

# NEWSLETTER

# 1Q20

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## **UNACEM S.A.A. AND SUBSIDIARIES CONSOLIDATED**

### **SANITARY CRISIS AND MEASURES TAKEN BY UNACEM TO FACE COVID-19 PANDEMIC**

The current pandemic of the coronavirus COVID-19, first identified in the Chinese city of Wuhan, continues to increasingly and severely affect the health and life of the planet's inhabitants. It has caused the paralysis of economic and commercial activities, with the consequent impact on the different markets and industries where UNACEM and its subsidiaries operate.

By Supreme Decree No. 044-2020-PCM, of March 15, 2020, the Peruvian Government declared a State of Emergency and enforced social isolation throughout the country, which was subsequently expanded up to five times, being the last extension until June 30, 2020. Similarly, the governments of Ecuador, Chile and Colombia, countries where our subsidiaries operate, have taken similar measures to face the health crisis. Our operations in The United States of America has been the exception, where we continue operating despite some restrictions.

UNACEM Peru announced a series of preventive and extraordinary measures in order to preserve liquidity and working capital in case the crisis escalates, which will allow the Company to comply with its workers, suppliers and clients. The measures are:

1. Consume existing inventories before restarting kilns operations, to protect liquidity.
2. Suspend all investments (CAPEX), with the exception of projects in execution to be completed this year.
3. Suspend all expenses on goods and services, including maintenance expenses, that are not critical during the State of Emergency, within a policy of strict austerity.
4. Suspend the quarterly dividends distribution to shareholders.

5. Suspend Board of Directors' fees.
6. Suspend workers' profit-sharing advances to managers and payroll in general.
7. Accept and thank UNACEM executives' solidary proposal to voluntarily and temporarily reduce their salaries by 25%, 15% and 10%.
8. Suspend salary increases and bonuses during 2020 for all administrative staff.
9. Arrange agreements with unionized workers to suspend salary increases and bonuses during 2020.
10. Continue supporting the basic needs of the most vulnerable population in the areas surrounding the Atocongo and Condorcocha plants through Asociacion UNACEM.

Likewise, all our subsidiaries in Peru, Ecuador, Chile and the USA are executing emergency programs that allow them to guarantee the resources and lines of credit for their operations, ensuring their continuity and sustainability.

UNACEM and its subsidiaries are permanently evaluating scenarios for their economies' reactivation process and the impact on its operations. We are monitoring our financial strength to face these scenarios and determine strategies to follow. All this in order to ensure the earliest recovery of the Company's liquidity and profitability.

**I. EXECUTIVE SUMMARY**

- ▶ Consolidated revenues in 1Q20 were PEN 905 million, 8.9% lower than consolidated revenues in 1Q19, due to lower cement and ready-mix volume sold in Peru, Ecuador and Chile, as a result of the stoppage during the second half of March.
- ▶ Consolidated EBITDA during the 1Q20 was PEN 286 million, 10.9% lower than the consolidated EBITDA in 1Q19, mainly due to the impact of lower volumes in our South American companies and higher Selling Expenses, partially offset by better volumes and margins in US operations.
- ▶ Net Profit during 1Q2020 accounted for PEN 61 million, compared quarter-to-quarter to PEN 120 million. In 1Q19 we considered non-recurring income and FX gains of PEN 25 million, while 1Q2020 considers FX losses of PEN 26 million.

The most important figures for the quarter are shown below:

**UNACEM S.A.A and subsidiaries consolidated**  
(PEN million)

	1Q19	1Q20	Var. %	Mar-19 LTM	Mar-20 LTM	Var. %
Net Revenues	994	905	-8.9%	4,017	4,011	-0.1%
EBITDA	321	286	-10.9%	1,168	1,193	2.1%
EBITDA Margin	32.3%	31.6%	---	29.1%	29.7%	---
Net Income	120	61	-48.9%	227	294	29.9%
Net Margin	12.0%	6.8%	---	5.6%	7.3%	---

## II. OPERATIONS AND MARKETS

Variations in cement and clinker production in Peru, as well as local cement dispatches, are shown in the table below.

**Production and Dispatches- Peru**  
(in thousand tons)

Period		Production		Dispatch	
Year	Qtr.	Clinker	Cement	UNACEM	Peru
2019	I	1,047	1,300	1,274	2,748
	II	1,456	1,322	1,302	2,782
	III	1,646	1,320	1,351	3,087
	IV	1,561	1,397	1,389	3,144
	<b>I-IV</b>	<b>5,709</b>	<b>5,339</b>	<b>5,316</b>	<b>11,762</b>
2020	I	1,150	1,068	1,064	2,320
	<b>I</b>	<b>1,150</b>	<b>1,068</b>	<b>1,064</b>	<b>2,320</b>
<b>Variation</b>					
	20-I/19-I	9.9%	-17.8%	-16.5%	-15.6%
	20-I/19-IV	-26.4%	-23.5%	-23.4%	-26.2%

Source: UNACEM, ASOCEM, INEI

### ■ Production

UNACEM Peru’s clinker production during 1Q20 accounted for 1.2 million tons, 9.9% higher than the production recorded in 1Q19 due to a higher production plan that considered a demand expansion during the period.

Cement production in UNACEM Peru in 1Q20 was 1.1 million tons, a figure 17.8% lower than in 1Q19, in line with local demand during the quarter which significantly decreased due to the stoppage of operations since March 17, 2020 as a result of the declaration of National Emergency.

Considering the production of both Peruvian plants, the combined utilization rate was 69% on clinker and 52% on cement during 1Q20.

### ■ Peruvian Domestic Market

UNACEM's local cement dispatches during 1Q20 totaled 1.1 million tons, figure 16.5% lower than 1Q19. This significant decrease in cement dispatches is the result of the operations stoppage due to the declaration of National Emergency at mid-March. It should be noted that during the first two months of the year cement dispatches were 2.5% higher compared to similar period in 2019.

During the first quarter of 2020, total cement dispatches in the Peruvian market reached 2.3 million tons, according to the National Institute of Statistics – INEI, 15.6% lower than in the 1Q19. Compared to the 4Q19, dispatches were 26.2% lower.

Therefore, UNACEM's market share in the Peruvian market was 45.8% in 1Q20, lower than the 46.4% recorded in the 1Q19.

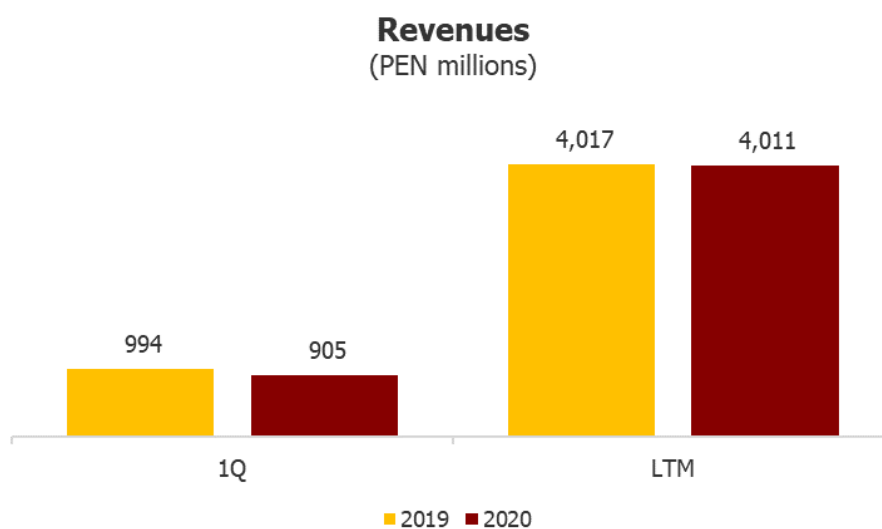
### ■ Exports and Port Operations

During 1Q20, there was a mishap in the ship loader of the Conchan pier, reducing our export capacity. Repairment of this equipment should be during the second quarter. Because of this, clinker exports through our Conchan pier reached 103 thousand tons, a lower volume than that exported during 1Q19 (178 thousand tons). Nevertheless, in fulfillment of our export's sales agreements, through brokerage, an additional 86 thousand tons from third parties were exported. Therefore, export revenues correspond to a volume of 189 thousand tons.

Additionally, the tonnage of bulk solids operated by the Conchan pier during the quarter was 277 thousand tons, higher than the same period of the previous year (59 thousand tons), with imports of pozzolana, gypsum, coal and slag, and grain operations for third parties.

### III. UNACEM AND SUBSIDIARIES CONSOLIDATED FINANCIAL RESULTS

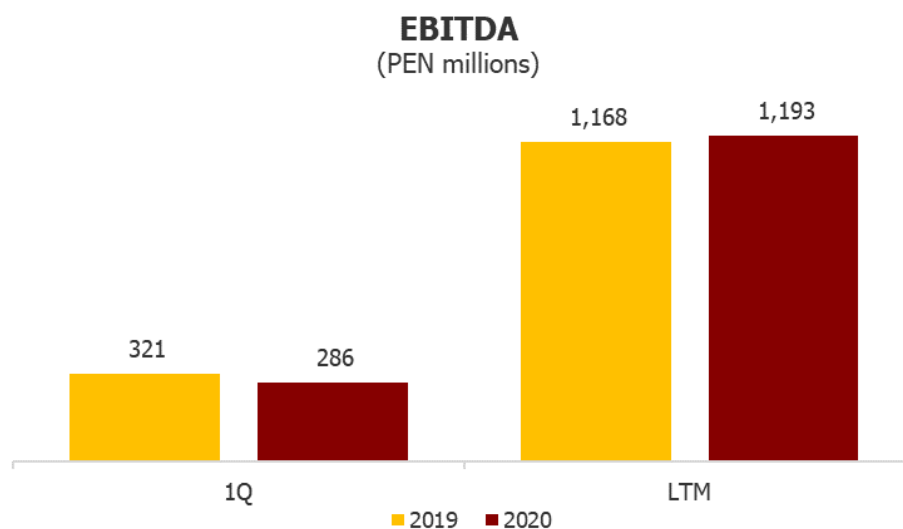
■ Consolidated Revenues



Consolidated revenues in the 1Q20 were PEN 905 million, 8.9% lower than those recorded in 1Q19. This decrease is explained by:

- Lower volume of cement sold, ready-mix and energy in Peru, due to the global pandemic;
- Lower volume of cement sold and ready-mix in Ecuador, due to the global pandemic;
- Lower volume of ready-mix in Chile, due to the global pandemic; compensated by,
- Better volumes sold of cement and ready-mixed in our US operations.

■ Consolidated EBITDA

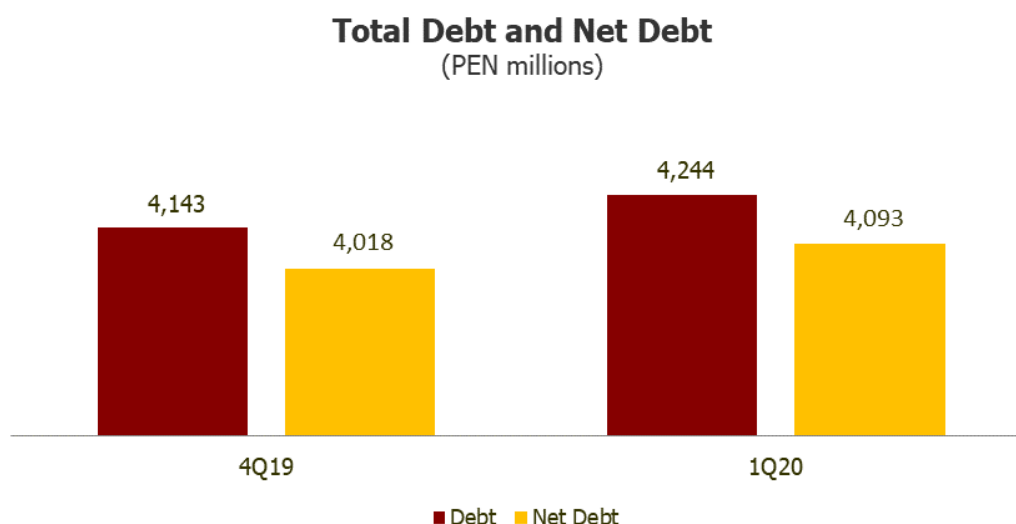


EBITDA in 1Q20 was PEN 286 million, a figure 10.9% lower than the one recorded in 1Q19. EBITDA margin during 1Q20 was 31.6%, explained by the impact of the stoppage of operations in several countries where UNACEM operates, due to the global pandemic, offset by better results in US operations.

In addition to the lower volumes sold, lower EBITDA margin in the quarter is explained by higher Sales Expenses not offset by lower Administrative Expenses (workers profit sharing and board fees) in UNACEM stand-alone.

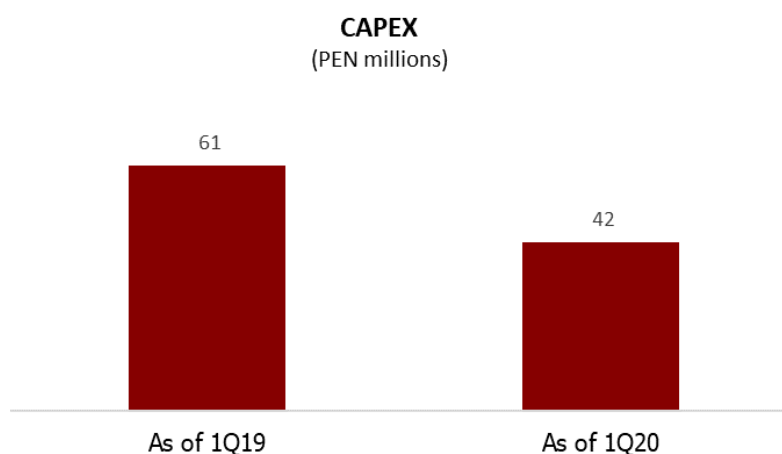


■ Consolidated Debt



As of March, 31<sup>st</sup>, 2020, Net Debt/EBITDA ratio was 3.43x, higher than the 3.27x reported at the end of 2019. Our debt in PEN recorded a decrease due to payments of scheduled amortizations net from higher short-term financing during the period. The ratio was also impacted by a reduction in EBITDA as explained above.

■ Consolidated CAPEX



As of March, 31<sup>st</sup>, 2020, CAPEX totaled PEN 42 million, 31.2% lower than in March 31<sup>st</sup>, 2019, which recorded PEN 61 million. These disbursements correspond to minor projects across all companies, including the change in the filter and cooler of kiln 2 at the Condorcocha plant, reinforcement of the multisilo structure and thermal plant at the Atocongo plant. Also, the new mill in UNACEM Ecuador, the acquisition of new mixer trucks for UNICON, and overhaul of several equipment in Skanon, among others.

#### IV. MAJOR SUBSIDIARIES AND AFFILIATES

Below is a summary of the results of our main subsidiaries:

- UNICON Consolidated

##### UNICON Consolidated

		1Q19	1Q20	Var. %
Volume of ready mix	(thousands of m3)	952	707	-25.7%
Revenues	(PEN million)	331	244	-26.2%

*Include all business units of UNICON in Peru, Ecuador and Chile*

UNICON's consolidated revenues in the 1Q20 decreased by 26.2% compared to 1Q19 and 25.7% decrease in volumes dispatched, considering the operations in Peru, Ecuador and Chile, as a result of the declaration of Sanitary Emergency in the countries it operates. In Peru, UNICON continued dispatching to the most significant projects like important mining and private projects.

- Celepsa

##### Celepsa

		1Q19	1Q20	Var. %
Sales of energy	(GWh)	390	368	-5.6%
Revenues	(PEN million)	63	61	-3.2%

*Includes only Celepsa Separated*

Celepsa’s energy sales recorded a 3.2% decrease in 1Q20 compared to the same period of 2019, while volumes were 5.6% lower. Demand from its contracted clients decreased as a result of stoppage of operations during the state of National Emergency.

■ UNACEM Ecuador

**UNACEM Ecuador**

		1Q19	1Q20	Var. %
Sales of cement	(in thousand tons)	274	220	-19.8%
Sales	(PEN million)	116	94	-18.7%

UNACEM Ecuador’s volume sold during the quarter decreased by 19.8% with respect to 1Q19. Revenues in PEN were 18.7% lower than in 1Q19 due to lower volumes and FX conversion effect. In USD revenues decrease by 21.1% due to lower average prices during the quarter.

**V. SHARES**

**UNACEMC1**

Shares	Number	1,818,127,611
Market capitalization	PEN million	2,436
Current quote	PEN	1.340
Minimum quote	LTM / PEN	1.140
Maximum quote	LTM / PEN	2.750
<b>Return LTM*</b>	<b>1Q20</b>	<b>-50.4%</b>

Source: Bloomberg as of 03.31.2020

(\*) Does not include dividends.

## VI. SIGNIFICANT EVENTS

- ▶ The Board meeting held on January 31<sup>st</sup>, 2020, agreed to pay a cash dividend of PEN 0.013 per ordinary share, payable on March 4<sup>th</sup>, 2020. This dividend totaled PEN 21,404,544 and was charged to Retained Earnings FY 2012.
- ▶ The Board meeting of February 26, 2020, summoned the Annual Mandatory Shareholders Meeting, which would have been held on March 24, 2020. However, as a consequence of the mandatory social isolation, the Annual Mandatory Shareholders Meeting has been suspended and will be summoned once the conditions that restrict it are reestablished.
- ▶ The Board meeting of April 14, 2020, with the prior agreement of the Audit and Risk Committee, approved a series of preventive measures that will allow UNACEM to overcome the challenges caused by the COVID-19 pandemic in the medium and long term. These measures were detailed at the beginning of this document.

UNACEM and subsidiaries consolidated Financial Statements and their respective notes are available in accordance with the scheduled dates of publish in our website:  
[www.unacem.com/ir](http://www.unacem.com/ir)

If you wish to contact the Investor Relations team of UNACEM or you have any request, please send us an email at [ir@unacem.com](mailto:ir@unacem.com)