Votorantim Cimentos 1Q18

R$ Million	1Q18	1Q17	1Q18 vs. 1Q17
Sales Volume (mtons)	**7.0**	**6.7**	**5%**
Net Revenues	**2,456**	**2,205**	**11%**
COGS	**(2,193)**	**(1,930)**	**14%**
SG&A	**(331)**	**(340)**	**-2%**
Selling Expenses	(155)	(127)	22%
General & Adm. Expenses	(176)	(213)	-17%
Other Operating results	**31**	**(14)**	**N/A**
Depreciation	**257**	**249**	**3%**
Other additions and exceptions items	**15**	**13**	**21%**
Adjusted EBITDA	**235**	**183**	**28%**
EBITDA Margin	**10%**	**8%**	**1.3 p,p,**

In 2018, Brazilian economy projects growth of 2.6%, according to BCB (Brazilian Central Bank as of Mar/18), after 1.0% expansion in the previous year, benefited by a positive economic scenario with stable inflation, lower interest rates and unemployment decrease expected as per the market forecasts by year end. For the construction segment GDP, a rebound of 1.5% in 2018 is expected (BCB as of Mar/18) after a 5% decrease in the previous year. According to the Brazilian Cement Association (SNIC), in the 1Q18, national cement sales volume were impacted by less working days and a higher-than-average rainy season in the north and northeast regions resulting in a volume drop of 3% when compared to same period of last year. SNIC continues to expect a growth of 1% to 2% in cement sales volumes for the year.

In North America, a 2.8% growth in consumption is expected for the U.S. cement market in 2018, according to the Portland Cement Association (PCA), driven by higher GDP growth, lower unemployment rates and higher construction spending, mainly for residential buildings. In the regions that VCNA operates, sales volume were negatively impacted during 1Q18 due to a harsher winter season when compared to same period of last year.

In Spain, the cement market is expected to increase by 12% in 2018, according to the Oficemen (Agrupación de Fabricantes de Cemento de España), maintaining the pace of last year's double-digit growth (+11%), as a result of a positive economic scenario with estimated 2.7% GDP growth (Spanish Central Bank). In Turkey, the domestic cement market is expected to continue to grow in 2018 driven by infrastructure and housing investments as part of the government program to further expand economic growth, according to the Turkish Cement Manufacturers Associations. In Morocco, the national cement market consumption fell by almost 7% in the 1Q18 when compared to the same period in 2017, according to the country's ministry of Housing and Urbanization, affected by higher-than-average rainy season, deceleration of credit growth and agricultural activity, the country's main economic sector. In Tunisia, a challenging political and economic scenario with higher inflation and unemployment rates affected the domestic cement market. In India, a positive outlook is expected for cement consumption in 2018 on the back of high economic growth (+7.7%, according to IMF forecast) along with increased government spending in infrastructure projects and housing market demand.

Consolidated net revenues increased by 11% in 1Q18 when compared to the same period of last year, from R$ 2,205 million to R$ 2,456 million, as a result of the increase in sales volume mainly in Turkey, India, Brazil, and VC Latam along with higher local prices in VCEAA and VCNA. VCBR net revenues increased by 13% in 1Q18 when compared to same period in 2017, reaching R$1,497 million, driven by adjacent products, mainly concrete and mortars, and economic rebound. VCNA net revenues decreased by 4%, versus 1Q17, to R$ 390 million, mainly driven by volume reductions in the US due to harsh winter conditions, which was partially offset by higher prices. The 20 % increase in net revenues in the 1Q18 versus 1Q17 in VCEAA, which totaled R$ 462 million was mainly driven by positive results in Turkey and India due to strong local market demands in both countries along with Sivas expansion impact in Turkey. In Tunisia, decreased volumes in the quarter were offset by strong price increases, positively impacting net revenues. Another positive effect on VCEAA results was the 19% Brazilian real depreciation against the Euro. On the other hand, worse weather conditions negatively impacted Spain and Morocco, resulting in volume decreases in both countries. VC Latam net revenues increased by 15%, versus 1Q17, reaching R$ 107 million on the back of higher sales volumes driven by increased exports to Argentina from Uruguay and the Bolivia expansion.

Consolidated COGS increased by 14% when compared to 1Q17, from R$ 1,930 million to R$ 2,193 million mainly driven by higher raw materials and freight costs due to increased overall sales volumes. Higher fuel prices (petcoke) also negatively impacted COGS and were partially offset by a higher thermal substitution rate in VCBR as a result of increased co-processing in our operations. Consolidated SG&A totaled R$ 331 million, 2% lower than the same period of last year, as a result of a 17% decrease in General and administrative expenses, mainly due to rightsizing in Brazil and continued cost control as exemplified by our zero-based budget program implemented in the regions, which offset higher selling expenses. Brazilian real depreciation also negatively impacted overall foreign operations COGS and SG&A.

Adjusted EBITDA totaled R$ 235 million in 1Q18, 28% higher when compared to same period in 2017. In VCBR, adjusted EBITDA increased from R$ 63 million to R$ 115 million, positively impacted by economic rebound, better performance of adjacent products, specialty mortars, and a one-off expense of R$ 43 million that negatively impacted 1Q17 results. On a like-for-like basis, adjusted EBITDA in Brazil increased by 9%. In VCNA, 1Q18 adjusted EBITDA was negative by R$ 27 million versus R$ 11 million in 1Q17, negatively impacted by seasonality and a harsher winter season, which affected sales in the regions we operate. VCEAA posted a 32% adjusted EBITDA increase in 1Q18, reaching R$ 125 million, with a 27% adjusted EBITDA margin on the back of growing demand in Turkey, higher domestic prices in the countries and higher CO_2 sales in Spain, which combined offset local FX depreciation and higher fuel and energy prices. VC Latam recorded a R$ 21 million adjusted EBITDA, a 46% increase versus 1Q17 on the back of higher cement exports to Argentina and clinker to Paraguay combined with Yacuses ramp-up benefiting this quarter's results with increased sales and fixed costs dilution when compared to 1Q17.

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