



ANNUAL REPORT
2019

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LETTER FROM

THE CHAIRMAN OF THE BOARD



Ricardo Rizo Patrón de la Piedra
Chairman of the Board



UNACEM's business ethics and conduct is guided by our firm policy of zero tolerance to all forms of corruption.

2019 UNACEM

Dear UNACEM shareholders,

In 2019, Perú went through a year of tension and political confrontation that resulted in the dissolution of the Congress of the Republic in September and the call to elect a new Congress. Against this backdrop, the economy slowed down significantly due to both the political factors mentioned above, and the limited official stimulus to private investment, which lost the momentum of the beginning of the year. Exogenous factors further compounded the economic scenario, including the trade war between the US and China, and sliding consumer demand in Europe and some emerging economies.

Although the country's gross domestic product (GDP) advanced 2.2%, an acceptable rate compared to other regional countries, the figure is far below the rate Perú needs to close its poverty gaps and grow steadily by simultaneously fostering institution-building, spurring private investment, creating formal jobs, and thereby enhance Peruvians' overall well-being.

Critical among the measures to ensure the country's sustainability is to restore people's trust in public and private institutions within their respective fields of action. UNACEM's business ethics and conduct is

» UNACEM closed the year with a dispatch volume

5.2%[^]

higher than the year prior.

guided by our firm policy of zero tolerance to all forms of corruption. As evidence of our firm support to this stance, in the first quarter of the year we completed the setting up of our ISO 37001-certified anti-bribery management system, a critical milestone in managing our organizational values and culture.

Without a doubt, the construction sector is one of the engines driving the country's economy. Still, low national, regional and local governments' investment in public works resulted in the industry's only moderate growth of 1.6% throughout the year just ended, compared to 2018. Nevertheless, this was made up for by greater private investment in large mining projects and expanded home building, despite a slowdown in the fourth quarter of 2019.

Against this backdrop, UNACEM closed the year with a dispatch volume 5.2% higher than the year prior, in addition to clinker exports reaching 709,000 tons, for 0.9% higher total sales revenue this year. Our EBITDA reached S / 862.8 million including our subsidiaries' dividends, and a 43.5% margin. The net income for the period was S / 348.9 million, equivalent to 17.6% of sales, accounted for by the higher dividends declared by our subsidiaries and the effect of the exchange rate for this period.

Our focus on reducing our debt remained unwavering. Taking advantage of this year's favorable market

conditions, we refinanced the balance of US \$ 225.0 million of our "5.875% Senior Unsecured Notes due 2021" with bank loans in local currency, extending our term of payment over the next 7 years. With this new structure, at the end of 2019, only 19.0% of our debt is denominated in foreign currency, significantly abating our exposure to exchange rate fluctuations.

Likewise, our subsidiaries showed acceptable results given the challenges they faced. UNICON and CONCREMAX remained leading suppliers of major infrastructure projects. UNICON Ecuador's revenues remained unaltered despite contracted sales volumes. Skanon Investments recorded an EBITDA of US \$ 17.6 million and high plant utilization rate. UNACEM Ecuador faced a complex year marked by protests over the removal of fuel subsidies, a measure that was reversed 15 days after its enactment, leading to a contraction of the construction industry and our dispatches, which also translated into lower revenues than in 2018. PREANSA in Perú, Chile and Colombia carried out less projects this year. Meanwhile, CELEPSA's satisfactory results were reflected in revenues and profits above last year's, thus allowing it to continue its financial debt reduction program.

We permanently strive to remain as industry leaders through our comprehensive and adequate management of the environment and of the relationships of trust with all our stakeholders.

In regards of environmental matters, through the National Appropriate Mitigation Actions (NAMA) we seek to contribute voluntarily as a private sector outfit

to efforts with the Ministry of Production and the cement industry (represented by ASOCEM) to the "NAMA for the cement industry", by identifying the first four industry objectives to tackle climate change challenges. These efforts, in addition to the recent changes in controls of the emissions from our production process, will keep us focused and committed to working for creating a responsible industry.

Through Asociación UNACEM, we pursue a sustainability strategy that allows all our stakeholders to grow and develop in line with the United Nations Sustainable Development Goals (SDGs). We seek, above all, to build their individual capacities. The participation of our communities and the relationship of trust with them are a key factor in our strategy. Meanwhile, we are aware of the ongoing, dynamic and long-term nature of our work.

In January 2020, we announced the upcoming succession in General Management, starting at the end of the first half of this year. After almost 25 years of Eng. Carlos Ugás's leadership, the transition to the new General Manager, Eng. Pedro Lerner, will thus proceed smoothly to ensure an efficient internal and external succession for the Company.

To conclude, I would like to reiterate the gratitude of the Board of Directors to our shareholders, for the trust placed in us; to our customers, for preferring our products; and to each of the members of our team, whose work and dedication allow us to achieve the objectives we set ourselves and look at the future with optimism.

We start 2020 persuaded business is possible by ensuring the ethical and transparent development of all our stakeholders. I invite you to learn in what follows about the most relevant UNACEM management accomplishments in 2019.



Ricardo Rizo Patrón de la Piedra
Chairman of the Board

USA



Colombia



PREANSA

Ecuador



Perú



CONCREMAX



Chile



UNICON



PREANSA

Presence of UNACEM

and its subsidiaries



Cement

UNACEM Perú
UNACEM Ecuador
Drake Cement

4 plants
1 port terminal

Installed capacity
10.7 million tons/year



Concrete

UNICON
CONCREMAX
PREANSA
Drake Materials

54 stationary plants
18 mobile plants
800 mixer trucks
5 industrialized concrete structure plants

Dispatch
4.5 million m³



Energy

CELEPSA

5 hydroelectric plants
2 thermal power plants

Installed capacity
329.4 MW



Services

ARPL
VIGIANDINA

Engineering consultancy
Specialized security services

»» HIGHLIGHTS 2019

1

The Progresol hardware stores network reached a record 1,000 points of sale nationwide.

p.19

2

We completed implementing the Anti-bribery Management System, certified under the ISO 37001 standard. The system is a major milestone in the management of our values and organizational culture.

p.25

3

As members of the CAR Punta Rocas Consortium, we officially delivered the "Punta Rocas High Performance Surf Center" to the organizing committee of the Lima 2019 Pan American Games. The athletic training center was built under the Works for Taxes scheme.

p.46

4

Together with Asociación UNACEM, we launched our "Interactive classroom for training in safety and health at work", to build skills and abilities among both our and our contractors' team members.

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5

UNACEM listed for the first time in the Dow Jones Sustainability Index MILA Pacific Alliance sustainability index, one of the most important sustainability indicators to measure listed companies in all their economic, social and environmental dimensions.

p.61

ECONOMIC RESULTS

» Net sales
(in million S/)

1,985	1,969	0.8%
2019	2018	Change

» EBITDA
(in million S/)

863	869	-0.7%
2019	2018	Change

» Debt
(in million S/)

3,068	3,249	-5.6%
2019	2018	Change

» Distributed economic value
(in million S/)

1,863	1,905	-2.2%
2019	2018	Change

OPERATIVE RESULTS

» Clinker production (in thousand t)

5,708	5,289	7.9%
2019	2018	Change

» Cement dispatches (in thousand t)

5,316	5,058	5.1%
2019	2018	Change

» Cement production (in thousand t)

5,339	5,073	5.2%
2019	2018	Change

» Clinker - cement ratio

0.86	0.87	-0.4%
2019	2018	Change

ENVIRONMENTAL RESULTS

» Environmental investments (in million S/)

31	48	-35.2%
2019	2018	Change

» Environmental expenditure (in million S/)

10	9	7.4%
2019	2018	Change

» Greenhouse effect gas emissions - Scope 1 (in t of CO₂ equivalent)

4,370,083	4,137,893	5.6%
2019	2018	Change

» Total water consumption (in m³)

640,269	643,412	-0.5%
2019	2018	Change

» Total energy consumption (in MWh)

4,916,318	4,819,895	2.0%
2019	2018	Change

» Percent reutilized solid waste

81.2%	78.8%	3.0%
2019	2018	Change

SOCIAL RESULTS

» Number of team members

862	839	2.7%
2019	2018	Change

» Number of unionized team members

328	327	0.3%
2019	2018	Change

» Loss time injury frequency rate (LTIFR) – Team members

5.5	4.7	17.0%
2019	2018	Change

» Number of women team members

122	111	9.9%
2019	2018	Change

» Social responsibility and private social investment (in million S/)

16	18	-11.9%
2019	2018	Change

» Accident frequency index (team members + contractors)

2.0	4.3	-53.5%
2019	2018	Change



THE COMPANY AND ITS SUBSIDIARIES

1.1

Macroeconomic environment

In 2019, the world's economy performed below expectations. Growing international trade tensions and a slower global economy partially detracted from the momentum gained in 2018. The trade war between the United States and China may have resulted in a slowdown in both developed and emerging economies. The International Monetary Fund (IMF) estimates global economic activity may have grown 2.9%, down from 3.7% in 2018.

Global economic growth suffered from lower performance of the United States, China, Germany and several emerging countries. The USA (2.9% growth in 2018 versus 2.3% in 2019) began the year with ambitious performance estimates, explained by a solid first quarter, but performance lost momentum over the course of the year and could only be sustained thanks to strong internal consumer demand.

1 THE COMPANY AND ITS SUBSIDIARIES

In the Eurozone meanwhile, estimates point to a conservative growth of 1.2%. Germany (0.5% growth), its main engine, may have suffered from the trade tensions between the US and China, the global slide in demand for capital goods, and a tumultuous automotive sector that hit the country's manufacturing output. All this would have had an impact on the German GDP (down to 0.6% in 2019 1.5% compared to in 2018). Eastern Europe, meanwhile, would show better results: Poland and Hungary may have expanded by 4.3% and 4.6% respectively, while Turkey may have emerged from its recession as its economy recovered in 2019's third quarter.

Among emerging economies, China may have expanded 6.1% in 2019, its lowest rate in the last 29 years. Chinese growth still remains within the government's target range, but it evidences the effect of the trade war with the US. As for India, although robust public spending contributed to sustained growth, deceleration this year (6.1%), accounted for rapidly sliding consumer demand and investment, may have adversely hit the manufacturing sector.

»» Perú accomplished relatively acceptable growth of **2.2%**, compared to overall growth in Latin America (0.2%)

Perú accomplished relatively acceptable growth of 2.2%, compared to overall growth in Latin America (0.2%). Regional countries' growth was severely hurt by social turmoil and protests. In Ecuador (-0.03%), the October protests led to losses estimated at US \$ 821.0 million. Turmoil was sparked by the announcement of six economic measures and 13 reform proposals, including suppressing subsidies to diesel fuels. The measures were reversed in the face of popular discontent. But, without a doubt, social movements most hardly hit Chile. The losses caused during the protests initiated on October 18 are estimated at some US \$ 4,579 million. Estimates of GDP growth in Chile, which were 3.5% at the beginning of 2019, dropped to 2.2% after the protests, and closed the year with a timid 1.0%. In Colombia (3.3%), although the protests were more peaceful, losses may have totaled US \$ 20.0 million.

The performance of the Peruvian economy was lower than the previous year (4.0% in 2018), resulting from a retrenching fishing industry (-25.9%) as anchovy shoals were less available during the first fishing season in the north-central Pacific area and sliding manufacturing output (-1.7%) due to declining fish meal and oil output, and lower copper and oil refining. GDP continued to grow in construction (1.6%), commerce (3.0%), services (3.4%) and non-primary industries. The meager results achieved by the Peruvian economy were mainly due to weak private investment and political turbulence, which persisted in 2019 and led to the dissolution of Congress in September.

The main indicators of economic activity during 2019 were the following:

» **Net international reserves of US \$ 68,316 million,** or 14.3% more than the previous year (US \$ 60,121 million).

» **Inflation of 1.90%** (2.19% in 2018) which remained within the target range set by the Central Reserve Bank of Perú (BCRP).

» **Trade balance surplus of US \$ 6,614 million with exports of US \$ 47,688 million** at the end of 2019. The balance though was lower than last year's (US \$ 7,197 million), partly due to lower output of primary sectors, but also because of lower shipments of non-traditional exports (apparel and iron and steel), hurt by a less favorable international scenario.

» **The Peruvian sol had appreciated 1.8%** at the end of the year and closed the period at **S/ 3.317** to the US dollar (S/ 3.37 at the end of 2018). Regionwide, local currencies depreciated an average of 11.4%, reflecting the adverse political and social scenarios.

1.2

Operations

Production and dispatch in the local market

Satisfactory operating results from our 2019 operations at the Atocongo and Condorcocha plants achieved a combined plant utilization rate of 85.2% (78.9% in 2018) for clinker production and 64.3% (61.1% in 2018) for cement.

Total clinker output reached 5,708,252 t, or 7.9% higher than in 2018 (5,289,168 t), an increase made possible by the greater continuous production from kilns in both plants, in line with our annual production plan. In 2019, the preventive maintenance was completed as scheduled for kilns 2, 3 and 4 at the Condorcocha plant and for kilns 1 and 2 at the Atocongo plant.

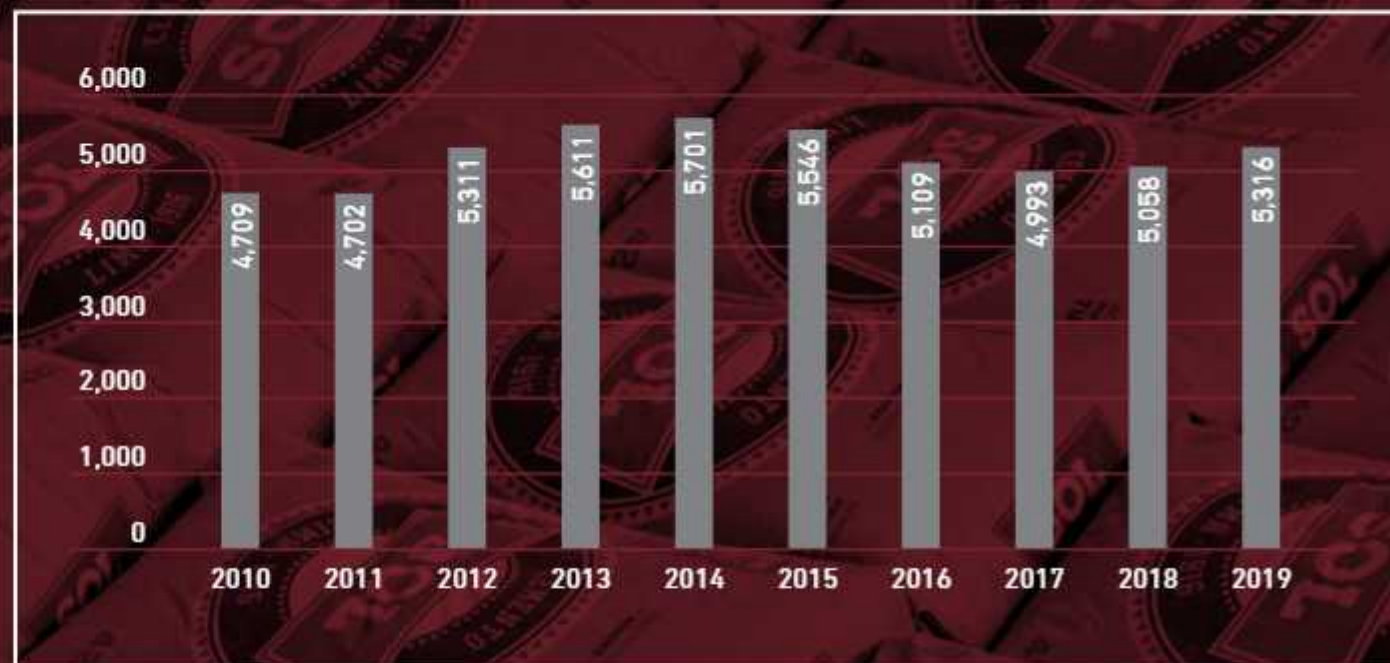
Cement production by plant, 2015-2019
(in thousands of metric tons)



Cement production reached a total 5,338,844 t, an increase of 5.2% compared to 5,072,982 t in the previous year. This increase responded to greater demand of the local market, which, throughout the year, reversed its behavior of the previous year and accumulated higher dispatch volumes.

By year-end 2019, cement production at the Atocongo plant (Lima) was 3,588,872 t and at the Condorcocha plant (Junín), 1,749,973 t, which fully met local cement demand.

Domestic cement dispatches, 2010-2019 (in thousands of metric tons)



Cement dispatched in 2019 totaled 5,316,427 t, or 5.1% higher than in 2018 (5,058,142 t). This recovery in dispatch volumes of both plants is mainly explained by improved bag dispatching.

National Institute of Statistics and Informatics (INEI) data reveal domestic cement dispatching of 11,761,527 t was 5.2% higher than in 2018 (11,183,244 t). The growth of UNACEM dispatches was similar to the national 2019 overall figure.

» Total cement volume dispatched reached **5,316,427 t**, a figure **5.1% higher than** in 2018.

» HIGHLIGHTS 2019

We strengthened the relationship and loyalty of hardware store entrepreneurs. The network of Progresol hardware stores reached a record 1,000 points of sale nationwide.



Commercialization

Our products are sold along two business lines, i.e.: bagged cement and bulk cement, which in 2019 accounted for 71.4% and 28.6% of total dispatch, respectively.

Noteworthy is the recovery of the bagged cement business line, which grew 4.4% compared to 2018. The most important channel was the traditional hardware store, followed by the modern channel and the industrial channel (construction, contractors and industrial).

The performance of the bulk cement business line was outstanding, as it expanded 6.8% over the previous year, as a result of rebounding housing, urban furnishing, mining and industry markets, with the latter two experiencing significant growth of 11.0 % and 10.0%, respectively. Major projects, including the Ica prison, Comas park, La Virgen hydropower plant and others added significantly to the growth of this business line.

The following brands make up the portfolio of products sold by the bagged cement business unit: Andino Cement - type I, Sol Cement - type I, Andino Forte Cement- MH(R) type, Andino Cement - IPM type, Andino Cement - Type V, Andino Cement Ultra - Type HS, Cement Apu - Type GU and Cement Apu - Type ICo.

Our bagged products are mainly marketed through two distribution channels: the traditional hardware store channel (consisting of the Progresol hardware network and independent hardware stores that are not network members) and the modern hardware channel (large self-service hardware stores).

The bulk cement business unit markets Portland cement of types I, IP, IPM, GU, V and HS, and mainly supplies

ready-mix concrete, hydropower plant construction, mining and oil companies and a range of construction and other companies manufacturing cement products.

Our marketing strategy focuses on innovating not only our products and services, but also our business models to permanently strengthen our sustainable commercial relationships along the entire value chain, from our plants to retail hardware stores. In this pursuit, we continued to strengthen our bonds with and the loyalty of the hardware business community through careful business management and greater coverage by the Progresol hardware stores network, which at the end of 2019 comprised a record 1,000 points of sale nationwide.



**CREATING VALUE
WITH OUR CLIENTS**

**>> JORGE
CHUMPITAZ**

Juan Pablo II Progresol Hardware Store

“UNACEM contributes to grow our business and keep a sound market position by assuring the quality of the products we sell. They encourage us, give us management tools, set goals for us, and give us momentum to keep growing.”

» The main country of destination for **2019 exports** was **Chile**, with **50.3%**, followed by **Guatemala (40.6%)**, and **Argentina (9.0%)**. 

Exports and port operations

In 2019, clinker exports reached 709,140 t, or 23.6% below the previous year's figures (928,343 t). After starting the year with volumes like those of 2018, our clients in Chile and Argentina requested to defer some shipments until 2020, which resulted in a lower volume dispatched though at better average prices than the previous year. The main country of destination for 2019 exports was Chile, with 50.3%, followed by Guatemala (40.6%), and Argentina (9.0%).

Consequently, the volume of bulk solids operated by our pier in Conchán was 27.1% lower than in 2018. Altogether, 34 ships were loaded and unloaded. Other than clinker shipments, the main products unloaded at the pier were gypsum, coal, slag, pozzolana and grains for third parties, to a total of 407,305 t (602,233 t in 2018).

Strategic planning towards 2021

In 2019, we continued working on the various initiatives of our strategic plan towards the year 2021, all of them supported by our six pillars:

- » Quality products and services.
- » Increased per capita cement consumption.
- » Cost efficiency.
- » Priority on profitable investments.
- » High performance organization.
- » Sustainability.

As comprehensive implementation moves forward, some of the initiatives with the greatest impact are those in the occupational health and safety, commercial and environmental arenas.

Integrated Management System (IMS)

Our Integrated Management System allows us to direct and control UNACEM's efforts regarding quality, personnel health and safety, the environment and protection from illegal activities, such as drug trafficking and bribery. In 2019, we set forth the objectives and goals that will guide all our activities for continuous improvement, risk management and compliance with our Integrated Management Policy.

>> Certifications

Our ISO 9001, ISO 14001 and OHSAS 18001 certifications for the Atocongo plant remained current in 2019, as well as the BASC (Business Alliance for Secure Commerce) and ISPS (International Ship and Port Facility Security Code) certifications for our Conchán pier. For the Condorcocha plant, we maintained the ISO 9001 and ISO 14001 certifications, and, in March, we concluded the migration from OHSAS 18001: 2007 to ISO 45001: 2018, with a recommendation by SGS Perú certifier to obtain certification of compliance with that standard, making us the first cement company nationwide to obtain it.

During the first quarter of the year, we completed setting up the Management System Against Bribery, which was subsequently certified for under ISO 37001 by the Perú Certification outfit that provided an accreditation issued by the ANSI National Accreditation Board (ANAB). The certificate was issued in June for all our sites in Atocongo, Condorcocha, Conchán and Villarán and it is an important milestone our company accomplished in 2019, and confirms our objective to build ever stronger organizational values and culture, and to enforce a policy of zero tolerance for all forms of corruption.

>> Internal audits

We carry out internal audits in all our sites and thereby constantly monitor our system and ensure compliance. In addition, we direct our processes to achieve our goals and comply with our Integrated Management Policy through a series of IMS mechanisms, including indicator-driven monitoring and measurement; internal management audits; regulatory compliance management; customer satisfaction measuring; contractor evaluation; environmental impacts and risks assessments; management of protection, operational and strategic risks; the treatment of identified nonconformities; and Management's IMS reviews.

Our integrated internal audits and contractor audits at Condorcocha allow us to ensure environmental, occupational health and safety, and regulatory compliance. In 2019, we introduced a scheme to penalize failure to comply with environmental, labor and occupational health and safety standards, in order to homogenize our and contractors' norms.

» Quality objectives

The quality objectives focused on the most relevant issues related to external and internal customers, product quality and process performance. Our objectives were set on enhancing customer satisfaction, market share, product availability at points of sale, customer service times, ship loading and unloading rates, product quality and conformance, quality controls, maintenance and logistics performance, and others.

» Environmental objectives

Optimizing waste management, reducing consumption of fuels and electric power, reducing groundwater consumption and remaining below our target specific carbon dioxide emissions in clinker manufacturing rank at the top of our major environmental objectives.

» Health and safety

Our health and safety priorities include optimizing the procedures for energy blocking in machinery and equipment maintenance and other work, as well as better noise management, reducing the accident rate and caring for our workers' health.



» HIGHLIGHTS **2019**

We implemented the Anti-bribery Management System – **ISO 37001**, which confirms our objective to strengthen our organizational values and cultures, and our **zero - tolerance to all forms of corruption.**

Our
3,135

suppliers sold us goods and services worth over **1,398 million soles.**



We reach
1,000 points

of sales of the Progresol network of home improvement hardware stores with a **79.0% rate of customer satisfaction.**



We have trained
128,732
construction master builders and workers

through **1,746** technical talks taught from **2008 to 2018**, thanks to our Building Masters program.

Economic
management

S/ 1,863
million soles
distributed
economic value



Investor services.
Open door policy through one-to-one meetings, conference calls and quarterly publications, together with presentations at seven local and international conferences.



**ISO
37001**

Our Anti-corruption Policy and the Anti-bribery Management System, approved and implemented in 2019, are ISO 37001 certified.



**Code of Ethics
and Conduct (CODEC)**

Our Code of Ethics, based on our corporate values, is our main guideline for our activities and our relations with our stakeholders.



**Comprehensive
Complaints System (SID)**

We have processed 18 anonymous complaints through SID, all of which were investigated and addressed by the Board of Director's Ethics and Conduct Committee.



**Transparency
of our value chain**

We support 21 companies in our value chain to prepare their sustainability reports following GRI standards so they can identify and manage their reputational risks and thus improve their competitiveness.

1.3 Subsidiaries and affiliates

INVECO S.A. / UNICON S.A.

(Ownership: 93.4% INVECO / 100.0% UNICON)

The audited financial statements of UNICON, as of December 31, 2019, show the following results:

- » NET SALES of **S/ 863.7 million**
(S / 751.8 million in 2018).
- » NET PROFIT of **S/ 35.8 million**
(S / 18.3 million in 2018).
- » NET SHAREHOLDER EQUITY of **S/ 369.9 million**
(S / 366.1 million in 2018).

By year-end 2019, UNICON's ready-mix concrete dispatches nationwide had reached 2,267,546 m³, a 9.1% increase over 2018 (2,077,980 m³).

UNICON was actively involved in preparing the Lima 2019 Pan American and ParaPan American Games. In record time, it supplied over 420,000 m³ of ready-mix concrete for the construction and expansion works of games' facilities, and to build new access roads to the games' locations. It also supplied precast concrete elements, namely 46,300 m² of cobblestones and 595,200 block units.

UNICON's performance in 2019 included its pavements unit's remarkable delivery of over 57,000 m³ of ready-mix concrete for high-traffic pavements to resurface the old Panamericana Sur highway, including resurfacing of two segments running from Pedro Miota Avenue to the Conchán oil refinery in Lima's Villa El Salvador district. Additionally, it was involved in the resurfacing

of the Los Héroes road, for which it provided and installed more than 45,000 m³ of ready-mix concrete. This avenue runs from Atocongo bridge to Lima Avenue, across Lima's San Juan de Miraflores, Villa El Salvador and Villa María del Triunfo districts.

For the private sector, UNICON completed the construction of the Real Plaza Puruchuco shopping center, Peru's largest, for which it supplied more than 169,000 m³ of concrete and pumped another 138,000 m³.

In addition, work continued on large local infrastructure projects, such as Line 2 of the Lima Metro, the Toromocho mining expansion project and at Mina Justa mining project.

In May, UNICON received, for the fifth consecutive year, the Socially Responsible Company (ESR®) recognition granted by the Perú 2021 Board of Trustees that fosters social responsibility and sustainable development in Peru.

CONCREMAX S.A.

CONCREMAX is a 100.0% subsidiary of UNICON and currently provides the following products and services:

- » Ready-mix concrete.
- » Pumping services.
- » Prestressed slabs and plates, now under the CONCREMAX brand. This line is comprised of three construction systems: light slabs composed of joists and vaults, honeycomb slabs and, since 2018, concrete precasts.

- » Bagged dry mixes, sold under the UNICON Brand, in four presentations: concrete, mortar, plasters and plastering adhesives, classified by resistance and only requiring adding water on site.

Nationwide, CONCREMAX ready-mix concrete dispatches reached 509,597 m³, a volume 20.0% lower than the dispatch registered in 2018 (635,013 m³).

The audited financial statements of CONCREMAX, as of December 31, 2019, show the following results:

- » NET SALES of **S/ 198.5 million**
(S/ 242.2 million in 2018).
- » NET PROFIT of **S/ 3.3 million**
(S/ 9.0 million in 2018).
- » NET SHAREHOLDER EQUITY of **S/ 76.3 million**
(S/ 81.1 million in 2018).

UNICON ECUADOR CÍA. LTDA.

In July 2017, UNICON became an international company following its acquisition of Hormigonera Quito, now UNICON Ecuador.

UNICON Ecuador employs 134 workers in its three plants located strategically in the south, north and east gateways to Quito, and operates 45 mixer trucks and 20 pumps.

- » North plant: a 16,000 m² facility equipped with two loading docks for concrete, computerized premixing plants for aggregates dosing, mixer trucks, mechanical crushing system, concrete laboratory, pumping equipment and prefab products' equipment. It serves the central-northern sector of the city and the surrounding valleys.

The audited financial statements of UNICON Ecuador, as of December 31, 2019, show the following results:

- » NET SALES of **US\$ 15.2 million** (US\$ 14.5 million in 2018).
- » NET PROFIT of **US\$ 0.03 million** (US\$ 0.2 million in 2018).
- » NET SHAREHOLDER EQUITY of **US\$ 11.7 million** (US\$ 11.6 million in 2018).

- » South plant: its 22,000 m² facility is equipped with a loading dock to serve the southern sector of the city and the Chillos valley.

- » Carcelén plant: In 2019, the operation of this 5,500 m² unit was added to support the North plant. Its loading dock serves the city's northern periphery and nearby valleys.

In 2019, UNICON Ecuador made an important investment to acquire machinery for its new production plant in Carcelén and thus expand its reach to Quito's outskirts.

At the end of a year when the construction industry experienced a significant slide, UNICON Ecuador ready-mix concrete shipments nonetheless reached 162,744 m³, a volume comparable to the 163,744 m³ accomplished in 2018.

UNICON S.A. CHILE

The audited financial statements of UNICON Chile, as of December 31, 2019, show the following results:

- » NET SALES of **US \$ 57.1 million**
(US\$ 56.7 million in 2018).
- » NET PROFIT of **US\$ -1.7 million**
(US\$ -0.5 million in 2018).
- » NET SHAREHOLDER EQUITY
of **US\$ 8.8 million**
(US\$ 9.4 million in 2018).

In May 2018, UNICON acquired 100.0% of the capital shares at Hormigones Independencia S.A., a company focusing on the manufacture, sale, distribution and marketing of ready-mix concrete in Chile.

UNICON Chile serves seven markets in central Chile and operates 10 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). It also owns and operates 114 mixer trucks and leases another 55.

UNICON Chile ready-mix concrete shipments reached 764,383 m³ in 2019, 2.4% higher than 2018's 746,447 m³.

BASF Construction Chemicals Perú S.A.

UNICON owns 30.0% of BASF Construction Chemicals Perú S.A.

BASF is a German multinational company with operations in more than 170 countries, focusing on manufacturing and distributing additives for concrete, as well as masonry adhesives and mortars, grouting for the assembly of industrial equipment, and products for concrete structures repairs, among others.

All segments of the construction chemicals business in BASF Perú, without exception, experienced significant growth compared to 2018, and additives for plant concrete mixing, industrial flooring, waterproofing systems and chemical solutions for underground constructions.

The audited financial statements of BASF Perú, as of December 31, 2019, show the following results:

- » **NET SALES of S/ 86.5 million**
(S/ 82.8 million in 2018).
- » **NET PROFIT of S/ 12.3 million**
(S/ 11.4 million in 2018).
- » **NET SHAREHOLDER EQUITY of S/ 31.6 million**
(S/ 26.7 million in 2018).

Entrepisos Lima S.A.C.

UNICON owns a 50.0% share in Entrepisos Lima S.A.C.

This company supplies precast concrete products as a constructive solution for different structural elements in building and infrastructure projects. Prefab specialists, they are present in the real estate, infrastructure and mining industries nationwide. However, the company's performance in 2019 was adversely impacted by limited infrastructure private and public projects.

The audited financial statements of Entrepisos Lima, as of December 31, 2019, point to the following results:

- » NET SALES of **S/ 21.7 million**
(S/ 25.1 million in 2018).
- » NET PROFIT of **S/ 1.3 million**
(S/ 2.7 million in 2018).
- » NET SHAREHOLDER EQUITY
of **S/ 12.2 million**
(S/ 13.5 million in 2018).

COMPAÑÍA ELÉCTRICA EL PLATANAL S.A. CELEPSA

(Ownership: 90.0%)

CELEPSA earned US \$ 54.8 million net revenues from the sale of energy, power and complementary services in 2019.

A good hydrological year in the Cañete river basin resulted in El Platanal hydroelectric plant producing 1,173 GWh. From the standpoint of annual total energy output in the domestic market, which amounted to 52,889 GWh (a 4.1% increase compared to 2018), places El Platanal as the eleventh largest power company for power output comprised in National Interconnected Electric System (SEIN), with a 2.2% share. Its 4.0% share of hydroelectric output specifically ranks it ninth among electricity outfits.

In 2019, CELEPSA sold 1,598 GWh of energy, of which 610.0 GWh were sold in the regulated market and 988.0 GWh to its customers in the free market. Also, the total power supplied to its customers ranged between a maximum of 181.0 MW and a minimum of 143.0 MW. To meet its contractual commitments, CELEPSA purchases energy from Fénix Power and CELEPSA Renovables, and firm power from UNACEM.

The audited financial statements of CELEPSA, as of December 31, 2019, show the following results:

- » NET SALES of **S/ 258.1 million**
(S/ 223.9 million in 2018).
- » NET PROFIT of **S/ 44.6 million**
(S/ 25.2 million in 2018).
- » NET SHAREHOLDER EQUITY
of **S/ 755.7 million**
(S/ 711.2 million in 2018).

Throughout 2019, CELEPSA was actively involved in discussions with power industry agents and governing bodies on the consequences of oversupply and underdeclaration of natural gas prices, which remain a source of distorted energy prices.

The Capillucas reservoir of El Platanal hydroelectric plant underwent two maintenance activities during the 2019 Cañete river basin high flow season. These operations were carried out as part of the associated environmental monitoring program without inconvenience to nearby communities.

Remarkably, CELEPSA's sustainable performance earned it the top Water Culture Award, in the Blue Certificate category, awarded by the National Water Authority (ANA). For the second year running, it earned the Socially Responsible Company badge awarded by Perú 2021 organization.

CELEPSA Renovables S.R.L. CERE

CELEPSA Renovables S.R.L., in addition to operating the Marañón hydroelectric power plant, continues to assess new renewable energy sources and execute projects.

Located at 2,900 m.a.s.l., near the town of Nuevas Flores, province of Huamalíes, Huánuco region, the Marañón hydropower plant generates 19.9 MW of power, and completed in 2019 its second year of operations, successfully rising to the challenges posed by the exceptional water flow in the Marañón river basin that year.

In 2019, the production of the Marañón hydroelectric power plant, which meets renewable energy standards, reached 139.9 GWh, with net revenues of US \$ 5.2 million from energy and power sales.

Ambiental Andina S.A. AMBIAND

AMBIAND completed six years in operation, mainly providing meteorology and hydrology services nationwide. CELEPSA holds 50.0% ownership.

In 2019, AMBIAND sales slipped 23.6% compared to a year earlier. It failed to accomplish the results expected from the agreement with Rímac Seguros, nor did it win its fifth contract renewal with Enel for hydrology services. Nonetheless, the company did manage to cut service costs by 12.0%, which contributed to the operating profit of the year.

In respect of product development, AMBIAND finalized the new version of the real-time monitoring tool of the main weather and climate events. This version is hosted entirely on an Amazon Web Server. Its new features include the selection of export areas, the calculation of areas and distances, export of selected polygon locations and satellite animations displayed against a Google map background.

SKANON INVESTMENTS, INC. / DRAKE CEMENT, LLC

(Ownership: 96.5% of Skanon Investments / 94.1% of Drake Cement)

UNACEM has direct and indirect control of 96.5% of the shares of the subsidiary Skanon Investments, which, in turn, owns 94.1% of Drake Cement and 100.0% of the companies grouped under the Drake Materials brand.

The Portland Cement Association (PCA) estimates the Arizona cement market slumped 11.0% in 2019 compared to a year before (in 2018 it grew 21.5% over 2017).

Drake Cement's clinker output totaled 601,206 short tons (st), 0.4% higher than the 598,725 st produced in 2018. In 2019, the plant's clinker utilization rate reached 88.0% (84.0% in 2018).

During this year, Drake Cement sold 628,437 st of cement (664,589 st produced in 2018), or a 5.4% decrease (equivalent to 36,152 st). It is important to mention that, in 2018, total sales were 799,657 st, including 135,069 st that were not produced by Drake Cement, but rather marketed through Drake Cement acting as intermediary. With this fact in mind, volume effectively dropped 21.4% (or 171,220 st) compared to 2018.

Drake Cement significantly reduced its dependence on sales to its California Portland Cement (CPC) client, a subsidiary of Taiheyo Corporation of Japan. Cement shipments fell from 540,286 st in 2018 to 222,255 st in 2019, or a 59.0% drop in sales to CPC, despite which Drake Cement's total sales volume in 2019 only slipped by 171,220 st over 2018.

Revenue-wise, Drake's average selling price was 9.4% higher in 2019, rising from US \$ 90.0 per st in 2018 to US \$ 98.4.

Drake Cement's share of the Arizona market was estimated at 23.0%, compared to 21.5% in 2018 (or 27.0% considering the 135,069 st of cement sold but not produced by Drake Cement).

In 2019, Skanon consolidated its results through integrated management of the companies that make up its business in the US. In addition to consolidating the results in cement, it achieved better results in ready-mix concrete and aggregates, and recorded a total EBITDA of US \$ 17.6 million, higher than the US \$ 9.6

The audited consolidated financial statements of Skanon Investments, as of December 31, 2019, show the following results:

- » NET SALES of **US \$ 132.0 million**
(US\$ 125.9 million in 2018).
- » NET INCOME BEFORE TAXES of **US \$ -7.6 million**
(US \$ -14.8 million in 2018).
- » NET SHAREHOLDER EQUITY of **US\$ 254.6 million**
(US\$ 202.2 million in 2018).

million reached in 2018, with new records in clinker and ready-mix concrete output, as well as sales of ready-mix concrete and aggregates.

Likewise, its debt for the services received and loans granted by both UNACEM and our subsidiary ARPL Tecnología Industrial S.A., as of September 30, 2019, for a total of US \$ 60,013,977, was capitalized in Skanon.

PREFABRICADOS ANDINOS PERÚ S.A.C. PREANSA PERÚ

(Ownership: 50.0%)

PREANSA Perú, and the local industry as a whole, sailed through a rough 2019 signaled by political and economic instability that delayed or halted many projects planned for this period.

However, all the works for the Lima 2019 Pan American and Parapan American Games were completed, demonstrating construction with prefabricated products can meet goals that the traditional system would not achieve in terms of time and resource efficiency. Likewise, the works of the new IC y P plant, wells 19 bis and 24 for of the Lima Metro, and the Makro project in the city of Trujillo were successfully completed. Moreover, Lima Metro's Line 2 ordered the manufacturing and assembly of wells 19, 25 and 26 scheduled for 2020.

PREANSA Perú obtained ISO certification for Occupational Health and Safety (ISO 45001), Quality (ISO 9001) and Environment (ISO 14001), which will allow it to respond to the needs of its clients with the highest management standards.

The audited financial statements of PREANSA Perú, as of December 31, 2019, show the following results:

- » NET SALES of **S/ 12.2 million**
(S/ 30.6 million in 2018).
- » NET PROFIT of **S/ -4.4 million**
(S/ 1.0 million in 2018).
- » NET SHAREHOLDER EQUITY
of **S/ 37.7 million**
(S/ 42.2 million in 2018).

Completed assemblies resulted in turnover of S/ 11.2 million and total 1,705 m³ output.

PREFABRICADOS ANDINOS S.A.S. PREANSA COLOMBIA

(Ownership: 100.0% by PREANSA Perú)

In 2019, PREANSA Colombia kept promoting prefab systems, for both the infrastructure and construction lines. Projects launched in 2018 continued with the manufacturing of beams and pre-slabs for the Mar 1 Road Concession project, 50.0% of which had been completed by year-end 2019.

On the other hand, the company launched a line of standard products for use on public roads' construction, including light prefab elements such as manholes, low-weight concrete slabs, sumps and others, to create sales complementing other various projects at the Bogotá plant.

PREFABRICADOS ANDINOS S.A. PREANSA CHILE

(Ownership: 51.0%)

PREANSA Chile won contracts in 2019, for an equivalent of US \$ 31.0 million, a historical record, for a total of 65,777 m³ of prefab concrete elements.

The company is working on the two most important private investment projects in mining and energy in Chile, totaling US \$ 33.2 million: the expansion of the Quebrada Blanca mine of Teck mining and the manufacture of keystones for Tunnel Boring Machine (TBM) tunnels of the Alto Maipo hydroelectric project for the Strabag construction company. Progress in the latter now at 20.0% required expanding output at the Til-Til plant from 1,200 m³ monthly to 4,500 m³ in December.

Several building and structure projects were contracted throughout 2019, as well as from other in-house business units catering to the retail outfits business. Among the most significant is the Talca Colín Outlet Mall of the Santa Fidelmira Real Estate Group, the largest shopping center built entirely with prefab elements.

The audited financial statements of PREANSA Chile, as of December 31, 2019, show the following results:

- » NET SALES of **S/ 63.0 million**
(S/ 35.2 million in 2018).
- » NET PROFIT of **S/ 0.6 million**
(S/ -0.7 million in 2018).
- » NET SHAREHOLDER EQUITY
of **S/ 5.4 million**
(S/ 7.1 million in 2018).

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

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

A complex economic and political 2019 in Ecuador was marked by the elections of local authorities and the government's efforts to launch a program of fiscal consolidation and economic recovery to access financing from the International Monetary Fund (IMF) and other multilaterals.

In October, the proposed elimination of the subsidy for premium and diesel fuels led to a 12-day national shutdown, the declaration of a state of emergency and economic losses of US \$ 821.0 million. Eventually, this measure was revoked.

Central Bank of Ecuador figures show the construction sector was one of the most adversely affected, having slipped an estimated 3.9%. The cement market suffered the greatest impact.

Despite domestic economic and social difficulties, UNACEM Ecuador preserved its market share and focused its efforts on strengthening its national distribution network through loyalty building programs accompanied by an energetic Selvalegre brand positioning campaign and stimulus to the UNACEM corporate brand.

In 2019, moreover, UNACEM Ecuador remained committed to the growth and development of the Ecuadorian construction industry, and invested US\$ 12.7 million in innovative technology to increase cement grinding capacity by 50 tons per hour and thus, thanks to its diversified product portfolio, better respond to its customers' needs in periods of greatest demand.

In regards of industrial safety, the management system of UNACEM Ecuador was recognized by the Ecuadorian Social Security Institute for its focus on prevention, control and continuous improvement of all processes.

UNACEM Ecuador's responsible environmental management approach remained focused on identifying alternative fuels and recycling of raw materials for use in cement making. In addition, in 2019, it renewed its cooperation agreements with neighboring communities to continue executing various infrastructure, education and health community-based projects and to create opportunities for economic development and environmental conservation.

The audited financial statements of UNACEM Ecuador, as of December 31, 2019, show the following results:

- » NET SALES of **US\$ 140. million**
(US\$ 155.5 million in 2018).
- » NET PROFIT of **US\$ 27.7 million**
(US\$ 33.7 million in 2018).
- » NET SHAREHOLDER EQUITY of **US\$ 94.3 million**
(US\$ 100.3 million in 2018).

In 2019, it trained and educated its staff and main suppliers and customers on its Code of Conduct by creating an online platform, and launched its comprehensive compliance program, to be implemented starting in 2020.

CANTERAS Y VOLADURAS S.A. CANTYVOL

CANTYVOL is a subsidiary of UNACEM Ecuador S.A. focusing on the extraction and marketing of raw materials for cement manufacturing. It operates three active mining concessions, namely Cumbas (puzzolana), Pastaví (clay) and Selva Alegre (limestone).

During 2019, CANTYVOL produced 252,360 t of pozzolana, 171,203 t of clay and 905,127 t of crushed limestone. At the end of the year, operations reached 2,811 days without accidents, equivalent to 7.7 years of operations.

CANTYVOL confirmed its commitment to the highest environmental standards in managing all activities at its mining concessions. Its ISO 14001: 2015 Environmental Management System, certified by the international firm SGS, confirms its processes are environmentally responsible.

The audited financial statements of CANTYVOL, as of December 31, 2019, show the following results:

- » NET SALES of **US\$ 6.9 million** (US\$ 7.7 million in 2018).
- » NET PROFIT of **US\$ 0.4 million** (US\$ 0.5 million in 2018).
- » NET SHAREHOLDER EQUITY of **US\$ 3.5 million** (US\$ 3.5 million in 2018).

ARPL Tecnología Industrial S.A.

(Ownership: 100.0%)

On January 1, 2019, UNACEM acquired 100.0% ownership by absorption of ARPL Tecnología Industrial S.A., a provider of technical assistance and project technology services to UNACEM and its subsidiaries.

Over time, ARPL has ventured into a range of projects in the cement industry's production chain, related, for example, to hydroelectric plants, thermal power plants, materials processing plants (coal), concrete and aggregate plants, among others. It has also been involved in the Conchán pier project and the Atocongo-Conchán underground tubular conveyor belt for bulk

materials' transport, applying its engineering savvy for the sustainable development of its customers and to create value along its three sustainability axes, i.e.: economic, environmental and social.

In addition, it runs its own materials testing laboratory, accredited before the National Institute of Quality (INACAL) for its quality assurance system pursuant to ISO / IEC 17025 and provides support and maintenance services for computer systems and software development to UNICON and its subsidiaries.

The audited financial statements of ARPL Tecnología Industrial S.A., as of December 31, 2019, show the following results:

- » NET SALES of **S/ 38.4 million.**
- » NET PROFIT of **S/ 9.9 million.**
- » NET SHAREHOLDER EQUITY of **S/ 42.0 million.**

Vigilancia Andina S.A. **VIGIANDINA** (Ownership: 55.5%)

On January 1, 2019, UNACEM acquired 100.0% of the shares of VIGIANDINA, 55.5% directly and 44.5% through ARPL, as a result of the merger with Inversiones Andino S.A. and Inmobiliaria Pronto S.A.

VIGIANDINA is a private surveillance company with 28 years of experience and recognized track record, which provides security services to protect the property and integrity of the facilities and personnel of the different companies of our economic group.

VIGIANDINA's main business units include private surveillance and personal protection services. In addition, it offers its clients electronic security services, such as security camera monitoring and operation of alarm management centers, as well as security studies, advice and consultancy.

VIGIANDINA focuses its operations in Metropolitan Lima and the adjoining port Constitutional Province of Callao, and partially supports its clients' operations in some provinces of the Lima, Junín and Ica regions (states).

Its Integrated Management System strives for continuous improvement resulting in its strategic plan to address issues of quality, safety and health at work, and the environment. Noteworthy, this year it recertified its international ISO 9001: 2015 Quality Management System, OHSAS 18001: 2007 Occupational Health and Safety Management System, and ISO 14001 Environmental Management System: 2015 norms and standards, in addition to the BASC certification.

As for VIGIANDINA's revenues, 67.8% originated in its contracts with related companies, while the remaining 32.2% come from contracts with third parties, with a portfolio of clients from different sectors, such as construction, education, power generation, buildings and sports and social clubs.

The audited financial statements of Vigilancia Andina S.A., as of December 31, 2019, show the following results:

- » **NET SALES of S/ 45.3 million.**
- » **NET PROFIT of S/ 0.9 million.**
- » **NET SHAREHOLDER EQUITY of S/ 5.8 million.**



ONGOING PROJECTS



2 ONGOING PROJECTS

Throughout 2019, we continued preparing the engineering studies for our strategic projects, some of which are planned for 2020 and others for the medium term. Likewise, small-scale projects as well are underway focusing on new technologies and increasing efficiencies, comprised in our strategic plan towards the year 2021.

Investment is likewise ongoing on public infrastructure projects through the Works for Taxes scheme, mainly in the areas of influence of our Atocongo and Condorcocha plants.

2.1

Condorcocha clinker yard

Construction of the second stage of the project was ongoing in 2019, aimed at enclosing the clinker yard of our Condorcocha plant, for a total storage capacity of 130,000 t of clinker.

2.2

Migration of control systems at Condorcocha's kiln 2

During 2019, contractors ended manufacturing the components for this project scheduled for the first half of 2020.

The project includes modernizing the current control system of the kiln 2 production line at the Condorcocha plant, including updating of software and hardware, to optimize the system and ensure its reliability.

2.3

Modernization of the kiln 2's cooler and bag filter in Condorcocha

In 2019, we completed the engineering studies for the procurement of the equipment and carried out the second stage of the preliminary civil works of this project, consisting in modernizing the cooler for the clinker kiln 2 and installing a new dust removal system.

This project, which will allow us to operate more efficiently in terms of our energy consumption and environmental management, began its final stage of construction and implementation planned for January 2020 and to be completed in June.

2.4

Firefighting system in electrical substations in Atocongo and Condorcocha

In Atocongo, we launched the second stage of this project and, in Condorcocha, we started preparing the project's engineering to set up fire protection systems in strategic industrial areas and the administrative offices of both plants.

This system includes installing early fire hazard detection, alarm and extinguishing devices using clean agents (FM200 gases).

2.5

Modification of the multi-silo chamber

In December 2019, the modification started of the unloading system of one of the four lateral chambers of the cement multi-silo at the Atocongo plant, for a 20,000 t storage capacity.

This modification pursues the ongoing optimization plan and efficiency improvements in this system to feed the bulk and bagged cement dispatch points, to better serve our clients in this process.

2.6

Environmentally friendly limestone conveyor belts Manchay to Atocongo

Engineering studies started for this project, aimed at putting in place a belt conveyor system running along underground tunnels over a total length of 7 km.

The objective of this installation is to ensure the safe, efficient and sustainable transport of the limestone reserves available in our Silencio 8 quarry, located in Manchay, to our Atocongo plant.

2.7

Works for Taxes

» Sanitation system for Condorcocha town

This project involves setting up a water treatment, sewage network and wastewater treatment system for the people of Condorcocha, a town located next to our plant, for the benefit of a total of 1,200 inhabitants at an investment of approximately S/ 5.0 million.

In 2019, we prepared the standard technical file for this project, currently under review by the technical team at the National Rural Sanitation Program (PNSR) attached to the Ministry of Housing, Construction and Sanitation. Once the review concludes, the project will be declared feasible and, subsequently, the corresponding agreement with the government body will be ready for signing under the Works for Taxes scheme. After this, preparing the technical file and subsequent construction will begin.

» Punta Rocas High Performance Surf Center

This project comprised the building of a surfing training center for high level national and international competitive athletes (CAR), as part of the facilities built for the Pan American and Parapan American Games Lima 2019 and their subsequent transfer.

The project was completed in December. UNACEM participated with 5.0% of the total budget, as member of the CAR Punta Rocas consortium set up through an agreement with the Organizing Committee of the XVIII Pan American and Parapan American Games Lima 2019 (COPAL) along with five other Peruvian companies. The consortium in charge of the project invested approximately S/ 39.0 million.

» HIGHLIGHTS 2019

We took part in the construction of the Punta Rocas High Performance Surf Center, a component of the infrastructure built for the Lima 2019 Pan American and Parapan American Games.



STAKEHOLDERS



3. STAKEHOLDERS

In 2019, we continued strengthening our long-term relationships in line with our Sustainability Policy to “promote dialogue and transparency in the processes and procedures around our practices, and reporting and communicating the results of our efforts to our stakeholders with a view at building further trust.”

Main stakeholders >>

UNACEM and Asociación UNACEM are jointly committed to accomplishing the United Nations Sustainable Development Goals (SDGs) by enhancing all elements of our corporate management, namely economic, social and environmental. Through the Asociación UNACEM model, we work closely with government, industry, civil society, international cooperation and academia to consolidate our corporation as an agent of change and sustainable development in UNACEM's areas of influence, to achieve concrete results.





**CREATING VALUE
WITH OUR TEAM MEMBERS**

**»» TERESA
ASCA**

Cost Accounting

"I am with UNACEM for almost 40 years and I only have words of gratitude. UNACEM is a company that takes care of its team members, their well-being, and their safety. They have formed me and they have helped me raise my family."

3.1 Our team

The members of our team are a center piece in preserving UNACEM leadership in its industry. We are committed to their development and strengthen their capacities, both professional and personal, in a safe and healthy work environment.

In 2019, we employed a total 862 workers, including those enrolled in job training programs. Likewise, we foster local contracting with utmost respect for the principles of fair and equal opportunity.

Our standardized personnel selection process aims at ensuring new workers have the required skills for the tasks they will perform. In addition, we have a competency management model for job profile review, recruitment and selection, performance evaluation, and development and training of our team.

Management strictly stands by the principles of respect and promotion of equal opportunities, without discrimination of any kind and as set forth in our Labor Regulations, our Code of Ethics and Conduct (CODEC) and our Anti-Corruption Policy.

In 2019, the training program kept its focus on occupational health and safety, a priority throughout our company. Our long-term goal is to build a culture of "zero accidents." In addition, in the search to foster prevention and innovation, since April 2019 we have implemented, together with Asociación UNACEM, a

project called "Interactive occupational health and safety training classroom", whose objective is to build skills and competencies among both our and our contractors' workers to enhance awareness in preventive safety. Total trainees to date number above 3,400 workers.

Team members by categories

Classification	Lima		Junín		Total
	Men	Women	Men	Women	
Administrative	171	59	73	3	306
Employees	85	25	46	2	158
Laborers	146	0	187	0	333
Labourer training	28	30	4	3	65
Total	430	114	310	8	862

» HIGHLIGHTS **2019**

Together with Asociación UNACEM, we implemented the “Interactive labor health and safety classroom” to reach our objective of creating a “zero accident” culture.

Hours of training by job classification

Classification	Gender	No. Hours	Avg. Hours
Administrative	Female	2,842	45.8
	Male	14,286	58.5
	Total	17,128	
Employees	Female	581	21.5
	Male	3,417	26.1
	Total	3,998	
Labourers	Female	0	0
	Male	10,886	32.7
	Total	10,886	
Total		32,012	40.2

Likewise, the CrossKnowledge e-learning suite for managerial skills training continued to be used and is now extended to the supervision management line, with a focus on strengthening five organizational competencies, namely, vision and purpose management, people development and quality of decisions, result-driven approach, customer focus and change management.

In addition, the Instituto UNACEM, whose objective is to take advantage of the learning synergies of our cement plants in Perú and Ecuador, taught its first three programs in 2019 at the Atocongo and Condorcocha plants for cement engineers, kiln operators and quality analysts.

In addition, we provided a total of 32,012 hours of training to our employees, or 40.2 person-hours on average per worker (29.8% more than in 2018).

Throughout 2019, we strived to build good relations with our two unions, based on a respectful, transparent and free dialogue seeking mutual benefit. Collective agreements with both unions are presently in force.

Our agreement with Sindicato Único de Trabajadores de Unión Andina de Cementos S.A.A., at Condorcocha plant, remained in force until December 2018. In January 2019, contract bargaining started that resulted in the signing of a mutually satisfactory agreement for both parties in May. The agreement will remain in force until December 2021.

An agreement was signed likewise with the Sindicato de Trabajadores de Unión Andina de Cementos S.A.A. – Atocongo quarries in July 2018 that will remain in force until June 2021. Harmonious relations with our labor unions reflect our mutual commitment to achieve the objectives sought by workers and the Company.

3.2

Occupational health and safety

Occupational health and safety are one of our most important commitments. Therefore, we continue working to promote a culture of "zero accidents" in all our operations and to become a reference in occupational health and safety at the national level. It is an ambitious goal that we will nevertheless try to attain in the shortest possible time.

During 2019, we continued to strengthen our Occupational Health and Safety Management System built on nine pillars in our search to improve our practices to minimize the risks involved in our activities.



The Central Committee for Safety and Health at Work is comprised of members elected for a period of 2 years by parity vote of management and workers of both plants, to ensure full representation. The sitting committee took office in August 2019.

Our Occupational Health and Safety Training Plan featured the following proactive initiatives:

- » Planned work observation (PWO)
- » 5-minute safety talks
- » Inspections of the Central Committee of Safety and Health at Work
- » Visible leadership interventions (VLI), to motivate staff by example to work safely
- » Security training

As of April 2019, occupational health and safety onboarding is performed for all new workers (both ours and contractors') in our interactive classroom. Training activities are also carried out there, such as mining onboarding on mining and transport operations, and LOTOTO (Lock Out, Tag Out, Try Out) energy isolation standards, to accomplish outstanding management and significant achievements in reducing accident frequency and severity rates.

In 2019 our health program, aimed at providing our employees with preventive and healthcare medicine through occupational medical exams, follow-up of the occupational health plan, cancer prevention checkups and the healthy food program.

Accident frequency and severity rates

	Atocongo plant		Condorcocha plant		Total	
	2018	2019	2018	2019	2018	2019
Frequency Index	4.8	2.4	3.1	1.3	4.3	2.0
Severity Index	49.1	36.7	62.9	21.9	53.3	31.1
Incident and Occupational Disease Rate	0	0	0	0	0	0
No. of Fatal Victims	0	0	0	0	0	0

Environmental management



Reducing emissions

120,000 tons/year
less of greenhouse
effect gas emissions

from our Atocongo plant thanks to the partial use of natural gas in product manufacturing.

For the second year in a row, we received the

Blue Certificate

awarded by the National Water Authority in recognition of our water stewardship efforts in the Condorcocha plant.



We reuse
or recycle
86.0%

of the solid waste
we generate.

We stopped emitting:

500,000 tons CO₂
by reducing by 55.0% the
clinker/cement ratio

in manufacturing of special additives Apu and Andino Ultra HS cements since 2010.

We remediated

4.8 ha

of hill land using local labor in the 500 dump site, in Pachacamac.



3.3 Environmental management

Our environmental commitment is aimed at enhancing our operations' efficiencies and reducing their environmental impacts. We have a formal environmental and social complaints and claims mechanism, that provides a registration and communication channel for direct contact with our stakeholders. In 2019, all complaints and claims were addressed and resolved following established procedures.

Our priority is to reduce emissions of particulate matter (PM) below the Maximum Permissible Limits (MPLs), and CO₂ greenhouse gas emissions per ton of cement output, as well as reduce our energy and water consumption in order to improve our environmental management.

At UNACEM we are committed to a responsible and sustainable industry through the National Appropriate Mitigation Actions (NAMAs), with which we seek to contribute voluntarily, as a private sector outfit, to meet the challenge of climate change. Thus, together

with the Ministry of Production and the cement industry (represented by ASOCEM), we have worked on preparing the "NAMA for the cement industry" and identified the first four objectives of our industry:

- » Reduce the clinker / cement factor.
- » Achieve energy efficiency with best practices in energy use.
- » Measure, review and verify the reduction of emissions resulting from these measures.

We are presently evaluating measures and actions, collecting data (waste market, feasibility of coprocessing), and determining the policies needed to implement these initiatives. We are committed to actively and permanently supporting these measures.

Our environmental management efforts proceed along four lines of action:

- » **Environmental quality:** management of significant environmental issues, emissions, maximum permissible limits and responsible management of water and solid waste.
- » **Natural and cultural resources:** management of biodiversity and archaeological resources, and optimized use of raw materials through geological, archaeological and environmental studies.
- » **Environmental certifications:** design and approval of instruments such as environmental impact studies (EIA), environmental impact statements (EIS) and technical support reports (TSR) of our activities, and ISO 14001 compliance.
- » **Capacity building:** commits to and aligns, through knowledge and training, behaviors to promote environmental and natural resource the preservation and stewardship.

Emissions management, climate change and resource use

At UNACEM, we continue working to reduce the levels of concentration of particulate matter and CO₂ emissions per ton of cement output through the following measures:

- » Installing modern particle collection systems, such as electric scrubbers and bag filters, with 99.9% dust collection efficiencies.
- » Controlling our operations' gas and particles emissions, as well as the quality of air in the areas around our facilities. Monitoring findings are compared against Maximum Permissible Limits and the Environmental Air Quality Standards and reported to the competent environmental authority.
- » Determining our carbon footprint has allowed us to gauge the emissions generated by our corporation's cement manufacturing activities, including indirect emissions from the personnel transport service and electricity consumption, among other activities.
- » Honoring the commitments made through our environmental instruments, including reduction,

mitigation, prevention and control measures in our industrial, generation, mining and port activities.

- » Auditing monitoring results by Perú's Environmental Assessment and Control Agency (OEFA).

We are aware that our process requires large amounts of thermal and electrical energy, so we seek to adopt

technology improvements destined at reducing energy consumption.

To this end, in 2018 we adopted the Getting the Numbers Right (GNR) reporting standard promoted by the Cement Sustainability Initiative (CSI) that provides industry a standardized methodology to estimate CO₂ emissions and energy consumption.

CO₂ emissions and energy consumption

	Atocongo plant	Condorcocha plant
Greenhouse effect gas emissions (CO ₂ eq kg / t cement equivalent)	615	798
Clinker / cement ratio	0.86	0.89
Specific caloric consumption (kcal/kg clinker)	732	872

- » In **Atocongo**, an average consumption of 89.6 kW-h per t of cement equivalent, within the target set of 94.0 kW-h per t of cement produced.
- » In **Condorcocha**, an operation that is at 3,950 m.a.s.l., an average consumption of 158.5 kW-h per t of cement equivalent, meeting the stated goal of 165.0 kW-h.

Of the total energy consumed in both plants, 95.0% came from renewable sources, either from our Carpapata I, II and III hydroelectric power plants or from the El Platanal hydroelectric plant, operated by our CELEPSA subsidiary. In Condorcocha plant, renewable sources provide 100.0% of the energy used.

Although our products are manufactured through dry processes requiring little water, we recognize that water is a scarce resource and that we have an

Electric power consumption (gigajules)

	Atocongo plant	Condorcocha plant
El Platanal hydropower plant	1,409,220	473,833
Atocongo thermal power plant	148,088	—
Carpapata I, II and III hydropower plants	—	627,599
Total	1,557,308	1,101,432

obligation to take care of it. Therefore, we have the Responsible Water Management Program in all our industrial, mining, port and energy facilities. This program includes monitoring the quality of surface and ground water and effluents, through a certified

consultancy that certifies the quality of water in our plants, quarries and camps, and is comprised as well of a series of activities for the reduction, reuse and efficient use of water resources.

Water use and management

	Atocongo plant (m ³)	Condorcocha plant (m ³)
Total water consumption	417,100	223,169
Total groundwater consumption	417,100	—
Total fountain and ravine water consumption	—	223,169
Total residential water consumption	219,304	125,534
Total water consumption for manufacturing and mining	197,796	97,635
Total reused water	106,003	107,293
Percent water reused	25,4	48,1


Our Responsible Water Management Program is enforced at all our manufacturing, mining, port and electric power facilities, including various **efficient water consumption, use and reutilization initiatives.**

In addition, in 2019, based on the ISO 14046 methodology, we updated our water footprint study for cement manufacturing at the Atocongo plants (76.9 l / bag of cement, that is, 1.81 l / kg of cement) and Condorcocha (62.2 l / bag of cement, that is, 1.46 l / kg of cement)

respectively. The measurement of the water footprint considers direct consumption in the production process, the supply chain and indirect use (energy, transport, materials). The latter is among the factors impacting the measurement at the Condorcocha plant, located at

3,950 meters above sea level, offset by the greater direct consumption of electrical energy from the Carpapata I, II and III hydroelectric plants.

"NOSOTROS
CUIDAMOS EL
MEDIO AMBIENTE"

Solid waste management

We encourage reducing, reusing and recycling solid waste. In 2019, we updated the objectives of our Integrated Management System, both for the management of water and effluent consumption, and to reuse of our waste, and set stricter goals to improve our environmental management.

In Atocongo, the Conchán pier and at the mining concessions, non-tradable waste is delivered to solid waste operating companies for final disposal. Previously, we have ensured these companies are authorized by the Ministry of Environment (MINAM). In Condorcocha, we have an authorized landfill for final disposal of non-marketable non-hazardous waste.

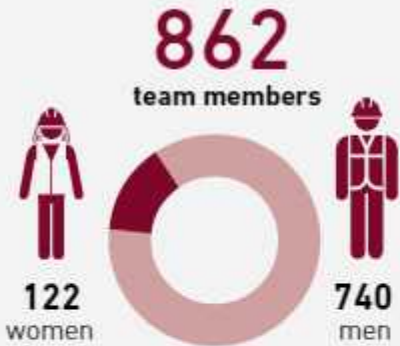
Waste management

Method	Atocongo plant		Condorcocha plant	
	t	%	t	%
Non-hazardous waste	3,916	100.0	966	100.0
Reutilization	1,866	47.6	84	8.7
Recycling	1,313	33.5	484	50.1
Composting	193	4.9	222	23.0
Total recycled no-hazardous waste	3,372	86.1	791	81.9
Waste dump	543	13.9	175	18.1
Hazardous waste	238	100.0	108	100.0
Recycling	28	11.8	49	45.7
Stabilization	–	–	3	2.5
Encapsulation	–	–	1	0.9
Waste dump	210	88.2	55	50.9

» HIGHLIGHTS 2019

We joined the **Dow Jones Sustainability Index MILA Pacific Alliance**, an important index tracking corporations' economic, social and environmental performance.





Goal to 2021:
Become a nationwide benchmark
on occupational safety
and health (OSH)



Accident frequency
indicator down from
4.3 to 2.0

11,400 hours on
OSH training.

3,400 workers
trained through the
interactive classroom to
raise awareness on
preventive safety.

**Visible leadership
Interventions:**
4,488 at Atocongo plant
2,080 at Condorcocha
plant.

**Implementation of
LOTOTO and TEA (1),**
two new safety
standards.

**100% of 5-minute
daily talks** to
administrative and
operational personnel.

**Five awareness
raising campaigns:**
sun protection, safety
belts, order and cleanli-
ness, active pauses at
work, and "stop, think,
act".



70,000

persons
benefitted from private social
investment projects in our plants'
areas of influence.



Social management

Annual Training and Education Plan (PACE)



24,231
training hours taught.

CrossKnowledge
e-learning management
skill building platform implemented.

† LOTOTO: lock out, tag out, try out. TEA: height work.



22,000

bags of cement were
donated for community
and school facilities
projects.



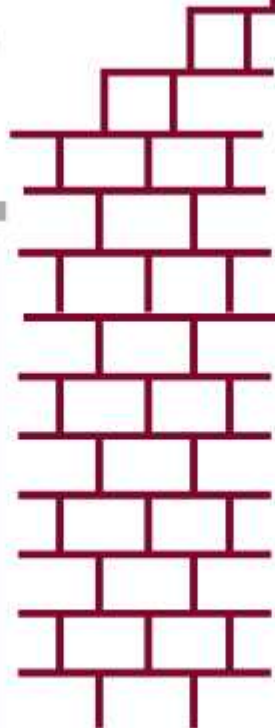
78.0%

of 614 children
between 6 months
and 5 years targeted
by the **anemia
detection and
eradication
campaigns** overcame
their condition.



3,373

residents in our areas
of influence joined our
**educational, art and
sports workshops.**



17,000

residents benefitted
from our support to **72
local community devel-
opment and cultural
identity strengthening
initiatives.**



355

**neighboring commu-
nities' representa-
tives** strengthened
their leadership skills
through trainings and
technical assistance
initiatives.



**Works
for taxes:**

High performance
surfing training center
as members of the
Punta Rocas CAR
Consortium.
**Investment:
S/ 1.9 million.**

3.4 Neighboring communities' development

Through Asociación UNACEM, we enforce the sustainability strategy with the communities in five areas of action:

- » Social infrastructure
- » Health
- » Education
- » Environment
- » Community relations

Area of influence

Our areas of direct influence include five districts in Lima and three in Tarma.

Atocongo plant – Lima

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

Condorcocha plant – Tarma

- » La Unión Leticia: Condorcocha population center and Chancha and Huancayo Sacsamarca peasant communities
- » Palca
- » Acobamba

Main community outreach projects and initiatives

Through **Asociación UNACEM**, we promote private social investment projects for positive impacts in our neighboring communities. Our policy also supports and sponsors local initiatives, with a priority on development efforts aligned with the UN's SDGs. Likewise, we facilitate multisectoral alliances for sustainable development, which allows leveraging technical, economic and logistic resources, in addition to our company's contribution. In this way, we enhance community and civil society's involvement to improve overall quality of life.

» SOCIAL INFRASTRUCTURE

In Atocongo:

- » 32 communal works, thanks to the donation of 10,524 bags of cement; 462 residents contributed their unskilled labor and 30 residents with skilled labor, benefiting 23,425 people.
- » Eight educational institutions received a donation of 1,363 bags of cement. A total of 220 people, including residents and parents, contributed unskilled labor, for the benefit of 5,785 students.
- » Support for five community projects executed by the local government, with a total donation of 3,166 bags of cement. Participation of 125 residents with unskilled labor and 1widents with skilled labor, benefiting 7,755 community residents.
- » Five families benefiting from the Techo Propio home ownership National Program received a 150-cement bag donation used to reinforce the plots where their housing modules were built.

In Condorcocha:

- » 22 community projects received 4,619 bags of cement and other materials in donation while 285 residents contributed unskilled labor for the benefit of 30,595 residents.
- » Eight educational institutions supported by the donation of 2,808 bags of cement; 65 residents and parents contributed unskilled labor, benefiting 2,766 students.
- » Support in consulting for a project to be executed under the Works for Taxes scheme in Junín. The project drew the contribution of 121 persons' skilled and unskilled labor, benefiting 9,150 people.

» Health

- » We promote healthy lifestyles and practices in families, as well as stronger health facilities, in partnership with community organizations and the Ministry of Health (MINSA), through the Healthy Communities program. We provided more than 20,000 preventive health and education attentions, among several other projects.
- » 614 children between six months and five years of age benefited from anemia control and reduction interventions, resulting in recovery of 78.0% of reported cases. In Lima, we work with nine grassroots organizations at Tablada de Lurín and Virgen de Lourdes, in Villa María del Triunfo; and of the Picapiedra, Quebrada Verde, Guayabo, Santa Anita, El Manzano, San Valentín and Virgen de Guadalupe rural communities in Pachacámac, where we deliver talks and educational sessions, and have reached a total of 500 parents. In Junín, we work with health facilities in the district of La Unión Leticia and other territorial allies such as the Cuna Más daycare national program. Our lectures and educational sessions reached 85 families in Uchuracra, Cuyruhuasi, La Unión Leticia and Condorcocha.

» Education

We promote sports and artistic skills building and pedagogical, technical and entrepreneurial abilities among the people in our areas of influence. Likewise, we foster the development of their personal and social skills, in addition to the good use of free time.

In Atocongo:

- » 318 youth and adults from Lima's south side were trained in buffet and pastry-making specialties, as beauticians, handicrafts makers, and in silkscreen printing and electronics. In addition, 18 entrepreneurs received specialized business advice for their businesses.
- » 3,120 students attended 131 artistic and sports workshops throughout the year, through the Arts, Culture and Sports program.

In Condorcocha:

- » 84 women from the communities of La Unión Leticia and Tarma strengthened their textiles-related technical and productive skills.
- » 253 children and adolescents strengthened their school performance and their leadership and sports skills at 10 workshops.
- » 184 students and 26 teachers from seven elementary schools in the district of La Unión Leticia strengthened their reading comprehension skills and their use of information and communications technologies (ICT) to improve their learning, through the Integration of Technologies Information and Communications program.
- » 209 students and 23 teachers from nine primary education schools in La Unión Leticia strengthened their learning and teaching abilities and skills through the Teachers' Digital Inclusion program.

» Environment

Our Community Environmental Program fosters better environmental stewardship in our neighboring localities, in alliance with the local communities and local and sectorial authorities.

In Atocongo:

- » We trained 35 environmental leaders for internal and institutional strengthening of the Zonal Environmental Committees (CAZ) to teach eight training workshops.
- » 932 residents attended comprehensive solid waste management workshops in the communities in UNACEM's areas of direct influence. Teachers, students and parents were sensitized at practical workshops on plastic bags fusion, sustainable basketry, bottle broom making and compost making.
- » As members of the technical team of the Municipal Environmental Commission of Villa María del Triunfo, we participate in community awareness environmental fairs and in the TECNORECICLA fair, an activity promoted by the Metropolitan Lima Municipality.

- » Maintenance of 7.5 km of green areas along the center road separators of Lima and María Reiche avenues, in the districts of Villa María del Triunfo and Villa El Salvador.

In Condorcocha:

- » We assisted and accompanied the municipality of La Unión Leticia to meet Goal 3 of the Ministry of Environment for solid waste management. Equipment financed by the municipal social infrastructure department (70.0%) and UNACEM (30.0%) helped to improve access to and level the ground to build the solid waste treatment plant for La Unión-Leticia.
- » 303 pine trees were planted (buttressed) in the Antachuccho sector in Condorcocha town, together with 15 members of the Condorcocha Livestock Group.

» Community relations

In order to preserve our good relationship with our communities, we strengthen, manage and monitor our links with the people, and their organizations and other local organizations near our areas of operation. Our goal is to establish bonds of trust and cooperation that contribute to sustainable development. In 2019, our local initiatives directly benefitted over 17,000 people.

We include the detail of our sustainability management and the results of Asociación UNACEM in the Sustainability Report that accompanies this Report.



**CREATING VALUE
WITH CIVIL SOCIETY**

**>> CYNTHIA
VARGAS**

Archaeological program, Pachacámac Valley
Field School

“The agreement we have with UNACEM for almost 30 years not only allows the PUCP (Pontifical Catholic University of Perú) to train archaeologists, but also contributes to the care and preservation of our history, of our heritage, which, at the end of the day, belongs to all of us.”

A grayscale photograph of an offshore oil rig and a long pipeline extending from the rig towards the foreground. The rig is a complex structure with multiple cranes and platforms. The pipeline is supported by a series of vertical posts. The background shows a vast, calm sea under a clear sky.

4 ECONOMIC— FINANCIAL RESULTS

4 ECONOMIC-FINANCIAL RESULTS

The audited separate financial statements of UNACEM, as of December 31, 2019, show the following results:

NET SALES OF

S/ 1,985.1
million

(S/ 1,969.0 million in 2018)

NET PROFIT OF

S/ 348.9
million

(S/ 242.2 million in 2018)

SHAREHOLDER EQUITY OF

S/ 4,779.9
million

(S/ 4,416.3 million in 2018)

Revenue from cement sales grew 0.9% year over year, accounted for by higher volumes sold during the year, net of lower average sales prices.

Additionally, revenues from exports reached S / 88.4 million, 16.0% lower than in 2018, resulting from lower exports' volumes. On the contrary, the other business units, including concrete blocks, paving stones and pavements, earned S / 86.6 million, or 22.5% more than the previous year.

Total revenue from sales rose 0.8% to S / 1,985.1 million, above S / 1,969.0 million in 2018.

The cost of sales was 7.3% higher than in 2018, mainly due to the higher physical volume of cement sold and an increase in the cost of fuels, energy and high-grade limestones.

As a result of the above, gross profits dropped 9.8% compared to 2018 and the combined gross margin reached 34.0% (37.9% year over year).

»» **The net profit for the year was S/ 348.9 million, i.e.44.1% higher than the previous year.**

Operating income totaled S / 624.2 million, above 2018's S / 620.6 million, after higher dividends declared by our subsidiaries, which in 2018 were S / 98.2 million compared to S / 159.2 million declared in 2019 .

EBITDA margin of 43.5% in 2019 (44.2% in 2018) includes subsidiaries' dividends declared, discounting which EBIDTA totaled S / 703.6 million, or S / 67.8 million less in than in 2018, accounting for 35.4% of sales.

In 2019, S / 18.9 million were earned from foreign exchange compared to an exchange loss of S / 60.5 million in the previous year. This item results mainly from the dollar-denominated financial debt.

The net profit for the year was S / 348.9 million, i.e.44.1% higher than the previous year, mainly due

to higher dividend income declared by subsidiaries and the effect of the exchange rate gain. This profit accounted for 17.6% of net sales.

To mitigate refinancing risk and the financial cost of our debt and taking advantage of the favorable conditions of the banking market, in October we redeemed the total US \$ 225.0 million balance of our "5.875% Senior Unsecured Notes due 2021" bonds. On October 30, we paid the total balance at 101.46875% of principal, with all interest accrued to date fully paid.

Three bilateral loans worth US \$ 230.0 million in local currency were hired to better manage our liabilities. After this transaction, our debt maturities were extended through 2026. We will continue paying back debt in coming years.

As a result of the above, at the end of 2019, our total debt reached S / 3,067.6 million, of which 81.0% is local currency-denominated and 19.0% in US dollars, therefore significantly mitigating our exposure to exchange rate fluctuations.

Our international ratings remained stable for both Standard & Poor's, with BB and stable outlook, and for Moody's, which maintained the Ba2 rating with a stable outlook as well. We continue to take measures to improve the performance of our operations and our leverage, which will allow us to improve our risk rating in the medium term.

Separate financial statements for fiscal year 2019 were prepared in accordance with the International Financial Reporting Standards (IFRS).

By mandate of the General Meeting of Shareholders, throughout 2019 the Board of Directors adopted the decisions that we review below, with their respective effect on the company's assets:

- » February 27: payment to UNACEM S.A.A. shareholders of dividends of S / 0.013 per common share.
- » June 4: payment to UNACEM S.A.A. shareholders of dividends of S / 0.013 per common share.

- » August 29: payment to UNACEM S.A.A. shareholders of dividends of S / 0.013 per common share.
- » November 27: payment to the of UNACEM S.A.A. shareholders of dividends of S / 0.013 per common share.

The fully subscribed and paid in share capital is S / 1,818,127,611 (one thousand eight hundred eighteen million one hundred twenty-seven thousand six hundred eleven and 00/100 soles), represented in 1,818,127,611 (one thousand eight hundred eighteen million one hundred

twenty-seven thousand six hundred eleven) common shares of a value nominal of S / 1.00 each, after the registration of the public deed of merger by absorption, capital increase and modification of by-laws on April 30, 2019, which included a capital increase of S / 171,624,203 that were distributed among the shareholders of the three companies absorbed based on their exchange ratios.

After the foregoing, and in accordance with International Financial Reporting Standards (IFRS), the figures in soles as of December 31, 2019 and 2018, respectively, are as follows:

Equity account	As of 31.12.19	As of 31.12.18
Capital stock	1,818,127,611	1,646,503,408
Additional Capital	-38,019,081	-
Legal reserve	363,625,523	329,300,686
Unrealized profits	-25,741,745	-16,706,976
Cumulative profits	2,681,928,557	2,457,206,733
Total equity	4,799,920,866	4,416,303,851

Currently, various tax, legal and labor proceedings related to the company's operations are pending. In the opinion of management and legal counsel, its final result will not represent significant expenses, and the company has recorded the provisions it deems necessary in relation to such proceedings as of December 31, 2019.



UNIÓN ANDINA DE CEMENTOS S.A.A.
UNACEM S.A.A.

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»» The external audit functions during the year 2019 were performed by Paredes, Burga & Asociados (Ernst & Young member firm). The opinion on the statement of financial position, the statement of income, the statement of comprehensive income, the statement of changes in equity and the statement of separate cash flows as of December 31, 2019 and the respective notes, which are part of this Report, were issued without observations.

Separate statement of financial position

For the years ended December 31, 2019 and 2018

ANNUAL REPORT 2019 UNACEM

Asset	Note	2019 S/ (000)	2018 S/ (000)	Liability and net equity	Note	2019 S/ (000)	2018 S/ (000)
Current assets				Current liabilities			
Cash and cash equivalents	6	6,280	29,956	Trade and other payables	14	383,762	224,163
Trade and other receivables, net	7	340,843	378,300	Other financial liabilities	13	300,579	314,507
Inventories, net	8	584,389	477,044	Deferred income		16,158	11,410
Prepaid taxes and expenses		4,628	10,939	Provisions	15	27,306	21,100
Total current assets		936,140	896,239	Total current liabilities		727,805	571,180
Non-current assets				Non-current liabilities			
Trade and other receivables, net	7	135,522	186,014	Other financial liabilities	14	2,683,803	3,024,898
Investments in subsidiaries and other	9	3,544,414	3,390,222	Derivative financial instruments	29.1(i)(a) y (b)	31,264	22,720
Mining concessions, property, plant and equipment, net	10	3,979,191	3,934,319	Deferred income tax liability, net	16(a)	475,620	495,928
Deferred stripping cost	11	112,798	118,100	Provisions	15	30,811	35,124
Intangible assets, net	12	41,160	41,260	Total non-current liabilities		3,221,498	3,578,670
Total non-current assets		7,813,085	7,669,915	Total liabilities		3,949,303	4,149,850
				Net equity	17		
				Issued capital		1,818,128	1,646,503
				Additional capital	1(a)	(38,019)	—
				Legal reserve		363,626	329,301
				Unrealized net profit		(25,742)	(16,707)
				Retained earnings		2,681,929	2,457,207
				Total net equity		4,799,922	4,416,304
Total asset		8,749,225	8,566,154	Total liabilities and net equity		8,749,225	8,566,154

Separate statement of income

For the years ended December 31, 2019 and 2018

	Note	2019 S/ (000)	2018 S/ (000)
Net sales	18	1,985,111	1,968,994
Cost of sales	19	(1,311,718)	(1,222,177)
Gross profit		673,393	746,817
Operating income (expenses)			
Administrative expenses	20	(157,157)	(185,618)
Selling expenses	21	(78,369)	(66,852)
Other operating income	23	206,433	163,746
Other operating expenses	23	(20,093)	(37,455)
Total operating expenses, net		(49,186)	(126,179)
Operating profit		624,207	620,638
Other income (expenses)			
Finance income	24	20,536	14,285
Finance cost	25	(197,294)	(246,900)
Exchange difference, net	29.1(ii)	18,873	(60,449)
Total other income (expenses), net		(157,885)	(293,064)
Profit before income tax		466,322	327,574
Income tax	16(b)	(117,406)	(85,358)
Net profit		348,916	242,216
Basic and diluted earnings per share (stated in thousands of Soles)	27	0.192	0.147

Separate statement of comprehensive income

For the years ended December 31, 2019 and 2018

ANNUAL REPORT 2019 UNACEM

	Note	2019 S/ (000)	2018 S/ (000)
Net profit		348,916	242,216
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods -			
Changes in the fair value of hedging derivative financial instruments	29.1(i)(a)	(10,398)	(18,690)
Other comprehensive income to be reclassified to profit or loss in subsequent periods		(10,398)	(18,690)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods -			
Reserve on assets measured at fair value with changes in other comprehensive income	26(d)	(2,417)	(5,289)
Other comprehensive income to be reclassified to profit or loss in subsequent periods		(2,417)	(5,289)
Income tax related to components of other comprehensive income			
Fair value of hedging derivative financial instruments	16(a)	3,067	5,513
Assets measured at fair value with changes in other comprehensive income	16(a)	713	1,561
Income tax related to components of other comprehensive income		3,780	7,074
Other comprehensive income net of income tax		(9,035)	(16,905)
Total comprehensive income net of income tax		339,881	225,311

Separate statement of changes in equity

For the years ended December 31, 2019 and 2018

	Issued capital	Additional capital	Legal reserve	Unrealized profit	Retained Earnings	Total
	S/ (000)	S/ (000)	S/ (000)	S/ (000)	S/ (000)	S/ (000)
Balance as of January 1, 2018	1,646,503	—	329,301	198	2,300,609	4,276,611
Net profit	—	—	—	—	242,216	242,216
Other comprehensive income net of income tax	—	—	—	(16,905)	—	(16,905)
Total comprehensive income	—	—	—	(16,905)	242,216	225,311
Dividends distribution, note 17(e)	—	—	—	—	(85,618)	(85,618)
Balance as of December 31, 2018	1,646,503	—	329,301	(16,707)	2,457,207	4,416,304
Net profit	—	—	—	—	348,916	348,916
Other comprehensive income net of income tax	—	—	—	(9,035)	—	(9,035)
Total comprehensive income	—	—	—	(9,035)	348,916	339,881
Capital increase by merger, note 1(a)	171,625	(38,019)	—	—	—	133,606
Dividends distribution note 17 (c)	—	—	33,428	—	(33,428)	—
Dividends distribution note 17(e)	—	—	—	—	(92,312)	(92,312)
Others	—	—	897	—	1,546	2,443
Balance as of December 31, 2019	1,818,128	(38,019)	363,626	(25,742)	2,681,929	4,799,922

Separate statement of cash flows

For the years ended December 31, 2019 and 2018

	Note	2019 S/ (000)	2018 S/ (000)		Note	2019 S/ (000)	2018 S/ (000)
Operating activities				Financing activities			
Collections from customers		2,399,364	2,323,455	Obtaining short-term bank loans	31	58,095	198,800
Payments to suppliers		(1,447,794)	(1,243,739)	Obtaining bonds and debt to banks long-term	31	816,660	1,717,220
Payments to employees		(215,280)	(210,943)	Payment of short-term bank loans	31	(133,610)	(451,553)
Income tax paid	28.2(e)	(82,252)	(152,586)	Payment of bonds and debt to banks long-term	31	(909,726)	(1,693,604)
Taxes paid		(192,455)	(131,390)	Dividends paid	13(c) y 17(e)	(120,818)	(85,701)
Interest paid		(195,417)	(256,317)	Merger Increase		26,978	—
Dividends received	23(b)	111,783	122,930				
Other collections (payments), net		48,592	54,247	Net cash flows used in financing activities		(262,421)	(314,838)
Net cash flows provided by operating activities		426,541	505,657	(Net decrease) Net increase in cash and cash equivalents of the year		(25,522)	(66,493)
				Net exchange difference		1,846	(1,255)
Investing activities				Cash and cash equivalents at the beginning of the year		29,956	97,704
Acquisition of subsidiary		—	(99,496)				
Capital contribution to subsidiaries	9(h)	(23,224)	(1,403)	Cash and cash equivalents at the end of year		6,280	29,956
Disbursements for works in progress	10(a)	(148,598)	(148,969)				
Purchase of property, plant and equipment	10(a)	(13,906)	(4,620)	Transactions that do not represent cash flows -			
Purchase of intangible assets	12(a)	(3,914)	(2,824)	Quarry closure provision	10(a)	672	20,135
				Capitalized interest	10(a) y (e)	2,340	2,510
Net cash flows used in investing activities		(189,642)	(257,312)				



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



José Luis Perry Gaviño
Legal Manager
(since 16.12.2019)

Julio Ramírez Bardález
Legal Manager
(until 15.12.2019)

Francisco Barúa Costa
Investments
Manager

Álvaro Morales Puppo
Finance and
Corporate
Development
Manager

Pablo Castro Horna
Human Resources
Manager

Carlos Ugás Delgado
General Manager

Juan Asmat Siquero
Atocongo
Operations
Manager

Victor Cisneros Mori
Central Manager

Héctor Leyva Cruz
Condorcocha
Operations
Manager

Jeffery Lewis Arriarán
Project
Execution
Manager

Kurt Uzátegui Dellepiane
Commercial
Manager

Armando Casis Zarzar
Asociación
UNACEM
General Manager

5.3 Corporate governance

In 2019, we further strengthened corporate management guided by our Principles of Good Corporate Governance, our by-laws and regulatory documents.

We started 2019 setting up a streamlined shareholding structure with the entry into force of the merger between UNACEM S.A.A., Sindicato de Inversiones y Administracion S.A. (SIA), Inversiones Andino S.A. (IASA) and Inmobiliaria Pronto S.A. (Pronto), which was completed without any shareholder exercising the right of separation and without the opposition of any creditor. This merger sets a milestone in the history of UNACEM and confirms our majority and minority shareholders' commitment to create value for the company and the benefit all stakeholders.

Likewise, the General Shareholders' Meeting held on May 28, 2019 unanimously approved the merger by absorption, without an increase in share capital, between UNACEM as the absorbing company and absorbed company CEMPOR (a UNACEM 100.0% subsidiary). UNACEM as absorbing company assumed

the entire universal block of assets of CEMPOR, the absorbed company. The effective date of this merger was June 1, 2019, which consolidated the Silencio 8 quarry as part of UNACEM's assets.

During 2019, in accordance with our quarterly dividend distribution policy, we distributed dividends in February, May, August and November.

As transparency is a pillar of our practices, we published on our website the Annual Report, the interim quarterly financial statements and the quarterly reports, including a summary of the most important activities of each quarter. In addition, through our Investor Relations team, we seek to maintain a direct link with all our investors, and participate in local and international conferences, meetings, visits, calls and quarterly telephone conferences, which all our shareholders can access.

»» We started 2019 setting up a **streamlined shareholding structure** with the entry into force of the merger between **UNACEM, SIA, IASA** and **Pronto**.

Additionally, the committees promote the participation of the members of the Board of Directors and the follow-up of the main issues of concern. During the year, the composition and management of the three committees was as follows:

Board Committees

Committee	Date created	Members	Sessions
Auditing and Risks	26/4/2006	Jorge Ramírez del Villar José Antonio Payet Alfredo Gastañeta	5
Ethics and Conduct	23/2/2018	Roque Benavides Oswaldo Avilez Hernán Torres	4
Commercial	26/10/2018	Jorge Ramírez del Villar Marcelo Rizo Patrón Martín Ramos	6

The Board of Directors for the 2018-2020 period was elected by the Annual Mandatory Shareholders' Meeting held on March 23, 2018 and is comprised of 13 members, four of them independent directors. In 2019, and in order to strengthen its role as a collegiate company body, the Board of Directors conducted a self-assessment process with the assistance of an external advisor in the months of October and November. This evaluation was carried out at the Board of Directors level as a collegiate body and for each of its members, which has allowed us to identify those practices that should be improved in order to achieve optimum corporate governance.

Board Committees

» Auditing and Risks Committee

The Audit and Risks Committee assists the Board in the oversight of the company and its subsidiaries, in regards of: (i) the Company's financial statements and its notes' reasonably presenting the results of operations and cash flows; (ii) the qualifications and independence of the external auditor; (iii) the performance of internal and external auditor functions; (iv) the policies, accounting processes and internal control system of the company's financial reports, as well as changes thereto; (v) compliance with applicable legal norms and regulations; and (vi) the company's adequate administration of the risks to which it is exposed.

The Committee assists and supports the Board of Directors and exercises no executive function. Management is responsible for preparing and keeping the company's updated risk matrix and for designating the company's division charged controlling and monitoring the risk matrix, under the Committee's oversight and control.

The Board of Directors meeting held on December 20, 2019 approved changing the name and functions of the Audit Committee to that of Audit and Risks Committee. The following roles were added to the functions of the Committee: (i) propose to the Board the company and its subsidiaries' risk policy and strategy, in Perú and abroad, with thresholds by type of risk and activity; (ii) analyze and evaluate the company's risk control tools, and encourage the use of methodologies and tools of recognized technical value; (iii) propose improvements to internal risk management control systems; and (iv) request management or the competent official to prepare contingency plans for the risks that so require.

» Ethics and Conduct Committee

The objective of this committee is to ensure compliance with the guidelines included in the Code of Ethics and Conduct (CODEC) and to implement and monitor the protocols to prevent crimes of bribery, money laundering and terrorist financing. Its functions also include the management of complaints received through the Comprehensive Complaint System, implemented through a third party, namely PwC this year.

During 2019, we conducted a series of CODEC trainings for a total of 226 new employees and contractors. In addition, the committee fostered enhanced internal communications at all locations using screens that permanently display information on the CODEC, the Comprehensive Complaints System, among other important management issues.

It should be noted that the committee is directly responsible for the management of the Comprehensive Complaint System, an official system through which our stakeholders (workers, suppliers, customers and others) can make inquiries or file complaints regarding breaches of the CODEC. This system is a

communication channel that allows constructive feedback and seeks to strengthen the following:

- Our Integrated Management System.
- The relationship with our stakeholders.
- Our organizational culture and our corporate values.
- Our reputation and that of our strategic allies.

A total of 18 complaints were filed in 2019, of which seven at the Lima headquarters and 11 at the Junín headquarters. All were investigated and properly addressed. In addition, when appropriate, we took the necessary corrective steps, evidencing an active mechanism is in place that plays an important role not only within the Company but also along the entire value chain.

» Commercial Committee

The Commercial Committee aims to ensure compliance with the commercial guidelines and discusses and reviews relevant management issues. In 2019, it focused on reviewing business plans and results, and the priorities and challenges posed by current markets, including the brand portfolio and improvements in the distribution network.

5.4 COVID-19 Emergency Statement

Since the beginning of 2020, the coronavirus COVID-19 pandemic, first identified at the end of 2019 in China's Wuhan city, has increasingly and severely affected the health and lives of people all over the planet, halted economic and commercial activities in many countries including Perú, and seriously damaging markets and industries where UNACEM and its subsidiaries operate.

In Perú, the first positive case of COVID-19 was reported by the Ministry of Health on March 6, 2020. On March 11, 2020, the Peruvian Government declared a 90-calendar day National Health Emergency, to mitigate the effects of COVID-19, acknowledged as a "pandemic" by the World Health Organization. Immediately thereafter, by virtue of Supreme Decree No. 044-2020-PCM, dated March 15, 2020, the Government declared a State of National Emergency and mandatory lockdown across the country. Mandatory isolation was subsequently extended on up to five opportunities, the last one running through June 30 2020, as provided for in Supreme Decree No. 094-2020-PCM dated May 23, 2020.

As a result of the declared State of Emergency, UNACEM immediately halted clinker and cement production, as well as dispatches from our manufacturing plants in Atocongo and Condorcocha. From the onset, our priority was to ensure the sustainability of UNACEM and its subsidiaries' operations, protecting the health, integrity and well-being of all our team members and their families, and to protect the jobs and members of our interest groups.

In mid-April 2020, UNACEM restarted limited dispatching of bulk cement, exclusively to serve the mining sub-sector's critical activities, under strict safety measures and new protocols with complementary measures to safeguard the health of our team members. These measures are subject to ongoing review. Subsequently, Supreme Decree No. 080-2020-PCM, dated May 3, 2020, approved gradual and progressive economic reopening, in the framework of the State of National Emergency. This allowed UNACEM to resume clinker grinding and bagged and bulk cement dispatch activities in the

third week of May 2020, always in full compliance with recommendations issued by health authorities, in order to safeguard the well-being of our team members and the value chain.

Despite the resolute measures successively adopted by the Government and the Central Bank of Perú to bolster people and employers' economies, and prevent interrupting the payment and supply chains, the halting of many productive and commercial activities and, in the specific case of UNACEM and its subsidiaries, suspended construction projects, severely harmed the economy, especially jobs and the sustained operation of hundreds of thousands of Small and Medium Enterprises (SMEs), leading to the drastic drop in demand for essential goods by millions of entrepreneurs and underemployed and informal workers who account for 70.0% of the nation's EAP. This serious health and economic crisis from March to May 2020 significantly slowed-down self-construction, the mainstay of UNACEM's bagged cement dispatching.

Our subsidiary UNACEM Ecuador was likewise severely affected by the pandemic and, in compliance with Ecuadorian government regulations, stopped operations as of March 17, 2020, to then resume reduced cement shipments as of May 4, 2020. It is expected that as the severe effects of the pandemic are overcome, construction in Quito and the provinces of Pichincha and Otavalo, which are our main Ecuadorian markets, will gradually recover.

In contrast, our Arizona, U.S.-based subsidiary Drake Cement continued operating normally, and in April and May 2020 posted record monthly clinker and cement production volumes and sales revenues.

Our subsidiary UNICON Chile has also continued to operate almost all its facilities, although with fewer dispatches, as a result of the COVID-19 pandemic and the quarantine and temporary targeted suspension of activities ordered by Chilean authorities.

Economic lockdown in Perú from March 16 and May 19, 2020 adversely impacted UNACEM's IIQ2020 financial bottom line, prompting the Board to adopt a series of preventive and extraordinary measures that will be in place throughout 2020, to assure liquidity and working capital, and thus allow UNACEM to meet

its commitments to its team members, suppliers and customers along the value chain. The main adopted measures include:

1. Exhaust existing inventories before restarting kilns, to protect UNACEM's liquidity.
2. Suspend all investment (CAPEX), excepting projects underway and scheduled for completion this year.
3. Suspend all expenditures on goods and services, including non-critical maintenance costs during this emergency stage, and enforce a policy of strict austerity and efficiency.
4. Suspend the quarterly distribution of dividends to shareholders.
5. Suspend the distribution of fees of the board of directors.
6. Suspend advances on profit sharing to team members generally.
7. Accept and thank the joint proposal of UNACEM officials to voluntarily and temporarily cut their salaries by 25.0%, 15.0% and 10.0%.

8. Suspend raises and bonuses during 2020 for all administrative personnel.
9. Reach agreements with team members comprised in collective contracts to suspend raises and bonuses in 2020.
10. Continue, through Asociación UNACEM, to help meet the basic needs of the most vulnerable people in the Atocongo and Condorcocha production plants' neighboring communities.
11. Arrange short-term financing from various domestic financial organizations for both UNACEM and its subsidiaries, to assure required liquidity will be available in 2020.

In January and February 2020, UNACEM's monthly cement dispatches exceeded those one year earlier. However, because of the COVID-19 pandemic and the subsequent State of National Emergency, which mandated the suspension of cement production and dispatch, the volume of cement dispatched by UNACEM in Perú in the first five months of 2020 dropped 44.9% compared to one year earlier. We estimate a gradual and slow recovery of cement dispatches for the remainder of 2020. As of June 19, 2020, when this

annual report was approved, the number of UNACEM and subsidiary team members infected with COVID-19 remained minimal, and fortunately no serious illnesses or fatalities have been recorded.

To assure the continuity and sustainability of all operations and liquidity of UNACEM and its subsidiaries this year, when serious impacts of lower dispatches and revenues between March and June 2020 are expected, UNACEM and its subsidiaries have arranged financing with the main local financial entities, at terms not under one year and very reasonable interest rates. UNACEM has arranged funding for a total US\$84.0 million and S/160.0 million. UNACEM Ecuador arranged financing for US\$35.0 million. Skanon/Drake Cement obtained financing totaling US\$10.0 million. UNICON and CONCREMAX arranged financing for a total of S/ 50.0 million and S/10.0 million, respectively.

UNACEM's Board of Directors and Management, as well as the Crisis Committee, set up immediately after the National Emergency was declared, prepared various scenarios for the reopening of the economy and the corresponding impacts on our operations, same which are constantly evaluated and updated, with due consideration for UNACEM and its subsidiaries' financial capacity to face such scenarios and determine

the emergency strategies to be followed, in order to ensure the earliest possible recovery of activities and income generation to levels prior to the pandemic, with a priority at all times on the sustainability, liquidity and profitability of UNACEM, and the recovery of value for our shareholders.

In relation to Circular Letter 140-2020-SMV/11.1 of May 25, 2020, issued by the stock market regulator, on risk assessment in measurements, estimates and disclosures in the Financial Statements prepared under IFRSs, the Company's Board of Directors and Management have continuously reviewed their estimates, making the measurements they feel necessary which will be subsequently disclosed in the notes to the Financial Statements.

The Board of Directors, reflecting the opinion of the Audit and Risk Committee, has estimated that notwithstanding the suspension of activities between March 16 and May 19, 2020 and other serious events and consequences resulting from the COVID-19 pandemic, the sustainability and continuity of UNACEM and subsidiaries remains assured.

As a consequence of the National State of Emergency, Decree No. 056-2020-PCM, of May 15, 2020 and

Resolution No. 050-2020-SMV/02, dated June 4, 2020, introduced exceptional guidelines to allow companies regulated by the Superintendence of the Stock Market-SMV, to convene and hold online general shareholders meetings, even if the company's bylaws do not so provide. Within this exceptional legal framework, the Board of Directors of UNACEM, in a meeting held on June 19, 2020, convened a mandatory annual online shareholders' meeting on July 3, 2020, with a second call scheduled for July 7, 2020.

Management and technical assistance

On January 1, 2019, Mr. Carlos Ugás Delgado was appointed General Manager of UNACEM S.A.A., after the contract with Sindicato de Inversiones y Administracion S.A. ended.

ARPL Tecnología Industrial S.A. provided technical advisory services as per the contract in force to date.

Acknowledgements

The Board of Directors expresses its respect and deep gratitude to each of UNACEM's team members thanks to whom we can continue building opportunities and face the challenging environment we face.



ANNUAL REPORT 2019

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UNACEM and Asociación UNACEM

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