



MANAGEMENT COMMENTS



UNACEM Perú S.A.
Management Comments
Third Quarter, as of September 30, 2022

RELEVANT EVENTS**▪ SIMPLE REORGANIZATION**

UNACEM Peru S.A. (the Company) was incorporated in September 2021, as part of the simple reorganization of UNACEM S.A.A. (UNACEM Corp), becoming the new company specialized in the production and marketing of clinker and cement in the country, and in the export of clinker. Therefore, as of January 1, 2022, UNACEM Corp transferred all the assets and liabilities related to this economic activity.

For management analysis purposes, the following comparisons are being made:

- ▶ The balances of assets and liabilities as of September 30, 2022, are being compared with the balances as of January 1, 2022 (include the balances of the equity block received from UNACEM Corp).
- ▶ The volume of production and dispatches of clinker and cement, as well as some results as of September 30, 2022, has been compared with proforma information from the previous year, with the purpose of showing comparative information on the cement business as if it corresponded to the Company (the information for 2021 corresponds to UNACEM Corp).

PRODUCTION**▪ CLINKER**

During the third quarter of 2022, the clinker production increased by 15.1%, from 1,477,168 t to 1,700,535 t. On the other hand, 3Q22 clinker production increased by 5.1% compared to 3Q21, mainly explained by higher cement demand.

▪ CEMENT

Cement production as of 3Q22 increased by 5.8% compared to 2Q22. Likewise, cement production during 3Q22 increased by 5.3% compared to 3Q21. 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
2021	I	1,500	1,450	1,444	3,320
	II	1,360	1,423	1,428	3,229
	III	1,618	1,637	1,650	3,652
	I-III	4,478	4,510	4,522	10,202
	IV	1,737	1,733	1,712	3,706
	I-IV	6,214	6,243	6,233	13,908
2022	I	1,476	1,602	1,596	3,406
	II	1,477	1,629	1,625	3,379
	III	1,701	1,724	1,737	3,599
	I-III	4,654	4,955	4,958	10,384
Variation					
	22-I-III/21-I-III	3.9%	9.9%	9.7%	1.8%
	22-III/21-III	5.1%	5.3%	5.2%	-1.5%
	22-III/22-II	15.1%	5.8%	6.9%	6.5%

*2021 Proforma Information

CEMENT DISPATCHES

■ DOMESTIC MARKET

Cement dispatches from UNACEM Peru during 3Q22 increased by 6.9% compared to 2Q22, going from 1,625,387 t versus 1,736,854 t. Moreover, cement dispatches in 3Q22 were 5.2% higher than in the 3Q21.

Cement dispatches in Peru, according to information from the National Institute of Statistics and Informatics - INEI, during the third quarter of 2022 increased by 6.5% compared to the previous quarter, going from 3,379,015 t to 3,598,920 t. Likewise, cement dispatches in Perú were 1.5% lower. In both cases, the performance of UNACEM Peru was above the market.

The Company's share in the domestic market increased from 48.1% in 2Q22 to 48.3% in 3Q22.

■ PORT OPERATIONS

During 3Q22, clinker exports through the Conchán port terminal reached 135 thousand tons, 48.1% lower than those reached in 3Q21. Additionally, 98 thousand tons of bulk solids were unloaded (26.7% less than what was registered in 3Q21) including: gypsum, coal, slag and grains for third parties.

FINANCIAL INFORMATION

■ LIQUIDITY

As of September 30, 2022, the Company's ability to meet short-term obligations is 1.15 per every sol owed.

■ CAPITAL AND FUNDING SOURCES

As of September 30, 2022, CAPEX amounted to S/ 103.1 million. The main additions during the period correspond to disbursements made for the new bagging machine 8 and palletizers, reinforcement of the structure for chamber 2 of the multisilo, improvements in the primary crusher, improvements in the cement mill 3, ecological belt system - Manchay; all these, corresponding to Atocongo plant. Likewise, disbursements made for the bagging machine 6 and palletizers, the dedusting projects of the kiln cooler 3, for calcined clay in kiln 1, improvements to the roller press, modernization of Carpapata 1 and 2 substations, corresponding to Condorcocha plant.

Gross financial debt amounted to S/ 1,448.0 million, decreasing by 7.2% in relation to January 1, 2022, mainly explained by the net effect of promissory notes and bank loans payments. It is worth mentioning that 28.3% of such debt is in foreign currency (35.2% as of January 1, 2022). Likewise, 29.7% of the total debt is held in the short term (23.2% as of January 1, 2022). Finally, 84.8% of the financing corresponds to bank loans and 15.2% to promissory notes (89.1% of the financing corresponded to bank loans and 10.9% to promissory notes as of January 1, 2022).

■ ECONOMIC RESULTS

Category	For the cumulative period from January 1st to September 30th, 2022	For the cumulative period from January 1st to September 30th, 2021
Incomes from ordinary activities	2,104,598	1,753,530
Cement Sales	1,964,996	1,595,510
Exports of clinker	82,219	90,715
Sale of blocks, pavers and concrete pavement	57,383	67,305
Cost of Sales	(1,326,447)	(1,147,088)
Profit (Loss) Gross	778,151	606,442
Gross margin	37.0%	34.6%

Dispatches from cement sales as of September 30, 2022, amounted to S/ 1,965.0 million, 23.2% higher than dispatches from sales reached during the same period of the previous year. This increase is mainly due to a higher physical volume of cement sold and a higher average price, due to price increased in 2021 and 2022.

The cost of cement sales as of September 30, 2022, amounted to S/ 1,223.3 million, 20.8% higher than in the same period of 2021, mainly due to the higher physical volume of cement sold and the increase in fuel costs.

Export revenues decreased by 9.4% as of September 30, 2022, compared to the same period in 2021. Revenues from Blocks, Pavers and Pavements decreased 14.7% compared to 3Q21.

The combined gross margin was 37.0% (34.6% in the previous year).

Operating expenses amounted to S/ 172.1 million as of September 30, 2022, due to personnel expenses for S/ 66.2 million, services provided by third parties for S/ 9.1 million, taxes for S/ 8.7 million, donations for S/ 12.1 million and maintenance for S/ 7.3 million. Net of Other operating expenses as of 3Q22 amounted to S/ 98.4 million, mainly due to royalties to UNACEM Corp S.A.A.

Because of the aforementioned as of the third quarter of 2022, the company obtained an operating profit of S/ 507.7 million and an EBITDA margin of 32.5%.

Net financial expenses amounted to S/ 53.4 million, mainly due to interest on bank loans.

At the end of 3Q22, an exchange gain of S/ 17.6 million was obtained, mainly explained by the financial debt in dollars and the recovery of the sol in the period.

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

Net profit amounted to S/333.5 million, for the reasons mentioned in preceding paragraphs.

The most important changes in the Company's balance sheet as of September 30, 2022, compared to January 1, 2022 can be observed in the following accounts:

- ▶ Increase in *Cash and cash equivalents* of S/ 89.9 million, due to the net effect of collections from customers, payment to suppliers and amortization of bank loans.
- ▶ Increase in *Commercial and Related Accounts Receivable* by S/ 342.9 million, due to higher commercial transactions during 3Q2022.
- ▶ Increase in *Commercial and Related Accounts Payable* for S/ 185.8 million, due to operations as of 3Q2022.

- ▶ Decrease in *Financial Debt* of S/ 112.9 million, due to payment of loans and bank notes.