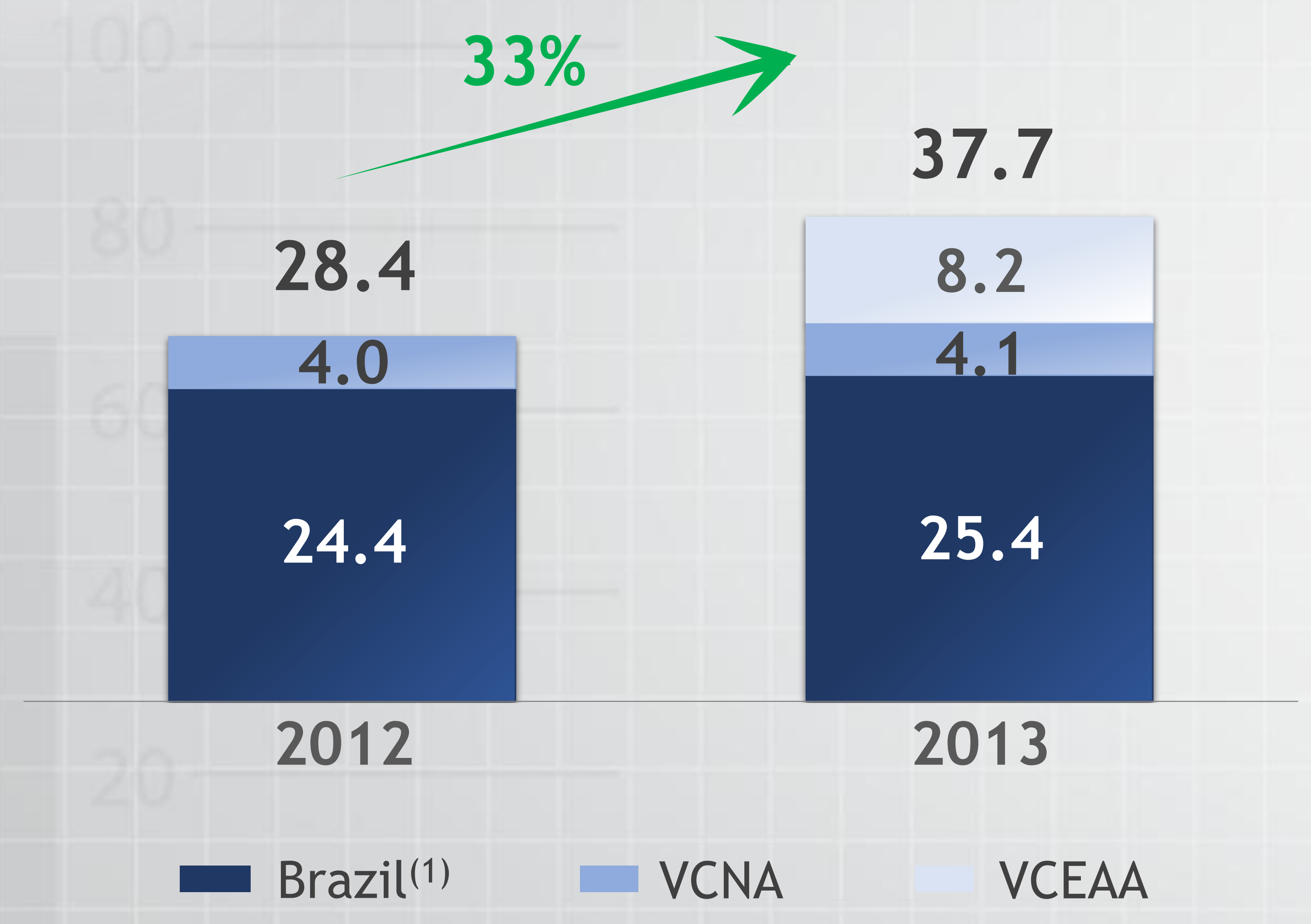
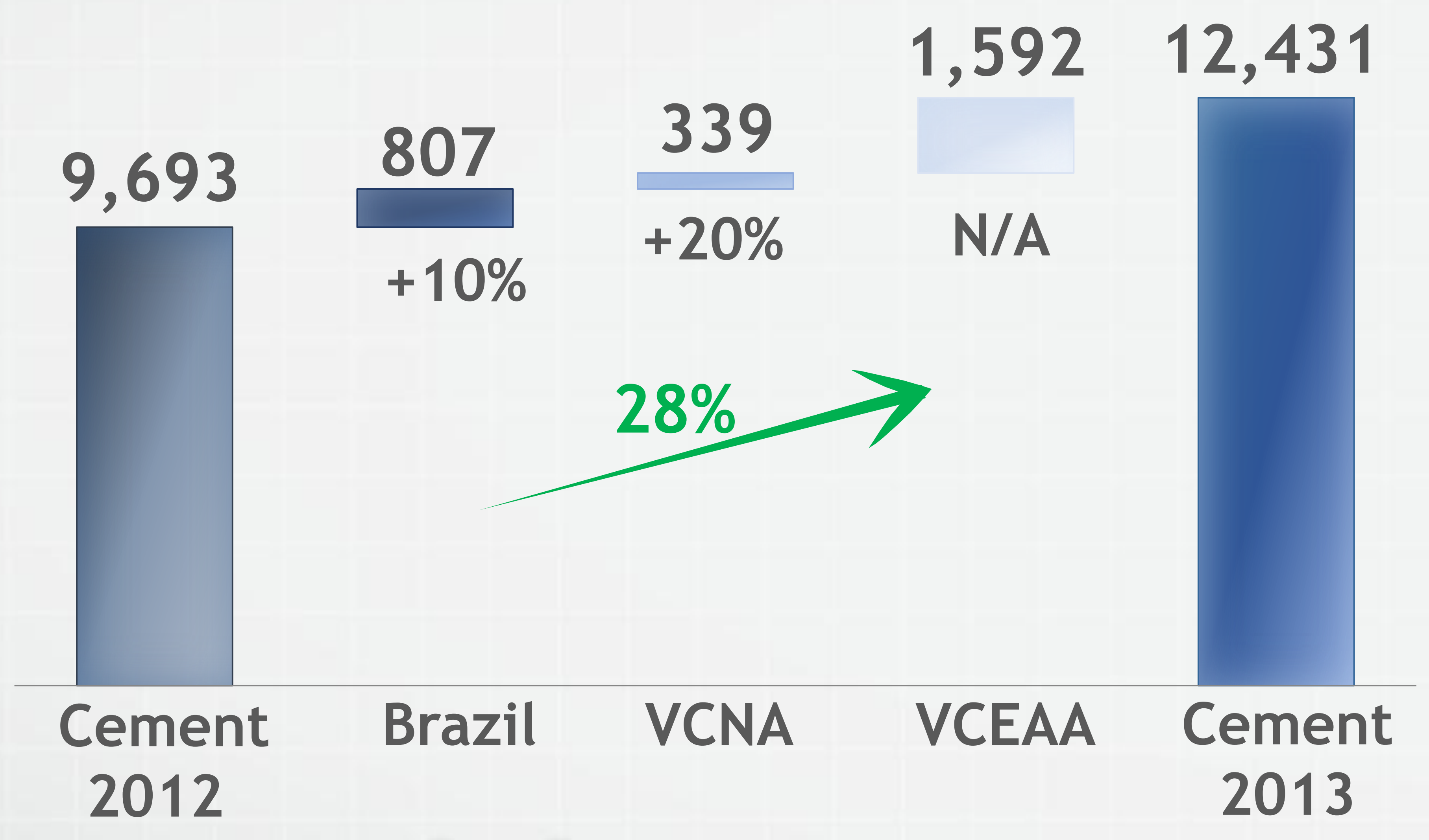
(R$ million)

Volume (kton)

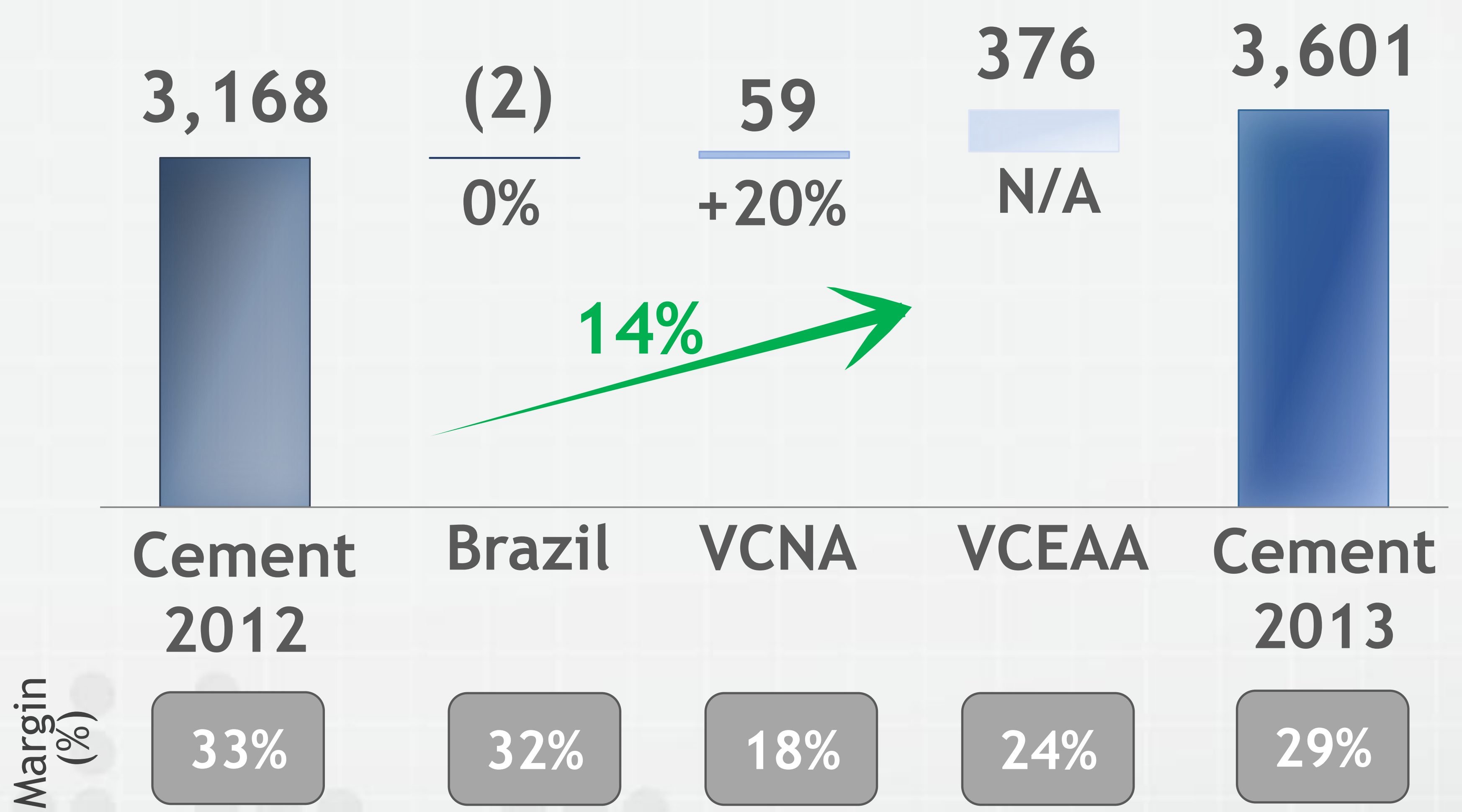


(1) Brazil figures include Latin American operations

Net Revenues



Adjusted EBITDA



Highlights

- Organic growth in Brazil supportive of sales volume rise of 4.1%, almost 2x the Brazilian market
- Stronger overall economic scenario in the US driving EBITDA increase
- Successful turnaround in VCEAA yielded a strong EBITDA margin of 24% in the first year of operation
- EBITDA margin decrease due to the consolidation of VCEAA as well as the temporary effect of ramping up new plants in Brazil

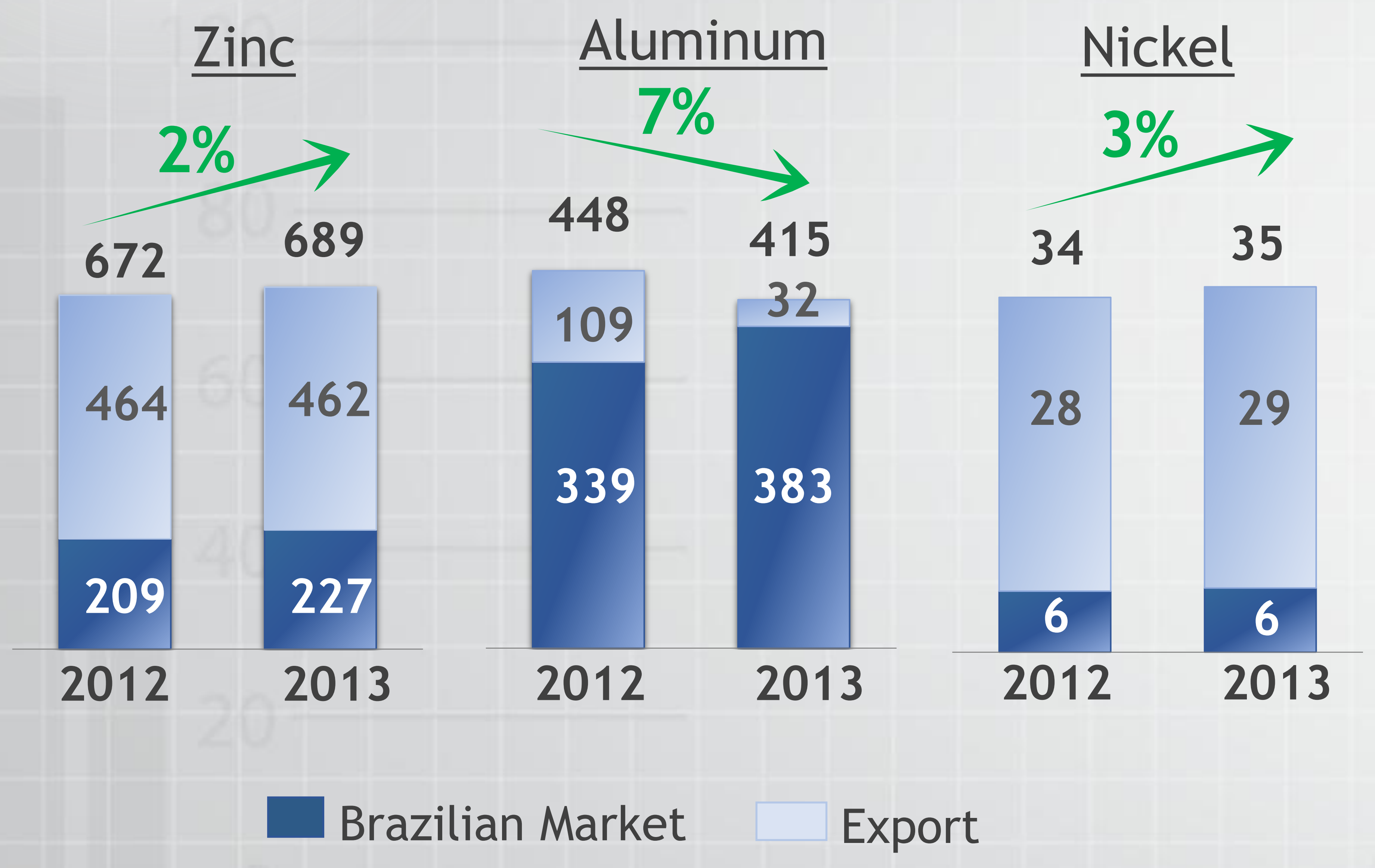
Cement Perspectives

- In Brazil, relevant **housing deficit** and significant **infrastructure bottlenecks** continue to drive **cement's consumption positive trend**
- Ongoing **capacity expansion in the Brazilian market:** Edealina in the Central-West region and Sobral in the Northeast
- VCNA is **well positioned to outperform** on the back of North American **improved fundamentals**
- Ongoing **turnaround in VCEAA** leverages **market share gains** in most countries across the cluster

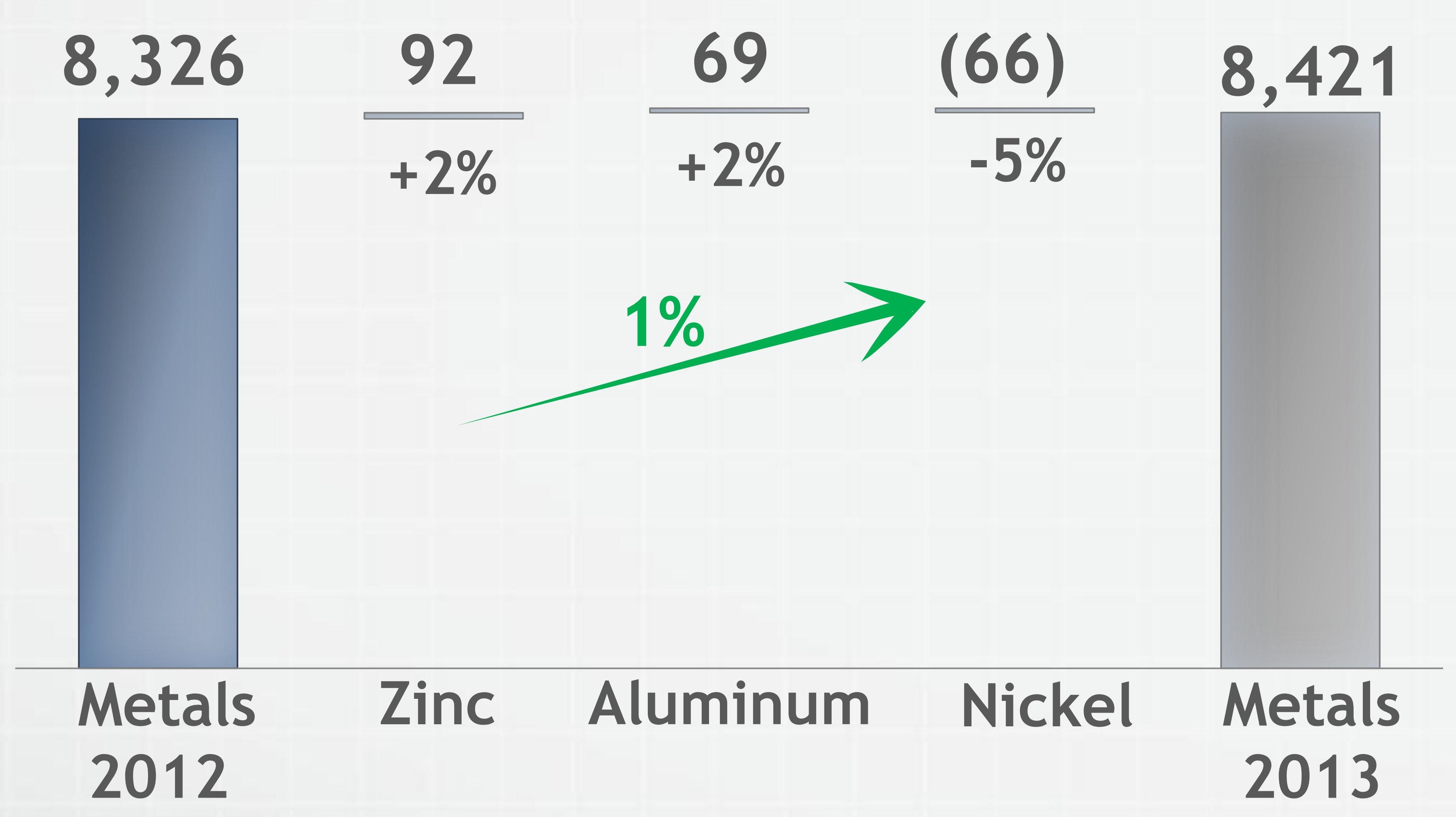
Metals Results

(R$ million)

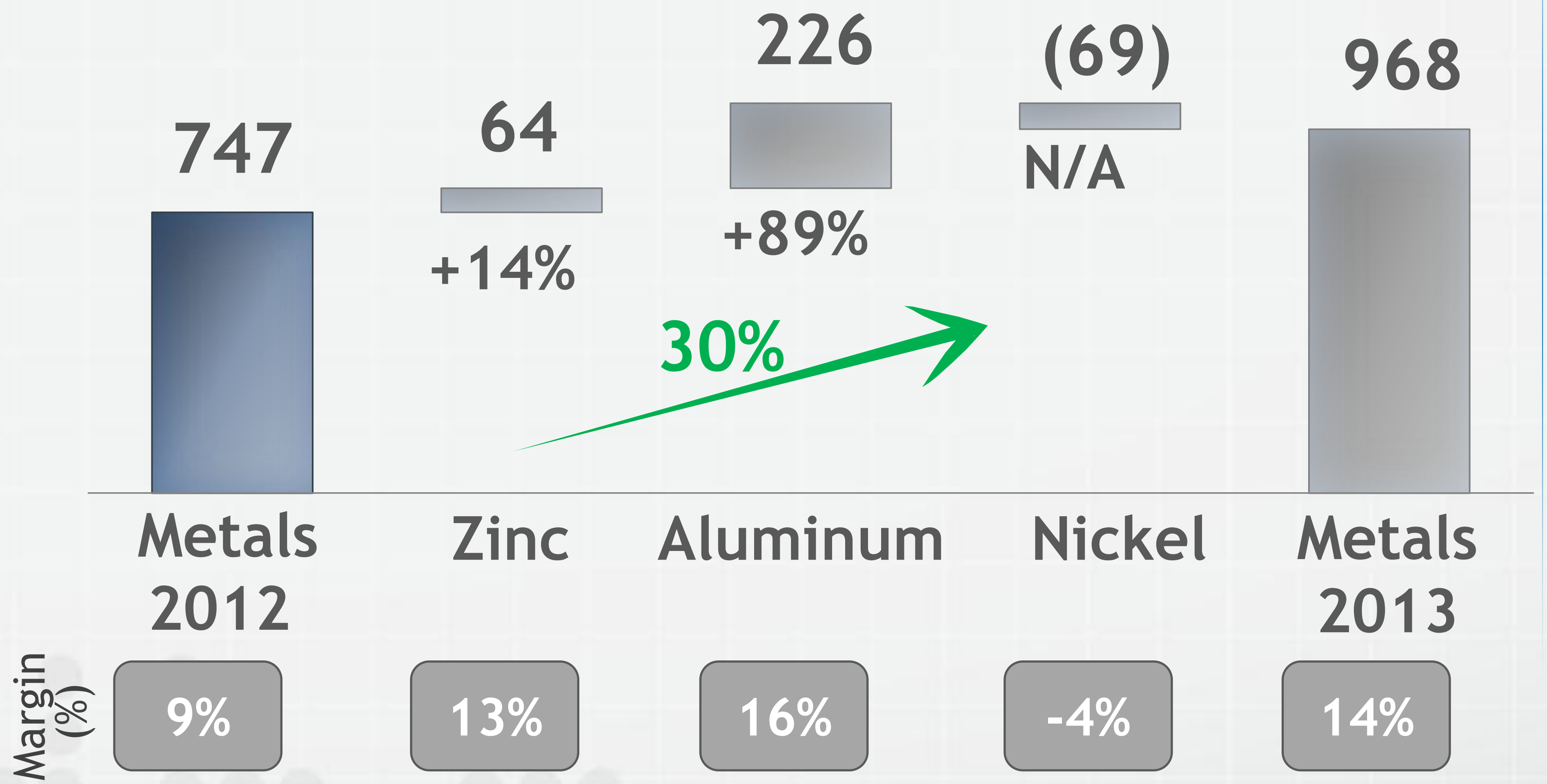
Volume (kton)



Net Revenues



Adjusted EBITDA



Highlights

- Greater operational efficiency as well as focus in the Brazilian market with higher value added products driving solid EBITDA increase in Aluminum
- Sale of energy surplus as the result of lower primary aluminum production to exports
- Zinc's EBITDA was positively impacted by higher prices in BRL as well as increased volumes in Brazil
- Nickel's performance was negatively impacted by pressured LME prices (-13%), partially offset by BRL depreciation

Metals Perspectives

- CBA is **mostly self sufficient in energy**, a **key competitive edge** in smelting
- As the **5th largest player** in the market and having a competitive **first quartile** cost structure, our Zinc business is well positioned to benefit from **global deficit** as a result of stronger demand in USA and China
- **Indonesian export ban** coupled with **global growth for stainless steel** shall improve nickel market fundamentals

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Energy

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UHE Pirajú

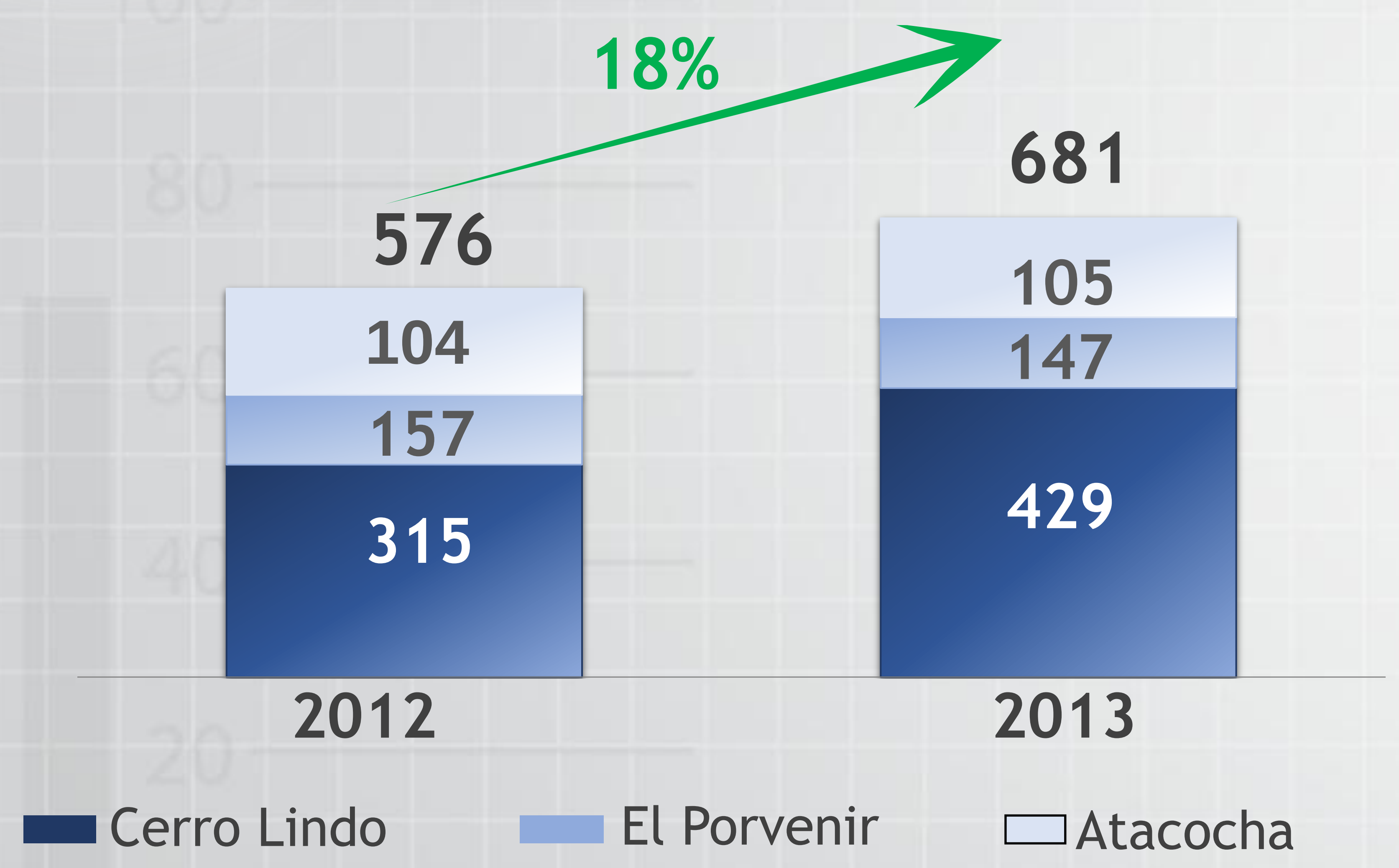
- **Energy self generation** and long term contracts **mitigate energy supply risk** and **price volatility**
- 9% of the country's industrial electric energy demand: **70% self sufficient** with installed capacity of **2,600MW** and average generation of 1,500MW – the **3rd largest private energy generator in Brazil**
- 33 hydroelectric and 5 cogeneration plants produce the equivalent of **3.7% of total electric energy consumption in Brazil**
- Currently analyzing opportunities associated with potential e**xpansion of the Brazilian electric energy free market**. Emphasis on potential **market growth (~25% per year) for alternative sources of energy**

UHE Serraria

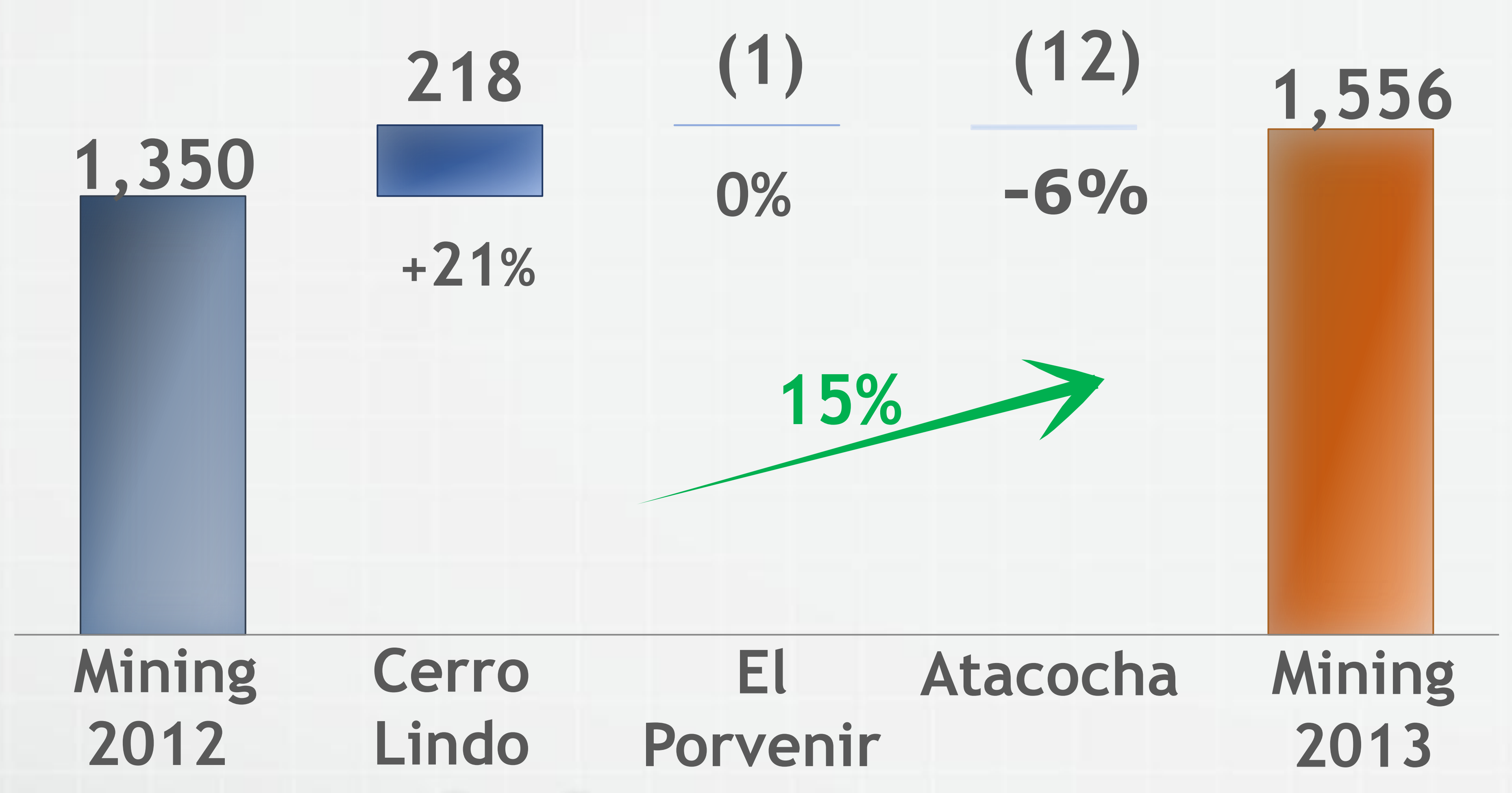
Mining Peru (Milpo)[1] Results

(R$ million)

Volume (kton)



Net Revenues



Adjusted EBITDA

Highlights

- Cerro Lindo expansion supportive of strong performance despite pressured LME prices
- Higher production levels as well as greater ore grades and lower costs per ton led to 39% EBITDA increase
- EBITDA margin improved by 6 p.p.

(1) VID has a stake of 50.06% in Milpo

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Mining Peru (Milpo)(1) Highlights

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- Continuous efforts to **optimize investments, operating costs and administrative expenses**
- **Strong liquidity position** and **disciplined financial management** allowing the company to respond to LME prices variations and market volatility
- **Selective approach** to greenfield projects looking to **reduce operational and financial risks**

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Long Steel Results

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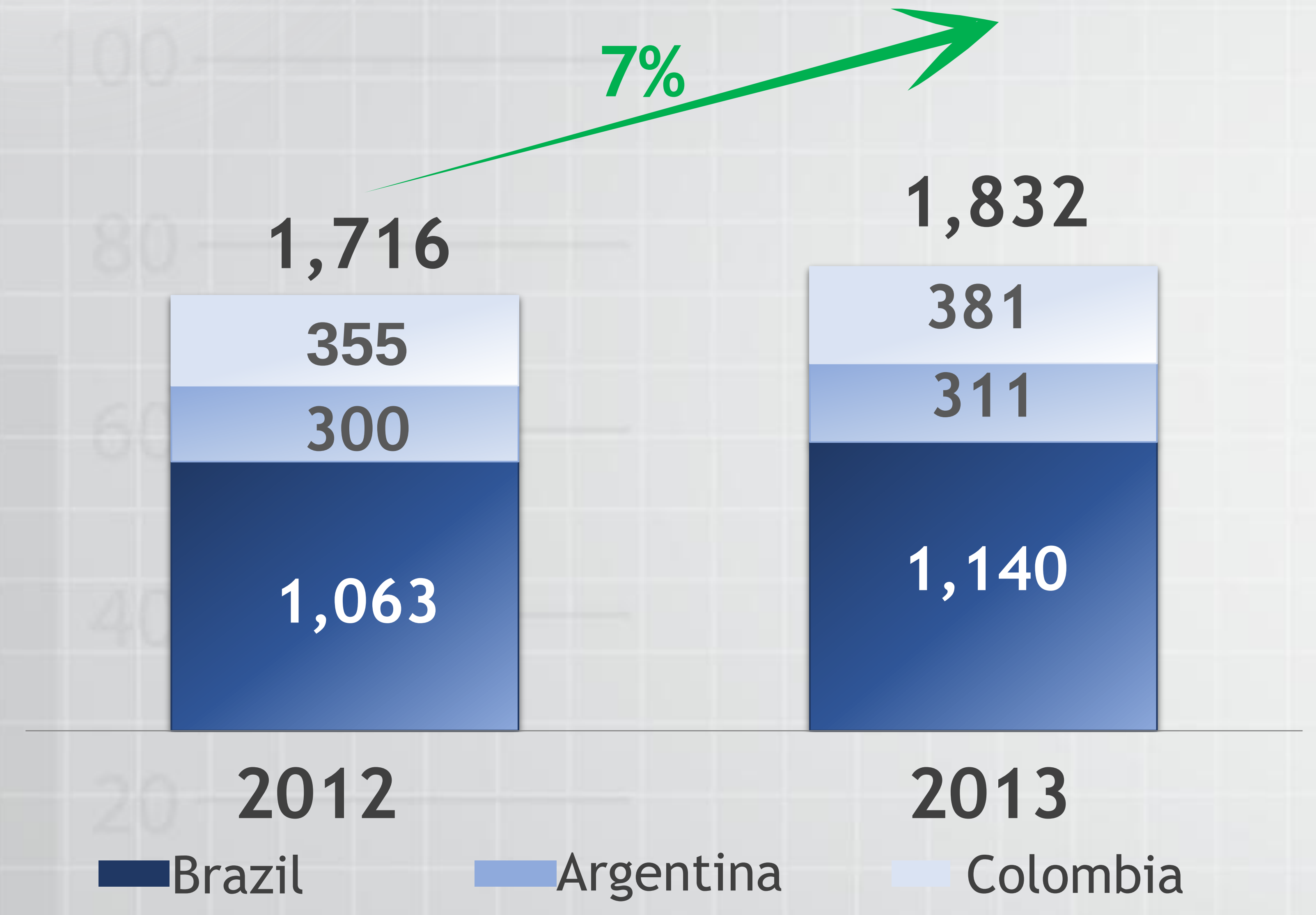
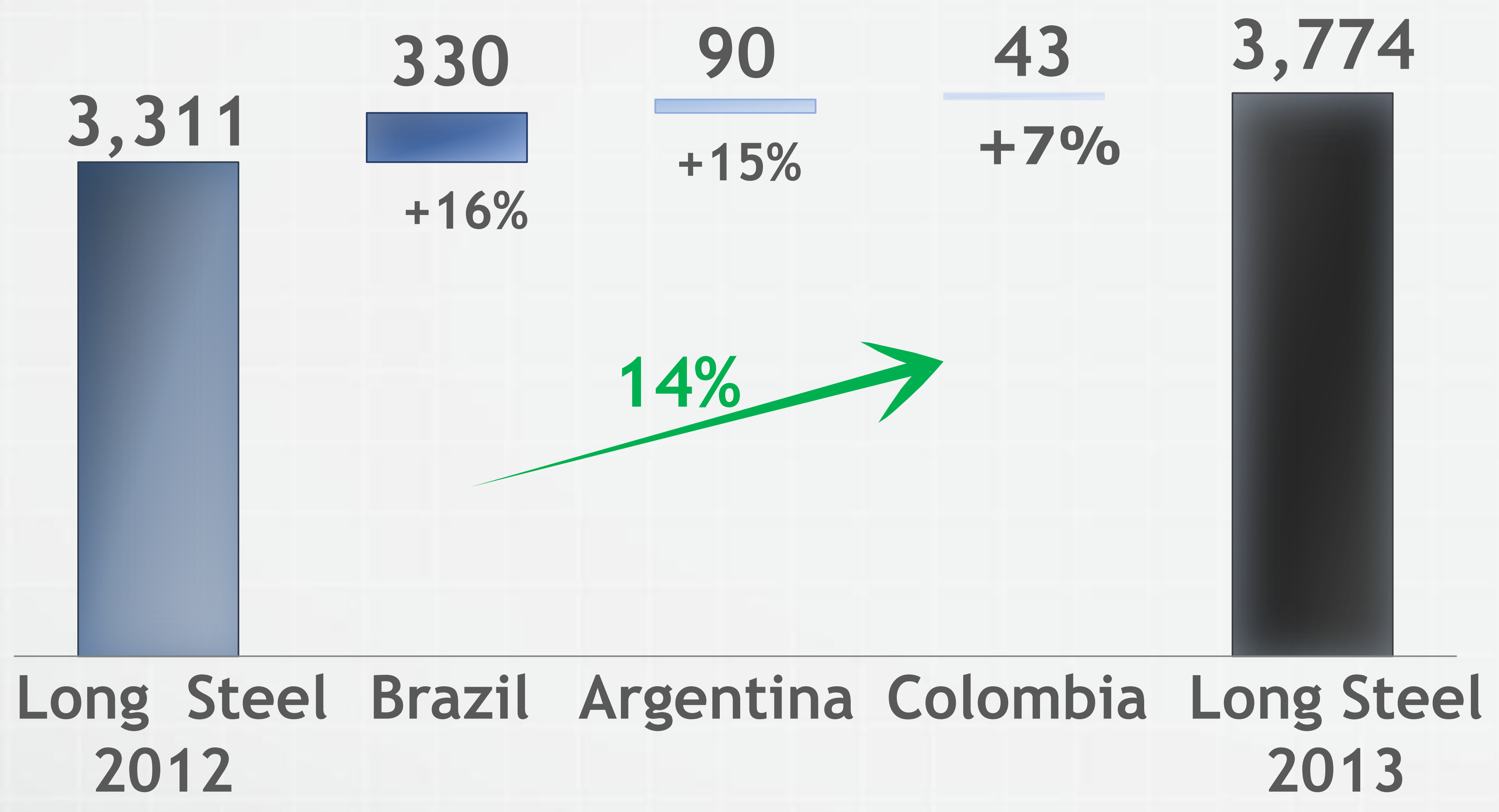
(R$ million)

Volume (kton)



Net Revenues



Adjusted EBITDA

Highlights

- Higher demand in the Brazilian market mainly driven by the construction industry coupled with higher prices backed net revenue growth
- Argentina's EBITDA increased by 23% due to improved sales mix along with higher prices
- EBITDA increase in Colombia as a result of improved operational efficiency, fixed costs reduction and lower freight expenses
- Sitrel's(1) starup increased sales volume. Long steel revenues and EBITDA increased by 19% e 29%, respectively, including Sitrel's results(2)

(1) VID has a stake of 50% in Sitrel and doesn´t consolidate it in its FS; (2) Considering VID's participation of 50%

Long Steel Perspectives

- In Brazil, **infrastructure investments** along with **construction industry growth** continue to drive demand
- **Consistent performance** and **margin increase** in Argentina despite economic instability
- In Colombia, **margin recovery plan** in place, focused on fixed cost reduction, coupled with industry safeguard measures positively contribute to results improvement

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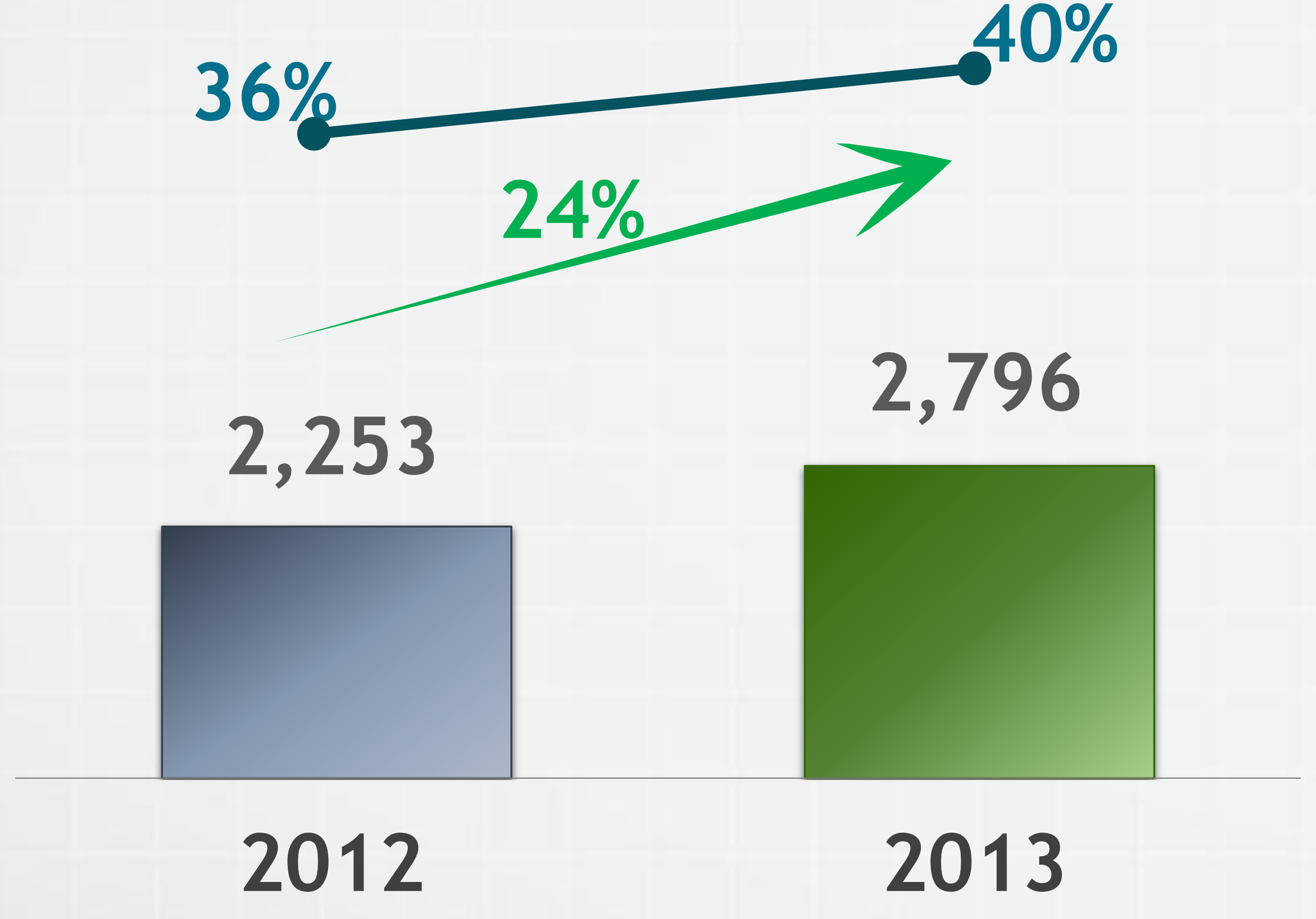
Pulp (Fibria is no longer consolidated in VID's financial results)(1)

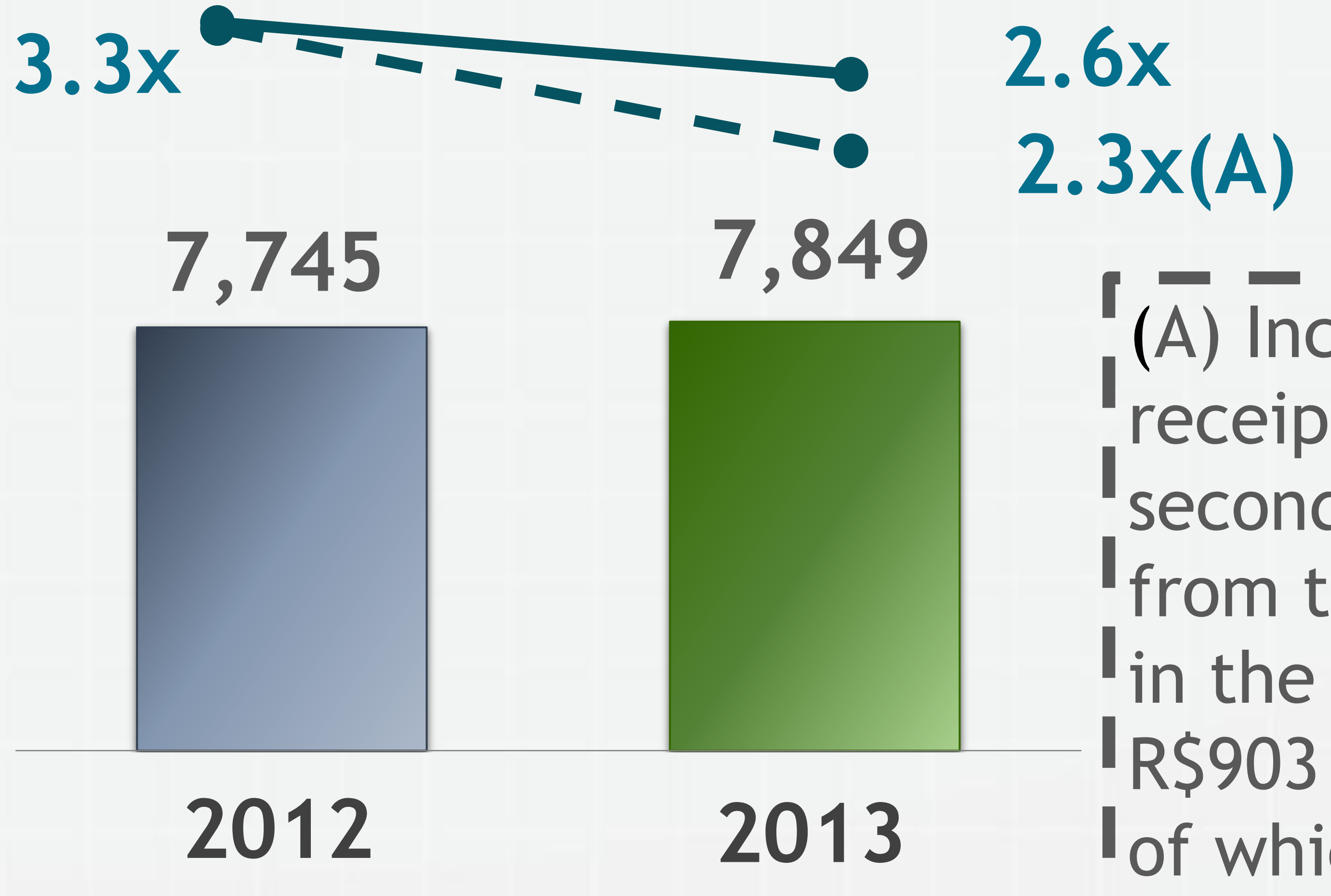
(R$ million)

Net Revenues

Adjusted EBITDA



Net Debt and Net Debt / Ebitda(2)



(A) Including receipt of the second payment from the land sale in the amount of R$903 million, most of which received in January 2014

Highlights

- Record EBITDA and free cash flow
- Net Debt/EBITDA in dollars of 2.6x (Sept/13: 2.9x | Dec/12: 3.3x)
- In 2013, free cash flow reached R$1,268 million (US$113/t), up 52% over 2012, representing 8.3% free cash flow yield on December 31, 2013

(1) In conformity with IFRS 11. Fibria's figures @ 100% (VID has a 29.4% equity participation in Fibria) (2) Net Debt/EBITDA figures in US$

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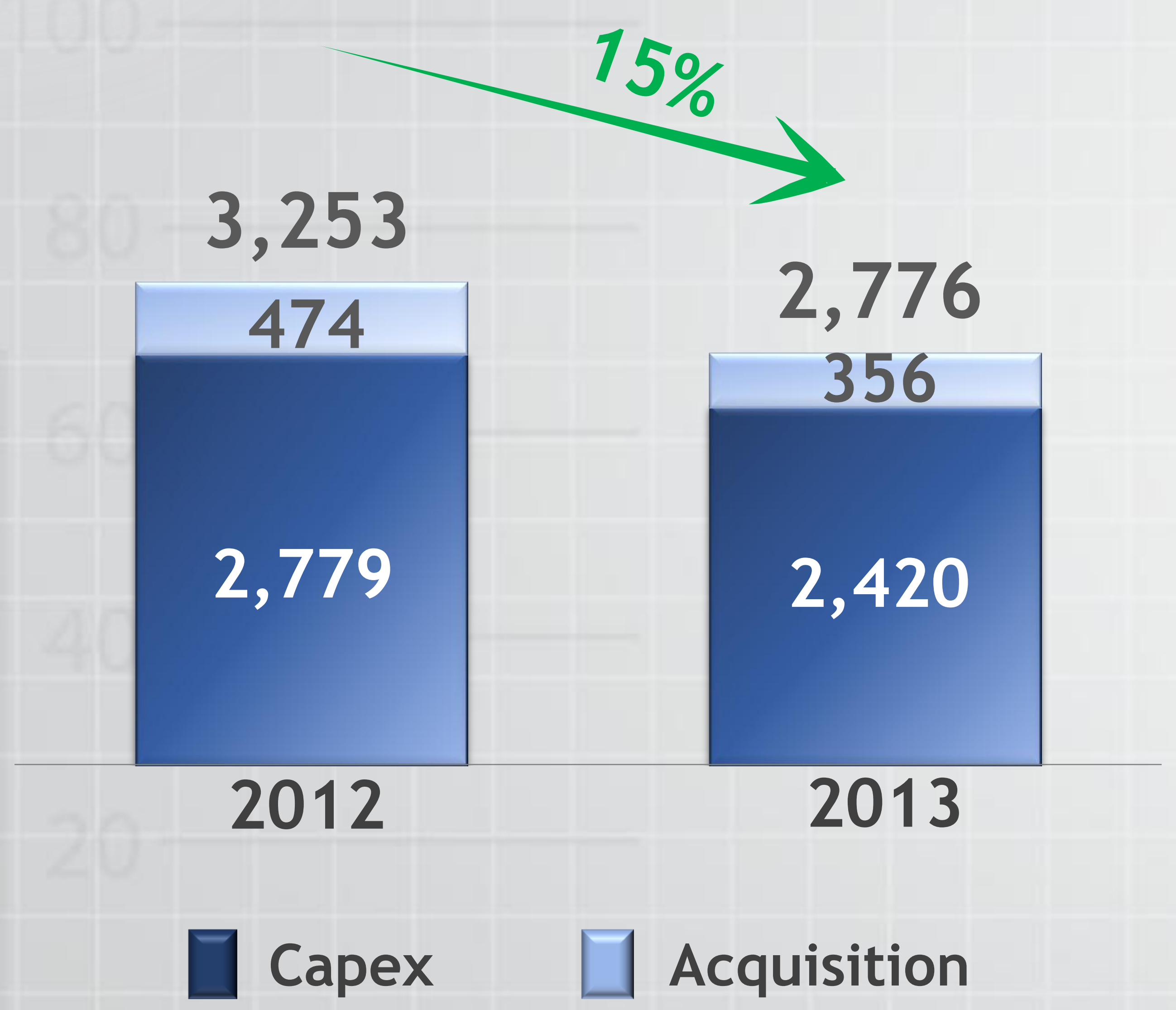
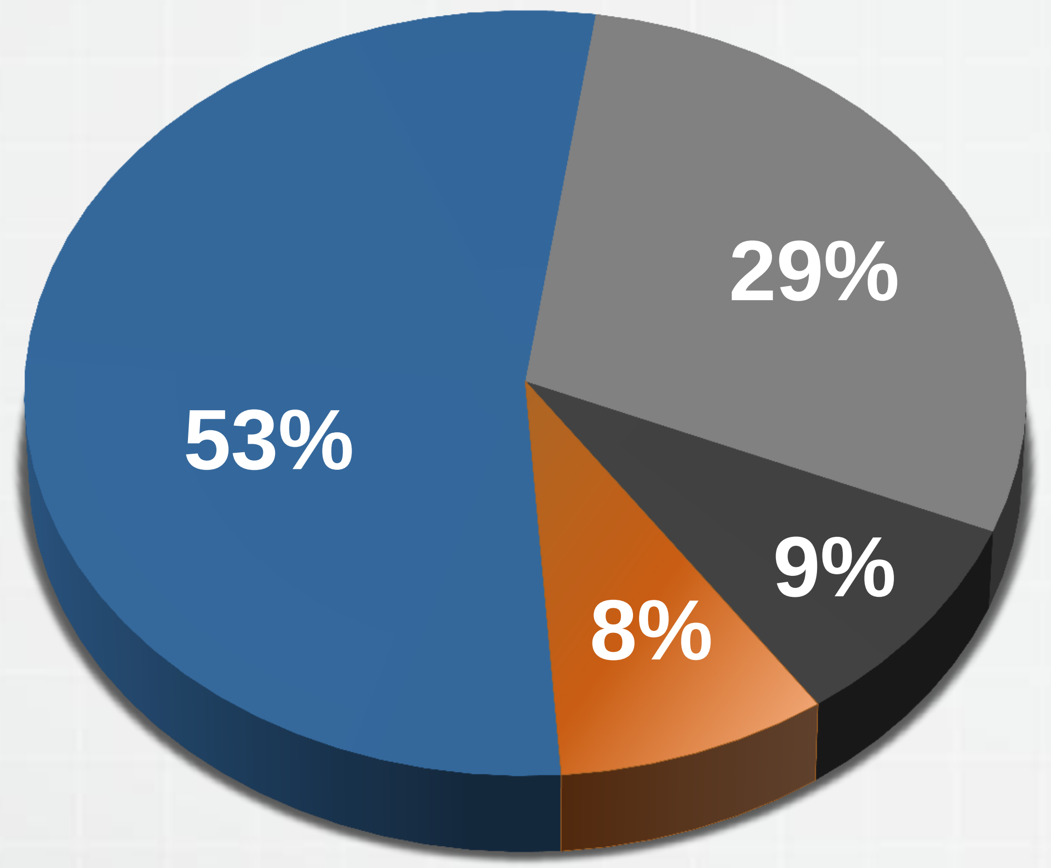
Disciplined investment decisions balancing growth opportunities and sustaining requirements

(R$ million)

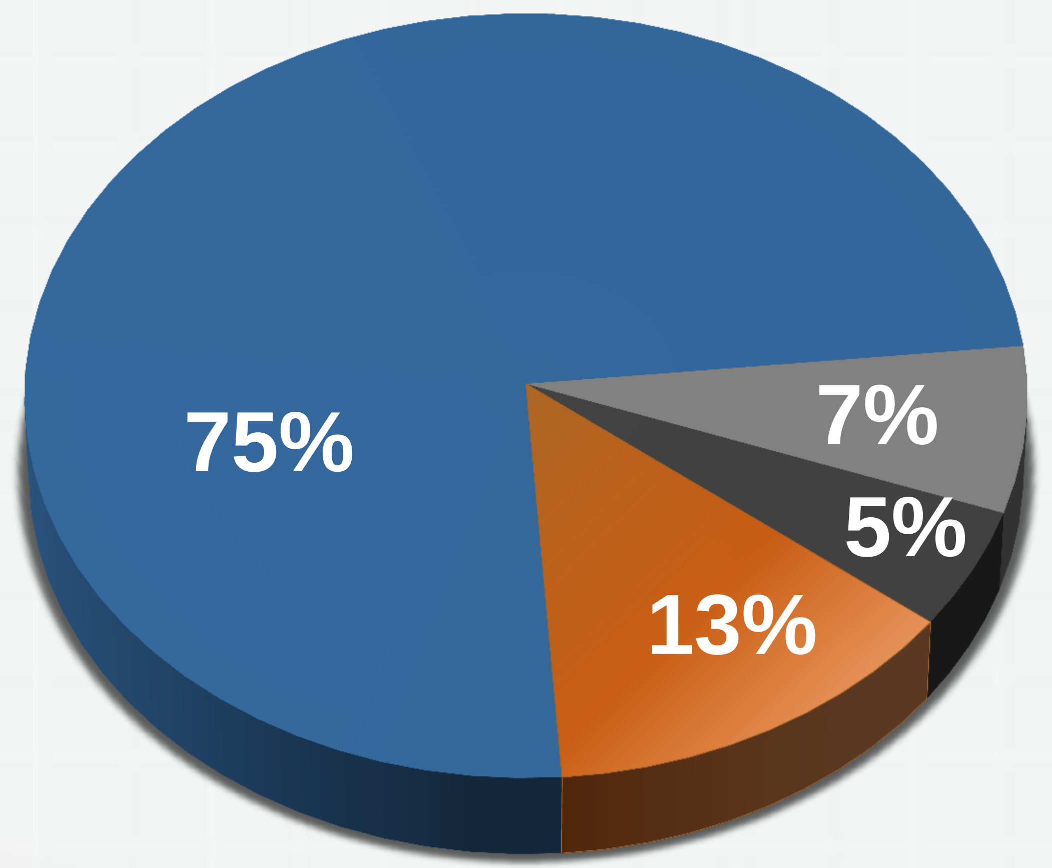
Investments



Capex Breakdown



Expansion Projects



Cement Mining

Metals Long Steel

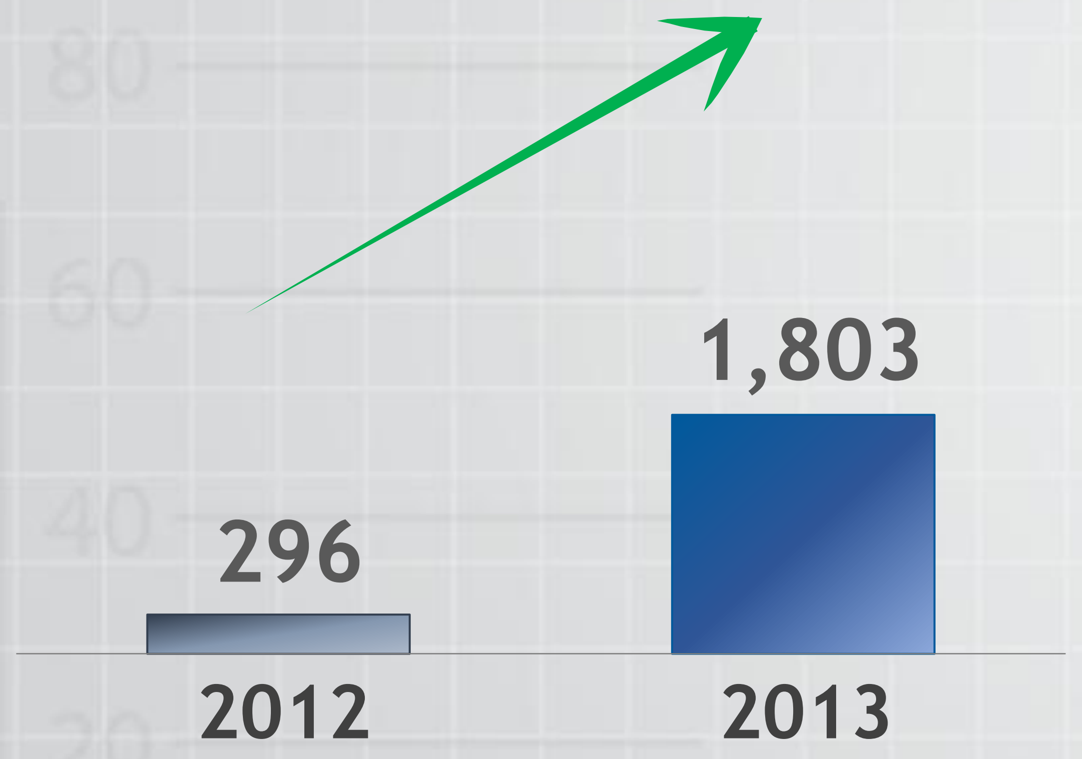
Highlights

- Capex decreased by 13% to R$2,420 million in response to market conditions
- 40% related to expansion projects
- Cement continued to drive expansion investments, accounting for 75% of total expansion CAPEX in 2013
  - ✓ Conclusion of 1 cement plant expansion (Rio Branco): +2.0Mt/year (apr/13)
  - ✓ Conclusion of 1 grinding mill (Santa Helena): +0.7Mt/year (jul/13)

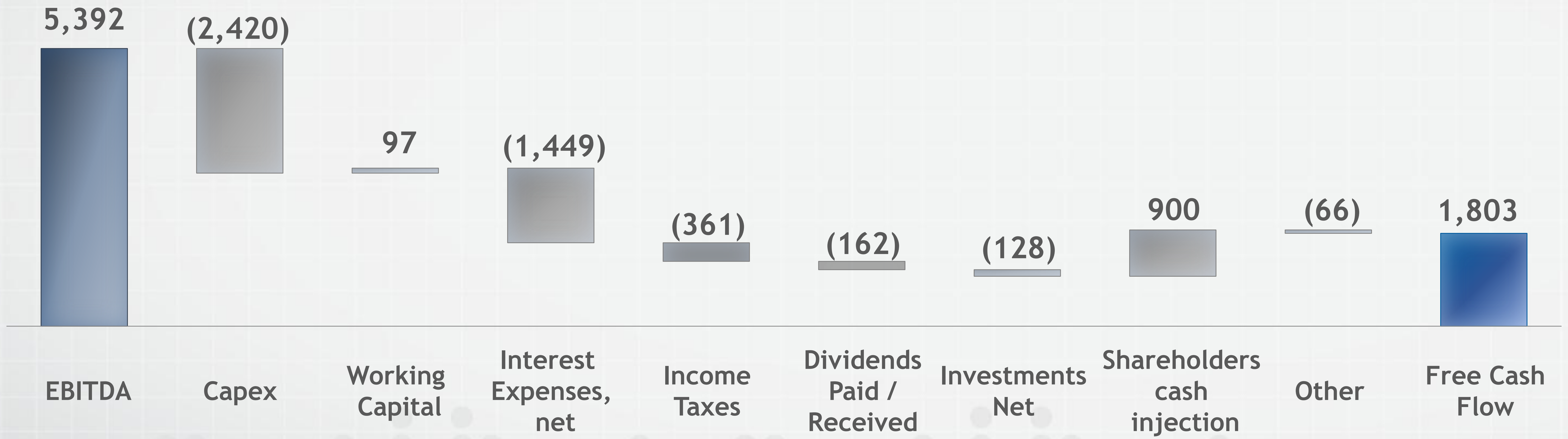
Robust operational performance driving solid cash generation

(R$ million)

Free Cash Flow



Free Cash Flow Generation



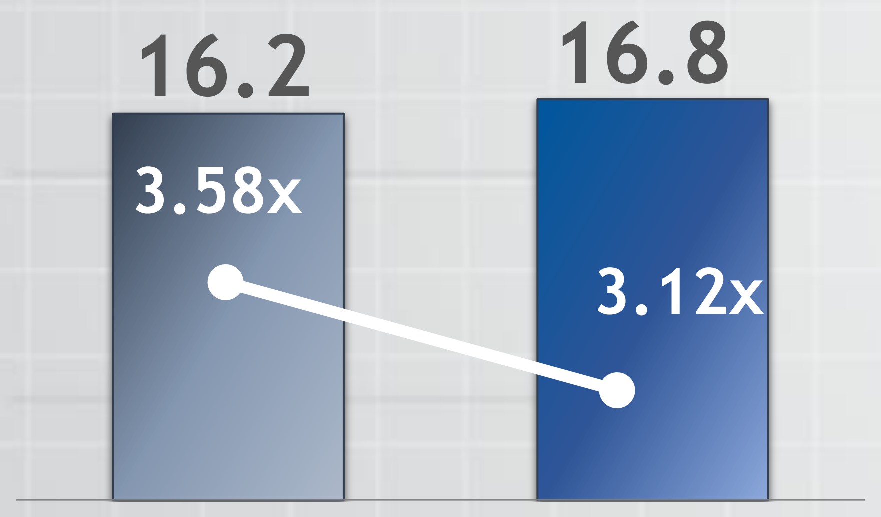
Highlights

- Strong cash generation on the back of higher EBITDA and disciplined CAPEX
- Shareholders injected R$900 million in VID, further improving liquidity

Financial deleverage and smooth amortization schedule continue to be priority

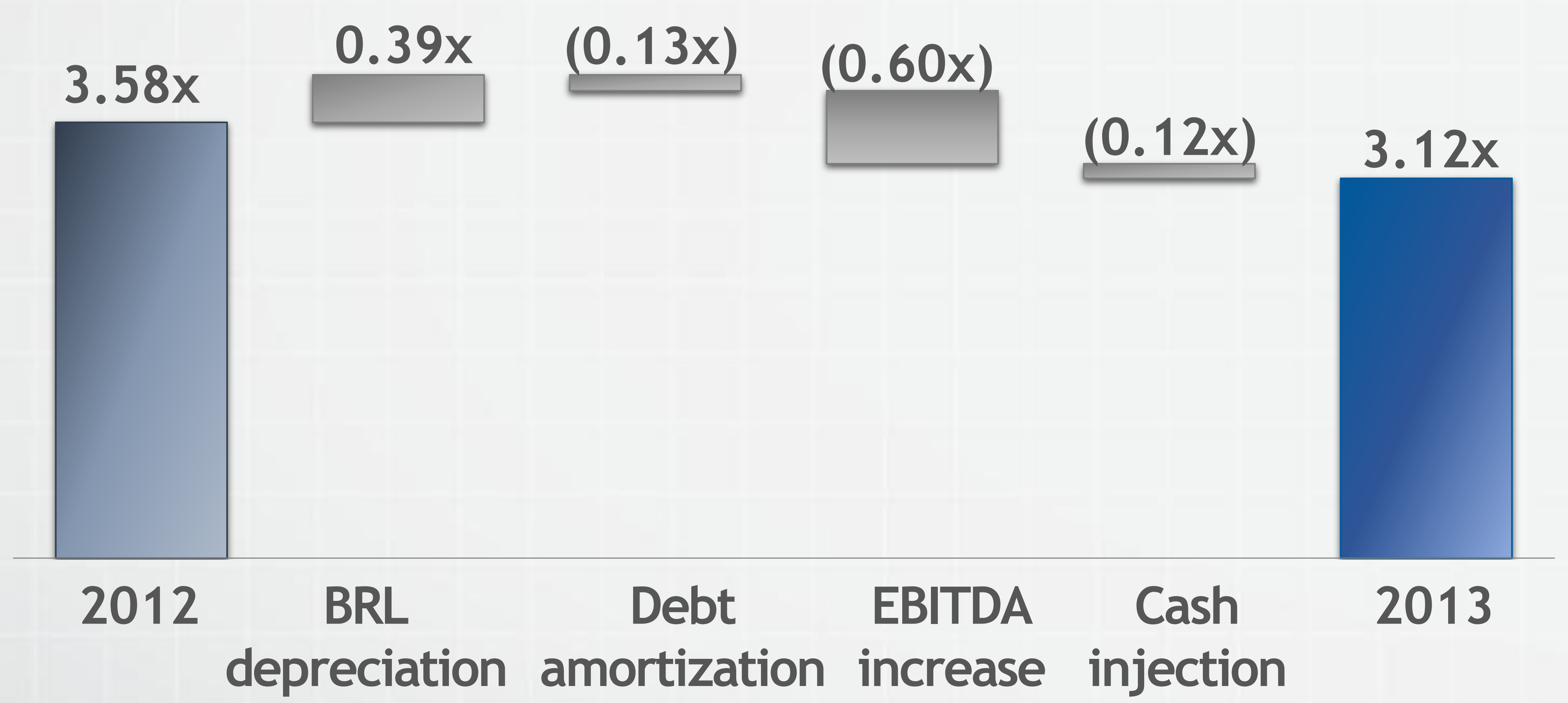
(R$ million)

Net Debt

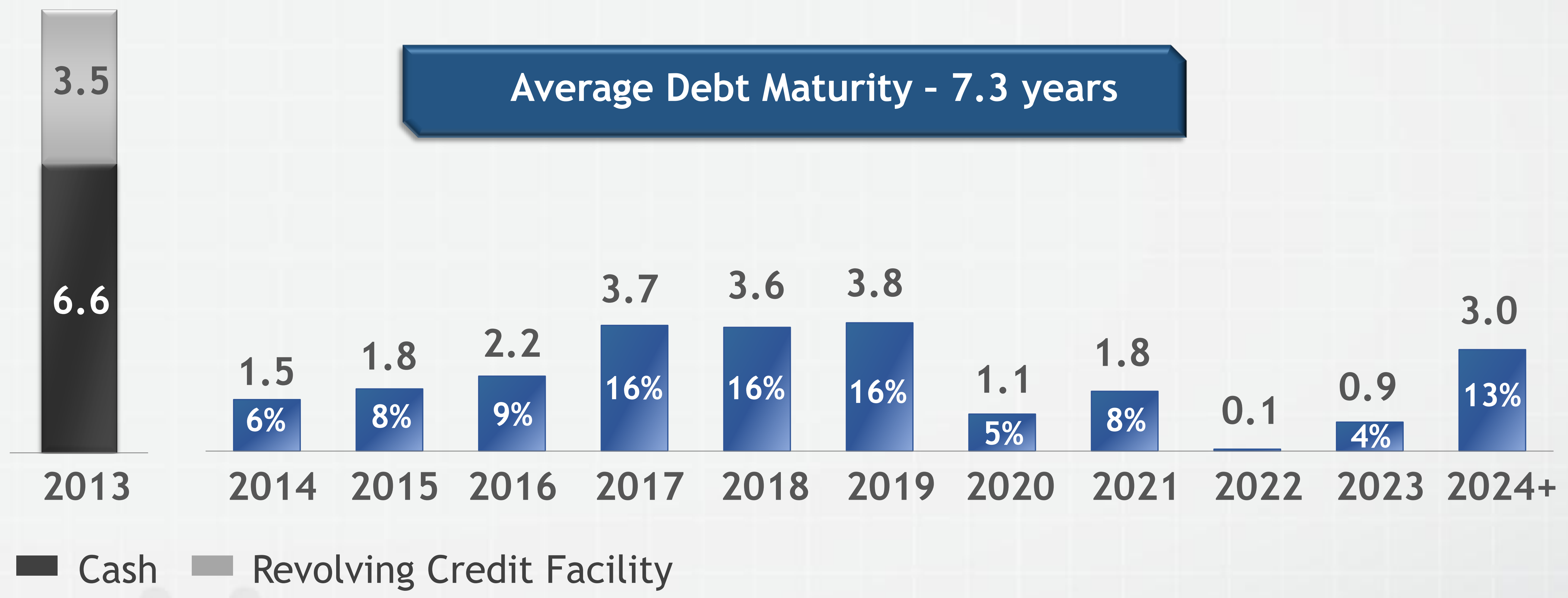


	2012	2013
Total Debt	22.3	23.4
LTM EBITDA	4.5	5.4
BRL/USD	2.04	2.34

Net Debt to EBITDA ratio



Debt Amortization Schedule

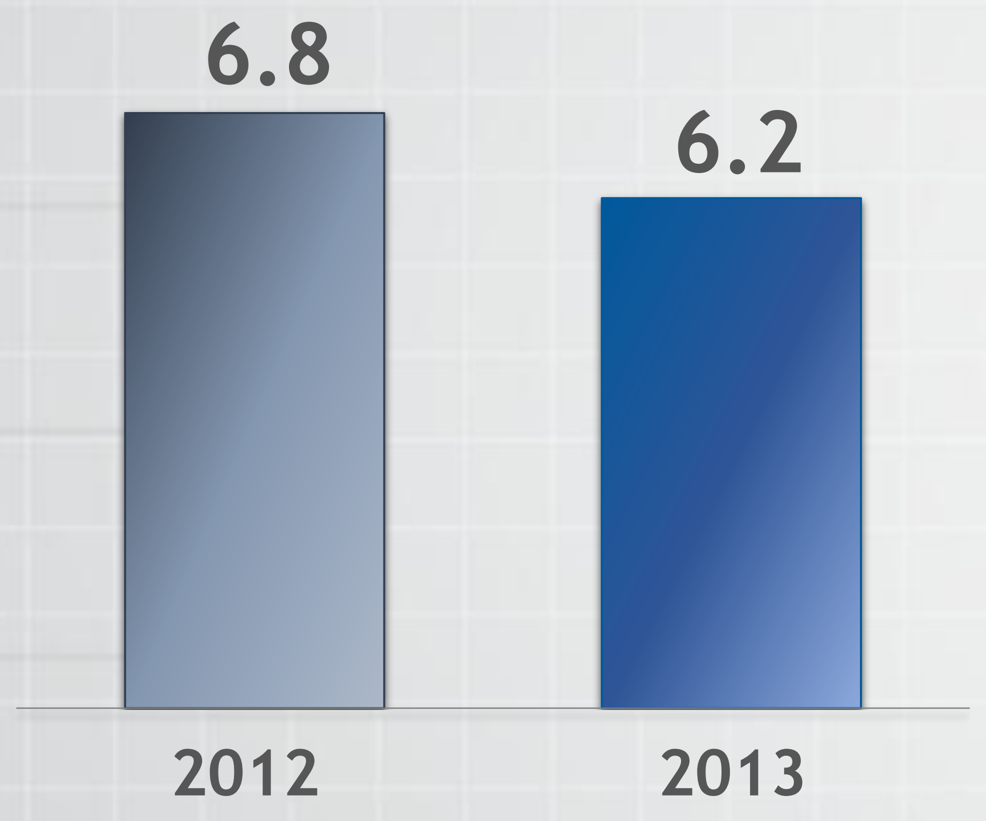


Highlights

- Net amortization of R$0.9 billion was offset by 15% BRL depreciation, which drove total debt increase of R$1.1 billion
- ND/EBITDA decreased by 0.46x as a result of improved EBITDA in addition to cash generation
- Cash equals 3.3 years of debt amortization

Liability management targeting reduction in both gross debt and USD exposure

Foreign Currency Debt (US$ billions)



	2012	2013
BRL Equivalent	14.0	14.6
FX BRL/USD	2.04	2.34

P&L Exposure to Foreign Currency Debt

(millions)	EUR Dec/2013	USD Dec/2013
P&L exposure without hedge accounting	750	4,311
Foreign investment hedge accounting	750	3,306
Current P&L Exposure	-	1,005

Highlights

- Early amortization of US$ 1.2 billion in USD denominated debt since Dec/12
- Foreign currency debt decrease was offset by BRL depreciation
- Reduction of P&L exposure to foreign currency debt
- Up to US$ 1.0 bi Tender Offer aims at reducing both gross debt and USD exposure

Reserva Votorantim | Legado das Águas

Incluir Foto e Link para o Vídeo

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Closing Remarks

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- All business segments presented revenues and EBITDA increase
- Financial and Capex discipline corroborated positive results
- Robust operational performance delivered
- Continuous deleveraging process: 3.12x Net debt/EBITDA
- R$1.2 billion of net income without extraordinary items (more than 4x as compared to 2012)