



**Votorantim**

**CORPORATE  
PRESENTATION  
2016 RESULTS**



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# Votorantim

JOÃO MIRANDA  
CEO Votorantim S.A.



# GLOBAL - 2016 HIGHLIGHTS

The lowest GDP in USA since 2011

1.6%

Source: United States Department of Commerce

Increase in metals average prices

12%

Source: London Metals Exchange

Modest growth in Europe since 2013

1.7%

Source: Eurostat

Stable Chinese GDP since 2002

6.7%

Source: National Bureau of Statistics of China

## GEOPOLITICAL CONCERNS

BREXIT, IMMIGRATION WAVES AND  
NORTH AMERICAN ELECTIONS





# BRAZIL - 2016 HIGHLIGHTS

Inflation above target

6.3%

Source: Brazilian Institute of Geography and Statistics (IBGE)

Decline in GDP accumulated in the last 2 years, largest recession in Brazil's history

-7.3%

Source: Brazilian Institute of Geography and Statistics (IBGE)

Higher unemployment rate

12%

Source: Brazilian Institute of Geography and Statistics (IBGE)

Strengthening of the BRL

(US\$1.00 - R\$3.90 in Dec/15 and R\$3.26 in Dec/16)

**POLITICAL CONCERNS**  
IMPEACHMENT, SPENDING CAP AND  
ANTI-CORRUPTION PROBES



# BRAZILIAN MARKET - OUTLOOK

Inflation forecast at the center of the official target

**4.36%**

Source: Brazilian Central Bank

GDP forecast

**0.47%**

Source: Brazilian Central Bank

The highest Consumer Confidence Index since Dec/14

**85pts**

Source: Getulio Vargas Foundation (FGV)

Interest rate decrease (SELIC) – since Jul/16

**1.25p.p.**

Source: Brazilian Central Bank

The highest Entrepreneur Confidence Index since Jan/14

**53pts**

Source: National Confederation of Industry

Structural reforms approval: Fiscal and Social security



# VOTORANTIM & BRAZILIAN MARKET

Investee companies are **resilient**, but were **affected by the severe Brazilian recession**.

Good results from **operations abroad** were not enough to avoid the decrease in **consolidated EBITDA** in 2016.

Maintenance of financial health, **with high liquidity and extended debt profile**.

Usual **prudence** in conducting the businesses.

**Government** that has been able to **accelerate the reforms discussions** with the Congress.

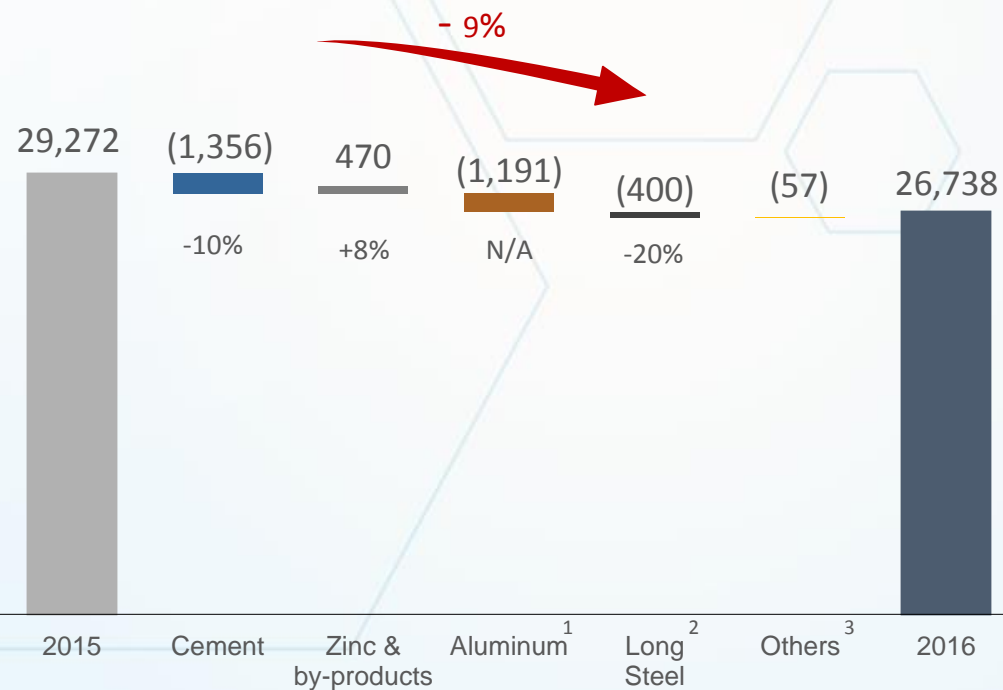
2017 will be a **challenging year for the Brazilian economy**, but it is expected to be the inflection point of the curve.



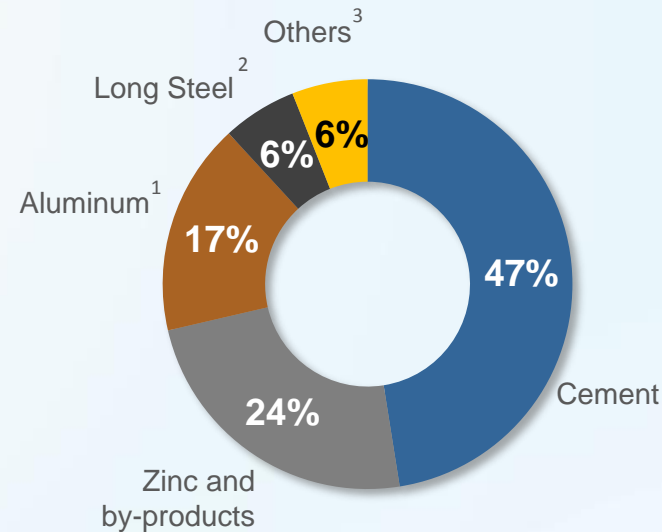
# CONSOLIDATED NET REVENUES

(R\$ MILLION)

## EVOLUTION BY BUSINESS



## REVENUE BY BUSINESS



- The **economic retraction** in Brazil has affected **cement** and **aluminum** sectors.
- **Increase in metals** average price.
- **Results from operations abroad** have mitigated the impacts suffered by the operations in Brazil.
- Results from operations abroad **positively contributed on the consolidation.**

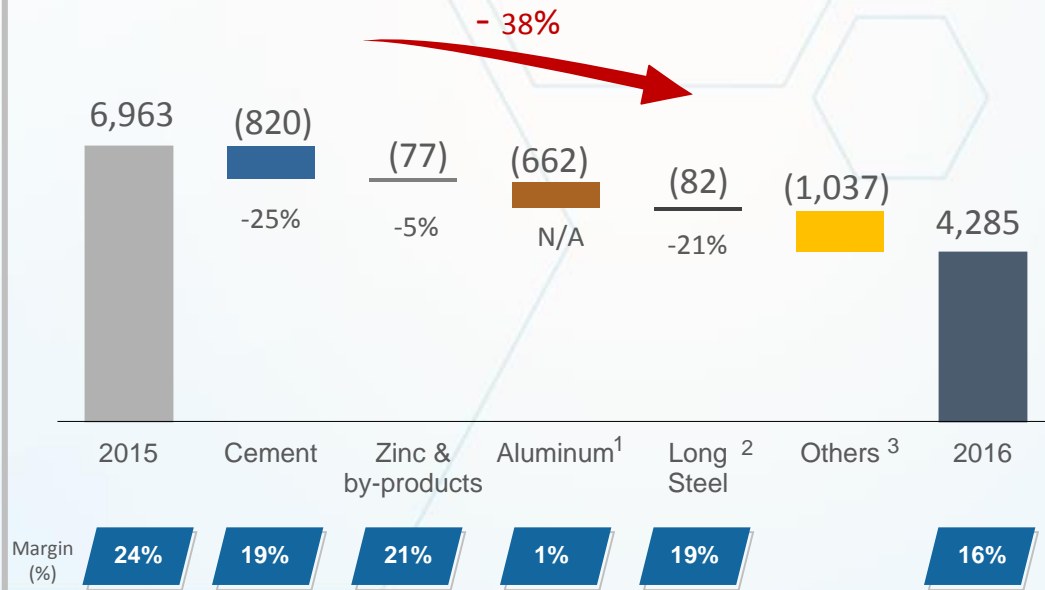
1. Results from Nickel operations were incorporated to the Aluminum segment.  
 2. Includes Argentina and Colombia.  
 3. Energy segment, Holding and Eliminations.



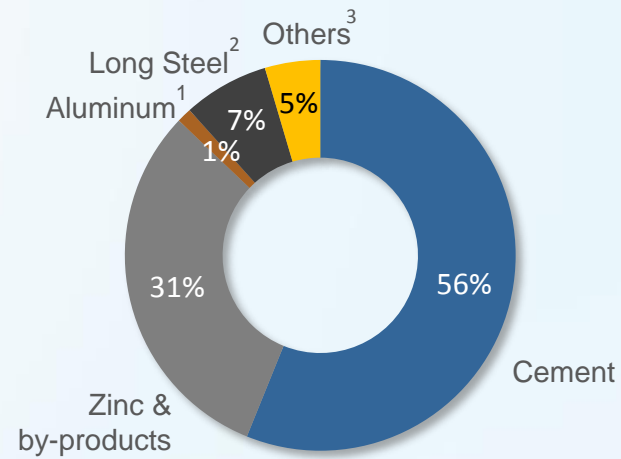
# CONSOLIDATED ADJUSTED EBITDA

(R\$ MILLION)

## EVOLUTION BY BUSINESS



## EBITDA BY BUSINESS



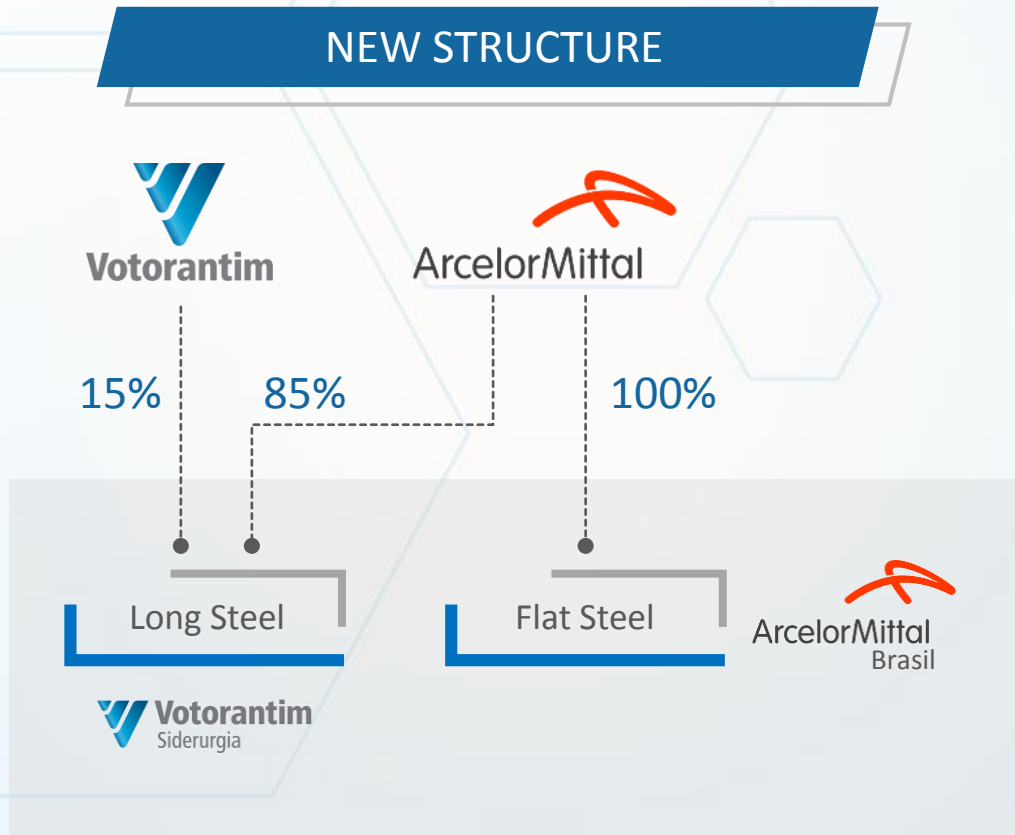
- EBITDA impacted by the **deterioration** of the Brazilian economy.
- Excluding the extraordinary dividends from Fibria and the asset's sale in 2015, the decrease in EBITDA would have been **27%**.
- 65% of the EBITDA** came from the **operations abroad**.

1. Results from Nickel operations were incorporated to the Aluminum segment.  
 2. Includes Argentina and Colombia.  
 3. Energy segment, Holding and Eliminations.

# LONG STEEL BRAZIL<sup>(1)</sup>

## BUSINESSES COMBINATION

### NEW STRUCTURE



### CONSIDERATIONS

#### Steel sector under pressure

- High **idle capacity** in the world.
- **Reduction of demand** in the Brazilian Market.
- New **players** in Brazil.
- **Price drop** in recent years.

#### Businesses combination

- Cost, logistics and operational synergies are expected with the new structure.
- The agreement is subject to regulatory approvals in Brazil, including the approval of the Administrative Council for Economic Defense (CADE).

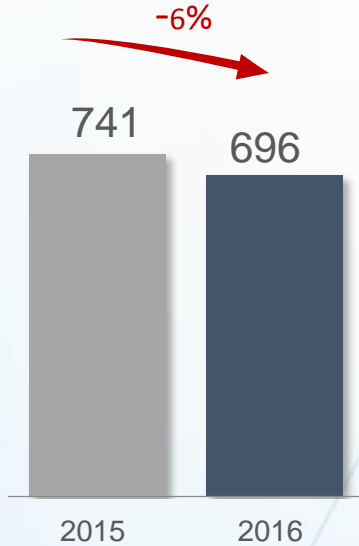
1. The results from Votorantim Siderurgia Brasil were not considered in Votorantim S.A.'s financial statements.



# LONG STEEL - ARGENTINA AND COLOMBIA RESULTS

(R\$ MILLION)

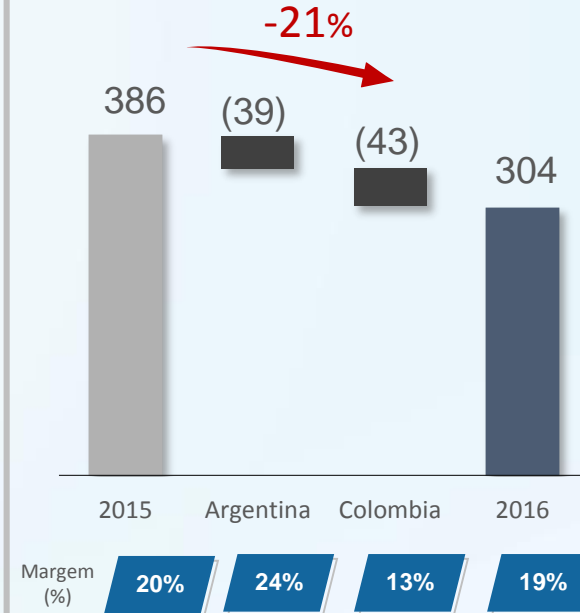
## Volume (kton)



## Net revenue



## Adjusted EBITDA



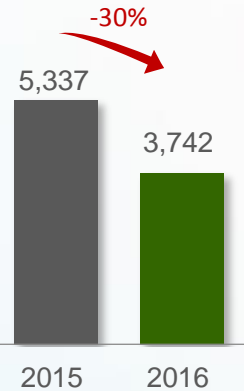
- The long steel operations in **Brazil** were classified as “available for sale” in 2016.
- **The depreciation of the Colombian and Argentine peso** in the year in relation to the Brazilian real had a negative effect on the consolidated results.
- **Argentina:** Adjustment measures taken by the **new government** and the review of infrastructure projects resulted in a decrease in the construction sector.
- **Colombia:** Lower sales volumes due to the reduction of constructions from the **infrastructure** program.

# OTHER INVESTEE COMPANIES

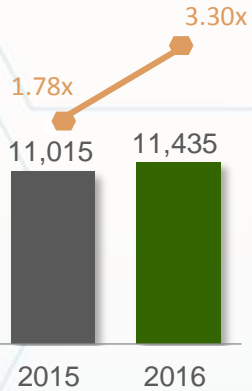
## RECOGNIZED BY EQUITY METHOD



Adjusted EBITDA  
(R\$ million)



Net debt (R\$ million)  
Net debt/EBITDA  
(US\$)



Margin (%)

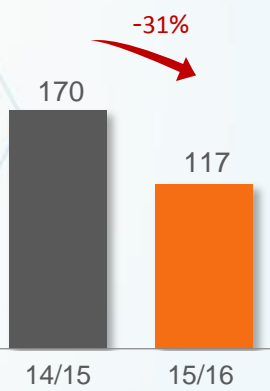
2015	53%
2016	43%

- Net income of R\$1.7 billion in 2016, an increase of 366% compared to 2015.
- Project Horizonte 2 (H2): 87% physically complete. This project has 100% of its funding already contracted.

1. Calculation excludes pulp sales from agreement with Klabin



Adjusted EBITDA  
(US\$ million)

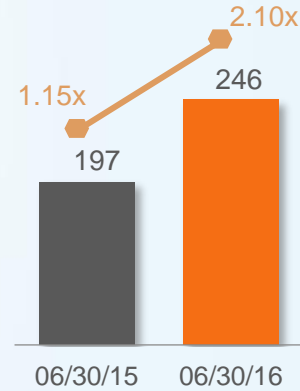


Margin (%)

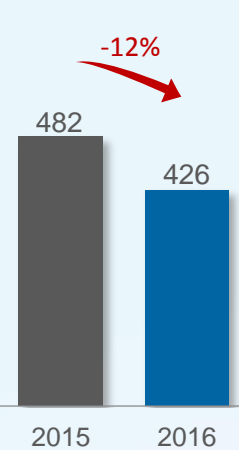
14/15	14%
15/16	11%

- Climatic adversities in Brazil affected the harvest.
- Production below the expected in Florida.
- The decrease in inventory levels caused the increase in FCOJ's price in the last quarter of the harvest.

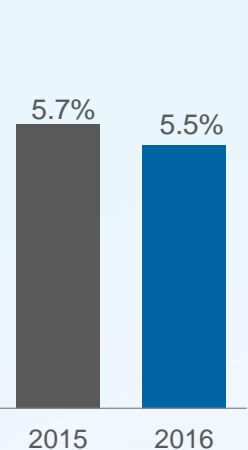
Net debt  
Net debt/EBITDA  
(US\$ million)



Net income  
(R\$ million)



Consolidated  
Delinquency



- Leadership in the used cars auto financing market.
- Profit for the 13th consecutive quarter confirms the consistency of results.
- Comfortable position for the Basel Ratio: 15.1% - higher than the minimum capital requirement, which is 10.5%.





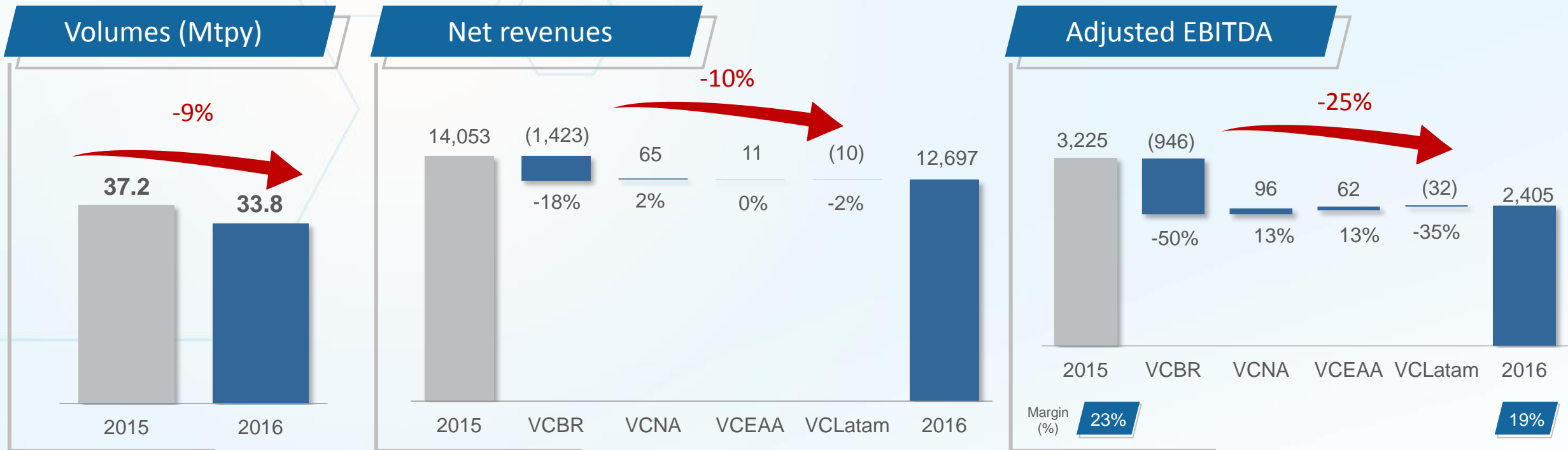
# Votorantim

**LORIVAL LUZ**  
CFO & IRO Votorantim Cimentos

# GEOGRAPHIC DIVERSIFICATION AND OPERATIONAL EFFICIENCY TO OVERCOME CHALLENGING SCENARIO IN BRAZIL

(R\$ MILLION)

- Brazilian operations impacted by economy recession: 11.7 % decrease in volumes YoY according to SNIC
- Higher prices and cement consumption growth in the US on the back of economic rebound
- Robust operational performance in VCEAA arising from lower costs and higher volumes in Morocco, Spain and Tunisia

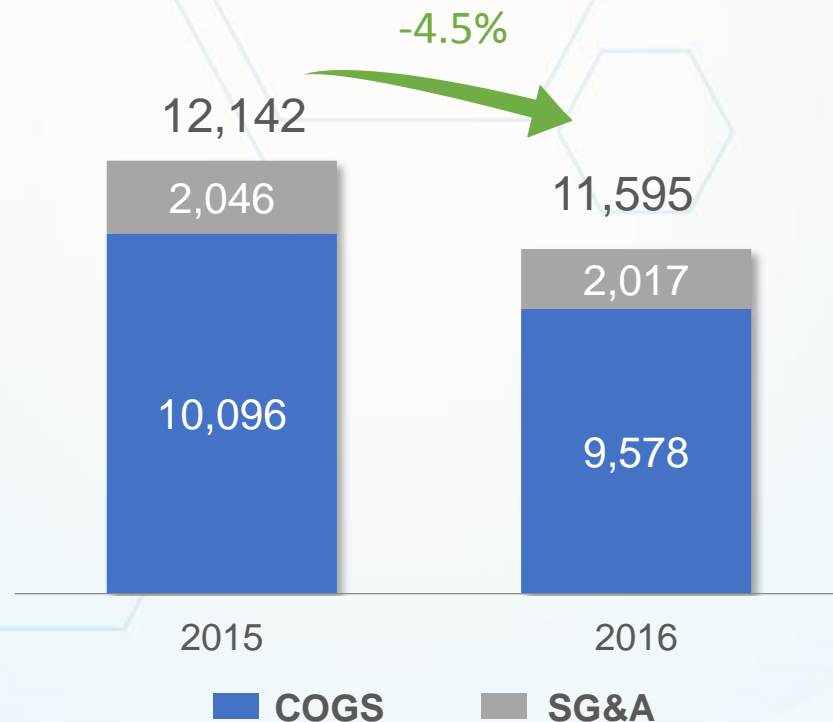




# FOCUS ON OPERATIONAL EFFICIENCY AND COST SAVINGS IN ALL REGIONS

(R\$ MILLION)

## COGS + SG&A in nominal terms



## Highlight

R\$ 574 mm<sup>1</sup> cost savings in 2016 due to initiatives implemented in all regions, such as:

- Zero-based budgeting
- Optimization of discretionary expenses
- Rightsizing in Brazil and China to adapt to current cement demand

R\$ 917 mm<sup>1</sup> in savings since 2014 offsetting 17.6% inflation in Brazil in the period

1. Savings in real terms excluding FX impacts in 2016

# ECONOMIC RECESSION WITHOUT PRECEDENT IN BRAZIL IMPACTING CEMENT MARKET DEMAND

## VCBR

- 3.6% GDP decrease and 11.7% cement sales reduction YoY (SNIC) impacted 2016 results
- **Cost savings** partially offset the impacts of construction market deterioration
- **R\$ 310 mm of Zero-based budgeting savings<sup>1</sup>** in Brazil in 2016
- CAPEX and **working capital discipline**
- Focus on **operational efficiency** and better positioned for market rebound

## VCLatam

- **Start-up of cement plant in Yacuces, Bolivia** on time and on budget added 1.0 million tons in December, totaling 1.2 million tons/year

## VCBR (R\$ mm)

Net revenues	EBITDA	Capex
6,373	965	763
7,796	1,912	1,099

## VCLatam (R\$ mm)

Net revenues	EBITDA	Capex
396	59	299
405	91	122

■ 2016 ■ 2015



1. Savings in real terms excluding FX impacts in 2016



# STRONG GROWTH IN THE CONSTRUCTION SECTOR IN THE US AND ROBUST OPERATION PERFORMANCE IN ALL VCEAA REGIONS

## VCNA



### VCNA (R\$ mm)

Net revenues	EBITDA	Capex
3,610	834	463
3,544	738	241

■ 2016 ■ 2015

- Construction spending increased 4.5% in the US, with 7.8% growth in private non-residential construction<sup>1</sup>
- Higher prices and productivity reflected in 33%<sup>2</sup> higher EBITDA YoY in USD
- 1.9% and 10.1% increase in cement consumption in Great Lakes and Florida, respectively<sup>3</sup>

1. According to US Census Bureau  
 2. Excluding 2015 non recurring items, such as sale of assets  
 3. According to PCA

## VCEAA



### VCEAA (R\$ mm)

Net revenues	EBITDA	Capex
2,319	546	384
2,308	484	419

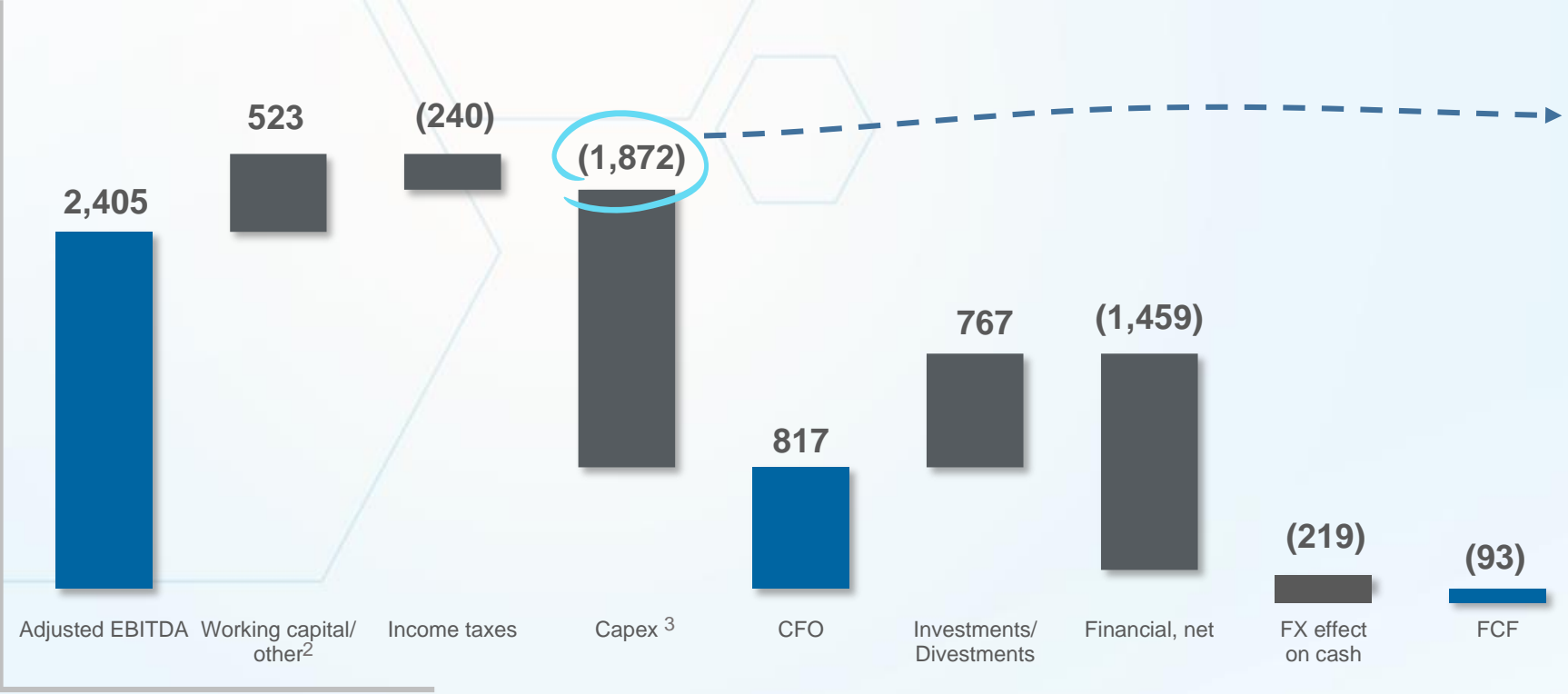
■ 2016 ■ 2015

- Volume increase in most VCEAA countries and higher prices in Morocco and Tunisia
- EBITDA 6% higher in EUR YoY supported by robust operational performance and effective cost management measures in all regions
- Lower fuel and power costs driving cash generation
- China rightsizing measures contributing to consolidated results

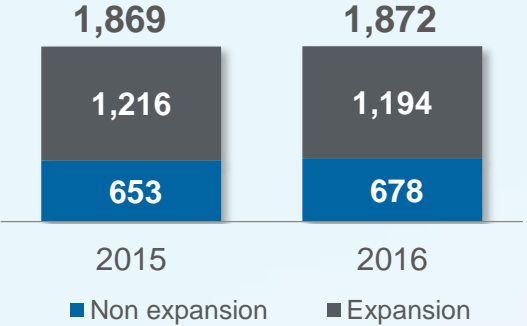
# CONSISTENT OPERATIONAL CASH GENERATION, WORKING CAPITAL DISCIPLINE AND NON CORE ASSET DIVESTMENTS TO SUPPORT EXPANSION PLAN IN ALL REGIONS

(R\$ MILLION)

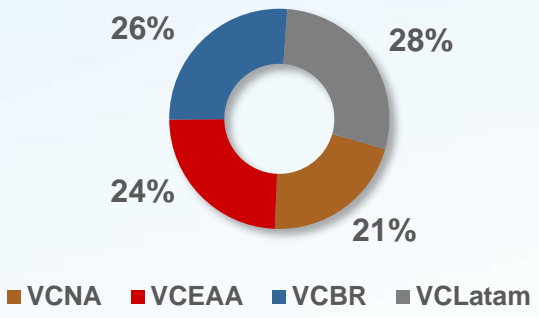
## 2016 FREE CASH FLOW<sup>1</sup>



## CAPEX

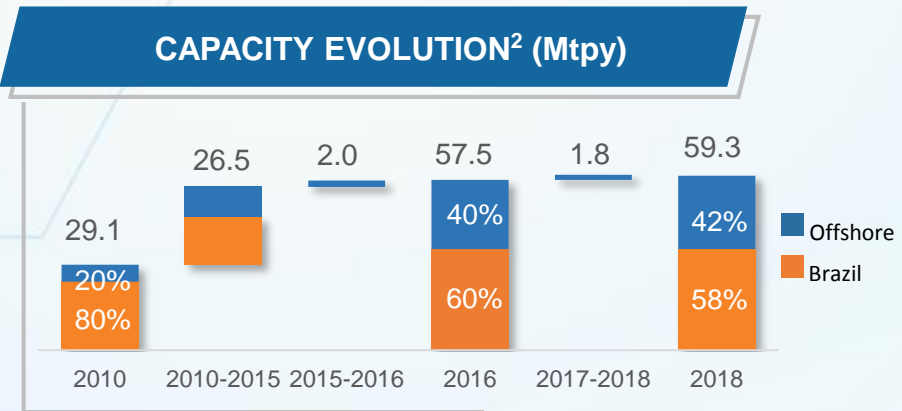


## 2016 Expansion capex breakdown



1. Does not include VSA R\$ 1 billion capitalization  
 2. Others: items that do not represent changes in cash  
 3. Includes only items that represent changes in cash

# LONG TERM STRATEGY: INCREASED CAPACITY TO FURTHER ENHANCE GEOGRAPHIC DIVERSIFICATION



▪ **59.3 Mtpy** in 2018, doubling 2010 capacity, 42% outside Brazil

▪ Charlevoix investment reinforcing our position in the Great Lakes region

1. Assets consolidated under equity method  
 2. Does not include companies consolidated under the equity method



# ACTIVE LIABILITY MANAGEMENT PLAN TO MAINTAIN STRONG LIQUIDITY AND COMFORTABLE DEBT PROFILE

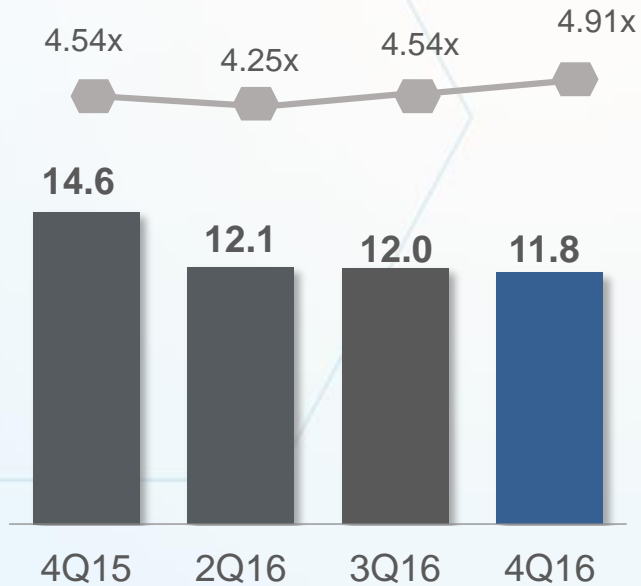
(R\$ BILLION)

- R\$ 1.5 bi in gross debt reduction in 2016 given divestments of non-core assets and VSA capitalization.

- 9.9 years average debt maturity with no relevant maturities until 2019

- R\$ 4.1 bn in cash position and R\$ 2.3 bn revolving credit facility maturing in 2020

## NET DEBT & NET DEBT/EBITDA<sup>1</sup>



## DEBT AMORTIZATION SCHEDULE PRO FORMA<sup>2</sup>



1. Net debt includes MTM from 4131 loans.  
 2. As of Dec/16 considering the prepayment of R\$ 150 mm of Debentures Issuance and issuance of R\$ 500 mm debentures maturing in 2022, which is not reflected in the cash position  
 3. VCSA revolving credit facility of USD 700 MM due in 2020. In addition, VCNA has revolving facility of US\$ 230 MM due in 2020.  
 4. Includes 4131 as BRL due to cross currency swap

# FINAL REMARKS



Volume growth and price increase in the US and strong operational performance in Europe and Africa offsetting the impacts of the Brazilian recession

Undisputable leading position in Brazil and focus on cost efficiency: ready for market rebound

Strategic installed capacity growth since 2010 while maintaining focus on the financial discipline

End of expansion cycle in Brazil, delivery of Bolivia plant and maintenance of investments outside Brazil reinforce long term strategy

Liability management aimed at lengthening debt profile while preserving a strong liquidity position





# Votorantim



MARIO BERTONCINI  
CFO Votorantim Metais



# HIGHLIGHTS AND STRATEGY

Clear strategy and planned execution enabled progress in all long-term goals

- Larger participation in Milpo  
**16% remaining free float**
- More investments in mineral exploration and expansion projects



- 3rd stage of Atacocha and El Porvenir mines integration completed

- Record production of 334 kt of zinc in Cajamarquilla

- Improved operational stability in our mines and smelters

- Consolidated global leadership<sup>1</sup>
- 4th largest producer of zinc concentrate in the world
- 5th largest producer of slab zinc in the world

Greater presence in international markets

1. According to Wood Mackenzie

# MARKET FUNDAMENTALS

Price recovery of all Votorantim  
Metals' products, specially zinc

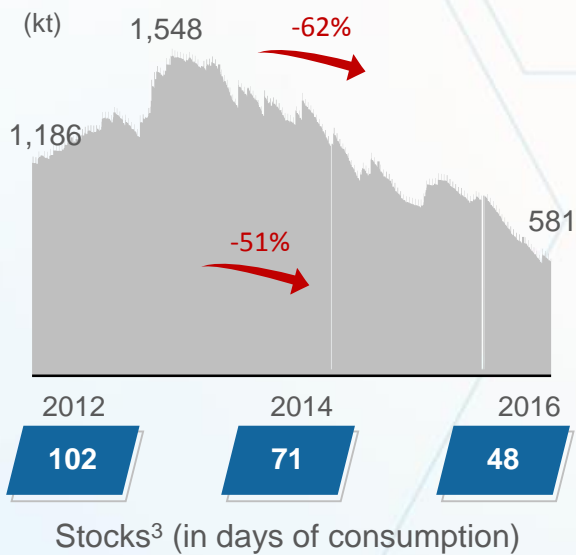
(US\$/ton)

## ZINC

## COPPER

## LEAD

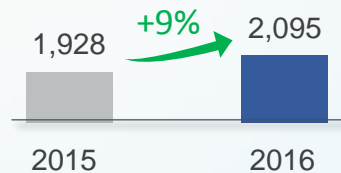
### Global stocks of zinc<sup>1</sup>



### LME<sup>2</sup> price evolution in 2016



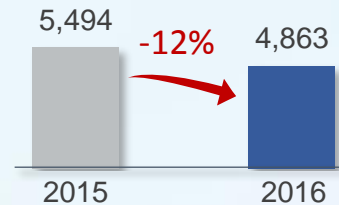
### LME price evolution in 2016



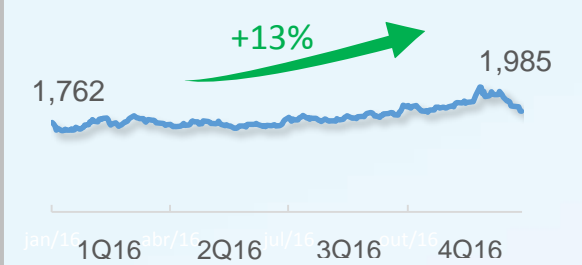
### LME price evolution in 2016



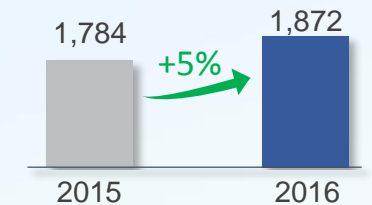
### LME price evolution in 2016



### LME price evolution in 2016



### LME price evolution in 2016



Zinc inventories reached a critical low level due to shortage of concentrates, leading to rising prices in 2016

Low availability of concentrates also raised lead price. However, copper price decreased due to new projects

1. Stocks registered in the London Metal Exchange (LME) and Shanghai Futures Exchange (SHFE)
2. Based on daily prices, as traded in the London Metal Exchange (LME)
3. Total stocks, including registered and unregistered inventories, as reported by Wood Mackenzie

# PRODUCTION AND SALES

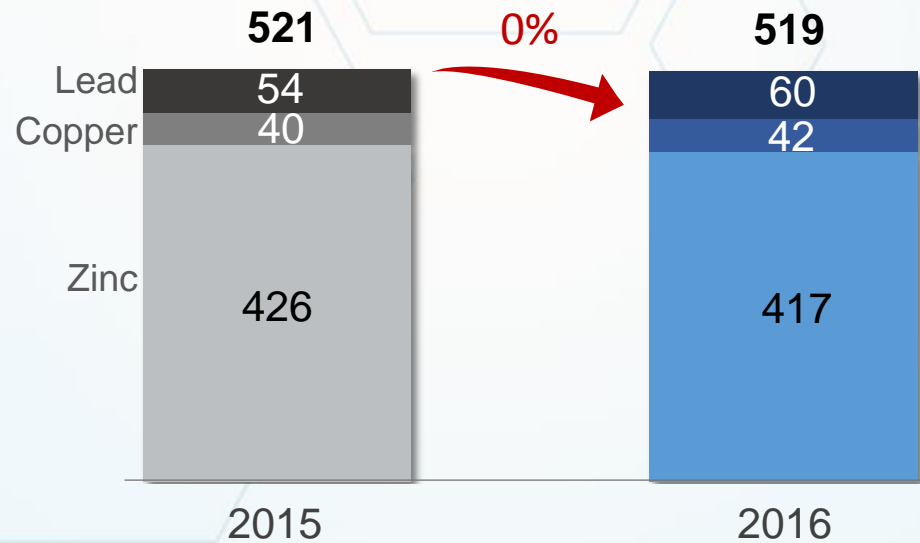
Greater access to international markets ensured higher sales in 2016

(Kton)



## MINING

### Concentrate production<sup>1</sup>



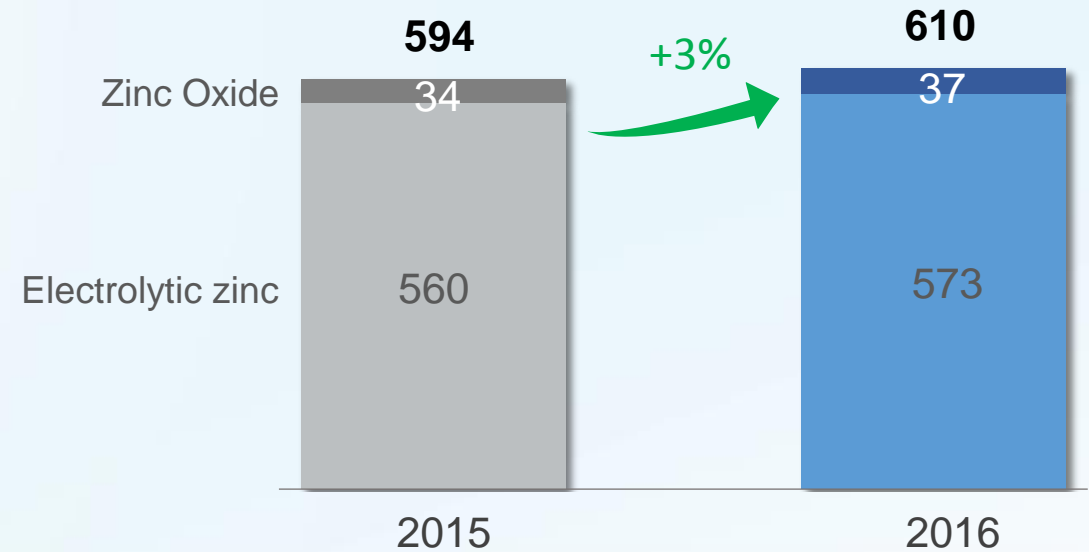
Stable concentrate production in 2016, with increase of copper content in Cerro Lindo and lead in Atacocha, compensating the decrease of zinc concentrates

1. In terms of fine content of metal



## SMELTING

### Electrolytic zinc and zinc oxide sales



Increase in Brazilian exports of galvanized steel and higher zinc exports to several regions (North America, Latin America, Europe and Asia)

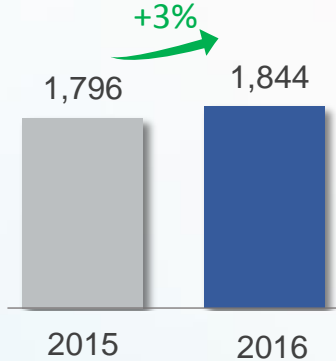


# OPERATIONAL RESULTS

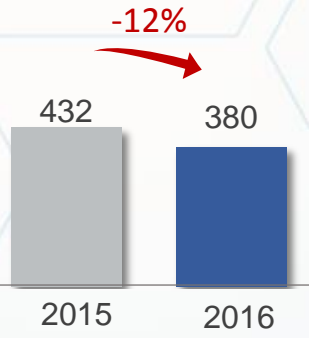
Operational excellence provided better cash generation in a year of strategic adjustments

(US\$ MILLION)

## NET REVENUES



## EBITDA



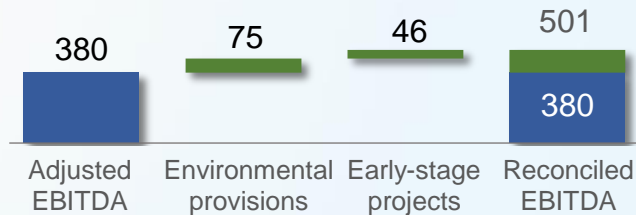
Margin

24%

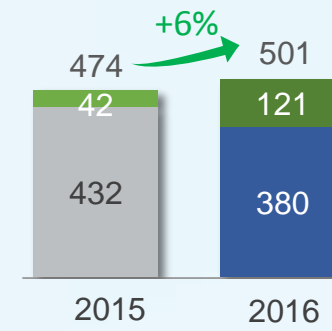
21%

## RECONCILED EBITDA

Impact in 2016



Reconciled EBITDA



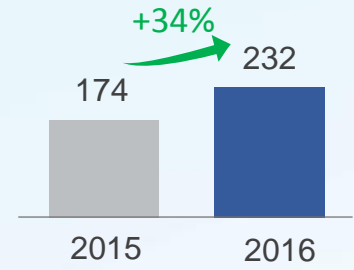
Margin

26%

27%

## FCF

Free Cash Flow



- Higher net revenues and lower production costs allowed strong cash generation
- Main factors that impacted 2016 EBITDA were:
  - Increase in environmental provisions after updates of underlying studies<sup>1</sup>
  - Increase in early-stage projects expenses

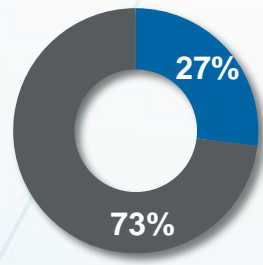
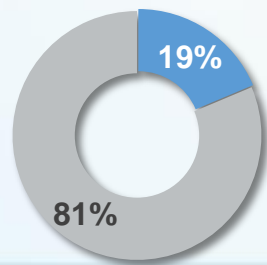
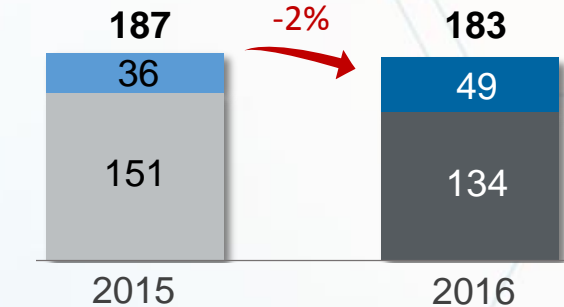
1. Studies conducted by Golder Associates and PRCZ Consultores Associados

# INVESTMENTS

Stable level of investments, with greater focus on expansion projects

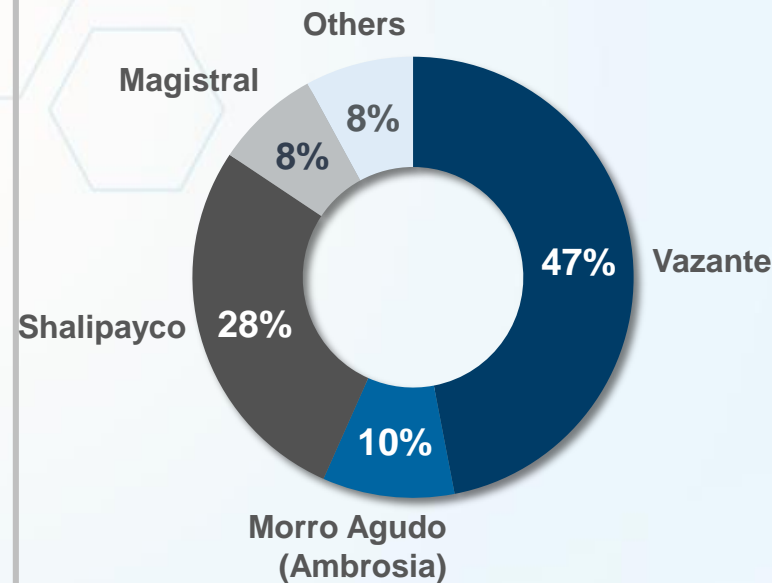
(US\$ MILLION)

## CAPEX



Expansion Non-Expansion

## EXPANSION PROJECTS



## Main growth projects

### Brownfield (life of mine extension)

- Vazante
  - Deepening
  - Extremo Norte
- Morro Agudo
  - Trend Ambrosia

### Greenfield (new mines)

- Aripuanã
- Magistral
- Shalipayco
- Caçapava do Sul
- Bongará
- Hilarión
- Pukaqaqa

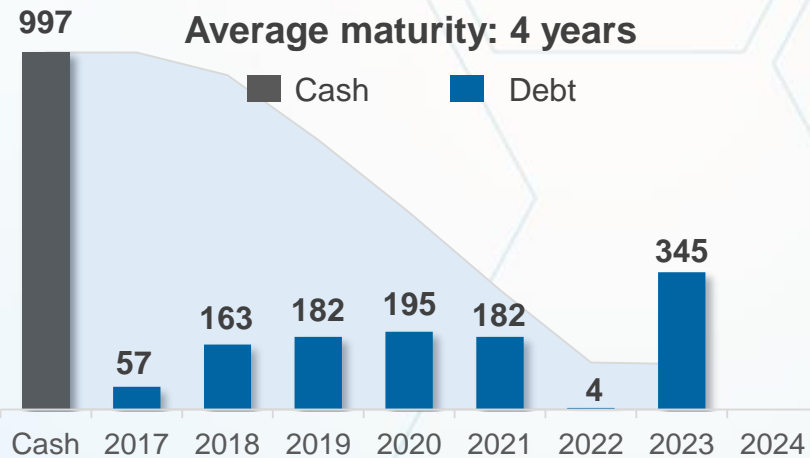
- Increase of expansion projects CAPEX, aligned with the company's strategy to boost its mining production in the next years

# LIQUIDITY AND INDEBTEDNESS

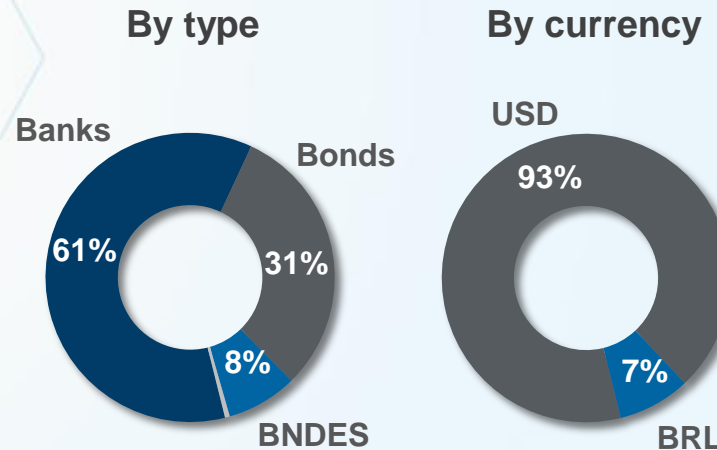
Unleveraged position, with a more stable debt maturity and a strong cash position

(US\$ MILLION)

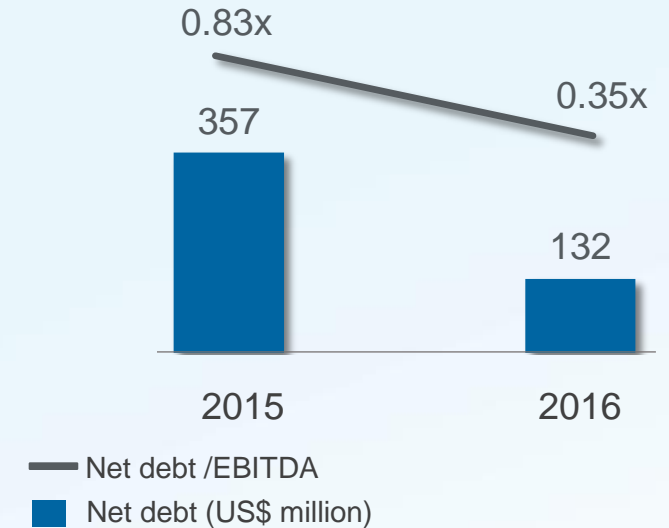
## DEBT REPAYMENT SCHEDULE



## DEBT BREAKDOWN



## NET DEBT / EBITDA



- Bank debt reprofiling with all guarantees provided within Votorantim Metais' perimeter
- Extension of debt repayment to 2018-2021 span, with an average maturity of 4 years
- Liability management as a permanent practice of debt profile optimization



# FINAL REMARKS



**Mining growth strategy**, with focus on brownfield and greenfield zinc and copper projects in Peru and Brazil

Process innovation and cost management to **increase productivity** in mines and smelters

**Initiatives to increase integration**: Cerro Pasco Complex and sharing of best practices between Peru and Brazil

**Global commercial footprint**, with increasing participation in emerging and developed markets

**Adequate capital structure envisioned** to the company's growth plan, with short term liquidity and long term indebtedness

Growth

Operational Excellence

Market Development





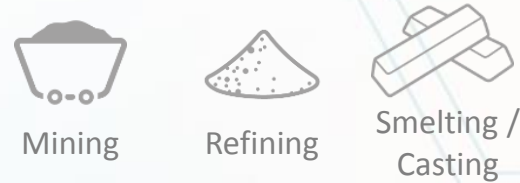
**Votorantim**



**LUCIANO ALVES**  
Finance General Manager CBA

# STRATEGIC POSITIONING

Management redesign in place, getting CBA ready for the Brazilian economic recovery



## Upstream

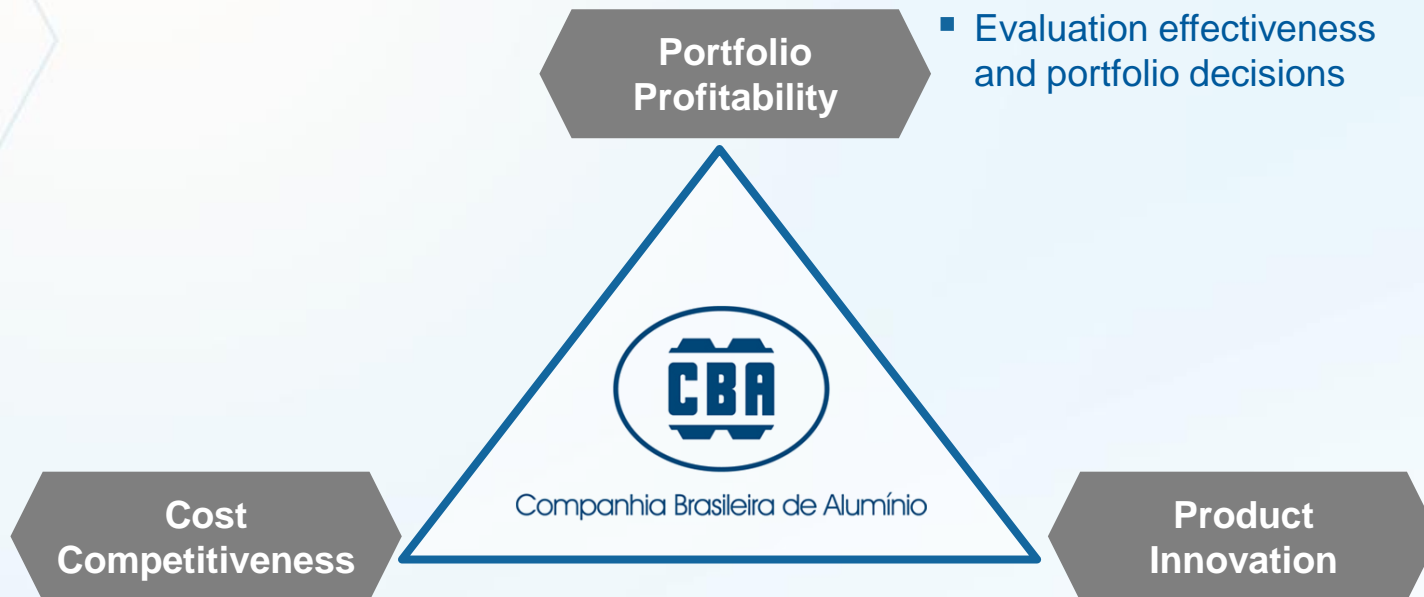
Competitive in cost and flexible to react to market dynamics

## Downstream

Value-added solutions as a way of differentiation



- Operational excellence, performance improvement and increased productivity



- Evaluation effectiveness and portfolio decisions

- More than 30 projects in market and product development, and partnership with strategic customers

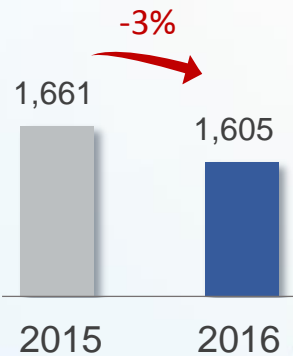


# PRODUCTION AND SALES

## ALUMINUM

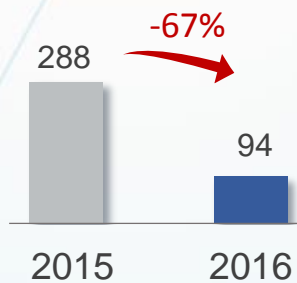
LME<sup>1</sup> price (US\$/ton)

Annual average

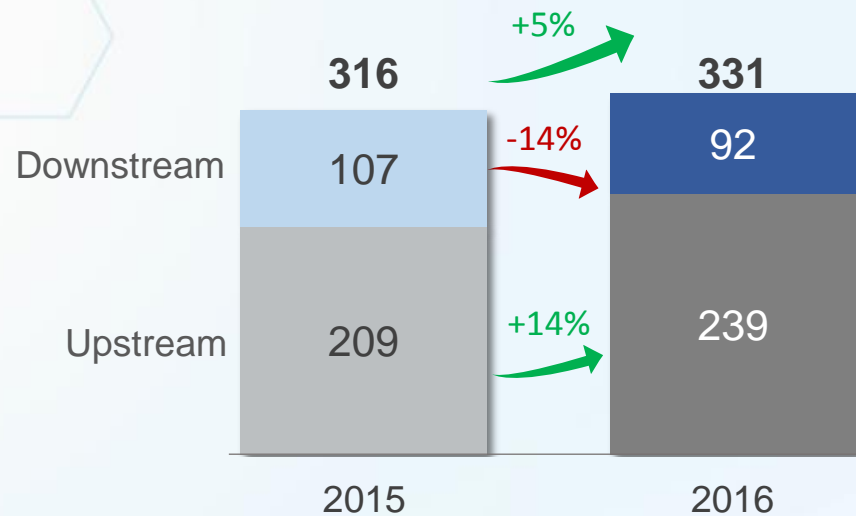


Energy price<sup>2</sup> (R\$/MWh)

Annual average

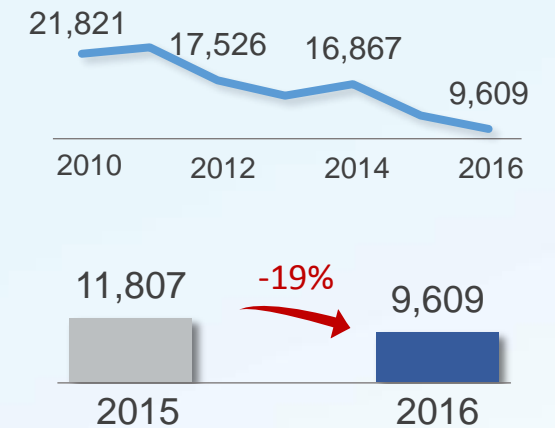


Volume and sales mix (Kton)



## NICKEL

Annual LME average price (US\$/ton)



- Adverse market conditions led to the temporary suspension of nickel activities in the first half of 2016

- Overcapacity in the past years still impacts prices negatively. However, more supply control measures in China proved to be effective and raised prices by the end of 2016
- Increased aluminum sales with higher share of upstream products

1. Based on daily prices, as traded in the London Metal Exchange (LME)  
 2. Energy prices in the Southeast and Midwest regions in Brazil, according to CCEE

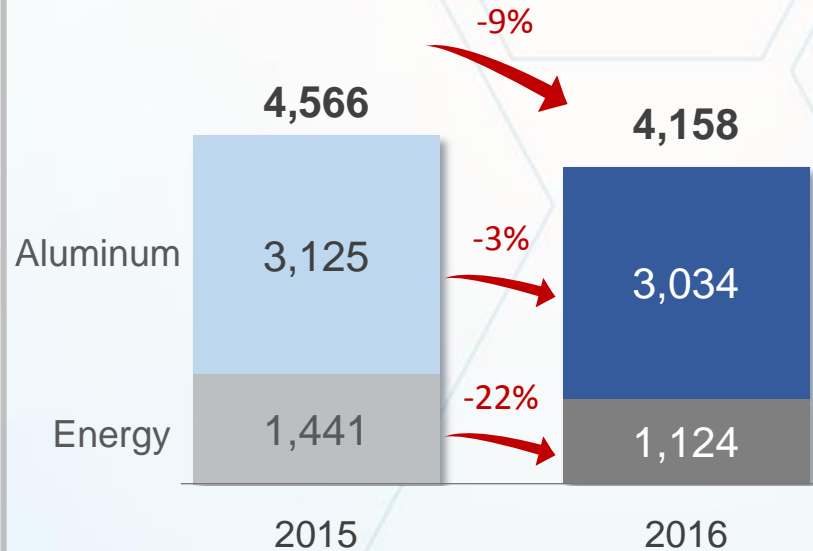


# OPERATIONAL RESULTS

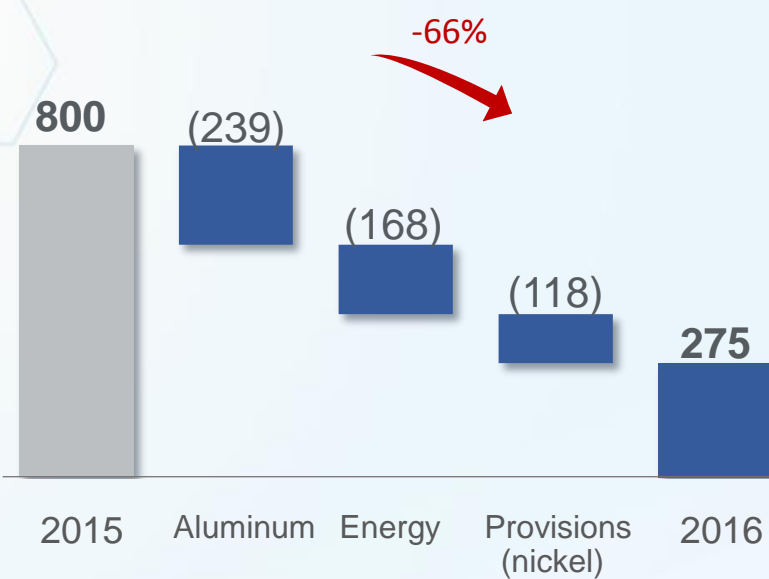
(R\$ MILLION)

## ALUMINUM

### Net Revenues



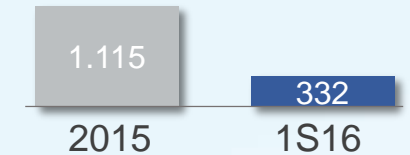
### Adjusted EBITDA



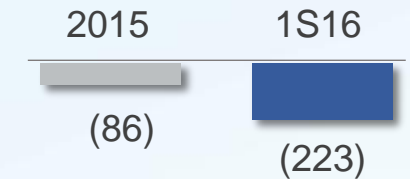
- Net revenues negatively impacted by lower electric energy prices
- EBITDA impacted by the change in the aluminum sales mix, the drop in energy sales and provisions related to nickel assets

## NICKEL

### Net revenues



### Adjusted EBITDA



- Results in the Nickel segment refer to the period from January to June, prior to the Nickel incorporation by CBA

# FINAL REMARKS



Aluminum prices started an upward trend in the last quarter of 2016 after production cuts in China and the impact of cost inflation

Initial signs of recovery in the Brazilian economy have allowed a comeback of value-added aluminum products sales in the domestic market

Energy prices have also increased in the first months of 2017 due to a draught in Brazil, especially the Northeast region

CBA's innovation projects already showing concrete results in 2017, contributing to the EBITDA and the downstream strategy





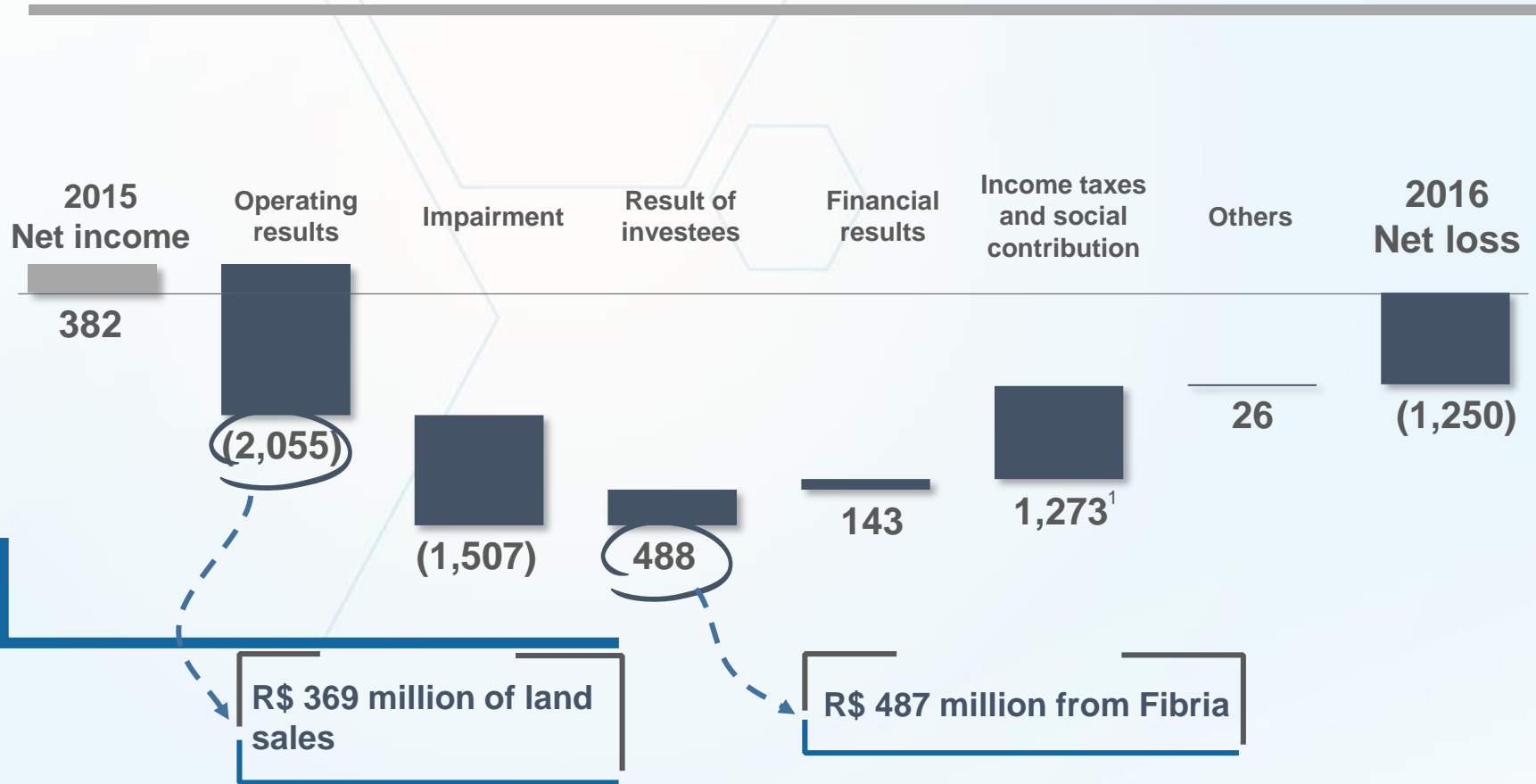
# Votorantim

SERGIO MALACRIDA  
CFO Votorantim S.A



# CONSOLIDATED NET RESULT

(R\$ MILLION)



- Higher value of impairment, due to the **temporary suspension of Nickel business** and the Brazilian long steel asset's classification as "available for sale".
- Net loss partially **offset by the result of investees**, which are the companies **recognized by equity method**.

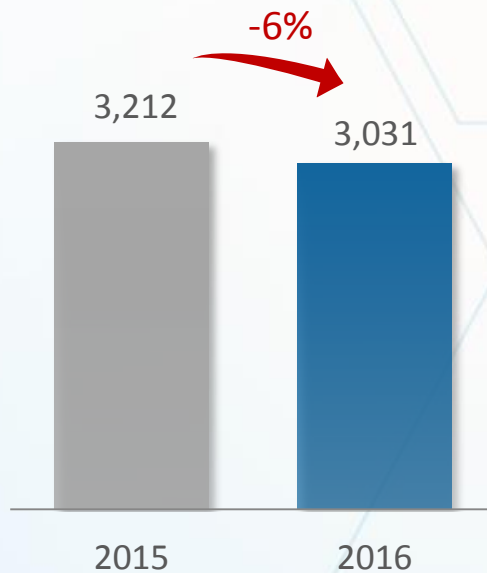
1. Refers mainly to the recognition of tax credit due to the loss before income taxes and social contribution



# INVESTMENTS

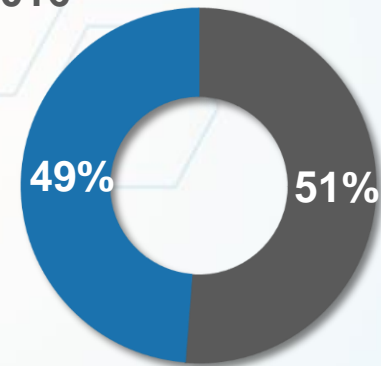
(R\$ MILLION)



## CAPEX



## BREAKDOWN

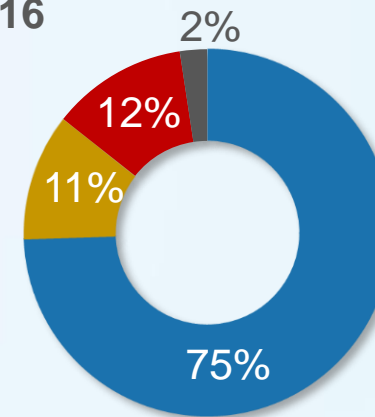
2016



Non Expansion   
Expansion 

## EXPANSION CAPEX

2016



Cement  Energy   
Zinc & by-products  Others 

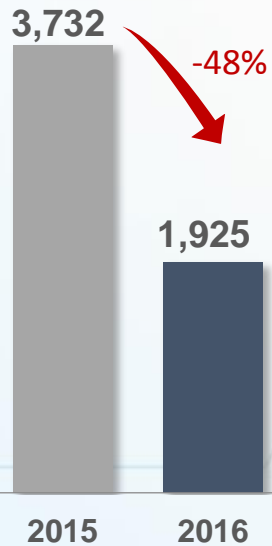
- **Cement:** conclusion of investments in the **new plants in Brazil and Bolivia**, as well as investments in **Turkey and North America**.
- **Zinc & by-products business** : working life's extension of the zinc mine in **Vazante (MG)**.
- **Votorantim Energia's** wind power generation project ("**Ventos do Piauí**").

# CASH GENERATION

(R\$ MILLION)

## OPERACIONAL | FREE

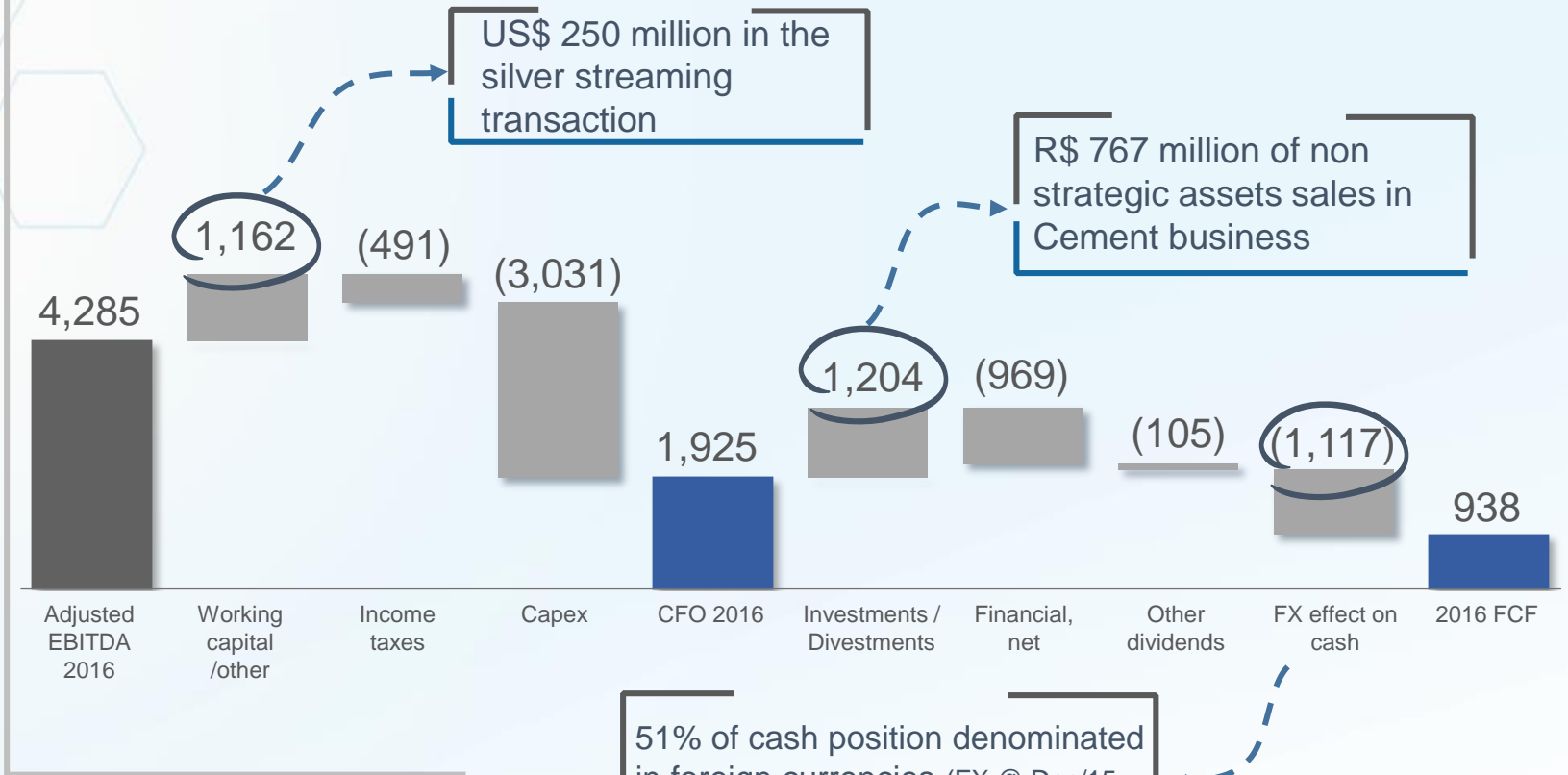
### CFO



### FCF



## FREE CASH FLOW GENERATION



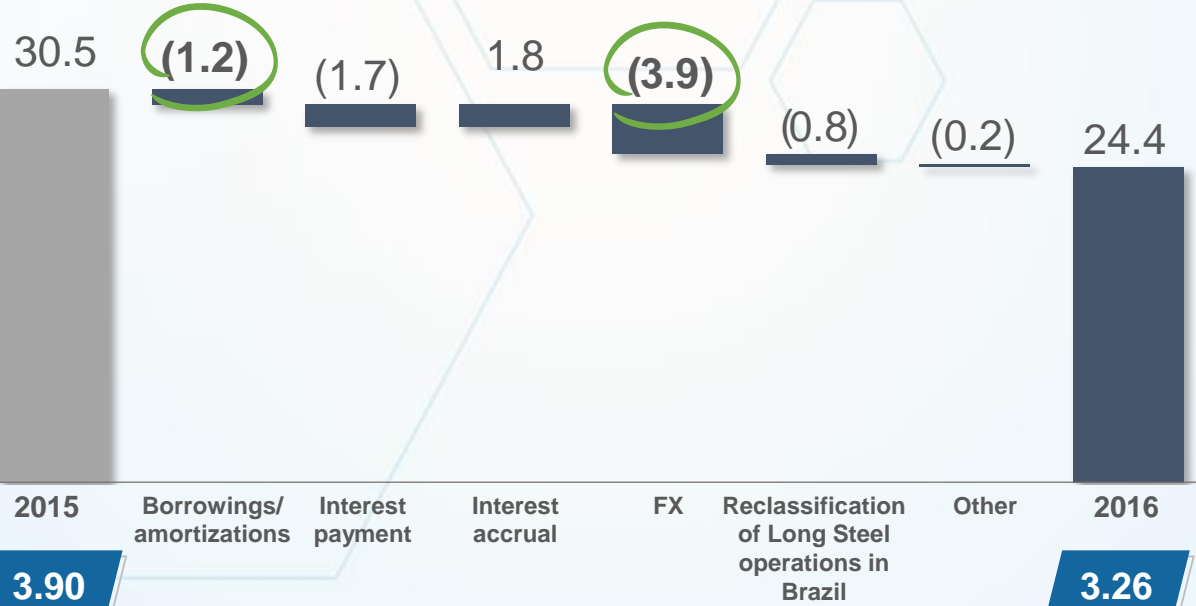
51% of cash position denominated in foreign currencies (FX @ Dec/15: 3.90 / FX @ Dec/16: 3.26)

# GROSS DEBT REDUCTION

DUE TO THE APPRECIATION OF THE BRAZILIAN REAL AND AMORTIZATIONS

(R\$ BILLION)

## GROSS DEBT



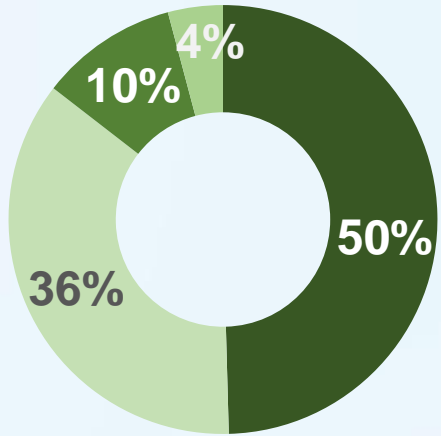
2015      Borrowings/amortizations      Interest payment      Interest accrual      FX      Reclassification of Long Steel operations in Brazil      Other      2016

3.90

3.26

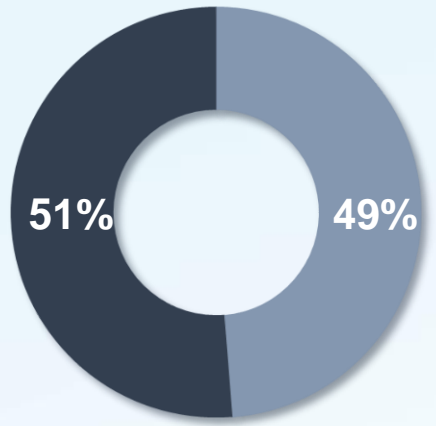
FX

## DEBT BY CURRENCY



BRL<sup>1</sup>      EUR  
USD      OTHERS

## CASH BY CURRENCY



Foreign currency      BRL

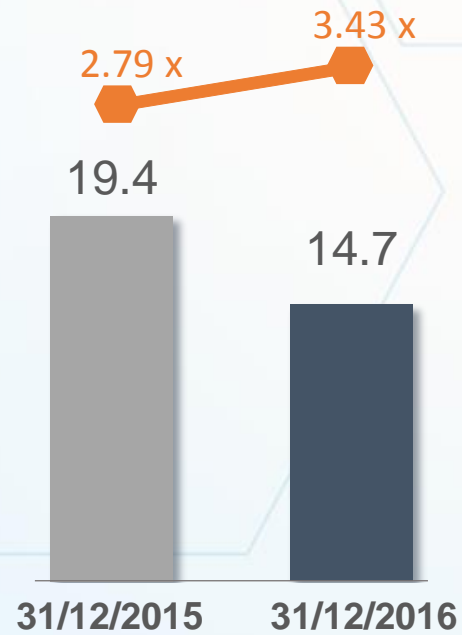
1. 4131 bilateral loan considered as BRL due to the cross-currency swap

# LIQUIDITY POSITION AND EXTENDED DEBT PROFILE

(R\$ BILLION)

## NET DEBT

Net debt/EBITDA



## Debt amortization profile (pro-forma)

Revolving Credit Facilities

Cash

Average debt maturity: 7.6 years





# Votorantim S.A. - RATINGS

In March 2017, Moody's and S&P affirmed Votorantim S.A.'s ratings.

	<b>MOODY'S</b> INVESTORS SERVICE	<b>S&amp;P Global</b> Ratings	<b>Fitch</b> Ratings
<b>Rating</b>	Ba2	BB+	BBB-
<b>Outlook</b>	Negative	Negative	Negative
<b>Latest update</b>	Mar/17	Mar/17	Dec/16

“On a consolidated basis, Votorantim’s operations have historically showed resilience to commodity prices fluctuations, having posted healthy reported Ebitda margins (in the 20% - 30% range) through the economic cycles, which reflects the relatively low correlation of the different businesses and the cost efficiency of its operations.”

Source: Moody's

We believe that the Votorantim group has efficient operations, [...], sizable capacity, dominant position in several markets [...], high brand recognition, as well as a prudent risk management.

Source: S&P



# Votorantim

JOÃO MIRANDA  
CEO Votorantim S.A.



**“The reforms are being approved.** Brazil’s perceived country risk has declined. There has been an inflow of direct investments and the financial indicators are improving. These are signs of **confidence in the economic policy**, which is already beginning to produce results.”

Ilan Goldfajn | Central Bank Chief | 03/09/2017

“The first challenge was to exit the crisis, and we are already doing so. The next challenge is to increase **productivity**. The **proposed constitutional amendment (PEC) that establishes a spending cap** and **the reform of the social security system** will have an impact on productivity”

Henrique Meirelles | Brazil’s Finance Minister | 03/08/2017

“We are not experiencing a normal economic cycle. It is enmeshed in all these other issues. Normally, in **recessions of this magnitude**, the economy reacts naturally. It is the famous economic cycle. There comes a point when the cycle ends and **recovery** begins. This is happening, to a certain extent, but, since this is not a normal cycle, **recovery is being slower.**”

Armínio Fraga | Former Central Bank Chief | 02/06/2017

“The Central Bank of Brazil will accelerate the interest rate cuts. We are now expecting to close the year at 8.5%. This will **certainly stimulate consumption, especially in the second half.**”

José Roberto Mendonça de Barros | Former Ministry’s Secretary of Economic Policy | 03/19/2017