

MANAGEMENT COMMENTS

First Quarter 2019

UNION ANDINA DE CEMENTOS S.A.A.

Management Comments First Quarter, as of March 31, 2019

RELEVANT EVENTS

On January 1ST, 2019, the Merger of UNACEM S.A.A came into force, with UNACEM. as an absorbing company, and of the following three non-listed companies, Sindicato de Inversiones y Administración S.A. (SIA), Inversiones Andino S.A. (IASA) and Inmobiliaria Pronto S.A. (Soon) as absorbed companies, approved at the General Shareholders' Meeting of December 28th, 2018; hereafter the "Merger".

PRODUCTION

■ CLINKER

Clinker production increased 3.9% in 1Q19 compared to 1Q18, from 1,007,344 t to 1,046,503 t, mainly due to higher cement demand.

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
	IV	1,586	1,369	1,369	2,990
	I-IV	5,289	5,073	5,058	11,122
2019	I	1,047	1,300	1,274	2,717
	I	1,047	1,300	1,274	2,717
Variation					
	19-I/18-I	3.9%	8.1%	6.3%	2.3%
	19-I/18-IV	-34.0%	-5.0%	-7.0%	-9.1%

■ CEMENT

During the first quarter of 2019, the cement production increased by 8.1% compared with the previous first quarter of 2018. The production goes in accordance with the demand during the quarter.

CEMENT DISPATCHES

■ DOMESTIC MARKET

UNACEM's cement dispatches increased by 6.3% during 1Q19 compared to 1Q18 passing from 1,198,865 t to 1,273,973 t.

Domestic cement dispatches, according to the National Institute of Statistics and Informatics (INEI), increased by 2.3% during the first quarter of 2019, compared to 1Q18, from 2,658,515 t. to 2,717,381 t.

The Company's domestic market share experienced an increased, from 45.1%, registered in the 1Q18, to 46.9% in the 1Q19.

■ PORT OPERATIONS

During 1Q19, clinker exports through our Conchán pier reached 179 thousand tons, a volume lower than that exported during 1Q18 (284 thousand tons). Additionally, the tonnage of bulk solids operated by the Conchán pier during the first quarter was 59 thousand tons, a decreased compared to the same period of the previous year (79 thousand tons in 1Q18), with pozzolan, and coal operations.

FINANCIAL INFORMATION

■ LIQUIDITY

As of March 31, 2019, the Company's ability to meet short-term obligations is 1.10 per every sol owed.

■ CAPITAL AND FUNDING SOURCES

As of March 31, 2019, CAPEX totaled 48 million soles, the main investments were related to the migration projects of the kiln 2 control system, the Atocongo Thermal Plant and the dedusting system for kiln 2 and 3 at Condorcocha plant, as well as minor investment disbursements for the maintenance of both plants.

The financial gross debt totaled 3,171.3 million soles, 2.4% lower than in December 31, of the previous year due to debt payments. It is worth mentioning that 42.6% of such debt is in foreign currency (42.2% as of December 31 of the previous year). Likewise, 17% of the total debt is kept in short term (7% as of December 31, 2018). Finally, 27% of financing is in bonds, 67% in loans and 6% in notes (27% of financing is in bonds, 70% in loans in promissory notes and 3% in notes as of December 31, 2018).

■ ECONOMIC RESULTS

Cement sales as of March 31, 2019 amounted 434.2 million soles being 2.0% higher than the invoiced sales of the same period of the previous year. This increase is mainly due to a higher volume of physical cement sold and a net of a lower average price.

The cost of sales of cement as of March 31, 2019 amounted to 269.2 million soles, 12.7% higher than in the same period of 2018, mainly due to the greater volume of physical cement sold and an increase in the cost of fuels.

Additionally, income from exports decreased and income from blocks, paving and pavements increased as of March 31, 2019 compared to the same period in 2018. The combined gross margin was 35.4% (40.6% in the previous year).

Operating Expenses totaled 42.5 million soles in the first quarter of 2019, decreased by 28.3% with respect to the same period of the previous year, mainly due to the termination of the management service in 2019 as a result of the Merger by absorption of SIA and IASA. In the first quarter of 2019, other operating incomes include earnings from the dividends paid by UNACEM ECUADOR, through Inversiones IMBABURA S.A., and other related companies, equivalent to 112.5 million soles (94.7 million soles registered in the previous year). Other expenses decreased by 34.3% with respect to the same period of the year, mainly due to lower depreciation and amortization.

The operating profit totaled 243.9 million soles as of the 1Q19, higher than 227.9 million soles reached in 1Q18, mainly explained by lower operating expenses from the management service and higher income from dividends from subsidiaries, as detailed in the previous paragraph. EBITDA margin was 63.4% as of 1Q19 (66.0% as of 1Q18).

Financial income increased in relation to the same period of the previous year mainly due to interest related to the return of income tax for the years 1998, 2015 and 2016; and financial expenses decreased due to lower interest on financial obligations.

As of 1Q19; a FX gain was 19.0 million soles (versus a FX gain of 11.1 million soles as of 1Q18) explained mainly by the financial debt in dollars.

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

Net income increased by 21.2% with respect to the same period of the previous year, from 157.0 million soles in 2018 to 190.4 million soles in 2019, representing 39.7% of net sales, higher than the 33.1% obtained in 2018.

The most important changes in the Company's Balance Sheet as of March 31st, 2019 compared to December 31st, 2018 can be observed in the following accounts:

- ▶ Increase of accounts receivable related of 175.3 million soles due to the dividends declared during the first quarter by Inversiones IMBAMBURA pending payment as of March 31st, 2019; and Related Parties loans acquired by the merger.
- ▶ Increase of Investments in Subsidiaries of 61.2 million soles due to merger, mainly by the subsidiary ARPL Tecnología Industrial S.A.
- ▶ Decrease in Accounts Payable to Related in 53.3 million soles, due to the compensation of balances between merged companies.
- ▶ Increase in Other Accounts Payable in 57.2 million soles, mainly by 30.3 million soles dividends payable to the shareholders of the companies absorbed by the merger (IASA, SIA and Pronto).
- ▶ Decrease of the Financial Debt by 77.8 million soles due to debt payments of 54.3 million soles and FX gain of 23.5 million soles.

- ▶ Increase of global Equity of 299.6 million soles for the period's profit, net of dividends paid, and for the equity increase of the companies absorbed as a result of the merger.

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

No changes have been made in the General Management or in the General Accounting for the last two years.

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 2019
COMMON SHARE

Year - Month	Opening	Closure	Highest	Lowest	Average Price
2019 - 01	2.58	2.60	2.60	2.45	2.58
2019 - 02	2.70	2.65	2.73	2.60	2.68
2019 - 03	2.70	2.73	2.86	2.68	2.76

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

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 S / 0.01 and S / 0.02 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

And on UNACEM's website: <http://www.unacem.com.pe/wp-content/uploads/2012/03/politicadedividendos-esp.pdf>