

Unión Andina de Cementos S.A.A.

**UN-AUDITED Separate Interim Financial Statements
As of March 31, 2020 and, December 31, 2019**

UNIÓN ANDINA DE CEMENTOS S.A.A.

Statement of Financial Position

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

(In thousands of soles)

	Notes	As of March 31st, 2020	As of December 31, 2019
Assets			
Current Assets			
Cash and cash equivalents	3	22,469	6,280
Other Financial Assets		0	0
Trade Accounts Receivable and other accounts receivable	0	324,473	340,843
Trade Accounts Receivable , net	4	79,321	68,716
Other Accounts Receivable , net	4	29,358	20,990
Accounts Receivable from Related Companies	4	202,263	236,470
Advanced payments	4	13,531	14,667
Inventories	5	645,025	584,389
Biological Assets		0	0
Assets by Income Taxes	0	0	0
Other Non-Financial Assets		12,089	4,628
Total Current Assets different than assets or groups of assets for its classified as held for sale or for distribution to owners		1,004,056	936,140
Non-current assets or groups of assets for disposal Classified as Held for Sale		0	0
Non-current assets or groups of assets for its classified as held for distribution to owners		0	0
Non-current assets or groups of assets for disposal Classified as Held for Sale or Held for distribution to owners		0	0
Total Current Assets		1,004,056	936,140
Non-Current Assets			
Other Financial Assets		0	0
Investments in subsidiaries, joint ventures and associates	6	3,549,921	3,544,414
Trade Accounts Receivables and other accounts receivables	4	137,476	135,522
Trade Accounts Receivable		0	0
Other Accounts Receivable		31,963	32,588
Accounts Receivable from Related companies		105,513	102,934
Advanced payments		0	0
Biological Assets		0	0
Investment Property		0	0
Property, Plant and Equipment , net	7	3,954,670	3,979,191
Intangible Assets , net	9	31,040	31,415
Assets Deferred Income Tax		0	0
Surplus value	9	9,745	9,745
Other Assets	8	111,612	112,798
Total Non-current Assets		7,794,464	7,813,085
TOTAL ASSETS		8,798,520	8,749,225

	Notes	As of March 31st, 2020	As of December 31, 2019
Liabilities and Stocholders' Equity			
Current Liabilities			
Other Financial Liabilities	11	494,007	383,762
Trade accounts payable and other payable accounts		340,174	292,809
Trade Accounts Payable	10	147,421	167,485
Other Accounts Payable	10	55,739	59,552
Accounts payable to related companies	10	116,877	49,614
Diferred Income	0	20,137	16,158
Provision for Employee Benefits		0	0
Other provisions	0	0	0
Income Tax Liabilities		2,570	23,928
Other non-financial liabilities		8,230	27,306
Total Current Liabilities different of Liabilities included groups of assets for disposal Classified as Held for Sale		844,981	727,805
Liabilities included in asset groups classified as held for sale		0	0
Total Current Liabilities		844,981	727,805
Non-Current Liabilities			
Other Financial Liabilities	11	2,613,563	2,683,803
Trade accounts payable and other payable accounts	0	0	0
Trade Accounts Payable		0	0
Other Accounts Payable		0	0
Accounts payable to related companies	0	0	0
Deferred Income		0	0
Provision for Employee Benefits		0	0
Other provisions	12	30,811	30,811
Liabilities Deferred Income Taxes	13	463,525	475,620
Other non-financial liabilities	23.1(i)	49,396	31,264
Total Non-Current Liabilities		3,157,295	3,221,498
Total Liabilities		4,002,276	3,949,303
Stockholders' Equity			
Capital Issued		1,818,128	1,818,128
Issuance Premiums		-38,019	-38,019
Investment shares		0	0
Treasury Shares in portfolio		0	0
Other Capital Reserves		364,031	363,626
Accrued Results		2,690,703	2,681,929
Other Equity Reserves		-38,599	-25,742
Total Stockholders' Equity	-	4,796,244	4,799,922
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		8,798,520	8,749,225

UNIÓN ANDINA DE CEMENTOS S.A.A.

Statement Income

For the periods ended March 31st, 2020 and 2019

(In thousands of soles)

Notes	For the specific quarter from January 1, to March 31st, 2020	For the specific quarter from January 1, to March 31st, 2019	For the cummulative period from January 1st to March 31st, 2020	For the cummulative period from January 1st to March 31st, 2019	
Incomes from ordinary activities	15	411,119	478,963	411,119	478,963
Cost of Sales	16	-274,807	-309,370	-274,807	-309,370
Profit (Loss) Gross	-	136,312	169,593	136,312	169,593
Sales Expenses		-13,784	-8,813	-13,784	-8,813
Administrative expenses	17	-28,582	-33,720	-28,582	-33,720
Profit (Loss) in the write-off of financial assets carried at amortized cost		-	-	-	-
Other Operating Income	18	18,994	125,158	18,994	125,158
Other Operating Expenses	18	-6,334	-8,354	-6,334	-8,354
Other profit (loss)		-	-	-	-
Profit (Loss) from operating activities		106,606	243,864	106,606	243,864
Financial Income		1,148	10,187	1,148	10,187
Financial Expenses	19	-41,546	-47,584	-41,546	-47,584
Exchange differences, net		-18,957	19,005	-18,957	19,005
Other income (expense) from subsidiaries, joint ventures and associates		-	-	-	-
Share of Profit (Loss) in net results from Equity-Accounted Joint Ventures and related companies		-	-	-	-
Difference between the book value of the distributed assets and the book value of the divided payable		-	-	-	-
Gains before Income tax		47,251	225,472	47,251	225,472
Income tax expenses	-	-14,841	-35,119	-14,841	-35,119
Profit (Loss) Net of Continued Operations		32,410	190,353	32,410	190,353
Profit (loss) net of the tax to the profit from discontinued operations		-	-	-	-
Profit (loss) net of the year		32,410	190,353	32,410	190,353

UNIÓN ANDINA DE CEMENTOS S.A.A.
Statement of Comprehensive Income
For the periods ended March 31st, 2020 and 2019
(In thousands of soles)

Notas	For the specific quarter from January 1, to March 31st, 2020	For the specific quarter from January 1, to March 31st, 2019	For the cumulative period from January 1st to March 31st, 2020	For the cumulative period from January 1st to March 31st, 2019
Net Profit (Loss) of the year	32,410	190,353	32,410	190,353
Components of other comprehensive income:				
Net Change for Cash Flow Hedges	0	0	0	0
Hedges of a Net Investment in a Foreign Operation	0	0	0	0
Profit (Loss) in equity instrument investments at fair value	0	0	0	0
Exchange difference on translation of Foreign Operations	0	0	0	0
Net variation of non-current assets or groups of assets held for sale	0	0	0	0
Revaluation Surplus	0	0	0	0
Actuarial Gain (Loss) on defined benefit pension plans	0	0	0	0
Changes in the fair value of financial liabilities attributable to changes in the credit risk of the liability	0	0	0	0
Other Comprehensive Income Pre Tax	-	-	-	-
Income tax relating to components of other comprehensive income				
Net Change for Cash Flow Hedges	-12,857	-2,966	-12,857	-2,966
Hedges of a Net Investment in a Foreign Operation	0	0	0	0
Profit (Loss) in equity instrument investments at fair value	0	0	0	0
Exchange difference on translation of Foreign Operations	0	0	0	0
Net variation of non-current assets or groups of assets held for sale	0	0	0	0
Gains (Losses) for Financial Assets Measured at Fair Value with Changes in Other Comprehensive Income, net of Taxes	0	0	0	0
Actuarial Gain (Loss) on defined benefit pension plans	0	0	0	0
Changes in the fair value of financial liabilities attributable to changes in the credit risk of the liability	0	0	0	0
Sum of Income Tax-Related Components of other comprehensive income	-12,857	-2,966	-12,857	-2,966
Other Comprehensive Income	-12,857	-2,966	-12,857	-2,966
Total Comprehensive Income for the period , net of income tax	19,553	187,387	19,553	187,387

UNIÓN ANDINA DE CEMENTOS S.A.A.
Statement of Cash Flow
Direct Method
For the periods ended March 31st, 2020 and 2019
(In thousands of soles)

	Notes	As of January 1st, 2020 to March 31st, 2020	As of January 1st, 2019 to March 31st, 2019
Operating activities cash flows			
Types of cash collections from operating activities			
Sale of Goods and Services		468,665	561,122
Royalties, fees, commissions and other income from ordinary activities		0	0
Contracts held for brokering or trading purposes		0	0
Lease and subsequent sales of such assets		0	0
Other Cash Receipts Related to Operating Activity		64,271	35,827
Types of cash collections from operating activities			
Suppliers of goods and services		-305,359	-353,012
Contracts held for brokering or trading purposes		0	0
cash payments to and on behalf of employees		-54,849	-53,749
Elaboration or acquisition of assets to be leased and other assets held for sale		0	0
Other Cash Payments Related to Operating Activity		-29,868	-40,101
Cash flows and cash equivalents from (used in) Operating Activities		142,860	150,087
Interests received (not included in the Investment Activities)		0	0
Interests paid (not included in the Investment Activities)		-42,743	-37,026
Dividends Received (not included in the Investment Activities)		0	10,175
Dividends Paid (not included in the Investment Activities)		0	0
Income tax (paid) reimbursed		-41,874	-35,185
Other cash collections (payments)		0	0
Cash flows and cash equivalents from (used in) Operating Activities		58,243	88,051
Cash flows from Investment activities			
Type of cash collections from investment activities			
Reimbursement of loan repayment and loans granted to third parties		0	0
Loss of control of subsidiaries or other businesses		0	0
Loan repayments received from related parties		0	0
Sale of Equity-related Financial Instruments or debt of other entities		0	0
Derivatives contracts (Futures, Forwards or Options)		0	0
Sales of Interest in Joint Ventures, Net of the expropriated cash		0	0
Sale of Property, Plant and Equipment		0	0
Sale of intangible assets		0	0
Sale of other long- term assets		0	0
Government Subventions		0	0
Interests received		0	0
Dividends received		0	0
Type of cash payments from investment activities			
Advances and loans granted to third parties		0	0
Controlling interest of subsidiaries and other businesses		0	0
Loans from related		0	0
Purchase of Financial Instruments of equity or debt of other entities	0	-5,507	-9,222
Derivatives contracts (Futures, Forwards or Options)		0	0
Purchase of Subsidiaries, Net of cash acquired		0	0
Purchase of Joint Venture shares, Net of the cash acquired		0	0
Purchase of Property, Plant and Equipment	0	-28,677	-37,523

UNIÓN ANDINA DE CEMENTOS S.A.A.
Statement of Cash Flow
Direct Method
For the periods ended March 31st, 2020 and 2019
(In thousands of soles)

	Notes	As of January 1st, 2020 to March 31st, 2020	As of January 1st, 2019 to March 31st, 2019
Purchase of intangible assets	0	-289	-872
Purchase of other long- term assets		0	0
Income tax (paid) reimbursed		0	0
Other cash receipts (payments) relating to Investment activities			
Cash flows and cash equivalents from (used in) investing activities		-34,473	-47,617
Cash flows from Financing activities			
Type of cash collections from financing activities			
Loan securing		386,296	9,301
Loans from related entities		0	0
Changes to the subsidiaries ownership interest not resulting in the loss of control		0	0
Issuance of Shares		0	0
Issuance of Other Equity Instruments		0	0
Government Subventions		0	0
Type of cash payments from financing activities		0	0
Loan Amortization or payment		-367,108	-65,046
Financial leasing liabilities		0	0
Loans from related entities		0	0
Changes to the subsidiaries ownership interest not resulting in the loss of control		0	0
Redemption or repurchase of the entities' shares (Shares in the portfolio)		0	0
Acquisition of other equity interest		0	0
Interests paid		0	0
Dividends paid	0	-23,633	-26,949
Income tax (paid) reimbursed		0	0
Other cash receipts (payments) relating to financing activities		0	26,958
Cash flows and cash equivalents from (used in) financing activities		-4,445	-55,736
Increase (Decrease) in Net Cash and cash equivalents, before Changes in Foreign Exchange Rates		19,325	-15,302
Effects of Changes in Foreign Exchange Rates on Cash and Cash Equivalents		-3,136	99
Increase (Decrease) in Net Cash and Cash Equivalents		16,189	-15,203
Cash and cash equivalents at beginning of year		6,280	29,956
Cash and cash equivalents at end of year		22,469	14,753

UNIÓN ANDINA DE CEMENTOS S.A.A.
Statement of change in Stockholder's Equity
For the periods ended March 31st, 2020 and 2019
(In thousands of soles)

	Other Equity Reserves											Subtotal	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 for held for sale			Revaluation Surplus	Actuarial Profit (Loss) on defined benefit 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	2,457,207	-12,977	-	-	-	-	-	-	-	-12,977	4,420,034
1. Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Correction of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Restated Initial Balance	1,646,503	-	-	-	329,301	2,457,207	-12,977	-	-	-	-	-	-	-	-12,977	4,420,034
4. Changes in Stockholders' Equity:																
5. Comprehensive Income:																
6. Gain (Loss) for the year						190,353										190,353
7. Other Comprehensive Income:							-2,966								-2,966	-2,966
8. Comprehensive Income - Total year						190,353	-2,966								-2,966	187,387
9. Cash Dividends Declared						-21,405										-21,405
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			19,039	-19,035										133,610
Total Equity Increase (decrease)	171,625	-38,019			19,039	149,913	-2,966								-2,966	299,592
Balance as of March 31st, 2019	1,818,128	-38,019			348,340	2,607,120	-15,943								-15,943	4,719,626
Balance as of January 1, 2020	1,818,128	-38,019			363,626	2,681,929	-20,308						-5,434		-25,742	4,799,922
1. Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Correction of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Restated Initial Balance	1,818,128	-38,019			363,626	2,681,929	-20,308						-5,434		-25,742	4,799,922
4. Changes in Stockholders' Equity:																
5. Comprehensive Income:																
6. Gain (Loss) for the year						32,410										32,410
7. Other Comprehensive Income:							-12,857								-12,857	-12,857
8. Comprehensive Income - Total year						32,410	-12,857								-12,857	19,553
9. Cash Dividends Declared						-23,636										-23,636
10. Equity Issuance (reduction)																
11. Reduction or amortization of Investment shares																
12. Increase (decrease) in Other Contributions by Owners																
13. Decrease (Increase) for Other Distributions to Owners																
14. Increase (Decrease) due to changes in the subsidiaries ownership interest not resulting in the loss of control																
15. Increase (decrease) for transactions with Treasury Shares in Portfolio																
16. Increase (Decrease) for Transfer and other Equity Changes					405											405
Total Equity Increase (decrease)					405	8,774	-12,857								-12,857	-3,678
Balance as of March 31st, 2020	1,818,128	-38,019			364,031	2,690,703	-33,165						-5,434		-38,599	4,796,244

Unión Andina de Cementos S.A.A.

UN-AUDITED Separate Interim Financial Statements

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

1. Identification and Economic Activity

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

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

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

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

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

The separate financial statements as of the first quarter, 2020 have been issued with Management authorization and on April 24, 2020 will be presented for the approval of the Boards of Directors. The separate financial statements for the 2019 financial year are pending approval by the General Shareholders' Meeting due to its postponement by the declaration of the State of National Emergency and mandatory social isolation.

Mergers in 2019 -

(a) Merger SIA - IASA- PRONTO:

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

(b) Merger with Cementos Portland (CEMPOR)

At the General Shareholders' Meeting held on May 28, 2019, it was unanimously approved the project to the simple merger the Company as an acquiring Company and its subsidiary CEMPOR as an absorbed the company. 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.

Notes to the separate financial statements (continued)

Extraordinary event in 2020 -

The serious health crisis that we have been going through in Peru and the world, led the Government to declare a State of National Emergency, with mandatory social isolation due to the COVID-19 pandemic, from March 16th to April 26th of this year, with the consequent suspension of the Company's operations.

Given this, the Company's Board of Directors and Management have been permanently analyzing the situation and approving actions and plans that will allow the Company to overcome the crisis and continue, as up to now, accompanying the country in its development.

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

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

2. Summary of significant accounting policies

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

2.1 Basis of preparation -

The Company Separate Interim Financial Statements have been prepared according with the IAS 34 Interim financial information issued by the International Accounting Standards Board (IASB).

The separate interim financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The separate financial statements are presented in Soles and all values are rounded to the nearest thousand (S/000), except when otherwise indicated.

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

Notes to the separate financial statements (continued)

3. Cash and cash equivalents

(a) This item is made up as follows:

	As of March 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Petty cash	839	828
Current accounts (b)	21,630	5,452
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	22,469	6,280
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(b) Current accounts are maintained in local and foreign currency, kept in domestic and foreign banks and are freely available. These deposits earn interest at market rates.

(c) Corresponds to time deposits in domestic banks denominated in local and foreign currency, earn interest at market rates and had original maturities shorter than 3 months.

4. Trade and other receivable, net

(a) This item is made up as follows:

	Current		Non-current	
	As of March 31, 2020 S/(000)	As of December 31, 2019 S/(000)	As of March 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Trade accounts receivable, (b)	87,887	69,918	-	-
Accounts receivable from related parties, note 21 (c)	202,263	236,470	105,513	102,934
Claims to third parties	3,433	3,271	2,922	2,922
Loans to employees	658	2,440	-	-
Advances to suppliers(c)	13,531	14,667	4,791	5,416
Other accounts receivable	12,837	12,902	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	320,609	339,668	113,226	111,272
Claims to Tax authority (d)	10,569	9,551	24,250	24,250
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	10,569	9,551	24,250	24,250
Less - Allowance for doubtful accounts	(6,705)	(8,376)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	324,473	340,843	137,476	135,522
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Notes to the separate financial statements (continued)

- (b) Trade account receivables are mainly denominated in Soles, have current maturities, do not bear interest, have no significant specific guarantees and do not present significant overdue balances.
- (c) As of March 31, 2020 and December 31, 2019, corresponds to advance payments made to suppliers for the acquisition of machinery and equipment as well as the provision of various services. These advances will be applied in the short and long term.
- (d) As of March 31, 2020 and December 31, 2019 corresponds mainly to claims submitted to the Tax Authority for the return of overpayment of income tax and selective excise of previous year, see note 22.3.

According with the Company Management and its legal advisors, there are sufficient legal arguments to estimate that it is probable to recover such claims in the short and long term.

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

	Total S/(000)	Neither expired nor deteriorated S/(000)	Expired but not deteriorated			< 180 days S/(000)	Impaired S/(000)
			< 30 days S/(000)	30-90 days S/(000)	91-180 days S/(000)		
2020	468,654	402,836	52,348	4,744	660	1,361	6,705
2019	484,741	446,358	27,242	176	686	1,903	8,376

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

In Management's opinion, the allowance for doubtful accounts adequately covers the credit risk as of, March 31, 2020 and December 31, 2019.

Notes to the separate financial statements (continued)

5. Inventories, net

(a) This item is made up as follows:

	As of March 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Finished goods	11,915	18,787
Work in progress (b)	306,533	271,796
Raw and auxiliary materials (c)	79,920	109,170
Packages and packing	36,196	43,298
Spare parts and supplies	234,585	165,462
	<hr/>	<hr/>
	669,149	608,513
Allowance for inventory obsolescence	(24,124)	(24,124)
	<hr/>	<hr/>
	645,025	584,389
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(b) Work in progress includes coal, pozzolan, gypsum, clay, clinker in production and limestone extracted from the Company's quarries, which according to the Management's estimates will be used in the short-term production.

(c) Raw and auxiliary materials mainly include imported and domestic coal. As of March 31, 2020, the Company has in stock coal for approximately S/60,160,000 (S/55,851,000 as of December 31, 2019).

(d) Corresponds to the spare parts that will be used by the Company in the short term. The spare parts that the Company expects to use in a term greater than one year are presented within the balance of machinery and equipment and strategic spare parts in the item "Mining concessions and plant and equipment, net", see note 7 (a).

In opinion of Company's Management, the allowance for obsolescence of inventories covers appropriately its obsolescence risk as of March 31, 2020 and December 31, 2019.

Notes to the separate financial statements (continued)

6. Investments in subsidiaries and other

(a) This item is made up as follows:

	Economic activity	Country	Percentage of share		Value	
			Share participation		Books	
			As of March 31, 2020 %	As of December 31, 2019 %	As of March 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Investments in subsidiaries -						
Inversiones Imbabura S.A.	Holding	Peru (subsidiary in Ecuador)	99.99	99.99	1,516,724	1,516,724
Skanon Investments Inc.	Cement and Concrete	Unites States	86.55	86.55	1,219,607	1,219,607
Compañía Eléctrica El Platanal S.A.	Electrical energy	Peru	90.00	90.00	567,829	567,829
Inversiones en Concreto y Afines S.A.	Holding	Peru	93.38	93.38	67,036	67,036
Transportes Lurín S.A.	Services	Peru	99.99	99.99	64,250	64,250
Staten Island Co. LLC	Holding	Unites States	100.00	100.00	52,637	47,130
ARPL tecnología Industrial S.A.	Services	Peru	100.00	100.00	32,071	32,071
Prefabricados Andinos S.A.	Precast	Chile	51.00	51.00	20,021	20,021
Prefabricados Andinos Perú S.A.C.	Precast	Peru (subsidiary in Colombia)	50.02	50.02	17,537	17,537
Minera Adelaida S.A.	Holding	Peru	99.99	99.99	3,210	3,210
Vigilancia Andina S.A.A.	Services	Peru	55.50	55.50	2,308	2,308
Inv.Nacionales y Multinacionales Andinas S.A.	Services	Peru	90.90	90.90	1,165	1,165
Depósito Aduanero Conchán S.A.	Services	Peru	99.99	99.99	3,383	3,383
Generación Eléctrica de Atocongo S.A.	Services	Peru	99.85	99.85	125	125
Other:						
Ferrocarril central Andino S.A.	Services	Peru	16.49	16.49	7,567	7,567
Ferrocarril central Andino S.A.	Services	Peru	15.00	15.00	2,762	2,762
Cia. Inversiones Santa Cruz S.A.	Services	Peru	8.85	8.85	180	180
Others					234	234
					3,578,646	3,573,139
Allowance for impairment of investments (f)					(28,725)	(28,725)
					3,549,921	3,544,414

Notes to the separate financial statements (continued)

(b) Skanon Investments Inc. – SKANON

It is a non-resident company incorporated in February 2007 under the laws of the State of Arizona in the United States of America. SKANON owns 94.04 percent of Drake Cement LLC, a company domiciled in the United States of America, which built a cement plant in the Yavapai County, in northern Arizona.

(c) During the first quarter of 2020, the Company made cash contributions to its subsidiary, Staten Island Co. LLC. for a total of US \$ 1,631,000 (equivalent to approximately S / 5,507,000).

(d) ARPL Tecnología Industrial S.A. was a subsidiary of Inmobiliaria Pronto S.A. (PRONTO), who had 100 percent of its share capital. As a result of the merger of PRONTO with the Company, see note 1 (a), ARPL Tecnología Industrial S.A. It is a subsidiary of the Company from the date of said merger.

(e) Vigilancia Andina S.A, Inversiones Nacionales y Multinacionales S.A. and Ferrovías Central Andino S.A. were subsidiaries of Inversiones Andino S.A. (IASA), who had 55.50, 90.90 and 15.00 percent of its capital stock, respectively. As a result of the merger of IASA with the Company, see note 1 (a), Vigilancia Andina S.A. e Inversiones Nacionales y Multinacionales S.A. they are subsidiaries of the Company from the date of said merger.

Likewise, Ferrovías Central Andino S.A. and Compañía de Inversiones Santa Cruz S.A. were associates of Inversiones Andino S.A. (IASA), who had 15 and 8.85 percent of its capital stock, respectively, so they were registered as investments of the Company on the date of the merger.

(f) As of March 31, 2020 and December 31, 2019, the Company's Management estimates that the impairment of investments in subsidiaries amounts to S / 28,725,000, which is mainly related to Transportes Lurín S.A

Notes to the separate financial statements (continued)

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

(a) This item is made up as follows:

	Mining Concessions (b)	Land	Mine closure	Buildings and different	Facilities constructions	Machinery and Equipment	Work transportations	Furniture and fixtures	Other equipment	Units in Course (c)	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Cost -											
As of January 1, 2019	44,345	611,611	33,686	1,127,795	104,885	3,162,833	25,786	17,596	68,591	199,437	5,396,565
Merger	54,585	53,277	-	11,352	2,438	-	346	313	524	1,578	124,413
Additions (d)	332	1,535	672	3,017	813	3,890	2,169	158	1,992	150,938	165,516
Transfers	-	4,898	-	17,934	674	104,607	2,272	201	1,884	(132,470)	-
Retirements and sells	-	-	(4)	(1,066)	-	(6,507)	(1,512)	-	-	-	(9,089)
Adjustments	-	-	(8,325)	-	-	-	-	-	-	(1,778)	(10,103)
As of December 31, 2019	99,262	671,321	26,029	1,159,032	108,810	3,264,823	29,061	18,268	72,991	217,705	5,667,302
Additions	-	-	-	-	664	831	78	3	259	26,842	28,677
Transfers	-	-	-	622	322	3,725	-	-	1,123	(5,792)	-
Retirements and sells	-	-	-	-	-	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-	-	-	-	-	-
As of March 31, 2020	99,262	671,321	26,029	1,159,654	109,796	3,269,379	29,139	18,271	74,373	238,755	5,695,979
Accumulated depreciation -											
As of January 1, 2019	18,996	-	6,219	263,124	61,583	1,022,172	21,857	16,276	52,019	-	1,462,246
Merger	386	-	-	3,396	66	-	192	282	367	-	4,689
Depreciation of the period (d)	92	-	1,046	48,913	5,752	166,589	1,323	366	3,452	-	227,533
Retirements and sells	-	-	-	(251)	-	(3,099)	(1,229)	-	-	-	(4,579)
Adjustments	-	-	-	-	(1,778)	-	-	-	-	-	(1,778)
As of December 31, 2019	19,474	-	7,265	315,182	65,623	1,185,662	22,143	16,924	55,838	-	1,688,111
Depreciation of the period (d)	31	-	188	11,290	1,438	38,977	356	75	843	-	53,198
Transfers	-	-	-	-	-	-	-	-	-	-	-
Retirements and sells	-	-	-	-	-	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-	-	-	-	-	-
As of March 31, 2020	19,505	-	7,453	326,472	67,061	1,224,639	22,499	16,999	56,681	-	1,741,309
Net book value -											
As of March 31, 2020	79,757	671,321	18,576	833,182	42,735	2,044,740	6,640	1,272	17,692	238,755	3,954,670
As of December 31, 2019	79,788	671,321	18,764	843,850	43,187	2,079,161	6,918	1,344	17,153	217,705	3,979,191

(b) As of March 31, 2020 and December 31, 2019, corresponds mainly to the concessions of the quarries of Atocongo, Atocongo Norte, Pucará , Oyon and Silence 8.

Notes to the separate financial statements (continued)

- (c) The main additions during the year 2020 correspond to the dusting projects of Kiln 2 coolers, Kiln 2 overhaul and the clinker yard roofing corresponding to the Condorcocha plant; as well as the structural reinforcement of chamber 3 of the multisilo and the thermal plant project corresponding to the Atocongo plant, for approximately S / 15,291,000.

During the year 2020, the Company completed the works related to equipment for the Ancieta and Cajamarquilla plants and paving of parking lots at the Atocongo plant; among others for approximately S / 1,366,000. These projects were transferred from work in progress to their corresponding classification in the caption "Mining concessions and property, plant and equipment, net".

The main additions during 2019 correspond to the projects for the cooler dedusting system of kiln 2 , change of rollers and bearings of the cement press 5 and migration of the kiln control system corresponding to the Condorcocha plant; as well as the plan for Cristina concession, clinker court roofing, firefighting system, pavers and the thermal plant project corresponding to the Atocongo plant for approximately S/ 74,011,000.

- (d) The depreciation was distributed as follows:

	As of March 31, 2020	As of March 31, 2019
	S/(000)	S/(000)
Cost of sales, note 16	50,950	54,038
Administrative expenses, note 17.	1,661	1,686
Other expenses	219	282
Inventories in process	368	223
	<u>53,198</u>	<u>56,229</u>

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

	As of March 31, 2020	As of December 31, 2019
	S/(000)	S/(000)
Buildings and constructions	36,936	29,719
Machinery and equipment	<u>201,819</u>	<u>187,986</u>
	<u>238,755</u>	<u>217,705</u>

- (f) The Company maintains current insurance on its main assets, in accordance with the policies established by Management. In Management's opinion, its insurance policies are consistent with international industry practice.

Notes to the separate financial statements (continued)

8. Deferred Stripping assets, net

(a) This item is made up as follows:

	S/(000)
Cost -	
As of January 1, 2019	164,912
Additions	-
	<hr/>
As of December 31, 2019	164,912
Additions	-
	<hr/>
As of March 31, 2020	164,912
	<hr/>
Accumulated depreciation -	
As of January 1, 2019	(46,812)
Additions, note 16	(5,302)
	<hr/>
As of December 31, 2019	(52,114)
Additions, note 16	(1,186)
	<hr/>
As of March 31, 2020	(53,300)
	<hr/>
Net book value -	
As of March 31, 2020	111,612
	<hr/>
As of December 31, 2019	112,798
	<hr/> <hr/>

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

Notes to the separate financial statements (continued)

9. Intangible assets, net

(a) The table below presents the components of this item:

	Concession for	Goodwill	Environmental protection program		Others	Total
	generation of Electrical Energy (b)		Environmental	Software		
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Cost -						
As of January 1, 2019	61,330	9,745	17,071	20,693	13,023	121,862
Additions	1,270	-	-	283	2,361	3,914
Withdrawals	-	-	-	-	-	-
As of December 31, 2019	62,600	9,745	17,071	20,976	15,384	125,776
Additions	-	-	-	-	289	289
As of March 31, 2020	62,600	9,745	17,071	20,976	15,673	126,065
Accumulated amortization -						
As of January 1, 2019	37,269	-	17,071	14,884	11,378	80,602
Amortization of the year	2,754	-	-	797	463	4,014
As of December 31, 2019	40,023	-	17,071	15,681	11,841	84,616
Amortization of the year	371	-	-	199	94	664
As of March 31, 2020	40,394	-	17,071	15,880	11,935	85,280
Net book value -						
As of March 31, 2020	22,206	9,745	-	5,096	3,738	40,785
As of December 31, 2019	22,577	9,745	-	5,295	3,543	41,160

(b) This amount corresponds to the expenditures to develop the overall project "El Platanal" consisting of the construction of two hydroelectric reservoirs and a system for the irrigation of uncultivated lands, and also to obtain the final concession to develop the activity of electricity generation, which was obtained by the Company, through Supreme Resolution N° 130-2001-EM, dated July 25, 2001. On October 2, 2003, the resolution of the definitive generation concession in two independent power generation concessions was approved by Supreme Resolution No. 036-2003-EM: G-1 "El Platanal" with an installed capacity of 220 megawatts and G-2 "Morro de Arica" with an installed capacity of 50 megawatts. On September 12, 2006, the transfer of the concession and the assignment of use of the "El Platanal" project to its subsidiary Compañía Eléctrica El Platanal S.A. (CELEPSA) was approved by Supreme Resolution N° 053-2006-EM for a period of 25 years from March 30, 2011, whereby the Company receives royalties in exchange equivalent to 3.55 percent of net monthly income obtained by CELEPSA, on sales of energy and power to third parties. As of March 31, 2020 and December 31, 2019, the Company only maintains the concession related to the G-1 "El Platanal" project.

Notes to the separate financial statements (continued)

- (c) Effective Year 2003, the Company acquired 100 percent of the shares representing the capital stock of Lar Carbón S.A. The acquisition was recorded using the purchase method, by means of which the Company recorded adjustments to its separate financial statements to reflect the assets and liabilities acquired at their fair values at the acquisition date. As a result of this acquisition, the Company recognized a goodwill of S/ 9,745,000.

The recoverable amount of coal grinding plant (cash generating unit) is established on the basis of calculation of value in use, which uses projections of cash flows on financial budgets prepared by Management covering a 5-year period, calculated on the resource base. As a result of this analysis, no impairment loss on this unit was found. In relation to the assessment of value in use of the cash-generating unit, Management believes that no reasonable change in assumptions would cause the carrying amount of the unit exceeds its recoverable amount significantly.

10. Trade and other payables

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

	As of March 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Trade payable (b)	147,421	167,485
Accounts receivable from related parties, note 20(b)	116,877	49,614
Interest payable, note 11 (b) and (e)	21,863	23,877
Salaries, bonuses and vacation payable	21,295	19,218
Board compensation payable	522	2,583
Dividends payable	6,190	6,594
Other accounts payable	5,869	7,280
	<u>320,037</u>	<u>276,651</u>

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

Notes to the separate financial statements (continued)

11. Other financial liabilities

(a) This item is made up as follows:

	As of March 31, 2020			As of December 31, 2019		
	Portion Current S/(000)	Portion Non- Current S/(000)	Total S/(000)	Portion Current S/(000)	Portion Non- Current S/(000)	Total S/(000)
Bank overdrafts	169,391	-	169,391	58,095	-	58,095
Bank loans (b)	135,470	-	135,470	116,095	-	116,095
Interest on bonds and long-term debt, Note 11.1(a)	189,146	2,613,563	2,802,709	209,572	2,683,803	2,893,375
	<u>494,007</u>	<u>2,613,563</u>	<u>3,107,570</u>	<u>383,762</u>	<u>2,683,803</u>	<u>3,067,565</u>

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

As of March 31, 2020 and December 31, 2019, the balance per bank consists of:

	As of March 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Creditor -		
Citibank N.A. New York	120,470	116,095
BBVA Banco Continental	15,000	-
	<u>135,470</u>	<u>116,095</u>

As of March 31, 2020 and December 31, 2019, the interest payable amounts to approximately S/592,000 and S/603,000, respectively, and are recorded in the caption "Trade and other payable" of the separate statement of financial position, see note 10(a). As of March 31, 2020 and 2019, the interest expenses amounted to approximately S/916,000 and S/4,156,000, respectively, and are included in the caption "Financial expenses" of the separate statement of income.

Notes to the separate financial statements (continued)

11.1 Bank bonds and loans

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

	Maturity Rate	Guarantee	As of March 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Bonds -				
Second issuance of the second program (b.2)	March 2023	No guarantees	60,000	120,000
			<hr/>	<hr/>
			60,000	120,000
			<hr/>	<hr/>
Bank loans (f)-				
Banco Internacional del Perú	September 2022, October 2024 and March 2025	No guarantees	524,160	654,160
Banco de Crédito del Perú	November 2025 and November 2026	No guarantees	808,675	838,640
BBVA Banco Continental	November 2021 and November 2024	No guarantees	340,500	349,071
Scotiabank Perú S.A.	December 2021, October 2024, 2024 and October 2025	No guarantees	655,200	533,771
Citibank	October 2025	No guarantees	172,100	165,850
Bank of Nova Scotia	September 2025,	No guarantees	103,260	99,510
Santander S.A.	November, 2023	No guarantees	154,890	149,266
			<hr/>	<hr/>
			2,758,785	2,790,268
Amortized cost			(16,076)	(16,893)
			<hr/>	<hr/>
			2,742,709	2,773,375
			<hr/>	<hr/>
Total			2,802,709	2,893,375
Less - Current portion			189,146	209,572
			<hr/>	<hr/>
Non- Current Portion			2,613,563	2,683,803
			<hr/>	<hr/>

Notes to the separate financial statements (continued)

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

(b.1) On October 31, 2014, the Company made an international bond issue for US \$ 625,000,000 (equivalent to approximately S / 1,868,125,000). On October 30, 2018, the Company made a partial redemption of said bonds for a total of US \$ 400,000,000 and on October 30, 2019, the Company made a total redemption of the balance of said bonds for a total of US \$ 225,000,000.

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

(c) The applicable financial covenants for the local financial liabilities are of quarterly follow-up and it must be calculated on the bases of the separate financial information and the calculation methodologies by each financial entity.

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

- To maintain an index debt minor or equal to 1.5 times.
- To maintain a debt service coverage ratio greater or equal to 1.2 times.
- To maintain an interest coverage ratio major o equal between 3.0 to 4.0 times.
- To maintain an debt coverage ratio of financial debt/EBITDA minor or equal to 4.10.
- To maintain a debt service coverage ratio greater or equal to 1.00 times

As mentioned in Note 1, by Supreme Decree No. 044-2020-PCM of March 15, 2020, the State of National Emergency and mandatory social isolation was declared throughout the national territory. This State of Emergency was extended by Supreme Decree No. 051-2020-PCM, until April 12, 2020, and subsequently by Supreme Decree No. 064-2020-PCM, until April 26, 2020.

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

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

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 separate financial statements (continued)

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

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

- (o) As of March 31, 2020 and December 31, 2019, interest's payable related to bonds and long and medium-term debt are amounted to approximately S/21,271,000 and S/23,274,000, respectively and are recorded in the caption "Trade and other payable", of the separate statement of financial position, note 10(a).

Interest generated by bonds and debt with medium and long-term banking entities maintained for the years ended March 31, 2020 and 2019, amounted to approximately S/ 34,834,000 and S/ 37,471,000.

- (e) As of March 31, 2020, the Company maintains bank loans in soles with effective annual interest rates in soles that fluctuate between 4.10 to 5.80 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).

As of December 31, 2019, the Company maintains bank loans in soles with effective annual interest rates in soles that fluctuate between 3.85 to 5.90 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).

Notes to the separate financial statements (continued)

12. Provisions

(a) This item is made up as follows:

	Current		Non-current	
	As of March 31, 2020 S/(000)	As of December 31, 2019 S/(000)	As of March 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Workers' profit sharing (b)	2,486	24,248	-	-
Mine closure provision quarries (c)	1,255	1,255	30,811	30,811
Severance compensation	4,489	1,803	-	-
	<u>8,230</u>	<u>27,306</u>	<u>30,811</u>	<u>30,811</u>

(b) Workers' profit sharing -

In accordance with Peruvian legislation, the Company maintains an employee profit sharing plan of 10 percent of annual taxable income. Distributions to employees under the plan are based 50 percent on the number of days that each employee worked during the preceding year and 50 percent on proportionate annual salary levels. As of March 31, 2020, and December 31, 2019, the Company recognized an expense that amounts to S/2,486,000 and S/. 47,895,000, respectively.

(c) Provision for mine closure -

As of March 31, 2020, and December 31, 2019, the Company maintains a provision for the future cost of closing its quarries operated by the Company. The provision was created on the basis of studies conducted by internal specialists using a discount rate. Based on the current economic environment, Management adopted certain assumptions which are considered reasonable to make an estimation of future liabilities. These estimates are reviewed annually to take into account any significant change in the assumptions. However, the actual costs of mine closure finally depend on future market prices for the necessary works of abandonment that will reflect market conditions at the relevant time. In addition, the actual closure time depends on when the mines cease to produce economically viable products. During 2019, the Company changed certain quarry closure projections before the Ministry of Energy and Mines and others are in the process of being approved. As of March 31, 2020, the budgets of Atocongo and Hienas have been approved.

Notes to the separate financial statements (continued)

13. Deferred income tax liability, net

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

	As of March 31, 2020	As of December 31, 2019
	S/(000)	S/(000)
Deferred liability		
Differences on fixed assets tax bases	424,337	430,668
Deferred Stripping assets	32,925	33,275
Deferred commissions of financial obligations	1,624	1,680
Capitalized interests	31,427	31,963
Pre-operating expenses	6,126	6,126
	<hr/>	<hr/>
	496,439	503,712
	<hr/>	<hr/>
Deferred asset		
Derivative financial instruments	(14,571)	(9,222)
Provision for vacation	(4,190)	(4,252)
Provision for mine closure	(3,511)	(3,446)
Fair value with changes in other comprehensive income	(2,274)	(2,274)
Allowance for inventory obsolescence	(7,117)	(7,117)
Amortization of "El Platanal" studies	(1,117)	(1,281)
Other provisions	(134)	(500)
	<hr/>	<hr/>
	(32,914)	(28,092)
	<hr/>	<hr/>
Deferred income tax liability, net	463,525	475,620
	<hr/>	<hr/>

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

	As of March 31, 2020	As of March 31, 2019
	S/(000)	S/(000)
Current	(21,478)	(37,423)
Deferred	6,715	2,304
Royalty Expenses	(78)	-
	<hr/>	<hr/>
Total	(14,841)	(35,119)
	<hr/>	<hr/>

Notes to the separate financial statements (continued)

14. Net Equity

(a) Capital issued-

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

Shareholders	Number of shares	Percentage of participation %
Nuevas Inversiones S.A.	459,129,497	25.25
Inversiones JRPR S.A.	455,919,897	25.08
AFPs	430,244,886	23.66
Others	472,833,331	26.01
	<hr/>	<hr/>
	1,818,127,611	100.00
	<hr/>	<hr/>

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

(b) Additional share-

Corresponds to the variation between the capital increase made by the merger of the Company with SIA, IASA and PRONTO and the registered equity, see note 1 (a).

Legal reserve-

Under the terms of the General Corporation Law, it is required that at least 10 percent of the distributable profit for each year, less income tax, has to be transferred to a legal reserve until such reserve equals to 20 percent of the share capital. The legal reserve may offset any losses or may be capitalized, existing in both cases the obligation to replenish it. As of March 31, 2020 December 31, 2019, the legal reserve reached the top of 20 percent of the issued capital.

(d) Unrealised 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.

Notes to the separate financial statements (continued)

(d) Dividend distributions –

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

2020 dividends:

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

2019 dividends:

Directors Board session date	Dividends declared and paid S/(000)	Payment date	Dividends per common share
January 25, 2019	21,405	28.02. 2019	0.051
May 2, 2019	23,636	04.06. 2019	0.051
July 26, 2019	23,636	29.08. 2019	0.051
October 23, 2019	23,635	27.11. 2019	0.051
	<u>92,312</u>		

15. Net sales

(a) This item is made up as follows as of March 31 of:

	2020 S/(000)	2019 S/(000)
Cement	382,859	451,195
(-) Sales commission	(14,779)	(16,968)
	<u>368,080</u>	<u>434,227</u>
Cement Net sales	368,080	434,227
Concrete blocks, bricks and pavers(c)	14,401	23,190
Exports of Clinker (b)	28,638	21,546
	<u>411,119</u>	<u>478,963</u>

(b) The sale of clinker corresponds to the export of the raw material to customers located in South and Central America.

(c) Corresponds mainly to sales made to UNICON and CONCREMAX, related companies, see note 20 (a).

Notes to the separate financial statements (continued)

16. Cost of sales

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

	2020	2019
	S/(000)	S/(000)
Beginning balance of finished goods and work in process, note 5(a)	290,583	216,835
Cost of production:		
Fuel	61,775	58,666
Depreciation, note 7(d)	50,950	54,038
Personnel expenses	32,912	32,231
Electrical Energy	19,993	20,627
Consumption of raw material	23,210	25,907
Kiln, machinery and equipment maintenance	20,386	29,969
Packaging	15,917	17,643
Transport of raw material	15,499	17,336
Stripping costs (clearing)	1,839	1,810
Depreciation for stripping cost, note 8	1,186	878
Other manufacturing expenses	59,005	44,489
Ending balance of finished goods and work in process, note 5(a)	(318,448)	(211,059)
	<u>274,807</u>	<u>309,370</u>

17. Administrative expenses

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

	2020	2019
	S/(000)	S/(000)
Personnel expenses	14,771	18,036
Services rendered by third parties	5,899	6,944
Donations	2,261	2,732
Taxes	1,590	1,926
Depreciation, note 7(d)	1,661	1,686
Mining royalties	-	71
Others	2,400	2,325
	<u>28,582</u>	<u>33,720</u>

Notes to the separate financial statements (continued)

18. Other income and other expenses

As of March 31, 2019 this category is mainly composed of dividends received from subsidiaries (see note 20 (a):

- Inversiones Imbabura S.A. for US \$ 33,205,000 (equivalent to S/ 110,207,000).
- Ferrocarril Central Andino S.A. for S/. 2,325,000

As of March 31, 2020, no dividends were received from said subsidiaries.

19. Finance cost

Corresponds mainly to the interests generated by debt with banks in the medium and long term, as of March 31, 2020 and 2019 amount to S / 34,834,000 and S / 37,471,000 respectively.

20. Related parties' transactions

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

	2020	2019
	S/(000)	S/(000)
Cement sales –		
La Viga S.A.	92,815	113,272
Unión de Concreteras S.A.	29,844	45,906
Concremax S.A.	10,027	11,775
Prefabricados Andinos Perú S.A.C.	43	236
Asociación UNACEM	67	48
Blocks, bricks, pavers and HCR sales –		
Concremax S.A.	33	1,647
Unión de Concreteras S.A.	14,099	21,541
Dividends income, note 18 -		
Inversiones Imbabura S.A.	-	110,207
Ferrocarril central Andino S.A.	-	2,325
Income from royalties –		
Compañía Eléctrica El Platanal S.A.	1,538	1,268
Licenses - Intellectual property and trademarks – Abroad		
UNACEM Ecuador S.A.	3,846	4,701
Leases of plant, equipment and facility –		
Unión de Concreteras S.A.	302	186
Cia. Eléctrica El Platanal S.A.	132	129
ARPL tecnología Industrial S.A.	84	55
Depósito Aduanero Conchán S.A.	76	80
Prefabricados Andinos Perú S.A.C.	47	47
La Viga S.A.	45	44
Others	33	18
Administrative, technology and management support –		

Notes to the separate financial statements (continued)

Unacem Ecuador S.A.	2,749	572
Prefabricados Andinos Perú S.A.C.	131	137
Drake Cement LLC.	81	125
Generación Eléctrica Atocongo S.A.	41	41
Depósito Aduanero Conchán S.A.	65	33
Compañía Eléctrica El Platanal S.A.	334	47
Transportes Lurín S.A.	(28)	11
Vigilancia Andina S.A.A.	30	28
Other income -		
Compañía Eléctrica El Platanal S.A.	-	4
Unión de Concreteras S.A.	-	170
Others	24	61
Purchases of electric energy -		
Compañía Eléctrica El Platanal S.A.	17,453	17,828
Commissions and freight costs of cement sales -		
La Viga S.A.	5,507	4,595
Concremax S.A.	194	-
Surveillance services		
Vigilancia Andina S.A.A.	5,945	5,984
Technical assistance and engineering services -		
ARPL tecnología Industrial S.A.	4,437	4,453
Maquila Service -		
Unión de Concreteras S.A.	7,285	9,104
Concremax S.A.	21	941
Warehouse management services-		
Depósito Aduanero Conchán S.A.	351	392
Purchases of additional material -		
Unión de Concreteras S.A.	1,051	824
Concremax S.A.	-	391
Engineering services and project management -		
ARPL tecnología Industrial S.A.	365	67
Payable Loans -		
Skanon Investments INC	81,368	-
Expense reimbursements -		
Unión de Concreteras S.A.	802	1,152
ARPL tecnología Industrial S.A.	-	-
Others -		

Notes to the separate financial statements (continued)

Generación Eléctrica Atocongo S.A.	722	634
Unión de Concreteras S.A.	80	1,158
Depósito Aduanero Conchán S.A.	180	180
Drake Cement LLC.	34	17
BASF Construction Chemicals Perú S.A.	30	634
Prefabricados Andinos Perú S.A.C	17	378
Others	23	17

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

	2020	2019
	S/(000)	S/(000)
Trade receivable, note 4(a) –		
Inversiones Imbabura S.A.	7	1
Drake Cement LLC.(d)	160	75
Compañía Eléctrica El Platanal S.A.	8,218	5,443
Unión de Concreteras S.A.	-	44,015
La Viga S.A.	25,020	24,227
Inversiones en Concreto y Afines S.A.	113	0
Concremax S.A.	2,043	13,689
UNACEM Ecuador S.A.	6,226	4,349
Others	11,919	434
	<hr/>	<hr/>
	53,706	92,233
	<hr/>	<hr/>
Dividends receivable		
Inversiones Imbabura S.A.	189,678	182,779
Compañía Eléctrica El Platanal S.A.	34,938	34,938
Inversiones en Concreto y Afines S.A.	29,454	29,454
	<hr/>	<hr/>
	254,070	247,171
	<hr/>	<hr/>
Other accounts receivable	307,776	339,404
	<hr/>	<hr/>
By term -		
Current Portion	202,263	236,470
Non- Current Portion	105,513	102,934
	<hr/>	<hr/>
	307,776	339,404
	<hr/>	<hr/>

Notes to the separate financial statements (continued)

Account payables, note 10(a)-		
Compañía Eléctrica El Platanal S.A.	12,701	18,975
Unión de Concreteras S.A.	10,040	15,180
ARPL tecnología Industrial S.A.	5,203	7,728
La Viga S.A.	2,589	2,569
Vigilancia Andina S.A.A.	2,348	2,425
Generación Eléctrica Atocongo S.A.	740	524
Transporte Lurin S.A.	623	623
Depósito Aduanero Conchán S.A.	536	602
Concremax S.A.	489	810
Others	240	178
	35,509	49,614
	35,509	49,614
Payable Loans -		
Skanon Investments INC	81,368	-
	81,368	-
	81,368	-
By Term -		
Non-current portion, note 10(a)	116,877	49,614
	116,877	49,614
	116,877	49,614

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

- (c) The total remuneration received by the directors and key officers of the Management as of March 31, 2020 amounted to approximately S/ 5,296,000 (as of March 31, 2019 of approximately S/ 7,951,000), which include short-term benefits and compensation for service time.

Notes to the separate financial statements (continued)

21. Earnings per share

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

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

	As of March 31, 2020	As of March 31, 2019
	S/(000)	S/(000)
Numerator		
Net income attributable to common shares	32,410	190,353
	<hr/>	<hr/>
	In thousands	In thousands
Denominator		
Weighted average number of common shares	1,818,128	1,646,503
	<hr/>	<hr/>
Basic and diluted earnings per share (stated in thousands of Soles)	0.018	0.116
	<hr/>	<hr/>

22. Commitments and contingencies

22.1 Financial commitments -

As of March 31, 2020, the Company has the following main financial commitments:

- Guarantee letter to the Ministry of Energy and Mines (MEM), issued by Banco de Crédito del Perú, by a total approximate of US\$3,547,000 (equivalent to S/5,776,000) with a maturity on January 2021, in order to ensure compliance of the Mine Closure.
- Guarantee letter to the Ministry of Production, issued by Banco de Crédito del Perú, by a total approximate of US\$3,547,000 (equivalent to S/13,679,000) with a maturity on January 2021, in order to ensure compliance of the Mine Closure.

22.2 Tax situation-

- (a) The Company is subject to the Peruvian tax system the applicable income tax rate on taxable income is 29.5 percent.

Legal entities not domiciled in Peru and natural persons are subject to withholding an additional tax on dividends received or any other form of profits distribution. In this regard, in accordance with Legislative Decree No. 1261, the withholding of the additional tax on dividends received will be 5 percent for the profits generated as of 2017, the distribution of which will be made as of said date.

Notes to the separate financial statements (continued)

- (b) For purposes of determining the Income Tax, the transfer prices for transactions with related entities and entities domiciled in territories with little or no taxation must be supported by documentation and information on the valuation methods used and the criteria considered for their determination.

Based on an analysis of the Company's operations, management and its legal advisors believe that the application of this rule would not result in material contingencies for the Company as of March 31, 2020 and 2019.

- (c) The Tax Authority has the power to review and adjust the income tax calculated by the Company in the four years following the year the tax returns presentation. The tax returns of the Income Tax for the years 2011 to 2013 and 2016 to 2019 and value added tax ("IGV" for its acronym in Spanish) for the periods December 2014 to March 2020 are open to review by Tax Authority.
- (d) 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 or not in liabilities for the Company, 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 separate financial statements as of Tuesday, March 31, 2020 and Tuesday, December 31, 2019.
- (e) In 2020, the Company recorded a provision for income tax of S / 18,038,000 and made payments on account of S / 15,468,000 (S / 117,712,000 and S / 82,252,000, respectively in 2019). As of March 31, 2020 and December 31, 2019, the net balance payable for S / 2,570,000 and S / 23,928,000 are presented in the Statement of financial position.

22.3 Contingencies -

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

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

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

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

On May 22, 2018, the Chamber of Constitutional and Social Permanent Law of the Supreme Court of Justice of the Republic notified the writ of appeal of cassation No. 12464-2017, through which the appeal filed by the Company was declared inadmissible. In June 2018, the Company filed a writ of appeal requesting the annulment of the qualifying writ of appeal of said procedure On August 13, 2019, the

Notes to the separate financial statements (continued)

Eleventh Constitutional Court with a Subspecialty in Tax and Customs topics, issued a Resolution No. 5 by means of which it was resolved to declare the application for amparo unfounded. On September 2, 2019, the Company filed an appeal against said resolution 5.

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

- *Income tax for the years 2004 and 2005 -*

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

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

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

- *Income tax for the 2010 financial year -*

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

- *Income tax for the 2013 financial year -*

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

- *Excise tax -*

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

Notes to the separate financial statements (continued)

(b) Administrative process -

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

22.4 Mining royalties -

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

22.5 Environmental commitments -

The activities of the Company are subject to environmental protection standards. This tax rules are the same as those described in the notes to the annual separate financial statements as of March 31, 2020.

23. Financial risk management, objectives and policies

The Company's principal financial liabilities comprise - aside derivative instruments - bank loans, trade and others payables, and other financial liabilities. The main purpose of these financial liabilities is to finance the Company's operations. The Company has cash and trade and others receivables that arise directly from its operations. The Company also holds derivative financial instruments.

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

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

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

Notes to the separate financial statements (continued)

23.1 Market risk –

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

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

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

(i) Interest rate risk –

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

Notes to the separate financial statements (continued)

(a) Derivative Financial instruments from hedge -

As of March 31, 2020 and December 31, 2019, the Company has three 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:	Pays fix rate at:	Fair value	
					As of March 31, 2020	As of December 31, 2019
	US\$(000)				S/(000)	S/(000)
Assets-						
Citibank	50,000	October 2025	Libor to 3 months + 1.75%	Libor to 3 months + 1.75%	23,152	15,369
Bank of Nova Scotia	30,000	September 2025,	Libor to 3 months + 2.60%	Libor to 3 months + 2.60%	8,313	4,544
Santander S.A.	45,000	November, 2023	Libor to 3 months + 1.85%	Libor to 3 months + 1.85%	15,577	8,892
					47,042	28,805
					47,042	28,805

Financial instruments are intended to reduce exposure to interest rate risk variable associated with the financial loans set out in Note 11.1(a).

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

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

The effective portion of changes in the fair value of financial instruments that qualify as hedges is recognized as assets or liabilities and with impact on equity. As of March 31, 2020 and December 31, 2019, the Company has recognized under "Unrealized net profit (loss) of the separate statement of comprehensive income amounts to approximately S/ 12,857,000 and S/ 7,331,000, respectively, which are presented net of the effect in the income tax, respectively.

Notes to the separate financial statements (continued)

As of March 31, 2020, the Company recognized an expense on these derivative financial instruments amounting to approximately S/1,698,000 (S/736,000 as of March 31, 2019), whose amounts were actually paid during the year and are presented as "Finance costs" in the separate statement of income.

(b) Derivative Financial instruments from trading-

Counterparty	Reference value	Maturity rate	Receives variable rate at:	Pays fix rate at:	Fair value	
					As of March 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Liabilities -	US\$(000)					
Citibank N.A. New York	35,000	October 2020	Libor to 3 months + 1.08%	Libor to 3 months + 1.08%	2,354	2,459
					2,354	2,459

As of March 31, 2020, the effective portion of changes in the fair value of financial instruments that qualify as hedges is recognized as assets or liabilities. As of March 31, 2020, the effect amounts to approximately S/ 105,000 (S/. 2,470,00 as of March 31, 2019) and is presented as part of the item "Financial income" in the separate statement of income.

Notes to the separate financial statements (continued)

Sensitivity to interest rate -

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

Increase / decrease in basis points	Impact on income before Income tax	
	As of March 31, 2020	As of December 31, 2019
%	S/(000)	S/(000)
-10	(944)	(1,051)
10	944	1,051

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

(ii) Foreign currency risk -

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

Management monitors this risk through analysis of the country’s macroeconomic variables.

The result of holding balances in foreign currency for the Company as of March 31, 2020 and 2019 was a net loss in exchange difference amounting approximately S/18,957,000 (a loss of approximately S/26,415,000 and a loss of approximately S/7,458,000) and a net gain of approximately S/19,005,000 (a earn of approximately S/23,548,000 and a loss of approximately S/4,543,000), respectively, which are presented in the caption “Exchange difference, net” in the separate statement of income.

Notes to the separate financial statements (continued)

As of March 31, 2020 and December 31, 2019, the Company had the following assets and liabilities in U.S. Dollars:

	2020		2019	
	US\$(000)	Equivalent S/(000)	US\$(000)	Equivalent S/(000)
Asset				
Cash and cash equivalents	-	-	-	-
Trade and other receivable, net	71,017	243,801	65,786	217,817
	<u>71,017</u>	<u>243,801</u>	<u>65,786</u>	<u>217,817</u>
Liabilities				
Trade and other payables	(44,507)	(153,193)	(16,058)	(53,264)
Other financial liabilities	(193,693)	(666,693)	(175,556)	(582,319)
	<u>(238,200)</u>	<u>(819,886)</u>	<u>(191,614)</u>	<u>(635,583)</u>
Derivative financial instruments of exchange rate	(14,351)	(49,396)	(9,425)	(31,263)
	<u>(181,534)</u>	<u>(625,481)</u>	<u>(135,253)</u>	<u>(449,029)</u>

The Company manages the risk of foreign currency exchange by monitoring and controlling the values of currencies other than the functional currency of each country that are exposed to movements in exchange rates. As of March 31, 2020 and December 31, 2019, the Company has no operations with exchange rate derivatives, any devaluation / revaluation of the foreign currency affects the separate income statement.

Foreign currency sensitivity -

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 Company's profit before income tax (due to changes in the fair value of monetary assets and liabilities, including derivative financial instruments in foreign currency not classified as hedge).

Change in US Dollars rate In American Dollars	Impact on income before Income tax	
	As of March 31, 2020 S/(000)	As of December 31, 2019 S/(000)
%		
+5	(28,804)	(20,888)
+10	(57,608)	(41,777)
-5	28,804	20,888
-10	57,608	41,777

Notes to the separate financial statements (continued)

23.2 Credit risk –

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

Financial instruments and cash deposits –

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

Trade accounts receivable–

The credit risk of the clients is managed by the Management subject to the policies established by the Company, the procedures and the control related to the management of the credit risk of the client. A customer's credit quality is evaluated based on an extensive credit score scorecard and individual credit limits that are defined with this evaluation.

Outstanding assets of customer accounts receivable and contracts are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance obtained from reputable companies.

The Company's sales are mainly made to national clients and it has a portfolio of 46 clients as of March 31, 2020 (50 clients as of December 31, 2019). As of December 31, 2019, the Company had 4 significant customers that accounted for approximately 50 percent of sales (approximately 51 as of December 31, 2019).

An impairment analysis is performed on each reporting date using a provision matrix to measure the expected loss credit. Provision rates are based on days past due for groups of various customer segments with a similar loss pattern (i.e. by geographic region, product type, customer type and rating, and coverage by letters of credit or other forms of insurance of credit). The calculation reflects the probability weighted result, the value of money over time and the reasonable and valid information that is available at the reporting date on past events, current conditions and forecasts of future economic conditions. In general, trade accounts receivable is derecognized if they are overdue for more than one year and are not subject to compliance activities. The maximum exposure to credit risk at the reporting date is the book value of each class of financial assets disclosed in note 4 (a) of the Separate statement of financial position.

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

As of March 31, 2020, 17 percent (17 percent as of December 31, 2019) of the Company's commercial accounts receivable are covered by letters of guarantees and other forms of credit insurance.

The Company evaluates the concentration of risk in relation with the trade accounts receivable as low risk; since its clients belong mainly to the private sector and it operates in an independent market from contracts with the Peruvian State. Additionally, sales to construction companies represent 1.2 percent of sales as of March 31, 2020 (0.9 percent of sales in 2019).

Notes to the separate financial statements (continued)

Various related accounts receivable-

Accounts receivable from various related parties correspond mainly to dividends. Dividends receivable are classified as Financial Assets at fair value with changes in other comprehensive income, and are not subject to impairment.

Other accounts receivable –

Accounts receivable correspond to balances pending of collection due to concepts not related to the main operation activities of the Company. As of March 31, 2020 and 2019, other accounts receivable correspond mainly to: advances to suppliers, claims to Tax Authority and claims to third parties. Company's Management made a continuous monitoring of the credit risk to such items and periodically, it assesses the balances that evidence an impairment to determine the required allowance for no recoverability.

23.3 Liquidity risk –

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

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

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

	As of March 31, 2020			
	From 3 to 12 months	From 1 to 3 years	From 4 to 8 years	Total
	S/(000)	S/(000)	S/(000)	S/(000)
Trade and other payables	322,607	-	-	322,607
Other financial liabilities				
Amortization of capital	494,007	1,747,200	866,363	3,107,570
Flow of interest payments	146,884	292,314	47,266	486,464
Total liabilities	963,498	2,039,514	913,629	3,916,641

	As of December 31, 2019			
	From 3 to 12 months	From 1 to 3 years	From 4 to 8 years	Total
	S/(000)	S/(000)	S/(000)	S/(000)
Trade and other payables	300,579	-	-	300,579
Other financial liabilities				
Amortization of capital	383,762	1,654,284	1,029,519	3,067,565
Flow of interest payments	154,751	323,023	60,713	538,487
Total liabilities	839,092	1,977,307	1,090,232	3,906,631

Notes to the separate financial statements (continued)

23.4 Capital management-

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

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

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

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

24. Fair values

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

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

	As of March 31,	As of December 31,
	2020	2019
	S/(000)	S/(000)
Assets for derivative financial instruments:		
Level 1	-	-
	_____	_____
Total	-	-
	_____	_____
Liability for derivative financial instruments:		
Level 2	2,354	2,459
	_____	_____
Total	2,354	2,459
	_____	_____

(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:

Notes to the separate financial statements (continued)

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, as they are net of provision for loan losses and most have maturities of less than three months; Management deems their fair value is not materially different from its carrying value.
- Trade and others payables, due to its current maturity, Management deems that its accounting balances are close to its fair value.

Level 2 –

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

	As of March 31, 2020		As of December 31, 2019	
	Value Books S/(000)	Fair value S/(000)	Value Books S/(000)	Fair value S/(000)
Other financial liabilities (*)	2,802,709	2,519,972	2,893,375	2,526,126

(*) As of March 31, 2020 and December 31, 2019, the amount outstanding does not include promissory notes and bank overdraft, see note 11.

25. Subsequent events

Extraordinary event in 2020 -

As mention in note 1, the serious health crisis that we have been going through in Peru and the world, led the Government to declare a State of National Emergency, with mandatory social isolation due to the COVID-19 pandemic, from March 16 to April 26 of this year, with the consequent suspension of the Company's operations.