

MANAGEMENT COMMENTS

Second Quarter 2021

UNION ANDINA DE CEMENTOS S.A.A.

Management Comments Second Quarter, as of June 30, 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 with measures that allowed it to cope with this crisis, having as a fundamental pillar ensuring the safety and health of its employees, the sustainability of the Company and all its stakeholders.

The health crisis continues in 2021, we continue to face a very difficult environment despite having overcome the "second wave" of the pandemic. The Peruvian government continues with preventive measures. Through Supreme Decree No. 184-2020-PCM of November 30, 2020 and amendments, the extension of the national state of emergency until August 31, 2021, accompanied by a series of targeted measures that established alert levels (extreme, very high, high and moderate) by provinces and regions of the country, compulsory social immobilization, entry restrictions to the national territory and reduction of capacity of stores and shopping centers, among others.

Likewise, the government continues to safeguard the payment chain of the companies, for 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 have a greater payment term that allows companies to recover the income-generating capacity and be able to comply with the payment of the agreed debts, reducing the probability of bankruptcy and maintaining their risk rating to have access to new financing to carry out their activities.

The Ministry of Health warned of a possible "third wave" that would arrive at the end of July and the beginning of August; given this, a response plan was presented against the risk of this new wave of COVID-19. Through a Ministerial Resolution No. 835-2021-MINSA, the sector reported that the plan seeks to help protect the life and health of the population at risk or affected by the disease.

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 were the candidates chosen for the second round. The latter was held on June 6, 2021, in which the National Office of Electoral Processes (ONPE) gave the candidate Pedro Castillo as the virtual winner. However, the National Elections Jury (JNE), the highest electoral authority in the country, evaluated the appeals filed to request the nullity of the polling station minutes until July 19, the date on which Pedro Castillo was finally proclaimed as President of Peru and, will take office on July 28. As for the congressional elections, the result determined a highly fragmented and polarized legislature. This has been generating political noise and uncertainty, leading to greater caution in making investment decisions in the medium and long term.

Despite the aforementioned, cement dispatches have remained solid, as demonstrated by the Company's results for the second quarter of 2021, mainly explained by the higher demand for self-construction. These levels are expected to continue throughout the year.

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.

■ **THIRD PROGRAM OF DEBT REPRESENTATIVE INSTRUMENTS**

On June 28, 2021, the General Shareholders' Meeting approved the issuance of obligations through the registration of the Third Program of Debt Representative Instruments of Unión Andina de Cementos S.A.A. up to a maximum amount in circulation of S/ 1,200,000,000.00 or its equivalent in US Dollars, which may be made up of one or more individual issues to be placed by public offering or private offering, and whose other terms, conditions and general and specific characteristics of each of the individual issues and/or series carried out within the framework of the Program will be defined later.

■ 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 management; 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.

PRODUCTION

■ CLINKER

Clinker production decreased 9.3% during 2Q21 compared to 1Q21, going from 1,499,644 t to 1,359,809 t, mainly due to scheduled shutdowns for maintenance of the Atocongo plant kilns. On the other hand, Clinker production in 2Q21 increased 148.7% compared to the same period of the previous year, mainly explained by the stoppage of the kilns as a consequence of the health crisis due to the COVID-19 pandemic as of 2Q20.

■ CEMENT

Cement production during 2Q21 had a decrease of 1.8% compared to 1Q21. Likewise, cement production in 2Q21 increased by 90.6% with respect to the same period of the previous year. In both cases, production is in line with the behavior of demand and 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
	I-II	1,150	1,508	1,507	3,346
	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	3,320
	II	1,360	1,423	1,428	3,216
	I	2,859	2,873	2,871	6,537
<i>Variation</i>					
21-I-II/20-I-II		148.7%	90.6%	90.5%	95.4%
21-II/20-II		---	224.1%	221.9%	213.2%
21-II/21-I		-9.3%	-1.8%	-1.1%	-3.1%

CEMENT DISPATCHES

■ DOMESTIC MARKET

UNACEM's cement dispatches during 2Q21 had a decrease of 1.1% compared to 1Q21, reaching 1,427,787 t against 1,443,531 t in 1Q21.

Cement dispatches in Peru, according to information from the National Institute of Statistics and Informatics - INEI, during the second quarter of 2021 decreased by 3.1% compared to the previous quarter, from 3,320,383 t to 3,216,491 t.

The Company's participation in the domestic market increased, passing from 43.5% in 1Q21 to 44.4% in 2Q21.

■ PORT OPERATIONS

During 2Q21, exports through the Conchán pier reached 206 thousand tons of clinker. It should be noted that during 2Q20 there were no clinker exports due to repair work at the ship loader, which was completed in July 2020.

Additionally, the tonnage of bulk solids operated by the pier in Conchán during 2Q21 was 81 thousand tons (35 thousand tons during 2Q20), including third party gypsum and grain operations.

FINANCIAL INFORMATION

■ LIQUIDITY

As of June 30, 2021, the Company's ability to meet short-term obligations is 1.41 per every sol owed.

■ CAPITAL AND FUNDING SOURCES

As of June 30, 2021, CAPEX amounted to S/ 64.0 million; the main additions during the period correspond to disbursements made for the cooler dedusting projects, control system migration, valve rack installation, modernization of the Cenit-Pillard system and major maintenance, carried out in kiln 2; in addition to the change of reducer in cement mill 6, change of sleeves of kiln 4 and change of plates of cement mill 8, in the Condorcocha plant. Likewise, disbursements made for the cement mill shell change projects, structural reinforcement and internal modification of the multisilo chambers, fire-fighting system in the electrical substations and main belts, repair of the clinker tower 1; corresponding to the Atocongo plant.

The gross financial debt amounted to S/ 3,262.8 million, increasing by 2.9% in relation to December 31 of the previous year, mainly explained by the short-term promissory notes obtained. It is worth mentioning that 23.8% of such debt is in foreign currency (23.3% as of December 31 of the previous year). Likewise, 17.4% of the total debt is kept in short term (25.0% as of December 31 of the previous year). Finally, 91.1% of the financing corresponds to bank loans, 7.1% to bank promissory notes and 1.8% to bonds (86.5% of the financing corresponded to bank loans, 11.6% to bank notes and 1.9% in bonds as of December 31, 2020).

■ ECONOMIC RESULTS

The invoiced dispatches for cement as of June 30, 2021 amounted to S/. 1,015.0 million, 92.4% higher than the sales dispatches achieved 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 demand.

The cost of cement sales as of June 30, 2021 amounted to S/ 652.3 million, 81.3% higher than in the same period of 2020, mainly due to the higher physical volume of cement sold.

Export revenues decreased as of June 30, 2021 compared to the same period in 2020, mainly explained by lower exports of clinker. Revenues from Blocks, Paving and Pavements grew by 143.1% compared to 2Q20.

The combined gross margin was 34.4% (28.4% in the previous year).

Operating expenses, amounting to S/ 107.7 million as of June 30, 2021, increased by 39.7% compared to the previous year, mainly due to higher disbursements in the operation after the recovery of market demand. Other Operating Income in 2Q21 increased by 209.8% compared to 2Q20, mainly including income from declared dividends from Unacem Ecuador, through Inversiones Imbabura S.A., from Ferrocarril Central Andino S.A. and Inversiones en Concreto y Afines S.A. for a total of S/ 65.0 million. Other Expenses decreased by 71.0% compared to the same period of the previous year, due to the adjustment of assets related to the Atocongo thermal plant projects and the integral plan of the Cristina mining concession for S/ 57.7 million in 2020.

As a consequence of the aforementioned, in the second quarter of 2021 an operating profit of S/ 357.9 million was obtained against the operating profit of S/ 60.0 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 from higher Administrative and Operating expenses. The EBITDA margin, including dividends declared by subsidiaries, was 43.2% as of 2Q21 (27.3% as of 2Q20).

Financial expenses decreased by 5.6% in relation to the same period of the previous year, mainly due to lower financial costs as a result of the debt re-profiling carried out in January and the amortizations carried out.

At the end of 2Q21, an exchange loss of S/ 32.0 million was obtained versus an exchange loss of S/ 36.8 million in the same period of the previous year, mainly explained by financial debt in dollars and the devaluation of the Peruvian sol.

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

Net income increased 596.8% with respect to the same period of the previous year, going from a loss of S/ 39.0 million to a profit of S/ 194.0 million, for the reasons mentioned in the preceding paragraphs.

The most important changes in the Company's Statement of Financial Position as of June 30, 2021 with respect to December 31, 2020, took place in the following items:

- ▶ Increase in Cash and cash equivalents in S/ 195.1 million, mainly due to dividends received from subsidiaries: Unacem Ecuador S.A. (through Inversiones Imbabura S.A.), Inversiones en Concreto y Afines S.A, Ferrocarril Central Andino S.A. and ARPL Tecnología Industrial S.A for S/ 134.6 million.
- ▶ Increase in Accounts Receivable from Related Companies in S/ 77.9 million and the consequent decrease in Other Accounts Receivable, mainly due to the reclassification of the loan to Cementos La Unión SA, today UNACEM Chile, which as of June 30, 2021 is part of the UNACEM group.
- ▶ Increase in Investments in Subsidiaries and others in S/ 74.6 million, mainly due to the contribution and purchase of shares of the subsidiary Skanon Investments Inc.
- ▶ Decrease in the Mining Concessions, Property, Plant and Equipment item of S/ 74.2 million, mainly due to the higher depreciation of assets net of additions.
- ▶ Decrease in short-term financial debt by S/ 225.5 million and increase in long-term debt by S/ 317.3 million, due to the re-profiling of debt.

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 the stock information, all figures are in current soles per share:

AÑO 2021					
ACCIÓN COMÚN					
Año - Mes	Apertura	Cierre	Máxima	Mínima	Precio Promedio
2021 - 01	1.73	1.75	1.75	1.72	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
2021 - 04	1.49	1.53	1.53	1.49	1.53
2021 - 05	1.54	1.47	1.54	1.45	1.51
2021 - 06	1.42	1.34	1.45	1.32	1.30

ANO 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
2020 - 04	1.32	1.15	1.35	1.14	1.27
2020 - 05	1.18	1.40	1.40	1.18	1.32
2020 - 06	1.38	1.60	1.70	1.38	1.57

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 on April 4, 2020, as part of the preventive and extraordinary measures implemented due to the exceptional situation of the COVID-19 pandemic, agreed to suspend the quarterly distribution of dividends until conditions allow their resumption. Dividend payments resumed in the first quarter of 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>