

## Votorantim Cimentos 2<sup>nd</sup> Quarter 2021

R\$ Million	2Q21	2Q20	2Q21 vs. 2Q20
<b>Cement Sales Volume (mtons)</b>	<b>9.8</b>	<b>7.5</b>	<b>31%</b>
<b>Net Revenues</b>	<b>5,809</b>	<b>3,876</b>	<b>50%</b>
<b>COGS</b>	<b>4,364</b>	<b>3,131</b>	<b>39%</b>
<b>SG&amp;A</b>	<b>(465)</b>	<b>(407)</b>	<b>14%</b>
Selling Expenses	(175)	(171)	3%
General & Adm. Expenses	(290)	(236)	23%
<b>Other Operating results</b>	<b>289</b>	<b>(260)</b>	<b>211%</b>
<b>Net Income</b>	<b>692</b>	<b>(153)</b>	<b>551%</b>
<b>Depreciation</b>	<b>410</b>	<b>362</b>	<b>14%</b>
<b>Other additions and exceptional items</b>	<b>(138)</b>	<b>295</b>	<b>(147%)</b>
<b>Adjusted EBITDA</b>	<b>1,542</b>	<b>735</b>	<b>110%</b>
<b>EBITDA Margin</b>	<b>27%</b>	<b>19%</b>	<b>8p.p.</b>

The past few months brought some optimistic news regarding the global economy, suggesting a recovery from the Covid-19 pandemic. Nevertheless, it is still a challenging scenario with recent increase in cases in the world due to the delta variant. Several countries have suffered a severe impact last year, especially in the second quarter of 2020 when lockdown measures were more restrictive, which resulted in a low comparison base and a significant carry-over, inflating the year-over-year growth rates in 2021. Global inflation, which has increased along with the economic recovery, is anticipated to continue to rise over the coming months bringing uncertainty and volatility in the markets regarding the monetary policies of the major central banks, especially the FED. In addition to the low base comparison there is a global disparity in the rate of vaccinations against Covid-19 and the size of the effectiveness of economic stimulus measures taken in response to the pandemic significantly affecting the short and medium-term growth outlook. In the last report published in April, IMF<sup>1</sup> is projecting a strong recovery in 2021 and 2022 for the global economy, with GDP growth forecasted to be 6% in 2021 and 4.4% in 2022.

The Brazilian cement market ended the first semester of 2021 with a total of 31.5 million tons of cement sold, an increase of 15.8% over the same period of the previous year and an increase of 13% in the second quarter compared to 2Q20, according to the

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Brazilian cement association (SNIC). The main drivers for this performance continue to be the real estate sector, the maintenance of civil construction as a core activity and the continuity of self-construction. Currently, these consumption vectors are responsible for 80% of the domestic cement demand, according to the Brazilian cement association. SNIC has also pointed out that the consumer confidence index is on a recovery trajectory for the third consecutive month and highlighted that the highest increased indicator in the last twelve months is the construction confidence indicator. The association updated its projections to a growth for the cement sector of approximately 6% in 2021 due to the better perspective on the fiscal scenario, lower isolation rate on the first semester reducing the negative effects of the pandemic and acceleration of vaccination, improving expectations, and enabling a gradual opening for the second half of the year. Despite the positive scenario it is necessary to monitor the unfolding of structural reforms and the political environment, the evolution of inflation and interest rate, and the employment rate.

The cement market in North America in Q2 was stronger than last year in the second quarter, mainly due to Covid-19 restrictions that impacted the volumes in 2020. The Portland Cement Association (PCA) is projecting cement consumption in 2021 of +3.1%, an improvement over 2020 and due in part to stronger demand and from fiscal support from governments. Both Canada and US have 50% or more of their populations fully vaccinated with US vaccinations slowing due to vaccine hesitancy. Even with an uncertain scenario regarding the new variants and the possible impact on the economy, PCA is projecting solid demand for the cement segment to continue for the rest of the year.

In Spain, cement consumption increased 17.3% in the first six months of 2021, comparing to the same period of 2020, with the sales volume in June 2021 as the highest volume since June 2011, according to the country's cement association, Oficemen (*Agrupación de fabricaciones de cemento de España*). It is important to highlight that the country had a low base of demand in the 1H20 due to the Covid-19 pandemic restrictions, however the current volume levels are similar to the ones prior to the pandemic.

In Turkey, sales volumes indicate a market recovery, although the country still faces a challenging macroeconomic scenario. According to Turkish cement manufacturer's association, between January and April of 2021 the cement consumption increased 35% compared to the same period of last year. In mid-July, the Turkish Central Bank held its main rate at 19%, despite inflation being currently at a record high of nearly 18%. The Turkish economy remains heavily dependent on imports,

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which, coupled with the depreciation of the lira, means that it is vulnerable to the surge in global commodity prices and disruptions in global supply chains.

In Morocco, according to L'Association Professionnelle des Cimentiers (APC), in the first semester of 2021 market sales increased 23% YoY. Despite the good result it is necessary to consider the low base comparison due to Covid-19 restriction in the country that affected the results, especially in the second quarter of 2020. The economy is expected to expand 4.5% in 2021, according to IMF's last report, driven by a rebound in domestic demand, likely aided by a stable fall in Covid-19 infections throughout the period and steady vaccination campaign.

In Tunisia, cement consumption in the first semester of the year increased by 34% YoY, according to Chambre Nationale des Producteurs de Ciment (CNPC), also impacted by a low base in 1H20 due to Covid-19 restrictions and an especially long lockdown. The economy is forecasted to expand 3.8% this year after 2020's sharp contraction, according to IMF's last report. Recovery is expected for the country supported by the impact of improved weather conditions on agriculture, meanwhile it will depend on the pace of vaccinations which will allow the reopening of the economy, including the tourism sector, and the magnitude of the impact of Covid-19 new variant cases that can bring another wave of contagion and restrictions.

In Bolivia, cement consumption reached a better performance during the first five months of 2021, with an increase of 43% on the demand compared with the same period of 2020, according to *Instituto Nacional de Estadística* (INE). However even with the better market the base of the comparison is very low, considering the country was affected considerably by Covid-19, especially in the beginning of the year. The last IMF' report projects GDP increase of 5.5% for 2021 and 4.2% in 2022.

In Uruguay, according to the country's cement association, Camara de Industrias del Uruguay (CIU), sales increased 25% in the second quarter of the year comparing to the same period of 2020. The last report of IMF<sup>1</sup> estimates that GDP of Uruguay should increase by 3% in 2021.

In Argentina, cement market dynamics were positive in the first semester, with strong sales volumes and prices, supporting the local margin as the company maintains its strict cost control measures. In the first six months of 2021, cement consumption increased 44% comparing to 2020, according to Asociación de Fabricantes de Cemento Portland (AFCP). The projection of the Association for the year is an increase of 15% compared to 2020.

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## 1 Net Revenues

Net Revenues (R\$ Million)	2Q21	2Q20	2Q21 vs. 2Q20
VCBR	2,565	1,760	46%
VCNA	1,938	1,473	32%
VCEAA	1,109	523	112%
VCLATAM & Others	198	121	63%
<b>Consolidated</b>	<b>5,809</b>	<b>3,876</b>	<b>50%</b>

Consolidated net revenues totaled R\$5.8 billion in the second quarter of 2021, a 50% increase when compared to 2Q20, mainly explained by higher volumes and favorable price dynamic in all regions.

VCBR's net revenues increased by 46%, from R\$1.8 billion in 2Q20 to R\$2.6 billion in 2Q21, mainly due to continued strong market dynamics in volumes and prices all over the country.

In VCNA, net revenues reached R\$2.0 billion, a 32% increase YoY, mainly due to higher sales volumes, primarily in Canada, from the addition of McInnis volumes following the business combination with VCNA at the end of April and from supportive price dynamics in both countries.

In the Europe, Asia and Africa cluster (VCEAA), net revenues increased by 112% YoY in the second quarter of the year reaching R\$1.1 billion due to higher demand in all countries compared to the same period of last year when the cluster was impacted by Covid-19 restrictions, especially lockdowns in some countries of the region and better prices.

VCLatam & Other's net revenues increased by 63% compared to 2Q20, from R\$121 million to R\$198 million, as a result of strong volumes, mainly due to a recovery in the Bolivian market due to Covid-19 impacts from last year.

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## 2 COGS and SG&A

Consolidated COGS increased by 39% when compared to the second quarter of 2020, reaching R\$4.4 billion, mostly explained by higher sale volumes, price increase in raw material, fuel, electric power and maintenance timing.

Consolidated SG&A totaled R\$465 million in second quarter of 2021, 14% higher than 2Q20, mostly explained by higher variable pay provision, timing of services with third parties expenses and McInnis inclusion.

## 3 Adjusted EBITDA

Adj EBITDA (R\$ Million)	2Q21	2Q20	2Q21 vs. 2Q20
VCBR	659	247	167%
VCNA	598	387	54%
VCEAA	194	74	163%
VCLATAM & Others	92	27	240%
<b>Consolidated result</b>	<b>1,542</b>	<b>735</b>	<b>110%</b>

Consolidated adjusted EBITDA reached R\$1.5 billion in 2Q21, a 110% increase when compared to the same period of 2020. EBITDA margin reached 27%, an 8 p.p. increase.

In 2Q21, VCBR presented an adjusted EBITDA of R\$659 million, a 167% increase explained mostly by strong cement volumes and prices which mitigated the cost pressure faced due to higher commodities prices and local inflation. EBITDA margin in VCBR reached 26% in 2Q21, an increase of 12p.p. compared to 2Q20.

VCNA's adjusted EBITDA reached R\$598 million in the second quarter of 2021 versus R\$387 million in the same period of 2020. This increase is due to better volumes, solid prices, McInnis integration and from Covid-19 pandemic impacts in the second quarter of 2021 not recurring in 2021.

VCEAA's adjusted EBITDA increased 163% YoY, amounting to R\$194 million, positively affected by better volumes in all regions, especially in Turkey, and better price dynamic in the cluster which mitigated cost pressure on the energy side. The increase is

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also explained by the Covid-19 pandemic which impacted the second quarter results of last year.

VCLatam & Others's adjusted EBITDA increased by 240%, from R\$27 million to R\$92 million, in 2Q21. The positive market dynamic, with better volumes, mainly in Bolivia, and better export volumes and clinker sales in Uruguay that partially offset increases in the cost side. Also, the result was positively impacted by dividends received from Argentina in 2Q21 of USD 5.2 million. In the same period of last year, the cluster was also impacted by Covid-19 restrictions, especially in Bolivia.

#### 4 Net Income/Loss

Net Income/Loss (R\$ Million)	2Q21	2Q20	2Q21 vs. 2Q20
Adjusted EBITDA	1,542	735	110%
Depreciation	(411)	(362)	14%
Results from investees	(14)	16	N.A.%
Financial Results, net	(312)	(154)	103%
Income tax and social contribution	(252)	(93)	171%
Other	138	(295)	N.A.%
<b>Net Income</b>	<b>692</b>	<b>(153)</b>	<b>N.A.</b>

Net income reached R\$ 692 million in the second quarter of 2021, versus a loss of R\$ 153 million in the same period of the last year, which was impacted by the impairment accounting of Bolivia and Turkey. The result of net income in 2Q21 is mostly explained the improvement in the operational result due to a better market dynamic in all clusters.

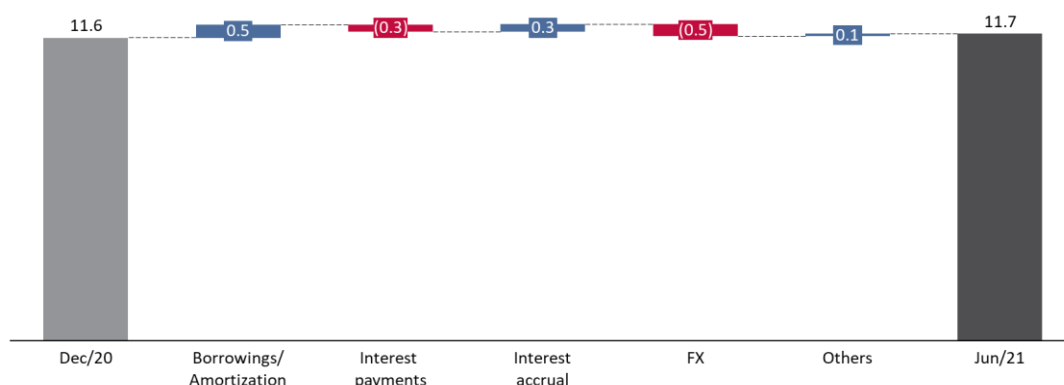
Financial results had totaled R\$ -312 million in 2Q21 compared to R\$ -154 million in 2Q20, mainly due to negative impact of higher inflation indexes. Also, in 2Q20 was impacted by one-off costs of our liability management, mainly related to bond early prepayments that matured in 2021.

Income taxes were negative in BRL 252 million in the second quarter of 2021, the increase compared to 2Q20 is mainly due to better operational results, especially in VCBR and VCNA.

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## 5 Liquidity and Indebtedness

At the end of first semester of 2021, gross debt amounted to R\$11.7 billion<sup>2</sup>, 1% higher when compared to the end of 2020, mainly due to McInnis' debt consolidation.



During the second quarter of 2021, aligned with the company's liability management strategy, Votorantim Cimentos entered into a loan agreement under the Law nº 4,131/1962 in the total amount of R\$ 266.8 million (USD 50 million) with maturity in June 2026. The operation has a swap contract that aims to exchange exposure at a fixed rate in dollars to floating rate CDI, as well as exchange from dollar to real, resulting in a final cost of CDI + 1.50% p.y.

Aligning with the strategy of the Company, in June Votorantim Cimentos executed a partial repayment of its 2<sup>nd</sup> issue of debenture in the amount of R\$ 267 million, referring to the installment due in 2023. The remaining amortization dates are 2024 and 2025. Considering all transactions during the first semester, the Company reduced the 2023 maturity by BRL 1,1 billion, increasing the debt amortization average maturity with a competitive cost.

Votorantim Cimentos also has two revolving credit facilities. The first credit line in the amount of USD290 million supports the Company with short-term liquidity during seasonality period. At the end of the quarter, this credit line was withdrawn in USD 157 million, and the remaining amount provides additional liquidity cash position. The second credit line in the amount of USD500 million is fully available for the Company.

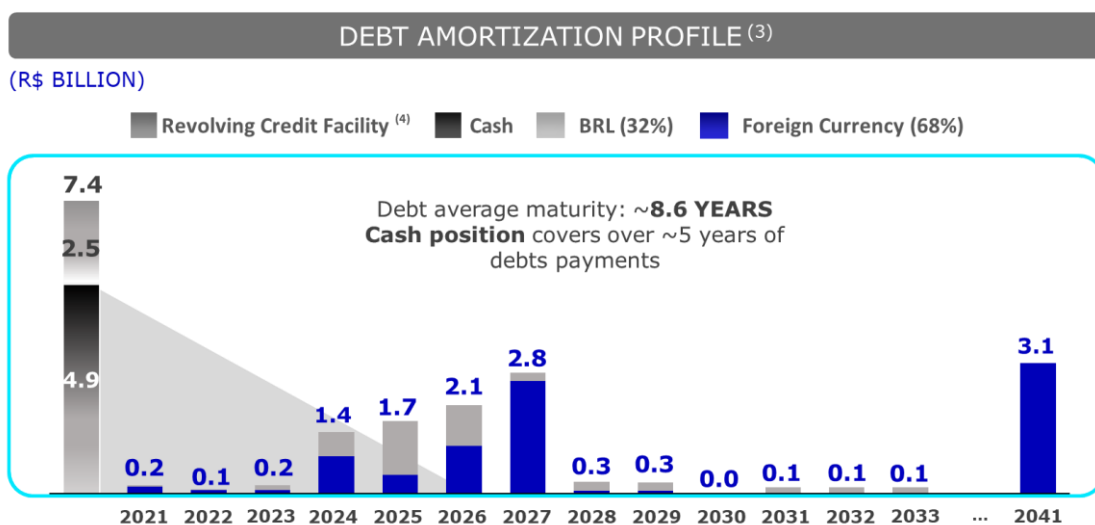
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In the end of June 2021, the Company maintained a strong liquidity with 46% of cash position in hard currency which mitigates BRL depreciation and enables the Company to comply with its financial obligations for the next 5 years.

At the end 1H21, the Company presented a net debt/adjusted EBITDA ratio of 1.58x, a decrease of 0.38x comparing to the end of 2020, complying with the Company’s financial policy and aligned with our financial discipline.

The chart below summarizes the debt amortization schedule<sup>3</sup> as of June 30, 2021, including subsequent events:



## Investments & Divestments

During the second quarter of 2021, Votorantim Cimentos’ CAPEX totaled R\$267 million, 42% higher when compared to the same period of last year, mainly because of the project in Uruguay that started in the beginning of 2021 and spending timing, especially in North America. The footprint optimization in Uruguay is expected to startup by the end of 2022.

Expansion projects amounted to 10% of total CAPEX. Pecém had started up the operation in mid-July, enhancing our technology that brings more competitiveness and sustainability in our production. Non-expansion projects amounted to 90% of this total.

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## 6 Free Cash Flow

R\$ Million	2Q21	2Q20	2Q21 vs. 2Q20
Adjusted EBITDA	1,542	735	110%
Working Capital / Other	102	32	219%
Taxes	(53)	(33)	61%
CAPEX	(267)	(189)	41%
<b>CFfo</b>	<b>1,324</b>	<b>545</b>	<b>143%</b>
Investment / Divestment	(128)	27	N.A.
Financial Results	(210)	(263)	(20%)
Dividends to Shareholders	-	-	N.A.
FX effect on cash	(283)	141	N.A.
<b>FCF</b>	<b>703</b>	<b>450</b>	<b>56%</b>

In 2Q21, Operating Cash Flow (CFfo) was positive in R\$ 1,324 billion, R\$ 779 million better than 2Q20. The positive variation is mainly explained by better operating results, partially compensated by higher investments in Capex and income tax increase.

Investment/divestments line was negative impacted by capital increase in Juntos Somos + and Carrières McInnis acquisition.

Financial results expenses decreased in 2Q21, mainly as the 2Q20 figures were impacted by a LM strategy executed last year.

The FX effect on cash in 2Q21 was negative compared to 2Q20, mainly due to the appreciation of the BRL against USD in second quarter of this year.

The Free Cash Flow (FCF) was positive in R\$ 703 million, 56% better than 2Q20. The increase is mainly explained by better operational results, which positively impacted operating cash flow, and partially offset by negative impact of the FX effect on cash.

## 7 Business Highlights 2Q21

### Business acquisition agreement – VCEAA

Following Votorantim Cimentos' strategy of diversification of operations, that consists in enhancing the presence in countries with strong currency and seek for presence in markets that are still not in the portfolio, in late June 2021 the Spanish

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subsidiary Corporación Noroeste entered into an agreement for the full acquisition of Cementos Balboa, in Spain. Cementos Balboa has a modern integrated cement plant located in Alconera, in the province of Badajoz (in the Extremadura region, Southwest of Spain), with an installed production capacity of 1.6 million tons of cement per year.

The transaction remains subject to customary closing conditions, including the approval by regulatory authorities in Spain. The two companies will continue to operate as separate businesses pending the closing of the transaction.

### **Acquisition of McInnis Cement and Carrières McInnis Inc.**

Votorantim Cimentos concluded the business combination with McInnis on April 30th, 2021. Since May, the operations of both companies are consolidated within VCNA. This business combination also contemplated the acquisition of the remaining 50% of Carrières McInnis, a joint operation in which McInnis held 50% with joint control, which was finalized on June 30, 2021.

### **Pecém II**

Votorantim Cimentos announced the start of operation of a new production line at its cement site in the Pecém Industrial and Port Complex, in the state of Ceará, Brazil. As a result of this expansion, the unit add a production capacity of 800Kt/year of cement. The volume produced in the new site will enhance the supply of the metropolitan area of Fortaleza.

The Company invested approximately R\$ 200 million in the project. During construction and start of operation, the unit generated more than 600 direct and indirect jobs. The new production line in Pecém includes a new cement mill that consumes less electricity. The vertical equipment reduces the kiloWatt per hour consumption by 30% compared to the horizontal mill.

Votorantim Cimentos' new production line in Pecém is aligned with Company' commitment with sustainability. The cement that will be produced in the new factory of Pecém will emit less than 60% CO<sub>2</sub> per ton compared with the product fabricated previously.

### **Juntos Somos Mais new business acquisition**

In April, Juntos Somos Mais received a capital increase of R\$ 100 million from their shareholders. The capital increase demonstrates a vast potential for technological

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and digital solutions in the building materials sector. Juntos Somos Mais has a service marketplace, Triider, which acquired the Brazilian operation of Habitíssimo. Considering this operation, Triider became the biggest marketplace focused on exclusive construction material of Brazil, aiming to transform the reform and construction experience.

### **Votorantim Cimentos' Credit Rating update**

In June 2021, aligned with our solid credit metrics, Moody's updated Votorantim Cimentos' rating to Baa3 from Ba1, and reaffirmed the outlook stable as a result from strong and positive cash flow, solid business position and robust liquidity. Considering this result the company is in a select group of Brazilian companies with Investment Grade in all the three rating agencies.

## **8 Subsequent Events**

### **(a) SMCI – aggregates company acquisition agreement**

In mid-July 2021, Prairie Aggregates Materials, a wholly owned subsidiary of St. Marys based in Chicago, Illinois, USA entered into an agreement to acquire Illinois based Valley View Industries. This transaction is aligned with our growth and positioning strategy and will allow the increase of our capacity to supply aggregates to clients from the construction and agriculture sectors in the state of Illinois.

Valley View Industries operates its business through five operating units all located in the state of Illinois. Valley View Industries produces aggregates, farm limestone, gravel, shale and other products for the construction and roadway sectors and agricultural market.

The completion of this acquisition is subject to customary closing requirements, which is expected to occur during the second semester of 2021.

### **(b) SMCI – Ready Mix company acquisition agreement**

On July 30, St. Marys completed the purchase of the remaining 50% interest in Superior Materials, a Ready Mix concrete company located in Detroit-Michigan. Consequently, St. Marys became 100% owner of this entity.

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This transaction will strengthen the Company's presence in the Detroit market and is aligned with the group's value creation strategy.

For further information, please refer to VCSA 2Q21 Financial Statements, note 23.

#### **INVESTOR RELATIONS CONTACTS**

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