

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

UN-AUDITED Consolidated Interim Financial Statements

As of December 31, 2020 and 2019

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

Statement of Financial Position

For the periods ended December 31, 2020 and 2019

(In thousands of Soles)

	Notes	As of December 31, 2020	As of December 31, 2019
Assets			
Current Assets			
Cash and cash equivalents	3	561,582	124,337
Other Financial Assets		-	-
Trade Accounts Receivable and other accounts receivable		567,962	474,667
Trade Accounts Receivable , net	4	406,364	390,076
Other Accounts Receivable , net	4	120,397	43,343
Accounts Receivable from Related Companies	4	30,612	25,383
Advanced payments	4	10,589	15,865
Inventories	5	576,686	772,357
Biological Assets		-	-
Assets by Income Taxes	4	19,350	13,497
Other Non-Financial Assets		19,406	19,718
Total Current Assets different than assets or groups of assets for its classified as held for sale or for distribution to owners		1,744,986	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		1,744,986	1,404,576
Non-Current Assets			
Other Financial Assets		21,708	-
Investments in subsidiaries, joint ventures and associates		24,119	22,328
Trade Accounts Receivables and other accounts receivables		55,485	46,596
Trade Accounts Receivable		-	-
Other Accounts Receivable	4	50,901	41,180
Accounts Receivable from Related companies		-	-
Advanced payments	4	4,584	5,416
Biological Assets		-	-
Investment Property		-	-
Property, Plant and Equipment , net	7	7,257,323	7,250,398
Intangible Assets , net	8	219,847	210,937
Assets Deferred Income Tax	12(a)	175,720	154,673
Surplus value	9	1,172,139	1,166,087
Other Assets		146,337	156,259
Total Non-current Assets		9,072,678	9,007,278
TOTAL ASSETS		10,817,664	10,411,854

	Notes	As of December 31, 2020	As of December 31, 2019
Liabilities and Stockholders' Equity			
Current Liabilities			
Other Financial Liabilities	11	1,124,802	671,365
Trade accounts payable and other payable accounts		656,736	699,888
Trade Accounts Payable	10	454,023	485,514
Other Accounts Payable	10	165,850	176,000
Accounts payable to related companies	10	22,776	20,191
Deferred Income		14,087	18,183
Provision for Employee Benefits		-	-
Other provisions		54,698	62,891
Income tax liabilities		16,379	52,059
Other non-financial liabilities	6(b)	9,873	9,795
Total Current Liabilities different of Liabilities included groups of assets for disposal Classified as Held for Sale		1,862,488	1,495,998
Liabilities included in asset groups classified as held for sale		-	-
Total Current Liabilities		1,862,488	1,495,998
Non-Current Liabilities			
Other Financial Liabilities	11	3,334,946	3,471,451
Trade accounts payable and other payable accounts		46,789	35,658
Trade Accounts Payable		-	-
Other Accounts Payable	10	46,789	35,658
Accounts payable to related companies		-	-
Deferred Income		-	-
Provision for Employee Benefits		-	-
Other provisions		63,554	67,155
Liabilities Deferred Income Taxes	12(a)	597,070	652,442
Other non-financial liabilities	6(b)22.1	59,966	49,105
Total Non-Current Liabilities		4,102,325	4,275,811
Total Liabilities		5,964,813	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		2,251,220	2,196,748
Other Equity Reserves		253,539	133,453
Shareholders' equity attribute to the owners of the Parent		4,648,494	4,473,936
Non Controlling interest		204,357	166,109
Total Stockholders' Equity		4,852,851	4,640,045
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		10,817,664	10,411,854

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

Income Statement

For the periods ended December 31, 2020 and 2019
(In thousands of Soles)

	Notes	For the specific quarter from October 1, to December 31, 2020	For the specific quarter from October 1, to December 31, 2019	For the cumulative period from January 1st to December 31, 2020	For the cumulative period from January 1st to December 31, 2019
Incomes from ordinary activities	14	1,202,696	1,035,071	3,623,784	4,099,983
Cost of Sales	15	-894,639	-736,512	-2,776,803	-2,974,951
Profit (Loss) Gross		308,057	298,559	846,981	1,125,032
Selling Expenses and distribution		-27,267	-32,602	-89,246	-111,884
Administrative expenses	16	-72,418	-90,133	-249,816	-289,048
Profit (Loss) in the write-off of financial assets carried at amortized cost		-	-	-	-
Other Operating Income		9,235	23,652	30,024	63,602
Other Operating Expenses	17	-15,014	-16,101	-87,933	-39,644
Other profit (loss)		-	-	-	-
Profit (Loss) from operating activities		202,593	183,375	450,010	748,058
Financial Income		1,975	643	8,811	19,530
Financial Expenses	18	-52,219	-73,418	-230,479	-266,557
Exchange differences, net		-2,063	19,503	-61,002	22,737
Share of Profit (Loss) in net results from Equity-Accounted Joint Ventures and related companies		882	-854	1,779	1,893
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		151,168	129,249	169,119	525,661
Income tax expenses	12(b)	-44,776	-47,084	-54,325	-172,752
Profit (Loss) Net of Continued Operations		106,392	82,165	114,794	352,909
Profit (loss) net of the tax to the profit from discontinued operations		-	-	-	-
Profit (loss) net of the year		106,392	82,165	114,794	352,909
Profit (Loss) net, attributable to :					
Owners of the Parent		93,669	77,659	81,269	351,640
Non-controlling interest		12,723	4,506	33,525	1,269
Net Profit (Loss) of the Year		106,392	82,165	114,794	352,909

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

Notes	For the specific quarter from October 1, to December 31, 2020	For the specific quarter from October 1, to December 31, 2019	For the cumulative period from January 1st to December 31, 2020	For the cumulative period from January 1st to December 31, 2019
Net Profit (Loss) of the year	106,392	82,165	114,794	352,909
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	6,074	2,150	-4,818	-8,980
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	6,074	2,150	-4,818	-8,980
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	16,453	-33,277	130,727	-29,834
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	16,453	-33,277	130,727	-29,834
Other Comprehensive Income	22,527	-31,127	125,909	-38,814
Total Comprehensive Income for the period , net of income tax	128,919	51,038	240,703	314,095
Comprehensive Income attributable to:				
Owners of the Parent	113,166	48,048	201,355	317,575
Non-controlling interest	15,753	2,990	39,348	-3,480
Total Comprehensive Income of the Year, net	128,919	51,038	240,703	314,095

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

Statement of Cash Flow

Direct Method

For the periods ended December 31, 2020 and 2019

(In thousands of Soles)

	Notes	As of January 1st, 2020 to December 31, 2020	As of January 1st, 2019 to December 31, 2019
Operating activities cash flows			
Types of cash collections from operating activities			
Sale of Goods and Services		4,294,112	4,947,176
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		8,554	9,008
Types of cash collections from operating activities			
Suppliers of goods and services		-2,501,709	-3,076,679
Contracts held for brokering or trading purposes		-	-
cash payments to and on behalf of employees		-587,188	-545,113
Elaboration or acquisition of assets to be leased and other assets held for sale		-	-
Other Cash Payments Related to Operating Activity		-256,884	-298,258
Cash flows and cash equivalents from (used in) Operating Activities		956,885	1,036,134
Interests received (not included in the Investment Activities)		-	-
Interests paid (not included in the Investment Activities)		-219,028	-256,875
Dividends Received (not included in the Investment Activities)		-	-
Dividends Paid (not included in the Investment Activities)		-	-
Income tax (paid) reimbursed		-156,083	-154,164
Other cash collections (payments)		-	-
Cash flows and cash equivalents from (used in) Operating Activities		581,774	625,095
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		5,465	7,807
Sale of intangible assets		-	-
Sale of other long- term assets		-	-
Government Subventions		-	-
Interests received		-	-
Dividends received		-	21,439
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)	-227,457	-269,762
Purchase of intangible assets		-6,727	-9,794
Purchase of other long- term assets		-	-
Income tax (paid) reimbursed		-	-
Other cash receipts (payments) relating to Investment activities		-31,615	-1,150
Cash flows and cash equivalents from (used in) investing activities		-260,334	-251,460
Cash flows from Financing activities			
Type of cash collections from financing activities			
Loan securing		1,407,623	1,311,392
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		-1,272,172	-1,564,392
Leasing liabilities		-	-
Changes to the subsidiaries ownership interest not resulting in the loss of control		-2,387	-
Redemption or repurchase of the entities' shares (Shares in the portfolio)		-	-
Acquisition of other equity interest		-	-
Interests paid		-	-
Dividends paid		-24,192	-124,622
Income tax (paid) reimbursed		-	-
Other cash receipts (payments) relating to financing activities		-	16,120
Cash flows and cash equivalents from (used in) financing activities		108,872	-361,502
Increase (Decrease) in Net Cash and cash equivalents, before Changes in Foreign Exchange Rates		430,312	12,133
Effects of Changes in Foreign Exchange Rates on Cash and Cash Equivalents		6,933	794
Increase (Decrease) in Net Cash and Cash Equivalents		437,245	12,927
Cash and cash equivalents at beginning of year		124,337	111,410
Cash and cash equivalents at end of year	3	561,582	124,337
		-	0

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

	Other Equity Reserves														Subtotal	Shareholders' equity attribute to the owners of the Parent	Non-controlling Interest	Total Stockholders' Equity	
	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 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
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						351,640											351,640	1,269	352,909
7. Other Comprehensive Income:							-11,840				-22,225						-34,065	-34,065	-4,749
8. Comprehensive Income - Total year						351,640	-11,840				-22,225					-34,065	317,575	-3,480	314,095
9. Cash Dividends Declared						-92,312											-92,312	-4,766	-97,078
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	171,625	-38,019			34,325	-29,739											138,192	891	139,083
Total Equity Increase (decrease)	171,625	-38,019			34,325	229,589	-11,840				-22,225					-34,065	363,455	-7,355	356,100
Balance as of December 31, 2019	1,818,128	-38,019			363,626	2,196,748	-29,215			162,668						133,453	4,473,936	166,109	4,640,045
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						81,269											81,269	33,525	114,794
7. Other Comprehensive Income:							-5,318				125,404						120,086	120,086	5,823
8. Comprehensive Income - Total year						81,269	-5,318				125,404					120,086	201,355	39,348	240,703
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						-1,286											-1,286	-269	-1,555
Total Equity Increase (decrease)						54,472	-5,318				125,404					120,086	174,558	38,248	212,806
Balance as of December 31, 2020	1,818,128	-38,019			363,626	2,251,220	-34,533			288,072						253,539	4,648,494	204,357	4,852,851

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

UN-AUDITED Consolidated Interim Financial Statements

As of December 31, 2020 and 2019

1. Identification and Economic Activity

Unión Andina de Cementos S.A.A. (hereinafter "the Company" or "UNACEM") was incorporated in December 1967.

As of December 31, 2020 and 2019, the Company is a subsidiary of Inversiones JRPR S.A. (hereinafter "Principal" and ultimate parent of the economic group), who owns 42.22 and 42.18 percent, respectively, of direct and indirect participation of its capital stock. Inversiones JRPR S.A. has the control of directing the financial and operating policies of the Company.

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

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

The consolidated financial statements of the Company and subsidiaries (hereinafter "The Group") for the fourth 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) Cementos Portland Merger (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 the International Financial Reporting Standards (hereinafter "IFRS"), both corporate reorganizations did not generate any change in the effective control of Inversiones JRPR S.A. about 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.

Notes to the consolidated financial statements (continued)

1.2 COVID-19

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

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

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

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

Due to this situation, the Group's Management adopted a series of preventive and extraordinary measures, applicable throughout the year 2020, to take care of liquidity and working capital, which are allowing the Company and subsidiaries to meet their obligations with workers, suppliers and customers throughout the entire value chain.

Likewise, the Company and subsidiaries have been carrying out various measures to preserve the health of their employees and to prevent contagion in their administrative and operational areas, such as remote work, rigorous cleaning of work environments, distribution of personal protection equipment, testing of suspicious cases and body temperature measurement.

Notes to the consolidated financial statements (continued)

1.3 Information on the structure of the Subsidiaries -

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

Country of Incorporation	Entity	Main economic activity	Percentage of participation				Asset		Liabilities		Net Equity		Profit (loss)	
			2020		2019		2020	2019	2020	2019	2020	2019	2020	2019
			Direct	Indirect	Direct	Indirect	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Peru	Inversiones Imbabura S.A. and Subsidiaries (i)	Manufacture and sale of cement	100.00	-	100.00	-	1,947,032	1,861,522	393,511	427,117	1,553,521	1,434,405	81,798	92,133
Unites States	Skanon Investments Inc. and Subsidiaries (ii)	Manufacture and sale of cement Concrete	86.55	8.68	86.55	8.68	1,474,882	1,314,609	616,207	537,110	858,675	777,499	9,032	(19,392)
Peru	Compañía Eléctrica el Platanal S.A. and Subsidiaries (iii)	Electrical energy and power	90.00	-	90.00	-	1,229,607	1,223,664	486,704	483,789	742,903	739,875	3,024	44,111
Peru	Inversiones en Concreto y Afines S.A. and Subsidiaries (iv)	Sale of concrete and ready mix	93.38	-	93.38	-	1,033,610	1,004,957	623,044	581,861	410,566	423,096	(20,032)	24,541
Peru	Prefabricados Andinos Perú S.A.C. and Subsidiary (v)	Manufacture and sale Precast Concrete	50.02	-	50.02	-	65,137	65,885	47,175	43,594	17,962	22,291	(5,306)	(6,801)
Chile	Prefabricados Andinos S.A. (PREANSA Chile)	Manufacture and sale Precast Concrete	51.00	-	51.00	-	82,233	81,126	70,248	75,751	11,985	5,375	4,369	592
Unites States	Staten Island Company Inc. and Subsidiaries (vi)	Aggregates	100.00	-	100.00	-	141,370	118,239	38,265	40,758	103,105	77,481	10,899	(1,535)
Peru	Transportes Lurín S.A.(LURIN)	Services	99.99	-	99.99	-	35,166	35,177	-	23	35,166	35,154	(10)	(34)
Peru	Generación Eléctrica de Atocongo S.A. (GEA)	Thermal plant operation services	99.85	0.15	99.85	0.15	33,339	30,185	31,764	29,328	1,575	857	718	(79)
Peru	Depósito Aduanero Conchan S.A. (DAC)	Warehouse services	99.99	-	99.99	-	2,002	1,695	1,387	830	615	865	(250)	(446)
Peru	Inversiones Nacionales y Multinacionales Andinas S.A. (vii)	Real estate business	90.90	9.10	90.90	9.10	18,274	18,231	4,964	4,951	13,310	13,280	30	(28)
Peru	Vigilancia Andina S.A.(vii)	Surveillance services	55.50	44.50	55.50	44.50	15,303	10,016	8,802	4,182	6,501	5,834	667	851
Peru	ARPL Tecnología Industrial (viii)	Technical assistance and engineering services	100.00	-	100.00	-	63,238	46,655	25,149	6,731	38,089	39,924	7,120	9,938
Peru	Minera Adelaida S.A. (MINERA)	Holding	99.99	-	99.99	-	348	382	204	3	144	379	(235)	(196)
Peru	Naviera Conchan S.A. (NAVIERA)	Holding	100.00	-	100.00	-	10	7	21	-	(11)	7	(18)	(3)

(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 Aggregates.

(vii) Inversiones Nacionales y Multinacionales Andinas 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.

Notes to the consolidated financial statements (continued)

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 (\$/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 consolidated interim financial statements include the financial statements of the Company and its subsidiaries as of December 31, 2020 and 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 December 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Petty cash	1,618	1,368
Current accounts (b)	203,377	93,976
Term deposits (c)	344,652	28,681
Mutual Funds	11,935	312
	<u>561,582</u>	<u>124,337</u>

(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.

Notes to the consolidated financial statements (continued)

- (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 December 31, 2020 S/(000)	As of December 31, 2019 S/(000)	As of December 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Commercial:				
Trade accounts receivable (b)	383,631	368,116	16,594	15,023
Provision of bills receivable	32,183	29,661	-	-
	<u>415,814</u>	<u>397,777</u>	<u>16,594</u>	<u>15,023</u>
Related:				
Accounts receivable from related parties, note 19(b)	30,612	25,383	-	-
Various:				
Claims to Tax authority, note 21.3	6,942	6,138	38,554	28,119
Advances to suppliers	10,589	15,865	4,584	5,416
Claims to third parties	6,485	5,144	-	2,922
Loans to employees	6,928	5,060	6,538	-
Account receivable from the Escrow fund	3,374	3,253	-	3,082
Derivative financial instruments, note 22.1(f) (a)	-	144	478	418
Loans to third parties (c)	83,678	-	-	-
Other accounts receivable	15,689	21,741	3,802	4,392
	<u>133,685</u>	<u>57,345</u>	<u>53,956</u>	<u>44,349</u>
Advance payments of income tax and temporary tax on net assets	19,350	13,497	-	-
Tax Credit due to General sales tax	3,617	6,628	1,529	2,247
	<u>22,967</u>	<u>20,125</u>	<u>1,529</u>	<u>2,247</u>
	<u>603,078</u>	<u>500,630</u>	<u>72,079</u>	<u>61,619</u>
Less - Expected credit loss (d)	(15,766)	(12,466)	(16,594)	(15,023)
	<u>587,312</u>	<u>488,164</u>	<u>55,485</u>	<u>46,596</u>

Notes to the consolidated financial statements (continued)

(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) On December 11, 2020, the Company subscribed, with the Spanish companies Cementos La Unión S.A. and Áridos Jativa Sociedad Limitada and with the Chilean company Inversiones Mel 20 Limitada, a contract for the acquisition of 100 percent of the shares of Cementos La Unión S.A. (CLU CHILE) and 100 percent of the social rights of Inversiones Mel 20 Limitada (MEL20), subject to compliance with certain conditions, among which is the approval of the acquisition by the Chilean National Economic Prosecutor's Office (FNE), see note 25 .

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

(d) In opinion of the Group's Management, the estimate of expected credit loss adequately covers the risk of uncollectibility as of December 31, December 2020 and 2019.

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

5. Inventories, net

(a) This item is made up as follows:

	As of December 31, 2020	As of December 31, 2019
	S/(000)	S/(000)
Finished goods	39,581	42,563
Work in progress	154,441	312,242
Raw and auxiliary materials	183,402	169,654
Packages and packing	18,125	43,466
Spare parts and supplies	238,624	243,533
Inventory in transit	2,237	1,168
	<hr/>	<hr/>
	636,410	812,626
Allowance for impairment of inventories (b)	(59,724)	(40,269)
	<hr/>	<hr/>
	576,686	772,357
	<hr/>	<hr/>

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

Notes to the consolidated financial statements (continued)

6. Usage rights of Asset and Liabilities

- (a) Usage rights of Asset
- (i) As of December 31, 2020 and 2019, the book value amounts to approximately S/22,559,000 and S/29,404,000, respectively; the main leases being the land item.
-
- (ii) As of December 31, 2020 and 2019, depreciation amounts to approximately S/10,611,000 and S/9,677,000, respectively; recorded in cost of sales and administrative expense of the consolidated income statement, see note 15 and 16.
- (b) Liabilities for right in use
- (i) This item is made up as follows:

	As of December 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Classification -		
Current	9,873	9,795
Non-current	13,105	16,550
	<hr/>	<hr/>
Ending Balance	22,978	26,345
	<hr/>	<hr/>

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

- (a) This item is made up as follows:

	As of December 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Cost -		
Opening Balance	10,713,566	10,448,113
Additions (c)	276,145	377,246
Increase by merger and corporate reorganization, see note 1.1	-	45,345
Withdrawals, sales and others (d)	(49,163)	(101,179)
Exchange rate impact	262,306	(55,959)
	<hr/>	<hr/>
Ending Balance	11,202,854	10,713,566
	<hr/>	<hr/>
Accumulated depreciation -		
Opening Balance	3,463,168	3,102,075
Period depreciation (e)	429,015	443,642
Merger, see note 1.1	-	4,615
Withdrawals, sales and others (d)	(39,229)	(67,997)
Exchange rate impact	92,577	(19,167)
	<hr/>	<hr/>
Ending Balance	3,945,531	3,463,168
	<hr/>	<hr/>
Net book value -	7,257,323	7,250,398
	<hr/>	<hr/>

Notes to the consolidated financial statements (continued)

- (b) As of December 31, 2020 and 2019, the book value of the assets acquired through financial lease and lease agreements amounts to approximately S/ 152,484,000 and S/ 178,680,000, respectively. The leased assets guaranteed financial lease liabilities, see note 11.1(a).
- (c) The additions during the year 2020, correspond mainly to:
- (i) Additions of the Company correspond to disbursements made for the projects of the dedusting system of kiln 2 cooler including the bag filter, migration of the control system of kiln 2, firefighting system in electrical substations, modernization in Carpapata 1 Hydroelectric Power Plant and 2, major maintenance of kiln 2 and roofing of the clinker field, corresponding to the Condorcocha plant; as well as disbursements made for the project of structural reinforcement and internal modification of chamber 1 and 3 of the multisilo, change of variators in the oil press substation 3 and clinker 1, water installations against fire, fire protection system in electrical substations, system of ecological limestone conveyor belt from Manchay to Atocongo, major maintenance of kiln 1, change of gearboxes in clinker roller press 4, change of control panels of line 2 including migration to Siemens industrial control system and repair of clinker tower 1, corresponding to the Atocongo plant for a total of approximately S/69,644,000.
 - (ii) Additions of the subsidiary Drake Cement for: i) acquisition of machinery and equipment for approximately US\$ 2,856,000 (equivalent to S/10,333,000) and ii) construction projects of a new warehouse and comprehensive mill project for approximately US\$ 6,136,000 (equivalent to S/22,199,000).
 - (iii) Additions of the subsidiary Drake Materials for: i) acquisition of machinery and equipment for approximately US\$ 2,499,000 (equivalent to S/9,040,000) and ii) plant project for the production of aggregates for approximately US\$ 3,879,000 (equivalent to S/14,034,000).
 - (iv) Additions of the Desert Ready Mix subsidiary for: i) acquisition of machinery and equipment for approximately US\$ 1,254,000 (equivalent to S/4,535,000) and ii) acquisition of mixer trucks and other transportation units for approximately US\$ 1,638,000 (equivalent to S/ 5,928,000).
 - (v) Additions of the subsidiary Desert Aggregates for the acquisition of machinery, equipment and loader trucks for approximately US\$ 2,167,000 (equivalent to S/ 7,841,000)
 - (vi) Additions of works in progress of the subsidiary UNACEM Ecuador for the construction of grinding station No. 3, engine-crankshaft component, construction of the cement mill chimney and opacimeter, for approximately US\$ 1,481,000 (equivalent to S/ 5,358,000).
 - (vii) Additions of the subsidiaries UNICON Peru for: i) acquisition of mixer trucks, front loaders and other equipment acquired under financial lease for approximately S/5,878,000 and ii) Overhaul of trucks for approximately S/9,501,000.

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,

Notes to the consolidated financial statements (continued)

firefighting system, pavers and the thermal plant project corresponding to the Atocongo plant for approximately S/74,011,000.

- (ii) Additions of works in progress of the subsidiary UNACEM Ecuador for the construction of grinding station No. 3, engine component 6, premix land and replacement of section by ferrule for corrosion, for approximately US\$ 6,587,000 (equivalent to S/ 21,808,000).
 - (iii) Additions of the UNICON Peru and CONCREMAX subsidiaries for: i) acquisition of mixer trucks, mining trucks and front loaders for approximately S/24,904,000 and ii) Truck overhaul for approximately S/13,629,000.
 - (iv) Additions of the 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 December 31, 2020, it mainly includes the disposals of assets for approximately S/57,737,000 related to the suspension of the Atocongo thermal plant projects and the integral plan of the Cristina mining concession as a consequence of the COVID -19 pandemic.

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 December 31,	As of December 31,
	2020	2019
	S/(000)	S/(000)
Cost of sales, see note 15	412,343	425,426
Administrative expenses, see note 16	12,058	15,329
Selling expenses	146	124
Other expenses	1,210	2,171
Inventories in process	3,258	592
	<hr/>	<hr/>
	429,015	443,642
	<hr/>	<hr/>

- (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).

Notes to the consolidated financial statements (continued)

Also, the subsidiary Celepsa Renovables S.R.L., maintains two mortgages on property, machinery and equipment for approximately US\$ 40,820,000 (equivalent to S/ 147,687,000) 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 December 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Cost of sales, note 15	4,496	5,290
Administrative expenses, see note 16	2,787	2,402
Selling expenses	402	394
Other expenses	4,037	4,285
	<u>11,722</u>	<u>12,371</u>

9. Goodwill

The goodwill balance as of December 31, 2020, and 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 December 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Trade payable (b)	454,023	485,514
Salaries and vacation payable	53,296	56,872
Accounts payable to third parties	34,264	28,309
Customer advances	33,468	43,998
Accounts receivable from related parties, note 19(b)	22,776	20,191
Interest payable, note 11 (c) and 11.1 (c)	21,728	25,765
Dividends payable	17,264	13,553
Tax Payable	15,920	17,450
Value Added to Tax payable	10,501	2,520
Director's remunerations payable	1,224	4,633
Other accounts payable	24,974	18,558
	<u>689,438</u>	<u>717,363</u>

Notes to the consolidated financial statements (continued)

Term -		
Current Portion	642,649	681,705
Non- Current Portion	46,789	35,658
	<u>689,438</u>	<u>717,363</u>

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

The UNICON Peru and CONCREMAX subsidiaries offer their suppliers a program for the payment of their accounts through financial institutions. This program allows suppliers to sell their accounts receivable to financial institutions in a separate negotiated agreement between the supplier and the financial institution, allowing suppliers to better manage their cash flows and reducing their payment processing costs to subsidiaries. These subsidiaries have no direct financial interest in these transactions. All obligations with its suppliers are maintained according to the contractual agreements entered into between the counterparts. As of December 31, 2020 and 2019, the balances related to these operations amount to S/67,357,000 and S/71,010,000, respectively.

11. Other financial liabilities

- (a) This item is made up as follows:

	As of December 31, 2020			As of December 31, 2019		
	Portion Current	Portion Non- Current	Total	Portion Current	Portion Non- Current	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Bank overdrafts	278	-	278	93,129	-	93,129
Bank loans (b) and (c)	390,440	-	390,440	138,061	-	138,061
Interest on bonds and long-term debt, Note 11.1(a)	734,084	3,334,946	4,069,030	440,175	3,471,451	3,911,626
	<u>1,124,802</u>	<u>3,334,946</u>	<u>4,459,748</u>	<u>671,365</u>	<u>3,471,451</u>	<u>4,142,816</u>

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

Notes to the consolidated financial statements (continued)

	2020 S/(000)	2019 S/(000)
Creditor -		
BBVA Banco Continental S.A.	217,440	-
Banco de Crédito del Perú S.A.	123,000	6,966
Scotiabank Perú S.A.	50,000	-
Citibank N.A. New York	-	116,095
Banco Internacional del Perú S.A.A.	-	15,000
	<u>390,440</u>	<u>138,061</u>

- (c) As of December 31, 2020, and 2019 the interest payable amounts to approximately S/2,926,000 and S/603,000, respectively, and are recorded in the caption "Trade and other payable" of the consolidated statement of financial position, see note 10(a). As of December 31, 2020 and 2019, the interest expenses amounted to approximately S/9,417,000 and S/14,389,000, respectively, and are included in the caption "Financial costs" of the consolidated statement of income.

Notes to the consolidated financial statements (continued)

11.1 Bank bonds and loans

(a) The balance is detailed below:

			As of December 31, 2020	As of December 31, 2019
	Maturity rate	Guarantee	S/(000)	S/(000)
Bonds-				
Bonds of Arizona State (a.2)	September 2035	Letter of credit, see note 21.1(c)	416,760	381,455
Second issuance of the second program	March 2023	No guarantees	60,000	120,000
			476,760	501,455
			(7,482)	(7,316)
			469,278	494,139
Syndicated loans -				
Banco de Crédito del Perú S.A.	September 2021	Management and guarantee trust, see note 21.1 (c)	24,571	50,550
Scotiabank Perú S.A.	September 2021	Management and guarantee trust, see note 21.1 (c)	27,180	58,048
			51,751	108,598
Amortized cost			(376)	(876)
			51,375	107,722
Bank loans -				
Banco de Crédito del Perú S.A.	Between March 2022 and March 2027	No guarantees	926,996	838,640
Scotiabank Perú S.A.A.	Between May 2021 and October 2025	No guarantees	677,929	546,751
Banco Internacional del Perú S.A.A.	Between February 2022 and March 2025	No guarantees	534,397	666,419
BBVA Banco Continental S.A.	Between February 2022 and December 2024	No guarantees	352,130	378,264
Citibank N.A. New York (a.1)	October 2025	No guarantees	181,200	165,850
Banco Santander S.A. (a.1)	November, 2023	No guarantees	163,080	149,266
Banco Santander S.A.	March 2023 and June 2025	No guarantees	136,810	11,554
Bank of Nova Scotia (a.1)	September 2025	No guarantees	103,284	99,510
Banco de Crédito del Perú S.A.	May 2023 and August 2030	Guarantee on movable and immovable property, see note 7 (f)	104,217	98,555
Scotiabank Perú S.A.	April 2025	Guarantee on property, see note 7 (f)	72,000	72,000
Citibank N.A. New York	July 2024	No guarantees	31,559	34,967

Notes to the consolidated financial statements (continued)

Banco Scotiabank (Chile) (a.1)	Between February 2020 and June 2024	Letter of credit, see note 21.1(b)	20,630	13,341
Banco Scotiabank (Chile)	April 2021 and October 2023	No guarantees	15,257	8,764
BBVA Banco Continental S.A.	December, 2021	Letter of credit, see note 21.1(b)	11,486	11,076
Banco Internacional S.A. – Ecuador	-	-	-	18,360
Less than S/ 10,000.000	-	-	40,933	10,996
			<u>3,371,908</u>	<u>3,124,313</u>
Amortized cost			(15,424)	(18,201)
			<u>3,356,484</u>	<u>3,106,112</u>
Finance leasebacks -				
Banco de Crédito del Perú S.A.	May 2021	-	49,935	54,151
Scotiabank (Chile)	March 2024	-	3,315	3,630
			<u>53,250</u>	<u>57,781</u>
Amortized cost			(105)	(430)
			<u>53,145</u>	<u>57,351</u>
Finance leases -				
Consorcio Transmantaro	July 2039	-	55,762	51,488
Scotiabank Perú S.A.A.	Between January 2021 and December 2023	-	26,263	29,756
Banco de Crédito e Inversiones (BCI) (a.1)	November, 2027	-	11,087	10,628
Banco Internacional del Perú S.A.	Between January 2021 and October 2022	-	8,538	11,834
Less than S/ 10,000.000	-	-	36,701	36,757
			<u>138,351</u>	<u>140,463</u>
Factoring			397	5,839
Total			<u>4,069,030</u>	<u>3,911,626</u>

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

Notes to the consolidated financial statements (continued)

- (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 December 31, 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 December 31, 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 December 31, 2020 and 2019.

- (b) The financial safeguards applicable to financial liabilities are monitored quarterly and semi-annually in some cases 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.

- (l) As of December 31, 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 between 3.75 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 a debt service coverage ratio greater than or equal to 1.25 times.
- Maintain an index of hedge of debt of financial debt/EBITDA minor or equal to 2.5 times.

Notes to the consolidated financial statements (continued)

Unicon Chile S.A.:

- Maintain a debt service coverage ratio greater than or equal to 1.0 time.
- Maintain an index debt minor or equal to 1.8 times.
- Maintain an index of hedge of debt of financial debt/EBITDA minor or equal to 3.5 times.

Compañía Eléctrica El Platano 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 December 31, 2020, the main financial covenants based on the consolidated financial information are as follow:

Unión Andina de Cementos S.A.A. & 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 times from 2022 onwards.
- Maintain a debt coverage ratio or financial debt / EBITDA less than 6.5 times for 2020, 4.75 times for 2021 and 4.0 times for 2022 and 3.75 times from 2023 onwards.

Skanon Investments Inc. & 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."

Notes to the consolidated financial statements (continued)

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 Chile and PREANSA Peru from complying with some of their financial covenants according to the respective financing contracts, a fact that was duly informed to all 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.

- (c) As of December 31, 2020 and 2019, interests' payable related to bonds and long and medium-term debt are amounted to approximately S/18,802,000 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 banking entities in the medium and long term maintained for the years ended on December 31, 2020 and 2019, amounting approximately S/184,113,000 and S/206,793,000, respectively, and are included in the item "Financial costs" of the consolidated income statement.

- (d) As of December 31, 2020, the Group 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 Libor rate plus a margin that fluctuates between 1.75 to 2.60 percent) and at a fixed rate between 2.71 to 12 percent.

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

Notes to the consolidated financial statements (continued)

12. Income tax

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

	As of December 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Deferred asset -		
Opening Balance	154,673	151,691
Consolidated income statement impact	8,260	11,158
Merger and corporate reorganization, see note 1.1	-	(7,649)
Charges to comprehensive income	(1,555)	1,394
Exchange rate impact	14,342	(1,922)
Others	-	1
Ending Balance	<u>175,720</u>	<u>154,673</u>
Deferred liability -		
Opening Balance	(652,442)	(678,214)
Consolidated income statement impact	57,551	11,937
Charges to comprehensive income	3,573	3,947
Merger and corporate reorganization, see note 1.1	-	9,715
Exchange rate impact	(5,752)	173
Ending Balance	<u>(597,070)</u>	<u>(652,442)</u>
Total net liability for deferred income tax	<u>(421,350)</u>	<u>(497,769)</u>

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

	As of December 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Current	(124,282)	(200,085)
Deferred	65,811	23,095
Compensation for tax loss	7,231	8,414
Royalty Expenses	(3,085)	(4,176)
Total	<u>(54,325)</u>	<u>(172,752)</u>

Notes to the consolidated financial statements (continued)

13. Net Equity

(a) Capital issued–

As of December 31, 2020 and 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	As of December 31, 2020	
	Number of shares	Percent of participation %
Inversiones JRPR S.A.	456,669,897	25.12
Nuevas Inversiones S.A.	459,129,497	25.25
AFP's	428,472,731	23.57
Others	473,855,486	26.06
	<u>1,818,127,611</u>	<u>100.00</u>

As of December 31, 2020, the share price of each common share has been S/1.55 (S/2.00 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 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.

Notes to the consolidated financial statements (continued)

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 December 31:

	2020 S/(000)	2019 S/(000)
Segments		
Cement Sales -	2,127,738	2,288,952
Concrete	1,305,027	1,626,824
Electrical energy and power	173,884	168,707
Other Services	17,135	15,500
	<u>3,623,784</u>	<u>4,099,983</u>
Moment of revenue recognition		
Goods transferred at a point in time	3,372,299	3,859,270
service performance at a point in time	251,485	240,713
	<u>3,623,784</u>	<u>4,099,983</u>

Notes to the consolidated financial statements (continued)

15. Cost of sales

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

	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	555,139	802,555
Personnel expenses	486,811	570,300
Depreciation, see note 7(e)	412,343	425,426
Fuel	288,479	431,758
Maintenance cost	170,111	142,464
Electrical Energy	99,712	105,578
Container Consumption	82,533	91,135
Transmission and freight costs	62,232	114,780
Transport of raw material	51,253	89,153
Depreciation - Right in use, see note 6 (a)	9,860	9,522
Amortization, see note 8(a).	4,496	5,290
Stripping costs (clearing)	4,267	8,185
Depreciation for stripping cost	3,126	5,302
Other manufacturing expenses	366,887	249,638
Ending balance of finished goods and work in process, note 5(a)	(194,022)	(354,805)
	<u>2,758,032</u>	<u>2,972,567</u>
Provision for inventory obsolescence- note 5(a)	18,771	2,384
	<u>2,776,803</u>	<u>2,974,951</u>

16. Administrative expenses

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

	2020	2019
	S/(000)	S/(000)
Personnel expenses	125,228	145,351
Services rendered by third parties	58,248	56,958
Taxes	12,507	20,465
Depreciation, note 7(e)	12,058	15,329
Other management charges	15,259	19,605
Donations	13,864	15,838
Estimate for expected credit loss, note 4 (a)	5,136	6,601
Amortization, see note 8(a).	2,787	2,402
Depreciation - Right in use, see note 6 (a)	732	155
Others	3,997	6,344
	<u>249,816</u>	<u>289,048</u>

Notes to the consolidated financial statements (continued)

17. Other expenses

As of December 31, 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 December 31, 2020 and 2019, this item is mainly comprised of interest on bonds issued and debts with banks for S/193,530,000 and S/221,182,000, respectively (see note 11 (c) and 11.1 (c)).

19. Related parties' transactions

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

	2020 S/(000)	2019 S/(000)
Income -		
Cement Sales -		
La Viga S.A.	366,661	415,622
Asociación UNACEM	104	293
Dividend income -		
Ferrocarril Central Andino S.A.	-	19,236
Master Builders Solutions Peru S.A.	-	2,203
Inversiones Santa Cruz S.A.	-	34
Costs and / or expenses -		
Purchase additives-		
Master Builders Solutions Peru S.A.	34,040	48,864
Commissions and freight costs of cement sales -		
La Viga S.A.	22,734	25,625
Other expenses -		
Master Builders Solutions Peru S.A.	3,827	3,560
Other income -		
Master Builders Solutions Peru S.A.	1,427	1,476

Notes to the consolidated financial statements (continued)

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

	2020 S/(000)	2019 S/(000)
Account receivables, note 4(a)		
La Viga S.A.	29,428	24,227
Master Builders Solutions Peru S.A.	242	381
Other minors	942	775
	<u>30,612</u>	<u>25,383</u>
Account payables, note 10(a)		
Master Builders Solutions Peru S.A.	18,873	17,611
La Viga S.A.	3,849	2,569
Other minors	54	11
	<u>22,776</u>	<u>20,191</u>

- (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.
- (c) The total remuneration paid to Group's directors and key members of management as of December 31, 2020 and 2019 is amounting to approximately S/18,674,000 and S/23,374,000 respectively, which include short-term benefits and compensation for time served.

20. Earnings per share

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

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

	As of December 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Numerator		
Net income attributable to common shares	<u>81,269</u>	<u>351,640</u>
Denominator		
Weighted average number of common shares	<u>1,818,128</u>	<u>1,818,128</u>
Basic and diluted earnings per share (stated in Soles)	<u>0.045</u>	<u>0.193</u>

Notes to the consolidated financial statements (continued)

21. Commitments and contingencies

21.1 Financial and Purchase Commitments -

- (a) As of December 31, 2020, the Group and its subsidiaries kept the following letters of guarantee:
- Guarantee letter to the Ministry of Energy and Mines (MEM), issued by Banco de Crédito del Perú, for a total of approximately US\$ 1,678,000 (equivalent to S/6,071,000) maturing in January 2021, in order to guarantee compliance with the Mine Closure Plan for its mining concessions.
 - Guarantee letter to the Ministry of Production, issued by Banco de Crédito del Perú, by a total approximate of US\$4,123,000 (equivalent to S/14,917,000) with 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 Peru and Concremax in order to ensure the supply of concrete to certain customers, as of December 31, 2020 for approximately S/81,433,000 (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 December 31, 2020 and 2019. for US\$ 200,000.
 - Guarantee letter negotiated by PREANSA Peru, issued in favor of certain financial institutions in order to ensure their obligations related to clients for the advances received for the start of production operations, as of December 31, 2019 for approximately S/ 2,874,000.
 - 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 S.A.A. 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 2022.
 - As of December 31, 2020, the subsidiary VASA maintain guarantee letters issued by financial institutions, guaranteeing the payment of staff remunerations under labor intermediation to clients for S/2,269,000 (S/2,805,000 as of December 31, 2019).

Notes to the consolidated financial statements (continued)

(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 December 31, 2020 and 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 December 31, 2020, Drake Cement has not exercised this option.

Notes to the consolidated financial statements (continued)

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 December 31, 2020 and 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 2020
Compañía Eléctrica el Platanal S.A.	2016-2020
Generación Eléctrica Atocongo S.A.	2016-2020
Unión de Concreteras S.A.	2016-2020
CONCREMAX S.A.	2016-2020
Inversiones en Concreto y Afines S.A.	2016-2020
Prefabricados Andinos Perú S.A.C.	2016-2020
Transportes Lurín S.A.	2016-2020
Depósito Aduanero Conchán S.A.	2016-2020
Inversiones Imbabura S.A.	2016-2020
Inversiones Nacionales y Multinacionales Andinas S.A.	2016-2020
ARPL tecnología Industrial S.A.	2016-2020
Vigilancia Andina S.A.	2016-2020

Notes to the consolidated financial statements (continued)

	Periods open to review
In Ecuador -	
UNACEM Ecuador S.A.	2016-2020
Union de Concreteras UNICON UCUE Cia. Ltda.	2018-2020
In Chile -	
Prefabricados Andinos S.A.	2016-2020
Unicon Chile S.A.	2018-2020
In Colombia -	
Prefabricados Andinos Colombia S.A.S.	2016-2020
In United State of America	
	2016-2020

Due to the interpretations likely to be given by the Tax Authority on current legal regulations, it is not possible to determine, as of this date, whether the reviews to be conducted will result in liabilities for the Company and 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 and its legal advisors' opinion, any additional tax settlement would not be significant for the consolidated financial statements as of December 31, 2020 and 2019.

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

	2020	2019
	S/(000)	S/(000)
Skanon Investments Inc. and Subsidiaries (i)	1,928,703	1,645,110
Compañía Eléctrica El Platanal S.A. and Subsidiaries (iii)	304,574	313,526
Prefabricados Andinos S.A. - PREANSA Chile(ii)	46,390	41,266
Prefabricados Andinos Perú S.A.C. (ii)	13,045	5,988
Concremax S.A. (ii)	9,968	-
Prefabricados Andinos Colombia S.A.S(ii)	8,406	8,873
Unión de Concreteras S.A. (ii)	3,681	-
Depósito Aduanero Conchán S.A.(ii)	2,005	2,400
Transportes Lurín S.A.(ii)	469	486
Other minor Peruvian subsidiaries(ii)	375	335

(i) The carryforward tax losses of the subsidiaries in the United States of America amount to approximately US\$533,085,000 (equivalent to S/1,928,703,000). According to the evaluation of the Group's Management, it is estimated to recover the federal and state loss for approximately US\$288,056,000 and US\$245,030,000, respectively (equivalent to approximately S/1,042,185,000 and S/886,518,000, 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.

Notes to the consolidated financial statements (continued)

- (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 -

As a result of the audits of previous years, the Company and subsidiaries has been notified by the Superintendency of Tax Administration (SUNAT) with various resolutions for alleged omissions of income tax. In some cases, the Company and subsidiaries 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. These tax processes are related to:

UNACEM

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

CONCREMAX

- Income tax for the 2012 financial year

As of December 31, 2020 and 2019, the Group maintains receivables related to said tax processes, see note 5 (a), because, in the opinion of the Group's Management and its legal advisors, there are reasonable arguments to obtain a result favorable to the interests of the Group.

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.

Notes to the consolidated financial statements (continued)

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

22.1 Market risk -

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

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

(i) Interest rate risk -

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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:	Fairvalue	
					As of December 31, 2020	As of December 31, 2019
	US\$(000)				S/(000)	S/(000)
Assets-						
Banco Scotiabank (Chile)	4,000	August 2021	Libor to 1 months + 1.1%	3.20%	-	144
Banco Scotiabank (Chile)	3,355	October 2023	Libor to 1 months + 1.85%	5.55%	478	418
Total					478	562
Liabilities -						
Citibank N.A.	50,000	October 2025	Libor to 3 months + 1.75%	5.70%	21,488	15,369
Santander S.A.	45,000	November, 2023	Libor to 3 months + 1.85%	5.03%	14,575	8,892
Bank of Nova Scotia	30,000	September 2025,	Libor to 3 months + 2.60%	5.66%	7,272	4,544
Banco de Crédito e Inversiones (BCI)	3,059	November, 2027	6.78	3.377%	364	506
Banco Scotiabank (Chile)*	4,000	August 2021	Libor to 1 months + 1.1%	3.20%	191	-
Banco Scotiabank (Chile)	-	-	-	-	-	288
					43,890	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 December 31, 2020 and 2019, the Group recognized under the heading "Unrealized results" of the consolidated statement of changes in equity.

Notes to the consolidated financial statements (continued)

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 Libor rate to 3 months and Libor rate to 1 month.

The Group pays or receives on a quarterly or monthly 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 December 31, 2020 and 2019 the Group recognized an expense on these derivative financial instruments amounting to approximately S/ 12,029,000 and S/4,316,000 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:	Fairvalue	
					As of December 31, 2020	As of December 31, 2019
	US\$(000)				S/(000)	S/(000)
Assets-						
Citibank N.A. New York	-	October 2020	Libor to 3 months + 1.08%	5.20%	-	2,459
					-	2,459

As of December 31, 2020, the effective portion of changes in the fair value of financial instruments that qualify as hedges is recognized as assets or liabilities. As of December 31, 2020 and 2019, the effect amounts to approximately S/2,459,000 and S/ 1,854,000, respectively, and is presented as part of the "Financial income" and "Financial heading" of the consolidated statement of income.

As of December 31, 2020 and 2019 the Company recognized an expense on these derivative financial instruments amounting to approximately S/ 2,709,000 and S/ 2,834,000 respectively, whose amounts were actually paid during the year and are presented as "Financial Cost " 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 December 31, 2020 and 2019 was a net loss and net gain amounting approximately S/ 61,002,000 and S/ 22,737,000, respectively, which are presented in the caption "Exchange difference, net" in the consolidated statement of income.

Notes to the consolidated financial statements (continued)

As of December 31, 2020 and 2019, the Group has "Cross Currency Interest Rate Swap" amounting to S/2,971,000 and S/958,000 in favor of the bank, respectively, and hedging of risks associated with exchange rate fluctuations. These instruments were designated as held for trading.

As of December 31, 2020 and 2019, variations in fair value are recognized as an expense or income. As of December 31, 2020, the effect corresponds to an expense of approximately S/ 2,474,000 (income of S/ 462,000 as of December 31, 2019) and is presented as part of the caption "Financial income" or "Financial cost" of the consolidated statement of results.

As of December 31, 2020 and 2019 the Company recognized an expense on these derivative financial instruments amounting to approximately S/ 107,000 and S/ 435,000 respectively, whose amounts were actually paid during the year and are presented as "Financial cost " in the consolidated statement of income.

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 December 31, 2020, the weighted average exchange rates of the free market for transactions in U.S. Dollars were S/3.618 for buying and S/3.624 for selling (S/3.311 for buying and S/3.317 for selling as of December 31, 2019), respectively.

As of December 31, 2020 and 2019, the Group 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	25,796	93,329	13,826	45,778
Trade and other payables	84,221	304,712	55,298	183,097
	<u>110,017</u>	<u>398,041</u>	<u>69,124</u>	<u>228,875</u>
Liabilities				
Other financial liabilities	(261,847)	(948,934)	(258,333)	(856,889)
Trade and other payables	(39,791)	(144,202)	(36,755)	(121,917)
Derivative financial instruments	-	-	(741)	(2,459)
	<u>(301,638)</u>	<u>(1,093,136)</u>	<u>(295,829)</u>	<u>(981,265)</u>
Derivative financial instrument in foreign currency	(820)	(2,971)	(73)	(242)
Net liability position	<u>(192,441)</u>	<u>(698,066)</u>	<u>(226,778)</u>	<u>(752,632)</u>

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).

Notes to the consolidated financial statements (continued)

Change in US Dollars rate In American Dollars	Impact on profit before income tax	
	As of December 31, 2020 S/(000)	As of December 31, 2019 S/(000)
%		
+5	(34,903)	(37,632)
+10	(69,807)	(75,264)
-5	34,903	37,632
-10	69,807	75,264

22.2 Credit risk –

As of December 31, 2020, no significant impact on the Company and its Subsidiaries 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 –

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

The Group's objective is to maintain a balance between continuity and flexibility of financing through the use of overdrafts in bank checking accounts, bank loans, and other financial liabilities.

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

	As of December 31, 2020			
	From 1 to 12 months S/(000)	From 1 to 3 years S/(000)	From 4 to more years S/(000)	Total S/(000)
Trade and other payables (*)	609,181	30,321	16,468	655,970
Other financial liabilities				
Amortization of capital	1,124,802	1,560,156	1,774,790	4,459,748
Flow of interest payments	190,512	302,001	270,875	763,388
Total liabilities	1,924,495	1,892,478	2,062,133	5,879,106

Notes to the consolidated financial statements (continued)

	As of December 31, 2019			
	From 1 to 12	From 1 to 3 years	From 4 to more	Total
	months	From 1 to 3 years	years	Total
	S/(000)	S/(000)	S/(000)	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 December 31, 2020 and 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 December 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Derivative financial instruments:		
Level 2	478	562
Total , assets, note 4(a)	478	562
Derivative financial instruments:		
Level 2	46,861	32,555
Total , liabilities, note 22.1(i) and (ii)	46,861	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.

Notes to the consolidated financial statements (continued)

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 December 31, 2020		As of December 31, 2019	
	Carrying value S/(000)	Fair value S/(000)	Carrying value S/(000)	Fair value S/(000)
Other financial liabilities (*)	4,069,030	3,910,404	3,911,626	3,616,453

- (*) As of December 31, 2020 and 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 loss 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.

Notes to the consolidated financial statements (continued)

	As of December 31, 2020							As of December 31, 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)	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	2,127,738	1,305,027	173,884	17,135	3,623,784	-	3,623,784	2,288,952	1,626,824	168,707	15,500	4,099,983	-	4,099,983
Inter segments	164,577	89,685	64,975	65,715	384,952	(384,952)	-	220,273	125,566	96,817	78,643	521,299	(521,299)	-
Total revenues	2,292,315	1,394,712	238,859	82,850	4,008,736	(384,952)	3,623,784	2,509,225	1,752,390	265,524	94,143	4,621,282	(521,299)	4,099,983
Gross profit	620,529	125,470	71,083	22,362	839,444	7,537	846,981	781,624	214,710	97,786	26,579	1,120,699	4,333	1,125,032
Operating Income (expenses)														
Administrative expenses	(188,701)	(53,909)	(14,696)	(14,552)	(271,858)	22,042	(249,816)	(210,110)	(69,112)	(15,344)	(16,625)	(311,191)	22,143	(289,048)
Selling expenses	(63,032)	(23,408)	(3,000)	-	(89,440)	194	(89,246)	(84,276)	(26,286)	(2,724)	-	(113,286)	1,402	(111,884)
Other operating income (expenses), net	(15,125)	(7,977)	1,595	356	(21,151)	(36,758)	(57,909)	178,397	10,964	2,837	(719)	191,479	(167,521)	23,958
Operating profit	353,671	40,176	54,982	8,166	456,995	(6,985)	450,010	665,635	130,276	82,555	9,235	887,701	(139,643)	748,058
Other income (expenses)														
Participation in net income of associates and joint business	-	2,140	(83)	36	2,093	(314)	1,779	-	1,476	(56)	423	1,843	50	1,893
Financial Income	8,235	1,170	96	1,571	11,072	(2,261)	8,811	20,075	4,573	313	1,690	26,651	(7,121)	19,530
Finance cost	(176,062)	(27,377)	(22,620)	(6,681)	(232,740)	2,261	(230,479)	(209,023)	(30,893)	(24,595)	(9,167)	(273,678)	7,121	(266,557)
Exchange difference, net	(48,738)	3,372	(19,686)	4,050	(61,002)	-	(61,002)	17,679	(576)	5,056	644	22,803	(66)	22,737
Income before income tax	137,106	19,481	12,689	7,142	176,418	(7,299)	169,119	494,366	104,856	63,273	2,825	665,320	(139,659)	525,661
Income tax	(56,889)	18,687	(9,665)	(6,458)	(54,325)	-	(54,325)	(117,693)	(33,683)	(19,162)	(2,214)	(172,752)	-	(172,752)
Net income for segment	80,217	38,168	3,024	684	122,093	(7,299)	114,794	376,673	71,173	44,111	611	492,568	(139,659)	352,909
Income before tax for segment	304,933	43,548	35,296	12,530	396,307	(227,188)	169,119	683,314	129,700	87,611	9,829	910,454	(384,793)	525,661
	As of December 31, 2020							As of December 31, 2019						
	Cement	Concrete	Electrical Energy	Others	Total Segments	Adjustments elimination	Consolidated	Cement	Concrete	Electrical Energy	Others	Total segments	Adjustments elimination	Consolidated
Operating assets	7,795,999	1,372,541	1,225,716	233,104	10,627,360	190,304	10,817,664	7,502,103	1,262,009	1,219,931	258,519	10,242,562	169,292	10,411,854
Operating liabilities	238,603	496,469	105,862	18,976	859,910	5,104,903	5,964,813	335,611	470,600	81,888	51,264	939,363	4,832,446	5,771,809

Notes to the consolidated financial statements (continued)

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 December 31, 2020 and 2019 is as follows:

	2020 S/(000)	2019 S/(000)
Reconciliation of income -		
Income before tax for segment before adjustment and eliminations	396,307	910,454
Financial Income	8,811	19,530
Finance cost	(230,479)	(266,557)
Participation in net income of associates and joint business	1,779	1,893
Inter segments	(7,299)	(139,659)
Income before tax for segment	<u>169,119</u>	<u>525,661</u>

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

	2020 S/(000)	2019 S/(000)
Reconciliation of assets -		
Segment operating assets	10,627,360	10,242,562
Deferred income tax asset	175,720	154,673
Derivative financial instruments	478	562
Other assets	14,106	14,057
Operating assets of the Group	<u>10,817,664</u>	<u>10,411,854</u>
Reconciliation of liabilities -		
Segment operating liabilities	859,910	939,363
Other financial liabilities	4,459,748	4,142,816
Trade payables to Directors	1,224	4,633
Deferred income tax liability	597,070	652,442
Derivative financial instruments	46,861	32,555
Operating liabilities of the Group	<u>5,964,813</u>	<u>5,771,809</u>

Notes to the consolidated financial statements (continued)

Geographic information –

The income information contained above is based on customer location.

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

	2020 S/(000)	2019 S/(000)
Income of customers		
Peru	2,315,290	2,879,154
Ecuador	440,479	515,334
United State of America	655,298	440,682
Chile	202,048	253,594
Colombia	10,669	11,219
Total income according to the consolidated statements of income	<u>3,623,784</u>	<u>4,099,983</u>

Total noncurrent assets by location as of December 31, 2020 and 2019 is as follows:

	2020 S/(000)	2019 S/(000)
Non-current assets:		
Peru	6,669,989	6,803,748
United State of America	1,447,337	1,299,062
Ecuador	814,445	774,678
Chile	108,814	98,557
Colombia	32,093	31,233
Non- current assets according to the financial statement	<u>9,072,678</u>	<u>9,007,278</u>

25. Subsequent events

COVID-19

On February 18, 2021, through a Supreme Decree issued by the Peruvian Government, the extension of the state of health emergency was declared until September 2, 2021. These provisions do not affect the activities of the Company and its subsidiaries operating in Peru since they are in the area related to construction and services, which continue to be carried out as authorized activities.

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

Notes to the consolidated financial statements (continued)

Acquisition of Cementos la Unión S.A. and Inversiones Mel 20 Limitada

As indicated in note 4 (c), as of December 31, 2020, the approval of the acquisition of the aforementioned Chilean companies was pending by the Chilean National Economic Prosecutor's Office.

On February 23, 2021, the Company was notified with the Approval Resolution Rol FNE F-257-2020, issued by the National Economic Prosecutor's Office of Chile, through which said institution approved the purchase operation by the Company, of 100 percent of the shares of Cementos La Unión S.A. (CLU CHILE) and 100 percent of the social rights of Inversiones Mel 20 Limitada (MEL20).

Between January 1, 2021 and the date of issuance of these consolidated financial statements, there have been no other subsequent significant financial-accounting events that may affect the interpretation of these statements consolidated financial statements.