

# NEWSLETTER

## 3Q19

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

### I. EXECUTIVE SUMMARY

- ▶ Consolidated revenues in 3Q19 were PEN 1,030 million, 1.4% higher than consolidated revenues in 3Q18, due to higher cement volume sold and higher energy generation in Peru; and, higher average prices in the US.
- ▶ Consolidated EBITDA during 3Q19 was PEN 288 million, 3.8% lower than in 3Q18. EBITDA margin in 3Q19 was 28.0%, lower than the 29.5% recorded in 3Q18, due to higher COGS and lower cement average prices in Peru; and, lower volume and average prices in Ecuador.
- ▶ Net Profit during the quarter accounted for PEN 54 million, compared to PEN 66 million in 3Q18. In addition to the reasons mentioned in the previous paragraph, the lower profit was explained by FX losses that increased from PEN 16.9 million in 3Q18 to PEN 33.2 million in 3Q19.

The most important figures for the quarter are shown below:

#### UNACEM S.A.A and subsidiaries consolidated

(PEN million)

	3Q18	3Q19	Var. %	Sep-18 LTM	Sep-19 LTM	Var. %
Net Revenues	1,016	1,030	1.4%	3,738	4,111	10.0%
EBITDA	300	288	-3.8%	1,201	1,170	-2.6%
EBITDA Margin	29.5%	28.0%	---	32.1%	28.4%	---
Net Income	66	54	-17.3%	180	265	47.6%
Net Margin	6.5%	5.3%	---	4.8%	6.5%	---

## 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
2018	I	1,007	1,202	1,199	2,658
	II	1,394	1,214	1,214	2,634
	III	1,301	1,287	1,276	2,841
	<b>I-III</b>	<b>3,703</b>	<b>3,704</b>	<b>3,689</b>	<b>8,133</b>
	IV	1,586	1,369	1,369	2,990
	<b>I-IV</b>	<b>5,289</b>	<b>5,073</b>	<b>5,058</b>	<b>11,122</b>
2019	I	1,047	1,300	1,274	2,707
	II	1,456	1,322	1,302	2,753
	III	1,645	1,320	1,351	3,046
	<b>I-III</b>	<b>4,147</b>	<b>3,941</b>	<b>3,927</b>	<b>8,505</b>
<b>Variation</b>					
	19-I-III/18-I-III	12.0%	6.4%	6.5%	4.6%
	19-III/18-III	26.4%	2.5%	5.9%	7.2%
	19-III/19-II	13.0%	-0.2%	3.8%	10.6%

Source: UNACEM, ASOCEM, INEI

### ■ Production

UNACEM Peru’s clinker production during 3Q19 accounted for 1.6 million tons, 26.4% higher than the production recorded in 3Q18. In comparison with 2Q19, clinker production was 13.0% higher, explained by the safety stock required by the scheduled stoppage during 4Q19.

Cement production in UNACEM Peru in 3Q19 was 1.3 million tons, a figure 2.5% higher than in 3Q18, in line with local demand recovery since the last quarter of 2018.

Considering the production of both Peruvian plants, the combined utilization rate was 82% on clinker and 63% on cement as of 3Q19.

### ■ Peruvian Domestic Market

UNACEM's local cement dispatches during 3Q19 totaled 1.3 million tons, figure 5.9% higher than 3Q18, mainly due to higher bags sold and the development of important mining projects that increased our bulk dispatches. Compared to 2Q19, dispatches were 3.8% higher, driven mostly by private investment.

During the third quarter of 2019, total cement dispatches in the Peruvian market reached 3.0 million tons, according to the National Institute of Statistics – INEI, 7.2% higher than in 3Q18, and 10.6% higher than in 2Q19.

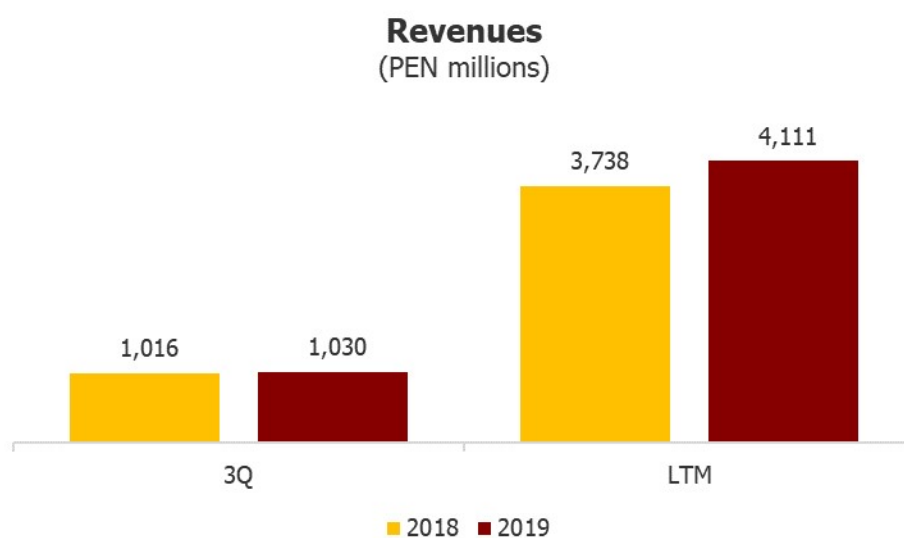
Therefore, as of 3Q19, UNACEM recorded a market share in the Peruvian market of 46.2%, higher than the 45.4% market share recorded as of 3Q18.

### ■ Exports and Port Operations

As of 3Q19, clinker exports through our Conchan pier reached 593 thousand tons, a volume lower than the one exported in the same period of 2018 (825 thousand tons). Additionally, the tonnage of bulk solids operated by the Conchan pier during as of 3Q19 was 300 thousand tons, a decrease compared to that operated as of 3Q18 (459 thousand tons), with pozzolan, slag, gypsum, grains and coal operations.

### III. UNACEM AND SUBSIDIARIES CONSOLIDATED FINANCIAL RESULTS

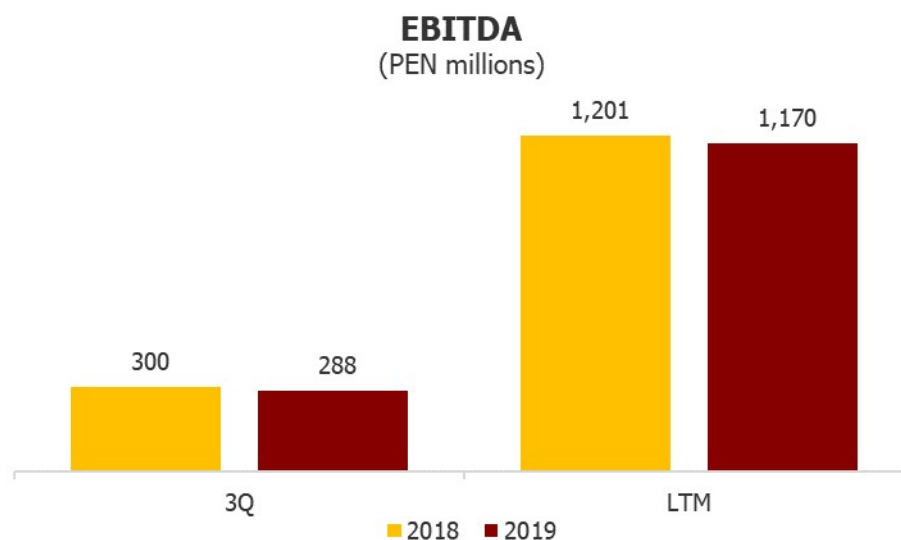
■ Consolidated Revenues



Consolidated revenues in the 3Q19 were PEN 1,030 million, 1.4% higher than those recorded in 3Q18. The increase is explained by:

- Higher cement dispatches in Peru;
- Higher energy generation in Peru;
- Higher average prices in our US operations; net from,
- Lower volume sold in Ecuador.

■ Consolidated EBITDA



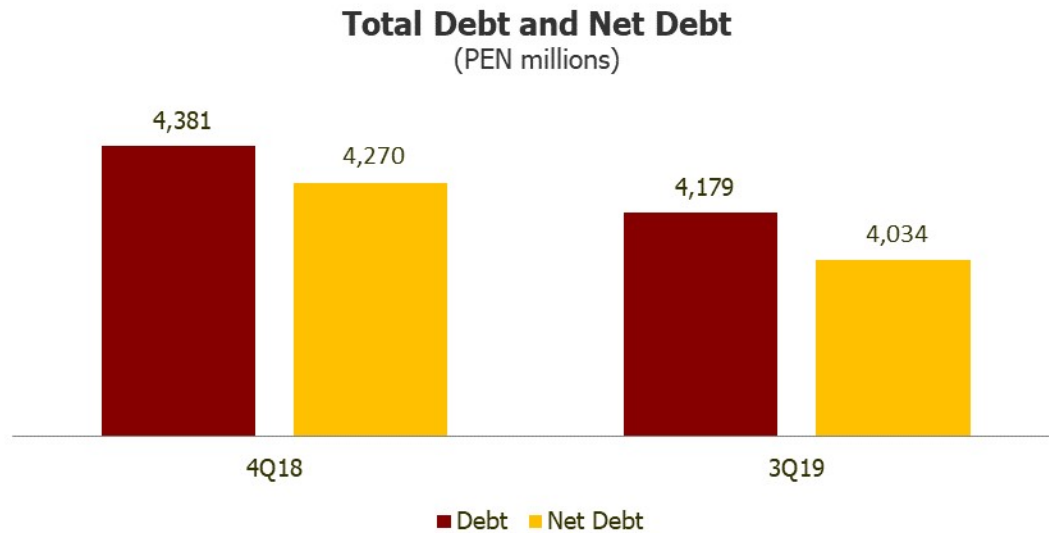
EBITDA in 3Q19 was PEN 288 million, a figure 3.8% lower than the one recorded in 3Q18. EBITDA margin during 3Q19 was 28.0%.

LTM EBITDA was 2.6% lower than the LTM registered as of 3Q18, mainly due to:

- Higher cement volume net from lower average prices and higher COGS in Peru;
- Lower cement volume sold net from higher average price in the United States;
- Higher ready-mix volumes net from lower average prices in Peru;
- Higher energy generated and sold in Peru; net from,
- Lower volume and average prices in Ecuador.

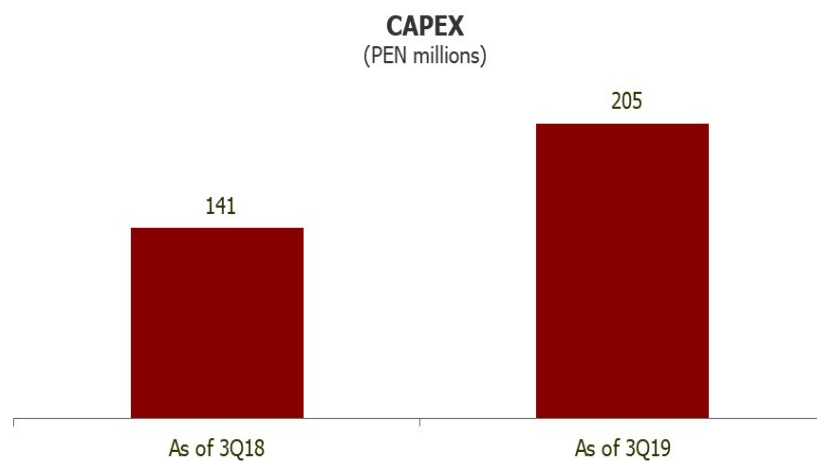
EBITDA margin was lower due to higher COGS, both fixed and variable, and higher Sales Expenses despite lower Administrative Expenses (elimination of the management fees and lower workers profit sharing and board fees) in UNACEM stand-alone. Other factors that affected our LTM consolidated margins were the lower cement and ready-mixed volumes in Ecuador and the incorporation of the ready-mix unit in Chile.

■ Consolidated Debt



As of September, 30<sup>th</sup>, 2019, Net Debt/EBITDA ratio was 3.5x, a lower figure than the reported at the end of 2018. We lowered our PEN-denominated debt due to payments of scheduled amortizations.

■ Consolidated CAPEX



As of September, 30<sup>th</sup>, 2019, CAPEX totaled PEN 205 million, 45.2% higher than in September, 30<sup>th</sup>, 2018, when it recorded PEN 141 million. These disbursements correspond to minor projects across all subsidiaries, including works at the new mill in Ecuador and at the Atocongo thermal plant, the acquisition of new mixer trucks for Unicon and Skanon, and overhaul of several equipment, among others.

#### IV. MAJOR SUBSIDIARIES AND AFFILIATES

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

- UNICON Consolidated

		UNICON Consolidated		
		3Q18	3Q19	Var. %
Volume of ready mix	(thousands of m3)	901	904	0.4%
Revenues	(PEN million)	314	310	-1.2%

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

UNICON´s consolidated revenues in the 3Q19 decreased by 1.2% compared to 3Q18 and recorded a 0.4% increase in volumes dispatched, considering the operations in Peru, Ecuador and Chile. In Peru, UNICON continued dispatching to large private projects such as important mining projects.

- Celepsa

		Celepsa		
		3Q18	3Q19	Var. %
Sales of energy	(GWh)	339	410	20.7%
Revenues	(PEN million)	56	66	16.9%

*Includes only Celepsa Separated*



Celepsa’s energy sales recorded a 16.9% increase in the 3Q19 compared to the same period of 2018, volumes were 20.7% higher, due to higher demand from its contracted clients.

■ UNACEM Ecuador

**UNACEM Ecuador**

		3Q18	3Q19	Var. %
Sales of cement	(in thousand tons)	332	286	-13.9%
Sales	(PEN million)	138	122	-12.0%

UNACEM Ecuador’s volume sold during the quarter decreased by 13.9% with respect to 3Q18. Revenues in PEN decreased by 12.0% vis-à-vis 3Q18 due to lower volume and average prices, net of a positive FX impact. In USD revenues were 13.9% lower.

**V. SHARES AND BONDS**

**UNACEMC1**

Shares	Number	1,818,127,611
Market capitalization	PEN million	3,873
Current quote	PEN	2.130
Minimum quote	LTM / PEN	2.100
Maximum quote	LTM / PEN	2.860
<b>Return LTM*</b>	<b>3Q19</b>	<b>-2.3%</b>

Source: Bloomberg as of 09.30.2019

(\*) Does not include dividends.

<b>UNACEM 2021 5 7/8 Corp</b>	<b>Oct 20</b>	<b>Since Issuance</b>	
	<b>2019</b>	<b>Min.</b>	<b>Max</b>
Price	100.86	94.05	106.13
Yield	5.42%	4.25%	7.16%

Source: Bloomberg as of 10.20.2019

**VI. SIGNIFICANT EVENTS**

- ▶ On July 25<sup>th</sup> 2019, S&P Global Ratings affirmed UNACEM's and Subsidiaries consolidated rating in "BB" keeping its outlook "Stable".
- ▶ The Board meeting held on July 26<sup>th</sup>, 2019, agreed to pay a cash dividend of PEN 0.013 per ordinary share, payable on August 29<sup>th</sup>, 2019. This dividend totaled PEN 23,635,659 and was charged to Retained Earnings FY 2012.
- ▶ The Board meeting held on October 23<sup>rd</sup>, 2019, agreed to pay a cash dividend of PEN 0.013 per ordinary share, payable on November 27<sup>th</sup>, 2019. This dividend will total PEN 23,635,659 and will be charged to Retained Earnings FY 2012.
- ▶ On October 30<sup>th</sup>, 2019, UNACEM redeemed the outstanding USD 225'000,000.00 (Two hundred million twenty-five million dollars of the United States of North America) of its "Senior Unsecured Notes due 2021" (the "Bonds"). This transaction is in line with the Board of Directors approval on August 23<sup>rd</sup>, 2019, to finance up to USD 230'000,000 (Two hundred and thirty million dollars of the United States of America) for the refinancing of existing liabilities in US dollars.

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)