

MANAGEMENT COMMENTS

First Quarter 2018

UNION ANDINA DE CEMENTOS S.A.A.

Management Comments First Quarter, as of March 31, 2018

PRODUCTION

■ CLINKER

The production of clinker decreased by 37.7% during the first quarter of 2018, compared with the previous quarter. It decreased from 1,617,650 t to 1,007.344 t owing to the scheduled maintenance stoppage of Kiln I, in Atocongo plant. On the other hand, the production of clinker decreased by 12.9% during the first quarter of 2018, compared to the same period of the previous year, owing to the same reason explained above.

■ CEMENT

During the first quarter of 2018, the production of cement decreased by 7.2%. compared with the previous quarter. Also, the production of cement as of the first quarter of 2018 decreased by 0.6% compared to the same period of the previous year. In both cases, the production goes in accordance with the demand.

Production and Dispatches- Peru
(in thousand tons)

Period		Production		Dispatch	
Year	Qtr.	Clinker	Cement	UNACEM	Peru
2017	I	1,156	1,209	1,206	2,537
	II	992	1,217	1,208	2,531
	III	844	1,288	1,290	2,811
	IV	1,618	1,295	1,288	2,909
	I-IV	4,610	5,010	4,993	10,788
2018	I	1,007	1,202	1,199	2,639
	I	1,007	1,202	1,199	2,639
<i>Variation</i>					
	18-I/17-I	-12.9%	-0.6%	-0.6%	4.0%
	18-I/17-IV	-37.7%	-7.2%	-7.0%	-9.3%

CEMENT DISPATCHES

■ DOMESTIC MARKET

UNACEM's cement dispatches decreased by 7.0% during the first quarter of 2018, compared to the previous quarter: from 1,288,458 t to 1,199,865 t. With regard to the first quarter of the previous year, the domestic cement dispatch decreased by 0.6%. This decrease is mainly due to the adverse political environment that led to lower private investment, to the delay in the execution of large infrastructure projects and to a contraction in the demand of the construction sector at the national level.

Domestic cement dispatches, according to the National Institute of Statistics and Informatics (INEI), decreased by 9.3% during the first quarter of 2018, compared to the previous quarter, from 2,908,624 t. to 2,614,119t. On the other hand, with regard to the first quarter of the previous year, the domestic cement dispatch increased by 4.0%.

The Company's domestic market share went from 44.3%, registered in the fourth quarter of 2017, to 45.4% in the first quarter of 2018.

■ PORT OPERATIONS

During 1Q18, clinker exports through our Conchán pier reached 284 thousand tons, a volume higher than that exported during 1Q17 (20 thousand tons). Additionally, the tonnage of bulk solids operated by the dock in Conchán during the same quarter was 79 thousand tons, similar to the same period of the previous year, with pozzolan, gypsum and grain operations for third parties.

FINANCIAL INFORMATION

■ LIQUIDITY

As of March 31, 2018, the Company's ability to meet short-term obligations is 1.56 per every sol owed.

■ CAPITAL AND FUNDING SOURCES

As of March 31, 2018, CAPEX totaled 16 million, mainly related to disbursements for the Atocongo Thermal Plant project.

The financial gross debt totaled 3,231 million soles, 3.9% lower than in December 31, of the previous year due to debt payments. It is worth mentioning that 74% of such debt is in foreign currency. Likewise, 12% of the total debt is kept in short term (14% in the previous year). Finally, 66% of the debt is on bonds, 26% on loans, 10% on promissory notes, and 8% on leasing.

■ ECONOMIC RESULTS

Cement sales invoiced as of the first quarter 2018 amounted 425.6 million soles being 1.1% higher than the invoiced sales of the same period of the previous year. This increase is mainly driven by a lower volume sold net from a higher average price. It is worth mentioning that as of January 1, 2018, IFRS 15 came into force, as a result of the evaluation of the transaction price, under this rule, it was determined that the income from the sale of cement must be present net of the commissions of sale. As of 1Q18, the sales commissions correspond to 10 million soles and, for comparative purposes of the financial statements in 1Q17,

the sales commissions presented in Operating Expenses were reclassified to cement sale for 10.2 million soles.

Cost of goods sold was 238.9 million soles as of the first quarter of 2018; 2.2% higher than the same period in 2017, mostly due to the increase of costs (mainly by the depreciation of assets) net of a lower volume of cement sold.

Additionally, income from exports increased and income from blocks, paving and pavements decreased as of the first quarter of 2018 compared to the same period in 2017. The combined gross margin was 40.6% (43.3% in the previous year).

Operating Expenses totaled 59.3 million in the first quarter of 2018 decreased by 25.8% compared to the same period of the previous year, mainly due to lower management fees. In the first quarter of 2018, other operating incomes include earnings from the dividends paid by UNACEM ECUADOR, through Inversiones IMBABURA S.A., and other companies, equivalent to 95 million soles (247 million in the same period of the previous year for dividends from UNACEM ECUADOR, through Inversiones IMBABURA S.A .; Unión de Concreteras S.A. - UNICON, through Investments in Concrete and Related Industries S.A. - INVECO; of Compañía Eléctrica el Platanal - CELEPSA and other related companies). Other expenses maintained similar levels to the same period of the previous year.

The operating profit totaled 227.9 million soles as of the fourth quarter of 2018, lower than 343.2 million reached in 2017, mainly explained by lower revenues from dividends from subsidiaries, as explained in the previous paragraph. EBITDA margin was 66.0% as of 1Q18 (98.7% as of 1Q17).

Financial Income increased by 24.3% in relation to the previous year, mainly due to earnings from derivative financial instruments, while financial expenses decreased by 16.6% due to a lower capitalized interests.

In the first quarter of 2018, foreign exchange (FX) yielded gains totaling 11.1 million soles (FX gain of 85.2 million soles in the same period of the previous year), mainly explain by the financial debt kept in US dollars.

The provision for income tax of the year was determined based on the accounting income for the period.

Net profit decreased by 53.1%, from 334.8 million soles in 2017 to 157.0 million soles in 2018, representing 33.1% of the net sales, lower than the 76.8% made during 2017.

The most important changes in the company's balance sheet as of March 31, 2018 compared to December 31, 2017 are in the following accounts:

- ▶ Decrease of cash and cash equivalent by 81.7 million, mainly due to the payment of financial obligations.
- ▶ Increase of accounts receivable related of 87.6 million soles due to the dividends declared during the first quarter by Inversiones IMBAMBURA pending payment as of March 31, 2018.
- ▶ Decrease of the Financial Debt by 161.9 million soles due to debt payments of 151.5 million soles and the FX difference of 11.9 million soles.
- ▶ Increase of the Global Equity owing to the profits of the period, net of paid dividends.

Change of those responsible for the preparation and review of the financial information (8300)

In the last two years, no changes were made regarding those who are responsible for such information; as the representative of the General Management, through Sindicato de Inversiones y Administración S.A. or the General Accounting.

Information related to the market of the securities registered in the Stock Market Public Registry. (10100)

The following is a summary of stock information; all figures are in current soles per share, except the number of shares:

YEAR 2018

COMMON SHARE

Year - Month	Opening	Closure	Highest	Lowest	Average Price
2018 - 01	3.00	3.05	3.05	2.90	2.98
2018 - 02	3.00	2.99	3.02	2.85	2.97
2018 - 03	2.95	2.95	3.04	2.83	2.92

YEAR 2017

COMMON SHARE

Year - Month	Opening	Closure	Highest	Lowest	Average Price
2017 - 01	2.57	2.42	2.57	2.40	2.49
2017 - 02	2.42	2.31	2.51	2.31	2.46
2017 - 03	2.34	2.60	2.60	2.07	2.34

The ADS prices were as follows:

American Depository Shares (ADS)*	March 31 , 2018	Dec. 31 , 2017
Number	11,356	11,356
Closing price**	-	-

* 1 ADS = 1 common share

**Last price as of 09.30.2017. On September 2017, the Board approved to close the ADR program.

DIVIDEND POLICY APPROVED IN THE GENERAL MEETING OF SHAREHOLDERS DATED 31 MARCH 2015

As of fiscal year 2015, the policy consists of the distribution of quarterly dividends in cash, within a range between 0.01 and 0.02 soles per share issued by the Company.

This policy is permanently reported through the website of the SMV: http://www.smv.gob.pe/Frm_SupDividendos.aspx?data=EAE3284A58D5428CADE638E8D08A3F292BC409917D