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

UN-AUDITED Consolidated Interim Financial Statements

As of September 30, 2020, and December 31, 2019

UNION ANDINA DE CEMENTOS S.A.A. AND SUBSIDIARIES

Statement of Financial Position

For the periods ended September 30, 2020 and December 31, 2019

(In thousands of Soles)

	Notes	As of September 30, 2020	As of December 31, 2019
Assets			
Current Assets			
Cash and cash equivalents	3	517,022	124,337
Other Financial Assets		-	-
Trade Accounts Receivable and other accounts receivable		**477,999**	**474,667**
Trade Accounts Receivable , net	4	371,931	390,076
Other Accounts Receivable , net	4	61,229	43,343
Accounts Receivable from Related Companies	4	31,331	25,383
Advanced payments	4	13,508	15,865
Inventories	5	683,425	772,357
Biological Assets		-	-
Assets by Income Taxes	4	28,911	13,497
Other Non-Financial Assets		31,807	19,718
Total Current Assets different than assets or groups of assets for its classified as held for sale or for distribution to owners		**1,739,164**	**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		**1,739,164**	**1,404,576**
Non-Current Assets			
Other Financial Assets		-	-
Investments in subsidiaries, joint ventures and associates		23,309	22,328
Trade Accounts Receivables and other accounts receivables		**30,954**	**46,596**
Trade Accounts Receivable		-	-
Other Accounts Receivable	4	26,371	41,180
Accounts Receivable from Related companies		-	-
Advanced payments	4	4,583	5,416
Biological Assets		-	-
Investment Property		-	-
Property, Plant and Equipment , net	7	7,234,788	7,250,398
Intangible Assets , net		218,921	210,937
Assets Deferred Income Tax	12(a)	166,241	154,673
Surplus value	9	1,169,937	1,166,087
Other Assets		146,210	156,259
Total Non-current Assets		**8,990,360**	**9,007,278**
TOTAL ASSETS		**10,729,524**	**10,411,854**

	Notes	As of September 30, 2020	As of December 31, 2019
Liabilities and Stockholders' Equity			
Current Liabilities			
Other Financial Liabilities	11	1,161,651	671,365
Trade accounts payable and other payable accounts		**567,322**	**699,888**
Trade Accounts Payable	10	355,843	485,514
Other Accounts Payable	10	177,911	176,000
Accounts payable to related companies	10	18,586	20,191
Deferred Income		14,982	18,183
Provision for Employee Benefits		-	-
Other provisions		52,628	62,891
Income tax liabilities		7,265	52,059
Other non-financial liabilities	6(b)	8,768	9,795
Total Current Liabilities different of Liabilities included groups of assets for disposal Classified as Held for Sale		**1,797,634**	**1,495,998**
Liabilities included in asset groups classified as held for sale		-	-
Total Current Liabilities		**1,797,634**	**1,495,998**
Non-Current Liabilities			
Other Financial Liabilities	11	3,434,691	3,471,451
Trade accounts payable and other payable accounts		**42,853**	**35,658**
Trade Accounts Payable		-	-
Other Accounts Payable	10	42,853	35,658
Accounts payable to related companies		-	-
Deferred Income		-	-
Provision for Employee Benefits		-	-
Other provisions		61,176	67,155
Liabilities Deferred Income Taxes	12(a)	601,498	652,442
Other non-financial liabilities	6(b)y22.1	62,889	49,105
Total Non-Current Liabilities		4,203,107	4,275,811
Total Liabilities		6,000,741	5,771,809
Stockholders' Equity			
Capital Issued	13	1,818,128	1,818,128
Issuance Premiums	13	-38,019	-38,019
Investment shares		-	-
Treasury Shares in portfolio		-	-
Other Capital Reserves		363,626	363,626
Accrued Results		2,161,964	2,196,748
Other Equity Reserves		234,042	133,453
Shareholders' equity attribute to the owners of the Parent		**4,539,741**	**4,473,936**
Non Controlling interest		189,042	166,109
Total Stockholders' Equity		4,728,783	4,640,045
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**10,729,524**	**10,411,854**

UNION ANDINA DE CEMENTOS S.A.A. Y SUBSIDIARIAS
Income Statement

For the periods ended September 30, 2020 and 2019

(In thousands of Soles)

	Notes	For the specific quarter from July 1, to September 30, 2020	For the specific quarter from July 1, to September 30, 2019	For the cummulative period from January 1st to September 30, 2020	For the cummulative period from January 1st to September 30, 2019
Incomes from ordinary activities	14	1,000,277	1,029,886	2,421,088	3,064,912
Cost of Sales	15	-763,324	-755,216	-1,882,164	-2,238,439
Profit (Loss) Gross		**236,953**	**274,670**	**538,924**	**826,473**
Selling Expenses and distribution		-23,361	-34,446	-61,979	-79,282
Administrative expenses	16	-67,438	-70,303	-177,398	-198,915
Profit (Loss) in the write-off of financial assets carried at amortized cost		-	-	-	-
Other Operating Income		3,033	11,307	20,789	39,950
Other Operating Expenses	17	-1,792	-7,145	-72,919	-23,543
Other profit (loss)		-	-	-	-
Profit (Loss) from operating activities		**147,395**	**174,083**	**247,417**	**564,683**
Financial Income		2,165	3,662	6,836	18,887
Financial Expenses	18	-56,884	-63,587	-178,260	-193,139
Exchange differences, net		-9,904	-33,171	-58,939	3,234
Share of Profit (Loss) in net results from Equity-Accounted Joint Ventures and related companies		596	985	897	2,747
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		**83,368**	**81,972**	**17,951**	**396,412**
Income tax expenses	12(b)	-21,424	-27,688	-9,549	-125,668
Profit (Loss) Net of Continued Operations		**61,944**	**54,284**	**8,402**	**270,744**
Profit (loss) net of the tax to the profit from discontinued operations		-	-	-	-
Profit (loss) net of the year		**61,944**	**54,284**	**8,402**	**270,744**
Profit (Loss) net, attributable to :					
Owners of the Parent		54,390	57,782	-12,400	273,981
Non-controlling interest		7,554	-3,498	20,802	-3,237
Net Profit (Loss) of the Year		**61,944**	**54,284**	**8,402**	**270,744**

UNION ANDINA DE CEMENTOS S.A.A. AND SUBSIDIARIES
Statement of Comprehensive Income
For the periods ended September 30, 2020 and 2019
(In Thousands of Soles)

	Notes	For the specific quarter from July 1, to September 30, 2020	For the specific quarter from July 1, to September 30, 2019	For the cummulative period from January 1st to September 30, 2020	For the cummulative period from January 1st to September 30, 2019
Net Profit (Loss) of the year		**61,944**	**54,284**	**8,402**	**270,744**
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		2,496	-2,562	-10,892	-11,130
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		**2,496**	**-2,562**	**-10,892**	**-11,130**
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		27,206	30,135	114,274	3,443
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		**27,206**	**30,135**	**114,274**	**3,443**
Other Comprehensive Income		**29,702**	**27,573**	**103,382**	**-7,687**
Total Comprehensive Income for the period , net of income tax		**91,646**	**81,857**	**111,784**	**263,057**
Comprehensive Income attributable to:					
Owners of the Parent		82,508	85,929	88,189	269,527
Non-controlling interest		9,138	-4,072	23,595	-6,470
Total Comprehensive Income of the Year, net		**91,646**	**81,857**	**111,784**	**263,057**

UNION ANDINA DE CEMENTOS S.A.A. AND SUBSIDIARIES
Statement of Cash Flow
Direct Method
For the periods ended September 30, 2020 and 2019

(In thousands of Soles)

	Notes	As of January 1st, 2020 to September 30, 2020	As of January 1st, 2019 to September 30, 2019
Operating activities cash flows			
Types of cash collections from operating activities			
Sale of Goods and Services		2,960,464	3,773,472
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		-1,936,944	-2,338,806
Contracts held for brokering or trading purposes		-	-
cash payments to and on behalf of employees		-326,593	-397,784
Elaboration or acquisition of assets to be leased and other assets held for sale		-	-
Other Cash Payments Related to Operating Activity		-152,960	-214,204
Cash flows and cash equivalents from (used in) Operating Activities		**543,967**	**822,678**
Interests received (not included in the Investment Activities)		-	-
Interests paid (not included in the Investment Activities)		-163,129	-170,452
Dividends Received (not included in the Investment Activities)		-	-
Dividends Paid (not included in the Investment Activities)		-	-
Income tax (paid) reimbursed		-127,882	-125,940
Other cash collections (payments)		-	-
Cash flows and cash equivalents from (used in) Operating Activities		**252,956**	**526,286**
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		1,712	15,749
Sale of intangible assets		-	-
Sale of other long- term assets		-	-
Government Subventions		-	-
Interests received		-	-
Dividends received		-	5,313
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)	-140,802	-205,441
Purchase of intangible assets		-2,766	-4,146
Purchase of other long- term assets		-	-
Income tax (paid) reimbursed		-	-
Other cash receipts (payments) relating to Investment activities		-	-
Cash flows and cash equivalents from (used in) investing activities		**-141,856**	**-188,525**
Cash flows from Financing activities			
Type of cash collections from financing activities			
Loan securing		1,287,332	333,631
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		-984,686	-572,772
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		-24,059	-95,871
Income tax (paid) reimbursed		-	-
Other cash receipts (payments) relating to financing activities		-	29,775
Cash flows and cash equivalents from (used in) financing activities		**278,587**	**-305,237**
Increase (Decrease) in Net Cash and cash equivalents, before Changes in Foreign Exchange Rates		**389,687**	**32,524**
Effects of Changes in Foreign Exchange Rates on Cash and Cash Equivalents		2,998	1,130
Increase (Decrease) in Net Cash and Cash Equivalents		**392,685**	**33,654**
Cash and cash equivalents at beginning of year		**124,337**	**111,410**
Cash and cash equivalents at end of year	**3**	**517,022**	**145,064**
		-	

UNION ANDINA DE CEMENTOS S.A.A. AND SUBSIDIARIES
Statement of change in Stockholder's Equity
For the periods ended September 30, 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						273,981											273,981	-3,237	270,744
7. Other Comprehensive Income:						-	-11,102	-	-	6,648	-	-	-	-	-	-4,454	-4,454	-3,233	-7,687
8. Comprehensive Income - Total year						273,981	-11,102	-	-	6,648	-	-	-	-	-	-4,454	269,527	-6,470	263,057
9. Cash Dividends Declared					-	-68,676											-68,676	-2,647	-71,323
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	-	-	-	-	-	-15,377											-15,377	15,377	-
15. Increase (decrease) for transactions with Treasury Shares in Portfolio	-	-	-	-	-	-											-	-	-
16. Increase (Decrease) for Transfer and other Equity Changes	171,625	-56,125	-	-	28,165	-11,868											131,797	-14,486	117,311
Total Equity Increase (decrease)	171,625	-56,125	-	-	28,165	178,060	-11,102	-	-	6,648	-	-	-	-	-	-4,454	317,271	-8,226	309,045
Balance as of September 30, 2019	1,818,128	-56,125	-	-	357,466	2,145,219	-28,477	-	-	191,541	-	-	-	-	-	163,064	4,427,752	165,238	4,592,990
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						-12,400											-12,400	20,802	8,402
7. Other Comprehensive Income:						-	-10,739	-	-	111,328	-	-	-	-	-	100,589	100,589	2,793	103,382
8. Comprehensive Income - Total year						-12,400	-10,739	-	-	111,328	-	-	-	-	-	100,589	88,189	23,595	111,784
9. Cash Dividends Declared					-	-23,636											-23,636	-319	-23,955
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	-	-	-	-	-	1,252											1,252	-343	909
Total Equity Increase (decrease)	-	-	-	-	-	-34,784	-10,739	-	-	111,328	-	-	-	-	-	100,589	65,805	22,933	88,738
Balance as of September 30, 2020	1,818,128	-38,019	-	-	363,626	2,161,964	-39,954	-	-	273,996	-	-	-	-	-	234,042	4,539,741	189,042	4,728,783

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

UN-AUDITED Consolidated Interim Financial Statements

As of September 30, 2020, and December 31, 2019

1. Identification and Economic Activity

Unión Andina de Cementos S.A.A. (hereinafter “the Company” or "UNACEM") was incorporated in December 1967.
The Company is a subsidiary of Inversiones JRPR S.A. (hereinafter "the Principal" and ultimate parent of the economic group who owns 42.2 percent direct and indirect participation in its capital stock and is in control of directing the Company's financial and operating policies.

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

The Company’s main activity is the production and sale, for local and foreign 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 third 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 the 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. The effective date of the merger was January 1, 2019.

(b) Portland Cement Fusion (CEMPOR)

At the General Shareholders' Meeting held on May 28, 2019, the simple merger of the Company as an acquiring Company and its subsidiary Cementos Portland S.A.C. (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 - Health Emergency for COVID-19

The COVID-19 coronavirus pandemic, identified for the first time at the end of 2019 in the Chinese city of Wuhan, since the beginning of 2020 has been increasingly and severely affecting health and life worldwide, causing the paralysis of economic and commercial activities in many countries including Peru and affecting the commercial operations of the Company and its Subsidiaries.

In Peru, the first positive case of COVID-19 was reported by the Ministry of Health on March 6, 2020 and caused that on March 11, 2020, the Government declared the National Health Emergency for 90 calendar days, for the purpose of mitigate the effects of COVID-19, declared a "Pandemic" by the World Health Organization (WHO). Immediately after, by Supreme Decree No. 044-2020-PCM, of March 15, 2020, the Government declared a State of National Emergency and mandatory social isolation throughout the national territory, which was later extended up to five times, the last extension being until June 30, 2020, as provided by Supreme Decree No. 094-2020-PCM, of May 23, 2020. Likewise, the Peruvian government declared the extension of the National State of Emergency until November 30 of this year, through Supreme Decree No. 174-2020-PCM, of October 28, 2020.

The declaration of the State of Emergency forced the Company to immediately suspend the production of clinker and cement, as well as the dispatch at its Atocongo and Condorcocha production plants. The priority of the Company and its Subsidiaries from the outset was focused on its sustainability and the protection of the health, integrity and well-being of its employees and their families, as well as the jobs and members of its shareholders.

In mid-April 2020, the Company restarted in a very limited way the dispatch of bulk cement, exclusively to serve the mining sub-sector in the execution of its critical activities, under strict security measures and new protocols with complementary measures to protect the health of its employees, which are constantly reviewed. Subsequently, Supreme Decree No. 080-2020-PCM, of May 3, 2020, approved the gradual and progressive resumption of economic activities within the framework of the declaration of the State of National Emergency, which allowed the Company to resume clinker grinding activities and bagged and bulk cement dispatch in the third week of May 2020, taking into account all the recommendations of the health authorities, in order to safeguard the well-being of its workers and the value chain.

Despite the aggressive package of measures launched in successive stages by the Peruvian Government and the BCR to inject liquidity into the population and employers and prevent the payment and supply chain from being cut off, the suspension of many productive and commercial activities severely affected the economy, especially employment and the sustainability of hundreds of thousands of SMEs (Small and medium-sized enterprises), drastically reducing the capacity to consume essential goods of millions of entrepreneurs and underemployed and informal workers who represent 70% of the EAP (Economically Active Population) in the country. This serious health and economic crisis significantly reduced the activity of self-construction, the main support of the Company's bagged cement dispatches, in the months of March to May 2020; however, we believe there are sufficient reasons to be cautiously optimistic in the medium term.

If we analyze the behavior of cement demand since operations restarted, we can see that the self-construction segment in Peru has shown a recovery greater than expected, given the difficult employment situation mentioned in the previous paragraph; pleasantly surprised by the recovery in sales in the period under review and, although our expectations for the rest of the year are encouraging, it is still too early to estimate longer trends.

The subsidiary UNACEM Ecuador has also been severely affected by the pandemic and in compliance with Ecuadorian government regulations, it had to paralyze its activities from March 17, 2020, restarting operations as of May 4, 2020. This serious health and economic crisis significantly reduced construction activity in Quito and in the provinces of Pichincha and Otavalo, which constitute the main market for its operations in Ecuador; however, we believe there are sufficient reasons to be cautiously optimistic in the medium term.

In the case of the Drake Cement subsidiary in Arizona, USA, it has been able to continue all its activities normally and in the second and third quarters of 2020 has recorded record volumes of clinker and cement production and record sales.

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

The stoppage of the Company's economic activities in Peru between March 17 and May 19, 2020, generated a deterioration in the financial results of the second quarter of 2020, which led the Board of Directors to adopt a series of preventive and extraordinary measures, applicable throughout the year 2020, to take care of liquidity and working capital, which are allowing the Company to meet its workers, suppliers and clients throughout the entire value chain. The main measures adopted are:

1. Consume existing inventories before restarting the operation of the kilns, to protect the Company's liquidity.
2. Suspend all investments (CAPEX), with the exception of projects in execution to be completed this year.
3. Suspend all expenses on goods and services, including maintenance expenses, that are not critical for this emergency stage, within a policy of strict austerity.
4. Suspend the quarterly dividends distribution to shareholders.
5. Suspend the board fees.
6. Suspend advances for profit sharing to workers in general.
7. Accept and thank the solidarity proposal of UNACEM officials to voluntarily and temporarily reduce their salaries between 10% and 25%.
8. Suspend salary increases and bonuses during 2020 for all administrative staff.
9. Manage agreements with workers to collective agreements to suspend salary increases and bonuses in 2020.
10. Continue through UNACEM Association, with the policy of supporting the basic needs of the most vulnerable population in the areas surrounding the Atocongo and Condorcocha production plants.
11. Obtaining short-term financing taken with various institutions of the national financial system to guarantee the required liquidity in 2020.

In January and February 2020, the Company's monthly cement shipments exceeded those of the same months of 2019. However, due to the COVID-19 pandemic and the subsequent Declaration of the National State of Emergency, which led to the mandatory suspension of cement production and dispatch activities, as of September 30, 2020, the volume of cement dispatched by the Company in Peru decreased by 26.9% compared to the same period of the previous year. The Company's Management is cautiously optimistic regarding the recovery of the cement dispatch in the remaining of 2020.

Precisely to guarantee the continuity and sustainability of all operations and the liquidity of the Company and its subsidiaries in this year seriously affected by lower shipments and revenues, between the months of March and June

2020, the Company and its subsidiaries have completed financing banks with the main local financial entities, for terms of no less than one year and with very reasonable interest, see note 11.1 (a).

The Group's Management has been constantly evaluating and updating various scenarios of the economic reactivation process and the impact on its operations, considering its financial capacity and determining the emergency strategies to follow, in order to ensure the quickest recovery of the level of activities and income generation prior to the pandemic, prioritizing at all times the sustainability, liquidity and profitability of the Company and its subsidiaries and the recovery of value for its shareholders.

1.3 Information on the structure of the Subsidiaries -

As of September 30, 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	-	2,040,039	1,861,522	517,648	427,117	1,522,391	1,434,405	51,930	71,953
Unites States	Skanon Investments Inc. and subsidiaries (ii)	Manufacture and sale of cement Concrete	86.55	8.68	86.55	8.68	1,468,537	1,314,609	619,302	537,110	849,235	777,499	4,775	(16,064)
Peru	Compañía Eléctrica El Platanal S.A. y subsidiaries (iii)	Electrical energy and power	90.00	-	90.00	-	1,226,975	1,223,664	487,309	483,789	739,666	739,875	(207)	32,136
Peru	Inversiones en Concreto y Afines S.A. and subsidiaries (iv)	Sale of concrete and ready mix	93.38	-	93.38	-	927,862	1,004,957	536,537	581,861	391,325	423,096	(35,994)	20,054
Peru	Prefabricados Andinos Perú S.A.C. and subsidiary (v)	Manufacture and sale Precast Concrete	50.02	-	50.02	-	62,479	65,885	46,889	43,594	15,590	22,291	(4,917)	(4,023)
Chile	Prefabricados Andinos S.A.(PREANSA Chile)	Manufacture and sale Precast Concrete	51.00	-	51.00	-	75,214	81,126	66,979	75,751	8,235	5,375	3,255	(5,915)
Unites States	Staten Island Company Inc. and subsidiaries (vi)	Holding	100.00	-	100.00	-	139,687	118,239	40,269	40,758	99,418	77,481	7,843	(565)
Peru	Transportes Lurín S.A.(LURIN)	Services	99.99	-	99.99	-	35,169	35,177	-	23	35,169	35,154	(8)	(25)
Peru	Generación Eléctrica de Atocongo S.A. (GEA)	Thermal plant operation services	99.85	0.15	99.85	0.15	33,552	30,185	32,143	29,328	1,409	857	552	720
Peru	Depósito Aduanero Conchan S.A. (DAC)	Warehouse services	99.99	-	99.99	-	2,134	1,695	1,739	830	395	865	(470)	(242)
Peru	Inversiones Nacionales y Multinacionales S.A. (vii)	Real estate business	90.90	9.10	90.90	9.10	18,323	18,231	4,991	4,951	13,332	13,280	52	21
Peru	Vigilancia Andina S.A. (vii)	Surveillance services	55.50	44.50	55.50	44.50	16,559	10,016	9,987	4,182	6,572	5,834	738	1,081
Peru	ARPL tecnología Industrial S.A. (viii)	Technical assistance and engineering services	100.00	-	100.00	-	57,592	46,655	24,900	6,731	32,692	39,924	1,712	4,783
Peru	Minera Adelaida S.A. (MINERA)	Holding	99.99	-	99.99	-	399	382	195	3	204	379	(175)	(192)
Peru	Naviera Conchan S.A. (NAVIERA)	Holding	100.00	-	100.00	-	9	7	18	-	(9)	7	(15)	(2)

(i) The subsidiaries of Inversiones Imbabura S.A. (IMBABURA) are: UNACEM Ecuador S.A. (UNICON 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 Perú), which in turn has the following subsidiaries: Concremax S.A (CONCREMAX), Unicon Ucue Cia. Ltda. (UNICON Ecuador), Unicon Chile S.A. (UNICON Chile) y Entrepisos Lima S.A.C.(ENTREPISOS)

(v) The subsidiary of Prefabricados Andinos Perú S.A.C. (PREANSA Perú) 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 Agreggates.

(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 are subsidiaries of the Company from the date of such 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 Its a subsidiary of the Company from the date of said merger.

(ix) Balances as of September 30, 2020 compared to balances as of September 30, 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).

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 September 30, 2020 and December 31,2019.

The 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 September 30, 2020 S/(000)	As of December 31, 2019 S/(000)
Petty cash	1,345	1,368
Current accounts (b)	238,218	93,976
Term deposits (c)	271,082	28,681
Mutual Funds	6,377	312
	517,022	124,337

(b) Current accounts are maintained in local and foreign currency, kept in domestic and foreign banks and are freely available. These deposits 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 September 30, 2020 S/(000)	As of December 31, 2019 S/(000)	As of September 30, 2020 S/(000)	As of December 31, 2019 S/(000)
Commercial:				
Trade accounts receivable (b)	351,256	368,116	16,566	15,023
Provision of bills receivable	29,440	29,661	-	-
	380,696	397,777	16,566	15,023
Related:				
Accounts receivable from related parties, note 19(b)	31,331	25,383	-	-
Various:				
Claims to Tax authority, note 21.3	25,528	6,138	17,939	28,119
Advances to suppliers	13,508	15,865	4,583	5,416
Claims to third parties	11,987	5,144	2,922	2,922
Loans to employees	2,728	5,060	-	-
Account receivable from the Escrow fund	3,486	3,253	-	3,082
Derivative financial instruments, note 22.1 (a)	-	144	430	418
Other accounts receivable	16,060	21,741	3,455	4,392
	73,297	57,345	29,329	44,349
Advance payments of income tax and temporary tax on net assets	28,911	13,497	-	-
Tax Credit due to General sales tax	4,447	6,628	1,625	2,247
	33,358	20,125	1,625	2,247
	518,682	500,630	47,520	61,619
Less - Expected credit loss (c)	(11,772)	(12,466)	(16,566)	(15,023)
	506,910	488,164	30,954	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 September 30, 2020, the expected credit loss has not undergone significant changes in relation to December 31, 2019 and, in the Group Management's opinion, the estimate of expected credit loss adequately covers the risk of un-collectability as of September 30,2020 and December 31, 2019.

(d) As of September 30, 2020, and December 31, 2019, the Group performed the evaluation of credit risk exposure in trade accounts receivable and others, see note 22.2.

5. Inventories, net

(a) This item is made up as follows:

	As of September 30, 2020 S/(000)	As of December 31, 2019 S/(000)
Finished goods	35,617	42,563
Work in progress	241,723	312,242
Raw and auxiliary materials	194,070	169,654
Packages and packing	20,919	43,466
Spare parts and supplies	243,147	243,533
Inventory in transit	998	1,168
	736,474	812,626
Allowance for impairment of inventories (b)	(53,049)	(40,269)
	683,425	772,357

(b) In opinion of the Group's Management, the allowance for obsolescence of inventories covers appropriately its obsolescence risk as of September 30, 2020 and December 31, 2019.

6. Usage rights of Asset and Liabilities

(a) Usage rights of Asset

(i) As of September 30, 2020. and December 31, 2019, the book value amounts to approximately S/ 20,824,000 and S/ 29,404,000, respectively; the main leases being the land item.

(ii) As of September 30, 2020, depreciation amounts to approximately S/ 6,173,000 recorded in administrative expenses and cost of sales in the consolidated statement of income, see note 15 and 16.

(b) Liabilities for right in use

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

	As of September 30, 2020 S/(000)	As of December 31, 2019 S/(000)
Classification -		
Current	8,768	9,795
Non-current	11,639	16,550
Ending Balance	20,407	26,345

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

(a) This item is made up as follows:

	As of September 30, 2020	As of December 31, 2019
	S/(000)	S/(000)
Cost -		
Opening Balance	10,713,566	10,448,113
Additions (c)	162,564	377,246
Increase by merger and corporate reorganization, see note 1.1	-	45,345
Withdrawals, sales and others (d)	(22,315)	(101,179)
Exchange rate impact	226,084	(55,959)
Ending Balance	11,079,899	10,713,566
Accumulated depreciation -		
Opening Balance	3,463,168	3,102,075
Period depreciation (e)	314,666	443,642
Merger, see note 1.1	-	4,615
Withdrawals, sales and others (d)	(12,621)	(67,997)
Exchange rate impact	79,898	(19,167)
Ending Balance	3,845,111	3,463,168
Net book value -	7,234,788	7,250,398

(b) As of September 30, 2020, the carrying value of assets acquired through finance leases and leaseback amounted to approximately S/183,168,000 (S/ 178,680,000 as of December 31, 2019). The leased assets guaranteed financial lease liabilities, see note 11.1(a).

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

(i) The main additions during 2020 of the Company, correspond to disbursements made for the projects to dedust the coolers of kiln 2, migration of the control system of kiln 2, modernization of the Carpapata 1 and 2 Hydroelectric Power Plant, roofing of the clinker field , change of variators in the substation of oil press 3 and clinker 1, complete change of refractories in kiln 2 and major maintenance of kiln 2 corresponding to the Condorcocha plant; as well as the disbursements made for the structural reinforcement and internal modification project of chamber 3 of the multisilo, fire detection and alarm system, fire water installations and the Manchay ecological strips project corresponding to the Atocongo plant for approximately S/ 35,558,000 .

(ii) Additions of the subsidiaries Drake Cement, Drake Materials and Desert Ready Mix for the acquisition of machinery for approximately US $ 5,559,000 (equivalent to S / 19,985,000). Likewise, the subsidiary Drake Cement has disbursed for a construction projects of a new warehouse and an integral mill project an amount of approximately US $ 2,508,000 (equivalent to S / 9,017,000).

The additions during the year 2019, correspond mainly to:

(i) Company additions, for disbursements made for the Project for the cooler dusting system of kiln 2, 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 the subsidiary UNACEM Ecuador for the construction of grinding station No. 3, engine component 6, premix ground and replacement of the ferrule section due to corrosion, for approximately US $ 6,587,000 (equivalent to S/ 21,808,000).

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

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

(v) Additions of the subsidiary Staten Island Company LLC, 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.

(d) As of September 30, 2020, adjustments approximately S/ 57,737,000 related to the Atocongo thermal plant projects and the integral plan of the Cristina mining concession are included. As a consequence of the COVID-19 pandemic, the Company's Management has decided to postpone these projects until the financial conditions of the company allow them to be carried out.

During 2019, the sale of fixed mixer trucks corresponding to the Drake Materials subsidiary is included, whose net book cost amounted to approximately US $ 3,676,000 (equivalent to approximately S/ 12,276,000).

(e) The depreciation was distributed as follows:

	As of September 30, 2020 S/(000)	As of September 30, 2019 S/(000)
Cost of sales, note 15	299,564	318,414
Administrative expenses, see note 16	9,145	9,256
Selling expenses	127	89
Other expenses	1,430	933
Inventories in process	4,400	688
	314,666	329,380

(f) The subsidiary Skanon maintains guarantee contracts on the plant, transportation units and equipment located in the United States of America, which guarantee bank loans, see note 11.1 (a).

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 (a).

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 (a).

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

8. Intangible assets, net

(a) The depreciation was distributed as follows:

	As of September 30, 2020	As of September 30, 2019
	S/(000)	S/(000)
Cost of sales, note 15	4,021	4,438
Administrative expenses, see note 16	2,094	1,763
Selling expenses	307	289
Other expenses	2,247	3,204
	8,669	9,694

9. Goodwill

The goodwill balance as of September 30, 2020 and December 31, 2019 is mainly composed by the higher value paid for the acquisition of UNACEM Ecuador S.A that amounts to S/ 1,023,795,000.

10. Trade and other payables

(a) This item is made up as follows:

	As of September 30, 2020 S/(000)	As of December 31, 2019 S/(000)
Trade payable (b)	355,843	485,514
Salaries and vacation payable	61,828	56,872
Customer advances	32,956	43,998
Interest payable, note 11 (c) and 11.1 (c)	26,743	25,765
Value Added to Tax payable	24,237	2,520
Accounts receivable from related parties, note 19(b)	18,586	20,191
Tax Payable	15,045	17,450
Dividends payable	12,215	13,553
Director's remunerations payable	4	4,633
Other accounts payable	47,736	46,867
	595,193	717,363
Term -		
Current Portion	552,340	681,705
Non- Current Portion	42,853	35,658
	595,193	717,363

(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 Perú 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 are maintained according to the contractual agreements entered into between the counterparts. As of September 30, 2020, and December 31, 2019, the balances related to these operations amount to S/ 56,830,000 and S/ 71,010,000, respectively.

11. Other financial liabilities

(a) This item is made up as follows:

	As of September 30, 2020			As of December 31, 2019		
	Portion Current S/(000)	Portion Non- Current S/(000)	Total S/(000)	Portion Current S/(000)	Portion Non- Current S/(000)	Total S/(000)
Bank overdrafts	1,948	-	1,948	93,129	-	93,129
Bank loans (b) and (c)	464,519	-	464,519	138,061	-	138,061
Interest on bonds and long-term debt, Note 11.1(a)	695,184	3,434,691	4,129,875	440,175	3,471,451	3,911,626
	1,161,651	3,434,691	4,596,342	671,365	3,471,451	4,142,816

(b) Bank loans correspond to working capital loans at fixed annual rates that range between 2.35 and 5.20 percent annually, do not have specific guarantees and are renewed depending on the working capital needs of the Group. As of September, 30, 2020 and December 31, 2019, the balance per bank consists of:

	2020 S/(000)	2019 S/(000)
Creditor -		
BBVA Banco Continental S.A.	215,940	-
Banco de Crédito del Perú S.A.	123,000	6,966
Citibank N.A. New York	75,579	116,095
Scotiabank Perú S.A.	50,000	-
Banco Internacional del Perú S.A.A.	-	15,000
	464,519	138,061

(c) As of September 30, 2020, and December 31, 2019, the interest payable amounts to approximately S/4,235,000 and S/603,000, respectively, and are recorded in the caption "Trade and other payable" of the separate statement of financial position, see note 10(a). As of September 30, 2020 and 2019, the interest expenses amounted to approximately S/6,274,000 and S/11,740,000, respectively, and are included in the caption "Financial costs" of the consolidated statement of income.

11.1 Bank bonds and loans

(a) The balance is detailed below:

	Maturity rate	Guarantee	As of September 30, 2020	As of December 31, 2019
			S/(000)	S/(000)
Bonds-				
Bonds of Arizona State (a.2)	September 2035	Letter of credit, see note 21.1(c)	413,885	381,455
Second issuance of the second program	March 2023	No guarantees	60,000	120,000
			473,885	501,455
			(7,558)	(7,316)
			466,327	494,139
Syndicated loans -				
Banco de Crédito del Perú S.A.	September 2021	Management and guarantee trust, see note 21.1 (c)	35,990	50,550
Scotiabank Perú S.A.	September 2021	Management and guarantee trust, see note 21.1 (c)	32,013	58,048
			68,003	108,598
Amortized cost			(501)	(876)
			67,502	107,722
Bank loans -				
Banco de Crédito del Perú S.A.	Between March 2022 and March 2027	No guarantees	931,111	838,640
Scotiabank del Perú S.A.	Between May 2021 and October 2025	No guarantees	703,118	546,751
Banco Internacional del Perú S.A.A.	Between February 2020 and March 2025	No guarantees	553,626	666,419
BBVA Banco Continental S.A.	Between February 2022 and December 2024	No guarantees	360,807	378,264
Citibank N.A. New York (a.1)	October 2025	No guarantees	179,950	165,850
Banco Santander S.A. (a.1)	November 2023	No guarantees	161,955	149,266
Banco Santander S.A.	Between March 2023 and June 2025	No guarantees	136,693	11,554
Bank of Nova Scotia (a.1)	September 2025	No guarantees	107,970	99,510
Banco de Crédito del Perú S.A.	Between May 2023 and August 2030	Guarantee on movable and immovable property, see note 7 (g)	104,752	98,555
Scotiabank del Perú S.A.	April 2025	Guarantee on property, see note 7 (g)	72,000	72,000
Citibank N.A. New York	July 2024	No guarantees	32,991	34,967

Banco Scotiabank (Chile) (a.1)	Between November 2020 and June 2024	Letter of credit, see note 20.1(b)	21,800	13,341
Banco Scotiabank (Chile)	Between April 2021 and October 2023	No guarantees	14,292	8,764
BBVA Banco Continental S.A.	December 2021	Letter of credit, see note 20.1(b)	10,094	11,076
Banco Internacional S.A. – Ecuador	-	No guarantees	-	18,360
Less than S/10,000,000	-	-	42,977	10,996
			3,434,136	3,124,313
Amortized cost			(16,709)	(18,201)
			3,417,427	3,106,112
Finance leasebacks -				
Banco de Crédito del Perú S.A.	May 2021	-	49,935	54,151
Scotiabank (Chile)	March 2024	-	3,162	3,630
			53,097	57,781
Amortized cost			(167)	(430)
			52,930	57,351
Finance leases -				
Consorcio Transmantaro	July 2039	-	55,504	51,488
Scotiabank Perú S.A.	Between December 2020 and December 2023	-	20,857	29,756
Banco de Crédito e Inversiones (BCI) (a.1)	November 2027	-	10,173	10,628
Banco Internacional del Perú S.A.A.	Between January 2021 and October 2022	-	8,512	11,834
Less than S/ 10,000.000	-	-	30,278	36,757
			125,324	140,463
Factoring			365	5,839
Total			4,129,875	3,911,626

(a.1) The Group signed a swap contract to reduce the risk of the variable rate, see note 22.1 (i) (a).

(a.2) On November 18, 2010, Drake Cement, LCC obtained financing through the issuance of bonds from the Yavapai County Development Authority, Arizona, United States of America, with the purpose of financing part of the investment in the cement plant of said subsidiary up to an amount of US $ 40,000,000 maturing in September 2035 and a monthly payment of interest based on a variable interest rate (Securities Industry and Financial Markets Association Index rate). variable plus 3.245 percent, compared to a maximum interest rate of 12 percent as of September 30, 2020 and December 31, 2019. The bonds are secured by a letter of credit from the bank, see note 21.1 (c).

On July 30, 2015, Drake Cement, 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 payment on the basis of a variable interest rate (Securities Industry and Financial Markets Association Index rate) variable rate plus 2.75 and 0.1 percent, compared to a maximum interest rate of 12 percent as of September 30, 2020 and December 31, 2019. The bonds are secured by a letter of credit from the bank, see note 21.1 (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 September 30, 2020 and December 31, 2019.

(b) The financial safeguards applicable to financial liabilities are monitored on a quarterly basis and must be calculated based on the separate and / or consolidated financial information of the Company and its subsidiaries and the calculation methodologies required by each financial entity.

(i) As of September 30, 2020, the main financial safeguards based on the consolidated financial information are as follow:

Unión Andina de Cementos S.A.A.:

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

Unión de Concreteras S.A.:

- Maintain a total financial debt ratio between EBITDA less than or equal to 2.5 times.
- Maintain debt service coverage ratio greater than or equal to 1.2 times.

Concremax S.A.:

- Maintain an index debt minor or equal to 1.5 times.
- Maintain a debt service coverage ratio greater than or equal to 1.5 times.
- Maintain an index of hedge of debt of financial debt/EBITDA minor or equal to 1.75 times.

Compañía Eléctrica El Platanal S.A.:

- Maintain a debt service coverage ratio greater than or equal to 1.10 times.
- Maintain an index debt minor or equal to 1 time.

Celepsa Renovables S.R.L.:

- Maintain a debt service coverage ratio greater than or equal to 1.20 times.
- Maintain an index debt minor or equal to 1 time.

Prefabricados Andinos Perú S.A.C:

- Maintain a maximum leverage ratio of 1 time.
- Maintain a maximum debt ratio of 3.0 times.
- To maintain an index debt minor or equal to 1 time.

(ii) As of September 30, 2020, the main financial covenants based on the consolidated financial information are as follow:

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

- Maintain an index debt minor or equal to 1.5 times.
- Maintain a debt service coverage ratio greater than 1.0 time for 2020, 1.10 times for 2021 and 1.20 from 2022 onwards.
- Maintain financial debt / EBITDA less than 6.50 times for the year 2020, 4.75 times for the year 2021 and 4.00 times for the year 2022 and 3.75 times from the year 2023 onwards.

Skanon Investments Inc. and Subsidiaries.

- Maintain a leverage ratio of less than 1.0 time.

As mentioned in note 1.2, in March of this year the Government first declared a state of health emergency and, later, a state of national emergency and compulsory social isolation throughout the national territory. In accordance with the foregoing, and by legal mandate, the Company and its Subsidiaries were forced to paralyze their economic activities, due to this extraordinary, unpredictable and irresistible event.

Certainly, this force major event has been generating a negative economic impact on the Company and its Subsidiaries, in such a way that, as a consequence, it is unable to comply with some 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."

Under this situation, the declaration of the State of National Emergency led the Company and its subsidiaries to suspend their productive activities, and with it, their economy was affected. This situation has prevented the Company, Unicon Peru, Concremax and Preansa Peru from being able to comply with some of their financial safeguards according to the respective financing contracts, a fact that was timely informed to all the counterparties of the obligations that the Company and its subsidiaries maintain. However, at the level of the aforementioned financial ratios, the Company and its subsidiaries has been complying with the debt service payment in accordance with the provisions of each of its financing contracts.

Likewise, the Group's Management has been coordinating with the financial entities the exemptions for the fulfillment of their financial safeguards in 2020, as well as the determination of the new levels of compliance for the following years, the same ones that it expects to define before the closing of 2020.

(c) As of September 30, 2020, and December 31, 2019, interests' payable related to bonds and long-term debt are amounted to approximately S/22,508,000 and S/25,162,000, respectively and are recorded in the caption "Trade and other payable", of the consolidated statement of financial position, note 10(a).

The interest generated by bonds and debt with medium and long-term banking entities maintained for the years ended September 30, 2020 and 2019, amounted to approximately S/136,623,000 y S/151,959,000, respectively and is included in the caption "Expenses financial statements" of the consolidated income statement.

(d) As of September 30, 2020, the Company maintains bank loans in soles with effective annual interest rates in soles that fluctuate between 2.55 to 8.06 percent. Bank loans in dollars are at a variable rate plus a margin (3-month livor rate plus a margin that fluctuates between 1.75 to 2.60 percent) and at a fixed rate between 2.81 to 12.0 percent.

As of December 31, 2019, the Group 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 livor rate plus a margin that fluctuates between 1.75 to 3.39 percent).

12. Income tax

(a) The following table presents the composition of the caption, in accordance to the difference:

	As of September 30, 2020 S/(000)	As of December 31, 2019 S/(000)
Deferred asset -		
Opening Balance	154,673	151,691
Consolidated income statement impact	3,058	11,158
Merger and corporate reorganization, see note 1.1	-	(7,649)
Charges to comprehensive income	(689)	1,394
Exchange rate impact	9,208	(1,922)
Others	(9)	1
Ending Balance	166,241	154,673
Deferred liability -		
Opening Balance	(652,442)	(678,214)
Consolidated income statement impact	48,703	11,937
Charges to comprehensive income	4,573	3,947
Merger and corporate reorganization, see note 1.1	-	9,715
Exchange rate impact	(2,332)	173
Ending Balance	(601,498)	(652,442)
Total net liability for deferred income tax	(435,257)	(497,769)

(b) The current and deferred income tax expense are comprised as follows:

	As of September 30, 2020 S/(000)	As of September 30, 2019 S/(000)
Current	(64,576)	(145,119)
Deferred	51,761	16,286
Compensation for tax loss	3,801	4,955
Royalty Expenses	(535)	(1,790)
Total	(9,549)	(125,668)

13. Net Equity

(a) Capital issued–

As of September 30, 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.

Shareholders	Number of shares	Percentage of participation
Nuevas Inversiones S.A.	459,129,497	25.25
Inversiones JRPR S.A.	456,669,897	25.12
AFPs	426,711,616	23.47
Others	475,616,601	26.16
	1,818,127,611	100.00

As of September 30, 2020, the share price of each share has been S/1.43 (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 September 30, 2020, and December 31, 2019, the legal reserve reached the top of 20 percent of the issued capital.

(d) Unrealized results-

Corresponds to changes in the fair value of hedging financial instruments and the reserve on financial assets measured at fair value, both net of their tax effect, see note 22.1 (i)(a).

(e) Dividend distributions –

At the Board of Directors meeting held on January 31, 2020, the Company agreed to distribute dividends with charge to retained earnings for approximately S/ 23,636,000 (S/0.013 per common share), such payment was made on March 4, 2020,

Due to the situation of a National State of Emergency declared in the country and the restrictions on the operation of the cement industry, the Board of Directors agreed in a remote session on April 14, 2020, to suspend the quarterly distribution of dividends to shareholders as stipulated in the current dividend policy, which empowers the Board of Directors to agree on the distribution of dividends in cash between S/ 0.01 and S/ 0.02, provided that the Company's liquidity situation allows it and subject to the Company having complied with its covenants ”Financial (contractual financial obligations) and has sufficient liquid resources to cover its costs and operating and administrative expenses, the planned disbursements for its investments in fixed assets and other assets, as well as to pay the maturities of the period for capital and interest of the financial obligations.

At the Board of Directors meetings held on January 25, May 2, July 26 and October 23, 2019, the Company agreed to distribute dividends with charge to retained earnings for approximately S/ 92,312,000 (S/0.051 per share), such payments were made on February 28, Jun 4, August 28 and November 27, 2019 respectively which have been paid in full.

14. Net sales

This item is made up as follows as of September 30:

	2020 S/(000)	2019 S/(000)
Segments		
Cement Sales -	1,388,448	1,707,188
Electrical energy and power	125,742	125,133
Concrete	896,555	1,221,018
Other Services	10,343	11,573
	2,421,088	3,064,912
Moment of revenue recognition		
Goods transferred at a point in time	2,242,363	2,862,683
service performance at a point in time	178,725	202,229
	2,421,088	3,064,912

15. Cost of sales

This item is made up as follows as of September 30:

	2020	2019
	S/(000)	S/(000)
Beginning balance of finished goods and work in process, note 5(a)	354,805	276,286
Cost of production:		
Consumption of raw material	353,527	506,077
Personnel expenses	351,515	407,991
Depreciation, see note 7(f)	299,564	318,414
Fuel	186,102	318,153
Maintenance cost	144,925	216,689
Electrical energy	66,721	77,029
Consumption of packaging	53,714	67,056
Transport of raw material	31,745	63,706
Transmission costs and freight	28,220	33,767
Depreciation - Right in use, see note 6 (a)	5,945	-
Amortization, see note 8(a)	4,021	4,438
Stripping costs (clearing)	3,032	5,996
Depreciation for stripping cost	1,878	3,832
Other manufacturing expenses	260,774	243,420
Ending balance of finished goods and work in process, note 5(a)	(277,340)	(306,610)
	1,869,148	2,236,244
Inventory devaluation estimate, note – note 5(b)	13,016	2,195
	1,882,164	2,238,439

16. Administrative expenses

This item is made up as follows as of September 30:

	2020	2019
	S/(000)	S/(000)
Personnel expenses	93,752	105,798
Services rendered by third parties	32,491	39,309
Taxes	16,332	14,232
Depreciation, note 7(f)	9,145	9,256
Wide range of Load management	9,421	9,882
Donations	8,392	10,921
Amortization, see note 8(a)	2,094	1,763
Estimate for expected credit loss, note 4 (a)	1,305	2,006
Depreciation - Right in use, see note 6 (a)	228	-
Others	4,238	5,748
	177,398	198,915

17. Other expenses

As of September 30, 2020, it corresponds mainly to the Adjustments of the Atocongo thermal plant projects and the integral plan of the Cristina mining concession, see note 7 (d).

18. Finance cost

As of September 30, 2020, and 2019, this item is mainly comprised of interest on bonds issued and debts with banks for S/142,897,000 y S/163,699,000, respectively, see note 11 (c) and 11.1 (c).

19. Related parties' transactions

(a) The main transactions with related entities as of September 30, 2020 and 2019 were as follows:

	2020 S/(000)	2019 S/(000)
Income -		
Cement Sales -		
La Viga S.A.	256,549	333,602
Asociación UNACEM	77	208
Dividend income -		
Ferrocarril Central Andino S.A.	-	6,035
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.	22,001	36,691
Commissions and freight costs of cement sales -		
La Viga S.A.	14,904	16,517
Other expenses -		
BASF Construction Chemicals Perú S.A.	3,080	2,700
Other income -		
BASF Construction Chemicals Perú S.A.	1,078	1,022

(b) As a result of these and other minor transactions, as of September 30, 2020 and December 31,2019, the Group had the following balances with its related entities:

	2020 S/(000)	2019 S/(000)
Account receivables, note 4(a)		
La Viga S.A.	30,205	24,227
BASF Construction Chemicals Perú S.A.	231	381
Other minors	895	775
	31,331	25,383
Account payables, note 10(a)		
BASF Construction Chemicals Perú S.A.	14,386	17,611
La Viga S.A.	4,136	2,569
Other minors	64	11
	18,586	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 September 30, 2020 and 2019 is amounting to approximately S/14,081,000 and S/18,204,000 respectively, which include short-term benefits and compensation for time served.

20. Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing net earnings (loss) for the six-month periods ended September 30, 2020 and 2019 by the weighted average number of common and investment shares outstanding during the year.

The calculation of the weighted average of shares and basic and diluted earnings (loss) per share is presented below:

	As of September 30, 2020	As of September 30, 2019
	S/(000)	S/(000)
Numerator		
(Loss) Profit attributable to common shares	(12,400)	273,981
	In thousands	In thousands
Denominator		
Weighted average number of common shares	1,818,128	1,818,128
	2020	2019
	S/	S/
(Loss) Basic and diluted earnings per share	(0.007)	0.151

21. Commitments and contingencies

21.1 Financial and Purchase Commitments -

(a) As of September 30, 2020, the Company has the following guarantee letters:

- Guarantee letter to the Ministry of Energy and Mines (MEM), issued by Banco de Crédito del Perú, by a total approximate of US$1,678,000 (equivalent to S/6,032,000) 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$3,974,000 (equivalent to S/14,287,000) 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 Perú and CONCREMAX in order to ensure the supply of concrete to certain customers, as of September 30, 2020 for approximately S/ 82,934,000 (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 September 30, 2020 and December 31, 2019 for US $ 200,000.

- Guarantee letters negotiated by PREANSA Perú issued in favor with some financial institutions guaranteeing obligations related to customers for advances received for the start of production operations, as of September 30, 2020 and December 31, 2019 for approximately S/ 2,583,000 and S/ 2,874,000, respectively.

- Guarantee letter to Consorcio Transmantaro S.A. requested by CELEPSA for a total of US$3,000,000, maturing in July 2021 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 Perú issued by the Scotiabank Perú, with a maturity date on September 2021.

- 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 2021.

- As of September 30, 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/ 2,800,000 (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 occurred immediately after the start of operations of the El Platanal Hydroelectric Power Plant with maturity in September 2021.

- Letter of credit for US $ 40,000,000, held on November 18, 2010, executed between the US Bank National Association and the Yavapai County Industrial Development Authority (authority) guaranteeing Inversiones JRPR S.A. (applicant) direct payment of the loan, see note 11.1 (a.2).

- 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 (a.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 September 30, 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 September 30, 2020, Drake Cement has not exercised this option.

21.2 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 September 30, 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 Tuesday, 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 in the four years after the filing of the tax return. The affidavits of income tax are open to inspection by the Tax Authority as follows:

	Periods open to review
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.	2014-2019
Depósito Aduanero Conchán S.A.	2015-2019
Inversiones Imbabura S.A.	2015-2019
Inversiones Nacionales y Multinacionales Andinas S.A.	2014-2019
ARPL tecnología Industrial S.A.	2015-2019
Vigilancia Andina S.A.	2015-2019
In Ecuador -	
UNACEM Ecuador S.A.	2016-2019
Unión 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 its 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 Group and its legal advisors' opinion, any additional tax settlement would not be significant for the consolidated financial statements as of September 30, 2020 and December 31, 2019.

(c) Also, the tax loss carries forward of subsidiaries as of September 30, 2020 and December 31, 2019 are as follows:

	2020 S/(000)	2019 S/(000)
Skanon Investments Inc. and Subsidiaries (i)	1,887,755	1,645,110
Compañía Eléctrica El Platanal S.A. y Subsidiaries (iii)	313,307	313,526
Prefabricados Andinos S.A. – PREANSA Chile(iii)	41,051	41,266
Prefabricados Andinos Colombia S.A.S (iii)	4,353	8,873
Prefabricados Andinos Perú S.A.C. II	12,389	5,988
Depósito Aduanero Conchán S.A. (ii)	3,078	2,400
Transportes Lurín S.A. (ii)	466	486
Other minor Peruvian subsidiaries(ii)	432	335

(i) The carryforward tax losses of the subsidiaries in the United States of America amount to approximately US$525,106,000 (equivalent to S/1,887,755,000). According to the evaluation of the Group Management, it is estimated that the federal and state loss will be recovered for approximately US$286,046,000 and US$239,059,000, respectively (equivalent to approximately S/1,028,336,000 and S/859,419,000, respectively).

(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.

21.3 Contingencies –

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

Peru –

(a) Tax:

Income tax

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 September 30, 2020, and December 31, 2019, the Company maintains receivables related to certain tax processes, see note 4(a), 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.

Below is a brief update of the main tax processes of the Company, which were described in greater detail in the note to the consolidated annual financial statements as of December 31, 2019:

- *Income tax for the years 2000 and 2001 -*

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

- *Income tax for the years 2004 and 2005 -*
  To date, the appeal for cassation against Resolution No. 17 presented by the Company is pending resolution by the Supreme Court.

- *Income tax for the 2010 financial year -*
  Up to date, the appeal filed by the Company is pending resolution.

- *Income tax for the 2013 financial year -*
  To date, the judgment in the first instance of the contentious-administrative lawsuit filed by the Company against the Tax Court Resolution No. 1300-3-2019 of May 22, 2019 is pending.

Likewise, as of September 30, 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.

21.4 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.

22. 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 obtain financing for the Group's operations. The Group also carries out transactions with derivative financial instruments. The Group also carries out transactions with derivative financial instruments.

The Group is exposed to market, credit 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. 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 managing each of these risks, as mentioned in the separate financial statements as of December 31, 2019.
Due to the current situation explained in detail in note 1.2, we have updated the relevant financial risks, which are shown below:

22.1 Market risk –

The sensitivity analyses shown in the following sections relate to the consolidated financial situation as of September 30, 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 September 30, 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:

Counterparty	Reference value	Maturity rate	Receive variable to:	Payments set to:	Fair value	
					As of September 30, 2020	As of December 31, 2019
	US$(000)				S/(000)	S/(000)
Assets-						
Banco Scotiabank (Chile)*	4,000	November 2020	Libor to 3 months + 1.5%	4.75%	-	144
Banco Scotiabank (Chile)	2,092	October 2023	Libor to 30 days + 1.85%	5.55%	430	418
Total					430	562
Liabilities -						
Citibank N.A.	50,000	October 2025	Libor to 3 months + 1.75%	5.70%	23,126	15,369
Bank of Nova Scotia	30,000	September 2025	Libor to 3 months + 2.60%	5.66%	8,021	4,544
Santander S.A.	45,000	November 2023	Libor to 3 months + 1.85%	5.03%	15,577	8,892
Banco de Crédito e Inversiones (BCI)	2,827	November 2027	6.78	3.377%	587	506
Banco Scotiabank (Chile)	-	-	-	-	-	288
Banco Scotiabank (Chile)*	4,000	November 2020	Libor to 3 months + 1.5%	4.75%	78	-
					47,389	29,599

(*) Corresponds to the same derivative

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 September 30, 2020, and December 31, 2019, the Group recognized under the heading "Unrealized results" of the consolidated statement of changes in equity.

Financial instruments are intended to reduce exposure to interest rate risk variable associated with the financial obligations set out in note 11.1(a). 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 September 30, 2010, and 2019 the Group recognized an expense on these derivative financial instruments amounting to approximately S/ 7,589,000 and S/ 2,829,000 respectively, whose amounts were actually paid during the year and are presented as "Borrowing Costs" in the consolidated statement of income.

(b) Derivative Financial instruments from trading –

Counterparty	Reference value	Maturity rate	Receive variable to:	Payments set to:	Fair value	
					As of September 30, 2020	As of December 31, 2019
	US$(000)				S/(000)	S/(000)
Assets-						
Citibank N.A. New York	21,000	October 2020	Libor to 3 months + 1.08%	5.20%	743	2,459
					743	2,459

As of September 30, 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 September 30, 2020, and 2019, the effect amounts to approximately S/ 1,716,000 and S/ 1,000,000 respectively, and is presented as part of the “Financial income” item of the consolidated statement of income.

As of September 30, 2020, and 2019 the Company recognized an expense on these derivative financial instruments amounting to approximately S/ 2,466,000 and S/ 2,138,000 respectively, whose amounts were actually paid during the year and are presented as "Financial Expenses " in 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 -

The result of holding balances in foreign currency for the Group in the period ended on September 30, 2020 and 2019 was a net gain amounting approximately S/ 58,939,000 and S/ 3,234,000, respectively, which are presented in the caption “Exchange difference, net” in the consolidated statement of income.

As of September 30, 2020, and December 31, 2019, the Group has “Cross Currency Interest Rate Swap” amounting to S/ 3,118,000 and S/ 497,000 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 September 30, 2020 and 2019 is an income of approximately S/2,621,000 y S/294,000, respectively.

Foreign currency sensitivity -

Foreign currency transactions made at free market exchange rates published by the Superintendence of Banks, Insurance and Private Funds Peru Managers. As of September 30, 2020, the weighted average exchange rates of the free market for transactions in U.S. Dollars were S/3.595 for buying and S/3.599 for selling (S/3.311 for buying and S/3.317 for selling as of December 31, 2019), respectively.

As of September 30, 2020, and December 31, 2019, the Company had the following assets and liabilities in foreign currency:

American Dollars

	2020		2019	
	US$(000)	Equivalent S/(000)	US$(000)	Equivalent S/(000)
Asset				
Cash and cash equivalents	12,875	44,890	13,826	45,778
Trade and other payables	45,481	163,505	55,298	183,097
	58,356	208,395	69,124	228,875
Liabilities				
Other financial liabilities	(289,682)	(1,042,566)	(258,333)	(856,889)
Trade and other payables	(33,054)	(118,958)	(36,755)	(121,917)
Derivative financial instruments	(206)	(743)	(741)	(2,459)
	(322,942)	(1,162,267)	(295,829)	(981,265)
Derivative financial instrument in foreign currency	(866)	(3,118)	(73)	(242)
Net liability position	(265,452)	(956,990)	(226,778)	(752,632)

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 September 30, 2020	As of December 31, 2019
%	S/(000)	S/(000)
+5	(47,780)	(37,632)
+10	(95,560)	(75,264)
-5	47,780	37,632
-10	95,560	75,264

22.2 Credit risk –

As of September 30, 2020, no significant impact on the Company's credit behavior has been identified as a consequence of the economic crisis generated by the Covid-19 pandemic. The Group's Management will continue to evaluate its exposure to credit risk, considering the impacts of said pandemic on the economies of the countries in which Unacem and subsidiaries operate and the actions that each Government may take.

22.3 Liquidity risk –

As of September 30, 2020, in Management's opinion, the Company has sufficient financial strength to meet its short-term obligations in case the Government extends the state of national emergency, considering that we have S/ 517,022,000 of Cash and cash equivalents that are freely available and available overdraft lines of credit.

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

	As of September 30, 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 (*)	519,384	21,978	20,875	562,237
Other financial liabilities				
Amortization of capital	1,161,651	1,371,749	2,062,942	4,596,342
Flow of interest payments	201,015	325,250	285,266	811,531
Total liabilities	1,882,050	1,718,977	2,369,083	5,970,110

	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 (*)	637,707	15,922	19,736	673,365
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	1,506,425	1,529,041	2,704,596	5,740,062

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

22.4 Capital management–

No changes were made in the objectives, policies or processes for managing capital during the years ended on September 30, 2020 and December 31, 2019.

23. Fair values

(a) Financial instruments measured at fair value and fair value hierarchy-

The following chart shows an analysis of the financial instruments that are measured at fair value at the reporting date, including the hierarchy level of their fair value. The amounts are based on balances presented in the consolidated statement of financial position:

	As of September 30, 2020 S/(000)	As of December 31, 2019 S/(000)
Derivative financial instruments:		
Level 2	430	562
Total, assets, note 4(a)	430	562
Derivative financial instruments:		
Level 2	51,250	32,555
Total, liabilities, note 22.1(i) and (ii)	51,250	32,555

(b) Financial instruments not measured at fair value -

Other financial instruments are carried at amortized cost and their estimated fair value. The level of the fair value hierarchy is described as follows:

Level 1 -

- Cash and cash equivalents do not represent a credit risk or a significant interest rate; therefore, their carrying amounts are close to their fair value.
- 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 its 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 September 30, 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 (*)	4,129,875	3,917,767	3,911,626	3,616,453

(*) As of September 30, 2020, and December 31, 2019, the amount outstanding does not include promissory notes and bank overdraft, see note 11.1 (a).

24. 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 September 30, 2020						
	Cement S/(000)	Concrete S/(000)	Electrical Energy S/(000)	Others S/(000)	Total Segments S/(000)	Adjustments elimination S/(000)	Consolidated S/(000)
Income							
Third-party customers	1,388,448	896,555	125,742	10,343	2,421,088	-	2,421,088
Inter segments	108,153	58,343	40,310	45,435	252,241	(252,241)	-
Total revenues	1,496,601	954,898	166,052	55,778	2,673,329	(252,241)	2,421,088
Gross profit	386,883	82,680	51,359	12,292	533,214	5,710	538,924
Operating income (expenses)							
Administrative expenses	(127,569)	(38,875)	(11,100)	(15,020)	(192,564)	15,166	(177,398)
Selling expenses	(42,953)	(17,024)	(2,196)	-	(62,173)	194	(61,979)
Other operating income (expenses), net	(20,649)	(4,895)	1,373	555	(23,616)	(28,514)	(52,130)
Operating profit	195,712	21,886	39,436	(2,173)	254,861	(7,444)	247,417
Other income (expenses)							
Participation in net income of associates and joint business	-	941	(65)	-	876	21	897
Financial Income	5,322	1,835	71	1,179	8,407	(1,571)	6,836
Finance cost	(135,466)	(21,642)	(17,036)	(5,687)	(179,831)	1,571	(178,260)
Exchange difference, net	(44,971)	660	(18,241)	3,613	(58,939)	-	(58,939)
Income before income tax	20,597	3,680	4,165	(3,068)	25,374	(7,423)	17,951
Income tax	(11,269)	7,234	(4,372)	(1,142)	(9,549)	-	(9,549)
Net income for segment	9,328	10,914	(207)	(4,210)	15,825	(7,423)	8,402
Income before tax for segment	150,741	22,546	21,195	1,419	195,901	(177,950)	17,951

	As of September 30, 2019						
	Cement S/(000)	Concrete S/(000)	Electrical Energy S/(000)	Others S/(000)	Total segments S/(000)	Adjustments elimination S/(000)	Consolidated S/(000)
Income							
Third-party customers	1,707,188	1,221,018	125,133	11,573	3,064,912	-	3,064,912
Inter segments	170,617	86,813	69,337	56,511	383,278	(383,278)	-
Total revenues	1,877,805	1,307,831	194,470	68,084	3,448,190	(383,278)	3,064,912
Gross profit	579,121	151,685	74,147	18,523	823,476	2,997	826,473
Operating income (expenses)							
Administrative expenses	(145,371)	(46,864)	(10,401)	(13,740)	(216,376)	17,461	(198,915)
Selling expenses	(57,501)	(20,525)	(1,864)	-	(79,890)	608	(79,282)
Other operating income (expenses), net	133,079	11,746	2,296	576	147,697	(131,290)	16,407
Operating profit	509,328	96,042	64,178	5,359	674,907	(110,224)	564,683
Other income (expenses)							
Participation in net income of associates and joint business	-	2,738	(41)	-	2,697	50	2,747
Financial Income	20,285	3,617	258	1,392	25,552	(6,665)	18,887
Finance cost	(150,542)	(24,429)	(18,676)	(6,157)	(199,804)	6,665	(193,139)
Exchange difference, net	1,382	284	143	1,491	3,300	(66)	3,234
Income before income tax	380,453	78,252	45,862	2,085	506,652	(110,240)	396,412
Income tax	(95,796)	(13,337)	(13,726)	(2,809)	(125,668)	-	(125,668)
Net income for segment	284,657	64,915	32,136	(724)	380,984	(110,240)	270,744
Income before tax for segment	510,710	96,326	64,321	6,800	678,157	(281,745)	396,412

	As of September 30, 2020						
	Cement	Concrete	Electrical Energy	Others	Total Segments	Adjustments elimination	Consolidated
Operating assets	7,837,143	1,260,313	1,223,155	228,049	10,548,660	180,864	10,729,524
Operating liabilities	219,402	413,030	92,454	26,761	751,647	5,249,094	6,000,741

	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 September 30, 2020 and 2019 is as follows:

	2020 S/(000)	2019 S/(000)
Reconciliation of income -		
Income before tax for segment before adjustment and eliminations	195,901	678,157
Financial Income	6,836	18,887
Finance cost	(178,260)	(193,139)
Participation in net income of associates and joint business	897	2,747
Inter segments	(7,423)	(110,240)
Income before tax for segment	17,951	396,412

The reconciliation of operating assets and liabilities as of September 30, 2020 and December 31, 2019 is as follows:

	2020 S/(000)	2019 S/(000)
Reconciliation of assets -		
Segment operating assets	10,548,660	10,242,980
Deferred income tax asset	166,241	154,673
Derivative financial instruments	430	144
Other assets	14,193	14,057
Operating assets of the Group	10,729,524	10,411,854
Reconciliation of liabilities -		
Segment operating liabilities	751,647	939,618
Other financial liabilities	4,596,342	4,142,816
Trade payables to Directors	4	4,633
Deferred income tax liability	601,498	652,442
Derivative financial instruments	51,250	32,300
Operating liabilities of the Group	6,000,741	5,771,809

Geographic information –

The income information contained above is based on customer location.

Income by location as of September 30, 2020 and 2019 is as follows:

	2020 S/(000)	2019 S/(000)
Income of customers		
Peru	1,494,055	2,143,431
Ecuador	293,386	391,790
United State of America	476,517	330,811
Chile	150,354	190,367
Colombia	6,776	8,513
Total income according to the consolidated statements of income	2,421,088	3,064,912

Total non-current assets by location as of September 30, 2020 and December 31, 2019 is as follows:

	2020 S/(000)	2019 S/(000)
Non-current assets:		
Peru	6,624,691	6,803,748
United State of America	1,423,389	1,299,062
Ecuador	815,194	774,678
Chile	98,859	98,557
Colombia	28,227	31,233
Non- current assets according to the financial statement	8,990,360	9,007,278

25. Subsequent events

No significant events of a financial-accounting nature have been identified after September 30, 2020 that may affect the interpretation of these separate financial statements.