Unión Andina de Cementos S.A.A.

UN-AUDITED Separate Interim Financial Statements
As of June 30, 2018 and December 31, 2017

UNIÓN ANDINA DE CEMENTOS S.A.A.
Statement of Financial Position
As of June 30th, of 2018 and December 31st, 2017
(In thousands of Nuevos Soles)

	Notes	As of June 30th, 2018	As of December 31, 2017
Assets			
Current Assets			
Cash and cash equivalents	3	24,989	97,704
Other Financial Assets		0	0
Trade Accounts Receivable and other accounts receivable	4	**580,229**	**461,294**
Trade Accounts Receivable , net	4	73,647	70,860
Other Accounts Receivable , net	4	33,254	27,123
Accounts Receivable from Related Companies	4	465,909	358,196
Advanced payments	4	7,419	5,115
Inventories	5	523,097	533,321
Biological Assets		0	0
Assets by Income Taxes	0	0	0
Other Non-Financial Assets		9,597	8,145
Total Current Assets different than assets or groups of assets for its classified as held for sale or for distribution to owners		**1,137,912**	**1,100,464**
Non-current assets or groups of assets for disposal Classified as Held for Sale		0	0
Non-current assets or groups of assets for its classified as held for distribution to owners		0	0
Non-current assets or groups of assets for disposal Classified as Held for Sale or Held for distribution to owners		**0**	**0**
Total Current Assets		**1,137,912**	**1,100,464**
Non-Current Assets			
Other Financial Assets		0	0
Investments in subsidiaries, joint ventures and associates	6	3,290,529	3,289,323
Trade Accounts Receivables and other accounts receivables	4	**104,806**	**104,372**
Trade Accounts Receivable		61,893	58,927
Other Accounts Receivable		42,913	45,445
Accounts Receivable from Related companies		0	0
Advanced payments		0	0
Biological Assets		0	0
Investment Property		0	0
Property, Plant and Equipment , net	7	3,806,636	3,894,622
Intangible Assets , net	9	35,591	44,353
Assets Deferred Income Tax		0	0
Surplus value	9	9,745	9,745
Other Assets	8	120,820	122,977
Total Non-current Assets		**7,368,127**	**7,465,392**
TOTAL ASSETS		**8,506,039**	**8,565,856**

	Notes	As of June 30th, 2018	As of December 31, 2017
Liabilities and Stocholders' Equity			
Current Liabilities			
Other Financial Liabilities	11	328,384	486,064
Trade accounts payable and other payable accounts		**341,642**	**277,176**
Trade Accounts Payable	10	175,178	120,652
Other Accounts Payable	10	69,751	60,746
Accounts payable to related companies	10	84,696	80,429
Diferred Income	12	12,017	15,349
Provision for Employee Benefits		0	0
Other provisions	13	14,448	25,719
Income Tax Liabilities		16,052	43,075
Other non-financial liabilities		0	0
Total Current Liabilities different of Liabilities included groups of assets for disposal Classified as Held for Sale		**700,526**	**832,034**
Liabilities included in asset groups classified as held for sale		0	0
Total Current Liabilities		**700,526**	**832,034**
Non-Current Liabilities			
Other Financial Liabilities	11	2,831,023	2,906,854
Trade accounts payable and other payable accounts	0	**0**	**0**
Trade Accounts Payable		0	0
Other Accounts Payable		0	0
Accounts payable to related companies	0	0	0
Deferred Income		0	0
Provision for Employee Benefits		0	0
Other provisions	13	15,778	15,778
Liabilities Deferred Income Taxes	14	516,025	524,734
Other non-financial liabilities	24.1(i)	5,554	9,845
Total Non-Current Liabilities		**3,368,380**	**3,457,211**
Total Liabilities		**4,068,906**	**4,289,245**
Stockholders' Equity			
Capital Issued		1,646,503	1,646,503
Issuance Premiums		0	0
Investment shares		0	0
Treasury Shares in portfolio		0	0
Other Capital Reserves		329,301	329,301
Accrued Results		2,461,236	2,300,609
Other Equity Reserves		93	198
Total Stockholders' Equity	15	**4,437,133**	**4,276,611**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**8,506,039**	**8,565,856**

UNIÓN ANDINA DE CEMENTOS S.A.A.

Statement Income

For the periods ended June 30th, 2018 and 2017

(In thousands of Nuevos Soles)

	Notes	For the specific quarter from April 1, to June 30th, 2018	For the specific quarter from April 1, to June 30th, 2017	For the cummulative period from January 1st to June 30th, 2018	For the cummulative period from January 1st to June 30th, 2017
Incomes from ordinary activities	16	488,562	454,792	963,292	890,693
Cost of Sales	17	-296,384	-268,657	-578,162	-515,830
Profit (Loss) Gross	-	**192,178**	**186,135**	**385,130**	**374,863**
Sales Expenses		-16,825	-14,187	-23,333	-20,296
Administrative expenses	18	-42,248	-38,261	-95,072	-112,066
Profit (Loss) in the write-off of financial assets carried at amortized cost		-	-	-	-
Other Operating Income	19	18,199	14,639	136,823	273,555
Other Operating Expenses	19	-12,823	-7,335	-37,198	-31,896
Other profit (loss)		-	-	-	-
Profit (Loss) from operating activities		**138,481**	**140,991**	**366,350**	**484,160**
Financial Income		3,263	2,598	7,249	5,806
Financial Expenses	20	-48,692	-56,658	-97,941	-115,728
Exchange differences, net		-24,849	-5,457	-13,711	79,782
Other income (expense) from subsidiaries, joint ventures and associates		-	-	-	-
Share of Profit (Loss) in net results from Equity-Accounted Joint Ventures and related companies		-	-	-	-
Difference between the book value of the distributed assets and the book value of the divided payable		-	-	-	-
Gains before Income tax		**68,203**	**81,474**	**261,947**	**454,020**
Income tax expenses	14(b)	-21,815	-26,177	-58,512	-63,928
Profit (Loss) Net of Continued Operations		**46,388**	**55,297**	**203,435**	**390,092**
Profit (loss) net of the tax to the profit from discontinued operations		-	-	-	-
Profit (loss) net of the year		**46,388**	**55,297**	**203,435**	**390,092**

UNIÓN ANDINA DE CEMENTOS S.A.A.
Statement of Comprehensive Income
For the periods ended June 30th, 2018 and 2017
(In thousands of Nuevos Soles)

	Notas	For the specific quarter from April 1, to June 30th, 2018	For the specific quarter from April 1, to June 30th, 2017	For the cummulative period from January 1st to June 30th, 2018	For the cummulative period from January 1st to June 30th, 2017
Net Profit (Loss) of the year		**46,388**	**55,297**	**203,435**	**390,092**
Components of other comprehensive income:					
Net Change for Cash Flow Hedges		0	0	0	0
Hedges of a Net Investment in a Foreign Operation		0	0	0	0
Profit (Loss) in equity instrument investments at fair value		0	0	0	0
Exchange difference on translation of Foreign Operations		0	0	0	0
Net variation of non-current assets or groups of assets held for sale		0	0	0	0
Revaluation Surplus		0	0	0	0
Actuarial Gain (Loss) on defined benefit pension plans		0	0	0	0
Changes in the fair value of financial liabilities attributable to changes in the credit risk of the liability		0	0	0	0
Other Comprehensive Income Pre Tax		**-**	**-**	**-**	**-**
Income tax relating to components of other comprehensive income					
Net Change for Cash Flow Hedges		-93	38	-105	28
Hedges of a Net Investment in a Foreign Operation		0	0	0	0
Profit (Loss) in equity instrument investments at fair value		0	0	0	0
Exchange difference on translation of Foreign Operations		0	0	0	0
Net variation of non-current assets or groups of assets held for sale		0	0	0	0
Revaluation Surplus		0	0	0	0
Actuarial Gain (Loss) on defined benefit pension plans		0	0	0	0
Changes in the fair value of financial liabilities attributable to changes in the credit risk of the liability		0	0	0	0
Sum of Income Tax-Related Components of other comprehensive income		**-93**	**38**	**-105**	**28**
Other Comprehensive Income		**-93**	**38**	**-105**	**28**
Total Comprehensive Income for the period , net of income tax		**46,295**	**55,335**	**203,330**	**390,120**

UNIÓN ANDINA DE CEMENTOS S.A.A.
Statement of Cash Flow
Direct Method
For the periods ended June 30th, 2018 and 2017
(In thousands of Nuevos Soles)

	Notes	As of January 1st, 2018 to June 30th, 2018	As of January 1st, 2017 to June 30th, 2017
Operating activities cash flows			
Types of cash collections from operating activities			
Sale of Goods and Services		1,101,488	1,062,523
Royalties, fees, commissions and other income from ordinary activities		0	0
Contracts held for brokering or trading purposes		0	0
Lease and subsequent sales of such assets		0	0
Other Cash Receipts Related to Operating Activity		42,350	23,782
Types of cash collections from operating activities			
Suppliers of goods and services		-549,227	-491,384
Contracts held for brokering or trading purposes		0	0
cash payments to and on behalf of employees		-105,722	-85,551
Elaboration or acquisition of assets to be leased and other assets held for sale		0	0
Other Cash Payments Related to Operating Activity		-72,906	-70,330
Cash flows and cash equivalents from (used in) Operating Activities		**415,983**	**439,040**
Interests received (not included in the Investment Activities)		0	0
Interests paid (not included in the Investment Activities)		-97,653	-113,294
Dividends Received (not included in the Investment Activities)		11,305	27,129
Dividends Paid (not included in the Investment Activities)		0	0
Income tax (paid) reimbursed		-91,842	-19,327
Other cash collections (payments)		0	0
Cash flows and cash equivalents from (used in) Operating Activities		**237,793**	**333,548**
Cash flows from Investment activities			
Type of cash collections from investment activities			
Reimbursement of loan repayment and loans granted to third parties		0	0
Loss of control of subsidiaries or other businesses		0	0
Loan repayments received from related parties		0	0
Sale of Equity-related Financial Instruments or debt of other entities		0	0
Derivatives contracts (Futures, Forwards or Options)		0	0
Sales of Interest in Joint Ventures, Net of the expropriated cash		0	0
Sale of Property, Plant and Equipment		0	0
Sale of intangible assets		0	0
Sale of other long- term assets		0	0
Government Subventions		0	0
Interests received		0	0
Dividends received		0	0
Type of cash payments from investment activities			
Advances and loans granted to third parties		0	0
Controlling interest of subsidiaries and other businesses		0	0
Loans from related		0	0
Purchase of Financial Instruments of equity or debt of other entities	6(a)	-1,206	-6
Derivatives contracts (Futures, Forwards or Options)		0	0
Purchase of Subsidiaries, Net of cash acquired		0	0
Purchase of Joint Venture shares, Net of the cash acquired		0	0
Purchase of Property, Plant and Equipment	7(a)	-39,277	-43,452
Purchase of intangible assets	9(a)	-1,097	-2,165
Purchase of other long- term assets		0	0
Income tax (paid) reimbursed		0	0
Other cash receipts (payments) relating to Investment activities			
Cash flows and cash equivalents from (used in) investing activities		**-41,580**	**-45,623**
Cash flows from Financing activities			

UNIÓN ANDINA DE CEMENTOS S.A.A.

Statement of Cash Flow

Direct Method

For the periods ended June 30th, 2018 and 2017

(In thousands of Nuevos Soles)

	Notes	As of January 1st, 2018 to June 30th, 2018	As of January 1st, 2017 to June 30th, 2017
Type of cash collections from financing activities			
Loan securing		160,000	240,000
Loans from related entities		0	0
Changes to the subsidiaries ownership interest not resulting in the loss of control		0	0
Issuance of Shares		0	0
Issuance of Other Equity Instruments		0	0
Government Subventions		0	0
Type of cash payments from financing activities		0	0
Loan Amortization or payment		-386,064	-446,564
Financial leasing liabilities		0	0
Loans from related entities		0	0
Changes to the subsidiaries ownership interest not resulting in the loss of control		0	0
Redemption or repurchase of the entities' shares (Shares in the portfolio)		0	0
Acquisition of other equity interest		0	0
Interests paid		0	0
Dividends paid	15	-42,899	-42,798
Income tax (paid) reimbursed		0	0
Other cash receipts (payments) relating to financing activities		0	0
Cash flows and cash equivalents from (used in) financing activities		**-268,963**	**-249,362**
Increase (Decrease) in Net Cash and cash equivalents, before Changes in Foreign Exchange Rates		**-72,750**	**38,563**
Effects of Changes in Foreign Exchange Rates on Cash and Cash Equivalents		35	-119
Increase (Decrease) in Net Cash and Cash Equivalents		**-72,715**	**38,444**
Cash and cash equivalents at beginning of year		**97,704**	**54,481**
Cash and cash equivalents at end of year		**24,989**	**92,925**

UNIÓN ANDINA DE CEMENTOS S.A.A.
Statement of change in Stockholder's Equity
For the periods ended June 30th, 2018 and 2017
(In thousands of Nuevos Soles)

	Capital Issued	Issuance Premiums	Investment shares	Treasury Shares in Portfolio	Other Capital Reserves	Accrued Results	Other Equity Reserves									Total Stockholders' Equity
							Cash Flow Hedges	Investment Hedges, net of foreign businesses	Investments in equity instruments accounted at fair value	Exchange difference on translation of Foreign Operations	Non-current assets or groups of assets for held for sale	Revaluation Surplus	Actuarial Profit (Loss) on defined benefit plans	Changes in the fair value of financial liabilities attributable to changes in the credit risk of the liability	Subtotal	
Balances as of January 1, 2017	1,646,503	-		-	329,301	1,920,070	279								279	3,896,153
1. Changes in Accounting Policies	-	-	-	-	-	-	-								-	-
2. Correction of Errors	-	-	-	-	-	-	-								-	-
3. Restated Initial Balance	1,646,503	-	-	-	329,301	1,920,070	279	-	-	-	-	-	-	-	279	3,896,153
4. Changes in Stockholders' Equity:																
5. Comprehensive Income:																
6. Gain (Loss) for the year						390,092										390,092
7. Other Comprehensive Income:						-	28	-	-	-	-	-	-	-	28	28
8. Comprehensive Income - Total year						390,092	28	-	-	-	-	-	-	-	28	390,120
9. Cash Dividends Declared					-	-42,809										-42,809
10. Equity Issuance (reduction)	-	-	-	-	-	-										-
11. Reduction or amortization of Investment shares		-	-	-		-										-
12. Increase (decrease) in Other Contributions by Owners	-	-	-	-	-	-										-
13. Decrease (Increase) for Other Distributions to Owners	-	-	-	-	-	-										-
14. Increase (Decrease) due to changes in the subsidiaries ownership interest not resulting in the loss of control	-	-	-	-	-	-										-
15. Increase (decrease) for transactions with Treasury Shares in Portfolio	-	-	-	-	-	-										-
16. Increase (Decrease) for Transfer and other Equity Changes	-	-	-	-	-	-										-
Total Equity Increase (decrease)	-	-	-	-	-	347,283	28	-	-	-	-	-	-	-	28	347,311
Balance as of June 30th, 2017	1,646,503	-		-	329,301	2,267,353	307	-		-		-		-	307	4,243,464
Balance as of January 1, 2018	1,646,503	-		-	329,301	2,300,609	198			-		-		-	198	4,276,611
1. Changes in Accounting Policies	-	-	-	-	-	-			-	-	-	-	-	-	-	-
2. Correction of Errors	-	-	-	-	-	-			-	-	-	-	-	-	-	-
3. Restated Initial Balance	1,646,503	-	-	-	329,301	2,300,609	198		-		-		-	-	198	4,276,611
4. **Changes in Stockholders' Equity:**																
5. Comprehensive Income:																
6. Gain (Loss) for the year						203,435										203,435
7. Other Comprehensive Income:						-	-105	-	-	-	-	-	-	-	-105	-105
8. Comprehensive Income - Total year						203,435	-105		-		-		-	-	-105	203,330
9. Cash Dividends Declared					-	-42,808										-42,808
10. Equity Issuance (reduction)	-	-	-	-	-	-										-
11. Reduction or amortization of Investment shares		-	-	-		-										-
12. Increase (decrease) in Other Contributions by Owners	-	-	-	-	-	-										-
13. Decrease (Increase) for Other Distributions to Owners	-	-	-	-	-	-										-
14. Increase (Decrease) due to changes in the subsidiaries ownership interest not resulting in the loss of control	-	-	-	-	-	-										-
15. Increase (decrease) for transactions with Treasury Shares in Portfolio	-	-	-	-	-	-										-
16. Increase (Decrease) for Transfer and other Equity Changes	-	-	-	-	-	-										-
Total Equity Increase (decrease)	-	-	-	-	-	160,627	-105	-	-	-	-	-	-	-	-105	160,522
Balance as of June 30th, 2018	1,646,503	-	-	-	329,301	2,461,236	93	-	-	-	-	-	-	-	93	4,437,133

UN-AUDITED Separate Interim Financial Statements

As of June 30, 2018 and December 31, 2017

1. Identification and economic activity

Unión Andina de Cementos S.A.A. (hereinafter "the Company") was incorporated in December 1967. The Company is a subsidiary of Sindicato de Inversiones y Administración S.A. (hereinafter "the Principal") which holds 43.38 percent of the Company's issued capital, which in turn is an indirect subsidiary of Inversiones JRPR S.A., ultimate parent of the consolidated economic group. On July 24, 2012, the General Shareholders' Meeting agreed to change the Company's name from Cementos Lima S.A.A. to Unión Andina de Cementos S.A.A.

The registered office of the Company is located at Av. Atocongo 2440, Villa María del Triunfo, Lima, Peru.

The Company's main activity is the production and sale, for local and foreign market, of all types of cement and clinker. For this purpose, the Company owns two plants located at Lima and Junín, whose capacity is 6.7 million tons of clinker and 8.3 million tons of cement.

The separate financial statements as of the second quarter, 2018 have been issued with Management authorization and on July 26, 2018 and will be presented for the approval of the Boards of Directors. The Separate financial statements of 2017 were approved on March 23, 2018 by the Annual Shareholders Meeting within the terms established by law.

2. Summary of significant accounting policies

The accounting policies adopted to prepare the separate financial statement are consistent with those applied on December 31, 2017, except when otherwise indicated.

2.1 Basis of preparation -

The Company Separate Interim Financial Statements have been prepared according with the IAS 34 Interim financial information issued by the International Accounting Standards Board (IASB).

The separate financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The separate financial statements are presented in Soles and all values are rounded to the nearest thousand (S/000), except when otherwise indicated.

The interim financial statements provide comparative information for earlier periods, however, does not include all information and disclosures required in the annual financial statements and should therefore be read in conjunction with the audited report as of and for the year ended on December 31, 2017.

2.2 New accounting standards adopted by the Company in 2018 -

The accounting policies adopted while preparing the interim separate financial statements are consistent with those followed in the separate financial statements for the year ended December 31, 2017, except for the adoption of new effective standards as of January 1, 2018. The Company has not yet early adopted any standards, interpretations or amendments issued, which is not yet effective.

The Company applies, for the first time, IFRS 15 Revenue from contracts with customers and IFRS 9 Financial Instruments that require the restatement of previous financial statements according to the nature and effect of these changes.

Several other amendments and interpretations are applied for the first time in 2018, but do not have an impact on the interim financial statements of the Company.

- *IFRS 15 "Revenues from Contracts with Customers"*

IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Related Revenue and Interpretations and applies to all income from contracts with customers, unless those contracts are within the scope of other standards. The new standard establishes a five-step model to revenue accounting from contracts with customers, in accordance with IFRS 15, revenues are recognized for an amount that reflects the consideration to which an entity expects to be entitled to transfer. goods or services to a client.

The standard requires entities to judge, taking into account all relevant facts and circumstances when applying each step of the model for contracts with their clients. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company adopted IFRS 15 using the partial retrospective adoption method and identified only a significant effect in relation to the performance fee to which the client would be entitled, but given that the Company does not offer explicitly or based on traditional practices a reduction in the price for prospective discounts, the consideration agreed with the client would not be reduced and therefore no variable consideration has been identified; consequently, the Company continued with the provisions of the standard and reclassified the consideration payable to the client as a reduction in the price of the transaction, presenting the income from contracts with customers net of sales commissions, as follows:

Reclassification in the separate income statement in the six months ended as of June 30, 2017, (see note 16):

	S/(000)
Cement Sales -	868,844
(-) Sales commission	(20,117)
Revenue from contracts with client	848,727

- IFRS 9" Financial Instruments"

On 2017, the Company conducted a detailed assessment of the impacts of the three aspects of IFRS 9. In general, the Company did not identify significant effects in the adoption of this IFRS.

2.3 New accounting standards -

Below are described those standards and interpretations applicable to the Company, that have been published, but not yet effective up to the date of issuance of the Company's separate financial statement. The Company intends to adopt these standards and interpretations, if applicable, when they are in force.

- *IFRS 16 "Leases"*

IFRS 16 was issued in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determination of whether a contract contains a lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluation of the transactions essence that take the legal form of a lease. IFRS 16 sets out the principles for the recognition, valuation presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the current accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees - leases of low-value assets (for example, personal computers) and short-term leases (that is, leases with a lease term of 12 months or less). On the start date of a lease, the lessee will recognize a liability for payments to be made for the lease (i.e., the liability for the lease) and an asset that represents the right to use the underlying asset during the term of the lease (that is, the asset for the right of use). The lessees must separately recognize the interest expense corresponding to the liability for the lease and the expense for the amortization of the right of use.

IFRS 16 is effective for financial years beginning on or after January 1, 2019, with earlier application permitted, but not before an entity applies IFRS 15. A lessee may choose to apply the rule retroactively in full or through a modified retroactive transition. The transitory provisions of the standard allow certain exemptions.

In 2018, the Company will continue evaluating the potential effect of IFRS 16 on its separate financial statements.

- IFRIC 23 - Uncertainty over income tax treatments

The Interpretation addresses the income tax accounting when tax treatments involve an uncertainty that affects the application of IAS 12. This interpretation does not apply to taxes or charges that are outside the scope of IAS 12, nor does it include the treatment of interest and related penalties that may arise. The Interpretation specifically addresses the following aspects:

- If an entity has to consider fiscal uncertainties separately.
- The hypothesis that an entity must make about whether the tax treatment will be reviewed by the tax authorities.
- How an entity should determine the fiscal result, the tax bases, the unpaid losses to be compensated, the tax deductions and the tax rates
- How an entity should consider changes in facts and circumstances

An entity must determine whether it considers each fiscal uncertainty separately or together with one or more fiscal uncertainties. The approach that best estimates the resolution of uncertainty should be followed. The interpretation is effective for fiscal years beginning on or after January 1, 2019, but certain exemptions are allowed in the transition.

The Company will apply the interpretation from its effective date. Given that the Company's investments operate in a complex international tax environment, the application of the Interpretation may affect its consolidated financial statements and the required disclosures. In addition, the Company may have to implement processes and procedures to obtain the necessary information to correctly apply the Interpretation.

- - Annual improvements 2015 -2017 Cycle

IASB performed the following modifications to the standards:

IAS 12 Tax income – Income tax consequences of payments on financial instruments classified as equity

The amendments clarify that the tax consequences of the dividends depend more on the transactions or past events that generated this distributable profit that of the distribution to the owners. Therefore, an entity recognizes the tax consequences of a dividend in results, in other comprehensive income or in equity depending on how the entity recorded those transactions or past events. These modifications will be applied to the periods beginning on January 1, 2019 or later, allowing early application. When an entity applies these amendments for the first time, it will do so from the start date of the oldest comparative period.

IAS 23 Borrowing cost – Borrowing cost eligible for capitalization

The amendments clarify that an entity considers part of its general interest costs any interest costs originally incurred to develop a qualified asset when substantially all the activities necessary to prepare the asset for its use or sale have been completed. These modifications will be applied to the interest costs incurred in the periods beginning on January 1, 2019 or later, allowing early application.

3. Cash and cash equivalents

(a) This item is made up as follows:

	As of June 30, 2018	As of December 31, 2017
	S/(000)	S/(000)
Petty cash	813	802
Current accounts (b)	10,907	17,351
Term deposits (c)	13,269	79,551
	24,989	97,704

(b) Current accounts are maintained in local and foreign currency, kept in domestic and foreign banks and are freely available. These deposits earn interest at market rates.

(c) Corresponds to time deposits in domestic banks denominated in local and foreign currency, earn interest at market rates and have original maturities shorter than 3 months.

4. Trade and other receivable, net

(a) This item is made up as follows:

	Current		Non-current	
	As of June 30, 2018	As of December 31, 2017	As of June 30, 2018	As of December 31, 2017
	S/(000)	S/(000)	S/(000)	S/(000)
Trade accounts receivable, (b)	74,630	71,844	-	-
Accounts receivable from related parties, note 21 (c)	465,908	358,196	61,893	58,927
Claims to third parties	18,212	16,570	2,923	2,922
Loans to employees (c)	6,053	5,915	1,591	4,124
Advances to suppliers	7,419	5,115	-	-

Derivative financial instruments,				
note 24.1 (i)(a)	132	280	-	-
Other accounts receivable	6,624	6,570	-	-
	578,978	464,490	66,407	65,973
Claims to Tax authority (d)	4,639	179	38,399	38,399
Advance payments of income tax	-	-	-	-
	4,639	179	38,399	38,399
Less – Allowance for				
doubtful accounts (e)	(3,388)	(3,375)	-	-
	580,229	461,294	104,806	104,372

(b) Trade account receivables are mainly denominated in Soles, have current maturities, do not bear interest, have no specific guarantees and do not present significant overdue balances.

(c) As of June 30, 2018 and December 31, 2017 corresponds mainly to loans to employees, which will be collected within two years according to the agreements signed by the Company, respectively. As of June 30, 2018 and December 31, 2017, the current portion of the receivable to employees amounts to approximately S/6,053,000 and S/5,915,000, respectively.

(d) As of June 30, 2018 and December 31, 2017 corresponds mainly to claims submitted to the Tax Authority for the return of overpayment of income tax and selective excise of previous year, see note 23.4.

According with the Company Management and its legal advisors, there are sufficient legal arguments to estimate that it is probable to recover such claims in the long term.

(e) The aging analysis of trade receivables and other as of June 30, 2018 and December 31, 2017 is as follows:

	As of June 30, 2018		
	Non-impaired	**Impaired**	**Total**
	S/(000)	S/(000)	S/(000)
Outstanding -	668,939	-	668,939
Past due -			
- Up to 1 month	12,518	-	12,518
- From 1 to 3 months	2,141	-	2,141
- From 3 to 6 months	194	-	194
- More than 6 months	1,242	3,389	4,631
Total	685,034	3,389	688,423

As of December 31, 2017

	Non-impaired S/(000)	Impaired S/(000)	Total S/(000)
Outstanding -	473,267	-	473,267
Past due -			
- Up to 1 month	46,794	-	46,794
- From 1 to 3 months	9,180	-	9,180
- From 3 to 6 months	9,442	-	9,442
- More than 6 months	26,983	3,375	30,358
Total	565,666	3,375	569,041

In the note 24.2, related to credit risk and accounts receivable, it is explained how the Company manages and measures the credit risk of the trade receivables that are neither expired nor impaired.

In Management's opinion, the allowance for doubtful accounts adequately covers the credit risk as of June 30, 2018 and December 31, 2017.

5. Inventories

(a) This item is made up as follows:

	As of June 30, 2018 S/(000)	As of December 31, 2017 S/(000)
Finished goods	15,107	15,560
Work in progress (b)	184,448	184,090
Raw and auxiliary materials (c)	110,567	113,291
Packages and packing	24,080	24,747
Spare parts and supplies (d)	206,254	210,953
	540,456	548,641
Allowance for inventory obsolescence	(17,359)	(15,320)
	523,097	533,321

(b) Work in progress includes coal, pozzolan, gypsum, clay, clinker in production and limestone extracted from the Company's quarries, which according to the Management's estimates will be used in the short-term production.

(c) Raw and auxiliary materials mainly include imported and domestic coal. As of June 30, 2018, the Company has in stock coal for approximately S/51,969,000 (S/61,896,000 as of December 31, 2017).

(d) As of June 30, 2018 and December 31, 2017, the Company maintains no significant and necessary supplies parts to provide maintenance machinery and kiln of plants Atocongo and Condorcocha; according with Management, these plants are evaluated through technical reviews, and comply with the provisions of quality and are in proper storage conditions.

In opinion of Company's Management, the allowance for obsolescence of inventories covers appropriately its obsolescence risk as of June 30, 2018 and December 31, 2017.

6. Investments in subsidiaries and other

(a) This item is made up as follows:

	Economic activity	Country	Percentage of share Share participation		Value	
			As of June 30, 2018	As of December 31, 2017	As of June 30, 2018	As of December 31, 2017
			%	%	S/(000)	S/(000)
Investments in subsidiaries -						
Inversiones Imbabura S.A.	Holding	Peru (subsidiary in Colombia)	99.99	99.99	1,516,724	1,516,724
Skanon Investments Inc.	Cement and Concrete	Unites States	85.06	85.05	1,026,345	1,025,145
Compañía Eléctrica El Platanal S.A.	Electrical energy	Peru	90.00	90.00	567,829	567,829
Inversiones en Concreto y Afines S.A.	Holding	Peru	93.38	93.38	67,036	67,036
Transportes Lurín S.A.	Services	Peru	99.99	99.99	64,250	64,250
Staten Island Co. LLC	Holding	Unites States	100.00	-	25,992	25,992
Prefabricados Andinos S.A.	Precast	Chile	51.00	51.00	20,021	20,021
Prefabricados Andinos Perú S.A.C.	Precast	Peru (subsidiary in Colombia)	50.02	50.02	17,537	17,537
Minera Adelaida S.A.	Holding	Peru	99.99	99.99	2,821	2,815
Depósito Aduanero Conchán S.A.	Services	Peru	99.99	99.99	2,783	2,783
Generación Eléctrica de Atocongo S.A.	Services	Peru	99.85	99.85	125	125
Other:						
Ferrocarril central Andino S.A.	Services	Peru	16.49	16.49	7,567	7,567
Others					224	224
					3,319,254	3,318,048
Allowance for impairment of investments (b)					(28,725)	(28,725)
					3,290,529	3,289,323

The Company records its investments in subsidiaries and held to maturity at cost.

A brief summary of the activities of the most significant subsidiaries of the Company is presented below:

- Inversiones Imbabura S.A. (IMBABURA)

  It is a company incorporated on July 2014. IMBABURA's main activity is the investment in securities in companies domiciled in Ecuador, mainly, dedicated to related activities with the cement industry, the supply of ready mixed, building materials and related activities.

  In November 25, 2014, IMBABURA acquired 98.57 percent of the shares representing capital of UNACEM Ecuador S.A. ("UNACEM Ecuador") and Subsidiaries; whose economic activity is the production and sale of cement in Ecuador. In December 2014, IMBABURA acquired an additional 0.32 percent of the shares with right to vote of UNACEM Ecuador, increasing its participation to 98.89 percent.

- Skanon Investments Inc. – SKANON

  It is a non-resident company incorporated in February 2007 under the laws of the State of Arizona in the United States of America. SKANON owns 94.15 percent of Drake Cement LLC, a company domiciled in the United States of America, which built cement plant in Yavapai County, in northern Arizona.

- Compañía Eléctrica El Platanal S.A. - CELEPSA

  It is a company incorporated in Lima in December 2005. It is dedicated to the generation and sale of electricity, using water resources, geothermal and thermal, as well as to the operation of its property and facilities in general. CELEPSA directly and indirectly owns 100 percent of the shares capital of Celepsa Renovables SRL, the company that owns Marañón hydroelectric generation project, located on the river of the same name near the town of Nuevas Flores, in Huánuco. The project started its commercial operations on the second quarter 2017.

- Inversiones en Concreto y Afines S.A. - INVECO

  It is a company incorporated in Lima in April 1996, dedicated to investing in companies principally engaged in supplying ready-mix, building materials and related activities, through its subsidiary Unión Concreteras S.A.-UNICON, on which holds a participation of 99.90 percent, which is also the owner in 99.90 percent of Concremax S.A.-CONCREMAX, and also owns 100 percent of Hormigonera Quito Cia. Ltda. - HORQUITO, subsidiary acquired on July 18, 2017, both dedicated to the same activity.

  On March 26, 2018, UNICON signed a purchase agreement with the purpose of acquiring 100 percent of shares of Hormigones Independencia S.A. From Chile. The estimated cost of the transaction was US $ 22,200,000, which is subject to adjustments at the closing date and will be paid with own resources and bank financing. The agreement includes seven concrete plants strategically located in the northern, central and southern areas of Chile. The transaction is subject to approval by the competent authorities of Chile.

- Transportes Lurín S.A. – LURIN

  It is an entity incorporated in June 1990, Company´s direct subsidiary, which holds 99.99 percent share of the capital stock. LURIN's main activity is the investment in securities, mainly in Skanon Investment Inc. (it's an entity constituted in the United States).

  The General Shareholders' Meeting held on February 23, 2015 approved the extending of core business through which LURIN may engage in the creation, design, development and administration of its own and third parties' franchises, and any other activity Conducive to carry out the above in the condition of franchisor and/or franchisors, being able to sign franchise agreements and others, necessary for the development of such activities. In that sense, UNACEM transferred the administration of the franchise of the Progresol network to LURIN, which ended on December 31, 2017.

- Prefabricados Andinos S.A. – PREANSA Chile

  It is a company constituted in November 1996. The main activity of PREANSA Chile is the manufacture, sale and rental of all types of products especially concrete for industrial construction.

  On January 2014, the Company acquired 51 percent of the equity shares of PREANSA Chile for a total amount of US$7,140,000 (equivalent to approximately S/20,021,000).

- Prefabricados Andinos Perú S.A.C. – PREANSA Peru

  It is a company founded in Lima in October 2007. The mainly activity of PREANSA Peru is the manufactures of prestressed concrete structures and precast concrete, as well as the sells these products in Peru and abroad. PREANSA Peru own 100 percent of the of the share capital in its subsidiary Prefafricados Andinos Colombia S.A.S. (hereinafter “PREANSA Colombia”), which operate from November 1, 2016.

- Staten Island Co. LLC

  During the year 2017, the Company acquired the Staten Island Company, said Company is engaged in real estate investments and it has land in Las Vegas (Nevada) and in Staten Island (New York). The Company is domiciled in the state of Arizona, United States and was created on July 1, 2017

(b) In accordance with IAS 39 "Financial Instruments: “Recognition and Measurement ", the Company evaluates at the end of each year if there is any indication of impairment of its investments. The key assumptions may change if market conditions and the economy change. With respect to the impairment assessment, the Company's Management believes that a material change in any of the key assumptions (growth rate and discount rate) used could cause the carrying amount of the unit to exceed its recoverable value. (b) As of June 30, 2018 and December 31, 2017, the Company´s Management expect than the allowance for impairment of investments to S/28,725,000 substantively related to Transportes Lurín S.A.

7. **Mining concessions and property, plant and equipment, net**

(a) The table below presents the changes in Mining concessions and property, plant and equipment, net:

	Mining Concessions (b) S/(000)	Land S/(000)	Mine closure S/(000)	Buildings and different S/(000)	Facilities constructions S/(000)	Machinery and Equipment S/(000)	Work transportations S/(000)	Furniture and fixtures S/(000)	Other equipment S/(000)	Units in Course (c) S/(000)	Total S/(000)
Cost -											
As of January 1, 2017	43,541	586,223	10,204	904,170	90,653	2,738,324	24,423	17,222	61,954	526,051	5,002,765
Additions (c)	90	-	3,572	-	-	245	688	34	2	117,429	122,060
Reclassification	-	-	-	-	-	11,403	-	-	-	-	11,403
Transfers	-	25,351	-	162,845	9,523	213,869	-	122	2,519	(414,229)	-
Withdrawals	-	(208)	(220)	-	-	-	(117)	-	-	-	(545)
As of December 31, 2017	43,631	611,366	13,556	1,067,015	100,176	2,963,841	24,994	17,378	64,475	229,251	5,135,683
Additions (c)	678	-	(1)	448	455	154	144	-	2	37,397	39,277
Transfers	-	-	-	10,081	1,883	23,195	-	-	-	(35,159)	-
Withdrawals	-	-	1	-	-	-	-	-	-	-	1
As of June 30, 2018	44,309	611,366	13,556	1,077,544	102,514	2,987,190	25,138	17,378	64,477	231,489	5,174,961
Accumulated depreciation -											
As of January 1, 2017	10,527	-	4,617	171,800	49,112	696,800	19,256	15,426	45,679	-	1,013,217
Depreciation of the period (d)	8,157	-	1,181	44,717	6,902	161,543	1,907	484	2,986	-	227,877
Withdrawals	-	-	-	(7)	-	(3)	(23)	-	-	-	(33)
As of December 31, 2017	18,684	-	5,798	216,510	56,014	858,340	21,140	15,910	48,665	-	1,241,061
Depreciation of the period (d)	9,897	-	1,248	22,624	2,660	88,798	362	175	1,500	-	127,264
As of June 30, 2018	28,581	-	7,046	239,134	58,674	947,138	21,502	16,085	50,165	-	1,368,325
Net book value -											
As of June 30, 2018	15,728	611,366	6,510	838,410	43,840	2,040,052	3,636	1,293	14,312	231,489	3,806,636
As of December 31, 2017	24,947	611,366	7,758	850,505	44,162	2,105,501	3,854	1,468	15,810	229,251	3,894,622

(b) As of June 30, 2018 and December 31, 2017, corresponds mainly to the concessions of the quarries of Atocongo, Atocongo Norte, Pucará and Oyón.

(c) The main additions to the first semester of 2018 correspond to the project of Atocongo Thermal Plant and the Concrete Plant of Iquitos, for S / 17,146,000.

The main additions during the year 2017 correspond to the complementary works of the Carpapata III Hydroelectric Plant, acquisition of land in the province of Tarma to obtain the "Caripa" limestone concession located near the Condorcocha plant and the Atocongo Thermal Plant project for approximately S/. 67,088,000.

(d) The depreciation was distributed as follows:

	As of June 30, 2018	**As of June 30, 2017**
	S/(000)	S/(000)
Cost of sales, note 17	112,818	112,782
Administrative expenses, note 18.	2,995	2,683
Other expenses	11,145	4,675
Inventories in process	306	902
	127,264	121,042

(e) As of June 30, 2018 and December 31,2017, the Company's Management in basis to its evaluation on the condition of use, the Company has not identified an impairment loss of value for assets for which, in its opinion, the net book value of the assets is recoverable with the futures profits that generate the Company.

(f) In Management's opinion, the Company has insurance policies to adequately cover all of its fixed assets.

8. Deferred Stripping assets, net

(a) This item is made up as follows:

	S/(000)
Cost -	
As of January 1, 2017	164,912
Additions	-
As of December 31, 2017	164,912
Additions	-
As of June 30, 2018	164,912
Accumulated depreciation -	
As of January 1, 2017	(37,780)
Additions	(4,155)
As of December 31, 2017	(41,935)
Additions, note 17	(2,157)
As of June 30, 2018	(44,092)
Net book value -	
As of June 30, 2018	120,820
As of December 31, 2017	122,977

As of June 30, 2018 and December 31, 2017, the Company has three identifiable components that allow a specific volume of limestone quarries and waste. Atocongo quarry; North Atocongo and Pucará quarry.

As of June 30, 2018, the Company and its technical advisors determined 180,491,000 and 116,632,000 metric tons of limestone and residue reserves related to the limestone that will be extracted in the future. In 2017, the Company reviewed the reserve estimation method and in Management's opinion and its technical advisors it allows to more accurately measure the limestone and waste resources of the Company, as a result, as of December 31, 2017, they determined 182,486,000 and 117,051,000 metric tons of limestone and residue reserves related to the limestone that will be extracted in the future, which are determined and controlled by an identifiable component (Atocongo Norte, Cristina and Atocongo).

Limestone production and removal of waste during 2018 was 1,995,000 and 419,000 tons, respectively from quarries Atocongo; North Atocongo and Pucará. The cost for the preparation of quarries for waste removal 2018 amounts to approximate S/2,179,000 (S/4,938,000 as of December 31, 2017).

9. Intangible assets, net

(a) The table below presents the components of this item:

	Concession for generation of Electrical Energy (b)	Goodwill		Environmental protection program		
		Goodwill	Software	Environmental	Others	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Cost -						
As of January 1, 2017	61,330	9,745	19,372	17,071	8,156	115,674
Additions	1,705	-	407	-	1,252	3,364
Withdrawals	-	-	-	-	-	-
As of December 31, 2017	63,035	9,745	19,779	17,071	9,408	119,038
Additions	-	-	29	-	1,068	1,097
As of June 30, 2018	63,035	9,745	19,808	17,071	10,476	120,135
Accumulated amortization -						
As of January 1, 2017	10,073	-	8,442	17,071	920	36,506
Amortization of the year	18,471	-	3,142	-	6,821	28,434
As of December 31, 2017	28,544	-	11,584	17,071	7,741	64,940
Amortization of the year	7,983	-	1,583	-	293	9,859
As of June 30, 2018	36,527	-	13,167	17,071	8,034	74,799
Net book value -						
As of June 30, 2018	26,508	9,745	6,641	-	2,442	45,336
As of December 31, 2017	34,491	9,745	8,195	-	1,667	54,098

(b) This amount corresponds to the expenditures to develop the overall project "El Platanal" consisting of the construction of two hydroelectric reservoirs and a system for the irrigation of uncultivated lands, and also to obtain the final concession to develop the activity of electricity generation, which was obtained by the Company, through Supreme Resolution N°130-2001-EM, dated July 25, 2001. On October 2, 2003, the resolution of the definitive generation concession in two independent power generation concessions was approved by Supreme Resolution No. 036-2003-EM: G-1 "El Platanal" with an installed capacity of 220 megawatts and G-2 "Morro de Arica" with an installed capacity of 50 megawatts. On September 12, 2006, the transfer of the concession and the assignment of use of the "El Platanal" project to its subsidiary Compañía Eléctrica El Platanal S.A. (CELEPSA) was approved by Supreme Resolution N°053-2006-EM for a period of 25 years from March 30, 2011, whereby the Company receives royalties in exchange equivalent to 3.55 percent of net monthly income obtained by CELEPSA, on sales of energy and power to third parties. As of June 30, 2018 and December 31, 2017, the Company amortizes the cost incurred to develop the project, during the term of the contract (25 years). Additionally, as of June 30, 2018 and December 31, 2017, the Company decided to amortize the costs that estimates will not generate future cash flows for the concession of G-2 electric generation "Morro de Arica".

10. Trade and other payables

(a) This item is made up as follows:

	As of June 30, 2018 S/(000)	As of December 31, 2017 S/(000)
Trade payable (b)	175,178	120,652
Accounts payable from related parties, note 21(c)	84,696	80,429
Interest payable, note 11 (d) and (p)	27,399	30,166
Salaries and vacation payable	15,543	15,502
Tax payable	9,111	4,088
Board compensation payable	1,664	3,182
Dividends payable	170	261
Other accounts payable	15,864	7,547
	329,625	261,827

(b) Trade account payables are mainly originated by mining services and procurement of supplies and additives for the production of the Company, as well they are denominated in domestic and foreign currency, have current maturities, do not yield interest and have no specific guarantees.

11. Other financial liabilities

(a) This item is made up as follows:

	As of June 30, 2018			As of December 31, 2017		
	Portion Current	Portion Non- Current	Total	Portion Current	Portion Non- Current	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Assignment of payments (b)	-	-	-	30,828	-	30,828
Bank loans (c) and (d)	143,336	183,344	326,680	221,480	200,470	421,950
Bonds and long-term debt (e)	185,048	2,647,679	2,832,727	233,756	2,706,384	2,940,140
	328,384	2,831,023	3,159,407	486,064	2,906,854	3,392,918

(b) On March 2017, the Company entered into an assignment of payments contract with Banco Santander of Panamá, which accrues an annual interest rate of 4.12 percent. On January 4, 2018, the Company canceled the entire account payable according to its due date.

(c) Bank loans mainly correspond to loans for working capital at fixed annual rates that range from 2.75 to 5.85 percent, do not have specific guarantees and are renewed depending on the needs of working capital from the Company. As of June 30, 2018 and December 31, 2017, the balance per bank consists of:

	2018	2017
	S/(000)	S/(000)
Creditor -		
Citibank N.A. New York	229,180	227,150
BBVA Banco Continental	60,000	44,444
Scotianbank Peru S.A	37,500	56,251
Banco Santander Uruguay	-	94,105
	326,680	421,950

(d) As of June 30, 2018 and December 31, 2017, the interest payable amounts to approximately S/4,008,000 and S/5,095,000, respectively, and are recorded in the caption "Trade and other payable" of the separate statement of financial position, see note 10(a). As of June 30, 2018 and 2017, the interest expenses amounted to approximately S/10,477,000 and S/18,277,000, respectively, and are included in the caption "Financial costs" of the separate statement of income.

(e) The table below presents the components of the long-term bonds and debt to banks:

	Annual interest %	Maturity Rate	Guarantee	As of June 30, 2018 S/(000)	As of December 31, 2017 S/(000)
Bonds -					
International bonds (f) and (o)	5.875	October 2021	No guarantees	2,046,250	2,028,125
First and third issuance of the second program (g) and (n)	Between 4.93 and 5.16	March 2020 and 2023	No guarantees	120,000	120,000
First and third issuance programs (h) and (n)	6.25	January 2018	No guarantees	-	9,086
				2,166,250	2,157,211
Amortized cost				(15,740)	(17,824)
				2,150,510	2,139,387
Bank loans (n) -					
Banco Internacional del Perú	Between 4.35 and 5.25	March 2019 and March 2020	No guarantees	285,850	302,541
Banco de Crédito del Perú (i)	Between 5.90 and 6.60	April 2019 and February 2020	No guarantees	108,818	142,084
BBVA Banco Continental (l)	5.2	November 2021	No guarantees	120,000	120,000
Scotiabank Perú S.A. (l)	5.8	December 2021	No guarantees	120,000	120,000
Bank of Nova Scotia	Between Libor 3 months plus 2.35 and 2.40	August and September 2018	No guarantees	38,333	65,305
BBVA Banco Continental	5.4	July 2018	No guarantees	3,369	10,108
				676,370	760,038
Amortized cost				(2,563)	(3,534)
				673,807	756,504
Finance leases -					
Banco de Crédito del Perú (i) and (n)	6.52	February 2018	Leased goods	-	23,701
Banco Internacional del Perú (k) and (n)	5.8	October 2018	Leased goods	8,410	20,548
				8,410	44,249
Total				2,832,727	2,940,140
Less - Current portion				185,048	233,756
Non- Current Portion				2,647,679	2,706,384

(f) On October 31, 2014, the Company issued bonds by US$625,000,000 (approximately equivalent to S/1,868,125,000) yielding gross proceeds of US$615,073,000 (approximately equivalent to S/1,839,342,000) with a nominal interest rate of 5.875 percent and maturity on October 2021, which does not present specific guarantees.

(g) On April 7, 2010, the General Shareholders' Meeting approved the "Second Program of Issuance of Debt Instruments up to a maximum outstanding amount of US$150,000,000 or its equivalent in Soles".

On March and December 2013, the Company placed the First, Second and Third Issuance of the Second Program of Corporate Bonds for a total amount of S/60,000,000 each. On December 2016, the Third Issuance of the Second Program was cancelled in full.

(h) On March 26 and June 19, 2009, the Board of Directors and General Shareholders' Meeting, respectively, approved the First Program of Corporate Bonds of Cemento Andino S.A. (transferred later than the date of merger to the Company) up to an issuance amount of US$40,000,000 or its equivalent in Soles.

On June 17, 2009, the Company signed, as Debtors' Representative, the agreement and prospect framework with Banco de Crédito del Perú for the "First Program of Corporative Bonds". On January 21, 2010 the Company placed the first and third issuance for US$$7,000,000 and US$28,000,000. In January 2013, the first issuance was cancelled in full. As of December 31, 2017, the third issue is partially canceled, with a pending payment of, US $ 2,800,000 (equivalent to S / 9,086,000) which was canceled on January 22, 2018.

(i) On December 17, 2008, the Company signed a financial leasing agreement with Banco de Crédito del Perú (BCP), by amount of US$187,000,000, for the construction of the kiln 4 at Condorcocha plant, located in Junin. In March 13, 2015, the balance of financing amount to US$84,832,000, that initially was in foreign currency was modified by a financing in local currency with an interest rate of 6.52 percent and a term of three years with quarterly installments. In February 2018, the last installment corresponding to the financial lease was cancelled.

(j) In 2015, the Company entered into three medium-term loan agreements with the BCP for S / 13,432,000, S / 27,899,000 and S / 150,000,000, for the construction, equipment, assembly and commissioning of the Hydroelectric Plant Carpapata III. The term of the loan is four and a half years and accrues interest at an effective annual interest rate between 5.90 percent and 6.60 percent.

(k) On May 19, 2010, the General Shareholders Meeting agreed to approved the lease agreement to increase the production capacity with Banco Internacional del Perú (Interbank), to expand the production capacity of kiln 1 plant from 3,200 to 7,500 tones clinker/daily, located in Atocongo. The Company completed the project in 2013.

As of June 30, 2018, the net book value of the assets of the extension of kiln 1 at the Atocongo plant is approximately S/510,203,000 (S/522,306,000 as of December 31, 2017), which guarantee the described financing.

(l) On November 30, 2016, the Company signed two financing contracts, each by S/120,000,000, with Scotiabank Perú and BBVA Continental, both for a term of five years with a grace period of eighteen months and fourteen write-offs quarterly, with the purpose of refinancing short-term financial debt. On December 6, 2017 addenda were made to the contracts modifying the rate at 5.80% Annual Effective Rate and 5.20% annual nominal, respectively.

(m) On March 30, 2017, the Company entered into a short-term financing agreement with Interbank for S/ 260,000,000. The funds were used to refinance short-term financial debt.

(n) The applicable financial safeguards to other local financial liabilities are of quarterly follow-up and it must be calculated on the bases of the separate financial information and the calculation methodologies required by each financial entity.

As of June 30, 2018, the main financial safeguards that the Company maintains with each financial entity fluctuate between the following rates and indexes:

- To maintain an index debt minor or equal to 1.5 times.
- To maintain a service coverage ratio major o equal between 1.2 to 1.25 times.
- To maintain an interest coverage ratio major o equal between 3.0 to 4.0 times.
- To maintain a debt coverage ratio of financial debt/EBITDA minor or equal to 3.75

In Management's opinion, the Company has complied with financial covenants requested for financial entities related to these obligations as of June 30, 2018 and December 31, 2017.

(o) Clauses of incurrences in issuance contracts of foreign bonds, note 11(f)
The contract contains certain clauses that restrict the capacity of the Company and of its subsidiaries, among other:

- To consolidate, merge or transfer substantially all the assets.
- To pay dividends or perform any other type of payment or restricted distribution.
- To sell assets, including share capital of its subsidiaries.
- To perform transactions with related parties that are not restricted subsidiaries.
- To create constraints on the ability of its restricted subsidiaries to pay dividends, perform loans.
- To transfer the holding of the Company.
- To Incur in burdens.
- To participate in any business other than the permitted ones.
- To obtain additional debt, for which should:
    (i) To keep a Consolidated Interest Coverage Ratio equal or greater than 2.5 to 1.0.
    (ii) To maintain a Consolidated Leverage Ratio (net Financial Debt/EBITDA) equal o minor of 4 up to 1, in the case of the incurred debt before of December 2015, and 3.5 up to1 from that date onwards.

In Management's opinion, the Company has been fulfilling with the restricted includes in the contract of issuance of foreign bonds as of June 30, 2018 and December 31, 2017.

(p) As of June 30, 2018 and December 31, 2017, interests payable related to bonds and long-term debt are amounted to approximately S/23,391,000 and S/25,071,000, respectively and are recorded in the caption "Trade and other payable", of the separate statement of financial position, note 10(a).

(q) Interests generated by Bonds and long-term loans as of June 30, 2018 and 2017, amounting approximately S/77,996,000 and S/84,713,000, respectively are included in the caption "Financial costs" in the separate statement of income.

12. Deferred income

As of June 30, 2018, mainly correspond to sales of cement and clinker invoiced and not delivered, amounting to approximately S/12,017,000 which will be conducted in the second quarter of year 2018 (S/15,349,000 as of December 31, 2017 sales of cement delivered during first quarter of the 2018).

13. Provisions

(a) This item is made up as follows:

	Current		Non-current	
	As of June 30, 2018	**As of December 31, 2017**	**As of June 30, 2018**	**As of December 31, 2017**
	S/(000)	S/(000)	S/(000)	S/(000)
Severance compensation	1,372	1,541	-	-
Mine closure provision (c)	411	410	15,778	15,778
Workers' profit sharing (b)	12,665	23,768	-	-
	14,448	25,719	15,778	15,778

(b) Workers' profit sharing –

In accordance with Peruvian legislation, the Company maintains an employee profit sharing plan of 10 percent of annual taxable income. Distributions to employees under the plan are based 50 percent on the number of days that each employee worked during the preceding year and 50 percent on proportionate annual salary levels. As of September 30, 2017 and December 31, 2017, the Company recognized an expense that amounts to S/20,909,000 and S/. 42,369,000, respectively.

(c) Provision for mine closure -

As of September 30, 2017 and December 31, 2017, the Company maintains a provision for future closure costs of its mines to be occur between 10 and 33 years. The provision was created on the basis of studies conducted by internal specialists using a discount rate. Based on the current economic environment, Management adopted certain assumptions which are considered reasonable to make an estimation of future liabilities. These estimates are reviewed annually to take into account any significant change in the assumptions. However, the actual costs of mine closure finally depend on future market prices for the necessary works of abandonment that will reflect market conditions at the relevant time. In addition, the actual closure time depends on when the mines cease to produce economically viable products.

14. Deferred income tax liability, net

(a) The following table presents the composition of the caption, in accordance to the difference:

	As of June 30, 2018	As of December 31, 2017
	S/(000)	S/(000)
Deferred liability		
Differences on fixed assets tax bases	467,781	473,083
Deferred Stripping assets	35,642	36,278
Capitalized interests	33,750	34,830
Others	515	1,294
	537,688	545,485
Deferred asset		
Allowance for inventory obsolescence	(5,121)	(4,519)
Deferred income (net)	(1,472)	(1,944)
Provision for vacation	(3,493)	(3,407)
Derivative financial instruments	(1,600)	(2,819)
Provision for mine closure	(2,721)	(2,353)
Other provisions	(7,256)	(5,709)
	(21,663)	(20,751)
Deferred income tax liability, net	516,025	524,734

The Company offsets assets and liabilities if and only if it has a legally enforceable right to offset current tax assets with current tax liabilities and when the deferred assets and deferred liabilities are relating to income taxes levied by the same Tax Authority.

(b) The current and deferred portions of income tax as of June 30, 2018 and 2017 are comprised as follows:

	As of June 30, 2018	As of June 30, 2017
	S/(000)	S/(000)
Current	(67,177)	(65,146)
Deferred	8,665	1,218
Total	(58,512)	(63,928)

15. Net Equity

(a) Capital issued–

As of June 30, 2018 and December 31, 2017, the capital stock is represented by 1,646,503,408 common shares totally subscribed and paid at a nominal value of S/1 per share. The common shares representing the Company's capital stock are traded on the Lima Stock Exchange.

Shareholders	Number of shares	Percentage of participation %
Sindicato de Inversiones y Administración S.A.	714,311,308	43.38
Inversiones Andino S.A.	399,979,008	24.29
AFPs	333,377,929	20.25
Others	198,835,163	12.08
	1,646,503,408	100.00

As of June 30, 2018, the share price of each common share has been S/2.85 (S/3.00 as of December 31, 2017).

(b) Legal reserve -

Under the terms of the General Corporation Law, it is required that at least 10 percent of the distributable profit for each year, less income tax, has to be transferred to a legal reserve until such reserve equals to 20 percent of the share capital. The legal reserve may offset any losses or may be capitalized, existing in both cases the obligation to replenish it. As of June 30, 2018 and December 31, 2017, the Company has reached the required limit according to law.

(c) Unrealized net profit (loss) on hedging financial derivative instruments

Corresponds to the fair value changes on hedging financial instruments, net of its corresponding tax effect.

(d) Dividend distributions –

At the Board of Directors meeting held on January 26 and April 27, 2018, the Company agreed to distribute dividends with charge to retained earnings for approximately S/42,808,000 (S/0.026 per common share), such payment was made on February 28 and May 31, 2018, respectively.

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The Board of Directors meetings held on January 27, April 28, July 21 and October 27, 2017, agreed to distribute dividends with charge to retained earnings for approximately S/85,619,000 (S/0.052 per common share), such payments were made on March 1, June 1, August 24 and November 30, 2017 respectively, of which there is a balance to be paid for approximately S / 16,000.

16. Net sales

This item is made up as follows as of June 30:

	2018	2017
	S/(000)	S/(000)
Cement	887,231	868,844
(-) Sales commission	(21,940)	(20,117)
Cement Net sales	865,291	848,727
Concrete blocks, bricks and pavers	33,508	24,476
Exports of Clinker	64,493	17,490
	963,292	890,693

17. Cost of sales

This item is made up as follows as of June 30:

	2018	2017
	S/(000)	S/(000)
Beginning balance of finished goods and work in process, note 5(a)	199,650	273,155
Cost of production:		
Fuel	118,600	97,692
Depreciation, note 7(d)	112,818	112,782
Personnel expenses	63,146	57,911
Electrical Energy	39,834	38,196
Consumption of raw material	46,141	36,299
Packaging	30,866	32,328
Stripping costs, note 8	2,179	1,663
Depreciation for stripping cost, note 8	2,157	1,888
Other manufacturing expenses	162,326	117,848
Ending balance of finished goods and work in process, note 5(a)	(199,555)	(253,932)
	578,162	515,830

18. Administrative expenses

This item is made up as follows as of June 30:

	2018	2017
	S/(000)	S/(000)
Management services, note 21(b)	31,540	52,838
Personnel expenses	31,871	31,681
Services rendered by third parties	11,750	11,495
Donations	7,763	5,882
Taxes	3,523	3,096
Depreciation, note 7(d)	2,995	2,683
Mining royalties	239	238
Others	5,391	4,153
	95,072	112,066

19. Other operating income (expenses), net

As of June 30, 2018 and 2017 this category is mainly composed of dividends received from subsidiaries (see note 21 (b):

- Inversiones Imbabura S.A., received dividends from its subsidiary UNACEM Ecuador SA, for approximately US $ 29,248,000 (equivalent to S / 94,298,000.) and US $ 47,342,000 (equivalent to S /. 155,375,000), respectively.
- Inversiones en Concreto y Afines S.A., received dividends from its subsidiary Union Concreteras S.A., for approximately S / 44,729,000 as of June 30, 2017.
- Compañía Eléctrica el Platanal S.A. for S/. 43,848,000 as of June 30, 2017.
- Ferrocarril Central Andino S.A. for S/. 1,493,000 and S/. 3,209,000, respectively.

20. Finance cost

As of June 30, 2018 and 2017, this item is mainly composed of interest on bonds and debt with banks by S / 88,473,000 and S / 102,990,000, respectively.

21. Related parties transactions

(a) Nature of the relationship -

As of June 30, 2018 and 2017, the Company has made transactions with the following related entities:

- Sindicato de Inversiones y Administración S.A. – SIA

  Sindicato de Inversiones y Administración S.A. owned 43.38 percent of the share capital of the Company. Additionally, SIA is dedicated to the provision of management services to the Company, in exchange for an annual remuneration of 7.2 percent of its net income before income tax, legal participation of workers and the Board fee.

  Inversiones Andino S.A.

  Sindicato de Inversiones y Administración S.A. owned 24.29 percent of the share capital of the Company. Additionally, IASA is mainly dedicated to provide administrative and managerial advisory services to the Company. The remuneration for the services corresponds to an annual amount of 2.8 percent of the net profit before the income tax, legal participation of the workers and the fee of the Board of Directors.

- Unión de Concreteras S.A. – UNICON

  Its main activity is the commercialization of cement with UNICON that is an indirect subsidiary of the Company, through Inversiones en Concreto y Afines S.A. Likewise, UNICON provides the service of producing concrete blocks, bricks and pavers.

- Concremax S.A. -

  In November 2015, Firth industries Perú S.A. changed its name to Concremax S.A., which is an indirect subsidiary of the Company, through Unión de Concreteras S.A., Concremax S.A. is dedicated to the sale of concrete.

- Compañía Eléctrica el Platanal S.A. – CELEPSA, see note 6(a) and 9(b).

- Prefabricados Andinos Perú S.A.C. – PREANSA, see note 6 (a).

- Depósito Aduanero Conchán S.A. – DAC

  DAC's main activity is to provide storage services, authorized warehouse for own and third parties goods, as well as the promotion of services, transportation, storage, management and delivery of cement manufactured by the Company, which also rents to DAC the warehouse facilities for the development of its activities.

- Generación Eléctrica de Atocongo S.A. – GEA

  GEA's main activity is the generation and sale of electricity to the Company, which also leases GEA the equipment for the development of its business.

- ARPL Tecnología Industrial S.A. – ARPL

  Some shareholders of the Company have significant influence in ARPL, which receives services related to advisory and technical assistance, development and management of engineering projects.

- La Viga S.A.

  It's the main supplier of cement of the Company in the city of Lima, representing approximately 23.4 and 22.5 percent of total cement sales of the Company as of June 30,2018 and December 31, 2017, respectively.

- Inversiones Imbabura S.A. - IMBABURA, see note 6 (a)

- UNACEM Ecuador S.A.

  It´s a subsidiary of IMBABURA. and an indirect subsidiary of the Company. In 2015 the Company signed a trademark license and intellectual property agreement through which this subsidiary is obligated to pay royalties of 1.5 percent and 2.5 percent, respectively, of sales.

(b) The main transactions with related entities as of June 30 were as follows:

	2018	2017
	S/(000)	S/(000)
Cement sales –		
La Viga S.A.	208,393	197,966
Unión de Concreteras S.A.	103,004	94,116
Concremax S.A.	30,114	27,541
Prefabricados Andinos Perú S.A.C.	639	388
Asociación UNACEM	284	229
Blocks, bricks, pavers and HCR sales –		
Concremax S.A.	17,515	10,131
Unión de Concreteras S.A.	6,901	13,162
Dividends income, note 19 -		
Inversiones Imbabura S.A.	94,298	155,375
Inversiones en Concreto y Afines S.A.	-	44,729
Compañía Eléctrica El Platanal S.A.	-	43,848
Ferrocarril central Andino S.A.	1,493	3,209
Clinker sell -		
Drake Cement LLC.	-	2,563
Income from royalties –		
Compañía Eléctrica El Platanal S.A.	2,872	3,197
Licenses - Intellectual property and trademarks – Abroad		
UNACEM Ecuador S.A.	8,571	8,700
Sale of various materials -		
UNACEM Ecuador S.A.	7,296	3,814

Leases of plant, equipment and facility –		
Unión de Concreteras S.A.	364	366
Depósito Aduanero Conchán S.A.	158	158
Prefabricados Andinos Perú S.A.C.	93	93
La Viga S.A.	88	88
Others	18	27
Administrative, technology and management support –		
Unacem Ecuador S.A.	1,071	1,088
Prefabricados Andinos Perú S.A.C.	267	212
Drake Cement LLC.	184	210
Generación Eléctrica Atocongo S.A.	53	53
Depósito Aduanero Conchán S.A.	96	96
Compañía Eléctrica El Platanal S.A.	76	56
Transportes Lurín S.A.	53	53
Vigilancia Andina S.A.A.	54	46
Other income –		
Compañía Eléctrica El Platanal S.A.	538	535
Sunshine Concrete & Materials INC	-	550
Unión de Concreteras S.A.	112	271
Others	58	35
Purchases of electric energy –		
Compañía Eléctrica El Platanal S.A.	35,117	34,383
Management services, note 18 –		
Sindicato de Inversiones y Administración S.A.	22,709	38,043
Inversiones Andino S.A.A.	8,831	14,795
Commissions and freight costs of cement sales -		
La Viga S.A.	8,390	9,366
Surveillance services		
Vigilancia Andina S.A.A.	10,957	9,725
Technical assistance and engineering services –		
ARPL tecnología Industrial S.A.	8,929	8,417
Maquila Service –		
Concremax S.A.	9,942	5,684
Unión de Concreteras S.A.	5,457	4,015

Purchases of additional material –		
Unión de Concreteras S.A.	1,001	1,657
Concremax S.A.	1,199	-
Engineering services and project management –		
ARPL tecnología Industrial S.A.	1,700	2,480
Expense reimbursements –		
Unión de Concreteras S.A.	660	1,256
ARPL tecnología Industrial S.A.	26	54
Others –		
Depósito Aduanero Conchán S.A.	2,241	1,188
Unión de Concreteras S.A.	1,422	240
Generación Eléctrica Atocongo S.A.	1,266	1,595
Prefabricados Andinos Perú S.A.C	378	-
Inversiones Andino S.A.	490	412
Transportes Lurin S.A.	-	2,229
Others	81	445

(c) As a result of these and other minor transactions, as of June 30, 2018 and December 31,2017, the Company had the following balances with its related entities:

	2018	2017
	S/(000)	S/(000)
Trade receivable, note 4(a) –		
Inversiones Imbabura S.A.	242,682	155,394
Drake Cement LLC.	78,616	86,648
Unión de Concreteras S.A.	51,049	45,103
Compañía Eléctrica El Platanal S.A.	47,023	49,351
La Viga S.A.	29,231	28,024
Inversiones en Concreto y Afines S.A.	22,449	22,456
Concremax S.A.	20,300	16,927
Drake Cement LLC.	12,931	-
UNACEM Ecuador S.A.	11,289	6,407
Skanon Investments INC	6,066	5,870
Others	6,166	943
	527,802	417,123
By term -		
Current Portion	465,909	358,196
Non- Current Portion	61,893	58,927
	527,802	417,123

Trade payable –		
Sindicato de Inversiones y Administración S.A.	45,641	33,882
Inversiones Andino S.A.	7,965	8,439
Compañía Eléctrica El Platanal S.A.	6,921	8,153
ARPL tecnología Industrial S.A.	5,593	4,986
Unión de Concreteras S.A.	5,149	10,376
Concremax S.A.	4,701	8,807
Vigilancia Andina S.A.A.	3,711	404
La Viga S.A.	2,017	3,042
Drake Cement LLC.	856	718
Transporte Lurin S.A.	648	833
Generación Eléctrica Atocongo S.A.	430	49
Depósito Aduanero Conchán S.A.	968	643
Unacem Ecuador S.A.	95	95
Celepsa Renovables S.A.C.	1	2
	84,696	80,429
By Term -		
Non-current portion, note 10(a)	84,696	80,429
	84,696	80,429

The Company conducts its operations with related entities under the same conditions as those made with third parties, therefore there is no difference in pricing policies or the settlement of tax base, in relation to the payment, and they do not differ with the policies issued to third parties.

(d) The total remuneration paid to directors and key members of management as of June 30, 2018 is amounting to approximately S/14,286,000 (as of June 30, 2017 approximately S/12,065,000), which include short-term benefits and compensation for time served.

22. Earnings per share

Basic earnings per share amounts are calculated by dividing net income for the year by the weighted average number of common shares outstanding during the year.

Calculation of the weighted average number of shares and the basic and diluted earnings per share is presented below:

	As of June 30, 2018	As of June 30, 2017
	S/(000)	S/(000)
Numerator		
Net income attributable to common shares	203,435	390,092
	In thousands	In thousands
Denominator		
Weighted average number of common shares	1,646,503	1,646,503
Basic and diluted earnings per share (stated in thousands of Soles)	0.124	0.237

23. Commitments and contingencies

23.1 Financial commitments -

As of June 30, 2018, the Company has the following main financial commitments:

- Guarantee letter in favor of the National Institute for the Defense of Competition and the Protection of Intellectual Property (INDECOPI) issued by BBVA Banco Continental in an amount of S/6,300,000, with maturity on May 2019, in order to ensure compliance with the payment of a fine imposed for defense of free competition of INDECOPI, see note 23.4.

- Guarantee letter to the Ministry of Energy and Mines (MEM), issued by Banco de Crédito del Perú, by a total approximate of US$4,150,000 (equivalent to S/13,380,000) with a maturity on January 2019, in order to ensure compliance of the Mine Closure.

- Stand by letter of credit to Banco Bilbao Vizcava Argentaria New York issued by BBVA Banco Continental by a total of US$9,888,000 (equivalent to S/31,879,000) with maturity on February 2019, in order to ensure the operations of their subsidiary Sunshine Concrete and Materials Inc.

23.2 Financial leases -

The future minimum payments for leases are as follows:

	As of June 30, 2018		As of December 31, 2017	
	Payments minimum S/(000)	Present value of Payments minimum S/(000)	Payments minimum S/(000)	Present value of Payments minimum S/(000)
Between one to five years	8,562	8,410	45,295	44,249
Total payments to be done	8,562	8,410	45,295	44,249
Less - finance costs	(152)	-	(1,046)	-
Present value of minimum lease payments	8,410	8,410	44,249	44,249

23.3 Tax situation -

(a) The Company is subject to the Peruvian tax system

By Legislative Decree No. 1261 published on December 10, 2016, the government introduced certain amendments to the Income Tax Law (Law N° 30296), effective as from January 1, 2017. The most relevant are presented below:

- An income tax rate of 29.5% is set.
- A tax of 5% of income tax is established on dividends or any other form of distribution of profits. The rate applicable to dividends will be considered taking into account the year in which the results or profits that form part of the distribution has been obtained, in accordance with the following: 4.1% with respect to the results obtained until December 31, 2014; 6.8% on results obtained during the years 2015 and 2016; and 5% with respect to the results obtained from January 1, 2017. It is important to note that it is assumed, without admitting evidence to the contrary, that the distributed dividends correspond to the oldest accumulated results.

(b) For purposes of determining the Income Tax, the transfer prices for transactions with related entities and entities domiciled in territories with little or no taxation must be supported by documentation and information on the valuation methods used and the criteria considered for their determination. Based on an analysis of the Company's operations, management and its legal advisors believe that the application of this rule would not result in material contingencies for the Company as of June 30, 2018 and December 31, 2017.

(c) The Tax Authority has the power to review and adjust the income tax calculated by the Company in the four years following the year the tax returns presentation. The tax returns of the Income Tax for the years 2013 to 2014 and 2016 to 2017 and value added tax (“IGV” for its acronym in Spanish) for the periods December 2013 to June 2018 are open to review by Tax Authority.

In October 2017, the Tax Authority concluded the audit of the income tax for the year 2015.
Up to date, the Tax Authority has scheduled, for the last week of July, the audit of the income tax for the year 2014.

(d) Due to the interpretations likely to be given by the Tax Authority on current legal regulations, it is not possible to determine, as of this date, whether the reviews to be conducted will result or not in liabilities for the Company, therefore, any increased tax or surcharge that could arise from possible tax reviews will be applied to the results of the year in which it is determined. In the Management’s and its legal advisors’ opinion, any additional tax settlement would not be significant for the separate financial statements as of June 30, 2018 and December 31, 2017.

As of June 30, 2018, the Company recorded a provision for income tax for S / 59,576,000 and credits for payments on account for S / 43,522,000 (S / 116,631,000 and S / 68,800,000, respectively as of December 31, 2017). As of June 30, 2018, the balance payable amounts to S / 16,052,000 (S /. 43,075,000 as of December 31, 2017), are presented under the heading "Income Taxes" of the separate statement of financial position.

23.4 Contingencies –

In the normal course of business, the Company has received several complaints of such tax, legal (labor and management) and regulatory, which are recorded and disclosed in accordance with International Financial Reporting Standards.

Income tax

As a result of audits for the years 2004 to 2006, the Company has been notified by the Superintendence of Tax Authority (SUNAT) with different resolutions for alleged omissions in income tax. In some cases, the Company has filed appeals for not finding the appropriate resolutions in accordance with the laws in force in Peru and in other cases it has proceeded to pay the assessments received. According to the Management of the Company and its legal advisors, as of June 30, 2018 and December 31, 2017, the Company has recorded the necessary provisions, leaving as a possible contingency an amount of S/48,255,000 plus interest and costs.

Likewise, the Company holds claims to Tax Authority (SUNAT), corresponding to demands and requirements of refund of income tax paid in excess for the years 2004, 2005, 2006 and 2009, in which it requested the decisions of the Tax Court set aside and will return the money paid ascending approximately S/30,383,000 and other claims by approximately S/989,000, see note 4(d).

As result of the audit for the year 2010, the Company has been notified by the Superintendence of Tax Authority (SUNAT) with different resolutions for alleged omissions in income tax. In some cases, the Company has filed appeals for not finding the appropriate resolutions in accordance with the laws in force in Peru and in other cases it has proceeded to pay the assessments received. As of June 30, 2018, the Company has recorded the necessary provisions, according to the Management and its legal advisors, regarding this case there are possible contingencies for an amount of approximately S / 19,912,000 plus interest and costs.

Excise tax -

On the other hand, the Company has two additional claims for excise tax related to coal imports in 2006 and 2007 for a total amount of S/ 7,027,000, see Note 4(d). In December 2015, the Superior Court upheld the original ruling in 2014 declaring void the Tax Court Resolution N°14294-A-2013 by claims amounting to approximately S/5,023,000 and are pending collection. On September 26, 2017, the Specialized Civil Court of Villa El Salvador declared the appeal filed by the Company well founded.

On October 06, 2017, the Judicial Power, with a judgment of Cassation No. 5104-2016, declared the other lawsuit filed by the company founded. On March 26, 2018, the company files with SUNAT, the respective refund request for the amount of S /. 2,004,710.

During the years 2016 - 2017 the company paid ISC for its coal imports, filing an appeal with the Judicial Power in order to declare NOT applicable the provisions of Article 2 of Supreme Decree No. 111-2016-EF to the company, through which it was included in Appendix II of Taxed Assets with the Selective Consumption Tax. In December 2017, the Superior Court of Justice of Lima South Permanent Civil Chamber, with Exp. 00343-2016 declared founded the lawsuit filed by the company, for the amount of S /. 4,460,000, see note 4 (d), the company submitting the respective refund requests in March 2018.

Additionally, during the first quarter other claims were recorded for approximately S / 179,000, see note 4 (d).

Administrative:

On the other hand, through Resolution N° 004-2010/ST-CLC-INDECOPI of March 25, 2010, the Technical Secretary of the Committee for the Defense of Free Competition declared admissible the complaint by the Ferretería Malva S.A., against to the Company and others related to commission of anticompetitive behavior, and initiate an infringement procedure against the complained companies. In 2013, through Resolution N° 010-2013/CLC, the Committee for the Defense of Free Competition sanctions to the Company at the end of the unjustified refusal sales, imposing a penalty of 1,488.20 UIT and absolves the offense relating to boycott. Given the resolution of the Commission, the Company filed an appeal to the Court of Competition, at the end of the penalty for the alleged refusal of unjustified sales, which confirmed the decision appealed, whereupon the Company has decided to bring contentious administrative proceedings before the Judiciary, for the annulment of the decision of INDECOPI. Through Resolution N°05 of July 13, 2015, the Twenty-Fifth Administrative Court declared the process sanitized the evidence was admitted and ordered to refer the case to the Public Ministry to issue the final opinion. The Company expects to obtain a favorable ruling in court.

23.5 Environmental commitments -

The activities of the Company are subject to environmental protection standards. This tax rules are the same as those described in the notes to the annual separate financial statements as of December 31, 2017:

24. Financial risk management, objectives and policies

The Company is exposed to market risk, credit risk and liquidity risk.

The Company's Senior Management oversees the management of these risks. The Company's Senior Management is supported by the Financial Management that advises on financial risks and the appropriate financial risk governance framework for the Company. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

24.1 Market risk –

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk. Financial instruments affected by market risk include loans and borrowings and derivative financial instruments.

The sensitivity analyses shown in the following sections relate to the position as of June 30, 2018 and December 31, 2017.

The sensitivity analyses have been prepared on the basis that the amount of net debts, the ratio of fixed to floating interest rate of the debt and the proportion of financial instruments in foreign currencies are all constant as of June 30, 2018 and December 31,2017.

(i) Interest rate risk –

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure of the Company to the interest rate risk is related mainly to the long-term debt with variable interest rates.

(a) Derivative Financial instruments from hedge -

The Company has two contracts interest rate swap designated as cash flow hedges and are recorded at their fair value. The details of these operations are as follows:

Counterparty	Reference value	Maturity Rate	Receive variable to:	Pays fix rate at:	Fair value	
					As of June 30, 2018	As of December 31, 2017
	US$(000)				S/(000)	S/(000)
Assets-						
Bank of Nova Scotia	2,083	August 2018	Libor to 3 months + 2.35%	0.825%	27	78
Bank of Nova Scotia	9,625	September 2018	Libor to 3 months + 2.40%	1.020%	105	202
					132	280

Financial instruments are intended to reduce exposure to interest rate risk variable associated with the financial obligations set out in note 11. These financings bear interest at a variable rate equal to the 3-month Libor.

The Company pays or receives on a quarterly basis (on each interest payment date of the loan) the difference between the Libor rate on the loan market in that period and the fixed rate agreed upon in the contract coverage. Flows actually received or paid by the Company are recognized as a correction of the financial cost of the loan period for the hedged loans.

As of June 30, 2018, the Company recognized an expense on these derivative financial instruments amounting to approximately S/2,284,000 (S/2,695,000 as of June 30, 2017) , whose amounts were actually paid during the year and are presented as "Finance costs" in the separate statement of income.

The effective portion of changes in the fair value of financial instruments that qualify as hedges is recognized as assets or liabilities and with impact on equity. As of June 30, 2018 and December 31, 2017, the Company has recognized under "Unrealized net profit (loss) on hedging financial derivative instruments" in the statement of changes in equity, a positive and negative change in fair value of approximately S/93,000 and S/197,000, respectively, which is presented net of the income tax effect.

(b) Derivative Financial instruments from trading –

Counterparty	Reference value	Maturity Rate	Receive variable to:	Pays fix rate at:	Fair value	
					As of June 30, 2018	As of December 31, 2017
	US$(000)				S/(000)	S/(000)
Liabilities -						
Citibank N.A. New York	70,000	October 2020	Libor to 3 months + 1.08%	5.200%	5,554	9,845
					5,554	9,845

As of Saturday, June 30, 2018, the effective portion of changes in the fair value of financial instruments that qualify as hedges is recognized as assets or liabilities. As of Saturday, June 30, 2018, the effect amounts to approximately S / 4,292,000 (S/. 2,470,00 as of Friday, June 30, 2017) and is presented as part of the item "Financial income" in the separate statement of income.

Sensitivity to interest rate -

The following table shows the sensitivity to a reasonably possible change in interest rates on the portion of the loans, after the impact of hedge accounting. With all other variables remaining constant, the income before income tax would be affected by the impact on variable rate loans, as follows:

Increase / decrease in basis points	Impact on income before Income tax	
	As of June 30, 2018	As of December 31, 2017
%	S/(000)	S/(000)
-10	(630)	(588)
10	630	588

The movement course in the basics related to the analysis of sensitivity to interest rate is based on the current market environment.

(ii) Foreign currency risk -

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency).

Management monitors this risk through analysis of the country's macroeconomic variables.

The result of holding balances in foreign currency for the Company as of June 30, 2018 and 2017 was a net loss in exchange difference amounting approximately S/13,711,000 (a loss of approximately S/31,088,000 and a loss of approximately S/17,377,000) and a net gain of approximately S/79,782,000 (a earn of approximately S/119,300,000 and a loss of approximately S/39,518,000), respectively, which are presented in the caption "Exchange difference, net" in the separate statement of income.

As of June 30, 2018 and December 31, 2017, the Company had the following assets and liabilities in U.S. Dollars:

	2018		2017	
	US$(000)	Equivalent S/(000)	US$(000)	Equivalent S/(000)
Asset				
Cash and cash equivalents	1,508	4,930	13,615	44,085
Trade and other receivable, net	103,756	339,177	46,302	149,924
	105,264	344,107	59,917	194,009
Liabilities				
Trade and other payables	(27,383)	(89,652)	(12,732)	(41,316)
Other financial liabilities	(709,277)	(2,322,173)	(762,757)	(2,475,148)
	(736,660)	(2,411,825)	(775,489)	(2,516,464)
Derivative financial instruments of exchange rate	(1,696)	(5,554)	(3,034)	(9,845)
Net liability position	(633,092)	(2,073,272)	(718,606)	(2,332,300)

Foreign currency sensitivity -

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's profit before income tax (due to changes in the fair value of monetary assets and liabilities, including derivative financial instruments in foreign currency not classified as hedge).

Change in US Dollars rate In American Dollars	Income tax impact	
	As of June 30, 2018	As of December 31, 2017
%	S/(000)	S/(000)
5	(103,663)	(116,615)
10	(207,327)	(233,230)
-5	103,663	116,615
-10	207,327	233,230

24.2 Credit risk –

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to a credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, and trade and other receivables. The maximum credit risk of the components of the financial statements as of June 30, 2018 and December 31, 2017 is represented by the amount of the captions cash and cash equivalents, trade and other accounts receivable.

Company's Management made a continuous monitoring of the credit risk to such items and periodically, it assesses the balances that evidence an impairment to determine the required allowance for no recoverability.

24.3 Liquidity risk –

The Company monitors its risk of shortage of funds using a recurring liquidity planning tool.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of overdraft current accounts, bank loans and other financial liabilities

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

	As of June 30, 2018			
	From 3 to 12 months	From 1 to 3 years	From 4 to 8 years	Total
	S/(000)	S/(000)	S/(000)	S/(000)
Trade and other payables	329,625	-	-	329,625
Other financial liabilities				
Amortization of capital	328,384	656,201	2,174,822	3,159,407
Flow of interest payments	171,050	238,058	133,269	542,377
Total liabilities	829,059	894,259	2,308,091	4,031,409

	As of December 31, 2017			
	From 3 to 12 months	From 1 to 3 years	From 4 to 8 years	Total
	S/(000)	S/(000)	S/(000)	S/(000)
Trade and other payables	261,827	-	-	261,827
Other financial liabilities				
Amortization of capital	486,064	750,158	2,156,696	3,392,918
Flow of interest payments	177,541	318,375	132,205	628,121
Total liabilities	925,432	1,068,533	2,288,901	4,282,866

24.4 Capital management–

The Company's objective in managing capital is to safeguard its ability to continue as a going concern in order to generate returns for shareholders, benefits for other groups of interest and maintain optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company can adjust the amount of dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce its debt.

Consistent to the industry, the Company monitors its capital on the basis of leverage ratio. This ratio is calculated dividing the net debt into the capital stock. The net debt corresponds to the total of debt (including current and non-current debt) minus the cash and cash equivalents. The total capital stock corresponds to the net equity and is presented in the separate statement of financial position plus the net debt.

No changes were made in the objectives, policies or processes for managing capital during the years ended on June 30, 2018 and December 31, 2017.

25. Fair values

Instruments recorded at fair value according to hierarchy – The following table presents an analysis of the financial instruments recorded at fair value, according to their hierarchy level:

	As of June 30, 2018 S/(000)	As of December 31, 2017 S/(000)
Assets for derivative financial instruments:		
Level 2	132	280
Total	132	280
Liability for derivative financial instruments:		
Level 2	5,554	9,845
Total	5,554	9,845

Level 1 -

The financial assets included in the Level 1 category are measured based on quotations obtained from an active market. A financial instrument is considered as quoted in an active market if prices are readily and regularly available from a centralized trading mechanism, agent, broker, industry group, pricing providers or regulatory agencies; and those prices stem from regular transactions in the market.

Level 2 -

Level 2 Financial instruments are measured based on market factors. This category includes instruments valued using market prices of similar instruments - whether it be an active market or not – and other valuation techniques (models) where all significant inputs are directly or indirectly observable in the marketplace. The following is a description of how the fair value of the Company's main financial instruments included in this category is determined:

- Derivative financial instruments –
  The valuation technique most commonly used includes forwards and swaps valuation methods that calculate the present value. These models consider various inputs, including the counterparties' credit quality, spot exchange rates, forward rates and interest rate curves.

Level 3 -
As of June 30, 2018 and December 31, 2017, the Company does not maintain financial instruments in this category.

The Company only carries derivative financial instrument at fair value, as indicated in paragraph 24.1 (a) and (b); therefore, they are considered in Level 2 of the fair value hierarchy.

Other financial instruments are carried at amortized cost and their estimated fair value. The level of the fair value hierarchy is described as follows:

Level 1 –
- Cash and cash equivalents do not represent a credit risk or a significant interest rate; therefore, their carrying amounts are close to their fair value.
- Accounts receivable, as they are net of provision for loan losses and most have maturities of less than three months; Management deems their fair value is not materially different from its carrying value.
- Trade and others payables, due to its current maturity, Management deems that its accounting balances are close to its fair value.

Level 2 –
- The fair value of other financial liabilities was determined by comparing the market's interest rates at the time of its initial recognition against the market's current interest rates offered for similar financial instruments. The following is a comparison between the carrying value and the fair value of these financial instruments.

	As of June 30, 2018		As of December 31, 2017	
	Value Books	Fair value	Value Books	Fair value
	S/(000)	S/(000)	S/(000)	S/(000)
Other financial liabilities (*)	2,832,727	2,356,895	2,940,140	2,598,634

(*) As of June 30, 2018 and December 31, 2017, the amount outstanding does not include promissory notes and bank overdraft, see note 11.

26. Subsequent events

No significant events of a financial-accounting nature have been identified after June 30, 2018 that may affect the interpretation of these separate financial statements.