UNACEM Perú S.A.

Financial Statements

As of December 31, 2023 and 2022

(including Independent Auditors' Report)

(TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN SPANISH)

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(TRANSLATION OF A REPORT ORIGINALLY ISSUED IN SPANISH)

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of
UNACEM Perú S.A.

Opinion

We have audited the accompanying financial statements of UNACEM Perú S.A. (the Company), which comprise the statement of financial position as of December 31, 2023, and the statements of profit or loss and comprehensive income, changes in net equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements referred to above present fairly, in all material respects, the Company's financial position as of December 31, 2023, and its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing approved for their application in Peru by the Dean's Council of the Peruvian Professional Associations of Public Accountants. Our responsibilities under those standards are further described in *the Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Peru, together with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements, respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events that raise substantial doubt about the Company's ability to continue as a going concern; to disclose, as applicable, matters related to going concern; and to use the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with the Company's governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. They are considered material if they could, individually or in the aggregate, influence the economic decisions that users make on the basis of the financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, including the disclosures.

- Conclude on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with the Company's governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies or material weaknesses in internal control that we identify during our audit.

Lima, Peru

February 21, 2024

Emmerich, Córdova y Asociados

Countersigned by:

Cristian Emmerich (Partner)
Peruvian CPA Registration 39801

UNACEM Perú S.A.

Financial Statements

As of December 31, 2023 and 2022

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(Translation of Financial Statements originally issued in Spanish)

UNACEM Perú S.A.
Statement of Financial Position
As of December 31, 2023 and 2022

In thousands of soles	*Note*	2023	2022
Assets			
Current assets			
Cash and cash equivalents	*8*	32,991	60,708
Trade and other accounts receivable	*9*	372,095	339,402
Inventories	*10*	586,130	542,726
Prepaid expenses		2,726	4,382
Total current assets		**993,942**	**947,218**
Non-current assets			
Financial investments		4,198	-
Trade and other accounts receivable	*9*	1,263	-
Mining concessions and property, plant and equipment	*11*	3,708,642	3,665,737
Deferred asset related to stripping	*12*	92,211	95,861
Intangible assets	*13*	14,299	13,033
Total non-current assets		**3,820,613**	**3,774,631**
Total assets		**4,814,555**	**4,721,849**

In thousands of soles	*Note*	2023	2022
Liabilities			
Current liabilities			
Other financial liabilities	*15*	466,350	602,535
Trade and other accounts payable	*14*	331,959	519,168
Deferred revenue		9,181	6,875
Provisions	*16*	43,330	48,467
Total current liabilities		**850,820**	**1,177,45**
Non-current liabilities			
Other financial liabilities	*15*	1,107,997	781,596
Deferred Income tax liabilities	*17*	368,165	385,397
Provisions	*16*	19,137	26,243
Total non-current liabilities		**1,495,299**	**1,193,236**
Total liabilities		**2,346,119**	**2,370,281**
Equity	*18*		
Issued capital		2,156,485	2,156,485
Legal reserve		80,994	42,146
Unrealized gains and losses		13,177	13,737
Retained earnings		217,780	139,200
Total equity		**2,468,436**	**2,351,568**
Total equity and liabilities		**4,814,555**	**4,721,849**

The accompanying notes on pages 6 to 56 are an integral part of these separate financial statements.

(Translation of Financial Statements originally issued in Spanish)

UNACEM Perú S.A.
Statement of Profit or Loss
For the years ended December 31, 2023 and 2022

In thousands of soles	***Note***	**2023**	**2022**
Revenue	*19*	2,743,791	2,834,826
Cost of sales	*20*	(1,807,620)	(1,804,307)
Gross profit		**936,171**	**1,030,519**
Operating income (expenses)			
Administrative expenses	*21*	(153,071)	(172,337)
Sales expenses	*22*	(54,015)	(66,838)
Other income	*24*	44,049	25,449
Other expenses	*24*	(144,339)	(169,030)
		(307,376)	**(382,756)**
Operating profit		**628,795**	**647,763**
Financial income	*25*	10,898	13,395
Financial expenses	*26*	(90,250)	(72,927)
Exchange difference, net	*30.A.ii*	11,362	33,539
Finance charge, net		**(67,990)**	**(25,993)**
Profit before tax		**560,805**	**621,770**
Income Tax expenses	*29.B*	(172,323)	(200,315)
Net profit or loss		**388,482**	**421,455**

The accompanying notes on pages 6 to 56 are an integral part of these financial statements.

UNACEM Perú S.A.
Statement of Comprehensive Income
For the years ended December 31, 2023 and 2022

In thousands of soles	***Note***	**2023**	**2022**
Net profit or loss		**388,482**	**421,455**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss			
Changes in fair value of hedging instruments	*29.A*	(795)	19,485
Total other comprehensive income to be reclassified to profit or loss		**(795)**	**19,485**
Income tax related to components of other comprehensive income			
Fair value of hedging instruments	*17*	235	(5,748)
Income tax related to components of other comprehensive income		**235**	**(5,748)**
Other comprehensive income, net of taxes		**(560)**	**13,737**
Total other comprehensive income, net of taxes		**387,922**	**435,192**

The accompanying notes on pages 6 to 56 are an integral part of these financial statements.

(Translation of Financial Statements originally issued in Spanish)

UNACEM Perú S.A.
Statement of Changes in Net Equity
For the years ended December 31, 2023 and 2022

In thousands of soles	***Note***	**Issued capital (note 18.A)**	**Legal reserve (note 18.B)**	**Unrealized gains and losses**	**Retained earnings**	**Total**
Balance as of January 1, 2022		2,156,485	-	-	-	2,156,485
Other comprehensive income						
Net profit or loss		-	-	-	421,455	421,455
Other comprehensive income		-	-	13,737	-	13,737
Total other comprehensive income		**2,156,485**	**-**	**13,737**	**421,455**	**2,591,677**
Transactions with owners of the Company						
Dividend distribution	*18.C*	-	-	-	(240,109)	(240,109)
Legal reserve		-	42,146	-	(42,146)	-
Total transactions with owners of the Company		**-**	**42,146**	**-**	**(282,255)**	**(240,109)**
Balance as of December 31, 2022		**2,156,485**	**42,146**	**13,737**	**139,200**	**2,351,568**
Balance as of January 1, 2023		2,156,485	42,146	13,737	139,200	2,351,568
Other comprehensive income						
Net profit or loss		-	-	-	388,482	388,482
Other comprehensive income		-	-	(560)	-	(560)
Total other comprehensive income		**-**	**-**	**(560)**	**388,482**	**387,922**
Transactions with owners of the Company						
Dividend distribution	*18.C*	-	-	-	(271,054)	(271,054)
Legal reserve		-	38,848	-	(38,848)	-
Total transactions with owners of the Company		**-**	**38,848**	**-**	**(309,902)**	**(271,054)**
Balance as of December 31, 2023		**2,156,485**	**80,994**	**13,177**	**217,780**	**2,468,436**

The accompanying notes on pages 6 to 56 are an integral part of these financial statements.

UNACEM Perú S.A.
Statement of Cash Flows
For the years ended December 31, 2023 and 2022

In thousands of soles	***Note***	**2023**	**2022**
Cash flows from operating activities			
Cash receipts from sale of goods		3,242,672	3,174,108
Cash payments to suppliers		(2,071,635)	(1,888,467)
Cash payments to employees		(299,722)	(259,564)
Cash payments from income tax		(326,411)	(40,901)
Cash payments from taxes		(156,772)	(202,865)
Cash payments from interest		(102,836)	(57,195)
Other charges (payments), net		9,094	(145,098)
Net cash flows from operating activities		**294,390**	**580,018**
Cash flows from investing activities			
Acquisition of mining concessions and property, plant and equipment	*11 (b)*	(213,687)	(216,725)
Acquisition of intangible assets	*13*	(1,505)	(1,508)
Acquisition of financial investments		(4,198)	-
Net cash flows used in investing activities		**(219,390)**	**(218,233)**
Cash flows from financing activities			
Access to bank loans	*31*	1,675,028	490,211
Cash payments from bank loans	*31*	(1,476,377)	(644,628)
Cash payments from dividends	*18.C*	(301,393)	(148,016)
Net cash flows used in financing activities		**(102,742)**	**(302,433)**
Net (decrease) increase in cash and cash equivalents		(27,742)	59,352
Exchange difference		25	1,346
Opening balance		60,708	10
Closing balance		**32,991**	**60,708**
Non-cash transactions			
Offsetting dividends declared	*18.C*	-	50,754
Transfer of replacement parts and spare parts to mining concessions and property, plant and equipment	*10(c) and 11*	36,667	46,410
Trigger of interest eligible for capitalization	*11(d)*	6,077	3,157

The accompanying notes on pages 6 to 56 are an integral part of these financial statements.

1. Background and Economic Activity

UNACEM Perú S.A. (hereinafter the Company) was incorporated on September 30, 2021.

As of December 31, 2023 and 2022, the Company is a subsidiary of UNACEM Corp. S.A.A. (hereinafter the Parent). It holds 100% of the direct shares of its share capital. The Parent has power to govern the financial and operating policies of the Company.

The Company's legal domicile is located at Avenida Atocongo 2440, Villa María del Triunfo, Lima, Peru.

It is mainly engaged in the production and sale of cement in Peru and clinker for purposes of export. Accordingly, the Company has two plants located in the Departments of Lima and Junín with an annual production capacity of 6.7 million tons of clinker and 8.3 million tons of cement.

Approval of the financial statements

The financial statements as of December 31,2023 have been issued with management approval on January 31, 2024, and will be presented to the Board of Directors and General Shareholders' Meeting, which will be held within the terms established by law, for corresponding approval.
In management’s opinion, the financial statements will be approved with no modification to the financial statements.

The General Shareholders' Meeting, held on March 30, 2023, approved the financial statements as of December 31, 2022.

2. Basis of Preparation of the Financial Statements

A. Basis of accounting

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), effective as of December 31, 2023 and 2022.

The Company's accounting policies are disclosed in note 3.

The Company adopted the new standards effective as of January 1, 2023 (note 5).

B. Information responsibility

The information contained in these financial statements is the responsibility of the Company's management that expressly states that all the principles and criteria, included in IFRSs and issued by IASB, have been applied.

C. Basis of measurement

The financial statements have been prepared on a historical cost basis, excluding hedging instruments that are measured at fair value, from the accounting records held by the Company.

D. Functional and presentation currency

The financial statements are presented in *soles* (S/), which is the Company's functional and presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

3. Significant Accounting Policies

The Company adopted the *Disclosure of Accounting Policies* (Amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgments*) effective as of January 1, 2023. Although the amendments had no significant effect on the accounting policies, those affected the accounting policy information disclosed in the financial statements. The amendments require the disclosure of "significant" accounting policies, rather than "important". Likewise, the amendments provide recommendations on the importance regarding the disclosure of accounting policies. Thus, entities can provide useful and specific information on accounting policies that users need to understand other information in the financial statements. Management has reviewed the accounting policies and has updated the disclosures in this note (2022: Significant accounting policies) in accordance with the amendments. Significant accounting policies used by management on these financial statements are as follows:

A. Cash and cash equivalents

Cash and cash equivalents presented in the statement of financial position comprise cash in hand, checking accounts and time deposits. In preparing the statement of cash flows, cash and cash equivalents include cash and short-term deposits that have original maturities of less than 3 months.

B. Financial instruments

Initial recognition and measurement

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability, or equity instrument in another.

- ***Financial assets***

Initial recognition and measurement

After initial recognition, the Company classifies financial assets into measurement categories: at amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL).

The Company classifies financial assets as subsequently measured at amortized cost, FVOCI or FVTPL on the basis of both the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The Company shall measure trade accounts receivable at fair value plus their transaction price if those do not contain a significant financing component, or when the Company applies the practical expedient. The Company measures accounts receivable at their transaction price if they do not contain a significant financing component or for which the Company has not applied the practical expedient, in accordance with IFRS 15.

A financial asset is measured at amortized cost or FVOCI if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company determines whether the asset's contractual cash flows are solely payments of principal and interest on the principal amount outstanding at an individual instrument level.

The Company's business model refers to how the Company manages its financial assets in order to generate cash flows. That is, the Company's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

As of December 31, 2023 and 2022, the Company has financial assets measured at amortized cost.

Subsequent measurement
For the purposes of subsequent measurement, financial assets are classified into the following four categories:

- Financial assets measured at amortized cost (debt instruments);
- Financial assets measured at FVOCI (debt instruments)—the Company may transfer the cumulative gain or loss within equity;
- Financial assets measured at FVOCI that are not transferred to profit and loss when derecognized (equity instruments)—when the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss; and
- Financial assets measured at FVTPL.

The classification is made on the basis of the Company's business model and the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost
A financial asset is measured at amortized cost if both of the following conditions are met:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal amount.

The Company classifies financial assets as subsequently measured at amortized cost using the effective interest method. The Company applies the impairment requirements to financial assets that are measured at amortized cost. Gains and losses are recognized in the statement of comprehensive income when the asset is derecognized, modified or impaired.

When, and only when, the Company changes its business model for managing financial assets, it shall reclassify all affected financial assets.

The Company's financial assets measured at amortized cost comprise cash and cash equivalents and trade and other accounts receivable.

Derecognition
A financial asset or, when applicable, part of a financial asset or part of a group of similar financial assets is derecognized when:

- The contractual rights to receive the cash flows from the financial asset expire; or
- The Company transfers the contractual rights to receive the cash flows from the financial asset, or assumes a contractual obligation to pay the cash flows to a third party in a pass through arrangement; and (a) the Company transfers substantially all risks and rewards of ownership of the financial asset, or (b) the Company neither transfers nor retains substantially all risks and rewards of ownership of the financial asset, but transfers control of the financial asset.

When the Company transfers a financial asset, it shall evaluate the extent to which it retains the risks and rewards of ownership of the financial asset. In this case: if the Company has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset. Accordingly, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

When the Company's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Company's continuing involvement is the lower of the amount of the asset and the maximum amount of the consideration received that the Company could be required to repay.

Impairment of financial assets
The Company recognizes a loss allowance for debt instruments not measured at FVTPL. A credit loss is the present value of the difference between the contractual cash flows that are due to the Company under the contract and the cash flows that the Company expects to receive. The cash flows that are considered include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Expected credit losses (ECL) are recognized in two stages. At the reporting date, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs—i.e., the portion of lifetime ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date—if the credit risk on a financial instrument has not increased significantly since initial recognition. At the reporting date, the Company measures the loss allowance for a financial instrument at an amount equal to the lifetime ECLs—i.e., the ECLs that result from all possible default events over the expected life of a financial instrument—if the credit risk on that financial instrument has increased significantly since initial recognition.

The Company applies a simplified approach for trade accounts receivable when measuring ECLs. Therefore, the Company does not assess whether there are changes in credit risk. It measures the loss allowance for a financial instrument at an amount equal to the lifetime ECLs. The Company uses a provision matrix that is based on historical credit loss experience, adjusted to reflect information about borrower-specific factors and general economic conditions.

The Company considers a financial asset to be in default when contractual payments are more than 365 days past due. However, the Company may consider a financial asset to be in default when internal or external information indicates that it is not probable that the Company will collect the amounts due before the Company enforces the collateral on the financial asset. The carrying amount of a financial asset is written-off if the Company has no reasonable prospects of recovering any further cash flows from the financial asset.

Financial liabilities

Initial recognition and measurement
At initial recognition, financial liabilities are classified as financial liabilities measured at FVTPL, loans, accounts payable, or derivatives designated as hedging instruments, as appropriate.

At initial recognition, the Company measures a financial liability at its fair value plus or minus, in the case of a financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issue of the financial liability.

The Company's financial liabilities comprise trade accounts payable and other financial liabilities.

Subsequent measurement
The Company subsequently measures financial liabilities based on their classification, as follows:

Interest-bearing debts and loans
After initial recognition, interest-bearing debts and loans are measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when liabilities are derecognized, and accrued using the effective interest method.

Amortized cost is calculated taking into consideration any discounts or premiums on acquisition and fees and costs that are an integral part of the effective annual interest rate. Amortization according to the effective interest method is presented in 'Financial expenses' in the statement of comprehensive income.

This category comprises trade and other accounts payable and other financial liabilities.

Derecognition
A financial liability is derecognized when its contractual obligations are discharged or canceled or expire. An exchange between an existing borrower and lender of debt instruments with substantially different terms is recognized as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is recognized as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount and the consideration paid is recognized in the statement of comprehensive income.

Offsetting financial instruments
Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when the Company has a legally enforceable right to set off them, and management intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Hedging instruments and hedge accounting
The Company uses derivatives—e.g., hedging instruments in cash flow hedges—to hedge its interest rate risk. At inception of the contract, a derivative is measured at its fair value and subsequently measured at its fair value. Derivatives are recognized as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For hedge accounting purposes, the hedging relationships are the following:

- fair value hedge: a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment.
- cash flow hedge: a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognized asset or liability or a highly probable forecast transaction.
- hedge of a net investment in a foreign operation.

A hedging relationship qualifies for hedge accounting if, at the inception of the hedging relationship, there is formal designation and documentation of the hedging relationship and the Company's risk management objective and strategy for undertaking the hedge.

That documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements. The hedge is expected to be highly effective in achieving offsetting changes in the fair value or cash flows attributable to the hedged risk. The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

A hedging relationship qualifies for hedge accounting only if the hedging relationship meets all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;

- the effect of credit risk does not dominate the value changes that result from that economic relationship; and

- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

As long as a cash flow hedge meets the qualifying criteria, the hedging relationship is recognized as follows:

Cash flow hedges
The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized in other comprehensive income, and the ineffective portion shall be recognized in profit or loss.

The Company designated certain derivatives as hedging instruments. Any gain or loss arising from changes in the fair value of derivatives is recognized in profit or loss, except for the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge and that is recognized in other comprehensive income. It is reclassified to profit or loss.

For cash flow hedges, the amount that has been accumulated in the cash flow hedge reserve is reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.

When the Company discontinues hedge accounting for a cash flow hedge, it shall account for the amount that has been accumulated in the cash flow hedge reserve as follows: if the hedged future cash flows are still expected to occur, that amount shall remain in the cash flow hedge reserve until the future cash flows occur; and if the hedged future cash flows are no longer expected to occur, that amount shall be immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment. After discontinuation of hedge accounting, once the hedged future cash flows occur, the amount that remains in other comprehensive income shall be recognized considering the underlying transactions.

For hedge accounting purposes and as part of the reorganization process, the Company designated the three interest rate swaps entered into in the year 2018 as a cash flow hedge, two of which are effective as of December 31, 2023.

C. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Company shall have access to the principal market or the most advantageous market at the measurement date.

When measuring fair value, the Company uses the assumptions that market participants would use when pricing the asset or the liability, assuming that market participants act in their best economic interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
The Company uses valuation techniques appropriate for the measurement, for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. Accordingly, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

For assets and liabilities that are measured at fair value on a recurring basis, the Company determines whether transfers between levels of the fair value hierarchy have occurred by reviewing the categorization at the end of each reporting period.

Management sets out policies and procedures for recurring and non-recurring fair value measurements. At the end of each reporting period, management analyzes changes in the fair value of assets and liabilities, which shall be measured according to the Company's accounting policies.

For disclosure purposes, the Company determined appropriate classes of assets and liabilities on the basis of the nature, characteristics, risks; and the level of the fair value hierarchy within which the fair value measurement is categorized.

D. Current and non-current financial assets and financial liabilities

The Company's assets and liabilities are presented in the statement of financial position and classified as current and non-current.

The Company classifies an asset as current when:

- it expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- it holds the asset primarily for the purpose of trading;
- it expects to realize the asset within twelve months after the reporting period; or
- the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Company classifies all other assets as non-current.

The Company classifies a liability as current when:

- it expects to settle the liability in its normal operating cycle;
- it holds the liability primarily for the purpose of trading;
- the liability is due to be settled within twelve months after the reporting period; or
- it does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

E. Foreign currency transactions

Items included in the financial statements are stated in *soles*. Management considers the *sol* as its functional and presentation currency since it reflects the underlying transactions, events and conditions that are relevant to the Company.

Foreign currency transactions and balances

A foreign currency transaction is a transaction that is denominated or requires settlement in a foreign currency. A foreign currency transaction is recorded, at initial recognition in the functional currency, at the exchange rate ruling at the transaction date.

Foreign currency monetary items are retranslated into the functional currency at the exchange rate existing at the reporting date. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated at initial recognition are recognized in 'exchange difference, net' in profit or loss in the period in which they arise.

Foreign currency non-monetary items are translated using the exchange rate existing at the transaction date.

F. Inventories

Inventories are measured at the lower of cost or net realizable value. The costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management are recognized as follows:

Raw materials and auxiliary materials, containers and packaging, and replacement parts and materials

The cost of inventories is determined using the weighted average cost method.

Finished goods
The cost comprises direct labor and material costs, other direct costs, and a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods, based on the normal capacity of the production facilities. It excludes financial costs and exchange differences. Subsequently, the weighted average cost method is used.

Goods in transit
The goods are measured at specific acquisition cost.

Loss allowance
The Company periodically assesses if inventories have become wholly or partially obsolete based on criteria to determine the extent to which, or manner in which, the asset is used or is expected to be used. Accordingly, it recognizes an impairment loss on inventories, which affects profit or loss in the period that the impairment loss is identified. Management reviews on an annual basis such criteria to measure a loss allowance.

Net realizable value is the estimated selling price in the normal course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

G. Mining concessions and property, plant and equipment
An item of property, plant and equipment is measured at cost less any accumulated depreciation and any accumulated impairment losses. This cost comprises costs incurred to replace part of an item of property, plant and equipment and interests of financial costs, provided that the recognition criteria are met.

If the Company recognizes in the carrying amount of an item of property, plant and equipment the cost of a replacement for part of the item, then it derecognizes the carrying amount of the replaced part regardless of whether the replaced part had been depreciated separately. When each major inspection is performed, its cost is recognized in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied.

All major inspection or overhaul costs are recognized in the statement of comprehensive income as incurred.

Mining concessions correspond to rights to explore areas of interest acquired in prior years. Mining concessions are measured at cost, less any accumulated amortization and any impairment losses. They are recognized in ‘mining concessions and property, plant and equipment’ in the statement of financial position. Mining concessions are amortized using the straight-line method. If the Company abandons a concession, the related costs are recognized in the statement off profit or loss.

Work-in-progress includes projects in progress and is measured at cost. The cost comprises costs that are directly attributable to the acquisition, construction or production of a qualifying asset and other direct costs. Constructions in progress are not depreciated until the relevant assets are completed and operational.

Land is not depreciated. Depreciation is determined using the straight-line method over the asset's useful life. The following useful lives are used to calculate depreciation:

	Years
Mining concessions	10 – 100
Closure of quarries	11 – 38
Buildings and other constructions	10 – 50
Premises	3 – 10
Machinery and equipment and major replacement parts	7 – 25
Vehicles	5 – 10
Furniture and fixtures	6 – 10
Various equipment	4 – 10

The carrying amount of an item of property, plant and equipment and any significant part is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of an asset (determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item) is included in the statement of profit or loss.

Work-in-progress includes projects in progress and is measured at cost. The cost comprises costs that are directly attributable to the acquisition, construction or production of a qualifying asset and other direct costs. Work-in-progress is not depreciated until the asset is brought into use.

Land is measured at cost and has an indefinite useful life; therefore, it is not depreciated.

The residual value, useful life and depreciation method are reviewed and adjusted, as appropriate, at the end of each reporting period.

Mining concessions correspond to rights to explore areas of interest acquired in prior years. Mining concessions are measured at cost, less any accumulated amortization and any impairment losses. They are recognized in ‘mining concessions and property, plant and equipment’ in the statement of financial position. Mining concessions are amortized using the straight-line method. If the Company abandons a concession, the related costs are recognized in the statement off profit or loss.

H. Intangible assets

Goodwill
The Company recognizes goodwill at the acquisition date measured as the excess of the aggregate of the consideration transferred and the amount of any non-controlling interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is recognized in ‘intangible assets’ in the statement of financial position.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses, which are measured at least every year in December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the acquirer's cash-generating units (CGU), or groups of CGUs, that is expected to benefit from the synergies of the combination.

If goodwill has been allocated to a cash-generating unit and the Company disposes of an operation within that unit, the goodwill associated with the operation disposed of shall be measured on the basis of the relative values of the operation disposed of and the portion of the CGU retained.

A CGU to which goodwill has been allocated shall be tested for impairment annually, and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. If the carrying amount of the unit exceeds the recoverable amount of the unit, the Company shall recognize the impairment loss. An impairment loss recognized for goodwill shall not be reversed in a subsequent period.

Software licenses
Computer software are measured initially at cost. The cost comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. Such costs are amortized over the useful life of the intangible asset (i.e., from 3 to 10 years).

Deferred stripping costs
The Company incurs waste removal costs (stripping costs) during the development and production phases of the open-pit mine. During the production phase, production stripping costs are incurred both in relation to usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. To the extent that the benefit from the stripping activity is realized in the form of inventory produced, the Company recognizes the costs of that stripping activity as production costs. To the extent the benefit is improved access to ore, the Company recognizes these costs as a stripping activity asset. Management uses significant judgment to distinguish development and production activities, as well as to distinguish between costs of the stripping activity asset and the inventory produced.

The Company initially measures the stripping activity asset at cost. The stripping activity asset shall be amortized over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The identified component of ore body is the more accessible as a result of the stripping activity. Management uses significant judgment to identify the component of the ore body and determine the volume of waste extracted (e.g., tons) and the expected mineral content to be extracted.

The assessments are performed for each individual mining operation based on the information available in the quarry plan. A quarry plan and identification of the component of the ore body vary between quarries for different reasons. These include, but are not limited to, the type of product, the geological characteristics of the ore body, the geographical location and/or financial considerations.

The stripping activity asset shall be depreciated over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. After initial recognition, the stripping activity asset shall be carried at either its cost or its revalued amount less depreciation and impairment losses.

l. ***Reserve estimates***
Reserves are estimates of the amount of product (ore) that can be economically and legally extracted from non-metallic mineral resources. The Company estimates its ore reserves and mineral resources based on information compiled by suitably qualified professionals relating to the geological data on the size, depth and shape of the ore body. This process may require complex and difficult geological judgments to interpret the data.

In order to estimate reserves, assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production costs, commodity prices and exchange rates.

Changes in the reserve estimates may affect the carrying amount of mining concessions and items of property, plant and equipment, provision for closure of quarries and depreciation and amortization charges.

J. *Impairment of non-financial assets*

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Company shall estimate the recoverable amount of the asset.

The recoverable amount of an asset or CGU is the higher of its fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. An asset or a CGU is impaired when its carrying amount exceeds its recoverable amount. The Company shall reduce the carrying amount of the asset or CGU to its recoverable amount. Value in use of an asset or CGU is the expected future cash flows, discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. When determining fair value less costs of sale, the Company uses current market transactions that might be available. If such market transactions are not available, the Company uses a valuation technique that is appropriate in the circumstances.

Any impairment loss of inventories is recognized in the statement of profit or loss and other comprehensive income in 'expenses' to which the credit-impaired asset belongs.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Company shall estimate the recoverable amount of that asset.

An impairment loss recognized in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior periods. A reversal of an impairment loss for an asset is recognized immediately in profit or loss and other comprehensive income, unless the asset is carried at revalued amount. Any reversal of an impairment loss of a revalued asset shall be treated as a revaluation increase.

K. Provisions

General provision

A provision is only recognized when the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. When some or all of the expense required to settle a provision is expected to be reimbursed by another party—e.g., under an insurance contract—, the reimbursement is recognized when, and only when, it is virtually certain that the reimbursement will be received.

The reimbursement is treated as a separate asset. In the statement of profit or loss and other comprehensive income, the expense relating to a provision is presented net of the amount recognized for a reimbursement. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenses expected to be required to settle the obligation. When discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognized as financial expenses in profit or loss.

Provision for the dismantling of plants and quarries
The Company recognizes a provision for the costs of legal or constructive obligations to clean up contaminated land or restore facilities in the period in which the obligation is incurred. A provision for dismantling quarries is measured at the amount that the Company would rationally pay to settle the obligation at the end of the reporting, using expected cash flows. The costs are recognized as an integral part of the cost of that asset. The discount rate shall be a pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the liability.

Accruals are recognized as an expense as incurred in 'financial expenses' in the statement of profit or loss and other comprehensive income. The dismantling costs are reviewed and adjusted, as appropriate, on an annual basis. Changes in the expected future costs or in the discount rate are added to or deducted from the cost of the asset.

Contingencies
A contingent liability is recognized depending on whether some uncertain future events occur or when the amount of the obligation cannot be measured reliably. A contingent asset is not recognized in the financial statements, but it is disclosed where an inflow of economic benefits is probable. When the realization of revenue is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

Employee benefits
The Company's short-term employee benefits include salaries, social security contributions, legal bonuses, performance bonuses and employees' profit sharing. These liabilities are monthly charged to the statement of comprehensive income on an accrual basis.

L. Revenue recognition
The Company's revenue corresponds to the sale of goods, which are transferred to customers at a point in time. The Company satisfies such performance obligation upon delivery of goods. The Company concluded that it acts as a principal in sales agreements because it controls the goods before those goods are transferred to the customer.

Sale of goods
The Company identifies the sale of goods as a performance obligation. Revenue is recognized when the Company transfers control of the goods to the customer—i.e., upon delivery.

IFRS 15 establishes a five-step model for the recognition of revenue from contracts with customers:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations; and
- Recognize revenue when (or as) a performance obligation is satisfied.

IFRS 15 provides a clear rationale for the recognition of revenue by an entity and takes a principle-based approach to recognizing revenue.

The Company does not have a contract that has multiple performance obligations; therefore, it is not required to allocate the transaction price to the performance obligations in the contract (e.g., warranties, customer loyalty programs).

M. Financial expenses

The Company capitalizes financial expenses that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

All other financial expenses are recognized in the statement of comprehensive income as incurred. Financial expenses are interest and other costs that an entity incurs in connection with the borrowing of funds.

N. Taxes

Current tax

Current tax assets and liabilities are measured at the amount expected to be paid to (recovered from) the Tax Authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Current tax liabilities (assets) are measured at the amount expected to be paid to (recovered from) the Tax Authorities (best estimate), using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Current tax also comprises any tax arising from dividends.

Current tax that relates to items recognized directly in equity, is recognized outside profit or loss and other comprehensive income, directly in equity. Management assesses on an ongoing basis the income tax treatment used by the Company in its income tax filings regarding situations in which the applicable tax laws are subject to interpretation. The Company recognizes a provision, as appropriate.

Deferred income tax

Deferred income tax assets and liabilities are recognized for all (deductible and taxable) temporary differences—i.e., differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. The measurement of deferred tax liabilities and deferred income tax assets shall reflect the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The carrying amount of deferred tax assets and liabilities may change even though there is no change in the amount of the related temporary differences. This can result from a change in tax rates or tax laws. The resulting deferred tax is recognized in profit or loss, except to the extent that it relates to items previously recognized outside profit or loss.

A deferred tax asset and liability is measured without considering the period in which the temporary differences are expected to reverse. A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. At the end of each reporting period, the Company assesses the unrecognized deferred tax assets, and recognized deferred tax assets. The Company measures deferred tax assets and liabilities at the tax rate applicable to undistributed profits. The Company recognize the deferred income tax consequences of dividends when it recognizes a liability to pay a dividend.

The Company shall offset deferred tax assets and liabilities if it has a legally enforceable right to set off current tax assets against current tax liabilities; and the deferred tax assets and liabilities relate to income taxes levied by the same Tax Authorities.

Uncertainty over income tax treatments
The acceptability of a particular tax treatment under tax law may not be known until the relevant Tax Authorities or a court takes a decision in the future. Consequently, a dispute or examination of a particular tax treatment by the Tax Authorities may affect an entity's accounting for a current or deferred tax asset or liability.

If an entity concludes it is probable that the Tax Authorities will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax returns.

If an entity concludes it is not probable that the Tax Authorities will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty.

If an uncertain tax treatment affects current and deferred tax, an entity shall make consistent judgments and estimates for both current and deferred tax.

An entity shall reassess a judgment or estimate if the facts and circumstances on which the judgment or estimate was based change or as a result of new information that affects the judgment or estimate. An entity shall reflect the effect of a change in the facts and circumstances or of new information as a change in the accounting estimate.

As of December 31, 2023 and 2022, the Company did not identify uncertain tax treatments that would result in the recognition of provisions in the financial statements.

Mining royalties
In accordance with Law 28258, amended by Law 29788, mining royalty payments are the higher of a percentage of operating profit or 1% of profits. If a mining royalty is calculated as a percentage of operating profit, marginal tax rates ranging from 1% to 12% are applicable. Such rates increase gradually for entities with higher operating margins. Mining royalties are recognized under IAS 12 *Income Taxes*, since they meet the requirements of taxes. Royalty payments are required by the Peruvian government and are based on profits, net of expenses after adjustments for temporary differences, rather than on the amount produced or a percentage of profits. They are measured using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Consequently, royalty payments made by the Company to the Peruvian government are within the scope of IAS 12.

Sales tax
Revenue, expenses and assets are recognized net of the amount of sales tax, except when:

- Sales tax incurred in the acquisition of goods or services is not recoverable from the Tax Authorities, in which case, it is recognized as part of costs of purchase of the asset or as part of 'expenses,' as appropriate; and
- Accounts receivable and payable are stated with the amount of sales tax included.

The net amount of sales tax expected to be recovered from or paid to the Tax Authorities is presented in 'other accounts receivable' or 'other accounts payable' in the statement of financial position.

O. Operating income
Operating income is the income generated by the Company's main revenue-producing operations, as well as other income and expenses related to operating activities. Net financial expenses and income tax are not included.

4. Significant Accounting Judgments, Estimates and Assumptions
In preparing these financial statements, management has made judgments, estimates and assumptions related to determining the reported amounts of assets and liabilities, exposure of contingent assets and contingent liabilities at the reporting date, and the reported amounts income and expenses for the years ended December 31, 2023 and 2022.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Significant estimates and judgments related to the financial statements comprise the following:

- Estimated useful life and impairment of concessions and property, plant and equipment.

- Reserves estimates.

- Income tax

In management's opinion, the estimates included in the financial statements were made based on the best understanding of relevant facts and circumstances at the reporting date. However, actual results may differ from these estimates.

5. New IFRSs or Amendments

The following standards and amendments are applicable to annual periods beginning on or after January 1, 2023:

Effective date	New IFRSs or amendments
January 1, 2023	IFRS 17 *Insurance Contracts*
	Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendment to IFRS 17)
	Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
	Definition of Accounting Estimates (Amendments to IAS 8)
	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
	International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12)

The amendments did not have an effect on the Company's financial statements.

6. Standards issued but not Yet Effective

The following standards are applicable to annual periods beginning on or after January 1, 2023, and have not been applied in preparing these financial statements. The Company does not plan to early adopt the applicable standards.

Effective date	New IFRSs or amendments
January 1, 2024	*Supplier Finance Arrangements* (Amendments to IAS 7 and IFRS 7)
	Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
January 1, 2025	*Lack of Exchangeability* (Amendments to IAS 21)
Early adoption permitted/ Effective date deferred indefinitely	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28)

Such standards and interpretations are not expected to have a significant effect on the Company's financial statements.

7. Foreign Currency Transactions

Foreign currency transactions are entered into at the free-market exchange rates published by the Banking, Insurance and Private Pension Plan Agency (Superintendencia de Banca, Seguros y AFP – SBS). As of December 31, 2023, the weighted average of free-market exchange rates used in transactions in *soles* were S/ 3.705 (buy rate) and S/ 3.713 (sell rate) (2022: S/3.808 and S/ 3.820, respectively).

As of December 31, 2023 and 2022, the Company has the following foreign currency transactions (in U.S. dollars):

In thousands of U.S. dollars	**2023**	**2022**
Assets		
Cash and cash equivalents	1,864	7,409
Financial instruments and derivatives	679	669
Trade and other accounts receivable	42,581	32,123
	45,124	**40,201**
Liabilities		
Trade and other accounts payable	(5,973)	(800)
Other financial liabilities	(85,500)	(101,500)
	(91,473)	**(102,300)**
Net liability position	**(46,349)**	**(62,099)**

The Company manages the exchange rate risk by monitoring and controlling the amounts of the currencies other than functional currency that are exposed to changes in the exchange rates.

As of December 31, 2023 and 2022, the Company does not have foreign currency transactions using hedging instruments. Any devaluation or revaluation of foreign currency affects the statement of profit or loss.

8. Cash and Cash Equivalents

This caption comprises the following:

In thousands of soles	**2023**	**2022**
Fixed funds	19	10
Checking accounts (a)	21,648	43,144
Time deposits (b)	11,324	17,554
	32,991	**60,708**

(a) It corresponds to checking accounts stated in local and foreign currency and deposited at local banks with a high credit rating. They have free withdrawal option and accrue interest at market rates.

(b) It corresponds to time deposits held in local financial institutions and stated in local and foreign currency. They accrue interest at market rates and have original maturities of less than three months.

Impairment loss on cash and cash equivalents was measured at an amount equal to 12-month ECLs and reflects the short-term maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external ratings of the borrowers.

9. Trade and Other Accounts Receivable

This caption comprises the following:

In thousands of soles	***Note***	**2023**	**2022**
Trade accounts receivable			
Trade accounts receivable (a)		82,063	74,373
Related parties			
Accounts receivable	*27 (c)*	242,659	222,371
Others			
VAT tax credit		11,349	18,143
Advances to suppliers (b)		25,880	15,312
Third-party claims		2,413	1,233
Loans to employees		1,065	5,554
Hedging financial instruments	*30 A.i*	1,762	2,557
Other accounts receivable		6,482	1,451
		373,673	**340,994**
Less: Estimated Credit Loss (c)		(315)	(1,592)
Total		**373,358**	**339,402**
Less: Current portion		**372,095**	**339,402**
Non-current portion		**1,263**	**-**

(a) Trade accounts receivable are stated in soles, have current maturity, do not accrue interest and do not have specific collaterals.

(b) As of December 31, 2023 and 2022, it corresponds to advance payments made to suppliers for the acquisition of supplies, as well as the rendering of various services. They are paid in the short and long term.

(c) In 2023 and 2022, movement in the loss allowance for trade and other accounts receivable is as follows:

In thousands of soles	***Note***	**2023**	**2022**
Opening balance		1,592	-
Recovery	24	(1,592)	-
Provisions	21	315	1,592
Closing balance		**315**	**1,592**

As of December 31, 2023 and 2022, in management's opinion, accounts receivable are not exposed to non-performance risk, except for provision for accounts receivable. The Company's major customers have a good credit rating and are not experiencing financial difficulties. They were subject to credit risk assessments at the reporting date.

In management's opinion, the loss allowance and the specific provision for trade and other accounts receivable adequately hedges the non-performance risk as of December 31, 2023 and 2022.

As of December 31, 2023 and 2022, the aging of trade and other accounts receivable is as follows:

	2023		
In thousands of soles	**Not impaired**	**Impaired**	**Total**
Neither past due nor impaired	333,110	-	333,110
Less than 30 days	10,282	-	10,282
30–90 days	200	-	200
91–180 days	26,264	-	26,264
More than 180 days	3,502	315	3,817
	373,358	**315**	**373,673**

	2022		
In thousands of soles	**Not impaired**	**Impaired**	**Total**
Neither past due nor impaired	255,647	-	255,647
Less than 30 days	22,352	-	22,352
31–90 days	22,205	-	22,205
91–180 days	38,527	-	38,527
More than 180 days	671	1,592	2,263
	339,402	**1,592**	**340,994**

10. Inventories

This caption comprises the following:

In thousands of soles	***Note***	**2023**	**2022**
Finished goods	*20*	26,251	20,311
In process products (a)	*20*	219,429	167,148
Raw and auxiliary materials (b)		121,660	114,450
Containers and packaging		29,118	62,542
Spare parts and supplies (c)		206,139	193,638
		602,597	**558,089**
Estimate for inventory obsolescence (d)		(16,467)	(15,363)
		586,130	**542,726**

(a) It corresponds to coal, pozzolana, gypsum, clay, clinker in production and limestone extracted from the Company's quarries. According to management, they will be used in the production phase in the short term.

(b) It corresponds to imported and local coal and plaster.

(c) It corresponds to replacement parts and supplies that will be used by the Company in the short term. The replacement parts that the Company expects to use in a period greater than one year are presented in “machinery and equipment and major replacement parts” in “mining concessions and property, plant and equipment”.

(d) In 2023, movement in the estimate for inventory obsolescence is as follows:

In thousands of soles	***Note***	**2023**	**2022**
Opening balance		**15,363**	**10,529**
Provisions	*20*	1,104	4,834
Closing balance		**16,467**	**15,363**

In management's opinion, the estimate for inventory obsolescence adequately hedges the obsolescence risk as of December 31, 2023 and 2022.

11. Mining Concessions and Property, Plant and Equipment

This caption comprises the following:

In thousands of soles	**Mining concessions (a)**	**Land**	**Closure of quarries and plant**	**Buildings and other constructions**	**Premises**	**Machinery and equipment and major replacement parts**	**Vehicles**	**Furniture and fixtures**	**Various equipment**	**Work-in-progress (e)**	**Total**
Costs											
As of January 1, 2022	73,655	591,665	19,026	1,193,676	116,902	3,518,561	34,433	18,311	77,372	183,620	5,827,221
Additions (b)	-	5,165	1,505	10	-	3,474	152	10	719	208,847	219,882
Transfers (b)	-	-	-	11,791	1,181	55,085	321	-	130	(68,508)	-
Disposals and sales	-	-	(1,020)	-	-	-	(1,246)	-	-	-	(2,266)
Closure of quarries	-	-	(1,727)	-	-	-	-	-	-	-	(1,727)
As of December 31, 2022	**73,655**	**596,830**	**17,784**	**1,205,477**	**118,083**	**3,577,120**	**33,660**	**18,321**	**78,221**	**323,959**	**6,043,110**
Additions (b)	-	-	1,256	-	-	37,999	-	1	174	217,001	256,431
Transfers (b)	-	-	-	58,045	2,598	38,201	-	325	9,962	(109,131)	-
Disposals and sales	-	-	-	-	-	-	(1,677)	-	-	-	(1,677)
Closure of quarries	-	-	164	-	-	-	-	-	-	-	164
As of December 31, 2023	**73,655**	**596,830**	**19,204**	**1,263,522**	**120,681**	**3,653,320**	**31,983**	**18,647**	**88,357**	**431,829**	**6,298,28**
Accumulated depreciation											
As of January 1, 2022	14,745	-	11,080	399,492	77,582	1,548,77	26,482	17,492	62,717	-	2,157,667
Depreciation (c)	30	-	1,141	47,020	6,046	161,893	2,333	149	2,988	-	221,600
Disposals and sales	-	-	(774)	-	-	-	(1,120)	-	-	-	(1,894)
As of December 31, 2022	**14,775**	**-**	**11,447**	**446,512**	**83,628**	**1,709,970**	**27,695**	**17,641**	**65,705**	**-**	**2,377,373**
Depreciation (c)	29	-	118	46,595	6,184	159,549	2,209	126	2,980	-	217,790
Disposals and others	-	-	(4,285)	-	-	-	(1,492)	-	-	-	(5,777)
As of December 31, 2023	**14,804**	**-**	**7,280**	**493,107**	**89,812**	**1,869,519**	**28,412**	**17,767**	**68,685**	**-**	**2,589,386**
Net carrying amount											
As of December 31, 2023	**58,851**	**596,830**	**11,924**	**770,415**	**30,869**	**1,783,801**	**3,571**	**880**	**19,672**	**431,829**	**3,708,642**
As of December 31, 2022	**58,880**	**596,830**	**6,337**	**758,965**	**34,455**	**1,867,150**	**5,965**	**680**	**12,516**	**323,959**	**3,665,737**

(a) It corresponds to the concessions of the Atocongo, Pucará, Condorcocha and El Silencio 8 quarries.

(b) The main additions in 2023 refer to disbursements made for the projects Klin 3 cooler dedusting system in the Condorcocha plant. Morever, the expansion of the product packaging and dispatch capacity continues at both plants: Atocongo and Condorcocha for approximately S/ 103,855,000.

The main additions in 2022, refer disbursements made for the projects of expansion of the packaging and dispatch capacity of goods in both plants, the optimization of the clinker cooler and kiln 3 dedusting system in the Condorcocha plant, as well as structural reinforcement and improvement of the unloading system, improvement to cement mills and primary crusher in the Atocongo plant for S/ 80,449,000.

In 2023, the Company completed the projects related to the expansion of the packaging and dispatch capacity, called 'Nueva Embolsadura N°6', and palletizers in the Condorcocha plant for S/ 47,045,000. Such projects were transferred from ‘work-in-progress’ to ‘mining concessions and property, plant and equipment’.

In 2022, the Company completed the projects related to the structural reinforcement and internal modification of two chambers of the multi silo in the Atocongo plant, as well as improvement in machinery and construction of the engineering division of the Atocongo and Condorcocha plants for S/ 32,999,000. Such projects were transferred from ‘work-in-progress’ to ‘mining concessions and property, plant and equipment’.

(c) In 2023 and 2022, depreciation charge was allocated as follows:

In thousands of soles	**Note**	**2023**	**2022**
Cost of sales	*20*	212,030	211,863
Administrative expenses	*21*	3,775	7,263
Sales expenses	*22*	281	591
Other expenses	*24*	1,704	1,883
		217,790	**221,600**

(d) In 2023, interest was capitalized for S/ 6,077,000 (2022: S/ 3,157,000). The amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the outlays on that asset. As of December 31, 2023, the rate used to determine the amount of borrowing costs eligible for capitalization was 4.33% (2022: 3.88%).

(e) Work-in-progress comprises the following:

In thousands of soles	**2023**	**2022**
Buildings and other constructions	118,922	65,427
Machinery and equipment	312,907	258,532
	431,829	**323,959**

(f) In management's opinion, there are no events that could have an effect on the revenue forecast in the remaining useful life of fixed assets. As of December 31, 2023 and 2022, there is no indication that an asset may be impaired. Therefore, the Company is not required to recognize a loss allowance.

(g) The Company insured its main assets in accordance with management's policies. In management's opinion, its insurance contracts are consistent with the international practice in the sector.

(h) As of December 31, 2023 and 2022, the Company does not have contractual commitments for the acquisition of property, plant, and equipment, onerous contracts with suppliers, or restrictions on transfer or other restrictions that exist during the vesting period.

12. Deferred Asset Related to Stripping

This caption comprises the following:

In thousands of soles	***Note***	**2023**	**2022**
Costs			
As of January 1		164,912	164,912
As of December 31		**164,912**	**164,912**
Accumulated depreciation			
As of January 1		69,051	62,384
Additions	*20*	3,650	6,667
As of December 31		**72,701**	**69,051**
Net assets			
As of December 31		**92,211**	**95,861**

As of December 31, 2023 and 2022, the Company has three identified components (quarries): Atocongo, Atocongo Norte and Pucará. These quarries maintain a specific volume of limestone and waste.

13. Intangible Assets

This caption comprises the following:

In thousands of soles	Goodwill (a)	Software	Environmental protection program	Exploration expenses	Others	Total
Costs						
As of January 1, 2022	9,746	953	17,071	1,149	18,337	47,256
Additions	-	-	-	-	1,508	1,508
As of December 31, 2022	**9,746**	**953**	**17,071**	**1,149**	**19,845**	**48,764**
Additions	-	1,505	-	-	-	1,505
As of December 31, 2023	**9,746**	**2,458**	**17,071**	**1,149**	**19,845**	**50,269**
Accumulated depreciation						
As of January 1, 2022	-	441	17,071	1,149	15,602	34,263
Amortization (b)	-	87	-	-	1,381	1,468
As of December 31, 2022	**-**	**528**	**17,071**	**1,149**	**16,983**	**35,731**
Amortization (b)	-	87	-	-	152	239
As of December 31, 2023	**-**	**615**	**17,071**	**1,149**	**17,135**	**35,970**
Net carrying amount						
As of December 31, 2023	**9,746**	**1,843**	**-**	**-**	**2,710**	**14,299**
As of December 31, 2022	**9,746**	**425**	**-**	**-**	**2,862**	**13,033**

(a) In 2003, the purchase of all the shares of Lar Carbón S.A. became effective. The purchase was recognized using the acquisition method. Accordingly, adjustments to the financial statements of UNACEM Corp. S.A.A. Were made to reflect the assets and liabilities measured at acquisition-date fair value. As a result of such transaction, UNACEM Corp. S.A.A. recognized goodwill for S/ 9,745,000, which was transferred to the Company as part of the transfer by reorganization.

The recoverable amount of the coal grinding plant (CGU) was measured based on the value in use that uses cash flow projections on financial budgets prepared by management over a 5-year term. The Company did not identify any indication that the CGU may be impaired. In management's opinion, no reasonably possible change in a key assumption would cause the carrying amount of the CGU to exceed its recoverable amount as of December 31, 2023 and 2022.

(b) In 2023 and 2022, amortization charge was allocated as follows:

In thousands of soles	***Note***	**2023**	**2022**
Administrative expenses	*21*	13	13
Sales expenses	*22*	139	1,368
Other expenses	*24*	87	87
		239	**1,468**

14. Trade and Other Accounts Payable

This caption comprises the following:

In thousands of soles	***Note***	**2023**	**2022**
Trade accounts payable (a)		207,599	181,666
Accounts payable to related parties	*27(c)*	55,392	119,925
Income tax payable		27,093	170,443
Interest payable	*15(b) & 15(e)*	8,988	16,729
Compensations and paid annual leave payable		13,284	13,833
Social security contributions payable		3,389	5,109
Key management personnel compensation payable		3,367	3,626
Other accounts payable		12,847	7,837
		331,959	**519,168**

(a) Trade accounts payable arise from the rendering of mining services and the acquisition of fuels and additives. They are stated in local and foreign currency, have current maturity, do not accrue interest and do not have specific collaterals.

15. Other Financial Liabilities

(a) As of December 31, 2023 and 2022, this caption comprises the following:

	2023		
In thousands of soles	**Current portion**	**Non-current portion**	**Total**
Bank Promissory notes (b)	167,085	-	167,085
Bank loans (c)	299,265	1,107,997	1,407,262
	466,350	**1,107,997**	**1,574,347**

	2022		
In thousands of soles	**Current portion**	**Non-current portion**	**Total**
Bank Promissory notes (b)	371,900	-	371,900
Bank loans (c)	230,635	781,596	1,012,231
	602,535	**781,596**	**1,384,131**

(b) It corresponds to working capital loans. They do not have specific collaterals and are renewed based on the Company's working capital requirements.

As of December 31, 2023 and 2022, it comprises the following:

In thousands of soles	**Original currency**	**Maturity date**	**2023**
Financial Entity			
BBVA Banco Continental S.A.	USD	November 2024	167,085
			167,085

In thousands of soles	**Original currency**	**Maturity date**	**2022**
Financial Entity			
Banco de Crédito del Perú S.A.	PEN	June 2023	200,000
Banco Internacional del Perú S.A.A.	USD	November 2023	171,900
			371,900

As of December 31, 2023, interest payable for promissory notes amounted to S/ 1,098,000 (2022: S/ 8,434,000). It is recognized in 'trade and other accounts payable' in the statement of financial position (note 14).

As of December 31, 2023 and 2022, interest expense for promissory notes amounted to S/ 46,914,000 and S/ 10,979,000, respectively. It is recognized in 'Financial expenses' in the statement of profit or loss (note 26).

(c) As of December 31, 2023 and 2022, bank loans, which do not have collaterals, are the following:

In thousands of soles	**Maturity date**	**Original amount (000)**	**Currency**	**2023**	**2022**
Bank loans					
Banco de Crédito del Perú S.A.	June 2025 and October 2026	385,900	PEN	376,369	105,900
Scotiabank Perú S.A.A.	October 2024, March 2025, June 2025 and January 2027	457,857	PEN	305,143	318,500
Banco Internacional del Perú S.A.A. - Interbank	January 2027	130,000	PEN	111,150	127,400
Banco BBVA Perú	June 2025 and January 2027	502,857	PEN	466,193	247,800
Citibank (c.1)	October 2025	50,000	USD	111,390	152,800
Bank of Nova Scotia S.A. (c.1)	September 2025	30,000	USD	38,987	63,030
				1,409,232	**1,015,430**
Amortized cost				(1,970)	(3,199)
Total				**1,407,262**	**1,012,231**

(c.1) The Company has swap contracts to reduce the risk of the variable interest rate related to these loans (note 29.A).

As of December 31, 2023, the Company has provided its guarantee for the bank loans received by UNACEM Corp. S.A.A. up to a limit of S/ 779,231,000 (2022: S/ 1,075,323,000).

(d) Management monitors covenants applicable to local financial liabilities on a quarterly basis. They are calculated based on the quarterly financial statements of: i) the Company and ii) the Company and UNACEM Corp S.A.A.

As of December 31, 2023 and 2022, the main covenants with which the Company shall comply fluctuate according to the following ratios:

- Maintain a debt-to-equity ratio of less than 1.5.
- Maintain a debt-service coverage ratio of more than or equal to 1.2.
- Maintain a net debt-to-EBITDA ratio of less than 3.5.

In management's opinion, the Company complied with the covenants as of December 31, 2023 and 2022.

(e) As of December 31, 2023, interest payable for medium and long-term debts amounted to S/ 7,890,000 (2022: S/ 8,295,000). It is recognized in 'trade and other accounts receivable' in the statement of financial position (note 14).

As of December 31, 2023 and 2022, interest expense for medium and long-term debts amounted to S/ 38,622,000 and S/ 49,538,000, respectively. It is recognized in 'Financial expenses' in the statement of profit or loss (note 26).

(f) As of December 31, 2023, the Company had bank loans in local currency (*soles)* at effective annual interest rates ranging from 4.10% to 7.65% (2022: 4.10% to 4.92%).

As of December 31, 2023 and 2022, bank loans in foreign currency (U.S. dollars) are at a variable interest rate plus a margin. As of September 30, 2023, the Company and the financial institutions agreed to replace the variable rate for both loans: from 3-month LIBOR with a margin (ranging from 1.75% to 2.60%) to 3-month SOFR with a margin (ranging from 2.01% to 2.96%).

16. Provisions

This caption comprises the following:

In thousands of soles	2023		2022	
	Current portion	**Non-current portion**	**Current portion**	**Non-current portion**
Employees' profit sharing (a)	40,068	-	45,345	-
Provision for closure of quarries (b)	985	19,137	1,221	26,243
Severance payment	2,277	-	1,901	-
	43,330	**19,137**	**48,467**	**26,243**

(a) Employees' profit sharing
In 2023 and 2022, movement in the employees' profit sharing is as follows:

In thousands of soles	***Note***	**2023**	**2022**
Opening balance		**45,345**	**-**
Employees' profit sharing	*23*	69,461	79,602
Payments and advances		(74,738)	(34,257)
Closing balance		**40,068**	**45,345**

(b) Provision for closure of quarries
As of December 31, 2023 and 2022, the Company has a provision for closure of quarries. The provision was measured on the basis of assessments performed by internal specialists using a discount rate. Management made reasonable assumptions about making estimates based on current conditions. These estimates are reviewed annually to take into account any changes in the assumptions. However, closure costs will ultimately depend on future market prices for the decommissioning works that will reflect market conditions at the relevant time. The timing of closure is likely to depend on when the mine ceases to produce at economically viable rates. As of December 31, 2023 and 2022, the Company has six approved mine closure plans, respectively.

As of December 31, 2023, the present value of the provision for closure of quarries amounts to S/ 49,697,000 (2022: S/ 46,661,000). The risk-adjusted discount rate used in measuring the provision ranges from 4.91% to 6.59% (2022: 4.71% to 4.36%), resulting in a liability for S/ 20,122,000 (2022: S/ 27,464,000). In management's opinion, this liability is sufficient to meet the applicable environmental laws approved by the Ministry of Energy and Mines (MINEM).

In 2023 and 2022, movement in the provision for closure of quarries is as follows:

In thousands of soles	**2023**	**2022**
Opening balance	**27,464**	**29,756**
Remeasurement of present value of cash flows	(7,342)	(96)
Derecognition	-	(2,196)
Closing balance	**20,122**	**27,464**

17. Deferred Income Tax Liabilities

This caption comprises the following:

In thousands of soles	As of January 1, 2022	Debit (credit) to statement of profit or loss	Debit (credit) to statement of comprehensive income	As of December 31, 2022	Debit (credit) to statement of profit or loss	Debit (credit) to statement of comprehensive income	As of December 31, 2023
Deferred assets							
Hedging financial instruments	7,501	(2,507)	(5,748)	(754)	(227)	235	(746)
Provision for inventory obsolescence	3,106	1,426	-	4,532	326	-	4,858
Provision for closure of quarries	5,504	1,032	-	6,536	(3,486)	-	3,050
Pre-operating expenses	6,848	-	-	6,848	-	-	6,848
Amortization of intangible assets	1,423	(622)	-	801	(216)	-	585
Other provisions	(621)	792	-	171	(1,148)	-	(977)
	23,761	**121**	**(5,748)**	**18,134**	**(4,751)**	**235**	**13,618**
Deferred liabilities							
Difference in tax base and depreciation of mining concessions and property, plant and equipment	(355,891)	9,159	-	(346,732)	21,168	-	(325,564)
Deferred asset related to stripping	(30,582)	1,967	-	(28,615)	1,077	-	(27,538)
Capitalized interest	(29,496)	2,137	-	(27,359)	(794)	-	(28,153)
Deferred commissions of financial obligations	(1,172)	347	-	(825)	297	-	(528)
	(417,141)	**13,610**	**-**	**(403,531)**	**21,748**	**-**	**(381,783)**
Deferred income tax liabilities, net	**(393,380)**	**13,731**	**(5,748)**	**(385,397)**	**16,997**	**235**	**(368,165)**

18. Net Equity

A. Issued capital

As of December 31, 2023 and 2022, the subscribed and paid-in capital is represented by 2,156,485,445 ordinary shares at a face value of S/ 1 per share.

As of December 31, 2023 and 2022		
Shareholders	**Number of shares**	**Interests (%)**
UNACEM Corp. S.A.A.	2,156,485,444	100.00%
Digicem S.A. (former Transportes Lurín S.A.)	1	00.00%
	2,156,485,445	**100.00%**

B. Legal reserve

According to the Companies Act, the Company shall allocate not less than 10% of its profits distributed in each period, less income tax. This allocation is required until such reserve equals 20% of capital. The legal reserve may be used to offset losses or may be capitalized, but it shall be restored in both cases.

C. Dividend distribution

In 2023 and 2022, this caption comprises the following:

Dividends 2023

Date of Board of Directors' Meeting	*Note*	Dividends declared PEN (000)	Date of payment	Dividends per ordinary share
January 25, 2023 (a)		27,878	February 28, 2023	0.040
January 25, 2023 (a)		1,425	March 31, 2023	0.040
April 27, 2023 (a)		34,443	May 30, 2023	0.050
April 27, 2023 (a)		1,747	June 05, 2023	0.050
July 26, 2023 (a)		30,098	August 31, 2023	0.014
October 23, 2023 (a)		35,464	November 28, 2023	0.012
December 21, 2023 (a)		129,000	December 29, 2023	0.065
December 21, 2023	*27(c)*	11,000	January 18, 2024	0.065
		271,055		

Dividends 2022

Date of Board of Directors' Meeting	*Note*	Dividends declared PEN (000)	Date of payment	Dividends per ordinary share
April 27, 2022 (a)		64,974	June 15, 2022	0.030
July 26, 2022 (a)		25,731	August 31, 2022	0.012
October 26, 2022 (a)		55,000	October 31, 2022	0.026
October 26, 2022 (a)		38,404	November 29, 2022	0.018
December 14, 2022 (a)		14,661	December 28, 2022	0.026
December 28, 2022	*27(c)*	41,339	January, 31,2023	0.030
		240,109		

(a) An amount of S/ 260,055,000 of the dividends declared in the year 2023 was paid in cash.

An amount of S/ 50,754,000 of the dividends declared in the year 2022 was offset against accounts receivable from shareholders. Therefore, the remaining amount of S/ 148,016,000 was effectively paid to shareholders during the year.

19. Revenue

This caption comprises the following:

In thousands of soles	2023	2022
Sale of cement	2,521,545	2,654,820
Clinker export (a)	160,942	100,176
Sale of concrete blocks, paving blocks and pavement (b)	61,304	79,830
	2,743,791	**2,834,826**
Timing of transfer of goods		
Goods transferred at a point in time	2,743,791	2,834,826
	2,743,791	**2,834,826**

(a) It corresponds to clinker export to customers located in South America.

(b) It corresponds to sales made to the related party Unión de Concreteras S.A.

20. Cost of Sales

This caption comprises the following:

In thousands of soles	***Note***	2023	2022
Beginning inventory of finished goods and work-in-progress		187,459	164,106
Production costs			
Fuel		459,599	466,911
Depreciation	*11(c)*	212,030	211,863
Personnel expenses	*23(a)*	194,133	176,298
Use of raw materials		183,603	181,862
Maintenance of property, plant and equipment		192,719	178,361
Electric power		132,070	142,463
Transportation of raw materials		75,450	85,955
Containers		103,356	113,423
Depreciation of deferred assets related to stripping	*12*	3,650	6,667
Other production costs		308,127	259,023
Ending inventory of finished goods and work-in-progress	*10*	(245,680)	(187,459)
		1,806,516	**1,799,473**
Estimate for inventory obsolescence	*10(d)*	1,104	4,834
		1,807,620	**1,804,307**

21. Administrative Expenses

This caption comprises the following:

In thousands of soles	**Note**	**2023**	**2022**
Personnel expenses	*23(a)*	85,822	98,371
Third-party services		19,928	31,438
Donations		28,477	17,384
Taxes		9,301	10,973
Depreciation	*11(c)*	3,775	7,263
Amortization	*13(b)*	13	13
Loss allowance	*9(c)*	315	1,592
Others		5,440	5,303
		153,071	**172,337**

22. Sales Expenses

This caption comprises the following:

In thousands of soles	**Note**	**2023**	**2022**
Advertising costs (a)		39,167	42,826
Personnel expenses	*23(a)*	10,763	10,887
Amortization	*13(b)*	139	1,368
Costs to export clinker		-	4,807
Depreciation	*11(c)*	281	591
Others		3,665	6,359
		54,015	**66,838**

(a) It corresponds to advertising services on radio, television and other media to boost sales.

23. Personnel Expenses

This caption comprises the following:

In thousands of soles	**Note**	**2023**	**2022**
Compensations		122,196	113,800
Employees' profit sharing	*16(a)*	69,461	79,602
Bonuses		29,035	50,632
Legal bonuses		18,627	16,662
Paid annual leave		12,355	13,700
Social security contributions		13,990	13,176
Health care		14,887	12,850
Severance payment		12,283	10,982
Fees and expense allowance for Board of Directors		6,323	7,035
Travel and meal expenses		1,298	1,280
Others		13	149
		300,468	**319,868**

(a) Personnel expenses are allocated as follows:

In thousands of soles	**Note**	**2023**	**2022**
Cost of sales	*20*	194,133	176,298
Administrative expenses	*21*	85,822	98,371
Sales expenses	*22*	10,763	10,887
Other expenses	*24*	9,750	34,312
		300,468	**319,868**

In 2023, the average number of employees was 874 (2022: 834 employees).

24. Other Income and Expenses

This caption comprises the following:

In thousands of soles	**Note**	**2023**	**2022**
Other income			
Service revenue		24,549	17,384
Rental income		1,782	2,902
Recovery of provision for doubtful accounts	*9(c)*	1,592	-
Other income		16,126	5,163
		44,049	**25,449**
Other expenses			
Royalties to related parties	*27(a)*	112,491	119,467
Service cost		12,127	3,423
Personnel expenses	23(a)	9,750	34,312
Depreciation	*11(c)*	1,704	1,883
Expenses for ECLs	*9(c)*	315	1,592
Amortization	*13(b)*	87	87
Other expenses		7,865	8,266
		144,339	**169,030**
		100,290	**143,581**

25. Financial Income

This caption comprises the following:

In thousands of soles	**Note**	**2023**	**2022**
Interest on bank loans		5,657	1,256
Gain on hedging financial instruments, net	*30.A.i*	2,693	8,834
Interest on deposits		2,492	3,140
Others		56	165
		10,898	**13,395**

26. Financial Expenses

This caption comprises the following:

In thousands of soles	**Note**	**2023**	**2022**
Interest on long-term debts	*15(e)*	38,622	49,538
Interest on bank loans and promissory notes	*15(b)*	46,914	10,979
Others		2,298	1,480
		87,834	**61,997**
Structuring fee for other financial liabilities		1,231	2,175
		1,231	**2,175**
Interest on hedging financial instruments	*30.A.i*	5	7,343
Loss on remeasurement of fair value of the closure of quarries		1,180	1,412
		1,185	**8,755**
		90,250	**72,927**

27. Related Party Transactions

(a) In 2023 and 2022, the related party transactions are as follows:

In thousands of soles	**2023**	**2022**
Revenue		
Revenue from sale of cement		
La Viga S.A.	534,462	558,917
Unión de Concreteras S.A.	254,768	190,786
Concremax S.A.	20,412	45,494
Prefabricados Andinos Perú S.A.C.	1,026	959
Asociación UNACEM	429	299
Revenue from sale of concrete blocks, paving blocks and pavement		
Unión de Concreteras S.A.	56,861	74,793
Concremax S.A.	1,128	3,228
Revenue from support and management services		
Compañía Eléctrica El Platanal S.A.	387	1,696
UNICON Chile S.A.	-	930
UNACEM Chile S.A.	173	702
Prefabricados Andinos Perú S.A.C.	607	566
Digicem S.A.	238	15
Inversiones Nacionales y Multinacionales Andinas S.A.	213	-
UNACEM Corp. S.A.A.	3,773	502
Drake Cement L.L.C.	-	414
Others	553	495

In thousands of soles	***Note***	**2023**	**2022**
Rental income – property, plant and equipment			
Unión de Concreteras S.A.		228	702
UNACEM Corp. S.A.A.		18	160
Depósito Aduanero Conchán S.A.		292	299
ARPL Tecnología Industrial S.A.		64	57
Prefabricados Andinos Perú S.A.C.		187	187
Others		86	137
Revenue from sale of clinker			
UNACEM Chile S.A.		87,483	54,053
UNACEM Corp. S.A.A.		-	25,207
UNICON Chile S.A.		-	13,964
Drake Cement L.L.C.		3,314	1,810
Other income			
UNACEM Corp. S.A.A.		5,704	1,306
UNACEM Chile S.A.		-	706
Compañía Eléctrica El Platanal S.A.		1,574	601
Others		243	71
Acquisitions and expenses			
Dividends			
UNACEM Corp. S.A.A.	*18.C*	271,055	240,109
Trademark royalties			
UNACEM Corp. S.A.A.	*24*	112,491	119,467
Purchase of energy			
Compañía Eléctrica El Platanal S.A.		104,352	128,801
Packaging services			
Unión de Concreteras S.A.		17,736	27,625
Compañía Eléctrica El Platanal S.A.		3,393	-
Concremax S.A.		701	1,933
Fees and import duties for sale of cement			
La Viga S.A.		36,490	34,047
Surveillance services			
Vigilancia Andina S.A.		21,787	23,191
Technical support services			
ARPL Tecnología Industrial S.A.		26,071	26,774
Purchase of auxiliary materials			
UNACEM Corp. S.A.A.		4,540	44,337
Unión de Concreteras S.A.		6,746	6,639
Concremax S.A.		-	156
Engineering and project management services			
ARPL Tecnología Industrial S.A.		18,182	13,534
Precast products			
Prefabricados Andinos Perú S.A.C.		5,536	7,043
Warehouse management services			
Depósito Aduanero Conchán S.A.		3,694	3,375
Refund of expenses			
Unión de Concreteras S.A.		8,467	5,229
UNACEM Corp. S.A.A.		6,308	6,492
ARPL Tecnología Industrial S.A.		755	1,192
Donations			
Asociación UNACEM		25,064	17,002

In thousands of soles	**Note**	**2023**	**2022**
Others			
Generación Eléctrica Atocongo S.A.		3,782	3,426
Compañía Eléctrica El Platanal S.A.		2,081	-
Prefabricados Andinos Perú S.A.C.		24	169
Unión de Concreteras S.A.		221	336
Drake Cement L.L.C.		236	243
Inversiones Nacionales y Multinacionales Andinas S.A.		1,198	122
UNACEM Corp. S.A.A.		13	28
Compañía de Inversiones Santa Cruz S.A.		10	21
Digicem S.A.		115	11
Master Builders Solutions Perú S.A.		-	11

(b) It corresponds to 4.5% of sales of cement without fees invoiced monthly by UNACEM Corp. S.A.A.

(c) As of December 31, 2023 and 2022, as a result of these and other transactions, the Company has the following related party balances:

In thousands of soles	**Note**	**2023**	**2022**
Accounts receivable			
UNACEM Chile S.A.		131,402	78,213
Unión de Concreteras S.A.		74,510	73,734
La Viga S.A.		30,623	37,104
Minera Adelaida S.A.		3,540	1,750
Concremax S.A.		1,663	8,749
Drake Cement L.L.C.		533	2,201
Prefabricados Andinos Perú S.A.C.		219	649
Compañía Eléctrica El Platanal S.A.		74	917
UNICON Chile S.A.		-	18,805
UNACEM Corp. S.A.A.		-	120
Others		95	129
Total accounts receivable	***9***	**242,659**	**222,371**
Term			
Current portion		242,659	222,371
		242,659	**222,371**
Accounts payable			
UNACEM Corp. S.A.A.		19,677	75,878
ARPL Tecnología Industrial S.A.		12,974	9,046
Compañía Eléctrica El Platanal S.A.		10,249	13,452
Unión de Concreteras S.A.		7,152	13,379
La Viga S.A.		3,576	4,490
Depósito Aduanero Conchán S.A.		734	758
Generación Eléctrica Atocongo S.A.		328	1
Prefabricados Andinos Perú S.A.C.		317	45
Vigilancia Andina S.A.		217	2,037
Concremax S.A.		89	577
Drake Cement L.L.C.		39	241
Inversiones Nacionales y Multinacionales Andinas S.A.		34	8
Others		6	13
Total accounts payable	***14***	**55,392**	**119,925**

The Company enters into related party transactions on terms equivalent to those that prevail in arm's length transactions; therefore, there is no difference in pricing policies or tax bases. Policies related to payment terms are not different from policies used in arm's length transactions.

As of December 31, 2023, accounts payable to UNACEM Corp. S.A.A. include dividends payable for S/ 11,000,000 (2022: S/ 41,339,000) (note 18.C).

(d) As of December 31, 2023, the total key management personnel compensation amounted to S/ 28,487,000 (2022: S/ 25,125,000). It includes short-term employee benefits and severance payment.

28. Contingencies and Commitments

A. Financial commitments

As of December 31, 2023, the Company has the following financial commitments:

- A letter of guarantee issued by Banco Internacional del Perú S.A.A. on behalf of MINEM to ensure the execution of the mine closure plan of its mining concessions for USD 1,203,000, equivalent to S/ 4,467,000 (2022: USD 1,209,000, equivalent to S/ 4,618,000). It matures in January 2024.

- A letter of guarantee issued by Banco Internacional del Perú S.A.A. on behalf of the Ministry of Production to ensure the execution of the mine closure plan of its mining concessions for USD 6,551,000, equivalent to S/ 24,324,000 (2022: USD 6,383,000, equivalent to S/ 24,383,000). It matures in January and December 2024.

- Various letters of guarantee on behalf of the Tax Authorities (SUNAT) for S/ 14,225,000 to ensure the customs tax debt, maturing in January, February and March 2024.

- Various letters of guarantee on behalf of third parties for S/ 320,000, maturing in April 2024.

- A corporate guarantee granted jointly by UNACEM Corp, UNACEM Perú S.A., Desert Ready Mix and Desert Agregates on behalf of the subsidiary Skanon Investments to the syndicate loan for the acquisition of Tehachapi Cement, for USD 345,000,000. It matures in October 2026.

29. Tax Matters

Tax rates

A. The Company is subject to the Peruvian tax law. As of December 31, 2023 and 2022, the income tax rate is calculated on the basis of the net taxable profits determined by the Company at a rate of 29.5%.

The income tax rate is applicable to dividend distribution and any other form of profit distribution to 5% for profits generated and distributed from January 1, 2017.

Income tax determination

B. In 2023 and 2022, tax expense is as follows:

In thousands of soles	**Note**	**2023**	**2022**
Current tax		(184,419)	(208,837)
Deferred tax		16,997	13,731
Mining royalties	*29.H*	(4,901)	(5,209)
		(172,323)	**(200,315)**

In 2023, the reconciliation of the effective tax rate was as follows:

In thousands of soles	**2023**		**2022**	
Profit before tax	**560,805**	**100.00%**	**621,770**	**100.00%**
Income tax as per tax rate	165,437	29.5%	183,422	29.50%
Tax effects of permanent accounts	1,985	0.35%	11,684	1.88%
Effects of mining royalties	4,901	0.88%	5,209	0.84%
Tax expense	**172,323**	**30.73%**	**200,315**	**32.22%**

Temporary tax on net assets

C. The temporary tax rate is 0.4% for the years 2023 and 2022 and is applied to the amount of net assets exceeding S/ 1 million. It may be paid in cash or nine consecutive monthly installments. The paid amount may be used as a credit against income tax paid. In the event a remaining balance is not applied, its refund could be requested. In 2023, the Company has calculated the temporary tax on net assets, which was S/ 14,049,000. Since the Company started its business activities in the year 2022, it did not calculate the temporary tax on net assets.

Transfer pricing

D. In determining income tax, transfer pricing with related parties and entities domiciled in territories with low or zero taxation shall be supported with documents and information on the valuation techniques and the criteria used for the pricing.

Based on the business analysis, it is the opinion of management and its legal advisors that no significant contingencies will arise as of December 31, 2023 and 2022 from the application of the regulations of transfer pricing.

Tax Assessment

E. The Tax Authorities are entitled to audit and, if applicable, to correct the income tax calculated by the Company within the four years following the year of the tax return filing. The Company's income tax return for the years 2021 and 2022, which shall be presented for the year 2023, and monthly sales tax returns for the periods from January 2022 to December 2023 are open for review by the Tax Authorities.

Due to the possible interpretations of the applicable laws by the Tax Authorities, it is not possible to determine, to date, whether a future tax assessment will result in liabilities for the Company. Therefore, any major tax or surcharge that might arise from eventual tax assessments would be applied to profit or loss when they are determined. It is the opinion of management and its legal advisors that any possible additional settlement of taxes will not be significant for the financial statements as of December 31, 2023 and 2022.

Sales Tax Regime

F. As of December 31, 2023 and 2022, in accordance with the Peruvian tax regime, the sale tax rate is 18%.

Contingencies

G. In the normal course of business, the Company had various tax, legal (labor and administrative) and regulatory claims, which are recognized and disclosed in accordance with IFRSs (note 3.L)

Tax proceedings
The Company was not supervised by the Tax Authorities (SUNAT) and does not have significant claims filed by such entity.

As of December 31, 2023 and 2022, the Company does not have accounts receivable from tax proceedings.

Mining royalties

H. The mining royalties paid to the Peruvian government for the year 2023 amounts to S/ 4,901,000 (2022: S/ 5,209,000) (note 29.B).

Payments of mining royalties are deductible for determining income tax of the year in which payments are made.

Environmental commitments

I. The Company's activities are subject to the environmental regulations. Accordingly, it is required to comply with the following regulations:

(a) Industrial sector
Law 28611 “General Environmental Law” and Law 27446 “National Environmental Impact Assessment Law” regulate the environmental liabilities of all related-activities, including identification, prevention, supervision, control and early correction of the negative environmental impacts from investment projects.

In accordance with the laws, the Company submitted its environmental impact assessments, environmental impact statement and Environmental Adjustment and Management Program (PAMA, for its Spanish acronym) in relation to its business units.

The Company has an environmental impact assessment of the "Updating and Modification of the Environmental Management Tool of the Cement Plant," approved by the Ministry of Production in July 2020. As of December 31, 2023, the investment related to the implementation of the environmental management plan in the cement production phase amounts to USD 548,000 (2022: USD 207,495). The assessment and the updating of the investment are performed annually.

(b) Mining and port sectors

The Company prepared environmental impact assessments (note 26.E(i)) related to its port and mining activities (non-metallic mineral resources). It has complied with its commitments within the established terms. As of December 31, 2023, the investment related to mining and port activities amount to USD 290,000 (2022: USD 276,000).

On October 14, 2003, the Congress of the Republic of Peru issued Law 28090, a law that regulates the mine closure plan. Such Law establishes the obligations and procedures that a holder of a mining concession shall meet for preparing, submitting, and implementing the mine closure plan as well as lodging the relevant environmental guarantees to ensure compliance with the investments subject to the principles of environmental protection, preservation and recovery. The Company submitted environmental impact assessments of mine closure plans to the Ministry of Production and MINEM within the term established by this Law. The assessments established the guarantee and the investment to be made in the future upon the progressive and final closures of mines. The provision for the closure of mines corresponds to the obligation to restore the site (quarries) and areas affected by exploitation activities. The main activities correspond to mine clearance and reforestation.

As of December 31, 2023, the provision for closure of quarries amounts to S/ 20,122,000. It is presented in 'provisions' in the statement of financial position (note 16(b)). In management's opinion, this liability is sufficient to meet the applicable environmental laws approved by MINEM. The Company submitted its updated closure plan to the Ministry of Production. To date, only the Atocongo, Andino A, Andino B and Las Dunas Quarry Closure Plans have been approved, the others are under evaluation in accordance with the laws.

30. Financial Risk Management

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

The senior management is responsible for monitoring the management of such risks. Accordingly, it has the support of the Financial Management, which advises on financial risks and appropriate corporate governance framework for managing the Company's financial risks. The Financial Management provides assurance to the senior management that the financial risk-taking activities are regulated by appropriate corporate policies and procedures, and that the financial risks are identified, measured and managed in accordance with these policies and the Company's preferences at the time of taking risks.

The Board of Directors reviews and agrees on the policies to manage each risk.

A. Market risk

Market risk is the risk of changes in the market prices. Market risk comprises interest rate risk, exchange rate risk, commodity price risk and other price risks. They affect the Company's profit or loss or the fair value of the financial instruments. The objective of market risk management is to manage and control exposures to market risk within acceptable parameters, while optimizing the return.

The sensitivity analyses disclosed in the following notes are related to the financial position as of December 31, 2023 and 2022.

The Company prepared sensitivity analyzes based on the assumption that the risk variables (net debt, fixed and variable interest rates of debts and hedging financial instruments, and financial instruments in foreign currency) are held constant as of December 31, 2023 and 2022.

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 the market interest rates. The Company's exposure to interest rate risk mainly arises from long-term variable-rate debt instruments.

The Company minimizes this risk by using interest rate swaps (hedging financial instrument) to hedge the changes in the cash flows derived from changes in the interest rates.

The Company determines whether an economic relationship exists between the hedging financial instrument and the hedged item based on interest rate benchmark, term, expiration date and notional or nominal amount. The information of the Company's hedging financial instruments is disclosed below:

- ***Hedging derivative financial instruments***

As of December 31, 2023, the Company has two interest rate swaps designated as cash flow hedges and measured at fair value. The details of these transactions are as follows:

In thousands of soles	**Benchmark amount USD (000)**	**Maturity date**	**Variable-rate:**	**Pays fixed-at:**	**Fair value (note 9)**	
					2023	**2022**
Borrower						
Assets						
Citibank N.A.	50,000	October 2025	3-month SOFR + 2.01%	5.730%	1,117	1,130
Bank of Nova Scotia S.A.	30,000	September 2025	3-month SOFR + 2.86%.	5.695%	645	1,427
					1,762	**2,557**

The Company has financial instruments to minimize its exposure to the risk of changes in the interest rates of bank loans indicated in note 15(c).

The Company pays or receives in a 3-month period (at each payment date of loan interest) the difference between the LIBOR applicable to the loan in such period and the fixed rate agreed upon in the interest rate swaps. Cash flows effectively received from or paid by the Company are recognized as an adjustment to financial costs of the period for hedged loans.

The Company designated these financial instruments as hedging instruments, since there is an economic relationship between the hedged item and the hedging instrument.

The effective portion of changes in the fair value of derivatives designated as hedging instruments is recognized in 'assets' or 'liabilities,' and the contra account is equity. As of December 31, 2023, the effects recognized in 'unrealized gains and losses' in the statement of comprehensive income amount to S/ 560,000 (2022: S/ 13,737,000), net of tax effects.

In 2023, the Company recognized expenses incurred on hedging instruments for S/ 5,000 (2022: S/ 7,343,000), which were effectively paid. They are presented in 'Financial expenses'in the statement of profit or loss (note 26). On the other hand, the Company recognized a gain on hedging instruments, net, for S/ 2,693,000 (2022: S/ 8,834,000) as a result of the prepayment of the debt to Banco Santander S.A. in November 2022 (note 25).

Sensitivity to interest rates
The following table shows a sensitivity analysis to show the effect of reasonably possible changes in the interest rates of loans, after the effect of hedge accounting. The Company's profit before tax would be affected by the effect on variable rate loans, with all other risk variables held constant, as follows:

	Effects on profit before tax	
In thousands of soles	**2023**	**2022**
Increase or decrease in basis points		
-10%	(811)	(843)
+10%	811	843

The changes in the interest rates based on basis points is reasonably possible.

ii. Exchange rate risk
Exchange rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. The Company is exposed to exchange rate risk from its operating activities (when income and expenses are stated in a currency other than its functional currency) and financing activities (loans in U.S. dollars).

Management monitors this risk through the analysis of macroeconomic factors. As of December 31, 2023, since management assumed the exchange rate risk, it did not enter into transactions using hedging instruments.

In 2023 and 2022, the foreign currency balances resulted in a net gain for S/ 11,362,000 (loss for S/ 31,682,000 and gain for S/ 43,044,000) and S/ 33,539,000 (loss for S/ 129,106,000 and gain for S/ 162,645,000), which are presented in 'exchange difference, net' in the statement of profit or loss. Note 7 to the financial statements discloses the Company's foreign exchange position.

Sensitivity to exchange rates
The following table shows a sensitivity analysis to show the effect of reasonably possible changes in the exchange rates (U.S. dollar). The Company's profit before tax would be affected by changes in the fair value of monetary items, with all other risk variables held constant, as follows:

	Profit or loss	
In thousands of soles	**Devaluation**	**Revaluation**
December 31, 2023		
USD (5% movement)	8,622	(8,622)
USD (10% movement)	17,245	(17,245)
December 31, 2022		
USD (5% movement)	11,885	(11,885)
USD (10% movement)	23,770	(23,770)

B. Credit risk
Credit risk is the risk that a financial loss will be incurred if a borrower to a financial instrument or contract fails to meet its financial obligations. The Company is exposed to credit risk from its operating activities, including trade accounts receivable, as well as financing activities, including deposits at banks and financial institutions, foreign currency transactions and other financial instruments. The maximum exposure to credit risk for the items in the financial statements as of December 31, 2023 and 2022 is represented by the sum of items of cash and cash equivalents, trade and accounts receivable.

Financial instruments and bank deposits
The credit risk of cash at bank is controlled by management in accordance with the Company's policies. The borrower's credit limits are reviewed by management and the Board of Directors. The limits are established to minimize the concentration risk and, therefore, mitigate financial losses from the borrower potential failure to meet its obligations.

The Company only places its liquidity surplus in tier 1 financial institutions, establishes conservative credit policies and periodically evaluates conditions existing in the market where it operates.

Trade accounts receivable
The credit risk of customers is managed by management based on the Company's policies, procedures and control related to credit risk management. The Company assesses the credit rating of a customer based on a credit scores and individual credit limits.

The Company's sales are made mainly to local customers. As of December 31, 2023, it has a portfolio of 43 customers (2022: 46 customers). As of December 31, 2022, the Company's four major customers represent approximately 63% of sales.

At the end of each reporting period, the Company uses a provision matrix to measure ECLs. The Company uses a provision matrix based on days past due for groupings showing significantly different loss patterns for different customer segments (i.e., geographical location, instrument type, collateral type, credit risk ratings, and the value of collateral relative to the financial asset). The Company shall measure ECLs in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The gross carrying amount of a trade account receivable is reduced if it is more than one year past due and is not subject to enforcement activities. At the reporting date, the maximum exposure to credit risk is the carrying amount of each type of financial asset disclosed in note 9 to the statement of financial position.

As of December 31, 2022, 20% of the Company's trade accounts receivable are covered by letters of guarantee, which are considered in the measurement of ECLs.

Accounts receivable from related parties
This caption corresponds to the sale of cement and clinker.

Other accounts receivable
This caption corresponds to outstanding balances for items not related to the Company's main operating activities. As of December 31, 2023 and 2022, other accounts receivable correspond to advances to suppliers and debit balance in sales tax. Management periodically monitors the credit risk of such items and assesses debts evidencing an impairment in order to recognize the loss allowance.

C. Liquidity risk

The Company monitors liquidity risk using a liquidity-planning tool.

The following tables summarize the maturity terms of the Company's financial liabilities based on the undiscounted payments under the contracts:

			2023			
In thousands of soles	***Note***	**Carrying amount**	**Less than 12 months**	**2 – 3 years**	**4 – 8 years**	**Total**
Trade and other accounts payable	*14*	331,959	331,959	-	-	331,959
Other financial liabilities						
Amortization of principal	*15*	1,574,347	466,350	1,060,426	47,571	1,574,347
Cash flows from cash payments from interest		-	89,804	48,818	511	139,133
Total liabilities		**1,906,306**	**888,113**	**1,109,244**	**48,082**	**2,045,439**

			2022			
In thousands of soles	***Note***	**Carrying amount**	**Less than 12 months**	**2 – 3 years**	**4 – 8 years**	**Total**
Trade and other accounts payable	*14*	519,168	519,168	-	-	519,168
Other financial liabilities						
Amortization of principal	*15*	1,384,131	602,535	734,024	47,572	1,384,131
Cash flows from cash payments from interest		-	60,870	56,510	511	117,891
Total liabilities		**1,903,299**	**1,182,573**	**790,534**	**48,083**	**2,021,190**

D. Capital management

The Company's objective in managing capital is to safeguard its ability to continue as a going concern and provide the expected returns to its shareholders and respective benefits to stakeholders, as well as to maintain an optimum structure to reduce capital cost.

In accordance with the industry, the Company monitors its capital based on the debt-to-equity ratio. This ratio is calculated by dividing the net debt by the total equity. Net debt corresponds to total debt ratio (including current and non-current debt) less cash and cash equivalents. Total equity corresponds to net equity, as shown in the statement of financial position, plus net debt.

As of December 31, 2023 and 2022, the debt-to-equity ratio was as follows:

In thousands of soles	**2023**	**2022**
Total net debt	2,346,119	2,370,281
Less: Cash and cash equivalents	32,991	60,708
Net debt (a)	**2,313,128**	**2,309,573**
Equity (b)	**2,468,436**	**2,351,568**
Debt-to-equity ratio (a/b)	**0.94**	**0.98**

For the years ended December 31, 2023 and 2022, there were no changes in the objectives, policies or procedures related to capital management.

31. Fair Value

A. Financial instruments measured at fair value and fair value hierarchy

The following table shows an analysis of financial instruments measured at fair value at the reporting date, including the level of the fair value hierarchy. The amounts are based on balances presented in the statement of financial position:

In thousands of soles	**Level 2**	**Total**
December 31, 2023		
Financial assets		
Hedging instruments	1,762	1,762
Total financial liabilities	**1,762**	**1,762**

In thousands of soles	**Level 2**	**Total**
December 31, 2022		
Financial assets		
Hedging instruments	2,557	2,557
Total financial liabilities	**2,557**	**2,557**

B. Financial instruments not measured at fair value

Below are the other financial instruments measured at amortized cost and their fair value categorized within different levels of the fair value hierarchy.

Level 1

- Cash and cash equivalents are not significantly exposed to credit or interest rate risks. Therefore, the carrying amount is a reasonable approximation of fair value.

- Trade accounts receivable are net of loss allowance, and have maturities of less than three months. In management's opinion, the carrying amount does not differ materially from the fair value.

- Due to their current maturity, the carrying amount of trade and other accounts payable is a reasonable approximation of fair value.

Level 2

- The fair value of financial liabilities is measured comparing market interest rates at initial recognition and current market rates related to similar financial instruments. The following table compares the carrying amount and the fair value of these financial instruments:

	2023		2022	
In thousands of soles	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Promissory notes	167,085	169,234	371,900	382,435
Bank loans	1,407,262	1,425,954	1,012,231	991,124

32. Changes in Liabilities from Financing Activities

The reconciliation of changes in the financial liabilities and financing activities in the statement of cash flows is as follows:

	Equity and liabilities						
In thousands of soles	**Opening balance**	**Cash flows**	**New bank loans**	**Dividends declared**	**Effects of exchange difference**	**Amortized cost**	**2023**
Overdrafts	-	(36,503)	36,503	-	-	-	-
Promissory notes	371,900	(1,208,570)	1,008,525	-	(4,770)	-	167,085
Bank loans	1,012,231	(231,304)	630,000	-	(4,895)	1,230	1,407,262
Dividends payable	41,339	(301,393)	-	271,054	-	-	11,000
Total liabilities from financing activities	**1,425,470**	**(1,777,770)**	**1,675,28**	**271,054**	**(9,665)**	**1,230**	**1,585,347**

	Equity and liabilities						
In thousands of soles	**Transfer by reorganization (note 1)**	**Cash flows**	**New bank loans**	**Dividends declared**	**Effects of exchange difference**	**Amortized cost**	**2022**
Promissory notes	170,000	(285,861)	489,201	-	(1,440)	-	371,900
Bank loans	1,390,978	(358,767)	1,010	-	(23,152)	2,162	1,012,231
Dividends payable	-	(198,770)	-	240,109	-	-	41,339
Total liabilities from financing activities	**1,560,978**	**(843,398)**	**490,211**	**240,109**	**(24,592)**	**2,162**	**1,425,470**

33. Subsequent Events

No material events or facts that may require disclosure in the financial statements have occurred between January 1, 2024 and the reporting date, except for information disclosed in the financial statements.