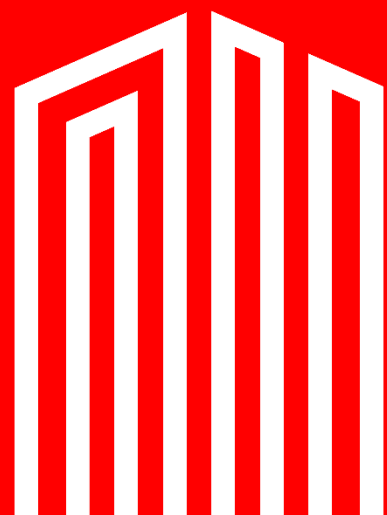




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# MANAGEMENT COMMENTS



## UNACEM Corp S.A.A.

### Management Comments

Fourth Quarter, as of, December 31, 2023

#### 1. BACKGROUND

UNACEM Corp's main activity is the development of strategic guidelines for its companies' portfolio to generate long-term value for shareholders, facilitate synergies, and align its operating business units while focusing on talent development, operational performance, sustainable finance and the group's transformation process. All of these leveraging the knowledge gathered as Peru's cement market leader for more than 100 years.

In December 2021, the General Shareholders Meeting of UNACEM Corp S.A.A. (formerly UNACEM S.A.A.) approved a Simple Reorganization that led to the creation of this holding that seeks to consolidate Grupo UNACEM through a value-creation-focused management for all its stakeholders.

#### 2. RELEVANT EVENTS

##### ■ SHARES AMORTIZED

The General Shareholders' Meeting held on August 31 approved the amortization of 38'127'611 treasury shares generated from the Buyback Program and the consequent capital reduction of UNACEM Corp from S/ 1,818'127,611 to 1,780'000,000. The excess paid over the nominal value of the 38'127'611 shares amortized, that amounted S/ 26,807,977, was charged to the retained earning account.

As of December 31, 2023, the Company holds 14,828,000 treasury shares equivalent to S/ 22,948,000 (12,967,000 treasury shares equivalent to S/ 23,530,000, as of December 31, 2022).

##### ■ INVESTMENTS

#### Energy generation in Peru

On December 29, UNACEM Corp informed the Securities Market Superintendence (SMV), that the offer from its subsidiary Compañía Eléctrica El Platanal S.A. (Celepsa) to acquire the shares and receivables (Senior debt and subordinated bonds) of Termochilca S.A. was accepted. On January 19, 2023, Celepsa entered into a share purchase agreement with La Fiduciaria S.A., under which Celepsa acquired – subject to authorization from the National Institute of Defense of Competition and Protection of Intellectual Property (INDECOPI), in

compliance with the applicable regulations – 100% of the capital's stock representative shares.

On April 20, 2023, INDECOPI notified Celepsa the authorization of the corporate control structure operation with Termochilca S.A. On May 8, 2023, the transaction was closed.

The price agreed for this transaction was US\$ 141,000,000, paid by Celepsa, with bank financing.

Termochilca S.A. is a power generation company that has a combined-cycle thermal power plant located in the district of Chilca, province of Cañete, department of Lima, with an installed capacity of 300 MW.

This transaction represents an important milestone for Grupo UNACEM and its subsidiary Celepsa, which had doubled its installed capacity, strengthening its position in the Peruvian energy market and renewing Grupo UNACEM's commitment with the country.

### **Quicklime production in Peru**

In June 2023, the Company was notified by INDECOPI with the authorization of the operation of business concentration that consists of the constitution of a new company between UNACEM Corp S.A.A. (with 51% of the capital stock), and Grupo Calidra S.A., a Mexican company focused in quicklime processing, with the remaining capital.

The purpose of the new society, CALCEM S.A., will be to build and operate an industrial plant in Condorcocha area, to produce quicklime and calcium carbonates, with an initial capacity of 600 tons per day of quicklime. The plant would begin operation in the first half of 2025. CALCEM's investment will be covered with capital contributions from each shareholder and bank financing.

### **Cement and clinker production in the USA**

In the Board Meeting held on August 24, 2023, the purchase and sale contract by Skanon Investments Inc to acquire from the North American companies Martin Marietta Materials, Inc and Martin Marietta Pacific District Cement, LLC (the sellers), 100% of interest in Martin Marietta Southern California Cement, LLC., a company domiciled in Delaware, USA, and owner of the Tehachapi plant was approved.

This facility has a production capacity of one million short tons of cement and 940 thousand short tons of clinker. This transaction will double Grupo UNACEM's current clinker and cement production capacity in the US, with access to one of the most important markets on the West Coast, strengthening the Group's investment portfolio in its core business.

On October 31, 2023, the acquisition of 100% of the interest of Martin Marietta Southern California Cement, LLC was completed. As a result of this transaction, the company's name changed to Tehachapi Cement LLC and it became part of Grupo UNACEM. The final acquisition price was USD 315,000,000.

The acquisition was financed through a three-year term loan of USD 345,000,000 from a syndicate of banks led by BBVA Securities Inc.

#### ■ CORPORATE REORGANIZATION

##### **Merge through absorption between Union de Concreteras S.A. (UNICON) and Concremax S.A.**

On November 16, 2023, the General Shareholders Meeting of Union de Concreteras S.A. (UNICON) and Concremax S.A. unanimously approved the merger project by which UNICON would absorb Concremax. Therefore, Concremax would be extinguished without liquidation, according to the Article 344 of the General Corporations Law. It should be noted that the merge will become effective on January 1, 2024. UNICON owns 100% of the shares of Concremax, this is a simple merger, which will not result in an increase in the equity of UNICON.

#### ■ CREDIT RATING

The Company maintains the local ratings of 1.pe category for common shares (UNACEMC1), by Moodys local and Apoyo Asociados. Both credit agencies were update on November 9 and 13 respectively.

Likewise, in November, S&P Global Ratings ratified the international rating of UNACEM Corp S.A.A. and subsidiaries, in BB with an updated outlook, going from Positive to Stable. The rating is supported by the integration of Tehachapi and the Group's operational and leverage outlook for the next 12 months.

### **3. FINANCIAL INFORMATION**

#### ■ LIQUIDITY

As of December 31, 2023, the Company's ability to meet short-term obligations reaches 0.57 for each sol of debt (as of December 31, 2022, it was 0.98).

#### ■ INVESTMENT AND FINANCING

UNACEM Corp is a holding with a portfolio of investments in cement, concrete, energy, and adjacent related service business units, which are present in the following units:

- ▶ Cement: UNACEM Peru, UNACEM Ecuador, UNACEM Chile, and Drake Cement and Tehachapi Cement (USA).
- ▶ Concrete: UNICON and Concremax (Peru), UNICON Chile, Desert Ready Mix and Desert Aggregates (USA), PREANSA Peru, PREANSA Chile and PREANSA Colombia.

- ▶ Power generation: Compañía Electrica El Platanal S.A. (Celepsa), Celepsa Renovables S.R.L. (CERE), and Termochilca S.A., all in Peru.
- ▶ Services: ARPL Tecnologia Industrial S.A., Vigilancia Andina S.A. DIGICEM S.A and Inversiones Nacionales y Multinacionales Andinas S.A. (INMA), all in Peru.

Gross financial debt as of December 31, 2023, amounted to S/ 1,042.8 million (S/ 1,090.1 million as of December 31, 2022) due to payments, net of new debt. Regarding currency, 91.1% of the debt is in soles (100% as of December 31, 2022). Likewise, short-term debt totals 32.1% (12.8% as of December 31, 2022). Finally, 91.1% of the debt structure is bank loans and 8.9% is promissory notes (98.3% of the debt structure was bank loans and 1.7% corporate bonds as of December 31, 2022).

## ■ RELEVANT CHANGES IN THE FINANCIAL SITUATION

The main changes in the separate statement of financial position of the Company as of December 31, 2023, compared to December 31, 2022, are described below:

### STATEMENT OF FINANCIAL POSITION (In thousands of Soles)

	As of 31.12.2023	As of 31.12.2022	Variation	
			S/	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	3,044	6,426	(3,382)	-52.6%
Trade Accounts Receivable and other accounts receivable	209,515	163,796	45,719	27.9%
Prepaid expenses	5,488	2,270	3,218	141.8%
Income tax assets	10,782	14,092	(3,310)	-23.5%
<b>Total Current Assets</b>	<b>228,829</b>	<b>186,584</b>	<b>42,245</b>	<b>22.6%</b>
INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	6,194,628	6,074,006	120,622	2.0%
TRADE ACCOUNTS RECEIVABLES AND OTHER ACCOUNTS RECEIVABLES	49,431	97,143	(47,712)	-49.1%
INTANGIBLE ASSETS, NET	22,708	20,939	1,769	8.4%
PROPERTY, PLANT AND EQUIPMENT	143	62	81	130.6%
DEFERRED INCOME TAX	17,498	11,310	6,188	54.7%
<b>TOTAL ASSETS</b>	<b>6,513,237</b>	<b>6,390,044</b>	<b>123,193</b>	<b>1.9%</b>

- ▶ *Trade and other receivables* increased due to the reclassification of tax claims equivalent to S/ 39.6 million, which were changed from long-term to short-term during the quarter.
- ▶ *Financial investments* increased in S/ 120.6 million, explained by capital contributions to subsidiaries: Inversiones Imbabura S.A. for S/ 49.7 million, DIGICEM S.A. for S/ 45.7 million and Inversiones Nacionales y Multinacionales S.A. for S/ 20.7 million.

	As of 31.12.2023	As of 31.12.2022	Variation S/	%
<b>LIABILITY AND EQUITY</b>				
<b>CURRENT LIABILITY</b>				
Other financial liabilities	334,827	140,057	194,770	139.1%
Trade and other payables	65,345	48,116	17,229	35.8%
Provisions	1,214	1,286	(72)	-5.6%
<b>Total Current Liability</b>	<b>401,386</b>	<b>189,459</b>	<b>211,927</b>	<b>111.9%</b>
OTHER FINANCIAL LIABILITIES	707,933	950,047	(242,114)	-25.5%
OTHER PAYABLES	3,503	1,587	1,916	120.7%
<b>TOTAL LIABILITY</b>	<b>1,112,822</b>	<b>1,141,093</b>	<b>(28,271)</b>	<b>-2.5%</b>
<b>TOTAL EQUITY</b>	<b>5,400,415</b>	<b>5,248,951</b>	<b>151,464</b>	<b>2.9%</b>
<b>TOTAL LIABILITY AND EQUITY</b>	<b>6,513,237</b>	<b>6,390,044</b>	<b>123,193</b>	<b>1.9%</b>

- ▶ *Other financial liabilities* increased S/ 194.8 million in the short term and decreased in the long term portion by S/ 242.1 million, mainly due to the reclassification of liabilities according to their maturity, and net from the effect of payments for S/ 141.1 million and new promissory note for S/ 94.0 million.
- ▶ *Equity* growth in S/ 151.5 million; mainly explained by the results of the period by S/ 359.6 million, net of the dividends declarations to shareholders of S/ 143.8 million and the purchase of treasury shares for S/ 64.4 million.

#### ■ FINANCIAL PERFORMANCE

The main quarter over quarter changes in the separate income statement as of December 31, 2023, compared to December 31, 2022, are described below:

#### INCOME STATEMENT (In thousands of Soles)

	From January, 1st to December 31st, 2023	From January, 1st to December 31st, 2022	Variation S/	%
Operating income	515,191	534,612	(19,421)	-3.6%
Administrative expenses	(89,465)	(57,479)	(31,986)	55.6%
Other operating expenses, net	65	7,325	(7,260)	-99.1%
<b>Operating income</b>	<b>425,791</b>	<b>484,458</b>	<b>(58,667)</b>	<b>-12.1%</b>
Financial expenses, net	(53,178)	(51,757)	(1,421)	2.7%
Exchange difference	(1,379)	(2,283)	904	-39.6%
<b>Income before taxes</b>	<b>371,234</b>	<b>430,418</b>	<b>(59,184)</b>	<b>-13.8%</b>
Income tax expense	(11,677)	(17,976)	6,299	-35.0%
<b>Net income</b>	<b>359,557</b>	<b>412,442</b>	<b>(52,885)</b>	<b>-12.8%</b>

- ▶ *Income from ordinary activities* decreased S/ 19.4 million due to the lower dividends received partially offset with higher royalties from the companies of the Group.
- ▶ Increase in *Administrative Expenses* of S/ 32.0 million due to advisory services, new software licenses and personnel expenses.

- ▶ The *Income tax* provision for the year was determined based on the accounting results for the period.

#### 4. MAIN BUSINESS UNITS' PERFORMANCE

##### PERU

- ▶ UNACEM Peru: The volume of cement dispatches during the quarter reached 1,456 thousand tons (14.8% lower than 4Q22) with revenues of S/ 708.7 million (2.9% lower than 4Q22). This decrease is explained by lower volume dispatched, partially offset by a higher average prices. This resulted in an EBITDA of S/ 222.0 million (11.8% higher than 4Q22) due to operating efficiencies.
- ▶ UNICON Peru and Concremax: The volumes of ready-mix dispatched reached 679 thousand m<sup>3</sup> (0.8% lower than 4Q22) with revenues of S/ 395.1 million (28.5% higher than 4Q22) and an EBITDA of S/ 27.8 million (19.3% higher than 4Q22). The solid performance of the quarter its explained by higher ready-mix dispatches to large infrastructure projects with better margins, namely Linea 2 del Metro, the Chancay Port and the new terminal of the Jorge Chavez airport, among others.
- ▶ Celepsa: The energy sold during 4Q23 reached 510 GWh (2.2% lower than 4Q22), totaling revenues of USD 25.8 million (34.1% lower than 4Q22) and an EBITDA of USD 7.4 million (60.9% higher than 4Q22).
- ▶ Termochilca: Sales volume during 4Q23 reached 369 GWh, with revenues of USD 18.3 million and EBITDA of USD 0.6 million. It is worth to note that this operation was incorporated to the group in May 2023.

In line with our investment strategy, Celepsa's results were compensated by Termochilca, our energy business unit recorded a consolidated EBITDA of USD 8.0 million, 73.6% higher than 4Q22.

##### ECUADOR

- ▶ UNACEM Ecuador: 4Q23 revenues were USD 38.9 million including the ready-mix operation (2.1% lower than 4Q22). The cement business unit reached 290 thousand tons (17.3% lower than 4Q22). EBITDA for the period was USD 8.0 million (20.4% lower than 4Q22).

##### U.S.A.

- ▶ Skanon dispatched 236 thousand tons of cement in the quarter (56.0% higher than 4Q22) an important increase partially explained by the incorporation of Tehachapi since November, which contributed with 80 thousand tons. Ready mix dispatches recorded 225 thousand m<sup>3</sup> (1.3% lower than 4Q22) and aggregates dispatches were 463 thousand tons (31.5% lower than 4Q22 and only operating one quarry). The higher average prices supported revenues of USD 80.6 million (27.7% higher than 4Q22) and an EBITDA of USD 6.3 million in the quarter (42.4% lower than 4Q22).

## CHILE

- ▶ UNACEM Chile dispatched 121 thousand tons of cement in 4Q23 (0.4% higher than 4Q22). Revenues reached CLP 11,853.2 million (7.0% higher compared to 4Q22) and an EBITDA of CLP 1,225.1 million which includes a non-recurring income of CLP 1,200.5 million resulting from the expropriation of a portion of the land at the San Antonio plant for the execution of Ruta de la Fruta. This sale does not impact the our normal course of business at the plant.
- ▶ UNICON Chile, in 4Q23, recorded dispatches for 191 thousand m<sup>3</sup> of ready-mix (11.8% lower than 4Q22) explained by a general contraction of the construction sector. Ready mix revenues reached CLP 15,181 million (8.4% less than 4Q22), with a negative EBITDA of CLP 243.4 million.

## 5. MAIN RISKS AND UNCERTAINTIES

Within Grupo UNACEM, internal control plays a fundamental role. Internal control is designed to provide management with reasonable guarantees regarding the reliability of financial and commercial information, asset protection, compliance with regulations and internal rules and procedures, as well as the effectiveness and relevance of the management and control of the operations of each entity. The responsibility for the establishment, implementation, and ongoing management of internal control processes lies with the management of each Business Unit with the cross-supervision of UNACEM Corp. These processes include maintaining an appropriate control environment, evaluating general and financial risks, and completing controls.

Internal audit conducts an independent evaluation of internal control processes and oversees the implementation of its recommendations at the level of each entity of Grupo UNACEM. All our staff and managers must cooperate with the people who conduct internal controls or audit procedures and respond correctly to possible requests for information. In addition, they are prohibited from hindering internal control and auditing processes in any way, including those conducted by external auditors, or hiding any information in this regard.

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

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

## 6. INFORMATION RELATED TO THE MARKET OF 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:



<b>YEAR 2023</b>					
<b>COMMON SHARE</b>					
<b>Year - Month</b>	<b>Opening</b>	<b>Closure</b>	<b>Highest</b>	<b>Lowest</b>	<b>Average Price</b>
2023 - 01	1.81	1.80	1.81	1.79	1.80
2023 - 02	1.80	1.50	1.80	1.50	1.74
2023 - 03	1.57	1.56	1.62	1.55	1.57
2023 - 04	1.54	1.55	1.65	1.54	1.60
2023 - 05	1.55	1.58	1.68	1.55	1.61
2023 - 06	1.58	1.61	1.62	1.53	1.58
2023 - 07	1.60	1.65	1.66	1.60	1.63
2023 - 08	1.67	1.67	1.68	1.60	1.64
2023 - 09	1.67	1.59	1.67	1.57	1.62
2023 - 10	1.59	1.48	1.60	1.48	1.56
2023 - 11	1.48	1.47	1.48	1.42	1.46
2023 - 12	1.50	1.52	1.53	1.46	1.50

<b>YEAR 2022</b>					
<b>COMMON SHARE</b>					
<b>Year - Month</b>	<b>Opening</b>	<b>Closure</b>	<b>Highest</b>	<b>Lowest</b>	<b>Average Price</b>
2022 - 01	2.36	2.48	2.49	2.36	2.42
2022 - 02	2.48	2.34	2.64	2.34	2.52
2022 - 03	2.37	2.16	2.45	2.15	2.25
2022 - 04	2.20	2.00	2.20	1.77	2.01
2022 - 05	1.95	1.58	1.95	1.55	1.65
2022 - 06	1.60	1.51	1.68	1.50	1.59
2022 - 07	1.53	1.71	1.71	1.53	1.60
2022 - 08	1.74	1.65	1.80	1.61	1.72
2022 - 09	1.53	1.68	1.68	1.53	1.60
2022 - 10	1.70	1.70	1.75	1.70	1.73
2022 - 11	1.70	1.71	1.80	1.69	1.74
2022 - 12	1.71	1.80	1.80	1.70	1.75

## **7. DIVIDEND POLICY APPROVED IN SHAREHOLDERS' GENERAL MEETING OF 14 DECEMBER 2021**

On December 14, 2021, a new dividend policy was approved for the quarterly distribution of cash dividends, in soles or American dollars, ranging between USD 0.005 and USD 0.01 per share issued by the Company based on accumulated profits, starting with the oldest and ending with the most recent.

The Board of Directors has the power to agree on the quarterly distribution of cash dividends, in soles or American dollars, based on accumulated profits and within the abovementioned range, if the situation of the Company allows and when there are enough funds. The Company may distribute a lower dividend, if necessary.

The dividend policy is permanently posted on SMV's website:

<https://www.smv.gob.pe/ConsultasP8/temp/Pol%c3%adtica%20de%20dividendos.pdf>.

And on UNACEM website:

<https://grupounacem.com/wp-content/uploads/2023/06/ESP-Politica-dividendos-14122021.pdf>