Unacem Perú S.A.

Financial Statements

As of december 31, 2022

UNACEM PERU S.A.

Statement of Financial Position

As of December 31st, of 2022 and January 1st, 2022
(In thousands of Soles)

	Notes	As of December 31st, 2022	1 de enero, 2022
Assets			
Current Assets			
Cash and cash equivalents	5	60,708	10
Other Financial Assets		0	0
Trade Accounts Receivable and other accounts receivable	6	**339,402**	**7,867**
Trade Accounts Receivable , net		74,373	0
Other Accounts Receivable , net		27,346	5,159
Accounts Receivable from Related Companies		222,371	0
Advanced payments		15,312	2,708
Inventories	7	542,726	435,516
Biological Assets		0	0
Assets by Income Taxes		0	0
Other Non-Financial Assets		4,382	2,309
Total Current Assets different than assets or groups of assets for its classified as held for sale or for distribution to owners		**947,218**	**445,702**
Non-current assets or groups of assets for disposal Classified as Held for Sale		0	0
Non-current assets or groups of assets for its classified as held for distribution to owners		0	0
Non-current assets or groups of assets for disposal Classified as Held for Sale or Held for distribution to owners		**0**	**0**
Total Current Assets		**947,218**	**445,702**
Non-Current Assets			
Other Financial Assets		0	0
Investments in subsidiaries, joint ventures and associates		0	0
Trade Accounts Receivables and other accounts receivables	6	**0**	**10,380**
Trade Accounts Receivable		0	0
Other Accounts Receivable		0	10,380
Accounts Receivable from Related companies		0	0
Advanced payments		0	0
Biological Assets		0	0
Investment Property		0	0
Property, Plant and Equipment , net	8	3,665,737	3,658,326
Intangible Assets , net	9	3,287	3,246
Assets Deferred Income Tax		0	0
Surplus value		9,746	9,745
Other Assets		95,861	102,528
Total Non-current Assets		**3,774,631**	**3,784,225**
TOTAL ASSETS		**4,721,849**	**4,229,927**

	Notes	As of December 31st, 2022	1 de enero, 2022
Liabilities and Stocholders' Equity			
Current Liabilities			
Other Financial Liabilities	11	602,535	361,724
Trade accounts payable and other payable accounts		**355,600**	**62,104**
Trade Accounts Payable	10	181,666	44,520
Other Accounts Payable	10	47,134	10,657
Accounts payable to related companies	10	119,925	6,927
Diferred Income		6,875	0
Provision for Employee Benefits		0	0
Other provisions		48,467	6,147
Income Tax Liabilities	10	170,443	0
Other non-financial liabilities		0	0
Total Current Liabilities different of Liabilities included groups of assets for disposal Classified as Held for Sale		**1,177,045**	**429,975**
Liabilities included in asset groups classified as held for sale		0	0
Total Current Liabilities		**1,177,045**	**429,975**
Non-Current Liabilities			
Other Financial Liabilities	11	781,596	1,199,254
Trade accounts payable and other payable accounts		0	**0**
Trade Accounts Payable		0	0
Other Accounts Payable		0	0
Accounts payable to related companies		0	0
Deferred Income		0	0
Provision for Employee Benefits		0	0
Other provisions		26,243	25,405
Liabilities Deferred Income Taxes	12	385,397	393,380
Other non-financial liabilities	22,A,i	0	25,428
Total Non-Current Liabilities		**1,193,236**	**1,643,467**
Total Liabilities		**2,370,281**	**2,073,442**
Stockholders' Equity			
Capital Issued	13	2,156,485	2,156,485
Issuance Premiums		0	0
Investment shares		0	0
Treasury Shares in portfolio		0	0
Other Capital Reserves		42,146	0
Accrued Results		139,200	0
Other Equity Reserves		13,737	0
Total Stockholders' Equity		**2,351,568**	**2,156,485**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**4,721,849**	**4,229,927**

UNACEM PERU S.A.

Statement Income

For the period ended December 31st, 2022
(In thousands of Soles)

	Notes	For the cummulative period from January 1st to December 31st, 2022
Incomes from ordinary activities	14	2,834,826
Cost of Sales	15	-1,804,307
Profit (Loss) Gross		1,030,519
Sales Expenses		-66,838
Administrative expenses	16	-172,337
Profit (Loss) in the write-off of financial assets carried at amortized cost		-
Other Operating Income	17	25,449
Other Operating Expenses	17	-169,030
Other profit (loss)		-
Profit (Loss) from operating activities		647,763
Financial Income		13,395
Financial Expenses	18	-72,927
Exchange differences, net	22.A (ii)	33,539
Other income (expense) from subsidiaries, joint ventures and associates		-
Share of Profit (Loss) in net results from Equity-Accounted Joint Ventures and related companies		-
Difference between the book value of the distributed assets and the book value of the divided payable		-
Gains before Income tax		621,770
Income tax expenses	12(a)	-200,315
Profit (Loss) Net of Continued Operations		421,455
Profit (loss) net of the tax to the profit from discontinued operations		-
Profit (loss) net of the year		421,455

UNACEM PERU S.A.

Statement of Comprehensive Income

For the period ended December 31st, 2022
(In thousands of Soles)

	Notas	For the cummulative period from January 1st to December 31st, 2022
Net Profit (Loss) of the year		421,455
Components of other comprehensive income:		
Net Change for Cash Flow Hedges		0
Hedges of a Net Investment in a Foreign Operation		0
Profit (Loss) in equity instrument investments at fair value		0
Exchange difference on translation of Foreign Operations		0
Net variation of non-current assets or groups of assets held for sale		0
Revaluation Surplus		0
Actuarial Gain (Loss) on defined benefit pension plans		0
Changes in the fair value of financial liabilities attributable to changes in the credit risk of the liability		0
Other Comprehensive Income Pre Tax		-
Income tax relating to components of other comprehensive income		
Net Change for Cash Flow Hedges		19,485
Hedges of a Net Investment in a Foreign Operation		0
Profit (Loss) in equity instrument investments at fair value		0
Exchange difference on translation of Foreign Operations		0
Net variation of non-current assets or groups of assets held for sale		0
Gains (Losses) for Financial Assets Measured at Fair Value with Changes in Other Comprehensive Income, net of Taxes		-5,748
Actuarial Gain (Loss) on defined benefit pension plans		0
Changes in the fair value of financial liabilities attributable to changes in the credit risk of the liability		0
Sum of Income Tax-Related Components of other comprehensive income		13,737
Other Comprehensive Income		13,737
Total Comprehensive Income for the period , net of income tax		435,192

UNACEM PERU S.A.

Statement of Cash Flow

Direct Method

For the periods ended December 31st, 2022 and January 1 2022

(In thousands of Soles)

	Notes	As of January 1st, 2022 to December 31st, 2022	As of January 1st, 2022
Operating activities cash flows			
Types of cash collections from operating activities			
Sale of Goods and Services		3,174,108	0
Royalties, fees, commissions and other income from ordinary activities		0	0
Contracts held for brokering or trading purposes		0	0
Lease and subsequent sales of such assets		0	0
Other Cash Receipts Related to Operating Activity		0	0
Types of cash collections from operating activities			
Suppliers of goods and services		-1,877,240	0
Contracts held for brokering or trading purposes		0	0
cash payments to and on behalf of employees		-259,564	0
Elaboration or acquisition of assets to be leased and other assets held for sale		0	0
Other Cash Payments Related to Operating Activity		-202,861	0
Cash flows and cash equivalents from (used in) Operating Activities		**834,443**	**0**
Interests received (not included in the Investment Activities)		0	0
Interests paid (not included in the Investment Activities)		-50,881	0
Dividends Received (not included in the Investment Activities)		0	0
Dividends Paid (not included in the Investment Activities)		0	0
Income tax (paid) reimbursed		-40,901	0
Other cash collections (payments)		-94,342	0
Cash flows and cash equivalents from (used in) Operating Activities		648,319	0
Cash flows from Investment activities			
Type of cash collections from investment activities			
Reimbursement of loan repayment and loans granted to third parties		0	0
Loss of control of subsidiaries or other businesses		0	0
Loan repayments received from related parties		0	0
Sale of Equity-related Financial Instruments or debt of other entities		0	0
Derivatives contracts (Futures, Forwards or Options)		0	0
Sales of Interest in Joint Ventures, Net of the expropriated cash		0	0
Sale of Property, Plant and Equipment		0	0
Sale of intangible assets		0	0
Sale of other long- term assets		0	0
Government Subventions		0	0
Interests received		0	0
Dividends received		0	0
Type of cash payments from investment activities			
Advances and loans granted to third parties		0	0
Controlling interest of subsidiaries and other businesses		0	0
Loans from related		0	0
Purchase of Financial Instruments of equity or debt of other entities		0	0
Derivatives contracts (Futures, Forwards or Options)		0	0
Purchase of Subsidiaries, Net of cash acquired		0	0
Purchase of Joint Venture shares, Net of the cash acquired		0	0
Purchase of Property, Plant and Equipment		-234,272	0
Purchase of intangible assets		-1,508	0
Purchase of other long- term assets		0	0
Income tax (paid) reimbursed		0	0
Other cash receipts (payments) relating to Investment activities		0	
Cash flows and cash equivalents from (used in) investing activities		-235,780	0

UNACEM PERU S.A.

Statement of Cash Flow

Direct Method

For the periods ended December 31st, 2022 and January 1 2022

(In thousands of Soles)

	Notes	As of January 1st, 2022 to December 31st, 2022	As of January 1st, 2022
Cash flows from Financing activities			
Type of cash collections from financing activities			
Loan securing		490,211	0
Loans from related entities		0	0
Changes to the subsidiaries ownership interest not resulting in the loss of control		0	0
Issuance of Shares		0	0
Issuance of Other Equity Instruments		0	0
Government Subventions		0	0
Type of cash payments from financing activities		0	0
Loan Amortization or payment		-644,628	0
Financial leasing liabilities		0	0
Loans from related entities		0	0
Changes to the subsidiaries ownership interest not resulting in the loss of control		0	0
Redemption or repurchase of the entities' shares (Shares in the portfolio)		0	0
Acquisition of other equity interest		0	0
Interests paid		0	0
Dividends paid		-198,770	0
Income tax (paid) reimbursed		0	0
Other cash receipts (payments) relating to financing activities		0	10
Cash flows and cash equivalents from (used in) financing activities		-353,187	10
Increase (Decrease) in Net Cash and cash equivalents, before Changes in Foreign Exchange Rates		59,352	10
Effects of Changes in Foreign Exchange Rates on Cash and Cash Equivalents		1,346	0
Increase (Decrease) in Net Cash and Cash Equivalents		60,698	10
Cash and cash equivalents at beginning of year		10	0
Cash and cash equivalents at end of year		60,708	10

UNACEM PERU S.A.

Statement of change in Stockholder's Equity

For the periods ended December 31st, 2022 and January 1 st 2022

(In thousands of Soles)

	Capital Issued	Issuance Premiums	Investment shares	Treasury Shares in Portfolio	Other Capital Reserves	Accrued Results	Cash Flow Hedges	Investment Hedges, net of foreign businesses	Investments in equity instruments accounted at fair value	Exchange difference on translation of Foreign Operations	Non-current assets or groups of assets for held for sale	Revaluation Surplus	Actuarial Profit (Loss) on defined benefit plans	Reserve on Financial Assets Measured at Fair Value with Changes in Other Comprehensive Income	Subtotal	Total Stockholders' Equity
							Other Equity Reserves									
Balances as of January 1, 2021	-	-		-	-	-	-							-	-	-
1. Changes in Accounting Policies	-	-	-	-	-	-	-								-	-
2. Correction of Errors	-	-	-	-	-	-	-								-	-
3. Restated Initial Balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Changes in Stockholders' Equity:																
5. Comprehensive Income:																
6. Gain (Loss) for the year						-										-
7. Other Comprehensive Income:						-	-	-	-	-	-	-	-	-	-	-
8. Comprehensive Income - Total year						-	-	-	-	-	-	-	-	-	-	-
9. Cash Dividends Declared					-	-										-
10. Equity Issuance (reduction)	-	-	-	-	-	-										-
11. Reduction or amortization of Investment shares		-	-	-		-										-
12. Increase (decrease) in Other Contributions by Owners	10	-	-	-	-	-										10
13. Decrease (Increase) for Other Distributions to Owners	-	-	-	-	-	-										-
14. Increase (Decrease) due to changes in the subsidiaries ownership interest not resulting in the loss of control	-	-	-	-	-	-										-
15. Increase (decrease) for transactions with Treasury Shares in Portfolio	-	-	-	-	-	-										-
16. Increase (Decrease) for Transfer and other Equity Changes	-	-	-	-	-	-										-
Total Equity Increase (decrease)	10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10
Balance as of December 31 2021	10	-		-	-	-	-	-		-		-	-	-	-	10
Balance as of January 1, 2022	10	-		-	-	-	-			-		-		-	-	10
1. Changes in Accounting Policies	-	-	-	-	-	-			-	-	-	-	-	-	-	-
2. Correction of Errors	-	-	-	-	-	-			-	-	-	-	-	-	-	-
3. Restated Initial Balance	10	-	-	-	-	-	-		-		-		-	-	-	10
4. **Changes in Stockholders' Equity:**																
5. Comprehensive Income:																
6. Gain (Loss) for the year						421,455										421,455
7. Other Comprehensive Income:						-	13,737	-	-	-	-	-	-	-	13,737	13,737
8. Comprehensive Income - Total year						421,455	13,737		-		-		-	-	13,737	435,192
9. Cash Dividends Declared					-	-240,109										-240,109
10. Equity Issuance (reduction)	-	-	-	-	-	-										-
11. Reduction or amortization of Investment shares		-	-	-		-										-
12. Increase (decrease) in Other Contributions by Owners	-	-	-	-	-	-										-
13. Decrease (Increase) for Other Distributions to Owners	-	-	-	-	-	-										-
14. Increase (Decrease) due to changes in the subsidiaries ownership interest not resulting in the loss of control	-	-	-	-	-	-										-
15. Increase (decrease) for transactions with Treasury Shares in Portfolio	-	-	-	-	-	-										-
16. Increase (Decrease) for Transfer and other Equity Changes	2,156,475	-	-	-	42,146	-42,146	-								-	2,156,475
Total Equity Increase (decrease)	2,156,475	-	-	-	42,146	139,200	13,737	-	-	-	-	-	-	-	13,737	2,351,558
Balance as of December 31st, 2022	2,156,485	-	-	-	42,146	139,200	13,737	-	-	-	-	-	-	-	13,737	2,351,568

UNACEM Perú S.A.

UN-AUDITED Separate Interim Financial Statements

As of December 31, 2022

1. Identification and Economic Activity

Unacem Perú S.A. (hereinafter “the Company”) was incorporated in September 2021.

As of December 31, 2022, the Company is a subsidiary of UNACEM Corp S.A.A. (hereinafter "the Parent Company” or "UNACEM Corp"), who owns 100% of its capital stock.

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

The main activity of the Company is the production and sale of clinker and cement in the country and for export. For this purpose, the Company has two plants, one located in Lima and the other one in Junín, whose annual production capacity is 6.7 million tons of clinker and 8.3 million tons of cement.

As part of the simple reorganization of the Principal, as of January 1, 2022, the Company is the new company specialized in the production and commercialization of clinker and cement in the country and for export; therefore, the Principal has transferred all assets and liabilities related to this economic activity to the Company.

The financial statements as of December 31, 2022 have been issued with the authorization of Management and will be presented to the Board for approval of their issuance at the session of January 25, 2023.

2. Basis of Preparation of the Financial Statements

A. Basis of preparation

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

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

The Company prepared the financial statements on a going concern basis. In making its assessment, management considers events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern. In assessing whether the going concern assumption is appropriate, management considers all available information about the future obtain from the end of the reporting period until the issuance of the financial statements.

B. Significant accounting policies

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

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, fixed funds, checking accounts and time deposits. In preparing the statement of cash flows, cash and cash equivalents comprise cash and short-term deposits with an original maturity of less than 3 months.

Notes to the financial statements (continued)

***(b)	Financial instruments: Initial recognition and measurement***

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

- ***Financial assets***

Initial recognition and measurement

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

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

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

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

Subsequent measurement

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

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

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

Financial assets measured at amortized cost (debt instruments)

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

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and

Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal amount.

The Company classifies financial assets as subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the asset is derecognized, modified, or impaired.

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

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

Notes to the financial statements (continued)

Financial assets measured at FVOCI (debt instruments)
A financial asset is measured at FVOCI if both of the following conditions are met:

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

The Company does not have debt instruments classified into this category.

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

Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss. Dividends on such investments are recognized in 'other income' in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. If so, they are recognized in other comprehensive income. Equity instruments measured at FVOCI are not subject to impairment requirements.

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

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

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

- The contractual rights to receive the cash flows from the financial asset expire; or

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

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

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

- ***Impairment of financial assets***

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

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

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

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

- ***Financial liabilities***

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities measured at FVTPL.

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

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

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

As of December 31, 2022, the Company does not have financial liabilities classified into this category.

Notes to the financial statements (continued)

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

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

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

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

- ***Offsetting financial instruments***

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

- ***Hedging instruments and hedge accounting***

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

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

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

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

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

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

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

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

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

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

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

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

For the purposes of hedge accounting, the Company designated the three interest rate swap contracts entered in 2018 as a cash flow hedge, with two being outstanding as of December 31, 2022, and three being outstanding as of December 31, 2021.

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

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

The Company shall have access to the principal market or the most advantageous market at the measurement date.
When measuring fair value, the Company uses the assumptions that market participants would use when pricing the asset or the liability, if market participants act in their best economic interest.

A fair value measurement of a non-financial asset considers a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques appropriate for the measurement, for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

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

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

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

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

(d) Current and non-current financial assets and financial liabilities

The Company’s assets and liabilities are presented in the statement of financial position and classified as current and non-current. The Company classifies an asset as current when:

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

The Company classifies all other assets as non-current.

The Company classifies a liability as current when:

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

The Company classifies all other liabilities as non-current.

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

(e) Foreign currency transactions

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

Foreign currency transactions and balances

Foreign currency transactions are those that are carried out in a currency other than 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, the monetary assets and liabilities denominated in foreign currency are translated at the exchange rate of the date on which the operations are settled or at the exchange rate in effect at the closing date of the reporting period. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated at initial recognition are recognized in 'exchange difference, net' in profit or loss in the period in which they arise.

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

(f) Inventories

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

- ***Raw material, spare parts, materials, supplies, containers and packaging***

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

- ***Finished goods and work-in-progress.***

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

- ***Goods in transit***

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

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

- ***Loss allowance***

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

(g) Borrowing costs.

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

(h) Property, plant, and equipment

An item of property, plant and equipment is measured at cost less any accumulated depreciation and any 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. This cost comprises costs incurred to replace part of an item of property, plant and equipment and borrowing costs for long-term construction projects, provided that the recognition criteria are met. The cost of an item of property, plant and equipment also comprises the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located (note 2(n). (n.2)). If the Company recognizes in the carrying amount of an item of property, plant and equipment the cost of a replacement for part of the item, then it derecognizes the carrying amount of the replaced part regardless of whether the replaced part had been depreciated separately. When each major inspection is performed, its cost is recognized in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied. All major inspection or overhaul costs are recognized in the separate statement of profit or loss as incurred.

Notes to the financial statements (continued)

Depreciation is determined using the straight-line method over the asset's useful life. The following useful lives are used to calculate depreciation:

	Years
Buildings and other constructions	10 a 50
Premises	3 a 10
Machinery and equipment and major replacement parts	7 a 25
Vehicles	5 a 10
Furniture and fixtures	6 a 10
Other equipment	4 a 10
Mine Closure	11 a 38

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

Work-in-progress includes projects in progress and is measured at cost. This includes the cost of construction, equipment acquisition and other direct costs. Works in progress are not depreciated until the relevant assets are completed and operational.

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

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

(i) Mining Concessions.

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

(j) Intangible assets -

Goodwill

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

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

If goodwill has been allocated to a cash-generating unit and the Company disposes of an operation within that unit, the goodwill associated with the operation disposed of shall be measured based on the relative values of the operation disposed of and the portion of the CGU retained. Under these circumstances, goodwill is measured based on the relative value of the assets disposed of 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. An impairment loss recognized for goodwill shall not be reversed in a subsequent period.

Notes to the financial statements (continued)

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

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

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

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

The cost of production clearing is subsequently depreciated using the units of production method considering the life of the identified component that is more accessible as a result of the clearing activity. This cost is stated at cost, less of accumulated depreciation and accumulated impairment losses, if any.

(l) Estimates of resources and reserves
The mineral reserves are estimates of the number of ore that can be economically and legally extracted from the non-metallic mining properties and concessions. The Company 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 estimate of recoverable reserves is based on factors such as estimates of foreign exchange rates, mineral prices, future capital requirements and production costs, as well as geological assumptions and judgments to estimate the size and quality of the mineral deposit.

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.

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

Notes to the financial statements (continued)

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

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

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

(n) Provisions

(n.1) General provision

A provision is only recognized when the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. When some or all of the expense required to settle a provision is expected to be reimbursed by another party—e.g., under an insurance contract—, the reimbursement is recognized when, and only when, it is virtually certain that the reimbursement will be received. The reimbursement is treated as a separate asset. In the statement of comprehensive income, the expense relating to a provision is presented net of the amount recognized for a reimbursement. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenses expected to be required to settle the obligation. When discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognized as borrowing cost in profit or loss.

(n.2) Provision for closure of quarries

The Company recognizes a provision for the costs of legal or constructive obligations to clean up contaminated land or restore facilities in the period in which the obligation is incurred. A provision for closure of quarries is measured at the amount that the Company would rationally pay to settle the obligation at the end of the reporting, using expected cash flows. The costs are recognized as an integral part of the cost of that asset. The discount rate shall be a pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the liability. Accruals are recognized as an expense as incurred in ‘borrowing costs’ in the statement of profit or loss. The closure costs are reviewed and adjusted, as appropriate, on an annual basis. Changes in the expected future costs or in the discount rate are added to or deducted from the cost of the asset.

(o) Contingencies

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

(p) Employee benefits

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

(q) Revenue recognition

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

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

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

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

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

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

Variable considerations
In some contracts, the Company grants the customer the right to return the good and offers trade discounts and volume rebates that shall be deducted from sales revenue under IFRS 15. The Company shall estimate an amount of variable consideration by using the expected value method. The amounts are recognized as a decrease in trade accounts receivable in the statement of financial position and as a decrease in revenue in the statement of profit or loss. Sales commissions granted to suppliers are also included.

(r) Taxes

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

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

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

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

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

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

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

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

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

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

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

As of December 31, 2022, the Company did not identify uncertain tax treatments that would result in the recognition of provisions in the financial statements, under IFRIC 23.

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

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

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

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

(s) Earnings per share
Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of outstanding ordinary shares during the period. As of June 30, 2022, the Company does not have dilutive financial instruments; therefore, the basic and diluted earnings per share are the same.

(t) Segments

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

The category used by the Board of Directors to disaggregate revenue is major product lines: cement, clinker exports and sale of concrete blocks, paving blocks, and pavement. The main operating segment is cement, which represents 93.65% as of December 31,2022 and that results from a single production process. The other operating segments do not exceed, individually, 5%, so they are not considered reportable segments. Therefore, they are not necessary for an understanding of the reported segment information.

(u) Comparative information

As mentioned in note 1, the Company was incorporated in September 2021 and, as part of the simple reorganization of the Parent, as of January 1, 2022, the Parent has transferred all the assets and liabilities related to the economic activity of the Company. Therefore, the comparative information of the statement of financial position will be the information as of January 1, 2022. Likewise, the company started operations as of January 1, 2022, so it does not present comparative information in the statement of financial position results.

3. Significant Accounting Estimates and Assumptions

In preparing these financial statements, management has made judgments, estimates and assumptions related to determining the reported amounts of assets and liabilities, exposure of contingent assets and contingent liabilities at the reporting date, and the reported amounts income and expenses as of December 31, 2022.

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

- Estimated useful life and impairment of assets– notes 2.B (k) and (m)
- Reserve estimates – note 2.B(l)
- Income tax– note 2.B(r)

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

4. Standards issued but not yet effective.

The Company does not plan to early adopt the applicable standards.

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

5. Cash and Cash Equivalents

It includes the following:

In thousands of soles	**As of December 31, 2022**	**As of January 1, 2022**
Petty cash fund	10	-
Term deposit accounts	17,554	-
Current accounts (a)	43,144	10
	60,708	**10**

(a) Current accounts are denominated in local and foreign currency, deposited in local and foreign banks with a high credit rating and are freely available. These deposits earn interest at market rates.

6. Trade and other Accounts Receivable

It includes the following:

In thousands of soles	Current		Non-current	
	As of December 31, 2022	**As of January 1, 2022**	**As of December 31, 2022**	**As of January 1, 2022**
Trades:				
Trade accounts receivable(a)	74,373	-	-	-
Related parties:				
Accounts receivable (19b)	222,371	-	-	-
Various				
Advances to suppliers(b)	15,312	2,708	-	2,292
Sales tax credit	18,143	3,902	-	-
Loans to employees	3,962	1,257	-	8,088
Hedging financial instruments (22A i)	2,557	-	-	-
Other accounts receivable	2,684	-	-	-
	339,402	**7,867**	**-**	**10,380**

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

(b) As of December 31, 2022, and January 1, 2022, it corresponds to advance payments made to suppliers for the acquisition of machinery and equipment, as well as the rendering of various services. They are paid in the short and long term.

7. Inventories

It includes the following:

In thousands of soles	**As of December 31, 2022**	**As of January 1, 2022**
Finished goods	20,311	17,001
Goods in progress	167,148	147,105
Raw and auxiliary materials (b)	114,450	98,449
Packages and packing	62,542	24,558
Spare parts and supplies	193,638	194,113
	558,089	**481,226**
Provision for inventory obsolescence (a)	(15,363)	(45,710)
	542,726	**435,516**

(a) In the Company's Management opinion, the provision for inventories obsolesces covers appropriately its obsolescence risk as of December 31, 2022, and January 1, 2022. In December 2022, the reclassification of devaluation of activable spare parts as devaluation of replacement units included in the category "Mining Concessions and Properties, Plant and Equipment" was carried out for approximately S/.35,182,000.

(b) The item raw material and auxiliaries mainly includes gypsum, coal and imported clinker. As of December 31, 2022, the Company has approximately S/35,534,000 (S/29,745,000 as of January 1, 2022) of imported coal in stock.

8. Mining concessions and Property, Plant and Equipment

It includes the following:

In thousands of soles	As of December 31, 2022	As of January 1, 2022
Cost - **Opening Balance**	-	-
Simple reorganization	5,780,811	5,780,811
Additions (a)	266,292	-
Drops	(2,266)	-
Adjustments	(1,727)	-
Ending balance	6,043,110	**5,780,811**
Accumulated depreciation - Opening Balance	-	-
Simple reorganization	2,122,485	2,122,485
Depreciation of the period(b)	221,600	-
Depreciation for drops	(1,894)	-
Adjustments and/or reclassification 7(a)	35,182	-
Ending Balance	**2,377,373**	**2,122,485**
Net book value:	**3,665,737**	**3,658,326**

(a) As of December 31, 2022, the main additions correspond to packaging and product dispatch capacity expansion projects in both plants and optimization of the clinker cooler and dust removal in kiln 3 at the Condorcocha plant . The total amount of the mentioned projects is approximately S/66,163,000.

(b) Depreciation as of December 31, 2022, has been distributed as follows:

In thousands of soles	***Note***	**2022**
Cost of sales	*15*	211,863
Administration expenses	*16*	7,263
Other expenses		2,474
		221,600

9. Intangible assets, net

As of December 31, 2022, the balance payable amounts to S/. 1,467,000.

10. Trade and other Accounts Payable

It includes the following:

In thousands of soles	**As of December 31, 2022**	**As of January 1, 2022**
Commercial accounts payable(a)	181,666	42,121
Accounts receivable from related parties 19(b)	119,925	6,927
Interest payable 11 (b) and 11.1 (c)	16,729	-
Salaries and vacation payable	13,833	12,595
Contributions and labor contributions payable	5,109	-
Interest on financial instruments payable	144	-
Income tax payable	170,443	-
Board remuneration payable	3,626	-
Other accounts payable	7,693	461
	519,168	**62,104**

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

11. Other Financial Liabilities

(a) It includes the following:

	As of December 31, 2022			As of January 1, 2022		
In thousands of soles	**Current Portion**	**Non-current Portion**	**Total**	**Current Portion**	**Non-current Portion**	**Total**
Promissory notes (b)	371,900	-	371,900	170,000	-	170,000
Bank loans (11.1)	230,635	781,596	1,012,231	191,724	1,199,254	1,390,978
	602,535	**781,596**	**1,384,131**	**361,724**	**1,199,254**	**1,560,978**

(b) The bank promissory note corresponds mainly to financing for working capital, has no specific guarantees and is renewed depending on the working capital needs of the Company .

As of December 31, 2022 and January 1, 2022, the balance per bank consists of:

In thousands of soles	**Currency**	**Maturity**	**As of December 31, 2022**	**As of January 1, 2022**
Financial entities				
Banco Internacional del Perú S.A. A	American Dollars	November 2023	171,900	-
Banco de Crédito del Perú	Soles	June, 2023	200,000	170,000
			371,900	**170,000**

As of December 31, 2022, interest payable on bank promissory notes amounted to approximately S/ 8,434,000, respectively, and are recorded in the caption “Trade and other payable” of the separate statement of financial position, note 10 . Interest expenses for bank promissory notes as of December 31, 2022, amounted to approximately S/10,979,000 and are included in the “Financial expenses” caption in the statement of income.

11.1 Bank loans

(a) As of December 31, 2022, and January 1, 2022, the balance of the corporate bank loans is detailed below:

In thousands of soles	Maturity	Guarantee	As of December 31, 2022	As of January 1, 2022
Bank loans (b) and (d)-				
Banco de Crédito del Perú	October 2026	No guarantees	105,900	105,900
Scotiabank Perú S.A.	October 2024, March 2025 and January 2027	No guarantees	318,500	357,857
Banco Internacional del Perú S.A. A	January 2027	No guarantees	127,400	130,000
BBVA Banco Continental	January 2027	No guarantees	247,800	252,857
Citibank (a.1)	October 2025	No guarantees	152,800	199,900
Santander S.A. (a.1)	-	No guarantees	-	179,910
Bank of Nova Scotia (a.1)	September 2025	No guarantees	63,030	89,955
Banco de Crédito del Perú	March 2022	No guarantees	-	79,960
			1,015,430	**1,396,339**
Amortized cost			(3,199)	(5,361)
Total			**1,012,231**	**1,390,978**
Less: Current portion			**230,635**	**191,724**
Non-current portion			**781,596**	**1,199,254**

(a.1) The Company maintains swap contracts to reduce the risk of the variable rate related to these loans, note 22.A.

(b) The applicable financial covenants to local financial liabilities are quarterly monitored and must be calculated based on the separate quarterly financial information of: i) the Company, ii) combined of the Company and UNACEM Corp S.A.A. (as if the simple rearrangement had not been performed).

i) As of December 31, 2022, the main financial covenants that the Company maintains with each financial entity fluctuate between the following rates and ratios:

- To maintain an index debt minor or equal to 1.5 times.
- To maintain a debt service coverage ratio greater or equal to 1.2 times.
- To maintain a. debt coverage ratio of financial debt/EBITDA minor to 3.5 times.

ii) As of December 31, 2022, the main financial covenants based on the combined financial information of the Company and UNACEM Corp S.A.A., fluctuate in the following rates or ratios:

- To maintain a debt ratio minor or equal to 1.5 times.
- To maintain a debt coverage ratio or financial debt / EBITDA less than or equal to 4.0 times for 2022 and 3.75 times from 2023 onwards.
- To maintain a debt service coverage ratio greater or equal to 1.2 times.

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

(c) As of December 31, 2022, medium- and long-term interest payable on debt with banking entities amounted to approximately S/ 8,295,000 and is recorded under the caption "Commercial and miscellaneous accounts payable" in the separate statements of financial position, note 10.

The interest generated by debt with medium and long-term banking entities maintained as of December 31, 2022, amounted to approximately S/ 49,538,000 and is included in the caption "Financial expenses" of the separate statements of income.

(d) As of December 31, 2022, the Company maintains bank loans in soles with effective annual interest rates in soles that fluctuate between 4.10 to 4.92 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 2.60 percent).

12. Deferred Income Tax Liability

It includes the following:

In thousands of soles	**As of December 31, 2022**	***As of January 1, 2022***
Deferred asset		
Allowance for inventory obsolescence	14,911	13,485
Provision for vacation	569	-
Provision for mine closure	6,536	5,504
Auditing fees	109	
Amortization of intangible assets	801	1,423
Preoperational expenses	6,848	6,848
	29,774	**27,260**
Deferred liability		
Difference in tax base and depreciation for fixed assets	(357,111)	(366,270)
Deferred Stripping assets	(28,616)	(30,582)
Capitalized interests	(27,359)	(29,496)
Derivative financial instruments	(754)	7,501
Other provisions	(506)	(622)
Deferred commissions of financial obligations	(825)	(1,171)
	(415,171)	**(420,640)**
Deferred income tax liability, net	**(385,397)**	**(393,380)**

(a) The income tax expense shown in the separate income statement as of December 31, 2022, is made up of:

In thousands of soles	*As of December 31, 2022*
Current	(208,839)
Deferred	13,733
Royalty Expenses	(5,209)
	(200,315)

13. Net equity

A. Share capital.

As of December 31, 2022, the Company's capital stock is represented by 10,000 subscribed and paid shares, with a nominal value of S/ 1 per share.

As of December 31, 2022		
Shareholders	**Number of shares**	**Percentage of participation**
Unión Andina de Cementos S.A.A	2,156,485,444	100.00%
Digicem S.A. (before Transportes Lurín S.A.)	1	00.00%
	2,156,485,445	**100.00%**

B. Legal reserve

Under the terms of the General Corporation Law, it is required that at least 10 percent of the distributable profit for each year, less income tax, must 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.

C. Unrealized results

Corresponds to changes in the fair value of hedging financial instruments and the reserve on financial assets measured at fair value, both net of their tax effect.

D. Retained earnings – declared dividends.

In Board meetings held on April 27, 2022, and July 26, 2022, October 26, 2022, and December 28, 2022, dividends were distributed on account of the accumulated results of the year for S/ 64,974,000, S/ 25,731,000, S/ 93,404,000, and S/ 56,000,000.

14. Income of Ordinary Activities

It includes the following:

In thousands of soles	***As of December 31, 2022***
Cement Sales -	2,654,820
Exports of Clinker (a)	100,176
Sale of blocks, pavers, and concrete pavement (b)	79,830
	2,834,826
Moment of revenue recognition	
Goods transferred at a point in time	2,834,826
	2,834,826

(a) Corresponds to the export of raw material to customers located in South America.

(b) Corresponds mainly to sales made to Unión de Concreteras S.A. and Concremax S.A., related companies, note 19(a).

15. Cost of sales

It includes the following:

In thousands of soles	***Note***	***As of December 31, 2022***
Beginning inventory of finished goods and work-in-progress	*7*	164,106
Production costs		
Fuel		466,911
Depreciation	*8(b)*	211,863
Personnel expenses		176,298
Consumption of raw material		181,862
Kiln, machinery and equipment maintenance		178,361
Electric power		142,463
Transport of raw material		85,955
Packaging		113,423
Depreciation of deferred asset for stripping		16,719
Other production costs		248,971
Ending inventory of finished goods and work in progress	*7*	(187,459)
		1,799,473
Allowance for inventory obsolescence	*7(a)*	4,834
		1,804,307

16. Administrative Expenses

It includes the following:

In thousands of soles	***Note***	***As of December 31, 2022***
Personnel expenses		98,371
Third-party services		31,438
Donations		17,384
Taxes		10,973
Depreciation	*8(b)*	7,263
Amortization of intangible assets		13
Others		6,895
		172,337

17. Other income and other expenses

As of December 31, 2022, royalties were provisioned to the “Principal” for approximately S/119,467,000.

18. Financial expenses

Corresponds mainly to the interest generated by the debt with banks in the medium and long term. As of December 31, 2022, amounts to approximately S/ 60,517,000, respectively, see note 11 (b) and 11.1 (c).

19. Related Party Transactions

(a) The main transactions with related companies as of December 31, 2022, were as follows:

In thousands of soles	***Note***	**As of December 31, 2022**
Income		
Income from Cement sales		
La Viga S.A.		558,917
Unión de Concreteras S.A.		190,786
Concremax S.A.		45,494
Prefabricados Andinos Perú S.A.C.		959
Asociación UNACEM		299
Income from sale of blocks, pavers, pavements, and concrete		
Unión de Concreteras S.A.		74,793
Concremax S.A.		3,228
Administrative, technology and management support		
Compañía Eléctrica El Platanal S.A.		1,696
Unicon Chile S.A.		930
UNACEM Corp S.A.A.		502
Prefabricados Andinos Perú S.A.C.		566
Drake Cement LLC.		414
Vigilancia Andina S.A.A.		138
Generación Eléctrica Atocongo S.A.		165
Depósito Aduanero Conchán S.A.		127
Unicon Chile S.A.		702
Others		80
Leases of plant, equipment, and facility		
Unión de Concreteras S.A.		702
UNACEM Corp S.A.A.		160
Depósito Aduanero Conchán S.A.		299
Prefabricados Andinos Perú S.A.C.		187
ARPL tecnología Industrial S.A.		57
Others		137
Income from Cement sales –		
UNACEM Corp S.A.A.		25,207
Unicon Chile S.A.		13,964
Unicon Chile S.A.		54,053
Drake Cement LLC.		1,810
Other income		
UNACEM Corp S.A.A.		1,306
Unicon Chile S.A.		706
Compañía Eléctrica El Platanal S.A.		601
Vigilancia Andina S.A.A.		40
Others		31
Purchases and costs		
Dividends		
UNACEM Corp S.A.A.		240,109
Royalties		
UNACEM Corp S.A.A.		119,467
Purchases of electric energy		
Compañía Eléctrica El Platanal S.A.		128,801
Maquila Service		
Unión de Concreteras S.A.		27,625
Concremax S.A.		1,933

In thousands of soles	***Note***	**As of December 31, 2022**
Fees and import duties for sale of cement		
La Viga S.A.		34,047
Surveillance services		
Vigilancia Andina S.A.A.		23,191
Technical assistance and engineering services		
ARPL tecnología Industrial S.A.		26,774
Purchases of additional material		
UNACEM Corp S.A.A.		44,337
Unión de Concreteras S.A.		6,639
Concremax S.A.		156
Engineering services and project management		
ARPL tecnología Industrial S.A.		13,534
Prefabricated works		
Prefabricados Andinos Perú S.A.C.		7,043
Warehouse managing services		
Depósito Aduanero Conchán S.A.		3,375
Expense reimbursements		
Unión de Concreteras S.A.		5,229
UNACEM Corp S.A.A.		6,492
ARPL tecnología Industrial S.A.		1,192
Others		
Generación Eléctrica Atocongo S.A.		3,426
Unión de Concreteras S.A.		336
Drake Cement LLC		243
Prefabricados Andinos Perú S.A.C.		169
Inversiones Nacionales y Multinacionales Andinas S.A.		122
Unacem Corp S.A.A.		28
Compañía de Inversiones Santa Cruz S.A.		21
Digicem S.A.		11
Master Builders Solutions Perú S.A.		11

(b) As a result of these and other minor transactions, as of December 31, 2022, and January 1,2022, the Company had the following balances with its related entities:

In thousands of soles	***Note***	**As of December 31, 2022**	**As of January 1, 2022**
Accounts receivable			
Unicon Chile S.A.		78,213	-
Unión de Concreteras S.A.		73,734	-
La Viga S.A.		37,104	-
Unicon Chile S.A.		18,805	-
Concremax S.A.		8,749	-
Drake Cement LLC.		2,201	-
Minera Adelaida S.A.		1,750	-
Compañía Eléctrica El Platanal S.A.		917	-
Prefabricados Andinos Perú S.A.C.		649	-
UNACEM Corp S.A.A.		120	-
Others		129	-
Other accounts receivable	***6***	**222,371**	**-**
By Term -			
Current Portion		222,371	-
Non-current portion		-	-

In thousands of soles	*Note*	As of December 31, 2022	As of January 1, 2022
		222,371	**-**
Accounts payable			
UNACEM Corp S.A.A.		75,878	-
Unión de Concreteras S.A.		13,379	1,774
Compañía Eléctrica El Platanal S.A.		13,452	-
ARPL tecnología Industrial S.A.		9,046	3,772
La Viga S.A.		4,490	-
Vigilancia Andina S.A.A.		2,037	-
Depósito Aduanero Conchán S.A.		758	-
Concremax S.A.		577	-
Drake Cement LLC.		241	-
Prefabricados Andinos Perú S.A.C.		45	-
Digicem S.A. (before Transportes Lurín S.A.)		11	1,286
Others		11	95
Total accounts payable	***10***	**119,925**	**6,927**

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

(c) The total remuneration received by directors and key management officials as of December 31, 2022, amounted to approximately S/ 25,125,000 includes short-term benefits and compensation for length of service.

20. Earnings per Share

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

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

	As of December 31, 2022
Numerator	
Income in thousands of soles attributable to common shares	421,455
Denominator	
Outstanding average number of common shares (In thousands)	2,156,485
Basic and diluted earnings per share (stated in thousands of Soles)	0.195

21. Commitments and contingencies

A. Financial commitments

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

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

- Guarantee letter to the Ministry of Production, issued by Banco de Crédito del Perú, by a total approximate of US$6,383,000 equivalent to S/24,383,000 with a maturity on January 2024, in order to ensure compliance of the Mine Closure of its mining concessions.

- Guarantee letters in favor of SUNAT for a total of S/9,434,000 due in April, July, August, and September 2023, to guarantee the customs tax debt.

- Guarantee letter in favor of third parties for a total of S/ 549,000 due in January, March, May and June 2023.

B. Tax situation

Tax rates

(a) The Company is subject to the Peruvian tax system As of December 31, 2022, the Income Tax rate is 29.5% on the net taxable income determined by the Company.

Through Legislative Decree No. 1261, published on December 10, 2016, and effective as of January 1, 2017, the rate applicable to earnings was modified to 29.5%.

The Decree also established the modification of the Income Tax rate applicable to the distribution of dividends and any other form of distribution of profits at 5%, this for the profits that are generated and distributed as of January 1, 2017.

It should be noted that it will be presumed, without admitting evidence to the contrary, that the distribution of dividends or any other form of distribution of profits that is made corresponds to the accumulated results or other concepts likely to generate older taxable dividends.

(b) According to current tax legislation in Peru, non-domiciled individuals pay taxes only on their Peruvian source income. Thus, in general terms, the income obtained by individuals not domiciled for services rendered in our country will be taxed with income tax at a rate of 30% on a gross basis, this if the application of an Agreement to Avoid the Double Taxation (CDI). In this regard, Peru has currently signed CDIs with the Andean Community, Chile, Canada, Brazil, Portugal, Switzerland, Mexico, and South Korea.

For the purposes of technical assistance services or digital services provided by non-domiciled subjects in favor of domiciled subjects, the place of provision of the same will be indistinct and in all cases will be taxed with the Income Tax with a rate of 15%. and 30% on a gross basis, respectively. The rate applicable to technical assistance services will be 15%, provided that the requirements indicated in the Income Tax Law.

(c) The Tax Authority has the power to review and adjust the income tax calculated by the Company in the four years following the year of the presentation of the tax returns. The affidavits of Income Tax for the year 2021, is open to inspection by the Tax Authority.

(d) Due to the possible interpretations that the Tax Authority may give to the current legal regulations, it is not possible to determine at this date whether or not the revisions that are carried out will result in liabilities for the Company. Therefore, any eventual higher tax or surcharge that may result from the tax revisions would be applied to the results of the fiscal year in which it is determined. In the opinion of the Company's management and legal advisers, any eventual additional tax settlement for these periods will not be significant for the separate financial statements as of December 31, 2022 and 2021.

(e) As of December 31, 2022, the Company recorded a provision for income tax of S/ 211,345,000 and made payments on account of S/ 40,901,000. As of December 31, 2022, the net balance payable of S/170,443,000 is presented in the line item "Trade and other payables" in the statement of financial position.

C. Mining royalties

In accordance with the law and regulation of royalties for metallic and non-metallic mining activity in force since October 1, 2011, the mining royalty for metallic and non-metallic mining activities of the holders or assignees of mining concessions, must be liquidated quarterly and for its determination the greater amount between: (i) the amount obtained by applying a staggered table of marginal rates to be applied to quarterly operating income adjusted for certain items; and, (ii) 1 percent of net sales for the quarter. These amounts must be determined based on the 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 income tax for the year in which payments are made.

The mining royalty expense as of September 30, 2022, amounts to approximately S/ 5,209,000.

D. Environmental commitments

The activities of the Company are subject to environmental protection standards. In this sense, it must comply with the following regulations:

(a) Industrial activities

Law No. 28611 General Environmental Law and Law No. 27446 Law of the National Environmental Impact Assessment System regulate the environmental responsibilities of all activities from their identification, prevention, supervision, control, and early correction of the negative environmental impacts derived of human actions expressed through the investment project.

(b) Mining and port activities

In relation to its mining (non-metallic) and port activities, the Company has been complying with the Environmental Impact Studies (EIA) within the established deadlines.

(c) Use of hydrocarbons

Supreme Decree No. 039-14-EM Regulation for Environmental Protection in Hydrocarbon Activities updated on November 5, 2014, regulates the activities performed by the Company related to the use of hydrocarbons as a final user.

22. Financial Risk Management Objectives and Policies

The main financial liabilities of the Company, in addition to derivative financial instruments, include bank loans, trade and other payables, and other financial liabilities. The main purpose of these financial liabilities is to obtain financing for the Company's operations. The Company has cash and trade and other receivables that arise directly from its operations. The Company also holds derivative financial instruments.

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

The high-level executives of the Company oversee 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 executives that the Company's financial risk-taking activities are regulated by appropriate corporate policies and procedures and that financial risks are identified, measured, and managed in accordance with these corporate policies. and the Company's preferences when taking risks.

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

A. Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments fluctuates because of changes in the market rates. Market risks involve interest rate risk, exchange rate risk, commodity price risk and other price risks. Financial instruments affected by market risk include loans and borrowings and derivative financial instruments.

The sensitivity analyses shown in the following sections relate to the financial position as of December 31, 2022.

This sensitivity analyzes were prepared on the assumption that the amount of net debt, the coefficient of fixed interest rates on variable interest rates of debt and derivative financial instruments, and the proportion of financial instruments in currency are all constant as of December 31, 2022.

i. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments fluctuates as a result of changes in the interest rates. Exposure of the Company to the interest rate risk is related mainly to the long-term debt with variable interest rates.

- ***Derivative Financial instruments from hedge***

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

					Fair value	
In thousands of soles	**Reference value US$(000)**	**Maturity**	**Receives variable rate at:**	**Pays fix rate at:**	**As of December 31, 2022**	**As of January 1, 2022**
Asset						
Citibank N.A.	50,000	October 2025	3-month LIBOR + 1.75%	5.700%	1,130	-
Bank of Nova Scotia	30,000	September 2025	3-month LIBOR + 2.60%	5.660%	1,427	-
					2,557	**-**
Liabilities						
Citibank N.A.	50,000	October 2025	3-month LIBOR + 1.75%	5.700%	-	13,210
Santander S.A.	45,000	November 2023	3-month LIBOR + 1.85%	5.030%	-	8,499
Bank of Nova Scotia	30,000	September 2025	3-month LIBOR + 2.60%	5.660%	-	3,719
					-	**25,428**

The effective portion of changes in the fair value of financial instruments that qualify as hedges is recognized as assets or liabilities and with impact on equity. The effect recognized in the caption "Unrealized results" of the separate statement of comprehensive income as of December 31, 2022, corresponds to approximately S/ 13,737,000, net of the effect on income tax, respectively.

The balance as of December 31, 2022, is S/2,557,000 in favor of the Company, which is presented in commercial and miscellaneous accounts receivable (see Note 6).

Likewise, as of December 31, 2022, the Company recognized a financial expense for these derivative financial instruments amounting to approximately S/ 7,343,000, which has been effectively paid during the year and is presented as part of the "Financial expenses" caption in the separate income statement.

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

In thousands of soles	**Effect on profit before income tax** **As of December 31, 2022**
Increase / decrease in basis points	
-10%	(843)
+10%	843

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

ii. Exchange rate risk
The result of maintaining balances in foreign currency for the Company as of December 31, 2022 was a net gain of approximately S/33,539,000 (gain of approximately S/ 162,645,000 and loss of approximately S/ 129,106,000), which are presented in the caption “Exchange difference, net” of the income statement.

As of December 31, 2022, and January 1, 2022, the Company had the following assets and liabilities in US dollars:

In thousands of soles	**As of December 31, 2022**	**As of January 1, 2022**
Asset		
Cash and cash equivalents	7,409	-
Derivative financial instruments	669	-
Trade and other payables	32,123	-
	40,201	**-**
Liabilities		
Trade and other payables	(800)	(7,301)
Other financial liabilities	(101,500)	(137,500)
Derivative financial instruments	-	(6,360)
	(102,300)	**(151,161)**
Net liability position	**(62,768)**	**(151,161)**

Foreign currency sensitivity
The following table shows the sensitivity to a reasonably possible change in the US dollar exchange rate, assuming all other variables remain constant, on the Company's profit before income tax (due to changes in the fair value of monetary assets and liabilities) .

	Period Outcome	
In thousands of soles	**Strengthening**	**Weakening**
As of December 31, 2022		
US$ (5% movement)	11,885	(11,885)
US$ (10% movement)	23,770	(23,770)

B. Credit risk
Credit risk is the risk that a financial loss will be incurred if a borrower to a financial instrument or contract fails to meet its financial obligations. The Company is exposed to a credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, and trade and other receivables. The maximum credit risk of the components of the financial statements as of

December 31, 2022 is represented by the amount of the captions cash and cash equivalents, trade and other accounts receivable.

C. Liquidity risk

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

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

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

			As of December 31, 2022			
In thousands of soles	***Note***	**Carrying value**	**Up to 12 months**	**From 2 to 3 years**	**From 4 to 8 years**	**Total**
Trade and other payables	*10*	519,168	**519,168**	-	-	519,168
Other financial liabilities:						
Amortization of capital	*11*	1,384,131	**602,535**	734,024	47,572	1,384,131
Flow of interest payments		-	**60,870**	56,510	511	117,891
Total liabilities		**1,903,299**	**1,182,573**	**790,534**	**48,083**	**2,021,190**

D. Capital management.

In the first quarter ended December 31, 2022, there were no changes in the objectives, policies, or processes related to capital management.

23. Fair Value

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

The following chart shows an analysis of the financial instruments that are recorded at fair value according to the level of the hierarchy of their fair value. The amounts are based on balances presented in the separate statement of financial position:

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

B. Financial instruments not measured at fair value.

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

Level 1

- Cash and cash equivalents do not represent a significant credit or interest rate risk; therefore, their book values approximate their fair value.
- Accounts receivable, due to the fact that they are net of their allowance for uncollectibility and, mainly, have maturities of less than three months, Management has considered that their fair value is not significantly different from their book value.
- Due to their current maturity, the Company's Management estimates that their book balance approximates their fair value for commercial and other accounts payable.

Level 2

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

	As of December 31, 2022	
In thousands of soles	**Carrying value**	**Fair value**
Bank notes	371,900	348,645
Other financial liabilities	1,012,231	875,279

24. Subsequent events

No significant financial-accounting events have been identified after December 31, 2022, that may affect the interpretation of these financial statements.