

FOSFATOS DEL PACÍFICO S.A.

ANNUAL REPORT 2019

Dear Shareholders,

In accordance with the provisions made in the Bylaws of the Company, the Board of Directors submits to your consideration the Annual Report of Fosfatos del Pacífico S.A. (Fospac) business corresponding to the 2019 fiscal year.

Section I: Responsibility Statement

This document contains true and sufficient information with respect to the business performance of Fosfatos del Pacífico S.A. during the year 2019. Without prejudice to the responsibility the issuer of the document bears, the undersigned accept accountability for the content under applicable legal provisions.



Humberto Nadal Del Carpio ¹

CEO



Alfredo Tong Lam

Accountant

Lima, Peru,
March 24th, 2020

¹ Mr. Humberto Nadal del Carpio is the natural person who represents Cementos Pacasmayo S.A.A. in the General Management of Fosfatos del Pacífico S.A.

Section II: Business

A) General Information

Name: Fosfatos del Pacífico S.A.

Address: Calle La Colonia Nº 150, Urbanización El Vivero, Santiago de Surco, Lima, Peru

Telephone number: +51 (1)-317-6000

Fax: +51 (1)-4375715

Incorporation: September 1st, 2009, before Notary of Lima Dr. Gustavo Correa Miller.

Registration: October 1, 2009. The company is currently registered in Card Nº 12375956 of the Registry of Legal Entities of Lima.

Economic Group: Fosfatos del Pacífico S.A. belongs along with the companies listed below to the Economic Group known as “Hochschild – Pacasmayo” Group:

Company Name	Company Purpose
Cementos Pacasmayo S.A.A.	Cement Production and Trade
Inversiones Aspi S.A.	Investment
Cementos Selva S.A.	Cement Production and Trade
Distribuidora Norte Pacasmayo S.R.L.	Distribution and Marketing
Dinoselva Iquitos S.A.C.	Distribution and Marketing
Empresa de Transmisión Guadalupe S.A.C.	Power Transmission
Acuícola Los Paiches S.A.C.	Fishing and Fish Farms Exploitation
Salmueras Sudamericanas S.A.	Mining activities and salt, fertilizers and chemicals product production
Calizas del Norte S.A.C.	Mining Activities
Hochschild Mining PLC subsidiarias	Mining Activities
Fossal S.A.A	Investment
Soluciones Takay S.A.C.	Advice and provision of information services, promotion, acquisition, and intermediation services for the management and development of real estate projects

- The issued capital stock as of December 31, 2019, is S/399,643,330.00 fully subscribed and paid.
- Number and Par Value of shares: 399,643,330 ordinary shares at S/ 1.00 each.
- Shareholder structure: The percentages of equity stake of natural persons or legal entities owning 5% or more of the stock are as follows:

Shareholders with equity stake exceeding 5% of the social capital stock:

Name	Equity Stake	Nationality	Economic Group
FOSSAL S.A.A.	70%	Peru	Hochschild – Pacasmayo Group
MCA Phosphates Pte. Ltd.	30%	Singapore	Mitsubishi Corp.

Ordinary shares with voting rights:

	N° of Shareholders	Equity Stake, %
More than 10%	2	100.00%
Between 5% and 10%	0	0.00%
Between 1% and 5%	0	0.00%
Less than 1%	0	0.00%
TOTAL	2	100.00%

B) Operations and Development Description

Company Object: To engage in all kind of non-metal and metal mining activities, including sampling, prospection, exploration, exploitation, processing, transport, and marketing of non-metallic and metallic minerals, and other related activities, as well as the industrialization and marketing of fertilizers and chemical products in general, and the manufacture and marketing of building material both in the Republic of Peru and abroad.

Additionally, the Company may engage in any other activity connected with those mentioned above by resolution of the General Meeting of Shareholders. It is understood that the Company Object includes all acts that contribute to achieving its goals, even though they are not expressly set forth in the Company's Bylaws. In order to achieve its goals, the Company may intervene in the incorporation of other Companies both in Peru and abroad, as well as buying shares in already incorporated Companies in Peru and abroad. For the accomplishments of its object, the Company may request concessions, permissions, licenses, and authorizations required under Peruvian law and participate in any form of business partnership with other Companies whether they are local or foreign. It may engage in all kinds of non-metal or metal mining activities.

- ISIC: 1421
- Term: Indefinite

C) History

The Bayovar project, for Fospac, originates from the award on indefinite basis of the Diatomite's Bayovar N° 9 concession on behalf of Cementos Pacasmayo S.A.A. on August 29, 2007, under the International Public Bid N° PRI-89-2007 aimed at promoting private investment on the remaining concessions of the Bayovar Project. Said concession is located in

the district and province of Sechura, Region of Piura, approximately 1,000 km. North Lima, the capital, at 110 km. South Piura and 30 Km from the Pacific Ocean.

On September 1st, 2009, Fosfatos del Pacífico S.A., was incorporated under Peruvian Law through a simple reorganization process between Cementos Pacasmayo S.A.A. and Cementos Selva S.A. whereby Cementos Pacasmayo S.A.A., setting aside its assets and liabilities related to the Phosphate business, constitutes jointly with Cementos Selva S.A. the new company. In this regard, Fospac is since September 1st, 2009 a subsidiary of Cementos Pacasmayo S.A.A., and which will engage in exploitation and marketing of resources of Diatomite and Phosphate Rock from the Bayovar 9 Concession.

On December 2011, MCA Phosphates Pte. Ltda. acquired from Cementos Pacasmayo S.A.A. 30% of Fospac equity capital for a total of USD 46.1 million. MCA Phosphates is a subsidiary of Mitsubishi Corporation (“Mitsubishi Corp.”)² and Zuari Agro Chemicals (“Zuari”), which has a 70% and 30% interest, respectively.

With reference to this stock sale, on December 2011, Fospac entered into a commercial “take or pay” agreement (“off-take agreement”) with Mitsubishi Corp. for a 20-year term with an option to extend it for 5 additional years after its expiry. Under this agreement, Mitsubishi Corp. binds itself to purchase 2 million Phosphate Rock metric tons annually once production starts with an option to purchase additionally 0.5 million tons annually, after Fospac meets local demand.

In September 2016, the General Shareholders’ Meeting of Cementos Pacasmayo S.A.A. approved the spin-off of a portion of its net assets (composed by the assets and liabilities related to the Company’s interest in Fospac) to Fossal S.A.A. (“FOSSAL”), a newly formed entity created as a subsidiary of Inversiones ASPI S.A. The purpose of the spin-off was to allocate Cementos Pacasmayo’s assets and liabilities in accordance with the specialization of each business, cement and phosphate & diatomite. The spin-off took place in March 2017.

The Bayovar Phosphate Project

Resources:

In May 2014, Golder Associates validated the program of exploration and the database necessary to estimate the mineral resources.

As part of the program of exploration, the corresponding QA/QC program that meets the industry international standards was applied.

The report was performed in accordance with the Standards of Disclosure for Mineral Projects and complies with Canadian law NI 43-101 and Australian regulation JORC (2004). In such report, the magnitude of resources was determined at 546.1 million tons (dry basis measurements) of phosphate rock with 18.2% of P₂O₅ under the category of resources. Regarding the Reserves, these are 108.1 million tons of ore of 17.8% of P₂O₅.

² Mitsubishi Corp. is a worldwide Japanese corporation listed in the Tokyo Stock Exchange and is one of the most experienced leaders in trading Phosphate Rock and other fertilizer products.

Basic Engineering:

By middle 2014, the value engineering study was completed with a view to identify opportunities to improve design, construction and operation of the project. It was conducted by leading and internationally renowned engineering companies (Hatch, Ausenco and WorleyParsons) according to experience and expertise in different areas.

During 2015, basic engineering was developed based on the results of the value engineering study and in accordance with the international standards of the American Association of Cost Engineering (AACE). The estimate level thus produced was “Class 2”. This effort allows to best effect improvements in the project’s Capex and Opex as well as to predict costs with more accuracy and with a higher degree of reality in the project engineering. The basic engineering development was monitored by the “Project Management Consultant” (PMC) led by WorleyParsons company, engaged by late 2014. The PMC was in charge of supervising and integrating the development of engineering in all of its components as appears in Figure N° 1.

Figure N° 1

Component	Engineering Companies
Mine	RWE, ThyssenKrupp, FAM, SANDVIK, TAKRAF
Beneficiation Plant	HATCH, JJC
Port	PROES, cobra, JJC, Ership
Water Supply	cobra, tedagua, JJC
Road	BISA
Energy Supply	DELROSAS, ENERGÍA PARA EL PERÚ
Tailing Ponds	GEOSYMSA
Ancillary	WorleyParsons

All engineering studies ended in the last quarter 2015. They were awarded an AACE Class 2 certification by PMC, which has a cost accuracy rate within the -10%/+15% range.

Continuous Mining:

During 2015, a technical relationship was kept with RWE, especially to develop the phase of equipment sizing, technical specifications, and procurement of continuous mining equipment, bringing its work to an end by developing a ranking of matrix, technical, and economic evaluation of suppliers of continuous mining equipment.

On the other hand, the Fosfatos technical staff with the support of consultants and RWE, concluded that scrapers are the best conventional equipment alternative to perform mining operations.

Processing Plant and Tailing Ponds:

Hatch Company in association with JJC, designed the basic engineering with a production

estimate of 2.5 million tons of concentrate per year with a grade of 30.39% of P₂O₅ of calcined rock. The mineral processing plant comprises the following stages:

- Mineral reception zone and supply to plant.
- Scrubbing, desliming, and attrition.
- Middlings removal.
- Flotation and sedimentation.
- Concentrate filtration.
- Drying, calcining, and final concentrate handling.

In addition, Hatch conducted a transportation study that consists of pumping tailings from the processing plant to Tailing Ponds.

Tailing Ponds number 5, 6, 8, 9, and 10, located southeast of the plant in the area called Virilla, were designed in 2014 by Geosyma, a Peruvian company expert in design of tailing ponds. The designed ponds allow storage for 20 years of the project.

Port:

Cobra-PROES in association with JJC and Ership, the Spanish port operating company, were responsible for developing the port engineering, which led to establish the following capacity parameters.

- The Port is designed to receive ships of up to 75,000 DWT.
- Rectangular steel frame architecture design of the storage building was considered with a capacity of 100,000 TM of phosphate rock, which includes mechanical stacking and material recovery equipment.
- In respect to marine works, the pier structure was developed taking into account a lineal shiploader with a capacity of 3,000 metric tons per hour.
- The design takes into account all dust collection systems in the port terminal so as to protect the environment and comply with current environmental regulation in the country.

Regarding legal aspects connected with the Port, and in order to comply with the obligations established on March 26, 2015, Fospac submitted the Maneuvering and Hydro-Oceanographic studies to the General Directorate of Captaincies and Coast Guard (DICAPI as per its acronym in Spanish). On October 16, 2015, the Maneuvering study was approved with Letter V.200-913.

On May 24, 2017, DICAPI granted Fospac the port authorization, which consist in the construction permits for its future port facilities (No.017-2017-APN/DR)

During 2015, Fospac received from Cementos Pacasmayo S.A.A. the assignment of a surface contract to use land located in the area adjacent to a marine area in northern Peru and execute the Phosphate Loading Terminal project in Bayóvar (Piura). In March 2019, Fospac decided to terminate the aforementioned contract taking into account that currently the economic and financial conditions for its development are not adequate; consequently, in March 2019 the investment related to the Phosphate Loading Terminal project was derecognized for S/ 34,947,000.

Water:

Cobra-Tedagua Consortium in association with JJC designed the engineering for this component for an average production of 245 m³/h of desalinated water and a maximum production of 350 m³/h. The seawater intake and pumping to the treatment plant was estimated at an average flow velocity of 995 m³/h and a maximum flow velocity of 1,350 m³/h.

Engineering includes the following components:

- Seawater intake.
- Seawater pumping system.
- Transport system through 20-inch pipeline (from the port area to the mineral processing plant – Bayovar 9).
- Preprocessing (DAF and ultrafiltration).
- Reverse Osmosis System.
- Purification system and fire prevention system.
- Effluent treatment system.

According to the engineering, wastewater from the reverse osmosis system (concentrate water in sodium chloride) will be sent first to the Processing Plant and then to the Tailing Ponds.

Energy:

Energy supply Basic Engineering was commissioned by Delcrosa. This component includes the following items:

- 220 kV Transmission Line (formerly 138 kV) from ES La Niña (existing) to ES Processing Plant.
- ES Processing Plant
- 60 kV Transmission Line from ES Processing Plant to ES Port.
- 22.9 kV Transmission Line from ES Processing Plant to ES Mine.
- ES Port
- ES Mine

Change in voltage level from 138kV to 220 kV in the TL from ES La Niña to the ES Processing Plant was caused largely by the increase in the Mine's energy consumption brought about by the shift from conventional mining to continuous mining (Bucket Wheel Excavators system) as already identified in the 2014 value engineering study. As of this date, the total project demand is 48.6 MW.

Road:

Buenaventura Ingenieros S.A. (BISA) was commissioned to build a private industrial road joining the processing plant and the port. The road was designed to transport phosphate rock concentrate using 70-ton b-train truck type along a road 32.7 km long, 9.4 km wide, and 100% paved with asphalt.

As an alternative to construct this road, Fospac negotiated during 2017 a contract with Miski Mayo S.R.L to use a stretch of its industrial road. On November 28, 2017, both parts reached an agreement and signed a contract that will allow Fospac not only to use a stretch Miski Mayo's industrial road but also to access Miski Mayo's determined areas with the purpose of construction, installation and operation of the seawater pipeline, electric transmission line and any other component that could be needed to develop the project.

Auxiliary Infrastructure:

Apart from its role as PMC, WorleyParsons was responsible for developing the engineering for the auxiliary infrastructure needed to support the project construction and subsequent operational activities. Such engineering comprised construction camp capable of housing 1,600 people at the project peak, as well as with auxiliary infrastructure for the processing plant such as warehouses, administrative offices, dining facilities, maintenance workshops, medical center, watchtowers, fuel stations, fire prevention systems among others. Auxiliary infrastructure for the mine was also developed consisting of the truck maintenance workshop, general warehouse, administrative offices, medical center, watchtowers and fire prevention systems among others.

Laboratory:

On September 16th, 2014, the ISO 9001:2008 certification was awarded to the Project's chemical laboratory, located within the Bayovar 9 concession.

During 2015, the laboratory obtained an international certification after having been accepted as a member of the Association of Fertilizer and Phosphate Chemists (AFPC) and receiving an accreditation from the National Institute of Quality (INACAL as for its acronym in Spanish) under the Peruvian Technical Standard ISO/IEC 17025-2006. This latter accreditation legally enabled the laboratory to issue results officially recognized by the phosphate industry worldwide.

Both certifications remained valid until the end of 2016.

Environmental Impact Assessment:

The consulting company Buenaventura Ingenieros S.A. (BISA) was responsible for preparing the Environmental Impact Assessment (EIA) which was submitted to the Ministry of Energy and Mines (MEM as per its acronym in Spanish) in May 2013, and approved in March 2014. The components stated in the EIA were: processing plant, mine, port, seawater pipelines, industrial road, electric transmission line, etc.

The approval of the EIA has received favorable viewpoints from several public agencies: Ministry of Energy and Mines, Ministry of Agriculture and Irrigation, Ministry of Environment, National Port Authority, General Directorate of Captaincies and Coast Guard, Peruvian Sea Institute, National Service for State Protected Areas, National Service of Meteorology and Hydrology, National Water Authority, Piura Regional Government, among others.

Furthermore, in August 2014, the Certificate of Non-existence of Archaeological Remains (CIRA as per its acronym in Spanish) was granted by the Ministry of Culture over the Project's influence area.

In the last quarter 2014, the Peruvian Institute of Nuclear Energy (IPEN as per its acronym in Spanish) conducted environmental radiation monitoring in the influence area of the Project, and in the second quarter 2015, IPEN presented the final results concluding that there is no evidence of artificial radioactive elements, and that the concentrations of natural radioactive elements are below the levels for exclusion for natural radionuclide, according to the recommendations of the Atomic Energy International Agency.

In the third quarter 2015, the authorization for deforestation was given for the areas that the Project's facilities will occupy, such authorization was issued by the National Forest and Wildlife Service agency.

Modifications to the Environmental Impact Assessment:

In pursuit of optimization and environmental improvements to the project, some designs were modified resulting in changes concerning the 2013 basic engineering. It is for this reason that the MEIA was prepared and submitted to the Ministry of Energy and Mines (MEM). Such MEIA was prepared in accordance with standing regulations of the MEM's Mining Subsector, particularly complying with the approval of the "Standard Terms of Reference for Detailed Environmental Impact Assessments (Third Category) for Mining Projects at Feasibility levels" under the RM N° 092-2014-MEM/DM, Annex 1, and the DS (Supreme Decree) N° 040-2014-EM, Rules for Environmental Protection and Management for Exploitation, Processing, General Labor, Transportation and Storage activities.

The environmental consultancy Tecnología XXI S.A. duly registered in the MEM was commissioned with the preparation of the MEIA. Tecnología XXI has outstanding experience in preparing environmental assessments and handling respective formalities for approval before competent environmental authorities. The final report was presented to the MEM on December 2015 and it was approved on September 2016, through the Directorial Resolution N° 0269-2016-EM/DGAAM.

The MEIA of Fospac presented the environmental and socioeconomic conditions of the project, considering the changes that will suffer the components of the project, the nature and the magnitude of the potential environmental impacts product of the activities of the project. In this line, the MEIA also presented the contingency plan to manage, control and prevent the potential environmental impacts.

The approval of the MEIA had the favorable opinion of several State institutions, such as: Ministerio de Energía y Minas, Ministerio de Agricultura y Riego, Dirección de Capitanías y Guardacostas, Servicio Nacional de Áreas Protegidas por el Estado, Autoridad Nacional del Agua, Gobierno Regional de Piura, Municipalidad Provincial de Sechura, among others.

Current Project Status:

As of December 31, 2019, the implementation operations of the Phosphate project are suspended. The Management is evaluating the market conditions in order to determine the best time to carry out the project.

Currently Fospac is executing the contractual obligation with Activos Mineros S.A.C. (AMSAC) of extracting 80,000 Tm/year of diatomite, which is audited annually by the auditors appointed by AMSAC.

Diatomite Bricks Project:

During 2019 Fospac continued to evaluate different alternatives to improve the plant's operation. As of December 31 2019, Management has evaluated the state of use of property, plant and equipment and has not found any impairment in said assets. Property, plant and equipment, as well as intangibles are considered as a single cash generating unit in consideration of how the Phosphates project has been designed.

D) Economic Environment³

The world economy registered in 2019 its lowest level of growth since the financial crisis of 2008, being close to 2.4%. This result has been a reflection of an uncertainty associated with the trade war between United States and China, which has led to the increase in several tariffs. On the other hand, country-specific factors such as the Brexit negotiations (EU and United Kingdom), Argentina's macroeconomic weakness, social conflict in Venezuela and geopolitical tensions (US and Iran), contributed to consolidate an unattractive international environment in 2019. This was displayed by a slowdown in the purchase of machinery and equipment by companies, a lower demand of households for durable goods, and through other indicators of economic activity that went down. As a result, companies were forced to reduce their industrial production and international trade, which is intensive in durable goods and their components, contracted. Given this lower dynamism in economic activity, central banks (Federal Reserve, European Central Bank and entities of emerging economies) reacted by applying interest rate cuts and other expansive measures that managed to avoid a deeper deceleration.

In Peru, economic activity also grew at a more moderate pace with respect to the previous year, with an observed growth rate of 2.2% in the January-October period, compared to 3.8% in the same period of 2018; and according to activity and expense indicators a lower result is expected for the fourth quarter. For the entire year, the GDP growth projection lies between 2.1% and 2.3%. This result is explained by lower exports, mainly in the mining and fishing sector, transitory supply shocks, lower public investment and a slowdown in private consumption.

Regarding Peru's economic sectors, their performance was mixed. Those expected to have a negative result are the fishing sector with -18.6%, metal mining (-1.3%) and manufacturing (-5.5%). These would be offset by the agricultural sector (+3.7%) and the hydrocarbons sector (+5.1%). With these results, the annual growth rate for the GDP of the primary sector as a whole is estimated at -0.6%. For the fishing sector, the decline would be explained by lower availability of anchovy during the first season in the North-Central Zone. In the metal mining sector, the lower results of Barrick and Buenaventura in gold, and the inferior zinc grades in Antamina would explain the poor outcome. As for the agricultural sector, it was boosted during 2019 by the export of blueberries, cocoa, grapes, avocado and mango. The GDP of the non-primary sector had a positive result with an estimated growth of 3.2%, below 4.2% reported in 2018.

E) Sector and Market Overview

Phosphate Rock

³ Source: IMF, World Bank, BCRP (Inflation Report) y BBVA Global Markets Research

The International Fertilizer Association (IFA) ascertains that most plants require 16 essential nutrients to ensure adequate growth and development. Likewise, each nutrient meets a specific role in plants growth and soil yield. Also, each soil has unique characteristics due to influence of diverse climate conditions around the world. Consequently, all nutrients essential to a soil are hardly ever present, thus, using fertilizers containing nitrogen, phosphorous and potassium is required in order to overcome deficiencies.

Phosphate is a macronutrient vital for transfer of energy, photosynthesis and cells division. Also, its contribution is essential for plants growth as it promotes both root development and resistance to droughts. Most natural and farm soils are phosphorous deficient and, as such, application of fertilizers containing such element is required at least once a year.

Phosphate Rock is the main source of phosphorus which occurs in tricalcium phosphate form. The chemical and physical composition of a Phosphate Rock is determined by the geological formation of the deposit, weather conditions ore has been exposed to, soil contaminants, among other variables. Also, this composition determines rock quality and its acceptance in the international market.

Even though global reserves of Phosphate Rock are large, its exploitation is not always economically viable, at present, is hard to find large deposits of high grade Phosphate Rock with available infrastructure and easy access.

Historically, the Bayovar Phosphate Rock has been worldwide known for its good P2O5 content, its high solubility and low impurities level. This positions it as an easily marketable rock in the international market.

Tests carried out, commissioned by Fosfatos del Pacífico, at FLSmidth (USA), China Bluestar, CIMM Perú, TECSUP and Jacobs Engineering (USA) laboratories, support aforementioned quality. Consequently, the Bayovar Phosphate Rock is a high quality product available to all consuming industries at national and international levels.

Market

2019 Market Review⁴

In the agricultural world, after the contraction of cereal production in the 2017/18 period (-2%), cereal production remained stable in the 2018/19 season. Regarding to corn, there was a drop in global inventories for the third consecutive year, reaching its lowest level in four years but still maintaining historically high levels. World demand was higher than expected, mainly for livestock feed. In terms of production, the United States estimated that this will be the lowest since the 2015/16 season due to weather factors that had a negative impact on mid-year planting. The wheat market was also affected by adverse weather: winter in the EU and Russia, and crop drought in Australia; and by the deterioration of crop quality in the US; which led to supply shocks. Nevertheless, the market continues to present surplus inventory, which explained the drop in the price of this raw material in 2019. As for Soy, the price had an increase of 9% as of December 2019 explained by growth prospects in the US demand, and for the solid demand for soybean oil registered in China and India.

So far in the 2019/20 season, the expected increase in cereal production has not yet occurred due to bad weather in the US, with which growth expectation has been reduced to 0.6%. Wheat production is recovering with an increase of 4% (after a drop of similar size the previous season), and for coarse grains the expectation is a 1% contraction. Global cereal consumption

⁴ Source: International Fertilizer Association, BCRP (Inflation Report)

is expected to exceed supply for the second consecutive year, so inventories would continue to decline. A reduction in soy production is also anticipated for the 2019/20 season (which would push up the price), but uncertainty regarding trade between the US and China, and the advance of African swine fever could alter this result. Finally, a 3% increase in palm oil production is expected, similar to what was reported in the 2018/19 season.

In the fertilizer market, worldwide use has continued to show very moderate levels of growth, influenced to some extent by the low prices of agricultural crops. Other mitigating factors have been government policies and adverse weather in countries with the highest fertilizer consumption level. According to IFA estimates, in 2018 the use of fertilizers was reduced by 0.7% to 188.8 million tons (Mt), mainly due to unfavorable weather conditions, but by 2019 it would have increased by 0.9% to 190.5 Mt. This recovery took place in North America, South Asia, and in Eastern Europe and Central Asia; but was offset by the fall in East Asia.

With respect to fertilizer supply, this was affected in 2019 by production cuts and major restructuring in the industry. Certain plants closed along the 3 nutrient sectors that are the main raw materials for fertilizer production: ammonia as a source of nitrogen, phosphate rock as a source of phosphorus and potassium (better known as potash in its soluble version). Global supply of these 3 nutrients in 2019 amounted up to 254 Mt, showing an increase of 1.2% over the previous year. Ammonia production rose 2%, phosphate rock production remained steady and potassium production was reduced by 5%.

As for the phosphate market, the year 2019 was marked by a stable demand for phosphate rock, and the production of phosphoric acid and concentrated phosphate fertilizers (DAP, MAP and TSP) would have recovered, according to preliminary estimates. Phosphate rock exports are estimated to have reduced by 3%, from 31 Mt to 30 Mt in 2019, and world production would have remained at the same level as 2018 at 207 Mt.

Finally, phosphate rock price experienced a decreasing trend throughout 2019, closing the year at USD 72.5 / MT (Phosphate rock Morocco, 70% BPL), 29% lower than the beginning of year price (USD 102.5 / TM at the end of January). However, the average price was USD 87.96 / MT, slightly above the average price of 2018.

The Outlook for 2020⁵

A higher GDP growth rate and an improvement in consumer and investor confidence indicators are expected by 2020, in line with moderate commercial tensions following the agreement between China and the US, less uncertainty regarding Brexit, expansive monetary policies applied by the main developed economies and a recovery of emerging economies. According to the World Bank's Economic Outlook Report, this year's global growth will be 2.5%, where the improvement in performance will come mainly from emerging economies. On the other hand, the BCRP in its last Inflation Report recorded an estimated growth of the world GDP at 3.2%, with 1.5% of annual growth rate for developed economies and 4.5% for developing countries. For the US it is expected a GDP growth of 1.9%, lower than 2019, and that the Fed will maintain the position of its monetary policy despite having revised downward the rates of unemployment and inflation in its December projections. It is estimated that China will grow 5.9%, slightly below 2019 (6.0%), with stimuli coming from its fiscal policy.

⁵ Source: International Fertilizer Association, World Bank, Indexmundi, BCRP (Inflation Report), IMF

In the fertilizer market, the outlook for 2020 is positive with preliminary estimates of a 1.3% increase in world fertilizer use, reaching 192.9 Mt, based on an expectation of better agricultural crops prices and improved conditions for the agricultural activity. On the supply side, a 2.2% growth in world production of ammonia, phosphate rock and potassium (the 3 essential nutrients in fertilizer production) is expected. For phosphate-based fertilizers estimated growth is 1.1%. Finally, an upward correction for phosphate rock price is expected in the short run, if balance between supply and demand is achieved as a result of production cuts applied by Mosaic and other companies in 2019 due to the price drop.

F) Actions of Arbitration

As of December 2019 and to the date of issue of this report, no legal action has been reported that may have a significant impact on the operation results and the company's financial position.

G) Human Resources

Fosfatos del Pacífico S.A. has the following staff on payroll:

	Dec. 2019
Managers	1
Employees	7
Workers	0
Total	8

The personnel variation is shown in the following table:

	Dec. 2017	Dec. 2018	Dec. 2019
Permanent	11	3	3
Temporal	1	3	5
Total	12	6	8

H) Management

List of Directors:

Name	Position	Director since
Eduardo Hochschild Beeck	President	01.09.2009
Raimundo Morales Dasso	Vice-President	01.09.2009
Humberto Nadal Del Carpio	Board Member	22.09.2011
Masami Miyazawa	Board Member	28.02.2018
Manuel Bartolomé Ferreyros Peña	Board Member	28.02.2018

Joaquín Larrea Gubbins	Alternate Board Member	17.07.2012
Jorge Javier Durand Planas	Alternate Board Member	28.02.2018
Carlos José Molinelli Mateo	Alternate Board Member	17.07.2012
Yojiro Une	Alternate Board Member	28.02.2018

Eduardo Hochschild Beeck. Mr. Hochschild is a mechanical engineer from Tufts University, Boston, USA. He is also Chairman of the board of Directors of Hochschild Mining plc, Inversiones ASPI S.A., Cementos Pacasmayo S.A.A. FOSSAL, UTEC and TECSUP, Director of Banco de Crédito del Perú, El Pacífico Peruano-Suiza Compañía de Seguros y Reaseguros, Sociedad de Comercio Exterior del Perú (COMEX Peru), and an expert consultant of the Economic Counsel of the Episcopal.

Raimundo Morales Dasso. Mr. Morales received bachelor's degrees in Economics and Management from Universidad del Pacífico and a Master's degree in Business Administration from Wharton Graduate School of Finance, University of Pennsylvania, USA. Between 1970 and 1980 he served in various positions at Bank of America and Wells Fargo.

He joined Banco de Crédito del Perú in 1980 and held senior management positions. He served as CEO at Banco de Crédito from October 1990 to April 2008. He is currently Vice-Chairman of the Board of Directors of Credicorp Ltd, Banco de Crédito del Perú, and Pacífico Compañía de Seguros y Reaseguros. He is a member on the Board of Directors of Atlantic Security Bank, Alicorp S.A.A., Pesquera Centinela S.A., Grupo Romero, Cementos Pacasmayo S.A.A., Salmueras Sudamericanas S.A., FOSSAL, Cerámica Lima S.A., Corporación Cerámica S.A. and Inversiones y Propiedades S.A., as well as member on the Executive Council of the Peruvian Institute of Economy.

Humberto Reynaldo Nadal del Carpio. Mr. Nadal Received an undergraduate degree in Economics from Universidad del Pacífico and a Master's degree in Business Administration from Georgetown University. He joined Cementos Pacamsayo as Corporate Development Manager in June 2007, has been Director since March 2008 and CEO at Cementos Pacasmayo since April 2011. He is also CEO at ASPI S.A., Fosfatos del Pacífico and FOSSAL. Additionally, he is Director of Ferreycorp and has been Chairman of the Board of Directors of Patronato de la Universidad del Pacífico and Fondo Mi Vivienda. In April 2006, he joined Compañía Minera Ares S.A.C. (subsidiary of Hochschild Mining plc) as Corporate Development Manager. Mr. Nadal was also Business, Administration and Finance Manager of the Instituto Libertad y Democracia and CEO of Socosani S.A. Distinguished among the three best CEOs of the construction industry in Latin America by the Institutional Investor magazine for the years 2014, 2015, 2016, 2017 and 2018.

Masami Miyazawa. Mr. Miyazawa is a Bachelor of Economics from the University of Sophia, Tokyo, Japan. Mr. Miyazawa joined Mitsubishi Corp. more than 25 years ago and currently holds office as CEO of the Fertilizer Division at Mitsubishi Corp. He has been Director and Division Manager in Chemicals Business Division at Mitsubishi Corp. Korea, Director and Group Leader in Chemicals Group, PT. Mitsubishi Corp, Indonesia. He has also been Manager in the Chemical Unit, Fertilizer Unit and Ammonium Unit within Mitsubishi Corp.

Manuel Ferreyros Peña. Mr. Ferreyros has a Bachelor degree in Business Administration from Universidad de Lima, a Multinational Master's degree in Business Administration from the Adolfo Ibañez School of Management, Miami, and a Master's degree in Business Administration from The College of Insurance of New York. Mr. Ferreyros has participated in the Advanced Management

Program at Instituto Centroamericano de Administración de Empresas (INCAE), and at the Chief Executive Officer Management Program at Kellogg School of Management, among others. He has served as CEO at La Positiva Seguros y Reaseguros. He currently is alternate Director and CFO at Cementos Pacasmayo S.A.A. Distinguished among the three best CFOs of the construction industry in Latin America by the Institutional Investor magazine for the years 2014, 2015, 2016, 2017, 2018 and 2019.

Joaquín Larrea Gubbins. Mr. Larrea is a Business Manager with a degree from Universidad de Lima and a Master's degree in Business Administration from Kellogg School of Management of Northwestern University. He has previously worked as Corporate Development Director of General Electric Peru, Ecuador and Bolivia. Additionally, he served as Zinc Business Manager, Corporate Finance Head, Corporate Development Manager and Special Projects Central Manager at Cementos Pacasmayo S.A.A.

Carlos José Molinelli Mateo. Mr. Molinelli holds a degree in law and a Master's degree in Business Administration from Universidad de Lima, a Diploma in Mining Law by the Bar Association of Lima, and a Diploma in Securities and Stock Market. He currently serves as Legal Counsel, Secretary of the Board of Directors and Stock Market Representative at Cementos Pacasmayo S.A.A. He has been Director of Inversiones Norte Pacasmayo S.A.C, Compañía Minera Arcata S.A. and Alternate Director of Cementos Pacasmayo S.A.A. Before joining the Pacasmayo Group in 2004, he worked in many law firms in Lima and was Manager of the Tax & Legal Area at PriceWaterhouseCoopers.

Yojiro Une. Mr. Une received an undergraduate degree from Kobe University, Kobe, Japan and participated in the General Management Program from Harvard Business. Mr. Une joined Mitsubishi Corp. more than 25 years ago and currently holds office as President and CEO of Mitsubishi Peru S.A. and as CEO at Mitsubishi Corp. Santa Cruz, in Bolivia. He has been CEO of M.C.Inversiones Perú S.A.C and Manager of the Aluminum Unit and of the ITS Business Development Unit, in Mitsubishi Corp.

Jorge Javier Durand Planas. Mr. Durand is a lawyer graduated from the University of Lima (Peru) and graduated from the Master of Business Administration at Universidad del Pacífico (Peru). Among other studies, he participated in the Management Program for Lawyers and in the Corporate Governance and Performance Program of the Yale School of Management (United States), in the Strategic Negotiations Program of Harvard Business School (USA), and in the Prince of Wales,s Business & Sustainability Program from the University of Cambridge Institute for Sustainability Leadership (UK). He joined the Hochschild Group in 1994 and currently is Cementos Pacasmayo S.A.A.'s General Counsel since 2008. Previously, he was General Counsel at Hochschild Mining plc and is a member of the Board of Inversiones ASPI S.A., UTEC and TECSUP.

The Directors mentioned above are considered dependent employees.

Special committees formed and established within the Board of Directors

No committee has yet been formed within the Board of Directors as of this date.

I) General Administration

Senior Management is in charge of Cementos Pacasmayo S.A.A. by virtue of a General Management Agreement and Services Provision.

Management staff:

General Manager: Cementos Pacasmayo S.A.A. Mr. Humberto Nadal del Carpio is the natural person that represents it.

The other management tasks of the company are carried out by Cementos Pacasmayo personnel, according to the General Management Agreement and Services Provision.

J) Main Assets

The Bayovar 9 concession and the engineering studies are some of the most important assets that Fopsac has. The main engineering studies developed in the project are the following:

- Mine Engineering Study
- Water Supply Engineering Study
- Beneficiation Plant Engineering Study
- Electric Supply Engineering Study
- Tailing Ponds Engineering Study
- Road Engineering Study
- Port Engineering Study
- Other Auxiliary Studies

To the date of this report, the most important assets are:

- Mine Exploration and Evaluation – S/ 34,398,000.00
- Property Plant and Equipment – S/ 193,572,000.00

None of these assets have been given as guarantee.

Section III: Financial Statements**A) Liquidity:**

The treasury management policy is based on the principle of prudence and is focused on complying with the current obligations of the Company, mainly: i) Payment of mining concessions related to the Phosphate Project, ii) obligations with Activos Mineros S.A.C. and the Fundación Comunal San Martín de for the Bayovar 9 concession and iii) administrative services.

The liquidity ratios of the Company are presented below:

Liquidity Ratios	December 2019	December 2018
Current Ratio (Current Assets / Current Liabilities)	1.21	3.16

The decrease in liquidity ratios as of December 2019 is explained by the increase in current

liabilities resulting from a loan, received from Fossal S.A., to be used as working capital.

B) Capital and Financing:

Future investment in the Phosphate Project will depend on phosphate rock market conditions and the availability of corresponding financing in the appropriate terms for the company. Framed in a policy of prudence in the use of financial resources during this year, Management is evaluating both critical factors for the Company.

The debt ratios of the Company are presented below:

Debt to Assets Ratio	December 2019	December 2018
Total Liabilities / Total Assets	0.017	0.007
Total Shareholder Net Equity / Total Assets	0.983	0.993

The financing indicators remain stable as of December 31, 2019 regarding financial information as of December 31, 2018.

C) Economic Results:

In 2019, Fospac reported a net loss of S/ 46.07 millones. The operating loss in 2019 was S/ 45.92 millones.

The Profit and Loss Statement as of December 31, 2019, records an accumulated loss of S/ 117.41 million.

Details	December 31, 2019 ⁶
Capital Stock	399,643
Additional Capital	32,808
Accumulated Losses	(117,405)
Total Net Equity	315,046

Investment Details

At the end of 2019, the value of properties, plant, and equipment net of depreciation is S/ 193,572 thousands, whereas the intangible costs amount to S/ 34,398 thousands. The investment amounts indicated above include both the investment executed in the phosphate rock project and the brick plant investment.

Financial Statements

The statement of financial position as of December 31, 2019 along with the corresponding income statements, changes in net equity, and cash flow statements were audited by the firm Paredes, Burga

⁶ Figures expressed in thousands of nuevos soles

& Asociados Sociedad Civil de Responsabilidad Limitada, member firm of EY. The statements are attached to this report.

Changes within the Responsibilities of Elaborating and Reviewing Financial Statements

During 2019 there has been no change within the team responsible on the elaboration and review of the financial statements of Fospac.

Good Corporate Governance Practices

Fospac has among its objectives implementing and constantly improving good corporate governance practices and is actively committed to their development in benefit of its shareholders and the market in general.

From the Board of Directors

The board of directors wishes to thank the shareholders for the confidence placed in them.

Section IV: Annexes

Monthly share prices of Fospac in the fiscal year 2019

In 2019, there was no trading of Fospac shares.