

## Votorantim Cimentos 2022 Earnings

BRL Million	2022	2021	2022 vs. 2021
<b>Cement sales volume (mtons)</b>	<b>36.8</b>	<b>37.2</b>	<b>(1%)</b>
<b>Net revenue</b>	<b>25,797</b>	<b>22,296</b>	<b>16%</b>
<b>CPV</b>	<b>(20,983)</b>	<b>(17,084)</b>	<b>23%</b>
<b>SG&amp;A</b>	<b>(1,507)</b>	<b>(1,375)</b>	<b>10%</b>
Selling expenses	(826)	(700)	18%
General and administrative expenses	(1,246)	(1,243)	0%
<b>Other operating profits</b>	<b>181</b>	<b>365</b>	<b>(50%)</b>
<b>Net income</b>	<b>1,145</b>	<b>1,627</b>	<b>(30%)</b>
<b>Depreciation</b>	<b>(1,847)</b>	<b>(1,666)</b>	<b>11%</b>
<b>Dividends and non-recurring items</b>	<b>151</b>	<b>(51)</b>	<b>N.A.</b>
<b>Adjusted EBITDA</b>	<b>4,920</b>	<b>5,248</b>	<b>(6%)</b>
<b>EBITDA Margin</b>	<b>19%</b>	<b>24%</b>	<b>(5p.p.)</b>

### Highlights

- Votorantim Cimentos' net revenue in 2022 was BRL 25.8 billion and the Adjusted EBITDA was BRL 4.9 billion, an increase of 16% and a 6% drop respectively compared to 2021, mainly due to relatively stable volumes, price increases in all regions partially mitigating cost pressure and the negative impact of exchange rate appreciation during the period.
- The EBITDA Margin in 2022 was 19%, compared to 24% in the previous year, due to the inflationary impacts of the international environment on the company's costs.
- The leverage ratio closed 2022 at 1.55 x, at the same level as 2021, despite the increase in investments (*Capex*), dividends and acquisition of a new plant in Spain.
- In 2022, Votorantim Cimentos completed the acquisition of *Heidelberg Materials'* operations in Southern Spain. Over the past two years, VC has reinforced its presence in the Iberian Peninsula and North America, in line with the company's long-term strategy.
- In December 2022, Votorantim Cimentos announced stricter decarbonization targets considering 475 kg of CO<sub>2</sub> per ton of cement by 2030. The new commitment was approved by SBTi (*Science Based Target Initiative*).
- Votorantim Cimentos received the recognition of *Sustainalytics' Top-Rated Industry Ranking*, referring to the ESG rating analysis performance of 2022 as the only company in the construction materials sector in Latin America present in the

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5. IMF - International Monetary Fund

ranking. Additionally, the Company received a rating upgrade to "A" by MSCI ESG Ratings reflecting an evolution from the "BBB" rating of previous years.

## 1 Net Revenue

Net Revenue (BRL million)	2022	2021	2022 vs. 2021
VCBR	12,726	10,314	23%
VCNA	7,448	7,129	4%
VCEAA	3,380	2,915	16%
VCLATAM	812	978	(17%)
Others <sup>1</sup>	1,432	960	49%
<b>Consolidated</b>	<b>25,797</b>	<b>22,296</b>	<b>16%</b>

Consolidated net revenue adding up to BRL 5.8 billion in 2022, a 16% increase when compared to 2021, mainly due to favorable price dynamics that mitigated the slight drop in volumes and the negative effect of the appreciation of the real compared to the exchange rate in the consolidation earnings from operations abroad.

VCBR's net revenue increased 23%, BRL 12.7 billion in 2022 compared to BRL 10.3 billion in 2021, mainly due to the increase in prices, which offset the slight drop in market volume during the period. The drop in cement demand was due to the slowdown in the self-construction sector, impacted by the macroeconomic situation. It was partially offset by the real estate and infrastructure sectors.

At VCNA, net revenues reached R\$ 7.4 billion in 2022, an increase of 4% over 2021. The increase was mostly driven by higher prices in the US and in Canada supported by positive demand and a full year of McInnis volume (acquisition concluded at the end of April 2021).

In Europe, Asia and Africa (VCEAA), net revenue increased 16% in 2022 compared to 2021, reaching BRL 3.4 billion, mainly due to better prices in all countries, solid sales volume in the consolidated results due to the positive impact of the increase in export volumes in Tunisia and Spain, both organic as well as due to the additional volume from the Alconera plant, acquired in October 2021. These effects mitigated the volume drop in Turkey and Morocco, which had more challenging markets.

VC Latin America's net revenue decreased 17% in 2022 compared to 2021, from BRL 978 million to BRL 812 million, mainly due to Uruguay's market dynamics after a new competitor entered the market mid-2021 and last year's comparative base being more favorable. Market dynamics in Bolivia were more challenging due to popular demonstrations and strikes in the last quarter in the region where Votorantim Cimentos operates, impacting volume and price transfers.

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## 2 Cost of Goods Sold, Sales and Administrative

The consolidated cost of goods sold and services provided (COGS) increased 23% in 2022 compared to 2021, reaching BRL 21.0 billion, mainly due to pressure from the sector's cost inflation. The international situation has impacted all countries where Votorantim Cimentos has operations, mainly in fuel, freight, energy, and raw material costs, all of which play a significant role in the industry's cost structure. The appreciation of the real partially mitigated the increase in COGS compared to the euro during the period.

Consolidated sales expenses were BRL 826 million in 2022, an increase of 18% mainly due to adjustments linked to inflation, investments in marketing, and the consolidation of recent acquisitions in the balance sheet, when compared to the 2021 period. Regarding general and administrative expenses, we had costs equivalent to 2021. Marketing expenses (new brand) and other commercial expenses, in addition to adjustments for inflation, were factors that negatively impacted expenses in Brazil, which were mitigated by the exchange rate appreciation that mitigated the impacts in regions outside Brazil, in addition to the efficient management of administrative costs to contain the impacts of inflation and implementation of synergies. Consolidating these two expenses resulted in an increase of 7% in 2022 compared to 2021.

## 3 Adjusted EBITDA

Adjusted EBITDA (BRL million)	2022	2021	2022 vs. 2021
VCBR	2,496	2,445	2%
VCNA	1,558	1,839	(15%)
VCEAA	676	562	20%
VCLATAM	138	237	(42%)
Others <sup>1</sup>	52	165	(69%)
<b>Consolidated</b>	<b>4,920</b>	<b>5,248</b>	<b>(6%)</b>

Consolidated adjusted EBITDA added up to BRL 4.9 billion in 2022, 6% lower compared to 2021. Consolidated operating income was negatively impacted by cost pressure and the real appreciation during the period, while the price dynamics were responsible for partially mitigating the previously mentioned impacts.

The consolidated EBITDA margin was 19%, representing a five percentage points drop compared to 2021.

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In 2022, VCBR presented an adjusted EBITDA of BRL 2.4 billion, a slightly higher operating profit compared to 2021, due to the increase in prices in the period and growth in adjacent businesses, contributing to the recovery of margins throughout the year and mitigating the impacts from the drop in volumes and pressure from variable costs, mainly fuel, freight, and raw materials.

The adjusted EBITDA results at VCNA declined 15% to R\$ 1.6 billion in 2022 versus R\$ 1.8 billion in the prior year. The decline in adjusted EBITDA was mainly due to inflationary impacts on variable costs, particularly raw materials, process fuels, energy, and diesel fuel as well operational impacts and the appreciation of the Real.

The adjusted EBITDA at VCEAA grew 20% in 2022 compared to 2021, adding up to BRL 676 million. This increase in the operating results is a consequence of the price transfer management in all countries of the *cluster* due to high inflation, especially for fuel and energy, and a reversal of the provision for other liabilities linked to CO<sub>2</sub> credits carried out in 2021, as well as the volume of additional cement from the Alconera plant, acquired in October 2021. The euro depreciation negatively impacted the region's consolidated earnings during the period.

Adjusted EBITDA at VCLatam fell 42% from BRL 237 million to BRL 138 million in 2022. Earnings in Bolivia were impacted due to the drop in volume and the impact of popular demonstrations and strikes in the region where Votorantim Cimentos operates. In Uruguay, dynamics were challenging with the new player in the local market, impacting volume, and challenging price transfers due to inflationary pressure.

#### 4 Net Income/Loss

Net Income/Loss (BRL million)	2022	2021	2022 vs. 2021
Adjusted EBITDA	4,920	5,248	(6%)
Depreciation	(1,847)	(1,666)	11%
Results from investees	52	63	(17%)
Financial results, net	(1,295)	(1,496)	(13%)
Income tax and social contributions	(534)	(573)	(7%)
Others	(151)	51	N.A.
<b>Net Income</b>	<b>1,145</b>	<b>1,627</b>	<b>(30%)</b>

Net income was BRL 1,145 million in 2022 compared to BRL 1,627 million in the previous consolidated year. Two thousand twenty-two earnings are mainly due to lower operating profit impacted by cost pressure and higher depreciation, referring to recently acquired assets.

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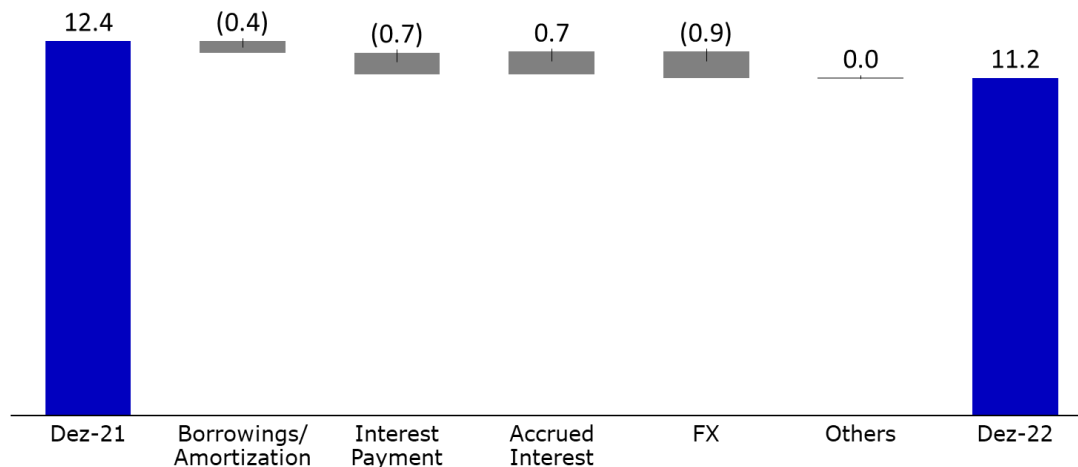
Depreciation increased 11% compared to 2021, adding up to BRL 1.8 billion in 2022 due to the inclusion of business acquisitions completed in 2021 and 2022, which were partially mitigated by the appreciation of the real compared to the exchange rate in the period.

The financial results represented BRL 1.3 billion as expenses compared to BRL 1.5 billion in 2021, a 13% drop, mainly due to the appreciation of the real during the period, but partially offset by the increase in the interest rate and debt amortization in the period related to *liability management*.

Income tax and social contributions added up to BRL 534 million in 2022, mainly due to the taxation of profit in the period and the write-off of accumulated credit from the taxation of profits abroad.

#### 4 Leverage and Liquidity

At the end of 2022, gross debt<sup>2</sup> added up to BRL 11.2 billion, a drop of approximately 11% compared to the end of 2021, due to the appreciation of the exchange rate (BRL 5.58 in December 2021 and BRL 5.22 in December 2022) and by the debts prepayments. As of December 31, 2022, the average debt maturity was approximately seven years, with 98% of the gross debt considered long-term (non-current).



Votorantim Cimentos has two credit facilities available. The first credit facility, worth USD 300 million and reaching maturity in June 2027, supports the Company's need for short-term cash liquidity during seasonal periods in the Northern Hemisphere. The second revolving credit facility aims to provide liquidity to the Company and its subsidiaries in scenarios with more significant uncertainty and volatility. This line of credit adds up to USD 250 million, maturing in 2026. Both revolving credit facilities were 100% available for withdrawal in December 2022.

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In April 2022, the Company and subsidiary VCNNE renegotiated the terms of two debt agreements under Law 4,131/1962, the first one added up to USD 100 million, and the second added up to USD 50 million, respectively. Both contracts had their maturities postponed to 2028 and had a swap with the same financial institution to mitigate interest rate and currency exposure.

In May 2022, Votorantim Cimentos held its 14<sup>th</sup> public issuance of debentures in the local market, adding up to BRL 1 billion, due in 2029. The debenture has sustainability indicators linked to it and may have its characteristics changed according to the Company's performance in these indicators. As described below, the funds raised were used to a public tender offer of Voto41 by the subsidiary Votorantim Cimentos International (VCI).

In May 2022, VCI had a Public Tender Offer (*tender offer*) of its *bonds* maturing in 2041, a debt outstanding in the international market. VCI has received and accepted valid offers, which add up to approximately USD 224 million, including the principal, premium, and accrued interest. This operation aligns with the Company's strategy for managing liabilities and balancing currency exposure.

In June, the subsidiary Itacamba renegotiated its loan agreement with a Bolivian financial institution to reduce the cost of debt and postpone maturity to 2034.

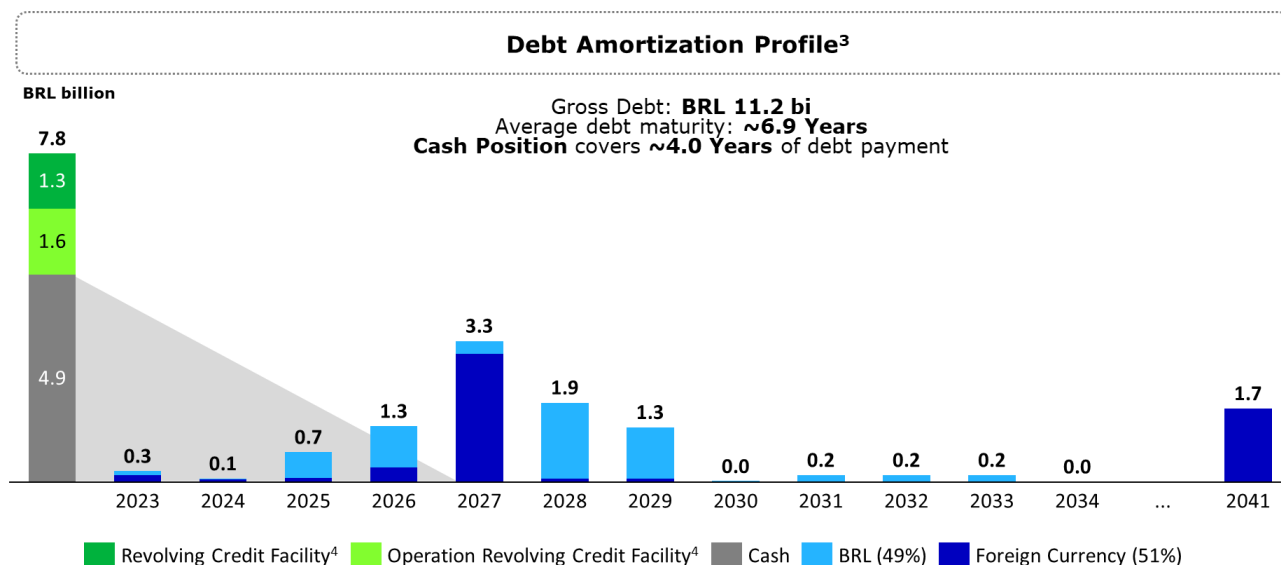
In July 2022, Votorantim Cimentos issued a new debt contract under Law 4,131/1962, adding up to USD 80 million, reaching maturity in 2028, and has a swap with the same financial institution to mitigate interest rate and currency exposure. The proceeds in this contract were used for prepaying bilateral agreements in euros through the subsidiary in Europe, Asia, and Africa (VCEAA), adding up to EUR 80 million and originally due in 2026 and 2027.

At the end of 2022, Votorantim Cimentos kept solid liquidity, reaching BRL 4.9 billion, which allows the Company to cover its financial obligations for the next four years.

In December 2022, the Company had a net debt per adjusted EBITDA (leverage) of 1.55x, which is stable compared to the end of 2021. The leverage evolution aligns with the improvement in generating operating profit throughout the year and financial discipline, despite an increase in investments (*Capex*), dividends, and the acquisition of a plant in Spain. The metric is still aligning with the investment level indicators and complies with the Company's financial policy.

The graph below summarizes the debt amortization profile as of December 31, 2022, which has an extended average term and no risk of refinancing in the short time:

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## 5 Investments and Divestments

At the end of 2022, Votorantim Cimentos' (*Capex*) investments added up to BRL 2.0 billion, 36% higher than in the same period in 2021. This increase is mainly due to the more extensive asset base from the acquisitions made last year, the inflationary increase, and the global strategy for modernization investments, such as projects linked to our decarbonization commitments and the project in Uruguay, which had its startup in October 2022. Non-expansion projects represented 94% of the total CAPEX.

Expansion projects account for 6% of the total investments invested in 2022. The principal investments are related to the final acquisition in the Pecém (VCBR) expansion, the adjacencies growth projects in Brazil, and the marginal optimization of the cement production capacity in North America.

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## 6 Free Cash Flow

(BRL million)	2022	2021	2022 vs. 2021
Adjusted EBITDA	4,920	5,248	(6%)
Working Capital/Others	37	1,072	(97%)
Taxes	107	(226)	N.A.
CAPEX	(2,006)	(1,479)	36%
<b>Operating Cash Flow</b>	<b>3,058</b>	<b>4,615</b>	<b>(34%)</b>
Investment/ Divestment	(334)	(1,245)	73%
Financial Results	(1,052)	(775)	36%
Dividends to minority shareholders	(191)	(109)	75%
Dividends to majority shareholders	(1,075)	(746)	44%
FX effect on cash	(177)	167	N.A.
<b>Free Cash Flow</b>	<b>229</b>	<b>1,907</b>	<b>(88%)</b>

In 2022, Operating Cash Flow was positive, representing BRL 3,058 million, a 34% drop compared to 2021. This result is due to lower operating profit and working capital combined with more significant investment in Capex.

In 2022, working capital was negatively impacted, compared to 2021, by the operational slowdown and market stabilization.

In 2021, investment/disinvestment was impacted by the acquisitions at VCNA and VCEAA, while in 2022, we only had the completion of the purchase in southern Spain, resulting in a minor impact during the year.

The financial result was higher in 2022 compared to 2021 due to the impact of an interest rate increase in the countries we operate in, in addition to the already mentioned Public Tender Offer of *bonds*.

In 2022, dividends were paid to Votorantim S.A., the majority shareholder, adding up to BRL 1,075 million, following the Company's financial policy.

Free Cash Flow was BRL 229 million, 88% lower than the previous year. In a year marked by challenges arising from the international scenario, the Company was able to reverse the negative cash generation at the first half, increase reinvestments in the Company itself, compensate shareholders, and deliver positive cash generation.

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## 7 ESG Environment, Social and Governance

Votorantim Cimentos made important advances in 2022 in its ESG journey. As part of this evolution, the Board of Directors approved the creation of a Sustainability and Innovation Committee that aims to support the Board on decarbonization and environmental, social, and governance aspects, which will start in March 2023. The new Committee will also monitor the implementation of key innovation initiatives.

In line with the Company's competitiveness and sustainability strategy, in December 2022, Votorantim Cimentos announced a revision of the decarbonization target to 475 kg of CO<sub>2</sub> per ton of cement by 2030. The new target is 8.7% lower than previously reported, which was 520kg of CO<sub>2</sub> per tonne of cement. The SBTi (Science Based Target Initiative) approved the new commitment. This initiative gathers the private sector and financial institutions as they lead actions to help fight the effects of climate change.

With the new target announced, we align the commitment to reduce CO<sub>2</sub> emissions with the ambitions in the Paris Agreement, which aims to contain global warming below two degrees Celsius from pre-industrial levels and pursue efforts to limit the temperature rise to 1.5°C.

The Company has implemented several innovative actions to contribute to the decarbonization plan, including using alternative fuels and cementitious materials, increasing use of renewable energy sources, and developing new technologies.

VCEAA signed an agreement with the Veolia Group to deploy an industrial waste pre-treatment platform in Morocco and Spain. In Brazil, the Company began expanding the waste pretreatment unit in Itaperuçu, Paraná.

In March 2022, after fulfilling the initial conditions that were signed in December 2020 between VCSA and Auren, VCSA completed the acquisition process of 49% of the share capital and 98% of the voting capital at Ventos de Santo Ângelo Energias Renováveis (SA), which proposed an energy supply agreement with three special purpose companies (SPE), which enabled the authorization to operate wind farms for power generation. The wind farms are part of the Ventos do Piauí II complex, located in Piauí, with 55.45MW of installed capacity, and the energy operation is expected to begin in 2023.

In Europe, Asia, and Africa, two solar projects have been deployed in Toral de los Vados and Alconera. Both projects were signed as long-term PPA (*Power Purchase Agreement*) contracts; that is, they do not require investments from the company and have fixed prices and, are expected to begin operations in 2023. Completing the operations, the Company reinforces its assets towards the diversification of renewable energy sources.

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To contribute to the evolution of the voluntary carbon market, Votorantim Cimentos joined the holding company Votorantim S.A. and other companies from different sectors in the "Brazilian Initiative for the Voluntary Carbon Market." The group's objective, coordinated by McKinsey & Company, is to contribute to the development of the sector in Brazil and boost the country's position in international markets. Among the main deliverables foreseen by the group is the proposal of practical actions to mitigate the most significant barriers in this market, including mechanisms to activate high-integrity supply and demand as well as governance actions.

Votorantim Cimentos joined the GCCA (*Global Cement and Concrete Association*) initiative called the *Innovandi Open Challenge Consortia*, which consists of formal working group partnerships between startups and GCCA members to accelerate breakthrough technologies that will help the cement and concrete industry achieve zero CO<sub>2</sub> emissions. The Company is supporting an initiative focused on carbon capture technologies. In North America, Votorantim Cimentos joined "Plug and Play," an innovation platform to leverage emerging technologies in early incubation stages in Silicon Valley.

In line with the business transformation pillar, the Company launched Motz, a digital transportation company. Motz operates independently and seeks to connect carriers and independent drivers through its digital platform. This innovation combines the agility and innovation of a startup with the Votorantim Cimentos footprint.

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## 8 Subsequent Events

For information on Subsequent Events, please access the Financial Statements published by VCSA 2022, note 34.

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## 9 Macroeconomic Scenario

### Global

The global economy was impacted in 2022 by high inflation, Russia's invasion of Ukraine, and contractionary monetary policies, with the first two factors tending to be present in 2023.

The IMF<sup>5</sup> forecasts a global slowdown from 3.4% in 2022 to 2.9% in 2023. There are possible positive impacts to the IMF<sup>5</sup> projection, namely a faster slowdown in inflation and an increase in domestic consumption; the points that may negatively impact are a possible escalation of the Russia-Ukraine conflict, in addition to the combination of high levels of indebtedness in countries due to the pandemic, lower growth and higher borrowing costs which increase economic vulnerability.

### Brazil

Maintaining Brazil's primary interest rate (Selic) at high levels (13.75%), increasing indebtedness among families, and a slow recovery of wages make it difficult to access loans and credit. With lower purchasing power, people direct their spending to essential items such as food and clothing, postponing investments in construction projects and renovations, drastically reducing one of the sales vectors of the inputs that took place between 2019 and 2020 in the self-construction segment.

The cement market ended 2022 with a 2.8% reduction compared to the previous year, according to the country's National Cement Industry Union (SNIC).

Although the scenario is uncertain, the cement industry remains optimistic about the resumption of investments in infrastructure and the possibility of increasing cement presence in housing, sanitation, and highway infrastructure programs. Therefore, the Brazilian association forecasts a 1% growth in cement consumption in 2023.

### United States and Canada

Cement demand in North America remained solid in 2022 with demand outpacing supply in most markets. The Portland Cement Association (PCA) however, is estimating that cement consumption in 2022 will be flat year-over-year. The economy continues to remain relatively strong with Central Banks in both the United States and Canada maintaining a focus on contractionary monetary policies to reduce inflation.

For 2023, the PCA Spring Forecast estimates a drop in cement consumption of 4.4% from the previous year as geopolitical events, inflation, higher interest rates and other adverse events could impact economic growth and construction activity, especially

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the residential sector, in the second half of 2023. In the United States, President Biden's infrastructure project is expected to have some positive impacts on the industry towards the end of 2023.

### Spain

Cement consumption in 2022 fell slightly by 0.8% compared to 2021, according to the country's cement association, Oficemen (*Agrupación de fabricaciones de cemento de España*). A slowdown in growth was observed throughout the year due to inflationary peaks in the supply chain as a result of the Russian invasion of the territory of Ukraine. For 2023, the association expects a negative beginning of the year due to the strong start of 2022; there is a positive expectation throughout the year driven by economic stimuli in the country. Due to the uncertain scenario, the cement association in Spain is projecting a cement demand to be anywhere between stable and 3% lower compared to 2022.

### Morocco

According to the local cement association, *L'Association Professionnelle des Cimentiers* (APC), in 2022, cement sales fell 10.7% compared to 2021, mainly due to inflationary increases and impacts on the agriculture sector, an essential economic lever in the country. According to the IMF<sup>5</sup> report issued in October /22, the country's growth forecast was revised from 1.1 % to 0.8 % in 2022 due to cost pressure from the Ukraine-Russia war. There is an expectation that 2023 will provide greater geopolitical stability and that the pressure on costs will slow down. Thus, the IMF<sup>5</sup> is projecting economic growth of 3.1% for 2023.

### Turkey

The upward trend in inflation since June 2021 and the sharp devaluations of the Turkish lira were triggered by successive interest rate cuts in the country, along with cost pressure in commodities, electricity, and gas due to the Russian invasion of Ukraine. Interest rate cuts came as most central banks tightened their monetary policy, making Turkey an exception with a profoundly negative real rate.

According to the association for cement manufacturers in the country, cement consumption is being impacted by the macroeconomic context and other sectors. Demand in the first 11 months of 2022 dropped 12% compared to the same period in 2021.

In early 2023 there was an earthquake considered one of the deadliest of this century in the southern region of Turkey. Our plants, located far from the areas impacted

1. Net revenue from Others is mainly due to Votorantim Cimentos Trading. Adjusted EBITDA from Others is mainly due to dividends received and non-recurring items, in addition to information in note 4.1 of DF 2022.
2. Does not include IFRS 16 effects
3. The debt amortization profile does not include IFRS 16 effects.
4. The USD 250MM Global Revolving Facility matures in 2026 and the USD 300MM Operational Revolving Credit Facility reaches maturity in 2027. In December 2022, both were 100% available for withdrawal, at any time, as needed by the Company and its subsidiaries.
5. IMF - International Monetary Fund

by the earthquake, continue to operate. VC Turkey is coordinating support actions, donations of essential items, and blood donations for the affected region.

### **Tunisia**

Cement consumption in 2022 fell 6% compared to the previous year's consolidated numbers, according to the local association, *Chambre Nationale des Producteurs de Ciment* (CNPC). With rising inflation and unemployment, in addition to the unstable political landscape and volatile commodity prices, the country already had a challenging track record, adding more significant risk to the region due to current macroeconomic factors.

### **Bolivia**

According to the latest data made available by INE (National Institute of Statistics), in the 2022 consolidated earnings, there was a 6% increase in cement demand compared to the 2021 period. The cement consumption market declined yearly due to cost pressure and geopolitical, external, and internal challenges. The IMF's <sup>5</sup> October/22 report forecasts growth for the country of 3.8% and 3.2% for 2022 and 2023, respectively.

### **Uruguay**

The cement market in the country has shown a slight decrease in 2022 compared to the excellent base in the previous year. On the other hand, the country's economic prospects are positive. The IMF's <sup>5</sup> October/22 report forecasts growth of 5.3% and 3.6% for the government for 2022 and 2023, respectively.

### **Argentina**

The dynamics of the cement market were positive, with substantial volumes. In 2022, cement consumption grew 7.3% compared to 2021, according to the local association, *Asociación de Fabricantes de Cemento Portland* (AFCP). The local construction materials sector remains resilient despite macroeconomic fluctuations.

## **CONTACT INFO - Investor Relations**

Email: [ri@vcimentos.com](mailto:ri@vcimentos.com)

Website: <https://ri.votorantimcimentos.com.br/>

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