

# NEWSLETTER

## 4Q19

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

### I. EXECUTIVE SUMMARY

- ▶ Consolidated revenues in 4Q19 were PEN 1,053 million, 0.6% higher than consolidated revenues in 4Q18, due to higher cement and energy revenues in Peru, concrete in the US and precast structures in Chile.
- ▶ Consolidated EBITDA during 4Q19 was PEN 309 million, 19.9% higher than in 4Q18. EBITDA margin in 4Q19 was 29.4%, higher than the 24.6% recorded in 4Q18, due to slightly higher Revenues and to lower COGS during the period.
- ▶ Net Profit during the quarter accounted for PEN 79 million, compared to a PEN 6 million loss in 4Q18. In addition to the reasons mentioned in the previous paragraph, the higher net profit was explained by the lower financial expenses and the FX effect which turned from a PEN 42 million loss in 4Q18 to a PEN 19 million gain in 4Q19, despite a higher income tax.

The most important figures for the quarter are shown below:

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

|               | 4Q18  | 4Q19  | Var. %  | Dec-18<br>LTM | Dec-19<br>LTM | Var. % |
|---------------|-------|-------|---------|---------------|---------------|--------|
| Net Revenues  | 1,046 | 1,053 | 0.6%    | 3,902         | 4,118         | 5.5%   |
| EBITDA        | 258   | 309   | 19.9%   | 1,171         | 1,221         | 4.3%   |
| EBITDA Margin | 24.6% | 29.4% | ---     | 30.0%         | 29.7%         | ---    |
| Net Income    | -6    | 79    | 1532.3% | 183           | 350           | 90.8%  |
| Net Margin    | -0.5% | 7.5%  | ---     | 4.7%          | 8.5%          | ---    |

## 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        | 2,661         |
|                  | II              | 1,394        | 1,214        | 1,214        | 2,636         |
|                  | III             | 1,301        | 1,287        | 1,276        | 2,849         |
|                  | IV              | 1,586        | 1,369        | 1,369        | 3,038         |
|                  | <b>I-IV</b>     | <b>5,289</b> | <b>5,073</b> | <b>5,058</b> | <b>11,183</b> |
| 2019             | I               | 1,047        | 1,300        | 1,274        | 2,748         |
|                  | II              | 1,456        | 1,322        | 1,302        | 2,782         |
|                  | III             | 1,645        | 1,320        | 1,351        | 3,087         |
|                  | IV              | 1,561        | 1,397        | 1,389        | 3,144         |
|                  | <b>I-IV</b>     | <b>5,708</b> | <b>5,339</b> | <b>5,316</b> | <b>11,762</b> |
| <b>Variation</b> |                 |              |              |              |               |
|                  | 19-I-IV/18-I-IV | 7.9%         | 5.2%         | 5.1%         | 5.2%          |
|                  | 19-IV/18-IV     | -1.6%        | 2.0%         | 1.5%         | 3.5%          |
|                  | 19-IV/19-III    | -5.1%        | 5.9%         | 2.8%         | 1.8%          |

Source: UNACEM, ASOCEM, INEI

### ■ Production

UNACEM Peru's clinker production during 4Q19 accounted for 1.56 million tons, 1.6% lower than the production recorded in 4Q18. In comparison with 3Q19, clinker production was 5.1% lower, explained by the scheduled stoppage of kiln 2 in Atocongo during 4Q19.

Cement production in UNACEM Peru in 4Q19 was 1.40 million tons, a figure 2.0% higher than in 4Q18, in line with local demand.

Considering the production of both Peruvian plants, the combined utilization rate was 85.2% on clinker and 64.3% on cement as of 4Q19.

### ■ **Peruvian Domestic Market**

UNACEM's local cement dispatches during 4Q19 totaled 1.39 million tons, figure 1.5% higher than 4Q18, mainly due to higher sales of our bagged products and the development of important mining projects that increased our bulk dispatches.

During the fourth quarter of 2019, total cement dispatches in the Peruvian market reached 3.14 million tons, according to the National Institute of Statistics – INEI, 3.5% higher than in 4Q18, and 1.8% higher than in 3Q19.

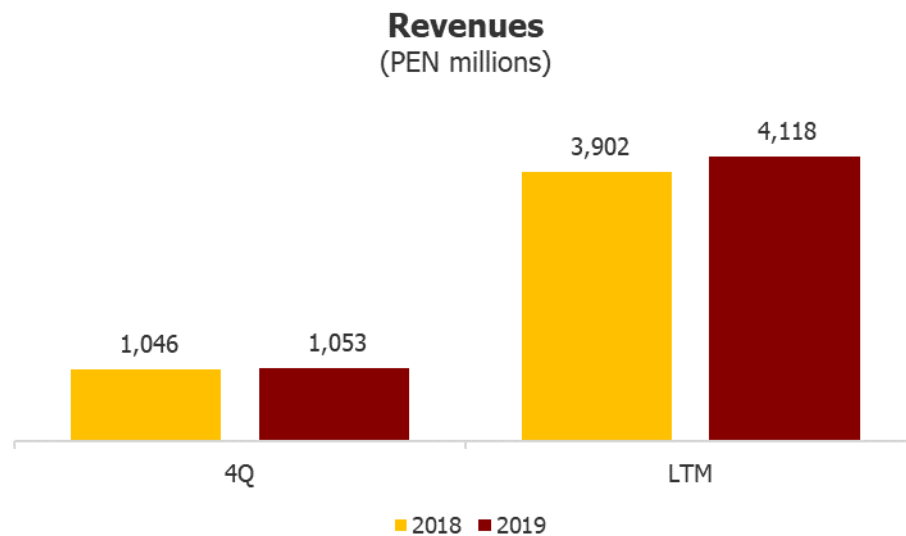
Therefore, in 2019, UNACEM recorded a market share in the Peruvian market of 45.2%, similar to the market share recorded in 2018.

### ■ **Exports and Port Operations**

During 4Q19 clinker exports through our Conchan pier reached 116 thousand tons, higher than the one exported in the same period of 2018 (104 thousand tons). Additionally, the tonnage of bulk solids operated by the Conchan pier during 4Q19 was 224 thousand tons, a decrease compared to that operated during 4Q18 (247 thousand tons), which accounted for pozzolan, slag, gypsum, grains and coal operations.

### III. UNACEM AND SUBSIDIARIES CONSOLIDATED FINANCIAL RESULTS

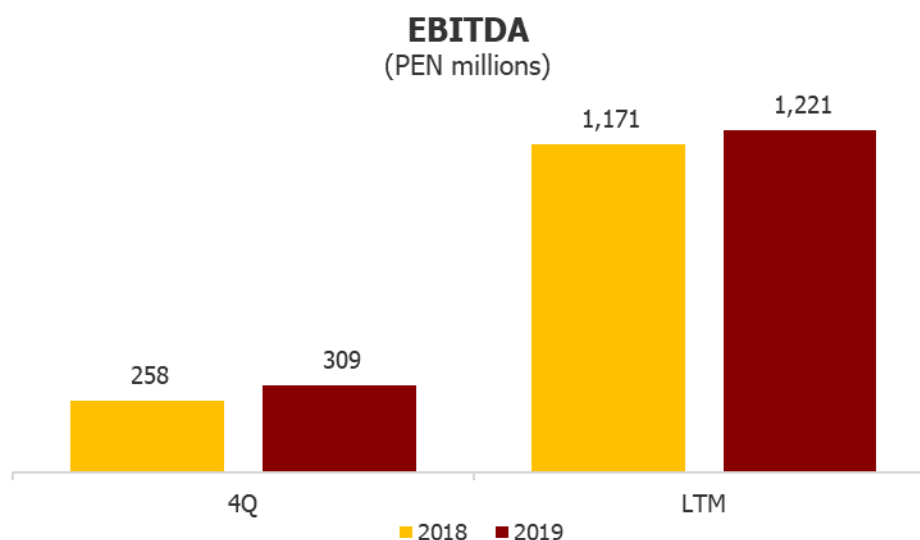
■ Consolidated Revenues



Consolidated revenues in the 4Q19 were PEN 1,053 million, 0.6% higher than those recorded in 4Q18. The increase is explained by:

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

■ Consolidated EBITDA



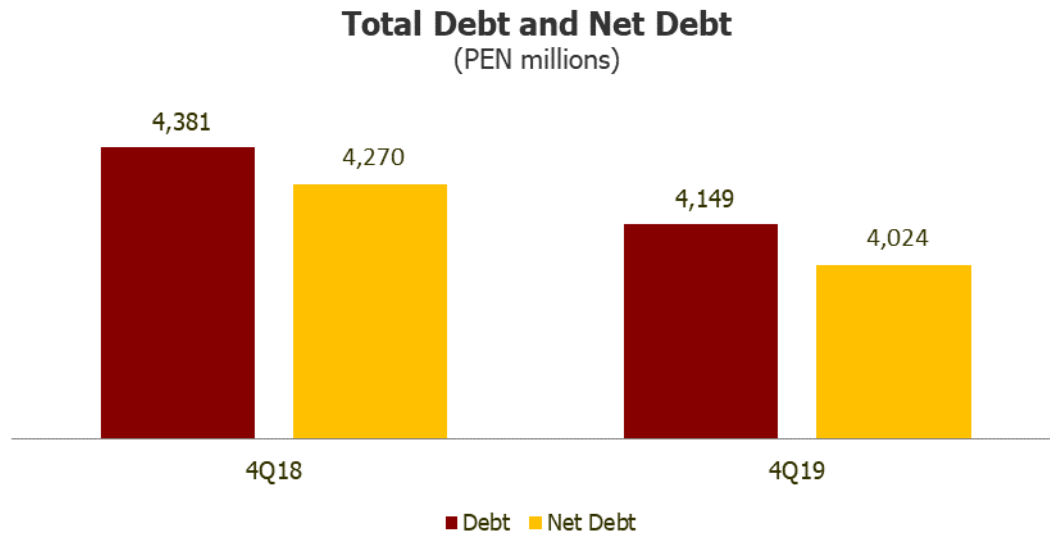
EBITDA in 4Q19 was PEN 309 million, a figure 19.9% higher than the one recorded in 4Q18. EBITDA margin during 4Q19 was 29.4%.

LTM EBITDA was 4.3% higher than the LTM registered as of 4Q18, 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 similar average prices in Peru;
- Higher volumes and average price of energy in Peru; despite,
- Lower sale volumes in Ecuador.

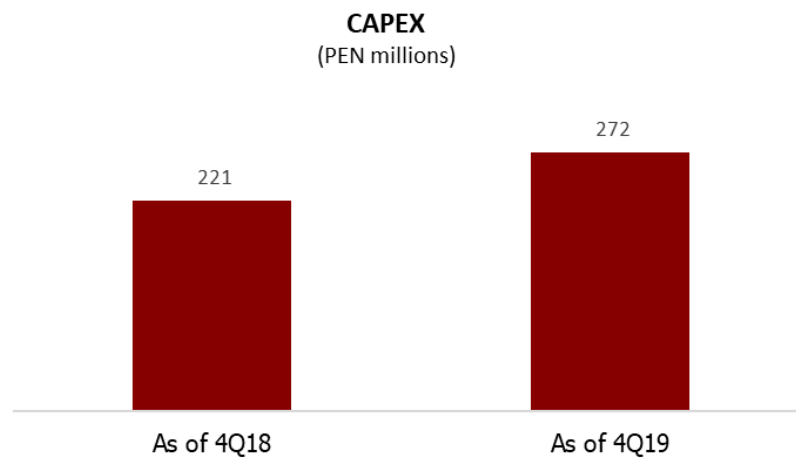
EBITDA margin was lower due to higher COGS, both fixed and variable, and higher Sales Expenses despite lower Administrative Expenses (elimination of the management fees) in UNACEM stand-alone. Other factors that affected our LTM consolidated margins were the lower cement and ready-mixed volumes in Ecuador.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

■ Consolidated Debt



As of December, 31<sup>th</sup>, 2019, Net Debt/EBITDA ratio was 3.3x, 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 December, 31<sup>th</sup>, 2019, CAPEX totaled PEN 272 million, 23.1% higher than in December, 31<sup>th</sup>, 2018, when it recorded PEN 221 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 modernization of the coolers in kiln 2 at the Condorcocha 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

|                     |                   | <b>UNICON Consolidated</b> |             |               |
|---------------------|-------------------|----------------------------|-------------|---------------|
|                     |                   | <b>4Q18</b>                | <b>4Q19</b> | <b>Var. %</b> |
| Volume of ready mix | (thousands of m3) | 964                        | 891         | -7.6%         |
| Revenues            | (PEN million)     | 390                        | 310         | -20.4%        |

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

UNICON's consolidated revenues in the 4Q19 decreased by 20.4% compared to 4Q18. The decrease of 7.6% in the volumes dispatched was explained mainly by the operations in Ecuador and Chile. In Peru, UNICON continued dispatching to large private projects such as important mining works.

##### ■ Celepsa

|                 |               | <b>Celepsa</b> |             |               |
|-----------------|---------------|----------------|-------------|---------------|
|                 |               | <b>4Q18</b>    | <b>4Q19</b> | <b>Var. %</b> |
| Sales of energy | (GWh)         | 396            | 421         | 6.2%          |
| Revenues        | (PEN million) | 60             | 68          | 14.3%         |

*Includes only Celepsa Separated*



Celepsa’s energy sales recorded a 14.3% increase in the 4Q19 compared to the same period of 2018. Volumes increased by 6.2%, due to higher demand from its contracted clients.

■ UNACEM Ecuador

**UNACEM Ecuador**

|                 |                    | 4Q18 | 4Q19 | Var. % |
|-----------------|--------------------|------|------|--------|
| Sales of cement | (in thousand tons) | 315  | 271  | -13.9% |
| Sales           | (PEN million)      | 134  | 112  | -16.5% |

UNACEM Ecuador’s volume sold during the quarter decreased by 13.9% with respect to 4Q18. Revenues in PEN decreased by 16.5% vis-à-vis 4Q18 due to lower volumes sold, and the impact of a reduced FX rate. In USD revenues were 10.0% lower.

**V. SHARES AND BONDS**

**UNACEMC1**

|                       |             |               |
|-----------------------|-------------|---------------|
| Shares                | Number      | 1,818,127,611 |
| Market capitalization | PEN million | 3,636         |
| Current quote         | PEN         | 2.000         |
| Minimum quote         | LTM / PEN   | 1.930         |
| Maximum quote         | LTM / PEN   | 2.860         |
| <b>Return LTM*</b>    | <b>4Q19</b> | <b>-23.1%</b> |

Source: Bloomberg as of 12.31.2019

(\*) Does not include dividends.

| <b>UNACEM 2021 5 7/8 Corp</b> | <b>Oct 30</b> | <b>Since Issuance</b> |            |
|-------------------------------|---------------|-----------------------|------------|
|                               | <b>2019</b>   | <b>Min.</b>           | <b>Max</b> |
| Price                         | 101.20        | 94.05                 | 106.13     |
| Yield                         | 5.59%         | 4.25%                 | 7.16%      |

Source: Bloomberg as of 10.30.2019

**VI. SIGNIFICANT EVENTS**

- ▶ 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 totaled PEN 23,635,659 and was 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 was 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.
- ▶ The Board meeting held on December 31<sup>rd</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 will total PEN 23,635,659 and will be charged to Retained Earnings FY 2012.
- ▶ The Board meeting held on February 26<sup>th</sup>, 2020, summoned a general shareholders meeting, which will take place on March 24<sup>th</sup>, 2020.

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  
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