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

UN-AUDITED Consolidated Interim Financial Statements

As of June 30, 2018 and December 31, 2017

# UNION ANDINA DE CEMENTOS S.A.A. AND SUBSIDIARIES
## Statement of Financial Position
For the periods ended June 30, 2018 and December 31, 2017
(In thousands of Soles)

| | Notes | As of June 30, 2018 | As of December 31, 2017 |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 3 | 110,063 | 157,002 |
| Other Financial Assets | | - | - |
| **Trade Accounts Receivable and other accounts receivable** | | **532,170** | **453,626** |
| Trade Accounts Receivable , net | 4 | 421,924 | 351,756 |
| Other Accounts Receivable , net | 4 | 71,289 | 66,386 |
| Accounts Receivable from Related Companies | 4 | 29,816 | 28,519 |
| Prepaid Expenses | 4 | 9,141 | 6,965 |
| Inventories | 5 | 690,808 | 698,627 |
| Biological Assets | | - | - |
| Assets by Income Taxes | 4 | 11,640 | 13,298 |
| Other Non-Financial Assets | 9(a) | 38,426 | 26,098 |
| **Total Current Assets different than assets or groups of assets for its classified as held for sale or for distribution to owners** | | **1,383,107** | **1,348,651** |
| 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** | | **1,383,107** | **1,348,651** |
| **Non-Current Assets** | | | |
| Other Financial Assets | | - | - |
| Investments in subsidiaries, joint ventures and associates | | 15,663 | 14,235 |
| **Trade Accounts Receivables and other accounts receivables** | | **55,055** | **63,396** |
| Trade Accounts Receivable | | - | 291 |
| Other Accounts Receivable | 4 | 55,055 | 63,105 |
| Accounts Receivable from Related companies | | - | - |
| Advanced payments | | - | - |
| Biological Assets | | - | - |
| Investment Property | | - | - |
| Property, Plant and Equipment , net | 6 | 7,104,578 | 7,183,253 |
| Intangible Assets , net | 7 | 194,108 | 202,115 |
| Assets Deferred Income Tax | 13(a) | 142,255 | 140,483 |
| Surplus value | 8 | 1,186,597 | 1,147,704 |
| Other Assets | 9(a) | 129,261 | 132,085 |
| **Total Non-current Assets** | | **8,827,517** | **8,883,271** |
| **TOTAL ASSETS** | | **10,210,624** | **10,231,922** |

| | Notes | As of June 30, 2018 | As of December 31, 2017 |
|---|---|---|---|
| **Liabilities and Stockholders' Equity** | | | |
| **Current Liabilities** | | | |
| Other Financial Liabilities | 10 | 563,367 | 710,879 |
| **Trade accounts payable and other payable accounts** | | **755,324** | **665,704** |
| Trade Accounts Payable | 11 | 411,024 | 372,094 |
| Other Accounts Payable | 11 | 183,775 | 146,271 |
| Accounts payable to related companies | 11 | 93,329 | 91,510 |
| Deferred Income | 11 | 67,196 | 55,829 |
| Provision for Employee Benefits | | - | - |
| Other provisions | 12 | 35,728 | 57,594 |
| Income tax liabilities | | 32,718 | 71,752 |
| Other non-financial liabilities | | - | - |
| **Total Current Liabilities different of Liabilities included groups of assets for disposal Classified as Held for Sale** | | **1,387,137** | **1,505,929** |
| Liabilities included in asset groups classified as held for sale | | - | - |
| **Total Current Liabilities** | | **1,387,137** | **1,505,929** |
| **Non-Current Liabilities** | | | |
| Other Financial Liabilities | 10 | 3,745,405 | 3,748,761 |
| **Trade accounts payable and other payable accounts** | | **89,120** | **69,288** |
| Trade Accounts Payable | 11 | 694 | 688 |
| Other Accounts Payable | 11 | 25,014 | 15,422 |
| Accounts payable to related companies | 11 | 63,412 | 53,178 |
| Deferred Income | | - | - |
| Provision for Employee Benefits | | - | - |
| Other provisions | 12 | 58,680 | 55,340 |
| Liabilities Deferred Income Taxes | 13(a) | 672,457 | 676,802 |
| Other non-financial liabilities | | 7,157 | 12,585 |
| **Total Non-Current Liabilities** | | **4,572,819** | **4,562,776** |
| **Total Liabilities** | | **5,959,956** | **6,068,705** |
| **Stockholders' Equity** | | | |
| Capital Issued | 14 | 1,646,503 | 1,646,503 |
| Issuance Premiums | | - | - |
| Investment shares | | - | - |
| Treasury Shares in portfolio | | - | - |
| Other Capital Reserves | 14 | 329,301 | 329,301 |
| Accrued Results | 14 | 1,946,750 | 1,859,385 |
| Other Equity Reserves | 14 | 151,635 | 143,997 |
| **Shareholders' equity attribute to the owners of the Parent** | | **4,074,189** | **3,979,186** |
| Non Controlling interest | | 176,479 | 184,031 |
| **Total Stockholders' Equity** | | **4,250,668** | **4,163,217** |
| **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | | **10,210,624** | **10,231,922** |

# UNION ANDINA DE CEMENTOS S.A.A. Y SUBSIDIARIAS
## Income Statement
### For the periods ended June 30, 2018 and 2017
### (In thousands of Soles)

| | Notes | For the specific quarter from April 1, to June 30, 2018 | For the specific quarter from April 1, to June 30, 2017 | For the cummulative period from January 1st to June 30, 2018 | For the cummulative period from January 1st to June 30, 2017 |
|---|---|---|---|---|---|
| Incomes from ordinary activities | 15 | 980,230 | 848,052 | 1,880,374 | 1,675,434 |
| Cost of Sales | 15 | -712,559 | -587,868 | -1,336,676 | -1,140,067 |
| **Profit (Loss) Gross** | | **267,671** | **260,184** | **543,698** | **535,367** |
| Selling Expenses and distribution | | -23,967 | -19,857 | -36,726 | -31,075 |
| Administrative expenses | 16 | -69,093 | -62,422 | -147,795 | -162,093 |
| Profit (Loss) in the write-off of financial assets carried at amortized cost | | - | - | - | - |
| Other Operating Income | | 8,807 | 9,147 | 26,959 | 16,225 |
| Other Operating Expenses | | -10,093 | -8,873 | -34,239 | -33,703 |
| Other profit (loss) | | - | - | - | - |
| **Profit (Loss) from operating activities** | | **173,325** | **178,179** | **351,897** | **324,721** |
| Financial Income | | 3,294 | 3,443 | 8,530 | 8,619 |
| Financial Expenses | 17 | -67,899 | -74,353 | -135,150 | -149,072 |
| Exchange differences, net | | -29,359 | -6,504 | -16,267 | 92,377 |
| Share of Profit (Loss) in net results from Equity-Accounted Joint Ventures and related companies | | 791 | 521 | 1,438 | 998 |
| 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** | | **80,152** | **101,286** | **210,448** | **277,643** |
| Income tax expenses | 13(b) | -33,374 | -37,672 | -87,410 | -96,880 |
| **Profit (Loss) Net of Continued Operations** | | **46,778** | **63,614** | **123,038** | **180,763** |
| Profit (loss) net of the tax to the profit from discontinued operations | | - | - | - | - |
| **Profit (loss) net of the year** | | **46,778** | **63,614** | **123,038** | **180,763** |
| | | | | | |
| **Profit (Loss) net, attributable to :** | | | | | |
| Owners of the Parent | | 51,116 | 68,472 | 130,194 | 187,974 |
| Non-controlling interest | | -4,338 | -4,858 | -7,156 | -7,211 |
| **Net Profit (Loss) of the Year** | | **46,778** | **63,614** | **123,038** | **180,763** |

# UNION ANDINA DE CEMENTOS S.A.A. AND SUBSIDIARIES
## Statement of Comprehensive Income
For the periods ended June 30, 2018 and 2017
(In Thousands of Soles)

| | Notes | For the specific quarter from April 1, to June 30, 2018 | For the specific quarter from April 1, to June 30, 2017 | For the cummulative period from January 1st to June 30, 2018 | For the cummulative period from January 1st to June 30, 2017 |
|---|---|---|---|---|---|
| **Net Profit (Loss) of the year** | | **46,778** | **63,614** | **123,038** | **180,763** |
| **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 | | - | - | - | - |
| 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** | | **-** | **-** | **-** | **-** |
| **Income tax relating to components of other comprehensive income** | | | | | |
| Net Change for Cash Flow Hedges | | 481 | -172 | 217 | -60 |
| 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 | | 10,712 | 1,137 | 8,152 | -40,638 |
| 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** | | **11,193** | **965** | **8,369** | **-40,698** |
| **Other Comprehensive Income** | | **11,193** | **965** | **8,369** | **-40,698** |
| **Total Comprehensive Income for the period , net of income tax** | | **57,971** | **64,579** | **131,407** | **140,065** |
| **Comprehensive Income attributable to:** | | | | | |
| Owners of the Parent | | 62,263 | 69,779 | 137,832 | 150,454 |
| Non-controlling interest | | -4,292 | -5,200 | -6,425 | -10,389 |
| **Total Comprehensive Income of the Year, net** | | **57,971** | **64,579** | **131,407** | **140,065** |

# UNION ANDINA DE CEMENTOS S.A.A. AND SUBSIDIARIES
## Statement of Cash Flow
### Direct Method
### For the periods ended June 30, 2018 and 2017
### (In thousands of Soles)

| | Notes | As of January 1st, 2018 to June 30, 2018 | As of January 1st, 2017 to June 30, 2017 |
|---|---|---|---|
| **Operating activities cash flows** | | | |
| **Types of cash collections from operating activities** | | | |
| Sale of Goods and Services | | 2,181,536 | 1,991,145 |
| Royalties, fees, commissions and other income from ordinary activities | | - | - |
| Contracts held for brokering or trading purposes | | - | - |
| Lease and subsequent sales of such assets | | - | - |
| Other Cash Receipts Related to Operating Activity | | - | - |
| **Types of cash collections from operating activities** | | | |
| Suppliers of goods and services | | -1,270,596 | -1,086,112 |
| Contracts held for brokering or trading purposes | | - | - |
| cash payments to and on behalf of employees | | -232,237 | -204,108 |
| Elaboration or acquisition of assets to be leased and other assets held for sale | | - | - |
| Other Cash Payments Related to Operating Activity | | - | - |
| **Cash flows and cash equivalents from (used in) Operating Activities** | | **678,703** | **700,925** |
| Interests received (not included in the Investment Activities) | | - | - |
| Interests paid (not included in the Investment Activities) | | -121,039 | -139,354 |
| Dividends Received (not included in the Investment Activities) | | - | - |
| Dividends Paid (not included in the Investment Activities) | | - | - |
| Income tax (paid) reimbursed | | -137,830 | -67,658 |
| Other cash collections (payments) | | -85,040 | -93,856 |
| **Cash flows and cash equivalents from (used in) Operating Activities** | | **334,794** | **400,057** |
| **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 | | 3,536 | 3,134 |
| Sale of intangible assets | | - | - |
| Sale of other long- term assets | | - | - |
| Government Subventions | | - | - |
| Interests received | | - | - |
| Dividends received | | - | - |
| **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 | 1.1 | -69,387 | - |
| Purchase of Joint Venture shares, Net of the cash acquired | | - | - |
| Purchase of Property, Plant and Equipment | 6(a) | -101,746 | -107,443 |
| Purchase of intangible assets | 7(a) | -1,900 | -4,943 |
| Purchase of other long- term assets | | - | - |
| Income tax (paid) reimbursed | | - | - |
| Other cash receipts (payments) relating to Investment activities | | - | - |
| **Cash flows and cash equivalents from (used in) investing activities** | | **-169,497** | **-109,252** |
| **Cash flows from Financing activities** | | | |
| **Type of cash collections from financing activities** | | | |
| Loan securing | | 501,394 | 453,311 |
| 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 | | -675,968 | -688,125 |
| Leasing liabilities | | - | - |
| Changes to the subsidiaries ownership interest not resulting in the loss of control | | - | - |
| Redemption or repurchase of the entities' shares (Shares in the portfolio) | | - | - |
| Acquisition of other equity interest | | - | - |
| Interests paid | | - | - |
| Dividends paid | 14(d) | -44,930 | -52,640 |
| Income tax (paid) reimbursed | | - | - |
| Other cash receipts (payments) relating to financing activities | | 7,163 | 22,757 |
| **Cash flows and cash equivalents from (used in) financing activities** | | **-212,341** | **-264,697** |
| **Increase (Decrease) in Net Cash and cash equivalents, before Changes in Foreign Exchange Rates** | | **-47,044** | **26,108** |
| Effects of Changes in Foreign Exchange Rates on Cash and Cash Equivalents | | 105 | -1,366 |
| **Increase (Decrease) in Net Cash and Cash Equivalents** | | **-46,939** | **24,742** |
| **Cash and cash equivalents at beginning of year** | | **157,002** | **166,821** |
| **Cash and cash equivalents at end of year** | | **110,063** | **191,563** |
| | | - | |

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

## Statement of change in Stockholder's Equity

For the periods ended June 30, 2018 and 2017

(In Thousands of Soles)

| | Capital Issued | Issuance Premiums | Investment shares | Treasury Shares in Portfolio | Other Capital Reserves | Accrued Results | Other Equity Reserves | | | | | | | | | | Shareholders' equity attribute to the owners of the Parent | Non-controlling interest | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Cash Flow Hedges | Investment Hedges, net of foreign businesses | Investments in equity instruments accounted at fair value | Exchange difference on translation of Foreign Operations | Non-current assets or groups of assets for held for sale | Participation in other comprehensive income of related companies and joint ventures accounted for using the equity method | Revaluation Surplus | Actuarial Profit (Loss) on defined benefit pension plans | Changes in the fair value of financial liabilities attributable to changes in the credit risk of the liability | Subtotal | | | |
| **Balances as of January 1, 2017** | 1,646,503 | - | - | - | 329,301 | 1,716,896 | 343 | - | - | 197,935 | - | - | - | - | - | 198,278 | 3,890,978 | 214,454 | 4,105,432 |
| 1. Changes in Accounting Policies | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2. Correction of Errors | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 3. Restated Initial Balance | 1,646,503 | - | - | - | 329,301 | 1,716,896 | 343 | - | - | 197,935 | - | - | - | - | - | 198,278 | 3,890,978 | 214,454 | 4,105,432 |
| 4. **Changes in Stockholders' Equity:** | | | | | | | | | | | | | | | | | | | |
| 5. Comprehensive Income: | | | | | | | | | | | | | | | | | | | |
| 6. Gain (Loss) for the year | | | | | | 187,974 | | | | | | | | | | | 187,974 | -7,211 | 180,763 |
| 7. Other Comprehensive Income: | | | | | | - | -33 | - | - | -37,487 | - | - | - | - | - | -37,520 | -37,520 | -3,178 | -40,698 |
| 8. Comprehensive Income - Total year | | | | | | 187,974 | -33 | - | - | -37,487 | - | - | - | - | - | -37,520 | 150,454 | -10,389 | 140,065 |
| 9. Cash Dividends Declared | | | | | - | -42,809 | | | | | | | | | | | -42,809 | -9,831 | -52,640 |
| 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 | - | - | - | - | - | - | | | | | | | | | | | - | - | - |
| **Total Equity Increase (decrease)** | - | - | - | - | - | 145,165 | -33 | - | - | -37,487 | - | - | - | - | - | -37,520 | 107,645 | -20,220 | 87,425 |
| **Balance as of June 30, 2017** | 1,646,503 | - | - | - | 329,301 | 1,862,061 | 310 | - | - | 160,448 | - | - | - | - | - | 160,758 | 3,998,623 | 194,234 | 4,192,857 |
| **Balance as of January 1, 2018** | 1,646,503 | - | - | - | 329,301 | 1,859,385 | -3,780 | - | - | 147,777 | - | - | - | - | - | 143,997 | 3,979,186 | 184,031 | 4,163,217 |
| 1. Changes in Accounting Policies | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2. Correction of Errors | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 3. Restated Initial Balance | 1,646,503 | - | - | - | 329,301 | 1,859,385 | -3,780 | - | - | 147,777 | - | - | - | - | - | 143,997 | 3,979,186 | 184,031 | 4,163,217 |
| 4. **Changes in Stockholders' Equity:** | | | | | | | | | | | | | | | | | | | |
| 5. Comprehensive Income: | | | | | | | | | | | | | | | | | | | |
| 6. Gain (Loss) for the year | | | | | | 130,194 | | | | | | | | | | | 130,194 | -7,156 | 123,038 |
| 7. Other Comprehensive Income: | | | | | | - | 59 | - | - | 7,579 | - | - | - | - | - | 7,638 | 7,638 | 731 | 8,369 |
| 8. Comprehensive Income - Total year | | | | | | 130,194 | 59 | - | - | 7,579 | - | - | - | - | - | 7,638 | 137,832 | -6,425 | 131,407 |
| 9. Cash Dividends Declared | | | | | - | -42,808 | | | | | | | | | | | -42,808 | -1,148 | -43,956 |
| 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 | - | - | - | - | - | -21 | | | | | | | | | | | -21 | 21 | - |
| 15. Increase (decrease) for transactions with Treasury Shares in Portfolio | - | - | - | - | - | - | | | | | | | | | | | - | | - |
| 16. Increase (Decrease) for Transfer and other Equity Changes | - | - | - | - | - | - | | | | | | | | | | | - | - | - |
| **Total Equity Increase (decrease)** | - | - | - | - | - | 87,365 | 59 | - | - | 7,579 | - | - | - | - | - | 7,638 | 95,003 | -7,552 | 87,451 |
| **Balance as of June 30, 2018** | 1,646,503 | - | - | - | 329,301 | 1,946,750 | -3,721 | - | - | 155,356 | - | - | - | - | - | 151,635 | 4,074,189 | 176,479 | 4,250,668 |

1. **Economic Activity**

Unión Andina de Cementos S.A.A. (hereinafter "the Company" or "UNACEM") was incorporated in December 1967. The Company is a subsidiary of Sindicato de Inversiones y Administración S.A. (hereinafter "the Principal") which holds 43.38 percent of the Company's issued capital, which in turn is a subsidiary of Inversiones JRPR S.A., ultimate parent of the consolidated economic group.

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 second quarter of 2018 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 2017 have been approved by the Group Management.

As of June 30, 2018, the consolidated financial statements include the financial statements of the Company and the following subsidiaries:

- Skanon Investments, Inc. – SKANON

  It is an entity incorporated in February 2007, in the state of Arizona, United States of America, in which the Company directly and indirectly holds 93.34 percent shares of the capital stock as of June 30, 2018 (93.33 percent shares of the capital stock as of December 31, 2017), whose core business is investment in securities.

  SKANON holds a share in the capital of Drake Cement LLC (hereinafter "Drake Cement") of 94.04 percent. DRAKE Cement is an entity located in the United States of America, which main activity is the production and sale of cement in the states of Arizona and Nevada.

  Additionally, SKANON holds 100 percent shares of the capital stock in Sunshine Concrete & Materials, Inc. ("Drake Materials"), an entity located in the state of Arizona in the United States of America which main activity is the sale of ready-mix concrete, sand and gravel.

- Inversiones Imbabura S.A. – IMBABURA

  It is an entity incorporated in July 2014, in which the Company owns directly and indirectly 100 percent shares of the capital stock. IMBABURA's main activity is the investment in securities in entities domiciled in Ecuador.

  IMBABURA's subsidiaries are the entities from UNACEM Ecuador S.A. group ("UNACEM Ecuador") and subsidiaries, whose main activity is the production and industrialization of cement and its derivatives as well as related services.

- Compañía Eléctrica El Platanal S.A. – CELEPSA

  It is an entity incorporated in December 2005, Company ‘s direct subsidiary , which owns 90 percent share of the capital stock. CELEPSA's main activity is the generation and sale of electricity using water resources.

  CELEPSA directly and indirectly owns 100 percent shares of the capital stock in Celepsa Renovables S.R.L. (formerly Hidroeléctrica Marañón S.R.L.). In February 2018, the General Shareholders' Meeting approved the change of the business name of Hidroeléctrica Marañón S.R.L. to Celepsa Renovables S.R.L., the owner Company of Hydroelectric Plant Marañon, located in the department of Huánuco, which started operations in the second quarter of 2017.

- Unión de Concreteras S.A. – UNICON Perú

  It is an entity incorporated in December 1995, Company ‘s indirect subsidiary , through INVECO which owns 99.99 percent shares of the capital stock. UNICON Peru main activity is the development and commercialization of concrete, and to a lesser extent related products such as bricks, aggregates and concrete sleepers. For the production of concrete, UNICON Peru mainly requires cement, stone, sand and additives.

  In July 2017, UNICON Peru acquired 100 percent shares of Union de Concreteras Unicon Ucue Cia. Ltda. (formerly Hormigonera Quito Cia. Ltda.) (Hereinafter UNICON Ecuador), see note 1.2.

  In May 2018, UNICON Peru acquired 100 percent of Unicon S.A. (formerly Hormigones Independencia S.A.) (hereinafter UNICON Chile), see note 1.2.

- CONCREMAX S.A. - CONCREMAX

  It is an entity incorporated in March 1995, Company´s indirect subsidiary, through INVECO holds 99.99 percent shares of the capital stock in UNICON Peru that at the same time holds 99.99 percent of the capital stock in CONCREMAX since October 10, 2011. At the General Shareholders Meeting held on 21 October, 2015, it was agreed to change the corporate name of Firth Industries Peru S.A. to CONCREMAX S.A. The main activity of CONCREMAX is the development and commercialization of concrete, and to a lesser extent related products such as pre-stressed beams, bagged products and aggregates.

- Inversiones en Concreto y Afines S.A. - INVECO

  It is an entity incorporated in April 1996, Company's direct subsidiary , which holds 93.38 percent share of the capital stock. It is dedicated to investing in companies principally engaged in supplying ready mix, building materials and related activities through its subsidiary UNICON, Peru which holds 99.99 per cent shares, which in turn owns 99.99 percent of CONCREMAX , 100 percent of UNICON Ecuador and 100 percent of UNICON Chile, oll of them dedicated to the same activity.

- Prefabricados Andinos Perú S.A.C. – PREANSA Peru

  It is an entity incorporated in October 2007, Company´s direct subsidiary that holds 50.02 percent share of the capital stock. PREANSA Peru's main activity is the manufactures of pre-stressed concrete structures and precast concrete, as well as their commercialization, both in Peru and abroad. PREANSA Peru holds 100 percent shares of the capital stock in Prefabricados Andinos Colombia S.A.S. (hereinafter "PREANSA Colombia"), which entered into operations on November 1, 2016 to be dedicated to the manufacture and commercialization of pre-stressed and precast concrete structures in Colombia and abroad.

- Prefabricados Andinos S.A. – PREANSA Chile

  It is an entity incorporated in November 1996, Company´s direct subsidiary since January 2014, which owns 51 percent shares of the capital stock. The main activity of PREANSA Chile is the manufacture, sale and rental of all types of concrete products especially for industrial construction.

  The Group's Management considers that the losses of PREANSA Chile will not affect the operations of this subsidiary, due to the business plan drawn up, which mainly includes the following actions: (i) Management and search of new clients; In this sense, PREANSA Chile maintains a pending portfolio of US$8,760,000 and additionally its considered a sale for approximately US$22,845,000, which will be developed during the period of 2018, in turn. (ii) support in the financial management and financial backing of UNACEM to the obligations contracted by its subsidiary.

- Transportes Lurín S.A. – LURIN

  It is an entity incorporated in June 1990, Company´s direct subsidiary, which holds 99.99 percent share of the capital stock. LURIN's main activity is the investment in securities, mainly in Skanon Investment Inc. (it's an entity constituted in the United States).

  The General Shareholders' Meeting held on February 23, 2015 approved the extending of core business through which LURIN may engage in the creation, design, development and administration of its own and third parties franchises, and any other activity Conducive to carry out the above in the condition of franchisor and/or franchisors, being able to sign franchise agreements and others, necessary for the development of such activities. In that sense, UNACEM transferred the administration of the franchise of the Progresol network to LURIN, that ended on December 31, 2017.

- Generación Eléctrica de Atocongo S.A. - GEA

  It is an entity incorporated in May 1993, Company´s direct subsidiary, which holds directly and indirectly 100 percent shares of the capital stock. GEA's main activity is to provide operating services in the Atocongo thermal plant owned by the Company, with an installed capacity of 41.75MW, as a consequence of the authorization granted by the Ministry of Energy and Mines to the Company to perform activities of power generation directly.

  In April 2017, GEA signed a contract of "Cession of Contractual Position" of the Carpapata III Hydroelectric Plant with the Company, with which GEA yield the power generation concession and on July 25, 2017, through Ministerial Resolution No. 315-2017-MEM/MD the Ministry of Energy and Mines approves the transfer in favor of the Company.

- Depósito Aduanero Conchan S.A. - DAC

  It is an entity incorporated in July 1990, Company´s direct subsidiary, which holds 99.99 percent share of the capital stock. DAC's main activity is to provide warehousing services, authorized customs warehouse for own and third parties goods, as well as the promotion of services, transportation, storage, management and delivery of cement manufactured by the Company.

- Staten Island Company, Inc. - SIC

  It is an entity incorporated on July 1, 2017, in the State of Arizona in the United States of America, who owns 100 percent share of the capital stock. SIC's main activity is the investment in real estate and has land in Las Vegas (Nevada) and Staten Island (New York).

  In 2017, the SIC acquired shares of Staten Island Terminals, Inc. and Staten Island Holding, Inc.

The table below shows the summary of the main items of the financial statements of subsidiaries controlled by the Group as of June 30, 2018 and December 31, 2017:

| Entity | Main Economic Activity | Percentage of participation | | | | Asset | | Liabilities | | Net Equity | | Income (loss) (vi) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2018 | | 2017 | | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | | Direct | Indirect | Direct | Indirect | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) |
| Skanon Investments Inc. and Subsidiaries (i) | Cement and Concrete | 85.06 | 8.28 | 85.05 | 8.28 | 1,302,489 | 1,319,970 | 714,744 | 688,006 | 587,745 | 631,964 | (51,568) | (47,432) |
| Inversiones Imbabura S.A. and Subsidiaries (ii) | Cement | 100.00 | - | 100.00 | - | 1,848,704 | 1,838,119 | 459,578 | 404,284 | 1,389,126 | 1,433,835 | 47,883 | 54,014 |
| Compañía Eléctrica El Platanal S.A. y Subsidiaries (iii) | Electrical Energy | 90.00 | - | 90.00 | - | 1,270,945 | 1,287,261 | 584,549 | 612,640 | 686,396 | 674,621 | 11,867 | 23,399 |
| Inversiones en Concreto y Afines S.A. and Subsidiaries (iv) | Concrete | 93.38 | - | 93.38 | - | 988,728 | 808,787 | 564,372 | 397,194 | 424,356 | 411,593 | 14,758 | 12,606 |
| Prefabricados Andinos Perú S.A.C. and Subsidiary | Precast | 50.02 | - | 50.02 | - | 75,483 | 71,683 | 44,515 | 39,956 | 30,968 | 31,727 | (1,657) | (3,287) |
| Prefabricados Andinos S.A. | Precast | 51.00 | - | 51.00 | - | 59,015 | 68,317 | 48,928 | 59,310 | 10,087 | 9,007 | 1,110 | (5,013) |
| Transportes Lurín S.A. | Services | 99.99 | - | 99.99 | - | 35,266 | 36,571 | 73 | 1,282 | 35,193 | 35,289 | (96) | 288 |
| Staten Island Company and Subsidiaries (v) | Holding | 100.00 | - | 100.00 | - | 59,499 | 58,505 | 1,960 | 1,815 | 57,539 | 56,690 | - | - |
| Generación Eléctrica de Atocongo S.A. | Services | 99.85 | 0.15 | 99.85 | 0.15 | 1,361 | 1,250 | 494 | 470 | 867 | 780 | 87 | 289 |
| Depósito Aduanero Conchán S.A. | Services | 99.99 | - | 99.99 - | | 2,402 | 2,315 | 1,084 | 830 | 1,318 | 1,485 | (167) | (183) |

(i) The main subsidiaries are located in the United States of America, which are: Drake Cement, LLC, Sunshine Concrete & Materials, Inc., Maricopa Ready Mix, LLC, Ready Mix Inc. and Desert Ready Mix.

(ii) Imbabura's subsidiaries are: UNACEM Ecuador S.A. and Canteras y Voladuras S.A..

(iii) CELEPSA's subsidiaries are: Ambiental Andina S.A. and Celepsa Renovables S.R.L. (formerly Hidroeléctrica Marañón S.R.L.).

(iv) INVECO's subsidiaries are: UNICON Peru, who in turn is a shareholder of Concremax, UNICON Ecuador, UNICON Chile. and Entrepisos Lima S.A.C. It should be noted that, UNICON Ecuador was acquired in July 2017 and UNICON Chile was acquired May 2018, see note 1.1.

(v) SIC's subsidiaries are: Staten Island Terminals, Inc. and Staten Island Holding, Inc.

(vi) Balances as of June 30, 2018 compared to balances as of June 30, 2017.

### 1.1. Business combinations and corporate reorganization

- Adquisition of Union de Concreteras Unicon Ucue Cia. Ltda. (UNICON Ecuador), –

  In July 2017, the Group acquired 100 percent shares of Union de Concreteras Unicon Ucue Cia. Ltda. (Hereinafter "UNICON Ecuador"), a Company domiciled in Ecuador that is not listed on the stock exchange, dedicated to the manufacture, sale, distribution and commercialization of ready-mixed concrete for construction.

  The acquisition value was approximately US$13,000,000 (equivalent to S/42,263,000), of which UNICON Peru disbursed S/41,429,000 and retained an amount of approximately S/834,000 for labor contingencies.

  On July 18, 2017, the date on which UNICON Ecuador took control, the participation assignment agreement (hereinafter "the Contract") was signed, stipulating the terms and conditions for payment; between which the parties agreed to keep a retained fund for approximately US$6,005,000 deposited in an Escrow Account of the Custodio Bank (Citibank N.A.) in favor of the seller, to cover price adjustments and possible contingencies for tax, labor, environmental issues, among others, which at the date of the evaluation amounts to US$4,005,000 (equivalent to S/12,969,000). This fund is available to the seller and will be released to the extent that such contingencies prescribe according to a schedule established in the contract that expires in the year 2021.

  The Group acquired UNICON Ecuador since it contributes to generate synergies with UNACEM Ecuador by developing an additional distribution channel. Likewise, it will represent important strategic opportunities for the Group that will allow delivering a product of greater added value to customers.

  The fair value of UNICON Ecuador' identifiable assets and liabilities as of the acquisition date were:

| | **Fair values recognized at the date of acquisition** S/(000) |
|---|---|
| **Asset** | |
| Cash and cash equivalents | 11 |
| Held-to-maturity investments | 423 |
| Trade and other receivable, net | 15,257 |
| Inventories | 878 |
| Properties, plant and equipment, net, see note 6(a) | 47,434 |
| Other assets | 943 |
| | 64,946 |
| **Liabilities** | |
| Trade and other payables | 4,183 |
| Other financial liabilities | 742 |
| Deferred income tax liability, see note 13(a) | 4,049 |
| Other liabilities | 16,277 |
| | 25,251 |

| | Fair values recognized at the date of acquisition S/(000) |
|---|---|
| **Net identifiable assets at fair value** | 39,695 |
| Goodwill generated on acquisition | 1,734 |
| **Consideration transferred from the acquisition** | 41,429 |
| Net cash incorporated with the subsidiary | 11 |
| Cash payment | (41,429) |
| **Net cash flow at the date of acquisition** | (41,418) |

As of December 31, 2017, the Group Management has made its best estimate regarding this operation; however, in accordance with IFRS 3, the Group Management has a term of one year from the date of acquisition to establish the final fair values of assets and liabilities of UNICON Ecuador. In the Group of Management's opinion, there should not be significant changes in its initial evaluation.

In November 2017, an adjustment was made to the purchase price of US$445,000 (equivalent to S/1,446,000) that was applied with the consideration paid.

From the date of acquisition, UNICON Ecuador has contributed US$ 449,000 (S/1,456,000), for losses before income taxes, for continued operations.

The registered goodwill is mainly attributed to the expected synergies and other benefits of the combination of the assets and activities of UNICON Ecuador with the Group.

The costs of the UNICON Ecuador purchase transaction for approximately US$61,000 (equivalent to S/198,000) are included in the administrative expenses in the consolidated statement of income and are part of the operating cash flows in the consolidated statement of cash flows.

- Acquisition of Unicon S.A. (UNICON, Chile), -

In May 2018, the Group acquired 100 percent of the capital stock of Hormigones Independencia S.A., a company domiciled in Chile that is not listed on the stock exchange, dedicated to the manufacture, sale, distribution and sale of pre-stressed concrete for construction. During the same month, the Extraordinary Shareholders' Meeting decided to change the company name from Hormigones Independencia S.A. to Unicon S.A.

The acquisition value was approximately US$21,980,000 (equivalent to S/72,006,000), of which UNICON Peru disbursed the total for the acquisition.

On March 22, 2017, the date on which the participation assignment agreement was signed (hereinafter "the Contract") was signed, stipulating the terms and conditions for payment; between which the parties agreed to keep a retained fund for approximately US$1,609,000 (equivalent to S/. 5,272,000) deposited in an Escrow Account of the Custodio Bank (Banco

Santander Chile) in favor of the seller, to cover price adjustments and possible contingencies for tax, labor, environmental issues, among others. This fund is available to the seller and will be released to the extent that such contingencies prescribe according to a schedule established in the contract that expires between september 2018 and april 2021.

The Group acquired UNICON Chile since it contributes to generate synergies with PREANSA Chile by developing an additional distribution channel. Likewise, it will represent important strategic opportunities for the Group that will allow delivering a product of greater added value to customers.

The fair value of UNICON Chile' identifiable assets and liabilities as of the acquisition date were:

| | **Fair values recognized at the date of acquisition** S/(000) |
|---|---|
| **Asset** | |
| Cash and cash equivalents | 2,447 |
| Trade and other receivable, net | 56,132 |
| Inventories | 3,818 |
| Properties, plant and equipment, net, see note 6(a) | 29,764 |
| Intangible assets, net, see note 7 (a) | 1 |
| Other assets | 161 |
| | 92,323 |
| **Liabilities** | |
| Trade and other payables | 50,757 |
| Deferred income tax liability, see note 13(a) | 2,933 |
| Other liabilities | 5,272 |
| | 59,862 |
| **Net identifiable assets at fair value** | 33,361 |
| Goodwill generated on acquisition | 38,473 |
| **Consideration transferred from the acquisition** | 71,834 |
| Net cash incorporated with the subsidiary | 2,447 |
| Cash payment | (71,834) |
| **Net cash flow at the date of acquisition** | (69,387) |

As of June 30, 2018, the Group Management has made its best estimate regarding this operation; however, in accordance with IFRS 3, the Group Management has a term of one year from the date of acquisition to establish the final fair values of assets and liabilities of UNICON Chile. In the Group of Management's opinion, there should not be significant changes in its initial evaluation.

In May 2018, an adjustment was made to the purchase price of US$52,000 (equivalent to S/172,000) that was applied with the consideration paid.

From the date of acquisition, UNICON Chile has contributed US$94,000 (equivalent to S/307,000), for losses before income taxes, for continued operations.

The registered goodwill is mainly attributed to the expected synergies and other benefits of the combination of the assets and activities of UNICON Chile with the Group.

The costs of the UNICON Chile purchase transaction for approximately US$75,000 (equivalent to S/242,000) are included in the administrative expenses in the consolidated statement of income and are part of the operating cash flows in the consolidated statement of cash flows.

- Corporate reorganization

(i) Merge by absorption of Celepsa Renovables S.A.C. (CERE) -

On November 21, 2017 at the General Shareholders' Meeting, the merger by absorption with CERE was approved, with Celepsa Renovables S.R.L. (formerly Hidroeléctrica Marañón S.R.L.) the absorbing Company. The merger became effective as of December 1, 2017. The merger became effective as of December 1, 2017. The balances of the assets, liabilities, equity and net loss of the year of this entity incorporated in the financial statements of Celepsa Renovables S.R.L. (formerly Hidroeléctrica Marañón S.R.L.), at the date of the merger, amounted to S/3,643,000, S/122,000, S/3,521,000 and S/250,000, respectively.

The merger of entities under common control is not within the scope of IFRS 3 "Business combination". Because the aforementioned corporate reorganization has not meant a change in control in the shares of this Company; that is, the entity that has participated in the corporate reorganization belongs to the same economic group, Celepsa Renovables S.R.L. (formerly Hidroeléctrica Marañón S.R.L.) recorded such reorganizations using the interest unification method.

The merger will simplify the administration, in turn consolidate and organize in a single company dedicated to the generation of energy through water resources.

## 2. Summary of significant accounting policies

The accounting policies adopted to prepare the consolidated financial statement are consistent with those applied on December 31, 2017, 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 that have been measured at fair value, based on the accounting records of each of the subsidiaries in the Group. The Consolidated Interim Financial Statements are presented in soles and all values are rounded to the nearest thousand (S/.000), except when otherwise indicated.

The interim consolidated financial statements provide comparative information for earlier periods, however, does not include all information and disclosures required in the annual consolidated financial statements and should therefore be read in conjunction with the consolidated audited report as of and for the year ended on December 31, 2017.

2.2 Basis of consolidation-

The interim consolidated financial statements include the financial statements of the Company and its subsidiaries as of June 30, 2018 and December 31, 2017.

Control criteria that the Group takes into account are described in the notes to the annual consolidated financial statements as of December 31, 2017.

2.3 New accounting standards adopted by the Company in 2018 –

The accounting policies adopted while preparing the interim consolidated financial statements are consistent with those followed in the consolidated financial statements for the year ended December 31, 2017, except for the adoption of new effective standards as of January 1, 2018. The Group has not yet early adopted any standards, interpretations or amendments issued, which is not yet effective.

The Group applies, for the first time, IFRS 15 Revenue from contracts with customers and IFRS 9 Financial Instruments that require the restatement of previous financial statements according to the nature and effect of these changes.

Several other amendments and interpretations are applied for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group.

- IFRS 15 "Revenues from Contracts with Customers"

IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Related Revenue and Interpretations and applies to all income from contracts with customers, unless those contracts are within the scope of other standards. The new standard establishes a five-step model to revenue accounting from contracts with customers, in accordance with IFRS 15, revenues are recognized for an amount that reflects the consideration to which an entity expects to be entitled to transfer goods or services to a client.

The standard requires entities to judge, taking into account all relevant facts and circumstances when applying each step of the model for contracts with their clients. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company adopted IFRS 15 using the partial retrospective adoption method and identified only a significant effect in relation to the performance fee to which the client would be entitled, but given that the Company does not offer explicitly or based on traditional practices a reduction in the price for prospective discounts, the consideration agreed with the client would not be reduced and therefore no variable consideration has been identified; consequently, the Company continued with the provisions of the standard and reclassified the consideration payable to the client as a reduction in the price of the transaction, presenting the income from contracts with customers net of sales commissions, as follows:

Likewise;the Subsidiaries of the Company made a detailed assessment of the impacts of the five aspects of IFRS 15, not evidencing significant effects in their adoption.

Consolidated income statement impact

| | S/ (000) |
|---|---|
| Reclassification of the item Sales expense to income per Net sale | 20,117 |

- IFRS 9 "Financial Instruments"

  IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments:

  Recognition and Measurement for annual periods beginning on or after January 1, 2018, which brings together the three aspects of accounting for financial instruments: classification and measurement; deterioration; and hedge accounting.

  On 2017, the Group conducted a detailed assessment of the impacts of the three aspects of IFRS 9. In general, the Group did not identify significant effects in the adoption of this IFRS.

2.4 New accounting standards -

Below are described those standards and interpretations applicable to the Group, that have been published, but not yet effective up to the date of issuance of the Group's consolidated financial statement. The Group intends to adopt these standards and interpretations, if applicable, when they are in force.

- *IFRS 16 "Leases"*

  IFRS 16 was issued in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determination of whether a contract contains a lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluation of the transactions essence that take the legal form of a lease. IFRS 16 sets out the principles for the recognition, valuation presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the current accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees - leases of low-value assets (for example, personal computers) and short-term leases (that is, leases with a lease term of 12 months or less). On the start date of a lease, the lessee will recognize a liability for payments to be made for the lease (i.e., the liability for the lease) and an asset that represents the right to use the underlying asset during the term of the lease (that is, the asset for the right of use). The lessees must separately recognize the interest expense corresponding to the liability for the lease and the expense for the amortization of the right of use.

The lessees will also be required to reassess the lease liability when certain events occur (for example, a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those Payments). The lessee will generally recognize the amount of the reassessment of the liability for the lease as an adjustment to the asset for the right of use.

The accounting of the lessor according to IFRS 16 is not substantially modified with respect to the current accounting of IAS 17. Tenants will continue to classify leases with the same principles classification as in IAS 17 and will record two types of leases: operating and financial leases.

IFRS 16 also requires lessees and lessors to include more extensive disclosures than those stipulated in IAS 17.

IFRS 16 is effective for financial years beginning on or after January 1, 2019, with earlier application permitted, but not before an entity applies IFRS 15. A lessee may choose to apply the rule retroactively in full or through a modified retroactive transition. The transitory provisions of the standard allow certain exemptions.

In 2018, The Company will continue to assess the potential effect of IFRS 16 on its consolidated financial statements.

- IFRIC Interpretation 22 Foreign Currency transactions and advance consideration.

  The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the de recognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after:

  i. The beginning of the reporting period in which the entity first applies the interpretation or
  ii. The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

  The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. However, since the company's current practice is in line with the Interpretation, the company does not expect any effect on its consolidated financial statements.

- IFRIC 23 - Uncertainty over income tax treatments

  The Interpretation addresses the income tax accounting when tax treatments involve an uncertainty that affects the application of IAS 12. This interpretation does not apply to taxes or charges that are outside the scope of IAS 12, nor does it include the treatment of interest and related penalties that may arise. The Interpretation specifically addresses the following aspects:

  - If an entity has to consider fiscal uncertainties separately.

- The hypothesis that an entity must make about whether the tax treatment will be reviewed by the tax authorities.
- How an entity should determine the fiscal result, the tax bases, the unpaid losses to be compensated, the tax deductions and the tax rates
- How an entity should consider changes in facts and circumstances.

An entity must determine whether it considers each fiscal uncertainty separately or together with one or more fiscal uncertainties. The approach that best estimates the resolution of uncertainty should be followed. The interpretation is effective for fiscal years beginning on or after January 1, 2019, but certain exemptions are allowed in the transition.

The Group will apply the interpretation from its effective date. Due to that the Company's investments operate in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements and the required disclosures. In addition, the Company may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

IFRS annual improvements 2015 -2017 Cycle

IASB performed the following modifications to the standards:

*IAS 12 Tax income – Income tax consequences of payments on financial instruments classified as equity*

The amendments clarify that the tax consequences of the dividends depend more on the transactions or past events that generated this distributable profit that of the distribution to the owners. Therefore, an entity recognizes the tax consequences of a dividend in results, in other comprehensive income or in equity depending on how the entity recorded those transactions or past events. These modifications will be applied to the periods beginning on January 1, 2019 or later, allowing early application. When an entity applies these amendments for the first time, it will do so from the start date of the oldest comparative period.

*IAS 23 Borrowing cost – Borrowing cost eligible for capitalization*

The amendments clarify that an entity considers part of its general interest costs any interest costs originally incurred to develop a qualified asset when substantially all the activities necessary to prepare the asset for its use or sale have been completed. These modifications will be applied to the interest costs incurred in the periods beginning on January 1, 2019 or later, allowing early application.

## 3. Cash and cash equivalents

(a) This item is made up as follows:

| | As of June 30, 2018 S/(000) | As of December 31, 2017 S/(000) |
|---|---|---|
| Petty cash | 1,247 | 1,072 |
| Funds to deposit | 147 | 71 |
| Current accounts (b) | 75,259 | 67,216 |
| Term deposits (c) | 32,942 | 88,579 |
| Mutual Funds | 404 | - |
| Restricted funds (d) | 64 | 64 |
| | 110,063 | 157,002 |

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

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

(d) As of June 30, 2018 and December 31, 2017, it corresponds to the current account held by the subsidiary Drake Cement in the US Bank for approximately US$19,000 (equivalent to S/64,000). This fund was restricted as a result of the issuance of corporate bonds that such subsidiary made in July 2015, see note 10(f), and its use was restricted to the development of investment projects at the Arizona plant (United States of America) which was concluded in 2016.

## 4. Trade and other receivable, net

(a) This item is made up as follows:

| | Current | | Non-current | |
|---|---|---|---|---|
| | As of June 30, 2018 | As of December 31, 2017 | As of June 30, 2018 | As of December 31, 2017 |
| | S/(000) | S/(000) | S/(000) | S/(000) |
| **Trade accounts receivable:** | | | | |
| Receivable invoices and letters (b) | 406,863 | 331,345 | 13,835 | 12,660 |
| **Accounts receivable from related parties, note 18(c)** | 29,816 | 28,519 | - | - |
| Provision of bills receivable (c) | 18,849 | 24,759 | - | - |
| **Different accounts receivable:** | | | | |
| Claims to third parties | 18,867 | 17,071 | 2,923 | 2,922 |
| Advances to suppliers | 9,141 | 6,965 | - | - |
| Loans to employees (e) | 8,907 | 9,054 | 1,591 | 4,124 |
| Claims to Tax authority (d) | 5,975 | 1,230 | 38,399 | 38,399 |
| Account receivable from the Escrow fund, note 1.1 | 10,914 | 1,184 | 6,257 | 11,785 |
| Other accounts receivable | 16,920 | 20,481 | 724 | 718 |
| | 526,252 | 440,608 | 63,729 | 70,608 |
| Tax Credit due to General sales tax (g) | 12,722 | 20,570 | 5,161 | 5,157 |
| Advance payments of income tax temporary tax on net assets (f) | 11,640 | 13,298 | - | - |
| Derivative financial instruments, note 22 (a) | 419 | 280 | - | - |
| | 24,781 | 34,148 | 5,161 | 5,157 |
| | 551,033 | 474,756 | 68,890 | 75,765 |
| Less – Allowance for doubtful accounts (h) | (7,223) | (7,832) | (13,835) | (12,369) |
| | 543,810 | 466,924 | 55,055 | 63,396 |

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

(c) As of June 30, 2018 and December 31, 2017, this balance corresponds to Provisions for billing for energy ,power sale and prefabricated in June and December of those years for S/ 18,091,000 and S/ 24,664,000, respectively, which were billed and collected in the following month.

(d) As of June 30, 2018 and December 31, 2017 corresponds mainly to claims submitted to the Tax Authority (SUNAT) for the return of overpayment of income tax, selective tax on consumption and value added of previous year, see note 20.4(a).

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

(e) As of June 30, 2018 and December 31, 2017 corresponds mainly to loans granted to personnel by the Company, which will be collected within two years according to the agreement signed by the Company.

(f) As of June 30, 2018 December 31, 2017, corresponds to advance payments of income tax, paid on those dates, in addition to payments of temporary tax on net assets, and credit from public works tax deduction. During 2017, the Group Companies improved their taxable income and consequently the income tax increased significantly.

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

(g) Mainly corresponds to the value added tax credit resulting from the disbursements incurred in the prepaid of the financial leases of the subsidiary CELEPSA, see note 10(h) and the construction of the Hydroelectric Power Plant Marañon project. As of June 30, 2018 and December 31, 2017, in the Group Management's opinion, the general sales tax credit of approximately S/ 5,161,000 and S/ 5,157,000, respectively, will be recovered in the long term through the Group's operations.

(h) The movement of the allowance for doubtful trade accounts was as follows:

| | As of June 30, 2018 S/(000) | As of December 31, 2017 S/(000) |
|---|---|---|
| **Opening Balance** | 20,201 | 18,019 |
| Estimation charged to income | 950 | 2,814 |
| Recovery and Writte-offs | (152) | (356) |
| Exchange rate impact | 59 | (276) |
| **Ending Balance** | 21,058 | 20,201 |

According to the Group Management opinion, the allowance for doubtful accounts covers satisfactorily the loan losses as of June 30, 2018 and December 31, 2017.

(i) The aging analysis of the trade and other receivables diverse is as follows:

| | As of June 30, 2018 | | |
|---|---|---|---|
| | Non-impaired | Impaired | Total |
| | S/(000) | S/(000) | S/(000) |
| **Outstanding -** | 484,139 | 63 | 484,202 |
| **Past due -** | | | |
| Up to 1 month | 47,826 | 11 | 47,837 |
| From 1 to 3 months | 16,055 | 127 | 16,182 |
| From 3 to 6 months | 5,475 | 10 | 5,485 |
| More than 6 months | 15,847 | 20,847 | 36,694 |
| **Total (*)** | 569,342 | 21,058 | 590,400 |

| | As of December 31, 2017 | | |
|---|---|---|---|
| | Non-impaired | Impaired | Total |
| | S/(000) | S/(000) | S/(000) |
| **Outstanding -** | 348,682 | 21 | 348,703 |
| **Past due -** | | | |
| Up to 1 month | 72,467 | - | 72,467 |
| From 1 to 3 months | 17,185 | 40 | 17,225 |
| From 3 to 6 months | 13,078 | 433 | 13,511 |
| More than 6 months | 39,883 | 19,707 | 59,590 |
| **Total (*)** | 491,295 | 20,201 | 511,496 |

(*) The balance does not include the paid income tax, the tax credit as a general sales tax. for approximately S/ 29,523,000 and S/ 39,025,000 as of June 30, 2018 and December 31, 2017, respectively.

In the note 21.2 on credit risk and accounts receivable, it is explained how the Group manages and measures the credit risk of trade receivables that are neither past due nor impaired.

## 5. Inventories, net

(a) This item is made up as follows:

| | As of June 30, 2018 S/(000) | As of December 31, 2017 S/(000) |
|---|---|---|
| Finished goods | 31,996 | 36,338 |
| Work in progress (b) | 224,003 | 229,385 |
| Raw and auxiliary materials (c) | 160,696 | 153,053 |
| Packages and packing | 24,705 | 25,225 |
| Spare parts and supplies (d) | 278,094 | 282,632 |
| Inventory in transit | 5,768 | 4,102 |
| | 725,262 | 730,735 |
| Estimate for impairment of inventories (e) | (34,454) | (32,108) |
| | 690,808 | 698,627 |

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

(c) Raw and auxiliary materials mainly include imported and domestic coal, pozoolan, iron and imported clinker. As of June 30, 2018, the Group has mainly held in stock imported and domestic coal and clinker imported by approximately S/ 52,977,000 and S/ 14,658,000, respectively (S/ 63,860,000 and S/ 14,528,000, respectively as of 31 December 2017).

(d) As of June 30, 2018 and December 31, 2017 the Group maintains no significant and necessary supplies parts to provide maintenance machinery and kilns, these plants are evaluated through technical reviews, and in turn comply with the provisions of quality and are in proper storage conditions.

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

| | As of June 30, 2018 | As of December 31, 2017 |
|---|---|---|
| | S/(000) | S/(000) |
| **Opening Balance** | 32,108 | 22,809 |
| Estimation charged to income | 2,862 | 9,961 |
| Recoveries | - | (102) |
| Writte-offs | - | (1,050) |
| Exchange rate impact | (516) | 490 |
| **Ending Balance** | 34,454 | 32,108 |

According to the Group management's opinion, the allowance for the devaluation of inventories covers satisfactorily the loan losses as of June 30, 2018 and December 31, 2017.

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

(a) This item is made up as follows:

| | As of June 30, 2018 | As of December 31, 2017 |
|---|---|---|
| | S/(000) | S/(000) |
| **Cost -** | | |
| **Opening Balance** | 9,849,987 | 9,649,982 |
| Additions (d) | 123,333 | 293,105 |
| Acquisition of Subsidiaries, see note 1.1. | 29,764 | 47,434 |
| Reclassification (f) | - | 11,247 |
| Withdrawals and sells (e) | (10,552) | (77,333) |
| Others | - | 7,072 |
| Exchange rate impact | 19,216 | (81,520) |
| **Ending Balance** | 10,011,748 | 9,849,987 |
| **Accumulated depreciation -** | | |
| **Opening Balance** | 2,666,734 | 2,298,663 |
| Depreciation of the period (g) | 242,446 | 453,110 |
| Withdrawals and sells (e) | (8,192) | (62,957) |
| Others | - | 34 |
| Exchange rate impact | 6,182 | (22,116) |
| **Ending Balance** | 2,907,170 | 2,666,734 |
| **Net book value -** | 7,104,578 | 7,183,253 |

(b) As of June 30, 2018 and December 31, 2017, the Group mainly corresponds to the mining concessions of Atocongo, Atocongo Norte, Pucara and Oyon of UNACEM; Selva Alegre, Cumbas y Pastavi of UNACEM Ecuador and Jicamarca of UNICON Peru.

(c) As of June 30, 2018, the carrying value of assets acquired through finance leases and leaseback amounted to approximately S/ 618,401,000 (S/ 665,978,000 as of December 31, 2017). The leased assets guaranteed financial lease liabilities, see note 10.

(d) Additions for the period ended on June 30, 2018 mainly correspond to:

(i) Improvements in infrastructure of the Atocongo Thermal Plant and the Concrete Plant of Iquitos of the Company for approximately S/ 17,146,000.

(ii) Acquisition of mixer trucks, front loaders and overhaul of UNICON Peru and CONCREMAX equipment for approximately S/14,352,000, S/1,061,000 and S/2,583,000, respectively.

(iii) Acquisition of mixer trucks for approximately S/. 17,139,000 of UNICON Chile to Hormigones Bicentenario S.A. (formerly parent of UNICON Chile)

(iv) Acquisition of Drake Cement´s mixer trucks for approximately S/5,139,000.

The additions during the year 2017 correspond mainly to:

(i) Additional work of the Hydroelectric Power Plant Carpapata III, acquisition of lands in province of Tarma for obtain the concession of limestone “Caripa” located near of the Condorcocha plant and improvements in infrastructure of the Thermal Plant of the Company by approximately S/67,088,000.

(ii) Acquisition of mixer trucks; purchase of land located in Quebrada de Huaycoloro, acquisition of hydraulic excavators and front loaders; and disbursements for ongoing works of UNICON for approximately S/13,858,000, S/4,401,000, S/3,368,000 and S/16,882,000, respectively.

(ii) CELEPSA’ Hydroelectric Power Plant improvements to the channels imposed by alcabala and acquisition of equipment for approximately S/ 8,954,000.

(iv) The subsidiary Celepsa Renovables S.R.L. (formerly Hidroeléctrica Marañón S.R.L.) incurred costs for the completion of the Hydroelectric Power Plant Marañon, for approximately S/49,392,000.

(v) The subsidiary UNACEM Ecuador incurred costs for the implementation of the gas filtration system and clinker discharge system, for approximately US$4,348,000 and US$402,000, respectively (equivalent to S/14,078,000 and S/1,302,000, respectively).

(e) Withdrawals for 2017 correspond mainly to the sale of front loaders and mixer trucks of the subsidiaries UNICON Peru and Drake Cement, for which revenues were received for approximately S/12,519,000.

(f) During the year 2017, UNACEM transferred replacement units for approximately S/11,403,000 of the "Inventories" heading to the caption "Mining concessions and property, plant and equipment, net" of the consolidated statement of financial position.

(g) Depreciation has been distributed as follows:

| | As of June 30, 2018 S/(000) | As of June 30, 2017 S/(000) |
|---|---|---|
| Cost of sales | 225,162 | 219,703 |
| Administrative expenses , see note 16 | 5,733 | 5,439 |
| Selling expenses | 56 | 43 |
| Other expenses | 11,189 | 4,745 |
| Inventories in process | 306 | 902 |
| | 242,446 | 230,832 |

(h) As of June 30, 2018 and December 31, 2017, the Group Management performed an evaluation of the state of use of their properties, plant and equipment, finding no evidence of impairment in such assets.

Management performed an impairment assessment for the cash-generating units of the subsidiary Skanon Investment and in his opinion; the net value of properties, plant and equipment is recoverable with future profits generated by different cash-generating units of the Group (cement and concrete).

(i) The foreign subsidiaries maintain mainly trust as security for the production line 2 of the plant located in Ecuador and plant, transport units and equipment located in the United States of America, guaranteeing bank loans, see note 10 (d).

On the other hand, the UNICON Peru subsidiary, maintain guarantees on property, machinery and equipment for approximately S/140,606,000 (equivalent to US$41,487,000) to guarantee the loan obtained for the acquisition of the shares of the CONCREMAX subsidiary, in June 30, 2018 the guarantee levarage took place. Likewise, maintains a property mortgage for US$5,520,000 on the property located on Av. Enrique Meiggs, district of Lima; In order to guarantee the loan obtained with the Banco Internacional del Peru, see note 10.

Also, the subsidiary Celepsa Renovables SRL (formerly Hidroeléctrica Marañón SRL), maintains two mortgages on property, machinery and equipment for approximately US $ 40,820,000 (equivalent S/ .132, 175,000) to guarantee the loan obtained for the construction of the Hydroelectric Plant Marañon, see note 10 (d).

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

## 7. Intangible assets, net

(a) This item is made up as follows:

| | 2018 | 2017 |
|---|---|---|
| | S/(000) | S/(000) |
| Cost - | | |
| **Opening Balance** | 342,486 | 340,688 |
| **Additions** | 3,606 | 9,147 |
| Acquisition of Subsidiaries, see note 1.1. | 1 | - |
| Reclassification | - | 156 |
| Others | - | (923) |
| Exchange rate impact | 1,779 | (6,582) |
| **Ending Balance** | 347,872 | 342,486 |
| **Accumulated amortization -** | | |
| **Opening Balance** | 140,371 | 107,799 |
| Amortization of the year (b) | 12,920 | 34,408 |
| Others | - | (106) |
| Exchange rate impact | 473 | (1,730) |
| **Ending Balance** | 153,764 | 140,371 |
| **Net book value -** | 194,108 | 202,115 |

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

| | As of June 30, 2018 | As of June 30, 2017 |
|---|---|---|
| | S/(000) | S/(000) |
| Cost of sales | 1,668 | 1,335 |
| Administrative expenses, see note 16 | 1,058 | 1,039 |
| Selling expenses | 200 | 178 |
| Other expenses | 9,994 | 9,368 |
| | 12,920 | 11,920 |

(c) As of June 30, 2018 and December 31, 2017, the Group Management performed an evaluation of the state of use of their intangible assets, finding no evidence of impairment in such assets so that, in their opinion, the net value of the intangible assets is recoverable with future profits generated by the Group.

## 8. Goodwill

The goodwill balance as of June 30, 2018 and December 31, 2017 is mainly composed by the higher value paid for the acquisition of UNACEM Ecuador S.A that amounts to S/. 1,023,795,000.

## 9. Other non-financial assets

(a) This item is made up as follows:

| | As of June 30, 2018 S/(000) | As of December 31, 2017 S/(000) |
|---|---|---|
| Deferred stripping cost (b) | 120,820 | 122,977 |
| Others | 46,867 | 35,206 |
| | 167,687 | 158,183 |
| Current | 38,426 | 26,098 |
| Non-current | 129,261 | 132,085 |
| | 167,687 | 158,183 |

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

| | As of June 30, 2018 S/(000) | As of December 31, 2017 S/(000) |
|---|---|---|
| **Cost -** | | |
| **Opening Balance** | 164,912 | 164,912 |
| Additions | - | - |
| **Ending Balance** | 164,912 | 164,912 |
| **Accumulated depreciation -** | | |
| **Opening Balance** | 41,935 | 37,780 |
| Depreciation of the period | 2,157 | 4,155 |
| **Ending Balance** | 44,092 | 41,935 |
| **Net book value -** | 120,820 | 122,977 |

As of June 30, 2018 and December 31, 2017, the Company has three identifiable components that allow a specific volume of limestone quarries and waste. Atocongo quarry; North Atocongo and Pucara quarry.

As of June 30, 2018, the Company and its technical advisors determined 180,491,000 and 116,632,000 metric tons of limestone and residue reserves related to the limestone that will be extracted in the future. In 2017, the Company reviewed the reserve estimation method and in Management's opinion and its technical advisors it allows to more accurately measure the limestone and waste resources of the Company, as a result, as of December 31, 2017, they determined 182,486,000 and 117,051,000 metric tons of limestone and residue reserves related to the limestone that will be extracted in the future, which are determined and controlled by an identifiable component.

Limestone production and waste removal during the second quarter 2018 was 1,995,000 and 419,000 metric tons, respectively. The cost for the preparation of quarries for waste removal 2018 amounts to approximately S/2,179,000 (S/4,938,000 as of December 31, 2017).

**10. Other financial liabilities**

(a) This item is made up as follows:

| | As of June 30, 2018 | | | As of December 31, 2017 | | |
|---|---|---|---|---|---|---|
| | 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 | 40,894 | - | 40,894 | 31,357 | - | 31,357 |
| Assignment of payments (a.1) | - | - | - | 30,828 | - | 30,828 |
| Bank loans (b) | 167,236 | 183,344 | 350,580 | 238,415 | 200,470 | 438,885 |
| Bonds and long-term loans (d) | 355,237 | 3,562,061 | 3,917,298 | 410,279 | 3,548,291 | 3,958,570 |
| | 563,367 | 3,745,405 | 4,308,772 | 710,879 | 3,748,761 | 4,459,640 |

(a.1) On March 2017, UNACEM entered into an assignment of payments contract with Banco Santander of Panamá, which accrues an annual interest rate of 4.12 percent. On January 4, 2018, UNACEM canceled the entire account payable according to its due date.

(b) Bank loans correspond to working capital loans at fixed annual rates that range between 2.75 and 5.85 percent annually, do not have specific guarantees and are renewed depending on the working capital needs of the Group. As of June 30, 2018 and December 31, 2017, the balance by bank is as follows:

| Creditor | As of June 30, 2018 | As of December 31, 2017 |
|---|---|---|
| | S/(000) | S/(000) |
| Citibank N.A. New York | 229,180 | 227,150 |
| BBVA Banco Continental | 61,637 | 44,444 |
| Scotiabank Perú S.A.. | 37,500 | 56,251 |
| Banco Internacional S.A. - Ecuador | 14,078 | 9,735 |
| Banco de Crédito del Perú – BCP | 8,185 | 7,200 |
| Banco Santander Uruguay | - | 94,105 |
| | 350,580 | 438,885 |

(c) As of June 30, 2018 and December 31,2017, the interest payable on bank loans amounted to approximately S/.4,008,000 and S/.5,095,000 , respectively, and is recorded in the caption "Trade and other payable" in the consolidated financial statements, see note 11(a). As of June 30, 2018 and 2017, interest expense totaled approximately S/ 11,612,000 and S/18,627,000 respectively, and are included in the caption "Finance costs" in the consolidated statement of income, see note 16.

(d) The table below presents the items of the long-term bonds and debt to banks:

| | Maturity Annual interest % | Maturity Rate | Guarantee | As of June 30, 2018 S/(000) | As of December 31, 2017 S/(000) |
|---|---|---|---|---|---|
| **Bonds-** | | | | | |
| International Bonds – "Senior Notes" (e) and (q) | 5.875 | October 2021 | No guarantees | 2,046,250 | 2,028,125 |
| Bonds of Arizona State (f ) and (q) | Between 2.7 and 3.245 + variable rate | September 2035, | Letter of credit, see note 20.1(c) | 376,510 | 373,175 |
| Corporate Bonds (g) | Between 4.93 and 5.16 | March 2020 and March 2023 | No guarantees | 120,000 | 129,086 |
| | | | | 2,542,760 | 2,530,386 |
| Amortized cost | | | | (23,653) | (25,895) |
| | | | | 2,519,107 | 2,504,491 |
| **Syndicated loans -** | | | | | |
| Scotiabank Perú S.A.A. (h) | 3.30 | September 2021, | Management and guarantee trust, see note 20.1 (c) | 106,405 | 121,688 |
| Banco de Crédito del Perú – BCP (h) | 3.35 | September 2021, | Management and guarantee trust, see note 20.1 (c) | 78,232 | 85,376 |
| | | | | 184,637 | 207,064 |
| Amortized cost | | | | (1,625) | (1,875) |
| | | | | 183,012 | 205,189 |
| **Bank loans -** | | | | | |
| Banco Internacional del Perú – INTERBANK (l) and (p) | Between 4.35 and 5.25 | Between March 2019 and March 2020 | No guarantees | 285,850 | 302,541 |
| BBVA Banco Continental (k) and (p) | 5.20 | November, 2021 | No guarantees | 120,000 | 120,000 |
| Scotiabank del Perú (k) and (p) | 5.80 | December, 2021 | No guarantees | 120,000 | 120,000 |
| Banco de Crédito del Perú S.A.A. – BCP (m) and (p) | Between 5.90 and 6.60 | Between April 2019 and February 2020 | No guarantees | 108,818 | 142,084 |
| Banco de Crédito del Perú S.A.A. – BCP | 6.25 | August 2030 | Guarantee on property, see note 6 (i) | 101,001 | 81,220 |
| Scotiabank Perú S.A.A. | 2.75 | July 2019 | No guarantees | 80,000 | - |
| Banco Internacional S.A. - Ecuador | Between 6.82 and 6.98 | 5 to 7 years | Guaranty Trust (machinery line 2 of production), see note 6 (i). | 42,821 | 55,868 |
| Bank of Nova Scotia (p) | Libor to 3 month + +2.35 and 2.40 | Between August, 2018 and September, 2018 | No guarantees | 38,333 | 65,305 |
| Banco Internacional del Perú – INTERBANK | 5.25 | February 2022 | Leased goods | 19,470 | 21,664 |
| Banco Scotiabank (Chile) | Libor to 30 days + 3.36 and Libor to 90 days +1.75 | Between August, 2018 and July, 2019 | Letter of credit, see note 20.1(b) | 16,488 | 16,779 |
| Banco Internacional del Perú – INTERBANK | 2.87 | June, 2021 | Land, see note 6 (i) | 12,298 | 14,122 |
| Scotiabank Perú S.A.A. | 3.30 | February 2020 | No guarantees | 11,459 | - |
| BBVA Banco Continental (p) | 5.40 | July 2018 | No guarantees | 3,369 | 10,108 |
| Scotiabank Perú S.A.A. | - | - | No guarantees | - | 11,358 |
| Less than S/. 10,000.000 | | | | 32,468 | 36,725 |
| | | | | 992,375 | 997,774 |
| Amortized cost | | | | (3,858) | (5,471) |
| | | | | 988,517 | 992,303 |

| | Maturity Annual interest % | Maturity Rate | Guarantee | As of June 30, 2018 S/(000) | As of December 31, 2017 S/(000) |
|---|---|---|---|---|---|
| **Finance leasebacks -** | | | | | |
| Banco de Crédito del Perú – BCP (h) | 6.50 | December, 2020 | Leased goods | 79,444 | 87,874 |
| | | | | 79,444 | 87,874 |
| Amortized cost | | | | (1,075) | (1,290) |
| | | | | 78,369 | 86,584 |
| **Finance leases -** | | | | | |
| Consorcio Transmantaro | 12.00 | July 2039 | Leased goods | 51,402 | 51,124 |
| Banco Internacional del Perú – INTERBANK (j) and (p) | 5.80 | October 2018 | Leased goods | 8,410 | 20,548 |
| Scotiabank Perú S.A.A. | Between 2.40 and 6.40 | Between February, 2019 and April, 2021 | Leased goods | 31,467 | 20,055 |
| Banco de Crédito e Inversiones (BCI) | 5.63 | November, 2027 | Leased goods | 13,198 | 13,866 |
| Banco de Crédito del Perú – BCP (i) and (p) | - | - | Leased goods | - | 23,701 |
| Less than S/. 10,000.000 | | | | 28,599 | 29,213 |
| | | | | 133,076 | 158,507 |
| Factoring | | | | 4,196 | 2,861 |
| Discount Letters | | | | 11,021 | 8,635 |
| **Total** | | | | 3,917,298 | 3,958,570 |
| Less - Current portion | | | | 355,237 | 410,279 |
| Non- Current Portion | | | | 3,562,061 | 3,548,291 |

(e) On May 26, 2014, the Board of Directors Meeting of the Company approved the acquisition of 98.57 percent of shares in Unacem Ecuador S.A. (a public company located in Quito, Ecuador), subsidiary of Lafarge S.A. in France. On October 20, 2014 the Board of Meeting agreed the international bond issue. Therefore, on October 31, 2014 the Company issues bonds ("Senior Notes") under the Rule 144A of the US Securities and under the regulation S of the US Securities Act of 1933, on the Luxembourg Stock Exchange for a nominal value of US$625 million, at a nominal interest rate of 5.875 percent with maturity on October 2021, resulting a total net collection of fees and expenses of US$615 million (approximately equivalent to S/.1, 839 million).

The Company used the funds to purchase shares of Unacem Ecuador S.A. and Subsidiaries through its subsidiary IMBABURA for a total amount of US$517.3 million (equivalent to S/ 1,515.5 million).

(f) On November 18, 2010, Drake Cement, LLC obtained a bond financing of the Development Authority of Yavapai County, Arizona, United States with the purpose of financing part of the investment in the cement plant of the subsidiary amounting to US$40,000,000, maturing in September 2035 and with a monthly interest payments on the basis of a variable interest rate (Securities Industry and Financial Markets Association Index rate) currently at 1.40 percent from 3.245 percent, up to a maximum interest rate of 12 percent, as of June 30, 2018 and December 31, 2017. The bonds are secured by a letter of credit from the bank, see note 20.1 (c).

Also, 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 payments on the basis of a variable interest rate (Securities Industry and Financial Markets Association Index rate) currently at 1.60 percent from 2.75 and 0.1 percent, up to a maximum interest rate of 12 percent, as of June 30, 2018 and December 31, 2017. The bonds are secured by a letter of credit from the bank, see note 20.1 (c).

(g) Correspond to "the Second Program of Corporate Bonds" of the Company up to the maximum amount of issuance of US$150,000,000 or its equivalent in Soles for each one. As of June 30, 2018 and December 31, 2017, the balance amounts to approximately S/ 120,000,00. Also includes the First Program of Corporate Bonds of Cemento Andino S.A. (later transferred to the fusion date to the Company) up to an issuance amount of US$40,000,000 or its equivalent in Soles (Peruvian currency). As of December 31, 2017, the balance amounts to approximately US$ 2,800,000 (equivalent to S/ 9,086,000), a fee that was canceled on January 22, 2018.

The purpose of issuances was raise funds to finance medium-term investments.

(h) On May 2015, the total balance of the financial leaseback signed on December 20, 2013 with BCP and Scotiabank, which was initially agreed in foreign currency, was modified in local currency, consequently, the financing change to an annual interest rate of 6.50 per cent and kept its maturity date and grace period.

On September 21, 2016, CELEPSA entered into two medium-term loan agreements (syndicated loans) with BCP for US $ 30,000,000 and Scotiabank for US $ 47,500,000 at fixed rates of 3.35 and 3.30 per cent effective annually, respectively, both for a term of five years. These loans were obtained to pay in advance the financial leaseback with Scotiabank that expired in December 2020, the balance of which as of September 22, 2016 amounted to S/. 47,477,000, in turn CELEPSA prepaid a total of Six financial lease agreements with BCP and Scotiabank for approximately S/. 150,404,000.

(i) On December 17, 2008, the Company signed with Banco de Crédito del Perú (BCP) a contract of terms and conditions of financial leasing for a total of US$ 187,000,000 for the installment of a new line of production (Kiln 4) in Condorcocha plant located in Junin.

On March 13, 2015, the balance of financing amounts to US$ 84,832,000 initially in foreign currency was modified by a financing in local currency with an interest rate of 6.52 percent and a term of three years with quarterly quotes. In February 2018, the last installment corresponding to the financial lease was canceled.

(j) On May 19, 2010, the General Shareholders Meeting approved the leasing agreement signed with Banco Internacional del Peru (Interbank) to expand the production capacity of kiln 1 from 3,200 to 7,500 tons of Clinker/daily. The Company completed the project in the year 2013.

As of June 30, 2018, the net book value of the assets of the kiln 1 is approximately S/ 510,203,000 (S/ 522,306,000 as of December 31, 2017), which guarantee the funding described.

(k) On November 30, 2016, the Company signed two financing contracts, each by S/120,000,000, with Scotiabank Perú and BBVA Continental, both for a term of five years with a grace period of eighteen months and fourteen write-offs quarterly, with the purpose of refinancing short-term financial debt. On December 6, 2017 addenda were made to the contracts modifying the rate at 5.80 percent annual effective rate and 5.20 percent annual nominal, respectively.

(l) On March 30, 2017, the Company entered into a short-term financing agreement with Interbank for S/ 260,000,000. The funds were used to refinance short-term financial debt.

(m) In 2015, the Company entered into three medium-term loan agreements with the BCP for S/13,432,000, S/ 27,899,000 and S/ 150,000,000, for the construction, equipment, assembly and commissioning of the Hydroelectric Plant Carpapata III. The term of the loan is four and a half years and accrues interest at an effective annual interest rate between 5.90 percent and 6.60 percent.

(n) As of June 30, 2018 and December 31, 2017, interests payable related to bonds and long-term debt are amounted to approximately S/ 24,885,000 and S/ 25,823,000, respectively and are recorded in the item “Trade and other payables”, of the consolidated statement of financial position, note 11(a).

(o) Interest on bonds and long-term debt with banks kept for the years ended on June 30, 2018 and 2017 amounted to approximately S/. 109,386,000 and S/. 112,519,000, respectively and is recorded in the item "Financial costs" in the consolidated income statement, see note 16.

(p) The financial safeguards applicable to other local financial liabilities of the Company are quarterly and must be calculated on the basis of the separate financial statement and the calculation methodologies required by each financial institution.

As of June 30, 2018, the main financial safeguards that the Company maintains with each financial entity fluctuate between the following rates and indexes:

- Maintain Leverage ratio minor or equal to 1.5 times.

- Maintain a Debt Service Coverage ratio major o equal between 1.2 to 1.25 times.
- Maintain an Interest Coverage ratio major o equal between 3.0 to 4.0 times.
- Maintain a Debt Coverage ratio of debt of financial debt/EBITDA minor or equal to 3.75.

As part of the commitments acquired in relation to the debt of the subsidiaries, they must comply with the following financial safeguards:

*CELEPSA and subsidiaries*
- Maintain Debt Service Coverage ratio: Greater than or equal between1.10 to1.20.
- Maintain Indebtedness ratio: Less than or equal to 1 time.

*UNICON and subsidiaries*
- Maintain Debt Service Coverage ratio major o equal between 1.2 to 1.25 times.
- Maintain a maximum Indebtedness rate of 2.0 times.
- Maintain an Debt Coverage ratio of financial debt/EBITDA minor or equal to 2.5.

*PREANSA Peru*
- Maintain a Debt Service Coverage ratio minor or equal to 1 times.
- Maintain a maximum Indebtedness rate of 2.5 times.
- Maintain an index Debt Coverage ratio minor or equal to 1.3 times.

As of December 31, 2017, the subsidiary PREANSA Peru obtained a waiver from Interbank.

*PREANSA Chile*
As of December 31, 2017, the subsidiary PREANSA Chile obtained a dispensation from Scotiabank, after the closing of its financial statements, consequently the non-current part of the financial obligation was reclassified in the short term.

In Management´s opinion, the Company and its subsidiaries have complied with the financial covenants required by financial institutions with which maintains funding as June 30, 2018 and December 31, 2017, except as indicated by the subsidiaries PREANSA Peru and PREANSA Chile.

(q) Clauses of incurrences in issuance contracts of foreign bonds, note 10(e)
The contract contains certain clauses that restrict the capacity of the Company and of its subsidiaries, among other:

- Consolidate, merge or transfer substantially all the assets.
- Pay dividends or perform any other type of payment or restricted distribution.
- Sell assets, including share capital of its subsidiaries.
- Perform transactions with related parties those are not restricted subsidiaries.
- Create constraints on the ability of its restricted subsidiaries to pay dividends, perform loans.
- Transfer the holding of the Company.
- Incur in burdens.
- Participate in any business other than the permitted ones.
- To obtain additional debt, for which should:

(i) Maintain a Consolidated Interest Coverage Ratio equal or greater than 2.5 to 1.0.

(ii) To maintain a Consolidated Leverage Ratio (net Financial Debt/EBITDA) equal o minor of 4 up to 1, in the case of the incurred debt before of December 2015, and 3.5 up to1 from that date onwards.

In Management's opinion, the Group has been taken into consideration the restrictions included in the contract of issuance of Foreign Bonds as of June 30, 2018 and December 31, 2017.

*Yavapai's Bonds - Drake Cement, note 10 (f) -*

- 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 June 30, 2018 and December 31, 2017.

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

| | As of June 30, 2018 | As of December 31, 2017 |
|---|---|---|
| | S/(000) | S/(000) |
| **Opening Balance** | 4,459,640 | 4,984,623 |
| Additions | 521,893 | 854,926 |
| Payments | (675,968) | (1,269,698) |
| Amortized cost | 4,320 | 4,432 |
| Exchange difference | (7,059) | (105,184) |
| Exchange rate impact | 5,946 | (19,251) |
| Others | - | 9,792 |
| **Ending Balance** | 4,308,772 | 4,459,640 |

## 11. Trade and other payables

(a) This item is made up as follows:

| | As of June 30, 2018 | As of December 31, 2017 |
|---|---|---|
| | S/(000) | S/(000) |
| Trade payable (b) | 406,308 | 351,755 |
| Accounts payable from related parties, note 18(c) | 156,741 | 144,688 |
| Deferred income (c) | 67,196 | 55,829 |
| Salaries and vacation payable | 60,856 | 41,537 |
| Interest payable, note 10 (c) and (n) | 28,893 | 30,918 |
| Tax Payable | 13,552 | 13,699 |
| Tax payable | 12,035 | 6,589 |
| Dividends payable | 8,027 | 9,001 |
| Work's valuation (d) | 5,410 | 21,027 |
| Accounts payable to third parties (e) | 5,402 | 6,483 |
| Director's remunerations payable | 2,119 | 4,264 |
| Loan payable to BSA (f) | 20,512 | - |
| Other accounts payable | 57,393 | 49,202 |
| | 844,444 | 734,992 |
| **Term -** | | |
| Current Portion | 755,324 | 665,704 |
| Non- Current Portion | 89,120 | 69,288 |
| | 844,444 | 734,992 |

(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.

(c) As of June 30, 2018 and December 31,2017, the balance correspond to sales of cement, clinker and supply mix concrete invoiced and not released which will be made in the next quarter.

(d) As of June 30, 2018, corresponds mainly to:

(i) Mota-Engil Perú S.A for approximately S/ 5,410,000 (S/. 21,027,000, as of December 2017), according to the Engineering Procurement and Construction (EPC) contract for the construction of the Hydroelectric Power Plant Marañón do not bear interest and have no specific guarantees, and

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

(f) Corresponds mainly to accounts payable for commercial operations and loans to Hormigones Bicentenario S.A.-BSA (formerly the UNICON Chile parent company).

## 12. Provisions

(a) This item is made up as follows:

| | Current | | Non-current | |
|---|---|---|---|---|
| | As of June 30, 2018 S/(000) | As of December 31, 2017 S/(000) | As of June 30, 2018 S/(000) | As of December 31, 2017 S/(000) |
| Workers' profit sharing (b) | 26,353 | 50,951 | - | - |
| Severance compensation | 3,422 | 3,044 | - | - |
| Employer retirement of workers (c) | - | - | 15,116 | 14,269 |
| Eviction provision of workers(c) | - | - | 3,726 | 3,598 |
| Provision for mine closure (d) | 2,934 | 3,192 | 25,261 | 23,642 |
| Other provisions | 3,019 | 407 | 14,577 | 13,831 |
| | 35,728 | 57,594 | 58,680 | 55,340 |

(b) In accordance with Peruvian legislation, the Group's entities maintain a workers' profit sharing plan ranging between 5 to 10 percent of the annual taxable income depending on the economic sector in which they operate. Distributions to employees under the plan 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.

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

Employee participation expense as of June 30, 2018 and December 31, 2017 amounts approximately to S/36,461,000 and S/74,798,000, respectively, and is recorded in the consolidated statement of income,

c) As of June 30, 2018 and December 31, 2017, the benefits to employees, for the subsidiaries of Ecuador, corresponded to:

Employer retirement of workers -

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

Eviction of workers -

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

(d) As of June 30, 2018 and December 31, 2017, the Group maintains in Peru a provision for future closure costs of its mines to be occurring by UNACEM between 10 and 33 years, UNICON Peru between 10 and 27 years and by CONCREMAX 3 Years.

Additionally, the Environmental Management Law and the Environmental Regulations for Mining Activities in Ecuador, require the completion of a restoration plan for the concessions of Selva Alegre, Cumbas and Pastaví, the same that hold a future closure plan based on assessment such quarries, the concessions are of 22, 21 and 22, respectively.

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

## 13. Income tax

(a) This item presents the deferred income tax movement as follows:

| | As of June 30, 2018 S/(000) | As of December 31, 2017 S/(000) |
|---|---|---|
| **Deferred tax asset-** | | |
| **Opening Balance** | 140,483 | 216,073 |
| Consolidated income statement impact | 715 | (67,464) |
| Others | - | (1,674) |
| Exchange rate impact | 1,057 | (6,452) |
| **Ending Balance** | 142,255 | 140,483 |
| **Liability to deferred income tax -** | | |
| **Opening Balance** | (676,802) | (671,069) |
| Consolidated income statement impact | 7,641 | (3,200) |
| Acquisition of Subsidiaries, see note 1.1. | (2,933) | (4,049) |
| Charges to comprehensive income | 44 | 22 |
| Others | - | (594) |
| Exchange rate impact | (407) | 2,088 |
| **Ending Balance** | (672,457) | (676,802) |
| **Total net liability for deferred income tax** | (530,202) | (536,319) |

(b) The current and deferred portions of the provision for income tax for the years ended as of June 30, 2018 and 2017 are comprised as follows:

| | 2018 S/(000) | 2017 S/(000) |
|---|---|---|
| Current | (95,766) | (90,833) |
| Deferred | 8,356 | (6,047) |
| | (87,410) | (96,880) |

## 14. Equity

(a) Capital issued–

As of June 30, 2018 and December 31, 2017, the capital stock is represented by 1,646,503,408 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 |
|---|---|---|
| | | % |
| Sindicato de Inversiones y Administración S.A. | 714,311,308 | 43.38 |
| Inversiones Andino S.A. | 399,979,008 | 24.29 |
| AFPs | 333,377,929 | 20.25 |
| Others | 198,835,163 | 12.08 |
| | 1,646,503,408 | 100.00 |

As of June 30, 2018, the share price of each common share has been S/2.85 (S/3.00 as of December 31, 2017).

(b) Legal reserve -

Under the terms of the General Corporation Law, it is required that at least 10 percent of the distributable profit for each year, less income tax, 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 June 30, 2018 and December 31, 2017, the Company has reached the required limit according to law.

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

Corresponds to the fair value changes on hedging financial instruments, net of its corresponding tax effect, see note 21.1 (i) (a).

(d) Dividend distributions –

At the Board of Directors meeting held on January 26 and April 28, 2018, the Company agreed to distribute dividends with charge to retained earnings for approximately S/42,808,000 (S/0.026 per common share), such payment was made on February 28, and May 31, 2018, respectively.

The Board of Directors meetings held on January 27, April 27, July 21 and October 27, 2017, agreed to distribute dividends with charge to retained earnings for approximately S/85,619,000 (S/0.052 per common share), such payments were made on March 1, June 1, August 24 and November 30, 2017 respectively.

In addition, as of June 30, 2018 the subsidiaries of CELEPSA and IMBABURA distributed dividends to their non-controlling shareholders for approximately S/ 1,148,000. As of December 31, 2017 CELEPSA INVECO and IMBABURA distributed dividends to their non-controlling shareholders for approximately S/ 9,875,000

(e) Exchange Rate Impact -

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

As of June 30, 2018 and December 31, 2017, the exchange rate difference generated for each foreign subsidiary is as follows:

| | 2018 | 2017 |
|---|---|---|
| | S/(000) | S/(000) |
| Skanon Investments Inc. and Subsidiaries | 104,584 | 98,833 |
| Imbabura S.A. and Subsidiaries | 53,793 | 50,917 |
| Staten Island Company , Inc and Subsidiaries | 320 | (225) |
| Prefabricados Andinos Perú S.A.C. and Subsidiary | (154) | (603) |
| Prefabricados Andinos S.A. – Chile | (1,127) | (948) |
| Inversiones en Concreto y Afines S.A. and Subsidiaries | (2,060) | (197) |
| | 155,356 | 147,777 |

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

This item is made up as follows as of June 30, 2018 and 2017:

| | 2018 | 2017 |
|---|---|---|
| | S/(000) | S/(000) |
| Cement | 1,130,323 | 1,047,388 |
| Concrete | 632,404 | 512,706 |
| Electrical Energy | 117,647 | 115,340 |
| Net sales | 1,880,374 | 1,675,434 |
| Cost of sales | (1,336,676) | (1,140,067) |
| Gross profit | 543,698 | 535,367 |

## 16. Administrative expenses

This item is made up as follows as of June 30, 2018 and 2017:

| | 2018 | 2017 |
|---|---|---|
| | S/(000) | S/(000) |
| Management services, note 18(b) | 31,540 | 52,838 |
| Personnel expenses | 60,105 | 60,016 |
| Services rendered by third parties | 22,529 | 22,615 |
| Donations | 7,829 | 5,964 |
| Taxes | 8,060 | 7,190 |
| Depreciation,see note 6(g) | 5,733 | 5,439 |
| Service charges of different management | 6,195 | 5,099 |
| Amortization, see note 7 (b) | 1,058 | 1,039 |
| Estimated provision for bad debts | 950 | 390 |
| Mining royalties | 239 | 238 |
| Others | 3,557 | 1,265 |
| | 147,795 | 162,093 |

## 17. Finance cost

As of June 30, 2018 and 2017, this item is mainly composed of interest on bonds and debt with banks by S/ 111,940,000 and S/ 115,336,000, respectively.

## 18. Related parties transactions

(a) Nature of the relationship -

As of June 30, 2018 and December 31, 2017, the Group has mainly made transactions with the following related entities:

- Nuevas Inversiones S.A. - NISA

  NISA owns 58.91 percent of SIA's share capital through which it holds investments in Group companies.

- Sindicato de Inversiones y Administración S.A. – SIA

  Sindicato de Inversiones y Administración S.A. owned 43.38 percent of the share capital of the Company. Additionally, SIA is dedicated to the provision of management services to the Company, in exchange for an annual remuneration of 7.2 percent of its net income before income tax, legal participation of workers and the Board fee.

- Inversiones Andino S.A.

  Sindicato de Inversiones y Administración S.A. owned 24.29 percent of the share capital of the Company. Additionally, IASA is mainly dedicated to provide administrative and managerial advisory services to the Company. The remuneration for the services corresponds to an annual amount of 2.8 percent of the net profit before the income tax, legal participation of the workers and the fee of the Board of Directors.

- ARPL Tecnología Industrial S.A. – ARPL

  The Company's shareholders exercise significant influence in ARPL. The Group receives advisory services and technical assistance, development and management of engineering projects from ARPL.

- La Viga S.A.- VIGA

  It is the main distributor of cement in the city of Lima city of the Company, which represent approximately the 23.4 and 22.5 percent of the Company's sale cement as of June 30, 2018 and December 31, 2017, respectively.

- Vigilancia Andina S.A.A.- VASA

  VASA dedicated to the provision of surveillance, control and security of all facilities and public and private buildings, shows, festivals and events in Peru.

- BASF Construction Chemicals Perú S.A. - BASF

  It is entity dedicated to the manufacture, importation, sale and supply of chemicals used mainly as additives for the manufacture of concrete and associated investment is a subsidiary of the Company (UNICON Peru).

- Asociación UNACEM - Association

  It is a non-profit institution whose main activity is to promote corporate private social investment, whose objective is to generate human development. The Association receives donations mainly from the Company.

(b) The main transactions with related entities as of June 30, 2018 and 2017 were as follows:

| | 2018 | 2017 |
|---|---|---|
| | S/(000) | S/(000) |
| **Income -** | | |
| **Cement Sales -** | | |
| La Viga S.A. | 208,393 | 197,966 |
| Asociación UNACEM | 284 | 229 |
| | | |
| **Dividend income -** | | |
| Ferrocarril central Andino S.A. | 1,493 | 3,209 |
| | | |
| **Costs and / or expenses -** | | |
| **Management services (see note 16) –** | | |
| Sindicato de Inversiones y Administración S.A. | 22,709 | 38,043 |
| Inversiones Andino S.A. | 8,831 | 14,795 |
| | | |
| **Engineering services and technical assistance-** | | |
| ARPL tecnología Industrial S.A. | 8,933 | 9,525 |
| | | |
| **Purchase additives-** | | |
| BASF Construction Chemicals Perú S.A. | 17,916 | 16,923 |
| | | |
| **Monitoring service expense-** | | |
| Vigilancia Andina S.A.A. | 13,683 | 12,395 |

| | | |
|---|---|---|
| **Commissions and freight costs of cement sales -** | | |
| La Viga S.A. | 8,390 | 9,366 |
| **Paid Service Support system -** | | |
| ARPL tecnología Industrial S.A. | 2,128 | 1,776 |
| **Project Management Services -** | | |
| ARPL tecnología Industrial S.A. | 1,700 | 2,480 |
| **Other expenses -** | | |
| BASF Construction Chemicals Perú S.A. | 1,285 | 1,282 |
| Inversiones Andino S.A. | 741 | 665 |
| ARPL tecnología Industrial S.A. | 258 | 76 |
| **Other income -** | | |
| BASF Construction Chemicals Perú S.A. | 586 | 544 |
| La Viga S.A. | 88 | 105 |
| Vigilancia Andina S.A.A. | 56 | 48 |
| Asociación UNACEM | 34 | 15 |

(c) As a result of these and other minor transactions, the Group kept the following balances with its related entities as of June 30, 2018 and December 31, 2017:

| | 2018 | 2017 |
|---|---|---|
| | S/(000) | S/(000) |
| **Account receivables, note 4(a)** | | |
| La Viga S.A. | 29,231 | 28,024 |
| BASF Construction Chemicals Perú S.A. | 188 | 320 |
| Sindicato de Inversiones y Administración S.A. | 156 | 155 |
| Other minors | 241 | 20 |
| | 29,816 | 28,519 |
| **Account payables, note 11(a)** | | |
| Sindicato de Inversiones y Administración S.A. | 85,584 | 72,689 |
| Inversiones Andino S.A. | 29,301 | 20,972 |
| ARPL tecnología Industrial S.A. | 27,850 | 32,905 |
| BASF Construction Chemicals Perú S.A. | 7,507 | 13,633 |
| Vigilancia Andina S.A.A. | 4,482 | 1,447 |
| La Viga S.A. | 2,017 | 3,042 |
| | 156,741 | 144,688 |

| | | |
|---|---|---|
| Current Portion | 93,329 | 91,510 |
| Non- Current Portion | 63,412 | 53,178 |
| | 156,741 | 144,688 |

(d) 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.

(e) The total remuneration paid to Group's directors and key members of management as of June 30, 2018 and 2017 is amounting to approximately S/14,286,000 and S/. 12,065,000 respectively, which include short-term benefits and compensation for time served.

## 19. 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 June 30, 2018 S/(000) | As of June 30, 2017 S/(000) |
|---|---|---|
| **Numerator** | | |
| Net income attributable to common shares | 130,194 | 187,974 |
| | **2018** In thousands | **2017** In thousands |
| **Denominator** | | |
| Weighted average number of common shares | 1,646,503 | 1,646,503 |
| | **2018** S/. | **2017** S/. |
| Basic and diluted earnings for common shares | 0.079 | 0.114 |

## 20. Commitments and contingencies

20.1 Financial commitments -

(a) As of June 30, 2018, the Company kept the following letters of guarantee:

- Guarantee letter to the Ministry of Energy and Mines (MEM), issued by Banco de Crédito del Perú, by a total approximate of US$4,150,000 (equivalent to S/13,380,000) with a maturity on January 2019, in order to ensure compliance of the Mine Closure of UNACEM.

- Guarantee letter in favor of the National Institute for the Defense of Competition and the Protection of Intellectual Property (INDECOPI), and issued by BBVA Banco Continental in an amount of S/.6,300,000 due in May 2019, in order to ensure compliance with the payment of a fine imposed for defense of free competition of INDECOPI, see note 20.4(b).

- Stand by letter of credit to Banco Bilbao Vizcaya Argentaria New York issued by BBVA Banco Continental by a total of US$9,888,000 (equivalent to S/31,879,000) in order to ensure the operations of their subsidiary Sunshine Concrete and Materials Inc.

(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 June 30, 2018 for approximately S/ 80,322,000 (S/ 80,100,000 as of December 31, 2017).

- 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 June 30, 2018, for US $ 200,000 , approximately equivalent to S/ 654,000 (US $ 200,000, equivalent to S/ 649,000 as of December 31, 2017).

- Guarantee letter negotiated by PREANSA Peru, issued in favor of certain financial institutions in order to ensure their obligations with certain customers for advance payments received for the start of production operations as of June 30, 2018 for approximately S/. 3,875,000 (S/. 4,119,000 as of December 31, 2017).

- Guarantee letter to Consorcio Transmantaro S.A. requested by CELEPSA for a total of US$3,000,000, maturing in July 2018 issued by Scotiabank Peru in order to guarantee the contract for electric power transmission for facilities of the complementary transmission system.

- 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 2018.

- 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 February 2019.

(c) Guarantees for the payment of financial obligations:

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

- Letter of credit for US $ 40,447,000, held on November 18, 2010 between US Bank National Association and the Development Authority of Yavapai County , in order to assure to the Sindicato de Inversiones y Administracion S.A. (Applicant) the direct payment of the credit, see note 10 (f).

- 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 10 (f).

20.2 Finance leases -

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

| | As of June 30, 2018 | | As of December 31, 2017 | |
|---|---|---|---|---|
| | Minimum payments | Present value of lease payments | Minimum payments | Present value of lease payments |
| | S/(000) | S/(000) | S/(000) | S/(000) |
| In 1 year | 60,320 | 46,149 | 98,189 | 82,121 |
| Between one to five years | 282,968 | 165,296 | 282,799 | 162,970 |
| Total payments to be done | 343,288 | 211,445 | 380,988 | 245,091 |
| Less - finance costs | (131,843) | - | (135,897) | - |
| Value of minimum lease payments | 211,445 | 211,445 | 245,091 | 245,091 |

20.3 Tax situation -

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

This tax rules related to the income tax are the same as those described in the notes to the annual consolidated financial statements as of December 31, 2017.

(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. | 2013 to 2014 and from 2016 to 2017 |
| Compañía Eléctrica El Platanal S.A. | 2013-2017 |
| Generación Eléctrica Atocongo S.A. | 2013-2017 |
| Unión de Concreteras S.A. | 2013-2017 |
| CONCREMAX S.A. | 2013-2017 |
| Inversiones en Concreto y Afines S.A. | 2013-2017 |
| Prefabricados Andinos Perú S.A.C. | 2014-2017 |
| Transportes Lurín S.A. | 2013-2017 |
| Depósito Aduanero Conchán S.A. | 2013-2017 |
| Inversiones Imbabura S.A. | 2014-2017 |
| | |
| **In Ecuador -** | |
| UNACEM Ecuador S.A. | 2015-2017 |
| | |
| **In Chile -** | |
| Prefabricados Andinos S.A. | 2014-2017 |
| | |
| **In Colombia -** | |
| Prefabricados Andinos Colombia S.A.S. | 2014-2017 |
| | |
| **In United State of America** | 2015-2017 |

Due to the interpretations likely to be given by the Tax Authority on current legal regulations, it is not possible to determine, as of this date, whether the reviews to be conducted will result in liabilities for the Company and subsidiaries; therefore, any increased tax or surcharge that could arise from possible tax reviews will be applied to the results of the year in which it is determined. In the Management's and its legal advisors' opinion, any additional tax settlement would not be significant for the consolidated financial statements as of June 30, 2018 and December 31, 2017.

(c) Also, the tax loss carry forward of subsidiaries as of June 30, 2018 and December 31, 2017 are as follows:

| | 2018<br>S/(000) | 2017<br>S/(000) |
|---|---|---|
| Skanon Investments Inc. and Subsidiaries (i) | 1,490,190 | 1,395,303 |
| Compañía Eléctrica El Platanal S.A. and Subsidiaries | 332,532 | 334,920 |
| Prefabricados Andinos S.A. – PREANSA Chile | 35,467 | 39,951 |
| Prefabricados Andinos Colombia S.A.S | 8,177 | 7,084 |
| Depósito Aduanero Conchán S.A. | 2,769 | 2,523 |
| Other minor Peruvian subsidiaries | 878 | 365 |

(i) The tax loss carry forward of subsidiaries in the United States of America amounted approximately US$ 458,280,000 (equivalent to S/1,490,190,000), which, according to the tax loss assessment, it will be recovered US$ 148,433,441.

Under United States law, the subsidiaries of the Group in this country are subject to federal tax and state tax, to which applied a rate of 21 percent and 5 percent, respectively, on taxable income. In the event of tax losses, the companies will be able to compensate these losses within a period of 20 and 5 years from the date of its generation, for the federal and state tax, 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. The amount of the tax loss carry forward is subject to the outcome of the reviews referred to in the preceding paragraph.

(iii) The tax loss carry 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.

20.4 Contingencies –

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

*Peru –*

(a) Tax:

*Income tax*

As a result of audits for the years 2004 to 2006, the Company has been notified by the Superintendence of Tax Authority (SUNAT) with different resolutions for alleged omissions in income tax. In some cases, the Company has filed appeals for not finding the appropriate resolutions in accordance with the laws in force in Peru and in other cases it has proceeded to pay the assessments received. According to the Management of the Company and its legal advisors, as of June 30, 2018 and December 31, 2017, the Company has recorded the necessary provisions, leaving as a possible contingency an amount of S/48,255,000 plus interest and costs.

Likewise, the Company holds claims to Tax Authority (SUNAT), corresponding to demands and requirements of refund of income tax paid in excess for the years 2004, 2005, 2006 and 2009, in which it requested the decisions of the Tax Court set aside and will return the money paid ascending approximately S/30,383,000 and other claims by approximately S/989,000, see note 4(d).

As result of the audit for the year 2010, the Company has been notified by the Superintendence of Tax Authority (SUNAT) with different resolutions for alleged omissions in income tax. In some cases, the Company has filed appeals for not finding the appropriate resolutions in accordance with the laws in force in Peru and in other cases it has proceeded to pay the assessments received. As of June 30, 2018, the Company has recorded the necessary provisions, according to the Management and its legal advisors, regarding this case there are possible contingencies for an amount of approximately S/19,912,000 plus interest and costs.

The subsidiary CONCREMAX, in relation to the audit corresponding to the Income Tax of the fiscal year 2012, on August 22, 2016, the subsidiary CONCREMAX was notified with the Resolution of Intendance No. 0150140012650 through which the Tax Administration declared the values determined in 2015 null, returning again to the control stage. Thus, the Tax Administration issued a new Information Request in the month of December 2016 in order for the CONCREMAX to support the observations originally made; however, on January 5, 2017, CONCREMAX was notified with Determination Resolution No. 012-003-0083092, issued by the Third Category Income Tax for 2012 for S/3,472,000 and the Fine Resolution No 012-002-0029815 for S/1,836,000.

On November 30, 2017, the subsidiary CONCREMAX presented the Bond Letter No. DDO-02748341, which was issued for the sum of S/5,674,000 in order to guarantee the tax debt in the aforementioned paragraph and filed with the Tax Court a claim file that is pending resolution. In the opinion of the legal advisors of the Company, this contingency is possible.

As of June 30, 2018, the subsidiaries INVECO and PREANSA Peru filed claims with the tax authority for S/ 265,000 S/S/and S/ 471,000, respectively. According to the Group Management's evaluation it will be recovered in the current period.

*Excise tax -*

On the other hand, the Company has two additional claims for excise tax related to coal imports in 2006 and 2007 for a total amount of S/ 7,027,000, see Note 4(d). In December 2015, the Superior Court upheld the original ruling in 2014 declaring void the Tax Court Resolution N°14294-A-2013 by claims amounting to approximately S/5,023,000 and is pending collection. On September 26, 2017, the Specialized Civil Court of Villa El Salvador declared the appeal filed by the Company well founded.

On October 06, 2017, the Judicial Power, with a judgment of Cassation No. 5104-2016, declared the other lawsuit filed by the company founded. On March 26, 2018, the company files with SUNAT, the respective refund request for the amount of S/. 2,004,710.

During the years 2016 - 2017 the company paid ISC for its coal imports, filing an appeal with the Judicial Power in order to declare NOT applicable the provisions of Article 2 of Supreme Decree No. 111-2016-EF to the company, through which it was included in Appendix II of Taxed Assets with the Selective Consumption Tax. In December 2017, the Superior Court of Justice of Lima South Permanent Civil Chamber, with Exp. 00343-2016 declared founded the lawsuit filed by the company, for the amount of S/. 4,460,000 see note 4 (d), the company submitting the respective refund requests in March 2018. Additionally, during the first quarter other claims were recorded for approximately S/ 179,000, see note 4 (d).

(b) Administrative:

By means of Resolution No. 004-2010 / ST-CLC-INDECOPI of March 25, 2010, the Technical Secretary of the Committee for the Defense of Free Competition declared admissible the complaint filed by Ferreteria Malva SA, against the Company and others related to the commission of anticompetitive behavior, and initiate an infringement procedure against the complained companies. In 2013, through Resolution N° 010-2013/CLC, the Committee for the Defense of Free Competition sanctions to the Company at the end of the unjustified refusal sales, imposing a penalty of 1,488.20 UIT and absolves the offense relating to boycott. Given the resolution of the Commission, the Company filed an appeal to the Court of Competition, at the end of the penalty for the alleged refusal of unjustified sales, which confirmed the decision appealed, whereupon the Company has decided to bring contentious administrative proceedings before the Judiciary, for the annulment of the decision of INDECOPI is declared. Through Resolution N°05 of July 13, 2015, the Twenty-Fifth Administrative Court declared the process sanitized the evidence was admitted and ordered to refer the case to the Public Ministry to issue the final opinion. The Company expects to obtain a favorable ruling in court.

*Ecuador –*

(c) Regulatory:

In 2015, CANTYVOL received two notifications of the Mining Regulation and Control Agency - (SRI, by its acronym in Spanish) for approximately US$5,000,000 (equivalent to S/17,065,000), corresponding to differences mining royalties determined by the years 2010 to 2014. In January 2016, CANTYVOL have presented an extraordinary appeal for protection to the Constitutional Court, which was declared admissible. As of December 31, 2016, the National Directorate of ARCOM partially accepted the appeal filed, which is why CANTYVOL have filed an appeal to the Ministry of Mines for the non-accepted part.

During 2016, SRI notified UNACEM Ecuador S.A for US$ 1,323,000 (equivalent to S/ 4,445,000) corresponding to the income tax payment settlement for fiscal year 2013. In January 2018 UNACEM Ecuador submitted an Extraordinary Appeal to the National Court, which has been partially admitted.

During 2018, the Internal Revenue Service - SRI has initiated the audit process of UNACEM Ecuador for the 2015 period, and the required information has been delivered, in the following months a new requirement or the issuance of the act of determination is expected.

The legal advisors of the Group believe that it is only possible, not probable the tax, legal and regulatory matters mention above. On the basis of the above and in the Group Management's opinion, no provision was recorded in the consolidated financial statements as of June 30, 2018 and December 31, 2017. In addition, the Group Management and its legal counsel consider that there are other tax, administrative, labor and regulatory issues which degree of contingency is remote.

Likewise, as of June 30, 2018 and December 31, 2017, the Group has filed claims to the Tax Administration Office (SUNAT), corresponding to the demands and claims for reimbursement of income tax. Management and its legal advisors estimate that there are legal arguments to obtain a favorable outcome in these processes, in which case they will not have a significant impact on the consolidated financial statements of the Group.

20.5 Environmental commitments -

The activities of the Group are subject to environmental protection standards. This tax rules are the same as those described in the notes to the annual consolidated financial statements as of December 31, 2017.

## 21. Financial risk management, objectives and policies

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

The Group's Senior Management oversees the management of these risks. The Group's Senior Management is supported by the Financial Management that advises on financial risks and the appropriate financial risk governance framework for the Group. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

21.1 Market risk –

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

The sensitivity analyses shown in the following sections relate to the consolidated financial situation as of June 30, 2018 and December 31, 2017.

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 June 30, 2018 and December 31, 2017.

(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 As of June 30, 2018** | **Maturity rate** | **Receive variable to:** | **Pays fix rate at:** | **Fair value** | |
|---|---|---|---|---|---|---|
| | | | | | **As of June 30, 2018** | **As of December 31 2017** |
| | US$(000) | | | | S/(000) | S/(000) |
| **Assets-** | | | | | | |
| Bank of Nova Scotia | 9,625 | September 2018, | Libor to 3 months + 2.40% | 1.020% | 105 | 202 |
| Bank of Nova Scotia | 2,083 | August 2018 | Libor to 3 months + 2.35% | 0.825% | 27 | 78 |
| Banco Scotiabank (Chile) (*) | 4,020 | August 2018 | Libor to 3 months + 1.75% | 5.50% | 287 | - |
| **Total, note 22(a)** | | | | | 419 | 280 |
| **Liabilities -** | | | | | | |
| Banco de Crédito e Inversiones (BCI) | 4,031 | November, 2027 | 6.78% | 3.3766% | 807 | 957 |
| Banco Scotiabank (Chile) | 1,016 | July 2019 | Libor to 30 days + 3.36% | 9.50% | 498 | 810 |
| Banco Scotiabank (Chile) (*) | 4,020 | August 2018 | Libor to 3 months + 1.75% | 5.50% | - | 637 |
| **Total, note 22(a)** | | | | | 1,305 | 2,404 |

(*) Corresponds to the same loan from Banco Scotiabank (Chile)

Financial instruments are intended to reduce exposure to interest rate risk variable associated with the financial obligations set out in Note 10. These financings bear interest at a variable rate equal to the 3-month Libor.

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

As of June 30, 2018 and 2017 the Group recognized an expense on these derivative financial instruments amounting to approximately S/.2,557,000 and S/.2,817,000 respectively, whose amounts were actually paid during the year and are presented as "Borrowing Costs" in the consolidated statement of income

The effective portion of changes in the fair value of financial instruments that qualify as hedges is recognized as assets or liabilities and with impact on equity and are presented as "Unrealized income" in the consolidated statement of the comprehensive income.

(b) Derivative Financial instruments from trading –

| Counterparty | Reference value As of June 30, 2018 | Maturity rate | Receive variable to: | Pays fix rate at: | Fair value | |
|---|---|---|---|---|---|---|
| | | | | | As of June 30, 2018 | As of December 31, 2017 |
| | US$(000) | | | | S/(000) | S/(000) |
| **Liabilities -** | | | | | | |
| Citibank N.A. New York | 70,000 | April 2019 | Libor to 3 months + 1.08% | 5.20% | 5,554 | 9,845 |
| **Total, note 22(a)** | | | | | 5,554 | 9,845 |

As of June 30, 2018, the effective portion of changes in the fair value of financial instruments that qualify as hedges is recognized as assets or liabilities. As of June 30, 2018, the effect amounts to approximately S/ 4,292,000 (S/. 2,470,00 as of June 30, 2017) and is presented as part of the item "Financial income" 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 -

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

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

The result of holding balances in foreign currency for the Group in the period ended on June 30, 2018 and 2017 was a net gain amounting approximately S/.16,267,000 and S/.92,377,000, respectively, which are presented in the caption "Exchange difference, net" in the consolidated statement of income.

As of June 30, 2018 and December 31, 2017, the Group has "Cross Currency Interest Rate Swap" amounting to S/ 298,000 and S/ 336,000 in favor of the bank, respectively, and hedging of risks associated with exchange rate fluctuations. These instruments were designated as held for trading. The effect as of June 30, 2018 and 2017 is an income of approximately S/. 38,000 and S/1,471,000, respectively.

Foreign currency sensitivity -

Foreign currency transactions made at free market exchange rates published by the Superintendence of Banks, Insurance and Private Funds Peru Managers. As of June 30, 2018, the weighted average exchange rates of the free market for transactions in U.S. Dollars were S/ 3.269 for buying and S/ 3.274 for selling (S/ 3.238 for buying and S/.3.245 for selling as of December 31, 2017), respectively.

As of June 30, 2018 and December 31, 2017, the Group had the following assets and liabilities in foreign currency:

American Dollars

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | US$(000) | Equivalent S/(000) | US$(000) | Equivalent S/(000) |
| **Asset** | | | | |
| Cash and cash equivalents | 9,976 | 32,612 | 18,226 | 59,015 |
| Trade and other payables | 60,973 | 199,321 | 29,908 | 96,838 |
| | 70,949 | 231,933 | 48,134 | 155,853 |
| **Liabilities** | | | | |
| Other financial liabilities | (826,318) | (2,705,366) | (879,760) | (2,854,817) |
| Trade and other payables | (47,096) | (154,193) | (40,836) | (132,516) |
| Derivative financial instruments | (2,095) | (6,859) | (3,775) | (12,249) |
| | (875,509) | (2,866,418) | (924,371) | (2,999,582) |
| Derivative financial instruments In Foreign currency | (91) | (298) | (104) | (336) |
| **Net liability position** | (804,651) | (2,634,783) | (876,341) | (2,844,065) |

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) as of June 30, 2018 and December 31, 2017.

| **Change in US Dollars rate In American Dollars** | **Impact on profit before income tax income** | |
|---|---|---|
| | **2018** | **2017** |
| % | S/(000) | S/(000) |
| 5 | (131,739) | (142,203) |
| 10 | (263,478) | (284,407) |
| -5 | 131,739 | 142,203 |
| -10 | 263,478 | 284,407 |

21.2 Credit risk –

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to a credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, and trade and other receivables. The maximum credit risk for the components of the consolidated financial statements as of June 30, 2018 and December 31, 2017 is represented by the amount of the item cash and cash equivalents, trade and other accounts receivable.

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

21.3 Liquidity risk –

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

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

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

| | As of June 30, 2018 | | | |
|---|---|---|---|---|
| | From 1 to 12 months<br>S/(000) | From 1 to 3 years<br>S/(000) | From 4 to more years<br>S/(000) | Total<br>S/(000) |
| Trade and other payables | 755,324 | 17,207 | 71,913 | 844,444 |
| Other financial liabilities | | | | |
| Amortization of capital | 563,367 | 1,062,701 | 2,682,704 | 4,308,772 |
| Flow of interest payments | 215,208 | 305,720 | 429,942 | 950,870 |
| **Total liabilities** | 1,533,899 | 1,385,628 | 3,184,559 | 6,104,086 |

| | As of December 31, 2017 | | | |
|---|---|---|---|---|
| | From 1 to 12 months<br>S/(000) | From 1 to 3 years<br>S/(000) | From 4 to more years<br>S/(000) | Total<br>S/(000) |
| Trade and other payables | 665,704 | 7,872 | 61,416 | 734,992 |
| Other financial liabilities | | | | |
| Amortization of capital | 710,879 | 1,028,763 | 2,719,998 | 4,459,640 |
| Flow of interest payments | 223,849 | 411,502 | 412,014 | 1,047,365 |
| **Total liabilities** | 1,600,432 | 1,448,137 | 3,193,428 | 6,241,997 |

21.4 Capital management–

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

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

As of June 30, 2018 and December 31, 2017 the leverage ratio is determine as follows:

| | **2018** | **2017** |
|---|---|---|
| | S/(000) | S/(000) |
| Other financial liabilities, note 10 | 4,308,772 | 4,459,640 |
| Trade, related and others | | |
| Account payables, note 11 | 844,444 | 734,992 |
| Less: Cash and cash equivalents, note 3 | (110,063) | (157,002) |
| **Net debt (a)** | 5,043,153 | 5,037,630 |
| Equity | 4,250,668 | 4,163,217 |
| **Total capital and net debt (b)** | 9,293,821 | 9,200,847 |
| **Leverage ratio (a/b)** | 0.543 | 0.548 |

No changes were made in the objectives, policies or processes for managing capital during the years ended on June 30, 2018 and December 31, 2017.

## 22. Fair values

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

The following table presents an analysis of the financial instruments recorded at fair value, according to their hierarchy level as June 30, 2018 and December 31, 2017:

| | **2018** | **2017** |
|---|---|---|
| | S/(000) | S/(000) |
| Derivative financial instruments: | | |
| Level 2 | 419 | 280 |
| Total assets, note 4(a) | 419 | 280 |
| Derivative financial instruments: | | |
| Level 2 | 7,157 | 12,585 |
| Total liabilities, note 21.1(i) and (ii) | 7,157 | 12,585 |

Level 1 -

The financial assets included in the Level 1 category are measured based on quotations obtained from an active market. A financial instrument is regarded as quoted in an active market if prices are readily and regularly available from a centralized trading mechanism, agent, broker, industry group, pricing providers or regulatory agencies; and those prices stem from regular transactions in the market.

Level 2 -

Level 2 Financial instruments are measured based on market factors. This category includes instruments valued using market prices of similar instruments - whether it be an active market or not – and other valuation techniques (models) where all significant inputs are directly or indirectly observable in the marketplace. A description of how the fair value of the Group's principal financial instruments is determined in this category is presented as follows:

- Derivative financial instruments –

  The valuation technique most commonly used includes forwards and swaps valuation methods that calculate the present value. These models consider various inputs, including the counterparties' credit quality, spot exchange rates, forward rates and interest rate curves.

Level 3 -

As of June 30, 2018 and December 31, 2017, the Company does not maintain financial instruments in this category.

The Group carries fair value derivate financial instrument, according explains in the letter (a); it is considered in the Level 2 to hierarchy of fair value.

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

Level 1 –

- Cash and cash equivalents do not represent a credit risk or a significant interest rate; therefore, their carrying amounts are close to their fair value.
- Accounts receivable because they are net of provision for loan losses and primarily have maturities of less than three months, and Management has seen its fair value is not materially different from its carrying value.
- Trade and other payables, due to its current maturity Management estimates that its accounting balances approximate its fair value.

Level 2 –

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

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | **Value Books** | **Fair Value** | **Value Books** | **Fair Value** |
| | S/(000) | S/(000) | S/(000) | S/(000) |
| Other financial liabilities (*) | 3,917,298 | 3,441,466 | 3,958,570 | 3,617,064 |

(*) As of June 30, 2018 and December 31, 2017, the amount outstanding does not include promissory notes, see note 10 (a).

**23. Segment information**

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

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

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

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

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

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

| | As of June 30, 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Cement | Concrete | Electrical Energy | Others | Total segments | Adjustments elimination | Consolidated |
| | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) |
| **Income** | | | | | | | |
| Third-party customers | 1,130,323 | 632,404 | 117,647 | - | 1,880,374 | - | 1,880,374 |
| Inter segments | 133,757 | 48,506 | 35,117 | 4,949 | 222,329 | (222,329) | - |
| **Total revenues** | 1,264,080 | 680,910 | 152,764 | 4,949 | 2,102,703 | (222,329) | 1,880,374 |
| **Gross profit** | 436,351 | 64,249 | 40,387 | 610 | 541,597 | 2,101 | 543,698 |
| **Operating income (expenses)** | | | | | | | |
| Administrative expenses | (120,621) | (29,273) | (7,047) | (2,530) | (159,471) | 11,676 | (147,795) |
| Selling expenses | (26,699) | (9,734) | (1,244) | - | (37,677) | 951 | (36,726) |
| Other operating income (expenses), net | 96,707 | 11,129 | 1,863 | (5) | 109,694 | (116,974) | (7,280) |
| **Operating profit** | 385,738 | 36,371 | 33,959 | (1,925) | 454,143 | (102,246) | 351,897 |
| **Other income (expenses)** | | | | | | | |
| Participation in associates | - | 1,438 | - | - | 1,438 | - | 1,438 |
| Financial Income | 7,098 | 1,059 | 15 | 358 | 8,530 | - | 8,530 |
| Finance cost | (106,099) | (11,336) | (13,579) | (4,136) | (135,150) | - | (135,150) |
| Exchange difference, net | (13,109) | 171 | (3,010) | 204 | (15,744) | (523) | (16,267) |
| **Income before income tax** | 273,628 | 27,703 | 17,385 | (5,499) | 313,217 | (102,769) | 210,448 |
| Income tax | (73,761) | (8,136) | (5,518) | 5 | (87,410) | - | (87,410) |
| **Net income for segment** | 199,867 | 19,567 | 11,867 | (5,494) | 225,807 | (102,769) | 123,038 |
| **Income before tax for segment** | 372,629 | 36,542 | 30,949 | (1,721) | 438,399 | (227,951) | 210,448 |

| | As of June 30, 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Cement | Concrete | Electrical Energy | Others | Total segments | Adjustments elimination | Consolidated |
| | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) |
| **Income** | | | | | | | |
| Third-party customers | 1,047,388 | 512,706 | 115,340 | - | 1,675,434 | - | 1,675,434 |
| Inter segments | 144,725 | 32,282 | 34,450 | 7,474 | 218,931 | (218,931) | - |
| **Total revenues** | 1,192,113 | 544,988 | 149,790 | 7,474 | 1,894,365 | (218,931) | 1,675,434 |
| **Gross profit** | 427,903 | 62,311 | 42,780 | 1,918 | 534,912 | 455 | 535,367 |
| **Operating income (expenses)** | | | | | | | |
| Administrative expenses | (139,518) | (25,040) | (6,509) | (2,233) | (173,300) | 11,207 | (162,093) |
| Selling expenses | (22,404) | (10,019) | (1,450) | - | (33,873) | 2,798 | (31,075) |
| Other operating income (expenses), net | 235,261 | 5,777 | (219) | 2 | 240,821 | (258,299) | (17,478) |
| **Operating profit** | 501,242 | 33,029 | 34,602 | (313) | 568,560 | (243,839) | 324,721 |
| **Other income (expenses)** | | | | | | | |
| Participation in associates | - | 998 | - | - | 998 | - | 998 |
| Financial Income | 5,963 | 2,280 | 30 | 346 | 8,619 | - | 8,619 |
| Finance cost | (121,457) | (10,518) | (13,391) | (3,706) | (149,072) | - | (149,072) |
| Exchange difference, net | 77,607 | 1,865 | 12,466 | 439 | 92,377 | - | 92,377 |
| **Income before income tax** | 463,355 | 27,654 | 33,707 | (3,234) | 521,482 | (243,839) | 277,643 |
| Income tax | (79,906) | (6,373) | (10,308) | (293) | (96,880) | - | (96,880) |
| **Net income for segment** | 383,449 | 21,281 | 23,399 | (3,527) | 424,602 | (243,839) | 180,763 |
| **Income before tax for segment** | 578,849 | 34,894 | 47,068 | 126 | 660,937 | (383,294) | 277,643 |

| | As of June 30, 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Cement | Concrete | Electrical Energy | Others | Total segments | Adjustments elimination | Consolidated |
| **Operating assets** | 7,454,317 | 1,240,936 | 1,267,384 | 97,821 | 10,060,458 | 150,166 | 10,210,624 |
| **Operating liabilities** | 446,634 | 429,040 | 89,983 | 3,794 | 969,451 | 4,990,505 | 5,959,956 |

| | As of December 31, 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Cement | Concrete | Electrical Energy | Others | Total segments | Adjustments elimination | Consolidated |
| **Operating assets** | 7,635,973 | 1,065,155 | 1,283,844 | 98,019 | 10,082,991 | 148,931 | 10,231,922 |
| **Operating liabilities** | 440,286 | 359,678 | 111,032 | 4,418 | 915,414 | 5,153,291 | 6,068,705 |

**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 June 30, 2018 and 2017 is as follows:

| | 2018 | 2017 |
|---|---|---|
| | S/(000) | S/(000) |
| **Reconciliation of income -** | | |
| **Income before tax for segment before adjustment and eliminations** | 438,399 | 660,937 |
| Financial Income | 8,530 | 8,619 |
| Finance cost | (135,150) | (149,072) |
| Participation in associates | 1,438 | 998 |
| Inter segments | (102,769) | (243,839) |
| **Income before tax for segment** | 210,448 | 277,643 |

The reconciliation of operating assets and liabilities as of June 30, 2018 and December 31, 2017 is as follows:

| | 2018 | 2017 |
|---|---|---|
| | S/(000) | S/(000) |
| **Reconciliation of assets -** | | |
| **Segment operating assets** | 10,060,458 | 10,082,991 |
| Deferred income tax asset | 142,255 | 140,483 |
| Derivative financial instruments | 419 | 280 |
| Other assets | 7,492 | 8,168 |
| **Operating assets of the Group** | 10,210,624 | 10,231,922 |
| | | |
| **Reconciliation of liabilities -** | | |
| **Segment operating liabilities** | 969,451 | 915,414 |
| Other financial liabilities | 4,308,772 | 4,459,640 |
| Trade payables to Directors | 2,119 | 4,264 |
| Deferred income tax liability | 672,457 | 676,802 |
| Derivative financial instruments | 7,157 | 12,585 |
| **Operating liabilities of the Group** | 5,959,956 | 6,068,705 |

Geographic information –

The income information contained above is based on customer location.

Income by location as of June 30, 2018 and 2017 is as follows:

| | 2018 | 2017 |
|---|---|---|
| | S/(000) | S/(000) |
| **Income of customers** | | |
| Peru | 1,420,660 | 1,267,334 |
| Ecuador | 236,373 | 240,746 |
| Unites States | 195,871 | 153,720 |
| Chile | 25,284 | 13,634 |
| Colombia | 2,186 | - |
| **Total income according to the consolidated statements of income** | 1,880,374 | 1,675,434 |

Total non-current assets by location as of June 30, 2018 and December 31, 2017 is as follows:

| | 2018 | 2017 |
|---|---|---|
| | S/(000) | S/(000) |
| **Non-current assets:** | | |
| Peru | 6,864,574 | 6,901,165 |
| Unites States | 1,189,686 | 1,209,247 |
| Ecuador | 697,551 | 695,594 |
| Chile | 43,232 | 45,040 |
| Colombia | 32,474 | 32,225 |
| **Non- current assets according to the financial statement** | 8,827,517 | 8,883,271 |

For purposes of this note, non-current assets include concessions, properties, plant and equipment, deferred stripping and intangible assets.

## 24. Subsequent events

No significant events of a financial-accounting nature have been identified after June 30, 2018 that may affect the interpretation of these consolidated financial statements.