

NEWSLETTER AS OF THE FIRST QUARTER 2014



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EXECUTIVE SUMMARY

We began the first quarter of the year by taking on new challenges in the region. On January 17, 2014, the Board of Directors approved the acquisition of a 51% stake in Prefabricados Andinos S.A. (Chile), a company engaged in the production and marketing of large-scale industrial concrete structures, for a total investment of USD 7.14 million.

Cement dispatches in tons increased by 0.8% compared to the first quarter of 2013. The company's sales experienced a similar increase (0.5%), while operating income fell by 4.1%. Despite this, net profit rose by 8.2% over the same period for the previous year.

Table 1 shows the most important figures for 1Q14 vs. 1Q13.

Table N°1

KEY FIGURES

UNION ANDINA DE CEMENTOS S.A.A. (in constant values)

		March 31, 2014	December 31, 2013	Variation %
Cement production	tons	1,356,812	1,359,783	-0.2%
Cement dispatches	tons	1,353,731	1,343,519	0.8%
Net sales	thousands of nuevos soles	428,452	426,256	0.5%
Operating Income	thousands of nuevos soles	123,241	128,534	-4.1%
EBITDA	thousands of nuevos soles	167,784	160,767	4.4%
Net Income	thousands of nuevos soles	63,424	58,601	8.2%
Financial debt *	thousands of nuevos soles	2,267,287	2,321,360	-2.3%
ROE	%	6.0%	7.0%	-14.3%
Common share value as at 03.31.14	current soles per share	3.4	3.7	-7.6%

(*) Values as of December 31st, 2013

MACROECONOMIC ENVIRONMENT

Gross domestic product (GDP) increased by 5.1% during the first quarter of 2014, compared to the same period of the previous year. The construction sector grew by 5.5%, while domestic demand for cement rose by 5.4%.

As far as inflation indices were concerned, during the first quarter of 2014, the CPI (Consumer Price Index) rose by 1.32%, an increase of more than 0.88% over the index registered during the same period for 2013. Additionally, the WPI (Wholesale Price Index) grew by 0.61% (2013 Base), compared to the first quarter of 2013.

During the first quarter, Peru's currency devaluated by 1.5% against the US dollar (selling rate at the close of the period). The selling and purchase exchange rates as at March 31, 2014 were S/. 2.809 and S/. 2.807 per dollar, respectively.

UNACEM IN FIGURES

OPERATIONS AND PRODUCTION

Clinker production during 1Q14 totaled 1,540,613 t, 76.3% higher than that recorded during 1Q13. This considerable increase is due to the fact that Kiln I at Atocongo was shut down as part of the expansion project during 2013. As of the end of 1Q14, Kiln I at the Atocongo plant is operating at full capacity.

During the first quarter of 2014, total cement production in both plants (Atocongo and Condorcocha) was 1,356,812 t, a figure 0.2% lower than the first quarter of 2013.

Variations in the production of cement and clinker by product type are shown in the table below.

Table N°2

Production by type of product (in thousands of metric tons)

PRODUCT	Period	1Q14		1Q13		Variation %
	Type					
Cement	I	1,165	86%	1,155	85%	0.8
	IPM	61	5%	82	6%	-25.7
	IP	76	6%	81	6%	-6.7
	V	30	2%	41	3%	-27.9
	GU	25	2%	0	0%	---
	Total		1,357	100%	1,360	100%
Clinker	I	1,541	100%	828	95%	86.0
	V	0	0%	45	5%	-100.0
	Total	1,541	100%	874	100%	76.3

MARKET

DOMESTIC

The Company's domestic dispatches during the first quarter of the year amounted to 1,353,731 t, a figure 0.8% higher than in 1Q13, which registered 1,343,519 t. It should be noted that dispatches in 1Q14 were 6.0% lower than 4Q13.

Total cement dispatches in the domestic market (which include an estimate for dispatches coming from imports) increased by 5.4% during 1Q14 compared to 1Q13, from 2,613,088 t to 2,754,949 t. Dispatches during 1Q14 in Peru fell by 5.9% compared to 4Q13.

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Consequently, the Company's market share in the domestic market, based on the dispatched volume, was 49.1%.

The Company did not make any price adjustments during the first quarter of the year.

Cement dispatches versus clinker and cement production are shown in the table below.

Table N°3

Production and dispatches 2014-2013 (in thousands of metric tons)

YEAR	QTR	Production		Cement Dispatches *	
		Clinker	Cement	UNACEM	Peru
2013	I	874	1,360	1,344	2,613
	II	860	1,384	1,384	2,652
	III	1,406	1,453	1,443	2,900
	IV	1,244	1,435	1,441	2,928
	I-IV	4,384	5,631	5,611	11,093
2014	I	1,541	1,357	1,354	2,755
	I	1,541	1,357	1,354	2,755
Variation					
	14-I/13-I	76.3%	-0.2%	0.8%	5.4%
	14-I/13-IV	23.8%	-5.4%	-6.0%	-5.9%

*Only domestic dispatches are included (dispatches from imports are estimated, exports are not included).

PORT OPERATIONS

Port operations, expressed in metric tons, fell by 52.3% compared to the first quarter of 2013, explained mostly because the Company did not perform clinker imports during this period. As of March 31, 2014, seven (7) vessels had used the facility, handling a total volume of 233,440 t.

FINANCIAL STATEMENTS

The income statement, statement of financial position, and cash flow statement are shown in Tables 4-6 below.

Table N°4

Income statement

(in thousands of nuevo soles)

Three month period:

	First Quarter 2014		First Quarter 2013		Percent Change
		%		%	%
Incomes from ordinary activities					
Net Sales of Goods	428,452	100	426,256	100	1
Sale of Services	-	-	-	-	
Total Revenue from ordinary activities	428,452	100	426,256	100	1
Cost of Sales	(243,936)	(57)	(243,708)	(57)	0
Gross Revenue	184,516	43	182,548	43	1
Selling Expenses	(22,948)	(5)	(21,080)	(5)	9
Administrative Expenses	(38,460)	(9)	(35,542)	(8)	8
Other Operating Income	9,874	2	6,445	2	53
Other Operating Expenses	(9,741)		(3,837)	(1)	154
Operating Income	123,241	29	128,534	30	(4)
EBITDA	167,784	39	160,767	38	4
Financial Income	1,906	0	1,663	0	15
Financial Expenses	(28,055)	(7)	(16,922)	(4)	66
Exchange difference gain, net	(4,517)	(1)	(26,709)	(6)	(83)
Share in net earnings of related parties by Equity Method	-	-	-	-	
Income before income tax	92,575	22	86,566	20	7
Expense Income Taxes	(29,151)	(7)	(27,965)	(7)	4
Net Income	63,424	15	58,601	14	8

Table N°5

Statement of Financial Position
 (in thousands of nuevos soles)

	March 31, 2014	December 31, 2013		March 31, 2014	December 31, 2013
Assets			Liabilities and Shareholders' Equity		
Current Assets			Current Liabilities		
Cash and cash equivalents	52,581	196,750	Financial liabilities	663,380	693,406
Financial Investments	-	-	Trade Accounts Payable	61,537	122,716
Trade Accounts Receivable ,net	82,957	63,850	Other Accounts Payables	60,679	43,052
Accounts Receivable from Related Parties	45,626	51,535	Accounts Payable to Related Parties	37,023	43,380
Other Accounts Receivable, net	171,295	143,618	Liabilities for Income Taxes	-	-
Inventories	490,583	497,835	Provisions	6,686	15,814
Taxes and expenses contracted Advance	31,463	41,462	Deferred income	13,862	9,932
Other Assets	-	-	Total Current Liabilities	843,167	928,300
			Non-Current Liabilities		
Total Current Assets	874,505	995,050	Bank loan	587,795	-
			Accounts Payable to Related Parties	11,236	11,883
			Financial liabilities	1,016,112	1,177,800
Non-Current Assets			Deferred liability from income tax	543,520	537,303
Investments in subsidiaries and others	1,707,404	1,645,786	Derivate Financial Instruments	3,879	5,557
Other Accounts Receivable	4,410	5,024	Provisions	13,663	13,663
Inventories	-	-	Total Non-Current Liabilities	2,176,205	1,746,206
Property, Plant and Equipment, net	3,697,906	3,706,550	Total Liabilities	3,019,372	2,674,506
Intangible Assets, net	67,332	68,072	Shareholders' Equity		
Goodwill	9,745	9,745	Capital Stock	1,646,503	1,646,503
Other Assets	118,697	112,557	Legal reserve	276,545	270,203
Total Non-Current Assets	5,605,494	5,547,734	Unearned results	(1,194)	(1,678)
			Retained Earnings	1,538,773	1,503,096
			Total Shareholders' Equity	3,460,627	3,418,124
TOTAL ASSETS	6,479,999	6,542,784	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	6,479,999	6,092,630

Table N°6

Statements of cash flow

(in thousands of nuevos soles)

	March 31, 2014		March 31, 2013	
1.- CASH FLOW FROM OPERATING ACTIVITIES				
Sale of Goods and Service	488,968		497,807	
Suppliers Goods and Services	(359,003)		(412,492)	
Payments to employees	(39,970)		(33,441)	
Income Tax	(23,141)		(39,586)	
Interest (not included in financing activity)	(28,055)		(16,438)	
Other Cash (Payments) Entries Relating to Operating Activity	(3,489)		(3,429)	
		35,310	-	(7,579)
		35,310		(7,579)
2.- CASH FLOW IN INVESTING ACTIVITIES				
Dividends Received	-		-	
Reimbursement Received by Related Entities Loans	-		-	
Purchase of subsidiaries, net of cash acquired	(61,618)		(15,467)	
Purchase of Property, Plant and Equipment	(35,752)		(58,052)	
Purchase of Intangible Assets	(252)		(4,118)	
Other Cash (Payments) Entries Relating to Investment Activity	-	(97,622)	(7,382)	(85,019)
		(62,312)		(92,598)
3.- CASH FLOW FROM FINANCING ACTIVITIES				
Obtention of Loans	137,177		414,362	
Loans of entities related	-			
Amortization or payment of Loans	(196,663)		(178,866)	
Dividends	(21,354)		(26,679)	
Other	(1,017)		215	
		(81,857)		209,032
Net increase in cash and cash equivalents in the year		(144,169)		116,434
INITIAL CASH BALANCE		196,750		74,189
FINAL CASH BALANCE		52,581		190,623

ANALYSIS OF FINANCIAL RESULTS

Net sales as of March 31, 2014 amounted to S/. 428.5 million, 0.5% higher than sales for the same period in 2013. This increase is explained by the higher volume dispatched.

Sales of goods solds reached S/. 243.9 million, 0.1% higher than in 1Q13, for the same reasons as explained in the preceding paragraph.

Gross margin was 42.8% in 1Q14, versus 43.0% registered in 1Q13.

Net operating expenses came to S/. 61.3 million, 13.4% higher than in the same period of 2013, due to an increase in the management's fee and employee profit sharing as a result of higher earnings.

Operating profit amounted to S/. 123.2 million in 1Q14, a figure 4.1% lower than the total of S/. 128.5 million in 1Q13, for the reasons mentioned above.

Financial expenses increased by 65.8% compared to the previous year, due to an increase in financing.

Significant net exchange rate losses were the result of holding liabilities in foreign currency and a devaluation of the nuevo sol compared to the beginning of the year.

The provision for income tax in the fiscal year was calculated based on accounting profits of the period.

Net profit grew by 8.2%, from S/. 58.6 million in 1Q13 to S/. 63.4 million in 1Q14, representing 14.8% of net sales, higher than the 13.7% achieved in 1Q13.

The most important changes in the Company's position as of March 31, 2014, compared to December 31, 2013, occurred in the following accounts:

- 10 ■ Cash and Cash Equivalents show a decrease, mainly due to contributions to subsidiaries.

- Increase in Trade Accounts Receivable due to higher billing.
- Inventories decreased due to lower stock of imported coal.
- Overall Equity increased due to the earnings of the period.

The Company's financial position as of March 31, 2014 is shown in Table 7:

Table N°7

UNIÓN ANDINA DE CEMENTOS S.A.A
Financial Ratios: 2014-2013

	March 31, 2014	December 31, 2013
Current Ratio	1.04	1.07
Acid Test	0.42	0.49
Cost of Sales / Net Sales*	0.57	0.57
Total liabilities/Total Shareholders' Equity	0.87	0.91

* Base on figures as of March 31.

	March 31, 2014	December 31, 2014	Variation %
Inflation Index (CPI)	107.21	105.58	1.5
Inflation Index (WPI)	100.61	100.00	0.6
Exchange rate (S./US\$)	2.81	2.80	0.5

CPI = Consumer Price Index (Base : December 2011)

WPI = Wholesale Price Index (Base 1994)

* List prices, VAT is not included.

STOCK MARKET INFORMATION

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

	Ordinary
Number as at 03-31-14	1,646,503,408
Nominal Value as at 03-31-14	1.00
Quotation at close of 03-31-14	3.04
Maximum closing price	3.90
Minimum closing price	3.04
Average closing price	3.42

ADS prices were as follows:

AMERICAN DEPOSITARY SHARES (ADS)*	March 31, 2014	December 31, 2013
Number	29,367	29,367
Closing price	10.82	13.48

* 1 ADS = 10 ordinary shares

UNACEM AND CORPORATE SOCIAL RESPONSIBILITY

ASOCIACIÓN UNACEM

As part of the “Promoting Success among Youths” Project, Asociación UNACEM, the Ministry of Foreign Affairs, Canada Trade and Development, and the NGO SUM Canada held an awards ceremony on January 14 to recognize 63 youths, who received a total of 300,000 nuevos soles to launch their own businesses.

The winners of this project includes 41 young female and 22 young male entrepreneurs from the districts of Villa El Salvador, Villa Maria del Triunfo, Pachacamac, Lurin, and San Juan de Miraflores. After attending a three-month training program to develop their businesses, these youths entered their project in a competition where a jury composed by entrepreneurial specialists selected the winners, who will receive funds and specialized technical assistance for six months to help them start their own businesses.

ENVIRONMENT

Different activities aimed at preserving and caring for the environment were undertaken during the quarter, most notably the following:

- UNACEM Atocongo and Condorcocha submitted the following reports to Ministry of Industry:
 - Reports on the monitoring of effluents, air quality and emissions, and solid waste from Condorcocha.
 - Plans for citizen participation in the updating of the different environmental reports on the mining concessions.
 - 2013 report on compliance with environmental laws - EIA Atocongo Thermal Power Plant.
- UNACEM Atocongo provided the Ministry of Energy and Mines with the guarantees for the annual update of the closure plans for the different mining unit quarries.

- UNACEM Condorcocha provided the Ministry of Energy and Mines with water and air quality reports as of January and March 2014, respectively.
- UNACEM Atocongo provided the National Water Authority (ANA) with the 2014 wastewater treatment report.

INTEGRATED MANAGEMENT SYSTEM

IMS Atocongo Plant and Conchan pier

During the first quarter, the implementation of the Annual Internal Audit Program began with the first internal audit of the year, in which nine of the relevant quality, safety, health, and environmental processes were reviewed in order to verify their effectiveness and determine how they contribute to the Company's competitiveness, as well as their compliance with the requirements specified by ISO 9001, ISO 14001, OHSAS 18001, and BASC standards.

The process for adaptation to the latest changes in the relevant BASC standards was completed, meaning that everything is set for recertification for the year in course.

IMS Condorcocha plant

During this quarter, in accordance with the annual audit schedule, the integrated audit of contractors was carried out in order to verify their compliance with environmental and occupational safety and health standards.

UNACEM AND SUBSIDIARIES - CONSOLIDATED STATEMENTS

The consolidated financial statements are shown in Tables 8 and 9 below.

Table N°8

UNACEM S.A.A. AND SUBSIDIARIES CONSOLIDATED**Statement of Financial Position**

(in thousands of nuevos soles)

	March 31, 2014	December 31, 2013		March 31, 2014	December 31, 2013
ASSETS			LIABILITIES AND STOCKHOLDERS' EQUITY		
Current assets			CURRENT LIABILITIES		
Cash and Cash Equivalents	187,269	322,348	Bank Overdrafts	864,075	892,908
Financial investments	0	0	Trade Accounts Payable	225,266	258,640
Trade accounts receivable and others	462,874	430,734	Accounts payable to related companies	38,991	61,849
Inventories	560,958	559,244	Other Accounts Payable	112,802	128,343
Accounts receivable from related companies	1,262	6,417	Deferred income	13,862	9,932
Prepaid Expenses	65,826	56,553	Provisions	15,642	24,766
Current portion of the deferred cost of preparation of quarries	0	0	Income taxes payable	90	661
TOTAL CURRENT ASSETS	1,278,189	1,375,296	TOTAL CURRENT LIABILITIES	1,270,728	1,377,099
			Other Accounts Payable	25,809	23,016
			Financial instruments derivatives	46,208	52,307
			Deferred Taxes	608,850	598,295
			Long Term Debt	2,319,449	2,339,277
Accounts Receivable - Long Term	42,982	30,965	Provisions	13,663	13,663
Investment in Securities	13,435	12,951		3,013,979	3,026,558
Fixed Assets	6,144,263	6,131,641	TOTAL LIABILITIES	4,284,707	4,403,657
Intangible Assets	91,752	100,790	STOCKHOLDERS' EQUITY		
Goodwill	114,745	114,745	Capital Stock	1,646,503	1,646,503
Deferred cost of preparation of quarries	0	0	Unrealized earnings	222,990	195,435
Deferred Taxes	124,746	127,811	Retained earnings	1,612,271	1,606,202
Other assets	158,017	145,665	Majority Stock holder's Equity	3,481,764	3,448,140
			Minority Interest	201,658	188,067
			TOTAL STOCKHOLDERS' EQUITY	3,683,422	3,636,207
TOTAL ASSETS	7,968,129	8,039,864	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	7,968,129	8,039,864

Table N°9

UNACEM S.A.A. AND SUBSIDIARIES CONSOLIDATED**Income statement**


(in thousands of nuevos soles)

	To March 31, 2014		To March 31, 2013		Percent Change
		%		%	%
Net Sales	684,333	100.0	696,249	100.0	(1.7)
Cost of Sales	(446,027)	(65.2)	(441,229)	(63.4)	1.1
Gross Margin	238,306	34.8	255,020	36.6	(6.6)
Operating Expenses					
Administrative	(68,139)	(10.0)	(65,959)	(9.5)	3.3
Selling	(25,917)	(3.8)	(23,590)	(3.4)	9.9
Other (Expenses) Income	(1,513)	(0.2)	(1,532)	(0.2)	(1.2)
Total Operating Expenses	(95,569)	(14.0)	(91,081)	(13.1)	4.9
Operating Income	142,737	20.9	163,939	23.5	(12.9)
Comprehensive Financial Income (expense)					
Financial expense, net	(41,445)	(6.1)	(29,402)	(4.2)	41.0
Gain from monetary position	(6,492)	(0.9)	(33,886)	(4.9)	(80.8)
Total Comprehensive Financial Expense	(47,937)	(7.0)	(63,288)	(9.1)	(24.3)
Income Before Tax and Employees	94,800	13.9	100,651	14.5	(5.8)
Income Tax	(38,785)	(5.7)	(34,527)	(5.0)	12.3
Net Income before minority interest	56,015	8.2	66,124	9.5	(15.3)
Minority interest	310	0.0	(1,016)	(0.1)	(130.5)
Net Income	56,325	8.2	65,108	9.4	(13.5)

SIGNIFICANT EVENTS

In the Board of Directors' Meeting held on January 17, 2014, it was resolved to pay a cash dividend of S/. 0.013 per ordinary share, payable on February 19, 2014. This dividend amounts to a total of S/. 21,404,544 and corresponds to the earnings for fiscal year 2013.





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