

# NEWSLETTER

## 4Q16

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

### I. EXECUTIVE SUMMARY

- ▶ Consolidated revenues in the 4Q16 were PEN 925 million, 1.6% higher than consolidated revenues in the 4Q15.
- ▶ Consolidated EBITDA in the 4Q16 was PEN 224 million, 24.0% lower than consolidated EBITDA in the 4Q15, explained by lower volumes sold, higher costs and the impact of the FX difference on administrative expenses and worker's profit sharing.
- ▶ During 4Q16 net loss accounted for PEN 84 million explained by a higher income tax as a result of an adjustment in deferred income tax due to an increase in the tax rate in Peru (PEN 66 million), tax adjustments from prior years (PEN 10 million) and to the accounting recognition of a Celepsa derivative when prepaying and refinancing an obligation.

The most important figures for the quarter are shown below:

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

(PEN million)

	4Q15	4Q16	Var. %	Dec-15 LTM	Dec-16 LTM	Var. %
Net Revenues	911	925	1.6%	3,663	3,508	-4.2%
EBITDA	294	224	-24.0%	1,251	1,109	-11.4%
EBITDA Margin	32%	24%	---	34%	32%	---
Net Income	-100	-84	-16.1%	6	106	1699.2%
Net Margin	-11%	-9%	---	0%	3%	---

### II. OPERATIONS AND MARKET

Variations in cement and clinker production, as well as cement dispatches in Peru are shown in the table below.

**Production and Dispatches- Peru**  
(in thousand tons)

Period		Production		Dispatch	
Year	Qtr.	Clinker	Cement	UNACEM	Peru
2015	I	1,343	1,369	1,357	2,664
	II	1,234	1,343	1,340	2,614
	III	1,320	1,429	1,428	2,839
	IV	1,619	1,424	1,420	3,064
	<b>I-IV</b>	<b>5,516</b>	<b>5,565</b>	<b>5,546</b>	<b>11,181</b>
2016	I	1,341	1,267	1,258	2,676
	II	876	1,269	1,265	2,682
	III	1,098	1,290	1,285	2,738
	IV	1,435	1,311	1,301	2,760
	<b>I-IV</b>	<b>4,750</b>	<b>5,138</b>	<b>5,109</b>	<b>10,857</b>
<b>Variation</b>					
16-I-IV/15-I-IV		-13.9%	-7.7%	-7.9%	-2.9%
16-IV/15-IV		-11.4%	-7.9%	-8.4%	-9.9%
16-IV/16-III		30.6%	1.6%	1.3%	0.8%

Source: UNACEM, ASOCEM, SUNAT.

■ **Production**

UNACEM’s clinker production in Peru during 4Q16 totaled 1.4 million tons, figure 11.4% lower than the production recorded in 4Q15. With respect to 3Q16, clinker production was 30.6% higher. Accumulated clinker production decreased due to an annual scheduled maintenance on Kilns 1 and 2 at the Atocongo plant and Kilns 3 and 4 at the Condorcocha plant.

Cement production in Peru in the 4Q16 was 1.3 million tons, a 7.9% decrease with respect to the same period of 2015, in line with lower clinker production and weak demand in the local market.

Considering the production of both plants, the combined utilization rate, as of December 31<sup>st</sup>, 2016, was 71% on clinker and 62% on cement.

### ■ **Peruvian Domestic Market**

UNACEM's local cement dispatches during the fourth quarter of the year totaled 1.3 million tons, figure 8.4% lower than that of 4Q15. This decrease was due to the delay in the execution of important infrastructure projects and the lower activity of the construction sector in our area of influence.

During the fourth quarter of 2016, total cement dispatches in the Peruvian market reached ~2.8 million tons, according to UNACEM's market research from several sources. This demand includes national producer's dispatches and an estimation of imported cement dispatched.

Consequently, UNACEM's market share in the Peruvian market was 47.0%, similar to the one recorded during 3Q16; however, slightly higher than the 46.4% of market share reached on 4Q15.

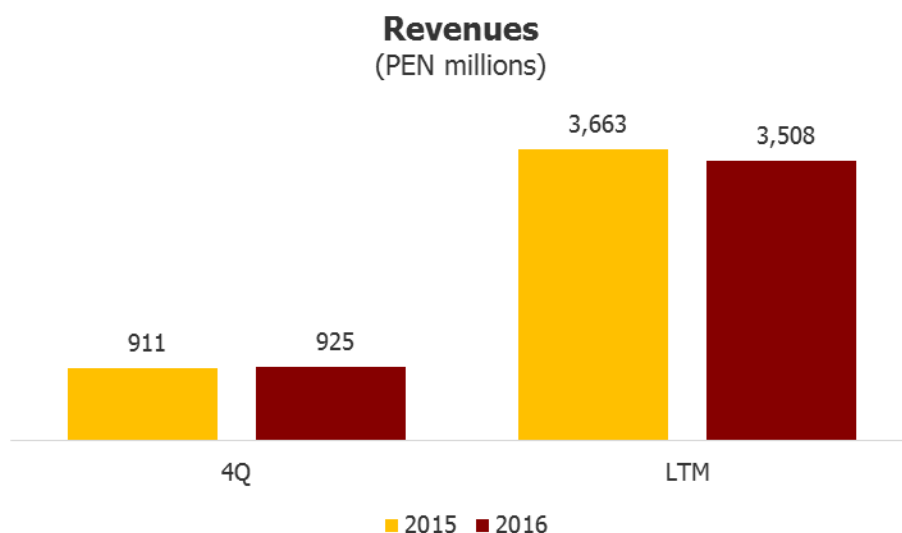
### ■ **Exports and Port Operations**

During the 4Q16, total exported clinker through our Conchan pier was 97,000 tons, higher than the volume exported on 4Q15 (27,000 tons), due to greater scheduled shipments from our international customers.

In addition, the tonnage of bulk solids operated by the Conchan pier during the quarter was 33,000 tons, a 77.4% decrease compared to the same period of the previous year, explained by lower unloaded shipments of gypsum and coal in the Conchan pier during the period.

**III. UNACEM AND SUBSIDIARIES CONSOLIDATED - FINANCIAL RESULTS**

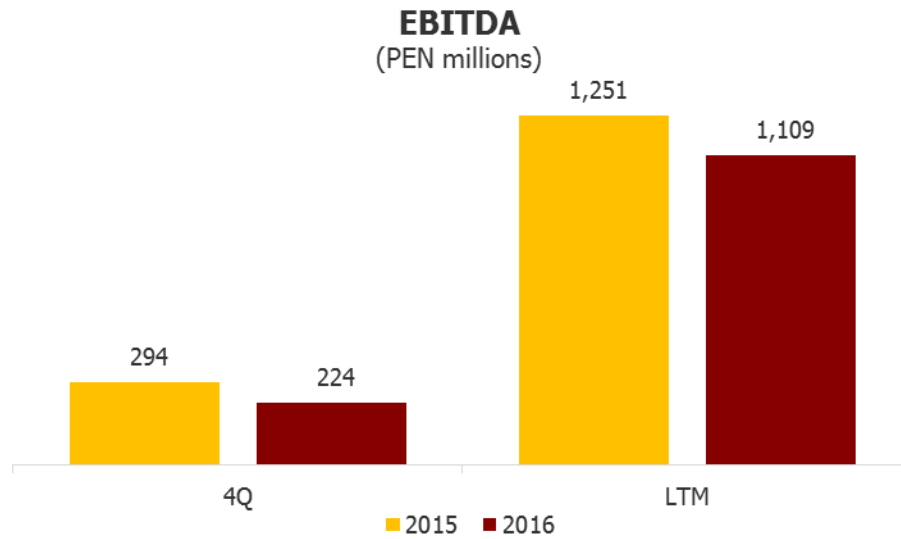
- Consolidated revenues



Consolidated revenues in the 4Q16 were PEN 925 million, 1.6% higher than in the 4Q15. This increase is explained by higher revenues from Celepsa and Preansa Peru that compensated lower revenues from the other companies.

On 2016, accumulated consolidated revenues were 4.2% lower than in 2015. This decrease is explained by the contraction of the cement volumes sold in Peru and Ecuador, despite higher average prices. Likewise, we experienced lower ready mix dispatches.

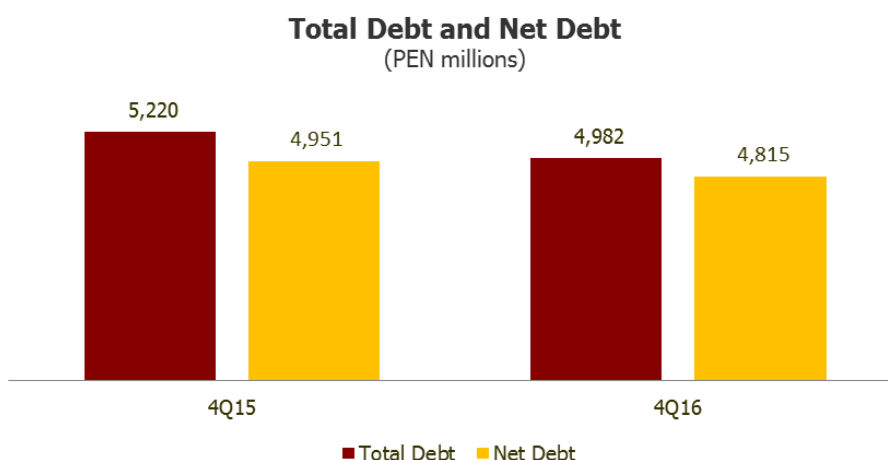
■ EBITDA



EBITDA in the 4Q16 was PEN 224 million, a figure 24.0% lower than that of 4Q15. EBITDA margin during 4Q16 was 24.2%, lower than the 32.3% of the 4Q15. This decrease is explained by lower cement sold (7.6%) and ready mix (4%), higher variable costs in UNACEM stand-alone, higher cost of energy bought in the spot market by Celepsa and FX volatility that implied going from a PEN 165 million loss to a PEN 18 million gain in UNACEM Peru with the corresponding impact on worker’s profits sharing and management and board fees.

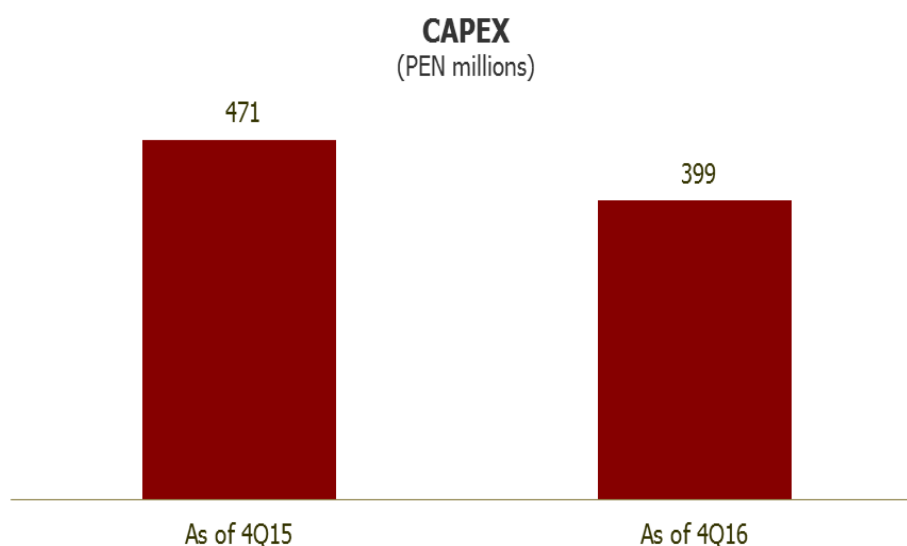
EBITDA margin FY 2016 was 31.6% versus the 34.2% reached in 2015, for the reasons explained above.

■ Debt



As of December 31<sup>st</sup>, 2016, Net Debt/EBITDA ratio was 4.3x. Our Debt in PEN recorded a decrease due to scheduled amortizations. During this period, UNACEM stand-alone refinanced with two banks PEN 240 million of short term debt for an amortizing 5-year facility with an 18 month grace period.

■ CAPEX



As of December 31<sup>st</sup>, 2016, CAPEX totaled PEN 399 million, 15.2% lower than in 2015, which recorded PEN 471 million. Of the total figure, the main disbursements correspond to UNACEM’s stand-alone investments in Carpapata III Hydroelectric Power Plant for our Condorcocha Plant consumption. Additionally, we considered Celepsa’s work in progress on the development of the Hidro Marañon Hydroelectric Power Plant; the conclusion of the high efficiency mill separator in Drake’s cement plant; a filter bag and a sleeve system in UNACEM Ecuador plant; and, the construction of Preansa’s facility in Colombia.

#### IV. MAJOR SUBSIDIARIES AND AFFILIATES

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

- UNICON Consolidated

##### UNICON Consolidated

		4Q15	4Q16	Var. %
Volume of ready mix	(thousands of m3)	749	716	-4%
Revenues	(PEN million)	231	212	-8%

*Includes Concremax and all business units of UNICON*

UNICON’s revenues in the 4Q16 decreased by 8% compared to the same period of 2015, and 4% lower ready mix volumes sold during the quarter, which reached 716 thousand m<sup>3</sup>, with lower average prices.

- Celepsa

##### Celepsa

		4Q15	4Q16	Var. %
Sales of energy	(GWh)	293	420	43%
Revenues	(PEN million)	71	95	34%



Celepsa’s energy sales recorded a 43% increase in the 4Q16 compared to the same period of 2015, due to higher demand from our contracted clients.

■ UNACEM Ecuador

**UNACEM Ecuador**

		4Q15	4Q16	Var. %
Sales of cement	(in thousand tons)	341	314	-8%
Sales	(PEN million)	145	135	-7%

UNACEM Ecuador’s volume sold fell by 8% with respect to 4Q15 due to a slowdown of the economy and the construction sector, and a cut on the public budget explained by the impact of international oil prices, despite this contraction the company reached an EBTIDA margin of 43.5% from 42.4%.

**V. SHARES AND BONDS**

**UNACEMC1**

Shares	Number	1,646,503,430
Market capitalization	PEN million	4,215
Current quote	PEN	2.560
Minimum quote	LTM / PEN	1.300
Maximum quote	LTM / PEN	2.950
<b>Return LTM</b>	<b>4Q16</b>	<b>48.0%</b>

Source: Bloomberg as of 12.31.2016

UNACEM 2021 5 7/8 Corp	Dec. 31 2016	Since Issuance Min.	Max
Price	103.90	94.05	106.13
Yield	4.95%	4.52%	7.16%

Source: Bloomberg as of 12.31.2016.

## VI. SIGNIFICANT EVENTS

- ▶ The Board agreed on October 28<sup>th</sup>, 2016, to pay a cash dividend of PEN 0.013 per ordinary share, to be paid from August 26<sup>th</sup>, 2016. This dividend added PEN 21,404,544 and was charged to Retained Earnings FY 2009.
- ▶ On December 14<sup>th</sup>, 2016, Moody's confirmed its 'Ba2' corporate credit and issue-level ratings on Union Andina de Cementos S.A.A. and Subsidiaries (UNACEM). The outlook on the corporate credit rating is stable.
- ▶ At the Board meeting held on January 27<sup>th</sup>, 2016, it was agreed to pay a cash dividend of PEN 0.013 per ordinary share, payable on March 1<sup>rst</sup>, 2016. This dividend will be PEN 21,404,544 and will be charged to Retained Earnings FY 2009.
- ▶ At the Board meeting held on January 27<sup>th</sup>, a medium-term financing facility with Banco Interbank for PEN 260 million was approved. The purpose of this facility is to refinance short-term liabilities of UNACEM Peru.

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)