UNACEM Corp S.A.A. and Subsidiaries

Consolidated 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 Corp S.A.A.

Opinion

We have audited the accompanying consolidated financial statements of UNACEM Corp S.A.A. and its Subsidiary (hereinafter the Group), which comprise the consolidated statement of financial position as of December 31, 2022, and the consolidated statements of profit or loss and other comprehensive income, changes in 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 consolidated financial statements referred to above present fairly, in all material respects, the Group's financial position as of December 31, 2022, and its consolidated financial performance and its consolidated 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 audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, have been of most significance in our audit of the consolidated financial statements of the current period. These matters have been addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon; however, we do not express a separate opinion on these matters.

Evaluation of impairment analysis of long-term assets; refer to note 13 "Mining concessions, property, plant and equipment", note 15 "Intangible assets" and note 20 "Deferred income tax asset to the consolidated financial statements."

Key Audit Matters	How the matter was dealt with in our audit
As mentioned in notes 13, 15 and 20 to the consolidated financial statements, as of December 31, 2022 the Group holds mining concessions, property, plant and equipment in the amount of S/ 7,473,383 thousands, goodwill in the amount of S/ 1,176,605 thousands and deferred tax loss carryforward asset in the amount of S/ 1,176,605 thousands and deferred tax loss carryforwards in the amount of S/ 306,729 thousands. Management is responsible for evaluating the impairment or recoverability of the aforementioned assets. The Group evaluates, following the specific requirements of the applicable IFRS, whether it is necessary to record a provision for impairment of the long-lived assets indicated above. We have identified the assessment of impairment or recoverability of the value of mining concessions, property, plant and equipment, goodwill and deferred tax loss carryforwards as a critical audit matter. The assessment required auditor judgment due to the review of detailed budgets and projections, discount rates and long-term growth rates, which involves a high degree of subjectivity.	Our approach to address the issue involved the following procedures, among others: ▪ Reviewing the analysis performed by management related to the assessment of impairment or recoverability of mining concessions, property, plant and equipment, goodwill and deferred tax loss carryforward assets and; if necessary, the determination of the recoverable amount. ▪ In those cases where it was necessary to estimate the recoverable amount, including the projection of discounted cash flows, we have involved valuation professionals with specialized skills and knowledge in order to assess the reasonableness of the assumptions used by management, which include, among others, projected growth levels and discount rates. Our analysis also considered the comparison of the Group's estimates with actual results in order to assess the Group's ability to make accurate budgets. ▪ Review of the determination of impairment and its appropriate accounting recording, if necessary, as well as the review of the disclosures made by the Group's management in the notes to the consolidated financial statements.

Other Matters

Management is responsible for the other matters. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we express no assurance or conclusion on that other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether there is a material inconsistency between the other information and the consolidated financial statements or our knowledge obtained in the audit or otherwise whether the other information appears to contain a material misstatement.

If, based on the work we have performed, we conclude that there is a material misstatement in this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 are considered material if they could, individually or in the aggregate, influence the economic decisions that users make on the basis of the consolidated 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 separate consolidated 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 Group's internal control.

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

- 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 Group'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 consolidated 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 Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with 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.

Also, we provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Among the matters communicated to those charged with governance of Grupo UNACEM, we have identified those matters that have been of most significance in the audit of the consolidated financial statements of the current period and are, accordingly, the Key Audit Matters. We have described these matters in our auditor's report unless applicable law or regulation prohibits public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so could reasonably be expected to outweigh the public interest benefits of such communication.

Lima, Perú

March 3, 2023

Caipo y Asociados

Countersigned by:

Cristian Emmerich (Partner)
Peruvian CPA Registration 39801

UNACEM Corp S.A.A. and Subsidiaries

Consolidated Financial Statements

As of December 31, 2022 and 2021

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(Translation of Financial Statements originally issued in Spanish)

UNACEM Corp S.A.A. and Subsidiaries

Consolidated Statement of Financial Position

As of December 31, 2022 and 2021

In thousands of soles	***Note***	**2022**	**2021**
Assets			
Current assets			
Cash and cash equivalents	*7*	334,845	399,755
Trade and other accounts receivable	*8*	834,329	661,647
Inventories	*9*	851,645	664,328
Prepaid expenses	*10*	29,141	23,348
Investments in financial instruments		5,012	3,886
Other non-financial assets		707	70
Total current assets		**2,055,679**	**1,753,034**
Non-current assets			
Trade and other accounts receivable	*8*	83,245	89,260
Investments in associates	*11*	23,734	20,961
Right-of-use assets	*12(a)*	21,640	24,257
Mining concessions and property, plant and equipment	*13*	7,473,383	7,502,857
Stripping activity assets	*14*	95,861	102,528
Intangible assets	*15*	1,405,794	1,404,893
Deferred tax liabilities	*20(b)*	207,455	206,404
Other non-financial assets		22,281	19,104
Total non-current assets		**9,333,393**	**9,370,264**
Total assets		**11,389,072**	**11,123,298**

In thousands of soles	***Note***	**2022**	**2021**
Liabilities			
Current liabilities			
Other financial liabilities	*16*	1,106,529	700,255
Trade and other accounts payable	*17*	975,032	857,568
Hedging instruments	*34.A*	-	209
Deferred revenue	*18*	6,618	1,007
Deferred tax liabilities	*33.C(v)*	182,893	117,085
Provisions	*19*	81,072	88,814
Lease liabilities	*12(b)*	8,024	8,345
Total current liabilities		**2,360,168**	**1,773,283**
Non-current liabilities			
Other financial liabilities	*16*	2,629,349	3,227,779
Trade and other accounts payable	*17*	28,534	37,950
Hedging instruments	*34.A*	3,253	32,372
Deferred tax liabilities	*20(b)*	585,180	594,623
Provisions	*19*	71,559	70,489
Lease liabilities	*12(b)*	14,221	16,495
Total non-current liabilities		**3,332,096**	**3,979,708**
Total liabilities		**5,692,264**	**5,752,991**
Equity	*22*		
Issued Capital		1,818,128	1,818,128
Additional capital		(38,019)	(38,019)
Treasury shares		(23,530)	(11,610)
Legal reserve		363,626	363,626
Unrealized gains and losses		(1,737)	(23,660)
Gains or losses on translation		343,181	430,200
Retained earnings		2,949,002	2,556,053
Equity attributable to owners of the Parent Company		**5,410,651**	**5,094,718**
Non-controlling interests	*21*	286,157	275,589
Total net equity		**5,696,808**	**5,370,307**
Total equity and liabilities, net		**11,389,072**	**11,123,298**

The accompanying notes on pages 6 to 102 are an integral part of these consolidated financial statements.

(Translation of Financial Statements originally issued in Spanish)

UNACEM Corp S.A.A. and Subsidiaries
Consolidated Statement of Profit or Loss
For the years ended December 31, 2022 and 2021

In thousands of soles	***Note***	**2022**	**2021**
Net sales	*23*	5,978,843	5,066,169
Cost of sales	*24*	(4,350,232)	(3,559,005)
Gross profit		**1,628,611**	**1,507,164**
Operating income (expenses)			
Administrative expenses	*25*	(401,622)	(325,168)
Selling expenses	*26*	(120,115)	(110,701)
Other income	*28*	64,488	69,650
Other expenses	*28*	(85,966)	(70,397)
		(543,215)	**(436,616)**
Operating profit		**1,085,396**	**1,070,548**
Other income (expenses)			
Net interests in associates	*11(a)*	3,861	6,524
Finance income	*29*	16,634	7,250
Borrowing costs	*30*	(192,621)	(229,151)
Exchange difference, net	*34.A.ii*	35,445	(64,071)
		(136,681)	**(279,448)**
Profit before tax		**948,715**	**791,100**
Income tax	*20(a)*	(289,120)	(216,345)
Net profit or loss		**659,595**	**574,755**
Attributable to			
Owners of the Parent Company		554,653	498,114
Non-controlling interests	*21*	104,942	76,641
		659,595	**574,755**
Basic and diluted earnings per share (in *soles*)	***32***	**0.307**	**0.274**
Weighted average number of outstanding shares (in thousands of shares)	***32***	**1,807,026**	**1,816,689**

The accompanying notes on pages 6 to 102 are an integral part of these consolidated financial statements.

UNACEM Corp S.A.A. and Subsidiaries
Consolidated Statement of Comprehensive Income
For the years ended December 31, 2022 and 2021

In thousands of soles	***Note***	**2022**	**2021**
Net profit or loss		**659,595**	**574,755**
Other comprehensive income to be reclassified to profit or loss			
Exchange difference		(91,706)	144,003
Changes in fair value of hedging instruments	*34.A*	24,433	18,396
Other comprehensive income not to be reclassified to profit or loss			
Effects of changes in actuarial assumptions about provision for retirement and termination benefits and others		(24)	(1,026)
Income tax related to components of other comprehensive income			
Fair value of hedging instruments	*20*	(5,627)	(6,049)
Effects of changes in actuarial assumptions about provision for retirement and termination benefits and others	*20*	(50)	31
Other comprehensive income, net of taxes		**(72,974)**	**155,355**
Total other comprehensive income		**586,621**	**730,110**
Attributable to			
Owners of the Parent Company		486,687	652,602
Non-controlling interests		99,934	77,508
		586,621	**730,110**

The accompanying notes on pages 6 to 102 are an integral part of these consolidated financial statements.

(Translation of Financial Statements originally issued in Spanish)

UNACEM Corp S.A.A. and Subsidiaries
Consolidated Statement of Changes in Equity
For the years ended December 31, 2022 and 2021

		Attributable to owners of the Parent Company									
In thousands of soles	***Note***	**Issued capital (note 22.A)**	**Additional capital (note 22.B)**	**Treasury shares (note 22.C)**	**Legal reserve (note 22.D)**	**Unrealized gains and losses (note 22.E)**	**Gains or losses on translation (note 22.G)**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total net equity**
Balance as of January 1, 2021		1,818,128	(38,019)	-	363,626	(35,871)	287,923	2,253,019	4,648,806	203,484	4,852,290
Net profit or loss		-	-	-	-	-	-	498,114	498,114	76,641	574,755
Total other comprehensive income, net Income tax		-	-	-	-	12,211	142,277	-	154,488	867	155,355
Total other comprehensive income		**-**	**-**	**-**	**-**	**12,211**	**142,277**	**498,114**	**652,602**	**77,508**	**730,110**
Dividend distribution	*21.C & 22.F*	-	-	-	-	-	-	(192,445)	(192,445)	(7,018)	(199,463)
Acquisition of non-controlling interests to the controlling party	*21(b)*	-	-	-	-	-	-	-	-	(4,912)	(4,912)
Acquisition of subsidiaries	*1.B*	-	-	-	-	-	-	-	-	(15)	(15)
Unpaid dividends	*22.H*	-	-	-	-	-	-	3,500	3,500	-	3,500
Treasury shares	*22.C*	-	-	(11,610)	-	-	-	-	(11,610)	-	(11,610)
Changes in non-controlling interests and others		-	-	-	-	-	-	(6,135)	(6,135)	6,542	407
Balance as of December 31, 2021		**1,818,128**	**(38,019)**	**(11,610)**	**363,626**	**(23,660)**	**430,200**	**2,556,053**	**5,094,718**	**275,589**	**5,370,307**
Net profit or loss		-	-	-	-	-	-	554,653	554,653	104,942	659,595
Total other comprehensive income, net Income tax		-	-	-	-	19,053	(87,019)	-	(67,966)	(5,008)	(72,974)
Total other comprehensive income		**-**	**-**	**-**	**-**	**19,053**	**(87,019)**	**554,653**	**486,687**	**99,934**	**586,621**
Dividend distribution	*21.C & 22.F*	-	-	-	-	-	-	(162,610)	(162,610)	(59,127)	(221,737)
Acquisition of non-controlling interests	*21(b)*	-	-	-	-	-	-	-	-	(24,995)	(24,995)
Unpaid dividends	*22.H*	-	-	-	-	-	-	31	31	-	31
Treasury shares	*22.C*	-	-	(11,920)	-	-	-	-	(11,920)	-	(11,920)
Changes in non-controlling interests and others		-	-	-	-	2,870	-	875	3,745	(5,244)	(1,499)
Balance as of December 31, 2022		**1,818,128**	**(38,019)**	**(23,530)**	**363,626**	**(1,737)**	**343,181**	**2,949,002**	**5,410,651**	**286,157**	**5,696,808**

The accompanying notes on pages 6 to 102 are an integral part of these consolidated financial statements.

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

In thousands of soles	***Note***	**2022**	**2021**
Operating activities			
Cash receipts from transfer of goods and services		7,716,069	5,740,963
Tax recovery		16,615	11,034
Cash payments to suppliers		(5,172,713)	(3,340,722)
Cash payments to employees		(831,483)	(688,632)
Cash payments from income tax		(241,046)	(149,613)
Cash payments from interest		(172,413)	(211,140)
Cash payments from taxes and contributions		(389,457)	(354,657)
Other cash payments (receipts), net		(10,412)	(1,743)
Net cash from operating activities		**915,160**	**1,005,490**
Investing activities			
Sale of property, plant and equipment		28,844	11,561
Cash receipts from dividends	*31*	1,075	26,273
Acquisition of property, plant and equipment	*13*	(420,541)	(341,703)
Acquisition of intangible assets	*15*	(15,895)	(5,178)
Sale of investments in financial instruments		-	21,708
Acquisition of subsidiaries, net of cash	*1.B*	(12,925)	3,430
Other cash payments, net		(3,233)	10,984
Net cash used in investing activities		**(422,675)**	**(272,925)**
Financing activities			
Access to overdrafts	*36*	112,508	27,216
Access to short-term loans	*36*	720,212	677,642
Access to long-term financial liabilities	*36*	233,143	1,280,248
Cash payments from overdrafts	*36*	(96,914)	(3,623)
Cash payments from short-term loans	*36*	(619,416)	(798,248)
Cash payments from long-term financial liabilities	*36*	(558,331)	(1,925,354)
Cash payments from lease liabilities	*12(b) & 36*	(11,016)	(15,876)
Cash payments from dividends (controlling interests)	*36*	(228,670)	(115,886)
Cash payments from dividends (non-controlling interests)	*36*	(64,627)	(7,235)
Acquisition of non-controlling interests	*21(b)*	(18,612)	(4,912)
Acquisition of treasury shares	*22(c) & 36*	(11,920)	(11,610)
Other cash payments, net		-	(1,453)
Cash flows from (used in) financing activities		**(543,643)**	**(899,091)**
Net decrease in cash and cash equivalents		(51,158)	(166,526)
Exchange difference		(13,752)	17,096
Opening balance		399,755	549,185
Closing balance	*7*	**334,845**	**399,755**
Non-cash transactions:			
Acquisition of property, plant and equipment under finance lease	*13*	82,755	64,237
Accounts payable from acquisition of property, plant and equipment	*13*	22,574	23,388
Capitalized interest	*13(g)*	3,157	4,348
Unpaid dividends	*22(h)*	31	3,500
Provision for decommissioning costs	*13*	503	289
Goodwill	*15(b)*	3,862	-
Other intangible assets	*15*	6,637	3,132

The accompanying notes on pages 6 to 102 are an integral part of these consolidated financial statements.

1. Background

A. Background and Economic Activity

UNACEM Corp S.A.A. (former Unión Andina de Cementos S.A.A., hereinafter the Company) was incorporated in December 1967. As explained in more detail in note 2 (vi), the Company's General Shareholders' Meeting held on December 14, 2021, approved the Reorganization of the entity, which became effective on January 1, 2022, and the change of the Company's name and corporate purpose, being the new name UNACEM Corp S.A.A. On June 2, 2022 the change was registered with the SUNARP (Superintendencia Nacional de los Registros Públicos).

The Company and its Subsidiaries (hereinafter the Group) are mainly engaged in the production and sale of all types of cement, clinker and concrete in Peru, United States, Ecuador and Chile, as well as the sale of energy and power in Peru.

As of December 31, 2022 and 2021, the Company is a subsidiary of Inversiones JRPR S.A. (hereinafter the Parent Company, it is the ultimate controlling party of the conglomerate). It holds 42.22 percent of the direct and indirect shares of its share capital. The Parent Company has power to govern the financial and operating policies of the Company.

The Company's legal domicile is located at Av. Carlos Villarán N° 508, La Victoria, Lima, Perú.

The Group’s consolidated financial statements as of December 31, 2021 were approved by management on March 22, 2022. The consolidated financial statements as of December 31, 2022 have been issued with management approval on February 21, 2023, and will be presented to the Board of Directors for corresponding approval. In management’s opinion, the consolidated financial statements will be approved with no modification to the consolidated financial statements.

B. Acquisitions

B.1 Constructora de Obras Civiles y Viales Limitada (CONOVIA)

On November 21, 2022, the subsidiaries UNICON Chile S.A. and UNACEM Chile S.A. (the "Purchasers") entered into an agreement with Inversiones Befeld Limitada and Inversiones Majas Limitada (the "Sellers") for the acquisition of 100 percent of the social rights of Constructora de Obras Civiles y Viales Limitada (CONOVIA); and on the same date the Group took control of said company.

Consequently, the Group acquired 100 percent of the direct and indirect participation of the capital shares of CONOVIA, a company domiciled in Chile, which is engaged in the crushing of aggregate material extracted from the river and the sale of finished product on its own account or on behalf of third parties, as well as the marketing, purchase, sale and distribution of such material.

CONOVIAS has an aggregates plant "Tabolango" located in Tabolango, commune of Limache, Valparaíso Region in Chile, with an annual production capacity of 0.15 million cubic meters.

The total amount of the transaction was US$ 3,763,000 (equivalent to S/ 14,429,000), fully paid by the purchasers.

The Group acquired CONOVIA as part of its strategy to consolidate and diversify its business activities (cement, concrete and precast concrete). Likewise, it seeks to create synergies, optimize costs and share engineering experience between countries.

From the acquisition date to December 31, 2022, the acquirees contributed revenue for S/ 620,000 and a net loss for S/ 264,000 to the Group's profit or loss. According to management, if the acquisition had occurred on January 1, 2022, revenue would have amounted to S/ 4,708,000 and net profit or loss would have amounted to S/ 1,515,000. In determining these amounts, management assumed that the adjustments to fair value on the acquisition date would have been the same if the acquisition had occurred on January 1, 2022.

The acquisition-date fair value of identifiable assets acquired and the liabilities assumed of CONOVIA, was as follows:

In thousands of soles	***Note***	**2022**
Assets		
Cash and cash equivalents		1,504
Investments in financial instruments		1,108
Trade and other accounts receivable		737
Inventories		1,383
Property, plant and equipment	*13*	7,458
Other financial assets		7
		12,197
Liabilities		
Trade and other accounts payable		167
Current tax liabilities		574
Deferred tax liabilities	*20*	889
		1,630
Identifiable net assets at fair value		**10,567**
Goodwill generated on acquisition		**3,862**
Consideration transferred at the acquisition date		**14,429**
Net effects of acquisition		1,504
Consideration transferred at the acquisition date		(14,429)
Net cash flows at the acquisition date		**(12,925)**

For purposes of the consolidated financial statements as of December 31, 2022, as permitted by IFRS 3, the Group's management preliminarily estimated the fair values of the identifiable assets and liabilities of this cash-generating unit at the acquisition date, with the final valuation of certain property, plant and equipment pending at that date. The final balances will be determined in the first quarter of 2023; management does not expect any significant changes in the preliminary goodwill estimate.

B.2 Acquisition of Drake Cement shares

In accordance with the third addendum to the limited liability company operating agreement, dated September 1, 2007, Skanon Investments Inc. has the option to purchase non-controlling interests in Drake Cement L.L.C. From January 1, 2009, Skanon Investments Inc. has the option, but not the obligation, to purchase non-controlling interests at any time at fair value. The fair value will be measured by mutual agreement at the General Shareholders' Meeting. In 2022, the Group purchased a minority interest in Drake Cement, note 2(ii).

B.3 UNACEM Chile S.A. (previously Cementos la Unión S.A.)

On December 11, 2020, the Company entered into a share purchase agreement with Cementos la Unión S.A., Áridos Jativa S.L. and Inversiones Mel 20 Ltda. (the Sellers) to purchase all the shares of Cementos la Unión S.A. and all the ownership interests of Inversiones Mel 20 Ltda. (note 1.B.2) under the fulfillment of certain conditions, including the approval of the acquisition by the National Economic Prosecutor of Chile (FNE, for its Spanish acronym). Through Resolution F-257-2020, dated February 23, 2021, the FNE approved the acquisition. On March 19, 2021, the Company obtained control of Cementos la Unión S.A.

On June 25, 2021, Cementos la Unión S.A. changed its corporate name to UNACEM Chile S.A.

Consequently, the Group acquired all the direct and indirect shares of UNACEM Chile S.A., an entity based in Chile that is engaged in the manufacturing and sale of cement.

UNACEM Chile S.A. owns the San Juan plant located in the port of San Antonio, Valparaíso, that has a cement production capacity (grinding and dispatch) of 300,000 t/yr.

The acquisition amounted to US$ 23,131,000 (equivalent to S/ 83,688,000). It comprises the purchase price for US$ 3,000 (equivalent to S/ 10,000) and a loan from UNACEM Chile S.A. for US$ 23,128,000 (equivalent to S/ 83,678,000), which was guaranteed by the Company (note 8(g)).

On December 29, 2021, the Company capitalized an account receivable from UNACEM Chile S.A. for US$ 23,128,000 (equivalent to S/ 91,992,000 at the capitalization) and made a capital contribution for US$ 7,672,000, increasing the share capital of UNACEM Chile S.A. by S/ 122,367,000. UNACEM Chile S.A. used this contribution to enter into a sale and purchase agreement with Cementos Bío S.A. and its subsidiaries Bio Cementos S.A. and Minera Rio Teno S.A. (unrelated parties) to purchase all the assets of the San Antonio cement grinding plant located in the District of San Antonio, Valparaíso, that has a cement production capacity (grinding and dispatch) of 300,000 t/yr, and the exploitation rights, mining concessions or properties over the pozzolan deposit called "Popeta 1 to 30" with an area of 300 hectares.

B.4 Inversiones Mel 20 Ltda.

Under the agreement, dated March 19, 2021 (note 1.B.1), UNICON Chile S.A. entered into an assignment agreement with the Sellers. Consequently, UNICON Chile S.A. obtained control of Inversiones Mel 20 Ltda. on that date. The acquisition amounted US$ 1,000. It was fully paid by Unicon Chile S.A.

Therefore, the Group acquired all the direct and indirect shares of Inversiones Mel 20 Ltda., an entity based in Chile that is engaged in the transformation of cement-based materials, manufacturing, purchase, sale of ready-mix concrete, and rendering of construction activities.

Inversiones Mel 20 Ltda. owns two ready-mix concrete plants located in Santiago, Chile, that have a production capacity of 336,000 m^3/yr., and a fleet of concrete mixer trucks.

The Group acquired UNACEM Chile S.A. and Inversiones Mel 20 Ltda. as part of its strategy to consolidate and diversify its business activities (cement, concrete and precast concrete). Likewise, it seeks to create synergies, optimize costs and share engineering experience between countries.

From the acquisition date to December 31, 2021, the acquirees contributed revenue for S/ 86,864,000 and a net loss for S/ 9,976,000 to the Group's profit or loss. According to management, if the acquisition had occurred on January 1, 2021, revenue would have amounted to S/ 5,188,057,000 and net profit or loss would have amounted to S/ 563,159,000. In determining these amounts, management assumed that the adjustments to fair value on the acquisition date would have been the same if the acquisition had occurred on January 1, 2021.

The acquisition-date fair value of identifiable assets acquired and the liabilities assumed of Cementos la Unión S.A. and Inversiones Mel 20 Ltda. Was as follows:

In thousands of soles	***Note***	**2021**
Assets		
Cash and cash equivalents		3,445
Trade and other accounts receivable		21,847
Inventories		10,345
Property, plant and equipment	*13*	94,559
Right-of-use assets	*12(a)*	5,854
Other financial assets		297
		136,347
Liabilities		
Financial liabilities	*16(e) and 36*	241
Trade and other accounts payable		107,135
Deferred tax liabilities	*20*	10,643
Lease liabilities	*12(b)*	6,005
Provisions		2,861
		126,885
Identifiable net assets at fair value		**9,462**
Negative goodwill recognized at the acquisition date	***28***	**(9,447)**
Consideration transferred at the acquisition date		**15**
Net effects of acquisition		3,445
Consideration transferred at the acquisition date		(15)
Net cash flows at the acquisition date		**3,430**

B.5 Acquisition agreement of unrelated entity

On December 29, 2022, the subsidiary Compañía Eléctrica El Platanal S.A. was notified of the approval of the offer made for the acquisition of the shares and claims of Termochilca S.A., a power generation company with a combined thermal power cycle plant located in the district of Chilca, province of Cañete, with an installed capacity of 300 MW.

Also, on December 30, 2022, the subsidiary Compañía Eléctrica El Platanal S.A. entered into a trust agreement with Fiduciaria S.A., the latter on behalf of the Trust Patrimony G00-3- 1211-0488, a share transfer agreement, by virtue of which this subsidiary will acquire, subject to the authorization of the Instituto Nacional de Defensa de la Competencia y de la Protección de la Propiedad Intelectual (INDECOPI), in compliance with the applicable regulations, 100% of the shares representing Termochilca S.A.'s capital stock.

The subsidiary Compañía Eléctrica El Platanal S.A. has the commitment to acquire, together with the aforementioned shares, 100% of the guaranteed claims (senior debt and subordinated bonds) of Termochilca S.A. in accordance with the sale procedure regulated in the trust agreement of the aforementioned trust patrimony. The total agreed price will be US$ 141,000,000, which will be paid directly by the Subsidiary with resources from bank financing in 2023. This acquisition agreement has no effect on the Company's consolidated financial statements as of December 31, 2022 to the extent that it is subject to INDECOPI's authorization. This acquisition agreement has no effect on the consolidated financial statements of the Group as of December 31, 2022, to the extent that it is subject to INDECOPI's authorization.

2. Financial Information of Subsidiaries

As of December 31, 2022 and 2021, the consolidated financial statements include the following subsidiaries (amounts according to IFRSs and before eliminations according to consolidation procedures):

In thousands of soles		Main economic	2022		2021		Assets		Liabilities		Net equity		Profit (loss)	
	Entity	**activity**	**Direct %**	**Indirect %**	**Direct %**	**Indirect %**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Country (vii)														
Peru	UNACEM Perú S.A. (vi)	Production and sale of cement	99.99	0.01	99.99	0.01	4,721,849	10	2,370,281	-	2,351,568	10	421,455	-
Peru/Ecuador	Inversiones Imbabura S.A. and Subsidiaries (i)	Production and sale of cement	100.00	-	100.00	-	2,111,268	2,176,107	479,659	487,172	1,631,609	1,688,935	60,123	114,132
United States	Skanon Investments Inc. and Subsidiaries (ii)	Production and sale of cement and concrete	95.84	-	95.80	-	1,914,037	1,878,389	831,985	754,667	1,082,052	1,123,722	66,517	26,834
Peru	Compañía Eléctrica el Platanal S.A. and Subsidiaries (iii)	Sale of power and energy	90.00	-	90.00	-	1,202,940	1,206,068	378,617	419,554	824,323	786,514	57,938	41,912
Peru/Chile	Inversiones en Concreto y Afines S.A. and Subsidiaries (iv)	Sale of concrete and ready-mix concrete	93.38	-	93.38	-	1,001,972	930,363	583,918	520,459	418,054	409,904	14,508	52,001
Chile	UNACEM Chile S.A. and Subsidiaries (note 1.B)	Production and sale of cement and concrete	99.89	0.11	99.89	0.11	305,998	256,578	206,526	133,171	99,472	123,407	(16,985)	(9,976)
Peru	Inversiones Nacionales y Multinacionales Andinas S.A. - INMA (vi)	Real Estate	99.77	0.23	90.90	9.10	120,730	18,268	27,496	4,936	93,234	13,332	(778)	23
Chile	Prefabricados Andinos S.A. - PREANSA Chile	Production and sale of ready-mix Concrete	50.00	-	50.00	-	109,860	98,197	96,595	84,864	13,265	13,333	1,742	6,667
Peru/Colombia	Prefabricados Andinos Perú S.A.C. and Subsidiary (v)	Production and sale of ready-mix Concrete	50.00	-	50.00	-	55,592	65,487	50,679	53,397	4,913	12,090	(3,248)	(4,812)
Peru	ARPL Tecnología Industrial S.A.	Legal advisory services and IT assistance	100.00	-	100.00	-	61,189	54,260	11,420	7,611	49,769	46,649	14,116	11,683
Peru	Generación Eléctrica de Atocongo S.A. – GEA	Operational services thermal power station	99.85	0.15	99.85	0.15	26,746	36,762	25,347	35,933	1,399	829	570	(745)
Peru	Minera Adelaida S.A. – MINERA (vi)	Mineral extraction non-ferrous metals	100.00	-	99.99	-	28,581	359	1,753	3	26,828	356	(882)	(204)
Peru	Vigilancia Andina S.A.	Surveillance services	55.50	44.50	55.50	44.50	12,206	13,055	4,440	5,944	7,766	7,111	851	574
Peru	Depósito Aduanero Conchán S.A.	Warehousing services	99.99	-	99.99	-	2,069	1,963	939	1,040	1,130	923	207	(223)
Peru	Digicem S.A. – DIGICEM	IT Services	99.99	-	99.99	-	16,306	1,032	16,199	-	107	1,032	(925)	(14)
Peru	Naviera Conchán S.A.	Services	100.00	-	100.00	-	14	12	14	-	-	12	(16)	(11)

(i) The subsidiaries of Inversiones Imbabura S.A. are UNACEM Ecuador S.A. (UNACEM Ecuador), Canteras y Voladuras S.A.(CANTYVOL) and UNICON Ucue Cía. Ltda. (UNICON Ecuador).

At the General Shareholders' Meeting, held on May 10, 2021, UNICON Perú approved the sale of all its shares in UNICON Ecuador to Inversiones Imbabura S.A. for S/ 51,114,000 (equivalent to US$ 13,000,000). Additionally, on July 9, 2021, the merger of UNACEM Ecuador as the absorbing company and UNICON Ecuador as the absorbed company was approved by the Superintendency of Companies of Ecuador on December 12, 2022 and registered in the commercial registry of Ecuador on January 31, 2023; consequently, the merger became effective on February 1, 2023.

(ii) The subsidiaries of Skanon Investments Inc. are Drake Cement L.L.C., Sunshine Concrete & Materials Inc., Maricopa Ready Mix L.L.C., Ready Mix Inc., Desert Ready Mix L.L.C. and Staten Island Company Inc., which controls the subsidiaries Staten Island Holding L.L.C., Staten Island Terminal L.L.C., and Desert Aggregates L.L.C.

In 2022, the Company made cash contributions to Skanon for approximately S/ 18,739,000 (equivalent to US$ 4,875,000), thus controlling from 95.80% to 95.84% of Skanon's capital stock.

On May 17, 2021, the Company contributed its shares in Staten Island Company L.L.C. and its subsidiaries to Skanon Investments Inc. for S/ 52,637,000 (equivalent to US$ 16,031,000). Consequently, Skanon Investments Inc. controls the subsidiary Staten Island Company L.L.C. On June 28, 2021, the Company purchased the shares of Skanon Investments Inc. (equivalent to 8.68% of the share capital of Skanon Investments Inc.) from its subsidiaries Inversiones en Concreto y Afines S.A. for S/ 66,868,000, Digicem S.A. (former Transportes Lurín S.A.) for S/ 34,120,000 and ARPL Tecnología Industrial S.A. for S/ 23,230,000 (equivalent to US$ 24,000,000, US$ 11,944,000 and US$ 6,869,000, respectively). Therefore, the Company holds 95.80% of the shares of Skanon Investments Inc.

On the other hand, Skanon has the option to purchase the minority interest in Drake Cement, thus, as of December 31, 2022, Skanon has exercised this option, acquiring a 4.348% minority interest for approximately US$ 6,500,000 (equivalent to S/ 24,947,000), thus directly controlling 98.39% of Drake Cement's capital stock (as of December 31, 2021 it held 94.04%).

As of December 31, 2022, dividends payable amount to S/ 1,625,000 (equivalent to S/ 6,208,000) (note 17).

(iii) The subsidiaries of Compañía Eléctrica El Platanal S.A. are Ambiental Andina S.A., Celepsa Renovables S.R.L. and Ecorer S.A.C.

(iv) The subsidiary of Inversiones en Concreto y Afines S.A. is Unión de Concreteras S.A., which controls the subsidiaries Concremax S.A., UNICON Chile S.A. y Entrepisos Lima S.A.

(v) The subsidiary of Prefabricados Andinos Perú S.A.C. is Prefabricados Andinos Colombia S.A.

(vi) On December 14, 2021, the General Shareholders' Meeting of UNACEM S.A.A. (UNACEM Corp) approved the Reorganization of the entity, which became effective on January 1, 2022.

The reorganization project involved the segregation of three equity blocks that were contributed by the Company to three wholly-owned subsidiaries, with no changes in the Company's capital stock or in the control unit; the three contributed subsidiaries are UNACEM Perú S.A., Minera Adelaida S.A. and Inversiones Nacionales y Multinacionales Andinas S.A. (INMA).

The business unit UNACEM Perú S.A. is the new company specialized in the production and commercialization of clinker and cement in the country and for export. All assets and liabilities related to the cement business, such as the production plant, the port terminal operation, the mining operation, the hydroelectric power plants and the thermal plant were transferred to UNACEM Perú S.A.; Minera Adelaida S.A. received through transfer mining concessions not related to the main economic activity of UNACEM Perú S.A. and INMA received through transfer the real estate not related to the main economic activity of UNACEM Perú S.A.

(vii) The subsidiaries and other affiliates are domiciled in the country where they were incorporated.

3. Contracts and Concessions

A. Regulatory framework and contracts for electric power supply

▪ ***Law 25844 "Electricity Concessions Act"***

According to such Law, the operation of power generating stations and transmission lines is subject to the provisions of the Committee of Economic Operation of the National Interconnected System (COES-SINAC, for its Spanish acronym) in order to coordinate their operation at the lowest cost, thus ensuring the electric power supply and a better use of power resources. COES-SINAC regulates the prices of power and energy transmission between generation companies. It also regulates the compensations to holders of transmission lines.

▪ ***OSINERGMIN***

The Supervisory Agency for Investment in Energy and Mining of Peru (OSINERGMIN, for its Spanish acronym), formerly OSINERG, is responsible for monitoring the activities carried out by the companies of the electric power and hydrocarbons sectors, ensuring the quality and efficiency of the service rendered to users, and monitoring compliance with obligations assumed by concessionaires in service concession arrangements, as well as compliance with current legal requirements and technical regulations, including those related to environmental protection and preservation. However, OSINERGMIN transferred its functions—i.e., monitoring, control and imposing sanctions in environmental matters concerning hydrocarbons and electric power—to the Environmental Assessment and Control Agency (OEFA, for its Spanish acronym). OEFA was established through Legislative Decree 1013, which approved the "Law on Creation, Organization and Functions of the Ministry of Environment."

▪ ***Law 28832 "Law to Ensure the Efficient Development of Electricity Generation"***

Law 28832, dated July 23, 2006, was enacted to i) ensure enough efficient electric power generation in order to reduce the exposure of the Peruvian electrical system to price volatility and to reduce power shortage risks, as well as to ensure a competitive electric tariff for end users;
ii) reduce administrative supervision in determining power prices through market solutions; and
iii) promote effective competition in the generation and supply of electric power.

The main changes introduced by this Law are related to the participation in the short-term market of not only generation companies, but also distribution companies and non-regulated customers. As a result, distribution companies and non-regulated customers belong to COES-SINAC, thus modifying its structure. In addition, it established a tendering process, which shall be used by distribution companies when entering into contracts for electric power supply with generation companies intended to meet the public service of power supply. Adherence to this process is optional for non-regulated users.

The sale of power from generation companies to distribution companies is made using power prices at a generation level that are determined as the weighted average of prices in no-bid contracts and contracts resulting from tendering processes. This process was established to promote investments in new generation capacity through long-term contracts for electric power supply with distribution companies at firm prices.

- ***Regulation on the Wholesale Electricity Market***

Supreme Decree 026-2016-EM approved the Regulation on the Wholesale Electricity Market. The Regulation incorporated the definition of "wholesale electricity market," which includes the short-term power market and the mechanisms for allocating complementary services, operational inflexibilities and congestion revenue. The participants authorized to purchase power from the short-term power market are generation companies to meet the contractual obligations related to contracts for power supply; distribution companies to meet the demand of non-regulated users (up to 10% of maximum demand); and major users their demand (up to 10% of maximum demand).

COES-SINAC calculates the marginal costs of power and congestion, temporarily measures on a daily basis the transactions in the wholesale electricity market, provides the results to the participants through its website. The congestion revenue is allocated among the participants according to the provisions of the relevant procedure. A participant that does not have an A rating (A, AA or AAA) shall have payment guarantees to meet its payment obligations in the wholesale electricity market. Also, a participant that fails to meet its payment obligations is subject to the actions by COES-SINAC.

- ***Supreme Resolution 006-2019-EM***

The Multisectoral Commission for the Electric Power Sector Reform was created on June 20, 2019. It is responsible for analyzing the electricity market and the regulatory framework of the electric power and hydrocarbons sectors regarding the electric power supply to the National Interconnected Electrical System (SEIN, for its Spanish acronym) in order to make proposals to implement measures that ensure the sustainable development of the electric power sector. This Commission is in force for 24 months.

- ***OSINERGMIN Resolution 144-2019-OS/CD***

OSINERGMIN Resolution 144-2019-OS/CD, modified the Technical Procedure 26 "Calculation of Firm Power." It is used to measure revenue from power of generation companies belonging to COES-SINAC and determine the maximum level of generation. From September 2019, the firm power for power plants that use wind, solar or tidal power—was zero before the modification—will be determined based on periods of high power demand (on-peak hours).

- ***Supreme Decree 023-2019-EM***

Supreme Decree 023-2019-EM, published on December 29, 2019, extended the suspension of the Regulation on the Secondary Market of Natural Gas (approved by Supreme Decrees 046-2010-EM and 032-2017-EM) until December 31, 2020.

- ***Contracts for energy and power supply***

As of December 31, 2022, Compañía Eléctrica el Platanal S.A. has 21 contracts for power supply with non-regulated customers with maturity between the years 2024 and 2032, and with a contracted power (C.P.) of 102.47 MW. As of December 31, 2021, Compañía Eléctrica el Platanal S.A. has 15 contracts for power supply with non-regulated customers with maturity between the years 2022 and 2032, and with a C.P. of 98.22 MW.

As of December 31, 2022 and 2021, Compañía Eléctrica el Platanal S.A. has 8 contracts with: (i) distribution companies with maturity between the years 2022 and 2040, and with a C.P. of 180.5 MW; and (ii) distribution companies designated by the National Fund for Financing State Enterprise Activity (FONAFE, for its Spanish acronym) with maturity between the years 2013 and 2022, and with a C.P. of 9.93 MW.

As of December 31, 2022 and 2021, CERE has 2 regulated contracts with distribution companies that supply energy services that expire in 2031 with a contracted power of 14 MW, including Luz del Sur S.A.A. for a term of 10 years that began in January 2022 and with Enel Distribución Perú S.A.A. for a term of 10 years that began in March 2022.

4. Significant Accounting Policies

A. Basis of preparation and presentation

The consolidated 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 information contained in these consolidated financial statements is the responsibility of the Group's Management.

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

The Group prepared the consolidated financial statements on a going concern basis. In making its assessment, management considers events or conditions that may cast significant doubt upon the Group’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 consolidated financial statements.

New IFRSs and amendments

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* (Amendments to IFRS 16)

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

B. Basis of consolidation

The consolidated financial statements present the assets, liabilities, equity, income, expenses and cash flows (financial statements as of December 31, 2022 and 2021) of the Company and its subsidiaries. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

An investor controls an investee if and only if the investor has all the following:

- Power over the investee—i.e., the investor has existing rights that give it the current ability to direct the relevant activities of an investee;
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of the investor’s returns.

The investor that holds a majority of those voting rights controls the investee. The Group (investor) shall consider all facts and circumstances when assessing whether it controls an investee, including:

- A contractual arrangement between the Group and other vote holders;
- Rights arising from other contractual arrangements;
- The Group’s voting rights; potential voting rights or a combination of the Group’s voting rights and potential voting rights.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary. The assets, liabilities, income and expenses of a subsidiary acquired are included in the consolidated financial statements from the date the Group gains control until the date when the Group ceases to control the subsidiary.

The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests. The Group also attributes total comprehensive income to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements, appropriate adjustments are made to that group member’s financial statements in preparing the consolidated financial statements to ensure conformity with the Group’s accounting policies.

Consolidated financial statements eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group. Changes in the Group's ownership interests in a subsidiary that do not result in a loss of control are recognized as equity transactions.

If the Group loses control of a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost; and the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them); recognizes any resulting difference as a gain or loss in profit or loss attributable to the parent; and recognizes any investment retained in the former subsidiary at its fair value at the date when control is lost.

C. Significant accounting policies

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

i. Business combinations and goodwill, interests in consolidated structured entities

- ***Business combinations and goodwill***

A business combination is recognized by applying the acquisition method under IFRS 3 *Business Combinations*. The identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair values, including identifiable intangible assets not recognized in the financial statements of the acquiree. Acquisition-related costs are recognized as expenses and included in 'administrative expenses.'

At the acquisition date, the Group classifies or designates the identifiable assets acquired and liabilities assumed on the basis of the contractual terms, economic conditions and other pertinent conditions as they exist at the acquisition date.

The Group 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. The consideration transferred may include assets or liabilities of the Group that have carrying amounts that differ from their fair values at the acquisition date. If so, the Group shall remeasure the transferred assets or liabilities to their fair values as of the acquisition date and recognize the resulting gains or losses, if any, in profit or loss.

The Group recognizes the acquisition-date fair value of contingent consideration as part of the consideration transferred in exchange for the acquiree. If a contingent consideration is classified as an asset or liability, that is a financial instrument and is within the scope of IFRS 9, it is measured at fair value and any resulting gain or loss is recognized in profit or loss.

The Group measures goodwill at the amount recognized at the acquisition date less any accumulated impairment losses. 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 CGU and the Group disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal; and measured on the basis of the relative values of the operation disposed of and the portion of the CGU retained.

If the initial recognition of a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group shall report in its consolidated financial statements provisional amounts for the items for which the recognition is incomplete. During the measurement period, the Group shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. The measurement period ends as soon as the Group receives the information it was seeking about facts and circumstances that existed at the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

- ***Interests in consolidated structured entities***

- Desert Ready Mix L.L.C. is a consolidated structured entity through which Skanon Investments Inc. sales concrete and aggregates in Phoenix, United States. The initial capitalization and operating expenses of Desert Ready Mix L.L.C. were financed by Skanon Investments Inc.

  In July 2014, Skanon Investments Inc. granted working capital loans to Desert Ready Mix L.L.C. for US$ 1,750,000 and raw materials purchase loans for US$ 1,750,000. The loans include an option contract that grants Skanon Investments Inc. the irrevocable and exclusive right to convert unpaid debt into controlling interests in Desert Ready Mix L.L.C. at the sole and absolute discretion of Skanon Investments Inc. Skanon Investments Inc. and Desert Ready Mix L.L.C. also entered into an operating agreement whereby Skanon Investments Inc. shall provide technical and commercial support, short-term loans and other services to Desert Ready Mix L.L.C. The shareholders of Desert Ready Mix L.L.C. pledged their shares as collateral if Desert Ready Mix L.L.C. fails to meet its obligations related to the operating agreement. Additionally, in May 2018, an agreement was reached whereby Skanon has the option to acquire the remaining 30% equity interest in DRM.

- Desert Aggregates L.L.C. is a consolidated structured entity through which Staten Island Company Inc. sales concrete and aggregates in Maricopa, Arizona, United States.

  In 2019, Skanon Investments Inc. granted land purchase loans to Desert Aggregates L.L.C. The loans include an option contract that grants Skanon Investments Inc. the irrevocable and exclusive right to convert unpaid debt into controlling interests in Desert Aggregates L.L.C. at the sole and absolute discretion of Skanon Investments Inc. Skanon Investments Inc. and Desert Aggregates L.L.C. also entered into an operating agreement whereby Skanon Investments Inc. shall provide technical and commercial support, short-term loans and other services. The shareholders of Desert Aggregates L.L.C. pledged their shares as collateral if Desert Aggregates L.L.C. fails to meet its obligations related to the operating agreement.

  The main beneficiary of DRM and Desert Aggregates L.L.C. is Skanon Investments Inc. based on power and benefits criteria. The Group considers that the loans provided by Skanon Investments Inc. to DRM and Desert Aggregates L.L.C., and the operating agreement grant Skanon Investments Inc. the power to direct the activities that most significantly impact the economic performance of DRM and Desert Aggregates L.L.C. Also, Skanon Investments Inc. is the main source of funding of Desert Aggregates L.L.C. and bears the greatest risk of loss. As of December 31, 2022 and 2021, the Group holds 70 percent and 100 percent of the equity interest in DRM and Desert Aggregates L.L.C.., respectively, in the event that they fail to meet their obligations under the operating agreement.

  The main balances of Desert Ready Mix L.L.C. and Desert Aggregates L.L.C., after the elimination of intragroup transactions, are as follows:

In thousands of soles	**2022**	**2021**
Assets	251,537	236,532
Liabilities	117,488	118,445

ii. Cash and cash equivalents (note 7)
Cash and cash equivalents comprise cash in hand, petty cash fund, checking accounts and time deposits. In preparing the consolidated statement of cash flows, cash and cash equivalents comprise cash and short-term deposits with an original maturity of less than 3 months.

iii. 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 Group 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 Group classifies financial assets as subsequently measured at amortized cost, FVOCI or FVTPL on the basis of both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. At initial recognition, the Group measures a financial asset at its fair value plus transaction costs. The Group measures accounts receivable at their transaction price if they do not contain a significant financing component or when the Group applies the practical expedient in accordance with IFRS 15.

A financial asset is measured at amortized cost or FVOCI if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group 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 Group's business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group'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 Group 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 Group's business model for managing the financial assets 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 Group classifies financial assets as subsequently measured at amortized cost using the effective interest method. The Group 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 Group changes its business model for managing financial assets, it shall reclassify all affected financial assets.

The Group's financial assets measured at amortized cost comprise cash and cash equivalents and trade and other accounts receivable (notes 7 and 8).

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 Group does not have debt instruments classified into this category.

Financial assets measured at FVOCI (equity instruments)
At initial recognition, the Group 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* are not held for negotiation. 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. Dividends on such investments are recognized in ‘other income’ in the consolidated statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. If so, they are recognized in other comprehensive income. Equity instruments measured at FVOCI are not subject to impairment requirements.

The Group does not have financial assets classified into this category.

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 Group'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 consolidated statement of profit or loss.

The Group does not have investments classified as 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 Group 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 Group transfers substantially all risks and rewards of ownership of the financial asset, or (b) the Group neither transfers nor retains substantially all risks and rewards of ownership of the financial asset, but transfers control of the financial asset.

When the Group 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 Group has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset. When the Group continues to recognize an asset to the extent of its continuing involvement, the Group 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 Group has retained.

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

- ***Impairment of financial assets***

The Group 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 Group under the contract and the cash flows that the Group 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 Group 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 Group 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 Group applies a simplified approach for trade accounts receivable when measuring ECLs. Therefore, the Group 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 Group 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 Group considers a financial asset to be in default when contractual payments are more than 365 days past due. However, the Group may consider a financial asset to be in default when internal or external information indicates that it is not probable that the Group will collect the amounts due before the Group enforces the collateral on the financial asset. The carrying amount of a financial asset is written-off if the Group 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.

At initial recognition, the Group 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 Group's financial liabilities include other financial liabilities and trade and other payables (notes 16 and 17).

Subsequent measurement
The Group 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* (note 34.A.i).

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

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 interest rate. Amortization according to the effective interest method is presented in 'borrowing costs' in the consolidated statement of profit or loss.

This category includes lease liabilities, other financial liabilities and trade and other payables (notes 12(b), 16 and 17).

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 of a financial liability extinguished or transferred to another party and the consideration paid shall be recognized in the consolidated statement of comprehensive income.

▪ ***Offsetting financial instruments***
Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position when the Group 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 34.A)***
The Group uses derivatives—e.g., hedging instruments in cash flow hedges or cross-currency interest rate swaps—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 Group'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 Group 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 (note 34.A.i)
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 Group 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.

iv. Fair value of financial instruments (note 35)

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

When measuring fair value, the Group 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 Group 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.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the entire measurement as follows:

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

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

Level 3: Unobservable inputs for the asset or liability.

For assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the consolidated statement of financial position, the Group 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 Group's accounting policies.

For disclosure purposes, the Group determined classes of assets and liabilities based on their nature, characteristics, and risks, and the level of the fair value hierarchy, as described above.

v. Classification of assets and liabilities as current and non-current

The Group's assets and liabilities are presented in the consolidated statement of financial position and classified as current and non-current. The Group 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 Group classifies all other assets as non-current.

The Group 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 Group classifies all other liabilities as non-current.

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

vi. Foreign currency transactions (note 34.A.ii)

The consolidated financial statements are presented in *soles*, which is the Parent Company's functional currency. The members of the Group determine their functional currency. The non-monetary items included in the financial statements of each member are measured in that functional currency.

The consolidated financial statements were prepared to present the joint activities of the members of the Group. Therefore, the presentation currency is the *sol* (the currency used by the Company). Consequently, the Group translates financial information of entities based in a country whose functional currency is other than the *sol* into its presentation currency applying the translation methods under IAS 21 *The Effects of Changes in Foreign Exchange Rates*.

Foreign currency transactions and balances

Functional and presentation currency

The Company's functional and presentation currency is the *sol* since it is the currency of its primary economic environment in which it operates and is used for all transactions. Management assessed each subsidiary and determined their functional currency, which is the currency of the primary economic environment in which each subsidiary operates.

The Group translated financial information of subsidiaries based in a country whose functional currency is other than the *sol* into its presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position. The exchange difference of opening balances to the presentation currency at an exchange rate different from the closing rate is presented as a movement of each of the items to which it corresponds.

- Income and expenses for each statement presenting profit or loss and other comprehensive income are translated at exchange rates at the dates of the transactions; and

- All resulting exchange differences are recognized in 'gains or losses on translation in the consolidated statement of other comprehensive income.

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.

Monetary items stated in foreign currency 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.

Non-monetary items stated in foreign currency are translated using the exchange rate ruling at the transaction date.

Under IAS 21, exchange differences on intragroup transactions eliminated by consolidation and exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation shall be recognized in profit or loss in the consolidated financial statements.

vii. Inventories (note 9)
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, replacement parts, materials, supplies, containers and packaging***

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. The cost is determined using the weighted average cost method. Net realizable value is the estimated selling price in the normal course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

It excludes borrowing costs and exchange differences.

- ***Goods in transit***

The cost comprises costs directly attributable to the acquisition of goods.

- ***Loss allowance***

The Group 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.

viii. Prepaid expenses (note 10)

This caption comprises services or taxes paid in advance. They are recognized as prepaid expenses when the payment is made and are amortized to the extent that the service is used or consumed.

ix. Investments in associates (note 11)

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee without the power to control or jointly control those policies.

Factors considered to determine the existence of joint control of, or significant influence over, an investee are similar to those necessary to determine the existence of control of an investee.

Investments in associates are recognized using the equity method.

Under the equity method, at initial recognition the investment in an associate is recognized at cost, and the carrying amount is increased or decreased to recognize the Group’s share of the profit or loss of the investee after the date of acquisition. Goodwill relating to an associate is included in the carrying amount of the investment. Amortization of that goodwill is not permitted. Goodwill is not tested for impairment separately.

The Group’s share of the investee’s profit or loss is recognized in the Group’s profit or loss. The investor’s share of changes in the investee’s other comprehensive income is recognized in the investor’s other comprehensive income The investor’s share of changes recognized directly in the associate’s equity is recognized directly in equity by the investor and disclosed in the consolidated statement of changes in equity. Profits and losses resulting upstream and downstream transactions between the Group and an associate are eliminated to the extent of the investor's interest in the associate.

The Group's share of the associate’s profit or loss is recognized in the Groups profit or loss, outside EBIT. The share includes profit or loss, net of taxes, and non-controlling interests of the associate’s subsidiaries.

When the end of the reporting period of the entity is different from that of the associate, the associate prepares financial statements as of the same date as the financial statements of the Group. If an associate uses accounting policies other than those of the Group, adjustments shall be made to make the associate’s accounting policies conform to those of the Group.

After applying the equity method, the Group assesses whether there is any objective evidence that its net investment in the associate is impaired. The Group assesses at the end of each reporting period whether there is any indication that its net investment in the associate or joint venture may be impaired. An investment in an associate is impaired when its carrying amount exceeds its recoverable amount. Any impairment loss is recognized in 'net investments in associates' in the consolidated statement of profit or loss.

If the retained interest in the former associate is a financial asset, the Group measures the retained interest at fair value. The Group recognizes in profit or loss any difference between the fair value of any retained interest and any proceeds from disposing of a part interest in the associate; and the carrying amount of the investment at the date the equity method was discontinued.

x. Borrowing costs (note 13.g)

The Group 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 consolidated 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.

xi. Leases (note 12)

The Group determines whether an arrangement is, or contains, a lease based on an assessment of whether fulfillment of the arrangement is dependent on the use of a specific asset or assets; and the arrangement conveys a right to use the asset.

The Group as lessee

The Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset.

At the commencement of the lease term, the Group recognizes finance leases as assets and liabilities at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Borrowing costs are recognized in the consolidated statement profit or loss.

A leased asset is amortized over the asset's useful life. However, if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term, the asset shall be amortized over the shorter of the lease term or its useful life.

An operating lease is any lease other than a finance lease. The Group recognizes lease payments from operating leases as an expense over the lease term.

The Group as lessor
A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Lease income from operating leases is recognized on a straight-line basis over the lease term in 'revenue' in the consolidated statement of profit or loss. Initial direct costs incurred by lessors in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the lease income. Contingent rents are recognized as revenue in the period in which they are incurred.

Right-of-use assets (note 12.a)
At the commencement date, a right-of-use asset is measured at cost. The cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date, less any lease incentives received; any initial direct costs incurred by the lessee; and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the site on which it is located.

The Group depreciates on a straight-line basis the right-of-use asset from the commencement date to the end of the useful life of the right-of-use asset or the end of the lease term, considering whether the Group will exercise a purchase option.

The useful lives of right-of-use assets are as follows:

Description	**Years**
Land	3 - 30
Vehicles	3 - 6
Buildings and other constructions	3 - 40
Premises	4
Various equipment	1 - 4

In addition, the right-of-use asset is measured at cost less any accumulated impairment losses and adjusted for any remeasurement of the lease liability.

Lease liabilities (note 12.b)
At the commencement date, a lease liability is measured at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The Group's incremental borrowing rate is the discount rate.

The lease payments comprise fixed payments (including in-substance fixed payments), variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date, among others. Likewise, an arrangement may contain non-lease components referred to as lease payments. As a practical expedient, the Group may elect not to separate non-lease components from lease components. However, payments relating to non-lease components are included in the measurement of the lease liability.

Lease liabilities are measured at amortized cost using the effective interest method. Lease liabilities are remeasured when there is a change in the future lease payments resulting from a change in an index or rate; there is a change in the amounts expected to be payable under a residual value guarantee; or if the Group reassesses whether it is reasonably certain to exercise a purchase, extension or termination option. When the Group remeasures the lease liability, it recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero, the Group recognizes any remaining amount of the remeasurement in profit or loss.

The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Options to extend or terminate the lease are included in the lease term. In assessing whether the Group is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, it considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease.

Practical expedient
The Group does not recognize right-of-use assets and lease liabilities for short-term leases of low-value assets (i.e., IT equipment) that have a lease term of 12 months or less. The Group recognizes lease payments associated with these leases as expenses on a straight-line basis over the lease term.

The Group as lessor
A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. Lease income from operating leases is recognized on a straight-line basis over the lease term in ‘other income’ in the consolidated statement of profit or loss.

Initial direct costs incurred by lessors in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the lease income. Contingent rents are recognized as revenue in the period in which they are incurred.

xii. Sale and leaseback transactions
The asset under sale and leaseback transactions is included in the consolidated financial statements at the amount of the leaseback and the related liability is presented in ‘other financial liabilities’ in the consolidated statement of financial position (note 16.A(b)).

xiii. Property, plant and equipment, net (note 13)

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 4.C.xvi). If the Group 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 consolidated 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:

Description	**Years**
Closure of quarries	4 - 38
Buildings and constructions	10 - 80
Premises	2 - 30
Machinery and equipment and major replacement parts	3 - 50
Vehicles	2 - 15
Furniture and fixtures	2 - 30
Various equipment	1 - 15

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 consolidated 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.

xiv. Mining concessions (note 13)

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.' Mining concessions are amortized using the straight-line method. If the Group abandons a concession, the related costs are recognized in the consolidated statement of profit or loss.

xv. Intangible assets (note 15)
The useful life of an intangible asset may be finite or indefinite.

The Group tests an intangible asset with a finite useful life for impairment to determine whether the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. If there has been a change in the expected pattern of consumption of the future economic benefits embodied in the asset, the amortization method is changed to reflect the changed pattern. Such changes are recognized as changes in accounting estimates. The amortization charge for each period is recognized in 'expenses' in the consolidated statement of profit or loss.

Any gain or loss on derecognition of an intangible asset (determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item) is included in the consolidated statement of profit or loss.

Goodwill
The Group 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, net' in the consolidated 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 Group 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 Group shall recognize the impairment loss. An impairment loss recognized for goodwill shall not be reversed in a subsequent period.

Customer list
Customer list is recognized in 'intangible assets, net' in the consolidated statement of financial position. It has a useful life of 10 years.

Brand
Brand is recognized in 'intangible assets, net' in the consolidated statement of financial. It has an indefinite useful life.

Concession for the generation of electrical energy
A concession for the generation of electrical energy is measured initially at cost, including the right to transfer the concession. The cost and right to transfer are amortized over the concession term (i.e., 25 years).

Software and licenses
Software and licenses 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 1 to 10 years).

xvi. Deferred stripping costs (note 14)
The Group 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 Group recognizes the costs of that stripping activity as production costs. To the extent the benefit is improved access to ore, the Group 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 Group 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.

xvii. Reserve estimates (note 19)
Reserves are estimates of the amount of product (ore) that can be economically and legally extracted from mineral resources. The Group 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 items of property, plant and equipment, provision for closure of quarries and depreciation and amortization charges.

xviii. Impairment of non-financial assets (notes 13.j and 15)
At the end of each reporting period, the Group assesses whether there is any indication that a non-financial asset may be impaired. If any such indication exists, the Group 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 Group 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 Group uses current market transactions that might be available. If such market transactions are not available, the Group uses a valuation technique that is appropriate in the circumstances.

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

The Group 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 Group shall estimate the recoverable amount of that asset.

An impairment loss recognized in prior periods for an asset other than goodwill 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 other than goodwill 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 other than goodwill 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.

In measuring value in use, the Group bases cash flow projections on the most recent financial budgets/forecasts approved by management. Projections based on these budgets/forecasts shall cover a maximum period of five years. When a period greater than five years is used for a CGU, the Group uses a long-term average growth rate to extrapolate cash flow projections.

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

An impairment loss on a non-revalued asset is recognized in 'expenses' in the consolidated statement of profit or loss. However, an impairment loss on a revalued asset is recognized in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Such an impairment loss on a revalued asset is offset against the revaluation surplus for that asset, and only when that has been exhausted, it is recognized in profit or loss.

The Group 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 Group shall estimate the recoverable amount of that asset.

An impairment loss recognized in prior periods for an asset other than goodwill 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 other than goodwill 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. Any reversal of an impairment loss of a revalued asset shall be treated as a revaluation increase.

The Group tests goodwill for impairment annually (as of December 31) and when there is any indication that goodwill may be impaired. If there is an indication that an asset may be impaired, recoverable amount is determined for the CGU or group of CGUs to which the asset belongs. If the carrying amount of the unit exceeds the recoverable amount of the unit, the Group shall recognize the impairment loss. An impairment loss recognized for goodwill shall not be reversed in a subsequent period.

xix. Provisions (note 19)

General provision
A provision is only recognized when the Group 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 consolidated statement of comprehensive income, the expense relating to a provision is presented net of the amount recognized for a reimbursement. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenses expected to be required to settle the obligation. When discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognized as borrowing cost in profit or loss.

Provision for closure of quarries (Peru)
The Group 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 Group 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 consolidated 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.

Provision for environmental rehabilitation (Ecuador)
The Group makes judgments and estimates to recognize costs and measure provisions related to the environmental management plan. They are based on current information on the estimated rehabilitation costs and environmental rehabilitation plans required by law.

The actual costs may differ from the estimates due to changes in the laws and regulations, discovery and analysis of site conditions, and changes in the clean-up technology. Therefore, any change in the facts and circumstances related to this provision and in the laws and regulations may have a significant effect on the provision recognized. The provision for environmental rehabilitation is reviewed on an annual basis using a study that is updated every 3 years.

xx. Contingent assets and contingent liabilities (note 33.D)
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 consolidated 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.

xxi. Employee benefits
The Group'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 consolidated statement of comprehensive income on an accrual basis.

Retirement and termination benefits and other employee benefits (note 19(b))
The Group has a defined benefit plan (i.e., post-employment benefit plan) that regulated and required by the employment and labor law of Ecuador. Under applicable laws, in the event of termination of employment at the request of the employer or employee, the employer will give the employee a bonus of 25% of the last monthly salary for each year of service. This employee benefit is referred as termination benefits. The Group has an additional employee benefit plan for employees under a collective agreement.

The Group annually measures the provision for retirement and termination benefits based on actuarial assumptions made by an independent specialist. It is recognized in the consolidated statement of profit or loss using the projected unit credit method and is the present value of the defined benefit obligation at the reporting date, which is measured by discounting estimates of future cash flows at an annual rate equivalent to the average rate of U.S. bonds stated in the currency in which the benefits are paid and have terms that are an approximation of terms of pension plans until maturity.

The actuarial assumptions include factors such as discount rate, mortality rate, age, sex, year of service, compensation, future increase in compensation, turnover rate, among others.

Actuarial gains and losses resulting from experience adjustments and the effects of changes in the actuarial assumptions are recognized in other comprehensive income when they arise. Any past service cost is recognized in profit or loss.

xxii. Revenue recognition (note 23)
The Group is engaged in the sale of cement, concrete and precast concrete, the supply of electric power and other services. The Group recognizes revenue from contracts with customers when (or as) the Group satisfies a performance obligation is satisfied by transferring a promised good or service to a customer. An asset is transferred when (or as) the customer obtains control over that asset.

Sale of goods
The Group identify the sale of goods as a performance obligation. Revenue is recognized when the Group 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 Group 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).

Sale of power and energy
Revenue from the sale of power and energy is monthly recognized over time based on meter reading periods and are fully recognized when the service is rendered. Revenue from power delivered but not invoiced, which is generated between the last meter reading period and the end of each month, is included in the invoice of the following month, but is recognized in the relevant month based on estimates of the power consumed by the customer during such period.

Rendering of services
Revenue from rental services of gantry cranes, overhead cranes and hydroelectric power plants and other services is recognized over time.

The Group identifies separate performance obligations and allocates the transaction price to each performance obligation.

In some contracts, the Group grants the customer the right to return the good and offers trade discounts and volume rebates.

Interest revenue
Interest revenue is recognized using the effective interest method. Interest is presented in 'finance income' in the consolidated statement of profit or loss.

xxiii. Recognition of costs and expenses
Costs and expenses are recognized on an accrual basis, regardless of when they are incurred, in the periods to which they relate.

xxiv. Taxes (notes 20 and 33.C)

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

Current tax 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 Group in its income tax filings regarding situations in which the applicable tax laws are subject to interpretation. The Group recognizes a provision, as appropriate.

Deferred tax
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 Group 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 Group assesses the unrecognized deferred tax assets, and recognized deferred tax assets. The Group measures deferred tax assets and liabilities at the tax rate applicable to undistributed profits. The Group recognize the income tax consequences of dividends when it recognizes a liability to pay a dividend.

The Group 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 facts and circumstances or of new information as a change in accounting estimate.

As of December 31, 2022 and 2021, the Group did not identify uncertain tax treatments that would result in the recognition of provisions in the consolidated financial statements.

Mining royalties (note 33.E)
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 Group 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 consolidated statement of financial position.

xxv. Earnings per share (note 32)
Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of outstanding ordinary shares during the period. As of December 31, 2022 and 2021, the Group does not have dilutive financial instruments; therefore, the basic and diluted earnings per share are the same.

xxvi. Operating segments (note 37)
The Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance is the Board of Directors. Management identified its operating segments based on the reports reviewed by the Board of Directors.

The Board of Directors considered the business from a product line perspective: cement, ready-mix, power and others, with cement being the main segment, accounting for 56.04% of revenues in 2022 (58.03% of revenues in 2021).

xxvii. Reclassifications
The Group reclassified certain 2021 items in order to follow the presentation structure established in the current period. Management considers that the reclassifications do not require any changes in the decisions made by the Group.

5. Significant Accounting Estimates and Assumptions
In preparing these consolidated 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 consolidated financial statements comprise the following:

- Impairment of long-lived assets (notes 4.C.xii, 4.C.xiii and 4.C.xiv).

- Reserve estimates (note 4.C.xvi).

In management's opinion, the estimates included in the consolidated 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.

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

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 Group's consolidated financial statements.

7. Cash and Cash Equivalents

This caption comprises the following:

In thousands of soles	**2022**	**2021**
Checking and savings accounts (a)	239,654	245,201
Time deposits (b)	93,614	153,159
Petty cash fund	1,577	1,395
	334,845	**399,755**

(a) It corresponds to checking and savings accounts stated in local and foreign currency and deposited at local and foreign 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 and foreign financial institutions and stated in local and foreign currency. They accrue interest at market rates and have original maturities of less than three months.

8. Trade and Other Accounts Receivable

This caption comprises the following:

		Current		Non-current	
In thousands of soles	***Note***	**2022**	**2021**	**2022**	**2021**
Trade accounts receivable					
Invoices and bills receivable (a)		608,643	513,329	19,030	18,574
Trade accounts receivable (b)		74,032	36,095	-	-
		682,675	**549,424**	**19,030**	**18,574**
Related parties					
Accounts receivable from related parties	*31(b)*	39,191	31,500	-	-
Others					
Advances to suppliers (c)		18,642	23,039	-	2,292
Claims to Tax Authorities (d)		17,835	8,155	72,088	73,632
Loans to employees		9,949	7,680	-	8,176
Third-party claims		5,195	7,437	2,800	-
Hedging instruments	*34.A.i*	-	-	4,063	1,422
Other accounts receivable		18,047	18,508	3,110	2,919
		69,668	**64,819**	**82,061**	**88,441**
Taxes					
Down payments of income tax (e)		33,596	14,109	-	-
Sales tax credit (f)		39,490	28,068	1,184	819
		73,086	**42,177**	**1,184**	**819**
		864,620	**687,920**	**102,275**	**107,834**
Less: ECLs (g)		(30,291)	(26,273)	(19,030)	(18,574)
		834,329	**661,647**	**83,245**	**89,260**

(a) Invoices receivable are stated in local and foreign currency, have current maturity and do not accrue interest. Bills receivable have current maturity and accrue interest at market rates.

(b) As of December 31, 2022 and 2021, it corresponds to loss allowances for accounts receivable from the sale of energy, power and precast concrete in December of those years for S/ 74,032,000 and S/ 36,095,000, respectively. They were invoiced and paid at the beginning of the following year.

(c) As of December 31, 2022 and 2021, it corresponds to advance payments made to suppliers for the acquisition of machinery and equipment, as well as the rendering of various services. As of December 31, 2022, they are paid in the short term.

(d) As of December 31, 2022 and 2021, it corresponds to claims to the Tax Authorities mainly related to mining royalties, fines for down payments, claims for cash payments from interest, among others (note 33.D).

It is the opinion of management and its legal advisors that there are sufficient legal grounds to determine that it is probable that these claims will be recovered in the short and long term.

(e) As of December 31, 2022 and 2021, it corresponds to the credit balance of down payments of income tax and expenses for temporary tax on net assets.

In management's opinion, down payments of income tax will be applied against future taxes levied in the current period (note 33 C.(e)).

(f) As of December 31, 2022, it corresponds mainly to the general sales tax credit generated mainly by the subsidiaries UNACEM Chile and UNACEM Perú S.A. As of December 31, 2022 corresponds mainly to the general sales tax credit generated mainly by the subsidiaries UNACEM Chile and UNACEM Perú S.A. As of December 31, 2021, it corresponds mainly to the general sales tax credit resulting from the acquisition of the "San Antonio" plant by the subsidiary UNACEM Chile.

In management's opinion, down payments of income tax will be applied against future taxes levied in the current period.

(g) Movement in the loss allowance for the years ended December 31, 2022 and 2021 is as follows:

In thousands of soles	***Note***	**2022**	**2021**
Opening balance		44,847	33,132
Provisions	*24.25 & 28*	5,909	2,498
Acquisition of subsidiaries	*1.B & 24*	-	10,345
Write-off and others		(23)	(6)
Reversals	*28*	(200)	(606)
Effects of exchange difference and translation		(1,212)	(516)
Closing balance		**49,321**	**44,847**

In management's opinion, accounts receivable are not exposed to default risk, except for provision for accounts receivable.

In management's opinion, the loss allowance and the specific provision for trade accounts receivable adequately hedges the default risk as of December 31, 2022 and 2021.

(h) As of December 31, 2022 and 2021, the Company assessed the exposure to credit risk of trade accounts receivable (note 34.B).

As of December 31, 2022 and 2021, the aging of trade and other accounts receivable is as follows:

			Past due but not impaired				
	Total	**Neither past due nor impaired**	**Less than 30 days**	**30-90 days**	**91-180 days**	**More than 180 days**	**Impaired**
2022	966,895	803,724	76,921	20,335	6,990	9,604	49,321
2021	795,754	644,090	58,693	26,445	4,496	17,183	44,847

9. Inventories

This caption comprises the following:

In thousands of soles	2022	2021
Replacement parts and supplies (a)	298,151	244,886
Raw materials and auxiliary materials (c)	236,334	176,413
Work-in-progress (b)	217,903	202,151
Finished goods	55,693	38,958
Packaging	64,304	25,557
Goods in transit	10,126	3,583
	882,511	**691,548**
Provision for inventory obsolescence (d)	(30,866)	(27,220)
	851,645	**664,328**

(a) It corresponds to replacement parts that will be used by the Group in the short term. The replacement parts that the Group 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, net’ (note 13).

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

(c) Raw and auxiliary materials include mainly coal, pozzolana, iron ore and clinker purchased from third party suppliers.

(d) Movement in the provision for inventory obsolescence for the year ended December 31, 2022 and 2021 is as follows:

In thousands of soles	***Note***	2022	2021
Opening balance		27,220	24,543
Provisions	*24*	6,133	4,174
Reversals	*28*	-	(157)
Effects of translation		(666)	(802)
Write-off		(1,821)	(538)
Closing balance		**30,866**	**27,220**

In management's opinion, the provision for inventory obsolescence adequately hedges the obsolescence risk as of December 31, 2022 and 2021.

10. Prepaid Expenses

This caption comprises the following:

In thousands of soles	2022	2021
Prepaid insurance contracts	14,944	16,560
Personnel expenses (a)	4,756	-
Deferred charges and others	9,441	6,788
	29,141	**23,348**

(a) In 2022, the subsidiary CONCREMAX made disbursements for the assembly works for the new Toromocho aggregates plant for S/ 4,198,000, which will begin in 2023 and will be recorded as an expense in that year.

11. Investments in Associates

This caption comprises the following:

	Number of shares		Interests (%)		Carrying amount	
In thousands of soles	2022	2021	2022	2021	2022	2021
Master Builders Solutions Perú S.A.	209,520	209,520	30.00	30.00	13,877	11,414
Ferrocarril Central Andino S.A.	2,479,642	2,479,642	16.49	16.49	3,273	3,273
Ferrovías Central Andina S.A.	250,509	250,509	15.00	15.00	3,574	3,268
Compañía de Inversiones Santa Cruz S.A.	12,390	12,390	8.85	8.85	2,342	2,342
Others	-	-	-	-	668	664
					23,734	**20,961**

(a) Movement in this caption was as follows:

In thousands of soles	2022	2021
Opening balance	20,961	23,994
Investments in subsidiaries	3,861	6,524
Capital reduction	-	(4,294)
Dividends received	(1,070)	(5,392)
Other adjustments to retained earnings	(18)	129
Closing balance	**23,734**	**20,961**

(b) The following table provides information of the financial statements of associates prepared in accordance with IFRSs:

	Master Builders Solutions Perú S.A.		Ferrocarril Central Andino S.A.		Ferrovías Central Andina S.A.		Compañía de Inversiones Santa Cruz S.A.	
In thousands of soles	2022	2021	2022	2021	2022	2021	2022	2021
Total assets	76,763	67,227	423,782	464,125	125,565	146,356	36,459	36,457
Total liabilities	30,508	29,179	311,261	337,495	90,874	112,604	9,979	9,977
Total net equity	46,255	38,048	112,521	126,630	34,691	33,752	26,480	26,480
Net sales	107,429	103,354	231,485	202,090	61,830	59,342	134	132
Profit or loss	11,773	17,322	46,060	34,831	2,042	8,857	-	33

12. Right-of-use Assets and Lease Liabilities

(a) Movement in the right-of-use assets is as follows:

In thousands of soles	***Note***	**Land**	**Buildings and constructions**	**Vehicles**	**Premises**	**Various equipment**	**Total**
Costs							
As of January 01, 2021		27,279	-	1,612	2,058	15,783	46,732
Additions		4,909	-	-	-	5,575	10,484
Acquisition of subsidiaries	*1.B*	-	4,510	1,926	1,480	2,938	10,854
Disposals		(5,830)	-	-	(1,283)	(32)	(7,145)
Others		161	18	390	(302)	(50)	217
Effects of translation		435	(386)	(94)	(108)	(252)	(405)
As of December 31, 2021		**26,954**	**4,142**	**3,834**	**1,845**	**23,962**	**60,737**
Additions		1,174	-	963	127	5,881	8,145
Disposals		-	-	-	-	(4,562)	(4,562)
Others		(139)	-	-	189	(255)	(205)
Effects of translation		(1,021)	(227)	(192)	24	(145)	(1,561)
As of December 31, 2022		**26,968**	**3,915**	**4,605**	**2,185**	**24,881**	**62,554**
Accumulated depreciation							
As of January 01, 2021		11,637	-	682	952	10,902	24,173
Additions (c)		5,607	103	854	791	4,418	11,773
Acquisition of subsidiaries	*1.B*	-	862	1,445	1,088	1,605	5,000
Disposals		(2,979)	-	-	(1,283)	(32)	(4,294)
Others		-	166	161	(154)	(103)	70
Effects of translation		280	(82)	(159)	(113)	(168)	(242)
As of December 31, 2021		**14,545**	**1,049**	**2,983**	**1,281**	**16,622**	**36,480**
Additions (c)		4,844	128	342	558	4,014	9,886
Disposals		-	-	-	-	(4,561)	(4,561)
Others		-	-	45	170	(256)	(41)
Effects of translation		(590)	(56)	(158)	43	(89)	(850)
As of December 31, 2022		**18,799**	**1,121**	**3,212**	**2,052**	**15,730**	**40,914**
Net carrying amount							
As of December 31, 2022		**8,169**	**2,794**	**1,393**	**133**	**9,151**	**21,640**
As of December 31, 2021		**12,409**	**3,093**	**851**	**564**	**7,340**	**24,257**

(b) Movement in the lease liabilities is as follows:

In thousands of soles	***Note***	**2022**	**2021**
Opening balance		24,840	22,978
Additions		8,132	10,805
Acquisition of subsidiaries	*1.B*	-	6,005
Lease payments		(11,016)	(15,876)
Others		483	687
Exchange difference		(194)	241
Closing balance		**22,245**	**24,840**
Classification upon maturity			
Current		8,024	8,345
Non-current		14,221	16,495
		22,245	**24,840**

(c) Depreciation charge was allocated to the consolidated statement of profit or loss as follows:

In thousands of soles	***Note***	**2022**	**2021**
Cost of sales	*24*	9,178	11,097
Administrative expenses	*25*	673	637
Selling expenses	*26*	35	39
		9,886	**11,773**

(d) As of December 31, 2022 and 2021, the Group only has leases with fixed payments.

13. 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 constructions	Premises	Machinery and equipment and major replacement parts	Vehicles	Furniture and fixtures	Various equipment	Goods in transit	Work-in-progress (i)	Total
Costs													
As of January 01, 2021		106,634	1,019,190	30,962	3,975,244	171,169	4,823,871	647,628	24,824	176,820	375	277,935	11,254,652
Additions (c)		1,280	25,031	749	89,631	2,431	28,577	51,128	62	3,979	451	230,646	433,965
Acquisition of subsidiaries	*1.B*	-	5,601	-	130,852	9,717	1,955	2,141	336	1,171	-	-	151,773
Transfers (d)		-	1,299	-	78,064	4,058	153,870	19,374	485	5,520	(411)	(262,259)	-
Disposals and sales (e)		-	-	(650)	(199)	(11)	(3,761)	(45,074)	-	(995)	-	(7)	(50,697)
Classification of replacement parts and others		-	-	(4,905)	2,665	-	(2,083)	(3,594)	-	98	-	(757)	(8,576)
Effects of translation		-	12,846	-	146,806	(2,046)	91,213	7,190	165	4,430	-	5,678	266,282
As of December 31, 2021		**107,914**	**1,063,967**	**26,156**	**4,423,063**	**185,318**	**5,093,642**	**678,793**	**25,872**	**191,023**	**415**	**251,236**	**12,047,399**
Additions (c)		-	7,186	1,812	4,530	4,831	25,224	49,855	921	7,558	1,983	425,631	529,531
Acquisition of subsidiaries	*1.B*	1,102	4,390	-	-	-	1,740	58	-	168	-	-	7,458
Transfers (d)		-	7,371	-	33,042	3,545	106,848	19,524	121	5,207	(1,528)	(174,130)	-
Disposals and sales (e)		-	(395)	(1,020)	(9,480)	(2,151)	(65,786)	(32,596)	(756)	(4,258)	-	(115)	(116,557)
Classification of replacement parts and others		166	1,983	(1,727)	2,073	-	777	-	1	-	(354)	(104)	2,815
Effects of translation		85	(9,476)	-	(91,815)	(1,338)	(49,768)	(8,494)	(162)	(2,909)	(20)	(4,340)	(168,237)
As of December 31, 2022		**109,267**	**1,075,026**	**25,221**	**4,361,413**	**190,205**	**5,112,677**	**707,140**	**25,997**	**196,789**	**496**	**498,178**	**12,302,409**
Accumulated depreciation													
As of January 01, 2021		19,599	-	10,959	1,152,387	101,921	2,062,639	483,970	22,461	129,094	-	-	3,983,030
Additions (f)		125	-	5,542	107,699	14,452	260,109	54,937	641	9,623	-	-	453,128
Acquisition of subsidiaries	*1.B*	-	-	-	43,700	8,774	1,363	2,113	331	933	-	-	57,214
Disposals and sales (e)		-	-	(21)	(150)	(1)	(2,385)	(43,542)	-	(986)	-	-	(47,085)
Others		-	-	-	1,153	-	2,842	(1,851)	(32)	287	-	-	2,399
Effects of translation		-	-	-	46,033	(1,464)	43,086	5,187	133	2,881	-	-	95,856
As of December 31, 2021		**19,724**	**-**	**16,480**	**1,350,822**	**123,682**	**2,367,654**	**500,814**	**23,534**	**141,832**	**-**	**-**	**4,544,542**
Additions (f)		124	-	2,305	110,490	12,153	258,065	53,763	760	10,342	-	-	448,002
Disposals and sales (e)		-	-	(773)	(9,212)	(1,937)	(57,378)	(29,193)	(643)	(4,168)	-	-	(103,304)
Others		-	-	-	-	-	317	-	-	(15)	-	-	302
Effects of translation		-	-	-	(27,892)	(877)	(25,690)	(3,890)	(125)	(2,042)	-	-	(60,516)
As of December 31, 2022		**19,848**	**-**	**18,012**	**1,424,208**	**133,021**	**2,542,968**	**521,494**	**23,526**	**145,949**	**-**	**-**	**4,829,026**
Net carrying amount													
As of December 31, 2022		**89,419**	**1,075,026**	**7,209**	**2,937,205**	**57,184**	**2,569,709**	**185,646**	**2,471**	**50,840**	**496**	**498,178**	**7,473,383**
As of December 31, 2021		**88,190**	**1,063,967**	**9,676**	**3,072,241**	**61,636**	**2,725,988**	**177,979**	**2,338**	**49,191**	**415**	**251,236**	**7,502,857**

(a) As of December 31, 2022 and 2021, it corresponds to the Company's concessions of the Atocongo, Atocongo Norte, Pucará, Oyón, El Silencio 8, Selva Alegre, Cumbas, Pastaví (UNACEM Ecuador) and Jicamarca (UNICON Perú) quarries.

(b) As of December 31, 2022, the carrying amount of assets acquired through leases and sale and leaseback transactions amounts to S/ 135,686,000 (2021: S/ 102,397,000). In 2022, additions amount to S/ 82,755,000 (2021: S/ 64,237,000) under leases and sale and leaseback transactions. The leased assets guarantee the lease liabilities (note 16.A(b)).

(c) In 2022, additions correspond to:

i. Additions from the subsidiary UNACEM Perú, for projects to expand the packaging and product dispatch capacity at both plants, the optimization of the clinker cooler and dedusting in kiln 3 at the Condorcocha plant, as well as the following projects at the Atocongo plant: structural reinforcement and improvement of the discharge system, improvements to the cement mills and the primary crusher; the aforementioned projects total approximately S/ 80,449,000.

ii. Additions of Drake Cement L.L.C. for the execution of the projects of construction of a new warehouse and improvements to the raw mill for US$ 21,590,000 (equivalent to S/ 82,214,000).

iii. Additions of subsidiary Sunshine Concrete & Materials Inc for the acquisition of machinery, equipment and trucks for US$ 8,408,000 (equivalent to S/ 32,018,000).

iv. Additions of works in progress of the subsidiary UNACEM Ecuador for projects of cement mill reducer 2, increase in production capacity of kiln 1, biomass conditioning for fuel increase, frequency inverter for kiln 1 and multiguel project (phase 2) for approximately US$ 6,698,000 (equivalent to S/ 25,507,000).

v. Additions from the subsidiary PREANSA Chile for the mobile plant project for the construction of an industrial bridge for approximately S/ 9,848,000.

vi. Additions of UNICON Perú for the i) acquisition of front-end loaders for S/ 17,270,000, ii) acquisition of concrete mixer trucks for S/ 2,027,000, iii) overhaul of trucks for S/ 5,283,000 and iv) overhaul and commissioning of mixing plants for S/ 1,526,000.

vii. Additions of UNICON Chile for the acquisition of concrete mixer trucks, front loaders and cranes S/ 5,878,000 and overhaul of trucks for S/ 6,438,000.

viii. Additions of the subsidiary Concremax for truck overhaul and plant assembly for approximately S/ 9,559,000.

In 2021, additions correspond to:

i. Expenses for the projects of cooler dedusting system, control system migration and modernization of the Cenit-Pillard system in kiln 2, as well as modernization of the Carpapata I and II substations, and refurbishing of kiln 1 in the Condorcocha plant. Likewise, expenses for the projects of mill shell replacement, structural reinforcement and modification of chamber 1 of the multi silo, improvement in the system of rotary kiln 1 in the Atocongo plant for S/ 74,415,000.

ii. Additions of Drake Cement L.L.C. for the execution of the projects of construction of a new warehouse and improvements to the raw mill for US$ 7,407,000 (equivalent to S/ 29,444,000).

iii. Additions of Desert Ready Mix L.L.C. for the i) acquisition of machinery and equipment for US$ 1,438,000 (equivalent to S/ 5,718,000) and ii) acquisition of concrete mixer trucks and other vehicles for US$ 8,274,000 (equivalent to S/ 32,889,000).

iv. Additions of Desert Aggregates L.L.C. for the acquisition of machinery, equipment and trucks for US$ 598,000 (equivalent to S/ 2,375,000).

v. Additions to work-in-progress of UNACEM Ecuador for the execution of the project of conditioning of biomass to increase fuel for US$ 797,000 (equivalent to S/ 3,169,000).

vi. Additions of Unión de Concreteras S.A. for the i) acquisition of front-end loaders for S/ 5,714,000, ii) acquisition of concrete mixer trucks for S/ 4,996,000, iii) overhaul of trucks for S/ 6,711,000 and iv) overhaul and commissioning of mixing plants for S/ 2,751,000.

vii. Additions of Concremax S.A. for the i) execution of the project of construction of a dry mix concrete plant for S/ 8,849,000 and ii) overhaul of trucks and machinery and equipment for S/ 5,222,000.

viii. Additions of Compañía Eléctrica El Platanal S.A. for the acquisition of runners (ANDRITZ) for S/ 2,197,000.

(d) In 2022, transfers correspond to:

i. The subsidiary UNACEM Perú completed the works related to the structural reinforcement and internal modification of two chambers of the multisilo at the Atocongo plant, as well as the improvement projects in machinery and construction of the engineering division of the Atocongo and Condorcocha plants, for approximately S/ 32,999,000. Such projects were transferred from ‘work-in-progress’ to ‘mining concessions and property, plant and equipment, net.’

ii. The Subsidiary Drake Cement LLC completed the projects related to the multipurpose storage, integral project of the crude mill, roller press for the crude mill and burner system, for approximately US$ 9,837,000 (equivalent to S/ 37,460,000). Such projects were transferred from 'work-in-progress' to 'mining concessions and property, plant and equipment, net.'

iii. The subsidiary UNICON Per,. performed major inspections of concrete mixer trucks, pumps and front-end loaders for S/ 11,210,000 and concrete batching plant for S/ 2,333,000, which were transferred to the relevant items.

iv. The subsidiary CONCREMAX, carried out the activation related mainly to the overhaul of trucks and pumps for approximately S/ 2,274,000, the refurbishment of concrete plants for approximately S/ 1,849,000, the overhaul of crushing equipment for approximately S/ 1,464,000 and the refurbishment of the new bagging plant for approximately S/ 182,000.

In 2021, transfers correspond to:

i. The Company completed the projects related to the structural reinforcement and internal modification of chamber 3 of the multi silo, improvements to the church, hospital and school, major maintenance of clinker tower 1, replacement of Flender gear units in the Atocongo plant, as well as cooler dedusting and major maintenance to kiln 2 in the Condorcocha plant for S/ 141,483,000. Such projects were transferred from 'work-in-progress' to 'mining concessions and property, plant and equipment, net.'

ii. Unión de Concreteras S.A. performed major inspections of concrete mixer trucks, pumps and front-end loaders for S/ 12,340,000 and concrete batching plant for S/ 2,777,000, which were transferred to the relevant items.

iii. Concremax S.A. performed the activation of the new concrete bagging plant for S/ 5,954,000, overhaul of trucks and pumps for S/ 3,689,000, commissioning of concrete plants for S/ 3,048,000 and overhaul of crushers for S/ 2,031,000, which were transferred to the relevant items.

(e) In 2022, mainly includes asset retirements made by: (i) the subsidiary DRM for sales of mixer trucks and concrete drum mixers, whose cost and accumulated depreciation amounted to approximately US$ 5,552,000 and US$ 4,712,000 (equivalent to S/ 21,142,000 and S/ 17,945,000, respectively), (ii) the subsidiary DA for sales of machinery and equipment, whose cost and accumulated depreciation amounted to approximately US$ 14,369,000 and US$ 12,324,000 (equivalent to S/ 54,715,000 and S/ 46,930,000, respectively) and iii) the subsidiary UNICON Perú for sales of mixer trucks and front loaders, whose cost and accumulated depreciation amounted to approximately S/ 6,396,000 and S/ 6,327,000, respectively.

In 2021, it corresponds to the derecognition of assets by i) Unión de Concreteras S.A. related to the sale of concrete mixer trucks and front-end loaders (the cost and accumulated depreciation amounted to S/ 14,883,000 and S/ 14,777,000) and ii) Desert Ready Mix L.L.C. related to the sale of concrete mixer trucks (the cost and accumulated depreciation amounted to S/ 24,070,000 and S/ 23,168,000).

(f) In 2022 and 2021, depreciation charge was allocated as follows:

In thousands of soles	***Note***	**2022**	**2021**
Cost of sales	*24*	430,305	432,496
Administrative expenses	*25*	14,849	14,561
Selling expenses	*26*	746	121
Other expenses	*28*	2,102	4,749
Inventories		-	1,201
		448,002	**453,128**

(g) In 2022, interest was capitalized for S/ 3,157,000 (2021: S/ 4,348,000). 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% (2021: 4.1%).

(h) Skanon Investments Inc. has security agreements on plants, vehicles and equipment located in the United States, which guarantee loans (note 16.A(b)).

On the other hand, UNICON Perú has a mortgage on the Ancieta and Villa El Salvador plants for up to S/ 152,320,000 issued by Scotiabank Perú S.A.A. to guarantee the loan granted by this bank (note 16.A(b)).

Likewise, UNACEM Chile has a mortgage on the San Juan plant for US$ 23,000,000 issued by Banco de Crédito e Inversiones S.A. to guarantee the loan granted by this bank (note 16.A (b)).

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

In thousands of soles	**2022**	**2021**
Buildings and constructions	128,824	50,794
Machinery and equipment	369,354	200,442
	498,178	**251,236**

(j) The Group 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.

(k) As of December 31, 2022 and 2021, management assessed whether there is any indication that an intangible asset may be impaired and did not identify any such indication. Therefore, it is not necessary to establish a provision for impairment at those dates.

14. Stripping Activity Assets

This caption comprises the following:

In thousands of soles	***Note***	
Costs		
As of January 01, 2021		164,912
Additions		-
As of December 31, 2021		**164,912**
Additions		-
As of December 31, 2022		**164,912**
Accumulated depreciation		
As of January 01, 2021		(55,240)
Additions	*24*	(7,144)
As of December 31, 2021		**(62,384)**
Additions	*24*	(6,667)
As of December 31, 2022		**(69,051)**
Net carrying amount		
As of December 31, 2022		**95,861**
As of December 31, 2021		**102,528**

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

15. Intangible Assets

This caption comprises the following:

In thousands of soles	*Note*	Concession for the generation of electrical energy (a)	Goodwill (b)	Customer list	Brand	Environmental protection program	Exploration expenses	Software	Others	Total
Costs										
As of January 01, 2021		62,600	1,172,139	20,925	150,501	17,071	4,501	50,172	46,533	1,524,442
Additions		-	-	-	-	-	129	4,898	3,283	8,310
Others		-	-	-	-	-	-	1,200	(212)	988
Disposals and derecognition	28	-	-	-	-	-	-	-	(3,316)	(3,316)
Effects of translation		-	6,663	-	14,813	-	343	491	(366)	21,944
As of December 31, 2021		**62,600**	**1,178,802**	**20,925**	**165,314**	**17,071**	**4,973**	**56,761**	**45,922**	**1,552,368**
Additions		-	3,862	-	10	-	-	8,439	14,083	26,394
Others		-	-	-	-	-	-	(12)	382	370
Disposals and derecognition	28	-	(3,207)	-	-	-	-	-	-	(3,207)
Effects of translation		-	(2,852)	-	(6,948)	-	(161)	(422)	(322)	(10,705)
As of December 31, 2022		**62,600**	**1,176,605**	**20,925**	**158,376**	**17,071**	**4,812**	**64,766**	**60,065**	**1,565,220**
Accumulated amortization										
As of January 01, 2021		41,507	-	7,314	162	17,071	3,109	36,066	27,515	132,744
Additions (c)		1,484	-	2,177	31	-	379	4,751	5,231	14,053
Others		-	-	-	-	-	-	374	(109)	265
Effects of translation		-	-	-	(15)	-	210	289	(71)	413
As of December 31, 2021		**42,991**	**-**	**9,491**	**178**	**17,071**	**3,698**	**41,480**	**32,566**	**147,475**
Additions (c)		1,873	-	1,906	24	-	246	4,821	3,475	12,345
Effects of translation		-	-	-	(10)	-	(108)	(233)	(43)	(394)
As of December 31, 2022		**44,864**	**-**	**11,397**	**192**	**17,071**	**3,836**	**46,068**	**35,998**	**159,426**
Net carrying amount										
As of December 31, 2022		**17,736**	**1,176,605**	**9,528**	**158,184**	**-**	**976**	**18,698**	**24,067**	**1,405,794**
As of December 31, 2021		**19,609**	**1,178,802**	**11,434**	**165,136**	**-**	**1,275**	**15,281**	**13,356**	**1,404,893**

(a) It corresponds to expenses to execute the project "El Platanal hydroelectric station" related to the construction of two hydroelectric stations and an irrigation system for undeveloped land, as well as to obtain the definitive concession for the generation of electrical energy, which was obtained by the Company through Supreme Resolution 130-2001-EM, dated July 25, 2001. Supreme Resolution 036-2003-EM, dated October 2, 2003, approved the division of the definitive concession for the generation of electrical energy into two separate concessions: G-1 El Platanal hydroelectric station that has a capacity of 220 megawatts and G-2 Morro de Arica hydroelectric station that has a capacity of 50 megawatts. As of December 31, 2022 and 2021, the Company has the concession related to the G-1 El Platanal hydroelectric station. In 2017, the G-2 Morro de Arica hydroelectric station was dropped and it is fully amortized.

(b) Goodwill comprises the higher transaction price paid for the acquisition of the following subsidiaries:

In thousands of soles	**Category**	**2022**	**2021**
CGU			
UNACEM Ecuador S.A.	Cement – Ecuador	1,023,795	1,023,795
Concremax S.A., SAG Concreto Premezclado S.A. and Entrepisos Lima S.A.C.	Concrete and aggregates – Peru	65,327	65,327
Maricopa Ready Mix & Subsidiaries, Sunshine Concrete & Materials Inc. and others	Concrete and aggregates – United States	39,673	39,673
UNICON Chile S.A.	Concrete – Chile	17,393	17,393
Lar Carbón S.A.	Cement – Peru	9,745	9,745
Constructora de Obras Civiles y Viales Limitada (note 1.B.)	Agregados - Chile	3,862	-
UNICON UCUE Cía. Ltda.	Concrete – Ecuador	1,734	1,734
Prefabricados Andinos S.A.	Precast concrete – Chile	-	3,207
		1,161,529	**1,160,874**
Effects of translation		15,076	17,928
		1,176,605	**1,178,802**

Impairment test for goodwill and brand with an indefinite useful life
For impairment testing, goodwill acquired in a business combination is allocated to CGUs of the acquiree.

Cash-generating Units
In measuring value in use of a CGU the Group bases cash flow projections on the most recent financial budgets/forecasts approved by management and uses the appropriate discount rate to those future cash flows. The Group discloses the information on the growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts, and the justification for using any growth rate that exceeds the long-term average growth rate for the industries in which the Group operates.

The key assumptions used in testing a CGU for impairment are the following:

CGU	Category	Discount rate %	Average annual growth rate (long term) %	Average EBITDA margin (long term) %
Imbabura and Subsidiary (includes UNACEM Ecuador S.A. and Cantyvol S.A.) (*)	Cement – Ecuador	10.48	2.99	34.54
Concremax S.A., SAG Concreto Premezclado S.A. and Entrepisos Lima S.A.C.	Concrete and aggregates – Peru	6.00	6.53	13.85
Drake Materials and Subsidiary (include Drake Aggregates, Dessert Ready Mix, Maricopa Ready Mix & Subsidiaries, Sunshine Concrete & Materials Inc. and others	Concrete and aggregates – United States	4.97	5.01	21.41

(*) The impairment test includes the brand of UNACEM Ecuador with an indefinite useful life.

Key assumptions used to measure value in use

- ***EBITDA margin***

The margin is based on historical multiples recognized in the years prior to the beginning of the budget period. It is increased during the budget period through profitability improvements, considering the country in which each subsidiary operates.

- ***Discount rate***

The discount rate reflects current market assessments of the risks specific to the asset for which the future cash flow estimates have been adjusted and the country risk.

- ***Growth rate***

The growth rate shall not exceed the long-term average growth rate for the industries, or country or countries in which the Group operates, or for the market in which the asset is used.

As of December 31, 2022 and 2021, management compared the carrying amount of the CGU containing goodwill with the recoverable amount and determined that it is not necessary to measure a loss allowance, with the exception of Prefabricados Andino S.A., which was impaired during 2022. Andino S.A., which was impaired during 2022.

Sensitivity to changes in the key assumptions

The key assumptions described above may change if there is a change in the market and economic conditions. A reasonably possible change in a key assumption (about growth rate or discount rate) on which management based its determination of the unit's recoverable amount would cause its carrying amount to exceed its recoverable amount.

(c) In 2022 and 2021, amortization charge was allocated as follows:

In thousands of soles	**Note**	**2022**	**2021**
Administrative expenses	*25*	6,442	3,517
Cost of sales	*24*	3,522	3,792
Selling expenses	*26*	2,287	3,669
Other expenses	*28*	94	3,075
		12,345	**14,053**

16. Other Financial Liabilities

This caption comprises the following:

In thousands of soles	**Note**	**2022** Current portion	**2022** Non-current portion	**2022** Total	**2021** Current portion	**2021** Non-current portion	**2021** Total
Bank loans (a)		640,560	2,197,822	2,838,382	360,721	2,760,246	3,120,967
Corporate bonds (d)	*16.A*	17,417	431,527	448,944	-	467,533	467,533
Promissory notes (a) & (b)		409,991	-	409,991	315,546	-	315,546
Overdrafts (c)		38,561	-	38,561	23,988	-	23,988
		1,106,529	**2,629,349**	**3,735,878**	**700,255**	**3,227,779**	**3,928,034**

(a) Bank promissory notes correspond mainly to working capital financing with fixed interest rates in U.S. dollars fluctuating between 3.42 and 6.42 percent per annum and in soles at 6.66 percent per annum, do not have specific guarantees and are renewed depending on the Group's working capital needs. As of December 31, 2022 and 2021, it comprises the following:

In thousands of soles	**Original currency**	**Maturity date**	**2022**	**2021**
Financial institution				
Banco de Crédito del Perú S.A.	S/ and US$	Between May 2023 and June 2023	238,091	315,546
Banco Internacional del Perú S.A.A. – Interbank	US$	November 2023	171,900	-
			409,991	**315,546**

(b) As of December 31, 2022 and 2021, interest payable on promissory notes amounted to S/ 9,389,000 and S/ 389,000, respectively. It is recognized in ‘trade and other accounts payable’ in the consolidated statement of financial position (note 17). As of December 31, 2022 and 2021, interest expense amounted to S/ 14,854,000 and S/ 1,938,000, respectively. It is included in ‘borrowing costs’ in the consolidated statement of profit or loss (note 30).

(c) As of December 31, 2022 and 2021, it corresponds to the obligations assumed by Skanon Investments Inc. with different financial institutions. The overdrafts are stated in U.S. dollars for US$ 10,000,000 (equivalent to S/ 38,200,000) and US$ 6,000,000 (equivalent to S/ 23,988,000), respectively.

(d) As of December 31, 2022 and 2021, corporate bonds are as follows:

In thousands of soles	**Effective annual interest rate %**	**Maturity date**	**2022**	**2021**
Bonds				
Bonds of Arizona (i)	Between 1.6 and 1.95 + variable interest rate	September 2035	439,300	459,770
Corporate bonds of Peru	5.16	March 2023	18,815	18,815
			458,115	**478,585**
Amortized cost			(9,171)	(11,052)
			448,944	**467,533**

(i) On November 18, 2010, Drake Cement L.C.C. obtained a loan by issuing of bonds from the Yavapai County Industrial Development Authority, Arizona, United States, to finance part of the investment in the cement plant for up to US$ 40,000,000. It matures in September 2035 and is subject to a monthly interest payment based on a variable interest rate (Securities Industry and Financial Markets Association Index) plus 1.6% against a maximum interest rate of 12%. The bonds are guaranteed by a letter of credit (note 33.A(iii)).

On July 30, 2015, Drake Cement L.C.C. obtained a new loan by issuing bonds to finance the construction of the cement plant and the acquisition of assets, materials and facilities for up to US$ 75,000,000. It matures in September 2035 and is subject to a monthly interest payment based on a variable interest rate (Securities Industry and Financial Markets Association Index) plus 1.95% against a maximum interest rate of 12%. The bonds are guaranteed by a letter of credit (note 33.A(iii)).

The bonds have the following conditions:

- Drake Cement L.C.C. cannot increase its debt for more than US$ 5,000,000 of the outstanding balance at the issuance of bonds, excluding debt refinancing.

- Maintain an interest coverage ratio of more than or equal to 1.0.

In management's opinion, Drake Cement L.C.C. has complied with the restrictive consideration and the covenant required by the Yavapai County as of December 31, 2022 and 2021.

(e) As of December 31, 2022 and 2021, bank loans are as follows:

In thousands of soles	Maturity date	riginal amoun	Currency	Use of funds	Warranties	2022	2021
Bank loans							
Scotiabank del Perú (note 31(d))	October 2024, March 2025 and January 2027	671,547	S/	Debt refinancing	No collateral	625,916	671,547
BBVA Perú (note 31(d))	January 2027	533,357	S/	Debt refinancing	No collateral	522,690	533,357
Banco de Crédito del Perú (note 31(d))	October 2026	502,500	S/	Redemption – overseas	No collateral	502,500	502,500
Banco de Crédito del Perú S.A. (note 31(d)	January 2027	228,385	S/	Debt refinancing	No collateral	223,817	228,385
Citibank N.A. (i)	October 2025	50,000	US$	Debt refinancing	No collateral	152,800	199,900
Banco Santander S.A.	April 2023	35,000	US$	Working capital and investments	No collateral	133,700	139,930
Banco de Crédito del Perú S.A.	March 2027	34,000	US$	Debt refinancing	No collateral	110,398	135,932
Banco Internacional del Perú - Interbank	May 2027	26,900	US$	Debt refinancing	No collateral	97,620	-
Banco de Crédito e Inversiones S.A.	June 2024	-	CLP	-	Real estate collateral (note 13(h))	74,851	79,192
Bank of Nova Scotia S.A. (i)	September 2025	30,000	US$	Partial redemption	No collateral	63,030	89,955
Scotiabank Perú S.A.A.	April 2025	72,000	S/	Acquisition loan to purchase UNICON Chile S.A.	Real estate collateral (note 13(h))	36,000	50,400
BBVA Banco Continental S.A.	December 2024	28,773	S/	-	No collateral	21,449	28,773
Citibank N.A. (New York)	July 2024	-	US$	-	No collateral	19,261	27,487
Scotiabank Chile S.A. (i)	January 2023	4,000	US$	-	Letter of credit (note 33.A) (ii)	15,215	15,887
BBVA Perú (i)	December 2024	-	COP	-	Letter of credit (note 33.A) (ii)	9,767	11,857
Banco Internacional del Perú - Interbank	Between March 2023 and September 2023	34,387	S/	Working capital	Reactiva Peru program	2,406	17,379
Banco Santander S.A. (i)	-	45,000	US$	Debt refinancing	-	-	179,910
Less than S/ 10,000,000	-	-	-	-		48,177	65,776
						2,659,597	**2,978,167**
Amortized cost						(6,796)	(10,577)
Total						**2,652,801**	**2,967,590**
Sale and leaseback transactions							
Scotiabank Chile S.A.	March 2024	-	CLP	Leased assets	-	1,347	2,283
						1,347	**2,283**
Finance leases							
Consorcio Transmantaro S.A.	July 2039	-	US$	Leased assets	-	57,627	60,920
Bok Financial Corporation	Between December 2025 and December 2027	-	US$	Leased assets	-	30,258	24,445
Bank of America	December 2027	-	US$	Leased assets		30,070	-
Scotiabank Perú S.A.A.	January 2023 - October 2025	-	-	Leased assets	-	17,745	25,549
Less than S/ 10,000,000						38,996	34,061
						174,696	**144,975**
Debt factoring						**9,538**	**6,119**
Total						**2,838,382**	**3,120,967**

(i) The Group entered into swap contracts to reduce the risk of the variable interest rate related to these loans (note 34.A.i).

(f) Management monitors covenants applicable to local financial liabilities on a quarterly, semiannual and annual basis. They are calculated based on the Group's separate or consolidated financial statements and the valuation techniques required by each financial institution.

As of December 31, 2022 and 2021, the main covenants calculated based on the separate financial statements are the following:

UNACEM Corp S.A.A.

- Maintain a debt-to-equity ratio of less than 1.5.
- Maintain a debt-service coverage ratio of more than or equal to 1.2.
- Maintain a net debt-to-EBITDA ratio of less than or equal to 4.0 for the year 2022 and 3.75 for the year 2023 onwards.

UNACEM Perú S.A.

- 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 3.5.

UNACEM Ecuador S.A.

- Maintain a debt-service coverage ratio of more than or equal to 1.
- Maintain a net debt-to-EBITDA ratio of less than or equal to 3.75.

Unión de Concreteras S.A.

- Maintain a debt-service coverage ratio of more than or equal to 1.2.
- Maintain a net debt-to-EBITDA ratio of less than or equal to 2.5.

Concremax S.A.

- Maintain a debt-service coverage ratio of more than or equal to 1.25.
- Maintain a net debt-to-EBITDA ratio of less than or equal to 2.5.

UNACEM Chile S.A.

- Maintain a debt-service coverage ratio of more than or equal to 3.5.
- Maintain a debt-to-equity ratio of less than 1.35.
- Maintain a net debt-to-EBITDA ratio of less than or equal to 6.5.

UNICON Chile S.A.

- Maintain a debt-service coverage ratio of more than or equal to 1.0.
- Maintain a debt-to-equity ratio of less than 1.8.
- Maintain a net debt-to-EBITDA ratio of less than or equal to 3.5.

Prefabricados Andinos Perú S.A. (effective as of December 31, 2021)

- Maintain a debt-to-equity ratio of less than or equal to 1.
- Maintain a debt-to-equity ratio of less than or equal to 2.5.
- Maintain a debt-service coverage ratio of more than or equal to 1.

Compañía Eléctrica El Platanal S.A.

- Maintain a debt-to-equity ratio of less than 3.0.
- Maintain a debt-service coverage ratio of more than or equal to 1.2.

As of December 31, 2022 and 2021, the main covenants calculated based on the separate financial statements are the following:

UNACEM Corp S.A.A. and Subsidiaries

- Maintain a debt-to-equity ratio of less than 1.5.
- Maintain a debt-service coverage ratio of more than 1.10 for the year 2021 and 1.20 for the year 2022 onwards.
- Maintain a net debt-to-EBITDA ratio of less than or equal to 4.75 for the year 2021, 4.0 for the year 2022 and 3.75 for the year 2023 onwards.

Skanon Investments Inc. and Subsidiaries

- Maintain a debt-to-equity ratio of less than 1.

In management's opinion, the Company and subsidiaries have complied with the financial safeguards as of December 31, 2022, except for UNICON Chile, whose obligation is presented in the short term in the amount of S/ 2,064,000 and UNACEM Chile, which obtained a waiver duly approved and granted by the creditor bank during 2022, for which reason it has been presenting the debt in accordance with the initially approved maturities. In management's opinion, the Group has complied with the covenants as of December 31, 2021, except for UNICON Chile and PREANSA Perú, whose obligation matures in 2022 and is presented in the short term for S/ 6,473,000 and S/ 984,000, respectively. These breaches do not have an effect on the other obligations of the Group.

(g) As of December 31, 2022 and 2021, interest payable on medium and long-term bonds and debts amounted to S/ 20,486,000 and S/ 19,435,000, respectively. It is recognized in 'trade and other accounts receivable' in the consolidated statement of financial position (note 17).

In 2022 and 2021, interest on bonds and bank loans amounted to S/ 156,075,000 and S/ 168,292,000, respectively. It is recognized in 'borrowing costs' in the consolidated statement of profit or loss (note 30).

(h) Movement in other financial liabilities is as follows:

In thousands of soles	**Note**	**2022**	**2021**
Opening balance		3,928,034	4,455,755
Additions		1,065,863	1,985,106
Additions to finance leases		82,755	64,237
Payments		(1,274,661)	(2,727,225)
Amortized cost		5,169	6,970
Effects of exchange difference and translation		(75,161)	148,256
Acquisition of subsidiaries	*1.B*	-	241
Others		3,879	(5,306)
Closing balance		**3,735,878**	**3,928,034**

(i) As of December 31, 2022, the Group has bank loans in local currency (*soles)* at effective annual interest rates ranging from 2.26% to 7.91%. Bank loans in foreign currency (U.S. dollars) are at a variable interest rate (3-month LIBOR and 1-month LIBOR plus a margin) ranging from 1.22% to 2.60% and a fixed interest rate ranging from 0.85% to 12%.

As of December 31, 2021, the Group has bank loans in local currency (*soles)* at effective annual interest rates ranging from 2.26% to 8.06%. Bank loans in foreign currency (U.S. dollars) are at a variable interest rate (3-month LIBOR and 1-month LIBOR plus a margin) ranging from 1.22% to 2.60% and a fixed interest rate ranging from 0.85% to 12%.

17. Trade and Other Accounts Payable

This caption comprises the following:

In thousands of soles	**Note**	**2022**	**2021**
Trade accounts payable (a)		677,093	556,438
Compensation and holidays payable		74,884	56,101
Customer advances (b)		63,531	41,398
Interest payable	*16(g)*	29,875	19,824
Accounts payable to related parties	*31(b)*	28,812	19,583
Taxes and contributions payable		22,446	25,381
Accounts payable from acquisition of property, plant and equipment		17,086	22,746
Dividends payable	*22(f)*	15,801	87,846
Community commitments		15,746	16,855
Loans payable to third parties		8,859	9,356
Compensation to Board of Directors		8,090	6,439
Sales tax payable		7,411	11,977
Accounts payable to shareholders	*33 A.(iv)*	6,208	-
Interest on financial instruments payable		144	2,474
Other accounts payable		27,580	19,100
		1,003,566	**895,518**
Classification by maturity:			
Current		975,032	857,568
Non-current		28,534	37,950
		1,003,566	**895,518**

(a) Trade accounts payable arise from the acquisition of goods and services and correspond to invoices payable to local and foreign suppliers. They have current maturity, do not accrue interest and do not have specific collaterals.

UNICON Perú and Concremax offer suppliers a payment plan for invoices through financial institutions. This plan allows suppliers to sell their accounts receivable to financial institutions, according to an agreement between a supplier and a financial institution. Such agreement enables suppliers to improve cash flow management and the Group to reduce payment processing costs. Such subsidiaries do not have direct financial interest on these transactions.

The obligations to suppliers, including accounts payable, remain in place according to contractual terms. As of December 31, 2022 and 2021, accounts payable amount to S/ 108,570,000 and S/ 96,271,000, respectively.

(b) As of December 31, 2022 and 2021, it corresponds to:

Unión de Concreteras S.A.
It corresponds to contracts for the supply of ready-mix concrete whereby Unión de Concreteras S.A. received advance payments from its customers for S/ 20,664,000 and S/ 17,157,000 as of December 31, 2022 and 2021. These advance payments are deducted from measurements upon shipment of concrete made during the first months of 2023 and 2022, respectively.

As of December 31, 2022, Unión de Concreteras S.A. has letters of guarantee on behalf of customers to ensure the fulfillment of contractual obligations for S/ 16,578,000 (2021: S/ 11,857,000).

Concremax S.A.
It corresponds to contracts for the supply of ready-mix concrete whereby Concremax S.A. received advance payments from its customers. These advance payments are deducted from measurements upon shipment of concrete. As of December 31, 2022 and 2021, they amount to S/ 10,336,000 and S/ 4,096,000, respectively.

As of December 31, 2022, Concremax S.A. has letters of guarantee on behalf of customers to ensure the fulfillment of contractual obligations for S/ 6,346,000 (2021: S/ 147,000).

Prefabricados Andinos S.A.
It corresponds to contracts for the construction of precast concrete buildings whereby Prefabricados Andinos S.A. received advance payments from its customers for S/ 19,087,000 (2021: S/ 10,405,000).

Prefabricados Andinos Perú S.A.C.
It corresponds to contracts for the production, transport and assembly of precast concrete buildings whereby Prefabricados Andinos Perú S.A.C. received advance payments from its customers for S/ 3,172,000 (2021: S/ 1,979,000). These advance payments are deducted from final measurements during the year upon delivery of goods.

Unión de Concreteras UNICON UCUE Cia Ltda
Corresponds to advances delivered by customers with an average age of no more than 100 days and are settled based on contractual agreements. On December 31, 2022 and 2021 the balance amounts to US$ 1,511,000 (equivalent to S/ 5,771,000) and US$ 478,000 (equivalent to S/ 1,910,000), respectively.

18. Deferred Revenue

This caption comprises the following:

In thousands of soles	2022	2021
Cement and clinker	5,317	750
Others	1,301	257
	6,618	**1,007**

19. Provisions

This caption comprises the following:

	Current		Non-current	
In thousands of soles	2022	2021	2022	2021
Employees' profit sharing (a)	68,094	71,952	-	-
Provision for closure of quarries and environmental rehabilitation	4,383	7,029	35,349	36,556
Severance payment	5,385	4,714		-
Retirement benefits (b)	-	-	23,442	22,588
Provision for termination benefits (b)	-	-	6,191	5,629
Other provisions	3,210	5,119	6,577	5,716
	81,072	**88,814**	**71,559**	**70,489**

(a) In accordance with the Peruvian laws, the subsidiaries of the Group domiciled in Peru have profit-sharing plans (employee benefits) that range from 5% to 10% of annual taxable profits based on the economic sector in which the subsidiary operates. Employees' profit sharing under this plan is 50% based on the number of days that an employee has worked during the prior year, and the other 50% based on a proportion of the amount of annual compensation.

In accordance with the Ecuadorian laws, the employees of UNACEM Ecuador receive a share of 15% of the net profits. The employees of Canteras y Voladuras S.A. receive a share of 3% of the net profits. It distributes 12% of the profits to the Internal Revenue Service.

In 2022 and 2021, the profit-sharing payments amount to S/ 113,071,000 and S/ 101,269,000, respectively. They are recognized in the consolidated statement of profit or loss (note 27).

(b) As of December 31, 2022 and 2021, the employee benefits from the subsidiaries domiciled in Ecuador correspond to:

Retirement benefits
In accordance with the Labor Code of Ecuador, the subsidiaries domiciled in Ecuador that have employees that provided uninterrupted or interrupted services for more than 25 years can retire without prejudice to retirement to which they are entitled as members of the Social Security Institution.

Termination benefits
In accordance with the Reform of the Labor Code of Ecuador, issued in 2016, in the event of termination of employment at the request of the employee, the subsidiaries domiciled in Ecuador will give the employee a bonus of 25% of the last monthly salary for each year of service, provided that the employee gave advance notice of termination.

In 2022 and 2021, management measured provisions based on actuarial assumptions made specialists:

In percentages	**2022**	**2021**
Discount rate	4.67	3.06
Pay rate of increase	3.00	3.00
Actuarial life table (*)	Table of Ecuadorian Institute of Social Security	Table of Ecuadorian Institute of Social Security
Turnover rate (average)	3.92 and 14.44	4.95 and 16.04
Length of service for retirement eligibility (men and women)	25 years	25 years

(*) Information provided by the Ecuadorian Institute of Social Security.

According to the projections made by management, these liabilities will be settled in the long term.

As of December 31, 2022 and 2021, the balance of the employer's retirement and eviction reserve covers 100 percent of the value determined in the actuarial study.

(c) 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. As of December 31, 2022 and 2021, the provision for quarry closure and environmental remediation corresponds mainly to the following subsidiaries:

UNACEM Perú S.A.
The Company has seven approved mine closure plans. As of December 31, 2022, the present value of the provision for closure of quarries amounts to S/ 27,464,000. As of December 31, 2021, the provision for quarry closure and environmental remediation amounting to S/ 29,756,000 corresponded to UNACEM Corp S.A.A. amounting to the same amount, such provision was transferred to UNACEM Perú S.A. as a result of the corporate reorganization (note 2(vi)) The range of the risk-free discount rate used in the calculation of the provision varies from 4.71% to 4.36% (2021: 1.68% to 3.86%).

Unión de Concreteras S.A.
It maintains a provision for the future cost of closing its quarries and dismantling its mobile plants to be realized between 4 and 22 years (5 and 22 years as of December 31, 2021). As of December 31, 2022, the present value of the provision for closure of quarries amounts to S/ 9,263,000 (2021: S/ 9,532,000). The risk-adjusted discount rate used in measuring the provision ranges from 7.15% to 8.16% (2021: 4.97% to 6.98%), resulting in a liability for S/ 5,569,000 (2021: S/ 7,402,000).

CONCREMAX S.A.
It maintains a provision for the future cost of closing its quarries and dismantling its mobile plants to be realized over the next three years. As of December 31, 2022 and 2021, they amount to S/ 2,936,000 and S/ 2,232,000, respectively.

UNACEM Ecuador S.A.
The Environmental Management Act and the Environmental Regulation on Mining Activities of Ecuador require compliance with an obligation to restore the Selva Alegre, Cumbas and Pastaví quarries according to the closure plan. They have concession terms of 22, 21 and 22 years, respectively. As of December 31, 2022 and 2021, it amounts to S/ 2,681,000 and S/ 3,051,000, respectively.

UNICON Chile S.A.
As of December 31, 2022 and 2021, UNICON Chile S.A. has a provision for the costs of dismantling plants of 7 years for S/ 1,081,000 and S/ 1,144,000, respectively.

As of December 31, 2022, the Group recognized the effect on remeasurement of the liability for closure of quarries for S/ 1,412,000 (2021: S/ 1,862,000). It is recognized in ‘borrowing costs’ in the consolidated statement of profit or loss (note 30). In management’s opinion, this liability is sufficient to meet the applicable environmental laws approved by the authorities of each country.

20. Income Tax

Movement in the deferred tax liabilities is as follows:

In thousands of soles	*Note*	Balance as of January 1, 2021	Effects on consolidated statement of profit or loss	Effects of translation	Debit to other comprehensive income	Acquisition of subsidiaries	Others	Balance as of December 31, 2021	Effects on consolidated statement of profit or loss	Effects of translation	Debit to other comprehensive income	Acquisition of subsidiaries	Others	Balance as of December 31, 2022
Deferred tax liabilities														
Tax loss carryforward	*33.C.(iv)(c)*	280,252	13,867	17,614	-	-	-	311,733	5,355	(10,158)	-	-	(201)	306,729
Provision for inventory obsolescence		16,551	1,348	(253)	-	-	-	17,646	1,631	(166)	-	-	-	19,111
Hedging instruments		14,182	1,151	19	(6,049)	-	-	9,303	(3,575)	14	(5,627)	-	-	115
Provision for holidays		9,795	(1,855)	(59)	-	129	-	8,010	2,453	(37)	-	-	53	10,479
Pre-operating expenses		6,848	-	-	-	-	-	6,848	-	-	-	-	-	6,848
Provision for closure of quarries		4,909	1,429	39	-	-	-	6,377	974	376	-	-	(96)	7,631
Retirement and termination benefits		1,976	90	217	31	-	-	2,314	844	(108)	(50)	-	-	3,000
Amortization of intangible assets		1,044	112	13	-	-	-	1,169	29	79	-	-	2,503	3,780
Deferred revenue		315	517	(58)	-	-	-	774	(129)	(110)	-	-	665	1,200
Other provisions		22,298	(1,680)	156	-	2,887	(49)	23,612	7,333	(896)	-	-	3,761	33,810
Total deferred tax assets		**358,170**	**14,979**	**17,688**	**(6,018)**	**3,016**	**(49)**	**387,786**	**14,915**	**(11,006)**	**(5,677)**	**-**	**6,685**	**392,703**
Deferred tax liabilities														
Difference in tax base and depreciation of fixed assets		(656,484)	18,974	(4,836)	-	(14,431)	-	(656,777)	1,881	4,167	-	(516)	(5,451)	(656,696)
Brand, customer list and other intangible assets		(53,005)	2,141	(4,647)	-	-	-	(55,511)	398	2,171	-	-	(898)	(53,840)
Stripping activity assets		(32,568)	1,986	-	-	-	-	(30,582)	1,967	-	-	-	-	(28,615)
Capitalized interest		(30,310)	814	-	-	-	-	(29,496)	2,137	-	-	-	-	(27,359)
Deferred charges		(1,733)	(1,222)	-	-	-	-	(2,955)	649	-	-	-	292	(2,014)
Other provisions		(1,828)	295	77	-	772	-	(684)	82	(307)	-	(373)	(622)	(1,904)
Total movement in deferred liabilities, net		**(775,928)**	**22,988**	**(9,406)**	**-**	**(13,659)**	**-**	**(776,005)**	**7,114**	**6,031**	**-**	**(889)**	**(6,679)**	**(770,428)**
Total deferred tax liabilities, net		**(417,758)**	**37,967**	**8,282**	**(6,018)**	**(10,643)**	**(49)**	**(388,219)**	**22,029**	**(4,975)**	**(5,677)**	**(889)**	**6**	**(377,725)**

Group's management has made an assessment of the recoverability of its tax loss and has recorded the probable amount that it will recover from future taxable income, which is based primarily on tax planning strategies. The deferred tax loss carryforwards as of December 31, 2022, are mainly related to Skanon, CELEPSA and CERE and amount to S/ 235,497,000, S/ 47,089,000 and S/ 9,597,000, respectively. (2021: S/ 224,327,000, S/ 61,423,000 and S/ 10,011,000).

(a) In 2022 and 2021, expenses for the provision for income tax presented in the consolidated statement of profit or loss are as follows:

In thousands of soles	***Note***	**2022**	**2021**
Current		(305,940)	(250,196)
Deferred		22,029	37,967
		(283,911)	**(212,229)**
Mining royalties	*33.E*	(5,209)	(4,116)
		(289,120)	**(216,345)**

(b) The deferred tax assets and liabilities, net per entity, are as follows:

	Deferred assets, net		**Deferred liabilities, net**	
In thousands of soles	**2022**	**2021**	**2022**	**2021**
Subsidiary				
Skanon Investments Inc. (consolidated)	183,355	181,437	-	-
Prefabricados Andinos S.A.	6,989	7,395	-	-
Prefabricados Andinos Perú S.A.C.	5,109	4,714	-	-
UNICON Chile S.A.	12	3,862	-	-
Ecorer S.A.C.	2,204	1,510	-	-
Generación Eléctrica Atocongo S.A.	1,611	2,017	-	-
Celepsa Renovables S.R.L.	1,408	3,754	-	-
Minera Adelaida S.A.	559	77	-	-
Depósito Aduanero Conchán S.A.	507	649	-	-
Digicem S.A.	498	144	-	-
ARPL Tecnología Industrial S.A.	344	24	-	-
Entrepisos Lima S.A.C.	175	35	-	-
Inversiones Imbabura S.A.	5	303	-	-
Ambiental Andina S.A.	6	4	-	-
Inversiones en Concreto y Afines S.A.	-	-	44	41
UNACEM Corp S.A.A.	11,310	-	-	401,849
UNACEM Perú S.A.	-	-	385,397	-
Compañía Eléctrica El Platanal S.A.	-	-	106,761	95,635
UNACEM Ecuador S.A. and Subsidiaries	-	-	60,528	66,253
Inversiones Nacionales y Multinacionales Andinas S.A.	-	-	16,144	4,926
UNACEM Chile S.A. and Subsidiaries	-	-	5,736	2,987
Unión de Concreteras S.A.	-	-	4,049	7,003
Concremax S.A.	-	-	2,441	3,389
UNICON UCUE Cía. Ltda.	-	-	2,397	2,943
Constructora de Obras Civiles y Viales Limitada	-	-	958	-
Prefabricados Andinos Colombia S.A.S.	-	-	473	598
Vigilancia Andina S.A.	-	-	252	329
UNICON Chile S.A.	-	-	-	7,665
Eliminations	(6,637)	479	-	1,005
	207,455	**206,404**	**585,180**	**594,623**

(c) The reconciliation of the effective tax rate was as follows:

In thousands of soles	2022	2021
Profit before tax	**948,715**	**791,100**
Income tax according to tax rate (*)	(275,768)	(226,384)
Tax effects of permanent accounts	(8,143)	14,155
Effects of mining royalties	(5,209)	(4,116)
Income tax expense	**(289,120)**	**(216,345)**

(*) The income tax was determined using rates applicable to the Company and Subsidiaries activities.

21. Non-controlling Interests

(a) Non-controlling interests are presented in the consolidated statements of financial position, changes in equity and profit or loss as follows:

	Interests of third parties (%)		Profit (loss)		Net equity		Non-controlling interests in the Group's profit		Non-controlling interests in the Group's equity	
In thousands of soles	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Entity										
Skanon Investments Inc. and Subsidiaries	4.16	4.20	66,517	26,834	1,082,052	1,123,722	96,864	66,362	156,454	147,791
Compañía Eléctrica El Platanal S.A. y Subsidiarias	10.00	10.00	57,938	41,912	824,323	786,514	6,028	4,344	83,106	79,090
Inversiones en Concreto y Afines S.A. and Subsidiaries	6.62	6.62	14,508	52,001	418,054	409,904	2,354	4,246	33,548	31,620
Prefabricados Andinos Perú S.A.C. and Subsidiaries	50.00	50.00	(3,248)	(4,812)	4,913	12,090	(1,624)	(2,406)	2,457	6,045
Prefabricados Andinos S.A.	50.00	50.00	1,742	6,667	13,265	13,333	871	3,333	6,633	6,666
Inversiones Imbabura S.A. and Subsidiaries	0.65	0.65	60,123	114,132	1,631,609	1,688,935	449	762	3,959	4,377
							104,942	**76,641**	**286,157**	**275,589**

(b) As of December 31, 2022 and 2021, the non-controlling interests in profit and equity of each subsidiary includes drag-along rights of each consolidated subsidiary. In 2022 and 2021, Inversiones Imbabura acquired 1,000 and 128,000 shares of UNACEM Ecuador S.A. for approximately US$ 12,000 and US$ 1,259,000 (equivalent to S/ 48,000 and S/ 4,912,000), respectively. In addition, Skanon acquired a 4.348 percent interest in Drake Cement for US$ 6,500,000 (equivalent to S/ 24,947,000), note 2(ii).

(c) In 2022, Desert Ready Mix, Desert Agreggates, CELEPSA, UNACEM Ecuador and Inveco distributed dividends to minority shareholders for S/ 14,033,000, S/ 1,948,000, S/ 708,000 and S/ 220,000, respectively. In 2021, UNACEM Ecuador S.A., Entrepisos Lima S.A.C., Inveco y Afines S.A. and Ambiental Andina S.A. distributed dividends to minority shareholders for S/ 286,000, S/ 2,536,000, S/ 3,990,000 and S/ 206,000, respectively.

22. Equity

A. Issued Capital

As of December 31, 2022 and 2021, the subscribed and paid-in capital is represented by 1,818,127,611 ordinary shares at a face value of S/ 1 each. The Company's ordinary shares are listed in the Lima Stock Exchange.

	As of December 31, 2022	
	Number of stocks	**Interests (%)**
Shareholders		
Inversiones JRPR S.A. (*)	483,489,609	26.59
Nuevas Inversiones S.A.	459,129,497	25.25
Pension Fund Administrators	470,622,191	25.89
Others	404,886,314	22.27
	1,818,127,611	**100.00**

(*) On September 27, 2022, the Company informed the Superintendencia de Mercado de Valores (SMV) the merger by absorption of Inversiones JRPR S.A. (absorbing company) and Catli Invesments S.A.C. (absorbed company). (absorbed), such merger became effective on the same date. With this merger, the direct participation of Inversiones JRPR S.A. in the ownership of the Company increased from 25.12% to 26.59%. It is worth mentioning that this merger does not imply any change in the control or indirect ownership of Inversiones JRPR S.A. in the Company.

	As of December 31, 2021	
	Number of stocks	**Interests (%)**
Shareholders		
Inversiones JRPR S.A.	456,669,897	25.12
Nuevas Inversiones S.A.	459,129,497	25.25
Pension Fund Administrators	476,657,910	26.22
Others	425,670,307	23.41
	1,818,127,611	**100.00**

As of December 31, 2022, the share price of each ordinary share was S/ 1.80 (2021: S/ 2.40).

B. Additional capital

It corresponds to changes in the capital increase made in the year 2019 due to the merger of the Company with Sindicato de Inversiones y Administración S.A., Inversiones Andino S.A. and Inmobiliaria Pronto S.A. and equity.

C. Treasury shares

The Board of Directors' Meeting, held August 20, 2021, approved the share purchase program for up to S/ 36,400,000, without exceeding 2% of issued shares, which was extended on December 22, 2021, June 28, 2022 and December 28, 2022, extending the term of the purchase program until June 30, 2023. The shares are held in the portfolio for a maximum period of two years. Where they are held in the portfolio, rights inherent to the shares are suspended. The term may be extended and/or modified by the Company's Board of Directors.

As of December 31, 2022, the Company holds 12,967,000 treasury shares equivalent to S/ 23,530,000 (7,293,000 treasury shares equivalent to S/ 11,610,000, as of December 31, 2021).

D. Legal reserve

According to the Companies Act, the Group 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 refunded in both cases. As of December 31, 2022 and 2021, the legal reserve equals 20% of capital.

E. Unrealized gains and losses

Corresponds to changes in the fair value, net of tax effect, of hedging financial instruments (note 34.A.i) and employee retirement and termination benefits (note 4.C.xxi).

F. Dividend distribution

This caption comprises the following:

2022 dividends

In thousands of soles	**Dividends declared and paid**	**Date of payment**	**Dividends per ordinary share**
Date of Board of Directors' Meeting			
January 26, 2022	36,194	January 28, 2022	0.020
April 27, 2022	54,202	May 30, 2022	0.030
July 26, 2022	36,111	August 31, 2022	0.020
October 26, 2022	36,103	November 29, 2022	0.020
	162,610		

2021 dividends

In thousands of soles	**Dividends declared and paid**	**Date of payment**	**Dividends per ordinary share**
Date of Board of Directors' Meeting			
February 24, 2021	23,636	March 30, 2021	0.013
April 23, 2021	23,636	May 26, 2021	0.013
June 21, 2021	36,362	July 23, 2021	0.020
October 27, 2021	36,362	November 30, 2021	0.020
December 14, 2021 (*)	72,449	January 18, 2022	0.040
	192,445		

(*) It was approved at the General Shareholders' Meeting of UNACEM S.A.A., held on December 14, 2021.

As of December 31, 2022 and 2021, dividends payable amount to S/ 15,801,000 and S/ 87,846,000, respectively (note 17).

The General Shareholders' Meeting, held December 14, 2021, agreed to replace the dividend policy approved by the General Shareholders' Meeting, held March 31, 2015, with a new dividend policy. It consisted of the quarterly distribution of dividends in cash (*soles* or U.S. dollars) from US$ 0.005 to US$ 0.010 per share issued by the Company. They are charged to 'retained earnings.'

G. Gains or losses on translation

It corresponds to the exchange differences arising on translating foreign currency of subsidiaries into the Group's presentation currency. As of December 31, 2022 and 2021, the exchange differences attributable to non-controlling interests of each subsidiary is as follows:

In thousands of soles	2022	2021
Skanon Investments Inc. and Subsidiaries	234,497	278,205
Inversiones Imbabura S.A. and Subsidiaries	124,289	155,764
Inversiones en Concreto y Afines S.A. and Subsidiaries	(5,219)	(2,623)
UNACEM Chile S.A. and Subsidiaries	(5,400)	1,555
Prefabricados Andinos Perú S.A.C. and Subsidiaries	(3,036)	(1,071)
Prefabricados Andinos S.A.	(1,950)	(1,630)
	343,181	**430,200**

In 2022 and 2021, the effects of exchange differences attributable to non-controlling interests recognized in the consolidated statement of comprehensive income resulted in gains and losses for S/ 86,976,000 and S/ 142,277,000, respectively.

H. Unpaid dividends

It corresponds to prior year dividends distributed to certain shareholders of the subsidiaries, which have not been paid in more than three years. As of December 31, 2022 and 2021, they amount to S/ 31,000 and S/ 3,500,000, respectively.

23. Net Sales

This caption comprises the following:

In thousands of soles	2022	2021
Operating segments		
Cement	3,350,673	2,940,125
Concrete	2,310,954	1,908,371
Power and energy	298,949	199,631
Other services	18,267	18,042
	5,978,843	**5,066,169**
Timing of transfer of goods or services		
Goods and services transferred at a point in time	5,564,961	4,753,146
Services transferred at a point in time	413,882	313,023
	5,978,843	**5,066,169**

24. Cost of Sales

This caption comprises the following:

In thousands of soles	***Note***	**2022**	**2021**
Beginning inventory of finished goods and work-in-progress	*9*	241,109	193,421
Production costs			
Use of raw materials		1,031,706	847,692
Fuel		739,815	562,549
Personnel expenses	*27(a)*	678,513	615,135
Depreciation	*13(f)*	430,305	432,496
Maintenance costs		318,481	294,329
Electric power		267,443	146,860
Transport costs and import duties		224,639	180,956
Use of packaging		144,954	110,858
Site preparation (quarries)		10,052	11,028
Depreciation of right-of-use assets	*12(c)*	9,178	11,097
Depreciation of stripping activity assets	*14*	6,667	7,144
Provision for inventory obsolescence	*9(d)*	6,133	4,174
Amortization	*15(c)*	3,522	3,792
Royalty expense	*33.E*	3,643	3,474
Expected credit losses	*8(g)*	-	760
Acquisition of subsidiaries	*1.B*	-	10,345
Other production costs		507,668	364,004
Ending inventory of finished goods and work-in-progress	*9*	(273,596)	(241,109)
		4,350,232	**3,559,005**

25. Administrative Expenses

This caption comprises the following:

In thousands of soles	***Note***	**2022**	**2021**
Personnel expenses	*27(a)*	219,777	169,030
Third-party services		90,673	78,556
Other administrative expenses		26,904	16,704
Donations		17,500	21,717
Depreciation	*13(f)*	14,849	14,561
Taxes		16,325	13,636
Amortization	*15(c)*	6,442	3,517
Expected credit losses	*8(g)*	4,240	1,584
Depreciation of right-of-use assets	*12(c)*	673	637
Others		4,239	5,226
		401,622	**325,168**

26. Selling Expenses

This caption comprises the following:

In thousands of soles	**Note**	**2022**	**2021**
Advertising costs (a)		55,705	47,897
Personnel expenses	*27(a)*	45,174	38,482
Costs to export clinker		4,807	5,817
Amortization	*15(c)*	2,287	3,669
Depreciation	*13(f)*	746	121
Depreciation of right-of-use assets	*12(c)*	35	39
Others		11,361	14,676
		120,115	**110,701**

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

27. Personnel Expenses

This caption comprises the following:

In thousands of soles	**Note**	**2022**	**2021**
Compensation		505,179	464,793
Employees' profit sharing	*19(a)*	113,071	101,269
Employer contributions		66,702	56,472
Legal bonuses		60,435	49,922
Holidays		35,418	30,262
Severance payment		31,179	28,492
Health care		25,122	23,454
Travel and meal expenses		28,471	22,534
Bonuses		73,918	15,455
Fees and expense allowance for Board of Directors		12,769	9,289
Retirement and termination benefits		2,738	2,326
Other personnel expenses		24,070	19,256
		979,072	**823,524**

(a) Personnel expenses are allocated as follows:

In thousands of soles	**Note**	**2022**	**2021**
Cost of sales	*24*	678,513	615,135
Administrative expenses	*25*	219,777	169,030
Selling expenses	*26*	45,174	38,482
Other expenses	*28*	35,608	877
		979,072	**823,524**

(b) In 2022 and 2021, the average number of employees was 6,265 and 5,870, respectively.

28. Other Income and Expenses

This caption comprises the following:

In thousands of soles	**Note**	**2022**	**2021**
Other income			
Sale of property, plant and equipment		29,592	13,364
Reversal of provision due to SUNAT claims		5,606	
Recovery of interest due to SUNAT claims	*33.D*	3,238	-
Service revenue		9,581	3,573
Prior period revenue		3,401	1,446
Reversal of impairment losses	*8(g)*	200	606
Rental income		197	710
Revenue from sale and leaseback transactions		154	703
Indemnities		61	3,168
Dividend revenue	*31*	1,075	26,273
Negative goodwill	*1.B*	-	9,447
Reversal of an impairment loss on (provision for) inventory obsolescence	*9(d)*	-	157
Others		11,383	10,203
		64,488	**69,650**
Other expenses			
Personnel expenses	*27(a)*	(35,608)	(877)
Cost of transfer of property, plant and equipment		(14,187)	(7,660)
Demurrage charges on clinker imports		(3,656)	(3,765)
Prior period expenses		(3,371)	(43)
Service cost		(3,293)	(2,647)
Derecognition of intangible assets	*15*	(3,207)	(3,316)
Depreciation	*13(f)*	(2,102)	(4,749)
Administrative sanctions		(1,945)	(7,908)
Expected credit losses	*8(g)*	(1,669)	(154)
Donations		(986)	(1,199)
Amortization	*15(c)*	(94)	(3,075)
Taxes on economic recovery due to COVID-19 crisis in Ecuador		-	(6,855)
Retirement fund for mining, metallurgical and steel workers		-	(4,654)
Others		(15,848)	(23,495)
		(85,966)	**(70,397)**
		(21,478)	**(747)**

29. Finance Income

This caption comprises the following:

In thousands of soles	**Note**	**2022**	**2021**
Interest on deposits and loans receivable		6,943	3,832
Interest on hedging instruments (swap contracts)	*34.A.i & ii*	3,220	1,399
Gain on fair value of hedging instruments	*34.A.i & ii*	3,617	473
Others		2,854	1,546
		16,634	**7,250**

30. Borrowing Costs

This caption comprises the following:

In thousands of soles	*Note*	2022	2021
Interest on bonds and bank loans	*16(g)*	156,075	168,292
Interest on promissory notes	*16(b)*	14,854	1,938
Interest on hedging instruments (swap contracts)	*34.A.i & ii*	8,729	18,195
Structuring fee for other financial liabilities (a)		3,692	12,971
Loss on remeasurement of liability for closure of quarries	*19(c)*	1,412	1,862
Interest on lease liabilities		483	694
Bond issue costs		22	884
Interest on tax claims		-	9,668
Loss on fair value of hedging instruments	*34.A.i & ii*	-	4,372
Prepayment penalty on loans		-	3,938
Others		7,354	6,337
		192,621	**229,151**

(a) As of December 31, 2022, it corresponds to structuring fees accrued in the period relating to loans held by the Company and UNACEM Peru for S/ 3,201,000 (2021: structuring fees accrued in the period relating to loans held by the Company for S/ 9,856,000).

31. Related Party Transactions

(a) In 2022 and 2021, the related party transactions are as follows:

In thousands of soles	*Note*	2022	2021
Revenue			
Sale of cement			
La Viga S.A.		558,917	474,850
Asociación UNACEM		299	140
Dividends earned	*28*		
Ferrocarril Central Andino S.A.		-	20,878
Master Builders Solutions Perú S.A.		1,070	5,392
Others		5	3
Costs and expenses			
Donations			
Asociación UNACEM		17,525	22,550
Purchase of additives			
Master Builders Solutions Perú S.A.		60,976	48,763
Fees and import duties for sale of cement			
La Viga S.A.		34,047	29,793
Other expenses			
Master Builders Solutions Perú S.A.		3,666	4,200
Compañía de Inversiones Santa Cruz S.A.		-	132
Other income			
Master Builders Solutions Perú S.A.		2,225	1,423
Asociación UNACEM		212	252
La Viga S.A.		124	201

(b) As of December 31, 2022 and 2021, the Group has the following related party balances:

In thousands of soles	***Note***	**2022**	**2021**
Accounts receivable	*8*		
La Viga S.A.		37,122	30,252
Master Builders Solutions Perú S.A.		428	302
Others		1,641	946
		39,191	**31,500**
Accounts payable	*17*		
Master Builders Solutions Perú S.A.		24,309	16,151
La Viga S.A.		4,490	3,415
Others		13	17
		28,812	**19,583**

(c) The Group 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.

(d) As of December 31, 2022, the total key management personnel compensation amounted to S/ 15,529,000 (2021: S/ 29,976,000). It includes short-term employee benefits and severance payment.

(e) As of December 31, 2022 and 2021, there were no changes in the Parent Company, Nuevas Inversiones S.A., or in the ultimate controlling party, Inversiones JRPR S.A.

32. Earnings per Share

Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of outstanding shares during the period.

The following table shows the calculation of the diluted and basic earnings per share.

In thousands of	**Outstanding shares**	**Basic earnings for the weighted average**	**Number of days in the periods**	**Weighted average number of ordinary shares**
Year 2022				
Balance as of January 1, 2022	1,810,835	1,810,835	365	1,810,835
Sale of treasury shares	-	-	-	-
Acquisition of treasury shares	(5,674)	(5,674)	245	(3,809)
Balance as of December 31, 2022	**1,805,161**	**1,805,161**		**1,807,026**
Profit or loss attributable to ordinary stockholders (in thousands of *soles*)				554,653
Net basic and diluted earnings per share (in *soles*)				0.307

In thousands of	**Outstanding shares**	**Basic earnings for the weighted average**	**Number of days in the periods**	**Weighted average number of ordinary shares**
Year 2021				
Balance as of January 1, 2021	1,818,128	1,818,128	365	1,818,128
Sale of treasury shares	-	-	-	-
Acquisition of treasury shares	(7,293)	(7,293)	72	(1,439)
Balance as of December 31, 2021	**1,810,835**	**1,810,835**		**1,816,689**
Profit or loss attributable to ordinary stockholders (in thousands of *soles*)				498,114
Net basic and diluted earnings per share (in *soles*)				0.274

As of December 31, 2022, the Company holds 12,967,000 and 7,293,000 treasury shares with an average of 333 days and 72 days, respectively.

33. Contingencies and Commitments

A. Financial commitments

- The subsidiaries have the following letters of guarantee:

  - A letter of guarantee granted by UNACEM Perú S.A. in favor of the Ministry of Energy and Mines (MEM), issued by Banco de Crédito del Perú, for a total amount of approximately US$ 1,209,000, equivalent to S/ 4,618,000, maturing in January 2024, in order to guarantee compliance with the Mine Closure Plan of its mining concessions.

  - A letter of guarantee granted by UNACEM Perú S.A. in favor of the Ministry of Production, issued by Banco de Crédito del Perú, for a total amount of approximately US$ 6,383,000 equivalent to S/ 24,383,000 with maturity in January 2024, in order to guarantee compliance with the Mine Closure Plan of its mining concessions.

  - Letters of guarantee granted by UNACEM Perú S.A. in favor of the SUNAT for a total of S/ 9,434,000 maturing in 2023, in order to guarantee the customs tax debt.

  - Letters of guarantee granted by UNACEM Perú S.A. in favor of third parties for a total of S/ 549,000 with maturity during the year 2023.

  - Letters of guarantee issued by financial institutions on behalf of UNICON Perú S.A. and CONCREMAX S.A. in order to guarantee the supply of concrete to certain customers, as of December 31, 2022 for approximately S/ 104,068,000 with maturity in January 2023 and January 2024 (2021: S/ 100,755,000 with maturity in December 2021 and December 2022).

  - Letters of guarantee issued by financial institutions on behalf of ENTREPISOS S.A. to guarantee the supply of slabs and precast concrete to certain customers, as of December 31, 2022 for approximately S/ 1,217,000 with maturity in January and June 2023 (2021: S/ 2,797,000 with maturity in January and November 2022).

- Letters of guarantee issued by financial institutions on behalf of Depósito Aduanero Conchán S.A. guaranteeing its obligations generated in the performance of its duties as a bonded warehouse in accordance with the General Customs Law, its regulations and other applicable administrative provisions, as of December 31, 2022 for approximately US$ 100,000, equivalent to S/ 382,000, maturing in February 2023 (US$ 100,000, equivalent to S/ 400,000 at December 31, 2021 maturing in February 2022).

- A letter of guarantee granted by CELEPSA in favor of Consorcio Transmantaro S.A. for a total of US$ 3,000,000, maturing in July 2023, issued by Scotiabank del Perú in order to guarantee compliance with the obligations of the power transmission contract.

- A letter of guarantee granted by CELEPSA in favor of La Fiduciaria S.A., issued by Scotiabank, for a total amount of approximately US$ 14,100,000, equivalent to S/ 53,862,000 with maturity in January 2024, in order to guarantee compliance with the obligations of the Agreement for the purchase of shares and credits of Termochilca.

- Letters of guarantee granted by CELEPSA in favor of the MEM, issued by Banco de Crédito del Perú, for a total of approximately S/ 2,752,000 with maturity between March 2023 and January 2024, in order to guarantee compliance with various projects.

- On September 23, 2016, Scotiabank Chile S.A. approved a credit facility of up to US$ 4,000,000 on behalf of Prefabricados Andinos S.A., which is secured by a letter of credit of Prefabricados Andinos Perú S.A.C. issued by Scotiabank Perú S.A.A. It matures in September 2023.

- On December 13, 2016, BBVA Colombia S.A. approved a credit facility of up to US$ 3,550,000 on behalf of Prefabricados Andinos Colombia S.A.S., which is secured by a letter of credit of Prefabricados Andinos Perú S.A.C. issued by BBVA Banco Continental S.A. It matures in January 2024.

- As of December 31, 2022, the subsidiary Vigilancia Andina S.A. has letters of guarantee issued by financial institutions guaranteeing the payment of remunerations of personnel under labor intermediation to clients for S/ 3,032,000 with maturity in December 2023 (2021: S/ 2,707,000 maturing in December 2022).

▪ The Group has the following letters of credit:

- A letter of credit dated November 18, 2010 and amended on November 10, 2020, for US$ 40,447,000 between Banco de Nova Scotia U.S. (issuer) and U.S. Bank National Association (trustee). On November 1, 2010, the trustee entered into a trust agreement with the Yavapai County Industrial Development Authority (authority). On November 10, 2020, the letter of credit was renewed for a five-year term (note 16.A.(a)i).

- A letter of credit dated July 30, 2015, for US$ 75,838,000 between Drake Cement L.L.C. and Skanon Investments, Inc. (guarantors) and Bank of Nova Scotia, New York Agency (issuer) so that the issuer directly pays the credit by Drake Cement L.L.C. on behalf of U.S. Bank National Association (trustee). The trustee entered into a trust agreement with the Yavapai County Industrial Development Authority (authority). On June 1, 2020, the letter of credit was renewed for a five-year term (note 16.A.(a)i).

- Letter of indemnity
  Skanon Investments Inc. establishes indemnification provisions under agreements with other entities—i.e., trading partners, customers, property owners, lenders and lessors—in the normal course of business. Under such provisions, Skanon Investments Inc. generally indemnifies and holds harmless the indemnified party in respect of any loss or damage suffered by the indemnified party as a result of its activities or, in some cases, as a result of the indemnified party's activities. The maximum amount of future payments that Skanon Investments Inc. could make under the provisions is unlimited. Skanon Investments Inc. did not incur material costs to defend claims or settle claims related to the indemnification provisions. Accordingly, Skanon Investments Inc. considers that the fair value of these provisions is low. As of December 31, 2022 and 2021, management does not have any liabilities recognized under the indemnification provisions.

B. Finance leases

The following table shows the minimum lease payments and sale and leaseback transactions:

	2022		2021	
In thousands of soles	**Minimum lease payments**	**Present value of lease payments**	**Minimum lease payments**	**Present value of lease payments**
Up to 1 year	54,795	39,216	48,398	35,876
More than 1 year	258,005	136,827	229,088	111,382
Total payments	**312,800**	**176,043**	**277,486**	**147,258**
Less: Borrowing costs	(136,757)	-	(130,228)	-
Present value of minimum lease payments	**176,043**	**176,043**	**147,258**	**147,258**

C. Tax Matters

(a) The subsidiaries of the Group are subject to the tax laws of the country in which they operate and to taxes separately based on their non-consolidated income. As of December 31, 2022 and 2021, the income tax rates of the countries in which the Group operates are as follows:

	Tax rates	
In percentages	**2022**	**2021**
Peru	29.5	29.5
Ecuador	25.0	25.0
United States (*)	21.0 and 4.9	21.0 and 4.9
Chile	27.0	27.0

(*) In accordance with the laws of the United States and Arizona, the subsidiary is subject to a federal tax rate of 21% and a state tax rate of 4.9%.

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

Based on the business analysis, it is the opinion of management and its legal advisors that no significant contingencies will arise as of December 31, 2022 and 2021 from the application of such regulations.

(c) The Tax Authorities of each country are entitled to audit and, if applicable, to correct the income tax calculated by the Group. The Group's income tax returns are open for review by the Tax Authorities as follows:

	Period subject to tax assessments
Peru	
UNACEM Corp S.A.A.	2018 – 2022
UNACEM Perú S.A.	2022
Compañía Eléctrica El Platanal S.A.	2018 – 2022
Celepsa Renovables S.R.L.	2018 – 2022
Generación Eléctrica Atocongo S.A.	2018 – 2022
Unión de Concreteras S.A.	2017 – 2022
Concremax S.A.	2017 – 2022
Inversiones en Concreto y Afines S.A.	2018 – 2022
Prefabricados Andinos Perú S.A.C.	2018 – 2022
Digicem S.A.	2018 – 2022
Depósito Aduanero Conchán S.A.	2018 – 2022
Inversiones Imbabura S.A.	2018 – 2022
Inversiones Nacionales y Multinacionales Andinas S.A.	2018 – 2022
ARPL Tecnología Industrial S.A.	2018 – 2022
Vigilancia Andina S.A.	2018 – 2022
Entrepisos Lima S.A.C.	2018 – 2022
Ecuador	
UNACEM Ecuador S.A.	2019-2022
Unión de Concreteras UNICON UCUE Cía. Ltda.	2019-2022
Chile	
Prefabricados Andinos S.A.	2018-2022
UNACEM Chile S.A.	2019-2022
Inversiones Mel 20 Ltda.	2019-2022
UNICON Chile S.A.	2019-2022
Colombia	
Prefabricados Andinos Colombia S.A.S.	2017-2022
United States	2018-2022

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 Group. 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 would not be significant for the consolidated financial statements as of December 31, 2022 and 2021.

(d) As of December 31, 2022 and 2021, tax loss carryforwards of subsidiaries are as follows:

In thousands of soles	**2022**	**2021**
Skanon Investments Inc. and Subsidiaries (ii)	2,412,905	2,320,311
Compañía Eléctrica El Platanal S.A. and Subsidiaries (ii)	224,481	274,926
Prefabricados Andinos S.A. – PREANSA Chile (iii)	58,609	42,707
Prefabricados Andinos Perú S.A.C. – PREANSA Perú (iii)	17,173	16,172
UNICON Chile S.A. (iii)	16,164	4,547
Prefabricados Andinos Colombia S.A.S (iii)	8,625	9,160
Digicem S.A. (ii)	1,676	489
Depósito Aduanero Conchán S.A. (ii)	1,415	1,854
Concremax S.A. (ii)	3,202	-
Generación Eléctrica de Atocongo S.A. (ii)	2,000	-
Inversiones Imbabura S.A. (ii)	-	1,013
Other subsidiaries (ii)	1,946	414

(i) The tax loss carryforwards of subsidiaries domiciled in the United States amount to US$ 633,641,000 (equivalent to S/ 2,412,905,000). According to management, the federal and state losses for US$ 334,045,000 and US$ 299,596,000, respectively (equivalent to S/ 1,272,043,000 and S/ 1,140,862,000, respectively) will be recovered. This federal and state loss will begin to expire on August 31, 2025 and December 31, 2032, respectively, for approximately US$ 98,774,000 (equivalent to approximately S/ 376,131,000).

In accordance with the laws of the United States, the subsidiaries domiciled in the United States are subject to a federal tax rate of 21% and a state tax rate of 4.9%, respectively, on taxable profits.

(ii) Management of each subsidiary domiciled in Peru with tax loss carryforwards chose the option to offset tax losses up to 50% of the taxable profits generated in each year, indefinitely, as well as the option to offset tax losses within four years from the date in which they are generated.

(iii) The tax loss carryforwards of subsidiaries domiciled in Chile and Colombia will be offset against the future taxable profits of subsidiaries in accordance with applicable tax laws.

(e) As of December 31, 2022, the net outstanding balance, net of income tax, amounts to S/ 149,297,000 (2021: S/ 102,976,000).

D. Contingencies

In the normal course of business, the Group had various tax, legal (labor and administrative) and regulatory claims, which are recognized and disclosed in accordance with IFRSs (note 4.C.xix).

Peru

i. Tax assessments
As a result of the tax assessments, the Group received various resolutions related to alleged failure to meet tax payments from the Tax Authorities. In some cases, the Group filed claims before higher courts since it did not consider that such resolutions are compliance with the laws and, in others, it paid the objections under protest. The tax proceedings are related to:

UNACEM Corp S.A.A.

- Income tax for the years 2000 and 2001.
- Income tax for the years 2004 and 2005.
- Income tax for year 2009.
- Fines for interest on down payments of income tax for the year 2014.
- Contribution to the retirement fund for mining, metallurgical and steel workers for the years from 2013 to 2017.
- Mining royalties of former Cementos Lima, years 2008 and 2009.
- Mining royalties of former Cementos Andino, year 2008.

In 2022, the Company was able to recover the fine imposed by the income tax audit for the year 2013 (which was shown as part of the balance of claims to SUNAT as of December 31, 2021), for S/ 7,129,000, plus the corresponding interest for S/ 3,238,000, which was recorded in other income (note 28).

As of December 31, 2022 and 2021, the Company has accounts receivable from such tax proceedings (note 8(d)). It is the opinion of management and its legal advisors that the Company will obtain a favorable outcome.

CONCREMAX S.A.

- Income tax for the year 2012, ending March 2022.

As of December 31, 2021, the Group has accounts receivable from such tax proceedings (note 8(d)). It is the opinion of management and its legal advisors that the Group will obtain a favorable outcome. In 2022, el proceso concluyó de manera desfavorable para el Grupo, ello originó el reconocimiento de un gasto de S/ 1,864,000, reconociendo como gastos por sanciones administrativas fiscales, en el rubro de otros a los estados consolidados de resultados integrales.

E. Mining royalties

Peru
In accordance with the law and Regulation on Royalties Metallic and Non-metallic Minerals effective from October 1, 2011, mining royalties for holders of mining concessions (metallic and non-metallic mineral resources) shall be quarterly settled. In determining mining royalties, the Group uses the higher of: (i) the amount obtained by applying a marginal step rate to the quarterly operating profit adjusted for certain items; and (ii) 1% of net quarter sales. These amounts shall be determined based on the Group's consolidated financial statements prepared under IFRS. Payments of mining royalties are deductible for determining income tax of the year in which payments are made.

The mining royalties paid to the Peruvian government for the years 2022 and 2021 amounts to S/ 5,209,000 and S/ 4,116,000, respectively. They are recognized in the consolidated statement of profit or loss (note 20(a)).

Ecuador
In accordance with the Mining Law of Ecuador, holders of mining concessions (non-metallic mineral resources) in the exploitation phase are required to make royalty payments to the Ecuadorian State, based on a royalty rate on the amount of minerals produced at a mine. They are settled on a semiannual basis.

In 2021 and 2021, UNACEM Ecuador S.A. made royalty payments to the Ecuadorian State for US$ 949,000 (equivalent to S/ 3,643,000) and US$ 891,000 (equivalent to S/ 3,474,000). They are recognized in the consolidated statement of profit or loss (note 24).

F. Environmental commitments
The Group's activities are subject to the environmental regulations. Accordingly, it is required to comply with the following regulations:

i. Industrial sector

Peru
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$ 60,312,000 (2021: US$ 60,105,000).

In 2022 and 2021, Unión de Concreteras S.A. made investments for S/ 560,000 and S/ 420,000, respectively, to implement environmental protection programs.

ii. Mining and port sectors

Peru
The Company prepared environmental impact assessments related to its mining activities (non-metallic mineral resources). It has complied with the assessments within the established terms. As of December 31, 2022, the investment related to mining and port activities amount to US$ 23,391,000 (2021: US$ 23,116,000).

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

As of December 31, 2022 and 2021, the provision for closure of quarries amounts to S/ 35,969,000 and S/ 39,390,000, respectively, It is presented in 'provisions' in the consolidated statement of financial position (note 19(c)). The Group considers that this liability is sufficient to meet the applicable environmental laws approved by the Ministry of Energy and Mines. The Group is updating its quarry closure plan of main mines, in accordance with the applicable law.

Ecuador
The subsidiaries are governed by the Environmental Management Act and the Environmental Regulation on Mining Activities.

As of December 31, 2022 and 2021, the provision for environmental rehabilitation amounts to S/ 2,681,000 and S/ 3,051,000, respectively. It is presented in 'provisions' in the consolidated statement of financial position (note 19(c)).

Chile
The subsidiaries are governed by the Environmental Restoration Law.

As of December 31, 2022 and 2021, the provision for the costs of dismantling the plants amounts to S/ 1,082,000 and S/ 1,144,000, respectively. It is presented in 'provisions' in the consolidated statement of financial position (note 19(c)).

iii. Environmental protection in the electricity-related activities
According to Law 25844 and Law 28611 "General Environmental Law," the Peruvian government designs and applies the policies and regulations necessary for the proper protection of the environment and cultural heritage of Peru, as well as ensures the proper usage of natural resources in developing electricity-related activities and hydrocarbon-related activities. Accordingly, MINEM approved the "Regulation on Environmental Protection in the Electricity-related Activities" (approved by Supreme Decree 29-94-EM), and the "Regulation on Environmental Protection in the Hydrocarbon-related Activities" (approved by Supreme Decree 015-2006-EM).

In management's opinion, Compañía Eléctrica el Platanal S.A. and Celepsa Renovables S.R.L. comply with the environmental laws.

34. Financial Risk Management

The Group 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 Group'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 Group'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 that the fair value or future cash flows of financial instruments fluctuates as a result of changes in the market rates. Market risks involve interest rate risk, exchange rate risk, commodity price risk and other price risks. Financial instruments affected by market risk are bank deposits, trade and other accounts receivable, other financial liabilities and hedging instruments.

The sensitivity analyses included in the following notes are related to the consolidated financial statements as of December 31, 2022 and 2021.

The Group prepared sensitivity analyzes based on the assumption that the variables (net debt, fixed and variable interest rates of debt and hedging instruments, and financial instruments in foreign currency) are held constant as of December 31, 2022 and 2021.

i. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments fluctuates as a result of changes in the interest rates. The Group's exposure to interest rate risk mainly arises from long-term variable-rate debt instruments.

The Group minimizes this risk by using interest rate swaps (hedging derivative financial instrument), as a hedge of the variability in cash flows attributable to interest rate movements.

The Group determines the existence of an economic relationship between the hedging instrument and the hedged item based on the reference interest rate, terms, maturity dates and notional or nominal amounts. Below is a detail of the hedging derivative financial instruments held by the Group.

- ***Hedging instruments***

The Group has three interest rate swaps designated as cash flow hedges and measured at fair value. Hedging instruments are as follows:

		As of December 31, 2022				
Borrower	**Currency**	**Benchmark amount (000)**	**Maturity date**	**Variable-rate**	**Fixed-rate**	**Fair value (000)**
Assets						
Bank of Nova Scotia (*)	US$	30,000	September 2025	3-month LIBOR + 2.60%	5.660%	1,427
Banco de Crédito e Inversiones (BCI) (Chile) (*)	CLP	2,692,424	November 2027	6.78%	3.377%	1,172
Citibank N.A. (*)	US$	50,000	October 2025	3-month LIBOR + 1.75%	5.700%	1,130
Banco Scotiabank (Chile) (*)	US$	3,355	October 2023	1-month LIBOR + 1.85%	5.550%	334
Total						**4,063**

		As of December 31, 2021				
Borrower	**Currency**	**Benchmark amount (000)**	**Maturity date**	**Variable-rate**	**Fixed-rate**	**Fair value (000)**
Liabilities						
Citibank N.A. (*)	US$	50,000	October 2025	3-month LIBOR + 1.75%	5.700%	13,210
Banco Santander S.A.	US$	45,000	November 2023	3-month LIBOR + 1.85%	5.030%	8,499
Bank of Nova Scotia (*)	US$	30,000	September 2025	3-month LIBOR + 2.60%	5.660%	3,719
Scotiabank Chile S.A.	US$	4,000	August 2022	1-month LIBOR + 1.22%	3.200%	219
Scotiabank Chile S.A.	US$	1,883	March 2022	1-month LIBOR + 1.94%	5.400%	64
Total						**25,711**
Assets						
Banco Scotiabank (Chile) (*)	US$	3,355	October 2023	1-month LIBOR + 1.85%	5.550%	896
Banco de Crédito e Inversiones (BCI) (Chile) (*)	CLP	2,692,424	November 2027	6.78%	3.377%	526
Total						**1,422**

(*) They correspond to the same derivative.

The Group has financial instruments to minimize its exposure to the risk of changes in the interest rates of financial liabilities indicated in note 16.A. Such loans accrue interest at a variable interest rate equivalent to a 3-month LIBOR and 1-month LIBOR.

The Group pays or receives on a quarterly or monthly basis (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 Group are recognized as an adjustment to borrowing costs of the period for hedged loans.

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

In 2022, the Group recognized expenses incurred on hedging instruments for S/ 4,483,000 (2021: S/ 15,856,000), which were effectively paid. They are presented in 'borrowing costs' in the consolidated statement of profit or loss (note 30).

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 net equity. As of December 31, 2022 and 2021, the Group recognized a negative change in the fair value for S/ 18,806,000 and S/ 12,347,000, respectively, in 'unrealized gains and losses' in the consolidated statement of changes in equity. It was recognized net of the effects on income tax.

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 Group's profit before tax would be affected by the effect on variable rate loans, with all other risk variables held constant, as follows:

For the years ended December 31, 2022 and 2021 the impact on income before income tax on a 10% increase or decrease amounts to approximately S/ 2,682,000 and S/ 147,000, respectively.

The fluctuation in 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 financial instruments fluctuates as a result of changes in the exchange rates. The Group is exposed to exchange rate risk from its operating activities (when income and expenses are stated in a currency other than its functional currency).

Management monitors this risk through the analysis of macroeconomic factors.

In 2022 and 2021, the Group recognized exchange losses for S/ 35,445,000 and S/ 64,071,000, respectively. They are presented in 'exchange difference, net' in the consolidated statement of profit or loss.

As of December 31, 2022, the Group has a derivative financial instrument liability corresponding to a "Cross Currency Interest Rate Swap" amounting to S/ 3,253,000 in favor of BBVA Peru (S/ 6,870,000 as of December 31, 2021 in favor of the banks BBVA Perú and Banco Internacional del Perú S.A.A. - Interbank), in order to hedge its exchange rate fluctuation risks. The derivative is designated as a financial instrument held for trading.

As of December 31, 2022 and 2021, changes in the fair value are recognized as income or expense. As of December 31, 2022, the effects resulted in net borrowing costs for S/ 3,617,000 (2021: net finance income for S/ 3,899,000) and are presented in 'borrowing costs' and 'finance income' in the consolidated statement of profit or loss (notes 29 and 30).

As of December 31, 2022 and 2021, the Group recognized borrowing costs, net incurred on hedging instruments for S/ 1,026,000 and S/ 940,000, respectively, which were effectively paid. They are presented in 'borrowing costs' and 'finance income' in the consolidated statement of profit or loss (notes 29 and 30).

Sensitivity to exchange rates
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 foreign currency transactions (U.S. dollars) were S/ 3.808 (buy rate) and S/ 3.820 (sell rate) (2021: S/ 3.975 and S/ 3.998, respectively).

As of December 31, 2022 and 2021, the Group's assets and liabilities are held in U.S. dollars. The following table shows the foreign currency assets and liabilities:

In thousands of U.S. dollars	**2022**	**2021**
Assets		
Cash and cash equivalents	30,306	26,845
Trade and other accounts receivable	150,960	91,814
	181,266	**118,659**
Liabilities		
Other financial liabilities	(143,513)	(179,726)
Trade and other accounts payable	(116,050)	(69,865)
	(259,563)	**(249,591)**
Foreign currency derivatives (i)	(852)	(1,718)
Net liability position	**(79,149)**	**(132,650)**

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

	Effects on profit before tax	
In thousands of soles	**2022**	**2021**
Changes in exchange rates (U.S. dollars) %		
+5	(15,201)	(26,646)
+10	(30,401)	(53,291)
-5	15,201	26,646
-10	30,401	53,291

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 Group 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 consolidated financial statements as of December 31, 2022 and 2021 is represented by the sum of items of cash and cash equivalents, trade and accounts receivable.

Cash and bank deposits

The credit risk of cash at bank is controlled by management in accordance with the Group'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.

Trade accounts receivable

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

At the end of each reporting period, the Group uses a provision matrix to measure ECLs. The Group 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 Group 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 8 to the consolidated statement of financial position.

The Group has no collaterals (letters of credit). The letters of guarantee from customers are part of sales and are considered in the calculation.

As of December 31, 2022, 17% of the Group's trade accounts receivable are covered by letters of guarantee and others (2021: 13%). As of December 31, 2022 and 2021, the credit history obtained by the Company resulted in an increase in ECLs for S/ 4,474,000 and S/ 11,714,000, respectively.

The Group assesses the risk concentration of trade accounts receivable as low risk, since its customers belong mainly to the private sector and operate in a market independent of public procurement.

Other accounts receivable
Other accounts receivable correspond to outstanding balances for items not related to the Group's main operating activities. As of December 31, 2022 and 2021, other accounts receivable mainly correspond to advances to suppliers, claims to Tax Authorities and third party claims. Management periodically monitors the credit risk of such items and assesses debts evidencing an impairment in order to recognize the loss allowance. The aging of sundry accounts receivable is shown in note 8(h).

C. Liquidity Risk
The Group monitors liquidity risk using a liquidity-planning tool.

The Group's objective is to maintain a balance between continuity and flexibility of financing by using overdrafts in checking accounts and other financial liabilities.

The cash flow projections approved by management allow obtaining updated cash flow projections to ensure the Group has sufficient cash flow to meet its short, medium and long-term liquidity needs while maintaining a limit for unused credit facilities, so that the Group meets the debt limits or covenants, if applicable, on any credit facilities.

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

	As of December 31, 2022			
In thousands of soles	**1 - 12 months**	**1 - 3 years**	**More than 4 years**	**Total**
Trade and other accounts payable (*)	881,986	22,045	6,147	910,178
Other financial liabilities				
Amortization of principal	1,106,529	1,413,546	1,215,803	3,735,878
Cash flows from cash payments from interest	152,838	209,569	203,784	566,191
Lease liabilities				
Amortization of principal	8,024	11,026	3,195	22,245
Cash flows from cash payments from interest	895	1,267	1,887	4,049
Total liabilities	**2,150,272**	**1,657,453**	**1,430,816**	**5,238,541**

	As of December 31, 2021			
In thousands of soles	**1 - 12 months**	**1 - 3 years**	**More than 4 years**	**Total**
Trade and other accounts payable (*)	783,141	21,035	12,586	816,762
Other financial liabilities				
Amortization of principal	700,255	1,523,344	1,704,435	3,928,034
Cash flows from cash payments from interest	154,045	262,221	216,412	632,678
Lease liabilities				
Amortization of principal	8,345	12,760	3,735	24,840
Cash flows from cash payments from interest	623	771	2,154	3,548
Total liabilities	**1,646,409**	**1,820,131**	**1,939,322**	**5,405,862**

(*) As of December 31, 2022 and 2021, it does not include customer advances, taxes, contributions, social security contributions and sales tax for S/ 93,388,000 and S/ 78,756,000, respectively.

D. Capital management

The Group'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.

The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce its debt in order to maintain or adjust its capital structure.

In accordance with the industry, the Group 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 consolidated statement of financial position, plus net debt.

In thousands of soles	***Note***	**2022**	**2021**
Other financial liabilities	*16*	3,735,878	3,928,034
Trade and other accounts payable (*)	*17*	940,035	854,120
Less: Cash and cash equivalents	*7*	(334,845)	(399,755)
Net debt (a)		**4,341,068**	**4,382,399**
Net equity		**5,696,808**	**5,370,307**
Net debt and total equity (b)		**10,037,876**	**9,752,706**
Debt-to-equity ratio (a/b)		**0.432**	**0.449**

(*) As of December 31, 2022 and 2021, it excludes customer advances for S/ 63,531,000 and S/ 41,398,000, respectively.

For the years ended December 31, 2022 and 2021, there were no changes in the objectives, policies or procedures related to capital management.

35. Fair Value

A. Financial instruments measured at fair value using the 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.

In thousands of soles	**Level 2**	**Total**
December 31, 2022		
Financial assets		
Hedging instruments	4,063	4,063
Financial liabilities		
Hedging instruments	3,253	3,253
Total financial assets, net	**(810)**	**(810)**
December 31, 2021		
Financial assets		
Hedging instruments	1,422	1,422
Financial liabilities		
Hedging instruments	32,581	32,581
Total financial liabilities, net	**31,159**	**31,159**

Fair value of financial instruments measured at amortized cost
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.

- Accounts receivable are net of loss allowance, and have current maturities. 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		**2021**	
In thousands of soles	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Other financial liabilities (*)	3,287,326	3,280,118	3,588,500	3,732,609
	3,287,326	**3,280,118**	**3,588,500**	**3,732,609**

(*) As of December 31, 2022 and 2021, it does not include promissory notes and overdrafts (note 16).

36. Changes in Liabilities from Financing Activities

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

In thousands of soles	**Balance as of January 1, 2021**	**Cash flows**	**New bank loans**	**Dividends declared**	**New leases**	**Effects of exchange difference and translation**	**Acquisition of non-controlling interests**	**Treasury shares**	**Others**	**Balance as of December 31, 2022**
Overdrafts	23,988	(96,914)	112,508	-	-	(1,021)	-	-	-	38,561
Promissory notes	315,546	(619,416)	720,212	-	-	(6,351)	-	-	-	409,991
Bank loans, finance leases and corporate bonds	3,588,500	(558,331)	233,143	-	82,755	(67,789)	-	-	9,048	3,287,326
Dividends payable	87,846	(293,297)	-	221,737	-	(443)	-	-	(42)	15,801
Lease liabilities	24,840	(11,016)			8,132	(232)	-	-	521	22,245
Acquisition of treasury shares	(11,610)	-	-	-	-	-	-	(11,920)	-	(23,530)
Acquisition of non-controlling interests	-	(18,612)	-	-	-	(175)	24,995	-	-	6,208
Total liabilities from financing activities	**4,029,110**	**(1,597,586)**	**1,065,863**	**221,737**	**90,887**	**(76,011)**	**24,995**	**(11,920)**	**9,527**	**3,756,602**

In thousands of soles	**Balance as of January 1, 2021**	**Cash flows**	**New bank loans**	**Dividends declared**	**New leases**	**Effects of exchange difference and translation**	**Acquisition of subsidiaries (note 1.B)**	**Treasury shares**	**Others**	**Balance as of December 31, 2021**
Overdrafts	278	(3,623)	27,216	-	-	117	-	-	-	23,988
Promissory notes	430,440	(798,248)	677,642	-	-	5,712	-	-	-	315,546
Bank loans, finance leases and corporate bonds	4,025,037	(1,925,354)	1,280,248	-	64,237	142,427	241	-	1,664	3,588,500
Dividends payable	11,668	(123,121)	-	199,463	-	56	-	-	(220)	87,846
Lease liabilities	22,978	(15,876)	-	-	10,805	336	6,005	-	592	24,840
Acquisition of treasury shares	-	-	-	-	-	-	-	(11,610)	-	(11,610)
Others	-	(1,453)	-	-	-	-	-	-	1,453	-
Total liabilities from financing activities	**4,490,401**	**(2,867,675)**	**1,985,106**	**199,463**	**75,042**	**148,648**	**6,246**	**(11,610)**	**3,489**	**4,029,110**

37. Segment Information

For management purposes, the Group's business activities are organized on the basis of products and services. Accordingly, it identified three operating segments:

- Production and sale of cement.
- Production and sale of concrete.
- Generation and sale of electric power from water resources.

The Group did not include other operating segments other than those described above.

Management of each subsidiary reviews the operating results to make decisions about resources to be allocated to the segment and assess its performance.

The performance of the operating segments is assessed based on profit or loss and is measured using segment profit or loss in the consolidated financial statements.

The inter-segment transfer pricing with independent parties is agreed similarly to the pricing agreed with third parties.

The following table shows financial information as of December 31, 2022 and 2021 by reportable segment, net of eliminations:

	As of December 31, 2022						
In thousands of soles	**Cement**	**Concrete**	**Electrical energy**	**Others**	**Total operating segments**	**Adjustments and eliminations**	**Consolidation**
Revenue							
External customers	3,350,673	2,310,954	298,949	18,267	5,978,843	-	5,978,843
Intersegments	397,103	126,179	128,801	628,664	1,280,747	(1,280,747)	-
Total revenue	**3,747,776**	**2,437,133**	**427,750**	**646,931**	**7,259,590**	**(1,280,747)**	**5,978,843**
Gross profit	**1,208,251**	**255,821**	**122,319**	**572,147**	**2,158,538**	**(529,927)**	**1,628,611**
Operating income (expenses)							
Administrative expenses	(255,358)	(79,019)	(22,604)	(80,609)	(437,590)	35,968	(401,622)
Selling expenses	(82,291)	(31,079)	(6,434)	(311)	(120,115)	-	(120,115)
Other income (expenses), net	(148,227)	(18,710)	893	6,782	(159,262)	137,784	(21,478)
Operating profit	**722,375**	**127,013**	**94,174**	**498,009**	**1,441,571**	**(356,175)**	**1,085,396**
Other income (expenses)							
Net interests in associates	(1)	3,558	-	269	3,826	35	3,861
Finance income	16,220	3,327	310	7,187	27,044	(10,410)	16,634
Borrowing costs	(96,368)	(21,698)	(15,414)	(63,559)	(197,039)	4,418	(192,621)
Exchange difference, net	36,400	(5,701)	6,677	(1,931)	35,445	-	35,445
Profit before tax	**678,626**	**106,499**	**85,747**	**439,975**	**1,310,847**	**(362,132)**	**948,715**
Income tax	(219,955)	(1,031)	(27,809)	(34,417)	(283,212)	(5,908)	(289,120)
Net profit by operating segment	**458,671**	**105,468**	**57,938**	**405,558**	**1,027,635**	**(368,040)**	**659,595**
Profit before tax by operating segment	**758,775**	**121,312**	**100,851**	**502,035**	**1,482,973**	**(534,258)**	**948,715**
Operating assets	**7,979,412**	**1,630,928**	**1,188,971**	**589,761**	**11,389,072**	**-**	**11,389,072**
Operating liabilities	**3,098,389**	**753,509**	**376,180**	**1,464,186**	**5,692,264**	**-**	**5,692,264**

	As of December 31, 2021						
In thousands of soles	**Cement**	**Concrete**	**Electrical energy**	**Others**	**Total operating segments**	**Adjustments and eliminations**	**Consolidation**
Revenue							
External customers	2,940,125	1,908,371	199,631	18,042	5,066,169	-	5,066,169
Intersegments	228,489	155,496	127,303	75,548	586,836	(586,836)	-
Total revenue	**3,168,614**	**2,063,867**	**326,934**	**93,590**	**5,653,005**	**(586,836)**	**5,066,169**
Gross profit	**1,083,366**	**244,294**	**132,430**	**30,848**	**1,490,938**	**16,226**	**1,507,164**
Operating income (expenses)							
Administrative expenses	(252,533)	(69,913)	(16,578)	(19,065)	(358,089)	32,921	(325,168)
Selling expenses	(74,909)	(30,619)	(5,173)	-	(110,701)	-	(110,701)
Other income (expenses), net	104,193	6,930	(3,945)	160	107,338	(108,085)	(747)
Operating profit	**860,117**	**150,692**	**106,734**	**11,943**	**1,129,486**	**(58,938)**	**1,070,548**
Other income (expenses)							
Net interests in associates	-	5,209	(11)	-	5,198	1,326	6,524
Finance income	6,119	3,070	80	1,592	10,861	(3,611)	7,250
Borrowing costs	(171,952)	(30,571)	(21,833)	(8,406)	(232,762)	3,611	(229,151)
Exchange difference, net	(50,546)	3,921	(20,252)	2,806	(64,071)	-	(64,071)
Profit before tax	**643,738**	**132,321**	**64,718**	**7,935**	**848,712**	**(57,612)**	**791,100**
Income tax	(170,421)	(17,214)	(22,806)	(4,899)	(215,340)	(1,005)	(216,345)
Net profit by operating segment	**473,317**	**115,107**	**41,912**	**3,036**	**633,372**	**(58,617)**	**574,755**
Profit before tax by operating segment	**809,571**	**154,613**	**86,482**	**13,423**	**1,064,089**	**(272,989)**	**791,100**
Operating assets	**7,948,635**	**1,613,593**	**1,206,068**	**355,002**	**11,123,298**	**-**	**11,123,298**
Operating liabilities	**4,205,022**	**814,874**	**419,554**	**313,541**	**5,752,991**	**-**	**5,752,991**

Eliminations and reconciliation
The finance income and borrowing costs and gains and losses from changes in the fair value of financial assets are not allocated to separate segments, since the underlying instruments are managed centrally.

The current and deferred tax assets and liabilities and certain financial assets and liabilities are not allocated to the segments since they are also managed centrally.

In thousands of soles	2022	2021
Reconciliation of profit or loss		
Profit before tax by operating segment before adjustments and eliminations	**1,482,973**	**1,064,089**
Finance income	16,634	7,250
Borrowing costs	(192,621)	(229,151)
Net interests in associates	3,861	6,524
Eliminations of related party transactions	(362,132)	(57,612)
Profit before tax by operating segment	**948,715**	**791,100**

Geographical information
The Group reports geographical information on revenue from external customers and non-current assets as follows:

In thousands of soles	2022	2021
Revenue from customers		
Peru	3,854,796	3,300,531
United States	973,846	704,152
Ecuador	682,994	649,607
Chile	449,451	393,268
Colombia	17,756	18,611
Total revenue under consolidated statement of profit or loss	**5,978,843**	**5,066,169**
Non-current assets		
Peru	6,475,899	6,525,005
United States	1,682,902	1,657,841
Ecuador	819,944	859,158
Chile	331,823	298,563
Colombia	22,825	29,697
Total non-current assets under consolidated statement of financial position	**9,333,393**	**9,370,264**

38. Subsequent Events
According to the Group's management opinion, between January 1, 2023 and the date of issuance of these consolidated financial statements, no other significant events or developments have occurred that would require disclosure in the consolidated financial statements as of December 31, 2022, except for:

- The subsidiary Skanon Investments, Inc. exercised its call option (note 4.C(i)), effective January 1, 2023, to acquire a 70 percent interest in Desert Ready Mix, LLC at a price equal to the outstanding debt plus accrued interest, for US$ 5,243,000 (equivalent to S/ 20,029,000).

- The subsidiary Skanon Investments, Inc. exercised its call option (note 4.C(i)), effective January 1, 2023, to acquire a 100 percent interest in Desert Aggregates, LLC at a price equal to the outstanding debt plus accrued interest, for US$ 4,737,000 (equivalent to S/ 18,094,000).

The aforementioned subsequent events do not generate any modification in the consolidated financial statements as of December 31, 2022.

39. Explanation added for English translation

The accompanying consolidated 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 Group 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.