

2018

ANNUAL REPORT



WE ARE
**UNIÓN ANDINA
DE CEMENTOS**



FOR OVER **100 YEARS**,
WE HAVE CONTRIBUTED TO THE COUNTRY'S
DEVELOPMENT AS A **SUSTAINABLE**,
INNOVATIVE, AND SOCIALLY
RESPONSIBLE
BUSINESS

COMMITTED TO **SAFETY**
AND **ENVIRONMENTAL**
MANAGEMENT,

WE ARE **UNACEM.**

UNACEM

COMMITMENT



ANNUAL REPORT 2018

TABLE OF CONTENTS

	1	2	3	4	5						
	THE COMPANY AND ITS SUBSIDIARIES	ONGOING PROJECTS	STAKEHOLDERS	ECONOMIC/FINANCIAL RESULTS	MANAGEMENT AND CORPORATE GOVERNANCE						
8	LETTER FROM THE CHAIRMAN OF THE BOARD	20	MACROECONOMIC ENVIRONMENT	49	CLINKER YARD AT CONDORCOCHA	61	OUR TEAM	85	AUDITED FINANCIAL STATEMENTS	96	BOARD OF DIRECTORS
16	RESULTS 2018	22	OPERATIONS	50	MIGRATION OF KILN 2 CONTROL SYSTEM AT CONDORCOCHA	64	OCCUPATIONAL HEALTH AND SAFETY			97	MANAGEMENT
		30	SUBSIDIARIES AND AFFILIATES	51	BAG FILTER FOR KILN 2 COOLER AT CONDORCOCHA	66	ENVIRONMENTAL MANAGEMENT			98	CORPORATE GOVERNANCE
				52	FIRE FIGHTING SYSTEM IN THE ELECTRICAL SUBSTATIONS AT ATOCONGO	71	DEVELOPING OUR COMMUNITIES			100	MERGER OF UNACEM S.A.A., WITH THE 3 UNLISTED COMPANIES SINDICATO DE INVERSIONES Y ADMINISTRACIÓN S.A., INVERSIONES ANDINA S.A. AND INMOBILIARIA PRONTO S.A.
				52	MODIFICATION OF THE CENTRAL CHAMBER OF THE MULTI-SILO					106	ADMINISTRATION, MANAGEMENT, AND TECHNICAL ASSISTANCE
				53	WORKS FOR TAXES					106	ACKNOWLEDGMENTS

LETTER FROM THE CHAIRMAN OF THE BOARD



DEAR UNACEM SHAREHOLDERS,

This past year of 2018 was a politically challenging one for Peru, marked by a crisis of institutionality in the different branches of the government. We began 2018 with the second call for the impeachment of President Pedro Pablo Kuczynski by the Peruvian Congress, which ultimately led to his resignation from office on March 21, 2018, and his replacement by Vice President Martín Vizcarra. This transition has gradually helped smooth out the turbulence and instability in the country, which affected economic activity and halted the implementation of projects, especially in the infrastructure sector. We finished 2018 with a president with a higher approval rating, a weakened legislative branch, and work to be done with regard to the judicial branch, which currently suffers from a lack of prestige due to corruption problems. What the country needs now are reforms that promote institutionality and private investment with formal jobs.

Tackling this obstacle will undoubtedly be a challenge, but also an opportunity to learn from what happened and to make the corrections needed to guarantee the country's sustainability, to be part of the solution and not the problem. At UNACEM, we have firm convictions when it comes to ethics and the way we do business, and we strive to build trust so that we can attract more investments to the country, in turn contributing to a better quality of life for all Peruvians.

UNACEM CLOSED OUT 2018 WITH A DISPATCH VOLUME 1.3% HIGHER THAN THE PREVIOUS YEAR, IN ADDITION TO CLINKER EXPORTS OF 928,000 TONS, RESULTING IN TOTAL SALES REVENUES THAT WERE 5.7% HIGHER THIS YEAR.

The construction sector is naturally one of the greatest economic motors and job creators. Our performance over the course of the year was uneven, driven in the final six months by public investment from not only the central government, but the regional and local governments as well. At the regional level, the sector's behavior differed in terms of the works performance level and investment amounts. Despite this, it closed out the year with an increase of 5.4% compared to 2017, explained by the greater physical advance of works (9.6% higher than in 2017) and improved internal consumption of cement nationwide (4.0%).

Against this backdrop, UNACEM closed out 2018 with a dispatch volume 1.3% higher than the previous year, in addition to clinker exports of 928,000 tons, resulting in total sales revenues that were 5.7% higher this year. Despite the impact of higher fuel costs, especially natural gas, EBITDA was S/ 771.0 million, not including

the dividends received from our subsidiaries, which brought our EBITDA margin up to 39.2%. The net profit, however, dropped by 48.0%, mainly due to the lower dividends received from subsidiaries and the effects of the exchange rate difference on the net results, which went from an exchange rate gain of S/ 88.0 million in 2017 to an exchange rate loss of S/ 60.5 million in 2018.

As part of the continued prioritization of our debt reduction strategy, in October we performed a liability management transaction for an equivalent of US\$ 490.0 million. A significant part of this transaction was used for the partial redemption of our "5.875% Senior Unsecured Notes due 2021" for US\$ 400.0 million. The aim of this transaction was to reduce the refinancing risk and the financial cost of our debt, additionally considering that approximately US\$ 365.0 million was financed with bank loans in Peruvian soles and the difference of US\$ 125.0 million with loans in dollars. We now have a payment schedule that allows us to continue amortizing the debt in the coming years with a lower exposure to exchange rate fluctuations.

In October, we announced the US\$ 28.0 million acquisition of Cementos Portland S.A. (CEMPOR), the company that holds the Silencio 8 mining concession, whose synergies with our Atocongo operations, located just 8 km away, are significant, mainly because they will help extend the plant's useful life with 66 million tons of reserves.

Also in 2018, we continued working in the implementation of the anti-bribery management system. The Ethics and Conduct Committee was created within the Board of Directors, and tasked with safeguarding compliance with our Code of Ethics and Conduct and handling any grievances in this area.

As for our subsidiaries, all of them achieved solid results. This year, UNICON acquired an operation in Chile, now known as UNICON Chile, which consists of ten plants situated in the northern, central, and southern parts of the capital, Santiago. The operations of UNICON Perú and CONCREMAX exhibited improvements, in terms of both dispatches and revenues. CELEPSA and its subsidiaries maintained stable revenues and margins. SKANON Investment reported a higher EBITDA of US\$ 8.9 million. UNACEM Ecuador faced a year defined by reforms and measures aimed at reinvigorating the construction sector, reporting slightly higher revenues than in 2017. It was a big year for PREANSA's operations, not only in Peru but in Chile and Colombia, with their participation in large-scale projects demonstrating the security, flexibility, and savings in time and costs offered by industrialized concrete structures.

This year was particularly important for us. At the close of 2018, the Shareholders' Meeting approved the merger of UNACEM, as acquiring company, with Sindicato de Inversiones y Administración S.A. (SIA), Inversiones Andino S.A. (IASA), and Inmobiliaria Pronto S.A. (Pronto), as acquired companies, which entered into force on January 1, 2019.

The merger with SIA, IASA, and Pronto represents a historic milestone for UNACEM. Few companies can say they have been active in the market for over 100 years and overcome obstacles such as the seizure of their property under the military government in 1974. Later, in 1980, the company's shareholders acted tenaciously and valiantly in achieving the restoration of their majority stake. This was followed by the re-privatization of the company's predecessor, Cementos Lima, in 1994, and Cemento Andino in 2007. After this re-privatization came the start of the process of growth and expansion of what UNACEM represents. Now, together with its subsidiaries, it has cement, concrete, and energy operations in five countries in the region, as well as creating value for all of its stakeholders.

Since the beginning, it was our vision to become leaders of the cement industry in Peru, and we have based that leadership on innovation and cutting-edge technology, striving to achieve high levels of efficiency and quality at competitive prices for our markets, a comprehensive and adequate management of the environment, and a relationship of trust with our stakeholders.

It is worth highlighting the fact that UNACEM's merger with SIA, IASA, and Pronto was achieved with the active participation of our majority and minority shareholders, as well as our independent directors. These directors carried out a rigorous evaluation process, free from conflicts of interest, that sought to guarantee benefits for UNACEM, as a value-creating entity, and all of its shareholders. With the

THE MERGER WITH SIA, IASA, AND PRONTO REPRESENTS A HISTORIC MILESTONE FOR UNACEM. THE SHAREHOLDING STRUCTURE IS NOW MORE STREAMLINED, WE HAVE A NEW GROUP OF SHAREHOLDERS, AND WE WILL POOL TOGETHER OUR ASSETS. ABOVE ALL, HOWEVER, WE WILL CONSOLIDATE THE KNOWHOW, STRATEGIES, AND EXPERIENCE OF THESE 3 COMPANIES.

merger, the Company increased its subscribed and paid-in capital stock by S/ 171,624,203, from S/ 1,646,503,408 to S/ 1,818,127,611, through the issuing of 171,624,203 new common shares. With the merger's entry into force, UNACEM's shareholding structure will be more straightforward, we will have a new group of shareholders, and we will also add new assets. Above all, however, we will consolidate the knowhow, strategies, and experience of these 3 companies, a fact that reaffirms our commitment to all of UNACEM's shareholders as we take this big step into the future.

I would like to take this opportunity to make special mention of Asociación UNACEM, which has accompanied us over the last 15 years in our work with the communities in our area of influence. Asociación UNACEM is a key piece in the

implementation of our social responsibility strategy. This model includes working closely with both the public and private sectors, civil society, international cooperation, and academia, allowing us to consolidate our position as agents of change and sustainable development, with concrete results that have helped us to align ourselves with the UN Sustainable Development Goals, in the awareness that the work we do is ongoing and dynamic, with a view to the long term.

In closing, I would like to reiterate our thanks, on the part of the Board of Directors, to Sindicato de Inversiones y Administración S.A., which was in charge of UNACEM's General Manager; and to Inversiones Andino S.A., which has provided us with administrative and financial advisory services not only in 2018, but for many years now. Thanks to our shareholders for the trust they have placed in us; to our clients, for their business; and to each one of our team members, whose loyalty and dedication allow us to maintain our solidity and leadership.

We start 2019 with a sense of optimism, feeling stronger than ever and enthusiastic to continue building opportunities for all. I invite you to learn more about the most outstanding aspects of UNACEM's performance in 2018.

Sincerely,



Ricardo Rizo Patrón de la Piedra
Chairman of the Board

OVER 100 YEARS MAKING HISTORY



The first cement manufacturer with 100.0% Peruvian capital is born: **Compañía Peruana de Cemento Portland.**



Cementos Lima S.A.A.
La fuerza motriz del Perú

Cementos Lima is founded under the management and supervision of **Sindicato de Inversiones y Administración (SIA)** (50.5%) and the shareholders of **Compañía Peruana de Cemento Portland** (49.5%).



SIA regains control of **Cementos Lima** (51.0% stake).



UNICON (ready-mixed concrete) is born from the merger of **COPRESA** and **HORMEC.**

1916 > 1956 > 1967 > 1974 > 1981 > 1994 > 1996 > > >



Cemento Andino builds the **Condorcocha** plant in Tarma, at 3,950 m.a.s.l., along with the **Carpapata I** hydroelectric plant.



The military government of **Gen. Juan Velasco Alvarado** confiscates **Cementos Lima** and **Cemento Andino**, and the state takes control of the companies.



49.0% of the company was reprivatized with a public offering of shares on the Lima Stock Exchange (BVL).

OVER 100 YEARS MAKING HISTORY



Cementos Lima founds Asociación Atocongo, now known as Asociación UNACEM.



The Progresol Home Improvement Store Network is created.

Construction is completed on the 8-km underground conveyor belt connecting the Atocongo Plant to the Conchán pier.



Operations go international with the construction and commissioning of the Drake Cement plant in the United States.

UNICON acquires Firth, now known as CONCREMAX (ready-mixed concrete plant and vehicle fleet).

> 1999 > 2003 > 2007 > 2008 > 2010 > 2011 > 2012 > > >



Cementos Lima triples its clinker and cement production capacity to 3.6 million and 4.5 million metric tons per year, respectively.



Cemento Andino is reprivatized, led by IASA. As a result, the company begins listing its shares on the BVL.



CELEPSA commences operation of the El Platanal hydroelectric plant in Cafete (220 MW).



UNACEM is born as a result of the merger between Cementos Lima and Cemento Andino.

Works are finished for the expansion of clinker capacity at the Condorcocha plant with the commissioning of Kiln 4.

OVER 100 YEARS MAKING HISTORY



The expansion and upgrading of Kiln 1 is completed at the Atocongo plant, which went from producing 4.5 million to 5.5 million tons of cement annually.



The milling capacity at the Condorcocha plant is increased from 2.1 million to 2.8 million tons of cement per year.



Operations begin at the Marañón hydroelectric plant, now known as CELEPSA Renovables, a subsidiary of CELEPSA.

UNICON acquires Hormigonera Quito, now known as UNICON Ecuador.

UNACEM MERGES WITH SIA, IASA Y PRONTO, CONSOLIDATING THESE COMPANIES' KNOWHOW, STRATEGY, AND SPECIALIZATION.

> 2013 > 2014 > 2015 > 2016 > 2017 > **2018** >>>

UNACEM
ECUADOR

Lafarge Ecuador, now known as UNACEM Ecuador and PREANSA Chile are acquired, expanding our operations to five countries: Peru, Ecuador, the US, Chile, and Colombia.



Operations begin at the Carpapata III hydroelectric plant (12.8 MW), which supplies power to the Condorcocha plant.



UNICON acquires Hormigones Independencia, now known as UNICON Chile.

UNACEM merges with SIA, IASA, and Pronto.

UNACEM acquires CEMPOR.

PRESENCE OF UNACEM AND ITS SUBSIDIARIES



CEMENT

- OPERATIONS
 - > PERU
 - > ECUADOR
 - > USA

- WE HAVE
 - > 4 PLANTS
 - > 1 PORT TERMINAL

- INSTALLED CAPACITY
10.5 MILLION TONS/YEAR



CONCRETE

- OPERATIONS
 - > PERU
 - > ECUADOR
 - > CHILE
 - > COLOMBIA
 - > USA

- WE HAVE
 - > 58 STATIONARY PLANTS
 - > 16 MOBILE PLANTS
 - > 800 MIXER TRUCKS
 - > 3 INDUSTRIALIZED CONCRETE STRUCTURES PLANTS



ENERGY

- OPERATIONS
 - > PERU
 - > ECUADOR

- WE HAVE
 - > 5 HYDROELECTRIC PLANTS
 - > 2 THERMAL POWER PLANTS

- INSTALLED CAPACITY
329.4 MW



2018, IMPORTANT EVENTS

- › The Shareholders' Meeting held on 28 December approved the **merger between UNACEM, as acquiring company, and SIA, IASA, and Pronto**. The merger's date of entry into force was January 1st, 2019. This merger will allow us to consolidate these 3 companies' knowhow, strategy, and experience. >>> **p. 100**
- › In July, our subsidiary **UNICON acquired Hormigones Independencia S.A.**, now known as UNICON Chile. >>> **p. 34**
- › In October, we acquired **Cementos Portland S.A. (CEMPOR)**, who holds the Silencio 8 mining concession, located just 8 km from the Atocongo plant. >>> **p. 43**
- › At the **Condorcocha plant**, we obtained the **Certificado Azul** given out by the National Water Authority (ANA), which recognizes the proper management and efficient use of water resources, making us the first cement manufacturer, and the third company in Peru overall, to receive this certification. >>> **p. 104**
- › We created the **Industrial Development Center** and the **Instituto UNACEM**, with the goal of managing knowhow through the creation of **educational programs** to standardize **best practices** in our processes. >>> **p. 62**
- › We received the **Effie de Oro and Effie de Plata awards** for the results of the **Cemento Andino Ultra** advertising campaign. We also received the **ANDA 2018 award** in the category of "Integrated Communication – Other Products," with our **Premium Cemento Andino product**. >>> **p. 25**
- › The **Progresol Home Improvement Store Network turned 10 years old this year**, and now included over 800 points of sale. >>> **p. 25**
- › **Asociación UNACEM has now spent 15 years** working to implement our Social Responsibility Policy in alignment with the Sustainable Development Goals (SDGs), promoting private social investment projects that generate positive impacts on the communities around us. >>> **p. 77**

2018 RESULTS

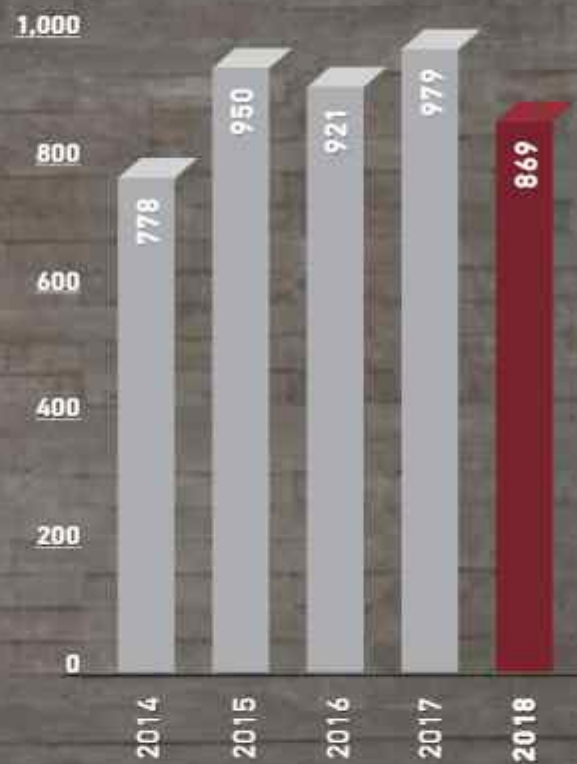
SALES

Net of sales commissions
Millions of Soles



EBITDA

Millions of Soles



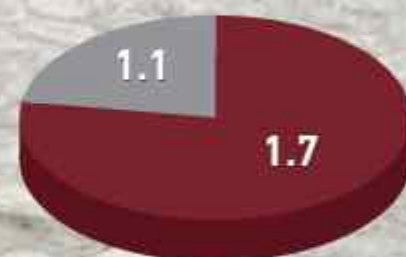
2018 RESULTS



2018 RESULTS

■ CLINKER
PRODUCTION

■ CEMENT
PRODUCTION



■ Unused Installed Capacity

■ Unused Installed Capacity

A black and white photograph of a modern architectural structure. In the foreground, there is a brick wall with a concrete ledge on top. The background shows a series of vertical concrete pillars or columns, creating a sense of depth and perspective. The overall aesthetic is clean and industrial.

THE COMPANY AND ITS SUBSIDIARIES

1

1 THE COMPANY AND ITS SUBSIDIARIES

1.1

MACROECONOMIC ENVIRONMENT

In 2018, the world economy continued to show signs of growth, although less evenly than the previous year, mainly due to the performance of the economies of Europe and Asia during the second half of the year. The International Monetary Fund (IMF) estimates that international economic activity grew by 3.7%, a figure very similar to that attained in 2017.

World economic growth was bolstered by the performance of the United States (2.9%), as a result of the implementation of fiscal policies, despite international trade tensions, particularly with China. In the Eurozone, a solid internal demand in the majority of countries helped mitigate the uncertainty surrounding Brexit and fiscal policy in Italy. As a result, the Eurozone attained a moderate growth of 1.8%.

Among the emerging economies, both China (6.6%) and Turkey (3.5%) slowed down due to the effects of the trade dispute with the U.S. Nevertheless, increased activity in India (7.3%) and other Asian countries helped offset this slowdown.

For its part, the Peruvian economy was one of the main players in Latin America's growth (2.2%), increasing by 4.0% in 2018 compared to the previous year.

This performance was due mainly to three sectors: first, the fisheries sector (+40.2%), which reported higher anchoveta catch and landings; second, increased primary manufacturing; and third, the contribution of the construction sector (+6.8%), which was driven by the greater physical advance of works resulting from increased public and private investment, with the private part of this equation boosted especially by mining investments in the second half of the year.

Peru's economy achieved this growth despite the political turbulence that defined 2018, including the resignation of President Pedro Pablo Kuczynski and his succession in the office by Vice President Martín Vizcarra, which led to a shift in the power balance in Congress.

THE MAIN ECONOMIC ACTIVITY INDICATORS FOR 2018 WERE AS FOLLOWS:



Trending upward over the course of the year, **the Peruvian sol depreciated against the dollar by 4.1%** as of the close of 2018, as a result of the risk aversion shown in international markets due to the uncertainty in Europe, as well as trade tensions, mainly between China and the United States, combined with the U.S. Federal Reserve's normalization of its monetary policy. The closing exchange rate for the year was S/ 3.379 per U.S. dollar (S/ 3.245 at the close of 2017).



An **inflation rate of 2.2%**, within the target range set by the BCRP. This increase in inflation compared to the previous year (1.4%) was due to the reversal of the negative shock that affected the agricultural supply in 2017 due to the Coastal El Niño Phenomenon, combined with the effects of the exchange rate on electricity and fuel prices.



A **trade balance surplus of US\$ 7.049 billion**, with exports totaling US\$ 48.942 billion as of the close of 2018, mainly due to higher mineral prices, despite lower production volumes in traditional exports (6.3%), along with higher volumes of non-traditional exports (13.0%), primarily agricultural and fisheries products.



Net international reserves of US\$ 60.121 billion, a decrease of 5.9% from the US\$ 63.621 billion reported as of the close of 2017.

1.2

OPERATIONS

PRODUCTION AND DISPATCH IN THE LOCAL MARKET

During 2018, our operations at the Atocongo and Condorcocha plants reported satisfactory operating results, achieving a combined utilization rate of 78.9% in clinker production (68.8% in 2017) and 61.1% in cement production (60.4% in 2017).

Total clinker production came to 5,289,168 t, which is 14.7% higher than that achieved in 2017 (4,609,852 t). This increase was due mainly to the stoppage, for a period of 5 months in 2017, of Kiln 2 at the Atocongo

plant in order to reduce the high level of clinker stocks that persisted until the beginning of that year. During 2018, scheduled maintenance was performed to Kilns 2, 3, and 4 at the Condorcocha plant, and Kiln 1 at the Atocongo plant, according to the annual preventive maintenance plan.

As for cement, production totaled 5,072,982 t, an increase of 1.3% compared to the production of 5,009,610 t the previous year. This increase was aligned with demand in the

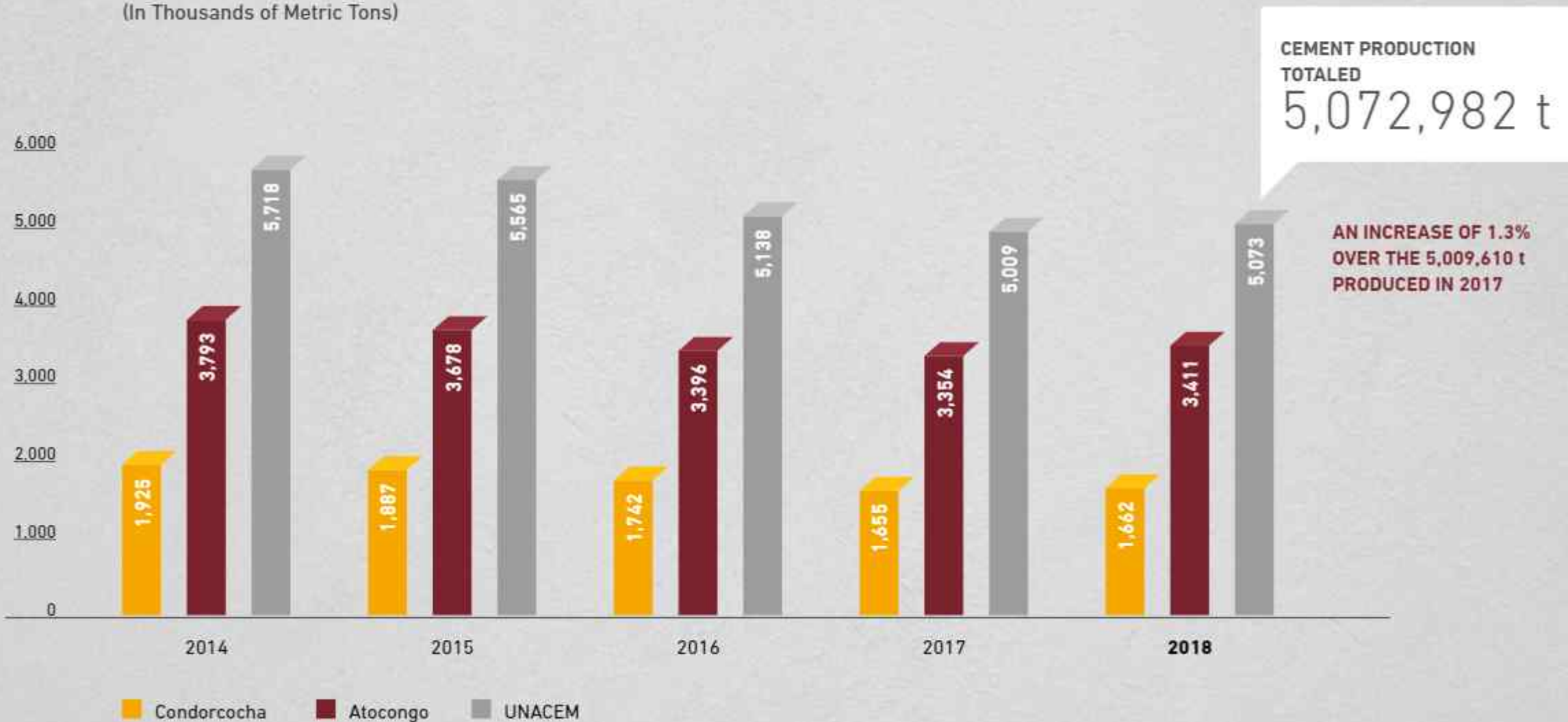
local market, which, despite contracting during the first half of the year, was able to reverse this behavior in the second half of the year and achieve higher cumulative dispatch volumes compared to the previous year.

As of the close of 2018, cement production at the Atocongo plant (Lima) totaled 3,411,109 t, while production at the Condorcocha plant (Junín) was 1,662,052 t, thus allowing us to fully meet the local demand for cement.



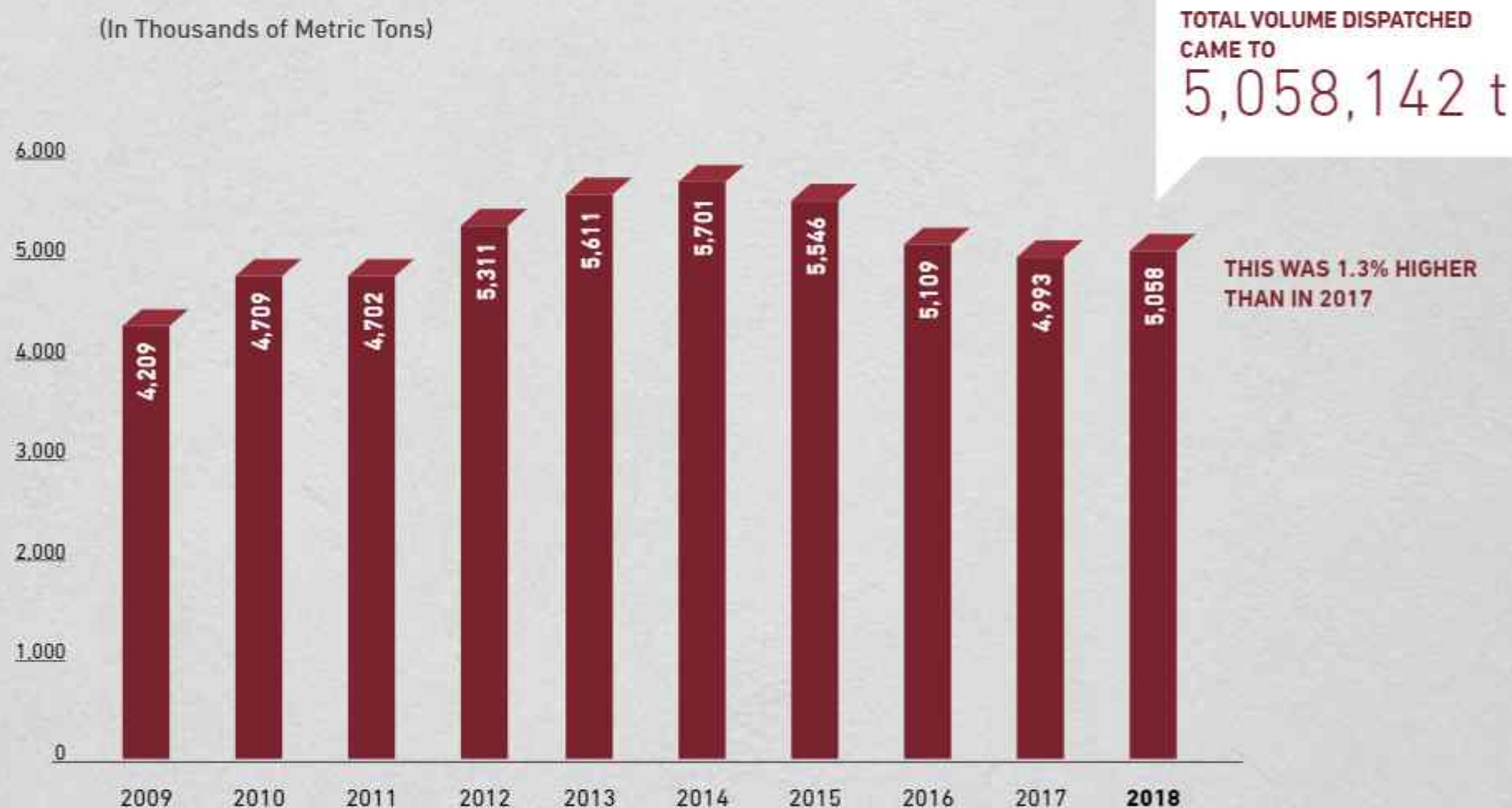
CEMENT PRODUCTION BY PLANT, 2014-2018

(In Thousands of Metric Tons)



DOMESTIC CEMENT DISPATCHES, 2009-2018

(In Thousands of Metric Tons)



During 2018, the total volume of cement dispatched came to 5,058,142 t, 1.3% higher than that reported in 2017 (4,993,346 t). This recovery in dispatch volumes was mainly due to the improvement in dispatches from both plants during the second half of the year.

On the other hand, the nationwide demand for cement, according to the Cement Producers' Association (ASOCEM), was 11,149,000 t, 3.2% higher than that reported in 2017, which totaled 10,799,000 t. This demand includes dispatches by associated and unassociated local producers.

SALES

We sell our products through two business units: bagged cement and bulk cement, which accounted for 71.8% and 28.2% of the total dispatched in 2018, respectively.

Special note should be made of the positive performance of the bulk cement business unit, which grew by 10.5% compared to the previous year as a result of the construction market's general recovery, as well as the performance of infrastructure works for the Pan American and Parapan American Games that will be held in Lima in 2019 and dispatches to Line 2 of the Lima Metro.

The portfolio of products sold by the bagged cement business unit includes the following brands: Cemento Andino I, Cemento Sol I, Cemento Andino IP, Cemento Andino IPM, Cemento Andino V, Cemento Andino Ultra HS, and Cemento Apu GU.

Our bagged products are mainly sold through two distribution channels: the traditional home improvement store network (consisting of the Progresol Home Improvement Store Network and other home improvement stores that are not members of this network) and the modern home improvement store channel (consisting of big box and self-service home improvement stores).

In 2018, we focused on consolidating two strategic products in our portfolio. Cemento Andino Ultra HS maintained its position as the leader in the anti-salt peter cements category, with

CEMENTO ANDINO ULTRA HS
MAINTAINED ITS POSITION AS
LEADER IN THE ANTI-SALTPETER
CEMENTS CATEGORY, WITH A MARKET
SHARE OF **OVER 73.0%.**

a market share of over 73.0% in this segment. For its part, Cemento Apu reported an 18.0% market share in the central highlands less than one year after its launch in that region.

Over the course of this year, we continued to focus on creating more and more value through our portfolio of brands, as well as maintaining our position as market leaders and remaining the most preferred cement manufacturer among consumers on the coast, in the central highlands, and the jungle.

For its part, the bulk cement business unit sells Type I, IP, IPM, GU, V, and HS Portland cements, mainly supplying companies engaged in the sale of ready-mix concrete, hydroelectric plant builders, mining and oil companies, construction companies, and companies that manufacture cement byproducts.

Our sales strategy remains focused on innovation, not only in our goods and services, but also with new business models that will allow us to keep strengthening sustainable business relations throughout the value chain, from our plants to the points of sale in home improvement stores. With this in mind, we have continued to forge bonds and earn the loyalty of home improvement store owners through our outstanding business management and increased coverage, thanks to the Progresol Home Improvement Store Network, which reached 853 points of sale in 2018, including both wholesale and retail customers.

We also have direct points of sale through distributors located in the largest cities in the central highlands and the northeast region of Peru.



EXPORTS AND PORT OPERATIONS

During 2018, the volume of clinker exports totaled 928,343 t, 69.1% higher than the figure reported the previous year (548,932 t). This significant improvement was due to the stabilization of demand for this product in Asia and better clinker prices at the international market, which resulted in the closing of larger supply contracts throughout the year. The main destination of exports in 2018 was Argentina, which accounted for 51.4% of the total export volume, followed by Chile with 29.8% and the countries of Central America with 18.8%.

As a result of the foregoing, the total volume of bulk solids handled by the Conchán Pier rose by 62.3% compared to 2017, with the loading and unloading of 48 vessels in all. During 2018, in addition to clinker shipments, the main products unloaded at the pier included gypsum, coal, slag, pozzolans, and grains for third parties, which totaled 602,233 t.

STRATEGIC PLAN TOWARDS 2021

Throughout 2018, we continued to implement a number of initiatives as part of our strategic plan towards 2021, all of which formed part of our 6 pillars:

- › High-quality goods and services
- › Increased per capita cement consumption
- › Cost efficiency
- › Prioritization of profitable investments
- › High-performance organization
- › Sustainability

The implementation process is now underway. The initiatives prioritized in 2018 were as follows:

- › **Be a national role model in occupational health and safety**
We succeeded in notably reducing accident rates, frequency, and severity at our Atocongo and Condorcocha operations, with a clear trend toward continued improvement. The results will be analyzed in greater depth later on in this report.

› **Promote the use of concrete pavements**

This initiative has made significant progress in our market due to its greater cost efficiency and profitability compared to alternative products. For 2019, the Ministry of Transportation and Communications has approved the construction of the first highway in the national road network with over 150 km of concrete pavement, marking an important milestone in the use of concrete for such purposes. More concrete pavement projects than the previous year were also implemented in the Metropolitan Lima road network.

OUR STRATEGY

MISSION

■ Contribute to the development of our country's infrastructure, leading in the sustainable manufacture and sale of high-quality cement and creating opportunities and wellbeing for all Peruvians.

■ All of our activities form part of our goal of being an innovative, socially responsible company that is committed to safety management and caring for the environment.

STRATEGIC PILLARS

HIGH-QUALITY
GOODS AND
SERVICES



Strengthen UNACEM's positioning and the scope of its value proposition.

INCREASED
PER CAPITA
CONSUMPTION OF
CEMENT



Promote greater cement consumption through new uses and services.

COST EFFICIENCY



Continuous improvement of efficiency throughout the value chain.

PRIORITIZATION
OF PROFITABLE
INVESTMENTS



Maximize the profitability of our capital.

HIGH-PERFORMANCE
ORGANIZATION



Maximize the efficiency and effectiveness of our processes and synergies throughout the group.

SUSTAINABILITY



Ensure the Company's long-term competitiveness.

VALUES



EXCELLENCE



RESPONSIBILITY



ETHICS



COMMITMENT



INNOVATION



LEGALITY

AS PART OF OUR GOAL OF **STRENGTHENING OUR ORGANIZATIONAL VALUES** AND A **ZERO-TOLERANCE** CULTURE AGAINST ALL FORMS OF **CORRUPTION**, WE CONTINUED WORKING TO IMPLEMENT THE **ANTI-BRIBERY MANAGEMENT SYSTEM**.

INTEGRATED MANAGEMENT SYSTEM (IMS)

Our Integrated Management System enables us to run and control our extractive, production, logistics, commercial, and legal management processes throughout our entire operation, thus ensuring compliance with the Company's policy on personnel health and safety, the environment, and protection against the risk of involvement in unlawful activities. To this end, objectives and goals were established for the system, along with the activities necessary to achieve them.

We currently hold ISO 9001, ISO 14001, and OHSAS 18001 certifications for the Atocongo and Condorcocha plants, and Business Alliance for Secure Commerce (BASC) and Ship and Port Facility Security (SPFS) certifications for the Conchán Pier.

During 2018, as part of the Company's goal of strengthening its organizational values and a zero-tolerance culture against all forms of corruption, we continued working to implement the anti-bribery management system, which will be integrated into the IMS and based on the ISO 37001 standard. The purpose of this system is to prevent the Company from becoming involved in any kind of bribery or corruption, in addition to helping promote an ethical business culture. In February 2018, the

Board of Directors approved the anti-corruption policy, which was provided to all members of the Company's team. Over the course of the year, we also continued to work on adapting the integrated system at all of our operations to the ISO 37001 standard, with the goal of obtaining certification in 2019.

In other news, internal audits were performed at all of our operations, ensuring the constant monitoring of the system and compliance therewith. We also began implementing ISO tools, a digital platform that will facilitate the implementation, automation, and maintenance of the Integrated Management System throughout the Company.

In 2018, Atocongo migrated the IMS to the new versions of ISO 9001 and ISO 14001 standards. Now, the Atocongo IMS and the Condorcocha IMS are both compliant with the 2015 version of these standards. Atocongo also obtained satisfactory results in terms of our quality objectives and goals: we continued to meet our customer satisfaction objectives; service objectives, such as reducing service times; and maintained compliance with vessel loading and unloading speeds; as well as internal process objectives.

Of particular note among our environmental objectives are the optimization of waste management, the reduction of specific fuel and electricity consumption, the reduction of groundwater consumption, and keeping specific carbon dioxide emissions during clinker manufacture under the respective target, among others.

As for health and safety, we prioritized the optimization of lockout procedures for different power types during maintenance and other work activities with machinery and equipment, along with the optimization of noise management, the reduction of the accident rate, and the conservation of employee health.

At Condorcocha, meanwhile, we performed comprehensive internal audits on our contractors to verify their compliance in matters of environmental management, occupational health and safety, as well as legal compliance. SGS Perú also audited the processes at the Condorcocha plant and its compliance with ISO 9001:2015, ISO 14001:2015, and OHSAS 18001:2017 standards, recommending recertification in all of them.

1.3

SUBSIDIARIES AND AFFILIATES

INVECO S.A. / UNICON S.A.

(Ownership: 93.4% of INVECO / 100.0% of UNICON)

THE AUDITED FINANCIAL STATEMENTS OF UNICON, AS OF DECEMBER 31, 2018, SHOW THE FOLLOWING RESULTS:

- > **NET SALES OF S/ 805.8 MILLION**
(S/ 690.5 million in 2017).
- > **NET PROFIT OF S/ 18.3 MILLION**
(S/ 35.2 million in 2017).
- > **NET SHAREHOLDERS' EQUITY OF S/ 366.1 MILLION** (S/ 347.8 MILLION IN 2017).

During 2018, UNICON remained the market leader in the production, distribution, and sale of ready-mixed concrete, services, and related goods.

As of the close of 2018, dispatches of ready-mixed concrete nationwide totaled 2,077,980 m³, 3.5% higher than dispatches reported in 2017, which totaled 1,972,832 m³. This is due mainly to the reactivation of the construction sector as a result of greater public investment in infrastructure and heightened private investment.

Over the course of the year, UNICON continued to work on large-scale infrastructure projects in our market, with one of the most notable being the performance of works tied to the Pan American and Parapan American Games that will be held in Lima starting in July 2019, including:

- > **Construction of the Villa Panamericana**, consisting of seven 20-story towers with 1,120 apartments that will host the athletes participating in the games.
- > **Improvements to the Villa Deportiva Nacional (VIDENA)**, including the construction of a sports stadium with a capacity of 12,000 spectators, a roofed velodrome for 2,500 people, and an aquatic center for 4,000 people.
- > **Construction of the High-Performance Surf Center**, located at Punta Rocas beach, which will host over 2,000 people for surfing practice. In this particular work, UNICON and UNACEM form part of the consortium that will finance and execute the construction under the Works for Taxes program. The project will be implemented in 2019.



October 2018 marked the start of repairs in the first tranche of the old Carretera Panamericana highway. This major road work is being performed in concrete pavement, comprising a total of 40 km in four tranches in the districts of San Juan de Miraflores, Villa El Salvador, Lurín, Punta Hermosa, Punta Negra, San Bartolo, and Santa María del Mar.

UNICON also continued dispatches to Line 2 of the Lima Metro and the Toromocho expansion, and started dispatches for Mina Justa and the Puruchuco shopping center, among other projects.

In 2018, UNICON undertook a cultural transformation process in safety matters under the title of "Hacia una Cultura de COMPROMISO" ("Working Toward a Culture of COMMITMENT"). UNICON's strategic ally in this process is the consulting firm DuPont, who are international experts in personal safety and processes. The value of "Safety" was also incorporated into UNICON's corporate values, which now include Prioritization of the Customer, Commitment, Quality, Collaboration, and Safety.

In December, the Ministry of Labor and Employment Promotion recognized the "Creciendo Juntos con UNICON" ("Growing Hand-in-Hand with UNICON") program, which won first place in the Supplier Management category, from among 65 participating companies nationwide. Under this program, UNICON promotes the development of its suppliers through the implementation of the following initiatives:

- **Innovate Perú – PRODUCE Supplier Development Program**
- **Contract Management System (SGS)**
- **Transporter Committee**
- **Sustainable Suppliers Program (GRI-Perú 2021)**

CONCREMAX S.A.

CONCREMAX S.A. is a wholly owned subsidiary of UNICON, which currently offers the following goods and services:

- > **Ready-mixed concrete.**
- > **Pumping service**
- > **Prestressed slabs and sheets**, now under the CONCREMAX brand (formerly TECHOMAX). This line offers 3 construction systems: voided slabs consisting of beams and blocks; hollow-core slabs; and the concrete shuttering launched in 2018.
- > **Bagged dry mixes**, now with new packaging under the UNICON brand. These mixes were previously sold under the TROMIX brand, which was present in the market for over 15 years. They include four presentations: concrete, mortar, rendering, and adhesive rendering. They are classified by strength, and only require the addition of water at the worksite.

Nationwide, CONCREMAX ready-mixed concrete dispatches totaled 635,013 m³, 2.0% higher than the dispatch volume reported in 2017.



THE AUDITED FINANCIAL STATEMENTS OF
CONCREMAX, AS OF DECEMBER 31, 2018, SHOW
THE FOLLOWING RESULTS:

> **NET SALES OF S/ 253.1 MILLION**
(S/ 224.5 million in 2017).

> **NET PROFIT OF S/ 9.0 MILLION**
(S/ 3.3 million in 2017).

> **NET SHAREHOLDERS' EQUITY OF S/ 81.1 MILLION**
(S/ 78.0 million in 2017).



THE UNAUDITED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018, SHOW THE FOLLOWING RESULTS:

> **NET SALES OF US\$ 14.5 MILLION**
(US\$ 6.6 million in 2017).

> **NET PROFIT OF US\$ 0.2 MILLION**
(US\$ 0.7 million net loss in 2017).

> **NET SHAREHOLDERS' EQUITY OF US\$ 11.6 MILLION** (US\$ 11.2 million in 2017).

UNICON ECUADOR CÍA. LTDA.

(formerly Hormigonera Quito S.A.)

In July 2017, UNICON expanded its presence to the international stage with the acquisition of Hormigonera Quito, now known as UNICON Ecuador.

Unicon Ecuador is one of the leaders in the ready-mixed concrete market in Ecuador, where it is widely known and respected, especially in Quito. It has over 30 years of experience in the sector.

The company has 2 industrial plants in the north and south of Ecuador's capital to supply large-scale works:

- > **North plant:** Area of 16,000 m². This plant has cutting-edge equipment for the manufacture of concrete, such as computerized ready-mixed plants for aggregate dosing, mixing trucks, mechanical grinding, a concrete laboratory, pumping equipment, and prefab equipment.
- > **South plant:** Area of 22,000 m². Serves the southern part of Quito and neighboring valleys.

During 2018, UNICON Ecuador's ready-mixed concrete dispatches totaled 163,863 m³, 117.5% higher than the dispatch volume reported in 2017.

UNICON S.A. – CHILE

(formerly Hormigones Independencia S.A.)

In 2018, UNICON acquired 100.0% of the shares Hormigones Independencia S.A., a company engaged in the manufacture, sale, distribution, and marketing of ready-mixed concrete in Chile.

Today, UNICON Chile is present in seven markets in the central part of Chile, with ten industrial plants strategically located in cities in the north, center, and south of the country: Region IV (La Serena), Region V (Viña del Mar and Los Andes), the Metropolitan Region (Santiago), Region VI (Rancagua and San Fernando), and Region VIII (Chillán), with a fleet of 114 of its own mixer trucks and 55 leased mixer trucks.

During 2018, UNICON Chile's ready-mixed concrete dispatches totaled 746,447 m³, with sales of US\$ 56.7 million.

IN MAY 2018, UNICON
ACQUIRED 100.0% OF
THE CAPITAL STOCK
OF HORMIGONES
INDEPENDENCIA S.A.

BASF Construction Chemicals Perú S.A.

UNICON holds a 30.0% share in the capital stock of BASF Construction Chemicals Perú S.A.

BASF is a multinational German company, present in over 170 countries around the world, which manufactures and supplies additives for concrete, as well as adhesives and grouts for masonry, grouts for industrial equipment mounting, and products for the repair of concrete structures, among other products.

All of the business segments of chemicals for construction at BASF, without exception, experienced significant growth rates compared to 2017. Of special note was the shotcrete additives (underground construction) segment, which obtained important new customers. BASF also launched new products in the market and concentrated on process optimization and greater safety at its operations.

THE AUDITED FINANCIAL STATEMENTS, AS OF
DECEMBER 31, 2018, SHOW THE FOLLOWING
RESULTS:

- > **NET SALES OF S/ 82.8 MILLION**
(S/ 60.9 million in 2017).
- > **NET PROFIT OF S/ 11.4 MILLION**
(S/ 6.5 million in 2017).
- > **NET SHAREHOLDERS' EQUITY OF
S/ 26.7 MILLION** (S/ 20.1 million in 2017).

THE UNAUDITED FINANCIAL STATEMENTS, AS OF
DECEMBER 31, 2018, SHOWED THE FOLLOWING
RESULTS:

- > **NET SALES OF S/ 25.1 MILLION**
(S/ 20.9 million in 2017).
- > **NET PROFIT OF S/ 2.7 MILLION**
(S/ 1.9 million in 2017).
- > **NET SHAREHOLDERS' EQUITY OF
S/ 1.5 MILLION** (S/ 10.8 million in 2017).

ENTREPISOS LIMA S.A.C.

UNICON holds a 50.0% share in the company Entrepisos Lima S.A.C.

This company offers prefabricated concrete products as a construction solution for different structural elements in building and infrastructure works. It is a specialist in lightweight prefabricated products, with unit weights of up to 10 tons. In 2018, it continued to supply prefabricated concrete shuttering slabs used in sectors such as housing, infrastructure (bridges), and street furniture (shopping centers and universities).

COMPAÑÍA ELÉCTRICA EL PLATANAL S.A. – CELEPSA

(Ownership: 90.0%)

CELEPSA obtained US\$ 49.2 million in net revenues for energy, power, and supplementary services in 2018.

As a result of a poor hydrological year in the Cañete River basin due to a delay in the start of the rainy season during the final months of the year, the El Platanal hydroelectric station produced 1,184 GWh.

During this period, as a result of its contractual commitments, CELEPSA sold 1,369 GWh of energy, of which 539 GWh were sales in the regulated market, while 830 GWh went to its customers in the free market. The total power supplied to its customers ranged from a peak of 176 MW to a low of 118 MW.



THE AUDITED FINANCIAL STATEMENTS OF **CELEPSA**, AS OF DECEMBER 31, 2018, SHOW THE FOLLOWING RESULTS:

> **NET SALES OF S/ 223.9 MILLION**
(S/ 222.1 million in 2017).

> **NET PROFIT OF S/ 25.2 MILLION**
(S/ 32.7 million in 2017).

> **NET SHAREHOLDERS' EQUITY OF S/ 711.2 MILLION** (S/ 685.6 million in 2017).

Out of the total annual energy produced in the national market, which came to 50,817 GWh, representing an increase of 1,824 GWh (3.7%), CELEPSA ranked twelfth in national production for the National Grid System (SEIN), with a share of 2.2%. Among hydroelectric plants, its share was 4.0%, situating it in tenth place.

CELEPSA increased its flexibility and speed to take better advantage of the opportunities that presented themselves

in the Peruvian electricity market in 2018. Starting in April, it entered the Secondary Frequency Regulation market, which allowed it to maintain a balance between electricity generation and demand. Given the limited thermoelectric generation during the maintenance of Camisea in July, CELEPSA contributed a net volume of 8.7 million m³ from the Paucarcocha Reservoir, making for an additional generation of 13,324 MWh.

Over the course of the year, CELEPSA played an active role in discussions with the sector's agents and governing entities, given the continued distortion in energy prices due to the oversupply of generation and the understatement of natural gas prices. It is critical that measures be implemented to guarantee the generation sector's long-term sustainability.

On the other hand, 2018 was the first year in which CELEPSA, as an administrator of water resources, implemented two maintenance activities at the Capillucas Reservoir, helping to recover its storage capacity.

The company remains focused on fostering dialogue and collective work. Its social management promotes state-community cooperation with the goal of contributing to sustainable local development. With this goal in mind, it continued to create and strengthen alliances with local stakeholders, as well as promoting citizen participation, the self-management of initiatives, and responsible environmental management in the territories where it is active. It also issued accurate, effective, and prompt communication on the company's activities that might have implications for its surroundings.

In 2018, CELEPSA's sustainable performance received recognitions such as the "Certificado Azul" given out by the National Water Authority (ANA), as well as being named a socially responsible company by Perú 2021.

CELEPSA RENOVABLES S.R.L. – CERE

On February 2, 2018, Hidroeléctrica Marañón S.R.L. changed its trade name to CELEPSA Renovables S.R.L. (CERE). In addition to operating the hydroelectric plant, CERE will continue working on the evaluation and implementation of new renewable energy resource generators.

In June, the Marañón hydroelectric plant, with a power of 19.92 MW, completed its first year of operations using water from the Marañón River. The plant is located at an altitude of 2,900 m.a.s.l., near the town of Nuevas Flores, in the province of Huamalíes, region of Huánuco.

In 2018, the production of the Marañón hydroelectric plant, which meets renewable energy standards, totaled 152.7 GWh, with net revenues of US\$ 5.4 million for energy and power.

AMBIENTAL ANDINA S.A. – AMBIAND

AMBIAND celebrated 5 years in operation, primarily providing meteorology and hydrology services to different sectors nationwide. CELEPSA holds a 50.0% stake in its capital stock.

In 2018, AMBIAND obtained net revenues of S/ 2.8 million, growing 21.0% compared to the previous year.

The company signed an exclusive 5 year agreement for the implementation and operation of the Rímac Seguros Monitoring and Prevention Center, whose purpose is to monitor natural events in the country and serve as the insurance company's prevention platform. It also developed a scoring tool to determine the risk for a given area of interest, taking into account all geological, hydrological, and meteorological events that might affect it.



IN 2018, **SKANON CONSOLIDATED** ITS RESULTS, REPORTING AN **EBITDA OF US\$ 8.9 MILLION**, HIGHER THAN THE EBITDA OF US\$ 4.1 MILLION ACHIEVED IN 2017.

SKANON INVESTMENTS, INC. / DRAKE CEMENT, LLC

(Ownership: 85.0% of SKANON INVESTMENTS/94.1% of DRAKE CEMENT)

UNACEM is the direct owner of 85.0% of the shares in its subsidiary Skanon Investments, Inc. Additionally, our related companies hold 13.1% of said shares. Skanon Investments is, in turn, the owner of 94.1% of Drake Cement and 100.0% of the companies grouped together under the Drake Materials brand.

According to estimates by the Portland Cement Association (PCA), the cement market in Arizona grew by 21.5% in 2018 compared to the previous year.

Drake Cement's clinker production volume totaled 598,725 short tons, 11.6% higher than the 536,407 short tons produced in 2017. The plant achieved an utilization rate above 90.0% over the course of the year.

The volume of total cement sales was 799,630 short tons, representing a growth of 16.9% over the 683,582 short tons in 2017. Based on these numbers, Drake Cement's market share in Arizona was estimated at 27.0% for 2018. This

growth in sales volume was mainly due to the agreement reached in 2015 with California Portland Cement (CPC), a subsidiary of the Taiheyo Corporation of Japan, by virtue of which CPC undertook to purchase a significant quantity of Drake Cement's cement production through the end of 2018, in addition to purchasing aggregates from Drake Materials. In November 2018, the agreement was renewed for a lower cement volume for an additional period of 2 years.

In 2018, Skanon consolidated its results, reporting an EBITDA of US\$ 8.9 million, higher than the EBITDA of US\$ 4.1 million achieved in 2017, breaking new clinker production and cement sales records.

The Portland Cement Association is predicting a 0.6% growth of the cement market in Arizona for 2019, much lower than the growth observed in the last 2 years. The cement market in Arizona has not yet managed to recover the consumption and price levels observed prior to the real estate crisis of 2007.

THE AUDITED, CONSOLIDATED FINANCIAL STATEMENTS OF SKANON INVESTMENTS, INC. AS OF DECEMBER 31, 2018, SHOW THE FOLLOWING RESULTS:

- > **NET SALES OF US\$ 126.8 MILLION**
(US\$ 96.4 million in 2017).
- > **NET LOSS BEFORE TAXES OF US\$ 14.9 MILLION**
(US\$ 29.9 million in 2017).
- > **NET SHAREHOLDERS' EQUITY OF US\$ 203.5 million** (US\$ 190.1 million in 2017).

PREFABRICADOS ANDINOS PERÚ S.A.C. – PREANSA PERÚ

(Ownership: 50.0%)

Fiscal year 2018 was an important one for PREANSA Perú, in which it managed to demonstrate that it is an alternative with many advantages when it comes to safety, flexibility, and saving time and costs. It has also become a model in the implementation of major road and infrastructure projects, with contracts worth S/ 33.3 million for the year.

This year was a challenging one for PREANSA Perú, given its participation in the performance of various works that form part of the infrastructure for the 2019 Pan American and Parapan American Games, all of which have very tight deadlines. The works implemented for this project included the Villa El Salvador Stadium, the Villa María del Triunfo Athletic Complex, the Villa Deportiva Nacional

(VIDENA) parking lot and bowling alley, and Miguel Grau Stadium in Callao.

In addition to works tied to the Pan American and Parapan American Games, during 2018 PREANSA Perú also won contracts for industrial works such as the new IC y P plant, an industrial bay at the Integrity plant, and the central warehouse of Laboratorios Americanos, among other major projects.

The billing for assemblies performed totaled S/ 30.5 million, exceeding the S/ 17.1 million reported in 2017 as a result of a considerable increase in the sales volume, which went from 4,670 m³ in 2017 to 7,889 m³ in 2018.

THE AUDITED FINANCIAL STATEMENTS OF PREANSA PERÚ, AS OF DECEMBER 31, 2018, SHOWED THE FOLLOWING RESULTS:

- > **NET SALES OF S/ 30.6 MILLION** (S/ 17.1 million in 2017).
- > **NET PROFIT OF S/ 1.0 MILLION** (S/ 0.1 million in 2017).
- > **NET SHAREHOLDERS' EQUITY OF S/ 42.2 MILLION** (S/ 41.2 million in 2017).

PREFABRICADOS ANDINOS S.A.S. – PREANSA COLOMBIA

(Ownership: 100.0% by PREANSA PERÚ)

In 2018, PREANSA Colombia was awarded contracts for major infrastructure and building projects worth US\$ 9.8 million.

In terms of infrastructure, the most important projects begun in 2018 include the following:

- › **Project for the "Expansion of the Third Lane of the Bogotá-Girardot Dual Carriageway,"** which includes the manufacture, assembly, and transport of 30 pedestrian bridges, as well as the beams for 22 vehicular bridges. This contract is worth US\$ 5.7 million, and will be performed over the course of 4 years.
- › **The "Mar 1 Road Concession,"** one of Colombia's fourth generation (4G) road projects. PREANSA will manufacture 432 beams and 24,000 m² of concrete shutter slabs using the mobile plant located to the northeast of Bogota. This contract is worth US\$ 2.9 million, and will be performed over the course of 3 years.
- › **"New Pumarejo Bridge" Project,** for the supply of 3,400 linear meters of columns for the deck of the bridge over the Magdalena River, located in the city of Barranquilla, the assembly of which must be completed by May 2019.



In the building line, the company signed an agreement to produce, transport, and assemble façade panels for 2 industrial bays, the first for ARPRO and the second for LATAM.

Over the course of the year, PREANSA Colombia also continued its program to publicize its products and their benefits among the country's different customers.

PREFABRICADOS ANDINOS S.A. – PREANSA CHILE

(Ownership: 51.0%)

During 2018, PREANSA Chile obtained contracts worth US\$ 24.0 million, a historical record for the company, representing a total of 23,000 m³.

The company commenced the manufacture and assembly of 38.5% of the project for the "Expansion of the Quebrada Blanca 2 Project," a contract worth US\$ 14.0 million. To carry out this project, it was necessary to build a new plant, located in Pozo al Monte, to the north of Santiago. This required a CAPEX of US\$ 2.0 million, and has become a major opportunity to supply other works in other regions of the country that could not have been competitively serviced before.

Additionally, over the course of the year, contracts were awarded for several building and structure projects, along with other business units.

Despite being an extraordinary year in terms of contracting, the same cannot be said for the performance of projects in the portfolio, where it was necessary to modify the original contracting deadlines due mainly to their environmental standards. As a result, production and dispatch volumes in 2018 fell compared to the previous year, and form part of the portfolio pending implementation in 2019.

THE UNAUDITED FINANCIAL STATEMENTS OF PREANSA CHILE, AS OF DECEMBER 31, 2018, SHOWED THE FOLLOWING RESULTS:

- > **NET SALES OF S/ 35.2 MILLION**
(S/ 45.5 million in 2017).
- > **NET LOSS OF S/ 0.7 MILLION**
(S/ 1.6 million net loss in 2017).
- > **NET SHAREHOLDERS' EQUITY OF S/ 7.1 MILLION** (S/ 9.0 million in 2017).

INVERSIONES IMBABURA S.A. – UNACEM ECUADOR S.A.

(Ownership: 100.0% of IMBABURA / 98.9% of UNACEM Ecuador)

In Ecuador, 2018 was marked by reforms and measures to consolidate a plan to kickstart the economy through private investment. In particular, the construction sector benefited from the promotion of better credit conditions for builders and buyers, as well as the repeal of the Law of Surplus Value. These measures created a positive environment and the sector's actors recommenced real estate projects in both the residential and commercial segments, as a result of which the cement market showed slight signs of recovery after 4 years of contraction.

Against this backdrop, UNACEM Ecuador maintained its revenues and consolidated its position as a cement supplier for major works, both public and private, such as the Quito Metro. In October 2018, Consorcio Línea Uno finished construction of the tunnel, which forms the project's backbone, with arches manufactured using Magno HE Cement. Selvalegre IP Cement was also supplied for supplementary works.

In the Pichincha real estate segment, UNACEM Ecuador became a leading player through its vertical integration with UNICON and its presence at works such as the El Portal Shopping Center and Ekopark Tower 5, under the responsibility of EKRON Construcciones. As a result of the company's commercial management focused on specialized service for each one of its segments and the creation of value for each one of them, it was able to solidify its commercial relationships and maintain its market share.



UNACEM ECUADOR MAINTAINED ITS REVENUES AND **CONSOLIDATED ITS POSITION** AS A **CEMENT SUPPLIER** FOR MAJOR WORKS, BOTH PUBLIC AND PRIVATE, SUCH AS **THE QUITO METRO.**

The Ecuadorian Ministry of the Environment recognized UNACEM Ecuador's project for the conditioning and reuse of process water as a "Punto Verde," or "Green Spot," i.e., a cleaner production project aligned with the country's strategy of sustainable production and consumption. This Punto Verde joins four other projects implemented since 2015 that have been verified by the supervisory body: the co-processing of used oil and biomass, from 2018, which made it possible to substitute 32.8% of fossil fuel; and the projects for the use of non-hazardous waste from the steel (slag) industry and the optimization of electricity consumption. These five Puntos Verdes have earned the company Ecuadorian environmental certification as an "Eco-Efficient Company."

This year, the Global Compact Ecuador launched the initiative known as Leaders for the Sustainable Development Goals (SDGs), aimed at incentivizing member organizations to lead and sponsor an SDG. UNACEM Ecuador decided to sponsor SDG 9: Industry, Innovation, and Infrastructure, which promotes (among other goals) the restructuring of industries to make them sustainable. At the discussion tables that will be organized to promote SDG 9, UNACEM Ecuador will share its experience adopting clean and environmentally appropriate technologies and industrial processes for its project involving the coprocessing of waste from other industries, which was included in the list of the 500 best

THE AUDITED FINANCIAL STATEMENTS OF UNACEM ECUADOR S.A., AS OF DECEMBER 31, 2018, SHOW THE FOLLOWING RESULTS:

- > **NET SALES OF US\$ 155.5 MILLION** (US\$ 154.9 million in 2017).
- > **NET PROFIT OF US\$ 33.7 MILLION** (US\$ 32.6 million in 2017).
- > **NET SHAREHOLDERS' EQUITY OF US\$ 100.3 MILLION** (US\$ 96.4 million in 2017).

projects in the region in the 2018 Premios Latinoamérica Verde awards, and earned regional recognition from the Global Compact Colombia and Ecuador networks and the Bogota Chamber of Commerce.

In the communities in its surroundings, on the other hand, UNACEM Ecuador continued to work hand-in-hand with town halls (municipalities) on 6 lines of action: human talent and social development; social, health, and environmental investment; socioeconomic development; employment and transportation; communication and dialogue; and strategic alliances.

CANTERAS Y VOLADURAS S.A. – CANTYVOL

CANTYVOL S.A. is a subsidiary of UNACEM Ecuador S.A. engaged in the extraction and sale of raw materials for the manufacture of cement.

During 2018, CANTYVOL S.A. produced 273,516 t of pozzolan, 208,273 t of clay, and 1,004,183 t of limestone. As of the close of the year, the operation had gone 2,446 days without accidents, equivalent to 6.7 years of operations.

At the start of the second half of the year, the fleet of mobile equipment was upgraded at the Selva Alegre

mining concession with the inclusion of excavators, loaders, large-capacity trucks, and other mining support machinery, substantially improving safety and environmental aspects.

CANTYVOL S.A. recertified its environmental management system (SGA) under the ISO 14001:2015 standard, which validates the environmentally sustainable performance of its processes and reconfirms its commitment to meeting the highest environmental management standards in all activities within its mining concessions.

CEMENTOS PORTLAND S.A. – CEMPOR

(Ownership: 100.0% by UNACEM)

On October 10, 2018, UNACEM S.A.A. acquired 100.0% of the shares in Cementos Portland S.A. from Cementos Bio Bio S.A. (50.0%) and Votorantim Cimentos S.A. (50.0%). The acquisition price totaled US\$ 28.1 million.

CEMPOR's assets are located in the district of Manchay, at a distance of 8 km from the Atocongo plant, and include the Silencio 8 quarry concession, along with 72 hectares of land inside the concession and in neighboring areas, which represent limestone reserves of 66 million tons, with a high potential synergy with our Lima operations.

THE AUDITED FINANCIAL STATEMENTS OF CANTYVOL, AS OF DECEMBER 31, 2018, SHOW THE FOLLOWING RESULTS:

- > **NET SALES OF US\$ 7.7 MILLION**
(US\$ 7.4 million in 2017).
- > **NET PROFIT OF US\$ 0.5 MILLION**
(US\$ 0.8 million in 2017).
- > **NET SHAREHOLDERS' EQUITY OF US\$ 3.5 MILLION** (US\$ 3.7 million in 2017).





COMMITMENT TO
OUR CUSTOMERS >>>

UNACEM BUILDING
FOREMEN PROGRAM

We seek to help bolster the Progresol Network through a responsible entrepreneurship program focused on training foremen and construction workers in best practices for construction.

COMMITMENT TO OUR CUSTOMERS

UNACEM BUILDING FOREMEN PROGRAM

- › For 10 years now, foremen and construction workers have supplemented their empirical knowledge with the training they receive from civil engineers and architects.
- › By improving workers' abilities and knowledge, we help ensure safer, higher-quality homes for Peru.
- › In 2018, 90.0% of attendees were construction workers, construction assistants, equipment operators, and home improvement retailers.
- › This year, we trained more than 10,000 construction foremen, for a grand total of 115,298 foremen since 2008.





UNICON

NATIONAL ARCHAEOLOGY MUSEUM (MUNA)

Pachacámac, Lima



ONGOING
PROJECTS

2

2 ONGOING PROJECTS

Our investments were focused on the development of engineering for strategic projects whose construction is being planned for the medium-term, as well as the performance of small-scale projects resulting from technological changes and operating improvements, as part of our policy of continuous improvement and increased efficiency, within the framework of our Strategic Plan 2016–2021.

We also continued to participate in public infrastructure projects under the Works for Taxes Act, prioritizing the regions of Lima and Tarma, which are the areas of direct influence of our Atocongo and Condorcocha plants.

2.1

CLINKER YARD AT CONDORCOCHA

During the first half of 2018, we finished construction of the first stage of the project for the enclosure of the clinker yard at our Condorcocha plant, which will have a total storage capacity of 130,000 t of clinker.

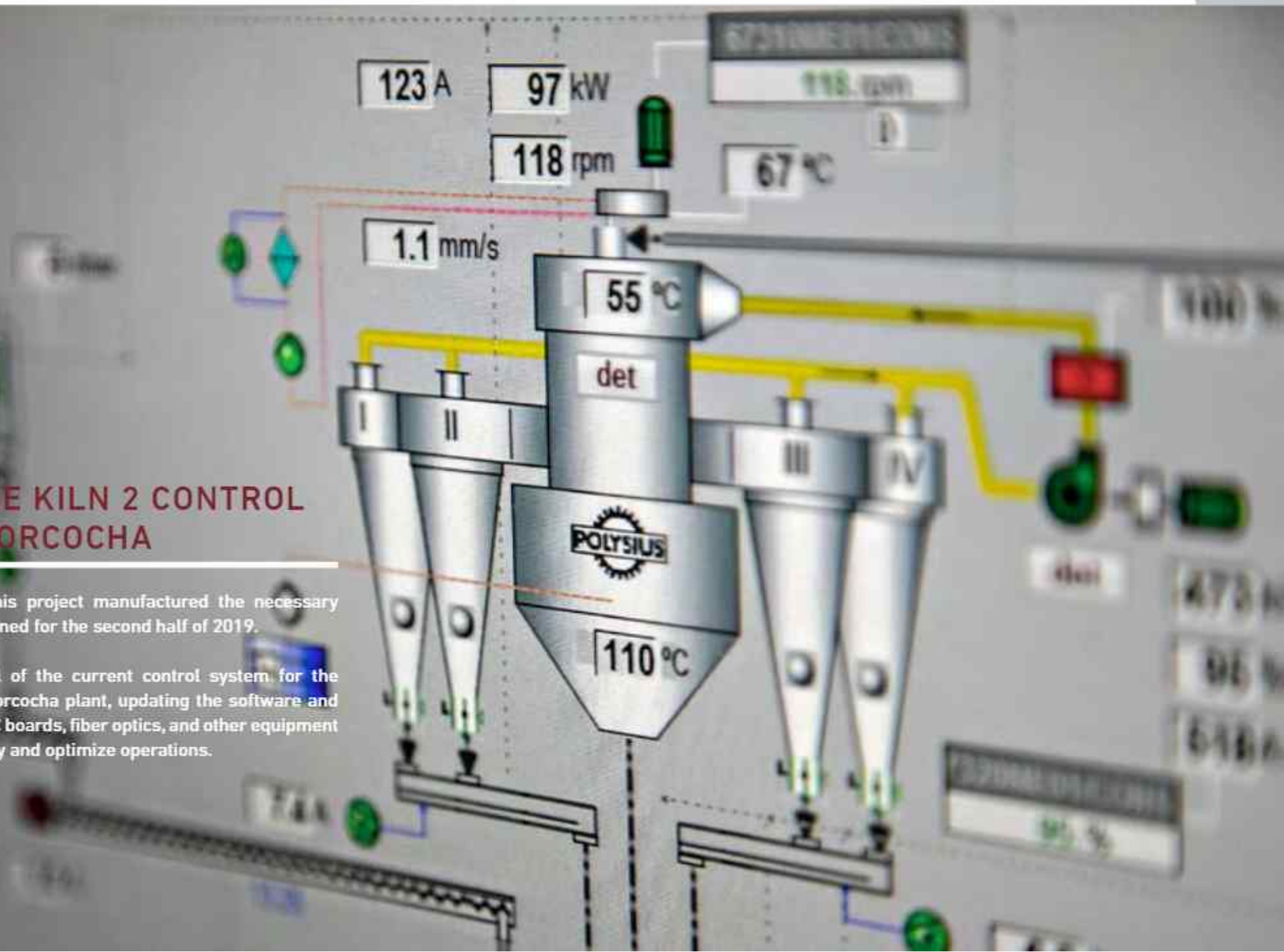


2.2

MIGRATION OF THE KILN 2 CONTROL SYSTEM AT CONDORCOCHA

During 2018, the suppliers for this project manufactured the necessary supplies, with implementation planned for the second half of 2019.

This project involves an overhaul of the current control system for the Kiln 2 production line at the Condorcocha plant, updating the software and upgrading hardware, as well as PLC boards, fiber optics, and other equipment to guarantee the system's reliability and optimize operations.

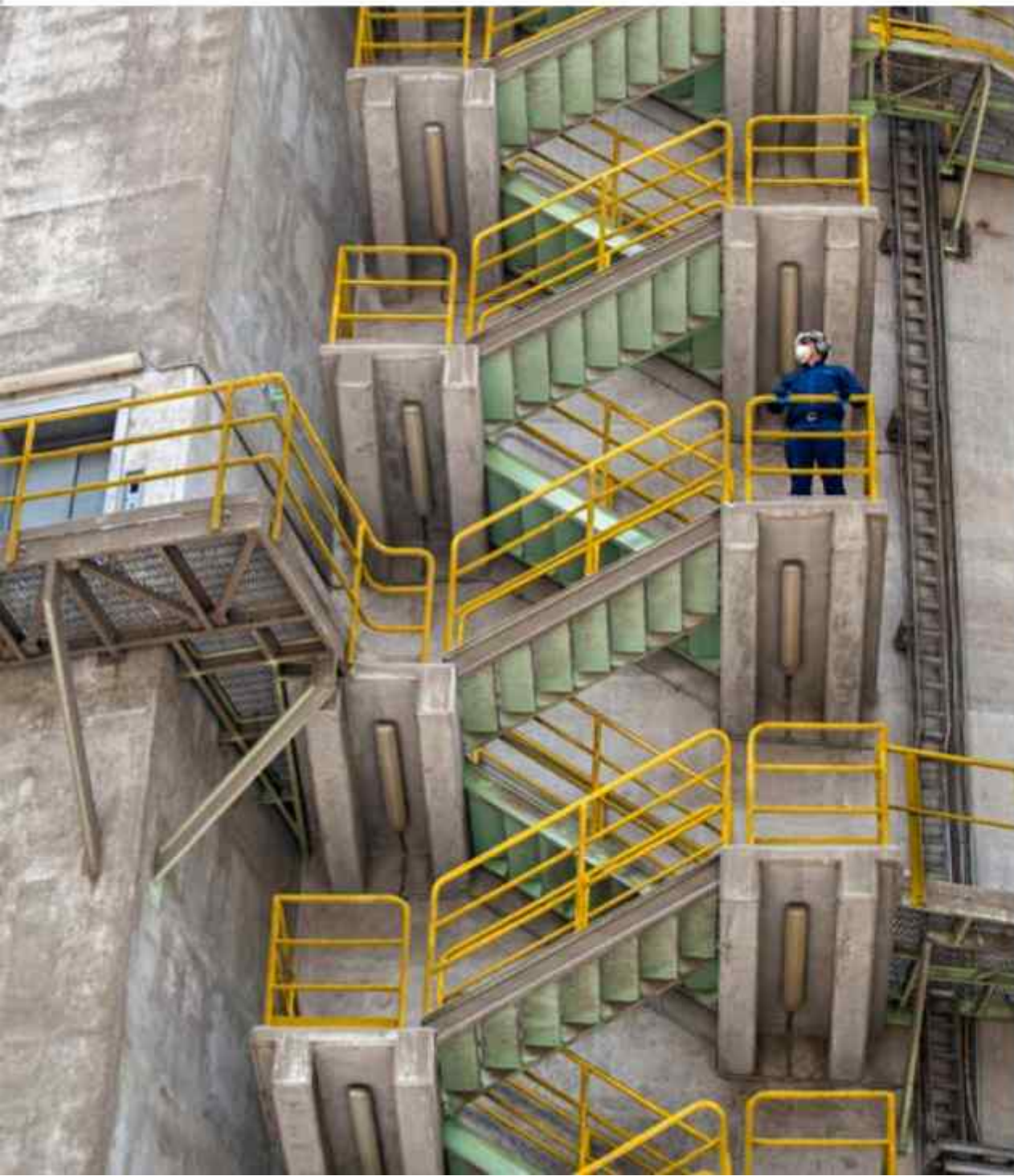


2.3

BAG FILTER FOR KILN 2 COOLER AT CONDORCOCHA

We continued developing the engineering for this project, while in the fourth quarter we began the preliminary civil works. This project consists of the upgrading of the Kiln 2 clinker cooler and the installation of a new dedusting system, which will allow us to operate more efficiently in terms of both energy consumption and caring for the environment.





2.4

FIRE FIGHTING SYSTEM IN THE ELECTRICAL SUBSTATIONS AT ATOCONGO

We began the implementation of the first stage of this project, which consists of the installation of a modern fire protection system at strategic points throughout the Atocongo plant and offices.

This system includes early detection, fire alarms, and rapid extinguishment of possible fires using clean agents (FM200 gases).

2.5

<<< MODIFICATION OF THE CENTRAL CHAMBER OF THE MULTI-SILO

Modifications were performed to the discharge system of the central chamber of the cement multi-silo, located at the Atocongo plant, which has a storage capacity of 20,000 t.

This modification was aimed at optimizing its functioning and efficiency for the discharge of cement, which feeds the bulk and bagged cement dispatch points, thus enabling us to offer better service to our customers in this process.

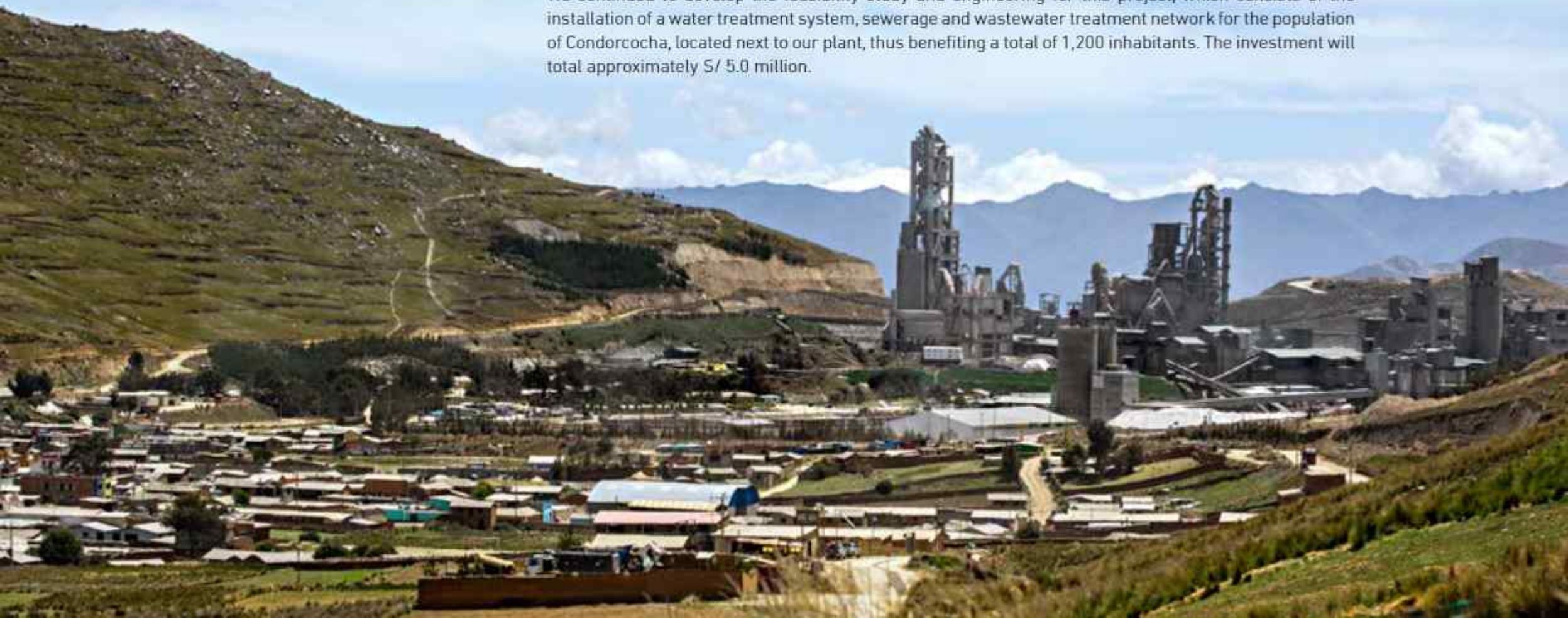
2.6

WORKS FOR TAXES

We implemented the following projects under this mechanism:

SANITATION SYSTEM OF THE TOWN OF CONDORCOCHA

We continued to develop the feasibility study and engineering for this project, which consists of the installation of a water treatment system, sewerage and wastewater treatment network for the population of Condorcocha, located next to our plant, thus benefiting a total of 1,200 inhabitants. The investment will total approximately S/ 5.0 million.



A wide-angle photograph of a newly paved concrete road in a rural, mountainous area. The road is light grey with yellow painted lines on the edges and white arrows in the center. To the left, there is a low stone wall and a field of yellow flowers. In the background, there are green hills and trees under a cloudy sky. The road curves to the right in the distance.

PAVING OF JR. JUNÍN IN THE DISTRICT OF LA UNIÓN LETICIA

We concluded this project, which consisted of the construction of the pavement and sidewalks on Jr. Junín, in the district of Unión Leticia. The project was performed using concrete, with a length of approximately 900 m. The total investment was S/ 1.4 million.

HIGH-PERFORMANCE SURF CENTER

This project consists of the construction of a training center for surfers as part of the infrastructure of the 2019 Pan American and Parapan American Games in Lima, and its subsequent transfer. It will be run by the Instituto Peruano del Deporte (IPD) to train high-level athletes for national and international competition.

For the financing and construction of this work, UNACEM will contribute 5.0% of the total budget, as part of a consortium formed together with other companies that promote the performance of Works for Taxes, known as the Alliance of Works for Taxes (ALOXI), through an agreement

with the Organizing Committee of the XVIII Pan American and Parapan American Games Lima 2019 (COPAL). The estimated total investment for the project entrusted to the consortium is S/ 37.0 million.





COMMITMENT TO
SAFETY



BE A NATIONAL MODEL
FOR OCCUPATIONAL
HEALTH AND SAFETY
BY 2021

In 2018, we have noticeably reduced our accident frequency and severity indices at our Atocongo and Condorcocha plants, continuing to make progress in the right direction.

COMMITMENT TO SAFETY

BE A NATIONAL MODEL FOR OCCUPATIONAL HEALTH AND SAFETY BY 2021

- > We implemented a total of 3,569 Visible Leadership Interventions (VLI) by the end of the year, with the involvement of 138 leaders.
- > In 2018, we reduced the accident frequency index by 40.0%.
- > During the year, the Safety Committee performed 24 inspections, completing all scheduled inspections.
- > We performed a safety stoppage at the Condorcocha plant with the participation of 600 people, including both direct employees and contractors, to raise awareness about prevention and safety





UNICON

LARGE-SCALE PAVING PROJECT AT MACRÓPOLIS, CIUDAD INDUSTRIAL

Lurín, Lima

STAKEHOLDERS

3

3 STAKEHOLDERS

The year 2018 was an important one in terms of our sustainable management, during which we reasserted our commitment to forging long-term relationships that bring us closer to our communities and all of our stakeholders in contributing to the country's development.

One of the key pieces in this undertaking is Asociación UNACEM, which implements our social responsibility policy in alignment with the United Nations Sustainable Development Goals, thus allowing us to contribute to their achievement.

For 15 years, Asociación UNACEM has worked to implement social responsibility and sustainability initiatives, such as value chain projects, occupational health and safety initiatives, and private social investment projects aimed at the development of sustainable communities. Through the model established by Asociación UNACEM, we work closely with the public and private sectors, civil society, international cooperation, and academia, which has enabled us to consolidate our position as actors for change and sustainable development in UNACEM's area of influence, with concrete results.

Throughout the past year, we continued to work closely with our stakeholders to forge a win-win relationship that allows for the development of all of our surroundings.

MAIN STAKEHOLDERS





3.1 OUR TEAM

Our team is the bedrock that allows us to remain the leader of our sector. They implement our strategy and enable us to achieve the goals we set. Our commitment to promoting their development and bolstering their training, both professional and personal, remains constant.

In 2018, we had a total of 839 team members, including job training program participants. Our management is based on a framework of respect and the promotion of equal opportunities, without discrimination of any kind, in accordance with our Occupational Regulations and our Code of Ethics and Conduct (CODEC).

Our personnel selection process is based on established standards, in order to ensure that all new team members have the skills they need to fill the job position for which they are hired. We also use a competency-based management model, which includes processes for job profile analysis, recruitment and selection, performance evaluation, and the training and development of our team.

As part of our training process, we implement an Annual Training Plan (PACE), aimed at bettering our team members' personal and professional competencies in order to improve their performance and growth within the organization.

During 2018, the training plan was focused on occupational health and safety, a point that has been prioritized throughout the entire Company, with the long-term objective of achieving a "zero accident" culture.

We also continued to use our CrossKnowledge e-learning platform for training in managerial skills. This initial stage was directed at area heads and supervisors, in an attempt to broaden their personal skills and managerial abilities.

This year also saw the creation of the Instituto UNACEM, which aims to take advantage of the learning synergies between our cement plants in Peru and Ecuador, and to create learning programs to standardize the best operating and knowhow practices in our processes. We thus concentrated on training the institute's instructors, who will be responsible, starting in 2019, for teaching the first three programs: Cement Engineers, Kiln Operators, and Quality Analysts.

Additionally, we provided a total of 24,231 hours of training to our team, equivalent to an average of 30.9 man-hours per team member.

JOB CLASSIFICATION

CLASSIFICATION	ATOCONGO PLANT		CONDORCOCHA PLANT		TOTAL
	Men	Women	Men	Women	
Administrative	165	56	70	2	293
Employees	86	27	39	3	155
Workers	142	0	189	0	331
Job Training	35	22	2	1	60
Total	428	105	300	6	839

HOURS OF TRAINING BY JOB CLASSIFICATION

CLASSIFICATION	GENDER	NUMBER OF HOURS	AVERAGE OF HOURS
Administrative	Female	1,529	25.9
	Male	10,971	46.9
	Total	12,500	
Employees	Female	517	18.5
	Male	3,408	27.0
	Total	3,925	
Workers	Female	26	26.0
	Male	7,781	23.2
	Total	7,807	
Total		24,231	30.9

WE CONDUCTED AN **ORGANIZATIONAL CLIMATE SURVEY**. THIS YEAR'S RESULTS WERE **8.0% HIGHER** THAN THE SCORE WE RECEIVED IN **2014**.

Throughout the year, we maintained a positive relationship with our two unions, both of which have collective bargaining agreements currently in force. In the case of the Sindicato Único de Trabajadores de Unión Andina de Cementos S.A.A., at the Condorcocha plant, the agreement expired in December 2018, and we began the collective bargaining process in January 2019. As for the Sindicato de Trabajadores de Unión Andina de Cementos S.A.A. – Canteras de Atocongo, we signed an agreement in July 2018, which is valid until June 2021. The positive relationship with our unions guarantees the mutual commitment of the team members and the Company in achieving the goals we have set for ourselves.

In May and June of 2018, we took an organizational climate survey through the Korn-Ferry Hay Group consulting firm. The results were 8.0% higher than those obtained in the survey conducted in 2014.

UNIONIZED TEAM MEMBERS BY PLANT

CLASSIFICATION	ATOCONGO PLANT			CONDORCOCHA PLANT		
	TOTAL TEAM MEMBERS	UNIONIZED	%	TOTAL TEAM MEMBERS	UNIONIZED	%
Administrative	221	0	0.0	72	0	0.0
Employees	113	42	37.0	42	0	0.0
Workers	142	125	88.0	189	160	85.0
Total	476	167	35.0	303	160	53.0

ORGANIZATIONAL CLIMATE SURVEY RESULTS



3.2

OCCUPATIONAL HEALTH AND SAFETY

Occupational health and safety is one of our most important commitments. As such, we are working to promote a “zero accident” culture in all of our operations, and we aspire to become a model for occupational health and safety nationwide. This is an ambitious goal, but we are convinced we can achieve it in the long term.

The first step is to promote risk prevention among our team and contractors, to ensure their responsible conduct in safety matters based on our Integrated Management System, which enables us to identify the main hazards, evaluate the risks, and take prompt steps for their prevention and mitigation. In 2018, we restructured our occupational health and safety system, based around 9 core aspects:

- › Leadership, responsibility, and organization
- › Training and staff compliance
- › Risk management
- › Occupational health and cleanliness
- › Contractor management
- › Investigation and analysis of incidents
- › Emergency preparedness
- › Communication
- › Performance evaluation

The Central Occupational Health and Safety Committee is made up of members elected in August 2017 for a 2 year period, in a joint voting process that included the Company’s management and workers from both





ACCIDENT FREQUENCY AND SEVERITY RATES

ATOCONGO PLANT	2017	2018
Frequency Index	6.9	4.8
Severity Index	56.9	49.1
Incident and Occupational Disease Rate	0.0	0.0
No. of Fatal Victims	0.0	0.0
CONDORCOCHA PLANT	2017	2018
Frequency Index	7.8	3.1
Severity Index	5,178.5	62.9
Incident and Occupational Disease Rate	0.0	0.0
No. of Fatal Victims	2.0	0.0
UNACEM Total	2017	2018
Frequency Index	7.2	4.3
Severity Index	1,740.4	53.3
Incident and Occupational Disease Rate	0.0	0.0
No. of Fatal Victims	2.0	0.0

plants in order to guarantee that all parties are well-represented.

Our Occupational Health and Safety Training Plan includes the following proactive indicators:

- › Planned work observation (PWO).
 - › Five-minute safety talks.
 - › Safety inspections by a senior management representative.
 - › Inspections by the Central Occupational Health and Safety Committee: 24 in all.
- › Visible Leadership Interventions (VLIs), which seek to lead by example in inspiring staff members to adopt safe behavior: 3,569 in all.
- › Emergency brigade training.

In terms of occupational health, we continued to implement our health program over the course of the year with the goal of providing our team with medical assistance and preventive care with an occupational medical exam, the monitoring of the occupational health plan, a preventive oncological screening, and the healthy diet program.

3.3

ENVIRONMENTAL MANAGEMENT

Our environmental management system is certified under the ISO 14001:2015 standard. We are committed to seeking efficiency in our operations and reducing any associated environmental impacts. We all have a formal grievance and complaint mechanism for environmental and social issues, a reporting and communication channel that puts us in direct contact with our stakeholders. During 2018, all grievances and complaints were responded to and resolved.

Our priority is on the minimization of particulate matter (PM) emissions to ensure that they remain below the Maximum Permissible Limits (MPLs), as well the emission of greenhouse gases such as CO₂ per ton of cement produced. We also strive to reduce our energy and water consumption, among other objectives aimed at improving our environmental management.



Our management strategy is based on 4 lines of action:

- › **Environmental Quality:** Management of major environmental aspects, emissions, Maximum Permissible Limits, and the responsible management of water and solid waste.
- › **Natural and Cultural Resources:** Management of biodiversity and archaeological resources, and optimization of the use of raw materials through geological, archaeological, and environmental studies.
- › **Environmental Certifications:** Drafting and approval of instruments such as Environmental Impact Assessments (EIAs), Environmental Impact Declarations (EIDs), and Supporting Technical Reports (STRs) on our activities, and verification of compliance with the ISO 14001 standard.
- › **Capacity Building:** We use knowledge and training to generate commitment and help align behaviors that foster the preservation of and care for the environment and natural resources.

EMISSIONS, CLIMATE CHANGE MANAGEMENT, AND RESOURCE CONSUMPTION MANAGEMENT

At UNACEM, we continue to work to reduce the concentration levels of particulate matter and CO₂ emissions per ton of cement produced. With this goal in mind, we have taken the following actions:

- › **We have modern dust collection systems**, using electrofilters and a bag filter, with 99.9% efficiency in dust collection.
- › **We monitor the gas and particulate emissions** of our operations, as well as the environmental quality of the air in the towns neighboring our activities. We then compare these results to the Maximum Permissible Limits and Environmental Quality Standards for Air, and submit the reports to the competent environmental authority.
- › **The carbon footprint study** has helped us determine the emissions generated by our organization in our cement manufacturing activities. This includes indirect emissions due to personnel transportation services, electricity consumption, and other activities.



- › **We comply with the commitments assumed** in our environmental instruments, using measures for the reduction, mitigation, prevention, and monitoring of our industrial, generation, mining, and port activities.
- › **Our monitoring results are supervised** by the Environmental Evaluation and Auditing Board (OEFA).

We are conscious of the fact that our process requires large quantities of thermal power and electricity. For this reason, we make an effort to incorporate technological improvements to help reduce our consumption.

Starting in 2018, we now use the Getting the Numbers Right (GNR) reporting standard, as promoted by the Cement Sustainability Initiative (CSI). This reporting standard provides a consistent methodology for the industry on how to estimate CO₂ emissions and energy consumption.

In 2018, our main energy consumption results were as follows:

- > **At Atocongo**, an average consumption of 89.6 kW-h per ton of cement equivalent. This value is below the established maximum target of 94.0 kW-h per ton of cement produced.
- > **At Condorcocha**, which operates at 3,950 m.a.s.l., an average consumption of 156.8 kW-h per ton of cement equivalent, which falls below the established maximum target of 165.0 kW-h.

Of the total energy consumed at both plants, 94.0% came from renewable sources, whether from our Carpapata I, II, and III plants, or from the El Platanal hydroelectric plant, operated by our subsidiary CELEPSA.

Our products can be manufactured with relatively little water, given that they involve dry processes. Regardless of this fact, we are conscious that water is a scarce resource. For that reason, we have a Responsible Water Management Program in place at all of our industrial, mining, port, and power facilities.

CO₂ EMISSIONS AND ENERGY CONSUMPTION

	ATOCONGO PLANT	CONDORCOCHA PLANT
Greenhouse Gas Emissions (kg of CO ₂ eq/t cement)	627	821
Clinker/Cement Ratio	0.86	0.89
Specific Heat Consumption (kcal/kg clinker)	745	869

ELECTRICITY CONSUMPTION PER PLANT (Gigajoules)

	ATOCONGO PLANT	CONDORCOCHA PLANT
El Platanal Hydroelectric Plant	1,288,107	385,484
Atocongo Thermal Power Plant	139,137	-
Carpapata I, II, and III Hydroelectric Plants	-	672,186
Total	1,427,244	1,057,670

THE MANUFACTURE OF **OUR PRODUCTS DOES NOT REQUIRE LARGE AMOUNTS OF WATER**, SINCE IT INVOLVES DRY PROCESSES. **WE ARE CONSCIOUS THAT WATER IS A SCARCE RESOURCE** AND WE HAVE A **RESPONSIBLE WATER MANAGEMENT PROGRAM**.

WATER CONSUMPTION AND MANAGEMENT

	ATOCONGO PLANT (m ³)	CONDORCOCHA PLANT (m ³)
Total Water Consumption	433,257	210,155
Total Groundwater Consumption	433,257	—
Total Spring and Ravine Water Consumption	—	210,155
Total Consumption of Water for Domestic Use*	225,369	139,168
Total Consumption of Water for Industrial and Mining use	207,888	70,987
Volume of Water Reused	92,513	108,151
Percentage of Water Reused	21.4%	51.5%

* Includes water consumption for the watering of green areas.

SOLID WASTE MANAGEMENT

We promote the reduction, reuse, and recycling of solid waste. Our solid waste management results during 2018 were as follows:

WASTE MANAGEMENT

METHOD	ATOCONGO PLANT		CONDORCOCHA PLANT	
	In tons	%	In tons	%
NON-HAZARDOUS WASTE	4,684	100.0	1,144	100.0
Reuse	2,734	58.0	83	7.0
Recycling	1,199	26.0	490	43.0
Composting	53	1.0	240	21.0
Total Non-Hazardous Waste Recycled	3,985	85.0	812	71.0
Dump	699	15.0	331	29.0
HAZARDOUS WASTE	274	100.0	80	100.0
Recycling	45	16.0	30	37.0
Stabilization	-	0.0	2	2.0
Encapsulation	-	0.0	0	0.0
Dump	229	84.0	48	60.0

3.4

DEVELOPING OUR COMMUNITIES

AREA OF INFLUENCE

Our area of direct influence includes 5 districts in Lima and 3 in Tarma

UNACEM COMMUNITY

ATOCONGO – LIMA

- > Villa María del Triunfo
- > Pachacámac
- > Villa El Salvador
- > San Juan de Miraflores
- > Lurín

CONDORCOCHA – TARMA

- > La Unión Leticia (Populated Center of Condorcocha and Peasant Communities of Chancha and Huancayo)
- > Palca
- > Acobamba



MAIN PROJECTS AND INITIATIVES WITH OUR COMMUNITIES

Through Asociación UNACEM, we promote private social investment projects that achieve positive impacts in the communities around us. It is also our policy to support and sponsor local initiatives, prioritizing SDG-aligned actions that foster development. We also facilitate multisector alliances in an effort to promote sustainable development, making it possible to leverage technical, economic, and logistical resources to complement the company's contributions, and ultimately strengthening the participation of the community and civil society as a whole.

Through Asociación UNACEM, we manage the implementation of our sustainability strategy with our communities based on 5 lines of action:

SOCIAL
INFRASTRUCTURE

HEALTH

EDUCATION

ENVIRONMENT

COMMUNITY
RELATIONS



SOCIAL INFRASTRUCTURE

- > 43 community works, 20,043 bags of cement donated. A total of 831 residents provided unskilled labor and 40 residents provided skilled labor, to the benefit of 16,855 people in the area of influence of the Atocongo plant.
- > 20 community works, 8,235 bags of cement, and other materials. A total of 255 residents provided unskilled labor, to the benefit of 12,800 people in the area of influence of the Condorcocha plant.
- > 14 beneficiary families of the Techo Propio program organized by the Ministry of Housing, Construction, and Sanitation in high-risk areas received support for the construction of retaining walls and rendering of the residential modules.
- > Support for 20 community works performed by the local government, in which 380 residents provided unskilled labor and 50 provided skilled labor, benefiting a total of 18,100 people in the districts of southern Lima.
- > Aid for 7 educational institutions: 2,566 bags of cement donated. A total of 120 people, including local residents and parents, provided unskilled labor, benefiting 3,723 students in the area of influence of the Atocongo plant.
- > Aid for 5 educational institutions: 1,040 bags of cement donated. A total of 80 local residents and parents provided unskilled labor, benefiting 3,077 students in the area of influence of the Condorcocha plant.

HEALTH

We promote healthy lifestyles and habits among families, as well as helping to strengthen health establishments in alliance with the organized community and the Ministry of Health (MINSA), through the Healthy Communities program.

WE PROVIDED
PREVENTIVE
HEALTH CARE AND
EDUCATION TO OVER
30,000 PEOPLE,
AMONG VARIOUS
OTHER PROJECTS.

EDUCATION

We promote the development and improvement of athletic and artistic abilities, as well as teaching, vocational, and entrepreneurial skills among the population in our areas of influence. We also foster the development of personal and social skills, as well as the productive use of free time. Some of our most notable projects and programs include the following:

At Atocongo:

- > 407 youths and adults from southern Lima received specialized training in buffet and pastry services; esthetics; handicrafts; screen printing; and electronics. Additionally, 12 entrepreneurs received expert advice on their businesses.
- > 2,756 students attended 121 art and sports workshops over the course of the year as part of the Arts, Culture, and Sports program.

At Condorcocha:

- > 151 women from the communities of La Unión Leticia and Tarma strengthened their vocational and production skills in textile manufacturing, and 63 of them attended a talk on "Participation in Fairs and Customer Services."
- > 221 children and teenagers improved their school performance, as well as their leadership skills and athletic abilities, thanks to 10 workshops.

ENVIRONMENT

- › 256 students and 24 teachers from 9 primary schools in the district of La Unión Leticia strengthened their reading comprehension skills thanks to the "Read to Grow" program.
- › 209 students and 23 teachers from 9 primary schools in La Unión Leticia strengthened their teaching skills and abilities, using of information and communications technology (ICT) to improve their classroom teaching processes, thanks to the Digital Inclusion Program for teachers.

Through the Community Environmental Program, we promoted better environmental management in the towns in our area of influence, in alliance with the communities and local and sector authorities. The most notable achievements thanks to these efforts include the following:

At Atocongo:

- › We trained 40 environmental leaders on the internal and institutional strengthening of the Zonal Environmental Committees (CAZs, for their acronym in Spanish), as well as "Comprehensive Solid Waste management" and "Composting," among other courses. We also helped 4 CAZs to organize 20 replica workshops on solid waste issues for 15 local social organizations.
- › We took part in 11 meetings of the Municipal Environmental Commissions of Villa María del Triunfo and Villa El Salvador to help them comply with the local environmental agenda.
- › We carried out 16 tree planting campaigns covering an area of 3,221 m² in our areas of influence in the districts of Villa María del Triunfo and Villa El Salvador, to the benefit of 10,303 people. We also donated fertilizer to help the upkeep of green areas by 5 social organizations, to the benefit of 1,602 people.
- › 55 public schools in the districts of Villa María del Triunfo, Villa El Salvador, Lurin, Pachacámac, and San Juan de Miraflores participated in the Integrated

Environmental Education Program (PEAI) as part of the MINEDU's Living Spaces (EsVi) strategy. Of these, 7 were recognized by Local School District (UGEL) 01 and Asociación UNACEM.

- › 71 teachers received their teaching license in agreement with UGEL 01-SJM.
- › Maintenance was performed on 7.5 km of green areas located in the median strips on Avenida Lima and Avenida María Reiche, in the districts of Villa María del Triunfo and Villa El Salvador.

At Condorcocha:

- › 27 public schools in the districts of Tarma participated in the Integrated Environmental Education Program (PEAI) as part of the MINEDU's Living Spaces (EsVi) strategy. Of these, 5 were recognized by Tarma Local School District (UGEL) and Asociación UNACEM. A total of 5 teachers led the transfer of knowledge to other schools.
- › 74 teachers received their teaching license in agreement with the Tarma UGEL.
- › As part of the agreement with the Peasant Community of Huancayo, we held four training workshops on environmental education and solid waste management, aimed at 4 neighborhoods in C.C. Huancayo, to the benefit of 64 people. A special thanks goes to our allies in providing this training: Agencia Agraria, the Campo Limpio Perú program, SERFOR, and the municipality of La Unión Leticia.

COMMUNITY RELATIONS

To ensure a positive rapport with our communities, we strengthen, manage, and monitor our ties with the residents, organizations, and institutions present near our operations, with the goal of establishing bonds of trust and cooperation that contribute to sustainable development. In 2018, our local initiatives directly benefited over 32,000 people.

For more details on our sustainability management and the results of Asociación UNACEM over the course of its 15 year history, please see the Sustainability Report attached hereto.



COMMITMENT TO THE
COMMUNITY



**ASOCIACIÓN UNACEM:
15 YEARS WORKING
FOR SUSTAINABLE
DEVELOPMENT**

Through Asociación UNACEM, which has been implementing our social responsibility strategy for 15 years now, we seek to contribute to the sustainable development of the communities located near our operations. With this in mind, we promote public-private social investment projects in alliance with other actors from civil society, in alignment with the United Nations Sustainable Development Goals.

COMMITMENT TO THE COMMUNITY

ASOCIACIÓN UNACEM: 15 YEARS WORKING FOR SUSTAINABLE DEVELOPMENT

- More than 9,000 residents of Villa María del Triunfo gained access to water and sewerage services thanks to the construction of 2.2 km of retaining walls. "Social Infrastructure for Access to Utilities – Plan 308" Project (2010-2017).
- In Villa María del Triunfo, 4 communities lowered chronic malnutrition in children under 5 years old by 8.0%, as well as improving other health indicators, thanks to work done in alliance with the Ministry of Health and different local actors. Healthy Families Project (2010-2015).
- A total of 406 families in southern Lima living in high-risk areas built retaining walls as a foundation for their homes, using the Family Housing Bond. "Support for Techo Propio Beneficiaries Program" (2013-2018).
- A total of 910 young people in southern Lima and Tarma received a technical education at prestigious institutions and improved their social skills, helping to augment their employability so that they can gain access to formal employment. "Fostering Youth Employment" Program (2012-2016).



- We trained more than 40 environmental leaders in southern Lima, who implemented local environmental agendas and advocated with their local government. Among other achievements, they spearheaded tree planting campaigns on 74,000 m² of land. Community Environmental Program – PAC (2009-2018).

- We created over 100 alliances with public and private institutions, international cooperation entities, and community organizations from both civil society and academia, with which we are working to develop private social investment projects.



UNACEM AT THE **2019** LIMA PAN-AMERICAN GAMES



PRENSA

VILLA MARÍA DEL TRIUNFO ATHLETIC COMPLEX

Villa María del Triunfo, Lima



PRENSA

VILLA EL SALVADOR SPORTS CENTER

Villa El Salvador, Lima



PREANSA and UNICON

VILLA DEPORTIVA NACIONAL – VIDENA

San Luis, Lima



UNICON

VILLA PANAMERICANA

Villa El Salvador, Lima



UNACEM and its subsidiary UNICON

HIGH-PERFORMANCE SURF CENTER

Punta Negra, Lima



ECONOMIC AND FINANCIAL RESULTS

4

4 ECONOMIC AND FINANCIAL RESULTS

4.1

AUDITED FINANCIAL STATEMENTS

Net cement sales rose by 3.1% over the sales reported in 2017, due to the higher average price during the past year and a higher sales volume. It should be noted that IFRS 15 entered into force on January 1, 2018. As a result of the evaluation of transaction price under this standard, we are now reporting cement sales revenue net of sales commissions. For purposes of comparison, we have reclassified the sales commissions of S/ 49.6 million reported as operating expenses to cement sales revenue in 2017.

THE AUDITED SEPARATE FINANCIAL STATEMENTS OF **UNACEM**, AS OF DECEMBER 31, 2018, SHOW THE FOLLOWING RESULTS:

- > NET SALES OF **S/ 1.969 BILLION**
(S/ 1.863 BILLION IN 2017).
- > NET PROFIT OF **S/ 242.2 MILLION**
(S/ 466.2 million in 2017).
- > NET SHAREHOLDERS' EQUITY OF
S/ 4.416 BILLION (S/ 4.277 billion in 2017).

For its part, export revenue hit S/ 105.2 million, 63.2% higher than the figure for 2017. On the other hand, the other business units, such as concrete blocks, paving stones, and pavement reported sales of S/ 70.7 million, 20.6% higher than the previous year.

Total sales revenue came to S/ 1.969 billion, 5.7% higher than the S/ 1.863 billion reported in 2017.

The cost of sales was 7.2% higher than in 2017, due mainly to the greater physical volume of cement sold and an increase in the cost of fuel.

As a result of the foregoing, the gross profit rose by 3.4% over 2017. The combined gross margin totaled 37.9% (for the same period last year, it was 38.8%).

The operating profit totaled S/ 616.8 million, lower than the S/ 709.3 million reported in 2017 due to the lower dividends received from our subsidiaries. In 2017, these came to S/ 247.0 million, compared to S/ 98.0 million received in 2018.

The EBITDA margin was 44.2% in 2018 (52.5% in 2017). This margin includes the dividends received from subsidiaries. The EBITDA, not including the dividends received from subsidiaries, was S/ 771.1 million, S/ 39.7 million higher than in 2017, equivalent to 39.2% of sales.

During 2018, there was a foreign exchange loss of S/ 60.5 million, versus a foreign exchange gains of S/ 88.0 million in 2017. This entry is primarily tied to the financial debt held in dollars.

The net profit for the year came to S/ 242.2 million, 48.0% lower than the previous year, due mainly to lower revenue tied to dividends from subsidiaries and the effects of the foreign exchange loss. This profit is equivalent to 12.3% of net sales.

As part of our deleveraging strategy, with the goal of reducing refinancing risk and the financial cost of our debt, together with favorable conditions in the banking market allowed us to perform the refinancing of the equivalent of US\$ 490.0 million in liabilities in October.

As part of this process, on October 10th we announced to the market the partial redemption of US\$ 400.0 million of our "5.875% Senior Unsecured Notes due 2021," in accordance with Section 3.01 of the indenture for the issue performed on October 30th, 2014. On October 30th, the payment was made for the partial redemption, at a price equal to 102.93750% of the principal. All interest accrued as of that date was also paid off.

Liability management was performed through 7 bilateral loans with local and international banks. A total of US\$ 365.0 million was financed in local currency, and just US\$ 125.0 million in U.S. dollars. As a result of this transaction, our debt maturities were extended to 2025, which allow us to continue paying the debt amortizations in the coming years.

As a result of the foregoing, as of the close of 2018, our total debt came to S/ 3.249 billion, of which 58.0% is in Peruvian soles and 42.0% is in U.S. dollars, with a reduced exposure to foreign exchange fluctuations.

In view of the Company's solid fundamentals, in June, Standard & Poor's maintained our credit rating of BB and changed the outlook to stable. In January 2019, on the other hand, Moody's maintained our rating at Ba2, with a stable outlook. We continued to take steps to improve the performance of our operations and our leverage levels, which will allow us to improve our credit rating in the medium term.

The separate financial statements for fiscal year 2018 were prepared in accordance with the International Financial Reporting Standards (IFRSs).

By delegation of the Shareholders' Meeting, the Board of Directors adopted the following resolutions over the course of fiscal year 2018, with their respective effects on the Company's equity:

- › **February 28:** Payment to the shareholders of UNACEM S.A.A. of dividends equal to S/ 0.013 per common share, charged to the cumulative results for 2012.
- › **May 31:** Payment to the shareholders of UNACEM S.A.A. of dividends equal to S/ 0.013 per common share, charged to the cumulative results for 2012.
- › **August 28:** Payment to the shareholders of UNACEM S.A.A. of dividends equal to S/ 0.013 per common share, charged to the cumulative results for 2012.
- › **November 30:** Payment to the shareholders of UNACEM S.A.A. of dividends equal to S/ 0.013 per common share, charged to the cumulative results for 2012.



The fully subscribed and paid-in capital stock is S/ 1,646,503,408 (One Billion, Six Hundred Forty-Six Million, Five Hundred Three Thousand, Four Hundred and Eight Peruvian Nuevos Soles), represented by 1,646,503,408 (One Billion, Six Hundred Forty-Six Million, Five Hundred Three Thousand, Four Hundred and Eight) common shares with a face value of S/ 1.00 each.

With the above considerations, and in accordance with International Financial Reporting Standards (IFRSs), the figures in Peruvian soles as of December 31, 2018 and 2017, respectively, are as follows:

EQUITY ACCOUNT	12.31.18	12.31.17
Capital Stock	1,646,503,408	1,646,503,408
Legal Reserve	329,300,686	329,300,686
Unrealized Profit	-16,706,976	197,488
Cumulative Profit	2,457,206,733	2,300,609,400
Total Equity	4,416,303,851	4,276,610,982

LIABILITY MANAGEMENT OF **US\$ 400.0 MILLION** EXTENDED OUR **DEBT MATURITIES TO 2025**, WHICH WILL ALLOW US CONTINUE **PAYING AMORTIZATIONS** IN THE COMING YEARS.

Currently, there are several tax, legal, and labor proceedings pending resolution in relation to the Company's operations. In the opinion of the Management and its legal advisors, the final results of these proceedings will not involve significant expenses, and the Company has set aside the provisions it considers necessary in regard to said proceedings as of December 31, 2018.

The external auditing duties during fiscal year 2018 were entrusted to Messrs. Paredes, Zaldivar, Burga & Asociados (a member firm of Ernst & Young). The firm's opinion on the separate statement of financial position, profit and loss statement, comprehensive profit and loss statement, statement of changes in net shareholders' equity, and cash flow statement as of December 31, 2018, and its respective notes, which form part of this Report, have been issued without objections.

SEPARATE STATEMENT OF FINANCIAL POSITION

For the years ended December 31, 2018 and 2017

	NOTE	2018 S/ (000)	2017 S/ (000)		NOTE	2018 S/ (000)	2017 S/ (000)
ASSET				LIABILITY AND NET EQUITY			
CURRENT ASSETS				CURRENT LIABILITIES			
Cash and cash equivalents	6	29,956	97,704	Trade and other payables	14	314,507	261,827
Trade and other receivables, net	7	378,300	461,294	Other financial liabilities	15	224,163	486,064
Inventories, net	8	572,839	533,321	Deferred income	29.3	11,410	15,349
Prepaid taxes and expenses		10,939	8,145	Income tax payable	16	-	43,075
				Provisions		21,100	25,719
TOTAL CURRENT ASSETS		992,034	1,100,464	TOTAL CURRENT LIABILITIES		571,180	832,034
NON-CURRENT ASSETS				NON-CURRENT LIABILITIES			
Trade and other receivables, net	7	186,014	104,372	Other financial liabilities	14	3,024,898	2,906,854
Investments in subsidiaries and other	9	3,390,222	3,289,323	Derivative financial instruments	17	22,720	9,845
Mining concessions and property, plant and equipment, net	10	3,838,524	3,894,622	Deferred income tax liability, net	16	495,928	524,734
Deferred stripping cost	11	118,100	122,977	Provisions		35,124	15,778
Intangible assets, net	12	41,260	54,098	TOTAL NON-CURRENT LIABILITIES		3,578,670	3,457,211
TOTAL NON-CURRENT ASSETS		7,574,120	7,465,392	TOTAL LIABILITIES		4,149,850	4,289,245
TOTAL ASSET				NET EQUITY			
		8,566,154	8,565,856	Issued capital	18	1,646,503	1,646,503
				Legal reserve		329,301	329,301
				Unrealized net profit		(16,707)	198
				Unrealized net profit		2,457,207	2,300,609
				TOTAL NET EQUITY		4,416,304	4,276,611
				TOTAL LIABILITIES AND NET EQUITY		8,566,154	8,565,856

The notes to the separate financial statements can be found in the Independent Auditors' Report and Opinion, available on our website.

SEPARATE STATEMENT OF INCOME

For the years ended December 31, 2018 and 2017

	NOTE	2018 S/ (000)	2017 S/ (000)
Net sales	19	1,968,994	1,862,651
Cost of sales	20	(1,222,177)	(1,140,441)
GROSS PROFIT		746,817	722,210
OPERATING INCOME (EXPENSES)			
Administrative expenses	21	(189,492)	(206,343)
Selling expenses	22	(66,852)	(57,472)
Other operating income	24	163,746	303,538
Other operating expenses	24	(37,455)	(52,620)
Total gastos operativos, neto		(130,053)	(12,897)
OPERATING PROFIT		616,764	709,313
OTHER INCOME (EXPENSES)			
Finance income	25	14,285	3,953
Finance cost	26	(246,900)	(225,595)
Exchange difference, net	30.1(ii)	(60,449)	88,042
Total other income (expenses), net		(293,064)	(133,600)
PROFIT BEFORE INCOME TAX		323,700	575,713
Income tax	17(b)	(81,484)	(109,555)
NET PROFIT		242,216	466,158
BASIC AND DILUTED EARNINGS PER SHARE (stated in thousands of Soles)	28	0.147	0.283

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31, 2018 and 2017

	NOTE	2018 S/ (000)	2017 S/ (000)
NET PROFIT		242,216	466,158
OTHER COMPREHENSIVE INCOME			
Changes in the fair value of hedging derivative financial instruments	30.1(i)(a)	(18,690)	(115)
Reserve on assets measured at fair value with changes in other comprehensive income	27(e)	(5,289)	-
Income tax effect	17(a)	7,074	34
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX		(16,905)	(81)
TOTAL COMPREHENSIVE INCOME, NET OF INCOME TAX		225,311	466,077

SEPARATE STATEMENT OF CHANGES IN EQUITY

For the years ended December 31, 2018 and 2017

	ISSUED CAPITAL S/ (000)	LEGAL RESERVE S/ (000)	UNREALIZED PROFIT S/ (000)	RETAINED EARNINGS S/ (000)	TOTAL S/ (000)
BALANCE AS OF JANUARY 1, 2017	1,646,503	329,301	279	1,920,070	3,896,153
Net profit	-	-	-	466,158	466,158
Changes in the fair value of hedging derivative financial instruments, net, note 30.1(i)(a)	-	-	(81)	-	(81)
Total comprehensive income	-	-	(81)	466,158	466,077
Dividends distribution, note 18(d)	-	-	-	(85,619)	(85,619)
BALANCE AS OF DECEMBER 31, 2017	1,646,503	329,301	198	2,300,609	4,276,611
Net profit	-	-	-	242,216	242,216
Changes in the fair value of hedging derivative financial instruments, net, note 30.1(i)(a)	-	-	(13,175)	-	(13,175)
Reserve on assets measured at fair value with changes in other comprehensive income, note 27(e)	-	-	(3,730)	-	(3,730)
Total comprehensive income	-	-	(16,905)	242,216	225,311
Dividends distribution, note 18(d)	-	-	-	(85,618)	(85,618)
BALANCE AS OF DECEMBER 31, 2018	1,646,503	329,301	(16,707)	2,457,207	4,416,304

The notes to the separate financial statements can be found in the Independent Auditors' Report and Opinion, available on our website.

SEPARATE STATEMENT OF CASH FLOWS

For the years ended December 31, 2018 and 2017

	NOTE	2018 S/ (000)	2017 S/ (000)
OPERATING ACTIVITIES			
Collections from customers		2,323,455	2,228,555
Payments to suppliers		(1,243,739)	(1,130,182)
Payments to employees		(210,943)	(184,461)
Income tax paid		(152,586)	(67,396)
Income tax paid		(131,390)	(153,302)
Interest paid		(256,317)	(231,110)
Dividends received	24(b)	122,930	124,143
Other collections (payments), net		54,257	70,457
Net cash flows provided by operating activities		505,667	656,704

INVESTING ACTIVITIES

Acquisition of subsidiary	9(a)	(99,496)	(25,992)
Capital contribution to subsidiaries		(1,403)	(354)
Disbursements for works in progress	10(a)	(148,969)	(117,421)
Purchase of property, plant and equipment	10(a)	(4,620)	(1,067)
Purchase of intangible assets	12(a)	(2,824)	(3,364)
Net cash flows used in investing activities		(257,312)	(148,198)

FINANCING ACTIVITIES

Obtaining short-term bank loans		198,800	104,880
Obtaining bonds and debt to banks long-term	14(l) y (m)	1,717,220	260,000
Payment of short-term bank loans		(451,553)	(339,772)
Payment of bonds and debt to banks long-term		(1,693,604)	(404,761)
Dividends paid	18(d)	(85,701)	(85,603)
Net cash flows used in financing activities		(314,838)	(465,256)

	NOTE	2018 S/ (000)	2017 S/ (000)
(Net decrease) Net increase in cash and cash equivalents of the year		(66,493)	43,250
Net exchange difference		(1,255)	(27)
Cash and cash equivalents at the beginning of the year		97,704	54,481
Cash and cash equivalents at the end of year		29,956	97,704

TRANSACTIONS THAT DO NOT REPRESENT CASH FLOWS -

Quarry closure provision	10(a)	20,135	3,572
Capitalized interest	10(a) y (f)	2,510	-
Transfer to replacement units		-	11,403

COMMITMENT AGAINST

CLIMATE CHANGE >>>

CLIMATE CHANGE
MANAGEMENT AS ONE
OF THE PILLARS OF
OUR ENVIRONMENTAL
MANAGEMENT

We seek to reduce the concentration levels of particulate matter and CO₂ emissions per ton of cement produced. To achieve this, we promote specific actions such as the use of cleaner fuels and renewable energies, process optimization, and the manufacture of new, more environmentally friendly products.

COMMITMENT AGAINST CLIMATE CHANGE

CLIMATE CHANGE MANAGEMENT AS ONE OF THE PILLARS OF OUR ENVIRONMENTAL MANAGEMENT

- › In the last three years, we have avoided emitting over 500,000 tons of greenhouse gases while maintaining our products' quality and high performance levels by reducing the percentage of clinker in the makeup of our cement by 0.07% between 2010 and 2018.
- › The upgrading of our plants and investment in cutting-edge technology enabled us to reduce heat consumption by 8.0% and electricity consumption by 10.0%.
- › Of the total electricity used at our 2 cement plants, 95.0% is supplied by renewable sources from hydroelectric plants, which has allowed us to reduce GHG emissions per ton of cement that we produce.
- › The construction of the 8-km underground conveyor belt that joins the Atocongo plant to the Conchán pier helped reduce environmental and safety risks by eliminating truck traffic between the 2 facilities. Between 2008 and 2018, we avoided emitting over 9,000 tons of CO₂.



- › We joined the worldwide fight against climate change led by MINAM, PRODUCE, and the Cement Producers' Association (ASOCEM) to implement nationally appropriate mitigation actions (NAMAs) in the cement industry, with the goal of reducing GHG emissions per ton of cement produced.



UNICON

NEW VÍA EXPRESA LÍNEA AMARILLA

11 districts in Metropolitan Lima between Av. Javier Prado and Callao, Lima



ADMINISTRATION
AND CORPORATE
GOVERNANCE

5

5 ADMINISTRATION AND CORPORATE GOVERNANCE

5.1 BOARD OF DIRECTORS

RICARDO RIZO PATRÓN DE LA PIEDRA
Chairman



ALFREDO GASTAÑETA ALAYZA
Vice Chairman



MARCELO RIZO PATRÓN DE LA PIEDRA
Director



CARLOS UGÁS DELGADO
Director



JAIME SOTOMAYOR BERNÓS
Director



DIEGO DE LA PIEDRA MINETTI
Director



OSWALDO AVILEZ D'ACUNHA
Director



HERNÁN TORRES MARCHAL
Director



MARTÍN RAMOS RIZO PATRÓN
Director



ROBERTO ABUSADA SALAH
Independent Director



ROQUE BENAVIDES GANOZA
Independent Director



JORGE RAMÍREZ DEL VILLAR LÓPEZ DE ROMAÑA
Independent Director



JOSÉ ANTONIO PAYET PUCCIO
Independent Director



5.2 MANAGEMENT

SINDICATO DE INVERSIONES Y ADMINISTRACIÓN S.A. (SIA)

**FRANCISCO
BARÚA
COSTA**
Investments
Manager



**VÍCTOR
CISNEROS
MORI**
Central
Manager



**JUAN
ASMAT
SIQUERO**
Atocongo
Operations
Manager



**HÉCTOR
LEYVA CRUZ**
Condercocha
Operations
Manager



**PABLO
CASTRO
HORNA**
Human
Resources
Manager



**JEFFERY
LEWIS
ARRIARÁN**
Project
Execution
Manager



**KURT
UZÁTEGUI
DELLEPIANE**
Commercial
Manager



**ARMANDO
CASIS ZARZAR**
ASOCIACIÓN
UNACEM
General Manager



**ADMINISTRATIVE AND
FINANCIAL ADVISORS**
Inversiones Andino S.A.

TECHNICAL ADVISORS
ARPL Tecnología
Industrial S.A.

**CARLOS
UGÁS
DELGADO**
Representative of
SIA in the General
Management



**JULIO
RAMÍREZ
BARDÁLEZ**
Legal Manager



**ÁLVARO
MORALES
PUPPO**
Finance
and Corporate
Development
Manager





5.3

CORPORATE GOVERNANCE

In 2018, we continued to conduct our management within the framework of the Principles of Good Corporate Governance, as regulated by our bylaws and normative documents.

This year, we implemented a series of measures aimed at improving our practices and promoting transparency as a way to continue building trust with all of our stakeholders. All of these actions form part of our firm commitment to guarantee UNACEM's positive performance at all management levels and to continue creating value for all of the Company's stakeholders. We are convinced that good corporate governance improves our performance and reduces risk, as well as capital costs, thus ensuring UNACEM's sustainability.

On March 23, 2018, the Mandatory Annual Shareholders' Meeting elected the Board of Directors for the 2018-2020 period, consisting of 13 members, 4 of whom are independent directors. During 2018, in an effort to bolster its role as the Company's supreme governing body, the Board of Directors conducted a self-evaluation process

in September and October, allowing it to identify those practices that require improvement.

The committees are the mechanism used to promote the active participation of the Board of Directors' members. In addition to the Auditing Committee, during 2018, the Board of Directors approved the creation of 2 new committees:

- **In the February 23 meeting**, the Ethics and Conduct Committee was created for the purpose of ensuring compliance with the guidelines of the Code of Ethics and Conduct, as well as implementing and supervising the bribery, money laundering, and terrorist financing prevention model. This committee's duties also include handling grievances via the Comprehensive Grievances System implemented this year through PwC.
- **In the October 26 meeting**, the Commercial Committee was created for the purpose of ensuring compliance with commercial guidelines and discussing topics tied to this oversight duty.

WE HAVE IMPLEMENTED MEASURES AIMED AT IMPROVING OUR PRACTICES AND PROMOTING **TRANSPARENCY** AS A WAY TO CONTINUE BUILDING **TRUST** WITH ALL OF OUR **STAKEHOLDERS**. ALL OF THESE ACTIONS FORM PART OF OUR **COMMITMENT** TO GUARANTEE **UNACEM'S** POSITIVE PERFORMANCE.

Below are the details on the makeup and management of each committee:

COMMITTEE	CREATION DATE	MEMBERS	No. MEETINGS IN 2018
Auditing	April 26, 2006	Jorge Ramirez del Villar José Antonio Payet Alfredo Gastañeta	5
Ethics and Conduct	February 23, 2018	Roque Benavides Oswaldo Avilez Hernán Torres	3
Comercial	October 26, 2018	Jorge Ramirez del Villar Marcelo Rizo Patrón Martín Ramos	2

During 2018, we maintained our policy for the quarterly distribution of dividends in February, May, August, and November.

Additionally, as an essential part of our transparency practices, we published the Annual Report, quarterly interim financial statements, and quarterly reports, which include

a summary of the Company's most significant activities during the quarter, all of which are available on our website. Furthermore, through our Investor Relations team, we seek to maintain direct ties to our investors by participating in local and international conferences, meetings, visits, phone calls, and quarterly conference calls.



5.4

MERGER OF UNACEM S.A.A., AS ACQUIRING COMPANY, AND THE UNLISTED CORPORATIONS SINDICATO DE INVERSIONES Y ADMINISTRACIÓN S.A. (SIA), INVERSIONES ANDINO S.A. (IASA), AND INMOBILIARIA PRONTO S.A. (PRONTO), AS ACQUIRED COMPANIES

In 2018, the Mandatory Annual Shareholders' Meeting, held on March 23, approved the Company's performance for fiscal year 2017, elected the Board of Directors, and received information on the status of the new economic report on the Management Agreement with Sindicato de Inversiones y Administración S.A., ordered by representatives of the private pension fund management companies (AFPs) and other institutional investors. The Board was also informed of the potential acquisition of ARPL Tecnología Industrial S.A.

In the Shareholders' Meeting held on July 24, after discussing and reviewing the new economic report submitted, it was resolved to create a working group consisting of 8 people—Pedro Lerner Rizo Patrón, Carlos Palacios Rey, Carlos Felipe Rizo Patrón Basurco, Marcelo Ramos Rizo Patrón, Aldo Ferrini Cassinelli, Vicente Tuesta Reátegui, Mariano Álvarez de la Torre, and Renzo Ricci Cocchella—to reach a mutual decision on a proposal to be submitted to the Shareholders' Meeting regarding the agreement (SIA and IASA), to be presented for approval by the shareholders.

After a series of meetings, the working group drafted a comprehensive proposal and submitted it to the Board of Directors of UNACEM, recommending a merger between UNACEM, as acquiring company, and the acquired companies of SIA, IASA, and Pronto, the latter of which owns 100.0% of the shares in ARPL Tecnología Industrial S.A.

The value of the 3 acquired companies, as proposed by the Working Group, was determined based on the companies' financial information and the financial projections provided by UNACEM, based on standardized analysis and valuation criteria, mainly using the discounted cash flow method for the acquired companies, and fair value for real properties, based on appraisals performed by Aquarius Consulting, A.C., an independent advisor specializing in the valuation of real estate in Peru. Taking all of this into account, the draft merger agreement established, as consideration for the acquisition of SIA, IASA, and Pronto, the issuing of 171,624,203 new shares to be delivered to the shareholders of the 3 acquired companies, in addition to the shares of UNACEM held by SIA and IASA to date.

The merger, the draft merger agreement, and the stock exchange ratio submitted by the working group for the consideration of UNACEM's Board of Directors "is that which would mean that, with the increase in the capital stock of UNACEM and the merger, the shareholders of SIA would collectively receive shares equal to 42.857% of the new capital stock of UNACEM, the shareholders of IASA would collectively receive shares equal to 25.096% of the new capital stock of UNACEM, and the shareholders of Pronto (as whole owner of ARPL) would collectively receive shares equal to 2.775% of the new capital stock of UNACEM."

After receiving the working group's proposal, UNACEM's Board of Directors established the Independent Directors' Committee, formed by Roberto Abusada Salah, Roque Benavides Ganoza, José Antonio Payet Puccio, and Jorge Ramírez del Villar López de Romaña, to guarantee a rigorous, conflict-free process, to the benefit of all of UNACEM's shareholders; and delegated the following responsibilities to said committee: (1) performance of the merger evaluation and review process; (2) selection of the legal advisors to be entrusted with performing due diligence on the companies to be acquired in the merger; (3) appointment of the financial advisors who will

advise the Independent Directors' Committee on the review of the economic and financial aspects of the merger; and (4) the pronouncement on the merger proposal and, as applicable, the drafting and approval of the draft merger agreement to be submitted to the Shareholders' Meeting.

The Independent Directors' Committee agreed to retain the services of the law firm of Estudio Miranda & Amado as legal advisors entrusted with performing due diligence on the companies to be acquired in the merger; and Morgan Stanley & Co. LLC as financial advisors for the review of the economic and financial aspects of the merger.

On November 29, 2018, Estudio Miranda & Amado issued its legal due diligence report declaring that there were no major contingencies with regard to SIA, IASA, and Pronto. Also on November 29, 2018, Morgan Stanley & Co. LLC issued its independent opinion, stating that the merger, in the terms of the draft merger agreement, is fair to all of the shareholders of UNACEM, from a financial standpoint.

Taking into account the reports issued by Estudio Miranda & Amado and Morgan Stanley & Co. LLC, the Independent

Directors' Committee unanimously voted to approve the draft merger agreement for its submission to the Shareholders' Meeting.

Finally, the Shareholders' Meeting held on December 28 approved the following:

- › **The merger of UNACEM**, as acquiring company, and Sindicato de Inversiones y Administración S.A. ("SIA"), Inversiones Andino S.A. ("IASA"), and Inmobiliaria Pronto S.A. ("Pronto"), as acquired companies (hereinafter, the "Merger"), as well as the draft merger agreement, which was previously approved by the Shareholders' Meetings of Pronto, held on December 26, 2018, and of SIA and IASA, held on December 27, 2018.
- › **The increase in the paid-in and subscribed capital stock** of UNACEM by S/ 171,624,203.00, from S/ 1,646,503,408.00 to S/ 1,818,127,611.00, issuing 171,624,203 new common shares with the same face value as the existing shares (S/ 1.00 each), to be distributed among the shareholders of the 3 acquired companies according to the stock exchange ratio.

Consequently, the 171,624,203 new shares issued due to the capital stock increase shall be distributed as follows: (1) 64,876,584 new shares among the shareholders of SIA; (2) 56,302,355 new shares among the shareholders of IASA; and (3) 50,445,264 new shares among the shareholders of Pronto.

- **The date of entry into force of the merger** was January 1, 2019. On that date, UNACEM assumed, in universal title and as a block, the equity of SIA, IASA, and Pronto. The stock exchange ratio indicating the number of shares issued by UNACEM to be received by each one of the shareholders of the 3 acquired companies are as follows: (1) by the shareholders of SIA, 2,104.332 (Two Thousand, One Hundred Four Point Three Three Two) shares issued by UNACEM with a face value of S/ 1.00 each for each one of the 370,278 shares issues by SIA with a face value of S/ 1,600.00 each; (2) by the shareholders of IASA, 8.502 (Eight Point Five Zero Two) shares issued by UNACEM with a face value of S/ 1.00 each for each one of the 53,667,404 shares issues by IASA with a face value of S/ 12.26 each; and (3) by the

shareholders of Pronto, 6.678 (Six Point Six Seven Eight) shares issued by UNACEM with a face value of S/ 1.00 each for each one of the 7,554,178 shares issues by Pronto with a face value of S/ 14.50 each. As a consequence of the merger, SIA, IASA, and Pronto are extinguished without winding up or liquidation.

- **Delegation of the following powers to the Board of Directors:** (1) the power to amend Article Five of the Bylaws due to the increase in the approved capital stock and/or the eventual reduction of capital stock for up to the face value of the shares subject matter of the right of withdrawal; and (2) in case of the exercise of the right of withdrawal, the power to choose between keeping the resulting shares in portfolio or amortizing them with the consequent capital stock reduction.
- **It unanimously agreed that** on the date of entry into force of the merger, Article Twelve of the articles of incorporation, containing the management service agreement entered into by and between SIA and UNACEM, will be extinguished. The articles of incorporation are contained in the notarially recorded

instrument evidencing the incorporation and bylaws of UNACEM, granted on December 28, 1967, before Ricardo Ortiz de Zevallos, Esq., Notary Public in and for Lima.

- **It granted special powers** to the directors and officers appointed by UNACEM to formalize the resolutions adopted by the Shareholders' Meeting.

The merger between UNACEM, SIA, IASA, and Pronto was realized without any shareholders exercising their right of withdrawal, and without the opposition of any creditors whatsoever, representing a historic milestone for UNACEM. It demonstrates the commitment of all the Company's shareholders, both majority and minority, to the creation of value for the Company and the benefit of all stakeholders.

As a result of the merger, UNACEM will have a simplified shareholding structure and will incorporate a new group of minority shareholders in the Company's ownership structure, as well as consolidating the knowhow, strategies, and experience of SIA, IASA, and Pronto, which clearly represents a big step forward for UNACEM and its future success.



COMMITMENT TO THE
ENVIRONMENT



CONTROL, MITIGATE, AND
REDUCE OUR IMPACTS ON
THE ENVIRONMENT ON A
PARTICIPATIVE BASIS

To ensure the conservation and sustainability of our operations, we guarantee cleaner production processes that are aligned with national environmental policies and our own Sustainability Policy.

COMMITMENT TO THE ENVIRONMENT

CONTROL, MITIGATE, AND REDUCE OUR IMPACTS ON THE ENVIRONMENT ON A PARTICIPATIVE BASIS

- > We reuse 100.0% of the effluents generated at our Atocongo and Condorcocha facilities through the wastewater treatment plants (PTARs), using this water in the upkeep of green areas and the firefighting system, thus drastically reducing our consumption of groundwater and spring water.
- > At the Condorcocha plant, we obtained the Certificado Azul given out by the National Water Authority, thanks to the implementation of programs for the reduction of water consumption and shared value programs with the community.
- > We have modern particle capture systems, such as electrofilters and a bag filter, which are 99.0% efficient in capturing dust in all of our production processes.
- > We perform the periodic environmental monitoring of air quality. The results, which are below the Maximum Permissible Limits, are verified by Peruvian environmental authorities.



- > The Hill Habitat Conservation Plan ensures the sustainability of the species that live in our Atocongo and Cristina concessions. We perform the biological monitoring of flora and fauna, and we have had a hill

habitat nursery since 2000, which we use to promote the propagation and reproduction of over 50,000 seedlings for species native to this habitat.



UNICON

WORKS FOR THE IMPROVEMENT OF THE ANTIGUA CARRETERA PANAMERICANA SUR HIGHWAY

Villa El Salvador and Lurfn, Lima

ADMINISTRATION, MANAGEMENT, AND TECHNICAL ASSISTANCE

As established in our Company's Articles of Incorporation, dated December 28, 1967, and in accordance with the mandate of the Shareholders' Meeting held on December 28, 1981, the General Management of Unión Andina de Cementos S.A.A. continued to be entrusted to Sindicato de Inversiones y Administración S.A., under the agreement in force through December 31, 2018.

Inversiones Andino S.A. provided administrative and financial advisory services, under the agreement in force through December 31, 2018.

ARPL Tecnología Industrial S.A. was responsible for technical advisory services, under the agreement in force as of this date.

The Board of Directors acknowledges and values the important contributions made by these 3 companies, not only in 2018, but throughout the companies 60 year history. There can be no doubt that they were the ones that led UNACEM's growth and consolidation over all these years.

ACKNOWLEDGMENTS

The Board of Directors would like to give a special thanks to each one of UNACEM's team members. It is their commitment that allows us to tackle new challenges and continue building new opportunities for all.





ANNUAL REPORT 2018

Unión Andina de Cementos S.A.A.
Av. Atocongo 2440, Lima 35, Perú.

© Editorial Rayo Verde S.A.C.
Av. Comandante Espínar n.º 844,
Lima 18, Perú.

EDITORS IN CHIEF
EDITORIAL RAYO VERDE

TEXT EDITOR
MARJORIE EFFIO

PROOFREADER
JORGE CORNEJO

ENGLISH TRANSLATION
SERVIDIOMA

GRAPHIC DESIGN AND LAYOUT
ARTURO HIGA TAIRA

PHOTOGRAPHY EDITING
MARCELA DELGADO AND CECILIA DURAND

PHOTOGRAPHY
CECILIA DURAND, KAREN ZÁRATE
AND MARCELA DELGADO

THE PHOTOGRAPH ON PAGE 105
IS FLUJO LIBRE PROPERTY

THE RENDERS ON PAGE 55 AND
PAGE 83 ARE PROPERTY OF THE
COMPANIES OF THE CAR PUNTA
ROCAS CONSORTIUM

PHOTOGRAPHY TOUCHUPS
JULIO BASILIO

All Rights Reserved

This digital book is published exclusively for Unión Andina de Cementos S.A.A. It may not be reproduced, recorded, or transmitted by any type of data recovery system via any means, whether mechanical, photochemical, electronic, magnetic, electro-optical, photocopies, or others, without the prior written permission of Unión Andina de Cementos S.A.A.