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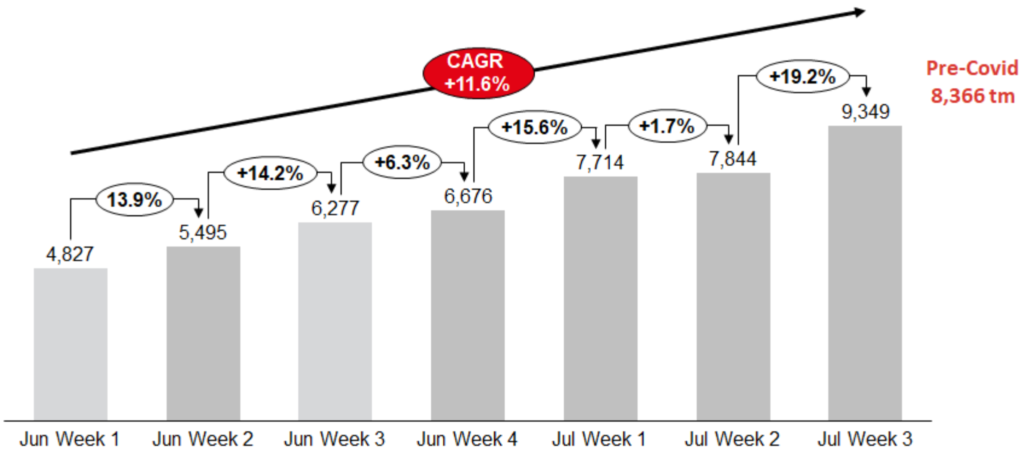
Cementos Pacasmayo S.A.A. Announces Consolidated Results for Second Quarter 2020

Lima, Peru, July 23, 2020 – Cementos Pacasmayo S.A.A. and subsidiaries (NYSE: CPAC; BVL: CPACASC1) ("the Company" or "Pacasmayo") a leading cement company serving the Peruvian construction industry, announced today its consolidated results for the second quarter ("2Q20") ended June 30, 2020. These results have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are stated in nominal Peruvian Soles (S/).

2Q20 Financial and Operational Highlights:

(All comparisons are to 2Q19, unless otherwise stated)

- **Sales volume** of cement, concrete and precast decreased 60.3% mainly due to the halt in production and commercialization for most of the quarter due to the state of emergency declared by the Peruvian Government from March 16 until June 30, 2020 due to the COVID-19 pandemic. We were allowed to resume cement production and shipments on May 20 in line with the Government's economic recovery plan. Average daily shipments have experienced a steady recovery since we restarted operations as you can see below:



- **Revenues** decreased 64.5% primarily due to the halt in commercialization mentioned above. If we compared June 2020 with June 2019, revenues decreased 30.6%.

- **Consolidated EBITDA** of S/ -5.7 million, a 106% decrease, mainly due to the halt in sales of cement mentioned above, as well as the fixed costs derived from the halt in production in April and May. EBITDA in June 2020 was S/ 17.5 million.

- **Consolidated EBITDA margin** of -5%, a 34.3 percentage point decrease. However, EBITDA margin for June 2020 was 22.4%.

- **Net income** of S/ -45.5 million, a 241.3% decrease mainly due to decreased sales and increased fixed costs mentioned above.

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- In June, the **Peruvian government** signed an agreement with the United Kingdom government to execute S/ 7 billion during the next two years from the Reconstruction plan for El Niño related damages in 2017. This agreement will accelerate execution and promote efficiency for much needed infrastructure mostly in the North of Peru.

6M20 Financial and Operational Highlights:

(All comparisons are to 6M19, unless otherwise stated)

- **Sales volume** of cement, concrete and precast decreased 33.3% mainly due to the halt in production and commercialization for over two months. We were allowed to resume cement production and shipments mid- May in line with the Government's economic recovery plan and we expect a gradual recovery in sales volumes in the upcoming quarters.

- **Revenues** decreased 34.9%, primarily due to the halt in commercialization mentioned above.

- **Consolidated EBITDA** of S/ 66.6 million; a 64.6% decrease, primarily due to the decreased revenues mentioned above, as well as fixed costs derived from the stop in production.

- **Consolidated EBITDA margin** of 16.1%, 13.5 percentage points lower, mainly due to the decrease in operating income.

- **Net income** of S/ -34.8 million, a 155.9% decrease mainly due to decreased operating profit.

	Financial and Operating Results					
	2Q20	2Q19	% Var.	6M20	6M19	% Var.
Financial and Operating Results						
Cement, concrete and precast shipments (MT)	237.3	597.8	-60.3%	794.7	1,190.7	-33.3%
In millions of S/						
Sales of goods	114.3	322.1	-64.5%	413.6	635.3	-34.9%
Gross profit	2.1	114.0	-98.2%	94.2	226.1	-58.3%
Operating profit	-40.2	62.2	-164.6%	-2.1	123.8	-101.7%
Net income	-45.5	32.2	-241.3%	-34.8	62.3	-155.9%
Consolidated EBITDA	-5.7	94.3	-106.0%	66.6	187.9	-64.6%
Gross Margin	1.8%	35.4%	-33.6 pp.	22.8%	35.6%	-12.8 pp.
Operating Margin	-35.2%	19.3%	-54.5 pp.	-0.5%	19.5%	-20.0 pp.
Net income Margin	-39.8%	10.0%	-49.8 pp.	-8.4%	9.8%	-18.2 pp.
Consolidated EBITDA Margin	-5.0%	29.3%	-34.3 pp.	16.1%	29.6%	-13.5 pp.

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Management Comments

The second quarter of 2020 has probably been the most challenging period in Pacasmayo's history. We were unable to produce or sell cement for more than half of the period resulting in an unprecedented decrease in sales volume, high costs from stop in production, and consequently a decrease in EBITDA. This is certainly not particular to our business, as the country's GDP is estimated to have fallen around 40% in April compared to April 2019. However, we do believe there are reasons to be cautiously optimistic about the medium term. The construction sector, which in this case includes cement production and commercialization, was included in phase one of the plan to reactivate the economy. As we mentioned in our first quarter results, anticipating the return to operations, we presented and got approval to restart production from the Ministry of Production, with the safety of our employees, as always, as our top priority. Therefore, we were able to restart producing and shipping cement on May 20, from our three plants. We would like to mention that, as shown above, shipments have steadily recovered since we restarted operations. If we look at cement sales, in June 2020, the decline has only been close to 20% as compared to June 2019.

The health and safety of our employees is our undisputed top priority. Since before the declared state of emergency we started analyzing the best way to safeguard our employees, both at home, given them the resources needed to stay healthy, and more so once we were allowed to restart operations. We continue to operate with as little workers as possible in our plants, and those that have to go, follow strict guidelines for social distancing, hygiene, and regular checkups by our health and safety team. All of our administrative staff continues to work from home and we plan to continue working this way until we are certain that the benefits of returning to the office outweigh the risks. As we mentioned during the previous quarter, we have been pleasantly surprise by work from home arrangements so we will continue to support it, as it is encouraging productivity and better work-home balance.

We believe empathy and solidarity are key, especially in times of crisis. This is why we would like to share with you some of the actions that we have taken to help our stakeholders during these difficult times. First, for our workers, we have implemented a nutritional program to help those with BMI indicators above healthy levels, online doctor's appointments, safety kits, and psychological and emotional support for all of them. For our communities, through our volunteering program, we have helped with the disinfection of streets in some of our areas of influence, virtual training programs for some of the communities we regularly support, as well as support for local authorities offering them safety kits and food supplies. We firmly believe on building a better future together and now is the time to show our support to our workers, their families, the communities in our area of influence and those less fortunate during these difficult times.

Moving on to cement demand behavior since we restarted operations and our expectations for the year, there are two main issues that need to be discussed. First, the self-construction segment has once again proven its resilience. We were expecting very low sales volumes to this segment since it is generally tied to employment and disposable income and we expected both of those to be severely affected by the pandemic. However, since employment in the North is tied to the agricultural segment, which has had a good year, it was less affected than in other areas of the country. If we add the size of the informal sector in the North, which did not quite stop during the lockdown, we can see that some of the negative effect from other segments was partially offset, resulting in better than expected results. It is still too early to conclude, but we have been pleasantly surprised by its performance during these first 6 weeks since the restart of operations. Secondly, on the public sector front, the execution of the Reconstruction plan from El Niño in 2017 will finally pickup, since the Peruvian government signed an agreement with the Government of the United Kingdom in June for the execution of S/ 7 billion soles during the first 2 years. The UK government will provide technical assistance for the construction of hospitals, schools and river defenses, all of which should be finished by June 2022. This is excellent news for Pacasmayo, but more importantly, for the Northern region, since the much needed infrastructure will finally be built, hopefully in the most efficient manner.

Finally, we believe it is important to mention that, the digital transformation strategy we have had in place since 2018 has proven very useful in this new reality. One of the most relevant initiatives has been one to digitalize our relationship with construction companies of all sizes, through Pacasmayo Profesional, allowing them to program their requirements and track their shipments online. It integrates all of our back office platforms for an optimal customer service experience. This tool allows for the planning and programming of the fleet with efficiency algorithms to optimize the resources (mixers, pumps, drivers) according to the clients' requirements.

To summarize, these are challenging times for all, as we face an unprecedented economic and health crisis. However, we feel we are in a good position to face it. We believe that our emphasis on financial responsibility, sustainability, our client-centric view and strive for innovation will help us navigate these difficult time and will proof its value in the medium and long term.

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Economic Overview 2Q20:

Throughout 2Q20, Peru continued in mandatory social isolation, although with some releases of economic activities from May, to avoid the complete stop of economic standstill. The GDP for 2020 is estimated to have a drop of between 14% and 20%, according to Apoyo Consultoría with a significant recovery during 2021 and 2022. The Government has announced various initiatives to reactivate the economy, after the paralysis of most sectors for more than 100 days. These initiatives represent 14% of GDP, although less than half has been executed. The economic recovery has already started, but it will be slow.

The reopening of the economy is taking place in phases, with construction being part of phase 1. Cement production and shipments began in mid-May, and although definitely hit on the demand side, we expect a gradual recovery of volumes in the following months. Especially relevant for cement dispatches in the north is the execution of the reconstruction plans. In June, the Peruvian government signed an agreement with the government of the United Kingdom, for the execution of a package of S/ 7 billion to be executed during 2020 and 2021. Through the agreement, the United Kingdom will provide the structure, strategy and governance processes necessary for the timely delivery of all works, promoting efficiency and avoiding corruption. This model has already been used successfully for the construction of the necessary infrastructure for the Lima 2019 Pan American Games, therefore favorable results are expected this time as well.

Peruvian Cement Industry Overview:

Pacasmayo, UNACEM and Cementos Yura mainly supply cement demand in Peru. Pacasmayo primarily supplies the northern region of Peru, while UNACEM supplies the central region and Cementos Yura the southern region.

The northern region of Peru, according to the Instituto Nacional de Estadística e Informática (INEI) and Apoyo Consultoría, represents approximately 23% of the country's population and 14% of national Gross Domestic Product ("GDP"). Despite the country's sustained growth over the last 10 years, Peru continues to have a significant housing deficit, estimated at 1.9 million households throughout the country as per the Ministry of Housing, Construction and Sanitation.

In Peru, the majority of cement is sold to a highly fragmented consumer base of individuals that tend to gradually buy bags of cement to build or to improve their homes, a segment the industry refers to as "self-construction".

Peruvian Cement Market

Shipments by Plant and Market Share

Northern Region (thousands of metric tons)						
Plant	2016	2017	2018	2019	APR -20 LTM	% part
Grupo Pacasmayo	2,285	2,267	2,364	2,615	2,397	22.7%
Importaciones	-	76	32	13	14	0.1%
Total	**2,285**	**2,343**	**2,396**	**2,628**	**2,411**	**22.8%**

Central Region (thousands of metric tons)						
Plant	2016	2017	2018	2019	APR -20 LTM	% part
UNACEM	5,110	4,993	5,058	5,316	4,677	44.3%
Caliza Inca	347	387	448	513	443	4.2%
Imports	490	496	885	663	616	5.8%
Total	**5,947**	**5,876**	**6,391**	**6,492**	**5,736**	**54.3%**

Southern Region (thousands of metric tons)						
Plant	2016	2017	2018	2019	APR -20 LTM	% part
Grupo Yura	2,645	2,618	2,597	2,584	2,297	21.7%
Imports	18	42	65	98	123	1.2%
Total	**2,663**	**2,660**	**2,662**	**2,682**	**2,420**	**22.9%**

Total, All Regions	**10,895**	**10,879**	**11,449**	**11,802**	**10,567**	**100.0%**

**Import figures are sourced from Aduanet. They represent quantities of imported cement, not shipped cement.*
Source: INEI, Aduanet

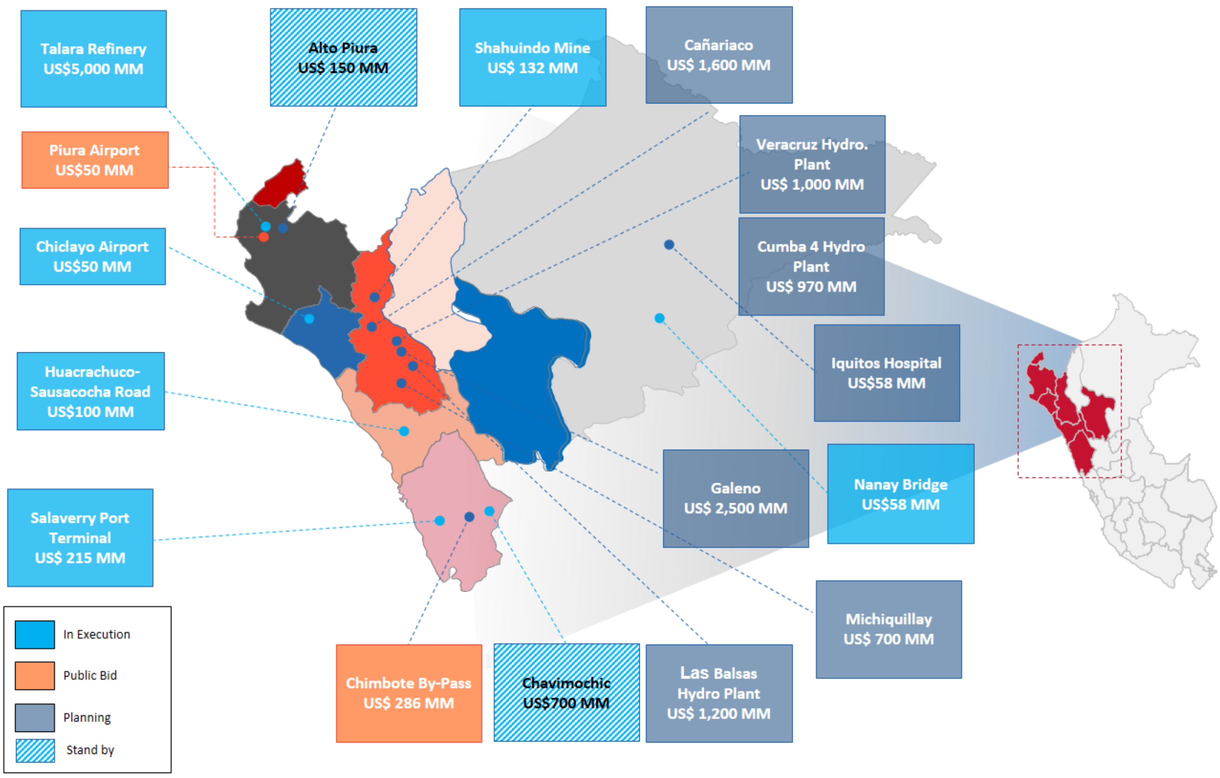
Infrastructure Investment in the Area of Influence:

Reconstruction of the North

As we mentioned above, a boost in infrastructure is expected from the government's reconstruction plan, now that the agreement between the Peruvian and UK government has been signed. This agreements includes an investment of S/ 7 billion in 2 years and includes 74 schools, 15 hospitals and integral solutions for 17 rivers, 5 brooks, and drainage of 7 Northern cities. This will have a significant impact on our cement shipments, as most of this budget is concentrated in our area of influence.

Other projects

Although the anticipated increase in Peru's large infrastructure projects has been delayed, this remains an important growth driver for the country and also a necessity due to Peru's significant infrastructure deficit. Although the progress of these projects has been slow, we have continued shipping cement to the ongoing projects, which are shown below, along with the potential demand for the next 5 years. During this quarter we resumed shipments to the Chiclayo airport, the Talara Refinery, and started shipping to the Salaverry Port. These projects should be executed and finished in the next 12 to 18 months.



Source: Company filings, Proinversion, MINEM

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Operating Results:

Production:

Cement Production Volume (thousands of metric tons)

	Production					
	2Q20	2Q19	% Var.	6M20	6M19	% Var.
Pacasmayo Plant	140.6	323.0	-56.5%	411.9	619.0	-33.5%
Rioja Plant	21.3	68.3	-68.8%	82.6	138.3	-40.3%
Piura plant	72.3	211.6	-65.8%	295.4	442.5	-33.2%
Total	234.2	602.9	-61.2%	789.9	1,199.8	-34.2%

Cement production volume at the Pacasmayo plant decreased 56.5% in 2Q20 and 33.5% in 6M20 compared to 2Q19 and 6M19 respectively, mainly due to the government mandated state of emergency to control the COVID-19 pandemic, which resulted in a stop in production between March 16 and May 20, 2020.

Cement production volume at the Rioja Plant decreased 68.8% in 2Q20 and 40.3% in 6M20 compared to 2Q19 and 6M19, mainly due to the above-mentioned halt in production.

Cement production volume at the Piura Plant in 2Q20 decreased 65.8% and 33.2% in 6M20, compared to 2Q19 and 6M19 respectively, mainly due to the stop in production mentioned above.

Total cement production volumes decreased 61.2% in 2Q20 and 34.2% in 6M20 compared to 2Q19 and 6M19 respectively, as a result of the government decisions mentioned above.

Clinker Production Volume (thousands of metric tons)

	Production					
	2Q20	2Q19	% Var.	6M20	6M19	% Var.
Pacasmayo Plant	82.9	214.0	-61.3%	267.7	393.0	-31.9%
Rioja Plant	22.8	58.9	-61.3%	72.4	113.5	-36.2%
Piura Plant	0.0	68.0	-100.0%	202.3	317.2	-36.2%
Total	105.8	340.9	-69.0%	542.4	823.7	-34.2%

Clinker production volume at the Pacasmayo plant in 2Q20 decreased 61.3% and 31.9% in 6M20, compared to 2Q19 and 6M19 respectively, in line with cement production levels.

Clinker production volume at the Rioja plant decreased 61.3% in 2Q20 and 36.2% in 6M20 compared to 2Q19 and 6M19 respectively, mainly due to the halt in cement production.

Clinker production volume at the Piura plant decreased 100% in 2Q20 due to the complete stop in production, since we decided to use our inventories. In 6M20, clinker production volume at the Piura plant decreased 36.2% in 6M20 when compared to 6M19 respectively, mainly due to the halt in production mentioned above.

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Quicklime Production Volume
(thousands of metric tons)

	Production					
	2Q20	2Q19	% Var.	6M20	6M19	% Var.
Pacasmayo Plant	13.2	23.2	-43.1%	28.2	42.8	-34.1%

Quicklime production volume decreased 43.1% in 2Q20 and 34.1% in 6M20, compared to 2Q19 and 6M19 respectively, mainly due to decreased sales, due to the halt in operations.

Installed Capacity:

Installed Cement and Clinker Capacity

Full year installed cement capacity at the Pacasmayo, Piura and Rioja plants remained stable at 2.9 million MT, 1.6 million MT and 440,000 MT, respectively.

Full year installed clinker capacity at the Pacasmayo, Piura and Rioja plants remained stable at 1.5 million MT, 1.0 million MT and 280,000 MT, respectively.

Utilization Rate[1]:

Pacasmayo Plant Utilization Rate

	Utilization Rate					
	2Q20	2Q19	% Var.	6M20	6M19	% Var.
Cement	19.4%	44.6%	-25.2 pp.	28.4%	42.7%	-14.3 pp.
Clinker	22.1%	57.1%	-35.0 pp.	35.7%	52.4%	-16.7 pp.
Quicklime	22.0%	38.7%	-16.7 pp.	23.5%	35.7%	-12.2 pp.

Cement production utilization rate at the Pacasmayo plant decreased 25.2 percentage points in 2Q20 when compared to 2Q19, and 14.3 percentage points in 6M20 compared to 6M19, mainly due to the halt in production mentioned above.

Clinker production utilization rate in 2Q20 decreased 35 percentage points and 16.7 percentage points in 6M20 when compared to 2Q19 and 6M19 respectively, mainly due to the halt in production mentioned above.

Additionally, the quicklime production utilization rate decreased 16.7 percentage points during 2Q20 and 12.2 percentage points in 6M20 when compared with 2Q19 and 6M19 respectively, in line with decreased demand due to the halt in operations.

[1] The utilization rates are calculated by dividing production in a given period over installed capacity. The utilization rate implies annualized production, which is calculated by multiplying real production for each quarter by four.

Rioja Plant Utilization Rate

	Utilization Rate					
	2Q20	2Q19	% Var.	6M20	6M19	% Var.
Cement	19.4%	62.1%	-42.7 pp.	37.5%	62.9%	-25.4 pp.
Clinker	32.6%	84.1%	-51.5 pp.	51.7%	81.1%	-29.4 pp.

The cement production utilization rate at the Rioja plant was 19.4% in 2Q20 and 37.5% in 6M20; a 42.7 percentage point decrease as compared to 2Q19 and 25.4 percentage point decrease as compared to 6M19, mainly due to the decreased production mentioned above.

The clinker production utilization rate at the Rioja plant was 32.6% in 2Q20 and 51.7% in 6M20; 51.5 percentage points below 2Q19 and 29.4 percentage points lower than 6M19, in line with decreased cement production.

Piura Plant Utilization Rate

	Utilization Rate					
	2Q20	2Q19	% Var.	6M20	6M19	% Var.
Cement	18.1%	52.9%	-34.8 pp.	36.9%	55.3%	-18.4 pp.
Clinker	0.0%	27.2%	-27.2 pp.	40.5%	63.4%	-22.9 pp.

The cement production utilization rate at the Piura plant was 18.1% in 2Q20, and 36.9% in 6M20, a decrease of 34.8 percentage points and 18.4 percentage points compared to 2Q19 and 6M19 respectively, due to the government mandated state of emergency resulting in the halt in production for more than half of the quarter.

The clinker production utilization rate at the Piura plant was 0% in 2Q20, since we decided to stop clinker production until we consume our existing inventories. In 6M20, our utilization rate was 40.5%; 22.9 percentage points lower than 6M19, mainly due to the stop in production.

Consolidated Utilization Rate

	Utilization Rate					
	2Q20	2Q19	% Var.	6M20	6M19	% Var.
Cement	19.0%	48.8%	-29.8 pp.	32.0%	48.6%	-16.6 pp.
Clinker	15.2%	49.1%	-33.9 pp.	39.0%	59.3%	-20.3 pp.

The consolidated cement production utilization rate was 19% in 2Q20, and 32% in 6M20; 29.8 percentage points and 16.6 percentage points lower than in 2Q19 and 6M19 respectively.

The consolidated clinker production utilization rate was 15.2% in 2Q20 and 39% in 6M20; 33.9 percentage points and 20.3 percentage points lower than in 2Q19 and 6M19 respectively

Financial Results:

Income Statement:

The following table shows a summary of the Consolidated Financial Results:

Consolidated Financial Results
(in millions of Soles S/)

	Income Statement					
	2Q20	2Q19	% Var.	6M20	6M19	% Var.
Sales of goods	114.3	322.1	-64.5%	413.6	635.3	-34.9%
Gross Profit	**2.1**	**114.0**	**-98.2%**	**94.2**	**226.1**	**-58.3%**
Total operating expenses, net	-42.4	-51.8	-18.1%	-96.2	102.3	-6.0%
Operating Profit	**-40.2**	62.2	**-164.6%**	**-2.1**	**123.8**	**-101.7%**
Total other expenses, net	-23.3	-18.4	26.6%	-44.6	-37.4	19.3%
Profit before income tax	**-63.5**	**43.8**	**-245.0%**	**-46.7**	**86.4**	**-154.1%**
Income tax expense	18.0	-11.6	-255.2%	11.9	-24.1	-149.4%
Profit for the period	**-45.5**	**32.2**	**-241.3%**	**-34.8**	**62.3**	**-155.9%**

During 2Q20, revenues decreased 64.5% year-on-year mainly due to decreased sales volume because of the halt in production and commercialization for more than half of the quarter, following the government's orders of mandatory social isolation to fight against the spread of COVID-19 . Gross profit decreased 98.2% in 2Q20 compared to 2Q19, mainly due to decreased revenues, as well as higher costs derived from the halt in production. Profit for the period decreased 241.3% in 2Q20 compared to 2Q19, primarily due to decreased revenues, higher costs, as well as slightly higher financial costs.

During 6M20, revenues decreased 34.9%, mainly due to the halt in commercialization mentioned above. Gross profit decreased 58.3%, mainly due to decreased revenues and increased costs derived from the stop in production. Profit for the period decreased 155.9%, mainly due lower operating profit, as well as a slight increase in financial expenses derived from increased interest expenses from short-term loans to cover working capital.

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Sales of Goods

The following table shows the Sales of Goods and their respective margins by business segment:

**Sales: cement, concrete and precast
(in millions of Soles S/)**

	Cement, concrete and precasts					
	2Q20	2Q19	% Var.	6M20	6M19	% Var.
Sales of goods	102.3	296.4	-65.5%	379.7	586.2	-35.2%
Cost of Sales	-100.4	-184.4	-45.6%	-287.1	-362.2	-20.7%
Gross Profit	1.9	112.0	-98.3%	92.6	224.0	-58.7%
Gross Margin	1.9%	37.8%	-35.9 pp.	24.4%	38.2%	-13.8 pp.

Sales of cement, concrete and precast decreased 65.5%, mainly due to stop in operations for most of the quarter. Gross margin decreased 35.9 percentage points during 2Q20 compared to 2Q19 mainly due to fixed costs and the decreased revenues derived from the stop in operations.

During 6M20, net sales of cement, concrete and precast decreased 35.2%, mainly due the decrease in sales mentioned above, which was partially offset by sales in the first 2 months of the year. We expect some improvement in cement sales volumes as the economy continues its restart process. Gross margin decreased 13.8 percentage points during 6M20 compared to 6M19, mainly due to increased costs and lower revenues. We expect some margin improvement in the upcoming quarters as more regular production helps dilute fixed costs.

Sales of cement represented 95% of cement, concrete and precast sales during 2Q20.

	Cement					
	2Q20	2Q19	% Var.	6M20	6M19	% Var.
Sales of goods	97.1	248.6	-60.9%	325.7	499.7	-34.8%
Cost of Sales	-84.7	-144.8	-41.5%	-226.4	-286.8	-21.1%
Gross Profit	12.4	103.8	-88.1%	99.3	212.9	-53.4%
Gross Margin	12.8%	41.8%	-29.0 pp.	30.5%	42.6%	-12.1 pp.

Sales of cement decreased 60.9% in 2Q20 compared to 2Q19, mainly due to the halt in commercialization mentioned above. Gross margin also decreased, 29 percentage points, due to significantly lower dilution of fixed costs resulting from the halt in production for more than half of the quarter.

During 6M20 cement sales decreased 34.8% compared to 6M19, and gross margin decreased 12.1 percentage points, mainly due to the above-mentioned reasons. We are expecting a slow and gradual improvement in both sales and margin as the economy continues to recover.

Sales of concrete represented 3.2% of cement, concrete and precast sales during 2Q20.

	Concrete and pavement					
	2Q20	2Q19	% Var.	6M20	6M19	% Var.
Sales of goods	3.3	42.5	-92.3%	42.6	75.8	-43.8%
Cost of Sales	-12.2	-35.0	-65.1%	-48.6	-66.1	-26.5%
Gross Profit	-8.9	7.5	-218.7%	-6.0	9.7	-161.9%
Gross Margin	-269.7%	17.6%	-287.3 pp.	-14.1%	12.8%	-26.9 pp.

Sales of concrete decreased 92.3% during 2Q20 compared to 2Q19, and 43.8% in 6M20 compared to 6M19, mainly due to the complete stop in sales during most of the quarter. Gross margin decreased 287.3 percentage points in 2Q20 compared to 2Q19 and 26.9 percentage points in 6M20 compared to 6M19, mainly due to the accumulation of fixed costs without revenues.

Sales of precast represented 1.8% of cement, concrete and precast sales during 2Q20.

	Precast					
	2Q20	2Q19	% Var.	6M20	6M19	% Var.
Sales of goods	1.9	5.4	-64.8%	11.4	10.7	6.5%
Cost of Sales	-3.5	-4.6	-23.9%	-12.1	-9.3	30.1%
Gross Profit	-1.6	0.8	-300.0%	-0.7	1.4	-150.0%
Gross Margin	-84.2%	14.8%	-99.0 pp.	-6.1%	13.1%	-19.2 pp.

During 2Q20, precast sales decreased 64.8% compared to 2Q19 and gross margin decreased 99 percentage points, mainly due to the stop in operations mentioned above.

During 6M20, precast sales increased 6.5%, despite the stop in operations, because of significant sales during the first 2 months of the year. However, gross margin did decrease, 19.2 percentage points, mainly because of lower dilution of fixed costs.

Sales: Quicklime
(in millions of Soles S/)

	Quicklime					
	2Q20	2Q19	% Var.	6M20	6M19	% Var.
Sales of goods	6.3	10.2	-38.2%	13.2	17.6	-25.0%
Cost of Sales	-5.4	-9.3	-41.9%	-12.1	-16.6	-27.1%
Gross Profit	0.9	0.9	-	1.1	1.0	10.0%
Gross Margin	14.3%	8.8%	5.5 pp.	8.3%	5.7%	2.6 pp.

Quicklime sales decreased 38.2% in 2Q20 and 25% in 6M20 compared to 2Q19 and 6M19 respectively, mainly due to decreased sales volume as a result of the stop in operations of most sectors. Gross margin increased 5.5 percentage points in 2Q20 and 2.6 percentage points in 6M20, compared to 2Q19 and 6M19 respectively, mainly due to a temporary increase in sales of higher-priced products as well as the decision to sell ex-works during the lockdown period.

Sales: Construction Supplies[2]
(in millions of Soles S/)

	Construction Supplies					
	2Q20	2Q19	% Var.	6M20	6M19	% Var.
Sales of goods	5.7	15.3	-62.7%	20.4	31.4	-35.0%
Cost of Sales	-6.2	-14.2	-56.3%	-19.8	-30.3	-34.7%
Gross Profit	-0.5	1.1	-145.5%	0.6	1.1	-45.5%
Gross Margin	-8.8%	7.2%	-16.0 pp.	2.9%	3.5%	-0.6 pp.

During 2Q20, construction supply sales decreased 62.7 and 35% in 6M20 compared to 2Q19 and 6M19 respectively, mainly due to the state of emergency and subsequent halt in commercialization for most of the quarter as previously mentioned. Gross margin also decreased 16 percentage points in 2Q20 and 0.6 percentage points in 6M20 compared to 2Q19 and 6M19 respectively.

Operating Expenses:

Administrative Expenses
(in millions of Soles S/)

	Administrative expenses					
	2Q20	2Q19	% Var.	6M20	6M19	% Var.
Personnel expenses	14.6	22.0	-33.6%	33.8	42.5	-20.5%
Third-party services	9.6	12.2	-21.3%	21.3	24.0	-11.3%
Board of directors	1.9	1.7	11.8%	3.6	3.3	9.1%
Depreciation and amortization	4.1	3.5	17.1%	8.1	6.8	19.1%
Other	3.1	2.6	19.2%	6.8	6.4	6.3%
Total	**33.3**	**42.0**	**-20.7%**	**73.6**	**83.1**	**-11.3%**

Administrative expenses decreased 20.7% in 2Q20 compared to 2Q19 and 11.3% in 6M20 compared to 6M19, mainly due to a decrease in variable income, mainly bonuses and decreased profit sharing, because of the company's results of operations.

Selling Expenses
(in millions of Soles S/)

	Selling and distribution expenses					
	2Q20	2Q19	% Var.	6M20	6M19	% Var.
Personnel expenses	4.9	6.2	-21.0%	12.5	12.8	-2.3%
Advertising and promotion	0.3	2.0	-85.0%	2.4	3.4	-29.4%
Third-party services	1.1	1.2	-8.3%	2.7	2.4	12.5%
Doubtful collection	1.1	0.2	450.0%	2.2	0.5	340.0%
Other	0.9	1.0	-10.0%	2.2	1.9	15.8%
Total	**8.3**	**10.7**	-21.7%	**22.0**	**21.0**	**4.8%**

Selling expenses decreased 21.7% in 2Q20 compared to 2Q19, mainly due to a decrease in variable salaries and advertising and promotion, offset by an increase in the allowance for expected credit losses. During 6M20, selling expenses increased 4.8% compared to 6M19, mainly due to an increase in the allowance for expected credit losses.

[2] Construction supplies include the following products: steel rebar, wires, nails, corrugated iron, electric conductors, plastic tubes and accessories, among others.

Pacasmayo

EBITDA Reconciliation:

Consolidated EBITDA
(in millions of Soles S/)

	Consolidated EBITDA					
	2Q20	2Q19	Var %.	6M20	6M19	Var %.
Net Income	-45.5	32.2	-241.3%	-34.8	62.3	-155.9%
+ Income tax expense	-18.0	11.6	-255.2%	-11.9	24.1	-149.4%
- Finance income	-1.2	-0.5	140.0%	-1.7	-0.8	112.5%
+ Finance costs	23.2	19.0	22.1%	43.8	38.5	13.8%
+/- Net loss on the valuation of trading derivative financial instruments	-1.4	-	N/R	-4.4	1.00	N/R
+/- Net loss from exchange rate	2.7	-0.1	N/R	6.9	-1.3	N/R
+ Depreciation and amortization	34.5	32.1	7.5%	68.7	64.1	7.2%
Consolidated EBITDA	**-5.7**	**94.3**	**-106.0%**	**66.6**	**187.9**	**-64.6%**

Consolidated EBITDA decreased 106% in 2Q20 compared to 2Q19, mainly due to decreased revenues because of the government-mandated state of emergency declared on March 16, 2020 in order to prevent the spread of COVID-19, which effectively stopped production and commercialization of cement until mid-May. This also resulted in higher costs from a lower dilution of fixed costs.

During 6M20, consolidated EBITDA decreased 64.6% compared to 6M19, mainly due to lower sales and operating profit due to COVID-19.

Cash and Debt Position:

Cash:

Consolidated Cash
(in millions of Soles S/)

As of June 30, 2020, the Company's cash position was S/ 203 million (US$ 57.3 million). This balance includes certificates of deposit in the amount of S/ 180 million (US$ 50.9 million). Besides this, the Company held certificates of deposit for S/ 81.0 million with original maturities greater than 90 days (US$ 22.9 million), distributed as follows:

Certificates of deposits in Soles

Bank	Amount (S/)	Interest Rate	Initial Date	Maturity Date
Banco Scotiabank	S/. 31.0	3.00%	March 25th, 2020	March 19th, 2021
Banco de Crédito del Perú	S/. 50.0	2.80%	March 26th, 2020	March 19th, 2021
Banco de Crédito del Perú	S/. 62.0	0.10%	June 30th, 2020	July 13th, 2020
Banco de Crédito del Perú	S/. 12.0	0.05%	June 30th, 2020	July, 1st, 2020
	S/. 155.0			

Certificates of deposits in US Dollars

Bank	Amount (USD)	Interest Rate	Initial Date	Maturity Date
Banco de Crédito del Perú	USD 30.0	1.05%	March 13th, 2020	September 19, 2020
	USD 30.0			

The remaining balance of S/ 23 million (US$ 6.4 million) is held mainly in the Company's bank accounts, of which US$ 1.0 million are denominated in US dollars and the remainder in Soles.

Debt Position:

Consolidated Debt
(in millions of Soles S/)

Below are the contractual obligations with payment deadlines related to the Company's debt, including interest.

	Payments due by period				
	Less than 1 year	1-3 Years	3-5 Years	More than 5 Years	Total
Indebtedness	387.4	414.0	-	570.0	1,371.4
Future interest payments	65.5	119.1	77.2	212.8	474.6
Total	452.9	533.1	77.2	782.8	1,846.0

As of June 30, 2020, the Company's total outstanding debt reached S/ 1,420.5 million (equivalent to US$ 401.2 million). This debt is primarily composed by the outstanding part of the international bond issued in February 2013, the two issuances of the local bond issued in January 2019 and short-term loans.

As of June 30, 2020, the Company maintains cross currency swap hedging agreements in the amount of US$ 150 million in order to mitigate foreign exchange risks related to US dollar-denominated debt. The adjusted debt in soles considering the exchange rate of the cross currency swap hedging agreements amounts to S/ 1,371.4 million (equivalent to US$ 387.3 million).

As of June 30, 2020, Net Adjusted Debt/EBITDA ratio was 3.9 times. This ratio has increased mainly due to decreased EBITDA as the stop in operations for more then 2 months had a significant impact on our operating income. We expect EBITDA levels to improve as the economy continues to gradually recover.

Capex

Capex
(in millions of Soles S/)

As of June 30, 2020, the Company invested S/ 23.7 million (US$ 6.7 million), allocated to the following projects:

Projects	6M20
Piura Plant	6.6
Pacasmayo Plant	6.9
Concrete and aggregates equipment	8.6
Rioja Plant	1.6
Total	**23.7**

Pacasmayo

About Cementos Pacasmayo S.A.A.

Cementos Pacasmayo S.A.A. is a cement company, located in the Northern region of Peru. In February 2012, the Company's shares were listed on The New York Stock Exchange - Euronext under the ticker symbol "CPAC". With more than 62 years of operating history, the Company produces, distributes and sells cement and cement-related materials, such ready-mix concrete and precast materials. Pacasmayo's products are primarily used in construction, which has been one of the fastest-growing segments of the Peruvian economy in recent years. The Company also produces and sells quicklime for use in mining operations.

For more information, please visit: http://www.cementospacasmayo.com.pe/

Note: *The Company presented some figures converted from Soles to U.S. Dollars for comparison purposes. The exchange rate used to convert Soles to U.S. dollars was S/ 3.537 per US$ 1.00, which was the average exchange rate, reported as of June 30, 2020 by the Superintendencia de Banca, Seguros y AFP's (SBS). The information presented in U.S. dollars is for the convenience of the reader only. Certain figures included in this report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be arithmetic aggregations of the figures presented in previous quarters.*

Pacasmayo

Interim condensed consolidated statements of financial position

As of June 30, 2020 (unaudited) and December 31, 2019 (audited)

Assets Current Assets	As of jun-20 S/ (000)	As of Dec-19 S/ (000)
Cash and cash equivalents	202,950	68,266
Term deposits with maturities greater than ninety days	81,000	-
Trade and other receivables, net	84,293	120,530
Income tax prepayments	45,302	30,191
Inventories	526,862	519,004
Prepayments	9,754	10,339
Total current assets	**950,161**	**748,330**

Non-current assets	As of jun-20 S/ (000)	As of Dec-19 S/ (000)
Trade and other receivables, net	7,152	4,681
Prepayments	56	151
Financial instruments designated at fair value through other comprehensive income	18,224	18,224
Derivative financial instruments	34,530	-
Property, plant and equipment	2,044,041	2,100,682
Intangible assets	51,064	47,366
Goodwill	4,459	4,459
Deferred income tax assets	15,032	7,419
Right of use assets	6,769	46
Other assets	180	200
Total non-current assets	**2,181,507**	**2,183,228**
Total assets	**3,131,668**	**2,931,558**

Liabilities and equity Current liabilities	As of jun-20 S/ (000)	As of Dec-19 S/ (000)
Bank overdraft	70,691	-
Trade and other payables	165 105	237,299
Interest-bearing loans and borrowings	316,751	98,774
Lease liabilities	1,479	57
Provisions	3,222	16,603
Total current liabilities	**557,248**	**352,733**

Non-current liabilities	As of jun-20 S/ (000)	As of Dec-19 S/ (000)
Financial Obligations	1,033,020	1,003,130
Other financial instruments	-	1,302
Lease liabilities	5,732	-
Other non-crrent provisions	8,139	7,643
Deferred income tax liabilities	139,453	145,099
Total non-current liabilities	**1,186,344**	**1,157,174**
Total liabilities	**1,743,592**	**1,509,907**

Equity	As of jun-20 S/ (000)	As of Dec-19 S/ (000)
Capital stock	423,868	423,868
Investment shares	40,279	40,279
Investment shares held in treasury	-121,258	-121,258
Additional paid-in capital	432,779	432,779
Legal reserve	168,636	168,636
Other accumulated comprehensive results	-18,603	-19,853
Retained earnings	462,375	497,200
Total equity	**1,388,076**	**1,421,651**
Total liabilities and equity	**3,131,668**	**2,931,558**

Pacasmayo

Interim condensed consolidated statements of profit or loss

For the three and six-month periods ended June 30, 2020 and June 30, 2019 (unaudited)

	2Q20 S/ (000)	2Q19 S/ (000)	6M20 S/ (000)	6M19 S/ (000)
Revenue from contracts with customers	114,345	322,061	413,603	635,308
Cost of sales	-112,203	-208,018	-319,450	-409,198
Gross profit	**2,142**	**114,043**	**94,153**	**226,110**
Operating income (expenses)				
Administrative expenses	-33,263	-41,957	-73,578	-82,983
Selling and distribution expenses	-8,268	-10,636	-21,993	-21,011
Other operating income (expenses), net	-848	760	-644	1,693
Total operating expenses , net	**-42,379**	**-51,833**	**-96,215**	**-102,301**
Operating (loss) profit	**-40,237**	**62,210**	**-2,062**	**123,809**
Other income (expenses)				
Finance income	1,163	472	1,697	819
Financial costs	-23,184	-18,984	-43,813	-38,466
Net gain (loss) on the valuation of trading derivative financial instruments	1,445	-31	4,391	-1,025
Gain (loss) from exchange difference, net	-2,746	123	-6,896	1,276
Total other expenses, net	**-23,322**	**-18,420**	**-44,621**	**-37,396**
(Loss) profit before income tax	**-63,559**	**43,790**	**-46,683**	**86,413**
Income tax benefit (expense)	18,010	-11,604	11,858	-24,082
(Loss) profit for the period	**-45,549**	**32,186**	**-34,825**	**62,331**
(Loss) Earnings per share				
Basic (loss) profit for the period attributable to equity holders of common shares and investment shares of the parent (S/ per share)	-0.11	0.08	-0.08	0.15

Interim condensed consolidated statements of changes in equity

For the six-month periods ended June 30, 2020 and June 30, 2019 (unaudited)

	Attributable to equity holders of the parent								
	Capital stock S/ (000)	Investment shares S/ (000)	Treasury shares S/ (000)	Additional paid-in capital S/ (000)	Legal reserve S/ (000)	Unrealized gain (loss) on financial instruments designated at fair value S/ (000)	Unrealized gain (loss) on cash flow hedge S/(000)	Retained earnings S/ (000)	Total S/ (000)
Balance of December 31, 2018	423,868	40,279	-121,258	432,779	168,356	4,002	-15,948	519,285	1,451,363
Change in accounting policy	-	-	-	-	-	-		-15	-15
Balance of January 1, 2019	423,868	40,279	-121,258	432,779	168,356	4,002	-15,948	519,270	1,451,348
Profit for the period	-	-	-	-	-	-	-	62,331	62,331
Other comprehensive income	-					-5,853	3,130	-	-2,723
Total comprehensive income	-	-	-	-	-	-5,853	3,130	62,331	59,608
Appropriation of legal reserve	-	-	-	-	6,233	-	-	-6,233	-
Expired dividends	-	-	-	-	280	-	-	-	280
Balance as of June 30, 2019	423,868	40,279	-121,258	432,779	174,869	-1,851	-12,818	575,368	1,511,236
Balance as of January 1, 2020	423,868	40,279	-121,258	432,779	168,636	-2,103	-17,750	497,200	1,421,651
Loss for the period	-	-	-	-	-	-	-	-34,825	-34,825
Other comprehensive income	-						1,250	-	1,250
Total comprehensive income	-	-	-	-	-		1,250	-34,825	-33,575
Balance as of June 30, 2019	423,868	40,279	-121,258	432,779	168,636	-2,103	-16,500	462,375	1,388,076