

MANAGEMENT COMMENTS

Third Quarter 2021

UNION ANDINA DE CEMENTOS S.A.A.

Management Comments **Third quarter ended, as of September 30, 2021**

RELEVANT EVENTS

■ COVID-19 HEALTH CRISIS AND POLITICAL SITUATION

The years 2020 and 2021 have been years of great challenges for the world and our country because 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, the sustainability of the Company and all its stakeholders. Likewise, the Peruvian government continues to take the necessary actions to mitigate the effects of a possible “third wave” of COVID-19 as well as to safeguard the payment chain of companies, for which it ordered, among other actions, the reprogramming of the credits guaranteed with the Reactiva Peru Program and the Business Support Fund for the MYPE (FAE MYPE).

On the other hand, this year Pedro Castillo assumed the presidency of Peru. During these first months has caused political turbulence due to the lack of certainty in the measures that his government will apply, which has been affecting private investment, the strength of our currency and, consequently, a higher inflation. On the economic side, a slowdown in the recovery, the rise in the US dollar price and the loss of consumer purchasing power are estimated for the following months. In the political and social environment stands out with the proposal for a Constituent Assembly, an ideological change that could cause instability of the democratic system. All of this has been generating political noise and uncertainty, leading to greater caution when making investment decisions in the medium and long term.

Despite the above said, the cement dispatches have remained solid, as demonstrated by the Company's results for the third quarter of 2021, mainly explained by the higher demand for self-construction.

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

■ SUBSIDIARIES MERGERS

On July 9, 2021, the General Shareholders' Meetings of our subsidiaries UNACEM Ecuador and UNICON Ecuador, agreed by majority to approve the merger by absorption of UNACEM Ecuador, as the absorbing company, and UNICON Ecuador, as the absorbed company.

■ SIMPLE REORGANIZATION

On September 17, 2021, in a Board meeting, it was agreed to mandate the Management with the evaluation of a simple reorganization, that would segregate and contribute to a new subsidiary, own 100% by the Company, the equity block made up of all the assets and liabilities related to the clinker and cement production in Peru, as well as its commercialization in the country and abroad. This simple reorganization, which is subject to evaluation, aims to strengthen the sustainability of UNACEM, which would become a corporation with operating investments through its subsidiaries, without changes in the capital stock, nor in the control unit, nor in the governance structure of 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 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 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 19.0% during 3Q21 compared to 2Q21, going from 1,359,809 t to 1,618,085 t, mainly due to the continuous operation of the kilns at the Atocongo plant, with minimal scheduled shutdowns for maintenance. On the other hand, clinker production in 3Q21 increased 136.3% compared to the same period of the previous year, in the 3Q20 it continued the reactivation of operations in the construction sector after the measures taken due to the health crisis caused by the COVID-19 pandemic.

■ CEMENT

Cement production during 3Q21 had an increase of 15.0% compared to 2Q21. Likewise, cement production in 3Q21 increased by 20.2% 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
	III	685	1,362	1,364	3,083
	I-III	1,835	2,870	2,871	6,429
	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	3,229
	III	1,618	1,637	1,554	3,697
	I-III	4,478	4,510	4,425	10,247
Variation					
21-I-III/20-I-III		144.1%	57.2%	54.1%	59.4%
21-III/20-III		136.3%	20.2%	13.9%	19.9%
21-III/21-II		19.0%	15.0%	8.8%	14.5%

CEMENT DISPATCHES

■ DOMESTIC MARKET

UNACEM's cement dispatches during 3Q21 increased by 8.8% compared to 2Q21, reaching 1,553,984 t against 1,427,787 t in 2Q21. It should be noted that during the month of September a new historical record of monthly dispatch was reached with 582,895 t.

Cement dispatches in Peru, according to information from the National Institute of Statistics and Informatics - INEI, during the third quarter of 2021 increased by 14.5% compared to the previous quarter, from 3,229,307 t to 3,697,242 t.

The Company's participation in the domestic market decreased, from 44.2% in 2Q21 to 42.0% in 3Q21.

■ PORT OPERATIONS

As of 3Q21, exports through the Conchán pier reached 573 thousand tons, 383% higher than the same period of the previous year, it should be noted that during 2Q20 no clinker exports were made due to repair work in the ship loader, which ended in July 2020.

Additionally, the tonnage of bulk solids operated by the pier in Conchán as of 3Q21 was 469 thousand tons (398 thousand tons as of 3Q20), including operations of gypsum, coal, slag and third-party grains.

FINANCIAL INFORMATION

■ LIQUIDITY

As of September 30, 2021, the Company's ability to meet short-term obligations is 1.19 per every sol owed.

■ CAPITAL AND FUNDING SOURCES

As of September 30, 2021, CAPEX amounted to S/ 90.2 million; the main additions during the period correspond to disbursements made for the projects to dedust the cooler, migration of the control system, installation of the valve rack, modernization of the Cenit-Pillard system and major maintenance carried out in kiln 2, change of gearbox in the mill. cement 6, change of sleeves in kiln 4 and change of motor in kiln 3; corresponding to 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, change of container elevators, corresponding to the Atocongo plant.

Gross financial debt amounted to S/ 2,855.1 million, decreasing 10.0% in relation to December 31 of the previous year, mainly explained by the payment of short-term promissory notes. It is worth mentioning that 20.1% of such debt is in foreign currency (23.3% as of December 31 of the previous year). Likewise, 16.3% of the total debt is kept in short term (25.0% as of December 31 of the previous year). Finally, 95.3% of the financing corresponds to bank loans, 2.6% to bank promissory notes and 2.1% to bonds (86.5% of the financing corresponded to

bank loans, 11.6% to promissory notes and 1.9% in bonds as of December 31, 2020).

If the Board of Directors and later the Shareholders' Meeting approve the simple reorganization as indicated in the preceding paragraphs, and discounting the debt payments of 4Q2021, it is estimated that the total debt at the end of 2021 would be S/ 2,573 million, the same that would be distributed between UNACEM S.A.A. S/ 1,149 million and the new cement subsidiary in Peru S/ 1,424 million.

■ ECONOMIC RESULTS

The invoiced dispatches for cement as of September 30, 2021, amounted to S/. 1,595.5 million, 57.6% 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 September 30, 2021, amounted to S/ 1,017.1 million, 41.8% higher than in the same period of 2020, mainly due to the higher physical volume of cement sold.

Export revenue increased as of September 30, 2021, by 64.5% compared to the same period in 2020, mainly explained by higher clinker volume exported. Revenues from Blocks, Paving and Pavements grew 163.6% compared to 3Q20.

The combined gross margin was 34.6% (27.0% in the previous year).

Operating expenses, amounting to S/ 167.4 million as of September 30, 2021, increased by 33.7% compared to the previous year, mainly due to higher disbursements in the operation after the recovery of market demand. Other Operating Income for 3Q21 increased by 161.4% compared to 3Q20, 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/ 64.0 million. Other Expenses decreased by 61.6% 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.

Because of the aforementioned, in the third quarter of 2021 an operating profit of S/ 535.9 million was obtained against the operating profit of S/ 148.0 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 of higher administrative and operating expenses. EBITDA margin, including dividends declared by subsidiaries, was 41.1% as of 3Q21 (29.1% as of 3Q20).

Financial expenses decreased by 5.2% compared to the same period of the previous year, mainly due to lower financial costs as a result of the debt reprofiling carried out in January.

At the end of 3Q21, an exchange loss of S/ 63.4 million was obtained versus an exchange loss of S/ 45.9 million in the same period of the previous year, mainly explained by financial debt in dollars and the devaluation of the sol.

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

Net income increased considerably compared to the same period of the previous year, going from a loss of S/ 13.2 million to a profit of S/ 268.2 million, for the reasons mentioned in the preceding paragraphs.

The most important changes in the Company's balance sheet as of September 30, 2021, compared to December 31, 2020 can be observed in the following items:

- ▶ Decrease in Cash and cash equivalents in S/ 154.1 million, mainly due to amortization of bank loans net of other collections and payments.
- ▶ Increase in Accounts Receivable from Related parties in S/ 107.8 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 since March 19th, is part of the UNACEM group.
- ▶ Increase in Investments in Subsidiaries and others in S/ 96.0 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/ 107.0 million, mainly due to the higher depreciation of assets net of additions.
- ▶ Decrease in short-term financial debt by S/ 327.9 million and increase in long-term debt by S/ 12.1 million, due to the re-profiling and amortization 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:

YEAR 2021					
COMMON SHARE					
Year - Month	Opening	Closure	Highest	Lowest	Average Price
2021 - 01	1.53	1.75	1.81	1.53	1.67
2021 - 02	1.74	1.84	1.90	1.70	1.82
2021 - 03	1.84	1.72	1.86	1.65	1.79
2021 - 04	1.73	1.53	1.75	1.24	1.53
2021 - 05	1.50	1.47	1.60	1.42	1.51
2021 - 06	1.41	1.34	1.55	1.17	1.31
2021 - 07	1.32	1.22	1.35	1.20	1.27
2021 - 08	1.17	1.40	1.40	1.00	1.16
2021 - 09	1.39	1.46	1.48	1.39	1.44

YEAR 2020

COMMON SHARE

Year - Month	Opening	Closure	Highest	Lowest	Average Price
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
2020 - 07	1.60	1.55	1.60	1.46	1.52
2020 - 08	1.54	1.45	1.54	1.45	1.48
2020 - 09	1.46	1.43	1.48	1.40	1.43

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>