

NEWSLETTER AS OF THE THIRD QUARTER 2014



EMPRESA
SOCIALMENTE
RESPONSABLE



EXECUTIVE SUMMARY

During the first nine months of the year, the company's cement dispatches in tons grew by 0.7% and net sales in nuevos soles increased by 3.6% compared with the same period in 2013. Furthermore, EBITDA fell by 4.8% compared with the first nine months of the year.

The following table shows the most important figures as at the 30th of September 2014 compared with those for the 30th of September 2013.

Table N°1

KEY FIGURES

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

		September 30, 2014	September 30, 2013	Variation %
Cement production	tons	4,209,348	4,196,486	0.3%
Cement dispatches	tons	4,197,032	4,169,899	0.7%
Net sales	thousands of nuevos soles	1,366,519	1,319,105	3.6%
Operating Income	thousands of nuevos soles	358,699	410,521	-12.6%
EBITDA	thousands of nuevos soles	497,112	521,947	-4.8%
Net Income	thousands of nuevos soles	151,733	154,659	-1.9%
Financial debt *	thousands of nuevos soles	2,460,222	2,321,360	6.0%
ROE	%	5.8	6.1	-4.8%
Common share value at 09.30.14	current soles per share	3.4	3.8	-10.1%

(*) Values as of December 31st, 2013

MACROECONOMIC ENVIRONMENT

During the first nine months of the year, gross domestic product (GDP) increased by 2.8% compared with the same period of last year. The construction sector grew by 1.2% whilst domestic demand for cement rose 2.7%.

As far as inflation indices were concerned, during the third quarter of 2014 the CPI (Consumer Prices Index) rose by 2.70%, higher than the 2.86% increase recorded during the same period in 2013. Furthermore, the WPI (Wholesale Prices Index - 2013 base) rose 1.4% compared with a rise of 2.50% in the third quarter of 2013.

During the third quarter, Peru's currency devaluated by 3.4% against the us dollar (selling rate at the close of the period). The selling and purchase exchange rates as at the close of September 2014 were S/. 2.892 and S/. 2.888 respectively.

UNACEM IN FIGURES

OPERATIONS AND PRODUCTION

The company's average cement production in the third quarter of 2014 increased by 0.3% compared with the first nine months of 2013, from 4,196,486 t to 4,229,348 t total production from both plants: Atocongo and Condorcocha.

Furthermore, clinker production in the third quarter of 2014 increased by a sizeable 37.5% from 3,139,575 t to 4,316,436 t, due exclusively to the fact that kiln 1 at the Atocongo plant was shut down for the first half of the year for expansion, but is now operating at 100% of its capacity.

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

Table N°2

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

PRODUCT	Period	As of September 30, 2014		As of September 30, 2013		Variation %
	Type					
Cement	I	3,530	84%	3,552	85%	-0.6
	IP	195	5%	252	6%	-22.5
	V	271	6%	142	3%	90.6
	IPM	120	3%	245	6%	-51.0
	GU	93	2%	5	0%	1,756.7
	Total		4,209	100%	4,196	100%
Clinker	I	4,167	95%	2,988	95%	39.5
	V	150	5%	152	5%	-1.5
	Total	4,316	100%	3,140	100%	37.5

MARKET

DOMESTIC

The company's domestic sales during the first nine months of the year amounted to 4,197,032 t, a figure 0.7% higher than in 3Q13, when sales totaled 4,169,899 t. It is worth mentioning that sales in the 3Q14 increased 6.6% compared to the 2Q14 and 1.7% compared to the 3Q13.

Cement dispatches to the domestic market (including estimates of imported cement deliveries) increased in the third quarter by 2.7% compared with the figure for the 3Q13: from 8,166,780 t to 8,383,910 t. It is important to note that 3Q14 domestic dispatches rose by 7.8% compared with 2Q14, which can be explained by renewed work on public and private projects.

Consequently, the company's share of the Peruvian market in total volumes dispatched, was 50.1%.

On the 1st of September 2014, the company increased the price of its cements by an average of 2.6%.

Cement dispatches versus clinker and cement production are shown in Table N° 3.

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	2,902
	I-III	3,140	4,196	4,170	8,167
	IV	1,244	1,435	1,441	2,934
	I-IV	4,384	5,631	5,611	11,101
2014	I	1,541	1,357	1,354	2,763
	II	1,210	1,401	1,376	2,704
	III	1,566	1,452	1,467	2,916
	I-III	4,316	4,209	4,197	8,384
Variation					
14-I-III/13-I-III		37.5%	0.3%	0.7%	2.7%
14-III/13-III		11.3%	-0.1%	1.7%	0.5%
14-III/14-II		29.4%	3.6%	6.6%	7.8%

*Only domestic dispatches are included (dispatches from imports are estimated)

PORT OPERATIONS

As at the 30th of September 2014, port operations were 47.4% down on the same period in 2013. During the third quarter 22 vessels used the facility and a total volume of 685,097 tons was handled.

EXPORTS

As at the 30th of September 2014 nine shipments of clinker were exported from Conchan Pier, amounting to 268,367 tons in total.

FINANCIAL STATEMENTS

The results, statement of financial position and cash flow accounts are shown in Tables N° 4 -6 below.

Table N°4

Income statement

(in thousands of nuevo soles)

	Three month period:						Nine month period:					
	Third Quarter 2014		Third Quarter 2013		Percent Change	To September, 30 2014		To September, 30 2013		Percent Change		
		%		%			%		%			
Incomes from ordinary activities												
Net Sales of Goods	492,117	100	454,999	100	8	1,366,519	100	1,319,105	100	4		
Sale of Services	-	-	-	-		-	-	-	-			
Total Revenue from ordinary activities	492,117	100	454,999	100	8	1,366,519	100	1,319,105	100	4		
Cost of Sales	(296,472)	(60)	(256,381)	(56)	16	(805,772)	(59)	(746,179)	(57)	8		
Gross Revenue	195,645	40	198,618	44	(1)	560,747	41	572,926	43	(2)		
Selling Expenses	(29,696)	(6)	(23,997)	(5)	24	(78,748)	(6)	(65,961)	(5)	19		
Administrative Expenses	(40,760)	(8)	(40,224)	(9)	1	(131,781)	(10)	(107,175)	(8)	23		
Other Operating Income	3,103	1	5,527	1	(44)	19,869	1	28,913	2	(31)		
Other Operating Expenses	(4,668)	(1)	(8,067)	(2)	(42)	(11,388)	(1)	(18,182)	(1)	(37)		
Operating Income	123,624	25	131,857	29	(6)	358,699	26	410,521	31	(13)		
EBITDA	408,452	83	446,694	98	(9)	408,452	30	446,694	34	(9)		
Financial Income	3,169	1	1,950	0	63	5,720	0	5,756	0	(1)		
Financial Expenses	(37,662)	(8)	(20,998)	(5)	79	(94,090)	(7)	(65,066)	(5)	45		
Exchange difference gain, net	(46,590)	(9)	(791)	(0)	5,790	(45,701)	(3)	(130,062)	(10)	(65)		
Share in net earnings of related parties by Equity Method	-	-	-	-		-	-	-	-			
Income before income tax	42,541	9	112,018	25	(62)	224,628	16	221,149	17	2		
Expense Income Taxes	(14,028)	(3)	(37,002)	(8)	(62)	(72,895)	(5)	(66,490)	(5)	10		
Net Income	28,513	6	75,016	16	(62)	151,733	11.1	154,659	12	(2)		

Table N°5

Statement of Financial Position

(in thousands of nuevos soles)

	September 30, 2014	September 30, 2013		September 30, 2014	September 30, 2013
Assets			Liabilities and Shareholders' Equity		
Current Assets			Current Liabilities		
Cash and cash equivalents	176,949	196,750	Financial liabilities	787,492	693,406
Trade Accounts Receivable ,net	64,942	48,882	Trade Accounts Payable	59,007	121,109
Accounts Receivable from Related Parties	92,976	66,503	Other Accounts Payables	63,810	43,052
Other Accounts Receivable, net	180,849	143,618	Accounts Payable to Related Parties	54,938	44,987
Inventories	535,841	497,835	Provisions	17,891	15,814
Taxes and expenses contracted Advance	50,875	41,462	Deferred income	70,755	9,932
			Total Current Liabilities	1,053,893	928,300
			Non-Current Liabilities		
Total Current Assets	1,102,432	995,050	Bank loan	566,043	450,154
			Accounts Payable to Related Parties	10,122	11,883
Non-Current Assets			Financial liabilities	1,106,687	1,177,800
Investments in subsidiaries and others	1,732,268	1,645,786	Deferred liability from income tax	540,916	537,303
Other Accounts Receivable	3,180	5,024	Derivate Financial Instruments	3,582	5,557
Property, Plant and Equipment, net	3,772,749	3,706,550	Provisions	13,663	13,663
Intangible Assets, net	66,401	68,072	Total Non-Current Liabilities	2,241,013	2,196,360
Goodwill	9,745	9,745	Total Liabilities	3,294,906	3,124,660
Other Assets	115,193	112,557	Shareholders' Equity		
			Capital Stock	1,646,503	1,646,503
Total Non-Current Assets	5,699,536	5,547,734	Legal reserve	285,376	270,203
			Unearned results	(259)	(1,678)
TOTAL ASSETS	6,801,968	6,542,784	Retained Earnings	1,575,442	1,503,096
			Total Shareholders' Equity	3,507,062	3,418,124
			TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	6,801,968	6,542,784

Table N°6

Statements of cash flow

(in thousands of nuevos soles)

	September 30, 2014	September 30, , 2013
1.- CASH FLOW FROM OPERATING ACTIVITIES		
Sale of Goods and Service	1,594,411	1,559,801
Suppliers Goods and Services	(1,063,801)	(1,176,676)
Payments to employees	(121,374)	(89,364)
Income Tax	(79,942)	(65,645)
Interest (not included in financing activity)	(94,090)	(65,066)
Other Cash (Payments) Entries Relating to Operating Activity	-	-
	235,204	163,050
	235,204	163,050
2.- CASH FLOW IN INVESTING ACTIVITIES		
Dividends Received	-	-
Reimbursement Received by Related Entities Loans	-	-
Purchase of subsidiaries, net of cash acquired	(84,067)	(67,297)
Purchase of Property, Plant and Equipment	(199,156)	(185,121)
Purchase of Intangible Assets	(1,299)	(5,639)
Other Cash (Payments) Entries Relating to Investment Activity	-	-
	(284,522)	(258,057)
	(49,318)	(95,007)
3.- CASH FLOW FROM FINANCING ACTIVITIES		
Obtention of Loans	561,323	1,202,023
Loans of entities related	-	-
Amortization or payment of Loans	(467,696)	(911,976)
Dividends	(64,110)	(62,543)
Other	-	-
	29,517	227,504
Net increase in cash and cash equivalents in the year	(19,801)	132,497
INITIAL CASH BALANCE	196,750	74,189
FINAL CASH BALANCE	176,949	206,686

ECONOMIC – FINANCIAL RESULTS

Cement dispatches as at the 30th of September 2014 amounted to S/. 1,301.8 million, 0.5% higher than dispatches invoiced during the same period of 2013. This increase is explained by the 0.3% increase in volumes sold.

The sales cost of cement in the same period amounted to S/. 755.0 million, 4.2% higher than in the same period of 2013, due to greater depreciation caused by the commissioning of kiln I and higher labor costs.

Because of other export income and the concrete block business, net of higher costs incurred, the gross margin was 41.0% (43.3% in the previous year).

Operating costs amounted to S/. 202.0 million, a figure 24.4% higher than the previous period; these costs included higher professional fees and employee profit sharing in higher profits. Furthermore, the figure for 2013 included an entry for loss of earnings.

Operating profit for 3Q14 was S/. 358.7 million, a figure 12.6% higher than the S/. 410.5 million earned in the same period of the previous year because of the factors mentioned earlier.

Total financial earnings remained at the same level as in the first half of 2014.

Financial expenses increased compared with 2013 because of the commission of the bridge loan to be used to cover the acquisition of Lafarge Cementos S.A.

The exchange rate increased compared with the start of the year and had a negative effect on the results as the company holds foreign-currency-denominated liabilities.

Provision for income tax in the fiscal year was calculated based on profits booked during the period.

Net income fell by 1.9%, from S/. 154.6 million in 2013 to S/. 151.7 million, representing 11.1% of net sales, lower than the figure of 11.7% for 2013.

The most important changes in the company's balance sheet as at the 30th of September 2014, compared to the 31st of December 2013, are to be found in the following accounts:

- Current assets and current liabilities remained stable compared with the close of the previous year.
- Non-current assets rose because of the investment in CAPEX, net of depreciation, and investment in subsidiaries.
- Financial debt remained the same except for exchange rate losses relating to debts in foreign currency.
- Global equity increased because of earnings in the period.

The financial position of the company as at the 30th of September 2014 can be seen in table N° 7, which shows the main financial indicators:

Table N°7

UNIÓN ANDINA DE CEMENTOS S.A.A

Financial Ratios: 2014-2013

	September 30, 2014	December 31, 2013
Current Ratio	1.05	1.07
Acid Test	0.49	0.49
Cost of Sales / Net Sales*	0.59	0.57
Total liabilities/Total Shareholders' Equity	0.94	0.91

* Base on figures as of September 30

	September 30, 2014	December 31, 2014	Variation %
Inflation Index (CPI)	108.65	105.81	2.7
Inflation Index (WPI)	101.36	100.00	1.4
Exchange rate (S./US\$)	2.892	2.796	3.4

CPI = Consumer Price Index (Base : December 2011)

WPI = Wholesale Price Index (Base 2013)

* 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 09.30.14	1,646,503,408
Nominal Value as at 09.30.14	1.00
Quotation at close of 09.30.14	3.07
Maximum closing price	3.39
Minimum closing price	3.07
Average closing price	3.23

ADS prices were as follows:

AMERICAN DEPOSITARY SHARES (ADS)*	September 30, 2014	December 31, 2013
Number	26,367	29,367
Closing price	10.61	13.48

* 1 ADS = 10 ordinary share

UNACEM AND CORPORATE SOCIAL RESPONSABILITY

ASOCIACIÓN UNACEM

In June and July, 6 family health campaigns were carried out in the districts of Villa Maria del Triunfo, Villa El Salvador and Pachacamac, as part of the "UNACEM Environment Week 2014". A total of 4,580 inhabitants of southern Lima benefited from the campaigns, with 21,143 cases treated by general practitioners, pediatricians, obstetricians, pneumologists, geriatricians, dermatologists, optometrists and other specialists.

These campaigns were carried out successfully thanks to an alliance between Asociación UNACEM, the Ministry of Health through Health Board II - Lima South and the Ministry of Education operating through UGEL 01. Collaboration was also received from the municipalities of Villa Maria del Triunfo, Pachacamac and Villa El Salvador, as well as community health practitioners from DISA II Lima South, among others.

ENVIRONMENT

Different activities aimed at preserving and caring for the environment took place during the quarter, of which we can highlight the following:

- The following reports were submitted to the Environmental Evaluation and Monitoring Body (OEFA):
 - The 7th Progress report on commitments included in the EIS for modernization of the plant.
 - Environmental monitoring reports (air quality, noise, biological, emissions, water quality and effluent) on the operating units for the first half of 2014.
 - UNACEM's hazardous waste manifests for the months of July, August and September 2014.
- We submitted the Sixth Quarterly Monitoring Report for the Atocongo Waste Water Treatment Plant for 2014 to the National Water Authority (ANA).
- The 2014 Half Yearly Reports on the Mine Closure Plan for our quarrying operations was submitted to the Ministry of Energy and Mines (MEM).
- Public participation workshops were held, with notices published in the press and invitations sent to a number of institutions and other bodies in the areas of influence of the EIS that are to be updated.

- Updates and modifications to the EIS for the different quarrying concessions, manufacturing plants and related activities, including Conchan Pier, were submitted to the Ministry of Production (Produce).

INTEGRATED MANAGEMENT SYSTEM

IMS Atocongo Plant and Conchan pier

SGS carried out the annual ISO 9001 certification audit for Conchan Pier and the Atocongo plant, local quarries and the quarry at Pucará. The audit was satisfactorily completed and the audit team recommended that the certification should be maintained.

The year's third and fourth internal management audits were carried out. These audits reviewed thirteen of the relevant processes for effectiveness, the application of controls, compliance with the relevant legislation and conformity with the requirements of ISO 9001, ISO 14001, OHSAS 18001 and BASC.

IMS Condorcocha plant

On the 22nd to the 25th of September, SGS carried out an external audit of the Integrated Management System certified to ISO 9001, ISO 14001 and OHSAS 18001. This audit examined the processes employed by UNACEM S.A.A. -Condorcocha. The audit results were favorable and the audit team concluded that the Quality Management, Environment and Health and Safety at Work systems met the requirements of ISO 9001, ISO 14001 and OHSAS 18001 respectively and recommended certification and monitoring of the IMS in the category "Cement Plant - Manufacturing and Sales".

As at the 30th of September 2014, the Condorcocha plant was implementing the George system; a software system for managing legal obligations, to ensure that those responsible for these processes comply with their periodic environmental and health and safety responsibilities, thus eliminating the risk of suffering financial or other penalties.

UNACEM AND SUBSIDIARIES CONSOLIDATED

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)

	September 30, 2014	December 31, 2013		September 30, 2014	December 31, 2013
ASSETS			LIABILITIES AND STOCKHOLDERS' EQUITY		
			CURRENT LIABILITIES		
Current assets			Bank Overdrafts	1,115,116	892,908
Cash and Cash Equivalents	275,345	322,348	Trade Accounts Payable	259,520	257,033
Trade accounts receivable and others	537,984	415,763	Accounts payable to related companies	48,668	63,456
Inventories	653,487	559,244	Other Accounts Payable	127,649	93,780
Accounts receivable from related companies	27,866	21,388	Deferred income	109,533	44,495
Prepaid Expenses	63,052	26,295	Provisions	28,335	24,766
			Income taxes payable	0	661
			TOTAL CURRENT LIABILITIES	1,688,821	1,377,099
TOTAL CURRENT ASSETS	1,557,734	1,345,038	Other Accounts Payable	23,016	23,016
			Financial instruments derivatives	37,656	52,307
			Deferred Taxes	614,086	598,295
			Long Term Debt	2,214,202	2,339,277
Accounts Receivable - Long Term	17,615	30,965	Provisions	13,663	13,663
Investment in Securities	13,941	12,951	TOTAL NON CURRENT LIABILITIES	2,902,623	3,026,558
Fixed Assets	6,233,819	6,131,641	TOTAL LIABILITIES	4,591,444	4,403,657
Intangible Assets	103,184	100,790	STOCKHOLDERS' EQUITY		
Goodwill	115,952	114,745	Capital Stock	1,646,503	1,646,503
Deferred Taxes	163,433	127,811	Unrealized earnings	251,933	195,435
Other assets	166,194	175,923	Retained earnings	1,671,373	1,606,202
			Majority Stock holder's Equity	3,569,809	3,448,140
			Minority Interest	210,619	188,067
			TOTAL STOCKHOLDERS' EQUITY	3,780,428	3,636,207
TOTAL ASSETS	8,371,872	8,039,864	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	8,371,872	8,039,864

Table N°9

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

(in thousands of nuevos soles)

	September 30, 2014		September 30, 2013		Percent Change
		%		%	%
Net Sales	2,217,931	100.0	2,172,866	100.0	2.1
Cost of Sales	(1,515,550)	(68.3)	(1,443,869)	(66.4)	5.0
Gross Margin	702,381	31.7	728,997	33.6	(3.7)
Operating Expenses					
Administrative	(194,345)	(8.8)	(170,434)	(7.8)	14.0
Selling	(89,090)	(4.0)	(74,052)	(3.4)	20.3
Other (Expenses) Income	(833)	(0.0)	2,029	0.1	(141.1)
Total Operating Expenses	(284,268)	(12.8)	(242,457)	(11.2)	17.2
Operating Income	418,113	18.9	486,540	22.4	(14.1)
Comprehensive Financial Income (expense)					
Financial expense, net	(138,085)	(6.2)	(101,925)	(4.7)	35.5
Gain from monetary position	(57,042)	(2.6)	(172,517)	(7.9)	(66.9)
Total Comprehensive Financial Expense	(195,127)	(8.8)	(274,442)	(12.6)	(28.9)
Income Before Tax and Employees	222,986	10.1	212,098	9.8	5.1
Income Tax	(69,783)	(3.1)	(60,153)	(2.8)	16.0
Net Income before minority interest	153,203	6.9	151,945	7.0	0.8
Minority interest	(1,063)	(0.0)	(309)	(0.0)	244.0
Net Income	152,140	6.9	151,636	7.0	0.3

SIGNIFICANT EVENTS

A meeting of the board of directors on the 18th of July 2013 agreed to pay a cash dividend of S/. 0.013 per ordinary share, payable on the 21st of August 2014. This dividend amounts to a total of S/. 21,404,544 and will be charged to the profits of fiscal year 2014.





Av. Atocongo 2440
Villa Maria del Triunfo - Lima 35 - Peru
Phone: (511) 217-0200
Fax: (511) 217-1496
Website : www.unacem.com.pe
E-mail : contacto@unacem.com.pe

Securities Department:
Phone: (511) 265-9045
Fax: (511) 470-8946