# Unión Andina de Cementos S.A.A. & Subsidiaries

UN-AUDITED Consolidated Interim Financial Statements

As of March 31, 2020, and December 31, 2019

# UNION ANDINA DE CEMENTOS S.A.A. AND SUBSIDIARIES
## Statement of Financial Position
For the periods ended March 31, 2020 and December 31, 2019
(In thousands of Soles)

| | Notes | As of March 31, 2020 | As of December 31, 2019 |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 3 | 150,623 | 124,337 |
| Other Financial Assets | | - | - |
| **Trade Accounts Receivable and other accounts receivable** | | **487,159** | **474,667** |
| Trade Accounts Receivable , net | 4 | 402,437 | 390,076 |
| Other Accounts Receivable , net | 4 | 43,034 | 43,343 |
| Accounts Receivable from Related Companies | 4 | 26,177 | 25,383 |
| Advanced payments | 4 | 15,511 | 15,865 |
| Inventories | 5 | 833,737 | 772,357 |
| Biological Assets | | - | - |
| Assets by Income Taxes | 4 | 16,601 | 13,497 |
| Other Non-Financial Assets | 10 | 41,877 | 19,718 |
| **Total Current Assets different than assets or groups of assets for its classified as held for sale or for distribution to owners** | | **1,529,997** | **1,404,576** |
| Non-current assets or groups of assets for disposal Classified as Held for Sale | | - | - |
| Non-current assets or groups of assets for its classified as held for distribution to owners | | - | - |
| **Non-current assets or groups of assets for disposal Classified as Held for Sale or Held for distribution to owners** | | - | - |
| **Total Current Assets** | | **1,529,997** | **1,404,576** |
| **Non-Current Assets** | | | |
| Other Financial Assets | | - | - |
| Investments in subsidiaries, joint ventures and associates | | 23,002 | 22,328 |
| **Trade Accounts Receivables and other accounts receivables** | | **44,151** | **46,596** |
| Trade Accounts Receivable | | - | - |
| Other Accounts Receivable | 4 | 39,360 | 41,180 |
| Accounts Receivable from Related companies | | - | - |
| Advanced payments | 4 | 4,791 | 5,416 |
| Biological Assets | | - | - |
| Investment Property | | - | - |
| Property, Plant and Equipment , net | 7 | 7,245,505 | 7,250,398 |
| Intangible Assets , net | 8 | 212,448 | 210,937 |
| Assets Deferred Income Tax | 15(a) | 159,516 | 154,673 |
| Surplus value | 9 | 1,167,741 | 1,166,087 |
| Other Assets | 6(a) y 10 | 148,688 | 156,259 |
| **Total Non-current Assets** | | **9,001,051** | **9,007,278** |
| **TOTAL ASSETS** | | **10,531,048** | **10,411,854** |

| | Notes | As of March 31, 2020 | As of December 31, 2019 |
|---|---|---|---|
| **Liabilities and Stockholders' Equity** | | | |
| **Current Liabilities** | | | |
| Other Financial Liabilities | 11 | 733,745 | 671,365 |
| **Trade accounts payable and other payable accounts** | | **675,557** | **700,143** |
| Trade Accounts Payable | 12 | 471,829 | 485,514 |
| Other Accounts Payable | 12 | 167,759 | 176,255 |
| Accounts payable to related companies | 12 | 15,663 | 20,191 |
| Deferred Income | 13 | 20,306 | 18,183 |
| Provision for Employee Benefits | | - | - |
| Other provisions | 14 | 43,663 | 62,891 |
| Income tax liabilities | | 37,715 | 52,059 |
| Other non-financial liabilities | 6(b) | 8,985 | 9,795 |
| **Total Current Liabilities different of Liabilities included groups of assets for disposal Classified as Held for Sale** | | **1,499,665** | **1,496,253** |
| Liabilities included in asset groups classified as held for sale | | - | - |
| **Total Current Liabilities** | | **1,499,665** | **1,496,253** |
| **Non-Current Liabilities** | | | |
| Other Financial Liabilities | 11 | 3,510,140 | 3,471,451 |
| **Trade accounts payable and other payable accounts** | | **36,457** | **35,658** |
| Trade Accounts Payable | | - | - |
| Other Accounts Payable | 12 | 36,457 | 35,658 |
| Accounts payable to related companies | | - | - |
| Deferred Income | | - | - |
| Provision for Employee Benefits | | - | - |
| Other provisions | 14 | 68,392 | 67,155 |
| Liabilities Deferred Income Taxes | 15(a) | 643,821 | 652,442 |
| Other non-financial liabilities | 6(b)y23.1 | 65,397 | 48,850 |
| **Total Non-Current Liabilities** | | 4,324,207 | 4,275,556 |
| **Total Liabilities** | | 5,823,872 | 5,771,809 |
| **Stockholders' Equity** | | | |
| Capital Issued | 16 | 1,818,128 | 1,818,128 |
| Issuance Premiums | 16 | -38,019 | -38,019 |
| Investment shares | | - | - |
| Treasury Shares in portfolio | | - | - |
| Other Capital Reserves | | 364,031 | 363,626 |
| Accrued Results | | 2,226,975 | 2,196,748 |
| Other Equity Reserves | | 164,584 | 133,453 |
| **Shareholders' equity attribute to the owners of the Parent** | | **4,535,699** | **4,473,936** |
| Non Controlling interest | | 171,477 | 166,109 |
| **Total Stockholders' Equity** | | 4,707,176 | 4,640,045 |
| **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | | **10,531,048** | **10,411,854** |

# UNION ANDINA DE CEMENTOS S.A.A. Y SUBSIDIARIAS
## Income Statement
For the periods ended March 31, 2020 and 2019
(In thousands of Soles)

| | Notes | For the specific quarter from January 1, to March 31, 2020 | For the specific quarter from January 1, to March 31, 2019 | For the cummulative period from January 1st to March 31, 2020 | For the cummulative period from January 1st to March 31, 2019 |
|---|---|---|---|---|---|
| Incomes from ordinary activities | 17 | 905,337 | 994,149 | 905,337 | 994,149 |
| Cost of Sales | 17 | -657,002 | -719,744 | -657,002 | -719,744 |
| **Profit (Loss) Gross** | **17** | **248,335** | **274,405** | **248,335** | **274,405** |
| Selling Expenses and distribution | | -21,847 | -16,931 | -21,847 | -16,931 |
| Administrative expenses | 18 | -58,974 | -64,063 | -58,974 | -64,063 |
| Profit (Loss) in the write-off of financial assets carried at amortized cost | | - | - | - | - |
| Other Operating Income | | 12,181 | 21,830 | 12,181 | 21,830 |
| Other Operating Expenses | | -7,899 | -11,913 | -7,899 | -11,913 |
| Other profit (loss) | | - | - | - | - |
| **Profit (Loss) from operating activities** | | **171,796** | **203,328** | **171,796** | **203,328** |
| Financial Income | | 1,825 | 10,012 | 1,825 | 10,012 |
| Financial Expenses | 19 | -60,400 | -65,545 | -60,400 | -65,545 |
| Exchange differences, net | | -26,469 | 24,966 | -26,469 | 24,966 |
| Share of Profit (Loss) in net results from Equity-Accounted Joint Ventures and related companies | | 622 | 308 | 622 | 308 |
| Profit (Loss) arising from the difference between the previous book value and fair value of Reclassified financial assets accounted at fair value | | - | - | - | - |
| Difference between the book value of the distributed assets and the book value of the divided payable | | - | - | - | - |
| **Gains before Income tax** | | **87,374** | **173,069** | **87,374** | **173,069** |
| Income tax expenses | 15(b) | -26,222 | -53,347 | -26,222 | -53,347 |
| **Profit (Loss) Net of Continued Operations** | | **61,152** | **119,722** | **61,152** | **119,722** |
| Profit (loss) net of the tax to the profit from discontinued operations | | - | - | - | - |
| **Profit (loss) net of the year** | | **61,152** | **119,722** | **61,152** | **119,722** |
| | | | | | |
| **Profit (Loss) net, attributable to :** | | | | | |
| Owners of the Parent | | 53,843 | 121,433 | 53,843 | 121,433 |
| Non-controlling interest | | 7,309 | -1,711 | 7,309 | -1,711 |
| **Net Profit (Loss) of the Year** | | **61,152** | **119,722** | **61,152** | **119,722** |

# UNION ANDINA DE CEMENTOS S.A.A. AND SUBSIDIARIES
## Statement of Comprehensive Income
For the periods ended March 31, 2020 and 2019
(In Thousands of Soles)

| | Notes | For the specific quarter from January 1, to March 31, 2020 | For the specific quarter from January 1, to March 31, 2019 | For the cummulative period from January 1st to March 31, 2020 | For the cummulative period from January 1st to March 31, 2019 |
|---|---|---|---|---|---|
| **Net Profit (Loss) of the year** | | **61,152** | **119,722** | **61,152** | **119,722** |
| **Components of other comprehensive income:** | | | | | |
| Net Change for Cash Flow Hedges | | - | - | - | - |
| Hedges of a Net Investment in a Foreign Operation | | - | - | - | - |
| Profit (Loss) in equity instrument investments at fair value | | -11,986 | -2,617 | -11,986 | -2,617 |
| Exchange difference on translation of Foreign Operations | | - | - | - | - |
| Net variation of non-current assets or groups of assets held for sale | | - | - | - | - |
| Participation in other comprehensive income of related companies and joint ventures accounted for using the equity method | | - | - | - | - |
| Revaluation Surplus | | - | - | - | - |
| Actuarial Gain (Loss) on defined benefit pension plans | | - | - | - | - |
| Changes in the fair value of financial liabilities attributable to changes in the credit risk of the liability | | - | - | - | - |
| **Other Comprehensive Income Pre Tax** | | **-11,986** | **-2,617** | **-11,986** | **-2,617** |
| **Income tax relating to components of other comprehensive income** | | | | | |
| Net Change for Cash Flow Hedges | | - | - | - | - |
| Hedges of a Net Investment in a Foreign Operation | | - | - | - | - |
| Profit (Loss) in equity instrument investments at fair value | | - | - | - | - |
| Exchange difference on translation of Foreign Operations | | 41,724 | -16,171 | 41,724 | -16,171 |
| Net variation of non-current assets or groups of assets held for sale | | - | - | - | - |
| Participation in other comprehensive income of related companies and joint ventures accounted for using the equity method | | - | - | - | - |
| Revaluation Surplus | | - | - | - | - |
| Actuarial Gain (Loss) on defined benefit pension plans | | - | - | - | - |
| Changes in the fair value of financial liabilities attributable to changes in the credit risk of the liability | | - | - | - | - |
| **Sum of Income Tax-Related Components of other comprehensive income** | | **41,724** | **-16,171** | **41,724** | **-16,171** |
| **Other Comprehensive Income** | | **29,738** | **-18,788** | **29,738** | **-18,788** |
| **Total Comprehensive Income for the period , net of income tax** | | **90,890** | **100,934** | **90,890** | **100,934** |
| **Comprehensive Income attributable to:** | | | | | |
| Owners of the Parent | | 84,974 | 104,555 | 84,974 | 104,555 |
| Non-controlling interest | | 5,916 | -3,621 | 5,916 | -3,621 |
| **Total Comprehensive Income of the Year, net** | | **90,890** | **100,934** | **90,890** | **100,934** |

# UNION ANDINA DE CEMENTOS S.A.A. AND SUBSIDIARIES
## Statement of Cash Flow
### Direct Method
### For the periods ended March 31, 2020 and 2019
### (In thousands of Soles)

| | Notes | As of January 1st, 2020 to March 31, 2020 | As of January 1st, 2020 to March 31, 2020 |
|---|---|---|---|
| **Operating activities cash flows** | | | |
| **Types of cash collections from operating activities** | | | |
| Sale of Goods and Services | | 984,140 | 1,221,196 |
| Royalties, fees, commissions and other income from ordinary activities | | - | - |
| Contracts held for brokering or trading purposes | | - | - |
| Lease and subsequent sales of such assets | | - | - |
| Other Cash Receipts Related to Operating Activity | | - | - |
| **Types of cash collections from operating activities** | | | |
| Suppliers of goods and services | | -644,138 | -773,493 |
| Contracts held for brokering or trading purposes | | - | - |
| cash payments to and on behalf of employees | | -124,230 | -120,602 |
| Elaboration or acquisition of assets to be leased and other assets held for sale | | - | - |
| Other Cash Payments Related to Operating Activity | | -64,526 | -63,679 |
| **Cash flows and cash equivalents from (used in) Operating Activities** | | **151,246** | **263,422** |
| Interests received (not included in the Investment Activities) | | - | - |
| Interests paid (not included in the Investment Activities) | | -57,492 | -50,816 |
| Dividends Received (not included in the Investment Activities) | | - | - |
| Dividends Paid (not included in the Investment Activities) | | - | - |
| Income tax (paid) reimbursed | | -49,334 | -39,508 |
| Other cash collections (payments) | | - | - |
| **Cash flows and cash equivalents from (used in) Operating Activities** | | **44,420** | **173,098** |
| **Cash flows from Investment activities** | | | |
| **Type of cash collections from investment activities** | | | |
| Reimbursement of loan repayment and loans granted to third parties | | - | - |
| Loss of control of subsidiaries or other businesses | | - | - |
| Sale of Equity-related Financial Instruments or debt of other entities | | - | - |
| Derivatives contracts (Futures, Forwards or Options) | | - | - |
| Sales of Interest in Joint Ventures, Net of the expropriated cash | | - | - |
| Sale of Property, Plant and Equipment | | 91 | 12,666 |
| Sale of intangible assets | | - | - |
| Sale of other long- term assets | | - | - |
| Government Subventions | | - | - |
| Interests received | | - | - |
| Dividends received | | - | 2,847 |
| **Type of cash payments from investment activities** | | | |
| Advances and loans granted to third parties | | - | - |
| Controlling interest of subsidiaries and other businesses | | - | - |
| Purchase of Financial Instruments of equity or debt of other entities | | - | - |
| Derivatives contracts (Futures, Forwards or Options) | | - | - |
| Purchase of Subsidiaries, Net of cash acquired | | - | - |
| Purchase of Joint Venture shares, Net of the cash acquired | | - | - |
| Purchase of Property, Plant and Equipment | 7(a) | -41,790 | -60,761 |
| Purchase of intangible assets | 8(a) | -826 | -1,222 |
| Purchase of other long- term assets | | - | - |
| Income tax (paid) reimbursed | | - | - |
| Other cash receipts (payments) relating to Investment activities | | -1,023 | -516 |
| **Cash flows and cash equivalents from (used in) investing activities** | | **-43,548** | **-46,986** |
| **Cash flows from Financing activities** | | | |
| **Type of cash collections from financing activities** | | | |
| Loan securing | 11(f) | 778,842 | 105,697 |
| Changes to the subsidiaries ownership interest not resulting in the loss of control | | - | - |
| Share issuance | | - | - |
| Issuance of other Equity Instruments | | - | - |
| Government Subventions | | - | - |
| **Type of cash payments from financing activities** | | | |
| Loan Amortization or Repayment | 11(f) | -728,637 | -177,951 |
| Leasing liabilities | | - | - |
| Changes to the subsidiaries ownership interest not resulting in the loss of control | | - | - |
| Redemption or repurchase of the entities' shares (Shares in the portfolio) | | - | - |
| Acquisition of other equity interest | | - | - |
| Interests paid | | - | - |
| Dividends paid | | -23,649 | -28,661 |
| Income tax (paid) reimbursed | | - | - |
| Other cash receipts (payments) relating to financing activities | | - | 30,365 |
| **Cash flows and cash equivalents from (used in) financing activities** | | **26,556** | **-70,550** |
| **Increase (Decrease) in Net Cash and cash equivalents, before Changes in Foreign Exchange Rates** | | **27,428** | **55,562** |
| Effects of Changes in Foreign Exchange Rates on Cash and Cash Equivalents | | -1,142 | -191 |
| **Increase (Decrease) in Net Cash and Cash Equivalents** | | **26,286** | **55,371** |
| **Cash and cash equivalents at beginning of year** | | **124,337** | **111,410** |
| **Cash and cash equivalents at end of year** | 3 | **150,623** | **166,781** |
| | | - | |

## UNION ANDINA DE CEMENTOS S.A.A. AND SUBSIDIARIES
### Statement of change in Stockholder's Equity
For the periods ended March 31, 2020 and 2019
(In Thousands of Soles)

| | | | | | | | Other Equity Reserves | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | Participation in other comprehensive income of related companies and joint ventures accounted for using the equity method | Revaluation Surplus | Actuarial Profit (Loss) on defined benefit pension plans | Changes in the fair value of financial liabilities attributable to changes in the credit risk of the liability | Subtotal | Shareholders' equity attribute to the owners of the Parent | Non-controlling Interest | Total Stockholders' Equity |
| **Balances as of January 1, 2019** | 1,646,503 | - | - | - | 329,301 | 1,967,159 | -17,375 | - | - | 184,893 | - | - | - | - | - | 167,518 | 4,110,481 | 173,464 | 4,283,945 |
| 1. Changes in Accounting Policies | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2. Correction of Errors | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 3. Restated Initial Balance | 1,646,503 | - | - | - | 329,301 | 1,967,159 | -17,375 | - | - | 184,893 | - | - | - | - | - | 167,518 | 4,110,481 | 173,464 | 4,283,945 |
| **4. Changes in Stockholders' Equity:** | | | | | | | | | | | | | | | | | | | |
| 5. Comprehensive Income: | | | | | | | | | | | | | | | | | | | |
| 6. Gain (Loss) for the year | | | | | | 121,433 | | | | | | | | | | | 121,433 | -1,711 | 119,722 |
| 7. Other Comprehensive Income: | | | | | | - | -2,827 | - | - | -14,051 | - | - | - | - | - | -16,878 | -16,878 | -1,910 | -18,788 |
| 8. Comprehensive Income - Total year | | | | | | 121,433 | -2,827 | - | - | -14,051 | - | - | - | - | - | -16,878 | 104,555 | -3,621 | 100,934 |
| 9. Cash Dividends Declared | | | | | - | -21,405 | | | | | | | | | | | -21,405 | -2,535 | -23,940 |
| 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 | - | - | - | - | - | -8,826 | | | | | | | | | | | -8,826 | 8,826 | - |
| 15. Increase (decrease) for transactions with Treasury Shares in Portfolio | - | - | - | - | - | - | | | | | | | | | | | - | - | - |
| 16. Increase (Decrease) for Transfer and other Equity Changes | 171,625 | -38,019 | - | - | 19,043 | -6,101 | | | | | | | | | | | 146,548 | -14,411 | 132,137 |
| Total Equity Increase (decrease) | 171,625 | -38,019 | - | - | 19,043 | 85,101 | -2,827 | - | - | -14,051 | - | - | - | - | - | -16,878 | 220,872 | -11,741 | 209,131 |
| **Balance as of March 31, 2019** | 1,818,128 | -38,019 | - | - | 348,344 | 2,052,260 | -20,202 | - | - | 170,842 | - | - | - | - | - | 150,640 | 4,331,353 | 161,723 | 4,493,076 |
| **Balance as of January 1, 2020** | 1,818,128 | -38,019 | - | - | 363,626 | 2,196,748 | -29,215 | - | - | 162,668 | - | - | - | - | - | 133,453 | 4,473,936 | 166,109 | 4,640,045 |
| 1. Changes in Accounting Policies | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2. Correction of Errors | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 3. Restated Initial Balance | 1,818,128 | -38,019 | - | - | 363,626 | 2,196,748 | -29,215 | - | - | 162,668 | - | - | - | - | - | 133,453 | 4,473,936 | 166,109 | 4,640,045 |
| **4. Changes in Stockholders' Equity:** | | | | | | | | | | | | | | | | | | | |
| 5. Comprehensive Income: | | | | | | | | | | | | | | | | | | | |
| 6. Gain (Loss) for the year | | | | | | 53,843 | | | | | | | | | | | 53,843 | 7,309 | 61,152 |
| 7. Other Comprehensive Income: | | | | | | - | -11,408 | - | - | 42,539 | - | - | - | - | - | 31,131 | 31,131 | -1,393 | 29,738 |
| 8. Comprehensive Income - Total year | | | | | | 53,843 | -11,408 | - | - | 42,539 | - | - | - | - | - | 31,131 | 84,974 | 5,916 | 90,890 |
| 9. Cash Dividends Declared | | | | | - | -23,636 | | | | | | | | | | | -23,636 | - | -23,636 |
| 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 | - | - | - | - | 405 | 20 | | | | | | | | | | | 425 | -548 | -123 |
| Total Equity Increase (decrease) | - | - | - | - | 405 | 30,227 | -11,408 | - | - | 42,539 | - | - | - | - | - | 31,131 | 61,763 | 5,368 | 67,131 |
| **Balance as of March 31, 2020** | 1,818,128 | -38,019 | - | - | 364,031 | 2,226,975 | -40,623 | - | - | 205,207 | - | - | - | - | - | 164,584 | 4,535,699 | 171,477 | 4,707,176 |

## 1. Economic Activity

Unión Andina de Cementos S.A.A. (hereinafter “the Company” or "UNACEM") was incorporated in December 1967. As of March 31, 2020, and December 31, 2019, the Company is a subsidiary of Inversiones JRPR S.A. (hereinafter "the Principal" and ultimate parent of the economic group), who owns 42.18 percent direct and indirect participation in its capital stock and is in control of directing the Company's financial and operating policies.

As of December 31, 2018, the Company was a subsidiary of Sindicato de Inversiones y Administración S.A., which owned 43.38 percent of its share capital, which in turn was an indirect subsidiary of Inversiones JRPR S.A. On January 1, 2019, Sindicato de Inversiones y Administración S.A. (SIA), Inversiones Andino S.A. (IASA) e Inmobiliaria Pronto S.A. (PRONTO) merged with the Company.

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

The Company’s main activity is the production and sale, for local and foreign market, of all types of cement and clinker. For this purpose, the Company owns two plants located in Lima and Junín, whose annual production capacity is 6.7 million tons of clinker and 8.3 million tons of cement.

The consolidated financial statements of the Company and subsidiaries (hereinafter “The Group”) for the first quarter of 2020 have been issued and approved by Management. In Management’s opinion, the consolidated financial statements will be approved without modifications. The consolidated financial statements of 2019 have been approved by the Group Management.

### 1.1 Mergers in 2019 -

(a) Merger SIA - IASA- PRONTO:

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

(b) Cementos Portland (CEMPOR) merger:

At the General Shareholders' Meeting held on May 28, 2019, the simple merger of the Company as an acquiring Company and its subsidiary CEMPOR as an absorbed company was approved unanimously. The Company’s merger project was previously approved at the Board Directors meeting of April 26, 2019. The effective date of the merger was June 1, 2019.

In accordance with IFRS, both corporate reorganizations did not generate any change in the effective control of Inversiones JRPR S.A. over the Company and its Subsidiaries and therefore are considered as transactions between entities under common control; consequently, all amounts were recorded at their book values following the accounting method of unification of interests.

### 1.2 Extraordinary event in 2020 -

In March 2020, the World Health Organization (WHO) declared a global pandemic due to the coronavirus outbreak identified as COVID-19. The governments of the countries where the Group operates have taken measures to face this health crisis, mainly the obligatory social isolation in Peru, Ecuador and Colombia, with the consequent paralysis of the operations of the Company and the subsidiaries that operate in those countries.

All these conditions will have a negative impact on the Group's results, cash flows and financial condition, including the estimation of the recoverable value of long-lived assets.

Given this, the Group's Management has been permanently analyzing the situation and approving actions and plans that will allow the Company and its subsidiaries to overcome the crisis and continue operations.

In the first instance, strict measures have been taken focused on maintaining the health of the workers, as well as necessary measures to carry out operations safely, attending to the risks of the virus.

In the second instance, extraordinary measures have been taken in the event of a possible aggravation of the situation, to protect liquidity and working capital, which will allow the Company to comply with its workers, suppliers and clients.

In Management's opinion, it is not possible to estimate the impact of the short and long-term effects of the pandemic or of the various efforts of governments in the countries where the Group operates to combat the outbreak and support the economy. Taking this under consideration, Management does not consider it feasible to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the Group's consolidated financial statements at this time.

### 1.3 Information on the structure of the Subsidiaries -

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

| | | | Percentage of participation | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 2020 | | 2019 | | Asset | | Liabilities | | Net Equity | | Profit (loss)(ix) | |
| Country of incorporation | Entity | Main economic activity | Direct | Indirect | Direct | Indirect | 2020 S/ (000) | 2019 S/ (000) | 2020 S/ (000) | 2019 S/ (000) | 2020 S/ (000) | 2019 S/ (000) | 2020 S/ (000) | 2019 S/ (000) |
| Peru | Inversiones Imbabura S.A. and Subsidiaries (i) | Manufacture and sale of cement | 100.00 | - | 100.00 | - | 1,891,100 | 1,863,143 | 421,982 | 428,738 | 1,469,118 | 1,434,405 | 19,805 | 22,490 |
| Unites States | Skanon Investments Inc. and Subsidiaries (ii) | Manufacture and sale of cement Concrete | 86.55 | 8.68 | 86.55 | 8.68 | 1,465,449 | 1,314,609 | 658,879 | 537,110 | 806,570 | 777,499 | 1,385 | (541) |
| Peru | Compañía Eléctrica El Platanal S.A. and Subsidiaries (iii) | Electrical energy and power | 90.00 | - | 90.00 | - | 1,211,353 | 1,223,664 | 464,767 | 483,789 | 746,586 | 739,875 | 6,711 | 15,516 |
| Peru | Inversiones en Concreto y Afines S.A. and Subsidiaries (iv) | Sale of concrete and ready mix | 93.38 | - | 93.38 | - | 949,479 | 1,004,957 | 532,493 | 581,861 | 416,986 | 423,096 | (5,422) | 6,300 |
| Peru | Cementos Portland S.A.C. (CEMPOR) (see note 1.1(b)) | Manufacture and sale of cement | - | - | - | - | - | - | - | - | - | - | - | (227) |
| Peru | Prefabricados Andinos Perú S.A.C. and Subsidiary (v) | Manufacture and sale Precast Concrete | 50.02 | - | 50.02 | - | 59,488 | 65,885 | 42,745 | 43,594 | 16,743 | 22,291 | (2,090) | 18 |
| Chile | Prefabricados Andinos S.A. (PREANSA Chile) | Manufacture and sale Precast Concrete | 51.00 | - | 51.00 | - | 84,440 | 81,126 | 76,081 | 75,751 | 8,359 | 5,375 | 5,243 | (3,259) |
| Unites States | Staten Island Company Inc. and Subsidiaries (vi) | Holding | 100.00 | - | 100.00 | - | 125,445 | 118,239 | 37,468 | 40,758 | 87,977 | 77,481 | 837 | (143) |
| Peru | Transportes Lurín S.A. (LURIN) | Services | 99.99 | - | 99.99 | - | 35,174 | 35,177 | - | 23 | 35,174 | 35,154 | (3) | (13) |
| Peru | Generación Eléctrica de Atocongo S.A. (GEA) | Thermal plant operation services | 99.85 | 0.15 | 99.85 | 0.15 | 31,701 | 30,185 | 30,910 | 29,328 | 791 | 857 | (66) | (80) |
| Peru | Depósito Aduanero Conchán S.A. (DAC) | Warehouse services | 99.99 | - | 99.99 | - | 2,715 | 1,695 | 1,984 | 830 | 731 | 865 | (134) | (112) |
| Peru | Inversiones Nacionales y Multinacionales S.A. (vii) | Real estate business | 90.90 | 9,10 | 90.90 | 9,10 | 18,241 | 18,231 | 4,963 | 4,951 | 13,278 | 13,280 | (2) | (40) |
| Peru | Vigilancia Andina S.A. (vii) | Surveillance services | 100.00 | - | 100.00 | - | 11,564 | 10,016 | 5,152 | 4,182 | 6,412 | 5,834 | 578 | 752 |
| Peru | ARPL tecnología Industrial(viii) | Technical assistance and engineering services | 100.00 | - | 100.00 | - | 47,535 | 46,655 | 14,695 | 6,731 | 32,840 | 39,924 | 1,861 | (104) |
| Peru | Minera Adelaida S.A. (NAVIERA) | Holding | 99.99 | - | 99.99 | - | 383 | 382 | 3 | 3 | 380 | 379 | 1 | (2) |
| Peru | Naviera Conchan S.A. (MINERA) | Holding | 100.00 | - | 100.00 | - | 9 | 7 | 12 | - | (3) | 7 | (10) | (1) |

(i) The subsidiaries of Inversiones Imbabura S.A. (IMBABURA) are: Unacem Ecuador S.A. (UNACEM Ecuador) and Canteras y Voladuras S.A.(CANTYVOL)

(ii) The main subsidiaries of Skanon Investments Inc. (SKANON) are: Drake Cement, LLC, Sunshine Concrete & Materials, Inc., Maricopa Ready Mix, LLC. Ready Mix, Inc., and Desert Ready Mix.

(iii) The subsidiaries of Compañía Eléctrica el Platanal S.A. (CELEPSA) are: Ambiental Andina S.A.C (AMBIAND), Celepsa Renovables S.R.L.(CERE) and Ecorer S.A.C (ECORER)

(iv) The subsidiary of Inversiones en Concreto y Afines S.A. (INVECO) is: Unión de Concreteras S.A. (UNICON Peru), which in turn has the following subsidiaries: Concremax S.A (CONCREMAX), Unicon Ucue Cia. Ltda (UNICON Ecuador), Unicon Chile S.A. (UNICON Chile) and Entrepisos Lima S.A.C.(ENTREPISOS)

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

(vi) The subsidiaries of Staten Island Company, Inc (SIC). are: Staten Island Holding LLC (SIH), Staten Island Terminal LLC (SIT) and Desert Aggregates.

(vii) Inversiones Nacionales y Multinacionales S.A. (INMA) and Vigilancia Andina S.A.(VASA) were subsidiaries of Inversiones Andino S.A. (IASA), who had 55.50 and 90.90 percent of its capital stock, respectively. As a result of the merger of IASA with the Company, see note 1.1 (a), VASA. and INMA S.A. they are subsidiaries of the Company from the date of said merger.

(viii) ARPL Tecnología Industrial S.A.(ARPL) was a subsidiary of Inmobiliaria Pronto S.A. (PRONTO), who had 100 percent of its share capital. As a result of the merger of PRONTO with the Company, see note 1.1 (a), ARPL It is a subsidiary of the Company from the date of said merger.

(ix) Balances as of March 31, 2020 compared to balances as of March 31, 2019.

**2. Summary of significant accounting policies**

The accounting policies adopted to prepare the consolidated financial statement are consistent with those applied on December 31, 2019, except when otherwise indicated.

2.1 Basis of preparation -

The Company Consolidated Interim Financial Statements have been prepared according to the IAS 34 Interim financial information issued by the International Accounting Standards Board (IASB), effective as of March 31, 2020 and December 31, 2019, respectively.

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

The interim consolidated financial statements provide comparative information for earlier periods, however, does not include all information and disclosures required in the annual consolidated financial statements and should therefore be read in conjunction with the consolidated audited report as of and for the year ended on December 31, 2019.

2.2 Basis of consolidation-

The interim consolidated financial statements include the financial statements of the Company and its subsidiaries as of March 31, 2020 and December 31, 2019.

Control criteria that the Group takes into account are described in the notes to the annual consolidated financial statements as of December 31, 2019.

2.3 New accounting pronouncements, interpretations and modifications -

The accounting policies adopted to prepare the consolidated financial statement are consistent with those applied on December 31, 2019, except when otherwise indicated.

The Group has not yet early adopted any standards, interpretations or amendments issued, which is not yet effective.

**3. Cash and cash equivalents**

(a) This item is made up as follows:

| | As of March 31, 2020 S/ (000) | As of December 31, 2019 S/ (000) |
|---|---|---|
| Petty cash | 1,358 | 1,368 |
| Current accounts (b) | 130,132 | 93,976 |
| Term deposits (c) | 19,133 | 28,681 |
| Mutual Funds | - | 312 |
| | 150,623 | 124,337 |

(b) Current accounts are maintained in local banks and abroad, mainly in Soles and US dollars; are freely available and earn interest at market rates.

(c) Correspond to deposits held in local and foreign financial institutions, mainly in Soles and US dollars, which accrue interests at market rates and have original maturities of less than three months.

## 4. Trade and other receivable, net

(a) This item is made up as follows:

| | Current | | Non-current | |
|---|---|---|---|---|
| | As of March 31, 2020 S/ (000) | As of December 31, 2019 S/ (000) | As of March 31, 2020 S/ (000) | As of December 31, 2019 S/ (000) |
| **Commercial:** | | | | |
| Receivable invoices and letters (b) | 379,813 | 368,116 | 16,259 | 15,023 |
| Provision of bills receivable (c) | 29,228 | 29,661 | - | - |
| | 409,041 | 397,777 | 16,259 | 15,023 |
| **Related:** | | | | |
| Accounts receivable from related parties, note 20(b) | 26,177 | 25,383 | - | - |
| **Various:** | | | | |
| Claims to Tax authority (d) | 10,605 | 9,738 | 27,732 | 28,119 |
| Advances to suppliers(e) | 15,511 | 15,865 | 4,791 | 5,416 |
| Claims to third parties | 6,162 | 5,144 | 2,922 | 2,922 |
| Loans to employees | 3,910 | 5,060 | - | - |
| Account receivable from the Escrow fund (h) | 3,382 | 3,253 | 3,204 | 3,082 |
| Derivative financial instruments, note 24 (a) | - | 144 | 382 | 418 |
| Other accounts receivable | 21,050 | 24,214 | 3,556 | 4,392 |
| | 60,620 | 63,418 | 42,587 | 44,349 |
| Advance payments of income tax (e) | | | | |
| temporary tax on net assets (f) | 16,601 | 13,497 | - | - |
| Tax Credit due to General sales tax (g) | 4,677 | 4,155 | 1,564 | 2,247 |
| | 21,278 | 17,652 | 1,564 | 2,247 |
| | 517,116 | 504,230 | 60,410 | 61,619 |
| Less - Expected credit loss (i) | (13,356) | (16,066) | (16,259) | (15,023) |
| | 503,760 | 488,164 | 44,151 | 46,596 |

(b) Trade account receivables are mainly in Soles and US dollars, have current maturities and do not generate interests. The banks notes receivable has current maturity and earn interest at prevailing market rates.

(c) As of March 31, 2020, and December 31, 2019, this balance corresponds to Provisions for billing for energy and power sale in December and December of those years for S/ 29,228,000 and S/ 29,661,000, respectively, which were billed and collected in the following month.

(d) As of March 31, 2020 December 31, 2020, corresponds mainly to claims submitted to the Tax Authority (SUNAT) for the return of overpayment of income tax and selective excise of previous year, see note 22.4(a).

The Group Management and its legal counsel consider that there are enough legal arguments to recover the funds of claims classified in the short and long term.

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

(f) As of March 31, 2020, and December 31, 2019, corresponds to the balance in favor of payments on account of income tax and disbursements on account of the temporary tax on net assets.

In the Group Management's opinion, such prepayments will be applied with future taxes generated in the current period.

(g) As of March 31, 2020, and December 31, 2019, it corresponds mainly to the tax credit for general sales tax resulting from the construction of the Marañón Hydroelectric Power Plant project, which will be applied with the taxes payable that are generated in the short term and long term.

(h) It corresponds to the balance of the account receivable from the Escrow fund, result of UNICON Ecuador acquisition. On July 18, 2017, UNICON Peru and UNICON Ecuador signed a participation assignment contract, which stipulated the payment terms and conditions; among which the parties agreed to keep a fund withheld for approximately US$ 6,005,000 deposited in an Escrow Account of the Custodian Bank (Citibank NA) in favor of the seller, to cover price adjustments and possible contingencies for tax, labor, environmental, among others, the which at the date of the evaluation (acquisition) amounts to US$ 4,005,000 (equivalent to S/ 12,969,000). This fund is available to the seller and will be released to the extent that such contingencies prescribe according to a schedule established in the contract that expires in the year 2021.

(i) The movement of the expected credit loss estimate is as follows:

| | As of March 31, 2020 S/ (000) | As of December 31, 2019 S/ (000) |
|---|---|---|
| **Opening Balance** | 31,089 | 25,902 |
| Estimation charged to income | 491 | 6,845 |
| Recovery and Punishment | (1,923) | (1,404) |
| Exchange rate impact | (42) | (254) |
| **Ending Balance** | 29,615 | 31,089 |

According to the Group Management opinion, the allowance for doubtful accounts covers satisfactorily the loan losses as of March 31, 2020 and December 31, 2019.

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

| | | | Past due - | | | | |
|---|---|---|---|---|---|---|---|
| | **Total** S/ (000) | **Currents** S/ (000) | **< 30 days** S/ (000) | **30-90 days** S/ (000) | **91-180 days** S/ (000) | **> 180 days** S/ (000) | **Impaired** S/ (000) |
| **2020** | 547,911 | 401,331 | 100,611 | 31,988 | 8,012 | 5,969 | 29,615 |
| **2019** | 534,760 | 453,861 | 64,378 | 4,845 | 4,835 | 6,841 | 31,089 |

As of March 31, 2020, and December 31, 2019, the Group performed the evaluation of credit risk exposure in trade accounts receivable, see note 23.2.

**5. Inventories, net**

(a) This item is made up as follows:

| | As of March 31, 2020 S/ (000) | As of December 31, 2019 S/ (000) |
|---|---|---|
| Finished goods | 29,292 | 42,563 |
| Work in progress (b) | 354,377 | 312,242 |
| Raw and auxiliary materials (c) | 141,260 | 169,654 |
| Packages and packing | 36,483 | 43,466 |
| Spare parts and supplies (d) | 308,870 | 243,533 |
| Inventory in transit | 2,462 | 1,168 |
| | 872,744 | 812,626 |
| Estimate for impairment of inventories (e) | (39,007) | (40,269) |
| | 833,737 | 772,357 |

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

(c) Raw and auxiliary materials mainly include imported and domestic coal, pozzolan, iron and imported clinker. As of March 31, 2020, the Group has mainly held in stock imported and domestic coal and clinker imported by approximately S/ 61,772,000 and S/ 14,797,000, respectively (S/ 51,846,000 and S/ 14,941,000, respectively as of 31 December 2019).

(d) As of March 31, 2020, and December 31, 2019 the Group maintains no significant and necessary supplies parts to provide maintenance machinery and kilns, these plants are evaluated through technical reviews, and in turn comply with the provisions of quality and are in proper storage conditions.

(e) The movement of the allowance for the devaluation of inventories is as follows:

| | As of March 31, 2020 S/ (000) | As of December 31, 2019 S/ (000) |
|---|---|---|
| **Opening Balance** | 40,269 | 39,066 |
| Estimation charged to income | 164 | 2,563 |
| Recoveries | (550) | (203) |
| Exchange rate impact | (876) | (980) |
| Adjustment | - | (177) |
| **Ending Balance** | 39,007 | 40,269 |

According to the Group management's opinion, the allowance for the devaluation of inventories covers satisfactorily the loan losses as of March 31, 2020 and December 31, 2019.

## 6. Usage rights of Asset and Liabilities

a) Usage rights of Asset

(i) As of March 31, 2020, and December 31, 2019, the net balance amounts to approximately S/ 22,849,000 and S/ 29,404,000; being the main leases the land category.

(ii) As of March 31, 2020, amortization amounts to approximately S/ 2,092,000 recorded in administrative expense and cost of sales in the consolidated statement of income.

b) Liabilities for right in use

(i) The movement of the use rights liabilities is detailed below:

| | As of March 31, 2020 S/ (000) | As of December 31, 2019 S/ (000) |
|---|---|---|
| **Classification -** | | |
| Current | 8,985 | 9,795 |
| Non-current | 13,181 | 16,550 |
| **Ending Balance** | 22,166 | 26,345 |

## 7. Mining concessions and property, plant and equipment, net

(a) This item is made up as follows:

| | As of March 31, 2020 | As of December 31, 2019 |
|---|---|---|
| | S/ (000) | S/ (000) |
| **Cost -** | | |
| **Opening Balance** | 10,713,566 | 10,448,113 |
| Addictions (d) | 48,247 | 377,246 |
| Increase by merger and corporate reorganization, see note 1.1 | - | 45,345 |
| Withdrawals and sells (e) | (8,615) | (88,580) |
| Others | (261) | (12,606) |
| Exchange rate impact | 80,747 | (55,952) |
| **Ending Balance** | 10,833,684 | 10,713,566 |
| **Accumulated depreciation -** | | |
| **Opening Balance** | 3,463,168 | 3,102,075 |
| Depreciation of the period (f) | 105,963 | 443,642 |
| Merger, see note 1.1 | - | 4,615 |
| Withdrawals and sells (e) | (8,351) | (64,337) |
| Others | (1,328) | (3,660) |
| Exchange rate impact | 28,727 | (19,167) |
| **Ending Balance** | 3,588,179 | 3,463,168 |
| **Net book value -** | 7,245,505 | 7,250,398 |

(b) As of March 31, 2020, and December 31, 2019, the Company mainly holds concessions from the quarries of Atocongo, Atocongo Norte, Pucará, Oyón and El Silencio 8 (acquired in merger with CEMPOR), Selva Alegre, Cumbas and Pastaví of UNACEM Ecuador and Jicamarca of UNICON Peru.

(c) As of March 31, 2020, the carrying value of assets acquired through finance leases and leaseback amounted to approximately S/167,458,000 (S/ 178,680,000 as of December 31, 2019). The leased assets guaranteed financial lease liabilities, see note 11.1(c).

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

(i) The dusting projects of kiln 2 coolers, kiln 2 overhaul and the roofing of the Clinker field corresponding to the Condorcocha plant; as well as the structural reinforcement of chamber 3 of the multisilo and the thermal plant project corresponding to the Atocongo plant, for approximately S/ 15,291,000.

(ii) Additions of Drake Cement LLC and Drake Materials LLC subsidiaries due to the acquisition of machinery for approximately US$ 1,286,000 (equivalent to S/ 4,414,000).

The additions during the year 2019, correspond mainly to:

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

(ii) Additions of works in progress of the subsidiary UNACEM Ecuador for the construction of grinding station No. 3, engine component 6, premix land and replacement of section by ferrule for corrosion, for approximately US$ 6,587,000 (equivalent to S/ 21,808,000).

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

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

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

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

(f) Depreciation has been distributed as follows:

| | As of March 31, 2020 | As of March 31, 2019 |
|---|---|---|
| | S/ (000) | S/ (000) |
| Cost of sales | 101,968 | 106,563 |
| Administrative expenses, note 18 | 3,064 | 3,096 |
| Selling expenses | 43 | 32 |
| Other expenses | 340 | 354 |
| Inventories in process | 548 | 223 |
| | 105,963 | 110,268 |

(g) The subsidiaries abroad mainly maintain trusts in guarantee of the production line 2 located in Ecuador and ground, transport units and equipment located in the United States of America, which guarantee bank loans, see note 11.1 (c). On the other hand, the subsidiary UNICON Peru maintains a mortgage of Ancieta and Villa El Salvador plants for up to S/ 100,000,000, with Scotiabank Peru to guarantee the loan obtained with this entity, see note 11.1 (c).

Also, the subsidiary Celepsa Renovables SRL, maintains two mortgages on property, machinery and equipment for approximately US$ 40,820,000 (equivalent to S/135,400,000) to guarantee the loan obtained for the construction of the Marañon Hydroelectric Plant, see note 11.1 (c).

(h) According to Management's opinion, the Group has insurance policies which cover satisfactorily all of its fixed assets.

## 8. Intangible assets, net

(a) This item is made up as follows:

| | As of March 31, 2020 S/ (000) | As of December 31, 2019 S/ (000) |
|---|---|---|
| **Cost -** | | |
| **Opening Balance** | 331,606 | 324,782 |
| Additions | 1,262 | 10,727 |
| Corporate reorganization, see note 1.1 | - | 2 |
| Others | - | (1,037) |
| Exchange rate impact | 4,886 | (2,868) |
| **Ending Balance** | 337,754 | 331,606 |
| **Accumulated amortization -** | | |
| **Opening Balance** | 120,669 | 109,432 |
| Amortization of the year (b) | 4,522 | 12,371 |
| Others | - | (1,022) |
| Exchange rate impact | 115 | (112) |
| **Ending Balance** | 125,306 | 120,669 |
| **Net book value -** | 212,448 | 210,937 |

(b) The amortization of intangibles has been distributed as follows:

| | As of March 31, 2020 S/ (000) | As of March 31, 2019 S/ (000) |
|---|---|---|
| Cost of sales | 2,769 | 2,741 |
| Administrative expenses, see note 18 | 717 | 615 |
| Selling expenses | 101 | 107 |
| Other expenses | 935 | 1,094 |
| | 4,522 | 4,557 |

(c) As of March 31, 2020, and December 31, 2019, the Group Management performed an evaluation of the state of use of their intangible assets, finding no evidence of impairment in such assets so that, in their opinion, the net value of the intangible assets is recoverable with future profits generated by the Group.

**9. Goodwill**

The goodwill balance as of March 31, 2020 and December 31, 2019 is mainly composed by the higher value paid for the acquisition of UNACEM Ecuador that amounts to S/ 1,023,795,000.

**10. Other non-financial assets**

(a) This item is made up as follows:

| | As of March 31, 2020 | As of December 31, 2019 |
|---|---|---|
| | S/ (000) | S/ (000) |
| Deferred stripping cost (b) | 111,612 | 112,798 |
| Others | 56,104 | 33,775 |
| | 167,716 | 146,573 |
| Current | 41,877 | 19,718 |
| Non-current | 125,839 | 126,855 |
| | 167,716 | 146,573 |

(b) The following represents the movements of deferred stripping cost:

| | As of March 31, 2020 | As of December 31, 2019 |
|---|---|---|
| | S/ (000) | S/ (000) |
| **Cost -** | | |
| **Opening Balance** | 164,912 | 164,912 |
| Additions | - | - |
| **Ending Balance** | 164,912 | 164,912 |
| **Accumulated depreciation -** | | |
| **Opening Balance** | 52,114 | 46,812 |
| Depreciation of the period | 1,186 | 5,302 |
| **Ending Balance** | 53,300 | 52,114 |
| **Net book value -** | 111,612 | 112,798 |

As of March 31, 2020, and December 31, 2019, the Company has three identifiable components: the Atocongo quarry, Atocongo Norte and Pucará. These quarries maintain a specific volume of limestone and waste.

## 11. Other financial liabilities

(a) This item is made up as follows:

| | As of March 31, 2020 | | | As of December 31, 2019 | | |
|---|---|---|---|---|---|---|
| | Current Portion S/ (000) | Non- Current Portion S/ (000) | Total S/ (000) | Current Portion S/ (000) | Non- Current Portion S/ (000) | Total S/ (000) |
| Bank overdrafts (b) | 174,653 | - | 174,653 | 93,129 | - | 93,129 |
| Bank loans (c) and (d) | 135,986 | - | 135,986 | 138,061 | - | 138,061 |
| Bank bonds and loans (11.1) | 423,106 | 3,510,140 | 3,933,246 | 440,175 | 3,471,451 | 3,911,626 |
| | 733,745 | 3,510,140 | 4,243,885 | 671,365 | 3,471,451 | 4,142,816 |

(b) As of March 31, 2020, overdrafts mainly correspond to obligations of the Company and SKANON with different financial entities in US dollars for a total of S/ 169,391,000 and US$1,409,000 (equivalent to S/4,851,000), respectively. As of December 31, 2019, overdrafts mainly correspond to obligations of the Company and SKANON with different financial entities in US dollars for a total of S/ 58,095,000 and US$ 10,562,000 (equivalent to S/ 35,034,000), respectively.

(c) Bank promissory notes correspond mainly to financing for working capital with fixed interest rates that fluctuate between 2.50 to 5.20 percent per year, do not have specific guarantees and are renewed depending on the Group's working capital needs. As of March 31, 2020, and December 31, 2019, the balance by bank is as follows:

| | Origin currency | Maturity rate | 2020 S/ (000) | 2019 S/ (000) |
|---|---|---|---|---|
| **Creditor -** | | | | |
| Citibank N.A. New York | American Dollars | October 2020 | 120,470 | 116,095 |
| BBVA Banco Continental | Soles | April 2020 | 15,000 | - |
| Banco de Crédito del Perú – BCP | American Dollars | April 2020 | 516 | - |
| Banco Internacional del Peru | Soles | January 2020 | - | 15,000 |
| Banco de Crédito del Perú – BCP | American Dollars | January 2020 | - | 6,966 |
| | | | 135,986 | 138,061 |

(d) As of March 31, 2020, and December 31,2019, the interest payable on bank overdrafts amounted to approximately S/592,000 and S/603,000, respectively, and is recorded in the caption "Trade and other payable" in the consolidated financial statements, see note 12(a). As of March 31, 2020, and 2019, interest expense totaled approximately S/ 937,000 and S/4,172,000 respectively, and are included in the caption "Finance costs" in the consolidated statement of income, see note 19.

## 11.1 Bank bonds and loans

(a) The table below presents the components of the long-term bonds and debt to banks, which do not have associated guarantees:

| | As of March 31, 2020 S/(000) | As of December 31, 2019 S/ (000) |
|---|---|---|
| Bonds (b) | 448,360 | 494,139 |
| Bank loans(c) | 3,484,886 | 3,417,487 |
| **Total** | 3,933,246 | 3,911,626 |
| Less - Current portion | 423,106 | 440,175 |
| Non- Current Portion | 3,510,140 | 3,471,451 |

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

| | Annual interest rate % | Maturity rate | As of March 31, 2020 S/ (000) | As of December 31, 2019 S/ (000) |
|---|---|---|---|---|
| **Bonds-** | | | | |
| Bonds of Arizona State (b.1) | Between 1.37 and 2.40 + variable rate | September 2035 | 395,830 | 381,455 |
| Bonds Corporate - | 5.16 | March 2023 | 60,000 | 120,000 |
| | | | 455,830 | 501,455 |
| Amortized cost | | | (7,470) | (7,316) |
| | | | 448,360 | 494,139 |

(b.1) On November 18, 2010, Drake Cement, LLC obtained a bond financing of the Development Authority of Yavapai County, Arizona, United States with the purpose of financing part of the investment in the cement plant of the subsidiary amounting to US$40,000,000, maturing in September 2035 and with a monthly interest payments on the basis of a variable interest rate (Securities Industry and Financial Markets Association Index rate) currently at 1.37 percent from 3.245 percent, up to a maximum interest rate of 12 percent. The bonds are secured by a letter of credit from the bank, see note 22.1 (c).

Also, on July 30, 2015, Drake LLC obtained a US$75,000,000 bond with the purpose of refinancing part of the investment in the cement plant, maturing in September 2035 and with a monthly interest payments on the basis of a variable interest rate (Securities Industry and Financial Markets Association Index rate) currently at 2.40 percent from 2.75 and 0.1 percent, up to a maximum interest rate of 12 percent. The bonds are secured by a letter of credit from the bank, see note 22.1 (c).

These bonds have the following conditions:

- The subsidiary cannot increase certain debt, for more than US$ 5,000,000 of the outstanding balance at the time of the bond issue, excluding refinancing.
- To maintain an interest coverage ratio equal or greater than 1.0

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

(b.2) On April 7, 2010, the General Shareholders' Meeting approved the "Second Program of Issuance of Debt Instruments up to a maximum outstanding amount of US$150,000,000 or its equivalent in Soles". On March and December 2013, the Company placed the First, Second and Third Issuance of the Second Program of Corporate Bonds for an amount of S/60,000,000 each. As of March 31, 2020, the Company has payable the amount of the second issuance and as of December 31, 2019, it has payable the first and second issuance for a total of S/ 60,000,000 and S/ 120,000,000 respectively.

(c) The balance of bank loans does not present guarantees and they are detailed below:

| | Maturity rate | Starting amount (000) | Currency | Use of funds | Guarantee | As of March 31, 2020 S/ (000) | As of December 31, 2019 S/ (000) |
|---|---|---|---|---|---|---|---|
| **Syndicated loans -** | | | | | | | |
| Scotiabank del Perú | September 2021 | 47,500 | US$ | Refinancing of financial liabilities | Management and guarantee trust, see note 22.1 (c) | 51,630 | 58,048 |
| Banco de Crédito del Perú – BCP | September 2021 | 30,000 | US$ | Refinancing of financial liabilities | Management and guarantee trust, see note 22.1 (c) | 45,176 | 50,550 |
| | | | | | | 96,806 | 108,598 |
| Amortized cost | | | | | | (751) | (876) |
| | | | | | | 96,055 | 107,722 |
| **Bank loans -** | | | | | | | |
| Banco de Crédito del Perú – BCP | November 2025 and October 2026 | 833,500 | Soles | Redemption of the foreign bond | No guarantees | 808,675 | 838,640 |
| Banco Internacional del Peru | September 2022, October 2024 and March 2025 | 524,160 | Soles | Refinancing of financial liabilities and redemption of foreign bonds | No guarantees | 524,160 | 654,160 |
| Scotiabank del Perú | December 2021, October 2024, March 2025 and October 2025 | 715,200 | Soles | Refinancing of short-term financial liabilities and redemption of the foreign bond | No guarantees | 655,200 | 533,771 |
| BBVA Banco Continental | November 2021 and November 2024 | 400,500 | Soles | Refinancing of financial liabilities | No guarantees | 340,500 | 349,071 |
| Citibank N.A. (c.1) | October 2025 | 50,000 | US$ | Refinancing of financial liabilities | No guarantees | 172,100 | 165,850 |
| Santander S.A. (c.1) | November 2023 | 45,000 | US$ | Refinancing of financial liabilities | No guarantees | 154,890 | 149,266 |
| Banco de Crédito del Perú – BCP | March 2027 | 34,000 | US$ | - | No guarantees | 117,028 | - |
| Bank of Nova Scotia (c.1) | September 2025 | 30,000 | US$ | Partial redemption of the foreign bond | No guarantees | 103,260 | 99,510 |
| Banco de Crédito del Perú – BCP | August 2030 | 31,400 | US$ | Financing for construction of the Marañón Hydroelectric Power Plant | Guarantee on movable and immovable property, see note 7 (g) | 101,108 | 98,555 |
| Scotiabank del Perú | April 2025 | 72,000 | Soles | Financing for the purchase of UNICON Chile | Guarantee on property, see note 7 (g) | 72,000 | 72,000 |
| Citibank N.A. New York | July 2024 | - | - | - | No guarantees | 34,706 | 34,967 |
| Banco Internacional S.A. - Ecuador | Between February 2021 and December 2024 | - | - | - | Guaranty Trust (machinery line 2 of production), see note 7 (g). | 15,921 | 18,360 |
| BBVA Banco Continental | December 2024 | - | - | - | No guarantees | 28,773 | 28,773 |
| Banco Internacional del Peru – INTERBANK | February 2022 | - | - | - | Leased goods | 11,001 | 12,259 |
| Banco Scotiabank (Chile) (c.1) | August 2020 | - | - | - | Letter of credit, see note 22.1(b) | 13,861 | 13,341 |
| Scotiabank (Chile) | April 2021 and October 2023 | - | - | - | No guarantees | 13,630 | 8,764 |
| BBVA Banco Continental | December 2021 | - | - | - | Letter of credit, see note 22.1(b) | 9,212 | 11,076 |
| Scotiabank del Perú | May 2021 | - | - | - | No guarantees | 6,381 | 6,381 |
| Scotiabank del Perú | February 2020 | - | - | - | No guarantees | - | 5,852 |
| Less than S/ 10,000.000 | | - | - | - | | 26,702 | 23,717 |
| | | | | | | 3,209,108 | 3,124,313 |
| Amortized cost | | | | | | (18,409) | (18,201) |
| | | | | | | 3,190,699 | 3,106,112 |

| | Maturity rate | Starting amount (000) | Currency | Use of funds | Guarantee | As of March 31, 2020 S/ (000) | As of December 31, 2019 S/ (000) |
|---|---|---|---|---|---|---|---|
| **Finance leasebacks -** | | | | | | | |
| Banco de Crédito del Perú- BCP, note 13 (b) | December 2020 | 109,673 | Soles | Leased goods | - | 49,935 | 54,151 |
| Scotiabank (Chile) | March 2024 | - | - | - | - | 3,165 | 3,630 |
| | | | | | | 53,100 | 57,781 |
| Amortized cost | | | | | | (323) | (430) |
| | | | | | | 52,777 | 57,351 |
| **Finance leases -** | | | | | | | |
| Consorcio Transmantaro | July 2039 | - | - | - | - | 53,317 | 51,488 |
| Scotiabank del Perú | Between April 2020 and March 2022 | - | - | - | - | 17,040 | 20,223 |
| Banco de Crédito e Inversiones (BCI) (c.1) | November 2027 | - | - | - | - | 9,532 | 10,628 |
| Scotiabank del Perú | Between October 2020 and December 2022 | - | - | - | - | 7,864 | 8,911 |
| Less than S/ 10,000.000 | - | - | - | - | - | 45,188 | 49,213 |
| | | | | | | 132,941 | 140,463 |
| Factoring | | | | | | 12,414 | 5,839 |
| **Total** | | | | | | 3,484,886 | 3,417,487 |

(c.1) In addition, the Group signed a swap contract to reduce the risk of the variable rate, see note 23.1 (i) (a).

(d) The applicable financial safeguards to local financial liabilities are quarterly monitored and must be calculated based on the separate financial information of the Company and each of its subsidiaries and the calculation methodologies required by each financial entity.

As of March 31, 2020, the main financial safeguards that the Company and Subsidiaries maintains with each financial entity fluctuate between the following rates and indexes:

Unión Andina de Cementos S.A.A.:

- To maintain a leverage ratio of less than or equal to 1.5 times
- To maintain a debt service coverage ratio greater than or equal to 1.2 times.
- To maintain an interest coverage ratio greater than or equal to 3.0 to 4.0 times.
- To maintain debt coverage ratio or financial debt / EBITDA less than or equal to 4.10.
- To maintain a liquidity ratio greater than or equal to 1.00 time.

Unión de Concreteras S.A.:

- To maintain a total financial debt / EBITDA less than or equal to 2.5 times.
- To maintain debt service coverage ratio greater than or equal to 1.2 times.

Concremax S.A.:

- To maintain a leverage ratio of less than or equal to 1.5 times.
- To maintain a debt service coverage ratio greater than or equal to 1.5 times
- To maintain debt coverage ratio or financial debt / EBITDA lower or at 1.75

Compañía Eléctrica El Platanal S.A.:

- To maintain a debt service coverage ratio greater than or equal to 1.10 times.
- To maintain a debt ratio less than or equal to 1 time.

Celepsa Renovables S.A.C.:

- To maintain a debt service coverage ratio greater than or equal to 1.20 times.
- To maintain a debt ratio less than or equal to 1 time.

Prefabricados Andinos Perú S.A.C:

- To maintain a maximum leverage ratio of 1 time.
- To maintain a maximum debt ratio of 3.0 times
- To maintain a minimum debt service coverage ratio of 1 time.

As mentioned in note 1.2, in March 2020, the World Health Organization (WHO) declared a global pandemic due to the coronavirus outbreak identified as COVID-19. As mentioned in Note 1, by Supreme Decree No. 044-2020-PCM of March 15, 2020, the State of National Emergency and mandatory social isolation was declared throughout the national territory. This State of Emergency was subsequently extended until June 30, 2020.

Pursuant to the foregoing, by legal mandate, the Company was forced to paralyze its economic activity by ceasing to produce and sell cement, due to an extraordinary, unpredictable and irresistible event.

Certainly, this event of major force has been generating a negative economic impact on the Company, such that, as a consequence, it is unable to comply with one of the aforementioned financial safeguards.

In this regard, the Peruvian Civil Code in its article 1315 ° expressly establishes the following:

*"Act of God or major force is the non-imputable cause, consisting of an extraordinary, unpredictable and irresistible event, which prevents the execution of the obligation or determines its partial, late or defective fulfillment. "*

In the present case, the declaration of the State of National Emergency, which led the Company to suspend the production and sale of cement, and with it, that it affects its economy, prevents it from being able to comply with the obligation to maintain the debt coverage ratio or financial debt / EBITDA within the limits established according to the respective financing contracts, a fact that was duly informed to all counterparties of the obligations that the Company maintains. However, at the level of the aforementioned financial ratio, the Company has been complying with the payment of the debt service in accordance with those established in each of its financing contracts.

Likewise, we must specify that to date, new limits have not been determined given the uncertainty of when the quarantine will be lifted and / or what the process of reactivation of the economy will be, however, the Company is permanently reviewing how they are developed. the provisions of the State of Emergency and the impact they will have on the results.

For the same reason mentioned above, the subsidiary Prefabricados Andinos Perú S.A.C. has not complied with the debt service coverage ratio and the debt ratio as of March 31, 2020.

(e) As of March 31, 2020, and December 31, 2019, interests payable related to bonds and long and medium-term debt are amounted to approximately S/23,010,000 and S/25,162,000, respectively and are recorded in the caption "Trade and other payable", of the separate statement of financial position, note 12(a).

Interest generated by bank bonds and loans during March 31, 2020 and 2019, amounted to approximately S/50,187,000 and S/ 52,981,000, respectively, and is included in the "Financial expenses" caption of the consolidated statement of income, see note 19.

(f) The transactions of other financial liabilities are as follows:

| | As of March 31, 2020 S/ (000) | As of December 31, 2019 S/ (000) |
|---|---|---|
| **Opening Balance** | 4,142,816 | 4,381,122 |
| Additions | 778,842 | 1,311,392 |
| Additions of financial leases | 4,978 | 41,104 |
| Payments | (728,637) | (1,564,392) |
| Amortized cost | (130) | 6,186 |
| Corporate reorganization | - | 857 |
| Effect of difference in FX and conversion | 44,567 | (36,139) |
| Others | 1,449 | 2,686 |
| **Ending Balance** | 4,243,885 | 4,142,816 |

(g) As of March 31, 2020, the Company maintains bank loans in soles with effective annual interest rates in soles that fluctuate between 2.71 to 12 percent. Bank loans in dollars are at a variable rate plus a margin (3-month libor rate plus a margin that ranges from 1.75 to 2.60 percent).

As of December 31, 2019, the Company maintains bank loans in soles with effective annual interest rates in soles that fluctuate between 4.10 to 12.0 percent. Bank loans in dollars are at a variable rate plus a margin (3-month libor rate plus a margin that fluctuates between 1.75 to 3.39 percent).

## 12. Trade and other payables

(a) This item is made up as follows:

| | As of March 31, 2020 S/(000) | As of December 31, 2019 S/(000) |
|---|---|---|
| Trade payable (b) | 471,829 | 485,514 |
| Related Accounts receivable, note 20(b) | 15,663 | 20,191 |
| Salaries and vacation payable | 67,581 | 56,872 |
| Customer advances (c) | 36,028 | 43,998 |
| Interest payable, note 11 (d) and 11.1 (e) | 23,602 | 25,765 |
| Tax Payable | 13,046 | 17,450 |
| Dividends payable | 13,161 | 13,553 |
| Director's remunerations payable | 745 | 4,633 |
| Value Added to Tax payable | 2,543 | 2,520 |
| Other accounts payable | 47,510 | 47,122 |
| | 691,708 | 717,618 |
| **Term -** | | |
| Current Portion | 655,251 | 681,960 |
| Non- Current Portion | 36,457 | 35,658 |
| | 691,708 | 717,618 |

(b) Trade account payables are mainly generated, by the acquisition of goods and services to development the Group's operations, and correspond to invoices payable to national and foreign suppliers, have current maturity, do not yield interests and do not have guarantees.

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

All obligations with its suppliers, including balances payable, are maintained according to the contractual agreements entered into with them. As of March 31, 2020, and December 31, 2019, the balances related to these operations amount to S/ 138,913,000 and S/ 71,010,000, respectively.

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

**Unión de Concreteras S.A.:**

Corresponds to the contracts signed by this subsidiary, to supply ready-mix concrete for which it has received advances from its clients for S/ 21,449,000 and S/ 25,265,000, respectively. These advances are discounted from the valuations for the concrete shipments during the second quarter of 2020 and first quarter of 2020, respectively.

As of March 31, 2020, the advances received mainly comprise Consorcio Puente de Loreto, Consorcio Santa Fe, Grinor SA, De Vicente Constructora, Consorcio PTA Pachacutec (Consorcio Puentes de Loreto, Consorcio Manchay, Constructora Santa Fe, Consorcio PTA Pachacutec and Grinar as of December 31, 2019).

In guarantee of the fulfillment of these contracts, this subsidiary has provided bank guarantees in favor of its clients for approximately S/ 20,919,000 as of March 31, 2020 (approximately S/ 26,812,000 as of December 31, 2019).

**Concremax S.A.:**

Corresponds to contracts to supply ready-mix concrete for which it has received advances from its clients. These advances are discounted from the valuations for the concrete dispatches carried out. In guarantee of the fulfillment of these contracts, this subsidiary has provided bank guarantees in favor of its clients for approximately S/ 2,960,000 and US$ 862,000 as of March 31, 2020 (approximately S/ 2,960,000 and US$ 894,000 as of December 31, 2019).

**Entrepisos Lima S.A.C.:**

Corresponds to the contracts signed to supply concrete slabs and precasts for which it has received advances from its clients. These advances are discounted from the valuations for the dispatches made.

**UNICON UCUE Cía. Ltda.:**

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

**Prefabricados Andinos S.A.:**

Corresponds to the advances made by customers to start the precast projects by the subsidiary PREANSA Chile for approximately S/ 4,966,000 (S/ 13,331,000 as of December 31, 2019).

**Prefabricados Andinos Perú S.A.C:**

Corresponds to customer advances under contracts entered for the manufacture, transportation and assembly of precast concrete structures, amounting to approximately S/ 925,000 (approximately S/ 243,000 as of December 31, 2019). These advances will be discounted from the final valuations that are expected to be made during the year, upon delivery of the property.

## 13. Deferred income

(a) This item is made up as follows:

| | As of March 31, 2020 S/ (000) | As of December 31, 2019 S/ (000) |
|---|---|---|
| Cement and Clinker | 16,624 | 14,089 |
| Finance leasebacks(b) | 1,621 | 2,161 |
| Others | 2,061 | 1,933 |
| | 20,306 | 18,183 |

(b) During the year 2013, CELEPSA entered into a financing transaction in the form of finance leaseback and obtained a higher value of the assets recorded as a result of a valuation of the assets, this increased value caused the registration of "Property, plant and equipment" and credited to "Other accounts payable" for S/ 21,675,000. They are being recognized in the consolidated income statement according to the time period of the financial leaseback agreement, which expires in 2020 and the highest value of the asset is depreciated according to the estimated useful life.

As of March 31, 2020, CELEPSA has deferred income of approximately S/ 1,621,000 (S/ 2,161,000, as of December 31, 2019), generated by the amortization of the installments paid from the financial leasing with Banco de Crédito del Perú, see note 11.1 (c).

## 14. Provisions

(a) This item is made up as follows:

| | Current | | Non-current | |
|---|---|---|---|---|
| | As of March 31, 2020 S/ (000) | As of December 31, 2019 S/ (000) | As of March 31, 2020 S/ (000) | As of December 31, 2019 S/ (000) |
| Workers' profit sharing (b) | 25,552 | 50,917 | - | - |
| Severance compensation | 11,227 | 4,332 | - | - |
| Provision for mine closure and Environmental remediation (d) | 3,095 | 3,982 | 41,204 | 40,993 |
| Employer retirement of workers (c) | - | - | 18,986 | 17,882 |
| Eviction provision of workers(c) | - | - | 4,113 | 4,346 |
| Other provisions | 3,789 | 3,660 | 4,089 | 3,934 |
| | 43,663 | 62,891 | 68,392 | 67,155 |

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

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

Employee participation expense for the periods ended March 31, 2020 and 2019 is approximately S/ 10,160,000 and S/ 18,581,000, respectively, and is recorded in the consolidated statement of income.

(c) As of March 31, 2020, and December 31, 2019, the benefits to employees, for the subsidiaries of Ecuador, corresponded to:

*Employer retirement of workers -*

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

*Eviction of workers -*

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

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

(d) As of March 31, 2020, and December 31, 2019, the Group maintains in Peru a provision for future closure costs of its mines to be occurring by UNACEM between 10 and 38 years, UNICON between 10 and 24 years and by CONCREMAX 3 years, respectively. During 2019, the Company changed certain quarry closure projections before the Ministry of Energy and Mines and others are in the process of being approved. As of March 31, 2020, the budgets of Atocongo and Hienas have been approved.

Additionally, the Law on Environmental Management and the Environmental Regulation for Mining Activities in Ecuador, requires compliance with a restoration plan for the concessions of Selva Alegre, Cumbas and Pastaví, which maintain a future closure plan according to the evaluation of these quarries, the concession periods are 22, 21 and 22 years, respectively, for approximately S/ 2,275,000 and S/ 2,154,000, as of March 31, 2020 and December 31, 2019, respectively.

Also, UNICON Chile maintains a provision for the future cost of dismantling its plants for 7 years, for approximately S/ 990,000 and S/ 1,725,000 as of March 31, 2020 December 31, 2019, respectively.

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

## 15. Income tax

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

| Subsidiary | Deferred assets, net | | Deferred Liabilities, net | |
|---|---|---|---|---|
| | As of March 31, 2020 S/ (000) | As of December 31, 2019 S/ (000) | As of March 31, 2020 S/ (000) | As of December 31, 2019 S/ (000) |
| Unión Andina de Cementos S.A.A. | - | - | 465,799 | 477,181 |
| Skanon Investments Inc. and Subsidiaries | 143,011 | 137,929 | - | - |
| Compañía Eléctrica El Platanal S.A. and Subsidiaries | 3,496 | 3,475 | 86,125 | 84,267 |
| Inversiones Imbabura S.A. and Subsidiaries | 125 | 528 | 61,312 | 59,603 |
| Inversiones en Concreto y Afines S.A. and Subsidiaries | 2,515 | 2,915 | 24,909 | 25,615 |
| Prefabricados Andinos S.A. | 5,533 | 6,060 | - | - |
| Prefabricados Andinos Perú S.A.C. and Subsidiary | 2,377 | 1,698 | 504 | 603 |
| Inversiones Nacionales y Multinacionales S.A. | - | - | 4,922 | 4,923 |
| Vigilancia Andina S.A.A. | - | - | 250 | 250 |
| ARPL tecnología Industrial S.A. | 1,259 | 1,259 | - | - |
| Depósito Aduanero Conchán S.A. | 501 | 457 | - | - |
| Generación Eléctrica de Atocongo S.A. | 493 | 138 | - | - |
| Transportes Lurín S.A. | 135 | 143 | - | - |
| Minera Adelaida S.A. | 71 | 71 | - | - |
| | 159,516 | 154,673 | 643,821 | 652,442 |

(b) The current and deferred portions of the provision for income tax for the years ended as of March 31, 2020 and 2019 are comprised as follows:

| | 2020 S/ (000) | 2019 S/ (000) |
|---|---|---|
| **Income tax** | | |
| Current | (36,087) | (55,947) |
| Deferred | 7,445 | 103 |
| Compensation for tax loss | 2,498 | 2,568 |
| | (26,144) | (53,276) |
| Mining royalties | (78) | (71) |
| | (26,222) | (53,347) |

## 16. Net Equity

(a) Capital –

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

| Individual participation of capital | Number of shares | Percentage of participation |
|---|---|---|
| Nuevas Inversiones S.A. | 459,129,497 | 25.25 |
| Inversiones JRPR S.A. | 455,919,897 | 25.08 |
| AFPs | 430,244,886 | 23.66 |
| Others | 472,833,331 | 26.01 |
| | 1,818,127,611 | 100.00 |

As of March 31, 2020, the share price of each common share has been S/1.35 (S/2.60 as of December 31, 2019).

(b) Additional share–

Corresponds to the variation between the capital increase made by the merger of the Company with SIA, IASA and PRONTO and the registered equity, see note 1.1 (a).

(c) 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, has to be transferred to a legal reserve until such reserve equals to 20 percent of the share capital. The legal reserve may offset any losses or may be capitalized, existing in both cases the obligation to replenish it. As of March 31, 2020 December 31, 2019, the legal reserve reached the top of 20 percent of the issued capital.

(d) Unrealized net profit loss on hedging financial instruments –

Corresponds to the fair value changes on hedging financial instruments, net of its corresponding tax effect, see note 23.1 (i) (a).

(e) Dividend distributions –

The information on the dividends distributed as of March 31, 2020 and December 31, 2019 is as follows:

**2020 dividends:**

| Directors Board session date | Dividends declared and paid | Payment date | Dividends per common share |
|---|---|---|---|
| | S/ (000) | | |
| January 1, 2019 | 23,636 | 04.03. 2020 | 0.051 |
| | 23,636 | | |

**2019 dividends:**

| Directors Board session date | Dividends declared and paid | Payment date | Dividends per common share |
|---|---|---|---|
| | S/ (000) | | |
| January 25, 2019 | 21,405 | 28,02. 2019 | 0.051 |
| May 2,2019 | 23,636 | 04,06. 2019 | 0.051 |
| July 26,2019 | 23,636 | 29,08. 2019 | 0.051 |
| October 23, 2019 | 23,635 | 27,11. 2019 | 0.051 |
| | 92,312 | | |

In addition, the 2019 period, the subsidiaries of AMBIAND, ENTREPISOS and UNACEM Ecuador distributed dividends to their non-controlling shareholders for approximately S/ 4,766,000.

(f) Exchange Rate Impact -

Mainly corresponds to the exchange rate difference resulting from the conversion of financial statements of foreign subsidiaries to the Group's functional currency.

As of March 31, 2020, and December 31, 2019, the exchange rate difference generated for each foreign subsidiary is as follows:

| | 2020<br>S/(000) | 2019<br>S/(000) |
|---|---|---|
| Skanon Investments Inc. and Subsidiaries | 137,240 | 110,876 |
| Imbabura S.A. and Subsidiaries | 72,267 | 57,525 |
| Staten Island Company, Inc and Subsidiaries | 5,750 | 1,047 |
| Prefabricados Andinos Perú S.A.C. and Subsidiary | (2,761) | (1,031) |
| Prefabricados Andinos S.A. | (2,147) | (1,624) |
| Inversiones en Concreto y Afines S.A. and Subsidiaries | (5,142) | (4,125) |
| | 205,207 | 162,668 |

The effect in the statement consolidated of comprehensive income as of March 31, 2020 and December 31, 2019 attributable to controlling equity amounted to a gain and loss of S/ 42,539,000 and S/ 22,225,000, respectively.

## 17. Net sales, cost of sales and net earnings

This item is made up as follows as of March 31:

| | 2020<br>S/ (000) | 2019<br>S/ (000) |
|---|---|---|
| **Segments-** | | |
| Cement Sales | 483,848 | 545,156 |
| Electrical energy and power | 45,147 | 46,595 |
| Concrete | 371,659 | 398,623 |
| Other Services | 4,683 | 3,775 |
| | 905,337 | 994,149 |
| **Moment of revenue recognition** | | |
| Goods transferred at a point in time | 837,442 | 922,067 |
| service performance at a point in time | 67,895 | 72,082 |
| | 905,337 | 994,149 |
| Cost of sales | (657,002) | (719,744) |
| Gross profit | 248,335 | 274,405 |

## 18. Administrative expenses

This item is made up as follows as of March 31:

| | 2020<br>S/(000) | 2019<br>S/(000) |
|---|---|---|
| Personnel expenses | 32,624 | 36,023 |
| Services rendered by third parties | 10,673 | 12,045 |
| Depreciation, note 7(f) | 3,064 | 3,096 |
| Taxes | 3,096 | 2,339 |
| Wide range of Load management | 2,655 | 2,338 |
| Donations | 2,311 | 2,747 |
| Amortization, see note 8(b). | 717 | 615 |
| Estimate for expected credit loss, note 4 (i) | 488 | 561 |
| Amortization of rights in use | 76 | - |
| Others | 3,270 | 4,299 |
| | 58,974 | 64,063 |

## 19. Finance cost

As of March 31, 2020, and 2019, this item is mainly comprised of interest on bonds issued and debts with banks for S/ 51,124,000 and S/ 57,153,000, respectively (see note 11 (d) and 11.1 (e)).

## 20. Related parties' transactions

(a) The main transactions with related entities as of March 31, 2020 and 2019 were as follows:

| | 2020<br>S/ (000) | 2019<br>S/ (000) |
|---|---|---|
| **Income -** | | |
| **Cement Sales -** | | |
| La Viga S.A. | 92,815 | 113,272 |
| Asociación UNACEM | 67 | 48 |
| **Dividend income -** | | |
| Ferrocarril Central Andino S.A. | - | 2,325 |
| BASF Construction Chemicals Perú S.A. | - | 488 |
| Inversiones Santa Cruz S.A. | - | 34 |
| **Costs and / or expenses -** | | |
| **Purchase additives-** | | |
| BASF Construction Chemicals Perú S.A. | 9,247 | 11,621 |
| **Commissions and freight costs of cement sales -** | | |
| La Viga S.A. | 5,507 | 4,595 |
| **Other expenses -** | | |
| BASF Construction Chemicals Perú S.A. | 765 | 880 |
| **Other income -** | | |
| BASF Construction Chemicals Perú S.A. | 331 | 331 |

(b) As a result of these and other minor transactions, the Group kept the following balances with its related entities as of March 31, 2020 and December 31,2019:

| | 2020<br>S/ (000) | 2019<br>S/(000) |
|---|---|---|
| **Account receivables, note 4(a)** | | |
| La Viga S.A. | 25,020 | 24,227 |
| BASF Construction Chemicals Perú S.A. | 316 | 381 |
| Other minors | 841 | 775 |
| | 26,177 | 25,383 |
| **Account payables, note 12(a)** | | |
| BASF Construction Chemicals Perú S.A. | 13,023 | 17,611 |
| La Viga S.A. | 2,589 | 2,569 |
| Other minors | 51 | 11 |
| | 15,663 | 20,191 |

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

(d) The total remuneration paid to Group's directors and key members of management as of March 31, 2020 and 2019 is amounting to approximately S/5,296,000 and S/7,951,000 respectively, which include short-term benefits and compensation for time served.

## 21. Earnings per share

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

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

| | As of March 31, 2020 | As of March 31, 2019 |
|---|---|---|
| | S/ (000) | S/ (000) |
| Numerator | | |
| Net income attributable to common shares | 53,843 | 121,433 |
| | In thousands | In thousands |
| Denominator | | |
| Weighted average number of common shares | 1,818,128 | 1,646,503 |
| | 2020 | 2019 |
| | S/ | S/ |
| Basic and diluted earnings for common shares | 0.030 | 0.074 |

## 22. Commitments and contingencies

22.1 Financial and Purchase Commitments -

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

- Guarantee letter to the Ministry of Energy and Mines (MEM), issued by Banco de Crédito del Perú, by a total approximate of US$3,547,000 (equivalent to S/5,776,000) with a maturity on January 2021, in order to ensure compliance of the Mine Closure.

- Guarantee letter to the Ministry of Production, issued by Banco de Crédito del Perú, by a total approximate of US$3,547,000 (equivalent to S/13,679,000) with a maturity on January 2021, in order to ensure compliance of the Mine Closure.

(b) The subsidiaries maintain the following guarantee letters:

- Guarantee letter issued by financial institutions negotiated by UNICON in order to ensure the supply of concrete to certain customers, as of March 31, 2020 for approximately S/ 97,325,000 (S/ 103,841,000 as of December 31, 2019).

- Guarantee letter negotiated by DAC with some financial institutions in order to ensure their obligations generated in the exercise of their functions as a bonded warehouse in accordance with the General Customs Law, its regulations and other applicable administrative provisions, as of March 31, 2020 and December 31, 2019. for US$ 200,000.

- Guarantee letters negotiated by PREANSA Peru issued in favor with some financial institutions guaranteeing obligations related to customers for advances received for the start of production operations, as of March 31, 2020 and December 31, 2019 for approximately S/ 2,874,000 and S/ 2,583,000, respectively.

- Guarantee letter to Consorcio Transmantaro S.A. requested by CELEPSA for a total of US$3,000,000, maturing in July 2020 issued by Scotiabank Peru in order to guarantee the contract for electric power transmission for facilities of the complementary transmission

- On September 23, 2016, the bank Scotiabank Chile approved a credit line up to US$4,000,000, in favor of PREANSA Chile, the same that is guarantee through of the letter of guarantee of PREANSA Peru issued by the Scotiabank Peru S.A.A. With a maturity date on September 2020, see note 11.1 (c).

- On December 13, 2016, BBVA Colombia approved a credit line of up to US$3,550,000 in favor of PREANSA Colombia, which is guaranteed through a letter of credit from PREANSA Peru issued by BBVA Banco Continental with a maturity date on January 2020, see note 11.1 (c).

- As of March 31, 2020, the subsidiary VASA maintain guarantee letters issued by financial institutions, guaranteeing the payment of remuneration of personnel under labor intermediation to clients for S/ 2,801,000 (S/ 2,805,000 as of December 31, 2019).

(c) Guarantees for the payment of financial obligations:

- Administration and Guarantee Trust: formed by CELEPSA's credit rights and future money flows from them, which is intended to ensure the payment of the obligations arising from the funding and serve as a means of payment. The activation of this trust was done immediately after the operations of "El Platanal" Hydroelectric Power Plant started.

- Letter of credit for US$ 40,000,000, held on November 18, 2010 between US Bank National Association and the Development Authority of Yavapai County, in order to insure to Sindicato de Inversiones y Administracion S.A. (Applicant) the direct payment of the credit, see note 11.1 (b.2). As a result of the merger of SIA with the Company, the requesting entity will be Inversiones JRPR.

- Letter of credit for US$ 75,000,000, held on July 30, 2015 between Drake Cement LLC, Skanon Investments, Inc (guarantor) and the Bank of Nova Scotia, New York Agency (issuer) , in order that the issuer make the direct payment of the credit for Drake Cement to the US Bank National Association (trustee), which entered into a trust agreement with the Development Authority of Yavapai (authority) County, see note 11.1 (b.2).

(d) Compensation agreement

The SKANON subsidiary establishes compensation provisions under its agreements with other companies in the normal course of its operations, generally with business partners, customers, property owners, lenders and lessors. Under such provisions, SKANON generally indemnifies and exempts for losses suffered or incurred by the indemnified party as a result of its activities or, in some cases, as a result of the activities of the indemnified party under the agreement. The maximum potential for future payments that SKANON could make under these compensation provisions is unlimited. SKANON has not incurred material costs to defend claims or resolve claims related to these compensation agreements. As a result, SKANON considers that the estimated fair value of these agreements is minimal. As a result, the Group's Management has no liabilities recorded for these agreements as of March 31, 2020 and December 31, 2019.

(e) Purchase option

In accordance with the Drake Cement third addendum of the operating agreement (Restated Limited Liability Company Operating Agreement) on September 1, 2007, SKANON has the option to purchase the minority interest in Drake Cement. As of January 1, 2009, SKANON has the option, but not the obligation, to purchase the minority shareholders' interest at any time at fair value. The fair value will be determined by mutual agreement of the members in the general meeting of shareholders. As of March 31, 2020, Drake Cement has not exercised this option.

22.2 Finance leases -

The future minimum payments for financial leases and financial leasebacks are as follows:

| | As of March 31, 2020 | | As of December 31, 2019 | |
|---|---|---|---|---|
| | Minimum payments S/ (000) | Present value of lease payments S/ (000) | Minimum payments S/ (000) | Present value of lease payments S/ (000) |
| In 1 year | 94,633 | 83,629 | 107,013 | 92,251 |
| Between one to more years | 210,477 | 102,089 | 210,490 | 105,563 |
| Total, payments to be done | 305,110 | 185,718 | 317,503 | 197,814 |
| Less - finance costs | (119,392) | | (119,689) | - |
| Present value of minimum lease payments | 185,718 | 185,718 | 197,814 | 197,814 |

22.3 Tax situation–

(a) The companies comprising the Group are subject to the tax regime of the country in which they operate and are taxed separately on the basis of its non-consolidated results.

As of March 31, 2020, and December 31, 2019, the income tax rate on taxable income in the main countries that operate the Company and its Subsidiaries is:

| | Tax rates | |
|---|---|---|
| | 2020 | 2019 |
| | % | % |
| Peru | 29.5 | 29.5 |
| Ecuador | 25.0 | 25.0 |
| United State of America (*) | 21.0 and 4.9 | 21.0 and 4.9 |
| Chile | 27.0 | 27.0 |
| Colombia (**) | 32.0 | 33.0 |

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

(**) For companies domiciled in Colombia, in accordance with Law No. 2010 and No. 1943, the following changes are presented as of 2019:

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

This tax rules related to the income tax are the same as those described in the notes to the annual consolidated financial statements as of December 31, 2019.

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

| | Periods open to review |
|---|---|
| In Peru - | |
| Unión Andina de Cementos S.A.A. | 2011 to 2013 and from 2016 to 2019 |
| Compañía Eléctrica El Platanal S.A. | 2015-2019 |
| Generación Eléctrica Atocongo S.A. | 2015-2019 |
| Unión de Concreteras S.A. | 2015-2019 |
| CONCREMAX S.A. | 2014-2019 |
| Inversiones en Concreto y Afines S.A. | 2015-2019 |
| Prefabricados Andinos Perú S.A.C. | 2015-2019 |
| Transportes Lurín S.A. | 2015-2019 |
| Depósito Aduanero Conchán S.A. | 2015-2019 |
| Inversiones Imbabura S.A. | 2015-2019 |

| | Periods open to review |
|---|---|
| Inversiones Nacionales y Multinacionales Andinas S.A. | 2015-2019 |
| ARPL tecnología Industrial S.A. | 2015-2019 |
| Vigilancia Andina S.A.A. | 2015-2019 |
| **In Ecuador -** | |
| UNACEM Ecuador S.A. | 2016-2019 |
| Union de Concreteras UNICON UCUE Cia. Ltda. | 2017-2019 |
| **In Chile -** | |
| Prefabricados Andinos S.A. | 2015-2019 |
| Unicon Chile S.A. | 2017-2019 |
| **In Colombia -** | |
| Prefabricados Andinos Colombia S.A.S. | 2013-2019 |
| **In United State of America** | 2016-2019 |

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

(c) Also, the tax loss carries forward of subsidiaries as of March 31, 2020 and December 31, 2019 are as follows:

| | 2020<br>S/ (000) | 2019<br>S/ (000) |
|---|---|---|
| Skanon Investments Inc. and Subsidiaries (i) | 1,705,727 | 1,645,110 |
| Compañía Eléctrica El Platanal S.A. y Subsidiaries (iii) | 305,060 | 313,526 |
| Prefabricados Andinos S.A. (iii) | 40,490 | 41,266 |
| Prefabricados Andinos Colombia S.A.S. (iii) | 7,702 | 8,873 |
| Prefabricados Andinos Perú S.A.C. (ii) | 7,890 | 5,988 |
| Depósito Aduanero Conchán S.A. (ii) | 2,572 | 2,400 |
| Transportes Lurín S.A. (ii) | 458 | 486 |
| Other minor Peruvian subsidiaries(ii) | 784 | 335 |

(i) The carryforward tax losses of the subsidiaries in the United States of America amount to approximately US$466,405,000 (equivalent to S/1,705,727,000). According to the evaluation of the Group Management, it is estimated that a federal and state loss will be recovered for approximately US$ 166,178,000 and US$ 155,570,000, respectively (equivalent to approximately S/ 924,933,000 and S/ 780,795,000, respectively). As a result, the Group recognized an asset for deferred income tax from tax losses of approximately US$ 40,335,000 (equivalent to approximately S/ 202,792,000).

Under United States law, the subsidiaries of the Group in this country are subject to federal tax and state tax, to which applied a rate of 21 percent and 4.9 percent, respectively, on taxable income.

(ii) The Managers of each subsidiary in Peru with tax loss carry forwards have therefore chosen the option to offset the tax loss up to 50 percent of the taxable income generated each year, indefinitely, as well as the option to offset the tax loss in the four years starting from the date of its generation.

(iii) The tax loss carries forward of subsidiaries in Chile and Colombia will be offset against future profits of the subsidiaries in accordance with state and federal tax requirements related.

22.4 Contingencies –

In the normal course of business, the Company and its subsidiaries have received several taxes, legal (labor and management) and regulatory complaints, which are recorded and disclosed in accordance with International Financial Reporting Standards.

*Peru –*

(a) Tax:

*Income tax*

(a) Tax processes:

As a result of the audits of previous years, the Company has been notified by the Superintendency of Tax Administration (SUNAT) with various resolutions for alleged omissions of income tax. In some cases, the Company has filed appeals with superior instances for not finding that said resolutions are in accordance with the law and in others it proceeded to pay the assessments received under protest. As of March 31, 2020, and December 31, 2019, the Company maintains receivables related to certain tax processes, see note 4 (d), because, in the opinion of the Company's Management and its legal advisors, there are arguments to obtain a favorable result to the interests of the Company.

The following is a brief description of the Company's main tax processes:

- Income tax for the years 2000 and 2001 -

On May 22, 2018, the Chamber of Constitutional and Social Permanent Law of the Supreme Court of Justice of the Republic notified the writ of appeal of cassation No. 12464-2017, through which the appeal filed by the Company was declared inadmissible. In June 2018, the Company filed a writ of appeal requesting the annulment of the qualifying writ of appeal of said procedure On August 13, 2019, the Eleventh Constitutional Court with a Subspecialty in Tax and Customs topics, issued a Resolution No. 5 by means of which it was resolved to declare the application for amparo unfounded. On September 2, 2019, the Company filed an appeal against said resolution 5.

Up to date, the appeal filed by the Company is pending resolution.

- Income tax for the years 2004 and 2005 -

On November 5, 2018, the Company was notified with the Resolution of Intendance No. 0150150001764, through which the Resolution of the Tax Court No. 05598-1-2018 was complied with, so it proceeded to re-settle the debt corresponding to the taxable years 2004 and 2005. On November 21, 2018, the Company filed an appeal to said resolution, considering that the re-liquidation carried out was not in accordance with the law and on November 30, 2018, the Company filed a lawsuit against the Court's Resolution Prosecutor No. 05598-1-2018, in aspects related to certain tax objections. On July 24, 2019, Resolution No. 11 was issued, declaring the claim filed by the Company against Resolution of the Tax Court No. 05598-1-2018 unfounded.

On August 16, 2019, the Tax Administration issued Coercive Execution Resolution No. 011-006-0058752, through which it ordered the coercive collection of tax debt corresponding to the Determination and Fine Resolutions corresponding to the periods January to December 2004 and 2005, as well as the Determination Resolution corresponding to the 2004 financial year, for a total amount of S/ 8,143,000.

On November 29, 2019, Resolution No. 17 was issued confirming Resolution No. 11, which declared the lawsuit unfounded. On December 17, 2019, the Company filed an appeal against Resolution No. 17. Up to date, this appeal is pending resolution by the Supreme Court.

- Income tax for the 2010 financial year -

As result of the audit for the year 2010, the Company has been notified by the Superintendence of Tax Authority (SUNAT) with resolutions for alleged omissions in income tax. In some cases, the Company has filed appeals for not finding the corresponding resolutions in accordance with the legal regulations in force in Peru and in others it has proceeded to pay the assessments received. The appeal filed by the Company is still pending.

- Income tax for the 2013 financial year -

On March 2, 2018, the Company was notified with Resolution No. 1300-3-2019, by which the Tax Court resolved to confirm Resolution of Intendancy No. 0150140013936, which is related to Fine Resolution No. 011. -002-00218000 issued by the Tax Administration in 2017. The Company made the payment of the fine resolution indicated above for S/ 7,129,000. On May 22, 2019, the Company filed a contentious-administrative lawsuit against Tax Court Resolution No. 1300-3-2019. Up to date, the first instance judgment is pending issuance.

- Excise tax -

As of December 31, 2018, the Company maintained claims for selective consumption tax, which have been fully charged as of the fourth quarter of 2019.

(b) Administrative:

On April 30, 2019, the appeal filed by the Company related to Resolution No. 004-2010 / ST-CLC-INDECOPI of March 25, 2010 was declared inadmissible and for this reason the Company proceeded to pay the full amount of the administrative debt that amounted to S/ 6,250,000.

Likewise, as of March 31, 2020 and December 31, 2019, the Group has filed claims to the Tax Administration Office (SUNAT), corresponding to the demands and claims for reimbursement of income tax. Management and its legal advisors estimate that there are legal arguments to obtain a favorable outcome in these processes, in which case they will not have a significant impact on the consolidated financial statements of the Group.

22.5 Environmental commitments -

The activities of the Group are subject to environmental protection standards. This tax rules are the same as those described in the notes to the annual consolidated financial statements as of December 31, 2019.

## 23. Financial risk management, objectives and policies

The Group's main financial liabilities, in addition to derivative financial instruments, include other financial liabilities and trade and other accounts payable. The main purpose of these financial liabilities is to finance the Group's operations. The Group has cash and commercial and various accounts receivable that come directly from its operations. The Group also carries out transactions with derivative financial instruments.

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

The Group's Senior Management oversees the management of these risks. The Group's Senior Management is supported by the Financial Management that advises on financial risks and the appropriate financial risk governance framework for the Group. The Financial Management provides assurance to the Group's senior executives that the Group'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 Group preferences when taking risks. All activities with financial derivative instruments related to risk management are left to teams of specialists with adequate capacities, experience and supervision.

The Group Management reviews and agrees on the policies for the management of each of these risks, which are summarized in the following sections:

23.1 Market risk –

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

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

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

(i) Interest rate risk –

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

(a) Derivative Financial instruments from hedge -

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

| | | | | | Fair value | |
|---|---|---|---|---|---|---|
| Counterparty | Reference value US$(000) | Maturity rate | Receives variable rate at: | Pays fix rate at: | As of March 31, 2020 S/ (000) | As of December 31, 2019 S/ (000) |
| Assets- | | | | | | |
| Banco Scotiabank (Chile) (*) | 4,000 | August 2020 | Libor to 3 months + 1.5% | 4.750% | - | 144 |
| Banco Scotiabank (Chile) | 3,355 | October 2023 | Libor 30+ 1.85% | 5.550% | 382 | 418 |
| Total | | | | | 382 | 562 |
| Liabilities - | | | | | | |
| Citibank N.A. | 50,000 | October 2025 | Libor to 3 months + 1.75% | 5.700% | 23,152 | 15,369 |
| Bank of Nova Scotia | 30,000 | September 2025 | Libor to 3 months + 2.60% | 5.660% | 8,313 | 4,544 |
| Santander S.A. | 45,000 | November 2023 | Libor to 3 months + 1.85% | 5.030% | 15,577 | 8,892 |
| Banco de Crédito e Inversiones (BCI) | 3,616 | November 2027 | 6.78% | 3.376% | 489 | 506 |
| Banco Scotiabank (Chile) | - | - | - | - | - | 288 |
| Banco Scotiabank (Chile) (*) | 4,000 | August 2020 | Libor to 3 months + 1.5% | 4.750% | 146 | - |
| Total | | | | | 47,677 | 29,599 |

(*) Corresponds to the same derivative

Financial instruments are intended to reduce exposure to interest rate risk variable associated with the financial obligations set out in Note 11.1 (c). These financings bear interest at a variable rate equal to the 3-month Libor.

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

As of March 31, 2020, and 2019 the Group recognized an expense on these derivative financial instruments amounting to approximately S/ 2,498,000 and S/1,408,000 respectively, whose amounts were actually paid during the year and are presented as "Borrowing Costs" in the consolidated statement of income.

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. As of March 31, 2020, and December 31, 2019, the Group recognized under the heading “Unrealized results” of the consolidated statement of changes in equity.

(b) Derivative Financial instruments from trading –

| Counterparty | Referential amount as of March 31, 2020 US$(000) | Maturity rate | Receives variable rate at | Pays fix rate at | Fair value As of March 31, 2020 S/ (000) | Fair value As of December 31, 2019 S/ (000) |
|---|---|---|---|---|---|---|
| Liabilities - | | | | | | |
| Citibank N.A. New York | 35,000 | October 2020 | Libor to 3 months + 1.08% | 5.200% | 2,354 | 2,459 |
| **Total, note 24(a)** | | | | | 2,354 | 2,459 |

As of March 31, 2020, the effective portion of changes in the fair value of financial instruments that qualify as hedges is recognized as assets or liabilities. As of March 31, 2020, and 2019, the effect amounts to approximately S/ 105,000 and S/446,000, respectively, and is presented as part of the "Financial income" and "Financial heading of the consolidated statement of income.

Sensitivity to interest rate -

The Group does not show the sensitivity to a reasonably possible change in interest rates on the portion of the loans, after the impact of hedge accounting.

(ii) Foreign currency risk -

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

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

The result of holding balances in foreign currency for the Group in the period ended on March 31, 2020 and 2019 was a loss and net gain amounting approximately S/26,469,000 and S/24,966,000, respectively, which are presented in the caption "Exchange difference, net" in the consolidated statement of income.

As of March 31, 2020, and December 31, 2019, the Group has "Cross Currency Interest Rate Swap" amounting to S/ 2,185,000 and S/ 242,000 in favor of the bank, respectively, and hedging of risks associated with exchange rate fluctuations. These instruments were designated as held for trading. The effect as of March 31, 2020 and 2019 is an income of approximately S/ 1,689,000 and S/435,000, respectively.

Foreign currency sensitivity -

Foreign currency transactions made at free market exchange rates published by the Superintendence of Banks, Insurance and Private Funds Managers. As of March 31, 2020, the weighted average exchange rates of the free market for transactions in U.S. Dollars were S/ 3.433 for buying and S/ 3.442 for selling (S/ 3.311 for buying and S/3.317 for selling as of December 31, 2019), respectively.

As of March 31, 2020, and December 31, 2019, the Group had the following assets and liabilities in foreign currency:

American Dollars

| | 2020 US$(000) | 2019 US$(000) |
|---|---|---|
| **Asset** | | |
| Cash and cash equivalents | 10,492 | 13,826 |
| Trade and other payables | 56,437 | 55,298 |
| | 66,929 | 69,124 |
| **Liabilities** | | |
| Other financial liabilities | (267,588) | (258,333) |
| Trade and other payables | (61,279) | (36,755) |
| Derivative financial instruments | (684) | (741) |
| | (329,551) | (295,829) |
| Derivative financial instrument in foreign currency | (635) | (73) |
| **Net liability position** | (263,257) | (226,778) |

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

| **Change in US Dollars rate In American Dollars** | **Impact on profit before income tax** | |
|---|---|---|
| | **As of March 31, 2020** | **As of December 31, 2019** |
| % | S/ (000) | S/ (000) |
| +5 | (45,337) | (37,632) |
| +10 | (90,673) | (75,264) |
| -5 | 45,337 | 37,632 |
| -10 | 90,673 | 75,264 |

23.2 Credit risk –

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

The Group's Management made a continuously monitors of the credit risk to such items and periodically, it assesses the balances that evidence an impairment to determine the required allowance for un-collectability.

23.3 Liquidity risk –

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

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

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

| | As of March 31, 2020 | | | |
|---|---|---|---|---|
| | From 1 to 12 months S/ (000) | From 1 to 3 years S/ (000) | From 4 to more years S/ (000) | Total S/ (000) |
| Trade and other payables (*) | 619,223 | 16,493 | 19,964 | 655,680 |
| Other financial liabilities | | | | |
| Amortization of capital | 733,745 | 1,071,453 | 2,438,687 | 4,243,885 |
| Flow of interest payments | 195,174 | 365,915 | 338,082 | 899,171 |
| **Total liabilities** | 1,548,142 | 1,453,861 | 2,796,733 | 5,798,736 |

| | As of December 31, 2019 | | | |
|---|---|---|---|---|
| | From 1 to 12 months S/ (000) | From 1 to 3 years S/ (000) | From 4 to more years S/ (000) | Total S/ (000) |
| Trade and other payables (*) | 637,962 | 15,922 | 19,736 | 673,620 |
| Other financial liabilities | | | | |
| Amortization of capital | 671,365 | 1,130,049 | 2,341,402 | 4,142,816 |
| Flow of interest payments | 197,353 | 383,070 | 343,458 | 923,881 |
| **Total liabilities** | 1,506,680 | 1,529,041 | 2,704,596 | 5,740,317 |

(*) Does not include the balance of customer advances and deferred income

23.4 Capital management–

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

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

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

As of March 31, 2020, and December 31, 2019 the leverage ratio is determine as follows:

| | 2020<br>S/ (000) | 2019<br>S/ (000) |
|---|---|---|
| Other financial liabilities, see note 11 | 4,243,885 | 4,142,816 |
| Trade and other payables, see note 12 **(*)** | | |
| | 655,680 | 673,620 |
| Less: Cash and cash equivalents, see note 3 | (150,623) | (124,337) |
| Net debt (a) | 4,748,942 | 4,692,099 |
| Net Equity | 4,707,176 | 4,640,045 |
| **Total capital and net debt (b)** | **9,456,118** | **9,332,144** |
| **Leverage ratio (a/b)** | **0.502** | **0.503** |

**(*)** Does not include the balance of customer advances and deferred income

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

## 24. Fair values

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

The following table presents an analysis of the financial instruments recorded at fair value, according to their hierarchy level as March 31, 2020 and December 31, 2019:

| | 2020<br>S/ (000) | 2019<br>S/ (000) |
|---|---|---|
| Derivative financial instruments: | | |
| Level 2 | 382 | 562 |
| **Total, assets, note 4(a)** | 382 | 562 |
| Derivative financial instruments: | | |
| Level 2 | 52,216 | 32,300 |
| **Total, liabilities, note 23.1(i) and (ii)** | 52,216 | 32,300 |

Level 1 -

and cash equivalents do not represent a credit risk or a significant interest rate; therefore, their carrying amounts are close to their fair value.

- Accounts receivable because they are net of provision for loan losses and primarily have maturities of less than three months, and Management has seen its fair value is not materially different from it carrying value.

- Trade and other payables, due to its current maturity Management estimates that its accounting balances approximate its fair value.

Level 2 -

- Other financial liabilities have been determined by comparing the fair value market interest rates at the time of initial recognition with current market rates offered for similar financial instruments. The following is a comparison between the carrying value and the fair value of these financial instruments.

| | As of March 31, 2020 | | As of December 31, 2019 | |
|---|---|---|---|---|
| | Carrying value S/ (000) | Fair value S/ (000) | Carrying value S/ (000) | Fair value S/ (000) |
| Other financial liabilities (*) | 3,933,246 | 3,650,509 | 3,911,626 | 3,616,453 |

(*) As of March 31, 2020, and December 31, 2019, the amount outstanding does not include promissory notes and bank overdraft, see note 11.1 (a).

## 25. Segment information

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

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

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

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

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

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

| | As of March 31, 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Cement | Concrete | Electrical Energy | Others | Total Segments | Adjustments elimination | Consolidated |
| | S/ (000) | S/ (000) | S/ (000) | S/ (000) | S/ (000) | S/ (000) | S/ (000) |
| **Income** | | | | | | | |
| Third-party customers | 483,848 | 371,659 | 45,147 | 4,683 | 905,337 | - | 905,337 |
| Inter segments | 44,335 | 22,077 | 17,453 | 18,031 | 101,896 | (101,896) | - |
| **Total revenues** | 528,183 | 393,736 | 62,600 | 22,714 | 1,007,233 | (101,896) | 905,337 |
| **Gross profit** | 161,822 | 49,355 | 28,858 | 6,636 | 246,671 | 1,664 | 248,335 |
| **Operating income (expenses)** | | | | | | | |
| Administrative expenses | (42,680) | (14,091) | (3,555) | (3,750) | (64,076) | 5,102 | (58,974) |
| Selling expenses | (15,013) | (6,365) | (663) | - | (22,041) | 194 | (21,847) |
| Other operating income (expenses), net | 12,514 | (1,949) | 673 | (40) | 11,198 | (6,916) | 4,282 |
| **Operating profit** | 116,643 | 26,950 | 25,313 | 2,846 | 171,752 | 44 | 171,796 |
| **Other income (expenses)** | | | | | | | |
| Participation in net income of associates and joint business | - | 618 | - | - | 618 | 4 | 622 |
| Financial Income | 1,202 | 711 | 28 | 387 | 2,328 | (503) | 1,825 |
| Finance cost | (44,295) | (7,868) | (5,793) | (2,947) | (60,903) | 503 | (60,400) |
| Exchange difference, net | (18,319) | (585) | (8,503) | 938 | (26,469) | - | (26,469) |
| **Income before income tax** | 55,231 | 19,826 | 11,045 | 1,224 | 87,326 | 48 | 87,374 |
| Income tax | (21,115) | 68 | (4,334) | (841) | (26,222) | - | (26,222) |
| **Net income for segment** | 34,116 | 19,894 | 6,711 | 383 | 61,104 | 48 | 61,152 |
| **Income before tax for segment** | 98,324 | 26,365 | 16,810 | 3,780 | 145,279 | (57,905) | 87,374 |

| | As of March 31, 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Cement | Concrete | Electrical Energy | Others | Total segments | Adjustments elimination | Consolidated |
| | S/ (000) | S/ (000) | S/ (000) | S/ (000) | S/ (000) | S/ (000) | S/ (000) |
| **Income** | | | | | | | |
| Third-party customers | 545,156 | 398,623 | 46,595 | 3,775 | 994,149 | - | 994,149 |
| Inter segments | 57,917 | 33,223 | 17,828 | 17,456 | 126,424 | (126,424) | - |
| **Total revenues** | 603,073 | 431,846 | 64,423 | 21,231 | 1,120,573 | (126,424) | 994,149 |
| **Gross profit** | 196,309 | 47,263 | 26,462 | 4,270 | 274,304 | 101 | 274,405 |
| **Operating income (expenses)** | | | | | | | |
| Administrative expenses | (45,870) | (15,902) | (3,293) | (4,791) | (69,856) | 5,793 | (64,063) |
| Selling expenses | (10,265) | (6,317) | (604) | - | (17,186) | 255 | (16,931) |
| Other operating income (expenses), net | 111,253 | 14,985 | 752 | 194 | 127,184 | (117,267) | 9,917 |
| **Operating profit** | 251,427 | 40,029 | 23,317 | (327) | 314,446 | (111,118) | 203,328 |
| **Other income (expenses)** | | | | | | | |
| Participation in net income of associates and joint business | - | 308 | - | - | 308 | - | 308 |
| Financial Income | 9,764 | 1,743 | 103 | 703 | 12,313 | (2,301) | 10,012 |
| Finance cost | (50,290) | (7,962) | (6,358) | (3,236) | (67,846) | 2,301 | (65,545) |
| Exchange difference, net | 17,697 | 1,684 | 5,262 | 390 | 25,033 | (67) | 24,966 |
| **Income before income tax** | 228,598 | 35,802 | 22,324 | (2,470) | 284,254 | (111,185) | 173,069 |
| Income tax | (40,861) | (5,433) | (6,808) | (245) | (53,347) | - | (53,347) |
| **Net income for segment** | 187,737 | 30,369 | 15,516 | (2,715) | 230,907 | (111,185) | 119,722 |
| **Income before tax for segment** | 269,124 | 41,713 | 28,579 | 63 | 339,479 | (166,410) | 173,069 |

| | As of March 31, 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Cement | Concrete | Electrical Energy | Others | Total Segments | Adjustments elimination | Consolidated |
| **Operating assets** | 7,670,333 | 1,208,683 | 1,207,599 | 270,308 | 10,356,923 | 174,125 | 10,531,048 |
| **Operating liabilities** | 301,554 | 443,861 | 78,840 | 58,950 | 883,205 | 4,940,667 | 5,823,872 |

| | As of December 31, 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Cement | Concrete | Electrical Energy | Others | Total segments | Adjustments elimination | Consolidated |
| **Operating assets** | 7,500,467 | 1,262,427 | 1,219,931 | 258,519 | 10,241,344 | 170,510 | 10,411,854 |
| **Operating liabilities** | 333,975 | 470,600 | 81,888 | 51,519 | 937,982 | 4,833,827 | 5,771,809 |

**Eliminations and Reconciliation -**

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

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

A reconciliation of the effective rate of income tax as of March 31, 2020 and 2019 is as follows:

| | 2020<br>S/ (000) | 2019<br>S/ (000) |
|---|---|---|
| **Reconciliation of income -** | | |
| **Income before tax for segment before adjustment and eliminations** | 145,279 | 339,479 |
| Financial Income | 1,825 | 10,012 |
| Finance cost | (60,400) | (65,545) |
| Participation in net income of associates and joint business | 622 | 308 |
| Inter segments | 48 | (111,185) |
| **Income before tax for segment** | 87,374 | 173,069 |

The reconciliation of operating assets and liabilities as of, March 31, 2020 and December 31, 2019 is as follows:

| | 2020<br>S/ (000) | 2019<br>S/ (000) |
|---|---|---|
| **Reconciliation of assets -** | | |
| **Segment operating assets** | 10,356,923 | 10,242,980 |
| Deferred income tax asset | 159,516 | 154,673 |
| Derivative financial instruments | 382 | 144 |
| Other assets | 14,227 | 14,057 |
| **Operating assets of the Group** | 10,531,048 | 10,411,854 |
| | | |
| **Reconciliation of liabilities -** | | |
| **Segment operating liabilities** | 883,205 | 939,618 |
| Other financial liabilities | 4,243,885 | 4,142,816 |
| Trade payables to Directors | 745 | 4,633 |
| Deferred income tax liability | 643,821 | 652,442 |
| Derivative financial instruments | 52,216 | 32,300 |
| **Operating liabilities of the Group** | 5,823,872 | 5,771,809 |

**Geographic information –**

The income information contained above is based on customer location.

Income by location as of March 31, 2020 and 2019 is as follows:

| | 2020<br>S/ (000) | 2019<br>S/ (000) |
|---|---|---|
| **Income of customers** | | |
| Peru | 589,117 | 708,652 |
| Ecuador | 103,858 | 129,227 |
| United State of America | 138,335 | 96,629 |
| Chile | 72,820 | 57,721 |
| Colombia | 1,207 | 1,920 |
| **Total income according to the consolidated statements of income** | 905,337 | 994,149 |

Total non-current assets by location as of March 31, 2020 and December 31, 2019 is as follows:

| | 2020<br>S/ (000) | 2019<br>S/ (000) |
|---|---|---|
| **Non-current assets:** | | |
| Peru | 6,750,198 | 6,803,748 |
| United State of America | 1,341,356 | 1,299,062 |
| Ecuador | 794,326 | 774,678 |
| Chile | 89,254 | 98,557 |
| Colombia | 25,917 | 31,233 |
| **Non- current assets according to the financial statement** | 9,001,051 | 9,007,278 |

## 26. Subsequent events

**Extraordinary event in 2020 -**

As mentioned in note 1.2, the serious health crisis that is being experienced worldwide by the COVID-19 pandemic, led the governments of the countries where the Group operates to take certain health control measures, mainly compulsory social isolation in Peru, Ecuador and Colombia as of March 16, with the consequent cessation of the operations of the Company and its subsidiaries that operate in said countries.

Subsequent to March 31, 2020, the governments of the countries where the Group operates that took mandatory social isolation measures have begun processes of partial and progressive reactivation of the different economic sectors, including the sectors where the Group operates, for which must comply with strict sanitary protocols before restarting activities.