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

UN-AUDITED Consolidated Interim Financial Statements

As of September 30, 2018, and December 31, 2017

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

	Notes	As of September 30, 2018	As of December 31, 2017
Assets			
Current Assets			
Cash and cash equivalents	3	154,156	157,002
Other Financial Assets		-	-
Trade Accounts Receivable and other accounts receivable		**533,389**	**453,626**
Trade Accounts Receivable , net	4	427,721	351,756
Other Accounts Receivable , net	4	66,051	66,386
Accounts Receivable from Related Companies	4	28,330	28,519
Prepaid Expenses	4	11,287	6,965
Inventories	5	712,421	698,627
Biological Assets		-	-
Assets by Income Taxes	4	13,125	13,298
Other Non-Financial Assets	9(a)	44,437	26,098
Total Current Assets different than assets or groups of assets for its classified as held for sale or for distribution to owners		**1,457,528**	**1,348,651**
Non-current assets or groups of assets for disposal Classified as Held for Sale		9,577	-
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		**1,467,105**	**1,348,651**
Non-Current Assets			
Other Financial Assets		-	-
Investments in subsidiaries, joint ventures and associates		16,589	14,235
Trade Accounts Receivables and other accounts receivables		**48,291**	**63,396**
Trade Accounts Receivable		-	291
Other Accounts Receivable	4	48,291	63,105
Accounts Receivable from Related companies		-	-
Advanced payments		-	-
Biological Assets		-	-
Investment Property		-	-
Property, Plant and Equipment , net	6	7,062,397	7,183,253
Intangible Assets , net	7	194,290	202,115
Assets Deferred Income Tax	13(a)	144,000	140,483
Surplus value	8	1,186,991	1,147,704
Other Assets	9(a)	128,764	132,085
Total Non-current Assets		**8,781,322**	**8,883,271**
TOTAL ASSETS		**10,248,427**	**10,231,922**

	Notes	As of September 30, 2018	As of December 31, 2017
Liabilities and Stockholders' Equity			
Current Liabilities			
Other Financial Liabilities	10	561,830	710,879
Trade accounts payable and other payable accounts		**795,516**	**665,704**
Trade Accounts Payable	11	425,123	372,094
Other Accounts Payable	11	204,259	146,271
Accounts payable to related companies	11	97,402	91,510
Deferred Income	11	68,732	55,829
Provision for Employee Benefits		-	-
Other provisions	12	55,532	57,594
Income tax liabilities		38,865	71,752
Other non-financial liabilities		-	-
Total Current Liabilities different of Liabilities included groups of assets for disposal Classified as Held for Sale		**1,451,743**	**1,505,929**
Liabilities included in asset groups classified as held for sale		-	-
Total Current Liabilities		**1,451,743**	**1,505,929**
Non-Current Liabilities			
Other Financial Liabilities	10	3,679,287	3,748,761
Trade accounts payable and other payable accounts		**84,881**	**69,288**
Trade Accounts Payable	11	700	688
Other Accounts Payable	11	19,457	15,422
Accounts payable to related companies	11	64,724	53,178
Deferred Income		-	-
Provision for Employee Benefits		-	-
Other provisions	12	55,083	55,340
Liabilities Deferred Income Taxes	13(a)	667,071	676,802
Other non-financial liabilities		5,603	12,585
Total Non-Current Liabilities		**4,491,925**	**4,562,776**
Total Liabilities		**5,943,668**	**6,068,705**
Stockholders' Equity			
Capital Issued	14	1,646,503	1,646,503
Issuance Premiums		-	-
Investment shares		-	-
Treasury Shares in portfolio		-	-
Other Capital Reserves	14	329,301	329,301
Accrued Results	14	1,995,867	1,859,385
Other Equity Reserves	14	160,816	143,997
Shareholders' equity attribute to the owners of the Parent		**4,132,487**	**3,979,186**
Non Controlling interest		172,272	184,031
Total Stockholders' Equity		**4,304,759**	**4,163,217**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**10,248,427**	**10,231,922**

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

Income Statement

For the periods ended September 30, 2018 and 2017

(In thousands of Soles)

	Notes	For the specific quarter from July 1, to September 30, 2018	For the specific quarter from July 1, to September 30, 2017	For the cummulative period from January 1st to September 30, 2018	For the cummulative period from January 1st to September 30, 2017
Incomes from ordinary activities	15	1,036,943	907,988	2,917,317	2,583,422
Cost of Sales	15	-757,488	-654,837	-2,094,164	-1,794,904
Profit (Loss) Gross		**279,455**	**253,151**	**823,153**	**788,518**
Selling Expenses and distribution		-27,388	-22,019	-64,114	-53,094
Administrative expenses	16	-73,953	-73,380	-221,748	-235,473
Profit (Loss) in the write-off of financial assets carried at amortized cost		-	-	-	-
Other Operating Income		8,912	8,460	35,871	24,685
Other Operating Expenses		-5,144	-16,777	-39,383	-50,480
Other profit (loss)		-	-	-	-
Profit (Loss) from operating activities		**181,882**	**149,435**	**533,779**	**474,156**
Financial Income		4,771	4,049	13,301	12,668
Financial Expenses	17	-67,672	-70,716	-202,822	-219,788
Exchange differences, net		-16,954	-9,299	-33,221	83,078
Share of Profit (Loss) in net results from Equity-Accounted Joint Ventures and related companies		929	-	2,367	998
Profit (Loss) arising from the difference between the previous book value and fair value of Reclassified financial assets accounted at fair value		-	-	-	-
Difference between the book value of the distributed assets and the book value of the divided payable		-	-	-	-
Gains before Income tax		**102,956**	**73,469**	**313,404**	**351,112**
Income tax expenses	13(b)	-37,295	-37,286	-124,705	-134,166
Profit (Loss) Net of Continued Operations		**65,661**	**36,183**	**188,699**	**216,946**
Profit (loss) net of the tax to the profit from discontinued operations		-	-	-	-
Profit (loss) net of the year		**65,661**	**36,183**	**188,699**	**216,946**
Profit (Loss) net, attributable to :					
Owners of the Parent		70,522	41,256	200,716	229,230
Non-controlling interest		-4,861	-5,073	-12,017	-12,284
Net Profit (Loss) of the Year		**65,661**	**36,183**	**188,699**	**216,946**

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

	Notes	For the specific quarter from July 1, to September 30, 2018	For the specific quarter from July 1, to September 30, 2017	For the cummulative period from January 1st to September 30, 2018	For the cummulative period from January 1st to September 30, 2017
Net Profit (Loss) of the year		**65,661**	**36,183**	**188,699**	**216,946**
Components of other comprehensive income:					
Net Change for Cash Flow Hedges		-	-	-	-
Hedges of a Net Investment in a Foreign Operation		506	-317	723	-377
Profit (Loss) in equity instrument investments at fair value		-	-	-	-
Exchange difference on translation of Foreign Operations		-	-	-	-
Net variation of non-current assets or groups of assets held for sale		-	-	-	-
Participation in other comprehensive income of related companies and joint ventures accounted for using the equity method		-	-	-	-
Revaluation Surplus		-	-	-	-
Actuarial Gain (Loss) on defined benefit pension plans		-	-	-	-
Changes in the fair value of financial liabilities attributable to changes in the credit risk of the liability		-	-	-	-
Other Comprehensive Income Pre Tax		**506**	**-317**	**723**	**-377**
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		9,328	8,901	17,480	-31,737
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		**9,328**	**8,901**	**17,480**	**-31,737**
Other Comprehensive Income		**9,834**	**8,584**	**18,203**	**-32,114**
Total Comprehensive Income for the period , net of income tax		**75,495**	**44,767**	**206,902**	**184,832**
Comprehensive Income attributable to:					
Owners of the Parent		79,703	48,996	217,535	199,450
Non-controlling interest		-4,208	-4,229	-10,633	-14,618
Total Comprehensive Income of the Year, net		**75,495**	**44,767**	**206,902**	**184,832**

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

	Notes	As of January 1st, 2018 to September 30, 2018	As of January 1st, 2017 to September 30, 2017
Operating activities cash flows			
Types of cash collections from operating activities			
Sale of Goods and Services		3,392,253	3,064,546
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		-2,019,571	-1,697,568
Contracts held for brokering or trading purposes		-	-
cash payments to and on behalf of employees		-336,887	-310,612
Elaboration or acquisition of assets to be leased and other assets held for sale		-	-
Other Cash Payments Related to Operating Activity		-	-
Cash flows and cash equivalents from (used in) Operating Activities		**1,035,795**	**1,056,366**
Interests received (not included in the Investment Activities)		-	-
Interests paid (not included in the Investment Activities)		-153,040	-182,083
Dividends Received (not included in the Investment Activities)		-	-
Dividends Paid (not included in the Investment Activities)		-	-
Income tax (paid) reimbursed		-181,432	-99,342
Other cash collections (payments)		-152,377	-115,747
Cash flows and cash equivalents from (used in) Operating Activities		**548,946**	**659,194**
Cash flows from Investment activities			
Type of cash collections from investment activities			
Reimbursement of loan repayment and loans granted to third parties		-	-
Loss of control of subsidiaries or other businesses		-	-
Sale of Equity-related Financial Instruments or debt of other entities		-	-
Derivatives contracts (Futures, Forwards or Options)		-	-
Sales of Interest in Joint Ventures, Net of the expropriated cash		-	-
Sale of Property, Plant and Equipment		3,742	4,612
Sale of intangible assets		-	-
Sale of other long- term assets		-	-
Government Subventions		-	-
Interests received		-	-
Dividends received		-	-
Type of cash payments from investment activities			
Advances and loans granted to third parties		-	-
Controlling interest of subsidiaries and other businesses		-	-
Purchase of Financial Instruments of equity or debt of other entities		-	-
Derivatives contracts (Futures, Forwards or Options)		-	-
Purchase of Subsidiaries, Net of cash acquired	1.1	-69,387	-41,261
Purchase of Joint Venture shares, Net of the cash acquired		-	-
Purchase of Property, Plant and Equipment	6(a)	-141,464	-169,939
Purchase of intangible assets	7(a)	-3,330	-5,594
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		**-210,439**	**-212,182**
Cash flows from Financing activities			
Type of cash collections from financing activities			
Loan securing		687,199	704,495
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		-970,581	-992,443
Leasing liabilities		-	-
Changes to the subsidiaries ownership interest not resulting in the loss of control		-	-
Redemption or repurchase of the entities' shares (Shares in the portfolio)		-	-
Acquisition of other equity interest		-	-
Interests paid		-	-
Dividends paid	14(d)	-66,612	-74,089
Income tax (paid) reimbursed		-	-
Other cash receipts (payments) relating to financing activities		8,245	22,841
Cash flows and cash equivalents from (used in) financing activities		**-341,749**	**-339,196**
Increase (Decrease) in Net Cash and cash equivalents, before Changes in Foreign Exchange Rates		**-3,242**	**107,816**
Effects of Changes in Foreign Exchange Rates on Cash and Cash Equivalents		396	-859
Increase (Decrease) in Net Cash and Cash Equivalents		**-2,846**	**106,957**
Cash and cash equivalents at beginning of year		**157,002**	**166,821**
Cash and cash equivalents at end of year		**154,156**	**273,778**
		-	

UNION ANDINA DE CEMENTOS S.A.A. AND SUBSIDIARIES
Statement of change in Stockholder's Equity
For the periods ended September 30, 2018 and 2017
(In Thousands of Soles)

	Capital Issued	Issuance Premiums	Investment shares	Treasury Shares in Portfolio	Other Capital Reserves	Accrued Results	Other Equity Reserves: Cash Flow Hedges	Investment Hedges, net of foreign businesses	Investments in equity instruments accounted at fair value	Exchange difference on translation of Foreign Operations	Non-current assets or groups of assets for held for sale	Participation in other comprehensive income of related companies and joint ventures accounted for using the equity method	Revaluation Surplus	Actuarial Profit (Loss) on defined benefit pension plans	Changes in the fair value of financial liabilities attributable to changes in the credit risk of the liability	Subtotal	Shareholders' equity attribute to the owners of the Parent	Non-controlling Interest	Total Stockholders' Equity
Balances as of January 1, 2017	1,646,503	-	-	-	329,301	1,716,896	343	-	-	197,935	-	-	-	-	-	198,278	3,890,978	214,454	4,105,432
1. Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Correction of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Restated Initial Balance	1,646,503	-	-	-	329,301	1,716,896	343	-	-	197,935	-	-	-	-	-	198,278	3,890,978	214,454	4,105,432
4. **Changes in Stockholders' Equity:**																			
5. Comprehensive Income:																			
6. Gain (Loss) for the year						229,230											229,230	-12,284	216,946
7. Other Comprehensive Income:						466	-680	-	-	-29,566	-	-	-	-	-	-30,246	-29,780	-2,334	-32,114
8. Comprehensive Income - Total year						229,696	-680	-	-	-29,566	-	-	-	-	-	-30,246	199,450	-14,618	184,832
9. Cash Dividends Declared					-	-64,214											-64,214	-9,875	-74,089
10. Equity Issuance (reduction)	-	-	-	-	-	-											-	-	-
11. Reduction or amortization of Investment shares		-	-	-		-											-	-	-
12. Increase (decrease) in Other Contributions by Owners	-	-	-	-	-	-											-	-	-
13. Decrease (Increase) for Other Distributions to Owners	-	-	-	-	-	-											-	-	-
14. Increase (Decrease) due to changes in the subsidiaries ownership interest not resulting in the loss of control	-	-	-	-	-	-											-	-	-
15. Increase (decrease) for transactions with Treasury Shares in Portfolio	-	-	-	-	-	-											-	-	-
16. Increase (Decrease) for Transfer and other Equity Changes	-	-	-	-	-	-2,022											-2,022	354	-1,668
Total Equity Increase (decrease)	-	-	-	-	-	163,460	-680	-	-	-29,566	-	-	-	-	-	-30,246	133,214	-24,139	109,075
Balance as of September 30, 2017	1,646,503	-	-	-	329,301	1,880,356	-337	-	-	168,369	-	-	-	-	-	168,032	4,024,192	190,315	4,214,507
Balance as of January 1, 2018	1,646,503	-	-	-	329,301	1,859,385	-3,780	-	-	147,777	-	-	-	-	-	143,997	3,979,186	184,031	4,163,217
1. Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Correction of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Restated Initial Balance	1,646,503	-	-	-	329,301	1,859,385	-3,780	-	-	147,777	-	-	-	-	-	143,997	3,979,186	184,031	4,163,217
4. **Changes in Stockholders' Equity:**																			
5. Comprehensive Income:																			
6. Gain (Loss) for the year						200,716											200,716	-12,017	188,699
7. Other Comprehensive Income:						-	227	-	-	16,592	-	-	-	-	-	16,819	16,819	1,384	18,203
8. Comprehensive Income - Total year						200,716	227	-	-	16,592	-	-	-	-	-	16,819	217,535	-10,633	206,902
9. Cash Dividends Declared					-	-64,213											-64,213	-1,147	-65,360
10. Equity Issuance (reduction)	-	-	-	-	-	-											-		-
11. Reduction or amortization of Investment shares		-	-	-		-											-		-
12. Increase (decrease) in Other Contributions by Owners	-	-	-	-	-	-											-		-
13. Decrease (Increase) for Other Distributions to Owners	-	-	-	-	-	-											-		-
14. Increase (Decrease) due to changes in the subsidiaries ownership interest not resulting in the loss of control	-	-	-	-	-	-21											-21	21	-
15. Increase (decrease) for transactions with Treasury Shares in Portfolio	-	-	-	-	-	-											-		-
16. Increase (Decrease) for Transfer and other Equity Changes	-	-	-	-	-	-											-	-	-
Total Equity Increase (decrease)	-	-	-	-	-	136,482	227	-	-	16,592	-	-	-	-	-	16,819	153,301	-11,759	141,542
Balance as of September 30, 2018	1,646,503	-	-	-	329,301	1,995,867	-3,553	-	-	164,369	-	-	-	-	-	160,816	4,132,487	172,272	4,304,759

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

UN-AUDITED Consolidated Interim Financial Statements

As of September 30, 2018, and December 31, 2017

1. Main Economic Activity

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

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

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

The consolidated financial statements of the Company and subsidiaries (hereinafter “The Group”) for the third quarter of 2018 have been issued and approved by Management. In Management’s opinion, the consolidated financial statements will be approved without modifications. The consolidated financial statements of 2017 have been approved by the Group Management.

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

- Skanon Investments, Inc. – SKANON

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

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

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

- Inversiones Imbabura S.A. – IMBABURA

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

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

- Compañía Eléctrica El Platanal S.A. – CELEPSA

  It is an entity incorporated in December 2005, 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 owns 100 percent shares of the capital stock in Celepsa Renovables S.R.L. (formerly Hidroeléctrica Marañón S.R.L.). In February 2018, the General Shareholders' Meeting approved the change of the business name of Hidroeléctrica Marañón S.R.L. to Celepsa Renovables S.R.L., the owner Company of Marañon Hydroelectric Plant, located in the department of Huánuco, which started operations in the second quarter of 2017.

- Unión de Concreteras S.A. – UNICON Perú

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

  In July 2017, UNICON Peru acquired 100 percent shares of Union de Concreteras Unicon Ucue Cia. Ltda. (formerly Hormigonera Quito Cia. Ltda.) (Hereinafter UNICON Ecuador), see note 1.1.

  In May 2018, UNICON Peru acquired 100 percent of Unicon S.A. (formerly Hormigones Independencia S.A.) (hereinafter UNICON Chile), see note 1.1.

- CONCREMAX S.A. - CONCREMAX

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

- 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 concrete for industrial construction.

  The Group's Management considers that the losses of PREANSA Chile will not affect the operations of this subsidiary, due to the business plan drawn up, which mainly includes the following actions: (i) Management and search of new clients; In this sense, PREANSA Chile maintains a pending portfolio of US$21,493,000 and additionally its considered a sale for approximately US$23,480,000, which will be developed during the fourth quarter of 2018 and 2019, in turn. (ii) support in the financial management and financial backing of UNACEM to the obligations contracted by its subsidiary.

- Transportes Lurín S.A. – LURIN

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

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

- Generación Eléctrica de Atocongo S.A. - GEA

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

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

- Depósito Aduanero Conchan S.A. - DAC

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

- Staten Island Company, Inc. - SIC

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

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

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

Entity	Main Economic Activity	Percentage of participation				Asset		Liabilities		Net Equity		Profit (loss)(vi)	
		2018		2017		2018	2017	2018	2017	2018	2017	2018	2017
		Direct	Indirect	Direct	Indirect	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Skanon Investments Inc. and Subsidiaries (i)	Cement and Concrete	85.06	8.28	85.05	8.28	1,303,247	1,319,970	730,373	688,006	572,874	631,964	(71,877)	(92,506)
Inversiones Imbabura S.A. and Subsidiaries (ii)	Cement	100.00	-	100.00	-	1,862,826	1,838,119	437,793	404,284	1,425,033	1,433,835	80,335	75,128
Compañía Eléctrica El Platanal S.A. y Subsidiaries (iii)	Electrical Energy	90.00	-	90.00	-	1,258,972	1,287,261	565,572	612,640	693,400	674,621	18,870	23,951
Inversiones en Concreto y Afines S.A. and Subsidiaries (iv)	Concrete	93.38	-	93.38	-	1,010,852	808,787	581,497	397,194	429,355	411,593	19,748	16,957
Prefabricados Andinos Perú S.A.C. and Subsidiary	Precast	50.02	-	50.02	-	80,251	71,683	51,487	39,956	28,764	31,727	(3,751)	(4,024)
Staten Island Company and Subsidiaries (v)	Holding	100.00	-	100.00	-	60,068	58,505	2,216	1,815	57,852	56,690	31,056	31,056
Prefabricados Andinos S.A.	Precast	51.00	-	51.00	-	57,614	68,317	49,280	59,310	8,334	9,007	(1,270)	(3,876)
Transportes Lurín S.A.	Services	99.99	-	99.99	-	35,213	36,571	48	1,282	35,165	35,289	(124)	199
Depósito Aduanero Conchán S.A.	Services	99.99	-	99.99	-	2,393	2,315	1,126	830	1,267	1,485	(218)	(231)
Generación Eléctrica de Atocongo S.A.	Services	99.85	0.15	99.85	0.15	1,388	1,250	467	470	921	780	141	380

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

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

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

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

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

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

1.1. Business combinations and corporate reorganization

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

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

On December 13, 2017, by means of a public deed Hormigonera Quito Horquito Cía. Ltda. Changed its name to Unión de Concreteras Unicon Ucue Cia. Ltda.

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

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

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

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

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

	Fair values recognized at the date of acquisition S/ (000)
	25,251
Net identifiable assets at fair value	39,695
Goodwill generated on acquisition	1,734
Consideration transferred from the acquisition	41,429
Net cash incorporated with the subsidiary	11
Cash payment	(41,429)
Net cash flow at the date of acquisition	(41,418)

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

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

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

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

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

- Acquisition of Unicon S.A. (UNICON, Chile), -
  In May 2018, the Group acquired 100 percent of the capital stock of Hormigones Independencia S.A., a company domiciled in Chile that is not listed on the stock exchange, dedicated to the manufacture, sale, distribution and sale of prestressed concrete for construction. During the same month, the extraordinary shareholders' meeting decided to change the company name from Hormigones Independencia S.A. to Unicon S.A.

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

On March 22, 2018, the date on which the participation assignment agreement was signed (hereinafter "the Contract") was signed, stipulating the terms and conditions for payment; between which the parties agreed to keep a retained fund for approximately US$1,609,000 (equivalent to S/. 5,272,000) deposited in an Escrow Account of the Custodio Bank (Banco Santander Chile) in favor of the seller, to cover price adjustments and possible contingencies for tax, labor, environmental issues, among others. This fund is available to the seller and will be released to the extent that such contingencies prescribe according to a schedule established in the contract that expires between September 2018 and April 2021.

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

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

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

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

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

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

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

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

- Corporate reorganization

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

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

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

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

2. Summary of significant accounting policies

The accounting policies adopted to prepare the consolidated financial statement are consistent with those applied on Sunday, December 31, 2017, except when otherwise indicated.

2.1 Basis of preparation -

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

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

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

2.2 Basis of consolidation-

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

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

2.3 New accounting standards adopted by the Company in 2018 -

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

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

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

- IFRS 15 "Revenues from Contracts with Customers"

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

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

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

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

Reclassification in the consolidated statement of income as of September 30, 2017:

	S/ (000)
Reclassification of the item Sales expense to income per sale	30,911

- IFRS 9" Financial Instruments"

  IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments:

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

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

2.4 New accounting standards -

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

- *IFRS 16 "Leases"*

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

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

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

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

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

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

- IFRIC Interpretation 22 Foreign Currency transactions and advance consideration.

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

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

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

- IFRIC 23 - Uncertainty over income tax treatments

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

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

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

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

- - Annual improvements 2015 -2017 Cycle

IASB performed the following modifications to the standards:

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

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

IAS 23 Borrowing cost – Borrowing cost eligible for capitalization

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

3. Cash and cash equivalents

(a) This item is made up as follows:

	As of September 30, 2018	As of December 31, 2017
	S/(000)	S/(000)
Petty cash	1,224	1,072
Funds to deposit	196	71
Current accounts (b)	123,622	67,216
Term deposits (c)	29,049	88,579
Restricted funds (d)	65	64
	154,156	157,002

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

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

(d) As of September 30, 2018, and December 31, 2017, it corresponds to the current account held by the subsidiary Drake Cement in the US Bank for approximately US$19,000, respectively (equivalent to S/65,000 and S/64,000, respectively). This fund was restricted as a result of the issuance of corporate bonds that such subsidiary made in July 2015, see note

10(f), and its use was restricted to the development of investment projects at the Arizona plant (United States of America) which was concluded in 2016.

4. Trade and other receivable, net

(a) This item is made up as follows:

	Current		Non-current	
	As of September 30, 2018	As of December 31, 2017	As of September 30, 2018	As of December 31, 2017
	S/ (000)	S/ (000)	S/ (000)	S/ (000)
Trade accounts receivable:				
Receivable invoices and letters (b)	410,235	331,345	14,132	12,660
Accounts receivable from related parties, note 18(c)	28,330	28,519	-	-
Provision of bills receivable (c)	21,359	24,759	-	-
Different accounts receivable:				
Claims to third parties	11,927	17,071	2,923	2,922
Advances to suppliers	11,287	6,965	-	-
Loans to employees (e)	7,741	9,054	1,591	4,124
Claims to Tax authority (d)	12,254	1,230	31,549	38,399
Account receivable from the Escrow fund, note 1.1	5,692	1,184	6,312	11,785
Other accounts receivable	21,075	20,481	841	718
	529,900	440,608	57,348	70,608
Tax Credit due to General sales tax (g)	10,203	20,570	5,075	5,157
Advance payments of income tax (e) temporary tax on net assets (f)	13,125	13,298	-	-
Derivative financial instruments, note 22 (a)	608	280	-	-
	23,936	34,148	5,075	5,157
	553,836	474,756	62,423	75,765
Less – Allowance for doubtful accounts (h)	(7,322)	(7,832)	(14,132)	(12,369)
	546,514	466,924	48,291	63,396

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

(c) As of September 30, 2018, and December 31, 2017, this balance corresponds to Provisions for billing for energy and power sale in September and December of those years for S /.21,359,000 and S/ 24,664,000, respectively, which were billed and collected in the following month.

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

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

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

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

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

(g) Mainly corresponds to the value added tax credit resulting from the disbursements incurred in the prepaid of the financial leases of the subsidiary CELEPSA, see note 14(i) and the construction of the Hydroelectric Power Plant Marañon project. As of September 30, 2018, and December 31, 2017, in the Group Management's opinion, the general sales tax credit of approximately S / 5,075,000 and S / 5,157,000, respectively, will be recovered in the long term through the Group's operations.

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

	As of September 30, 2018	As of December 31, 2017
	S/ (000)	S/ (000)
Opening Balance	20,201	18,019
Estimation charged to income	1,818	2,814
Recovery and Punishment	(686)	(356)
Exchange rate impact	121	(276)
Ending Balance	21,454	20,201

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

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

	As of September 30, 2018		
	Non-impaired	Impaired	Total
	S/ (000)	S/ (000)	S/ (000)
Outstanding -	480,597	78	480,675
Past due -			
Up to 1 month	46,140	22	46,162
From 1 to 3 months	15,791	20	15,811
From 3 to 6 months	8,932	110	9,042
More than 6 months	14,942	21,224	36,166
Total (*)	566,402	21,454	587,856

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

(*) The balance does not include the paid income tax, the tax credit as a general sales tax. for approximately S/. 28,403,000 and S/. 39,025,000 as of September 30, 2018 and December 31, 2017, respectively.

In the note21.2 on credit risk and accounts receivable, it is explained how the Group manages and measures the credit risk of trade receivables that are neither past due nor impaired.

5. Inventories, net

(a) This item is made up as follows:

	As of September 30, 2018 S/ (000)	As of December 31, 2017 S/ (000)
Finished goods	33,710	36,338
Work in progress (b)	222,848	229,385
Raw and auxiliary materials (c)	162,089	153,053
Packages and packing	27,482	25,225
Spare parts and supplies (d)	301,812	282,632
Inventory in transit	1,757	4,102
	749,698	730,735
Estimate for impairment of inventories (e)	(37,277)	(32,108)
	712,421	698,627

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

(c) Raw and auxiliary materials mainly include imported and domestic coal, pozoolan, iron and imported clinker. As of September 30, 2018, the Group has mainly held in stock imported and domestic coal and clinker imported by approximately S / 50,467,000 and S / 14,707,000, respectively (S/. 63,860,000 and S/. 14,528,000, respectively as of 31 December 2017).

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

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

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

	As of September 30, 2018 S/(000)	As of December 31, 2017 S/(000)
Opening Balance	32,108	22,809
Estimation charged to income	5,820	9,961
Recoveries	-	(102)
Exchange rate impact	(651)	490
Adjustment	-	(1,050)
Ending Balance	37,277	32,108

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

(a) This item is made up as follows:

	As of September 30, 2018	As of December 31, 2017
	S/ (000)	S/ (000)
Cost -		
Opening Balance	9,849,987	9,649,982
Additions (d)	182,145	293,105
Acquisition of Subsidiaries, see note 1.1.	29,764	47,434
Reclassification (f)	-	11,247
Withdrawals and sells (e)	(14,056)	(77,333)
Others	-	7,072
Exchange rate impact	37,593	(81,520)
Ending Balance	10,085,433	9,849,987
Accumulated depreciation -		
Opening Balance	2,666,734	2,298,663
Depreciation of the period	352,538	453,110
Withdrawals and sells (e)	(9,296)	(62,957)
Others	-	34
Exchange rate impact	13,060	(22,116)
Ending Balance	3,023,036	2,666,734
Net book value -	7,062,397	7,183,253

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

(c) As of September 30, 2018, the carrying value of assets acquired through finance leases and leaseback amounted to approximately S/ 648,894,000 (S/. 665,978,000 as of December 31, 2017). The leased assets guaranteed financial lease liabilities, see note 10.

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

(i) The project of Atocongo Thermal Plant and Carpapata III for S / 22,550,000.

(ii) Acquisition of mixer trucks, front loaders and overhaul of UNICON Peru, CONCREMAX and UNICON Ecuador equipment for approximately S/19,109,000, S/1,435,000 and S/2,193,000, respectively.

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

(iv) Acquisition of Drake Cement´s mixer trucks for approximately S/8,554,000.

The additions during the year 2017, correspond mainly to:

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

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

Improvements to the channels of the CELEPSA Hydroelectric Power Plant, imposed by alcabala and acquisition of equipment for approximately S/ 8,954,000.

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

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

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

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

(g) Depreciation has been distributed as follows:

	As of September 30, 2018	As of September 30, 2017
	S/ (000)	S/ (000)
Cost of sales	331,479	325,023
Administrative and Selling expenses	8,698	8,337
Other expenses	11,890	10,729
Inventories in process	471	460
	352,538	344,549

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

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

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

On the other hand, UNICON Perú, maintains 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 10. (2) Property mortgages for approximately USD 40,117,000 on the 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 Concrete Mixer S.A.), see note 10.

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

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

7. Intangible assets, net

(a) This item is made up as follows:

	As of September 30, 2018	As of December 31, 2017
	S/ (000)	S/ (000)
Cost -		
Opening Balance	342,486	340,688
Additions	5,594	9,147
Acquisition of Subsidiaries, see note 1.1.	1	-
Reclassification	-	156
Others	-	(923)
Exchange rate impact	3,462	(6,582)
Ending Balance	351,543	342,486
Accumulated amortization -		
Opening Balance	140,371	107,799
Amortization of the year (b)	15,958	34,408
Others	-	(106)
Exchange rate impact	924	(1,730)
Ending Balance	157,253	140,371
Net book value -	194,290	202,115

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

	As of September 30, 2018	As of September 30, 2017
	S/ (000)	S/ (000)
Cost of sales	2,491	2,235
Administrative and Selling expenses	1,935	1,750
Other expenses	11,532	10,930
	15,958	14,915

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

8. Goodwill

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

9. Other non-financial assets

(a) This item is made up as follows:

	As of September 30, 2018	As of December 31, 2017
	S/ (000)	S/ (000)
Deferred stripping cost (b)	119,533	122,977
Others	53,668	35,206
	173,201	158,183
Current	44,437	26,098
Non-current	128,764	132,085
	173,201	158,183

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

	As of September 30, 2018	As of December 31, 2017
	S/ (000)	S/ (000)
Cost -		
Opening Balance	164,912	164,912
Additions	-	-
Ending Balance	164,912	164,912
Accumulated depreciation -		
Opening Balance	41,935	37,780
Depreciation of the period	3,444	4,155
Ending Balance	45,379	41,935
Net book value -	119,533	122,977

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

As of September 30, 2018, the Company and its technical advisors determined 179,290,000 and 116,240,000 metric tons of limestone and residue reserves related to the limestone that will be extracted in the future, respectively. In 2017, the Company reviewed the reserve estimation method and in Management's opinion and its technical advisors it allows to more accurately measure the limestone and waste resources of the Company, as a result, as of December 31, 2017, they determined 182,486,000 and 117,051,000 metric tons of limestone and residue reserves related to the limestone that will be extracted in the future, which are determined and controlled by an identifiable component.

Limestone production and waste removal during the third quarter 2018 was 3,196,000 and 812,000 metric tons, respectively. The cost for the preparation of quarries for waste removal 2018 amounts to approximately S/4,304,000 (S/4,938,000 as of December 31, 2017).

10. Other financial liabilities

(a) This item is made up as follows:

	As of September 30, 2018			As of December 31, 2017		
	Portion Current S/ (000)	Portion Non- Current S/ (000)	Total S/ (000)	Portion Current S/ (000)	Portion Non- Current S/ (000)	Total S/ (000)
Withdrawals (a.1)	106,266	-	106,266	31,357	-	31,357
Assignment of payments (a.2)	-	-	-	30,828	-	30,828
Bank loans (b)	143,599	161,798	305,397	238,415	200,470	438,885
Bonds and long-term loans (d)	311,965	3,517,489	3,829,454	410,279	3,548,291	3,958,570
	561,830	3,679,287	4,241,117	710,879	3,748,761	4,459,640

(a.1) As of September 30, 2018, overdrafts correspond mainly to SKANON's obligations with different banks in foreign currency for a total of US $ 14,867,000 and UNACEM for S /. 57,061,000 with the International bank of Peru.

(a.2) On March 2017, UNACEM entered into an assignment of payments contract with Banco Santander of Panamá, which accrues an annual interest rate of 4.12 percent. On January 4, 2018, UNACEM canceled the entire account payable according to its due date.

(b) Bank loans correspond to working capital loans at fixed annual rates that range between 2.67 and 5.85 percent annually, do not have specific guarantees and are renewed depending on the working capital needs of the Group. As of September 30, 2018, and December 31, 2017, the balance per bank consists of:

Creditor	As of September 30, 2018 S/ (000)	As of December 31, 2017 S/ (000)
Citibank N.A. New York	208,026	227,150
BBVA Banco Continental	60,000	44,444
Scotiabank Perú S.A..	28,125	56,251
Banco Internacional S.A. - Ecuador	4,953	9,735
Banco de Crédito del Perú – BCP	4,293	7,200
Banco Santander Uruguay	-	94,105
	305,397	438,885

(c) As of September 30, 2018, and December 31, 2017, the interest payable amounts to approximately S/2,172,000 and S/5,095,000, respectively, and are recorded in the caption "Trade and other payable" of the consolidated statement of financial position, see note 11(a). As of September 30, 2018, and 2017, interest expense totaled approximately S/. 15,027,000 and S/. 27,023,000, respectively, and are included in the caption "Finance costs" in the consolidated statement of, Note 16 income.

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

	Maturity Annual interest %	Maturity Rate	Guarantee	As of September 30, 2018 S/(000)	As of December 31, 2017 S/(000)
Bonds-					
International Bonds – "Senior Notes" (e) and (q)	5.875	October 2021	No guarantees	2,063,750	2,028,125
Bonds of Arizona State (f) and (q)	Between 2.7 and 3.245 + variable rate	September 2035,	Letter of credit, see note 20.1(c)	379,730	373,175
Corporate Bonds (g)	Between 4.93 and 5.16	March 2020 and March 2023	No guarantees	120,000	129,086
				2,563,480	2,530,386
Amortized cost				(22,527)	(25,895)
				2,540,953	2,504,491
Syndicated loans -					
Scotiabank Perú S.A.A. (h)	3.30	September 2021,	Management and guarantee trust, see note 20.1 (c)	99,060	121,688
Banco de Crédito del Perú – BCP (h)	3.35	September 2021,	Management and guarantee trust, see note 20.1 (c)	74,914	85,376
				173,974	207,064
Amortized cost				(1,502)	(1,875)
				172,472	205,189
Bank loans -					
Banco Internacional del Perú – INTERBANK (l) and (p)	Between 4.35 and 5.85	Between March 2019 and March 2020	No guarantees	277,344	302,541
BBVA Banco Continental (k) and (p)	5.20	November, 2021	No guarantees	111,429	120,000
Scotiabank del Perú (k) and (p)	5.80	December, 2021	No guarantees	111,429	120,000
Banco de Crédito del Perú S.A.A. – BCP	6.25	August 2030	Guarantee on property, see note 6 (i)	103,683	81,220
Banco de Crédito del Perú S.A.A. – BCP (m) and (p)	Between 5.90 and 6.60	Between April 2019 and February 2020	No guarantees	83,816	142,084
Scotiabank Perú S.A.A.	4.90	April 2025	No guarantees	72,000	-
Banco Internacional S.A. - Ecuador	Between 6.82 and 6.98	5 to 7 years	Guaranty Trust (machinery line 2 of production), see note 6 (i).	37,360	55,868
Banco Internacional del Perú – INTERBANK	5.25	February 2022	Leased goods	18,341	21,664
Banco Scotiabank (Chile)	6.64, libor to 30 days + 3.36 and libor to 90 days +1.75	July 2019	Letter of credit, see note 20.1(b)	16,248	17,412
Banco Internacional del Perú – INTERBANK	2.87	May 2021	Land, see note 6 (i)	12,404	14,122
Scotiabank Perú S.A.A.	3.30	February 2020	No guarantees	11,557	-
Bank of Nova Scotia (p)	-	-	-	-	65,305
BBVA Banco Continental (p)	-	-	-	-	10,108
Scotiabank Perú S.A.A.	-	-	-	-	11,358
Less than S/. 10,000.000				42,651	36,092
				898,262	997,774
Amortized cost				(3,665)	(5,471)
				894,597	992,303

Finance leasebacks -					
Banco de Crédito del Perú – BCP (h)	6.50	December, 2020	Leased goods	75,229	87,874
				75,229	87,874
Amortized cost				(968)	(1,290)
				74,261	86,584
Finance leases -					
Consorcio Transmantaro	12.00	July 2039	Leased goods	51,750	51,124
Scotiabank Perú S.A.A.	Between 2.40 and 6.40	Between August, 2019 and April, 2021	Leased goods	23,529	20,151
Banco de Crédito e Inversiones (BCI)	5.63	November, 2027	Leased goods	13,000	13,866
Scotiabank Perú S.A.A.	4.00	August 2021	Leased goods	11,616	-
Banco Internacional del Perú – INTERBANK (j) and (p)	5.80	October 2018	Leased goods	2,135	20,548
Banco de Crédito del Perú – BCP (j) and (p)	-	-	-	-	23,701
Less than S/. 10,000.000				32,269	29,117
				134,299	158,507
Factoring				3,295	2,861
Discount Letters				9,577	8,635
Total				3,829,454	3,958,570
Less - Current portion				311,965	410,279
Non- Current Portion				3,517,489	3,548,291

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

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

On October 30, 2018 a partial redemption of said bonds will take place for US $ 400,000,000, see note 24(a)

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

On July 30, 2015, Drake Cement, LLC obtained a US$75,000,000 bond with the purpose of refinancing part of the investment in the cement plant, maturing in September 2035 and with a monthly interest payment on the basis of a variable interest rate (Securities Industry and Financial Markets Association Index rate) currently at 1.60 percent from 2.75 and 0.1 percent, up to a maximum interest rate of 12 percent, as of September 30,2018 and December 31, 2017. The bonds are secured by a letter of credit from the bank, see note 20.1 (c).

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

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

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

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

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

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

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

As of September 30, 2018, the net book value of the assets of the enlargement of the kiln 1 is approximately S/. 502,886,000 (S/. 522,306,000 as of December 31, 2017), which guarantee the funding described.

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

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

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

(n) As of September 30, 2018, and December 31, 2017, interests payable related to bonds and long-term debt are amounted to approximately S/53,883,000 and S/25,823,000, respectively and are recorded in the caption “Trade and other payable”, of the consolidated statement of financial position, note 11(a).

(o) Interest on bonds and long-term debt with banks kept for the years ended on September 30, 2018 and 2017 amounted to approximately S/. 165,951,000 and S/. 171,543,000, respectively is recorded in the caption "Financial costs" in the consolidated income statement Note 16.

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

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

- Maintain an index debt minor or equal to 1.5 times.
- To maintain a service coverage ratio major o equal between 1.2 to 1.25 times.
- To maintain an interest coverage ratio major o equal between 3.0 to 4.0 times.
- 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 safeguards:

CELEPSA and subsidiaries

- To maintain service coverage ratio: Greater than or equal between1.10 to1.20.
- To maintain indebtedness ratio: Less than or equal to 1 time.

UNICON and subsidiaries

- To maintain a service coverage ratio major o equal between 1.2 to 1.25 times.
- To maintain a maximum indebtedness rate of 2.0 times
- To maintain an index of hedge of debt of financial debt/EBITDA minor or equal to 2.5.

PREANSA Peru

- To maintain an index debt minor or equal to 1 time.
- To maintain a maximum indebtedness rate of 2.5 times.
- To maintain an index debt minor or equal to 1.3 times.

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

PREANSA Chile

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

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

(q) Clauses of incurrences in issuance contracts of foreign bonds, note 10(e)

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

- 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 of December 2015, and 3.5 up to1 from that date onwards.

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

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

- The subsidiary cannot increase certain debt, for more than US $ 5,000,000 of the outstanding balance at the time of the bond issue, excluding refinancing.
- To maintain an interest coverage ratio equal or greater than 1.0

In Management's opinion, Drake Cement has complied with the restrictive consideration and financial safeguard required by the state of Yavapai as of September 30, 2018 and December 31, 2017.

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

	As of September 30, 2018	As of December 31, 2017
	S/ (000)	S/ (000)
Opening Balance	4,459,640	4,984,623
Additions	721,833	854,926
Payments	(970,581)	(1,269,698)
Amortized cost	5,869	4,432
Exchange difference	16,499	(105,184)
Exchange rate impact	7,857	(19,251)
Others	-	9,792
Ending Balance	4,241,117	4,459,640

11. Trade and other payables

(a) This item is made up as follows:

	As of September 30, 2018	As of December 31, 2017
	S/(000)	S/(000)
Trade payable (b)	425,823	351,755
Accounts payable from related parties, note 15(c)	162,126	144,688
Deferred income (c)	68,732	55,829
Interest payable, note 10 (c) and (n)	56,055	30,918
Salaries and vacation payable	53,710	41,537
Tax payable	19,332	6,589
Tax Payable	17,050	13,699
Loan payable to BSA (f)	12,729	-
Dividends payable	7,749	9,001
Accounts payable to third parties (e)	4,862	6,483
Director's remunerations payable	2,659	4,264
Works valuation (d)	-	21,027
Other accounts payable	49,570	49,202
	880,397	734,992
Term -		
Current Portion	795,516	665,704
Non- Current Portion	84,881	69,288
	880,397	734,992

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

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

(d) As of December 31, 2017, corresponds mainly to:

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

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

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

12. Provisions

(a) This item is made up as follows:

	Current		Non-current	
	As of September 30, 2018	As of December 31, 2017	As of September 30, 2018	As of December 31, 2017
	S/ (000)	S/ (000)	S/ (000)	S/ (000)
Workers' profit sharing (b)	39,327	50,951	-	-
Severance compensation	9,115	3,044	-	-
Employer retirement of workers (c)	-	-	15,741	14,269
Eviction provision of workers(c)	-	-	3,898	3,598
Provision for mine closure (d)	6,683	3,192	23,425	23,642
Other provisions	407	407	12,019	13,831
	55,532	57,594	55,083	55,340

(b) In accordance with Peruvian legislation, the Group's entities maintain a workers' profit-sharing plan ranging between 5 to 10 percent of the annual taxable income depending on the economic sector in which they operate. Distributions to employees under the plan 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 Ecuadorian legislation, group entities within the scope of Ecuador´s workers have right to participate in 15 percent of net income. In the case of subsidiary Canteras y Voladuras S.A., 3 percent of net income is distributed between workers and 12 percent is delivered to the Internal Revenue Service (acronym in Spanish "SRI").

Employee participation expense as of September 30, 2018 and December 31, 2017 amounts approximately to S/56,514,000 and S/74,798,000, respectively, and is recorded in the consolidated statement of income,

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

Employer retirement of workers -

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

Eviction of workers -

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

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

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

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

13. Income tax

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

	As of September 30, 2018	As of December 31, 2017
	S/ (000)	S/ (000)
Deferred tax asset-		
Opening Balance	140,483	216,073
Consolidated income statement impact	1,342	(67,464)
Others	-	(1,674)
Exchange rate impact	2,175	(6,452)
Ending Balance	144,000	140,483
Liability to deferred income tax -		
Opening Balance	(676,802)	(671,069)
Consolidated income statement impact	13,532	(3,200)
Acquisition of Subsidiaries, see note 1.1.	(2,933)	(4,049)
Charges to comprehensive income	86	22
Others	-	(594)
Exchange rate impact	(954)	2,088
Ending Balance	(667,071)	(676,802)
Total net liability for deferred income tax	(523,071)	(536,319)

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

	2018	2017
	S/(000)	S/(000)
Current	(139,581)	(126,418)
Deferred	14,876	(7,748)
	(124,705)	(134,166)

14. Equity

(a) Capital issued–

As of September 30, 2018, and December 31, 2017, the capital stock is represented by 1,646,503,408 common shares totally subscribed and paid at a nominal value of S/1 per share. The common shares representing the Company's capital stock are traded on the Lima Stock Exchange.

Shareholders	Number of shares	Percentage of participation
		%
Sindicato de Inversiones y Administración S.A.	714,311,308	43.38
Inversiones Andino S.A.	399,979,008	24.29
AFPs	335,325,476	20.37
Others	196,887,616	11.96
	1,646,503,408	100.00

As of September 30, 2018, the share price of each share has been S/2.30 (S/3.00 as of December 31, 2017).

(b) Legal reserve -

Under the terms of the General Corporation Law, it is required that at least 10 percent of the distributable profit for each year, less income tax, has to be transferred to a legal reserve until such reserve equals to 20 percent of the share capital. The legal reserve may offset any losses or may be capitalized, existing in both cases the obligation to replenish it. As of September 30, 2018, and December 31, 2017, the Company has reached the required limit according to law.

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

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

(d) Dividend distributions –

At the Board of Directors meeting held on January 26, April 27 and July 26, 2018, the Company agreed to distribute dividends with charge to retained earnings for approximately S/64,214,000 (S/0.039 per common share), such payment was made on February 28, and August 28, 2018, respectively.

The Board of Directors meetings held on January 27, April 28, July 21 and October 27, 2017, agreed to distribute dividends with charge to retained earnings for approximately S/85,619,000 (S/0.052 per common share), such payments were made on March 1, June 1, August 24 and November 30, 2017 respectively.

In additionality, in year 2018 the subsidiaries of CELEPSA and IMBABURA distributed dividends to their non-controlling shareholders for approximately S / 1,147,000. In year 2017 CELEPSA, INVECO and IMBABURA distributed dividends to their non-controlling shareholders for approximately S / 9,875,000

(e) Exchange Rate Impact -

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

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

	2018	2017
	S/(000)	S/(000)
Skanon Investments Inc. and Subsidiaries	109,660	98,833
Imbabura S.A. and Subsidiaries	57,301	50,917
Staten Island Company, Inc and Subsidiaries	828	(225)
Prefabricados Andinos Perú S.A.C. and Subsidiary	(209)	(603)
Prefabricados Andinos S.A. – Chile	(1,159)	(948)
Inversiones en Concreto y Afines S.A. and Subsidiaries	(2,052)	(197)
	164,369	147,777

15. Net sales, cost of sales and net earnings

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

	2018	2017
	S/ (000)	S/ (000)
Cement	1,716,411	1,630,043
Concrete	1,024,731	783,448
Electrical energy	176,175	169,931
Net sales	2,917,317	2,583,422
Cost of sales	(2,094,164)	(1,794,904)
Gross profit	823,153	788,518

16. Administrative expenses

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

	2018	2017
	S/ (000)	S/ (000)
Personnel expenses	94,834	94,275
Management services, note 18(b)	40,796	62,883
Services rendered by third parties	35,592	33,724
Donations	11,264	10,946
Wide rage of Load management	10,061	7,713
Depreciation, note 7(d)	8,609	8,267
Taxes	7,185	6,610
Estimated provision for bad debts	1,818	897
Redemption	1,627	1,485
Mining royalties	1,007	876
Others	8,955	7,798
	221,748	235,474

17. Finance cost

As of September 30, 2018, and 2017, this item is mainly composed of interest on bonds and debt with banks by S / 169,115,000 and S / 175,398,000, respectively.

18. **Related parties' transactions**

(a) Nature of the relationship -

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

- Nuevas Inversiones S.A. - NISA

  NISA owns 58.92 percent of SIA's share capital through which it holds investments in Group companies.

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

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

- Inversiones Andino S.A.

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

- ARPL Tecnología Industrial S.A. – ARPL

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

- La Viga S.A.- VIGA

  It is the main distributor of cement in the city of Lima city of the Company, which represent approximately the 22.3 and 22.5 percent of the Company's sale cement as of September 30, 2018 and December 31, 2017, respectively.

- Vigilancia Andina S.A.A.- VASA

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

- BASF Construction Chemicals Perú S.A. - BASF

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

- Asociación UNACEM - Association

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

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

	2018	2017
	S/(000)	S/(000)
Income -		
Cement Sales -		
La Viga S.A.	313,382	300,124
Asociación UNACEM	457	340
Dividend income -		
Ferrocarril central Andino S.A.	2,572	3,209
Costs and / or expenses -		
Management services (see note 16) –		
Sindicato de Inversiones y Administración S.A.	29,373	44,166
Inversiones Andino S.A.	11,423	17,176
Engineering services and technical assistance-		
ARPL tecnología Industrial S.A.	13,613	12,928
Purchase additives-		
BASF Construction Chemicals Perú S.A.	30,953	23,600
Monitoring service expense -		
Vigilancia Andina S.A.A.	20,770	19,031
Commissions and freight costs of cement sales -		
La Viga S.A.	14,681	13,937
Paid Service Support system -		
ARPL tecnología Industrial S.A.	3,130	3,285
Project Management Services -		
ARPL tecnología Industrial S.A.	2,239	3,192
Other expenses -		
BASF Construction Chemicals Perú S.A.	2,066	1,748
Inversiones Andino S.A.	1,113	1,115
ARPL tecnología Industrial S.A.	633	222
Other income -		
BASF Construction Chemicals Perú S.A.	4,226	4,040
La Viga S.A.	132	148
Vigilancia Andina S.A.A.	84	76
Asociación UNACEM	45	23

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

	2018	2017
	S/(000)	S/(000)
Account receivables, note 4(a)		
La Viga S.A.	27,771	28,024
BASF Construction Chemicals Perú S.A.	185	320
Sindicato de Inversiones y Administración S.A.	157	155
Other minors	217	20
	28,330	28,519
Account payables, note 11(a)		
Sindicato de Inversiones y Administración S.A.	91,365	72,689
Inversiones Andino S.A.	30,306	20,972
ARPL tecnología Industrial S.A.	27,079	32,905
BASF Construction Chemicals Perú S.A.	9,729	13,633
Vigilancia Andina S.A.A.	2,087	1,447
La Viga S.A.	1,560	3,042
	162,126	144,688
Current Portion	97,402	91,510
Non- Current Portion	64,724	53,178
	162,126	144,688

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

(e) The total remuneration paid to Group's directors and key members of management as of September 30, 2018 and 2017 is amounting to approximately S/19,382,000 and S/. 19,730,000 respectively, which include short-term benefits and compensation for time served.

19. Earnings per share

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

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

	As of September 30, 2018 S/ (000)	As of September 30, 2017 S/ (000)
Numerator		
Net income attributable to common shares	200,716	229,230
	2018 In thousands	**2017** In thousands
Denominator		
Weighted average number of common shares	1,646,503	1,646,503
	2018 S/.	**2017** S/.
Basic and diluted earnings for common shares	0.122	0.139

20. Commitments and contingencies

20.1 Financial commitments -

(a) As of September 30, 2018, the Company has the following guarantee letters:

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

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

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

(b) The subsidiaries maintain the following guarantee letters:

- Guarantee letter issued by financial institutions negotiated by UNICON in order to ensure the supply of concrete to certain customers, as of September 30, 2018 for approximately S / 59,839,000 (S / 80,100,000 as of December 31, 2017).

- Guarantee letter negotiated by DAC with some financial institutions in order to ensure their obligations generated in the exercise of their functions as a bonded warehouse in accordance with the General Customs Law, its regulations and other applicable administrative provisions, as of September 30, 2018, for US $ 200,000, approximately equivalent to S/. 660,000 (US $ 200,000, equivalent to S/. 649,000 as of December 31, 2017).

- Guarantee letter negotiated by PREANSA Peru, issued in favor of certain financial institutions in order to ensure their obligations with certain customers for advance payments received for the start of production operations as of September 30, 2018 for approximately S/. 10,786,000 (S/. 4,119,000 as of December 31, 2017).

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

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

(c) Guarantees for the payment of financial obligations:

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

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

- Letter of credit for US $ 75,000,000, held on July 30, 2015 between Drake Cement LLC, Skanon Investments, Inc (guarantor) and the Bank of Nova Scotia, New York Agency (issuer) , in order that the issuer make the direct payment of the credit for Drake Cement to the US Bank National Association (trustee), which entered into a trust agreement with the Development Authority of Yavapai (authority) County, see note 10 (f).

20.2 Finance leases -

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

	As of September 30, 2018		As of December 31, 2017	
	Minimum payments	Present value of lease payments	Minimum payments	Present value of lease payments
	S/ (000)	S/ (000)	S/ (000)	S/ (000)
In 1 year	67,118	52,641	98,189	82,121
Between one to more years	273,728	155,919	282,799	162,970
Total, payments to be done	340,846	208,560	380,988	245,091
Less - finance costs	(132,286)	-	(135,897)	-
Value of minimum lease payments	208,560	208,560	245,091	245,091

20.3 Tax situation –

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

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

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

	Periods open to review
In Peru -	
Unión Andina de Cementos S.A.A.	2013 to 2014 and from 2016 to 2017
Compañía Eléctrica El Platanal S.A.	2013-2017
Generación Eléctrica Atocongo S.A.	2013-2017
Unión de Concreteras S.A.	2013-2017
CONCREMAX S.A.	2013-2017

Inversiones en Concreto y Afines S.A.	2013-2017
Prefabricados Andinos Perú S.A.C.	2014-2017
Transportes Lurín S.A.	2013-2017
Depósito Aduanero Conchán S.A.	2013-2017
Inversiones Imbabura S.A.	2014-2017
In Ecuador -	
UNACEM Ecuador S.A.	2015-2017
In Chile -	
Prefabricados Andinos S.A.	2014-2017
In Colombia -	
Prefabricados Andinos Colombia S.A.S.	2014-2017
In United State of America	2015-2017

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

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

	2018	**2017**
	S/ (000)	S/ (000)
Skanon Investments Inc. and Subsidiaries (i)	1,536,805	1,395,303
Compañía Eléctrica El Platanal S.A. and Subsidiaries	333,212	334,920
Prefabricados Andinos S.A. – PREANSA Chile	35,798	39,951
Prefabricados Andinos Colombia S.A.S	9,024	7,084
Depósito Aduanero Conchán S.A.	2,812	2,523
Other minor Peruvian subsidiaries	910	365

(i) The tax loss carries forward of subsidiaries in the United States of America amounted approximately US$ 465,981,000 (equivalent to S/1,536,805,000), which, according to the tax loss assessment, it will be recovered US$ 148,433,441.

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

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

(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.

20.4 Contingencies –

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

Peru –

(a) Tax:

Income tax

As a result of audits for the years 2004 to 2006, the Company has been notified by the Superintendence of Tax Authority (SUNAT) with different resolutions for alleged omissions in income tax. In some cases, the Company has filed appeals for not finding the appropriate resolutions in accordance with the laws in force in Peru and in other cases it has proceeded to pay the assessments received. In August and September, the Tax Court issued a sentence for those periods, ruling in favor of the Company the objections to the value of exports and keeping other objections; likewise, it ordered that SUNAT proceed to carry out the reassessment of the securities by virtue of the decision of the Court, reassessment that to date has not been notified to the Company and that it must consider the refund requests for the years 2004, 2005 and 2006 presented.

Likewise, the Company holds claims to Tax Authority (SUNAT), corresponding to demands and requirements of refund of income tax paid in excess for the years 2001, 2002, 2003, 2004, 2005, 2006 and 2009, in which it requested the decisions of the Tax Court set aside and will return the money paid ascending approximately S/30,383,000 and other claims by approximately S/3,272,000, see note 4(d).

As result of the audit for the year 2010, the Company has been notified by the Superintendence of Tax Authority (SUNAT) with different resolutions for alleged omissions in income tax. In some cases, the Company has filed appeals for not finding the appropriate resolutions in accordance with the laws in force in Peru and in other cases it has proceeded to pay the assessments received. As of September 30, 2018, the Company has recorded the necessary provisions, in accordance with Management and its legal advisors.

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

Category Income Tax for 2012 for S/3,472,000 and the Fine Resolution No 012-002-0029815 for S/1,836,000.

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

As of September 30, 2018, the subsidiaries PREANSA Perú and INVECO filed claims to the tax authority for S/. 481,000 000, respectively. According to the Group Management's evaluation it will be recovered in the current period.

Excise tax -

On the other hand, the Company has two additional claims for excise tax related to coal imports in 2006 and 2007 for a total amount of S/ 7,028,000, see Note 4(d). In December 2015, the Superior Court upheld the original ruling in 2014 declaring void the Tax Court Resolution N°14294-A-2013 by claims amounting to approximately S/5,023,000 and are pending collection. On September 26, 2017, the Specialized Civil Court of Villa El Salvador declared the appeal filed by the Company well founded.

On October 06, 2017, the Judicial Power, with a judgment of Cassation No. 5104-2016, declared the other lawsuit filed by the company founded. On March 26, 2018, the company files with SUNAT, the respective refund request for the amount of S /. 2,005,000, in August 2018, SUNAT proceeded to return the amount plus interest.

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

Additionally, during the first quarter other claims were recorded for approximately S / 179,000, see note 4 (d).

(b) Administrative:

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

Ecuador –

(c) Regulatory:

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

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

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

The legal advisors of the Group believe that it is only possible, not probable the tax, legal and regulatory matters mention above. On the basis of the above and in the Group Management's opinion, no provision was recorded in the consolidated financial statements as of September 30, 2018 and December 31, 2017. 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 September 30, 2018 and December 31,2017, the Group has filed claims to the Tax Administration Office (SUNAT), corresponding to the demands and claims for reimbursement of income tax. Management and its legal advisors estimate that there are legal arguments to obtain a favorable outcome in these processes, in which case they will not have a significant impact on the consolidated financial statements of the Group.

20.5 Environmental commitments -

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

21. Financial risk management, objectives and policies

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

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

21.1 Market risk –

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

The sensitivity analyses shown in the following sections relate to the position as of September 30, 2018 and December 31, 2017.

The sensitivity analyses have been prepared on the basis that the amount of net debts, the ratio of fixed to floating interest rate of the debt and the proportion of financial instruments in foreign currencies are all constant as of September 30, 2018 and December 31,2017.

(i) Interest rate risk –

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

(a) Derivative Financial instruments from hedge -

The Group has contracts interest rate swap designated as cash flow hedges and are recorded at their fair value. The details of these operations are as follows:

Counterparty	Reference value As of September 30, 2018	Maturity rate	Receive variable to:	Pays fix rate at:	Fair value	
					As of September 30, 2018	As of December 31, 2017
	US$(000)				S/(000)	S/(000)
Assets-						
Bank of Nova Scotia	9,625	September 2018,	Libor to 3 months + 2.40%	1.020%	-	202
Bank of Nova Scotia	2,083	August 2018	Libor to 3 months + 2.35%	0.825%	-	78
Banco Scotiabank (Chile) (*)	927	July 2019	Libor to 30 days + 3.36%	9.500%	450	-
Banco Scotiabank (Chile) (*)	3,993	August 2019	Libor to 3 months + 1.75%	5.50%	158	-
Total, note 22(a)					608	280
Liabilities -						
Banco de Crédito e Inversiones (BCI)	3,937	November, 2027	6.78%	3.3766%	767	957
Banco Scotiabank (Chile) (*)	927	July 2019	Libor to 30 days + 3.36%	9.50%	-	810
Banco Scotiabank (Chile) (*)	3,993	August 2019	Libor to 3 months + 1.75%	5.50%	-	637
Total, note 22(a)					767	2,404

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

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

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

As of September 30, 2018, and 2017 the Group recognized an expense on these derivative financial instruments amounting to approximately S/.3,164,000 and S/.3,855,000 respectively, whose amounts were actually paid during the year and are presented as "Borrowing Costs" in the consolidated statement of income.

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

(b) Derivative Financial instruments from trading –

Counterparty	Reference value As of September 30,	Maturity rate	Receive variable to:	Pays fix rate at:	Fair value	
					As of September 30, 2018	As of December 31, 2017
	US$(000)				S/(000)	S/(000)
Liabilities -						
Citibank N.A. New York	63,000	April 2019	Libor to 3 months + 1.08%	5.20%	4,314	9,845
Total, note 22(a)					4,314	9,845

As of September 30, 2018, the effective portion of changes in the fair value of financial instruments that qualify as hedges is recognized as assets or liabilities. As of September 30 2018, the effect totaled approximately S / 5,532,000 (S/. 4,426,00 as of September 30, 2017) and is presented as part of the item "Financial income" in the consolidated statement of income.

Sensitivity to interest rate -

The Group does not show the sensitivity to a reasonably possible change in interest rates on the portion of the loans, after the impact of hedge accounting.

(ii) Foreign currency risk -

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

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

The result of holding balances in foreign currency for the Group in the period ended on September 30, 2018 and 2017 was a net gain amounting approximately S/.33,221,000 and S/.83,078,000, respectively, which are presented in the caption "Exchange difference, net" in the consolidated statement of income.

As of September 30, 2018, and December 31, 2017, the Group has "Cross Currency Interest Rate Swap" amounting to S/. 522,000 and S/ 336,000 in favor of the bank, respectively, and hedging of risks associated with exchange rate fluctuations. These instruments were designated as held for trading. The effect as of September 30, 2018 and 2017 is an income of approximately s/. 186,000 and S/. 2,206,000, respectively.

Foreign currency sensitivity -

Foreign currency transactions made at free market exchange rates published by the Superintendence of Banks, Insurance and Private Funds Peru Managers. As of September 30, 2018, the weighted average exchange rates of the free market for transactions in U.S. Dollars were S/.3.298 for buying and S/.3.302 for selling (S/.3.238 for buying and S/.3.245 for selling as of December 31, 2017), respectively.

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

American Dollars

	2018		2017	
	US$(000)	Equivalent S/ (000)	US$(000)	Equivalent S/ (000)
Asset				
Cash and cash equivalents	9,932	32,754	18,226	59,015
Trade and other payables	60,679	200,123	29,908	96,838
	70,611	232,877	48,134	155,853
Liabilities				
Other financial liabilities	(817,279)	(2,698,655)	(879,760)	(2,854,817)
Trade and other payables	(54,672)	(180,539)	(40,836)	(132,516)
Derivative financial instruments	(1,539)	(5,081)	(3,775)	(12,249)
	(873,490)	(2,884,275)	(924,371)	(2,999,582)
Derivative financial instruments In Foreign currency	(158)	(522)	(104)	(336)
Net liability position	(803,037)	(2,651,920)	(876,341)	(2,844,065)

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before income tax (due to changes in the fair value of monetary assets and liabilities, including derivative financial instruments in foreign currency not classified as hedge) as of September 30, 2018 and December 31, 2017.

Change in US Dollars rate In American Dollars	Impact on profit before income tax income	
	2018	2017
%	S/(000)	S/(000)
5	(132,596)	(142,203)
10	(265,191)	(284,407)
-5	132,596	142,203
-10	265,191	284,407

21.2 Credit risk –

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

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

21.3 Liquidity risk –

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

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

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

	As of September 30, 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	795,516	11,494	73,387	880,397
Other financial liabilities				
Amortization of capital	561,830	949,217	2,730,070	4,241,117
Flow of interest payments	172,124	306,739	434,110	912,973
Total liabilities	1,529,470	1,267,450	3,237,567	6,034,487

	As of December 31, 2017			
	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	665,704	7,872	61,416	734,992
Other financial liabilities				
Amortization of capital	710,879	1,028,763	2,719,998	4,459,640
Flow of interest payments	223,849	411,502	412,014	1,047,365
Total liabilities	1,600,432	1,448,137	3,193,428	6,241,997

21.4 Capital management–

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

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

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

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

	2018	2017
	S/ (000)	S/ (000)
Other financial liabilities, note 10	4,241,117	4,459,640
Trade, related and others		
Account payables, note 11	880,397	734,992
Less: Cash and cash equivalents, note 3	(154,156)	(157,002)
Net debt (a)	4,967,358	5,037,630
Equity	4,304,759	4,163,217
Total capital and net debt (b)	9,272,117	9,200,847
Leverage ratio (a/b)	0.536	0.548

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

22. Fair values

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

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

	2018	2017
	S/(000)	S/(000)
Derivative financial instruments:		
Level 2	608	280
Total assets, note 4(a) and 21.1 (i)(a)	608	280
Derivative financial instruments:		
Level 2	5,603	12,585
Total liabilities, note 21.1(i) and (ii)	5,603	12,585

Level 1 -

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

Level 2 -

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

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

Level 3 -
As of September 30, 2018, 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.

	2018		2017	
	Value Books	**Value Fair**	**Value Books**	**Value Fair**
	S/ (000)	S/ (000)	S/ (000)	S/ (000)
Other financial liabilities (*)	3,829,454	3,406,909	3,958,570	3,617,064

(*) As of September 30, 2018, and December 2017, the balance does not include bank notes, see note 10 (a).

23. Segment information

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

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

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

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

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

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

	As of September 30, 2018						
	Cement	Concrete	Electrical Energy	Others	Total segments	Adjustments elimination	Consolidated
	S/ (000)	S/ (000)	S/ (000)	S/ (000)	S/ (000)	S/ (000)	S/ (000)
Income							
Third-party customers	1,716,411	1,024,731	176,175	-	2,917,317	-	2,917,317
Inter segments	203,547	66,579	56,802	7,327	334,255	(334,255)	-
Total revenues	1,919,958	1,091,310	232,977	7,327	3,251,572	(334,255)	2,917,317
Gross profit	648,289	111,130	61,268	141	820,828	2,325	823,153
Operating income (expenses)							
Administrative expenses	(180,878)	(44,791)	(10,779)	(3,651)	(240,099)	18,351	(221,748)
Selling expenses	(48,075)	(15,783)	(1,869)	-	(65,727)	1,613	(64,114)
Other operating income (expenses), net	102,808	15,219	5,212	539	123,778	(127,290)	(3,512)
Operating profit	522,144	65,775	53,832	(2,971)	638,780	(105,001)	533,779
Other income (expenses)							
Participation in associates	-	2,367	-	-	2,367	-	2,367
Financial Income	11,125	1,590	31	555	13,301	-	13,301
Finance cost	(157,373)	(18,185)	(21,080)	(6,184)	(202,822)	-	(202,822)
Exchange difference, net	(26,834)	(296)	(5,831)	263	(32,698)	(523)	(33,221)
Income before income tax	349,062	51,251	26,952	(8,337)	418,928	(105,524)	313,404
Income tax	(106,300)	(10,311)	(8,082)	(12)	(124,705)	-	(124,705)
Net income for segment	242,762	40,940	18,870	(8,349)	294,223	(105,524)	188,699
Income before tax for segment	495,310	65,479	48,001	(2,708)	606,082	(292,678)	313,404

	As of September 30, 2017						
	Cement	Concrete	Electrical Energy	Others	Total segments	Adjustments elimination	Consolidated
	S/ (000)	S/ (000)	S/ (000)	S/ (000)	S/ (000)	S/ (000)	S/ (000)
Income							
Third-party customers	1,630,043	783,448	169,931	-	2,583,422	-	2,583,422
Inter segments	188,636	56,670	51,026	10,250	306,582	(306,582)	-
Total revenues	1,818,679	840,118	220,957	10,250	2,890,004	(306,582)	2,583,422
Gross profit	636,537	94,221	56,745	1,470	788,973	(455)	788,518
Operating income (expenses)							
Administrative expenses	(200,264)	(38,952)	(9,955)	(3,173)	(252,344)	16,871	(235,473)
Selling expenses	(39,863)	(15,570)	(2,090)	-	(57,523)	4,429	(53,094)
Other operating income (expenses), net	231,131	13,557	(109)	5,999	250,578	(276,373)	(25,795)
Operating profit	627,541	53,256	44,591	4,296	729,684	(255,528)	474,156
Other income (expenses)							
Participation in associates	-	998	-	-	998	-	998
Financial Income	8,066	4,038	30	534	12,668	-	12,668
Finance cost	(178,569)	(15,514)	(20,438)	(5,267)	(219,788)	-	(219,788)
Exchange difference, net	69,421	2,057	11,134	466	83,078	-	83,078
Income before income tax	526,459	44,835	35,317	29	606,640	(255,528)	351,112
Income tax	(113,255)	(9,248)	(11,366)	(297)	(134,166)	-	(134,166)
Net income for segment	413,204	35,587	23,951	(268)	472,474	(255,528)	216,946
Income before tax for segment	696,962	55,313	55,725	4,762	812,762	(461,650)	351,112

	As of September 30, 2018,						
	Cement	Concrete	Electrical Energy	Others	Total segments	Adjustments elimination	Consolidated
Operating assets	7,475,864	1,266,098	1,255,253	98,330	10,095,545	152,882	10,248,427
Operating liabilities	481,158	456,458	85,557	4,045	1,027,218	4,916,450	5,943,668

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

Eliminations and Reconciliation -

Financial income and expenses, and gains and losses from changes in fair value of financial assets at the individual segments are not charged because the underlying instruments are managed at centralized level.

Current and deferred taxes and certain financial assets and liabilities to the segments are not charged as also administered at centralized level.

A reconciliation of the effective rate of income tax as of September 30, 2018 and 2017 is as follows:

	2018	2017
	S/ (000)	S/ (000)
Reconciliation of income -		
Income before tax for segment before adjustment and eliminations	606,082	812,762
Financial Income	13,301	12,668
Finance cost	(202,822)	(219,788)
Participation in associates	2,367	998
Inter segments	(105,524)	(255,528)
Income before tax for segment	313,404	351,112

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

	2018	2017
	S/ (000)	S/ (000)
Reconciliation of assets -		
Segment operating assets	10,095,545	10,082,991
Deferred income tax asset	144,000	140,483
Derivative financial instruments	608	280
Other assets	8,274	8,168
Operating assets of the Group	10,248,427	10,231,922
Reconciliation of liabilities -		
Segment operating liabilities	1,027,218	915,414
Other financial liabilities	4,241,117	4,459,640
Trade payables to Directors	2,659	4,264
Deferred income tax liability	667,071	676,802
Derivative financial instruments	5,603	12,585
Operating liabilities of the Group	5,943,668	6,068,705

Geographic information –

The income information contained above is based on customer location.

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

	2018	2017
	S/ (000)	S/ (000)
Income of customers		
Peru	2,290,225	1,943,695
Ecuador	407,241	378,905
Unites States	301,225	231,233
Chile	115,867	29,589
Colombia	2,759	-
Total income according to the consolidated statements of income	2,917,317	2,583,422

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

	2018	2017
	S/ (000)	S/ (000)
Non-current assets:		
Peru	6,716,325	6,839,404
Unites States	1,186,070	1,209,247
Ecuador	762,357	757,355
Chile	84,103	45,040
Colombia	32,467	32,225
Non- current assets according to the financial statement	8,781,322	8,883,271

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

24. Subsequent events

a) On October 10, 2018 the Company has instructed The Bank of New York Mellon (the "Trustee") the partial redemption of a total of USD 400,000,000 (Four Hundred Million in US dollars) of its denominated " 5.875% Senior Unsecured Notes due 2021 "(the" Bonds ") as established in section 3.01 of the Indenture of the issue made on October 30, 2014 for a total of USD 625,000,000 (Six hundred twenty-five million United States dollars of North America). The partial redemption of the Bonds will take place on October 30, 2018, the date of the first Call Option ("Option to purchase") of the bonds at a price equal to 102.93750% of the principal. Additionally, on the same date, all interest accrued as of the date will be paid.

This transaction is in line with what was approved by the Board of Directors on September 21, 2018, to finance up to USD 490,000,000 (Four hundred and ninety million in US dollars), for the refinancing of existing liabilities in US dollars and another corporation uses.

b) On October 10, 2018, the transfer of 100 of the shares representing the capital stock of CEMENTOS PORTLAND S.A, carried out by the companies CEMENTOS BIO BIO S.A and VOTARANTIM CIMENTOS S.A in favor of UNACEM S.A.A for the total price of USD 28,095,802.