Translation of a report and consolidated financial statements originally issued in Spanish – See note 39

Unión Andina de Cementos S.A.A. and Subsidiaries

Consolidated financial statements as of December 31, 2020 and 2019 together with the Independent auditors' report

Translation of a report and consolidated financial statements originally issued in Spanish – See note 39

Unión Andina de Cementos S.A.A. and Subsidiaries

Consolidated financial statements as of December 31, 2020 and 2019 together with the Independent auditors' report

Content

Paredes, Burga & Asociados
Sociedad Civil de Responsabilidad Limitada

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Independent auditor's report

To the Shareholders of Unión Andina de Cementos S.A.A. and Subsidiaries

We have audited the accompanying consolidated financial statements of Unión Andina de Cementos S.A.A. (a Peruvian corporation) and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the consolidated statements of income, other comprehensive income, changes in equity net and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is an opinion on these consolidated financial statements based on our audits. Our audits were developed with the International Auditing Standards approved for their application in Peru by the Board of Deans of Public Accountants of Peru. The standard reports require that we comply with the ethical requirements and plan and perform the audit to have reasonable assurance that the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company and its Subsidiaries preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and its Subsidiaries' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates

Independent auditor's report (continued)

made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements referred to above, are presented fairly, in all material aspects, the consolidated financial position of Unión Andina de Cementos S.A.A. and Subsidiaries as of December 31, 2020 and 2019, as well as their financial performance and cash flows for the years ended on those dates, in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

Lima, Peru,
April 23, 2021

Countersigned by: Paredes, Burga & Asociados

Ricardo del Águila
C.P.C.C. Register N° 37948

Unión Andina de Cementos S.A.A. and Subsidiaries

Consolidated statement of financial position

As of December 31, 2020, and 2019

	Notes	2020 S/(000)	2019 S/(000)
Assets			
Current assets			
Cash and cash equivalents	7	561,120	124,337
Trade and other receivables, net	8	586,622	488,164
Inventories, net	9	576,052	772,357
Prepaid expenses	10	15,340	19,450
Other non-financial assets		158	268
Total current assets		1,739,292	1,404,576
Non-current assets			
Trade and other receivables, net	8	55,924	46,596
Investment in an associate and others	11(a)	23,994	22,328
Financial investments	7(b)	21,708	-
Right-of-use assets	12(a)	22,559	30,488
Mining concessions and property, plant and equipment, net	13	7,260,394	7,249,314
Deferred stripping cost, net	14	109,672	112,798
Intangible assets, net	15	1,391,698	1,377,024
Deferred income tax assets	20(a)	177,328	154,673
Other non-financial assets		14,318	14,057
Total non-current assets		9,077,595	9,007,278
Total assets		10,816,887	10,411,854

	Notes	2020 S/(000)	2019 S/(000)
Liability and equity			
Current liabilities			
Other financial liabilities	16	1,110,123	671,177
Trade and other payables	17	648,872	681,143
Deferred income	18	15,887	18,183
Income tax payable	33.3(e)	16,435	52,059
Provisions	19	54,708	62,891
Right-of-use liabilities	12(b)	9,873	10,545
Total current liabilities		1,855,898	1,495,998
Non-current liabilities			
Other financial liabilities	16	3,345,632	3,470,826
Trade and other payables	17	42,548	35,124
Derivative financial instruments	34.1(i) and (ii)	48,798	32,555
Deferred income tax liability	20(a)	595,086	652,442
Provisions	19	63,530	67,155
Right-of-use liabilities	12(b)	13,105	17,709
Total non-current liabilities		4,108,699	4,275,811
Total liabilities		5,964,597	5,771,809
Net equity	22		
Capital stock		1,818,128	1,818,128
Capital additional	1.2(a)	(38,019)	(38,019)
Legal reserve		363,626	363,626
Unrealized net loss		(35,871)	(29,215)
Result from foreign currency translation		287,923	162,668
Retained earnings		2,253,019	2,196,748
Equity attributable to equity holders of the parent		4,648,806	4,473,936
Non-controlling interests	21	203,484	166,109
Total net equity		4,852,290	4,640,045
Total liabilities and net equity		10,816,887	10,411,854

The accompanying notes are an integral part of this consolidated financial statement.

Unión Andina de Cementos S.A.A. and Subsidiaries

Consolidated statements of income

For the years ended December 31, 2020 and 2019

	Notes	2020 S/(000)	2019 S/(000)
Net sales	23	3,575,309	4,099,983
Cost of sales	24	(2,728,546)	(2,974,951)
Gross profit		846,763	1,125,032
Operating income (expenses)			
Administrative expenses	25	(249,448)	(289,048)
Selling expenses	26	(89,321)	(111,884)
Other income	28	29,282	63,602
Other expenses	28	(88,787)	(39,644)
Total operating expenses, net		(398,274)	(376,974)
Operating profit		448,489	748,058
Other income (expenses)			
Gain on sharing in associate, net	11(b)	1,562	1,893
Finance income	29	8,841	19,530
Finance costs	30	(230,362)	(266,557)
Exchange difference, net	34.1(ii)	(61,118)	22,737
Total other income (expenses), net		(281,077)	(222,397)
Profit before income tax		167,412	525,661
Income tax expense	20(b)	(51,466)	(172,752)
Net profit		115,946	352,909
Attributable to:			
Equity holders of the parent		83,071	351,640
Non-controlling interests	21	32,875	1,269
		115,946	352,909
Earnings per share			
Basic and diluted earnings per common shares (S/ per share)	32	0.046	0.193

The accompanying notes are an integral part of this consolidated financial statement.

Unión Andina de Cementos S.A.A. and Subsidiaries

Consolidated statements of other comprehensive income

For the years ended December 31, 2020 and 2019

	Notes	2020 S/(000)	2019 S/(000)
Net profit		115,946	352,909
Other comprehensive income			
Conversion effect	22(f)	130,457	(29,834)
Effect of actuarial update of the provision of retirement and eviction		6,606	(216)
Changes in the fair value of hedging derivative financial instruments	34.1(i)	(15,670)	(12,001)
Income tax related to components of other comprehensive income			
Fair value of hedging derivative financial instruments	20(a)	4,593	3,067
Effect of actuarial update of the provision of retirement and eviction	20(a)	(1,787)	170
Other comprehensive income, net of income tax		124,199	(38,814)
Total comprehensive income for the year		240,145	314,095
Attributable to:			
Equity holders of the parent		201,670	317,575
Non-controlling interests		38,475	(3,480)
		240,145	314,095

The accompanying notes are an integral part of this consolidated financial statement.

Unión Andina de Cementos S.A.A. and Subsidiaries

Consolidated statements of changes in equity net

For the years ended December 31, 2020 and 2019

	Equity attributable to equity holders of the parent								
	Capital stock S/(000)	Capital additional S/(000)	Legal reserve S/(000)	Unrealized net loss S/(000)	Result from foreign currency translation S/000	Retained earnings S/(000)	Total equity attributable to equity holders of the parent S/(000)	Non-controlling interests S/(000)	Total net equity S/(000)
Balance as of January 1, 2019	1,646,503	-	329,301	(17,375)	184,893	1,967,159	4,110,481	173,464	4,283,945
Net profit for the year	-	-	-	-	-	351,640	351,640	1,269	352,909
Other comprehensive income net of income tax	-	-	-	(11,840)	(22,225)	-	(34,065)	(4,749)	(38,814)
Total comprehensive income	-	-	-	(11,840)	(22,225)	351,640	317,575	(3,480)	314,095
Capital increase by merger, note 1.2 (a)	171,625	(38,019)	-	-	-	(118)	133,488	-	133,488
Transfer to legal reserve, note 22(c)	-	-	33,428	-	-	(33,428)	-	-	-
Dividend distributions, note 22(e)	-	-	-	-	-	(92,312)	(92,312)	(4,766)	(97,078)
Dividends prescribed, note 22(g)	-	-	897	-	-	-	897	-	897
Changes in non-controlling interests and others	-	-	-	-	-	3,807	3,807	891	4,698
Balance as of December 31, 2019	1,818,128	(38,019)	363,626	(29,215)	162,668	2,196,748	4,473,936	166,109	4,640,045
Net profit for the year	-	-	-	-	-	83,071	83,071	32,875	115,946
Other comprehensive income net of income tax	-	-	-	(6,656)	125,255	-	118,599	5,600	124,199
Total comprehensive income	-	-	-	(6,656)	125,255	83,071	201,670	38,475	240,145
Dividend distributions, note 22(e)	-	-	-	-	-	(23,636)	(23,636)	(319)	(23,955)
Acquisition of non-controlling interests, note 21(b)	-	-	-	-	-	-	-	(2,387)	(2,387)
Dividends prescribed, note 22(g)	-	-	-	-	-	1,644	1,644	-	1,644
Changes in non-controlling interests and others	-	-	-	-	-	(4,808)	(4,808)	1,606	(3,202)
Balance as of December 31, 2020	1,818,128	(38,019)	363,626	(35,871)	287,923	2,253,019	4,648,806	203,484	4,852,290

The accompanying notes are an integral part of this consolidated financial statement.

Translation of a report and separate financial statements originally issued in Spanish – See note 39

Unión Andina de Cementos S.A.A. and Subsidiaries

Consolidated statements of cash flows

For the years ended December 31, 2020 and 2019

	Notes	2020 S/(000)	2019 S/(000)
Operating activities			
Collections for the sale of goods and provision of services		4,286,335	4,879,913
Tax recovery		8,554	9,008
Payments to suppliers		(2,490,949)	(2,893,638)
Payments to employees		(590,393)	(649,524)
Income tax paid		(156,078)	(154,254)
Interest paid		(219,028)	(256,884)
Payment of other taxes		(266,856)	(306,489)
Other receipts (payments), net		10,407	(1,831)
Net cash flows and cash equivalents from operating activities		581,992	626,301
Investing activities			
Sale of property, plant and equipment		5,691	7,807
Dividend received	31(a)	-	21,439
Purchase of property, plant and equipment	13(a)	(224,407)	(269,762)
Purchase of intangible assets	15(a)	(6,595)	(9,794)
Obtaining financial investments	7(b)	(21,708)	-
Other receipts (payments), net		(2,546)	(1,150)
Net cash flows and cash equivalents used in investing activities		(249,565)	(251,460)
Financing activities			
Proceeds from bank overdrafts	36	252,142	341,689
Proceeds from cession of payments and short-term loans	36	511,021	85,091
Proceeds from long-term financial obligations	36	644,460	881,430
Payment of bank overdrafts	36	(348,149)	(271,202)
Payment of cession of payments and short-term loans	36	(242,093)	(163,547)
Payment of long-term financial obligations	36	(681,925)	(1,129,503)
Payment by liability for right of use	12(b) y 36	(11,125)	(11,016)
Dividends paid (controlling interest)	22(e) and 17(c)	(23,636)	(120,818)
Dividends paid (non-controlling interest)	22(e)	(565)	(3,804)
Acquisition of non-controlling interests	21(b)	(2,387)	-
Merger increase		-	28,972
Net cash flows and cash equivalents from (used in) financing activities		97,743	(362,708)
Increase net in cash and cash equivalents		430,170	12,133
Foreign exchange difference on cash and cash equivalents		6,613	794
Cash and cash equivalents at the beginning of the year		124,337	111,410
Cash and cash equivalents at the end of the year	7	561,120	124,337
Significant non-cash transactions -			
Acquisition of properties, plant and equipment under finance leasing	13(a)	31,649	43,333
Payables from property, plant and equipment	13(a)	19,834	58,606
Capitalized interest	13(a) and 13(i)	1,708	2,340
Dividends prescribed	22(g)	1,644	897
Provision for decommissioning	13(a)	1,402	1,677
Other intangibles assets	15(a)	316	933
Quarry closure provision	13(a)	-	672

The accompanying notes are an integral part of this consolidated financial statement.

1. **Economic activity**

1.1. Identification and economic activity –

Unión Andina de Cementos S.A.A. (hereinafter "the Company" or "UNACEM") was incorporated in December 1967. As of December 31, 20120, and 2019, the Company is a subsidiary of Inversiones JRPR S.A. (hereinafter "the Principal") and ultimate parent of the economic group, which holds 42.22 and 42.18 percent direct and indirect participation in capital stock and is in control of directing the Company's financial and operating policies.

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

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

The consolidated financial statements of the Company and Subsidiaries (hereinafter "the Group") as of December 31, 2019 were approved by the Management of the Group. The consolidated financial statements of the year 2020 had been issued and will be approved by the Management of the Group without modifications.

1.2 Mergers in the year 2019 -

(a) Merger SIA – IASA - PRONTO:

The General Shareholders' Meeting held on December 28, 2018, approved the merger project to merge the Company as an absorbing company with Sindicato de Inversiones y Administración S.A. (SIA), Inversiones Andino S.A (IASA) and Inmobiliaria Pronto S.A. (PRONTO) as absorbed companies. The merger project of the Company was previously approved at the Independent Directors Committee Session of November 29, 2018 and Director's Board of November 30, 2018.

Also, in accordance to of the term of exercise of right of opposition by the creditors and without the opposition of any creditor, the Company increased its capital subscribed and paid in S/171,625,000, issuing 171,625,000, new common shares of the same nominal value as the existing ones (S/1.00 each), which were distributed among the shareholders of the three absorbed companies based on their exchange ratios. Due to the increase capital was greater than the book value, the Company recorded a negative amount of S/38,019,000 as additional capital.

The stock exchange ratios established for this operation were 2,104.322, 8.502 and 6.678 shares of UNACEM for each share of SIA, IASA and PRONTO, respectively, and were set based on their closing price value of said shares, to the date of the transaction.

After this corporate reorganization, Inversiones JRPR S.A. and Nuevas Inversiones S.A. maintain 26.55 and 25.25 percent of the Company, respectively, and Inversiones JRPR S.A. is the Company's new parent company (as of December 31, 2018, SIA was the parent company of the Company, which in turn was an indirect subsidiary of Inversiones JRPR S.A.).

The effective date of the merger was January 1, 2019 and included: (i) the absorption of IASA, SIA and PRONTO, by the Company and (ii) the issuance of shares by the Company in favor of the shareholders of the absorbed companies.

As of January 1, 2019, the total net assets and liabilities of the absorbed companies that were transferred to the Company as a result of the merger were:

	SIA S/(000)	IASA S/(000)	PRONTO S/(000)
Total assets	1,999,991	977,845	113,315
Total liabilities	32,037	64,607	3,442
Total equity net	1,967,954	913,238	109,873

(b) Merger Cemento Portland (CEMPOR)

In the General Shareholders' Meeting held on May 28, 2019, it was approved the project to merge the Company as an absorbing and its subsidiary Cementos Portland S.A.C. (CEMPOR) as the absorbed company. The merger project of the Company was previously approved at the Director's Board of April 26, 2019. The effective date of this merger was June 1, 2019.

On the effective date of the merger, June 1, 2019, the total net assets and liabilities that CEMPOR transferred to the Company as a result of the merger are detailed:

	As of June,1 2019 S/(000)
Total assets	84,321
Total liabilities	2,934
Total equity net	81,387
Net profit	809

In accordance with IFRS, the corporate reorganization carried out did not generate any change in the control of Inversiones JRPR S.A. on the Company and its Subsidiaries and, therefore, it is considered as a transaction between entities under common control; consequently, all amounts were recorded at their book values.

1.3. COVID-19

On March 15, 2020, the Peruvian Government declared a state of national emergency, closing all businesses considered non-essential (the exceptions were the production and marketing of food, pharmaceuticals, financial services, and health). Despite the state of emergency, the Peruvian Government allowed the early restart of some economic activities. In accordance with the provisions of the Peruvian Government, the Company restarted its operations on May 19, 2020.

The subsidiary UNACEM Ecuador has also been affected by the pandemic and in compliance with Ecuadorian government regulations it had to paralyze its activities from March 17, 2020, restarting operations as of May 4, 2020.

The Drake Cement subsidiary located in Arizona, USA, has continued its activities normally. In fiscal 2020, Drake Cement has posted record clinker and cement production volumes and record sales revenue.

The subsidiary UNICON Chile is also operating in all its facilities, although with fewer dispatches, as a result of the COVID-19 pandemic and the quarantine measures and temporary suspension of activities in a focused manner dictated by the authorities of that country.

Due to this situation, the Group's Management adopted a series of preventive and extraordinary measures, applicable during the years 2020 and 2021, to take care of liquidity and working capital, which are allowing the Group to comply with its obligations to workers , suppliers and customers throughout the entire value chain. Likewise, the Company and its subsidiaries have been carrying out various measures to preserve the health of their employees and to prevent contagion in their administrative and operational areas, such as remote work, rigorous cleaning of work environments, distribution of protective equipment. personnel, suspect case testing and body temperature measurement.

2 Information on the structure of the Subsidiaries

As of December 31, 2020, and 2019, the Company's consolidated statements include the following subsidiaries (figures according to IFRS and before eliminations for consolidation purposes):

Country of constitution	Entity	Main economic activity	Percentage of participation 2020 Direct	2020 Indirect	2019 Direct	2019 Indirect	Assets 2020 S/(000)	Assets 2019 S/(000)	Liabilities 2020 S/(000)	Liabilities 2019 S/(000)	Net equity 2020 S/(000)	Net equity 2019 S/(000)	Income (loss) 2020 S/(000)	Income (loss) 2019 S/(000)
Peru	Inversiones Imbabura S.A and Subsidiaries (i)	Manufacture and sale of cement	100.00	-	100.00	-	1,947,595	1,861,522	394,071	427,117	1,553,524	1,434,405	81,798	92,133
United States	Skanon Investments Inc. and Subsidiaries (ii)	Manufacture and sale of cement and concrete	86.55	8.68	86.55	8.68	1,473,702	1,314,609	615,024	537,110	858,678	777,499	9,032	(19,392)
Peru	Compañía Eléctrica El Platanal S.A. and Subsidiaries (iii)	Sale of energy and power	90.00	-	90.00	-	1,231,393	1,223,664	486,585	483,789	744,808	739,875	4,931	44,111
Peru	Inversiones en Concreto y Afines S.A. and Subsidiaries (iv)	Manufacture and sale of ready - mix concrete	93.38	-	93.38	-	1,034,771	1,004,957	624,757	581,861	410,014	423,096	(19,016)	24,541
Peru	Prefabricados Andinos Perú S.A.C. and Subsidiaries (v)	Manufacture and sale of cement	50.02	-	50.02	-	65,137	65,885	47,176	43,594	17,961	22,291	(5,308)	(6,801)
Chile	Prefabricados Andinos S.A. – PREANSA Chile	Manufacture of precast concrete	51.00	-	51.00	-	79,544	81,126	69,405	75,751	10,139	5,375	2,766	592
United States	Staten Island Company, Inc. and Subsidiaries (vi)	Manufacture of precast concrete	100.00	-	100.00	-	141,370	118,239	38,265	40,758	103,105	77,481	10,899	(1,535)
Peru	Transportes Lurin S.A. – TRANSLUR	Holding	99.99	-	99.99	-	35,166	35,177	-	23	35,166	35,154	(10)	(34)
Peru	Generación Eléctrica de Atocongo S.A. - GEA	Services	99.85	0.15	99.85	0.15	33,339	30,185	31,765	29,328	1,574	857	717	(79)
Peru	Depósito Aduanero Conchán S.A. – DECOSA	Thermal plant operation services	99.99	-	99.99	-	1,962	1,695	1,346	830	616	865	(249)	(446)
Peru	Inversiones Nacionales y Multinacionales S.A. -INMA (viii)	Warehouses services	90.90	9.10	90.90	9.10	18,266	18,231	4,957	4,951	13,309	13,280	29	(28)
Peru	Vigilancia Andina S.A. – VASA (viii)	Real estate business	55.50	44.50	55.50	44.50	15,060	10,016	8,504	4,182	6,556	5,834	722	851
Peru	ARPL Tecnología Industrial S.A. -ARPL (ix)	Surveillance	100.00	-	100.00	-	65,766	46,655	25,149	6,731	40,617	39,924	7,379	9,938
Peru	Minera Adelaida S.A. – MINERA	Technology advisory and assistance services	99.99	-	99.99	-	348	382	204	3	144	379	(235)	(196)
Peru	Naviera Conchán S.A. - NAVIERA	Holding	100.00	-	100.00	-	10	7	21	-	(11)	7	(18)	(3)

(i) Imbabura's subsidiaries are: UNACEM Ecuador S.A. and Canteras y Voladuras S.A.

(ii) Skanon Investments Inc.'s subsidiaries are: which are: Drake Cement, LLC, Sunshine Concrete & Materials, Inc., Maricopa Ready Mix, LLC, Ready Mix Inc. and Desert Ready Mix.

(iii) CELEPSA's subsidiaries are: Ambiental Andina S.A., Celepsa Renovables S.R.L. and Ecorer S.A.C.

(iv) INVECO's subsidiaries are: UNICON Peru, which in turn is a shareholder of Concremax S.A., UNICON Ecuador, UNICON Chile and Entrepisos Lima S.A.C.

(v) Preansa's subsidiary is: Prefabricados Andinos Colombia S.A.S.

(vi) Staten Island Company, Inc.'s subsidiaries are: Staten Island Holding LLC (SIH), Staten Island Terminal LLC (SIT) and Desert Aggregates (DA).

(vii) Inversiones Nacionales y Multinacionales S.A. and Vigilancia Andina S.A. were subsidiaries of Inversiones Andino S.A. (IASA), who had 55.50 and 90.90 percent of its share capital, respectively. As a result of the merger of IASA with the Company, see note 1.2(a), Vigilancia Andina S.A. e Inversiones Nacionales y Multinacionales S.A. they are subsidiaries of the Company from the date of said merger.

(viii) ARPL Tecnología Industrial S.A. was a subsidiary of Inmobiliaria Pronto S.A. (PRONTO), who had 100 percent of its share capital. As a result of the merger of PRONTO with the Company, see note 1.2(a), ARPL Tecnología Industrial S.A. It is a subsidiary of the Company from the date of this merger.

3. Contracts and concessions

3.1 Agreement with California Calportland Cement Compay (CPC) -

On March 27, 2015, the subsidiaries Drake Materials, Drake Aggregates, MRM Equipment LLC y MRM Holdings LLC, celebrated several leases with CPC to lease the ready mixed operations based in Phoenix (Drake Materials), which includes mixer trucks and batch process plants, for a period approximately of tree years, expires on December 31, 2018. At the same time, CPC made purchase agreements with Drake Aggregates and Drake Cement for the purchase of aggregates and cement, respectively, for the same period. As a result, Drake Materials ceased ready mix operations and only attends cement aggregates. During 2016, three amendments to the cement sales contract were singed, which adjusted the level of tons sold for the first and second market period. On November 9, 2018, a fourth addendum to the cement purchase agreement was signed with CPC, with volume and price conditions that reflect the recovery of the cement market in the state of Arizona in the United States of America. Likewise, on October 16, 2020, a fifth addendum to the cement purchase contract was signed, the terms of which will be applicable from January 1, 2021 to December 31, 2022.

During 2020 and 2019, the main agreements' terms with CPC are:

(i) The payments for leases of mixer trucks will be US$300,000 per each year.

(ii) CPC is committed to the purchase of a minimum volume of cement. According to market volumes by installments and minimum amounts (between 144,000 and 185,000 tons), prices are determined according to market fluctuations.

During 2020, the tons sold of cement, related to the contract with CPC, were 161,003 tons (222,255 tons in the year 2019).

On the other hand, CPC purchased from Drake Aggregates 1,288,684 and 1,151,308 tons of aggregates for the years 2020 and 2019, respectively.

As of the year 2021, the main terms of the contracts signed with CPC are:

(i) CPC undertook to purchase a volume equal to 100,000 tons of cement for each market per tranche, prices are determined based on market variations.

(ii) Drake Cement may make downward adjustments to the volume of cement that it will supply to CPC with a prior written communication of no less than 60 days.

3.2 Regulatory framework and electric concession contracts -

- Electric Concessions Law -

  According to the Electricity Concessions Law No. 25844 (hereinafter "Concessions Law"), the operations of the generation plants are subject to the provisions established by the Economic Operation Commission of the National Interconnected System (hereinafter "COES-SINAC"). In order to guarantee the security of the supply of electric power and the best use of energy resources, among others. The COES-SINAC regulates the prices of power and energy transfer between the generators as well as the compensation to the holders of the transmission systems.

- Efficient development of electricity generation law -

  On July 23, 2006, was enacted the Law N°28832, in order to ensure the efficient development of electricity generation. Such law has as principal objectives: i) ensure the sufficiency of efficient electric generation, which reduce the exposition of electric system to the volatility of prices and the risk of electricity rationing due to the lack of energy; and, ensure a competitive electric tariff to the consumer; ii) reduce the administrative intervention over the determination of generation prices through market solutions; and iii) promote effectiveness competition in the generation market.

  Main changes introduced by the Law are referred to the participation in the short-term market of generation companies, distribution companies and large free customers, including distributors and free clients as members of COES-SINAC, modifying the structure of this Organization. Additionally, introduced the bidding mechanism which would be follow by electric distributors companies in order to celebrate electric supply contracts with generators companies.

  The sales or energy from generators to distributors will be made at generation level prices that is calculated as the weighted average of contract without biddings and contracts resulting from biddings. Such disposition has as an objective establish a mechanism to promote the investments in a new generation capability trough long-term electric supply contracts and fixed prices with distributors companies.

  Supreme Decree No. 022-2018-EM (modified by Supreme Decree No. 026-2018-EM), the Electricity Supply Tender Regulation is approved, approved by Supreme Decree No. 052-2007-EM, in order to establish provisions on the evaluation procedure of the proposals to modify the Contracts resulting from Tenders.

- Regulation of electricity wholesale market -
  Supreme Decree N° 026-2016-EM approves the Regulation of the electricity wholesale market. The principal points of such regulation are: incorporate the definition of "MME" which comprises the short-term market and allocation mechanism of complementary services, operating inflexibilities and allocations of congestion pricing. Authorized participants to purchase in the short-term market are: generators to attend their supply contracts; distributors to attend their free users up to 10 percent of the peak demand; and, large consumers, to attend up to 10 percent of their peak demand.

  The COES will calculate the energy spot price and marginal congestion costs, daily valorize the transactions in the MME and the results shall be available for the participants in the COES' web. The congestion pricing will be allocated between participants in accordance to the established in the respective procedure. Participants without risk rating A (A, AA o AAA) must have payment guarantees of their obligations in the MME, also incorporates COES actions for the non-compliance of payment obligations by a participant.

  Supreme Decree N°033-2017-EM published on October 2, 2017, stipulates that the Regulation of electricity wholesale market, approved trough Supreme Decree N°026-016-EM, becomes effective on or after January 1, 2018. In order to implement the application developed by COES to calculate short-term marginal costs.

  Supreme Decree No. 005-2018-EM published on March 20, 2018, various articles of the Wholesale Electricity Market Regulation were modified, where it specifies the aspects of participation, guarantee, non-compliance, cancellation or exclusion of the participants in the MME.

- Charge for electricity strengthening security -
  Law N°30543 published on March 3, 2017, removed the charge for electricity strengthening security which is having a significant effect in the electric service cost and order the recovery to energy service users; override the collection for charge for electricity strengthening security (CASE the Spanish acronym), override the charge for hydrocarbons strengthening security (SISE rate) and security regulated price (TRS the Spanish acronym), and instructed to the Executive Authority to establishes the mechanisms for the refund of payments made through electricity bills.

  Supreme Decree N°022-2017-EM published on August 16, 2017, identify procedures to regulating the Law N°30543, which removed the charge for electricity strengthening security which is having a significant effect in the electric service cost and order the refund of such amount to the electric service users.

By Supreme Resolution No. 006-2019-EM of June 20, 2019, the Multisectoral Commission for the Reform of the Electricity Subsector is created. Its purpose is to carry out an analysis of the electricity market and the regulatory framework of the Electricity and Hydrocarbons Subsectors, in relation to the provision of electrical energy for the SEIN, in order to formulate proposals aimed at adopting measures that guarantee sustainability and development of the Electricity Sub-sector, the term of the commission is 24 months.

Through Osinergmin Resolution N ° 144-2019-OS/CD, the Technical Procedure of COES No. 26 "Calculation of Firm Power" is modified. Said parameter is used for the determination of income by power of the generators in the COES, as well as in the level of contracting that they can reach. As of September 2019, the Firm Power for RER plants that use wind, solar or tidal technology (prior to the modification was zero), will be determined considering the energy production in the Peak Hours of the system.

Supreme Decree No. 023-2019-EM published on December 29, 2019, the suspension of the implementation of the Natural Gas Secondary Market Regulation is extended until December 31, 2020 (Supreme Decrees No. 046-2010-EM and No. 032-2017-EM).

- Atocongo Thermal plant -
  On January 28, 2013, the Company through Ministerial Resolution No. 028-2013-EM/DM, is authorized to develop the activity of generating electricity at the Atocongo thermal plant, with an installed capacity of 41.75MW. Subsequently, on February 14, 2013, GEA signed a contract with Unacem, by which GEA provides the operation service of the Atocongo thermal plant; the term of the contract is for annual renewal.

- Hydroelectric Plant Carpapata III -
  On July 7, 2014, through Ministerial Resolution No. 319-2014-MEM/MD, the transfer of the definitive generation concession with renewable energy resources was approved to develop the electric power generation activity, with an installed capacity of 12.8 MW in the Carpapata III Hydroelectric Plant of the Company to the subsidiary GEA.

  In April 2017, GEA signed a "Contractual Position Assignment" contract through which the GEA yield the concession to the Company and on July 25, 2017, through Ministerial Resolution No. 315-2017-MEM/MD the MEM approves the transfer of the ownership of the electricity generation concession in favor of the Company.

4. Summary of significant accounting policies

4.1 Basis of preparation -

The consolidated financial statements have been prepared in accordance to International Financial Reporting Standards (hereinafter "IFRS") issued for the International Accounting Standards Board (hereinafter "IASB") prevailing as of December 31, 2020 and 2019, respectively.

The information contained in these consolidated financial statements is the responsibility of the Group's Management, who expressly state that the principles and criteria included in the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (en hereinafter "IASB") effective as of December 31, 2020 and 2019.

The financial consolidated statements have been prepared on a historical cost basis, except for derivative financial instruments and the social benefits for retirement and eviction, which have been measured at fair value, from the accounting records of each of the subsidiaries in the Group. The consolidated financial statements are presented in soles and all values are rounded to the nearest thousand (S/000), except when otherwise indicated.

The accounting policies adopted are consistent with those applied in previous years, the only exception being t that the Group has adopted the new IFRS and revised IAS that are mandatory for periods beginning on or after January 1, 2019; however, due to the structure of the Company and nature of its operations, the adoption of these standards did not, have a significant effect on its financial position and results, therefore, it has not been necessary to modify the comparative consolidated financial statements of the Group. The Group has not adopted in advance any standard, interpretation or amendment issued, and which is not yet effective.

New standards effective up to the date of the financial statements -

The Group applied for the first time certain rules and modifications, which were in force since January 1, 2020. The Company has not adopted in advance any other standard, interpretation or modification that has been issued but has not yet entered into force.

The following modifications were effective as of January 1, 2020:

- Modifications to IFRS 3: Definition of a Business.
- Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Reform.
- Amendments to IAS 1 and IAS 8: Definition of Material
- Conceptual Financial Reporting Framework issued on March 29, 2018
- Amendments to IFRS 16: Rental Concessions related to COVID-19

These modifications did not have a significant impact on the Group consolidated financial statements.

4.2 Basis of consolidation -

The consolidated financial statements include the financial statements of the Company and its Subsidiaries from the date on which it exercises control over them. Control is achieved when the Group 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.

Specifically, the investor controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

When the investor has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The existence of a contractual agreement between the investor and the other holders of the voting rights of the entity receiving the investment.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

4.3 Summary of significant accounting policies -

The following are the significant accounting policies applied by the Group's Management in preparing its consolidated financial statements:

(a) Combination of business between entities under common control –

(i) Combinación de negocios y crédito mercantil (plusvalía) -

Business combinations are recorded using the acquisition method as established in IFRS 3 "Business Combinations". Assets and liabilities are recorded at their estimated market values at the date of purchase, including identified intangible assets that are not recorded in the statements of financial position of each acquired entity. Acquisition costs incurred are recorded as expenses and are included in the "Administrative expenses" caption.

When the Company and / or its Subsidiaries acquire a business, they evaluate the assumed assets and liabilities for their proper classification and designation in accordance with the contractual terms, the economic circumstances and the conditions pertinent to the acquisition date.

Goodwill is initially measured at cost and corresponds to the excess of the consideration transferred plus the amount recognized as a non-controlling interest, with respect to the fair value of the assets acquired and the liabilities assumed. If this consideration turns out to be less than the fair value of the net assets of the acquired entity, the difference is recognized in results.

Any contingency that is transferred to the acquirer will be recognized at its fair value at the acquisition date. The contingency classified as an asset or liability that is a financial instrument and is within the scope of IFRS 9 "Financial instruments", is measured at its fair value with changes in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment loss. For purposes of the impairment test, the capital gain generated in a business combination is, from the acquisition date, assigned to each of the cash-generating units that are expected to benefit from the combination.

When the goodwill has been assigned to a cash-generating unit and part of the operation is disposed within that unit, the goodwill associated with the arranged operation is included in the carrying amount of the operation when determining the gain or loss in said disposal. The capital gains disposed of in these circumstances is measured based on the relative values of the transaction arranged and the portion of the cash-generating unit retained.

If the initial accounting of a business combination is incomplete at the end of the accounting period in which the combination occurs, the Company and its Subsidiaries will report, in their consolidated financial statements, the provisional amounts of the items whose accounting is incomplete. During the measurement period, the Company and its Subsidiaries will retroactively adjust the provisional amounts recognized at the acquisition date to reflect the new information obtained on facts and circumstances that exist at the acquisition date and that, if known, would have affected to the measurement of the amounts recognized on that date. The measurement period will end as soon as the Company and its Subsidiaries receive the information they were seeking about facts and circumstances that existed on the acquisition date or conclude that no further information can be obtained. However, the measurement period will not exceed one year from the date of acquisition.

(ii) Participations in consolidated structured entities –

- Desert Ready Mix, LLC, ("DRM") is a consolidated structured entity, through which SKANON conduct its cement and aggregate operations in Phoenix City, United States of America. Initial capitalization and operating expenses of DRM were financed by SKANON.

  In July 2014, SKANON began to provide financing to DRM amounting to US$1,750,000 for working capital purposes and US$1,750,000 for raw materials. With the financing provided, executed an agreement of exclusive option granting to SKANON the irrevocable and exclusive right to convert the unpaid part of financing in a majority participation in DRM, to the absolutely and exclusive discretion of SKANON. SKANON and DRM also executed an operating agreement through which SKANON render to DRM technical and commercial support, short-term financing and other services. DRM's Shareholders committed their participation as a guarantee in the case of DRM not fulfill its obligations according to the operating agreement.

SKANON determined that it's the principal beneficiary of DRM in reference to the benefits and power criteria. The Group consider that the financing granted by SKANON to DRM and the disposition of the operating agreement, grant to SKANON the power of manage the activities which significant impacts in the economic performance of DRM. Furthermore, SKANON is the major source of finance to DRM and assume the major risk of losses. As of December 31, 2020, and 2019, the Group maintain 70 percent of interest in DRM's equity, in case of DRM does not fulfill with its obligations according to the operating contract.

Following, the main balances of DRM after related parties' elimination:

	2020 S/(000)	2019 S/(000)
Assets	86,684	59,909
Liabilities	47,427	37,661

- Desert Aggregates, LLC, ("DA") is a consolidated structured entity, through which Staten Island Company Inc. conduct its cement and aggregate operations in Maricopa, Arizona of United States of America.

  During 2019, SIC began providing financing to DA for the purchase of land in the city of Arizona. DA shareholders pledged their participation as collateral in the event DA does not meet its obligations under the operating agreement.

  SIC determined that it's the principal beneficiary of DA in reference to the benefits and power criteria. The Group consider that the financing granted by SIC to DA and the disposition of the operating agreement, grant to SIC the power of manage the activities which significant impacts in the economic performance of DA. Furthermore, SIC is the major source of finance to DA and assume the major risk of losses. As of December 31, 2020, and 2019, the Group maintain 70 percent of interest in DA's equity, in case of DA does not fulfill with its obligations according to the operating contract.

  Following, the main balances of DRM after related parties' elimination:

	2020 S/(000)	2019 S/(000)
Assets	71,348	58,444
Liabilities	27,419	26,128

(b) Cash and cash equivalents, see note 7 -

Cash and cash equivalents in the consolidated statement of financial position comprise cash balances, fixed funds, funds to be deposited, current accounts, time deposits, mutual funds and restricted funds. For purposes of preparing the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits with a maturity of three month or less.

(c) Financial instruments: initial recognition and subsequent measurement –

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

(i) Financial assets -

Initial recognition and measurement -

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group have applied the practical expedient, the Group initially measure a financial asset at their fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group have applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest" (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

Subsequent measurement -

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments).
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments).
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).
- Financial assets at fair value through profit or loss.

The classification depends on the business model of the Group and the contractual terms of the cash flows.

Financial assets at amortized cost (debt instruments)

The Group measure financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- 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.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets are not reclassified after their initial recognition, except if the Group change its business model for its management.

The Group's financial assets held at amortized cost included cash and cash equivalent and trade receivables and other receivable.

Financial assets at fair value through OCI (debt instruments) –

The Group measure debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- 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 do not have debt instruments classified in this category.

Financial assets at fair value through OCI (equity instruments) –
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity and under IAS 32 "Financial Instruments: Presentation" are not kept for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group do not have financial assets classified in this category.

Financial assets at fair value through profit or loss -
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value and net changes in such fair value are presented as financial costs (net negative changes in fair value) or financial income (net positive changes in fair value) in the consolidated statements of comprehensive income.

The Group do not have investments classified as financial assets at fair value through profit or loss.

Derecognition -
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is removed from the consolidated statement of financial position, when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group have transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continue to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognize an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(ii) Impairment of financial assets -
The Group recognize an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group apply a simplified approach in calculating ECLs. Therefore, the Group do not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group consider a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(iii) Financial liabilities -

Initial recognition and measurement -

Group's financial liabilities are classified, at initial recognition, as financial liabilities at amortized cost, at fair value through comprehensive income and at fair value thorough profit or loss.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, other financial liabilities.

Subsequent measurement -

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss -
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term; gains or losses on liabilities held for trading are recognized in the statement of profit or loss. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 "Financial Instruments" are satisfied.

As of December 31, 2020, and 2019, the Group maintain two derivatives instrument of negotiation, swap contract by interest rate, see note 34.1(i)(b) and 34.1(ii).

Interest-bearing Loans and borrowings -
After their initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of profit or loss.

This category includes trade and other payables and other financial liabilities.

Derecognition -
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

The difference in the respective carrying amount is recognized in the consolidated statement of comprehensive income.

(iv) Offsetting of financial instruments -

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

(v) Fair value -

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. The fair value measurement is based on the presumption 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 principal or most advantageous market must be accessible by the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use to rank the asset or liability value, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account the ability of market participant to generate economic benefits by using the asset in its highest and best use or by selling this to another market participant that would use the asset at its maximum and best use.

The Group use valuation techniques that are appropriate in the circumstances and for which sufficient information is available to measure fair value, maximizing the use of relevant observable inputs and minimize 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, described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated statements of financial position on a recurring basis, the Group determine whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest-level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Management determines the policies and procedures for value measurements reasonable recurring and non-recurring. At each reporting date, Management analyzes the movements in the values of assets and liabilities that must be valued in accordance with the Company's accounting policies.

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

(vi) Fair value of financial instruments -
The Group use derivative financial instruments, such as cross currency swaps (CCS), to hedge its foreign currency exchange rate risk. These derivative financial instruments are initially recognized at their fair values on the date on which the derivative contract is entered into and subsequently are remeasured at their fair value. Derivatives are accounted for as financial assets when their fair value is positive and as financial liabilities when their fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment.
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designate and document the hedge relationship to which the Group wish to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

A hedging relationship qualifies for hedge accounting if it meets all of the following 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.
- 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 Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are recorded as cash flow hedges:

Cash flow hedges -
The effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income in the caption "Unrealized gain on cash flow hedge", while any ineffective portion is recognized immediately in the consolidated statements of comprehensive income.

The Group designated all of the cross-currency swaps contracts as hedging instrument. Any gains or losses arising from changes in the fair value of derivatives were taken directly to profit or loss, except for the effective portion of cash flow hedges, which were recognized in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

For the purposes of hedge accounting, the Group designated seven interest rate swap contracts as a cash flow hedge.

(d) Current versus non-current classification -

The Group presents assets and liabilities in consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- It is expected to be realized or intended to be sold or consumed within a normal operating cycle;
- It is held primarily for trading purposes;
- Expected to be realized within twelve months after the reporting period;
- It is cash or cash equivalent, unless it is restricted from being exchanged or used to settle a liability for, at least, twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(e) Foreign currency transactions -

The Group's consolidated financial statements are presented in soles, which is also the parent company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

The accompanying consolidated financial statements have been prepared to show the joint activity of the companies comprising the Group; so it has been established as the presentation currency used by the Company, the Sol. Accordingly, the balances of the financial statements of companies operating in countries with a functional currency other than the Sol have been converted in accordance with the methodologies set out in IAS 21 "The effects of changes in exchange rates of foreign currency".

Balances and transactions in foreign currency -
The Company's functional and presentation currency is the Sol, because it corresponds to its main economic environment and is the one it uses in the development of its operations. For each Subsidiary, Management evaluated and determined the functional currency, concluding that in most cases they correspond to the currencies of the countries where its Subsidiaries operate.

The accompanying consolidated financial statements have been prepared to show the joint activity of the Company and its Subsidiaries; therefore, the Sol, which is the Company's functional currency, has been established as the presentation currency. In Consequently, the balances of the financial statements of the Subsidiaries that operate in countries with a functional currency other than the Sol have been converted to this currency in accordance with the methodology established in IAS 21 "Effects of variations in foreign currency exchange rates", which is indicated below:

(i) The balances of assets and liabilities have been transferred using the closing exchange rates at the date of each consolidated statement of financial position. The difference from translation of the initial balances to the presentation currency at a different exchange rate than at the end of the year is presented as a movement of each of the items to which it corresponds.
(ii) Income and expenses have been converted using the average exchange rates for each month of the year, which are estimated to approximate those of the date of registration of said transactions.
(iii) The exchange difference resulting from the conversion has been recognized in the consolidated statement of other comprehensive income under the heading "Effect of conversion".

Transactions and balances in foreign currency -
Transactions in foreign currency are those made in a currency different from the functional currency and are initially recorded at the exchange rates of their respective functional currencies on the date on which those transactions meet the conditions for their recognition.

Subsequently, monetary assets and liabilities denominated in foreign currency are converted at the exchange rate on the date operations are liquidated or at the exchange rate in effect on the closing date of the reporting period. The differences between this exchange rate and the exchange rate initially used to record the transactions are recognized in the caption "Net exchange difference" of the consolidated statement of income in the period in which they occur.

Non-monetary assets and liabilities acquired in foreign currency are converted at the exchange rate at the dates of the initial transactions and are not subsequently adjusted.

As required by IAS 21, the exchange difference resulting from transactions between related parties eliminated in the consolidation process and not included as part of the net investment in a foreign business, must be recorded in profit or loss in the consolidated financial statements.

(f) Inventories -

Inventories are valued at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Raw materials –
  Acquisition cost, using the weighted average method.

- Parts, materials and supplies -
  Acquisition cost, using the weighted average method.

- Packages and packing -
  Acquisition cost, using the weighted average method.

- Finished goods and work in progress -
  At the cost of direct materials and supplies, services provided by third parties, raw material, direct labor cost, other direct cost, general manufacturing expenses and an overhead based on fixed and variable cost based on normal operating capacity, using the weighted average method, but excluding borrowing costs and exchange currency differences.

- Inventory in transit –
  At specific acquisition cost.

Net realizable value is the sales price obtained in the ordinary course of business, less the estimated costs of placing the inventories into a ready-for-sale condition and the commercialization and distribution expenses.

The Group's Management periodically evaluates the impairment and obsolescence of these assets. The estimation for impairment and obsolescence, if any, is recognized with charge to the consolidated statement of income.

(g) Prepaid expenses –
Corresponds to services or tax paid in advance and are recognized as such at the time the payment is made and will be amortized to the extent that the service is required or consumed.

(h) Investments in associate and joint agreements –
An associate is an entity that the Group have significant influence. Significant influence is the power of participation in the decisions related to economic and operating politics of the entity, but not entail control or conjunction control over those politics.

A joint agreement is kind of agreement which the parts maintains conjunction control over the joint agreement's net assets. Conjunction control is the contractual agreement to share the control and exist only when decision over relevant activities require the unanimous consent of the parties sharing the control.

The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries.

Group's investment in an associate and in joint agreements are accounted through the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associate and joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate or joint venture.

The Group's participation in the results of the associate and joint venture is presented in a single line in the main body of the consolidated statement of income, outside operating profit. This interest includes the results net of taxes and non-controlling interests in the associate's subsidiaries.

The financial statements of the associate and joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determine whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss as "Share of profit of an associate and a joint venture" in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated income statement.

(i) Borrowing costs -

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the contract of borrowing of funds.

Financing costs consist of financial costs and other costs that an entity incurs when obtaining loans.

(j) Leases -

The determination of whether an agreement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset, even it that right is not explicitly specified in an arrangement.

Group as a lessee:

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between financial charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the consolidated statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than financial lease. Operating lease payments are recognized as an operating expense in the consolidated statement of profit or loss on a straight-line basis over the lease term.

Group as a lessor:
Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

Rental income is recorded in a straight line during the lease term and are included in ordinary incomes in the consolidated statement of profit and loss due to its operating nature. Initial direct costs incurred in negotiating and contracting the operating lease are added to the book value of the leased asset and are recorded over the term of the lease applying the same criteria as rental income. Contingent rentals are recorded as income in the period in which they are obtained.

Right-of-use assets -
The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payment made on or before the start date, in addition to the initial direct costs incurred and an estimate of the costs. to decommission the underlying asset or to restore the underlying asset or the site where it is located, less any incentives received.

The right-of-use asset is subsequently amortized using the straight-line method from the start date to the end of the useful life of the right-of-use asset or until the end of the lease term, whichever is less, considering that if there is a call option, the estimated useful life of the underlying assets will always be chosen

The useful lives for the rights of use assigned are the following:

Description	Years
Land	3 a 5
Transport units	4
Installations	4
Other equipment	2 a 4

In addition, the right-of-use asset is periodically reduced for impairment losses, if any, and is adjusted for new measurements of the lease liability.

Right-of-use liabilities -
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, in case the rate cannot be easily determined, is the incremental debt rate will apply. The Group uses the incremental debt rate as the discount rate.

Lease payments include: fixed payments or, in essence, they are fixed, variables that depend on an index or a rate, initially measured using the index or rate on the start date, among other items. Likewise, the contracts can identify non-lease components related to disbursements related to other concepts. In this context, IFRS 16 allows adopting as an accounting policy not to separate the lease and non-lease components of this type of contract with the consequence that they will form part of the measurement of lease liability.

The lease liability is measured at amortized cost using the effective interest method. The subsequent measurement of liability is made when there is a change in future lease payments derived from a change in an index or rate, if there is a change in the estimate of the amount expected to be paid for a guarantee of the Company's residual value. , or if the Company changes its evaluation of whether it will exercise a purchase, expansion or termination option. When the lease liability is remitted, an adjustment is recognized in the book value of the right-of-use asset, or in the results if the right-of-use asset does not present an accounting balance.

Finance costs are charged to income for the period based on the lease term at the constant periodic interest rate and the remaining financial liability in each period.

Termination and extension options are included in the right of use liabilities. In determining the term of the lease, Management considers all the factors and circumstances that result in the evaluation of economic and operational incentives to exercise an extension option or not to exercise a termination option.

Exceptions to recognition -
The Group does not recognize the right-of-use assets and lease liabilities for short-term leases with underlying assets corresponding to low-value computing equipment that have a lease term of 12 months or less. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the term of the lease.

As lessor -
Leases in which the Group does not transfer substantially all the risks and benefits related to the ownership of an asset are classified as operating leases. The rental income that arises is accounted for on a straight-line basis under the terms of the lease and is included in the "Net sales" caption in the consolidated statement of income due to its operational nature. Initial direct costs incurred in negotiating and organizing an operating lease are added to the book value of the leased asset and are recognized during the lease term on the same basis as rental income. Contingent rents are recognized as income in the period in which they are obtained.

(k) Leaseback -
The fixed assets for which the Group has signed leaseback sales contracts are included in the consolidated financial statements at the value of the respective contract and the related liability is shown under "Other financial liabilities" in the consolidated statement of financial position, in note 14(f). The gain on the sale of assets related to contracts of sale leaseback is deferred under "Deferred income" in the consolidated statement of financial position, in note 16(e) and recognized in the consolidated statement of income in a straight line during the term of the contract.

(l) Property, plant and equipment -
Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. The present value of the estimate cost of dismantling the asset and rehabilitating the site where it is located, is included in the cost of the respective assets, see note 4.3(r). When significant parts of property, plant and equipment are required to be replaced at intervals, the Group derecognizes the replaced part, and recognizes the new part with its own associated useful life and depreciation. Likewise, when major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other maintenance and repair costs are recognized in the consolidated statement of income in the period on which they are incurred.

Depreciation is calculated using a straight-line-basis method over the estimated useful lifes of such assets as follows:

Description	Years
Buildings and constructions	10 a 50
Other installations	3 a 20
Machinery and equipment	5 a 25
Transportation units	2 a 10
Furniture and fixtures	3 a 10
Other equipment	2 a 15

An item of mining concessions and property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognized.

The work in progress includes the projects in execution and are recorded to the cost. This includes a cost of building, acquisition of equipment and other direct costs. The buildings in progress are not depreciated until that the relevant assets are concluded and operational.

Lands are measured at cots and has unlimited useful for those that do not depreciate.

The asset's residual value, useful life and methods of depreciation/amortization are reviewed at each reporting date and adjusted prospectively if appropriate.

(m) Mining concessions -

Mining concessions correspond to the exploration rights in areas of interest acquired in previous years. Mining concessions are stated at cost, net of accumulated amortization and/or accumulated impairment losses, if any, and are presented within the property, plant and equipment caption. Those mining concessions are amortized starting from the production phase following the units-of-production method based on proved reserves to which they relate. If the Group abandons the concession, the costs associated are written-off in the consolidated statement of income.

(n) Intangible assets –

The useful life of intangible assets is assessed as either finite or indefinite.

Intangible assets with finite life are amortized over the useful economic life and assessed for impairment whenever there is an indication that 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 the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite life is recognized in the consolidated statement of income as the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

Goodwill –

Goodwill is initially measured at cost and corresponds to the excess of the amount of the consideration transferred and the amount recognized for the non-controlling interest, with respect to the identifiable assets acquired and the liabilities assumed. Goodwill is presented under the heading of "Intangible assets, net" in the consolidated statement of financial position.

After initial recognition, goodwill is measured at cost less the accumulated impairment losses, which are estimated at least every year in December. For purposes of performing the impairment test, goodwill acquired in a business combination is, as of the acquisition date, distributed to each of the Company's cash generating units (CGUs) expected to benefit from the business combination, regardless of whether other assets or liabilities of the acquiree have been distributed to these units.

If goodwill has been distributed to a cash-generating unit and part of the assets with which that unit operates are sold or withdrawn, goodwill and related assets are included in the carrying amount of the transaction in determining the loss. or unsubscribe from said provision. Under these circumstances, goodwill is measured based on the relative value of the assets drawn down and the portion of the cash-generating unit retained.

Goodwill impairment is determined by evaluating the recoverable amount for each CGU (or group of CGUs) to which it relates. When the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognized. Impairment losses related to goodwill cannot be eliminated in future periods.

List of customers -
The brand is presented under the caption "Intangibles assets, net" in the consolidated statement of financial position. The list of customers mainly comes from the credit portfolio granted to customers and have a useful finite life of 10 years.

Brand -
Brand is presented under the caption "Intangible assets, net" in the consolidated statement of financial position, has an indefinite useful life and do not depreciate.

Software and licenses -
Software and the licenses of computer software are at cost and include expenditures directly related to the acquisition or entry into use of specific software. These costs are amortized over their estimated useful life of 3 to 10 years.

Concession for electric generation -
Concessions for electric generation is initially presented at cost, as well as, the cession of rights of use of those concessions. The cost and the cession of rights of use are amortized according the term of the concession, which is 25 years.

(o) Deferred stripping costs -
The Group incurs waste removal costs (stripping costs) during the development and production phases of its surface operations. During the production phase, stripping costs (production stripping costs) can be incurred both in relation to the production of inventory in that period and the creation of improved access and operational flexibility in relation to the mineral expected to be mined in the future. The first ones are included as part of the costs of production, while the latter are capitalized as a stripping activity asset, when certain criteria are met. Significant judgment is required to distinguish between development stripping and production stripping and to distinguish between the stripping production related to the extraction of inventory and the related to the creation of a stripping activity asset.

Once the Group has identified its production stripping for each surface mining operation, it identifies the separate components of the ore bodies for each of its mining operations for the purposes of accumulating costs for each component and pay off based on their respective useful life. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgment is required to identify and define these components, and also to determine the expected volumes (e.g., in tons) of waste to be stripped and ore to be mined in each of these components.

These assessments are undertaken for each individual mining operation based on the information available in the mine plan. The mine plans and, therefore, the identification of components, will vary between mines for a number of reasons. These include, but are not limited to, the type of commodity, the geological characteristics of the ore body, the geographical location and/or financial considerations.

The cost of stripping production is then depreciated using the production unit's method taking into account the life of the identified component that is more accessible as a result of the stripping activity. This cost is stated at cost less accumulated depreciation and accumulated impairment losses, if any.

(p) Estimates of resources and reserves -

The mineral reserves are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties and concessions. The Group estimates its ore reserves and mineral resources, based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and require complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, ore prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body.

Changes in the reserve or resource estimates may impact upon the carrying value of property, plant and equipment, provision for rehabilitation and depreciation and amortization charges.

(q) Impairment of non-financial assets -

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of a fair value less the sales costs and its value in use and said value is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in that case it is considered the cash generating unit (CGU) related to those assets. When the carrying amount of an asset of CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their 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. In determining fair value less costs to sell, recent market transactions are taken into account by the Group, if available. If no such transactions can be identified, the Group can use an appropriate valuation model.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset, except for assets previously revaluated, which revaluation is recorded in other comprehensive income. In this case, the impairment losses are also recorded in other comprehensive income until compensate the amount of previous revaluation.

For assets excluding goodwill, the Group assesses an impairment test to each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the recoverable amount of the asset or CGU.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of corresponding depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income, unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually (as of December 31). Impairment is determined by assessing the recoverable amount of each CGU which the goodwill relates. When the recoverable amount of each CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

(r) Provisions -

General -

Provisions are recognized when the Group has a present obligation (legal or implicit) 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. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as finance cost.

Quarry closure provision -
The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. Pit closure costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risk specific to the rehabilitation provision.

The accrual of the discount is recognized as expense when incurred and is recognized in the consolidated statement of income as a finance cost. The estimated future costs of rehabilitation are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Provision for environmental remediation (Ecuador) –
The Group make judgments and estimates to record costs and establish provisions for environmental manage plan, which are based on current information related to expected costs and plans for remediation in force by law. In the case of this provision, cost may be differed of estimates due to changes in laws and regulations, discovery and analysis of localized conditions, as well as changes in remediation technology. Therefore, any change in factors or circumstances related to this kind of provisions, as well as in laws and regulations, could be, as a consequence, a significant effect in the provision recorded for this cost. The provision for environmental remediation is annually review with a report which is updated every three years.

(s) Contingencies –
Contingent liabilities are disclosed when the existence of the liability is confirmed by future events or when the amount of the liability cannot be measured reasonably. Contingent assets are not recognized in the financial statements, but they are disclosed when it is probable that economic benefits flow to the Group. When the realization of the income is virtually certain, the related asset is not contingent, and its recognition in the consolidated financial statement is appropriate.

(t) Employees' benefits -
The Group has short-term obligations for employees' benefits that include salaries, social contributions, gratifications, bonuses for performance, and workers' profit sharing. These liabilities are recorded monthly with charge to consolidated statement of income, as they are accrued.

Employer retirement and eviction of workers and other benefits according to collective contract -

The Group have a definite benefit plan for employer retirement, controlled and required by Ecuadorian labor laws. Additionally, according to current legislation, in the case of termination of labor relationship for eviction requested by the employer or employee, the employer gives a bonus to the employee equivalent to 25 percent of his last monthly remuneration per worked year, this benefit is denominated eviction. For certain employees, covered under a collective contract, the Group maintain an additional plan of benefits.

The Group determine annually the provision for employer retirement and eviction based on actuarial studies made by independent experts and is recognized with a charge in the consolidated profit or losses statement applying the Projected Unit Credit Method and representing the present value of obligations at the date of the consolidated financial statements, which is obtained discounting the cash outflows with a rate equivalent to the average rate of United States of Americas bonds, which are denominated in the same currency in which these bonuses will be paid and have terms that approximate to terms of pension obligations until its maturity.

The actuarial hypothesis includes variables as, in addition of discount rate, mortality rate, age, gender, years of service, remunerations, future increments of remunerations, rotation rate among others.

Actuarial gains and losses that arise from adjustments based on the experience and change in actuarial assumptions is recorded in other comprehensive income in the period in which arising. Past service costs are recognized immediately in consolidated profit or loss.

(u) Revenue recognition –

The Group is dedicated to the sale of cement, concrete and prefabricated, supply of electricity and other services. Revenue from contracts with customers is recognized to the extent that a performance obligation is satisfied by transferring the promised goods or services to the customer. An asset is transferred when the customer gains control of that asset.

Sale of goods -

For this income there is a contractual obligation that is the sale of goods. In this, the recognition of income occurs at the moment in which the control of the assets is transferred to the client, which is when the goods are delivered.

IFRS 15 establishes a five-step model that will be applied to those income ordinary activities arising from contracts with clients and which include:

- Identification of the contract with the client
- Identification of performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations of the contract
- Recognition of income from ordinary activities when (or as the entity satisfies the performance obligations

The accounting principles set out in IFRS 15 provide a more focused structured to measure and recognize income.

Variable consideration -
Some customer contracts provide return rights and discounts commercial or volume which, according to IFRS 15, should be reduced from sales revenue. For this purpose, the Company estimates these amounts at the date of each consolidated statement of financial position, estimating the weighted probability of these amounts to recognize them. These amounts are recognized as a decrease in trade receivables in the consolidated statement of financial position and as a decrease in income from ordinary activities in the consolidated statement of income.

In addition, sales commissions granted to the main distributors are included.

Sales of energy and power –
Revenues of ordinary activities of sales energy and power are recognized monthly on basic to cyclic metering of energy and are completely recognized in the period in which services are provided, over the time. The income for delivered energy and not invoiced, generated in each cyclic reading and at the end of each month, are included in next month billing, but are recognized in the corresponding month in base of estimates of energy consumption by the service users during the referred period.

Services -
Revenues of ordinary activities related to rental portal cranes, bridge cranes and hydroelectric station are recognized over the time.

The Group consider the existence of other contract considerations that constitute separate performance obligations for which it is necessary to assign a portion of the price.

Some contracts provide rights of return and discounts or volume discounts.

Variable considerations -
If a contract includes a variable amount, the Group estimate the amount of the consideration that have rights in exchange of transfer the goods The variable consideration is estimated at the begging of the contract and is restricted until it's highly probably that not occurs a significant reversal of the income at the moment that associated uncertainty disappear with the variable consideration.

Interest income -
The revenue is recognized when the interest accrues using the effective interest rate. Interest income is included in finance income in the consolidated statement of income.

(v) Costs and expenses recognition –
The costs and expenses are recognized as it accrued, regardless of when payment is being made, and are register in the periods with which are relate.

(w) Taxes -
Current income tax -
Current income tax assets and liabilities are measured by the amounts expected to be recovered or paid to the Tax Authority. The tax rates and the tax laws used to compute the tax are those that are approved or whose approval procedure is close to being completed on the closing date of the reporting period.

Current income tax that relates to items that are recognized directly in equity, is also recognized in equity and not in the consolidated statement of income. Periodically, Management evaluates the positions taken in the tax returns regarding the situations in which the applicable taxable rules are subject to interpretation and constitutes provisions when appropriate.

Deferred income tax -
Deferred income tax reflects the effects of temporary differences between the balances of assets and liabilities for accounting purposes and those determined for tax purposes. Deferred assets and liabilities are measured using the tax rates expected to be applied to taxable income in the years in which these differences are recovered or eliminated. The measurement of deferred assets and liabilities reflects the tax consequences derived from the way in which the Group expects to recover or settle the value of its assets and liabilities at the date of the consolidated statement of financial position.

The book value of deferred tax assets and liabilities may change, although there is no change in the amount of the corresponding temporary differences. This may be the result of a change in tax rates or tax laws. In this case, the resulting deferred tax will be recognized in profit or loss, except to the extent that it relates to items previously recognized outside profit or loss.

Deferred assets and liabilities are recognized without taking into account the time when it is estimated that the temporary differences are canceled. Deferred assets are recognized when it is probable that there will be sufficient future tax benefits for the temporary difference to be applied. At the date of the consolidated statement of financial position, the Group evaluates unrecognized deferred assets and the balance of recognized assets. The Group determines its deferred tax based on the tax rate applicable to its undistributed earnings, recognizing any additional tax for the distribution of dividends on the date the liability is recognized.

Deferred tax assets and liabilities are offset if there is a legal right to offset current income tax assets and liabilities, and if deferred taxes are related to the same tax authority and the same tax jurisdiction.

Tax benefits acquired as part of a business combination, which do not meet the criteria for recognition on the acquisition date, are subsequently recognized if new information is obtained about facts and circumstances that have changed. The adjustment is recorded as less goodwill value (provided it is not greater than the goodwill amount) when they are recorded in the measurement period, or in the consolidated statement of income, otherwise.

An entity must offset deferred tax assets with deferred tax liabilities if, and only if: it has a legally recognized right to offset, before the tax authority, the amounts recognized in those items; and deferred tax assets and deferred tax liabilities are derived from income tax corresponding to the same tax authority, which falls on the same entity or tax subject; or different entities or subjects for tax purposes that seek, either to liquidate current tax assets and liabilities for their net amount, or to realize the assets and pay the liabilities simultaneously, in each of the future years in which it is expected to liquidate or recover significant amounts of assets or liabilities for deferred taxes.

Value added tax -
Revenues, expenses and assets of ordinary activities are recognized net of the general sales tax, except:

- Where value added tax incurred on when a purchase of assets or services is not recoverable from the tax authority, in which case the general sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- Receivables and payables are stated with the value added tax included.

The net amount of VAT recoverable from, or payable to, the tax authority is included as part of receivables or payables in the consolidated statement of financial position.

(x) Earnings per share -
Basic and diluted earnings per share have been calculated based on weighted average of common shares at the date of the consolidated statement of financial position. As of December 31, 2020, and 2019, the Group has no dilutive financial instruments; therefore, the basic and diluted earnings per share are the same.

(y) Segments -
An operating segment is a component of an entity that: (i) carries out business activities from which it can obtain income, incur expenses (including income and expenses related to transactions with other components of the same entity), (ii) whose result Operation is regularly reviewed by Management to make decisions about the resources to be assigned to the segment and evaluate its performance, and (iii) for which financial and operational information is available.

(z) Government grants -
Grants are recognized when there is reasonable assurance that the grant will be received, and all conditions imposed will be met. When the subsidy is related to an item of expenses, it is recognized as income in a systematic way during the period in which the related expenses are recorded, for which the subsidy has been awarded as compensation.

When the grant is related to an asset, it is recorded as income linearly over the expected useful life of the corresponding asset.

When the Group receives government grants through non-monetary assets, the asset and the grant are recorded at their nominal value and are recorded on a straight-line basis in the consolidated statement of comprehensive income during the useful life of the asset, based on their consumption pattern.

As of December 31, 2020, the Group received loans from the Reactiva Peru program, see note 16.

5. Significant accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements requires Management to use judgments, estimates and assumptions to determine the reported figures of assets and liabilities, the exposure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported figures of income. and expenses for the years ended December 31, 2020 and 2019.

The preparation of the consolidated financial statements includes criteria and/or estimates used by the Group's Management, following:

- Estimation of the useful life of assets and impairment – note 4.3(l) and 4.3(n).
- Estimates of resources and reserves – note 4.3(m).
- Income tax – note 4.3(w).

Group’s Management believes that the estimates included in the consolidated financial statements were made on the basis of their best knowledge of the relevant facts and circumstances at the date of preparation: however, the final results may differ from the estimates included in the consolidated financial statements.

6. Standards issued, but not yet effective

The following relevant standards and interpretations applicable to the Group that have been published and that were not yet in force as of the date of issuance of these consolidated financial statements:

- Amendment to IAS 1: Classification of Liabilities as Current and Non-Current
- Reference to Conceptual Framework: Amendment to IFRS 3
- Property, Plant and Equipment: Income before Expected Use - Amendment to IAS 16
- Onerous Contracts: Costs of Fulfilling a Contract - Amendment to IAS 37
- IFRS 1: First Time Adoption of IFRS - Subsidiary that Adopts IFRS for the First Time
- IFRS 9: Financial Instruments - Fees in the 10 percent Test to Write Off a Liability

These standards and amendments are not expected to have a material impact on the Company's consolidated financial statements.

7. Cash and cash equivalents

(a) This caption is made up as follows:

	2020 S/(000)	2019 S/(000)
Term deposits (b)	337,064	23,443
Current accounts (c)	210,671	99,214
Mutual funds	11,935	312
Funds to deposit	1,450	1,368
	561,120	124,337
Financial investments (b)	21,708	-
	21,708	-

(b) Corresponds to term deposits in domestic and foreign financial entities, mainly in soles and U.S. Dollars earn interest at market rates and have original maturities shorter than three months.

As of December 31, 2020, UNICON Peru maintains a term deposit in a local financial entity for US$6,000,000, which accrues interest at market rate and matures on October 25, 2022.

(c) Current accounts are maintained in domestic and foreign banks, mainly in soles and U.S. Dollars, are freely available and earn interest at market rates.

8. Trade and other receivable, net

(a) This caption is made up as follows:

	Current		Non-current	
	2020 S/(000)	2019 S/(000)	2020 S/(000)	2019 S/(000)
Trade accounts receivable:				
Invoices and bills of exchange receivables (b)	383,565	368,116	16,594	15,023
Provision of invoices receivable (c)	32,185	29,661	-	-
	415,750	397,777	16,594	15,023
Related parties receivables:				
Accounts receivable from related parties, note 31(b)	30,611	25,383	-	-
Other receivables:				
Advances to suppliers (d)	10,686	15,865	6,384	5,416
Claims to tax authority (e)	7,468	6,138	38,554	28,119
Loans to employees	6,837	5,060	6,682	-
Claims to third parties	6,449	5,144	-	2,922
Account receivable from the Escrow fund	3,374	3,253	-	3,082
Derivative financial instruments, note 34.1(i)(a)	-	144	-	418
Loan to third parties (h)	83,678	-	-	-
Other accounts receivable	14,145	21,741	3,825	4,392
	132,637	57,345	55,445	44,349
Taxes:				
Prepaid income tax (f)	19,634	13,497	-	-
Value added tax credit (g)	4,529	6,628	479	2,247
	24,163	20,125	479	2,247
	603,161	500,630	72,518	61,619
Less – Allowance for expected credit losses (i)	(16,539)	(12,466)	(16,594)	(15,023)
	586,622	488,164	55,924	46,596

(b) Trade receivables are mainly denominated in soles and U.S. Dollars, have current maturities and do not earn interest. Bills of exchange receivables have current maturities and earn interest at market rates.

(c) As of December 31, 2020, and 2019, correspond mainly to provisions for invoicing for sale of energy, power and prefabricated of the month of December of such years for S/32,185,000 and S/29,661,000, respectively, which were invoiced and collected during the opening of the following year.

(d) As of December 31, 2020, and 2019, corresponds to advance payments made to suppliers for the acquisition of machinery and equipment, as well as the provision of services diverse. These advances will be applied in the short and long term.

(e) As of December 31, 2020, and 2019, the balance corresponds mainly to claims to Tax Authority (SUNAT) for the refund of payments in excess of income tax, selective consumption tax and value added tax on sales of previous years, see note 33.4.

In the opinion of the Group Management and its legal advisors, it is estimated that there are sufficient legal arguments to obtain favorable recovery in short and long term.

(f) As of December 31, 2020, and 2019, it corresponds to the balance in favor of the payments on account of the income tax, disbursed at said dates, in addition to the payments on account of the temporary tax to the net assets.

In Group of Management's opinion, these payments on account of the income tax will be applied with the future taxes that are generated in the current period.

(g) As of December 31, 2020, and 2019, mainly corresponds to the value added tax credit resulting from the construction of the Hydroelectric Power Plant Marañon which will be applied with the taxes payable that are generated in the short and long term.

(h) On December 11, 2020, the Company subscribed, with the Spanish companies Cementos La Unión S.A. and Áridos Jativa Sociedad Limitada and with the Chilean company Inversiones Mel 20 Limitada, a contract for the acquisition of 100 percent of the shares of Cementos La Unión S.A. (CLU CHILE) and 100 percent of the social rights of Inversiones Mel 20 Limitada (MEL20), subject to the fulfillment of certain conditions, among which is the approval of the acquisition by the Chilean National Economic Prosecutor's Office .

On December 9, 2020, the Company provided a loan for the amount of US$23,128,000 (equivalent to approximately S/83,678,000) in order to use it to pay off the balance of the loan maintained with Banco Santander in favor of Cementos La Unión S.A. (CLU Chile). The loan granted by the Company has specific guarantees in its favor and will be paid in a single installment within a period of six months, applying an effective annual interest rate equivalent to 2.42 percent.

(i) The movement of the allowance for expected credit losses for the years ended December 31, 2020 and 2019 was follows:

	2020 S/(000)	2019 S/(000)
Opening balance	27,489	22,302
Estimation charged to income, note 25 and 28	6,003	6,845
Write-offs	(1,704)	(44)
Recoveries, note 28	(110)	(1,360)
Translation adjustment	1,455	(254)
Ending balance	33,133	27,489

In Group of Management's opinion, the allowance for expected credit losses adequately covers the credit risk for the years ended December 31, 2020 and 2019.

(j) The aging analysis of trade receivables and other as of December 31, 2020 and 2019 is as follows:

			Past due				
	Total S/(000)	Outstanding S/(000)	< 30 days S/(000)	30-90 days S/(000)	91-180 days S/(000)	> 180 days S/(000)	Deteriorated S/(000)
2020	675,679	553,876	43,286	21,229	13,273	10,882	33,133
2019	562,249	453,861	64,378	4,845	4,835	6,841	27,489

As of December 31, 2020, and 2019, the Group manages and measures the credit risk of the trade receivables that have neither expired nor are impaired, see note 34.2.

9. Inventories, net

(a) This caption is made up as follows:

	2020 S/(000)	2019 S/(000)
Spare parts and supplies (d)	238,340	243,533
Raw and auxiliary materials (c)	175,095	168,226
Work in progress (b)	154,520	312,242
Finished goods	38,901	42,563
Packages and packing	18,053	43,466
Inventory in transit	10,867	2,596
	635,776	812,626
Estimate for impairment of inventories (e)	(59,724)	(40,269)
	576,052	772,357

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

(c) Raw and auxiliary materials include mainly imported and domestic coal, pozzolan, iron and clinker. As of December 31, 2020, the Group mainly has in stock coal and clinker for approximately S/59,082,000 and S/21,098,000, respectively (S/57,195,000 and S/13,087,000, respectively as of December 31, 2019).

(d) Corresponds to the spare parts that will be used by the Group in the short term. The spare parts that the Group expects to use in a period greater than one year are found presented within the balance of machinery and equipment and strategic spare parts in the item "Mining concessions and plant and equipment, net, see note 13(a).

(e) Movement in the estimation for impairment of inventories for the years ended December 31, 2020 and 2019 was follows:

	2020 S/(000)	2019 S/(000)
Opening balance	40,269	39,066
Estimation charged to income, net, note 24 y 28	18,771	2,563
Recoveries, note 28	(954)	(203)
Translation adjustment	1,638	(980)
Writte-off	-	(177)
Ending final	59,724	40,269

In Management's opinion, the estimation for impairment of inventories adequately covers the impairment risk as of December 31, 2020 and 2019.

10. Prepaid expenses

This caption is made up as follows:

	2020 S/(000)	2019 S/(000)
Prepaid insurance	11,405	11,156
Others	3,935	8,294
	15,340	19,450

11. Investments in associates and others

(a) This caption is made up as follows:

Associates	Number of shares as of December 31,		Percentage of direct participation as of December 31,		Value in books as of December 31,	
	2020	2019	2020	2019	2020	2019
			%	%	S/(000)	S/(000)
Master Builders Solutions Perú S.A.	209,520	209,520	30.00	30.00	11,609	9,473
Ferrocarril Central Andino S.A.	5,732,871	5,732,871	16.49	16.49	7,567	7,567
Compañía de Inversiones Santa Cruz S.A.	12,390	12,390	8.85	8.85	2,339	2,319
Ferrovías Central Andina S.A.	250,509	250,509	15.00	15.00	1,939	2,362
Other	-	-		-	540	607
					23,994	22,328

(b) Below is the movement of this item:

	2020	2019
	S/(000)	S/(000)
Balance as of January 1	22,328	16,164
Participation in the results of associates	1,562	1,893
Effect of mergers made, note 1.2	-	4,681
Other adjustments to retained earnings	104	(410)
Balance as of December 31	23,994	22,328

(c) The main figures from the financial statements of the associates, presented in accordance with International Financial Reporting Standards is following:

	Master Builders Solutions Peru S.A.		Ferrocarril Central Andino S.A.		Ferrovías Central Andina S.A.		Compañía de Inversiones Santa Cruz S.A.	
	2020	2019	2020	2019	2020	2019	2020	2019
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Total assets	72,783	58,640	411,092	259,814	150,111	148,157	36,521	36,221
Total liabilities	34,085	27,074	254,383	204,108	127,228	126,500	10,074	10,042
Net equity	38,698	31,566	156,709	55,706	22,883	21,657	26,447	26,179
Net sales	61,090	86,521	147,715	147,293	46,708	43,714	515	594
Net income (losses)	7,132	12,255	28,747	26,391	(800)	(2,020)	268	149

12. Assets and liabilities right-of-use

(a) Below is the composition and movement of the item:

	Land S/(000)	Transportation units S/(000)	Installations S/(000)	Other equipment S/(000)	Total S/(000)
Cost -					
As of January 1, 2019	23,199	1,368	785	11,960	37,312
Additions	1,493	69	1,273	2,043	4,878
Translation adjustments	(383)	(50)	-	-	(433)
As of December 31, 2019	24,309	1,387	2,058	14,003	41,757
Additions	4,210	354	-	1,787	6,351
Disposals	-	(281)	-	(7)	(288)
Others	(2,881)	-	-	-	(2,881)
Translation adjustments	1,641	152	-	-	1,793
As of December 31, 2020	27,279	1,612	2,058	15,783	46,732
Accumulated amortization -					
As of January 1, 2019	-	-	-	3,063	3,063
Additions (c)	5,923	312	410	3,998	10,643
Others	(2,352)	-	-	-	(2,352)
Translation adjustments	(77)	(8)	-	-	(85)
As of December 31, 2019	3,494	304	410	7,061	11,269
Additions (c)	5,860	369	542	3,848	10,619
Disposals	-	(56)	-	(7)	(63)
Others	1,767	-	-	-	1,767
Translation adjustments	516	65	-	-	581
As of December 31, 2020	11,637	682	952	10,902	24,173
Net book value -					
As of December 31, 2020	15,642	930	1,106	4,881	22,559
As of December 31, 2019	20,815	1,083	1,648	6,942	30,488

(b) The movement of the use rights liabilities for the period is detailed below:

	2020 S/(000)	2019 S/(000)
Balance as of January 1	28,254	34,279
Additions	6,261	4,992
Lease payments	(11,125)	(11,016)
Others	(1,946)	437
Exchange difference	1,534	(438)
Balance as of December 31	22,978	28,254
Classification by maturity:		
Current	9,873	10,545
Not current	13,105	17,709
	22,978	28,254

(c) As of December 31, 2020, and 2019, the amortization was distributed as follows:

	2020 S/(000)	2019 S/(000)
Cost of sales, note 24	9,868	9,963
Administrative expenses, note 25	732	665
Selling expenses, note 26	19	15
	10,619	10,643

(d) As of December 31, 2020 and 2019, the Company only maintains fixed payment leases.

13. Mining concessions and property, plant and equipment, net

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

	Mining concessions (b) S/(000)	Land S/(000)	Closing quarries S/(000)	Buildings and constructions S/(000)	Other installations S/(000)	Machinery and equipment S/(000)	Transportation units S/(000)	Furniture and fixtures S/(000)	Other equipment S/(000)	Units in transit S/(000)	Work in progress (d) S/(000)	Total S/(000)
Cost -												
As of January 1, 2019	105,724	917,584	36,987	3,777,182	147,358	4,395,022	637,359	24,388	155,812	-	246,440	10,443,856
Additions (d)	332	34,497	2,350	8,903	9,741	58,618	31,722	302	5,276	2,487	222,162	376,390
Merger and corporate reorganization (e)	-	29,389	-	10,396	1,541	1,064	946	570	1,715	-	13	45,634
Transfers (f)	-	8,019	-	38,471	3,075	124,901	21,893	334	5,175	-	(201,868)	-
Disposals and sell (g)	-	(4,662)	(4)	(1,066)	-	(12,697)	(58,730)	(1,004)	(2,417)	-	(8,000)	(88,580)
Others	452	(1,718)	(8,325)	614	15	-	117	18	(1,809)	-	275	(10,361)
Translation adjustments	-	(1,955)	-	(28,023)	(1,110)	(16,038)	(5,565)	(62)	(1,177)	-	(2,023)	(55,953)
As of December 31, 2019	106,508	981,154	31,008	3,806,477	160,620	4,550,870	627,742	24,546	162,575	2,487	256,999	10,710,986
Additions (d)	126	26,779	1,402	14,076	6,501	34,636	14,979	44	3,673	656	176,128	279,000
Transfers (f)	-	52	-	10,678	2,599	70,497	16,526	12	4,203	(2,745)	(101,822)	-
Disposals and sell (g)	-	-	-	(246)	(341)	(8,622)	(26,216)	(2)	(368)	(23)	(58,379)	(94,197)
Others	-	-	(1,448)	1,958	-	49,620	(231)	-	2,097	-	(1,846)	50,150
Translation adjustments	-	11,205	-	142,301	1,790	80,461	14,828	224	4,640	-	6,855	262,304
As of December 31, 2020	106,634	1,019,190	30,962	3,975,244	171,169	4,777,462	647,628	24,824	176,820	375	277,935	11,208,243
Accumulated depreciation -												
As of January 1, 2019	18,996	-	7,702	911,999	74,573	1,502,471	452,750	21,460	109,061	-	-	3,099,012
Additions (h)	92	-	1,629	101,048	16,194	257,051	53,068	818	12,776	-	-	442,676
Merger and corporate reorganization (e)	-	-	-	4,394	39	789	457	457	267	-	-	6,403
Disposals and sell (g)	-	-	-	(251)	-	(6,395)	(54,418)	(1,004)	(2,306)	-	-	(64,374)
Others	386	-	-	111	(1,715)	(1)	125	19	(1,802)	-	-	(2,877)
Translation adjustments	-	-	-	(8,365)	(403)	(6,765)	(2,666)	(56)	(913)	-	-	(19,168)
As of December 31, 2019	19,474	-	9,331	1,008,936	88,688	1,747,150	449,316	21,694	117,083	-	-	3,461,672
Additions (h)	125	-	1,628	100,083	12,402	252,674	51,987	663	9,439	-	-	429,001
Disposals and sell (g)	-	-	-	(145)	(76)	(9,250)	(24,822)	(66)	(326)	-	-	(34,685)
Others	-	-	-	24	-	(133)	(99)	(2)	(502)	-	-	(712)
Translation adjustments	-	-	-	43,489	907	37,017	7,588	172	3,400	-	-	92,573
As of December 31, 2020	19,599	-	10,959	1,152,387	101,921	2,027,458	483,970	22,461	129,094	-	-	3,947,849
Net book value -												
As of December 31, 2020	87,035	1,019,190	20,003	2,822,857	69,248	2,750,004	163,658	2,363	47,726	375	277,935	7,260,394
As of December 31, 2019	87,034	981,154	21,677	2,797,541	71,932	2,803,720	178,426	2,852	45,492	2,487	256,999	7,249,314

(b) As of December 31, 2020, and 2019, mainly corresponds to the mining concessions of Atocongo, Atocongo Norte, Pucara, Oyon and El Silencio 8 (acquired in merger with CEMPOR) of UNACEM; Selva Alegre, Cumbas y Pastavi of UNACEM Ecuador; Jicamarca of UNICON Peru.

(c) As of December 31, 2020, the book value of the assets acquired through leasing and financial leasing contracts amounts to approximately S/152,511,000 (S/180,053,000 as of December 31, 2019). Additions during 2020 include approximately S/31,649,000 (S/43,333,000 in 2019) under finance leases and leases. Leased assets guarantee financial lease liabilities, note 16.1 (c).

(d) The additions during the year 2020 correspond mainly to:

(i) The main additions during 2020 correspond to disbursements made for the projects of the dedusting system of furnace 2 cooler, including the bag filter, migration of the furnace 2 control system, firefighting system in electrical substations, modernization in Central Hidroeléctrica Carpapata 1 and 2, major maintenance of kiln 2 and roofing of the clinker field, corresponding to the Condorcocha plant; as well as disbursements made for the project of structural reinforcement and internal modification of camera 1 and 3 of the multisilo, change of variators in the oil press substation 3 and clinker 1, water installations against fire, firefighting system in electrical substations, system of ecological conveyor belts of limestone from Manchay to Atocongo, major maintenance of kiln 1, change of gearboxes in clinker roller press 4, change of control panels of line 2 including migration to Siemens industrial control system and repair of the clinker tower 1, corresponding to the Atocongo plant for a total of approximately S/69,644,000.

(ii) Additions of the Drake Cement subsidiary for: i) acquisition of machinery and equipment for approximately US$2,856,000 (equivalent to S/10,333,000) and ii) new warehouse construction projects and comprehensive mill project for approximately US$6,136,000 (equivalent to S/22,199,000).

(iii) Additions of the Drake Materials subsidiary for: i) acquisition of machinery and equipment for approximately US$2,499,000 (equivalent to S/9,040,000) and ii) plant project for the production of aggregates for approximately US $ 3,879,000 (equivalent to S/14,034,000).

(iv) Additions of the Desert Ready Mix subsidiary for: i) acquisition of machinery and equipment for approximately US$1,254,000 (equivalent to S/4,535,000) and ii) acquisition of mixer trucks and other transportation units for approximately US$1,638,000 (equivalent to S/5,928,000).

(v) Additions of the Desert Aggregates subsidiary for the acquisition of machinery, equipment and loader trucks for approximately US$2,167,000 (equivalent to S/7,841,000).

(vi) Additions of works in progress of the subsidiary UNACEM Ecuador for the construction of grinding station No. 3, engine-Crankshaft component, construction of the cement mill chimney and opacimeter, for approximately US$1,481,000 (equivalent to S/5,358,000).

(vii) Additions of the subsidiaries UNICON Peru for: i) acquisitions of mixer trucks S/5,878,000 and ii) Overhaul of trucks for approximately S/8,723,000.

(viii) Additions of the subsidiaries CELEPSA and CERE for social commitments assumed through framework agreements for the purchase of land for approximately S/9,171,000.

The additions during the year 2019 correspond mainly to:

(i) Project for the dusting system of the kiln 2 cooler, change of rollers and bearings of the cement press 5 and migration of the kiln 2 control system for the Condorcocha plant; as well as the comprehensive plan for the Cristina concession, clinker court roofing, firefighting system, pavers and the thermal plant project corresponding to the Atocongo plant for approximately S/74,011,000.

(ii) Additions of works in progress of the subsidiary UNACEM Ecuador for the construction of grinding station N°3, engine component 6, premix site and replacement of section by ferrule for corrosion, for approximately US$6,587,000 (equivalent to S/21,808,000).

(iii) Additions of the UNICON Peru and CONCREMAX subsidiaries for: i) acquisition of mixer trucks, mining trucks and front loaders for approximately S/24,904,000 and ii) Truck overhaul for approximately S/13,629,000.

(iv) Additions of the Desert Ready Mix, LLC subsidiaries for the acquisition of transport unit's mixer trucks for approximately US$2,104,000 (equivalent to S/6,966,000).

(v) Additions of the subsidiary Staten Island Company LLC, which incurred costs for the acquisition of land and machinery for approximately US$8,500,000 and US$7,831,000 (equivalent to S/28,157,000 and S/25,929,000), respectively.

(e) Corresponds to the assets from the companies Vigilancia Andina, Inversiones Nacionales y Multinacionales and ARPL Tecnología industrial which, as a result of the merger of the Company with SIA, IASA and PRONTO, became subsidiaries of the Group, see note 1.2(a).

(f) The transfers during the year 2020, correspond mainly to the following:

(i) During 2020, the Company completed the works related to the projects for the implementation of a feeder for a Pennsylvania crusher, improvement of the people elevator of the mill building, implementation of cement silo, installation of hoists in the preheater of line 1, equipment for Ancieta and Cajamarquilla block plants, demolition and construction of a perimeter fence wall in Las Palmas wells and installation of a new starting system for engines of the crude oil roller press 3, corresponding to the Atocongo plant; as well as works related to the activation of the 2000KW motor put into operation, change of the impeller in the draft fan on the 4th floor, corresponding to the Condorcocha plant; as well as works related to the acquisition of 2 hydraulic grabs for unloading ships corresponding to the Conchan dock, among others for approximately S/10,077,000. Said projects were transferred from works in progress to their corresponding classification under the heading of "Mining concessions and property, plant and equipment, net".

(ii) UNICON Peru activated major maintenance of mixer trucks, pumps and front loaders for approximately S/6,838,000 and a concrete batching plant for approximately S/1,841,000, which were transferred to the corresponding items.

The transfers during the year 2019, correspond mainly to the following:

(i) The Company completed the works related to the projects to modify the central chamber of the multisilo, a new gypsum metal silo and aggregates, as well as the modernization of scales, implementation of the bagging system, big bag, with respective warehouse, firefighting system, and pavers from the Atocongo plant; change of rollers and bearings of the cement press 5 of the Condorcocha plant; reconstruction of the perimeter fence of the Cajamarquilla plant and the Iquitos concrete plant, among others for approximately S/39,682,000. Said projects were transferred from works in progress to their corresponding classification under the heading of "Mining concessions and property, plant and equipment, net"

(ii) UNICON made improvements in plants, transportation units, and machinery and equipment for an approximate amount of S/18,000,000, which were transferred to the corresponding items.

(g) As of December 31, 2020, it mainly includes the disposals of assets for approximately S/57,737,000 related to the suspension of the Atocongo thermal plant projects and the integral plan of the Cristina mining concession as a consequence of the pandemic COVID-19.

During 2019, the main sale of fixed assets corresponds to that made by the subsidiary Drake Materials, for the sale of mixer trucks whose net book cost amounted to approximately US$3,676,000 (equivalent to approximately S/12,276,000).

(h) The depreciation for the years 2020 and 2019 was distributed as follows:

	2020 S/(000)	2019 S/(000)
Cost of sales, note 24	412,457	424,991
Administrative expenses, note 25	11,946	14,853
Selling expenses, note 26	148	69
Other expenses, note 28	1,210	1,265
Inventories	3,240	1,498
	429,001	442,676

(i) During 2020, interests were capitalized for approximately S/1,708,000 (S/2,340,000 during 2019). The amount of capitalizable finance costs is determined applying the capitalization rate to the capital expenditures in qualified assets. The rate utilized to determine the amount of finance costs eligible for capitalization was 3.0 percent approximately as of December 31, 2020 (4.6 percent as of December 31, 2019).

(j) The foreign subsidiaries maintain mainly trust as security for the production line 2 of the plant located in Ecuador and plant, transport units and equipment located in the United States of America, guaranteeing bank loans, see note 16.1(c).

On the other hand, the UNICON Peru subsidiary, maintain mortgages of Ancieta and Villa El Salvador plants for up to S/100,000,000, with Scotiabank Peru to guarantee the loan obtained with this entity, see note 16.1(c).

Furthermore, Celepsa Renovables S.R.L. subsidiary, maintains two mortgages over property, plant and equipment for approximately US$40,820,000 (equivalent to S/147,932,000) to guarantee the loan obtained used in the construction of Hydroelectric Plant Marañon, see note 16.1(c).

(k) As of December 31, 2020, and 2019, the Group's management performed an evaluation of the state of use of its property, plant and equipment and non-found the indicators of impairment on these assets.

14. Deferred stripping cost, net

(a) This caption is made up as follows:

	S/(000)
Cost -	
As of January 1, 2019	164,912
Additions	-
As of December 31, 2019	164,912
Additions	-
As of December 31, 2020	164,912
Accumulated depreciation -	
As of January 1, 2019	(46,812)
Additions, note 24	(5,302)
As of December 31, 2019	(52,114)
Additions, note 24	(3,126)
As of December 31, 2020	(55,240)
Net book value -	
As of December 31,2020	109,672
As of December 31,2019	112,798

As of December 31, 2020 and 2019, the Group have three identifiable components that allow a specific volume of limestone pit and waste: Atocongo pit; North Atocongo and Pucara pit.

15. Intangibles assets, net

(a) The table below presents the composition and movement of the caption:

	Goodwill (c) S/(000)	List of Costumers S/(000)	Brand S/(000)	Concession for electricity generation (b) S/(000)	Environmental protection program S/(000)	Exploration expenses S/(000)	Software S/(000)	Other S/(000)	Total S/(000)
Cost -									
As of January 1, 2019	1,166,873	20,925	140,147	61,330	17,071	3,241	41,967	40,101	1,491,655
Additions	-	-	-	1,270	-	-	4,640	4,817	10,727
Corporate reorganization, note 1.2	-	-	-	-	-	-	2	-	2
Others	-	-	-	-	-	-	(676)	(365)	(1,041)
Translation adjustments	(786)	-	(2,425)	-	-	(56)	(96)	(287)	(3,650)
As of December 31, 2019	1,166,087	20,925	137,722	62,600	17,071	3,185	45,837	44,266	1,497,693
Additions	-	-	-	-	-	1,020	3,837	2,054	6,911
Others	-	-	-	-	-	-	-	(348)	(348)
Translation adjustments	6,052	-	12,779	-	-	296	498	561	20,186
As of December 31, 2020	1,172,139	20,925	150,501	62,600	17,071	4,501	50,172	46,533	1,524,442
Accummulated amortization -									
As of January 1, 2019	-	2,960	89	37,269	17,071	1,511	26,997	23,535	109,432
Additions (d)	-	2,177	32	2,754	-	214	5,179	2,015	12,371
Others	-	-	-	-	-	-	(1,021)	(7)	(1,028)
Translation adjustments	-	-	(10)	-	-	(26)	(69)	(1)	(106)
As of December 31, 2019	-	5,137	111	40,023	17,071	1,699	31,086	25,542	120,669
Additions (d)	-	2,177	30	1,484	-	1,245	4,876	1,913	11,725
Others	-	-	-	-	-	-	(185)	-	(185)
Translation adjustments	-	-	21	-	-	165	289	60	535
As of December 31, 2020	-	7,314	162	41,507	17,071	3,109	36,066	27,515	132,744
Net book value -									
As of December 31, 2020	1,172,139	13,611	150,339	21,093	-	1,392	14,106	19,018	1,391,698
As of December 31, 2019	1,166,087	15,788	137,611	22,577	-	1,486	14,751	18,724	1,377,024

(b) Corresponds to the disbursements made to develop the comprehensive project "El Platanal" consisting of the construction of two hydroelectric plants and a reservoir system for the irrigation of uncultivated land, as well as to obtain the definitive concession to develop the activity of electric power generation, which was obtained by UNACEM, by means of Supreme Resolution No. 130-2001-EM, dated July 25, 2001. On October 2, 2003, it was approved by Supreme Resolution No. 036-2003-EM the fractionation of the definitive power generation concession in two independent power generation concessions: G-1 "El Platanal" with an installed capacity of 220 MW and G-2 "Morro de Arica" with an installed capacity of 50 MW. On September 12, 2006, the transfer was approved through Supreme Resolution No. 053-2006-EM, as well as the transfer of the "El Platanal" project to the subsidiary Compañía Eléctrica El Platanal S.A. (CELEPSA) for a period of 25 years as of March 30, 2011, for which UNACEM receives in return royalties up to 3.55 percent of the monthly net income obtained by CELEPSA, for the sales of energy and power it performs to thirds. As of December 31, 2020, and 2019, the Group maintains the concession related to the G-1 "El Platanal" project, the G-2 "Morro de Arica" electricity generation project was rejected in 2017.

(c) The balance of goodwill consists of higher amounts paid for the acquisition of the following companies:

	Category	2020 S/(000)	2019 S/(000)
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.	Ready mix and aggregates – Perú	65,327	65,327
Maricopa Ready Mix & Subsidiaries, Sunshine Concrete & Materials Inc. and other	Ready mix and aggregates – United States of America	39,673	39,673
Unicon Chile S.A.	Ready mix - Chile	17,393	17,393
Lar Carbón S.A.	Cement - Perú	9,745	9,745
Prefabricados Andinos S.A.	Prefabricated - Chile	3,207	3,207
Unicon UCUE Cía. Ltda.,	Ready mix - Ecuador	1,734	1,734
		1,160,874	1,160,874
Translation adjustments		11,265	5,213
		1,172,139	1,166,087

The variations in the balances as of December 31, 2020 and 2019 in relation to the previous year are due to the variations in the exchange rate for the conversion of the functional currencies of those countries to soles, according to the conversion methodology described in the note 4.3 (e).

Impairment test of goodwill and indefinite useful life mark -
For the purposes of the impairment test, goodwill acquired through business combinations was assigned to the cash-generating units listed below:

Cash generating units (CGU):

	Category	2020 S/(000)	2019 S/(000)
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.	Ready mix and aggregates – Perú	65,327	65,327
Maricopa Ready Mix & Subsidiaries, Sunshine Concrete & Materials Inc. and other	Ready mix and aggregates – United States of America	39,673	39,673
Unicon Chile S.A.	Ready mix - Chile	17,393	17,393
Lar Carbón S.A.	Cement - Perú	9,745	9,745
Prefabricados Andinos S.A.	Prefabricated - Chile	3,207	3,207
Unicon UCUE Cía. Ltda.,	Ready mix - Ecuador	1,734	1,734
		1,160,874	1,160,874
Translation adjustments		11,265	5,213
		1,172,139	1,166,087

The recoverable amount of each CGU has been determined based on value in use, using projections of cash flows arising from financial budgets approved by Management, and the discount rate corresponding to the risk related. The cash flows are then projected a certain period and are using a growth rate that is similar to the average rate of long-term growth for the industry in which each CGU operates.

Show below the key assumptions used in the evaluation of impairment by each CGU:

	Category	Average discount rate %	Average long-term growth rate %	EBITDA margin average long-term %
Imbabura and Subsidiaries (included Unacem Ecuador S.A. and Cantyvol S.A.(*)	Cement - Ecuador	12.33	5.60	40.10
Concremax S.A., SAG Concreto Premezclado S.A. and Entrepisos Lima S.A.C.	Ready mix y aggregates – Perú	8.92	13.00	12.00
Drake Materials and Subsidiaries (included Drake Aggregates, Dessert Ready Mic, Maricopa Ready Mix & Subsidiaries, Sunshine Concrete & Materials Inc. and other.	Ready mix and aggregates – United Stated of America	6.00	6.20	41.90

(*) Evaluation includes the value of the brand Unacem Ecuador with indefinite useful life.

Key assumptions used in the calculation of the value in use.

- EBITDA margin –
  It is based in the historical values recorded in the prior years to the start of the beginning of the budget period and increases during the budget period with the efficiency improvements that are expected by the normal improvements of the productive process taking into consideration the country that operates each CGU.

- Discount rate -
  Future cash flows were adjusted according the specific risk assigned to the related assets and have been discounted to a rate after tax and the risk of each country.

- Growth rate -
  It is based on the market and, in general, is in line with the long-term inflation forecast for the countries where each CGU operates.

As of December 31, 2020, and 2019, the book value of the goodwill related to each CGU has been compared with the recoverable value and the Management has determined that it is not necessary to establish any provision for impairment.

Sensitivity to changes in the key assumptions used -

The assumptions described may change if the market conditions and the economy change. Respect to the evaluation of the value in use, the Group's Management believes that a material change in any of the key (growth rate and discount rate) used might cause that book value of the unit exceeds its recoverable value. In that sense, if for the CGU Cemento Ecuador, occurs an increase in the discount rate of 0.5 percent it supposed that the goodwill for this CGU would have an impairment to record for US$27,264,000 (equivalent to S/98,805,000).

(d) The amortization for the years 2020 and 2019 was distributed as follows:

	2020 S/(000)	2019 S/(000)
Cost of sales, note 24	4,497	5,290
Other expenses, note 28	4,037	4,285
Administrative expenses, note 25	2,789	2,402
Selling expenses, note 26	402	394
	11,725	12,371

16. **Other financial liabilities**

(a) This caption is made up as follows:

	2020			2019		
	Short-term S/(000)	Long-term S/(000)	Total S/(000)	Short-term S/(000)	Long-term S/(000)	Total S/(000)
Bonds and long-term loans (16.1)	679,405	3,345,632	4,025,037	439,987	3,470,826	3,910,813
Bank promissory notes (b) and (c)	430,440	-	430,440	138,061	-	138,061
Bank overdrafts (d)	278	-	278	93,129	-	93,129
	1,110,123	3,345,632	4,455,755	671,177	3,470,826	4,142,003

(b) Bank loans correspond to working capital loans at fixed annual rates that fluctuate between 2.35 and 3.68 percent per year, do not have specific guarantees and are renewed depending on the Group's working capital needs. As of December 31, 2020, and 2019, the balance by bank is as follows:

	Origin currency	Maturity	2020 S/(000)	2019 S/(000)
Creditor -				
BBVA Banco Continental	US$	May 2021	217,440	-
Banco de Crédito del Perú – BCP	S/	January 2021 and May 2021	123,000	-
Scotiabank Perú	S/	May 2021	90,000	-
Citibank N.A. New York	US$	-	-	116,095
Banco Internacional del Perú	S/	-	-	15,000
Banco de Crédito del Perú – BCP	US$	-	-	6,966
			430,440	138,061

(c) As of December 31, 2020, and 2019, interest payable on bank loans amounted to approximately S/2,926,000 and S/603,000, respectively, and is recorded in the caption "Trade and other payable" in the consolidated statements of financial position, see note 17(a). As of December 31, 2020, and 2019, interest expense totaled approximately S/9,502,000 and S/14,409,000, respectively, and are included in the caption "Finance costs" item in the consolidated statement of income, see note 30.

(d) As of December 31, 2019, overdrafts correspond mainly to obligations of the Company and Skanon with different financial entities in dollars for a total of S/58,095,000 and US$10,562,000 (equivalent to S/35,034,000), respectively.

16.1 Bank bonds and loans

(a) Below is the composition of the heading of bonds and debt with long-term banks, which have no associated guarantees:

	2020 S/(000)	2019 S/(000)
Corporate bonds (b)	465,307	494,139
Bank loans (c)	3,559,730	3,416,674
Total	4,025,037	3,910,813
Less - Current portion	679,405	439,987
Non-Current portion	3,345,632	3,470,826

(b) As of December 31, 2020, and 2019, the balance of the corporate bonds is detailed below:

	Annual interest rate %	Maturity	2020 S/(000)	2019 S/(000)
Bonds -				
Arizona State Bonds (b.1)	Between 2.75 and 3.245 + variable rate	September 2035 and November 2035	416,760	381,455
Corporate Bonds (b.2)	Between 4.93 y 5.16	March 2023	60,000	120,000
			476,760	501,455
Amortized Cost			(11,453)	(7,316)
			465,307	494,139

(b.1) On November 18, 2010, Drake Cement, LCC obtained financing through the bond issue of the Yavapai County Development Authority, Arizona, United States of America, with the purpose of financing part of the investment in the plant. of cement of said subsidiary up to an amount of US$40,000,000 with maturity in September 2035 and a monthly interest payment based on a variable interest rate (Securities Industry and Financial Markets Association Index rate) of a variable rate plus 3.245 percent, versus a maximum interest rate of 12 percent. The bonds are guaranteed by a letter of credit from the bank, see note 33.1 (c).

Additionally, on July 30, 2015, it made a new bond issue, with the purpose of refinancing loans for the construction of the cement plant, paying for the acquisition of assets, materials and facilities for up to an amount of US$75,000,000, maturing in September 2035 and a monthly interest payment based on a variable interest rate (Securities Industry and Financial Markets Association Index rate) of a variable rate plus 2.75 and 0.1 percent, compared to a rate maximum interest rate of 12 percent. The bonds are guaranteed by a letter of credit from the bank, see note 33.1 (c).

These bonds have the following conditions:

- The subsidiary Drake Cement cannot increase its debt, by more than US$5,000,000 of the outstanding balance at the time of the bond issue, excluding refinancing.
- Maintain an interest coverage ratio equal to or greater than 1.0.

In Management's opinion, Drake Cement has been complying with the restrictive consideration and the financial safeguard required by the Yavapai state as of December 31, 2020 and 2019.

(b.2) On April 7, 2010, the General Shareholders Meeting approved the proposal for the "Second Debt Instrument Issuance Program for up to a maximum outstanding amount of US$150,000,000, or its equivalent in soles." In the months of March and December 2013, the Company placed the first, second and third issue of the Second Corporate Bond Program for an amount of S/60,000,000 each. As of December 31, 2020, and 2019, the Company maintains payable the amount of the first and second issue for a total of S/120,000,000.

(c) The composition of the caption "Bonds and long-term loans" is as follows:

	Company	Maturity	Start amount (000)	Currency	Use of funds	Guarantee	2020 S/(000)	2019 S/(000)
Bank loans -								
Banco de Crédito del Perú – BCP	Unión Andina de Cementos S.A.A.	November 2025 and October 2026	833,500	S/	Redemption foreign bond	No guarantees	793,780	838,640
Scotiabank del Perú	Unión Andina de Cementos S.A.A.	March 2022, October 2024, March 2025 and October 2025	715,200	S/	Refinancing of financial liabilities short term and redemption foreign bond	No guarantees	621,547	533,771
Banco Internacional del Perú	Unión Andina de Cementos S.A.A.	September 2022, October 2024, March 2025 and June 2025	524,160	S/	Refinancing of financial liabilities and redemption foreign bond	No guarantees	488,385	654,160
BBVA Banco Continental	Unión Andina de Cementos S.A.A.	February 2022 and November 2024	400,500	S/	Refinancing of financial liabilities	No guarantees	323,357	349,071
Citibank N.A. (c.1)	Unión Andina de Cementos S.A.A.	October 2025	50,000	US$	Refinancing of financial liabilities	No guarantees	181,200	165,850
Santander S.A. (c.1)	Unión Andina de Cementos S.A.A.	November 2023	45,000	US$	Refinancing of financial liabilities	No guarantees	163,080	149,266
Santander S.A.	UNACEM Ecuador S.A.	March 2023	35,000	US$	Working capital and investments	No guarantees	126,840	-
Banco de Crédito del Perú – BCP	Unión Andina de Cementos S.A.A. y Skanon Investment Inc,	March 2022 and March 2027	34,000	US$	Refinancing of financial liabilities	No guarantees	123,216	-
Banco de Crédito del Perú – BCP	Celepsa Renovables S.R.L.	August 2030	31,400	US$	Financing for Construction of the Marañón Hydroelectric Power Plant	Guarantee on movable and immovable property, see note 13(j)	102,756	98,555
Bank of Nova Scotia (c.1)	Unión Andina de Cementos S.A.A.	September 2025	30,000	US$	Partial Redemption foreign bond	No guarantees	103,284	99,510
Scotiabank del Perú	Unión de Concreteras S.A.	April 2025	72,000	S/	Financing for the purchase of UNICON Chile	Guarantee on real estate, see note 13(j)	72,000	72,000
Banco Internacional del Perú (c.2)	Various	Between March 2023 and September 2023	34,387	S/	Working capital	Reactiva Peru	34,387	-
Citibank N.A. (New York)	UNACEM Ecuador S.A.	July 2024	-	US$	-	No guarantees	31,559	34,966
Scotiabank del Perú	Compañía Eléctrica el Platanal S.A.	September 2021	47,500	US$	Refinancing of financial liabilities	Administration and guarantee trust, see note 33.1(c)	27,180	58,048
Banco de Crédito del Perú – BCP	Compañía Eléctrica el Platanal S.A.	September 2021	30,000	US$	Refinancing of financial liabilities	Administration and guarantee trust, seer note 33.1(c)	24,571	50,550
BBVA Banco Continental	Generación Eléctrica de Atocongo S.A.	December 2024	28,773	S/	-	No guarantees	28,773	28,773
Scotiabank (Chile)	Unicon Chile S.A.	Between April 2021 and October 2023	-	Chilean pesos	-	No guarantees	15,257	8,764
Banco Scotiabank (Chile) (c.1)	Prefabricados Andinos S.A.	August 2021	4,000	US$	-	Letter of credit, see note 33.1(b)	14,490	13,341
BBVA Banco Continental (c.1)	Prefabricados Andinos Colombia S.A.S	November 2022	-	Colombian Pesos	-	Letter of credit, see note 33.1(b)	11,486	11,076
Banco de Crédito del Perú – BCP (c.2)	Compañía Eléctrica el Platanal S.A. and subsidiaries	May 2023	11,461	S/	Working capital	Reactiva Peru	11,461	-
Scotiabank del Perú (c.2)	ARPL Tecnología Industrial S.A.	July 2023	10,000	S/	Working capital	Reactiva Peru	10,000	-
Santander S. A.	Staten Island Company and subsidiaries	June 2025	3,700	US$	-	No guarantees	9,970	11,554
Banco Internacional del Perú – INTERBANK	Prefabricados Andinos Perú S.A.C.	February 2022	24,800	S/	-	Leased goods	6,625	12,259
Banco Internacional S.A. – Ecuador	UNACEM Ecuador S.A.	-	-	US$	-	No guarantees	-	18,360
Other less than S/10,000,000			-	-	-		58,455	24,396
							3,383,659	3,232,910
Amortized cost							(15,800)	(19,077)
							3,367,859	3,213,833

	Company	Maturity	Start amount (000)	Currency	Use of funds	Guarantee	2020 S/(000)	2019 S/(000)
Finance leases -								
Banco de Crédito del Perú - BCP	Compañía Eléctrica el Platanal S.A.	May 2021	109,673	S/	Leased goods	-	49,935	54,151
Scotiabank (Chile)	Unicon Chile S.A.	March 2024	-	Chilean pesos	Leased goods	-	3,315	3,630
							53,250	57,781
Amortized Cost							(105)	(430)
							53,145	57,351
Finance leases -								
Consorcio Transmantaro S.A.	Compañía Eléctrica el Platanal S.A.	July 2039	-	US$	Leased goods	-	55,762	51,488
Scotiabank del Perú	Varios	Between January 2021 and December 2023	-	-	Leased goods	-	26,263	29,756
Banco de Crédito e Inversiones (BCI) (c.1)	Prefabricados Andinos S.A.	November 2027	-	Chilean pesos	Leased goods	-	11,087	10,628
Scotiabank del Perú	Varios	Between January 2021 and octubre 2022	-	-	Leased goods	-	8,538	11,834
Other less than S/10,000,000							36,679	35,945
							138,329	139,651
Factoring							397	5,839
Total							3,559,730	3,416,674

(c.1) The Company signed swap contracts to reduce the variable rate risk related to these loans, see note 34.1(i)(a).

(c.2) The Group acquired long-term loans during 2020 for approximately S/55,848,000 with various Peruvian local entities, through the Reactiva Peru program created by Legislative Decree No. 1457 in order to respond quickly and effectively to liquidity needs in the face of the impact of COVID-19. Said loan accrues an interest between 0.88 and 1.18 percent per annum and matures between March 2023 and September 2023 with a grace period of 12 months.

(d) The financial covenants applicable to the Other financial liabilities of the Company are the quarterly monitored and should be calculated on the base of the consolidated financial information and the calculation methodologies required by each financial institution.

As of December 31, 2020, the main financial covenants that the Company maintains with each financial entity fluctuate in the rates or indices following:

Unión Andina de Cementos S.A.A.:

- Maintain a leverage ratio greater or equal to 1.5 times.
- Maintain debt service coverage ratio major o equal to 1.2 times debt.
- Maintain an interest coverage ratio major o equal to 3.0 times.
- Maintain a debt coverage ratio of financial debt/EBITDA minor or equal to 3.75 and 4.10 times.

Unacem Ecuador S.A.:

- Maintain debt service coverage ratio major o equal to 1.2 times debt.
- Maintain a debt coverage ratio of financial debt/EBITDA minor or equal to 3.75 times.

Unión de Concreteras S.A.

- Maintain debt service coverage ratio major than or equal to 1.2 times.
- Maintain a debt coverage ratio of financial debt/EBITDA minor or equal to 2.5 times.

Concremax S.A.

- Maintain debt service coverage ratio major than or equal to 1.25 times.
- Maintain a debt coverage ratio of financial debt/EBITDA minor or equal to 2.5 times.

Unicon Chile S.A.:

- Maintain debt service coverage ratio major than or equal to 1 time.
- Maintain a leverage ratio minor or equal to 1.8 times.
- Maintain a debt coverage ratio of financial debt/EBITDA minor or equal to 3.5 times.

Compañía Eléctrica El Platanal S.A.

- Debt service coverage ratio: major or equal to 1.10 times.
- Debt ratio: minor or equal to 1 time.

Celepsa Renovables S.R.L.

- Debt service coverage ratio: major or equal to 1.20 times.
- Debt ratio: minor or equal to 1 time.

Prefabricados Andinos Perú S.A.

- Maintain a leverage ratio maximum to 1 time.
- Maintain a debt ratio maximum to 3.0 times.
- Maintain debt service coverage ratio minimum to 1 time.

Additionally, the following financial safeguard has been established, which is calculated based on the consolidated quarterly financial information of the Company:

Unión Andina de Cementos S.A.A. and subsidiaries:

- Maintain an index debt minor or equal to 1.5 times.
- Maintain a debt coverage ratio that equals to financial debt/EBITDA minor or equal to 6.5 times for the year 2020, 4.75 times for the year 2021, 4.00 times for the year 2022 and 3.75 times from 2023 onwards.
- Maintain a debt service coverage ratio greater than 1 time for 2020, 1.10 times for 2021 and 1.20 times from 2022 onwards.

Skanon Investments, Inc and subsidiaries:

- Maintain a leverage ratio maximum to 1 time.

As of December 31, 2020, the Company, GEA, PREANSA Perú y Unicon Chile does not comply with the debt coverage ratio; However, the Company obtained the waivers duly approved and granted by the creditor banks, so that the breach of the financial covenants does not constitute “Default” or “Event of default”, (as established in the respective loan contracts). As of December 31, 2019, the Company was in compliance with all financial covenants.

(e) As of December 31, 2020 and 2019, the interest payable on bonds and debt with banking entities in the medium and long term amounted to approximately S/18,261,000 and S/25,162,000, respectively, and are recorded in the caption "Trade and other payables" of the consolidated statement of financial position, note 17(a).

The interest generated by bank bonds and loans during 2020 and 2019, amounted to approximately S/184,515,000 and S/206,536,000, respectively, and is included in the item "Financial expenses" of the consolidated statement of income, see note 30.

(f) The movement of other financial liabilities is as follows:

	2020 S/(000)	2019 S/(000)
Opening balance	4,142,003	4,381,122
Additions	1,407,623	1,308,210
Leasing additions	31,649	43,333
Payments	(1,272,167)	(1,564,252)
Amortized cost	(535)	6,186
Exchange difference and translation adjustment	142,920	(36,139)
Corporate reorganization, note 1.2	-	857
Others	4,262	2,686
Ending balance	4,455,755	4,142,003

(g) As of December 31, 2020, the Company maintains bank loans in soles with effective annual interest rates in soles that fluctuate between 2,52 to 8.06 percent. Bank loans in dollars are at a variable rate plus a margin (3-month Libor rate plus a margin that fluctuates between 1.5 to 2.60 percent) and at a fixed rate between 1 to 12 percent.

As of December 31, 2019, the Company maintains bank loans in soles with effective annual interest rates in soles that fluctuate between 2.4 to 12.0 percent. Bank loans in dollars are at a variable rate plus a margin (3-month Libor rate plus a margin that fluctuates between 1.75 to 3.39 percent).

17. Trade and other payables

(a) This caption is made up as follows:

	2020 S/(000)	2019 S/(000)
Trade payables (b)	454,876	485,514
Remunerations and vacations payables	52,943	56,872
Customer advances (d)	33,464	43,998
Accounts payable to related entities, note 31(b)	22,753	20,191
Interest payable, note 16(c) and 16.1(e)	21,187	25,765
Tax payable	17,800	15,603
Commitments to communities	17,621	-
Dividends payable (c), note 22(e)	11,668	13,553
Valued added tax	10,492	3,334
Derivative financial instrument	2,198	1,417
Director's remunerations payable	1,247	4,633
Other accounts payable	45,171	45,387
	691,420	716,267
Classification by maturity:		
Current	648,872	681,143
Non-current	42,548	35,124
	691,420	716,267

(b) The trades payable arising, mainly, by acquisition of assets and services for Group's activities of production and correspond to payable invoices to supplier local and foreign, have current maturity, do not earn interests and do not have guarantees.

The subsidiaries UNICON Peru and CONCREMAX offer their suppliers a program for the payment of their accounts through financial institutions. This program allows suppliers to sell their accounts receivable to financial institutions in a separate negotiated agreement between the supplier and the financial institution, allowing suppliers to better manage their cash flows and the Subsidiaries to reduce their payment processing costs. These Subsidiaries have no direct financial interest in these transactions.

All obligations with its suppliers, including the balances payable, are maintained according to the contractual agreements entered into with them. As of December 31, 2020, and 2019, the balances related to these operations amount to S/67,357,000 and S/71,010,000, respectively.

(c) Corresponds to the balance of the amount payable on dividends from the absorbed companies, of which S/28,506,000 have been paid to date.

(d) As of December 31, 2020 and 2019, corresponds mainly to:

Unión de Concreteras S.A.:
Corresponds to the contracts signed by this subsidiary, to supply ready-mix concrete for which it has received advances from its clients for S/20,325,000 and S/25,265,000, respectively. These advances are discounted from the valuations by the concrete dispatches during the first months of the year 2020 and 2019, respectively.

As of December 31, 2020, the advances received mainly comprise Edificaciones JK S.A.C., Consorcio Puente de Loreto, Consorcio Santa Fe, Consorcio PTA Pachacutec, Grinor S.A. (Consorcio Puentes de Loreto, Consorcio Manchay, Constructora Santa Fe, Consorcio PTA Pachacutec y Grinor as of December 31, 2019).

In guarantee of the fulfillment of these contracts, this subsidiary has provided bank guarantees in favor of its clients for approximately S/16,710,000 as of December 31, 2020 (approximately S/26,812,000 as of December 31, 2019).

Concremax S.A.:
Corresponds to contracts to supply ready-mix concrete for which it has received advances from its clients. These advances are discounted from the valuations for the concrete dispatches carried out. In guarantee of the fulfillment of these contracts, this subsidiary has provided bank guarantees in favor of its clients for approximately S/2,960,000 and US$894,000 as of December 31, 2019.

Entrepisos Lima S.A.C.:
Corresponds to the contracts signed to supply concrete slabs and precast for which it has received advances from its clients. These advances are discounted from the valuations for the dispatches made.

Unicon Ecuador:
Corresponds to the money delivered by clients to anticipate their shift in production, they are not older than 30 days.

Preansa Chile:
Corresponds to advances made by clients to start precast projects by the PREANSA Chile subsidiary for approximately S/3,386,000 (S/13,331,000 as of December 31, 2019). Likewise, the subsidiary PREANSA Peru received advance payments from clients under the contracts signed for the manufacture, transport and assembly of precast concrete structures of approximately S/910,000 (S/243,000 as of December 31, 2019).

Prefabricados Andinos Perú S.A.C:
Corresponds to customer advances under the contracts signed for the manufacture, transportation and assembly of precast concrete structures, amounting to approximately S/910,000 (approximately S/243,000 as of December 31, 2019). These advances will be discounted from the final valuations that are expected to be made during the year, upon delivery of the property.

18. Deferred income

(a) This caption is made up as follows:

	2020 S/(000)	2019 S/(000)
Cement and clinker	12,728	14,089
Leaseback financial(b)	2,325	2,161
Other	834	1,933
	15,887	18,183

(b) In 2013, CELEPSA made a financing operation under leaseback modality and obtained a greater value of assets as a result of appraisal of themselves, this higher value originated a charge in caption "Mining concessions and property, plant and equipment" with a credit to "Trade and other payables" for S/21,675,000. They are being recognized in the consolidated statement of income according to the term of leaseback contract, which matures in the year 2021 and the higher value is depreciated according to the useful life assigned.

As of December 31, 2020 and 2019 CELEPSA has deferred income of approximately S/2,325,000 and S/2,161,000, respectively, generated by the amortization of the installments paid from the financial lease with Banco de Crédito del Perú, see note 16.1(c).

19. Provisions

(a) This caption is made up as follows:

	Current		Non-current	
	2020 S/(000)	2019 S/(000)	2020 S/(000)	2019 S/(000)
Workers' profit sharing (b)	37,964	50,917	-	-
Quarry closure provision (d)	6,341	3,982	39,109	40,993
Severance indemnities	4,371	4,332	-	-
Employer retirement of workers (c)	-	-	18,995	17,882
Eviction provision of workers (c)	-	-	4,495	4,346
Other provisions	6,032	3,660	931	3,934
	54,708	62,891	63,530	67,155

(b) In accordance with Peruvian legislation, the Group's entities maintain a workers' profit-sharing plan ranging between 5 and 10 percent of the annual taxable income depending on the economic sector in which they operate. Distributions to employees under the plan are based 50 percent on the number of days that each employee worked during the preceding year and 50 percent on proportionate annual salary levels.

According to Ecuadorian legislation, group entities within the scope of Ecuador's workers have right to participate in 15 percent of net income. In the case of subsidiary Canteras y Voladuras S.A., 3 percent of net income is distributed between workers and 12 percent is delivered to the Internal Revenue Service (acronym in Spanish "SRI").

Employee participation expense for the years 2020 and 2019 amounts approximately to S/45,740,000 and S/79,888,000, respectively, and is recorded in the consolidated statement of income, see note 27(a).

(c) As of December 31, 2020, and 2019, the benefits to employees, by the subsidiaries of Ecuador, correspond to:

Employer retirement of workers –
According with the provisions of the Worker's Code of Ecuador, the subsidiaries of the Group in Ecuador that maintain workers that by 25 years or more provide theirs services in continuous or interrupted form, shall be the right to be retired by their employers without prejudice of the employer retirement that correspond in their condition of affiliates to Social Security Institute.

Eviction of workers –
Likewise, according with the reform of the Worker's Code of Ecuador, issued on the 2016. In the case of the termination of the employment relationship defined by the employee, the subsidiaries of the Group in Ecuador, will deliver the 25 percent of the last monthly remuneration by each of the years of service as long as the employee had formally notified his departure.

The Management performed the provisions based in the studies perform for actuarial specialist using the following actuarial hypothesis, by the years 2020 and 2019:

	2020 %	2019 %
Discount rate	3.20	4.21
Salary increase rate	1.40	1.50
Table of mortality and disability (*)	Table IESS	Table IESS
Rotation rate (average)	4.17	4.84
Length to retirement (men and women)	25 years	25 years

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

According to the projections of the Group Management, these liabilities will be realized in the long term.

(d) As of December 31, 2020, and 2019, the Group maintains in Peru a provision for future closure costs of its mines to be occurring by UNACEM between 3 and 33 years, UNICON Peru between 6 and 23 years and by CONCREMAX 3 years, respectively. These companies maintain balances of approximately S/32,811,000, S/7,341,000 and S/1,432,000, (S/32,066,000, S/6,728,000 and S/2,302,000 as of December 31, 2019), respectively.

Additionally, the Environmental Management Law and the Environmental Regulations for Mining Activities in Ecuador, requires the completion of a restoration plan for the concessions of Selva Alegre, Cumbas and Pastaví, the same that hold a future closure plan based on assessment such pit, the concession periods are 22, 21 and 22 years, respectively, for approximately S/2,650,000 y S/2,154,000, as of December 31, 2020 and 2019, respectively.

Likewise, Unicon Chile maintains a provision for the future cost of dismantling its plants for 7 years, for approximately S/1,216,000 and S/1,725,000 as of December 31, 2020 and 2019, respectively.

Based on the current economic environment, Management adopted certain assumption which are considered reasonable to make an estimation of future liabilities. These estimates are reviewed annually to take into account any significant change in the assumptions. However, the actual costs of pits closure finally depend on future market prices for the necessary works of abandonment that will reflect market conditions at the relevant time. In addition, the actual closing time depends on when the mines cease to produce economically viable products.

As of December 31, 2020, the Group recognized the effect of restatement due to quarry closing liabilities for approximately S/1,762,000 (S/1,734,000 during 2019), which is recorded in income for the year, within the caption "Financial costs", see note 30(a). The Management's Group considers that this liability is sufficient to comply with the current environmental protection laws approved in each country.

20. Income tax

(a) The composition of the liability for deferred income tax arises, according to the caption that originated:

	As of January 1, 2019 S/(000)	Effect in consolidated statement of income S/(000)	Translation adjustments S/(000)	Charged to other comprehensive income S/(000)	Corporate reorganization, note 1.2 S/(000)	As of December 31, 2019 S/(000)	Effect in consolidated statement of income S/(000)	Translation adjustments S/(000)	Charged to other comprehensive income S/(000)	Other S/(000)	As of December 31, 2020 S/(000)
Activo por impuesto a las ganancias diferido											
Tax loss carryforwards, note 33.3(d)	234,318	14,828	(2,838)	-	-	246,308	18,550	15,360	-	557	280,775
impairment of inventories	10,639	503	(259)	-	-	10,883	5,256	412	-	-	16,551
Derivative financial instruments	6,985	(1,779)	61	3,067	-	8,334	1,032	7	4,286	-	13,659
Provision for vacation	9,452	465	(66)	-	1,015	10,866	(1,421)	61	-	-	9,506
Pre-operating expenses	6,540	308	-	-	-	6,848	-	-	-	-	6,848
Pit closure provision	3,209	785	(10)	-	-	3,984	872	53	-	-	4,909
Employer retirement and Eviction of workers	582	631	(14)	81	-	1,280	568	128	-	-	1,976
Amortization of intangibles assets	2,476	(1,259)	(13)	-	-	1,204	(157)	(3)	-	-	1,044
Deferred income	2,716	(1,214)	(164)	-	-	1,338	(1,053)	30	-	-	315
Other provisions	20,568	1,657	(181)	2,274	(5,268)	19,050	4,711	1,097	(2,269)	(2)	22,587
Total deferred income tax asset	297,485	14,925	(3,484)	5,422	(4,253)	310,095	28,358	17,145	2,017	555	358,170
Deferred income tax liability											
Differences on fixed assets between financial and tax base	(703,512)	17,702	888	-	(4,623)	(689,545)	37,638	(4,577)	-	-	(656,484)
Brand, customer list and other intangibles assets	(48,506)	(1,610)	764	-	-	(49,352)	101	(3,754)	-	-	(53,005)
Stripping cost	(34,839)	1,564	-	-	-	(33,275)	707	-	-	-	(32,568)
Borrowing cost	(33,422)	1,459	-	-	-	(31,963)	1,653	-	-	-	(30,310)
Deferred commissions	-	(1,680)	-	-	-	(1,680)	(53)	-	-	-	(1,733)
Other provisions	(3,729)	1,678	2	-	-	(2,049)	229	(8)	-	-	(1,828)
Total movement of deferred tax liabilities, net	(824,008)	19,113	1,654	-	(4,623)	(807,864)	40,275	(8,339)	-	-	(775,928)
Total deferred tax liability, net	(526,523)	34,038	(1,830)	5,422	(8,876)	(497,769)	68,633	8,806	2,017	555	(417,758)

The Group's Management has made an assessment of the recovery of its tax loss and has recorded the probable amount that it will recover with the future taxable profits, which are mainly based on the estimate of contract renewal with CPC and power generation contracts.

(b) The current and deferred portions of the provision for income tax for the years ended 2020 and 2019 are comprised as follows:

	2020 S/(000)	2019 S/(000)
Income tax:		
Current	(124,302)	(211,028)
Deferred	68,633	34,038
Compensation for tax loss	7,288	8,414
	(48,381)	(168,576)
Mine royalties, note 33.5	(3,085)	(4,176)
	(51,466)	(172,752)

(c) The balance of deferred income tax assets and liabilities, net per company is as follows:

Subsidiary	Deferred assets, net		Deferred liabilities, net	
	2020 S/(000)	2019 S/(000)	2020 S/(000)	2019 S/(000)
Skanon Consolidado	154,422	137,929	-	-
Prefabricados Andinos S.A.	7,778	6,060	-	-
Unicon Chile S.A.	5,239	2,728	-	-
Prefabricados Andinos Perú S.A.C	3,951	1,698	-	-
Celepsa Renovables S.R.L.	3,358	3,355	-	-
Generación Eléctrica Atocongo S.A.	735	138	-	-
Ecorer S.A.C.	607	107	-	-
Inversiones en Concreto y Afines S,A.	571	111	-	-
Depósito Aduanero Conchán S.A.	558	457	-	-
ARPL Tecnología Industrial S.A.	337	1,259	-	-
Transportes Lurín S.A.	138	143	-	-
Entrepisos Lima S.A.	91	76	-	-
Minera Adelaida S,A.	74	71	-	-
Inversiones Imbabura S,A.	6	528	-	-
Ambiental Andina S.A.C.	4	13	-	-
Unión Andina de Cementos S.A.A.	-	-	419,820	475,620
Compañía Eléctrica el Platanal S.A.	-	-	85,484	84,267
Unacem Ecuador S.A. and subsidiary	-	-	62,378	59,603

Subsidiary	Deferred assets, net		Deferred liabilities, net	
	2020 S/(000)	2019 S/(000)	2020 S/(000)	2019 S/(000)
Unión de Concreteras S.A.	-	-	8,949	10,697
Unicon Chile S.A.	-	-	6,811	7,326
Inversiones Nacionales y Multinacionales S.A.	-	-	4,923	4,923
Concremax S.A.	-	-	1,545	4,241
UNICON UCUE Cía. Ltda.	-	-	3,162	3,351
Prefabricados Andinos Colombia S.A.S	-	-	629	603
Vigilancia Andina S.A.	-	-	223	250
Others	(541)	-	1,162	1,561
	177,328	154,673	595,086	652,442

(d) The table below presents the conciliation of the effective tax rate and the legal tax rate for the years 2020 and 2019:

	2020 S/(000)	2019 S/(000)
Income before tax	167,412	525,661
Income tax according tax rate (*)	46,114	158,286
Non-deductible expenses, net	(9,183)	4,648
Rectification of previous years	11,450	5,642
Income tax expense	48,381	168,576

(*) The theoretical income tax has been calculated with the rates applicable to the operations of the Company and its Subsidiaries

21. Non-controlling interests

(a) Non-controlling interests are included in the consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of income according to the table presented below:

	Percentage of participation of third		Income (loss)		Equity		Participation of non-controlling interests in the income of the Company		Non-controlling interests in equity of the Company	
Company	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	%	%	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Skanon Investments Inc. and Subsidiaries (b)	4.77	4.77	9,032	(19,392)	858,678	777,499	24,110	(3,271)	67,231	39,677
Compañía Eléctrica El Platanal S.A. and Subsidiaries (b)	10.00	10.00	4,931	44,111	744,808	739,875	525	4,402	74,952	74,424
Inversiones en Concreto y Afines S.A. and Subsidiaries	6.62	6.62	(19,016)	24,541	410,014	423,096	(896)	2,231	33,190	33,694
Prefabricados Andinos Perú S.A.C. and Subsidiaries	49.98	49.98	(5,308)	(6,801)	17,961	22,291	(2,653)	(3,399)	8,977	11,141
Prefabricados Andinos S.A.	49.00	49.00	2,766	592	10,139	5,375	1,355	290	4,967	2,633
Inversiones Imbabura S.A. and Subsidiaries	0.95	1.11	81,798	92,133	1,553,524	1,434,405	800	1,016	4,805	4,540
	-		10,899	(1,535)	103,105	77,481	9,634	-	9,362	-
							32,875	1,269	203,484	166,109

(b) As December 31, 2020 and 2019, the balance of non-controlling interest in the income and equity of each company includes the minority shareholdings of each consolidated of the subsidiaries. During 2020, Inversiones Imbabura S.A. acquired 67,000 shares of UNACEM Ecuador S.A. for approximately US$661,000 (equivalent to S/2,387,000).

22. **Net equity**

(a) Capital stock –

As of December 31, 2020, and 2019 the capital of the Company is represented by 1,818,127,611 common shares fully subscribed and paid, with a nominal value of S/1 per share. The common shares representative of the Company's capital stock is traded on the Lima Stock Exchange.

After the effects of the merger made by the Company with Sindicato de Inversiones y Administración S.A., Inversiones Andino S.A. e Inmobiliaria Pronto S.A., see note 1.2(a), the Company's shareholding composition as of December 31, 2020 is as follows:

Shareholders	Number of shares	Percent of participation %
Inversiones JRPR S.A.	456,669,897	25.12
Nuevas Inversiones S.A.	459,129,497	25.25
AFP's	428,472,731	23.57
Other	473,855,486	26.06
	1,818,127,611	100.00

The Company's shareholding composition as of December 31, 2019 is presented below:

Shareholders	Number of shares	Percent of participation %
Inversiones JRPR S.A.	455,919,897	25.08
Nuevas Inversiones S.A.	459,129,497	25.25
AFP's	419,008,213	23.05
Other	484,070,004	26.62
	1,818,127,611	100.00

As of December 31, 2020, the share price of each share was S/1.55 (S/2.00 as of December 31, 2019).

(b) Additional capital -

Corresponds to the variation between the capital increase made by the merger of the Company with SIA, IASA and PRONTO and the registered equity, see note 1.2(a).

(c) Legal reserve -

Under the terms of the General Corporation Law Peruvian, it is required that at least 10 percent of the distributable profit for each year, less income tax, has to be transferred to a legal reserve until such reserve equals to 20 percent of the share capital. The legal reserve may offset any losses or may be capitalized, existing in both cases the obligation to replenish it. As of December 31, 2019 the legal reserve reached the top of 20 percent of the issued capital.

During 2019, the Company has transferred the amount of S/33,428,000 of accumulated results to the legal reserve.

(d) Unrealized net income -

It corresponds to the fair value changes on hedging financial instruments, net of its corresponding tax effect, see note 34.1(i)(a).

(e) Dividend distributions –

The information on the dividends distributed in the years 2020 and 2019 is presented below:

Dividends 2020:

Board session date	Dividends declared and paid S/(000)	Payment date	Dividends per common share
January 31, 2020	23,636	04.03.2020	0.013
	23,636		

During the month of April 2021, the Company decided to suspend the quarterly distribution of dividends to shareholders, due to the COVID-19 pandemic.

Dividends 2019:

Board session date	Dividends declared and paid S/(000)	Payment date	Dividends per common share
January 25, 2019	21,405	28.02.2019	0.013
May 2, 2019	23,636	04.06.2019	0.013
July 26, 2019	23,636	29.08.2019	0.013
October 23, 2019	23,635	27.11.2019	0.013
	92,312		

During 2020, the subsidiary of UNACEM Ecuador distributed dividends to its non-controlling shareholders for approximately S/319,000 (the subsidiaries of CELEPSA, INVECO and UNACEM Ecuador for approximately S/4,766,000 in the years 2020 and 2019). As of December 31, 2020 and 2019, said companies paid dividends of S/565,000 and S/3,804,000.

As of December 31, 2020, they maintain a balance pending payment of dividends for approximately S/11,668,000 (S/13,553,000 as of December 31, 2019), see note 17(a).

(f) Result from foreign currency translation –
Correspond mainly to the exchange differences resulting from the translation of financial statements of foreign subsidiaries to the Group's presentation currency. As of December 31, 2020, and 2019, the exchange difference resulting from each foreign subsidiary is as follow:

	2020 S/(000)	2019 S/(000)
Skanon Investments, Inc. and Subsidiaries	179,578	110,876
Imbabura S.A. and Subsidiaries	96,965	57,525
Staten Island Company, Inc. and Subsidiaries	10,537	1,047
Inversiones en Concreto y Afines S.A. and Subsidiaries	2,475	(4,125)
Prefabricados Andinos Perú S.A. and Subsidiary	(542)	(1,031)
Prefabricados Andinos S.A.	(1,090)	(1,624)
	287,923	162,668

The effect in the statement of comprehensive income of the years 2020 and 2019 attributable to the controlling equity amounted to S/125,255,000 and S/22,225,000, respectively.

23. Net sales

This caption is made up as follows:

	2020 S/(000)	2019 S/(000)
Segments		
Sale of cement	2,077,972	2,288,952
Concrete	1,305,622	1,626,824
Energy and power	173,901	168,707
Other services	17,814	15,500
	3,575,309	4,099,983
Revenue recognition time		
Goods transferred at a point in time	3,318,184	3,817,401
Service provision at a point in time	257,125	282,582
	3,575,309	4,099,983

24. Cost of sales

This caption is made up as follows:

	2020 S/(000)	2019 S/(000)
Beginning balance of finished goods and in process goods, note 9(a)	354,805	276,286
Cost of production:		
Consumption of raw material	604,806	798,249
Personnel expenses, note 27(b)	485,776	570,301
Fuel	288,011	431,758
Depreciation, note 13(h)	412,457	424,991
Maintenance	168,746	204,519
Electrical energy	99,717	105,578
Consumption of packaging	82,533	92,159
Transmission costs freight	62,232	88,288
Transport of raw materials	51,253	89,153
Amortization of right of use, note 12(c)	9,868	9,963
Quarry preparation	4,267	8,185
Depreciation for deferred assets for clearing, note 14	3,126	5,302
Amortization, note 15(d)	4,497	5,290
Transport, assembly and rental of cranes	2,523	4,589
Royalty expenses, note 33.5	2,323	2,733
Inventory devaluation estimate, note 9(e)	18,771	2,384
Other manufacturing expenses	266,256	210,028
Ending balance of finished goods and in process goods, note 9(a)	(193,421)	(354,805)
	2,728,546	2,974,951

25. Administrative expenses

This caption is made up as follows:

	2020 S/(000)	2019 S/(000)
Personnel expense, note 27(b)	125,494	144,222
Services rendered by third parties	57,518	63,922
Other management charges	15,508	19,020
Taxes	12,465	13,134
Grants	13,864	15,838
Depreciation, note 13(h)	11,946	14,853
Estimation for doubtful accounts, note 8(i)	5,136	6,601
Amortization, note 15(d)	2,789	2,402
Amortization of rights in use, note 12(c)	732	665
Others	3,996	8,391
	249,448	289,048

26. Selling expenses

(a) This caption is made up as follows:

	2020 S/(000)	2019 S/(000)
Advertising and marketing (b)	40,120	61,250
Personnel expenses, note 27(b)	30,235	32,049
Amortization, note 15(d)	402	394
Depreciation, note 13(h)	148	69
Amortization of right of use, note 12(c)	19	15
Others	18,397	18,107
	89,321	111,884

(b) Corresponds mainly to advertising services on radio, television and other media in order to boost the sales, in order to boost Group sales.

27. Personnel expenses

(a) This caption is made up as follows:

	2020 S/(000)	2019 S/(000)
Remunerations	394,976	441,439
Workers' profit sharing, note 19(b)	45,740	79,888
Employer contributions	44,315	44,916
Gratification	43,416	49,251
Vacations	30,897	31,057
Severance indemnities	25,045	28,355
Mobility and meals	15,027	22,837
Medical assistance	11,225	8,961
Bonuses	4,290	3,540
Employer Retirement and Eviction	2,605	1,988
Board's Fees	812	6,536
Other personnel expenses	25,576	28,789
	643,924	747,557

(b) Personnel expenses are allocated as follows:

	2020 S/(000)	2019 S/(000)
Cost of sales, note 24	485,776	570,301
Administrative expenses, note 25	125,494	144,222
Selling expenses, note 26	30,235	32,049
Other expenses, note 28	2,419	959
Others	-	26
	643,924	747,557

(c) The average number of employees of the Group during 2020 was 5,704 (6,314 in the year 2019).

28. Other operating income and expenses

This caption is made up as follows:

	2020 S/(000)	2019 S/(000)
Other incomes -		
Income from services	10,022	6,117
Sale of fixed assets, goods and supplies	4,057	16,768
Income from previous years	3,769	3,064
Leaseback income	1,791	2,326
Rental income	1,317	1,718
Recovery of estimates of impairment of inventories, note 9(e)	954	203
Recovery of doubtful accounts, note 8(i)	110	1,360
Income from dividends, note 31(a)	-	20,729
Other minors	7,262	11,317
	29,282	63,602
Other expenses -		
Disposals of assets, note 13(g)	(57,737)	-
Amortization, note 15(d)	(4,037)	(4,285)
Cost of fixed assets, goods and supplies	(3,014)	(5,181)
Previous years expenses	(3,251)	(2,085)
Compensation	(2,633)	(376)
Personnel expenses, note 27(b)	(2,419)	(959)
Fiscal administrative sanctions	(1,503)	(8,895)
Depreciation, note 13(h)	(1,210)	(1,265)
Estimation of doubtful accounts, note 8(i)	(867)	(244)
Inventory devaluation estimate, note 9(e)	-	(179)
Other minors	(12,116)	(16,175)
	(88,787)	(39,644)

29. Finance income

(a) This caption is made up as follows:

	2020 S/(000)	2019 S/(000)
Interest on deposits and loans	4,189	1,849
Changes in fair value derivative instruments, see note 34(i)(b)	2,459	2,571
Interest for returns of tax claims (b)	351	12,182
Interest derivative financial instrument, note 34.1(ii)	293	-
Others	1,549	2,928
	8,841	19,530

(b) In 2020, it corresponds to the interest on the returns made by the Tax Administration during said year related to income tax claims from previous years (in 2019, these returns were related to income tax and selective income tax). consumption of previous years).

30. Finance costs

(a) This caption is made up as follows:

	2020 S/(000)	2019 S/(000)
Interest on bond and debt banks, see note 16.1(e)	184,515	206,536
Interest on derivative instruments -Swap, see note 34.1(i) and (ii)	14,425	7,322
Interest on bank notes, see note 16(c)	9,502	14,409
Commissions for structuring other liability financial (c)	6,896	12,562
Financial expenses on derivatives, see note 34(b)	2,473	255
Net loss by update of liabilities for pit closure, see note 19(d)	1,762	1,734
Interest on right-in-use liabilities	489	411
Expenses related to bonds	432	3,186
Interest on loans from related parties	215	913
Partial redemption of bonds (b)	-	11,071
Other minors	9,653	8,158
	230,362	266,557

(b) Corresponding to the costs related to the total redemption of foreign bonds that the Company issued in October 2014 and paid in advance in 2019.

(c) As of December 31, 2020, it corresponds mainly to the structuring commissions accrued in the period for the loans held by the Company for approximately S/4,809,000 (as of December 31, 2019 to the structuring commissions related to the redemption of the bonds of the foreign and loans maintained for S/10,496,000).

31. Related parties transactions

(a) The main transactions with related during the years 2020 and 2019 were as follows:

	2020 S/(000)	2019 S/(000)
Income -		
Cement sales -		
La Viga S.A.	366,661	415,622
Asociación UNACEM	104	293
Dividends income, note 28 -		
Ferrocarril Central Andino S.A.	-	18,492
Master Builders Solutions Peru S.A.	-	2,203
Compañía de Inversiones Santa Cruz S.A.	-	34
Costs and/or expenses -		
Donations granted -		
Asociación UNACEM	12,857	16,509
Purchansing of additives -		
Master Builders Solutions Peru S.A.	34,040	48,864
Commissions and freight costs of cement sales -		
La Viga S.A.	22,734	25,625
Other expenses -		
Master Builders Solutions Peru S.A.	3,808	3,560
Compañía de Inversiones Santa Cruz S.A.	48	47
Other incomes -		
Master Builders Solutions Peru S.A.	1,427	1,476
Asociación UNACEM	250	250
La Viga S.A.	190	211

(b) As a result of these and other transactions lesser, as of December 31, 2020 and 2019, the Group had the following balance with its related entities:

	2020 S/(000)	2019 S/(000)
Trade receivable, note 8(a)		
La Viga S.A.	29,428	24,227
Master Builders Solutions Peru S.A.	242	381
Other minors	941	775
	30,611	25,383
Trade payables, note 17(a)		
Master Builders Solutions Peru S.A.	18,873	17,611
La Viga S.A.	3,849	2,569
Other minors	31	11
	22,753	20,191

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

(d) The total remuneration received by the directors and key officers of the Group Management during 2020 amounted to approximately S/18,674,000 (approximately S/24,374,000 during 2019), which includes short-term benefits and compensation for service time.

32. Earnings per share

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

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

	2020 S/(000)	2019 S/(000)
Numerator		
Net income attributable to common shares	83,071	351,640

	2020 Thousand	2019 Thousand
Denominator		
Weighted average number of common shares	1,818,128	1,818,128

	2020 S/	2019 S/
Basic and diluted earnings for common shares	0.046	0.193

33. Commitments and contingencies

33.1 Financial commitments -

(a) As of December 31, 2020, the Group and its subsidiaries kept the following letters of guarantee:

- Guarantee letter to the Ministry of Energy and Mines (MEM), issued by Banco de Crédito del Perú, by a total approximate of US$1,678,000 (equivalent to S/6,071,000) with maturity in January 2021, in order to ensure compliance of the Pit Closure of its mining concessions (US$4,334,000 equivalent to S/14,350,000 with maturity in December 2019).

- Guarantee letter in favor of the Ministry of Production, issued by Banco de Crédito del Perú, by a total approximate of US$4,123,000 equivalent to S/14,917,000) with maturity in December 2021, in order to guarantee compliance of the Pit Closure of its mining concessions (US$429,000 equivalent to S/1,420,000 with maturity in December 2019).

- Guarantee letter to the in favor of third parties for a total of S/1,306,000 maturing during the year 2021.

(b) The subsidiaries maintain the following letters of guarantees:

- Guarantee letters issued by financial institutions negotiated by UNICON Peru and CONCREMAX with the purpose of guarantee the concrete supply to certain clients, as of December 31, 2020 for approximately S/81,784,000 (S/103,841,000 as of December 31, 2019).

- Guarantee letters negotiated by DAC with any financial institutions guaranteeing its obligations generated in compliance of its functions as customs broker according with the General Law on Customs, its regulation and other administrative arrangements applicable by US$100,000 equivalent to S/362,000 (US$200,000, equivalent to S/663,000 as of December 31, 2019).

- Guarantee letters negotiated by PREANSA Peru issued in favor of financial institutions guaranteeing obligations related with the clients for the advances received for the star of the operations of productions, as of December 31, 2020 it does not maintain guarantee letters (S2,583,000 as of December 31, 2019).

- Guarantee letters negotiated by CELEPSA in favor of Consorcio Transmantaro S.A. for US$3,000,000, with maturing in July 2021, issued by Scotiabank Perú in order to guarantee the agreement for electrical transmission facilities of the complementary transmission system.

- On September 23, 2016, the bank Scotiabank Chile approved a credit line up to US$4,000,000, in favor of PREANSA Chile, the same that is guarantee through of the letter of guarantee of PREANSA Peru issued by the Scotiabank Perú S.A.A, with maturity in September 2021.

- On December 13, 2016, the BBVA Colombia approved a credit line up to US$3,550,000 in favor of PREANSA Colombia, the same that is guarantee through of the letter of guarantee of PREANSA Peru issued by the BBVA Banco continental, with maturity in November 2022.

- As of December 31, 2020, the subsidiary Vigilancia Andina S.A. maintains bail letters issued by financial institutions guaranteeing the payment of staff compensation under labor intermediation to clients for S/2,514,000 (S/2,805,000 as of December 31, 2019).

(c) Guarantee for the payment of its financial obligations

- Trust of management and guarantee: include credit rights of CELEPSA and futures-cash flows from them, which is intended to secure the payment of the obligations under the funding and serving as a means of payment. Activation of this trust was given immediately after the start of operations of hydroelectric central "El Platanal".

- Credit letter by US$40,000,000, dated November 18, 2010, held between US Bank National Association and the Industrial Development Authority of Yavapai County (authority) guaranteeing to Sindicato de Inversiones y Administración S.A. (applicant) the direct payment of credit on behalf of the applicant, see note 16.1(b.2). As a result of the merger of SIA with the Company, the requesting entity will be Inversiones JRPR.

- Credit letter for US$75,000,000, dated July 30, 2015, held between Drake Cement, LLC, Skanon Investments, Inc (guarantor) and Nova Scotia Bank, New York Agency (issuer) in order that the issuer make direct payment of credit on behalf of Drake in favor of US Bank National Association (trustee), the latter entity entered into a trust agreement with the Industrial Development Authority of Yavapai, see note 16.1(b.1).

(d) Indemnity Agreement

The Subsidiary SKANON establish indemnity provisions according to its agreements with other companies in the normal course of its operations, generally with commercial partners, customers, facilities owners, lenders and lessors. Under such provisions, SKANON generally indemnifies and exempts of suffered or incurred losses to the indemnified party as result of its activities, or sometimes, as a result of indemnified party activities according to the agreement. The higher potential of future payments that SKANON could realize for these provisions are unlimited. SKANON has not incurred significant costs to defend or resolve claims related to these indemnity agreements. As a result, SKANON considers that the estimated fair value of these agreements is minimum. In consequence, the Group's Management does not maintain recorded liabilities for these agreements as of December 31, 2020 and 2019.

(e) Purchase option

According to the third addendum of the operation agreement (Restated Limited Liability Company Operating Agreement) of Drake Cement on September 1, 2007, SKANON has the purchase option the minority interest in Drake Cement. As of January 1, 2009, SKANON has the option, but not the obligation, to purchase the participation of minority shareholders at any time at their fair value. The fair value will be determined by mutual agreement of members of the General Shareholders' Meeting. As of December 31 2020, and 2019, Drake Cement has not executed this purchase option.

33.2 Finance leases -

The future minimum payments for leases and leaseback are as follow:

	2020		2019	
	Minimum payments S/(000)	Present value of minimum lease payments S/(000)	Minimum payments S/(000)	Present value of minimum lease payments S/(000)
Up to 1 year	99,754	86,146	106,823	92,040
Between one and more years	212,439	105,328	209,518	104,962
Total payments	312,193	191,474	316,341	197,002
Less - finance costs	(120,719)	-	(119,339)	-
Present value of minimum lease payments	191,474	191,474	197,002	197,002

33.3 Tax situation -

(a) The Companies of the Group are subject to the Peruvian tax system and taxes separately on the basis of their non-consolidated results. As of December 31, 2020, and 2019, the tax rate in the main countries that operate the Company and their subsidiaries are:

	Tax rates	
	2020 %	2019 %
Perú	29.5	29.5
Ecuador	25.0	25.0
United States of America (*)	21.0 and 4.9	21.0 and 4.9
Chile	27.0	27.0
Colombia(**)	32.0	33.0

(*) According to United States of America and Arizona State legislation, the subsidiary is subject to the application of the federal rate of 21 percent and state rate of 4.9 percent.

(**) For companies domiciled in Colombia, in accordance with Law N°2010 and N°1943, the following changes are presented as of 2019, which apply to the Company:

- The income and complementary tax rate as follow: 2019 period, 33 percent rate; 2020 period, 32 percent rate; period 2021, rate of 31 percent and from period 2022 and following a rate of 30 percent.

(b) For the purpose of determining Income Tax, the transfer prices of transactions with related companies and with companies residing in territories with low or no taxation, must be supported with documentation and information on the valuation methods used and the criteria considered. for your determination.

Based on the analysis of the Group's operations, Management and its legal advisers believe that, as a consequence of the application of these standards, no significant contingencies will arise for the Group as of December 31, 2020 and 2019.

(c) The Tax Authority in each country has the right to review and if necessary, adjust the corresponding income tax calculated by the Company and its subsidiaries in the four years after the filing of the tax return. The affidavits of income tax are open to inspection by the Tax Authority as follows:

	Periods open to review
Peru -	
Unión Andina de Cementos S.A.A.	2011 -2013 and 2016 - 2020
Compañía Eléctrica el Platanal S.A.	2016-2020
Celepsa Renovables S.R.L.	2016-2020
Generación Eléctrica Atocongo S.A.	2016-2020
Unión de Concreteras S.A.	2016-2020
CONCREMAX S.A.	2016-2020
Inversiones en Concreto y Afines S.A.	2016-2020
Prefabricados Andinos Perú S.A.C.	2016-2020
Transportes Lurín S.A.	2016-2020
Depósito Aduanero Conchán S.A.	2016-2020
Inversiones Imbabura S.A.	2016-2020
Inversiones Nacionales y Multinacionales Andinas S.A.	2016-2020
ARPL tecnología Industrial S.A.	2016-2020
Vigilancia Andina S.A.	2016-2020
Ecuador -	
UNACEM Ecuador S.A.	2017-2020
Unión de Concreteras UNICON UCUE Cía. Ltda.	2017-2020
Chile-	
Prefabricados Andinos S.A.	2016-2020
Unicon Chile S.A.	2018-2020
Colombia -	
Prefabricados Andinos Colombia S.A.S.	2016-2020
United States of America	2016-2020

Due to the interpretations likely to be given by the Tax Authority on current legal regulations, it is not possible to determine, as of this date, whether the reviews to be conducted will result in liabilities for the Company and subsidiaries; therefore, any increased tax or surcharge that could arise from possible tax reviews will be applied to the results of the year in which it is determined. In the Management's and its legal advisors' opinion, any additional tax settlement would not be significant for the consolidated financial statements as of December 31, 2020 and 2019.

(d) As of December 31, 2020, and 2019, the tax loss carryforwards determined by the subsidiaries were as follows:

	2020 S/(000)	2019 S/(000)
Skanon Investments, Inc. and Subsidiaries (i)	1,928,705	1,645,110
Compañía Eléctrica el Platanal S.A. and Subsidiaries (ii)	304,541	313,526
Prefabricados Andinos S.A. – PREANSA Chile (iii)	46,390	41,266
Prefabricados Andinos Perú S.A.C. – PREANSA Perú (ii)	13,044	5,988
Unicon Chile S.A. (iii)	11,816	5,468
CONCREMAX S.A. (ii)	9,969	-
Prefabricados Andinos Colombia S.A.S (iii)	8,406	8,723
Unión de Concreteras S.A. (ii)	3,696	-
Depósito Aduanero Conchán S.A.(ii)	2,005	2,430
Transportes Lurín S.A.(ii)	469	486
Other minor Peruvian subsidiaries (ii)	375	338

(i) The tax loss carryforward for the subsidiaries in the United States of America ascended to approximately US$533,086,000 (equivalent to S/1,928,705,000), which, according to the evaluation performed by the Management believes that will recover a federal and state loss for US$288,056,000 and US$245,030,000, respectively (equivalent to S/1,042,187,000 and S/886,519,000, approximately), in consequence, the Group recognized a deferred income tax asset by tax losses carryforward for approximately US$69,977,000 as of December 31, 2020 (equivalent to S/253,176,000 approximately) and US$ 65,383,000 (equivalent to S/216,484,000 approximately) as of December 31, 2019.

According with the legislation of the United States of America, the subsidiaries of Group in such country, are subject to federal and state tax that have rate of 21 and 4.9 percent, respectively, on taxable income.

(ii) The Management of each subsidiary of Peru, with tax loss carryforwards has therefore chosen the option to offset the tax loss up to 50 percent of the taxable income generated each year, indefinitely, as well as the option to offset the tax loss in the four years starting from the date of his generation. The amount of the tax loss carryforwards is subject to the outcome of the reviews referred to in the preceding paragraph.

(iii) The tax loss carryforwards of the subsidiaries in Chile and Colombia, will be offset with the future profits of the subsidiaries according with the tax requirements.

(e) As of December 31, 2020 and 2019, the net balance of income tax payable amounts to S/3,199,000 and S/38,562,000, respectively.

33.4 Contingencies –

In the normal course of business, the Company and subsidiaries have received some complaints of such tax, legal (labor and management) and regulatory matters, which are recorded and disclosed in accordance with International Financial Reporting Standards as set out in note 4.3(s).

Peru –

(a) Tax -

As a result of the inspections of previous years, the Company has been notified by the Superintendence of Tax Administration (SUNAT) with various resolutions for alleged omissions of income tax. In some cases, the Company has filed claims against higher instances for not finding that said resolutions are in accordance with the law and in others it proceeded to pay the payments received under protest. These tax processes are related to:

- Income tax for years 2000 and 2001
- Income tax for years 2004 and 2005
- Income Tax Penalty for 2013
- Interest penalties for payments on account for the year 2014
- Contribution to the 2013 mining, metallurgical and steel retirement compensation fund

CONCREMAX

- Income tax for fiscal year 2012

  As of December 31, 2020 and 2019, the Group has balances receivable related to said tax processes, see note 8 (e), because, in the opinion of the Group's Management and its legal advisors, there are reasonable arguments to obtain a result favorable to the interests of the Group.

33.5 Mining royalties –

Perú

According to the law and regulation of royalties for the metallic and non-metallic mining activity in effect from October 1, 2011, the mining royalty for the metallic and non-metallic mining activities of the holders or assignees of mining concessions, must be liquidated quarterly and for its determination, the highest amount will be used between: (i) the amount obtained by applying a staggered table of marginal rates to be applied to the quarterly operating profit adjusted for certain items; and, (ii) 1% of net sales for the quarter. These amounts should be determined based on the consolidated financial statements prepared under IFRS of the Company whose operations are within the scope of this standard. Payments for this mining royalty are deductible for purposes of determining the income tax for the year in which the payments are made.

Mining royalty expense paid to the Peruvian Government for the years 2020 and 2019 amounted to S/3,085,000 and S/4,176,000, respectively, see note 20(b).

Ecuador –

According to the Mining Law of Ecuador, the owner of non-metallic mining concession in exploration stage must be liquidated to the Ecuadorian Government a royalty corresponding to a percentage of the ore cost production based on certain parameters, and is liquidated every six months.

Mining royalty expense paid by UNACEM Ecuador to the Ecuadorian Government for the years 2020 was US$662,000 (equivalent to S/2,323,000) and for the year 2019 was US$819,000 (equivalent S/2,733,000), and were recorded in the consolidated statement of income, note 24.

33.6 Environmental commitments -

The Group's activities are subject to environmental protection standards and have to meet the following regulations:

(a) Industrial activities -

Peru -

Law N° 28611 General Environment Law and Law N° 27446 Law of National System of Environmental Impact Assessment, regulate the environmental responsibilities of the all activities from its identification, prevention, supervision, control and anticipate correction of the negative environmental impacts derived of human's actions expressed through the investment project.

In accordance with the above-mentioned law, the Company filed the Environmental Impact Assessments (EIA by its acronym in Spanish), the Environmental Impact Statement (EIS) and the Environmental Adaptation Programs (PAMA by its acronym in Spanish) for its operating units.

Currently, the Company has an EIA for the modernization of its industrial plant facility approved by the Ministry of Production in May 2011, and has been executing environmental protection activities with an accumulated investment as of December 31, 2020 of US$59,956,000 (US$58,674,000 as of December 31, 2019) for implementation of the environmental management plan in the cement manufacturing process.

On the other hand, UNICON Peru has invested in the implementation of environmental protection programs approximately S/380,000 and S/414,000 in the years 2020 and 2019, respectively.

(b) Mining and port activities –

Peru -

In relation to its mining and port activities, the Company in the environmental impact studies (EIA by its acronym in Spanish), which are in compliance with the terms and amounts determined in such studies, and the accumulated investment in mining and port approximately US$22,919,000 as of December 31, 2020 (approximately US$ 22,632,000 as of December 31, 2019).

On October 14, 2003, the Congress of the Republic of Peru issued Law N° 28090, regulating pit closures. This law standardizes the obligations and procedures that companies must comply with respect to statements of the mining activity to preparing, submit ting implementing a Pit Closure Plan, as well as the environmental guarantees that ensure the compliance of the investments subject to the principles of environment protection, preservation and restoration of the environment. The Company has submitted the closure plans of its mining units to the Ministry of Production and the Ministry of Energy and Mines within the statutory terms. The Closure Plans Studies have established the guaranties and investments to be made in the future, when the incremental and final closures of the mining activities in each unit of production are made. The provision for pit closure corresponds to the activities that must be performed for restoring the areas affected by the exploitation activities. The main works are related to earth movements and reforesting.

As of December 31, 2020, and 2019, the provision for pit closure amounts to approximately S/42,800,000 and S/42,821,000, respectively, and is presented in the "Provisions" caption of the consolidated statement of financial position, see note 19(a). The Company considers that this liability is sufficient to comply with current environmental protection laws approved by the Ministry of Energy and Mines. The Company is in the process of updating the Pit Closure Plan of its main units, in accordance with the provisions of the Law.

Ecuador -

In Ecuador, the subsidiaries are required to the implementation of the Environmental Management Law and the Environmental Regulations for Mining Activities.

As of December 31, 2020, and 2019, the Group's provision for pit closure amounts to approximately S/2,650,000 and S/2,154,000, respectively and it is included in the caption "Provisions" in the consolidated statement of financial position, see note 19(a).

(c) Use of hydrocarbons –

Peru -

The Supreme Decree N° 046-93-EM for the Regulation of Hydrocarbon Activities was enacted on November 12, 1993. It regulates the activities performed by the Company related to the use of hydrocarbons as final user. In compliance with this regulation, the Company has a PAMA that was approved by the Ministry of Energy and Mines in 1996. As of December 31, 2020, the Group has made an accumulated investment of approximately US$124,000 (US$122,000 as of December 31, 2019) in such PAMA.

(d) Environmental Protection in electrical activities -

According to the Electricity Concessions Law (Decree N°25844 Act) and the General Environmental Law (Law N°28611), the State designs and implements policies and rules necessary for the proper conservation of the environment and cultural heritage of the nation, as well to ensure the rational use of natural resources in the development of activities related to the generation, transmission and distribution of electricity and hydrocarbon activities. In this regard, the MEM approved the Regulations on Environmental Protection Electricity Activities (Supreme Decree N° 29-94-EM) and Regulation Environmental Protection in Hydrocarbon Activities (Supreme Decree N° 015-2006-EM). In the opinion of Management Group, Celepsa Renovables S.R.L is complying with the standards related to environmental conservation.

In the Management opinion, Celepsa Renovables S.R.L. It has been complying with the norms related to the conservation of the environment.

34. Financial risk objectives and management policies

The Group's financial liabilities comprise –along with derivative instruments, include other financial liabilities and trade payables and others. The main purpose of these financial liabilities is to finance the Group's operations. The Group has cash and trade receivables and others that arise directly from its operations. The Group also holds derivative financial instruments.

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

The Group's Senior Management oversees the management of these risks. The Company's Senior Management is supported by the Financial Management that advises on financial risks and the appropriate financial risk governance framework for the Company. The Financial Management provides assurance to the Company's Senior Management that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company policies and company risk appetite. All activities comprising risk management – related derivative instruments are handled by a team of experts with suitable capabilities, experience and oversight.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

34.1 Market risk –

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

The sensitivity analyses shown in the following sections relate to the financial position as of December 31, 2020 and 2019.

The sensitivity analyses have been prepared on the basis that the amount of net debts, the ratio of fixed to floating interest rate of the debt and the proportion of financial instruments in foreign currencies are all constant as of December 31, 2020 and 2019.

(i) Interest rate risk –

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

(a) Derivative financial instruments from hedge -

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

	As of December 31, 2020				
Counterparty	Reference value US$(000)	Maturity	Receives variable rate at:	Pays fix rate at:	Fair value S/(000)
Liabilities -					
Citibank N.A.	50,000	October 2025	Libor to 3 months + 1.75%	5.700%	21,488
Santander S.A.	45,000	November 2023	Libor to 3 months + 1.85%	5.030%	14,575
Bank of Nova Scotia	30,000	September 2025	Libor to 3 months + 2.60%	5.660%	7,272
Banco Scotiabank (Chile)	1,883	March 2022	Libor to 1 month + 1.94%	5.400%	1,568
Banco Scotiabank (Chile)	3,355	October 2023	Libor to 1 month + 1.85%	5.550%	369
Banco de Crédito e Inversiones (BCI)	-	November 2027	6.78%	3.377%	364
Banco Scotiabank (Chile)	4,000	August 2021	Libor to 3 months + 1.1%	4.750%	191
Total					45,827

	As of December 31, 2019				
Counterparty	Reference value US$(000)	Maturity	Receives variable rate at:	Pays fix rate at:	Fair value S/(000)
Assets -					
Banco Scotiabank (Chile)	4,022	August 2020	Libor to 3 months + 1.5%	4.750%	144
Banco Scotiabank (Chile)	3,355	October 2023	Libor to 1 month + 1.85%	5.550%	418
Total, note 8(a)					562
Liabilities -					
Citibank N.A.	50,000	October 2025	Libor to 3 months + 1.75%	5.700%	15,369
Santander S.A.	45,000	November 2023	Libor to 3 months + 1.85%	5.030%	8,892
Bank of Nova Scotia	30,000	September 2025	Libor to 3 months + 2.60%	5.660%	4,544
Banco de Crédito e Inversiones (BCI)	-	November 2027	6.78%	3.376%	506
Banco Scotiabank (Chile)	-	August 2020	Libor to 1 month + 3.36%	9.500%	288
Total					29,599

Financial instruments are intended to reduce exposure to interest rate risk variable associated with the financial obligations set out in note 16.1. These financings bear interest at a variable rate equal to Libor rate to 3 months and 1 month.

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

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

In the year 2020, the Group recorded an expense on these derivative financial instruments amounting to approximately S/11,316,000 (S/4,316,000 during the year 2019), whose amounts were actually paid during the year and are presented as "Finance costs" in the consolidated statement of income, see note 30.

The effective portion of changes in the fair value of financial instruments that qualify as hedges is recognized as assets or liabilities with an impact on equity. As of December 31, 2020, and 2019, the Group recorded in the caption "Unrealized net loss" of the consolidated statement of changes in equity a negative variation in fair value for approximately S/11,077,000 and S/8,934,000, which are presented net of the income tax, respectively.

(b) Derivative Financial instruments from trading –

Counterparty	Reference value as of December 31, 2019 US$(000)	Maturity	Receives variable at:	Pays fix rate at:	Fair value 2020 S/(000)	Fair value 2019 S/(000)
Liability -						
Citibank N.A. – New York	35,000	October 2020	Libor to 3 months + 1.08%	5.20%	-	2,459
Total, note 32(a)					-	2,459

During 2020 and 2019, the variation in the fair value of the derivate financial instruments that qualify as negotiation is recognized as expense or income and the effect in the year amount to approximately S/2,459,000 (S/1,854,000 during 2019) and are present as part of item "Finance income " of the consolidated statement of income, see note 29.

Likewise, during 2020 the Company recognized a financial expense for these derivative financial instruments amounting to approximately S/2,709,000 (S/2,834,000 during 2019), the amounts of which have been effectively paid during the year and are presented as part of the caption "Financial expenses" of the consolidated statement of income, see note 30.

Sensitivity to interest rate -

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

Increase / decrease in basis points	Impact on profit before income tax	
	2020	2019
%	S/(000)	S/(000)
+10	196	1,055
-10	(196)	(1,055)

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

(ii) Foreign currency risk -

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

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

The result of holding balances in foreign currency for the Group in the years 2020 and 2019 was a loss in exchange difference amounting approximately S/61,118,000 and S/22,737,000, which are presented in the caption "Exchange difference, net" in the consolidated statement of income.

As of December 31, 2020, and 2019, the Group has "Cross currency interest rate swap" amounting to S/2,971,000 and S/497,000 in favor of bank, respectively, and hedging of risks associated with exchange rate fluctuations. These instruments were designated as held for trading.

As of December 31, 2020 and 2019, variations in fair value are recognized as an expense or income. As of December 31, 2020, the effect corresponds to an expense for approximately S/2,473,000 (income for S/462,000 as of December 31, 2019) and is presented as part of the caption "Financial income" and "Financial expenses" of the consolidated statement of results, see note 29 and 30.

Likewise, as of December 31, 2020 and 2019, a financial expense was recognized for these derivative financial instruments amounting to approximately S/107,000 and S/172,000, respectively, whose amounts have been effectively paid during the year and are presented as part of the item "Financial expenses" and "Financial income", net of the consolidated income statement, see notes 29 and 30.

Foreign currency sensitivity -
Foreign currency transactions are made at free market exchange rates published by the Superintendence of Banks, Insurance and Private Pension Funds.
As of December 31, 2020, the weighted average market exchange rate for transactions in U.S Dollars published by the Superintendence of Banks, Insurance and Private Pension Funds was S/3.618 for buying and S/3.624 for selling (S/3.311 for buying and S/3.317 for selling as of December 31, 2019), respectively.

As of December 31, 2020, and 2019, the main foreign currency in which the Group maintains assets and liabilities is the US dollar. Below are the balances of the assets and liabilities in this foreign currency:

	2020 US$(000)	2019 US$(000)
Asset		
Cash and cash equivalents	26,651	13,826
Trade and other receivables, net	84,749	55,298
	111,400	69,124
Liabilities		
Other financial payables	(261,841)	(258,333)
Trade and other payables	(39,871)	(36,755)
Derivative financial instruments	-	(741)
	(301,712)	(295,829)
Financial derivatives foreign currency	(820)	(73)
Net liability position	(191,132)	(226,778)

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

Change in US Dollars exchange rate	Impact on profit before income tax	
	2020	2019
%	S/(000)	S/(000)
+5	(34,667)	(37,632)
+10	(69,333)	(75,264)
-5	34,667	37,632
-10	69,333	75,264

34.2 Credit risk -

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to a credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, and trade and other receivables. The maximum credit risk of the components of the consolidated financial statements as of December 31, 2020 and 2019 is represented by the amount of the captions cash and cash equivalents, trade and other accounts receivable.

Financial instruments and cash deposits -

Credit risk from balances with banks and financial institutions is managed by the Finance Manager in accordance with the Group's policy. Counterparty credit limits are reviewed by Group's Management and Board of Directors to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

Trade accounts receivable –

Customer credit risk is managed by management, subject to the Group's established policies, procedures and controls. Outstanding customer receivables are regularly monitored to assure the collection. The credit quality of a client is evaluated based on an extensive scorecard of credit rating and individual credit limits that are defined with this evaluation.

The outstanding assets of customer accounts receivable and contracts are regularly monitored and any shipments to major client are generally covered by letter of credits or other forms of credit insurance obtained from accredited companies.

The Group's sales are mainly made to domestic customers and it has a portfolio of 48 clients as of December 31, 2020 (50 to December 31, 2019). The Group's 4 largest clients account for approximately 52 percent of sales (approximately 51 percent of its sales as of December 31, 2019).

An impairment analysis is performed on each reporting date using a provision matrix to measure the expected credit of losses. Provision rates are based on days due for groupings of different customer segments with a similar pattern of loss (i.e., by geographic region, type of product, type and rating of the customer, and coverage by letters of credit or other forms of insurance of credit). The calculation reflects the weighted probability result, the value of money over time and the reasonable and valid information that is available on the date of reporting on past events, current conditions and forecasts of future economic conditions. In general, trade accounts receivable is written off if they are due for more than one year and are not subject to compliance activities. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of financial assets disclosed in note 8(a) of the consolidated statement of financial position.

The Group has no collateral guarantees (letters of credit). Customer bond letters are considered an integral part of the sales and are considered in the calculation.

As of December 31, 2020, 14 percent of the Group's trade accounts receivable are covered by letters of guarantee and other forms of credit insurance (17 percent as of December 31, 2019).

The Group evaluates the concentration of risk with respect to commercial accounts receivable as a low risk; since, its clients belong mainly to the private sector and it is managed in an independent market to the contracting with the Peruvian State. Additionally, sales to construction companies represent 0.4 percent of sales (0.9 percent as of December 31, de 2019).

Other accounts receivable –
Accounts receivable correspond to balances pending of collection due to concepts not related to the main operation activities of the Group. As of December 31, 2020, and 2019, other accounts receivable corresponds mainly to: advances to suppliers, claims to Tax Authority and claims to third parties. The Group's Management made a continuously monitors of the credit risk to such items and periodically, it assesses the balances that evidence an impairment to determine the required allowance for un-collectability.

34.3 Liquidity risk -

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and other financial liabilities.

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

	As of December 31, 2020			
	From 1 to 12 months S/(000)	From 2 to 3 years S/(000)	From 4 to more years S/(000)	Total S/(000)
Trade and other payables	587,116	26,080	16,468	629,664
Other financial liabilities				
Amortization of capital	1,110,123	1,574,021	1,771,611	4,455,755
Flow of interest payments	190,705	303,209	270,875	764,789
Lease liabilities				
Amortization of capital	9,873	10,398	2,707	22,978
Flow of interest payments	924	1,004	2,034	3,962
Total liabilities	1,898,741	1,914,712	2,063,695	5,877,148

	As of December 31, 2019			
	From 1 to 12 months S/(000)	From 2 to 3 years S/(000)	From 4 to more years S/(000)	Total S/(000)
Trade and other payables	618,208	15,388	19,736	653,332
Other financial liabilities				
Amortization of capital	671,177	1,129,660	2,341,166	4,142,003
Flow of interest payments	197,353	383,070	343,458	923,881
Lease liabilities				
Amortization of capital	10,545	17,306	403	28,254
Flow of interest payments	1,089	1,163	6	2,258
Total liabilities	1,498,372	1,546,587	2,704,769	5,749,728

(*) As of December 31, 2020 and 2019, it does not include customer advances, taxes, contributions and labor contributions and general sales tax for approximately S/61,756,000 and S/62,935,000, respectively.

34.4 Capital management -

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

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

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

	2020 S/(000)	**2019** S/(000)
Other financial liabilities, note 16	4,455,755	4,142,003
Trade and other payables, note 17(*)	657,956	672,269
Less: Cash and cash equivalents, note 7	(561,120)	(124,337)
Net debt (a)	4,552,591	4,689,935
Equity	4,852,290	4,640,045
Total capital and net debt (b)	9,404,881	9,329,980
Leverage ratio (a/b)	**0.484**	**0.503**

(*) Does not include the balance of customer advances

No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2020 and 2019.

35. Fair value

(a) Instruments recorded at fair value according to hierarchy -

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

	Nivel 2 S/(000)	Total S/(000)
December 31, 2020		
Financial liabilities		
Derivative financial instruments	48,798	48,798
Total financial liabilities	48,798	48,798
December 31, 2019		
Financial assets		
Derivative financial instruments, note 8 (a)	562	562
Total financial assets	562	562
Financial liabilities		
Derivative financial instruments	32,555	32,555
Total financial liabilities	32,555	32,555

Level 1 –

- Cash and cash equivalents do not represent a credit risk or a significant interest rate; therefore, their carrying amounts are close to their fair value.
- Since accounts receivable, are net of estimation for doubtful accounts and, mainly, have maturities of less than three months; Group's Management deems their fair value is not materially different from its carrying value.
- Trade payables and others, due to its current maturity, the Group's Management deems that its accounting balances are close to its fair value.

Level 2 –

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

	2020		2019	
	Carrying value S/(000)	**Fair value** S/(000)	**Carrying value** S/(000)	**Fair value** S/(000)
Other financial liabilities (*)	4,025,037	3,866,411	3,910,813	3,615,640

(*) As of December 31, 2020 and 2019, the balance does not include bank notes and Overdrafts, see note 16(a).

36. Change in liabilities arising from financing activities

The reconciliation of the movements in the financial obligations and the financing activities of the consolidated cash flow statement is presented below:

	As of January 1, 2020 S/(000)	Cash flows S/(000)	New bank loans S/(000)	Declared dividends S/(000)	New financial leases S/(000)	Exchange difference effect S/(000)	Others S/(000)	As of December 31, 2020 S/(000)
Overdarfts	93,129	(348,149)	252,142	-	-	3,150	6	278
Bank notes	138,061	(242,093)	511,021	-	-	23,451	-	430,440
Obligations for loans banks contracts, financial lease and corporate bonds	3,910,813	(681,925)	644,460	-	31,649	116,319	3,721	4,025,037
Dividends payables	13,553	(24,201)	-	23,955	-	78	(1,717)	11,668
Right-of-use liabilities	28,254	(11,125)	-	-	6,261	1,534	(1,946)	22,978
Total liabilities from financing activities	4,183,810	(1,307,493)	1,407,623	23,955	37,910	144,532	64	4,490,401

	As of January 1, 2019 S/(000)	Cash flows S/(000)	New bank loans S/(000)	Declared dividends S/(000)	Corporate reorganization, note 1.2 S/(000)	Merger dividends S/(000)	New financial leases S/(000)	Exchange difference effect S/(000)	Other S/(000)	As of December 31, 2019 S/(000)
Overdarfts	22,642	(271,202)	341,689	-	-	-	-	-	-	93,129
Bank notes	219,801	(163,547)	85,091	-	-	-	-	(3,284)	-	138,061
Obligations for loans banks contracts, financial lease and corporate bonds	4,138,679	(1,129,503)	881,430	-	857	-	43,333	(32,855)	8,872	3,910,813
Dividends payables	7,420	(123,219)	-	94,430	-	35,819	-	-	(897)	13,553
Right-of-use liabilities	34,279	(11,016)	-	-	-	-	4,992	(438)	437	28,254
Total liabilities from financing activities	4,422,821	(1,698,487)	1,308,210	94,430	857	35,819	48,325	(36,577)	8,412	4,183,810

37. Segment information

For management purposes, the Group is organized into business units based on their products and activities and have three main reportable segments as follows:

- Manufacture and sale of cement.
- Manufacture and sale of concrete.
- Generation and sale of electrical energy generated using hydraulic resources.

No operating segments have been aggregated to form the above reportable operating segments.

Management of each entity monitors the operating profit of each business unit separately for purposes of making decisions about resources allocation and performance assessment.

Segment performance is evaluated based on gain or less operating and is measured consistently with gain or less operating in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The following financial information is presented as of December 31, 2020 and 2019 by business segment, net of eliminations:

	As December 31, 2020						
	Cement S/(000)	Concrete S/(000)	Electrical energy S/(000)	Other S/(000)	Total segments S/(000)	Adjustments and eliminations S/(000)	Consolidated S/(000)
Third-party customers	2,077,972	1,305,622	173,901	17,814	3,575,309	-	3,575,309
Inter segments	164,577	89,685	64,975	65,037	384,274	(384,274)	-
Total revenues	2,242,549	1,395,307	238,876	82,851	3,959,583	(384,274)	3,575,309
Gross profit	570,763	174,631	70,920	22,912	839,226	7,537	846,763
Operating income (expenses)							
Administrative expenses	(188,701)	(53,953)	(14,481)	(15,033)	(272,168)	22,720	(249,448)
Selling expenses	(63,032)	(23,408)	(3,075)	-	(89,515)	194	(89,321)
Other operating income (expenses), net	(15,125)	(8,789)	1,521	324	(22,069)	(37,436)	(59,505)
Operating profit	303,905	88,481	54,885	8,203	455,474	(6,985)	448,489
Other income (expenses)							
Gain on sharing in associate, net	-	2,140	(83)	296	2,353	(791)	1,562
Finance income	8,235	1,170	96	1,603	11,104	(2,263)	8,841
Finance costs	(176,062)	(27,260)	(22,620)	(6,681)	(232,623)	2,261	(230,362)
Exchange difference, net	(48,738)	3,256	(19,684)	4,048	(61,118)	-	(61,118)
Profit before income tax	87,340	67,787	12,594	7,469	175,190	(7,778)	167,412
Income tax expense	(49,021)	11,689	(7,663)	(6,471)	(51,466)	-	(51,466)
Net profit for segment	38,319	79,476	4,931	998	123,724	(7,778)	115,946
Profit before tax for segment	255,167	91,737	35,201	13,044	395,149	(227,737)	167,412
Operating assets	7,823,831	1,338,857	1,227,212	235,341	10,625,241	191,646	10,816,887
Operating liabilities	246,745	490,649	107,721	18,596	863,711	5,100,886	5,964,597

	As December 31,2019						
	Cement S/(000)	Concrete S/(000)	Electrical energy S/(000)	Other S/(000)	Total segments S/(000)	Adjustments and eliminations S/(000)	Consolidated S/(000)
Third-party customers	2,288,952	1,626,824	168,707	15,500	4,099,983	-	4,099,983
Inter segments	220,273	125,566	96,817	78,643	521,299	(521,299)	-
Total revenues	2,509,225	1,752,390	265,524	94,143	4,621,282	(521,299)	4,099,983
Gross profit	781,624	214,710	97,786	26,579	1,120,699	4,333	1,125,032
Operating income (expenses)							
Administrative expenses	(210,110)	(69,112)	(15,344)	(16,625)	(311,191)	22,143	(289,048)
Selling expenses	(84,276)	(26,286)	(2,724)	-	(113,286)	1,402	(111,884)
Other operating income (expenses), net	178,397	10,964	2,837	(719)	191,479	(167,521)	23,958
Operating profit	665,635	130,276	82,555	9,235	887,701	(139,643)	748,058
Other income (expenses)							
Gain on sharing in associate, net	-	1,476	(56)	423	1,843	50	1,893
Finance income	20,075	4,573	313	1,690	26,651	(7,121)	19,530
Finance costs	(209,023)	(30,893)	(24,595)	(9,167)	(273,678)	7,121	(266,557)
Exchange difference, net	17,679	(576)	5,056	644	22,803	(66)	22,737
Profit before income tax	494,366	104,856	63,273	2,825	665,320	(139,659)	525,661
Income tax expense	(117,693)	(33,683)	(19,162)	(2,214)	(172,752)	-	(172,752)
Net profit for segment	376,673	71,173	44,111	611	492,568	(139,659)	352,909
Profit before tax for segment	683,314	129,700	87,611	9,829	910,454	(384,793)	525,661
Operating assets	7,502,103	1,262,009	1,219,931	258,519	10,242,562	169,292	10,411,854
Operating liabilities	336,424	470,600	81,888	51,264	940,176	4,831,633	5,771,809

Eliminations and conciliation -

Finance income and expenses and gains and losses from changes in fair value of financial assets at the individual segments are not charged because the underlying instruments are managed at centralized level.

Current and deferred taxes and certain financial assets and liabilities to the segments are not charged as also managed at centralized level.

	2020 S/(000)	2019 S/(000)
Reconciliation of income -		
Income before tax per segment before adjustments and eliminations	395,149	910,454
Finance income	8,841	19,530
Finance cost	(230,362)	(266,557)
Gain on sharing in associate, net	1,562	1,893
Inter segments	(7,778)	(139,659)
Income before tax per segment	167,412	525,661
Reconciliation of assets -		
Segment operating assets	10,625,241	10,242,562
Deferred income tax asset	177,328	154,673
Derivative financial instruments	-	562
Other non-financial assets	14,318	14,057
Group's operating assets	10,816,887	10,411,854
Reconciliation of liabilities -		
Segment operating liabilities	863,711	940,176
Other financial liabilities	4,455,755	4,142,003
Trade of payables to Directors	1,247	4,633
Deferred income tax liability	595,086	652,442
Derivative financial instruments	48,798	32,555
Group's operating liabilities	5,964,597	5,771,809

Geographic information –

The income information contained above is based on customer location.

	2020 S/(000)	2019 S/(000)
Income of customers		
Peru	2,315,985	2,879,154
United States of America	606,128	440,682
Ecuador	440,479	515,334
Chile	202,048	253,594
Colombia	10,669	11,219
Total income according to the consolidated statements of income	3,575,309	4,099,983

	2020 S/(000)	2019 S/(000)
Non-current operating assets:		
Peru	6,673,382	6,803,748
United States of America	1,450,122	1,299,062
Ecuador	812,132	774,678
Chile	109,866	98,557
Colombia	32,093	31,233
Non – current assets according to the consolidated statements of financial position	9,077,595	9,007,278

38. Subsequent events

COVID-19

On April 17, 2021, the Peruvian Government extended the State of National Emergency for a period of 31 calendar days from May 1, 2021 as a result of COVID-19. Likewise, it has established a series of targeted measures through extreme, very high, high and moderate alert levels by province and department, where certain economic activities, mandatory social immobilization, entry into the national territory, reductions in capacity of premises and centers are restricted. commercial. On February 18, 2021, by means of a Supreme Decree issued by the Peruvian Government, the extension of the state of health emergency was declared until September 2, 2021. These provisions do not affect the Group's activities since they are within the authorized areas and continue developing as an authorized activity.

The Group's Management continues to monitor the evolution of the situation and the guidance of national and international authorities, as events beyond Management's control may arise that require the business plan to be adjusted. A new outbreak or further spread of COVID-19 and the consequent measures taken to limit the spread of the disease could affect the Group's ability to conduct business in the usual way and therefore affect the consolidated financial situation and operating result.

Distribution of dividends

Beginning in February 2021, the Group resumed the quarterly distribution of dividends to shareholders.

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 3. Certain accounting practices applied by the Company that conform to those accounting principles may not conform to generally accepted accounting principles in other countries. In the event of a discrepancy, the Spanish language version prevails.

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