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

UN-AUDITED Consolidated Interim Financial Statements

As of June 30, 2019 and December 31, 2018

UNION ANDINA DE CEMENTOS S.A.A. AND SUBSIDIARIES
Statement of Financial Position
For the periods ended June 30, 2019 and December 31, 2018
(In thousands of Soles)

	Notes	As of June 30, 2019	As of December 31, 2018
Assets			
Current Assets			
Cash and cash equivalents	4	138,682	111,410
Other Financial Assets		-	-
Trade Accounts Receivable and other accounts receivable		**522,553**	**561,546**
Trade Accounts Receivable , net	5	403,305	421,374
Other Accounts Receivable , net	5	71,072	103,241
Accounts Receivable from Related Companies	5	31,234	25,157
Prepaid Expenses	5	16,942	11,774
Inventories	6	734,751	752,069
Biological Assets		-	-
Assets by Income Taxes		-	-
Other Non-Financial Assets	10	47,193	27,567
Total Current Assets different than assets or groups of assets for its classified as held for sale or for distribution to owners		**1,443,179**	**1,452,592**
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		**1,443,179**	**1,452,592**
Non-Current Assets			
Other Financial Assets		-	-
Investments in subsidiaries, joint ventures and associates		22,153	16,164
Trade Accounts Receivables and other accounts receivables		**48,168**	**42,619**
Trade Accounts Receivable		-	-
Other Accounts Receivable	5	40,251	38,661
Accounts Receivable from Related companies		-	-
Advanced payments	5	7,917	3,958
Biological Assets		-	-
Investment Property		-	-
Property, Plant and Equipment , net	7	7,166,518	7,250,243
Intangible Assets , net	8	208,672	215,350
Assets Deferred Income Tax	15(a)	140,814	151,691
Surplus value	9	1,165,734	1,166,873
Other Assets	10	125,250	127,094
Total Non-current Assets		**8,877,309**	**8,970,034**
TOTAL ASSETS		**10,320,488**	**10,422,626**

	Notes	As of June 30, 2019	As of December 31, 2018
Liabilities and Stockholders' Equity			
Current Liabilities			
Other Financial Liabilities	11	748,095	461,218
Trade accounts payable and other payable accounts		**718,177**	**801,118**
Trade Accounts Payable	12	468,955	524,530
Other Accounts Payable	12	165,252	125,955
Accounts payable to related companies	12	15,400	74,437
Deferred Income	13	68,570	76,196
Provision for Employee Benefits		-	-
Other provisions	14	43,594	55,054
Income tax liabilities		40,201	34,417
Other non-financial liabilities		-	-
Total Current Liabilities different of Liabilities included groups of assets for disposal Classified as Held for Sale		**1,550,067**	**1,351,807**
Liabilities included in asset groups classified as held for sale		-	-
Total Current Liabilities		**1,550,067**	**1,351,807**
Non-Current Liabilities			
Other Financial Liabilities	11	3,449,076	3,919,904
Trade accounts payable and other payable accounts		**36,362**	**86,802**
Trade Accounts Payable	12	19,513	2,319
Other Accounts Payable	12	15,099	11,592
Accounts payable to related companies	12	-	70,730
Deferred Income	13	1,750	2,161
Provision for Employee Benefits		-	-
Other provisions	14	63,267	77,389
Liabilities Deferred Income Taxes	15(a)	651,508	678,214
Other non-financial liabilities	23.1(i)(ii)	35,873	24,565
Total Non-Current Liabilities		**4,236,086**	**4,786,874**
Total Liabilities		**5,786,153**	**6,138,681**
Stockholders' Equity			
Capital Issued	16	1,818,128	1,646,503
Issuance Premiums		-56,125	-
Investment shares		-	-
Treasury Shares in portfolio		-	-
Other Capital Reserves		353,837	329,301
Accrued Results		2,120,681	1,967,159
Other Equity Reserves		134,917	167,518
Shareholders' equity attribute to the owners of the Parent		**4,371,438**	**4,110,481**
Non Controlling interest		162,897	173,464
Total Stockholders' Equity		**4,534,335**	**4,283,945**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**10,320,488**	**10,422,626**

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

Income Statement

For the periods ended June 30, 2019 and 2018

(In thousands of Soles)

	Notes	For the specific quarter from April 1, to June 30, 2019	For the specific quarter from April 1, to June 30, 2018	For the cummulative period from January 1st to June 30, 2019	For the cummulative period from January 1st to June 30, 2018
Incomes from ordinary activities	17	1,040,877	960,846	2,035,026	1,839,901
Cost of Sales	17	-761,718	-693,175	-1,481,462	-1,296,203
Profit (Loss) Gross	**17**	**279,159**	**267,671**	**553,564**	**543,698**
Selling Expenses and distribution		-27,905	-23,967	-44,836	-36,726
Administrative expenses	18	-64,549	-69,093	-128,612	-147,795
Profit (Loss) in the write-off of financial assets carried at amortized cost		-	-	-	-
Other Operating Income		6,813	8,807	28,643	26,959
Other Operating Expenses		-6,246	-10,093	-18,159	-34,239
Other profit (loss)		-	-	-	-
Profit (Loss) from operating activities		**187,272**	**173,325**	**390,600**	**351,897**
Financial Income		5,213	1,430	15,225	6,330
Financial Expenses	19	-64,007	-66,035	-129,552	-132,950
Exchange differences, net		11,439	-29,359	36,405	-16,267
Share of Profit (Loss) in net results from Equity-Accounted Joint Ventures and related companies		1,454	791	1,762	1,438
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		**141,371**	**80,152**	**314,440**	**210,448**
Income tax expenses	15(b)	-44,633	-33,374	-97,980	-87,410
Profit (Loss) Net of Continued Operations		**96,738**	**46,778**	**216,460**	**123,038**
Profit (loss) net of the tax to the profit from discontinued operations		-	-	-	-
Profit (loss) net of the year		**96,738**	**46,778**	**216,460**	**123,038**
Profit (Loss) net, attributable to :					
Owners of the Parent		94,766	51,116	216,199	130,194
Non-controlling interest		1,972	-4,338	261	-7,156
Net Profit (Loss) of the Year		**96,738**	**46,778**	**216,460**	**123,038**

UNION ANDINA DE CEMENTOS S.A.A. AND SUBSIDIARIES
Statement of Comprehensive Income
For the periods ended June 30, 2019 and 2018
(In Thousands of Soles)

	Notes	For the specific quarter from April 1, to June 30, 2019	For the specific quarter from April 1, to June 30, 2018	For the cummulative period from January 1st to June 30, 2019	For the cummulative period from January 1st to June 30, 2018
Net Profit (Loss) of the year		**96,738**	**46,778**	**216,460**	**123,038**
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		-5,951	481	-8,568	217
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		**-5,951**	**481**	**-8,568**	**217**
Income tax relating to components of other comprehensive income					
Net Change for Cash Flow Hedges		-	-	-	-
Hedges of a Net Investment in a Foreign Operation		-	-	-	-
Profit (Loss) in equity instrument investments at fair value		-	-	-	-
Exchange difference on translation of Foreign Operations		-10,521	10,712	-26,692	8,152
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		**-10,521**	**10,712**	**-26,692**	**8,152**
Other Comprehensive Income		**-16,472**	**11,193**	**-35,260**	**8,369**
Total Comprehensive Income for the period , net of income tax		**80,266**	**57,971**	**181,200**	**131,407**
Comprehensive Income attributable to:					
Owners of the Parent		79,043	62,263	183,598	137,832
Non-controlling interest		1,223	-4,292	-2,398	-6,425
Total Comprehensive Income of the Year, net		**80,266**	**57,971**	**181,200**	**131,407**

UNION ANDINA DE CEMENTOS S.A.A. AND SUBSIDIARIES
Statement of Cash Flow
Direct Method
For the periods ended June 30, 2019 and 2018
(In thousands of Soles)

	Notes	As of January 1st, 2019 to June 30, 2019	As of January 1st, 2018 to June 30, 2018
Operating activities cash flows			
Types of cash collections from operating activities			
Sale of Goods and Services		2,514,699	2,181,536
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		-1,548,354	-1,270,596
Contracts held for brokering or trading purposes		-	-
cash payments to and on behalf of employees		-266,343	-232,237
Elaboration or acquisition of assets to be leased and other assets held for sale		-	-
Other Cash Payments Related to Operating Activity		-147,986	-85,040
Cash flows and cash equivalents from (used in) Operating Activities		**552,016**	**593,663**
Interests received (not included in the Investment Activities)		-	-
Interests paid (not included in the Investment Activities)		-121,358	-121,039
Dividends Received (not included in the Investment Activities)		-	-
Dividends Paid (not included in the Investment Activities)		-	-
Income tax (paid) reimbursed		-88,857	-137,830
Other cash collections (payments)		-	-
Cash flows and cash equivalents from (used in) Operating Activities		**341,801**	**334,794**
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		13,819	3,536
Sale of intangible assets		-	-
Sale of other long- term assets		-	-
Government Subventions		-	-
Interests received		-	-
Dividends received		4,069	-
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		-	-69,387
Purchase of Joint Venture shares, Net of the cash acquired		-	-
Purchase of Property, Plant and Equipment	7(a)	-139,580	-101,746
Purchase of intangible assets	8(a)	-2,524	-1,900
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		**-124,216**	**-169,497**
Cash flows from Financing activities			
Type of cash collections from financing activities			
Loan securing	11(u)	192,354	501,394
Changes to the subsidiaries ownership interest not resulting in the loss of control		-	-
Share issuance		-	-
Issuance of other Equity Instruments		-	-
Government Subventions		-	-
Type of cash payments from financing activities			
Loan Amortization or Repayment	11(u)	-347,836	-675,968
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		-65,280	-44,930
Income tax (paid) reimbursed		-	-
Other cash receipts (payments) relating to financing activities		29,775	7,163
Cash flows and cash equivalents from (used in) financing activities		**-190,987**	**-212,341**
Increase (Decrease) in Net Cash and cash equivalents, before Changes in Foreign Exchange Rates		**26,598**	**-47,044**
Effects of Changes in Foreign Exchange Rates on Cash and Cash Equivalents		674	105
Increase (Decrease) in Net Cash and Cash Equivalents		**27,272**	**-46,939**
Cash and cash equivalents at beginning of year		**111,410**	**157,002**
Cash and cash equivalents at end of year	**4**	**138,682**	**110,063**
		-	

UNION ANDINA DE CEMENTOS S.A.A. AND SUBSIDIARIES
Statement of change in Stockholder's Equity
For the periods ended June 30, 2019 and 2018

(In Thousands of Soles)

							Other Equity Reserves												
	Capital Issued	Issuance Premiums	Investment shares	Treasury Shares in Portfolio	Other Capital Reserves	Accrued Results	Cash Flow Hedges	Investment Hedges, net of foreign businesses	Investments in equity instruments accounted at fair value	Exchange difference on translation of Foreign Operations	Non-current assets or groups of assets for held for sale	Participation in other comprehensive income of related companies and joint ventures accounted for using the equity method	Revaluation Surplus	Actuarial Profit (Lose) on defined benefit pension plans	Changes in the fair value of financial liabilities attributable to changes in the credit risk of the liability	Subtotal	Shareholders' equity attribute to the owners of the Parent	Non-controlling Interest	Total Stockholders' Equity
Balances as of January 1, 2018	1,646,503	-	-	-	329,301	1,859,385	-3,780	-	-	147,777	-	-	-	-	-	**143,997**	**3,979,186**	184,031	**4,163,217**
Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Correction of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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**
Changes in Stockholders' Equity:																			
Comprehensive Income:																			
Gain (Loss) for the year						130,194											**130,194**	-7,156	**123,038**
Other Comprehensive Income:						-	59	-	-	7,579	-	-	-	-	-	**7,638**	**7,638**	731	**8,369**
Comprehensive Income - Total year						**130,194**	**59**	-	-	**7,579**	-	-	-	-	-	**7,638**	**137,832**	**-6,425**	**131,407**
Cash Dividends Declared					-	-42,808											**-42,808**	-1,148	**-43,956**
Equity Issuance (reduction)	-	-	-	-	-	-											-	-	-
Reduction or amortization of Investment shares		-	-	-		-											-	-	-
Increase (decrease) in Other Contributions by Owners	-	-	-	-	-	-											-	-	-
Decrease (Increase) for Other Distributions to Owners	-	-	-	-	-	-											-	-	-
Increase (Decrease) due to changes in the subsidiaries ownership interest not resulting in the loss of control	-	-	-	-	-	-21											**-21**	21	-
Increase (decrease) for transactions with Treasury Shares in Portfolio	-	-	-	-	-	-											-	-	-
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**
Balance as of January 1, 2019	1,646,503	-	-	-	329,301	1,967,159	-17,375	-	-	184,893	-	-	-	-	-	**167,518**	**4,110,481**	173,464	**4,283,945**
Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Correction of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restated Initial Balance	**1,646,503**	-	-	-	**329,301**	**1,967,159**	**-17,375**	-	-	**184,893**	-	-	-	-	-	**167,518**	**4,110,481**	**173,464**	**4,283,945**
Changes in Stockholders' Equity:																			
Comprehensive Income:																			
Gain (Loss) for the year						216,199											**216,199**	261	**216,460**
Other Comprehensive Income:						-	-8,686	-	-	-23,915	-	-	-	-	-	**-32,601**	**-32,601**	-2,659	**-35,260**
Comprehensive Income - Total year						**216,199**	**-8,686**	-	-	**-23,915**	-	-	-	-	-	**-32,601**	**183,598**	**-2,398**	**181,200**
Cash Dividends Declared					-	-45,041											**-45,041**	-2,647	**-47,688**
Equity Issuance (reduction)	-	-	-	-	-	-											-		-
Reduction or amortization of Investment shares		-	-	-		-											-		-
Increase (decrease) in Other Contributions by Owners	-	-	-	-	-	-											-		-
Decrease (Increase) for Other Distributions to Owners	-	-	-	-	-	-											-		-
Increase (Decrease) due to changes in the subsidiaries ownership interest not resulting in the loss of control	-	-	-	-	-	-8,964											**-8,964**	8,964	-
Increase (decrease) for transactions with Treasury Shares in Portfolio	-	-	-	-	-	-											-		-
Increase (Decrease) for Transfer and other Equity Changes	171,625	-56,125	-	-	24,536	-8,672											**131,364**	-14,486	**116,878**
Total Equity Increase (decrease)	**171,625**	**-56,125**	-	-	**24,536**	**153,522**	**-8,686**	-	-	**-23,915**	-	-	-	-	-	**-32,601**	**260,957**	**-10,567**	**250,390**
Balance as of June 30, 2019	**1,818,128**	**-56,125**	-	-	**353,837**	**2,120,681**	**-26,061**	-	-	**160,978**	-	-	-	-	-	**134,917**	**4,371,438**	**162,897**	**4,534,335**

1. Economic Activity

Unión Andina de Cementos S.A.A. (hereinafter “the Company” or "UNACEM") was incorporated in December 1967. Up to December 31, 2018, The Company was a subsidiary of Sindicato de Inversiones y Administración S.A. which holds 43.38 percent of the Company’s issued capital, which in turn was a subsidiary of Inversiones JRPR S.A., ultimate parent of the consolidated economic Group.

At the General Shareholders' Meeting held on December 28, 2018, it was approved the project to merge the Company as an absorbing company and Sindicato de Inversiones y Administración S.A. (SIA), Inversiones Andino S.A (IASA) and Inmobiliaria Pronto S.A. (PRONTO) as absorbed companies.

After the corporate reorganization and the registration of the public deed of capital increase, Inversiones JRPR S.A. and Nuevas Inversiones S.A. would have 26.55 and 25.25 percent of the Company's shares, respectively. Inversiones JRPR S.A. is the Company's new parent company, which continues to be the ultimate parent of the Consolidated Economic Group.

The effective date of the merger was January 1, 2019, and included: (i) the absorption of Sindicato de Inversiones y Administración S.A. (SIA), Inversiones Andino S.A (IASA) and Inmobiliaria Pronto S.A. (PRONTO) by the Company, and (ii) the issuance of shares by the Company in favor of the shareholders of the absorbed companies. On April 30, 2019, the public deed of merger by absorption and capital increase due to merger and partial modification of the bylaws was registered, see note 16 (a).

At the General Shareholders' Meeting held on May 28, 2019, the simple merger of the Company as an acquiring Company and Cementos Portland S.A.C. as an absorbed company was approved unanimously., without an increase in share capital. The effective date of the merger was June 1, 2019.

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 2019 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 2018 have been approved by the Group Management.

As of June 30, 2019, 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 94.54 and 93.34 percent shares of the capital stock, whose core business is investment in securities as of June 30, 2019 and December 31, 2018, respectively.

  As of June 30, 2019 and December 31, 2018, 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.

  Drake Cement along with other SKANON subsidiaries such as Drake Materials, Drake Aggregates LLC, MRM Equipment Leasing LLC and MRM Holdings LLC entered into contracts in 2015 with California Portland Cement Company-Calportland (hereinafter "CPC"). On the other hand, as of June 30, 2019 and December 31, 2018, SKANON has an agreement to participate in Desert Ready Mix.

- Inversiones Imbabura S.A. – IMBABURA

  It is an entity incorporated in July 2014, Company´s direct subsidiary, which holds 100 percent share 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 percentage of participation is 98.89 percent in UNACEM Ecuador, whose main activity is the exploitation, industrialization of cement and its derivatives and related services.

- Compañía Eléctrica El Platanal S.A. – CELEPSA

  It is an entity incorporated in December 2005, a direct subsidiary of the Company who 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 holds a 100 percent stake in the capital shares of Celepsa Renovables S.R.L., the company that owns the Marañón Hydroelectric Power Plant, located in the department of Huánuco, which began operations in the second quarter of 2017.

- Unión de Concreteras S.A. – UNICON Peru

  It is an entity incorporated in December 1995, indirect subsidiary of the Company, 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 other related product such as bricks, aggregates and concrete sleepers. For the production of concrete, UNICON Peru mainly requires cement, stone, sand and additives.

- UNICON UCUE Cía. Ltda. (formerly Hormigonera Quito Cia. Ltda) - UNICON Ecuador

  It is an entity incorporated in December 1987, domiciled in Ecuador, indirect subsidiary of the Company through INVECO, who owns 99.99 percent of the capital stock of UNICON Peru who in turn owns 100 percent of the capital stock of UNICON Ecuador since July 18, 2017. The main activity of UNICON Ecuador is the manufacture, sale, distribution and commercialization of ready-mix concrete for construction.

- UNICON CHILE S.A. (formerly Hormigones Independencia S.A.) - UNICON Chile

  It is an entity incorporated in August 2017, domiciled in Chile, an indirect subsidiary of the Company through INVECO, who owns 99.99 percent of the shareholding of the capital shares of UNICON Peru who in turn owns 100 percent of the UNICON Chile capital shares since May 4, 2018. The main activity of UNICON Chile is the extraction, selection, elaboration, commercialization and distribution of materials for the construction of all types of works, focused on cement, concrete, mortar and aggregates in general. (see more details in note 2.2.)

- 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. CONCREMAX's main activity is the development and commercialization of concrete, and to a lesser extent related product such as pre-stressed beams, bagged products and aggregates.

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

  It is an entity incorporated in July 1996, a direct subsidiary of the Company, 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 percent shares, which in turn owns 99.99 percent of CONCREMAX S.A. And 100 percent of UNICON Ecuador, and 100 percent of UNICON Chile, all of them dedicated to the same activity.

- Cementos Portland S.A.C. - CEMPOR

  It is an entity incorporated in the city of Lima in July 2007, which is currently in pre-operational stage. Its main activity is the exploitation and selling of limestone of the mining concession "El Silencio 8", located in the district of Pachacamac, in the province and department of Lima.

  In October 2018, the Company acquired 100 percent shares of the capital stock CEMPOR (see note 2.1.)

  Also, at the General Shareholders' Meeting held on May 28, 2019, the simple merger of the Company as an acquiring Company and CEMPOR was approved unanimously as an absorbed company, without an increase in share capital. The effective date of the merger was June 1, 2019.

- 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 prestressed 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 prestressed 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 products especially of prestressed and precast concrete structures and other concrete products for industrial construction.

- 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).

  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.

- 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 in Arizona, United States in July 2017, is a direct subsidiary of the Company who owns 100 percent shares 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).

  During the year 2017, SIC acquired shares of Staten Island Terminals, Inc. and Staten Island Holding, Inc, all of the Group's purchases, as part of a corporate reorganization.

- ARPL Tecnología Industrial S.A. – ARPL

  It is an entity incorporated on August 2, 1949. ARPL's main activity is the provision of advisory services and technological assistance in the areas of engineering, geology, research, administrative management, market and finance, mainly to related companies that develop activities related to the cement industry. Likewise, it is dedicated to the provision of development services and computer support and laboratory services.

  The Company receives advisory services and technical assistance, development and management of engineering projects from ARPL. Until December 31, 2018 ARPL was a direct subsidiary of Inmobiliaria Pronto S.A. with a 100 percent share. As of January 1, 2019, as a result of the merger of the Company with Inmobiliaria Pronto S.A., ARPL becomes a direct subsidiary of the Company, as part of a corporate reorganization.

  Likewise, ARPL owns 49.50 and 9.10 percent of the capital shares of VASA and INMA, respectively.

- Vigilancia Andina S.A.– VASA

  It is an entity incorporated in Peru on January 2, 1991. The main activity of VASA is to provide surveillance, control and security services in all types of facilities and buildings.

  Until December 31, 2018, VASA was a direct subsidiary of Inversiones Andino S.A. with a participation of 50.50 percent of participation of the shares of capital and associate of ARPL with a participation of 49.50 percent of the shares of capital. As of January 1, 2019, as a result of the merger of the Company with Inversiones Andino S.A., VASA becomes a direct subsidiary of the Company, as part of a corporate reorganization

- Inversiones Nacionales y Multinacionales Andinas S.A. - INMA

  It is an entity incorporated in Peru on May 1, 1976. INMA's main activity is the leasing of parking spaces for employees of related companies.

  Until December 31, 2018, INMA was a direct subsidiary of Inversiones Andino S.A. with a participation of 99.90 percent of participation of the shares of capital and associate of ARPL with a participation of 9.10 percent of the shares of capital. As of January 1, 2019, as a result of the merger of the Company with Inversiones Andino S.A., VASA becomes a direct subsidiary of the Company, as part of a corporate reorganization.

The table below shows the summary of the main items of the financial statements of subsidiaries controlled by the Group as of June 30, 2019 and December 31, 2018:

		Percentage of participation											
		2019		2018		Asset		Liabilities		Net Equity		Profit (loss)(vi)	
Entity	Main economic activity	Direct	Indirect	Direct	Indirect	2019 S/(000)	2018 S/(000)	2019 S/(000)	2018 S/(000)	2019 S/(000)	2018 S/(000)	2019 S/(000)	2018 S/(000)
Inversiones Imbabura S.A. and Subsidiaries (i)	Cement	100.00	-	100.00	-	1,858,598	1,886,033	474,164	424,519	1,384,434	1,461,514	44,269	47,883
Skanon Investments Inc. and Subsidiaries (ii)	Cement and Concrete	86.28	8.26	85.06	8.28	1,319,712	1,345,607	733,025	738,302	586,687	607,305	(7,832)	(51,568)
Compañía Eléctrica El Platanal S.A. y Subsidiaries (iii)	Electrical Energy	90.00	-	90.00	-	1,230,705	1,250,133	506,616	554,257	724,089	695,876	28,325	11,867
Inversiones en Concreto y Afines S.A. and Subsidiaries (iv)	Concrete	93.38	-	93.38	-	1,024,863	1,049,522	576,311	614,766	448,552	434,756	15,824	14,758
Cementos Portland S.A.C., note 2.1	Cement	-	-	100.00	-	-	82,730	-	534	-	82,196	-	-
Prefabricados Andinos Perú S.A.C. and Subsidiary	Precast	50.02	-	50.02	-	68,415	76,556	40,791	47,183	27,624	29,373	(1,425)	(1,657)
Prefabricados Andinos S.A.	Precast	51.00	-	51.00	-	81,652	64,914	74,286	57,815	7,366	7,099	154	1,110
Staten Island Company, Inc and Subsidiaries (v)	Holding	100.00	-	100.00	-	100,325	61,538	22,321	2,645	78,004	58,893	304	304
ARPL tecnología Industrial S.A.	Services	100.00	-	-	-	45,406	-	10,971	-	34,435	-	2,363	-
Transportes Lurín S.A.	Services	99.99	-	99.99	-	35,167	35,206	1	18	35,166	35,188	(22)	(96)
Generación Eléctrica de Atocongo S.A.	Services	99.85	0.15	99.85	0.15	29,849	33,804	28,769	32,868	1,080	936	144	87
Inversiones Nacionales y Multinacionales Andinas S.A.	Services	99.90	9.10	-	-	18,262	-	4,965	-	13,297	-	(11)	-
Vigilancia Andina S.A.	Services	50.50	49.50	-	-	12,675	-	5,462	-	7,213	-	853	-
Depósito Aduanero Conchán S.A.	Services	99.99	-	99.99	-	1,387	1,634	846	923	541	711	(170)	(167)

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

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

(iii) CELEPSA's subsidiaries are: Ambiental Andina S.A. and Celepsa Renovables 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.

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

(vi) Balances as of June 30, 2019 compared to balances as of June 30, 2018.

2. Business combinations and corporate reorganization

2.1 Acquisition of Cementos Portland S.A.C. - (CEMPOR) –

On October 2018, the Group acquired 100 percent of the capital shares of CEMPOR, company domiciled in Peru which is in the pre-operational stage. Its main activity is the exploitation and selling of limestone of the mining concession "El Silencio 8", located in the district of Pachacamac, in the province and department of Lima.

On November 26, 2018, the change of name of Cementos Portland S.A. was approved to Cementos Portland S.A.C.

The acquisition value was approximately US $ 29,933,000 (equivalent to S / 99,496,000), which was paid in full by the Company. On October 10, 2018, the Company took control of CEMPOR.

The Group acquired CEMPOR, taking advantage of the proximity to Atocongo Plant, in search of increasing competitiveness, sustainability and environmental improvement. Likewise, it seeks to generate synergies, optimize expenses and lengthen the useful life of quarries.

The fair value of CEMPOR's 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	7
Trade and other receivable, net	479
Deferred income tax Asset, note 15	6,162
Mining concessions and property, plant and equipment, net, note 7	103,812
Tax Credit due to General sales tax	4,065
Other assets	7
	114,532
Liabilities	
Trade and other payables	132
Deferred income tax liability, note 15	14,823
Liability by Income tax	81
	15,036
Net identifiable assets at fair value	99,496
Goodwill generated on acquisition	-
Consideration transferred from the acquisition	99,496

	Fair values recognized at the date of acquisition S/(000)
Net cash incorporated with the subsidiary	7
Cash payment	(99,496)
Net cash flow at the date of acquisition	(99,489)
Analysis of the cash flows of the acquisition	
Transaction costs	(54)
Net cash incorporated with the subsidiary	7
Net cash flow of acquisition	(47)

The Group mainly used a discounted cash flow model to estimate the future cash flows expected from El Silencio 8 concession of CEMPOR, based on the exploitation plans for the limestone reserves. The expected future cash flows are based on estimates of future production and prices of commodities, operating costs and capital expenditures anticipated using the reserve plan at the acquisition date.

In 2018, from the date of acquisition, CEMPOR has contributed S/. 260,000 for losses before income taxes, for continued operations.

The costs of the CEMPOR purchase transaction for approximately US$16,000 (equivalent to S/54,000) 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.

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

On May 2018, the Group acquired 100 percent of the capital stock of Hormigones Independencia S.A., a company domiciled in Chile, dedicated to the to the extraction, selection, processing, marketing and distribution of materials for the construction of all types of works, focused on cement, concrete, mortars and aggregates in general. During May 2018, the extraordinary shareholders' meeting decided to change the company name from Hormigones Independencia S.A. to Unicon Chile S.A.

UNICON Chile has seven concrete plants strategically located in the northern, central and southern areas of Chile.

The approximate cost of the transaction was US $ 21,980,000 (equivalent to S/ 72,006,000), which is subject to adjustments as of the closing date of June 19, 2018; likewise, the parties agreed to keep a retained fund for approximately US $ 1,566,000 (equivalent to S/ 5,130,000), which is deposited in an Escrow Account in the Custodio Bank (Citibank) in favor of the seller, to cover price adjustments and possible contingencies for tax, labor and recoverability issues of accounts receivable. This escrow account will be released in favor of the seller to the extent that said contingencies prescribe according to a schedule established in the contract that expires in the month of April 2021.

On May 4, 2018, UNICON Peru took control of UNICON Chile, and disbursed the agreed compensation.

On June 2018, an adjustment was made to the purchase price of US$52,000 (equivalent to S/172,000) ton favor of UNICON Peru.

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	2,381
Trade and other receivable, net	47,632
Inventories	3,715
Mining concessions and property, plant and equipment, net, note 7	40,853
Client list, note 8	18,216
Other assets	2,019
	114,816
Liabilities	
Trade and other payables	49,393
Deferred income tax liability, note 15	10,982
	60,375
Net identifiable assets at fair value	54,441
Goodwill generated on acquisition	17,393
Consideration transferred from the acquisition	71,834
Net cash incorporated with the subsidiary	2,381
Cash payment	(72,006)
Net cash flow at the date of acquisition	(69,625)
Analysis of the cash flows of the acquisition	
Transaction costs	(242)
Net cash incorporated with the subsidiary	2,381
Net cash flow of acquisition	2,139

The Group used a discounted cash flow model to estimate the future cash flows expected for the list of UNICON Chile customers, based on the sales plans. The expected future cash flows are based on estimates of future production and prices of commodities, operating costs and capital expenditures anticipated using the sales plan at the acquisition date.

The goodwill of S/ 17,393,000 includes the value of the expected synergies derived from the acquisition. The goodwill has been fully allocated to the segment of concrete and prefabricated. Due to the contractual terms imposed in the acquisition, the list of customers meets the criteria to be registered as an intangible asset according to IAS 38 "Intangible Assets". Goodwill is not deductible for income tax purposes.

In 2018, from the date of acquisition, UNICON Chile has contributed S/. 2,482,000 for losses before income taxes, for continued operations. If the business combination had been made at the beginning of the year 2018, ordinary income from continuing operations would have been S/ 201,266,000 and net losses before income tax of S/ 2,498,000.

The costs of 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.

3. Summary of significant accounting policies

The accounting policies adopted to prepare the consolidated financial statement are consistent with those applied on December 31, 2018, except when otherwise indicated.

3.1 Basis of preparation -

The Company Consolidated Interim Financial Statements have been prepared according to the IAS 34 Interim financial information issued by the International Accounting Standards Board (IASB), effective as of June 30, 2019 and December 31, 2018, respectively.

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

The interim consolidated financial statements provide comparative information for earlier periods, however, does not include all information and disclosures required in the annual consolidated financial statements and should therefore be read in conjunction with the consolidated audited report as of and for the year ended on December 31, 2018.

3.2 Basis of consolidation-

The interim consolidated financial statements include the financial statements of the Company and its subsidiaries as of June 30, 2019 and December 31, 2018.

Control criteria that the Group takes into account are described in the notes to the annual consolidated financial statements as of December 31, 2018.

3.3 New accounting pronouncements, interpretations and modifications -

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, 2018 for the adoption of new current standards as of January 1, 2019.

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

- *IFRS 16 "Leases"*

IFRS 16 was issued in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determination of whether an agreement contains a lease, SIG 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 exceptions for lessees - leases of "low cost" assets (for example, personal computers) and short-term leases (for example, leases with a term of 12 months or less). On the start date of the lease, the lessee will recognize a liability for payments to be made for the lease (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 will need to separately recognize the interest expense on the lease liability and the depreciation expense related to the asset for right of use.

The lessees must also re-measure the lease liability when certain events occur (for example, a change in the term of the lease, 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 requirements of IAS 17. The lessors will continue to classify all leases using the same principles classification as in IAS 17 and distinguishing between two types of leases: operating and financial. IFRS 16 also requires lessees and lessors to include more extensive disclosures than those stipulated in IAS 17.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019, and requires lessees and lessors to disclose more detailed disclosures than those required by IAS 17.

In general, the Group Management´s has not determined significant effects in the application of this rule.

- *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 and does not apply to taxes or charges outside the scope of IAS 12, nor does it specifically include the requirements related to interest and penalties that could be derived. 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 determines the fiscal result, the tax bases, the unpaid losses to be compensated, the tax deductions and the tax rates
  - How an entity considers 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. The Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

  In general, the Group Management´s has not determined significant effects in the application of this rule.

- *Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associated entity or joint venture*

  The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associated entity or joint venture. The amendments clarify that the gain or loss arising from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associated entity or joint venture, must be recognized entirely. However, any gain or loss resulting from the alienation or contribution of assets that do not constitute a business will be recognized only to the extent of the interests of investors not related to the associated entity or the joint venture. The IASB has postponed the date of application of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these modifications when they come into force.

- *Amendments to IAS 28 - Investments in associates and joint ventures*

  These amendments clarify that an entity must apply IFRS 9 Financial Instruments to long-term investments in associates or in joint ventures to which the equity method is not applied, but which in substance form part of the net investment in the company. associated entity or in the joint venture. This clarification is relevant, since it implies that the expected credit loss model of IFRS 9 must be applied to said investments.

  It is also clarified that, when applying IFRS 9, the entity will not take into account any loss of the associated entity or joint venture or any impairment loss on the net investment that was recorded as an adjustment to the net investment in the associated entity. or in the joint venture for the application of IAS 28 Investments in associates and joint ventures.

  The amendments will be applied retroactively to the periods beginning on January 1, 2019 or later, allowing early application. Since the Group has no long-term interests in associates and joint ventures, the modifications do not have an impact on its consolidated financial statements.

  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 amendments 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.

- *Annual Modifications Cycle 2015-2017 (Issued in December 2017)*

  IFRS 3 - Business combination

  The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including the re-measurement of interests previously held in the assets and liabilities of the joint operation. at fair value. In doing so, the acquirer remembers all of its previous participation in the joint operation.

  An entity applies those amendments to the business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with the anticipated application allowed. These amendments will be applied to the future business combinations of the Group.

- *IAS 23 Financing - costs*

  The amendments clarify that an entity treats as a part of the generic loans any loan originally made to develop a qualified asset when it has substantially completed all the activities necessary to prepare that asset for its intended use or sale.

  An entity applies those modifications to financing costs incurred on or after the beginning of the annual reporting period in which the entity applies those modifications. An entity applies those modifications for annual reporting periods beginning on or after January 1, 2019, and early adoption is permitted. The Group has not determined significant effects on its consolidated financial statements.

- *IAS 12 Income tax - Consequences of payments of financial instruments classified in 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 amendments 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.

4. Cash and cash equivalents

(a) This item is made up as follows:

	As of June 30, 2019 S/(000)	As of December 31, 2018 S/(000)
Petty cash	1,289	1,215
Funds to deposit	179	126
Current accounts (b)	99,284	75,234
Term deposits (c)	37,598	29,103
Mutual Funds	265	5,665
Restricted funds	67	67
	138,682	111,410

(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.

5. Trade and other receivable, net

(a) This item is made up as follows:

	Current		Non-current	
	As of June 30, 2019 S/(000)	As of December 31, 2018 S/(000)	As of June 30, 2019 S/(000)	As of December 31, 2018 S/(000)
Commercial:				
Receivable invoices and letters (b)	380,055	406,079	15,115	13,730
Provision of bills receivable (c)	28,323	21,319	-	-
	408,378	427,398	15,115	13,730
Related:				
Accounts receivable from related parties, note 20(c)	31,234	25,157	-	-
Various:				
Claims to Tax authority (d)	21,499	24,211	30,065	19,638
Advances to suppliers	16,942	11,774	7,917	3,958
Claims to third parties	5,831	9,856	2,922	2,922
Loans to employees (e)	6,673	6,926	158	158
Account receivable from the Escrow fund(h)	3,233	5,815	3,063	6,448
Derivative financial instruments, note 24 (a)	400	484	-	-
Other accounts receivable	23,799	20,449	912	780
	78,377	79,515	45,037	33,904
Advance payments of income tax				
temporary tax on net assets (f)	10,427	30,235	-	-
Tax Credit due to General sales tax (g)	5,306	11,413	3,131	8,715
	15,733	41,648	3,131	8,715
	533,722	573,718	63,283	56,349
Less - Expected credit loss (i)	(11,169)	(12,172)	(15,115)	(13,730)
	522,553	561,546	48,168	42,619

(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, 2019 and December 31, 2018, this balance corresponds to Provisions for billing for energy and power sale in June and December of those years for S/. 28,323,000 and S/. 21,319,000, respectively, which were billed and collected in the following month.

(d) As of June 30, 2019 and December 31, 2018 corresponds mainly to claims submitted to the Tax Authority (SUNAT) for the return of overpayment of income tax and selective tax on consumption of previous year, see note 22.4(a).

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

(e) As of June 30, 2019 and December 31, 2018 corresponds mainly to loans to employees, which will be collected within two years according to the agreements signed by the Company, respectively.

(f) As of June 30, 2019 and December 31, 2018, corresponds to the balance in favor of payments on account of income tax and disbursements on account of the temporary tax on net assets.

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

(g) As of June 30, 2019, it corresponds mainly to the tax credit for general sales tax resulting from the construction of the Marañón Hydroelectric Power Plant project. As of December 31, 2018, it corresponds mainly to the tax credit for general sales tax resulting from the construction of the Marañón Hydroelectric Power Plant project and for the "Silencio 8" project of the subsidiary CEMPOR.

In the opinion of the Group Management, the tax credit for general sales tax will be recovered in the short and long term through the development of the Group's operations.

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

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

	As of June 30, 2019 S/(000)	As of December 31, 2018 S/(000)
Opening Balance	25,902	20,201
Estimation charged to income	1,584	6,018
Recovery and Punishment	(978)	(816)
Acquisition of Subsidiaries	-	199
Exchange rate impact	(224)	300
Ending Balance	26,284	25,902

According to the Group Management opinion, the allowance for doubtful accounts covers satisfactorily the loan losses as of June 30, 2019 and December 31, 2018.

(j) The aging analysis of trade receivables and other as of June 30, 2019 and December 31, 2018 is as follows:

			Past due -			
	Total S/(000)	**Currents** S/(000)	**< 30 days** S/(000)	**30-90 days** S/(000)	**91-180 days** S/(000)	**> 180 days** S/(000)
2019	570,721	485,441	40,288	11,444	3,901	29,647
2018	604,165	499,587	53,091	21,269	4,577	25,641

As of June 30, 2019 and December 31, 2018, the Group performed the evaluation of credit risk exposure in trade accounts receivable, see note 23.2.

6. Inventories, net

(a) This item is made up as follows:

	As of June 30, 2019	As of December 31, 2018
	S/(000)	S/(000)
Finished goods	50,083	33,898
Work in progress (b)	223,344	242,388
Raw and auxiliary materials (c)	147,529	171,292
Packages and packing	41,909	27,192
Spare parts and supplies (d)	311,309	313,232
Inventory in transit	1,671	3,133
	775,845	791,135
Estimate for impairment of inventories (e)	(41,094)	(39,066)
	734,751	752,069

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

(c) Raw and auxiliary materials mainly include imported and domestic coal, pozzolan, iron and imported clinker. As of June 30, 2019, the Group has mainly held in stock imported and domestic coal and clinker imported by approximately S/ 47,895,000 and S/ 14,874,000, respectively (S/ 51,788,000 and S/ 14,791,000, respectively as of 31 December 2018).

(d) As of June 30, 2019 and December 31, 2018 the Group maintains no significant and necessary supplies parts to provide maintenance to 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, 2019	As of December 31, 2018
	S/(000)	S/(000)
Opening Balance	39,066	32,108
Estimation charged to income	2,101	8,272
Recoveries	-	(369)
Exchange rate impact	(73)	(945)
Ending Balance	41,094	39,066

According to the Group management's opinion, the allowance for the devaluation of inventories covers satisfactorily the loan losses as of June 30, 2019 and December 31, 2018.

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

(a) This item is made up as follows:

	As of June 30, 2019 S/(000)	As of December 31, 2018 S/(000)
Cost -		
Opening Balance	10,352,318	9,856,271
Additions (d)	191,079	295,838
Acquisition of Subsidiaries, see note 2.1 and 2.2	-	144,665
Merger and corporate reorganization, see note 1	13,599	-
Reclassification	(19)	(918)
Withdrawals and sells (e)	(63,469)	(33,850)
Adjustments	(10,851)	461
Exchange rate impact	(65,926)	89,851
Ending Balance	10,416,731	10,352,318
Accumulated depreciation -		
Opening Balance	3,102,075	2,670,349
Depreciation of the period (f)	220,112	420,240
Merger, see note 1	4,615	-
Withdrawals and sells (e)	(52,523)	(18,261)
Others	(1,772)	-
Exchange rate impact	(22,294)	29,747
Ending Balance	3,250,213	3,102,075
Net book value -	7,166,518	7,250,243

(b) As of June 30, 2019 and December 31, 2018, the Group holds concessions from the quarries of Atocongo, Atocongo Norte, Pucará, Oyón and El Silencio 8 (acquired in merger with CEMPOR) of UNACEM, Selva Alegre, Cumbas and Pastaví of UNACEM Ecuador and Jicamarca of UNICON Peru.

(c) As of June 30, 2019, the carrying value of assets acquired through finance leases and leaseback amounted to approximately S/ 191,102,000 (S/ 181,281,000 as of December 31, 2018). The leased assets guaranteed financial lease liabilities, see note 11.

(d) The additions during the year 2019, correspond mainly to:

(i) The Atocongo Thermal Plant Project, Dedusting System of the Coolers at kiln 2 and 3, the Cement Mill No 6 Press Change, and the migration of the control system of the kiln 2 at Condorcocha plant, Pavers and Clinker Conveyor Belt in Atocongo Plant for approximately S/ 40,028,000 and other minor projects for approximately S/. 23,814,000.

(ii) The subsidiary UNACEM Ecuador incurred costs for ongoing works of the Milling Station No. 3, Premix Land, Replacement of a ferrule section for corrosion and projects in the administrative offices, for approximately US $ 3,956,000 (equivalent to S/ 12,996,000).

(iii) The subsidiary UNICON Peru and CONCREMAX incurred costs for: i) acquisition of mixer trucks, mining trucks and front loaders for approximately S / 20,553,000.

(iv) Desert Ready Mix, LLC incurred costs for the acquisition of transportation units for approximately S/ 6,745,000 related to mixer trucks.

(v) SIC incurred costs for the acquisition of land for approximately US $ 8,500,000 (equivalent to S/ 27,923,000).

The additions during the year 2018, correspond mainly to:

(i) Project of the Atocongo Thermal Plant, Dedusting System for the Cooler of kiln 2 and 3 at Condorcocha plant, complementary works of the Carpapata III Hydroelectric Plant and the Concrete Plant in Iquitos for approximately S/ 30,818,000 and other minor projects for approximately S / 73,900,000.

In the first semester of 2018, the Company completed the construction related to the : projects i) complementary works of the Carpapata III Hydroelectric Power Plant, ii) the firefighting network of the Atocongo - Conchán belt, and iii) interconnection between the hydroelectric power plants of Carpapata I and Huasahuasi, for approximately S/43,010,000, S/9,591,0000 and S/8,839,000, respectively. These projects were transferred from work in progress to their corresponding classification in the caption "Mining concessions and property, plant and equipment, net".

(ii) The subsidiary UNACEM Ecuador incurred costs for work in progress from Milling Station No. 3, for approximately US $ 6,912,000 (equivalent to S / 23,288,000).

(iii) The subsidiary UNICON Peru incurred in expenses for: i) ongoing works related to the construction project of the concrete recycling and civil works plant at the San Juan plant for S/ 2,949,000 and construction of dosing plants by S/ 4,637,000; ii) acquisition of mixer trucks for S/ 11,172,000, mining trucks for S/ 6,507,000 and front loaders for S/ 1,403,000 and; iii) made improvements to machinery, equipment and transportation units for an approximate amount of S/ 13,322,000.

Likewise, during 2018, it carried out the activation of major maintenance of mixer trucks and pumps for approximately S/ 10,263,000, San Juan concrete recycling plant for approximately S/ 1,718,000 and civil works in San Juan plant for S/ 1,248,000.

(iv) The subsidiary CONCREMAX incurred in expenses for: i) disbursements for work in progress for approximately S/ 5,896,000 related mainly to overhaul and plant assemblies; ii) acquisition of machinery and equipment for approximately S/ 4,575,000 related to front loaders, forklifts, excavators and; iii) mixer trucks for approximately S/ 2,611,000.

(v) The subsidiary UNICON Chile incurred costs for the acquisition of transportation units for approximately S / 18,259,000 related to mixer trucks.

(vi) Desert Ready Mix, LLC incurred costs for the acquisition of transportation units for approximately S / 12,335,000 related to mixer trucks.

(e) As of June 30, 2019, the subsidiary SKANON, made sales of mixer trucks whose cost amounted to approximately US$ 3,656,000 (equivalent to approximately S/. 12,010,000) (the subsidiary UNICON Peru made sales by front-end loaders and mixer trucks whose cost amounted to approximately S/ 5,708,000 as of December 31, 2018).

(f) Depreciation has been distributed as follows:

	As of June 30, 2019 S/(000)	As of June 30, 2018 S/(000)
Cost of sales	212,813	225,162
Administrative expenses, note 18	6,148	5,733
Selling expenses	60	56
Other expenses	800	11,189
Inventories in process	291	306
	220,112	242,446

(g) As of June 30, 2019, no interest was capitalized (S/ 2,510,000 were capitalized as of December 31, 2018). The amount of the capitalizable financing costs is determined by applying the capitalization rate to the capital expenses incurred in the rated assets. The rate used to determine the amount of financing costs susceptible to capitalization was approximately 4.7 percent in 2018.

(h) The subsidiaries abroad mainly maintain trusts in guarantee of the production line 2 located in Ecuador and ground, cars and equipment located in the United States of America, which guarantee bank loans, see note 11 (e).

On the other hand, the subsidiary UNICON Peru, maintains property mortgages on real estate (1) Property mortgage for approximately US $ 5,520,000 on the property located in Callao; In order to guarantee the loan obtained with the International Bank of Peru, see note 11(e). (2) Property mortgages for approximately USD 40,117,000 on properties located in the Cercado de Lima and Villa el Salvador districts; in order to guarantee the loan obtained with the Scotiabank Bank for the purchase of UNICON Chile (formerly Hormigonera Independencia S.A.), see note 11(e).

Also, the subsidiary Celepsa Renovables S.R.L., maintains two mortgages on property, machinery and equipment for approximately US $ 40,820,000 (equivalent to S/. 132,175,000) to guarantee the loan obtained for the construction of the Marañon Hydroelectric Plant, see note 11 (e).

(I) As of June 30, 2019 and December 31, 2018, 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).

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

8. Intangible assets, net

(a) This item is made up as follows:

	As of June 30, 2019	As of December 31, 2018
	S/(000)	S/(000)
Cost -		
Opening Balance	324,782	342,486
Additions	3,806	11,565
Acquisition of Subsidiaries, see note 2.2	-	18,216
Reclassification	19	891
Withdrawals and Disposals	(756)	(55,949)
Corporate reorganization, see note 1	7	-
Exchange rate impact	(3,668)	7,573
Ending Balance	324,190	324,782
Accumulated amortization -		
Opening Balance	109,432	140,371
Amortization of the year (b)	6,939	22,981
Withdrawals and Disposals	(742)	(55,947)
Exchange rate impact	(111)	2,027
Ending Balance	115,518	109,432
Net book value -	208,672	215,350

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

	As of June 30, 2019	As of June 30, 2018
	S/(000)	S/(000)
Cost of sales	3,580	1,668
Gastos de administración, see note 18	1,174	1,058
Selling expenses	200	200
Other expenses	1,985	9,994
	6,939	12,920

(c) As of June 30, 2019 and December 31, 2018, the Group Management performed an evaluation of the state of use of their intangible assets, finding no evidence of impairment in such assets so that, in their opinion, the net value of the intangible assets is recoverable with future profits generated by the Group.

9. Goodwill

The goodwill balance as of June 30, 2019 and December 31, 2018 is mainly composed by the higher value paid for the acquisition of UNACEM Ecuador S.A that amounts to S/. 1,023,795,000.

10. Other non-financial assets

(a) This item is made up as follows:

	As of June 30, 2019 S/(000)	As of December 31, 2018 S/(000)
Deferred stripping cost (b)	115,861	118,100
Others	56,582	36,561
	172,443	154,661
Current	47,193	27,567
Non-current	125,250	127,094
	172,443	154,661

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

	As of June 30, 2019 S/(000)	As of December 31, 2018 S/(000)
Cost -		
Opening Balance	164,912	164,912
Additions	-	-
Ending Balance	164,912	164,912
Accumulated depreciation -		
Opening Balance	46,812	41,935
Depreciation of the period	2,239	4,877
Ending Balance	49,051	46,812
Net book value -	115,861	118,100

As of June 30, 2019 and December 31, 2018, the Company has three identifiable components: the quarry of Atocongo, Atocongo Norte and the quarry of Pucará, which maintain a specific volume of limestone and residues in the quarries.

11. Other financial liabilities

(a) This item is made up as follows:

	As of June 30, 2019			As of December 31, 2018		
	Current Portion S/(000)	Non- Current Portion S/(000)	Total S/(000)	Current Portion S/(000)	Non- Current Portion S/(000)	Total S/(000)
Bank overdrafts (b)	29,947	-	29,947	22,642	-	22,642
Bank loans (c) and (d)	69,090	115,150	184,240	101,536	118,265	219,801
Bonds and long-term loans (e)	649,058	3,333,926	3,982,984	337,040	3,801,639	4,138,679
	748,095	3,449,076	4,197,171	461,218	3,919,904	4,381,122

(b) As of June 30, 2019 and December 31, 2018, the overdrafts correspond mainly to SKANON's obligations with different financial entities in US dollars for a total of US $ 9,088,000 and US $ 6,701,000, respectively.

(c) As of June 30, 2019, bank notes mainly correspond to financing for working capital with a fixed interest rate of 5.20 percent per year, do not have specific guarantees and are renewed depending on the Group's working capital needs. As of June 30, 2019 and December 31, 2018, the balance by bank is as follows:

	2019 S/(000)	2018 S/(000)
Creditor -		
Citibank N.A. New York	184,240	189,224
Scotiabank del Perú	-	18,750
Citibank N.A. Ecuador	-	11,827
	184,240	219,801

(d) As of June 30, 2019 and December 31,2018, the interest payable on bank loans amounted to approximately S/. 1,143,000 and S/. 3,081,000, respectively, and is recorded in the caption "Trade and other payable" in the consolidated financial statements, see note 12(a). As of June 30, 2019 and 2018, interest expense totaled approximately S/9,172,000 and S/ 11,612,000, respectively, and are included in the caption "Finance costs" in the consolidated statement of income, see note 19.

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

	Annual interest rate %	Maturity rate	Guarantee	As of June 30, 2019 S/(000)	As of December 31, 2018 S/(000)
Bonds-					
International Bonds – "Senior Notes" (f) and (t)	5.875	October 2021	No guarantees	740,250	760,275
Bonds of Arizona State (g) and (t)	Between 1.65 and 2.40 + variable rate	September 2035	Letter of credit, see note 22.1(c)	378,350	388,585
Corporate Bonds (h)	Between 4.93 and 5.16	March 2020 and March 2023	No guarantees	120,000	120,000
				1,238,600	1,268,860
Amortized cost				(12,879)	(14,371)
				1,225,721	1,254,489
Syndicated loans -					
Scotiabank del Perú (i) and (s)	3.30	September 2021	Management and guarantee trust, see note 22.1 (c)	74,025	92,923
Banco de Crédito del Perú – BCP (i) and (s)	3.35	September 2021	Management and guarantee trust, see note 22.1 (c)	60,404	72,581
				134,429	165,504
Amortized cost				(1,126)	(1,375)
				133,303	164,129
Bank loans -					
Banco Internacional del Perú – INTERBANK (j) and (s)	Between 4.35 and 4.6	March 2020 and March 2022	No guarantees	520,000	528,727
Scotiabank del Perú (l) and (s)	Between 5.30 and 5.80	December 2021 to October 2025	No guarantees	415,914	433,057
Banco de Crédito del Perú – BCP (k) and (s)	Between 5.80 and 6.60	November 2020 and November 2025	No guarantees	371,070	414,818
BBVA Banco Continental (l) and (s)	Between 5.20 and 5.68	November 2021 and November 2024	No guarantees	366,214	383,357
Citibank N.A. (p) and (s)	Libor to 3 months + 1.75	October 2025	No guarantees	164,500	168,950
Santander S.A. (m) and (s)	Libor to 3 months + 1.85	Noviembre2023	No guarantees	148,050	152,055
Banco de Crédito del Perú – BCP	6.25	August 2030	Guarantee on movable and immovable property, see note 7 (h)	99,974	104,960
Bank of Nova Scotia (n) and (s)	Libor to 3 months + 2.60	September 2025	No guarantees	98,700	101,370
Scotiabank del Perú (o) and (s)	4.90	April 2025	Guarantee on property, see note 7 (h)	72,000	72,000
BBVA Banco Continental	4.9	December, 2019	No guarantees	28,294	32,438
Banco Internacional S.A. - Ecuador	Between 5.15 and 7.65	Between February 2021 and July 2024	Guaranty Trust (machinery line 2 of production), see note 7 (h)	31,432	31,657
Banco Internacional del Perú – INTERBANK	5.25	February 2022	Leased goods	14,700	17,047
Banco Scotiabank (Chile)	Libor to 30 days + 3.36 and Libor to 90 days +1.75	July 2019 and August 2019	Letter of credit, see note 22.1(b)	15,391	16,356
Banco Internacional del Perú – INTERBANK	2.87	May 2019	No guarantees	-	10,651
Scotiabank del Perú	4.80	May 2021	Land, see note 7 (h)	8,509	-
Scotiabank del Perú (o) and (s)	3.30	February 2020	No guarantees	11,515	11,827
Citibank N.A. New York	5.15	July 2024	No guarantees	28,295	11,825
Scotiabank (Chile)	Libor to 30 days + 1.85	October 2023	No guarantees	10,677	11,040
Less than S/. 10,000.000				22,375	32,094
				2,427,610	2,534,229
Amortized cost				(14,124)	(16,403)
				2,413,486	2,517,826
Finance leasebacks -					
Banco de Crédito del- BCP (i) and (s)	6.50	December, 2020	Leased goods	62,582	71,013
Scotiabank (Chile)	4.70	March 2024	Leased goods	4,345	-
				66,927	71,013

	Annual interest rate %	Maturity rate	Guarantee	As of June 30, 2019 S/(000)	As of December 31, 2018 S/(000)
Amortized cost				(645)	(860)
				66,282	70,153
Finance leases -					
Consorcio Transmantaro	12.00	July 2039	Leased goods	51,272	52,861
Scotiabank del Perú (o) and (s)	Between 2.71 and 5.60	Between September 2019 and October 2022	Leased goods	26,296	21,027
Banco de Crédito e Inversiones (BCI)	5.63	November, 2027	Leased goods	12,000	12,503
Scotiabank del Perú	Between 2.81 and 6.40	Between March 2020 and February 2022	Leased goods	9,615	11,011
Less than S/. 10,000.000				43,413	34,359
				142,596	131,761
Factoring				1,596	321
Total				3,982,984	4,138,679
Less - Current portion				649,058	337,040
Non- Current Portion				3,333,926	3,801,639

(f) On October 31, 2014, the Company issued bonds by US$625,000,000 (approximately equivalent to S/1,868,125,000) yielding gross proceeds of US$615,073,000 (approximately equivalent to S/1,839,342,000) with a nominal interest rate of 5.875 percent and maturity on October 2021, which does not present specific guarantees.

On September 21, 2018, the Board approved that the Company will finance up to US $ 490,000,000, for the refinancing of existing liabilities for US $ 400,000,000 and other corporate uses. On October 30, 2018, the Company made a partial redemption of said bonds for a total of US $ 400,000,000 (equivalent to approximately S/ 1,336,400,000) as established in section 3.01 of the Indenture of the issue made on October 30, 2014. The partial redemption was made on the date of the first Call Option ("Option to Purchase ") of the bonds, at a price equal to 102.93750 percent of the principal. Additionally, on the same date, all accrued interest was paid for approximately S / 61,337,000. Also, as a result of the advance payment of the bonds, the Company paid costs related to the partial redemption of the international bonds for approximately S / 39,257,000.

(g) 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 1.65 percent from 3.245 percent, up to a maximum interest rate of 12 percent. The bonds are secured by a letter of credit from the bank, see note 22.1 (c).

Also, on July 30, 2015, Drake 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 some monthly interest payments on the basis of a variable interest rate (Securities Industry and Financial Markets Association Index rate) currently at 2.40 percent from 2.75 and 0.1 percent, up to a maximum interest rate of 12 percent. The bonds are secured by a letter of credit from the bank, see note 22.1 (c).

(h) On April 7, 2010, the General Shareholders' Meeting approved the "Second Program of Issuance of Debt Instruments up to a maximum outstanding amount of US$150,000,000 or its equivalent in Soles".

On March and December 2013, the Company placed the First, Second and Third Issuance of the Second Program of Corporate Bonds for a total amount of S/60,000,000 each. As of June 30, 2019 and December 31, 2018, the Company keeps the amount of the first and second issuance payable.

(i) On May 2015, the total balance of the financial leaseback signed on December 20, 2013 with BCP and Scotiabank, consequently, the financing change to an annual interest rate of 6.50 per cent.

On September 21, 2016, CELEPSA entered into two medium-term loan agreements with BCP for US $ 30,000,000 and with Scotiabank for US $ 47,500,000, at rates of 3.35 and 3.30 percent, respectively, both for a term of five years, both loans were obtained with the purpose of canceling in advance the financial back-lease with the Scotiabank that expired in the month of December of 2020 and whose balance as of September 22, 2016 amounted to S/ 47,477,000; in turn, CELEPSA prepaid a total of six financial lease contracts held with BCP and Scotiabank for approximately S / 150,404,000.

(j) On March 30, 2017, the Company signed a short-term financing agreement with Interbank for S/ 260,000,000 with an interest rate of 4.35 percent. The funds were used to refinance short-term financial debt.

On October 2018, the Company entered into a medium-term financing agreement with the Interbank for S/. 260,000,000 with an annual interest rate of 4.60 percent and a four-year maturity. The funds were used for the partial redemption of foreign bonds.

(k) 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 Plant Carpapata III Hydroelectric. 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. As of June 30, 2019, the balance payable amounts to S/. 50,000,000.

On October 2018, the Company entered into a long-term financing agreement with the BCP for S/. 331,000,000 with an interest rate of 5.80 percent and a term of seven years. The funds were used for the partial redemption of foreign bonds.

(l) 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. As of June 30, 2019, the balance payable amounts to S/. 85,714,000 each loan.

In October 2018, the Company entered into two long-term financing agreements with Scotiabank Perú and BBVA Continental. The first for S / 330,200,000 with a term of seven years and an annual interest rate of 5.30 percent and the second for S/ 280,500,000 with a term of six years and an annual interest rate of 5.68 percent. The funds obtained were used to refinance financial liabilities.

(m) On November 27, 2018, the Company entered into a medium-term financing agreement with Banco Santander S.A. for US $ 45,000,000 (equivalent to approximately S / 152,055,000). The interest rate corresponds to LIBOR plus 1.80 percent, with a term of five years. The funds were used to refinance financial liabilities. In addition, the Company signed a swap contract to reduce the risk of the variable rate, see note 23.1 (i) (a).

(n) On October 31, 2018, the Company entered into a long-term financing agreement with the Bank of Nova Scotia for US $ 30,000,000 (equivalent to approximately S/ 101,370,000). The interest rate corresponds to 3-month LIBOR plus 2.60 percent, with a term of seven years. The funds were used for the partial redemption of foreign bonds and other corporate uses. In addition, the Company signed a swap contract to reduce the risk of the variable rate, see note 23.1 (i) (a).

(o) On April 18, 2018, UNICON Peru subscribed a promissory note for S/ 80,000,000 for a period of 138 days at an effective annual rate of 2.75 percent, then on September 3, 2018, the promissory note was canceled and the loan contract for S/ 72,000,000 for a term of 7 years at an annual effective rate of 4.9 percent, with a grace period of 2 years, the resources were allocated for the acquisition of the subsidiary UNICON Chile, see note 7 (h).

On December 4, 2017, UNICON Peru signed a promissory note agreement for US$ 3,500,000 (equivalent to S/ 11,330,000) for a term of 60 days at an effective annual rate of 1.79 percent, the resources were destined for working capital, the February 28, 2018 was extended for a period of 2 years at an effective annual rate of 3.3 percent.

On the other hand, in 2019, UNICON Peru signed with the Scotiabank various financial lease contracts for a total amount of S / 10,101,000 for the acquisition of a fleet of mixer trucks and other equipment (S / 14,362,000 in 2018).

(p) On October 2, 2018, the Company entered into a long-term financing agreement with Citibank N.A. for US $ 50,000,000 (equivalent to approximately S / 168,950,000). The interest rate corresponds to LIBOR plus 1.75 percent, with a term of seven years. The funds were used to refinance financial liabilities. In addition, the Company signed a swap contract to reduce the risk of the variable rate, see note 23.1 (i) (a).

(q) As of June 30, 2019 and December 31, 2018, interests' payable related to bonds and long-term debt are amounted to approximately S/. 27,090,000 and S/. 23,751,000, respectively and are recorded in the item "Trade and other payables", of the consolidated statement of financial position, note 12(a).

(r) Interest generated by bonds and debt with long-term banking entities maintained for the years ended June 30, 2019 and 2018, amounted to approximately S /105,668,000 and S / 105,535,000, respectively, included in the heading "Financial costs" Of the consolidated statement of income, see note 19.

(s) The financial covenants 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, 2019, the main financial covenants that the Company maintains with each financial entity fluctuate between the following rates and indexes:

- To maintain an index debt minor or equal to 1.5 times.
- To maintain a debt service coverage ratio greater or equal to 1.2 times.
- To maintain an interest coverage ratio greater o equal between 3.0.
- To maintain an index of hedge 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 covenants:

CELEPSA and subsidiaries

- Debt Service Coverage Ratio: Greater than or equal to 1.10 times for CELEPSA and 1.20 times for Celepsa Renovables S.R.L.
- Indebtedness Ratio: Minor than or equal to 1 time for CELEPSA and Celepsa Renovables S.R.L.

UNICON and subsidiaries

- To maintain an index debt minor or equal to 1.5 times for CONCREMAX.
- To maintain a debt service coverage ratio greater than or equal to 1.25 times for leasing and greater than or equal to 1.5 times in the medium term for CONCREMAX and 1.2 times for UNICON Peru.
- To maintain a total financial debt ratio less than or equal to 2.5 times for UNICON Peru.

- To maintain an index of debt coverage or financial debt / EBITDA less than or equal to 2.5 in leasing and less than or equal to 1.75 in the medium term for CONCREMAX.

PREANSA Peru

- To maintain a maximum leverage rate of 1 time.
- To maintain a maximum indebtedness rate of 3.5 times.
- To maintain an index debt minor or equal to 1 time.

PREANSA Chile

The subsidiary PREANSA Chile did not comply with Scotiabank bank ratios; however, its loan expires in the third semester 2019, as a result, it has no effect on presentation nor has the bank requested its execution to date.

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, 2019, except as indicated by the subsidiaries and PREANSA Chile.

(t) Clauses of incurrences in issuance contracts of foreign bonds, note 11(f)

The contract contains certain clauses that restrict the capacity of the Company and of its subsidiaries, among other:

- To consolidate, merge or transfer substantially all the assets.
- To pay dividends or perform any other type of payment or restricted distribution.
- To sell assets, including share capital of its subsidiaries.
- To perform transactions with related parties that are not restricted subsidiaries.
- To create constraints on the ability of its restricted subsidiaries to pay dividends, perform loans.
- To transfer the holding of the Company.
- To Incur in burdens.
- To participate in any business other than the permitted ones.
- To obtain additional debt, for which should:
  - (i) To keep 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 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, 2019 and December 31, 2018.

Yavapai's Bonds - Drake Cement, note 11 (g) -

- 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, 2019.

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

	As of June 30, 2019 S/(000)	As of December 31, 2018 S/(000)
Opening Balance	4,381,122	4,459,640
Additions	192,354	2,534,589
Additions of financial leases	27,858	42,670
Payments	(347,836)	(2,771,804)
Amortized cost	4,235	1,522
Corporate reorganization, note 1	857	-
Effect of difference in FX and conversion	(63,721)	120,729
Others	2,302	(6,224)
Ending Balance	4,197,171	4,381,122

12. Trade and other payables

(a) This item is made up as follows:

	As of June 30, 2019 S/(000)	As of December 31, 2018 S/(000)
Trade payable (b)	488,468	526,849
Accounts payable from related parties, note 20(c)	15,400	145,167
Salaries and vacation payable	74,267	53,237
Interest payable, note 11 (d) and (q)	28,233	26,832
Tax Payable	17,928	18,787
Dividends payable	25,647	7,420
Director's remunerations payable	2,564	2,456
Value Added to Tax payable	7,430	967
Other accounts payable	24,282	27,848
	684,219	809,563
Term -		
Current Portion	649,607	724,922
Non- Current Portion	34,612	84,641
	684,219	809,563

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

The UNICON Peru and CONCREMAX subsidiaries offer their suppliers a program for the payment of their accounts through financial institutions. This program allows suppliers to sell their accounts receivable to financial institutions in a separate negotiated agreement between the supplier and the financial institution, allowing suppliers to better manage their cash flows and reducing their payment processing costs to subsidiaries. These subsidiaries have no direct financial interest in these transactions. All obligations with its suppliers, including balances payable, are maintained according to the contractual agreements entered into with them. As of June 30, 2019 and December 31, 2018, the balances related to these operations amount to S/ 83,484,000 and S/ 74,073,000, respectively.

13. Deferred Income

(a) This item is made up as follows:

	As of June 30, 2019 S/(000)	As of December 31, 2018 S/(000)
Ready-mix concrete (b)	33,375	46,935
Prefabricated (c)	25,669	16,593
Cement and Clinker (d)	5,823	9,233
	64,867	72,761
Finance leasebacks (e)	3,911	4,322
Others	1,542	1,274
	70,320	78,357
Term -		
Current Portion	68,570	76,196
Non- Current Portion	1,750	2,161
	70,320	78,357

(b) As of June 30, 2019 and December 31, 2018, corresponds mainly to the contracts subscribed by the subsidiary UNICON Peru, to supply ready-mix concrete for which it has received advances from its customers. These advances are discounted from the valuations for the concrete shipments during the third quarter of 2019 and first quarter of 2019, respectively.

As of June 30, 2019, the advances received mainly include Consorcio Puentes de Loreto, Consorcio Vial Costa, Constructora Santa Fe, Grinor S.A. and Compañía Minera Antamina S.A. for approximately S / 7,748,000, S / 3,659,000, S / 2,473,000, S / 1,978,000 and S / 1,583,000, respectively (Consorcio Puentes de Loreto, La Viga SA, HV Contractors SA, Compañía Minera Antamina SA, Marcobre SAC, Consorcio Constructor M2 Lima y San Martín Consortium for approximately S / 12,851,000, S / 6,606,000, S / 2,855,000, S / 2,065,000, S / 1,601,000, S / 1,340,000 and S / 1,093,000, respectively as of December 31, 2018)

(c) As of June 30, 2019, corresponds mainly to the advances made by customers to start the prefabricated projects by the subsidiary PREANSA Chile for approximately S/ 23,080,000 (S/ 10,812,000 as of December 31, 2018). Likewise, the subsidiary PREANSA Peru received advances from customers under the contracts signed for the manufacture, transport and assembly of prefabricated concrete up structures approximately S/ 314,000 (S/ 4,562,000 as of December 31, 2018).

(d) As of June 30, 2019 and December 31, 2018, corresponds mainly to the sales of cement and clinker invoiced and not dispatched, which are made in the third quarter of 2019 and first quarter of 2018, respectively.

(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.

14. Provisions

(a) This item is made up as follows:

	Current		**Non-current**	
	As of June 30, 2019 S/(000)	**As of December 31, 2018** S/(000)	**As of June 30, 2019** S/(000)	**As of December 31, 2018** S/(000)
Workers' profit sharing (b)	33,115	44,853	-	-
Severance compensation	3,783	3,636	-	-
Employer retirement of workers (c)	-	-	16,897	16,393
Eviction provision of workers(c)	-	-	4,230	4,219
Provision for mine closure and Environmental remediation (d)	6,289	6,158	34,999	43,682
Other provisions	407	407	7,141	13,095
	43,594	55,054	63,267	77,389

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

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

Employee participation expense for the periods ended June 30, 2019 and 2018 is approximately S/ 37,984,000 and S/ 36,461,000, respectively, and is recorded in the consolidated statement of income.

c) As of June 30, 2019 and December 31, 2018, 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, 2019 and December 31, 2018, the Group maintains in Peru a provision for future closure costs of its mines to be occurring by UNACEM between 10 and 38 years, UNICON between 10 and 25 years and by CONCREMAX 3 years, S/. 37,806,000 and S/. 46,266,000, respectively.

Additionally, the Law on Environmental Management and the Environmental Regulation for Mining Activities in Ecuador, requires compliance with a restoration plan for the concessions of Selva Alegre, Cumbas and Pastaví, which maintain a future closure plan according to the evaluation of these quarries, the concession periods are 22, 21 and 22 years, respectively, for approximately S / 2,265,000 and S / 2,330,000, as of June 30, 2019 and December 31, 2018, respectively.

In addition, UNICON Chile maintains a provision for the future cost of dismantling its plants for 7 years, for approximately S/. 1,217,000 soles and S/. 1,244,000 as of June 30, 2019 and December 31, 2018, respectively.

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

As of June 30, 2019 and 2018, the Group recognized the effect for restatement due to quarry closing liabilities of approximately S/ 896,000 and S/ 694,000, respectively, which is recorded in the income statement for the year, within the caption " Financial costs". The Group Management considers that this liability is sufficient to comply with the current environmental protection laws approved in each country.

15. Income tax

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

	As of June 30, 2019	As of December 31, 2018
	S/(000)	S/(000)
Deferred tax asset-		
Opening Balance	151,691	140,483
Consolidated income statement impact	(981)	211
Acquisition of Subsidiaries, see note 2.1 and 2.2	-	6,162
Merger and corporate reorganization, see note 1	(6,541)	-
Exchange rate impact	(3,355)	4,835
Ending Balance	140,814	151,691
Liability to deferred income tax -		
Opening Balance	(678,214)	(676,802)
Consolidated income statement impact	10,302	21,452
Acquisition of Subsidiaries, see note 2.1 and 2.2	-	(25,805)
Merger and corporate reorganization, see note 1	11,022	-
Charges to comprehensive income	3,651	5,513
Exchange rate impact	1,731	(2,572)
Ending Balance	(651,508)	(678,214)
Total net liability for deferred income tax	(510,694)	(526,523)

(b) The current and deferred portions of the provision for income tax for the years ended as of June 30, 2019 and 2018 are comprised as follows:

	2019	2018
	S/(000)	S/(000)
Income tax:		
Current	(110,895)	(95,766)
Deferred	9,321	8,356
Compensation for tax loss	4,323	-
	(97,251)	(87,410)
Mining royalties	(729)	-
	(97,980)	(87,410)

16. Net Equity

(a) Capital issued–

As of June 30, 2019, the issued capital is represented by 1,818,127,611 common shares fully subscribed and paid (1,646,503,408 as of December 31, 2018), with a nominal value of S/ 1 per share. The common shares representing the Company's capital stock are traded on the Lima Stock Exchange.

Individual participation of capital	Number of shares	Percentage of participation
Nuevas Inversiones S.A.	459,129,497	25.25
Inversiones JRPR S.A.	455,919,897	25.08
AFPs	355,235,951	19.54
Others	547,842,266	30.13
	1,818,127,611	100.00

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

On April 30, 2019, the public deed of merger by absorption, capital increase due to merger and partial modification of the bylaws was registered. This registration includes the registration of the capital increase subscribed and paid in S/ 171,624,203, that is, the share capital went from S / 1,646,503,408 to S / 1,818,127,611, 171,624,203 new common shares of the same nominal value being issued (S / 1.00 each) a), which were distributed among the shareholders of the three companies absorbed according to their exchange ratios.

As of June 30, 2019, the share price of each common share has been S/2.44 (S/2.60 as of December 31, 2018).

(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.

(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 23.1 (i) (a).

(d) Dividend distributions –

At the Board of Directors meetings held on January 25 and May 2, 2019, the Company agreed to distribute dividends with charge to retained earnings for approximately S/. 45,041,000 (S/.0.025 per share), such payments were made on February 28 and June 4, 2019 respectively which have been paid in full.

At the Board of Directors meetings held on January 26, April 27, July 26 and October 26, 2018, the Company agreed to distribute dividends with charge to retained earnings for approximately S/. 85,618,000 (S/.0.052 per share), such payments were made on February 28, May 31, August 28 and November 30, 2018 respectively which have been paid in full.

In addition, the subsidiaries of CELEPSA and IMBABURA distributed dividends to their non-controlling shareholders for approximately S/. 2,647,000 and S/ 1,148,000 as of June 30, 2019 and December 31, 2018, respectively.

(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, 2019 and December 31, 2018, the exchange rate difference generated for each foreign subsidiary is as follows:

	2019	**2018**
	S/(000)	S/(000)
Skanon Investments Inc. and Subsidiaries	109,370	121,042
Imbabura S.A. and Subsidiaries	55,402	65,133
Staten Island Company, Inc and Subsidiaries	459	2,062
Prefabricados Andinos Perú S.A.C. and Subsidiary	(1,052)	(890)
Prefabricados Andinos S.A.	(1,326)	(1,260)
Inversiones en Concreto y Afines S.A. and Subsidiaries	(1,875)	(1,194)
	160,978	184,893

17. Net sales, cost of sales and net earnings

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

	2019	**2018**
	S/(000)	S/(000)
Segments		
Cement Sales -	1,118,827	1,130,323
Electrical energy and power	86,921	77,174
Concrete	821,738	632,404
Others	7,540	-
	2,035,026	1,839,901
Moment of revenue recognition		
Goods transferred at a point in time	1,896,186	1,721,839
Service performance at a point in time	138,840	118,062
	2,035,026	1,839,901
Cost of sales	(1,481,462)	(1,296,203)
Gross profit	553,564	543,698

18. Administrative expenses

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

	2019 S/(000)	2018 S/(000)
Personnel expenses	69,834	60,105
Services rendered by third parties	25,836	22,529
Management services, note 20(b)	-	31,540
Depreciation, note 7(f)	6,148	5,733
Donations	5,485	7,829
Taxes	5,344	8,060
Wide range of Load management	6,363	6,195
Estimate for expected credit loss, note 5 (i)	1,584	950
Amortization, see note 8(b).	1,174	1,058
Others	6,844	3,796
	128,612	147,795

19. Finance cost

As of June 30, 2019 and 2018, this item is composed mainly of interest on bonds issued and debts with banks by S/ 114,840,000 S/ 117,147,000, respectively.

20. Related parties' transactions

(a) Nature of the relationship -

As of June 30, 2019 and 2018, the Group has mainly made transactions with the following related entities:

- Nuevas Inversiones S.A. - NISA

  NISA owns 25.25 percent of the Company's capital stock as of June 30, 2019 (58.92 percent of the share capital of SIA as of December 31, 2018). As indicated in note 1, on January 1, 2019 SIA merged with the Company, being absorbed by it, consequently, SIA was extinguished without dissolution or liquidation and the contract for management service was resolved.

- 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 22.9 and 22.1 percent of the Company's sale cement as of Sunday, June 30, 2019 and Monday, December 31, 2018, 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 – Asociación UNACEM
  It is a non-profit institution whose main activity is to promote corporate private social investment; whose objective is to generate development of the surrounding communities. Asociación UNACEM receives donations mainly from the Company.

(b) The main transactions with related entities as of June 30, 2019 and 2018 were as follows:

	2019 S/(000)	2018 S/(000)
Income -		
Cement Sales -	226,497	208,393
La Viga S.A.	114	284
Asociación UNACEM		
Dividend income -		
Ferrocarril central Andino S.A.	3,547	1,493
BASF Construction Chemicals Perú S.A.	488	-
Inversiones Santa Cruz S.A.	34	-
Costs and / or expenses -		
Management services (see note 18 and note 1) -		
Sindicato de Inversiones y Administración S.A.	-	22,709
Inversiones Andino S.A.	-	8,831
Engineering services and technical assistance-		
ARPL tecnología Industrial S.A.	-	8,933
Purchase additives-		
BASF Construction Chemicals Perú S.A.	23,004	17,916
Monitoring service expense-		
Vigilancia Andina S.A.	-	13,683
Commissions and freight costs of cement sales -		
La Viga S.A.	10,904	8,390
Paid Service Support System -		
ARPL tecnología Industrial S.A.	-	2,128

	2019 S/(000)	2018 S/(000)
Project Management Services -		
ARPL tecnología Industrial S.A.	-	1,700
Other expenses -		
BASF Construction Chemicals Perú S.A.	1,725	1,285
Inversiones Andino S.A.	-	741
ARPL tecnología Industrial S.A.	-	258
Other Income -		
BASF Construction Chemicals Perú S.A.	494	585
La Viga S.A.	122	88
Vigilancia Andina S.A.	-	56
Asociación UNACEM	-	34

(c) As a result of these and other minor transactions, the Group kept the following balances with its related entities as of June 30, 2019 and December 31,2018:

	2019 S/(000)	2018 S/(000)
Account receivables, note 5(a)		
La Viga S.A.	29,533	23,951
Inversiones JRPR S.A.	658	-
Compañía Eléctrica El Platanal S.A.	539	-
BASF Construction Chemicals Perú S.A.	240	554
Sindicato de Inversiones y Administración S.A.	-	436
Other minors	264	216
	31,234	25,157
Account payables, note 12(a)		
BASF Construction Chemicals Perú S.A.	13,051	18,484
La Viga S.A.	2,345	4,200
Sindicato de Inversiones y Administración S.A.	-	58,414
ARPL tecnología Industrial S.A.	-	31,863
Inversiones Andino S.A.	-	29,414
Vigilancia Andina S.A.	-	2,792
Other minors	4	-
	15,400	145,167
By Term -		
Current Portion	15,400	74,437
Non- Current Portion	-	70,730
	15,400	145,167

(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, 2019 and 2018 is amounting to approximately S/11,894,000 and S/. 12,006,000 respectively, which include short-term benefits and compensation for time served.

21. Earnings per share

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

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

	As of June 30, 2019	As of June 30, 2018
	S/(000)	S/(000)
Numerator		
Net income attributable to common shares	216,199	130,194
	In thousands	In thousands
Denominator		
Weighted average number of common shares	1,818,128	1,646,503
	2019	2018
	S/.	S/.
Basic and diluted earnings for common shares	0.119	0.079

22. Commitments and contingencies

22.1 Financial and Purchase Commitments -

(a) As of June 30, 2019, the Group and its subsidiaries kept the following letters of guarantee:

- Guarantee letter to the Ministry of Energy and Mines (MEM), issued by Banco de Crédito del Perú, by a total approximate of US$4,334,000 (equivalent to S/14,259,000) with a maturity on January 2020, in order to ensure compliance of the Mine Closure of UNACEM.

(b) The subsidiaries maintain the following guarantee letters:

- Guarantee letter issued by financial institutions negotiated by UNICON in order to ensure the supply of concrete to certain customers, as of June 30, 2019 for approximately S /57,700,000 (S/. 59,968,000 as of December 31, 2018).

- 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, 2019, for US $ 200,000, approximately equivalent to S/. 657,000 (US $ 200,000, equivalent to S/ 676,000 as of December 31, 2018).

- Guarantee letters negotiated by PREANSA Peru issued in favor with some financial institutions guaranteeing obligations related to customers for advances received for the start of production operations, as of June 30, 2019 and December 31, 2018 for approximately S / 2,858,000 and S / 3,347,000, respectively.

- Guarantee letter to Consorcio Transmantaro S.A. requested by CELEPSA for a total of US$3,000,000, maturing in July 2019 issued by Scotiabank Peru in order to guarantee the contract for electric power transmission for facilities of the complementary transmission

- On September 23, 2016, the bank Scotiabank Chile approved a credit line up to US$4,000,000, in favor of PREANSA Chile, the same that is guarantee through of the letter of guarantee of PREANSA Perú issued by the Scotiabank Perú S.A.A. With a maturity date on September 2019.

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

- As of June 30, 2019, the subsidiary VASA maintain guarantee letters issued by financial institutions, guaranteeing the payment of remuneration of personnel under labor intermediation to clients for S/ 2,466,000 (S/ 2,222,000 as of December 31, 2018).

(c) Guarantees for the payment of financial obligations:

- Administration and Guarantee Trust: formed by CELEPSA's credit rights and future cash flows from them, which is intended to ensure the payment of the obligations arising from the funding and serve as a mean 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 insure to the Sindicato de Inversiones y Administracion S.A. (Applicant) the direct payment of the credit, see note 11 (g). As a result of the merger of SIA with the Company, the requesting entity will be Inversiones JRPR.

- Letter of credit for US $ 75,000,000, held on July 30, 2015 between Drake Cement LLC, Skanon Investments, Inc (guarantor) and the Bank of Nova Scotia, New York Agency (issuer) , in order that the issuer make the direct payment of the credit for Drake Cement to the US Bank National Association (trustee), which entered into a trust agreement with the Development Authority of Yavapai (authority) County, see note 11 (g).

(d) Compensation agreement

The SKANON subsidiary establishes compensation provisions under its agreements with other companies in the normal course of its operations, generally with business partners, customers, property owners, lenders and lessors. Under such provisions, SKANON generally indemnifies and exempts for losses suffered or incurred by the indemnified party as a result of its activities or, in some cases, as a result of the activities of the indemnified party under the agreement. The maximum potential for future payments that SKANON could make under these compensation provisions is unlimited. SKANON has not incurred material costs to defend claims or resolve claims related to these compensation agreements. As a result, SKANON considers that the estimated fair value of these agreements is minimal. As a result, the Group's Management has no liabilities recorded for these agreements as of June 30, 2019 and December 31, 2018.

(e) Purchase option

In accordance with the Drake Cement third addendum of the operating agreement (Restated Limited Liability Company Operating Agreement) on September 1, 2007, SKANON has the option to purchase the minority interest in Drake Cement. As of January 1, 2009, SKANON has the option, but not the obligation, to purchase the minority shareholders' interest at any time at fair value. The fair value will be determined by mutual agreement of the members in the general meeting of shareholders. As of Sunday, June 30, 2019, Drake Cement has not exercised this option.

22.2 Finance leases -

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

	As of June 30, 2019		As of December 31, 2018	
	Minimum payments S/(000)	**Present value of lease payments** S/(000)	**Minimum payments** S/(000)	**Present value of lease payments** S/(000)
In 1 year	62,594	48,217	61,477	47,523
Between one to more years	271,651	160,661	273,001	154,391
Total, payments to be done	334,245	208,878	334,478	201,914
Less - finance costs	(125,367)	-	(132,564)	-
Present value of minimum lease payments	208,878	208,878	201,914	201,914

22.3 Tax situation–

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

As of June 30, 2019 and December 31, 2018, the income tax rate on taxable income in the main countries that operate the Company and its Subsidiaries is:

	Tax rates	
	2019	**2018**
	%	%
Peru	29.5	29.5
Ecuador	25.0	25.0
United State of America(*)	21.0 and 4.9	21.0 and 4.9
Chile	27.0	27.0
Colombia	33.0	33.0

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

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, 2018.

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

	Periods open to review
In Peru -	
Unión Andina de Cementos S.A.A.	2011 to 2014 and from 2016 to 2018
Compañía Eléctrica El Platanal S.A.	2014-2018
Generación Eléctrica Atocongo S.A.	2014-2018
Unión de Concreteras S.A.	2014-2018
CONCREMAX S.A.	2014-2018
Inversiones en Concreto y Afines S.A.	2014-2018
Prefabricados Andinos Perú S.A.C.	2014-2018
Transportes Lurín S.A.	2014-2018
Depósito Aduanero Conchán S.A.	2014-2018
Inversiones Imbabura S.A.	2014-2018
Inversiones Nacionales y Multinacionales Andinas S.A.	2014-2018
ARPL tecnología Industrial S.A.	2014-2018
Vigilancia Andina S.A.	2014-2018

	Periods open to review
In Ecuador -	
UNACEM Ecuador S.A.	2016-2018
Union de Concreteras UNICON UCUE Cia. Ltda.	2016-2018
In Chile -	
Prefabricados Andinos S.A.	2016-2018
Unicon Chile S.A.	2017-2018
In Colombia -	
Prefabricados Andinos Colombia S.A.S.	2016-2018
In United State of America	2016-2018

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, 2019 and December 31, 2018.

(c) Also, the tax loss carryforward of subsidiaries as of June 30, 2019 and December 31, 2018 are as follows:

	2019 S/(000)	**2018** S/(000)
Skanon Investments Inc. and Subsidiaries (i)	1,583,974	1,571,318
Compañía Eléctrica El Platanal S.A. and Subsidiaries	321,903	336,494
Prefabricados Andinos S.A. – PREANSA Chile	37,454	37,827
Prefabricados Andinos Colombia S.A.S	8,258	6,664
Depósito Aduanero Conchán S.A.	3,197	2,943
Transportes Lurín S.A.	463	422
Other minor Peruvian subsidiaries	445	378

(i) The carryforward tax losses of subsidiaries in the United States of America, as of June 30, 2019, amount to approximately US $ 482,184,000 (equivalent to S / 1,583,974,000). According to the evaluation of the Group Management, it is estimated to recover a federal and state loss for approximately US $ 166,178,000 and US $ 155,570,000, respectively (equivalent to approximately S / 551,046,000 and S / 515,870,000, respectively), consequently, the Group recognized an asset for deferred income tax of tax losses for approximately US $ 40,335,000 (equivalent to approximately S / 133,751,000).

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

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

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

22.4 Contingencies –

In the normal course of business, the Company and its subsidiaries have received several 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 2018, the Fiscal Court issued judgments for these periods, requesting SUNAT to re-settle the securities. Up to date, the Company has not been notified of such tax repayment.

In the same way, the Company maintains claims filed with SUNAT before the Superior Court of Justice for the return of the payment made up to approximately S / 23,861,000 and other claims for approximately S / 3,366,000.

For the years 2000 and 2001, up to date is pending to be resolved, by the Eleventh Constitutional Court with Subspecialty in Tax and Customs, the application for a writ of amparo requesting that the annulment of the qualifying order of the appeal filed by the court to be declared null and void by the Company.

For the claims of the years 2004 and 2005, the Company filed a lawsuit against the Tax Court Resolution. To date, the aforementioned lawsuit is pending to resolve by the “Poder Judicial”.

In the case of the claim for the year 2006, dated October 31, 2018, the Company filed a lawsuit against the Tax Court Resolution. To date, the lawsuit filed by the Company is pending resolution by the Judicial Branch.

As a result of the fiscal year 2010, the Company has been notified by SUNAT with various resolutions for alleged omissions to the Income Tax, the Company has filed the respective resources.

As of June 30,2019, and December 31, 2018, the Company has recorded necessary provisions, in accordance with Management and legal consultants.

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/3,123,000 and the Fine Resolution No 012-002-0029815 for S/1,661,000.

On October 9, 2018, the subsidiary CONCREMAX presented the Bond Letter No. DDO-02748341, which was issued for the sum of S/5,708,000 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 CONCREMAX, this contingency is possible.

As of June 30, 2019, the subsidiaries IMBABURA, PREANSA Peru and INVECO file claims with the tax authority for S / 6,685,000, S / 623,000 and S / 363,000, respectively. According to the Group Management's evaluation it will be recovered in the current period.

Excise tax -

As of December 31, 2018, the Company maintained claims for selective consumption tax, which have been partially collected in the first semester of 2019 and the balance will be collected in the month of July 2019.

(b) Administrative:

On the other hand, by Resolution N ° 004-2010 / ST-CLC-INDECOPI of March 25, 2010, the Technical Secretariat of the Commission for the Defense of Free Competition admits the complaint made by Ferretería Malva SA, against the Company and others, for the commission of anticompetitive conduct. On April 30, 2019, the appeal filed by the Company was declared inadmissible, so the Company proceeded to pay the full amount of the administrative debt amounting to S / 6,250,000.

Ecuador –

(c) Regulatory:

During the years 2016 and 2018 the Internal Revenue Service - SRI, started audits for the income tax for the years 2013 to 2015 of UNACEM Ecuador. In the first quarter of 2019, these processes have been archived.

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 and its legal advisor, no provision was recorded in the consolidated financial statements as of June 30, 2019 and December 31, 2018. In addition, the Group Management and its legal counsel consider that there is other tax, administrative, labor and regulatory issues which degree of contingency is remote.

Likewise, as of Sunday, June 30, 2019 and December 31, 2018, the Group has filed claims to the Tax Administration Office (SUNAT), corresponding to the demands and claims for reimbursement of income tax. Management and its legal advisors estimate that there are legal arguments to obtain a favorable outcome in these processes, in which case they will not have a significant impact on the consolidated financial statements of the Group.

22.5 Environmental commitments -

The activities of the Group are subject to environmental protection standards. This tax rules are the same as those described in the notes to the annual consolidated financial statements as of December 31, 2018.

23. 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:

23.1 Market risk –

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

The sensitivity analyses shown in the following sections relate to the position as of June 30, 2019 and December 31, 2018.

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, 2019 and December 31, 2018.

(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:

	As of June 30, 2019				
Counterparty	**Reference value** US$(000)	**Maturity rate**	**Receives variable rate at:**	**Pays fix rate at:**	**Fair value** S/(000)
Assets-					
Banco Scotiabank (Chile)	682	July 2019	Libor to 30 days + 3.36%	9.50%	274
Banco Scotiabank (Chile)	3,996	August 2019	Libor to 3 months + 1.75%	5.50%	86
Banco Scotiabank (Chile)	3,245	October 2023	Libor to 30 days + 1.85%	5.55%	40
Total, note 24(a)					400
Liabilities -					
Citibank N.A.	50,000	October 2025	Libor to 3 months + 1.75%	5.700%	16,422
Bank of Nova Scotia	30,000	September 2025	Libor to 3 months + 2.60%	5.660%	4,946
Santander S.A.	45,000	November, 2023	Libor to 3 months + 1.85%	5.030%	9,419
Banco de Crédito e Inversiones (BCI)	3,647	November, 2027	6.78%	3.3766%	813
Total, note 24(a)					31,600

	As of December 31, 2018				
Counterparty	**Reference value** US$(000)	**Maturity rate**	**Receives variable rate at:**	**Pays fix rate at:**	**Fair value** S/(000)
Assets-					
Banco Scotiabank (Chile)	846	July 2019	Libor to 30 days + 3.36%	9.50%	261
Banco Scotiabank (Chile)	3,995	August 2019	Libor to 3 months + 1.75%	5.50%	183
Banco Scotiabank (Chile)	11,040	October 2023	Libor to 30 days + 1.85%	5.55%	40
Total, note 24(a)					484
Liabilities -					
Citibank N.A.	50,000	October 2025	Libor to 3 months + 1.75%	5.700%	11,806
Bank of Nova Scotia	30,000	September 2025	Libor to 3 months + 2.60%	5.660%	2,161
Santander S.A.	45,000	November, 2023	Libor to 3 months + 1.85%	5.030%	4,440
Banco de Crédito e Inversiones (BCI)	3,700	November, 2027	6.78%	3.3766%	887
Total, note 24(a)					19,294

Financial instruments are intended to reduce exposure to interest rate risk variable associated with the financial obligations set out in Note 11. These financings bear interest at a variable rate equal to the Libor to 3 months.

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.

In October 2018, a hedge contract was signed with Citibank N.A., and in November 2018, two hedge contracts were signed with Banco Santander S.A. and Bank of Nova Scotia; with the purpose of reducing the risk of the variable interest rate associated with the loan obtained on October 2, November 27 and October 31, 2018, respectively, see note 11 (m), (n) and (p).

As of June 30, 2019, the Company recognized an expense on these derivative financial instruments amounting to approximately S/ 3,270,000 (S/ 2,557,000 as of June 30, 2018), whose amounts were actually paid during the year and are presented as "Finance costs" in the consolidated statement of income.

The effective portion of changes in the fair value of financial instruments that qualify as hedges is recognized as assets or liabilities and with impact on equity. As of June 30, 2019 and December 31, 2018, the Group recognized under the heading "Unrealized results" of the consolidated statement of changes in equity.

(b) Derivative Financial instruments from trading –

					Fair value	
Counterparty	**Referential amount as of June 30, 2019** US$(000)	**Maturity rate**	**Receives variable rate at**	**Pays fix rate at**	**As of June 30, 2019** S/(000)	**As of December 31, 2018** S/(000)
Liabilities -						
Citibank N.A. New York	56,000	October 2020	Libor to 3 months + 1.08%	5.20%	3,945	4,313
Total, note 24(a)					3,945	4,313

As of June 30, 2019, 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, 2019, the effect amounts to approximately S / 368,000 (S/. 2,470,00 as of June 30, 2018) 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, 2019 and 2018 was a net gain and loss amounting approximately S/. 36,405,000 and S/. 16,267,000, respectively, which are presented in the item "Exchange difference, net" in the consolidated statement of income.

As of June 30, 2019 and December 31, 2018, the Group has "Cross Currency Interest Rate Swap" amounting to S/ 328,000 and S/ 958,000 in favor of the bank, respectively, and hedging of risks associated with exchange rate fluctuations. These instruments were designated as held for trading. The effect as of June 30, 2019 and 2018 is an income of approximately S/. 631,000 and S/ 38,000, respectively.

Foreign currency sensitivity -

Foreign currency transactions made at free market exchange rates published by the Superintendence of Banks, Insurance and Private Funds Managers. As of June 30, 2019, the weighted average exchange rates of the free market for transactions in U.S. Dollars were S/ 3.285 for buying and S/ 3.290 for selling (S/ 3.369 for buying and S/.3.379 for selling as of December 31, 2018), respectively.

As of June 30, 2019 and December 31, 2018, the Group had the following assets and liabilities in foreign currency:

American Dollars

	2019		2018	
	US$(000)	**Equivalent** S/(000)	**US$(000)**	**Equivalent** S/(000)
Asset				
Cash and cash equivalents	7,874	25,864	7,355	24,776
Trade and other payables	107,892	354,424	87,681	295,397
	115,766	380,288	95,036	320,173
Liabilities				
Other financial liabilities	(497,992)	(1,638,394)	(520,443)	(1,758,575)
Trade and other payables	(40,580)	(133,508)	(43,556)	(147,177)
Derivative financial instruments	(1,199)	(3,945)	(1,276)	(4,313)
	(539,771)	(1,775,847)	(565,275)	(1,910,065)
Derivative financial instrument in foreign currency	(100)	(328)	(284)	(958)
Net liability position	(424,105)	(1,395,887)	(470,523)	(1,590,850)

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

Change in US Dollars rate In American Dollars	**Impact on profit before income tax**	
	As of June 30, 2019	**As of December 31, 2018**
%	S/(000)	S/(000)
+5	(69,794)	(79,542)
+10	(139,588)	(159,085)
-5	69,794	79,542
-10	139,588	159,085

23.2 Credit risk –

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to a credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, and trade and other receivables. The maximum credit risk for the components of the consolidated financial statements as of June 30, 2019 and December 31, 2018 is represented by the amount of the item cash and cash equivalents, trade and other accounts receivable.

The Group Management continuously monitors the credit risk of these items.

23.3 Liquidity risk –

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

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

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

	As of June 30, 2019			
	From 1 to 12 months S/(000)	**From 1 to 3 years** S/(000)	**From 4 to more years** S/(000)	**Total** S/(000)
Trade and other payables	649,607	15,448	19,164	684,219
Other financial liabilities				
Amortization of capital	748,095	1,740,985	1,708,091	4,197,171
Flow of interest payments	205,825	342,037	317,600	865,462
Total liabilities	1,603,527	2,098,470	2,044,855	5,746,852

	As of December 31, 2018			
	From 1 to 12 months S/(000)	**From 1 to 3 years** S/(000)	**From 4 to more years** S/(000)	**Total** S/(000)
Trade and other payables	724,922	4,961	79,680	809,563
Other financial liabilities				
Amortization of capital	461,218	2,041,419	1,878,485	4,381,122
Flow of interest payments	222,060	407,551	381,738	1,011,349
Total liabilities	1,408,200	2,453,931	2,339,903	6,202,034

23.4 Capital management–

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

In order to maintain or adjust the capital structure, the Group can adjust the 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, 2019 and December 31, 2018 the leverage ratio is determined as follows:

	2019 S/(000)	**2018** S/(000)
Other financial liabilities, note 11	4,197,171	4,381,122
Trade and other payables, note 12	684,219	809,563
Less: Cash and cash equivalents, note 4	(138,682)	(111,410)
Net debt (a)	**4,742,708**	**5,079,275**
Net Equity	4,534,335	4,283,945
Total capital and net debt (b)	**9,277,043**	**9,363,220**
Leverage ratio (a/b)	**0.511**	**0.542**

No changes were made in the objectives, policies or processes for managing capital during the years ended on June 30, 2019 and December 31, 2018.

24. Fair values

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

The following table presents an analysis of the financial instruments recorded at fair value, according to their hierarchy level as June 30, 2019 and December 31, 2018:

	2019 S/(000)	**2018** S/(000)
Derivative financial instruments:		
Level 2	400	484
Total , assets, note 5(a)	400	484
Derivative financial instruments:		
Level 2	35,873	24,565
Total , liabilities, note 23.1(i) and (ii)	35,873	24,565

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, 2019 and December 31, 2018, the Group 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.

	As of June 30, 2019		As of December 31, 2018	
	Carrying value S/(000)	**Fair value** S/(000)	**Carrying value** S/(000)	**Fair value** S/(000)
Other financial liabilities (*)	3,982,984	3,644,205	4,138,679	3,686,574

(*) As of June 30, 2019 and December 31, 2018, the amount outstanding does not include promissory notes and bank overdraft, see note 11 (a).

25. Segment information

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

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

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

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

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

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

As of June 30, 2019

	Cement S/(000)	Concrete S/(000)	Electrical Energy S/(000)	Others S/(000)	Total Segments S/(000)	Adjustments elimination S/(000)	Consolidated S/(000)
Income							
Third-party customers	1,118,827	821,738	86,921	7,540	2,035,026	-	2,035,026
Inter segments	120,506	61,532	40,462	38,183	260,683	(260,683)	-
Total revenues	1,239,333	883,270	127,383	45,723	2,295,709	(260,683)	2,035,026
Gross profit	379,018	109,045	51,831	11,778	551,672	1,892	553,564
Operating income (expenses)							
Administrative expenses	(92,480)	(31,585)	(6,965)	(8,643)	(139,673)	11,061	(128,612)
Selling expenses	(31,197)	(12,994)	(1,216)	-	(45,407)	571	(44,836)
Other operating income (expenses), net	119,492	13,930	1,252	21	134,695	(124,211)	10,484
Operating profit	374,833	78,396	44,902	3,156	501,287	(110,687)	390,600
Other income (expenses)							
Participation in net income of associates and joint business	-	1,749	(29)	-	1,720	42	1,762
Financial Income	15,642	2,906	187	632	19,367	(4,142)	15,225
Finance cost	(100,151)	(16,061)	(12,600)	(4,882)	(133,694)	4,142	(129,552)
Exchange difference, net	26,724	2,087	7,900	(240)	36,471	(66)	36,405
Income before income tax	317,048	69,077	40,360	(1,334)	425,151	(110,711)	314,440
Income tax	(73,186)	(11,321)	(12,035)	(1,438)	(97,980)	-	(97,980)
Net income for segment	243,862	57,756	28,325	(2,772)	327,171	(110,711)	216,460
Income before tax for segment	401,557	80,483	52,802	2,874	537,716	(223,276)	314,440

As of June 30, 2018

	Cement S/(000)	Concrete S/(000)	Electrical Energy S/(000)	Others S/(000)	Total segments S/(000)	Adjustments elimination S/(000)	Consolidated S/(000)
Income							
Third-party customers	1,130,323	632,404	77,174	-	1,839,901	-	1,839,901
Inter segments	133,757	48,506	35,117	4,949	222,329	(222,329)	-
Total revenues	1,264,080	680,910	112,291	4,949	2,062,230	(222,329)	1,839,901
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 net income of associates and joint business	-	1,438	-	-	1,438	-	1,438
Financial Income	6,716	1,059	15	358	8,148	(1,818)	6,330
Finance cost	(105,717)	(11,336)	(13,579)	(4,136)	(134,768)	1,818	(132,950)
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, 2019

	Cement	Concrete	Electrical Energy	Others	Total Segments	Adjustments elimination	Consolidated
Operating assets	7,405,475	1,293,602	1,228,091	242,717	10,169,885	150,603	10,320,488
Operating liabilities	317,120	462,602	81,067	38,248	899,037	4,887,116	5,786,153

As of December 31, 2018

	Cement	Concrete	Electrical Energy	Others	Total segments	Adjustments elimination	Consolidated
Operating assets	7,570,155	1,312,706	1,246,699	131,897	10,261,457	161,169	10,422,626
Operating liabilities	463,558	496,489	88,180	4,097	1,052,324	5,086,357	6,138,681

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, 2019 and 2018 is as follows:

	2019 S/(000)	2018 S/(000)
Reconciliation of income -		
Income before tax for segment before adjustment and eliminations	537,716	438,399
Financial Income	15,225	6,330
Finance cost	(129,552)	(132,950)
Participation in net income of associates and joint business	1,762	1,438
Inter segments	(110,711)	(102,769)
Income before tax for segment	314,440	210,448

The reconciliation of operating assets and liabilities as of June 30, 2019 and December 31, 2018 is as follows:

	2019 S/(000)	2018 S/(000)
Reconciliation of assets -		
Segment operating assets	10,169,885	10,261,457
Deferred income tax asset	140,814	151,691
Derivative financial instruments	400	484
Other assets	9,389	8,994
Operating assets of the Group	10,320,488	10,422,626
Reconciliation of liabilities -		
Segment operating liabilities	899,037	1,052,324
Other financial liabilities	4,197,171	4,381,122
Trade payables to Directors	2,564	2,456
Deferred income tax liability	651,508	678,214
Derivative financial instruments	35,873	24,565
Operating liabilities of the Group	5,786,153	6,138,681

Geographic information –

The income information contained above is based on customer location.

Income by location as of June 30, 2019 and 2018 is as follows:

	2019 S/(000)	2018 S/(000)
Income of customers		
Peru	1,436,171	1,380,187
Ecuador	257,521	236,373
United State of America	216,876	195,871
Chile	119,637	25,284
Colombia	4,821	2,186
Total income according to the consolidated statements of income	2,035,026	1,839,901

Total non-current assets by location as of June 30, 2019 and December 31, 2018 is as follows:

	2019 S/(000)	2018 S/(000)
Non-current assets:		
Peru	6,699,869	6,813,387
United State of America	1,274,309	1,236,655
Ecuador	778,986	794,711
Chile	93,218	93,992
Colombia	30,927	31,289
Non- current assets according to the financial statement	8,877,309	8,970,034

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

26. Subsequent events

On July 26, 2019, S&P Global Ratings affirmed UNACEM's and Subsidiaries Consolidated corporate rating and the senior notes unsecured issuance in 'BB' and its "Stable" outlook.

Between July 1, 2019 and the date of issuance of these consolidated statements, no other significant financial or accounting events have occurred that could affect the interpretation of these consolidated financial statements.