

MANAGEMENT COMMENTS

First Quarter 2021

UNION ANDINA DE CEMENTOS S.A.A.

Management Comments First Quarter, March 31, 2021

RELEVANT EVENTS

■ COVID-19 HEALTH CRISIS AND PRESIDENTIAL ELECTIONS

2020 was a year of great challenges for the world and our country, as a result of the COVID-19 pandemic. In this context, the Company implemented a plan of measures that has allowed it to cope with this crisis, having as a fundamental pillar ensuring the safety and health of its employees, and the sustainability of the Company and all its stakeholders.

One year after the beginning of the health crisis, we continue to face a very difficult environment. The "second wave" of the pandemic caused that the Peruvian government, through Supreme Decree No. 009-2021-SA of February 19, 2021, to establish the extension of the state of health emergency until September 2, 2021, also through Supreme Decree No. 080-2020-PCM of April 17, 2021, ordered the extension of the national state of emergency until May 31, accompanied by a series of targeted measures to face this "second wave" of pandemic, among them: a level of alerts and measures (extreme, very high, high and moderate) by provinces and departments of the country, compulsory social immobilization, entry restrictions to the national territory and, reduction of capacity of stores and shopping centers, among others.

Also, the government continues to safeguard the payment chain of the companies, by which it ordered the reprogramming of the credits guaranteed with the Reactiva Peru Program and the Business Support Fund for the MYPE (FAE MYPE), which will allow to recover its income-generating capacity for a longer term and be able to comply with the payment of the agreed debts, reducing the probability of bankruptcy and maintaining its risk rating to have access to new financing to carry out its activities.

Despite the aforementioned, the recovery of cement dispatches has remained solid, as demonstrated by the results of the Company for the last quarter of 2020, mainly explained by the higher demand for self-construction. We started 2021 with good dispatch levels despite the 9.2% decrease compared to 4Q20, and we expect these levels to be maintained in the following quarters of the year.

On the other hand, on April 11 the first round of the presidential elections was held in the country, where Pedro Castillo and Keiko Fujimori have been the candidates chosen for the second round of the presidential elections to be held on June 6, 2021. As for the congressional elections, the result determined a highly fragmented and polarized legislature. This situation has been generating political noise and uncertainty, which generates greater caution in making investment decisions in the medium and long term.

The Board of Directors and Management of UNACEM has been executing its business plan in accordance with the provisions and adjusting the necessary measures in light of the evolution of the health crisis and the country's political scenario.

■ DEBT PROFILE

In January 2021, the Company carried out a debt re-profiling operation for approximately S/ 1,168 million with the objective of refinancing long-term liabilities, in soles and with lower financial cost. Said transaction allowed the payment of six (6) medium-term loans and two (2) short-term loans.

■ APPROVAL OF THE ACQUISITION OF CEMENT OPERATIONS IN CHILE

In December 2020, UNACEM closed an agreement to acquire Cementos La Unión S.A. (CLU) in Chile and in February 2021 it was notified by the Chilean National Economic Prosecutor's Office, through which said institution approved the purchase of 100% of the shares of Cementos La Unión S.A. (CLU CHILE) and 100% of the social rights of Inversiones Mel 20 Limitada (MEL20). Chile is a country that is the Company's main clinker export destination, and where we also have operations in concrete (Unicon Chile) and prefabricated (Preansa Chile).

The purchase consists of a cement grinding plant with a capacity of 300,000 mt/year and a ready-mix concrete unit with concrete plants and mixer trucks with a capacity of 336,000 m³/year. The total amount of the operation amounts to approximately US\$ 23 million, which includes the purchase price and the CLU debt to be guaranteed by UNACEM.

■ SUSTAINABILITY STRATEGY 2021-2050

UNACEM's strategic management has a clear sustainability approach and is based on five pillars: corporate governance, environment and biodiversity, climate change, circular economy and social development; that seek to generate a series of actions in order to create social, environmental and economic value.

Among the main aspirations of the Company, we have:

- a) To generate resilient and sustainable businesses
- b) To be a national benchmark for the private sector in ecosystem conservation
- c) To be carbon neutral by 2050
- d) To reduce the consumption of natural resources in production processes
- e) To generate positive impact on the social development of our environment

Our commitment is to achieve these aspirations in line with the achievement of the United Nations Sustainable Development Goals, with the commitment to work for the construction of a safer and more sustainable world.

CLINKER

■ PRODUCTION

Clinker production increased during 1Q21 by 30.4% compared to 1Q20, going from 1,149,703 to 1,499,644 t, mainly due to the reactivation of demand despite the measures taken by the COVID-19 pandemic, showing a continuous growth of 26.8% compared to 4Q20.

■ CEMENT

Cement production during 1Q21 increased by 35.7% compared to 1Q20, in line with the significant recovery of cement dispatches.

Production and Dispatches- Peru
(in thousand tons)

Period		Production		Dispatch	
Year	Qtr.	Clinker	Cement	UNACEM	Peru
2020	I	1,150	1,068	1,064	2,319
	II	-	439	444	1,027
	III	685	1,362	1,364	3,083
	IV	1,183	1,606	1,591	3,649
	I-IV	3,017	4,476	4,462	10,079
2021	I	1,500	1,450	1,444	3,267
	I	1,500	1,450	1,444	3,267
<i>Variation</i>					
21-I/20-I		30.4%	35.7%	35.7%	40.9%
21-I/20-IV		26.8%	-9.7%	-9.2%	-10.5%

CEMENT DISPATCHES

■ DOMESTIC MARKET

UNACEM's cement dispatches during 1Q21 increased by 35.7% compared to 1Q20, reaching 1,443,531 t against 1,063,699 t in 1Q20.

Domestic cement dispatches, according to the National Institute of Statistics and Informatics (INEI), decreased by 10.5% during the first quarter of 2021, compared to the previous quarter, from 3,649,451 t. to 3,266,619 t.

The Company's participation in the domestic market increased, from 43.6% in 4Q20 to 44.2% in 1Q21.

■ PORT OPERATIONS

During 1Q21, clinker exports through our pier in Conchán reached 107 thousand tons, slightly higher than the volume exported during 1Q20 (103 thousand tons). Additionally, the tonnage of bulk solids operated by the pier in Conchán during the quarter was 254 thousand tons, lower than the same period of the previous year (276 thousand tons), with operations of gypsum, coal, slag, imported clinker and grains for third parties.

FINANCIAL INFORMATION

■ LIQUIDITY

As of March 31, 2021, the Company's ability to meet short-term obligations is 1.53 per every sol owed.

■ CAPITAL AND FUNDING SOURCES

As of March 31, 2021, CAPEX amounted to S/ 27.1 million; the main additions during the year 2021 correspond to disbursements made for the projects to dedust the cooler of kiln 2, installation of a valve rack, migration of the control system of kiln 2, firefighting system in electrical substations, major maintenance of kiln 2, change of reducer due to the presence of metallic particles, change of sleeves and refractories of kiln 2 and roofing of the clinker field, corresponding to the Condorcocha plant; as well as disbursements made for the structural reinforcement and internal modification projects of chamber No. 1 of the multisilo and the repair of clinker tower 1, corresponding to the Atocongo plant

The gross financial debt amounted to S/ 3,176.3 million, increasing slightly by 0.2% in relation to December 31 of the previous year, mainly explained by the obtaining of bank overdrafts net of the payment in full of the promissory notes that were held short-term. It is worth mentioning that 16.8% of such debt is in foreign currency (23.3% as of December 31 of the previous year). Likewise, 16.7% of the total debt is kept in short term (25.0% as of December 31 of the previous year). Finally, 94.0% of the financing corresponds to bank loans, 4.1% to bank promissory notes and 1.9% to bonds (86.5% of the financing corresponded to bank loans, 11.6% to bank notes and overdrafts and 1.9% in bonds as of December 31, 2020).

■ ECONOMIC RESULTS

The invoiced dispatches for cement as of March 31, 2021 amounted to S/. 509.7 million, 38.5% higher than the invoiced dispatches reached during the same period of the previous year. This increase is mainly due to a higher physical volume of cement sold as a consequence of the economic reactivation and recovery of market demand.

The cost of cement sales as of March 31, 2021 amounted to S/ 306.1 million, 31.3% higher than in the same period of 2020, mainly due to the higher physical volume of cement sold.

Revenues from decreased as of March 31, 2021 compared to the same period in 2020, mainly explained by lower exports through Conchan pier. Exports, Blocks, Paving and Pavements were 20.7% higher with respect to 1Q20.

The combined gross margin was 38.2% (33.2% in the previous year).

Operating expenses, amounting to S/ 49.6 million as of March 31, 2021 increased by 17.1% compared to the previous year, mainly due to higher disbursements in the operation after the recovery of market demand, after facing the measures taken by the government in the face of the health crisis. Other Operating Income for the first quarter of 2021 increased by 104.9% compared to the first quarter of 2020, mainly including income from declared dividends from UNACEM ECUADOR, through Inversiones IMBABURA S.A., and Ferrocarril Central Andino S.A. for a total of S/ 26.0 million, compared to 1Q20 in which our subsidiaries did not declare dividends. Other Expenses increased 71.6% compared to the same period of the previous year, mainly due to the sale of scrap metal and the provision of a tax claim.

As a consequence of the aforementioned, in the first quarter of 2021 an operating profit of S/ 185.6 million was obtained against the operating profit of S/ 106.6 million reached in the same period of the previous year, mainly explained by the higher combined gross margin, the higher income from dividends declared by subsidiaries, net of higher administrative and operating expenses. The EBITDA margin, including dividends declared by subsidiaries, was 45.7% in the first quarter of 2021 (39.3% in the first quarter of 2020).

Financial expenses were slightly higher (2.8%) in relation to the same period of the previous year, mainly due to the additional costs related to debt re-profiling.

At the close of the first quarter of 2021, an exchange rate loss of S/ 17.8 million was obtained against an exchange rate loss of S/. 19.0 million in the same period of the previous year, mainly explained by financial debt in dollars and the exchange rate variation.

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

The net income increased by 195.5% with respect to the same period of the previous year, from S/ 32.4 million to S/ 95.8 million, for the reasons mentioned in the paragraphs above.

The most important changes in the Company's Statement of Financial Position as of March 31, 2021 with respect to December 31, 2020, took place in the following items:

- ▶ Increase in Cash and cash equivalents in S/ 48.4 million, mainly due to dividends received from the subsidiary Unacem Ecuador S.A. (through Inversiones Imbabura S.A.) for S/ 44.2 and Ferrocarril Central Andino S.A. for S/ 12.0
- ▶ Increase in Accounts receivable from Related parties in S/ 77.8 million and the subsequent decrease in Other Accounts Receivable, mainly due to the reclassification of the loan to Cementos La Unión S.A, given that as of March 31, 2021 its part of the UNACEM group, upon obtaining approval of the purchase by the Chile's National Economic Prosecutor's Office (FNE).
- ▶ Decrease in the Mining Concessions, Property, Plant and Equipment item of S/ 51.9 million, mainly due to the higher depreciation of assets net of additions.
- ▶ Short-term financial debt decreased of S/ 339.5 million and long-term increase of S/ 344.9 million, due to debt re-profiling.

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

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

Until December 31, 2018, the General Management was in charge of Sindicato de Inversiones y Administracion S.A. As of January 1, 2019, Mr. Carlos Ugás Delgado was appointed as General Manager.

On January 31, 2020, the UNACEM Board of Directors, with the prior agreement of the Audit and Risks Committee, unanimously approved the appointment of Mr. Pedro Lerner Rizo Patron, as its new General Manager, a position he assumed as of January 1 July 2020.

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:

AÑO 2021
ACCIÓN COMÚN

Año - Mes	Apertura	Cierre	Máxima	Mínima	Precio Promedio
2021 - 01	1.73	1.75	1.75	1.73	1.67
2021 - 02	1.82	1.84	1.84	1.82	1.82
2021 - 03	1.70	1.72	1.72	1.70	1.79

AÑO 2020
ACCIÓN COMÚN

Año - Mes	Apertura	Cierre	Máxima	Mínima	Precio Promedio
2020 - 01	2.00	1.90	2.00	1.90	1.95
2020 - 02	1.89	1.97	1.99	1.89	1.96
2020 - 03	1.96	1.35	1.96	1.31	1.67

DIVIDEND POLICY APPROVED IN THE GENERAL MEETING OF SHAREHOLDERS DATED 31 MARCH 2015

Starting in 2015, the policy is to distribute quarterly cash dividends, within a range between S/ 0.01 and S/ 0.02 per share issued by the Company, provided that the Company's liquidity situation allows it, that is, subject to the Company having complied with its financial covenants (contractual financial obligations) and has sufficient liquid resources to cover its operating and administrative costs and expenses, the scheduled disbursements for its investments in fixed assets and other assets, as well as to pay the maturities of the period for capital and interest of financial obligations.

The Board of Directors, in a session of April 4, 2020, as part of the preventive and extraordinary measures implemented due to the exceptional situation of the

pandemic, agreed to suspend the quarterly distribution of dividends until conditions allow their resumption. On February 24, 2021, the Board of Directors agreed to distribute dividends in the amount of S/ 23.6 million, with payment made on March 30, 2021.

The dividend policy is permanently informed through the SMV website: http://www.smv.gob.pe/Frm_SupDividendos.aspx?data=EAE3284A58D5428CADE638E8D08A3F292BC409917D

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