UNACEM Perú S.A.

Financial Statements

As of December 31, 2022 and 2021

(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, 2022, 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, 2022, 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.

Other Matters

We draw attention to the fact that the Company's statement of financial position as of December 31, 2021, and the related statements of profit or loss and comprehensive income, changes in equity and cash flows for the year then ended, or any of the notes to the financial statements, were not audited by us and, accordingly, we do not express an opinion on them.

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 17, 2023

Caipo y Asociados

Countersigned by:

Cristian Emmerich (Partner)
Peruvian CPA Registration 39801

UNACEM Perú S.A.

Financial Statements

As of December 31, 2022 and 2021

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(Translation of Financial Statements originally issued in Spanish)

UNACEM Perú S.A.
Statement of Financial Position
As of December 31, 2022 and 2021

In thousands of soles	*Note*	2022	2021 (Unaudited)
Assets			
Current assets			
Cash and cash equivalents	*6*	60,708	10
Trade and other accounts receivable	*7*	339,402	-
Inventories	*8*	542,726	-
Prepaid expenses		4,382	-
Total current assets		**947,218**	**10**
Non-current assets			
Mining concessions and property, plant and equipment	*9*	3,665,737	-
Stripping activity assets	*10*	95,861	-
Intangible assets	*11*	13,033	-
Total non-current assets		**3,774,631**	**-**
Total assets		**4,721,849**	**10**

In thousands of soles	*Note*	2022	2021 (Unaudited)
Liabilities			
Current liabilities			
Other financial liabilities	*13*	602,535	-
Trade and other accounts payable	*12*	519,168	-
Deferred revenue		6,875	-
Provisions	*14*	48,467	-
Total current liabilities		**1,177,045**	**-**
Non-current liabilities			
Other financial liabilities	*13*	781,596	-
Deferred tax liabilities	*15*	385,397	-
Provisions	*14*	26,243	-
Total non-current liabilities		**1,193,236**	**-**
Total liabilities		**2,370,281**	**-**
Equity	*16*		
Issued capital		2,156,485	10
Legal reserve		42,146	-
Unrealized gains and losses		13,737	-
Retained earnings		139,200	-
Total equity		**2,351,568**	**10**
Total equity and liabilities		**4,721,849**	**10**

The accompanying notes on pages 6 to 54 are an integral part of these financial statements.

(Translation of Financial Statements originally issued in Spanish)

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

In thousands of soles	***Note***	**2022**
Revenue	*17*	2,834,826
Cost of sales	*18*	(1,804,307)
Gross profit		**1,030,519**
Operating income (expenses)		
Administrative expenses	*19*	(172,337)
Selling expenses	*20*	(66,838)
Other income	*22*	25,449
Other expenses	*22*	(169,030)
		(382,756)
Operating profit		**647,763**
Finance income	*23*	13,395
Borrowing costs	*24*	(72,927)
Exchange difference, net	*27.A.ii*	33,539
Finance charge, net		**(25,993)**
Profit before tax		**621,770**
Income tax expense	*26.B*	(200,315)
Net profit or loss		**421,455**

The accompanying notes on pages 6 to 54 are an integral part of these financial statements.

(Translation of Financial Statements originally issued in Spanish)

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

In thousands of soles	***Note***	**2022**
Net profit or loss		**421,455**
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss		
Changes in fair value of hedging instruments	*27.A*	19,485
Total other comprehensive income to be reclassified to profit or loss		**19,485**
Income tax related to components of other comprehensive income		
Fair value of hedging instruments	*15*	(5,748)
Income tax related to components of other comprehensive income		**(5,748)**
Other comprehensive income, net of taxes		**13,737**
Total other comprehensive income, net of taxes		**435,192**

The accompanying notes on pages 6 to 54 are an integral part of these financial statements.

UNACEM Perú S.A.
Statement of Changes in Net Equity
For the years ended December 31, 2022 and 2021

In thousands of soles	***Note***	**Issued capital (note 16.A)**	**Legal reserve (note 16.B)**	**Unrealized gains and losses**	**Retained earnings**	**Total**
Contributed capital		10	-	-	-	10
Balance as of December 31, 2021 (unaudited)		**10**	**-**	**-**	**-**	**10**
Balance as of January 1, 2022		10	-	-	-	10
Other comprehensive income						
Net profit or loss		-	-	-	421,455	421,455
Other comprehensive income		-	-	13,737	-	13,737
Total other comprehensive income		**-**	**-**	**13,737**	**421,455**	**435,192**
Transactions with owners of the Company						
Capital increase by reorganization		2,156,475	-	-	-	2,156,475
Dividend distribution	*16.C*	-	-	-	(240,109)	(240,109)
Legal reserve		-	42,146	-	(42,146)	-
Total transactions with owners of the Company		**2,156,475**	**42,146**	**-**	**(282,255)**	**1,916,366**
Balance as of December 31, 2022		**2,156,485**	**42,146**	**13,737**	**139,200**	**2,351,568**

The accompanying notes on pages 6 to 54 are an integral part of these financial statements.

UNACEM Perú S.A.
Statement of Cash Flows
For the years ended December 31, 2022 and 2021

In thousands of soles	***Note***	**2022**	**2021 (Unaudited)**
Cash flows from operating activities			
Cash receipts from sale of goods		3,174,108	-
Cash payments to suppliers		(1,888,467)	-
Cash payments to employees		(259,564)	-
Cash payments from income tax		(40,901)	-
Cash payments from taxes		(202,865)	-
Cash payments from interest		(57,195)	-
Other cash payments, net		(145,098)	-
Net cash flows from operating activities		**580,018**	**-**
Cash flows from investing activities			
Acquisition of mining concessions and property, plant and equipment	*9(b)*	(216,725)	-
Acquisition of intangible assets	*11*	(1,508)	-
Net cash flows used in investing activities		**(218,233)**	**-**
Cash flows from financing activities			
Access to short-term loans	*29*	490,211	-
Cash payments from short-term loans	*29*	(644,628)	-
Cash payments from dividends	*16.C*	(148,016)	-
Contributed capital		-	10
Net cash flows (used in) from financing activities		**(302,433)**	**10**
Net increase in cash and cash equivalents		59,352	-
Exchange difference		1,346	-
Opening balance		10	-
Closing balance		**60,708**	**10**
Non-cash transactions			
Transfer of assets and liabilities by reorganization	*1*	2,156,475	-
Offsetting dividends declared	*16.C*	50,754	-
Transfer of replacement parts and spare parts to mining concessions and property, plant and equipment	*8(c) & 9*	46,410	-
Capitalized interest	*9(d)*	(3,157)	-

The accompanying notes on pages 6 to 54 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, 2022 and 2021, 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 General Shareholders' Meeting, held on December 14, 2021, approved the reorganization of UNACEM Corp. S.A.A., effective as of January 1, 2022.

The reorganization plan aimed to set aside three blocks contributed by UNACEM Corp. S.A.A. to three wholly-owned subsidiaries, without resulting in changes in the share capital of UNACEM Corp. S.A.A. or in the loss of control of Unacem Perú S.A., Minera Adelaida S.A. and Inversiones Nacionales y Multinacionales Andinas S.A. The assets and liabilities related to the economic activities were transferred to 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.

The financial statements as of December 31, 2022 have been issued with management approval on January 27, 2023, 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 assets and liabilities transferred to the Company as of January 1, 2022 were as follows:

In thousands of soles	
Assets	
Other accounts receivable	7,867
Inventories	424,288
Prepaid expenses	2,308
Total current assets	**434,463**
Other accounts receivable	10,380
Mining concessions and property, plant and equipment	3,669,554
Intangible assets	3,246
Goodwill	9,746
Stripping activity assets	102,528
Total non-current assets	**3,795,454**
Total assets	**4,229,917**
Liabilities	
Other financial liabilities	361,724
Trade accounts payable	44,520
Accounts payable to related parties	6,927
Other accounts payable	10,657
Provisions	6,147
Total current liabilities	**429,975**

In thousands of soles	
Other financial liabilities	1,199,254
Provisions	25,405
Deferred tax liabilities	393,380
Hedging instruments	25,428
Total non-current liabilities	**1,643,467**
Total liabilities	**2,073,442**
Total net assets	**2,156,475**

2. Basis of Preparation of the Financial Statements

A. Basis of preparation

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, 2022 and 2021.

The financial statements have been prepared on a historical cost basis, excluding hedging instruments that are measured at fair value. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The Company prepared the financial statements on a going concern basis. In making its assessment, management considers events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least twelve months from the end of the reporting period. The following matters were considered in preparing these financial statements.

New IFRSs and amendments effective at the reporting date

New amendments to IFRSs of mandatory application for periods beginning on or after January 1, 2022:

Effective date	**Amendments**
January 1, 2022	*Onerous Contracts – Cost of Fulfilling a Contract* (Amendments to IAS 37)
	Annual Improvements to IFRS Standards 2018-2020 Cycle – various standards (Amendments to IFRS 1, IAS 9 and IAS 41)
	Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)
	Reference to the Conceptual Framework (Amendments to IFRS 3)
April 1, 2022	*COVID-19-Related Rent Concessions beyond June 30, 2021* (Amendments to IFRS 16)

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

B. Significant accounting policies

The significant accounting policies used by management in preparing the financial statements are the following:

(a) Cash and cash equivalents (note 6)

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. At initial recognition, the Company measures a financial asset at its fair value plus transaction costs. The Company measures accounts receivable at their transaction price if they do not contain a significant financing component 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.

Subsequent measurement

For the purpose 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 (debt instruments)
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 profit or loss 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 (notes 6 and 7).

Financial assets measured at FVOCI (debt instruments)
A financial asset is measured at FVOCI 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 does not have debt instruments classified into this measurement category.

Financial assets measured at FVOCI (equity instruments)
At initial recognition, the Company may make an irrevocable election to present in other comprehensive income changes in the fair value of an investment in an equity instrument that is not held for trading under IAS 32 *Financial Instruments: Presentation*. This election is made on an instrument-by-instrument basis.

Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss. Equity instruments measured at FVOCI are not subject to impairment requirements.

As of December 31, 2022, the Company does not have financial assets measured at FVOCI.

Financial assets measured at FVTPL

Financial assets measured at FVTPL comprise financial assets held for trading, financial assets designated as at FVTPL, and financial assets that shall be measured at fair value. A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. A derivative that is a designated and effective hedging instrument is not classified as held for trading. Financial assets that have contractual cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, regardless of the Company's business model.

Financial assets measured at FVTPL are recognized in 'borrowing costs' (net negative changes in the fair value) or 'finance income' (net positive changes in the fair value) in the statement of profit or loss.

The Company does not have financial assets measured at FVTPL.

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 and other accounts payable and other financial liabilities (notes 12 and 13).

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

Financial liabilities measured at FVTPL
Financial liabilities measured at FVTPL comprise financial liabilities held for trading and financial liabilities designated as at FVTPL.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Gains and losses are recognized in profit or loss. This category also comprises hedging instruments and derivatives that are not designated and effective hedging instruments in accordance with IFRS 9 *Financial Instruments*.

Financial liabilities designated as at FVTPL are designated as such if the criteria in IFRS 9 are met.

The Company does not have financial liabilities classified into this measurement category.

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 'borrowing costs' in the statement of profit or loss.

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 profit or loss.

▪ ***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 (note 27.A)***
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, 2022.

(c) Fair value of financial instruments (note 28)

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.
The Company classifies deferred tax assets and liabilities as non-current assets and liabilities.

(e) Foreign currency transactions (notes 5 and 27.A)
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 (note 8)
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 and work-in-progress***

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 borrowing costs and exchange differences.

- ***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.

(g) Borrowing costs (note 9(d))

The Company capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. All other borrowing costs are recognized in the statement of profit or loss as incurred. Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds.

(h) Property, plant and equipment (note 9)

An item of property, plant and equipment is measured at cost less any accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any 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. This cost comprises costs incurred to replace part of an item of property, plant and equipment and borrowing costs for long-term construction projects, provided that the recognition criteria are met. The cost of an item of property, plant and equipment also comprises the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located (note 2(n.2)). 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 profit or loss as incurred.

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 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.

(i) Mining concessions (note 9(a))
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.

(j) Intangible assets (note 11)

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
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).

(k) Deferred stripping costs (note 10)

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 (note 14(b))

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.

(m) Impairment of non-financial assets (notes 9(f) and 11)
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 an asset, including 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, 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.

(n) Provisions (note 14)

(n.1) 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, 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 borrowing cost in profit or loss.

(n.2) Provision for closure of quarries (note 14(b))
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 closure of 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 'borrowing costs' in the statement of profit or loss. The closure 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.

(o) Contingent assets and contingent liabilities (note 26.C)
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.

(p) Employee benefits (note 21)
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.

(q) Revenue recognition (note 17)
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).

(r) Taxes

Current tax (note 26.B)
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 that relates to items recognized directly in equity, is recognized outside profit or loss, 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 tax (note 15)
Deferred 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 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 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 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, 2022 and 2021, the Company did not identify uncertain tax treatments that would result in the recognition of provisions in the financial statements.

Mining royalties (note 26.D)
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.

3. Significant Accounting 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, 2022 and 2021.

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

- Estimated useful life and impairment of assets (notes 2.B(h) & (j)).
- Reserve estimates (note 2.B(l)).
- Income tax (note 2.B(r)).

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.

4. 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.

New IFRSs	**Mandatory application**
IFRS 17 *Insurance Contracts*	Annual periods beginning on or after January 1, 2023. This date includes the exemption from applying IFRS 9 for insurers, permitting them to apply IFRS 9 and IFRS 17 at the same time. Early adoption is permitted for entities applying IFRS 9 and IFRS 15 on or before that date.
Amendments to IFRSs	
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	Annual periods beginning on or after January 1, 2023. Early adoption is permitted.
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Effective date deferred indefinitely.
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	Annual periods beginning on or after January 1, 2023. Early adoption is permitted.
Definition of Accounting Estimates (Amendments to IAS 8)	Annual periods beginning on or after January 1, 2023.
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	Annual periods beginning on or after January 1, 2023.

Such standards issued but not yet effective are not expected to have a significant effect on the Company's financial statements.

5. 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, 2022, the weighted average of free-market exchange rates used in transactions in *soles* were S/ 3.808 (buy rate) and S/ 3.820 (sell rate).

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

In thousands of U.S. dollars	**2022**
Assets	
Cash and cash equivalents	7,409
Financial instruments and derivatives	669
Trade and other accounts receivable	32,123
	40,201
Liabilities	
Trade and other accounts payable	(800)
Other financial liabilities	(101,500)
	(102,300)
Net liability position	**(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, 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.

6. Cash and Cash Equivalents

This caption comprises the following:

In thousands of soles	**2022**	**2021 (Unaudited)**
Petty cash fund	10	-
Checking accounts (a)	43,144	10
Time deposits (b)	17,554	-
	60,708	**10**

(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.

7. Trade and Other Accounts Receivable

This caption comprises the following:

		Current portion
In thousands of soles	***Note***	**2022**
Trade accounts receivable		
Trade accounts receivable (a)		74,373
Related parties		
Accounts receivable	*25(b)*	222,371
Others		
Sales tax credit		18,143
Advances to suppliers (b)		15,312
Loans to employees		5,554
Hedging instruments	*27A.i*	2,557
Third-party claims		1,233
Other accounts receivable		1,451
		340,994
Less: ECLs (c)		(1,592)
		339,402

(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, 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 term.

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

In thousands of soles	**2022**
Opening balance (unaudited)	-
Provisions	1,592
Closing balance	**1,592**

In management's opinion, accounts receivable is 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 (note 27.B).

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, 2022.

As of December 31, 2022, the Company assessed the exposure to credit risk of trade and other accounts receivable (note 27.B).

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

	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
31–180 days	38,527	-	38,527
More than 180 days	671	1,592	2,263
	339,402	**1,592**	**340,994**

8. Inventories

This caption comprises the following:

In thousands of soles	***Note***	**2022**
Finished goods	*18*	20,311
Work-in-progress (a)	*18*	167,148
Raw materials and auxiliary materials (b)		114,450
Containers and packaging		62,542
Replacement parts and supplies (c)		193,638
		558,089
Provision for inventory obsolescence (d)		(15,363)
		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.

(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 2022, movement in the provision for inventory obsolescence is as follows:

In thousands of soles	***Note***	**2022**
Opening balance (unaudited)		**-**
Transfer by reorganization	*1*	10,529
Provisions	*18*	4,834
Closing balance		**15,363**

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

9. Mining Concessions and Property, Plant and Equipment

This caption comprises the following:

In thousands of soles	*Note*	Mining concessions (a)	Land	Closure of quarries	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 (unaudited)		-	-	-	-	-	-	-	-	-	-	-
Transfer by reorganization	*1*	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**
Accumulated depreciation												
As of January 1, 2022 (unaudited)		-	-	-	-	-	-	-	-	-	-	-
Transfer by reorganization	*1*	14,745	-	11,080	399,492	77,582	1,548,077	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**
Net carrying amount												
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) In 2022, additions correspond to expenses for the projects of expansion of the packaging and dispatch capacity of goods in both plants, the improvement of the clinker cooler dedusting in kiln 3 in the Condorcocha plant, as well as structural reinforcement and improvement in the discharge system, improvement to cement mills and main crusher in the Atocongo plant for S/ 80,449,000.

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 2022, depreciation charge was allocated as follows:

In thousands of soles	***Note***	**2022**
Cost of sales	*18*	211,863
Administrative expenses	*19*	7,263
Selling expenses	*20*	591
Other expenses	*22*	1,883
		221,600

(d) In 2022, interest was capitalized for 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, 2022, the rate used to determine the amount of borrowing costs eligible for capitalization was 3.88%.

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

In thousands of soles	**2022**
Buildings and other constructions	65,427
Machinery and equipment	258,532
	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, 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, 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.

10. Stripping Activity Assets

This caption comprises the following:

In thousands of soles	*Note*	2022
Costs		
As of January 1 (unaudited)		-
Transfer by reorganization	*1*	164,912
As of December 31		**164,912**
Accumulated depreciation		
As of January 1 (unaudited)		-
Transfer by reorganization	*1*	62,384
Additions	*18*	6,667
As of December 31		**69,051**
Net carrying amount		
As of December 31		**95,861**

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

11. Intangible Assets

This caption comprises the following:

In thousands of soles	*Note*	Goodwill (a)	Software	Environmental protection program	Exploration expenses	Others	Total
Costs							
As of January 1, 2022 (unaudited)		-	-	-	-	-	-
Transfer by reorganization	1	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**
Accumulated amortization							
As of January 1, 2022 (unaudited)		-	-	-	-	-	-
Transfer by reorganization	1	-	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**
Net carrying amount							
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 (note 1).

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, 2022.

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

In thousands of soles	**Note**	**2022**
Administrative expenses	*19*	13
Selling expenses	*20*	1,368
Other expenses	*22*	87
		1,468

12. Trade and Other Accounts Payable

This caption comprises the following:

In thousands of soles	**Note**	**2022**
Trade accounts payable (a)		181,666
Accounts payable to related parties	*25(b)*	119,925
Income tax payable	*26.B(e)*	170,443
Interest payable	*13(b) & 13.1(d)*	16,729
Compensations and paid annual leave payable		13,833
Social security contributions payable		5,109
Key management personnel compensation payable		3,626
Other accounts payable		7,837
		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.

13. Other Financial Liabilities

(a) This caption comprises the following:

	2022		
In thousands of soles	**Current portion**	**Non-current portion**	**Total**
Promissory notes (b)	371,900	-	371,900
Bank loans (13.1)	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, 2022, it comprises the following:

In thousands of soles	**Original currency**	**Maturity date**	**2022**
Financial institution			
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, 2022, interest payable for promissory notes amounted to S/ 8,434,000. It is recognized in 'trade and other accounts payable' in the statement of financial position (note 12). As of December 31, 2022, interest expense for promissory notes amounted to S/ 10,979,000, respectively. It is recognized in 'borrowing costs' in the statement of profit or loss (note 24).

13.1 Bank loans

(a) This caption comprises long-term debts from a transfer by reorganization and do not have specific collaterals.

In thousands of soles	**2022**
Bank loans (b)	1,012,231
Total	**1,012,231**
Less: Current portion	230,635
Non-current portion	781,596

(b) As of December 31, 2022, bank loans do not have specific collaterals and are as follows:

In thousands of soles	**Maturity date**	**Original amount (000)**	**Currency**	**2022**
Bank loans (c) & (e)				
Banco de Crédito del Perú S.A.	October 2026	105,900	PEN	105,900
Scotiabank Perú S.A.A.	October 2024, March 2025 and January 2027	357,857	PEN	318,500
Banco Internacional del Perú S.A.A.	January 2027	130,000	PEN	127,400
BBVA Banco Continental S.A.	January 2027	252,857	PEN	247,800
Banco Citibank S.A. (b.1)	October 2025	50,000	USD	152,800
Bank of Nova Scotia S.A. (b.1)	September 2025	30,000	USD	63,030
				1,015,430
Amortized cost				(3,199)
Total				**1,012,231**

(b.1) The Company has swap contracts to reduce the risk of the variable interest rate related to these loans (note 27.A).

(c) Management monitors covenants applicable to local financial liabilities on a quarterly basis. They are calculated based on the Company's quarterly financial statements.

As of December 31, 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 an interest coverage ratio of more than or equal to 3.0.
- Maintain a net debt-to-EBITDA ratio of less than 5.0.

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

(d) As of December 31, 2022, interest payable for medium and long-term debts amounted to S/ 8,295,000. It is recognized in 'trade and other accounts receivable' in the statement of financial position (note 12).

As of December 31, 2022, interest expense for medium and long-term debts amounted to S/ 49,538,000. It is recognized in 'borrowing costs' in the statement of profit or loss (note 24).

(e) As of December 31, 2022, the Company had bank loans in local currency (*soles)* at effective annual interest rates ranging from 4.10% to 4.92%. Bank loans in foreign currency (U.S. dollars) are at a variable interest rate (3-month LIBOR plus a margin) ranging from 1.75% to 2.60%.

14. Provisions

This caption comprises the following:

	2022	
In thousands of soles	**Current portion**	**Non-current portion**
Employees' profit sharing (a)	45,345	-
Provision for closure of quarries (b)	1,221	26,243
Severance payment	1,901	-
	48,467	**26,243**

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

In thousands of soles	***Note***	**2022**
Opening balance (unaudited)		**-**
Employees' profit sharing	*21*	79,602
Payments and advances		(34,257)
Closing balance		**45,345**

(b) Provision for closure of quarries.
As of December 31, 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, 2022, the Company has six approved mine closure plans.

As of December 31, 2022, the present value of the provision for closure of quarries amounts to S/ 22,659,000. The risk-adjusted discount rate used in measuring the provision ranges from 4.71% to 4.36%, resulting in a liability for 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 2022, movement in the provision for closure of quarries is as follows:

In thousands of soles	*Note*	2022
Opening balance (unaudited)		-
Transfer by reorganization	*1*	29,756
Remeasurement of present value of cash flows		(96)
Derecognition		(2,196)
Closing balance		**27,464**

15. Deferred Tax Liabilities

This caption comprises the following:

In thousands of soles	Transfer by reorganization (note 1)	Debit (credit) to statement of profit or loss	Debit (credit) to statement of comprehensive income	As of December 31, 2022
Deferred assets				
Hedging instruments	7,501	(2,507)	(5,748)	(754)
Provision for inventory obsolescence	3,106	1,426	-	4,532
Provision for closure of quarries	5,504	1,032	-	6,536
Pre-operating expenses	6,848	-	-	6,848
Amortization of intangible assets	1,423	(622)	-	801
Other provisions	(621)	792	-	171
	23,761	**121**	**(5,748)**	**18,134**
Deferred liabilities				
Difference in tax base and depreciation of mining concessions and property, plant and equipment	(355,891)	9,159	-	(346,732)
Stripping activity assets	(30,582)	1,967	-	(28,615)
Capitalized interest	(29,496)	2,137	-	(27,359)
Deferred commissions of financial obligations	(1,172)	347	-	(825)
	(417,141)	**13,610**	**-**	**(403,531)**
Deferred tax liabilities, net	**(393,380)**	**13,731**	**(5,748)**	**(385,397)**

16. Net Equity

A. Issued capital

As of December 31, 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, 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 2022, this caption comprises the following:

2022 dividends

Date of Board of Directors' Meeting	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 (b)	41,339	-	-
	240,109		

(a) 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.

(b) As of December 31, 2022, dividends payable amount to S/ 41,339,000 (note 25(b)).

17. Revenue
This caption comprises the following:

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

(a) It corresponds to exports of work-in-progress to customers located in South America.

(b) It corresponds to sales made to the related parties Unión de Concreteras S.A. and Concremax S.A. (note 25(a)).

18. Cost of Sales

This caption comprises the following:

In thousands of soles	*Note*	2022
Beginning inventory of finished goods and work-in-progress (reorganization) (unaudited)		164,106
Production costs		
Fuel		466,911
Depreciation	*9(c)*	211,863
Personnel expenses	*21(a)*	176,298
Use of raw materials		181,862
Maintenance of property, plant and equipment		178,361
Electric power		142,463
Transportation of raw materials		85,955
Containers		113,423
Depreciation of stripping activity assets	*10*	6,667
Other production costs		259,023
Ending inventory of finished goods and work-in-progress	*8*	(187,459)
		1,799,473
Provision for inventory obsolescence	*8(d)*	4,834
		1,804,307

19. Administrative Expenses

This caption comprises the following:

In thousands of soles	*Note*	2022
Personnel expenses	*21(a)*	98,371
Third-party services		31,438
Donations		17,384
Taxes		10,973
Depreciation	*9(c)*	7,263
Amortization	*11(b)*	13
Others		6,895
		172,337

20. Selling Expenses

This caption comprises the following:

In thousands of soles	*Note*	2022
Advertising costs (a)		47,396
Personnel expenses	*21(a)*	10,887
Amortization	*11(b)*	1,368
Costs to export clinker		4,807
Depreciation	*9(c)*	591
Others		1,789
		66,838

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

21. Personnel Expenses

This caption comprises the following:

In thousands of soles	*Note*	**2022**
Compensations		113,800
Employees' profit sharing	*14(a)*	79,602
Bonuses		50,632
Legal bonuses		16,662
Paid annual leave		13,700
Social security contributions		13,176
Health care		12,850
Severance payment		10,982
Fees and expense allowance for Board of Directors		7,035
Travel and meal expenses		1,280
Others		149
		319,868

(a) Personnel expenses are allocated as follows:

In thousands of soles	*Note*	**2022**
Cost of sales	*18*	176,298
Administrative expenses	*19*	98,371
Selling expenses	*20*	10,887
Other expenses	*22*	34,312
		319,868

In 2022, the average number of employees was 834.

22. Other Income and Expenses

This caption comprises the following:

In thousands of soles	*Note*	**2022**
Other income		
Service revenue		17,384
Rental income		2,902
Other income		5,163
		25,449
Other expenses		
Royalties to related parties	*25*	119,467
Personnel expenses	*21(a)*	34,312
Service cost		3,423
Depreciation	*9(c)*	1,883
Expenses for ECLs	*6(c)*	1,592
Other expenses		8,266
Amortization	*11(b)*	87
		169,030
		143,581

23. Finance Income

This caption comprises the following:

In thousands of soles	***Note***	**2022**
Gain on hedging instruments, net	*27.A*	8,834
Interest on bank loans		1,256
Interest on deposits		3,140
Others		165
		13,395

24. Borrowing Costs

This caption comprises the following:

In thousands of soles	***Note***	**2022**
Interest on long-term debts	*13.1(d)*	49,538
Interest on bank loans and promissory notes	*13(b)*	10,979
Others		1,480
		61,997
Structuring fee for other financial liabilities		2,175
		2,175
Interest on hedging instruments	*27.A.i*	7,343
Loss on remeasurement of fair value of the closure of quarries		1,412
		8,755
		72,927

25. Related Party Transactions

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

In thousands of soles	***Note***	**2022**
Revenue		
Revenue from sale of cement		
La Viga S.A.		558,917
Unión de Concreteras S.A.		190,786
Concremax S.A.		45,494
Prefabricados Andinos Perú S.A.C.		959
Asociación Unacem		299
Revenue from sale of concrete blocks, paving blocks and pavement		
Unión de Concreteras S.A.		74,793
Concremax S.A.		3,228
Revenue from support and management services		
Compañía Eléctrica El Platanal S.A.		1,696
UNICON Chile S.A.		930
UNACEM Chile S.A.		702
Prefabricados Andinos Perú S.A.C.		566
UNACEM Corp. S.A.A.		502
Drake Cement L.L.C.		414
Others		510

In thousands of soles	***Note***	**2022**
Rental income – property, plant and equipment		
Unión de Concreteras S.A.		702
UNACEM Corp. S.A.A.		160
Depósito Aduanero Conchán S.A.		299
ARPL Tecnología Industrial S.A.		57
Prefabricados Andinos Perú S.A.C.		187
Others		137
Revenue from sale of clinker		
UNACEM Chile S.A.		54,053
UNACEM Corp. S.A.A.		25,207
UNICON Chile S.A.		13,964
Drake Cement L.L.C.		1,810
Other income		
UNACEM Corp. S.A.A.		1,306
UNACEM Chile S.A.		706
Compañía Eléctrica El Platanal S.A.		601
Others		71
Acquisitions and expenses		
Dividends		
UNACEM Corp. S.A.A.	*16.C*	240,109
Trademark royalties		
UNACEM Corp. S.A.A.	*22*	119,467
Purchase of energy		
Compañía Eléctrica El Platanal S.A.		128,801
Packaging services		
Unión de Concreteras S.A.		27,625
Concremax S.A.		1,933
Fees and import duties for sale of cement		
La Viga S.A.		34,047
Surveillance services		
Vigilancia Andina S.A.		23,191
Technical support services		
ARPL Tecnología Industrial S.A.		26,774
Purchase of auxiliary materials		
UNACEM Corp. S.A.A.		44,337
Unión de Concreteras S.A.		6,639
Concremax S.A.		156
Engineering and project management services		
ARPL Tecnología Industrial S.A.		13,534
Precast products		
Prefabricados Andinos Perú S.A.C.		7,043
Warehouse management services		
Depósito Aduanero Conchán S.A.		3,375
Refund of expenses		
Unión de Concreteras S.A.		5,229
UNACEM Corp. S.A.A.		6,492
ARPL Tecnología Industrial S.A.		1,192
Donations		
Asociación UNACEM		17,002

In thousands of soles	***Note***	**2022**
Others		
Generación Eléctrica Atocongo S.A.		3,426
Prefabricados Andinos Perú S.A.C.		169
Unión de Concreteras S.A.		336
Drake Cement L.L.C.		243
Inversiones Nacionales y Multinacionales Andinas S.A.		122
UNACEM Corp. S.A.A.		28
Compañía de Inversiones Santa Cruz S.A.		21
Digicem S.A.		11
Master Builders Solutions Perú S.A.		11

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

In thousands of soles	***Note***	**2022**
Accounts receivable		
Unacem Chile S.A.		78,213
Unión de Concreteras S.A.		73,734
La Viga S.A.		37,104
Unicon Chile S.A.		18,805
Concremax S.A.		8,749
Drake Cement L.L.C.		2,201
Minera Adelaida S.A.		1,750
Compañía Eléctrica El Platanal S.A.		917
Prefabricados Andinos Perú S.A.C.		649
UNACEM Corp. S.A.A.		120
Others		129
Total accounts receivable	***7***	**222,371**
Term		
Current portion		222,371
Non-current portion		-
		222,371
Accounts payable		
UNACEM Corp. S.A.A.		75,878
Unión de Concreteras S.A.		13,379
Compañía Eléctrica El Platanal S.A.		13,452
ARPL Tecnología Industrial S.A.		9,046
La Viga S.A.		4,490
Vigilancia Andina S.A.		2,037
Depósito Aduanero Conchán S.A.		758
Concremax S.A.		577
Drake Cement L.L.C.		241
Prefabricados Andinos Perú S.A.C.		45
Digicem S.A. (former Transportes Lurín S.A.)		11
Others		11
Total accounts payable	***12***	**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, 2022, as a result of the reorganization of the Parent (note 1), the Company granted a guarantee for the bank loans from UNACEM Corp. S.A.A. up to a limit of S/ 1,075,323,000.

Accounts payable to UNACEM Corp. S.A.A. include dividends payable for S/ 41,339,000 (note 16.C).

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

26. Contingencies and Commitments

A. Financial commitments

As of December 31, 2022, the Company has the following financial commitments:

- A letter of guarantee issued by Banco de Crédito del Perú S.A. on behalf of MINEM to ensure the execution of the mine closure plan of its mining concessions for US$ 1,209,000, equivalent to S/ 4,618,000. It matures in January 2024.

- A letter of guarantee issued by Banco de Crédito del Perú S.A. on behalf of the Ministry of Production to ensure the execution of the mine closure plan of its mining concessions for US$ 6,383,000, equivalent to S/ 24,383,000. It matures in January 2024.

- Various letters of guarantee on behalf of the Tax Authorities (SUNAT) for S/ 9,434,000 to ensure the customs tax debt, maturing in the year 2023.

- Various letters of guarantee on behalf of third parties for S/ 549,000, maturing in the year 2023.

B. Tax Matters

Tax rates

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

Through Legislative Decree 1261, published on December 10, 2016 and effective as of January 1, 2017, the corporate income rate was amended to 29.5%.

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

It shall be presumed, without otherwise evidence, that the dividend distribution or any other form of profit distribution corresponds to retained earnings or other items that may generate older taxable dividends.

(b) In accordance with applicable Peruvian tax law, non-domiciled individuals only pay taxes for their Peruvian source income. Thus, in general terms, income obtained by non-domiciled individuals from the services rendered in Peru shall be subject to a 30% income tax rate on gross income, provided that no double tax treaties are applicable. On this concern, Peru has currently entered into double tax treaties with the Andean Community, Chile, Canada, Brazil, Portugal, Switzerland, Mexico, South Korea and Japan.

Concerning the technical support or digital services rendered by non-domiciled individuals to domiciled individuals, regardless of the place where the service is rendered, they shall be subject to a 15% and 30% income tax rate on gross income, respectively. Technical support shall be subject to a 15% applicable rate, provided that Income Tax Law requirements are met. As noted above, the retention ratio in these situations may vary or retention may not be applicable if provisions of current double tax treaties are applied.

Income tax determination

(c) In 2022, tax expense presented in the statement of profit or loss is as follows:

In thousands of soles	***Note***	**2022**
Current tax		(208,837)
Deferred tax		13,731
Mining royalties	*26.D*	(5,209)
		(200,315)

In 2022, the reconciliation of the effective tax rate was as follows:

In thousands of soles	**2022**	
Profit before tax	**621,770**	**100.00%**
Income tax as per tax rate	183,422	29.50%
Tax effects of permanent accounts	11,684	1.88%
Effects of mining royalties	5,209	0.84%
Tax expense	**200,315**	**32.22%**

Temporary tax on net assets

(d) The Company is subject to the temporary tax on net assets, whose tax base is composed of the prior period adjusted net asset value less depreciations and amortizations. The tax rate is 0.4% for the year 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 for tax periods from March to December of the taxable year in which the tax was paid until maturity date of each down payment, and against the payment for regularization of income tax of the relevant taxable year. In the event a remaining balance is not applied, its refund could be requested. Since the Company started its business activities in the year 2022, it did not calculate the temporary tax on net assets. It will be applicable from the year 2023 onwards.

Transfer pricing

(e) 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.

Legislative Decree 1312, published on December 31, 2016 and effective as of January 1, 2017, established the following formal obligations to replace the former ones: (i) presentation of a Local File (if accrued revenue of the taxpayer exceeds 2,300 tax units [UIT, for its Spanish acronym]); (ii) presentation of a Master File (if accrued revenue of the taxpayer in a group exceeds 20,000 tax units); and (iii) presentation of a Country-by-Country Reporting. The presentation of the Master File and the Country-by-Country Reporting is mandatory from the taxable year 2018.

Legislative Decree 1312 also established that intragroup services with low added value shall not have a margin greater than 5% of their costs. Concerning the services rendered between related parties, taxpayers shall comply with the benefit test and provide the documents and information under specific conditions for the deduction of costs or expenses.

The Company is required to present the Local File for the year 2022 until June 2023.

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, 2022 from the application of such regulations.

Tax Assessment

(f) 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 year 2022 and monthly sales tax returns for the periods from January 2022 to December 2022 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, 2022.

Uncertainty over income tax treatments

(g) In accordance with IFRIC 23, the Company assessed its uncertain tax treatments and concluded, based on its assessment of tax compliance and transfer pricing, that it is probable that the Tax Authorities will accept its uncertain tax treatment. The Interpretation did not have an effect on the Company's financial statements as of December 31, 2022.

C. Contingencies
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 2.B.(o)).

(a) 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, 2022, the Company does not have accounts receivable from tax proceedings.

D. Mining royalties
The mining royalties paid to the Peruvian government for the year 2022 amounts to S/ 5,209,000 (note 26.B(c)).

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

E. Environmental commitments
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, 2022, the investment related to the implementation of the environmental management plan in the cement production phase amounts to US$ 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(a)) 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, 2022, the investment related to mining and port activities amount to US$ 275,467.

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, 2022, the provision for closure of quarries amounts to S/ 27,464,000. It is presented in 'provisions' in the statement of financial position (note 14(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.

27. 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, 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 instruments, and financial instruments in foreign currency) are held constant as of December 31, 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 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 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 instruments is disclosed below:

- ***Hedging instruments***

As of December 31, 2022, the Company has two interest rate swaps designated as cash flow hedges and measured at fair value. Hedging instruments are as follows:

In thousands of soles	**Benchmark amount USD (000)**	**Maturity date**	**Variable-rate:**	**Fixed-rate:**	**Fair value 2022**
Borrower					
Assets					
Citibank N.A.	50,000	October 2025	3-month LIBOR + 1.75%	5.700%	1,130
Bank of Nova Scotia S.A.	30,000	September 2025	3-month LIBOR + 2.60%	5.660%	1,427
					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 13.1(b.1).

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 borrowing 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, 2022, the effects recognized in ‘unrealized gains and losses’ in the statement of comprehensive income amount to S/ 13,737,000, net of tax effects.

In 2022, the Company recognized expenses incurred on hedging instruments for S/ 7,343,000, which were effectively paid. They are presented in ‘borrowing costs’in the statement of profit or loss (note 24). On the other hand, the Company recognized a gain on hedging instruments, net, for S/ 8,834,000 as a result of the prepayment of the debt to Banco Santander S.A. in November 2022 (note 23).

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:

In thousands of soles	**Effects on profit before tax** **2022**
Increase or decrease in basis points	
-10%	(843)
+10%	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, 2022, since management assumed the exchange rate risk, it did not enter into transactions using hedging instruments.

In 2022, the foreign currency balances resulted in a net gain for S/ 33,539,000 (loss for S/ 129,106,000 and gain for S/ 162,645,000), which is presented in ‘exchange difference, net’ in the statement of profit or loss. Note 5 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, 2022		
US$ (5% movement)	11,885	(11,885)
US$ (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, 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, 2022, it has a portfolio of 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 7 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, 2022, other accounts receivable corresponds 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:

			2022			
In thousands of soles	***Note***	**Carrying amount**	**Less than 12 months**	**2 – 3 years**	**4 – 8 years**	**Total**
Trade and other accounts payable	*12*	519,168	519,168	-	-	519,168
Other financial liabilities						
Amortization of principal	*13*	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, 2022 and 2021, the debt-to-equity ratio was as follows:

In thousands of soles	**2022**	**2021 (Unaudited)**
Total net debt	2,370,281	-
Less: Cash and cash equivalents	60,708	10
Net debt (a)	**2,309,573**	**(10)**
Equity (b)	2,351,568	10
Debt-to-equity ratio (a/b)	**0.98**	**(1)**

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

28. 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, 2022		
Financial assets		
Hedging instruments	2,557	2,557
Total financial liabilities	**2,557**	**2,557**

B. Financial liabilities 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:

	2022	
In thousands of soles	**Carrying amount**	**Fair value**
Promissory notes	371,900	382,435
Bank loans	1,012,231	991,124

29. 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	**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**

30. Subsequent Events

No material events or facts that may require disclosure in the financial statements have occurred between January 1, 2023 and the reporting date, except for information disclosed in the financial statements.

31. Explanation added for English translation

The accompanying financial statements were originally issued in Spanish and are presented on the basis of International Financial Reporting Standards, as described in Note 4. Certain accounting practices applied by the Company that conform to those accounting principles may not conform to generally accepted accounting principles in other countries. In the event of a discrepancy, the Spanish language version prevails.