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

UN-AUDITED Consolidated Interim Financial Statements

As of, December 31, 2019 and 2018

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

	Notes	As of December 31, 2019	As of December 31, 2018
Assets			
Current Assets			
Cash and cash equivalents	4	124,651	111,410
Other Financial Assets		-	-
Trade Accounts Receivable and other accounts receivable		**493,730**	**561,546**
Trade Accounts Receivable , net	5	390,775	421,374
Other Accounts Receivable , net	5	61,697	103,241
Accounts Receivable from Related Companies	5	25,393	25,157
Prepaid Expenses	5	15,865	11,774
Inventories	6	869,703	752,069
Biological Assets		-	-
Assets by Income Taxes		-	-
Other Non-Financial Assets	10	19,946	27,567
Total Current Assets different than assets or groups of assets for its classified as held for sale or for distribution to owners		**1,508,030**	**1,452,592**
Non-current assets or groups of assets for disposal Classified as Held for Sale		-	-
Non-current assets or groups of assets for its classified as held for distribution to owners		-	-
Non-current assets or groups of assets for disposal Classified as Held for Sale or Held for distribution to owners		-	-
Total Current Assets		**1,508,030**	**1,452,592**
Non-Current Assets			
Other Financial Assets		-	-
Investments in subsidiaries, joint ventures and associates		22,328	16,164
Trade Accounts Receivables and other accounts receivables		**45,279**	**42,619**
Trade Accounts Receivable		-	-
Other Accounts Receivable	5	39,863	38,661
Accounts Receivable from Related companies		-	-
Advanced payments	5	5,416	3,958
Biological Assets		-	-
Investment Property		-	-
Property, Plant and Equipment , net	7	7,153,388	7,250,243
Intangible Assets , net	8	211,006	215,350
Assets Deferred Income Tax	15(a)	152,340	151,691
Surplus value	9	1,166,087	1,166,873

	Notes	As of December 31, 2019	As of December 31, 2018
Liabilities and Stockholders' Equity			
Current Liabilities			
Other Financial Liabilities	11	672,473	461,218
Trade accounts payable and other payable accounts		**707,642**	**801,118**
Trade Accounts Payable	12	486,243	524,530
Other Accounts Payable	12	141,070	125,955
Accounts payable to related companies	12	20,191	74,437
Deferred Income	13	60,138	76,196
Provision for Employee Benefits		-	-
Other provisions	14	62,662	55,054
Income tax liabilities		54,205	34,417
Other non-financial liabilities		-	-
Total Current Liabilities different of Liabilities included groups of assets for disposal Classified as Held for Sale		**1,496,982**	**1,351,807**
Liabilities included in asset groups classified as held for sale		-	-
Total Current Liabilities		**1,496,982**	**1,351,807**
Non-Current Liabilities			
Other Financial Liabilities	11	3,476,061	3,919,904
Trade accounts payable and other payable accounts		**45,466**	**86,802**
Trade Accounts Payable	12	-	2,319
Other Accounts Payable	12	45,466	11,592
Accounts payable to related companies	12	-	70,730
Deferred Income	13	-	2,161
Provision for Employee Benefits		-	-
Other provisions	14	67,154	77,389
Liabilities Deferred Income Taxes	15(a)	650,977	678,214
Other non-financial liabilities	23.1(i)(ii)	32,156	24,565
Total Non-Current Liabilities		**4,271,814**	**4,786,874**
Total Liabilities		**5,768,796**	**6,138,681**
Stockholders' Equity			
Capital Issued	16	1,818,128	1,646,503
Issuance Premiums		-31,275	-

UNION ANDINA DE CEMENTOS S.A.A. Y SUBSIDIARIAS
Income Statement
For the periods ended December 31, 2019 and 2018
(In thousands of Soles)

	Notes	For the specific quarter from October 1, to December 31, 2019	For the specific quarter from October 1, to December 31, 2018	For the cummulative period from January 1st to December 31, 2019	For the cummulative period from January 1st to December 31, 2018
Incomes from ordinary activities	17	1,052,702	1,046,481	4,117,614	3,902,004
Cost of Sales	17	-752,720	-782,227	-2,989,398	-2,814,597
Profit (Loss) Gross	**17**	**299,982**	**264,254**	**1,128,216**	**1,087,407**
Selling Expenses and distribution		-32,507	-30,164	-111,789	-94,278
Administrative expenses	18	-90,270	-74,630	-289,185	-296,378
Profit (Loss) in the write-off of financial assets carried at amortized cost		-	-	-	-
Other Operating Income		23,706	17,960	63,656	53,831
Other Operating Expenses		-14,519	-1,829	-39,823	-41,212
Other profit (loss)		-	-	-	-
Profit (Loss) from operating activities		**186,392**	**175,591**	**751,075**	**709,370**
Financial Income		576	4,768	19,463	15,438
Financial Expenses	19	-73,651	-121,088	-266,790	-321,279
Exchange differences, net		18,994	-41,973	22,228	-75,194
Share of Profit (Loss) in net results from Equity-Accounted Joint Ventures and related companies		-854	-437	1,893	1,930
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		**131,457**	**16,861**	**527,869**	**330,265**
Income tax expenses	15(b)	-52,639	-22,364	-178,307	-147,069
Profit (Loss) Net of Continued Operations		**78,818**	**-5,503**	**349,562**	**183,196**
Profit (loss) net of the tax to the profit from discontinued operations		-	-	-	-
Profit (loss) net of the year		**78,818**	**-5,503**	**349,562**	**183,196**
Profit (Loss) net, attributable to :					
Owners of the Parent		74,477	-7,303	348,458	193,413
Non-controlling interest		4,341	1,800	1,104	-10,217
Net Profit (Loss) of the Year		**78,818**	**-5,503**	**349,562**	**183,196**

UNION ANDINA DE CEMENTOS S.A.A. AND SUBSIDIARIES
Statement of Comprehensive Income
For the periods ended December 31, 2019 and 2018

(In Thousands of Soles)

	Notes	For the specific quarter from October 1, to December 31, 2019	For the specific quarter from October 1, to December 31, 2018	For the cummulative period from January 1st to December 31, 2019	For the cummulative period from January 1st to December 31, 2018
Net Profit (Loss) of the year		**78,818**	**-5,503**	**349,562**	**183,196**
Components of other comprehensive income:					
Net Change for Cash Flow Hedges		-	-	-	-
Hedges of a Net Investment in a Foreign Operation		-	-	-	-
Profit (Loss) in equity instrument investments at fair value		-	-	-	-
Exchange difference on translation of Foreign Operations		-	-	-	-
Net variation of non-current assets or groups of assets held for sale		-	-	-	-
Participation in other comprehensive income of related companies and joint ventures accounted for using the equity method		-	-	-	-
Revaluation Surplus		-	-	-	-
Actuarial Gain (Loss) on defined benefit pension plans		-	-	-	-
Changes in the fair value of financial liabilities attributable to changes in the credit risk of the liability		-	-	-	-
Other Comprehensive Income Pre Tax		**-**	**-**	**-**	**-**
Income tax relating to components of other comprehensive income					
Net Change for Cash Flow Hedges		-	-	-	-
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		-29,458	20,707	-26,015	38,187
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		**-29,458**	**20,707**	**-26,015**	**38,187**
Other Comprehensive Income		**-29,458**	**20,707**	**-26,015**	**38,187**
Total Comprehensive Income for the period , net of income tax		**49,360**	**15,204**	**323,547**	**221,383**
Comprehensive Income attributable to:					
Owners of the Parent		46,925	-601	316,452	216,934
Non-controlling interest		2,639	1,193	-3,831	-9,440
Total Comprehensive Income of the Year, net		**49,564**	**592**	**312,621**	**207,494**

UNION ANDINA DE CEMENTOS S.A.A. AND SUBSIDIARIES
Statement of Cash Flow
Direct Method
For the periods ended December 31, 2019 and 2018
(In thousands of Soles)

	Notes	As of January 1st, 2019 to December 31, 2019	As of January 1st, 2018 to December 31, 2018
Operating activities cash flows			
Types of cash collections from operating activities			
Sale of Goods and Services		4,972,926	4,615,970
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		9,008	12,281
Types of cash collections from operating activities			
Suppliers of goods and services		-3,106,361	-2,740,104
Contracts held for brokering or trading purposes		-	-
cash payments to and on behalf of employees		-539,089	-463,860
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		**1,336,484**	**1,424,287**
Interests received (not included in the Investment Activities)		-	-
Interests paid (not included in the Investment Activities)		-256,854	-313,390
Dividends Received (not included in the Investment Activities)		-	-
Dividends Paid (not included in the Investment Activities)		-	-
Income tax (paid) reimbursed		-158,995	-225,473
Other cash collections (payments)		-304,106	-221,723
Cash flows and cash equivalents from (used in) Operating Activities		**616,529**	**663,701**
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		8,053	3,609
Sale of intangible assets		-	-
Sale of other long- term assets		-	-
Government Subventions		-	-
Interests received		-	-
Dividends received		19,647	5,404
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		-	-168,942
Purchase of Joint Venture shares, Net of the cash acquired		-	-
Purchase of Property, Plant and Equipment	7(a)	-272,178	-221,075
Purchase of intangible assets	8(a)	-9,832	-9,403
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		**-254,310**	**-390,407**
Cash flows from Financing activities			

Type of cash collections from financing activities			
Loan securing	11(u)	1,267,664	2,534,589
Changes to the subsidiaries ownership interest not resulting in the loss of control		-	-
Share issuance		-	-
Issuance of other Equity Instruments		-	-
Government Subventions		-	-
Type of cash payments from financing activities			
Loan Amortization or Repayment	11(u)	-1,517,866	-2,771,804
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		-124,554	-88,347
Income tax (paid) reimbursed		-	-
Other cash receipts (payments) relating to financing activities		25,207	8,029
Cash flows and cash equivalents from (used in) financing activities		**-349,549**	**-317,533**
Increase (Decrease) in Net Cash and cash equivalents, before Changes in Foreign Exchange Rates		**12,670**	**-44,239**
Effects of Changes in Foreign Exchange Rates on Cash and Cash Equivalents		571	-1,353
Increase (Decrease) in Net Cash and Cash Equivalents		**13,241**	**-45,592**
Cash and cash equivalents at beginning of year		**111,410**	**157,002**
Cash and cash equivalents at end of year	**4**	**124,651**	**111,410**
		-	

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

Statement of change in Stockholder's Equity

For the periods ended December 31, 2019 and 2018

(In Thousands of Soles)

	Capital Issued	Issuance Premiums	Investment shares	Treasury Shares in Portfolio	Other Capital Reserves	Accrued Results	Other Equity Reserves										Shareholders' equity attribute to the owners of the Parent	Non-controlling Interest	Total Stockholders' Equity
							Cash Flow Hedges	Investment Hedges, net of foreign businesses	Investments in equity instruments accounted at fair value	Exchange difference on translation of Foreign Operations	Non-current assets or groups of assets for hold for sale	Participation in other comprehensive income of related companies and joint ventures accounted for using the equity method	Revaluation Surplus	Actuarial Profit (Loss) on defined benefit pension plans	Changes in the fair value of financial liabilities attributable to changes in the credit risk of the liability	Subtotal			
Balances as of January 1, 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						193,413											193,413	-10,217	183,196
7. Other Comprehensive Income:						-	-13,595	-	-	37,116	-	-	-	-	-	23,521	23,521	777	24,298
8. Comprehensive Income - Total year						193,413	-13,595	-	-	37,116	-	-	-	-	-	23,521	216,934	-9,440	207,494
9. Cash Dividends Declared					-	-85,618											-85,618	-1,148	-86,766
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)	-	-	-	-	-	107,774	-13,595	-	-	37,116	-	-	-	-	-	23,521	131,295	-10,567	120,728
Balance as of December 31, 2018	1,646,503	-	-	-	329,301	1,967,159	-17,375	-	-	184,893	-	-	-	-	-	167,518	4,110,481	173,464	4,283,945
Balance as of January 1, 2019	1,646,503	-	-	-	329,301	1,967,159	-17,375	-	-	184,893	-	-	-	-	-	167,518	4,110,481	173,464	4,283,945
1. Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Correction of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Restated Initial Balance	1,646,503	-	-	-	329,301	1,967,159	-17,375	-	-	184,893	-	-	-	-	-	167,518	4,110,481	173,464	4,283,945
4. Changes in Stockholders' Equity:																			
5. Comprehensive Income:																			
6. Gain (Loss) for the year						348,458											348,458	1,104	349,562
7. Other Comprehensive Income:						-	-10,113	-	-	-21,893	-	-	-	-	-	-32,006	-32,006	-4,935	-36,941
8. Comprehensive Income - Total year						348,458	-10,113	-	-	-21,893	-	-	-	-	-	-32,006	316,452	-3,831	312,621
9. Cash Dividends Declared					-	-92,312											-92,312	-4,790	-97,102
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	-	-	-	-	-	-15,377											-15,377	15,377	-
15. Increase (decrease) for transactions with Treasury Shares in Portfolio	-	-	-	-	-	-											-		-
16. Increase (Decrease) for Transfer and other Equity Changes	171,625	-31,275	-	-	34,325	-18,599											156,076	-14,486	141,590
Total Equity Increase (decrease)	171,625	-31,275	-	-	34,325	222,170	-10,113	-	-	-21,893	-	-	-	-	-	-32,006	364,839	-7,730	357,109
Balance as of December 31, 2019	1,818,128	-31,275	-	-	363,626	2,189,329	-27,488	-	-	163,000	-	-	-	-	-	135,512	4,475,320	165,734	4,641,054

Other Assets	10	151,392	127,094
Total Non-current Assets		**8,901,820**	**8,970,034**
TOTAL ASSETS		**10,409,850**	**10,422,626**

Investment shares	-	-
Treasury Shares in portfolio	-	-
Other Capital Reserves	363,626	329,301
Accrued Results	2,189,329	1,967,159
Other Equity Reserves	135,512	167,518
Shareholders' equity attribute to the owners of the Parent	**4,475,320**	**4,110,481**
Non Controlling interest	165,734	173,464
Total Stockholders' Equity	**4,641,054**	**4,283,945**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**10,409,850**	**10,422,626**

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

UN-AUDITED Consolidated Interim Financial Statements

As of Tuesday, December 31, 2019 and 2018

1. Economic Activity

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

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

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

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

At the General Shareholders' Meeting held on May 28, 2019, the simple merger of the Company as an acquiring Company and Cementos Portland S.A.C. was approved unanimously. as an absorbed company, without an increase in share capital. The effective date of the merger was June 1, 2019. On September 5, 2019, the public deed of simple merger was registered.

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 local and abroad of cement and clinker. For this purpose, the Company owns two plants, one in Lima and the other one in Junín, whose annual production capacity is 6.7 million tons of clinker and 8.3 million tons of cement, respectively.

The consolidated financial statements of the Company and subsidiaries (hereinafter "The Group") for the fourth quarter of 2019 have been issued and approved by Management. In Management's opinion, the consolidated financial statements will be approved without modifications. The consolidated financial statements of 2018 have been approved by the Group Management.

As of December 31, 2019, the consolidated financial statements include the financial statements of the Company and the following subsidiaries:

- Skanon Investments, Inc. – SKANON

  It is an entity constituted in February 2007 in the state of Arizona, in United States of America, in which the Company owns directly and indirectly 94.35 percent share of the capital stock as of December 31, 2019 and 2018, whose main activity is investment in securities.

  As of December 31, 2019, and 2018, SKANON holds a share in the capital of Drake Cement LLC (hereinafter "DRAKE" or "Drake Cement") of 94.04 percent. DRAKE is an entity located in the United States of America, whose main business is the production and marketing of cement in the states of Arizona and Nevada

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

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

- Inversiones Imbabura S.A. – IMBABURA

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

  IMBABURA's subsidiaries are the entities from Unacem Ecuador S.A. group ("UNACEM Ecuador") and subsidiaries, whose percentage of participation is 98.89 percent in UNACEM Ecuador, whose main activity is the exploitation, industrialization of cement and its derivatives and related services.

- Compañía Eléctrica El Platanal S.A. – CELEPSA

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

  CELEPSA directly and indirectly holds a 100% stake in the capital shares of Celepsa Renovables S.R.L., the company that owns the Marañón Hydroelectric Power Plant, located in the department of Huánuco, which began operations in the second quarter of 2017.

- Unión de Concreteras S.A. – UNICON Perú

  It is an entity constituted in December 1995, Company's indirect subsidiary, through INVECO that holds 99.99 percent share of the capital stock. UNICON main activity is the development and commercialization of ready mix, and to a lesser extent related product such as bricks and concrete sleepers. For the preparation of ready mix concrete, UNICON Peru requires mainly cement, stone, sand and additives.

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

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

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

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

- CONCREMAX S.A. - CONCREMAX

  It is an entity constituted in March 1995, Company's indirect subsidiary, through INVECO holds 99.99 percent share of the equity shares of UNICON Peru who in turn holds 99.99 percent of the shares of capital CONCREMAX since October 10, 2011. The main activity of CONCREMAX is the development and commercialization of concrete, and to a lesser extent related products such as pre-stressed beams, bagged products and aggregates.

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

  It is an entity constituted 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 economic activity.

- Cementos Portland S.A. - CEMPORT

  It is an entity constituted in Lima in July 2007, which is currently in pre-operational stage. The main activity of CEMPOR is the exploitation and commercialization of limestone from mining concession "El Silencio 8", located in Pachacamac district, province and department of Lima.

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

  Also, at UNACEM General Shareholders' Meeting held on May 28, 2019, the simple merger of the Company as an acquiring Company and CEMPORT as an absorbed company was approved unanimously, without an increase in share capital. The effective date of the merger was June 1, 2019. On September 5, 2019, the public deed of simple merger was registered.

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

  It is an entity constituted in October 2007, Company's direct subsidiary, who holds 50.02 percent share of the capital stock. The main activity of PREANSA Peru is the manufacture of prestressed concrete and precast concrete structures, as well as their commercialization, both in Peru and abroad. PREANSA Peru holds 100 percent of the capital stock in the subsidiary Prefabricados Andinos Colombia S.A.S. (hereinafter "PREANSA Colombia"), which is in operation since November 1, 2016, and its main activity is the manufacture of prestressed and precast concrete structures in Colombia and abroad.

- Prefabricados Andinos S.A. – PREANSA Chile

It is an entity constituted 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 construction products, especially the manufacture of prestressed concrete and prefabricated concrete structures and other products derived from concrete for industrialized construction.

- Transportes Lurín S.A. – LURIN

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

- Generación Eléctrica de Atocongo S.A. - GEA

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

- Depósito Aduanero Conchan S.A. - DAC

  It is an entity constituted 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, all of the Group's purchases, as part of a corporate reorganization.

- ARPL Tecnología Industrial S.A. – ARPL

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

  The Company receives advisory services and technical assistance, development and management of engineering projects from ARPL. Until December 31, 2018 ARPL was a direct subsidiary of Inmobiliaria Pronto S.A. with a 100 percent share. As of January 1, 2019, as a result of the merger of the Company with Inmobiliaria Pronto S.A., ARPL becomes a direct subsidiary of the Company, as part of a corporate reorganization.
  Likewise, ARPL owns 49.50 and 9.10 percent of the capital shares of VASA and INMA, respectively.

- Vigilancia Andina S.A.A.– VASA

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

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

- National and Multinational Investments S.A. - INMA

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

  Until December 31, 2018, INMA was a direct subsidiary of Inversiones Andino S.A. with a participation of 90.90 percent of participation of the shares of capital and associate of ARPL with a participation of 9.10 percent of the shares of capital. As of January 1, 2019, as a result of the merger of the Company with Inversiones Andino S.A., VASA became a direct subsidiary of the Company, as part of a corporate reorganization.

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

		Percentage of participation											
		2019		2018		Asset		Liabilities		Net Equity		Profit (loss)(vi)	
Entity	Main economic activity	Direct	Indirect	Direct	Indirect	2019 S/ (000)	2018 S/ (000)	2019 S/ (000)	2018 S/ (000)	2019 S/ (000)	2018 S/ (000)	2019 S/ (000)	2018 S/(000)
Inversiones Imbabura S.A. and Subsidiaries (i)	Cement	100.00	-	100.00	-	1,863,142	1,886,033	428,728	424,519	1,434,414	1,461,514	92,143	109,108
Skanon Investments Inc. and Subsidiaries (ii)	Cement and Concrete	86.26	8.68	85.06	8.28	1,314,609	1,345,607	537,112	738,302	777,497	607,305	(19,392)	(49,640)
Compañía Eléctrica El Platanal S.A. y Subsidiaries (iii)	Electrical Energy	90.00	-	90.00	-	1,223,623	1,250,133	483,614	554,257	740,009	695,876	44,244	21,347
Inversiones en Concreto y Afines S.A. and Subsidiaries (iv)	Concrete	93.38	-	93.38	-	1,001,387	1,049,522	579,687	614,766	421,700	434,756	23,468	24,022
Cementos Portland S.A.., note 2.1	Cement	100.00	-	100.00	-	-	82,730	-	534	-	82,196	-	118
Prefabricados Andinos Perú S.A.C. and Subsidiary	Precast	50.02	-	50.02	-	65,410	76,556	43,423	47,183	21,987	29,373	(6,715)	(1,780)
Prefabricados Andinos S.A.	Precast	51.00	-	51.00	-	81,042	64,914	75,975	57,815	5,067	7,099	265	(676)
Staten Island Company and Subsidiaries (v)	Holding	100.00	-	100.00	-	118,239	61,538	40,758	2,645	77,481	58,893	(84)	(84)
ARPL tecnología Industrial S.A.	Services	100.00	-	-	-	50,027	-	10,000	-	40,027	-	7,959	-
Transportes Lurín S.A.	Services	99.99	-	99.99	-	35,177	35,206	23	18	35,154	35,188	(34)	(101)
Generación Eléctrica de Atocongo S.A.	Services	99.85	0.15	99.85	0.15	30,185	33,804	29,328	32,868	857	936	(79)	156
Inv. Nacionales y Multinacionales Andinas S.A.	Services	100.00	-	-	-	18,231	-	4,951	-	13,280	-	(28)	-
Vigilancia Andina S.A.A.	Services	100.00	-	-	-	10,016	-	3,782	-	6,234	-	1,014	-
Depósito Aduanero Conchán S.A.	Services	99.99	-	99.99	-	1,796	1,634	828	923	968	711	(343)	(774)

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

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

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

(iv) INVECOs subsidiaries are: UNICON Peru, who in turn is a shareholder of Concremax, UNICON Ecuador, UNICON Chile. and Entrepisos Lima S.A.C.

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

(vi) Balances as of December 31, 2019 compared to balances as of December 31, 2018.

2. **Business combinations and corporate reorganization**

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

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

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

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

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

The fair value of CEMPOR's identifiable assets and liabilities as of the acquisition date were:

	Fair values recognized at the date of acquisition S/ (000)
Asset	
Cash and cash equivalents	7
Trade and other receivable, net	479
Deferred income tax Asset, note 15	6,162
Mining concessions and property, plant and equipment, net, Note 7	103,812
Tax Credit due to General sales tax	4,065
Other assets	7
	114,532
Liabilities	
Trade and other payables	132
Deferred income tax liability, note 15	14,823
Liability by Income tax	81
	15,036
Net identifiable assets at fair value	99,496
Goodwill generated on acquisition	-
Consideration transferred from the acquisition	99,496

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

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

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

The costs of the UNICON Chile purchase transaction for approximately US$16,000 (equivalent to S/54,000) are included in the administrative expenses in the consolidated statement of income and are part of the operating cash flows in the consolidated statement of cash flows.

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

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

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

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

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

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

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

	Fair values recognized at the date of acquisition S/ (000)
Asset	
Cash and cash equivalents	2,381
Trade and other receivable, net	47,632
Inventories	3,715
Mining concessions and property, plant and equipment, net, Note 7	40,853
Client list, note 8	18,216
Other assets	2,019
	114,816
Liabilities	
Trade and other payables	49,393
Deferred income tax liability, note 15	10,982
	60,375
Net identifiable assets at fair value	54,441
Goodwill generated on acquisition	17,393
Consideration transferred from the acquisition	71,834
Net cash incorporated with the subsidiary	2,381
Cash payment	(72,006)
Net cash flow at the date of acquisition	(69,625)
Analysis of the cash flows of the acquisition	
Transaction costs	(242)
Net cash incorporated with the subsidiary	2,381
Net cash flow of acquisition	2,139

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

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

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

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

3. Summary of significant accounting policies

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

3.1 Basis of preparation -

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

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

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

3.2 Basis of consolidation-

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

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

3.3 New accounting pronouncements, interpretations and modifications -

The accounting policies adopted while preparing the interim consolidated financial statements are consistent with those followed in the consolidated financial statements for the year ended December 31, 2018 except for the adoption of new current standards as of January 1, 2019.

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

- *IFRS 16 "Leases"*

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

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

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

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

In general, the Company has not determined significant effects in the application of this rule.

- *IFRIC 23– Uncertainty over income tax treatments*

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

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

  An entity must determine whether it considers each fiscal uncertainty separately or together with one or more fiscal uncertainties. The approach that best estimates the resolution of uncertainty should be followed.

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

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

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

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

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

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

The amendments clarify that the tax consequences of the dividends depend more on the transactions or past events that generated this distributable profit than of the distribution to the owners. Therefore, an entity recognizes the tax consequences of a dividend in results, in other comprehensive income or in equity depending on how the entity recorded those transactions or past events.

These amendments will be applied to the periods beginning on January 1, 2019 or later, allowing early application. When an entity applies these amendments for the first time, it will do so from the start date of the oldest comparative period.

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

IFRS 3 - Business combination

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

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

IAS 23 Financing - costs

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

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

4. **Cash and cash equivalents**

(a) This item is made up as follows:

	As of December 31, 2018 S/ (000)	As of December 31, 2018 S/ (000)
Petty cash	1,348	1,215
Funds to deposit	18	126
Current accounts (b)	94,291	75,234
Term deposits (c)	28,682	29,103
Mutual Funds	312	5,665
Restricted funds	-	67
	124,651	111,410

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

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

5. Trade and other receivable, net

(a) This item is made up as follows:

	Current		Non-current	
	As of December 31, 2019 S/ (000)	As of December 31, 2018 S/ (000)	As of December 31, 2019 S/ (000)	As of December 31, 2018 S/ (000)
Commercial:				
Receivable invoices and letters (b)	366,913	406,079	15,997	13,730
Provision of bills receivable (c)	28,368	21,319	-	-
	395,281	427,398	15,997	13,730
Related:				
Accounts receivable from related parties, note 20(c)	25,393	25,157	-	-
Various:				
Advances to suppliers	15,865	11,774	5,416	3,958
Claims to Tax authority (d)	9,738	24,211	28,119	19,638
Claims to third parties	5,144	9,856	2,922	2,922
Loans to employees (e)	4,997	6,926	-	158
Account receivable from the Escrow fund (h)	3,253	5,815	3,082	6,448
Derivative financial instruments, note 24 (a)	-	484	-	-
Other accounts receivable	26,221	20,449	3,495	780
	65,218	79,515	43,034	33,904
Advance payments of income tax (e)				
temporary tax on net assets (f)	15,667	30,235	-	-
Tax Credit due to General sales tax (g)	4,213	11,413	2,245	8,715
	19,880	41,648	2,245	8,715
	505,772	573,718	61,276	56,349
Less - Expected credit loss (i)	(12,042)	(12,172)	(15,997)	(13,730)
	493,730	561,546	45,279	42,619

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

(c) As of December 31, 2019, and 2018, this balance corresponds to Provisions for billing for energy and power sale in December of those years for S/. 28,368,000 and S/. 21,319,000, respectively, which were billed and collected in the following month.

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

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

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

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

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

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

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

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

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

	As of December 31, 2019	As of December 31, 2018
	S/ (000)	S/ (000)
Opening Balance	25,902	20,201
Estimation charged to income	3,571	6,018
Recovery and Punishment	(1,115)	(816)
Acquisition of Subsidiaries	-	199
Exchange rate impact	(319)	300
Ending Balance	28,039	25,902

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

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

			Past due -			
	Total	**Currents**	**< 30 days**	**30-90 days**	**91-180 days**	**> 180 days**
	S/ (000)	S/ (000)	S/ (000)	S/ (000)	S/ (000)	S/ (000)
2019	539,009	456,182	66,789	4,761	3,739	7,538
2018	604,165	499,587	53,091	21,269	4,577	25,641

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

6. Inventories, net

(a) This item is made up as follows:

	As of December 31, 2019 S/ (000)	As of December 31, 2018 S/ (000)
Finished goods	42,563	33,898
Work in progress (b)	312,242	242,388
Raw and auxiliary materials (c)	170,947	171,292
Packages and packing	43,466	27,192
Spare parts and supplies (d)	339,586	313,232
Inventory in transit	1,168	3,133
	909,972	791,135
Estimate for impairment of inventories (e)	(40,269)	(39,066)
	869,703	752,069

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

(c) Raw and auxiliary materials mainly include imported and domestic coal, pozzolan, iron and imported clinker. As of December 31, 2019, the Group has mainly held in stock imported and domestic coal and clinker imported by approximately S/ 51,846,000 and S/ 14,941,000, respectively (S/ 51,788,000 and S/ 14,791,000, respectively as of 31 December 2018).

(d) As of December 31, 2019, and 2018 the Company maintains no significant and necessary supplies and spare parts to provide maintenance machinery and kilns, these plants are evaluated through technical reviews, and in turn comply with the provisions of quality and are in proper storage conditions.

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

	As of December 31, 2019 S/ (000)	As of December 31, 2018 S/ (000)
Opening Balance	39,066	32,108
Estimation charged to income	2,563	8,272
Recoveries	(203)	(369)
Exchange rate impact	(980)	(945)
Adjustment	(177)	-
Ending Balance	40,269	39,066

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

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

(a) This item is made up as follows:

	As of December 31, 2019 S/ (000)	As of December 31, 2018 S/ (000)
Cost -		
Opening Balance	10,352,318	9,856,271
Additions (d)	375,359	295,838
Acquisition of Subsidiaries, see note 2.1 and 2.2.	-	144,665
Increase by merger and corporate reorganization, see note 1	46,226	-
Reclassification	-	(918)
Withdrawals and sells (e)	(88,780)	(33,850)
Adjustments	(13,330)	461
Exchange rate impact	(55,956)	89,851
Ending Balance	10,615,837	10,352,318
Accumulated depreciation -		
Opening Balance	3,102,075	2,670,349
Depreciation of the period (f)	443,410	420,240
Merger, see note 1	4,615	-
Withdrawals and sells (e)	(64,332)	(18,261)
Others	(4,154)	-
Exchange rate impact	(19,165)	29,747
Ending Balance	3,462,449	3,102,075
Net book value -	7,153,388	7,250,243

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

(c) As of December 31, 2019, the carrying value of assets acquired through finance leases and leaseback amounted to approximately S/ 188,133,000 (S/ 181,281,000 as of December 31, 2018). The leased assets guaranteed financial lease liabilities, see note 11.

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

(i) Project of the Atocongo Thermal Plant, Dedusting Chiller System of kiln 2 and 3 of the Condorcocha plant, change of rollers and cement press bearings 5 and migration from version 4.1 to version 9 of the Cemat kiln control system 2 corresponding to the Condorcocha plant, Atocongo Plant Pavers, Cristina integral plan, Clinker court roof, fire system and Atocongo Clinker Conveyor Belt for approximately S / 69,140,000 and other minor projects for approximately S / 81,798,000.

As of December 31, 2019, the company completed the work related to the projects i) wirtgen pavers and smoothing of Atocongo plant, ii) Change of roller press - complete new unit, for approximately S/ 6,005,000 and S/ 3,767,000, respectively. These projects were transferred from work in progress to their corresponding classification in the caption "Mining concessions and property, plant and equipment, net".

(ii) The subsidiary UNACEM Ecuador incurred costs for ongoing works of the Mill Press Station No. 3, Motor 6 component, Premix Land, Replacement of section by ferrule for corrosion for approximately US $ 6,587,000 (equivalent to S/ 21,808,000).

(iii) The subsidiary UNICON Peru and CONCREMAX incurred costs for: i) acquisition of mixer trucks, mining trucks and front loaders for approximately S / 24,904,000 and ii) Overhaul of trucks for approximately S / 13,629,000.

(iv) Desert Ready Mix, LLC incurred costs for the acquisition of transportation units for approximately US $ 2,104,000 (equivalent to S / 6,966,000) related to mixer trucks.

(v) SIC incurred costs for the acquisition of land and machinery for approximately US $ 8,500,000 and US $ 7,831,000 (equivalent to S / 28,157,000 and S / 25,929,000), respectively.

The additions during the year 2018, correspond mainly to:

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

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

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

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

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

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

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

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

(e) As of December 31, 2019, the subsidiary SKANON, made sales of mixer trucks whose cost amounted to approximately US $ 3,676,000 (equivalent to approximately S/12,276,000) (the subsidiary UNICON Perú made sales by front-end loaders and mixer trucks whose cost amounted to approximately S/ 5,708,000 as of December 31, 2018).

(f) Depreciation has been distributed as follows:

	As of December 31, 2019	As of December 31, 2018
	S/ (000)	S/ (000)
Cost of sales	425,482	407,717
Administrative expenses, see note 18	15,040	10,912
Selling expenses	125	121
Other expenses	1,265	884
Inventories in process	1,498	606
	443,410	420,240

(g) As of December 31, 2019, interest was capitalized S/2,340,000(S/ 2,510,000 were capitalized as of December 31, 2018). The amount of the capitalizable financing costs is determined by applying the capitalization rate to the capital expenses incurred in the rated assets. The rate used to determine the amount of financing costs susceptible to capitalization was approximately 4.6 percent in 2019 (4.7 percent in 2018).

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

As of December 31, 2019, the Company maintains a mortgage for Ancieta and Planta Villa El Salvador plants for S / 100,000,000, with Scotiabank Peru to guarantee the loan obtained with this entity, see note 16 (c).

Also, the subsidiary Celepsa Renovables SRL, maintains two mortgages on property, machinery and equipment for approximately US $ 40,820,000 (equivalent to S/.135,400,000) to guarantee the loan obtained for the construction of the Marañon Hydroelectric Plant, see note 11 (e).

(I) As of December 31, 2019, and 2018, the Group Management performed an evaluation of the state of use of their properties, plant and equipment, finding no evidence of impairment in such assets.

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

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

8. Intangible assets, net

(a) This item is made up as follows:

	As of December 31, 2019	As of December 31, 2018
	S/ (000)	S/ (000)
Cost -		
Opening Balance	324,782	342,486
Additions	10,831	11,565
Acquisition of Subsidiaries, see note 2.2.	-	18,216
Reclassification	-	891
Withdrawals and losses	(1,095)	(55,949)
Corporate reorganization, see note 1	22	-
Exchange rate impact	(2,861)	7,573
Ending Balance	331,679	324,782
Accumulated amortization -		
Opening Balance	109,432	140,371
Amortization of the year (b)	12,361	22,981
Withdrawals and losses	(1,015)	(55,947)
Exchange rate impact	(105)	2,027
Ending Balance	120,673	109,432
Net book value -	211,006	215,350

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

	As of December 31, 2019 S/ (000)	As of December 31, 2018 S/ (000)
Cost of sales	5,290	4,386
Gastos de administración, see note 18	2,390	2,245
Selling expenses	396	417
Other expenses	4,285	15.933
	12,361	22,891

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

9. Goodwill

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

10. Other non-financial assets

(a) This item is made up as follows:

	As of December 31, 2019 S/ (000)	As of December 31, 2018 S/ (000)
Deferred stripping cost (b)	112,798	118,100
Others	58,540	36,561
	171,338	154,661
Current	19,946	27,567
Non-current	151,392	127,094
	171,338	154,661

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

	As of December 31, 2019	As of December 31, 2018
	S/ (000)	S/ (000)
Cost -		
Opening Balance	164,912	164,912
Additions	-	-
Ending Balance	164,912	164,912
Accumulated depreciation -		
Opening Balance	46,812	41,935
Depreciation of the period	5,302	4,877
Ending Balance	52,114	46,812
Net book value -	112,798	118,100

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

11. Other financial liabilities

(a) This item is made up as follows:

	As of December 31, 2019			As of December 31, 2018		
	Current Portion S/ (000)	Non- Current Portion S/ (000)	Total S/ (000)	Current Portion S/ (000)	Non- Current Portion S/ (000)	Total S/ (000)
Bank overdrafts (b)	93,136	-	93,136	22,642	-	22,642
Bank loans (c) and (d)	123,061	-	123,061	101,536	118,265	219,801
Bonds and long-term loans (e)	456,276	3,476,061	3,932,337	337,040	3,801,639	4,138,679
	672,473	3,476,061	4,148,534	461,218	3,919,904	4,381,122

(b) As of December 31, 2019, overdrafts mainly correspond to obligations of the Company and SKANON with different financial entities in US dollars for a total of S / 51,598,000 and US $ 10,562,000 (equivalent to S / 35,034,000), respectively. As of December 31, 2018, by the subsidiary SKANON for a total of US $ 6,701,000 (equivalent to S / 22,642,000), respectively.

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

	2019 S/ (000)	2018 S/ (000)
Creditor -		
Citibank N.A. New York	116,095	189,224
Scotiabank del Perú	6,634	18,750
Banco de Crédito del Perú – BCP	332	-
Citibank N.A. Ecuador	-	11,827
	123,061	219,801

(d) As of December 31, 2019, and December 31,2018, the interest payable on bank loans amounted to approximately S/603,000 and S/3,081,000, respectively, and is recorded in the caption "Trade and other payable" in the consolidated financial statements, see note 12(a). As of December 31, 2019, and 2018, interest expense totaled approximately S/ 16,283,000 and S/20,056,000 respectively, and are included in the caption "Finance costs" in the consolidated statement of income, see note 19.

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

	Maturity rate	Guarantee	As of December 31, 2019 S/ (000)	As of December 31, 2018 S/ (000)
Bonds-				
International Bonds – "Senior Notes" (f) and (t)	October 2021	No guarantees	-	760,275
Bonds of Arizona State (g) and (t)	September 2035,	Letter of credit, see note 22.1(c)	381,455	388,585
Corporate Bonds (h)	March 2020 and March 2023	No guarantees	120,000	120,000
			501,455	1,268,860
Amortized cost			(7,316)	(14,371)
			494,139	1,254,489
Syndicated loans -				
Scotiabank del Perú (i) and (s)	September 2021,	Management and guarantee trust, see note 22.1 (c)	58,048	92,923
Banco de Crédito del Perú – BCP (i) and (s)	September 2021,	Management and guarantee trust, see note 22.1 (c)	50,551	72,581
			108,599	165,504
Amortized cost			(876)	(1,375)
			107,723	164,129
Bank loans -				
Banco de Crédito del Perú – BCP (k) and (s)	February 2020 and October 2026	No guarantees	838,640	414,818
Banco Internacional del Perú – INTERBANK (j) and (s)	September 2022 and March 2025	No guarantees	654,160	528,727
Scotiabank del Perú (l) and (s)	December 2021 to October 2025	No guarantees	533,771	433,057
BBVA Banco Continental (l) and (s)	November 2021 and November 2024	No guarantees	349,071	383,357
Citibank N.A. (p) and (s)	October 2025	No guarantees	165,850	168,950
Santander S.A. (m) and (s)	November, 2023	No guarantees	149,266	152,055
Bank of Nova Scotia (n) and (s)	September 2025,	No guarantees	99,510	101,370
Banco de Crédito del Perú – BCP	August 2030	Guarantee on movable and immovable property, see note 7 (h)	98,556	104,960
Scotiabank del Perú (o) and (s)	April 2025	Guarantee on property, see note 7 (h)	72,000	72,000
BBVA Banco Continental	December, 2024	No guarantees	28,773	32,438
Citibank N.A. New York	July 2024	No guarantees	27,338	11,825
Banco Internacional del Perú – INTERBANK	February 2022	Leased goods	27,259	17,047
Banco Internacional S.A. - Ecuador	Between February 2021 and July 2024	Guaranty Trust (machinery line 2 of production), see note 7 (h).	25,989	31,657
Banco Scotiabank (Chile)	August, 2020	Letter of credit, see note 22.1(b)	13,341	16,356
Scotiabank (Chile)	October 2023	No guarantees	8,727	11,040
Scotiabank del Perú	May 2021	Land, see note 7 (h)	6,382	-
Scotiabank del Perú (o) and (s)	February 2020	No guarantees	5,852	11,827
Banco Internacional del Perú – INTERBANK	May 2019	No guarantees	-	10,651
Less than S/. 10,000.000			34,722	32,094
			3,139,207	2,534,229
Amortized cost			(18,202)	(16,403)
			3,121,005	2,517,826

	Maturity rate	Guarantee	As of December 31, 2019 S/ (000)	As of December 31, 2018 S/ (000)
Finance leasebacks -				
Banco de Crédito del- BCP (i) and (s)	December, 2020	Leased goods	54,151	71,013
Scotiabank (Chile)	March 2024	Leased goods	3,630	-
			57,781	71,013
Amortized cost			(430)	(860)
			57,351	70,153
Finance leases -				
Consorcio Transmantaro	July 2039	Leased goods	51,488	52,861
Scotiabank del Perú (o) and (s)	Between March 2020 and March 2022	Leased goods	20,222	21,027
Banco de Crédito e Inversiones (BCI)	November, 2027	Leased goods	10,628	12,503
Scotiabank del Perú	Between March 2020 and December 2022	Leased goods	8,241	11,011
Less than S/. 10,000.000			55,701	34,359
			146,280	131,761
Factoring			5,839	321
Total			3,932,337	4,138,679
Less - Current portion			456,276	337,040
Non- Current Portion			3,476,061	3,801,639

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

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

On August 23, 2019, the Board of Directors approved that the Company finance up to US $ 230,000,000 for the refinancing of existing liabilities in dollars. On October 30, 2019, the Company redeemed the total balance of US $ 225,000,000 of the international bonds called Senior Notes 2021 (equivalent to approximately S/ 756,000,000) in accordance with the provisions of section 3.01 of the Offering Memorandum issued on 30 October 2014. The redemption of the total balance of the bonds was made at a price equal to 101,46875 percent of the principal. Additionally, on the same date, all accrued interest was paid for approximately S/ 22,147,000. Likewise, as a result of the payment of the balance of the bonds, the Company paid costs related to the total redemption for approximately S/ 11,071,000.

(g) On November 18, 2010, Drake Cement, LLC obtained a bond financing of the Development Authority of Yavapai County, Arizona, United States with the purpose of financing part of the investment in the cement plant of the subsidiary amounting to US$40,000,000, maturing in September 2035 and with a monthly interest payments on the basis of a variable interest rate (Securities Industry and Financial Markets Association Index rate) currently at 1.37 percent from 3.245 percent, up to a maximum interest rate of 12 percent. The bonds are secured by a letter of credit from the bank, see note 22.1 (c).

Also, on July 30, 2015, Drake Cement, LLC obtained a US$75,000,000 bond with the purpose of refinancing part of the investment in the cement plant, maturing in September 2035 and with a monthly interest payments on the basis of a variable interest rate (Securities Industry and Financial Markets Association Index rate) currently at 2.40 percent from 2.75 and 0.1 percent, up to a maximum interest rate of 12 percent. The bonds are secured by a letter of credit from the bank, see note 22.1 (c).

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

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

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

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

(j) On March 30, 2017, the Company signed a short-term financing agreement with Interbank for S/ 260,000,000. The funds were used to refinance short-term financial debt. At the Board meeting on December 20, 2019, the refinancing of the S / 260,000,000 that expired in March 2020 was approved with two bank loans with Interbank and Scotiabank for S / 130,000,000 each, for a term of 5 years.

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

In October 2019, the Company signed a new long-term financing contract with Interbank for S/ 134,160,000 with a five-year maturity. The funds were used to redeem the total balance of foreign bonds.

(k) In 2015, the Company entered into three medium-term loan agreements with the BCP for S / 13,432,000, S/. 27,899,000 and S/. 150,000,000, for the construction, equipment, assembly and commissioning of the Hydroelectric Plant Carpapata III. The term of the loan is four and a half years. As of December 31, 2019, the balance payable amounts to S/. 25,000,000.

On October 2018, the Company entered into a long-term financing agreement with the BCP for S/. 331,000,000 with an interest rate of 5.80 percent and a term of seven years. The funds were used for the partial redemption of foreign bonds. As of December 31, 2019, the balance payable amounts to S/. 311,140,000.

In October 2019, the Company entered into a long-term financing agreement with the BCP for S / 502,500,000 with a term of seven years. The funds were used to redeem the total balance of foreign bonds.

(l) On November 30, 2016, the Company signed two financing contracts, each by S/120,000,000, with Scotiabank Perú and BBVA Continental, both for a term of five years with a grace period of eighteen months and fourteen write-offs quarterly, with the purpose of refinancing short-term financial debt. On December 6, 2017 addenda were made to the contracts modifying the rate at 5.80% Annual Effective Rate and 5.20% annual nominal, respectively. As of December 31, 2019, the balance payable amounts to approximately S/ 68,571,000 each loan.

In October 2018, the Company entered into two long-term financing agreements with Scotiabank Perú and BBVA Continental. The first for S / 330,200,000 with a term of seven years and the second for S/ 280,500,000 with a term of six years. The funds obtained were used for the partial redemption of foreign bonds.

In October 2019, the Company entered into a long-term financing agreement with the Scotiabank del Perú for S / 135,000,000 with a term of five years. The funds were used to redeem the total balance of foreign bonds.

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

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

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

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

On the other hand, in 2019, UNICON Peru signed several financial lease agreements with Scotiabank for a total amount of S / 10,063,000 for the acquisition of a fleet of mixer trucks, front loaders and other equipment.

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

(q) As of December 31, 2019, and 2018, interests payable related to bonds and long-term debt are amounted to approximately S/25,841,000 and S/23,751,000, respectively and are recorded in the item “Trade and other payables”, of the consolidated statement of financial position, note 12(a).

(r) Interest on bonds and long-term debt with banks kept for the years ended on December 31, 2019 and 2018 amounted to approximately S/206,289,000 and S/217,653,000, respectively, and is recorded in the item "Financial costs" in the consolidated income statement, see Note 19.

(s) As of December 31, 2019, in Peru the companies-maintained bank loans in soles with annual rates ranging from 3.68% to 5.9%. Bank loans in dollars are at a variable rate plus a margin (3-month libor rate plus a margin that fluctuates between 1.75% to 2.6%).

As of December 31, 2019, in Ecuador they maintained bank loans in dollars with annual rates ranging from 5.15% to 7.87%.

As of December 31, 2019, in Chile the companies-maintained bank loans in Chilean pesos with annual rates that ranged from 4.37% to 5.55% and a variable rate plus a margin (3-month libor rate plus a 1.5% margin).

(t) 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 December 31, 2019, the main financial safeguards that the Company maintains with each financial entity fluctuate between the following rates and indexes:

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

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

UNICON and subsidiaries

- To maintain an index debt minor or equal to 1.5 times for CONCREMAX.
- To maintain a debt service coverage ratio greater than or equal to 1.25 times for leasing and greater than or equal to 1.5 times in the medium term for CONCREMAX and 1.2 times for UNICON Peru.
- To maintain a total financial debt ratio less than or equal to 2.5 times for UNICON Peru.
- To maintain an index of debt coverage or financial debt / EBITDA less than or equal to 2.5 in leasing and less than or equal to 1.75 in the medium term for CONCREMAX.

PREANSA Peru

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

As of December 31, 2019, the subsidiary PREANSA Peru obtained a waiver from Interbank.

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

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

- To consolidate, merge or transfer substantially all the assets.
- To pay dividends or perform any other type of payment or restricted distribution.
- To sell assets, including share capital of its subsidiaries.
- To perform transactions with related parties that are not restricted subsidiaries.
- To create constraints on the ability of its restricted subsidiaries to pay dividends, perform loans.
- To transfer the holding of the Company.
- To Incur in burdens.

- To participate in any business other than the permitted ones.
- To obtain additional debt, for which should:
  - (i) To keep a Consolidated Interest Coverage Ratio equal or greater than 2.5 to 1.0.
  - (ii) To maintain a Consolidated Leverage Ratio (net Financial Debt/EBITDA) equal o minor of 4 up to 1, in the case of the incurred debt before of December 2015, and 3.5 up to1 from that date onwards.

In Management' s opinion, the Group has taken into consideration the restrictions included in the contract for the issue of International Bonds as of December 31, 2019 and 2018.

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

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

In Management's opinion, Drake Cement has complied with the restrictive consideration and financial safeguard required by the state of Yavapai as of December 31, 2019.

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

	As of December 31, 2019 S/ (000)	As of December 31, 2018 S/ (000)
Opening Balance	4,381,122	4,459,640
Additions	1,267,664	2,534,589
Additions of financial leases	40,297	42,670
Payments	(1,517,866)	(2,771,804)
Amortized cost	6,185	1,522
Corporate reorganization, see note 1	857	-
Effect of difference in FX and conversion	(29,725)	120,729
Others	-	(6,224)
Ending Balance	4,148,534	4,381,122

12. Trade and other payables

(a) This item is made up as follows:

	As of December 31, 2019 S/ (000)	As of December 31, 2018 S/(000)
Trade payable (b)	486,243	526,849
Salaries and vacation payable	57,428	53,237
Accounts payable from related parties, note 20(c)	20,191	145,167
Interest payable, note 11 (d) and (q)	26,460	26,832
Accounts payable to third parties	21,938	-
Tax Payable	17,617	18,787
Dividends payable	13,553	7,420
Director's remunerations payable	4,633	2,456
Value Added to Tax payable	2,580	967
Other accounts payable	42,327	27,848
	692,970	809,563
Term -		
Current Portion	647,504	724,922
Non- Current Portion	45,466	84,641
	692,970	809,563

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

The UNICON Perú and CONCREMAX subsidiaries offer their suppliers a program for the payment of their accounts through financial institutions. This program allows suppliers to sell their accounts receivable to financial institutions in a separate negotiated agreement between the supplier and the financial institution, allowing suppliers to better manage their cash flows and reducing their payment processing costs to subsidiaries. These subsidiaries have no direct financial interest in these transactions. All obligations with its suppliers, including balances payable, are maintained according to the contractual agreements entered into with them. As of December 31, 2019, and 2018, the balances related to these operations amount to S/ 71,010,000 and S/ 74,073,000, respectively.

13. Deferred income

(a) This item is made up as follows:

	As of December 31, 2019 S/ (000)	As of December 31, 2018 S/ (000)
Ready-mix concrete (b)	29,483	46,935
Prefabricated (c)	14,633	16,593
Cement and Clinker (d)	14,089	9,233
	58,205	72,761
Financial retro-lease (e)	1,933	4,322
Others	-	1,274
	60,138	78,357
Term -		
Current Portion	60,138	76,196
Non- Current Portion	-	2,161
	60,138	78,357

(b) As of December 31, 2019, and 2018, corresponds mainly to the contracts subscribed by the subsidiary UNICON Peru, to supply ready-mix concrete for which it has received advances from its customers. These advances are discounted from the valuations for the concrete shipments during the first quarter of 2020 and 2019, respectively.

As of December 31, 2019, the advances received mainly comprise Consorcio Puentes de Loreto, Consorcio Manchay, Constructora Santa Fe, Consorcio PTA Pachacutec, Grinar S.A. and Compañía Minera Antamina S.A. for approximately S / 5,625,000, S / 3,683,000, S / 2,447,000, S / 2,191,000 y S/ 1,958,000, respectively (Consorcio Puentes de Loreto, La Viga SA, HV Contractors SA, Compañía Minera Antamina SA, Marcobre SAC, Consorcio Constructor M2 Lima and Consorcio San Martín for approximately S / 12,851,000, S / 6,606,000, S / 2,855,000, S / 2,065,000, S / 1,601,000, S / 1,340,000 and S / 1,093,000, respectively as of December 31, 2018)

(c) As of December 31, 2019, and 2018, it corresponds mainly to advances made by customers to initiate prefabricated projects by the PREANSA Chile subsidiary for approximately S/ 13,331,000 (S/ 10,812,000 as of December 31, 2018). Likewise, the subsidiary PREANSA Peru received advances from customers under the contracts signed for the manufacture, transport and assembly of prefabricated concrete up structures approximately S/ 243,000 (S/ 4,562,000 as of December 31, 2018).

(d) As of December 31, 2019, and 2018, it corresponds mainly to sales of cement and clinker billed and not dispatched, which are made in the first quarter of 2020 and 2019, respectively.

(e) In 2013, CELEPSA carried out a financing operation under the financial back-lease modality and obtained a higher value of the registered assets as a result of their valuation, this higher value originated a charge in the "Concessions mining, property, plant and equipment "with payment to" Trade and other accounts payable "for S / 21,675,000. They are being recognized in the consolidated income statement according to the time period of the financial leaseback agreement, which expires in 2020 and the highest value of the asset is depreciated according to the estimated useful life.

14. Provisions

(a) This item is made up as follows:

	Current		Non-current	
	As of December 31, 2019 S/ (000)	As of December 31, 2018 S/ (000)	As of December 31, 2019 S/ (000)	As of December 31, 2018 S/ (000)
Workers' profit sharing (b)	50,907	44,853	-	-
Severance compensation	4,665	3,636	-	-
Employer retirement of workers (c)	-	-	17,882	16,393
Eviction provision of workers(c)	-	-	4,346	4,219
Provision for mine closure and Environmental remediation (d)	3,430	6,158	40,992	43,682
Other provisions	3,660	407	3,934	13,095
	62,662	55,054	67,154	77,389

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

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

Employee participation expense for the periods ended December 31, 2019 and 2018 is approximately S/ 79,839,000 and S/ 72,388,000, respectively, and is recorded in the consolidated statement of income.

c) As of December 31, 2019, and 2018, the benefits to employees, for the subsidiaries of Ecuador, corresponded to:

Employer retirement of workers -

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

Eviction of workers -

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

(d) As of December 31, 2019, and 2018, according to Peruvian legislation, the Group maintains in Peru a provision for future closure costs of its mines to be carried out by UNACEM between 2 and 38 years, UNICON Peru between 7 and 24 years and for CONCREMAX 3 years, respectively.

Additionally, the Law on Environmental Management and the Environmental Regulation for Mining Activities in Ecuador, requires compliance with a restoration plan for the concessions of Selva Alegre, Cumbas and Pastaví, which maintain a future closure plan according to the evaluation of these quarries, the concession periods are 22, 21 and 22 years, respectively, for approximately S / 2,154,000 and S / 2,330,000, as of December 31, 2019 and 2018, respectively.

Also, UNICON Chile maintains a provision for the future cost of dismantling its plants for 7 years, for approximately S/ 1,110,000 and S / 1,244,000 as of December 31, 2019 and 2018, respectively.

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

As of December 31, 2019, and 2018, the Group recognized the effect for restatement due to quarry closing liabilities of approximately S/ 1,734,000 and S/ 782,000, respectively, which is recorded in the income statement for the year, within the caption " Financial costs". The Group Management considers that this liability is sufficient to comply with the current environmental protection laws approved in each country.

15. Income tax

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

	As of December 31, 2019 S/ (000)	As of December 31, 2018 S/ (000)
Deferred tax asset-		
Opening Balance	151,691	140,483
Consolidated income statement impact	8,298	211
Acquisition of Subsidiaries, see note 2.1 and 2.2.	-	6,162
Merger and corporate reorganization, see note 1	(6,541)	-
Exchange rate impact	(1,108)	4,835
Ending Balance	152,340	151,691
Liability to deferred income tax -		
Opening Balance	(678,214)	(676,802)
Consolidated income statement impact	14,520	21,452
Acquisition of Subsidiaries, see note 2.1 and 2.2.	-	(25,805)
Merger and corporate reorganization, see note 1	8,607	-
Charges to comprehensive income	3,780	5,513
Exchange rate impact	330	(2,572)
Ending Balance	(650,977)	(678,214)
Total net liability for deferred income tax	(498,637)	(526,523)

(b) The current and deferred portions of the provision for income tax for the years ended as of December 31, 2019 and 2018 are comprised as follows:

	2019	2018
	S/ (000)	S/ (000)
Income tax		
Current	(205,223)	(167,075)
Deferred	22,818	21,663
Compensation for tax loss	8,274	2,217
Mining royalties	(4,176)	(3,874)
	(178,307)	(147,069)

16. Net Equity

(a) Capital –

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

Individual participation of capital	Number of shares	Percentage of participation
Nuevas Inversiones S.A.	459,129,497	25.25
Inversiones JRPR S.A.	455,919,897	25.08
AFPs	419,008,213	23.05
Others	484,070,004	26.62
	1,818,127,611	100.00

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

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

As of December 31, 2019, and 2018, the stock price for 1,818,127,611 and 1,646,503,408 common shares was S/ 2.00 and S/ 2.60, respectively.

(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 December 31, 2019, the legal reserve reached the top of 20 percent of the issued capital.

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

Corresponds to the fair value changes on hedging financial instruments, net of its corresponding tax effect, see note 23.1 (i) (a).

(d) Dividend distributions –

At the Board of Directors meetings held on January 25, May 2, July 26 and October 23, 2019, the Company agreed to distribute dividends with charge to retained earnings for approximately S/.92,312,000 (S/.0.051 per share), such payments were made on February 28, Jun 4, August 28 and November 27, 2019 respectively which have been paid in full.

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

Also, in the 2019 period the subsidiaries of CELEPSA, INVECO and IMBABURA distributed dividends to their non-controlling shareholders for approximately S/ 4,790,000 (S / 1,148,000 in 2018 by the subsidiaries of CELEPSA and IMBABURA).

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

	2019 S/ (000)	2018 S/ (000)
Skanon Investments Inc. and Subsidiaries	111,339	121,042
Imbabura S.A. and Subsidiaries	57,524	65,133
Staten Island Company, Inc and Subsidiaries	1,047	2,062
Prefabricados Andinos Perú S.A.C. and Subsidiary	(1,226)	(890)
Prefabricados Andinos S.A.	(1,614)	(1,260)
Inversiones en Concreto y Afines S.A. and Subsidiaries	(4,070)	(1,194)
	163,000	184,893

17. Net sales, cost of sales and net earnings

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

	2019 S/ (000)	2018 S/ (000)
Segments		
Cement Sales -	2,307,381	2,313,567
Electrical energy and power	168,761	151,816
Concrete	1,625,842	1,436,621
Others	15,630	0
	4,117,614	3,902,004
Moment of revenue recognition		
Goods transferred at a point in time	3,876,717	3,674,003
service performance at a point in time	240,897	228,001
	4,117,614	3,902,004
Cost of sales	2,989,398	2,814,597
Gross profit	1,128,216	1,087,407

18. Administrative expenses

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

	2019 S/ (000)	2018 S/ (000)
Personnel expenses	147,636	126,976
Services rendered by third parties	56,962	61,381
Management services, note 20(b)	-	43,200
Donations	15,838	18,070
Taxes	20,371	17,680
Wide range of Load management	18,778	5,390
Depreciation, note 7(f)	15,040	10,912
Estimate for expected credit loss, note 5 (i)	3,776	2,479
Amortization, see note 8(b).	2,390	2,245
Others	8,394	8,045
	289,185	296,378

19. **Finance cost**

As of December 31, 2019, and 2018, this item is mainly composed of interest on bonds issued and debts with banks for S / 222,572,000 and S / 237,709,000, respectively (see note 11 (d) and (r)).

20. **Related parties' transactions**

(a) Nature of the relationship -

As of January 1, 2019, as indicated in note 1, Trade Union and Administration S.A (SIA), Inversiones Andino S.A (IASA) and Inmobiliaria PRONTO (Pronto) merged with the Company.

As of December 31, 2019, and 2018, the Group has mainly made transactions with the following related entities:

- Nuevas Inversiones S.A. - NISA

  NISA owns 25.25 percent of the Company's capital stock as of December 31, 2019 (58.92 percent of the share capital of SIA as of December 31, 2018).

- \- ARPL Tecnología Industrial S.A. – ARPL

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

- La Viga S.A.- VIGA

  It is the main distributor of cement in the city of Lima city of the Company, which represent approximately the 23.0 and 22.1 percent of the Company's sale cement as of December 31, 2019 and 2018, respectively.

- Vigilancia Andina S.A.A.- VASA

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

- BASF Construction Chemicals Perú S.A. - BASF

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

- Asociación UNACEM– Association UNACEM

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

(b) The main transactions with related entities as of December 31, 2019 and 2018 were as follows:

	2019 S/ (000)	2018 S/ (000)
Income -		
Cement Sales -		
La Viga S.A.	442,859	418,595
Asociación UNACEM	293	649
Dividend income -		
Ferrocarril central Andino S.A.	18,492	3,940
BASF Construction Chemicals Perú S.A.	2,203	1,464
Inversiones Santa Cruz S.A.	34	-
Costs and / or expenses -		
Management services (see note 18 and note 1) -		
Sindicato de Inversiones y Administración S.A.	-	31,100
Inversiones Andino S.A.	-	12,100
Donations granted -		
Asociación UNACEM	15,771	17,655
Engineering services and technical assistance-		
ARPL tecnología Industrial S.A.	-	19,141
Purchase additives-		
BASF Construction Chemicals Perú S.A.	48,864	46,038
Monitoring service expense-		
Vigilancia Andina S.A.A.	-	28,024
Commissions and freight costs of cement sales -		
La Viga S.A.	25,625	23,229
Paid Service Support system -		
ARPL tecnología Industrial S.A.	-	5,263
Project Management Services -		
ARPL tecnología Industrial S.A.	-	5,598
Other expenses -		
BASF Construction Chemicals Perú S.A.	3,560	3,258
Inversiones Andino S.A.	-	1,493

	2019 S/ (000)	2018 S/ (000)
ARPL tecnología Industrial S.A.	-	670
Other income -		
BASF Construction Chemicals Perú S.A.	987	1,010
La Viga S.A.	211	177
Vigilancia Andina S.A.A.	-	112
Asociación UNACEM	99	66

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

	2019 S/ (000)	2018 S/ (000)
Account receivables, note 5(a)		
La Viga S.A.	24,227	23,951
Ferrocarril central Andino S.A.	174	174
Compañía Eléctrica El Platanal S.A.	549	-
BASF Construction Chemicals Perú S.A.	381	554
Sindicato de Inversiones y Administración S.A.	-	436
Other minors	62	42
	25,393	25,157
Account payables, note 12(a)		
BASF Construction Chemicals Perú S.A.	17,611	18,484
La Viga S.A.	2,569	4,200
Sindicato de Inversiones y Administración S.A.	-	58,414
ARPL tecnología Industrial S.A.	-	31,863
Inversiones Andino S.A.	-	29,414
Vigilancia Andina S.A.A.	-	2,792
Other minors	11	-
	20,191	145,167
By Term -		
Current Portion	20,191	74,437
Non- Current Portion	-	70,730
	20,191	145,167

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

(e) The total remuneration paid to Group's directors and key members of management as of December 31, 2019 and 2018 is amounting to approximately S/24,374,000 and S/. 23,730,000 respectively, which include short-term benefits and compensation for time served.

21. Earnings per share

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

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

	As of December 31, 2019	**As of December 31, 2018**
	S/ (000)	S/ (000)
Numerator		
Net income attributable to common shares	348,458	193,413
	In thousands	**In thousands**
Denominator		
Weighted average number of common shares	1,818,128	1,646,503
	2019	**2018**
	S/.	S/.
Basic and diluted earnings for common shares	0.192	0.117

22. Commitments and contingencies

22.1 Financial and Purchase Commitments -

(a) As of December 31, 2019, the Group and its subsidiaries kept the following letters of guarantee:

- Guarantee letter to the Ministry of Energy and Mines (MEM), issued by Banco de Crédito del Perú, by a total approximate of US$4,763,000 (equivalent to S/15,799,000) with a maturity on January 2020, in order to ensure compliance of the Mine Closure of UNACEM.

(b) The subsidiaries maintain the following guarantee letters:

- Guarantee letter issued by financial institutions negotiated by UNICON in order to ensure the supply of concrete to certain customers, as of December 31, 2019 for approximately S/77,013,000 (S/. 59,968,000 as of December 31, 2018).

- Guarantee letter negotiated by DAC with some financial institutions in order to ensure their obligations generated in the exercise of their functions as a bonded warehouse in accordance with the General Customs Law, its regulations and other applicable administrative provisions, as of December 31, 2019, for US $ 200,000, approximately equivalent to S/. 663,000 (US $ 200,000, equivalent to S/ 676,000 as of December 31, 2018).

- Guarantee letters negotiated by PREANSA Peru issued in favor with some financial institutions guaranteeing obligations related to customers for advances received for the start of production operations, as of December 31, 2019 and 2018 for approximately S / 2,874,000 and S / 3,347,000, respectively.

- Guarantee letter to Consorcio Transmantaro S.A. requested by CELEPSA for a total of US$3,000,000, maturing in July 2020 issued by Scotiabank Peru in order to guarantee the contract for electric power transmission for facilities of the complementary transmission

- On September 23, 2016, the bank Scotiabank Chile approved a credit line up to US$4,000,000, in favor of PREANSA Chile, the same that is guarantee through of the letter of guarantee of PREANSA Perú issued by the Scotiabank Perú S.A.A. With a maturity date on September 2020.

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

- As of December 31, 2019, the subsidiary VASA maintain guarantee letters issued by financial institutions, guaranteeing the payment of remuneration of personnel under labor intermediation to clients for S/ 2,805,000 (S/ 2,222,000 as of December 31, 2018).

(c) Guarantees for the payment of financial obligations:

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

- Letter of credit for US $ 40,447,000, held on November 18, 2010 between US Bank National Association and the Development Authority of Yavapai County, in order to insure to the Sindicato de Inversiones y Administracion S.A. (Applicant) the direct payment of the credit, see note 11 (g). As a result of the merger of SIA with the Company, the requesting entity will be Inversiones JRPR.

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

(d) Compensation agreement

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

(e) Purchase option

In accordance with the Drake Cement third addendum of the operating agreement (Restated Limited Liability Company Operating Agreement) on September 1, 2007, SKANON has the option to purchase the minority interest in Drake Cement. As of January 1, 2009, SKANON has the option, but not the obligation, to purchase the minority shareholders' interest at any time at fair value. The fair value will be determined by mutual agreement of the members in the general meeting of shareholders. As of December 31, 2019, Drake Cement has not exercised this option.

22.2 Finance leases -

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

	As of December 31, 2019		As of December 31, 2018	
	Minimum payments S/ (000)	Present value of lease payments S/ (000)	Minimum payments S/ (000)	Present value of lease payments S/ (000)
In 1 year	106,916	92,236	61,477	47,523
Between one to more years	216,392	111,395	273,001	154,391
Total, payments to be done	323,308	203,631	334,478	201,914
Less - finance costs	(119,677)	-	(132,564)	-
Present value of minimum lease payments	203,631	203,631	201,914	201,914

22.3 Tax situation–

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

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

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

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

This tax rules related to the income tax are the same as those described in the notes to the annual consolidated financial statements as of December 31, 2018.

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

	Periods open to review
In Peru -	
Unión Andina de Cementos S.A.A.	2011 to 2013 and from 2016 to 2019
Compañía Eléctrica El Platanal S.A.	2014-2019
Generación Eléctrica Atocongo S.A.	2014-2019
Unión de Concreteras S.A.	2014-2019
CONCREMAX S.A.	2014-2019
Inversiones en Concreto y Afines S.A.	2014-2019
Prefabricados Andinos Perú S.A.C.	2014-2019
Transportes Lurín S.A.	2014-2019
Depósito Aduanero Conchán S.A.	2014-2019
Inversiones Imbabura S.A.	2014-2019
Invers Nacionales y Multinacionales Andinas S.A.	2014-2019
ARPL tecnología Industrial S.A.	2014-2019
Vigilancia Andina S.A.A.	2015-2019

	Periods open to review
In Ecuador -	
UNACEM Ecuador S.A.	2016-2019
Union de Concreteras UNICON UCUE Cia. Ltda.	2017-2019
In Chile -	
Prefabricados Andinos S.A.	2015-2019
Unicon Chile S.A.	2017-2019
In Colombia -	
Prefabricados Andinos Colombia S.A.S.	2013-2019
In United State of America	2016-2019

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 December 31, 2019 and 2018.

(c) Also, the tax loss carries forward of subsidiaries as of December 31, 2019 and 2018 is as follows:

	2019 S/ (000)	2018 S/ (000)
Skanon Investments Inc. and Subsidiaries (i)	1,644,507	1,571,318
Compañía Eléctrica El Platanal S.A. and Subsidiaries	313,469	336,494
Prefabricados Andinos S.A. – PREANSA Chile	41,266	37,827
Prefabricados Andinos Colombia S.A. S	8,873	6,664
PREANSA Perú	5,633	-
Depósito Aduanero Conchán S.A.	2,400	2,943
Transportes Lurín S.A.	486	422
Other minor Peruvian subsidiaries	334	378

(i) The carryforward tax losses of subsidiaries in the United States of America, as of December 31, 2019, amount to approximately US $ 496,680,000 (equivalent to S / 1,644,507,000). According to the evaluation of the Group Management, it is estimated to recover a federal and state loss for approximately US $ 166,178,000 and US $ 155,570,000, respectively (equivalent to approximately S / 551,046,000 and S / 515,870,000, respectively), consequently, the Group recognized an asset for deferred income tax of tax losses for approximately US $ 40,335,000 (equivalent to approximately S / 133,751,000).

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

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

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

22.4 Contingencies –

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

In the same way, the Company maintains claims filed with SUNAT before the Superior Court of Justice for the return of the payment made up to approximately S/ 33,233,000 and other claims for approximately S/ 3,366,000.

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

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

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

As a result of the fiscal year 2010, the Company has been notified by SUNAT with various resolutions for alleged omissions to the Income Tax, the Company has filed the respective resources. As a result of the fiscal year 2014, the Company has been notified by SUNAT with various resolutions for alleged omissions to the Income Tax, the Company has filed the respective resources.

As of December 31, 2019, and 2018, the Company has registered the necessary provisions, according to Management and its legal advisors.

As of December 31, 2019, subsidiaries PREANSA Peru, CELEPSA and DAC file claims with the tax authority for S/ 144,000, S/ 13,000 and S/5,000 respectively. According to the Group Management's evaluation it will be recovered in the current period.

Excise tax -

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

(b) Administrative:

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

Ecuador –

(c) Regulatory:

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

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

22.5 Environmental commitments -

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

23. Financial risk management, objectives and policies

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

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

23.1 Market risk –

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

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

The sensitivity analyses have been prepared on the basis that the amount of net debts, the ratio of fixed to floating interest rate of the debt and the proportion of financial instruments in foreign currencies are all constant as of December 31, 2019 and 2018.

(i) Interest rate risk –

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

(a) Derivative Financial instruments from hedge -

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

	As of December 31, 2019				
Counterparty	**Reference value** US$(000)	**Maturity rate**	**Receives variable rate at:**	**Pays fix rate at:**	**Fair value** S/(000)
Liabilities -					
Citibank N.A.	50,000	October 2025	Libor to 3 months + 1.75%	5.700%	15,369
Bank of Nova Scotia	30,000	September 2025	Libor to 3 months + 2.60%	5.660%	4,544
Santander S.A.	45,000	November 2023	Libor to 3 months + 1.85%	5.030%	8,892
Banco de Crédito e Inversiones (BCI)	3,616	November 2027	6.78%	3.376%	506
Banco Scotiabank (Chile)	4,022	August 2020	Libor to 3 months + 1.5%	4.750%	144
Total, note 24(a)					29,455

	As of December 31, 2018				
Counterparty	**Reference value** US$(000)	**Maturity rate**	**Receives variable rate at:**	**Pays fix rate at:**	**Fair value** S/(000)
Assets-					
Banco Scotiabank (Chile)	846	July 2019	Libor to 30 days + 3.36%	9.50%	261
Banco Scotiabank (Chile)	3,995	August 2019	Libor to 3 months + 1.75%	5.50%	183
Banco Scotiabank (Chile)	3,267	October 2023	Libor to 30 days + 1.85%	5.55%	40
Total, note 24(a)					484
Liabilities -					
Citibank N.A.	50,000	October 2025	Libor to 3 months + 1.75%	5.700%	11,806
Bank of Nova Scotia	30,000	September 2025,	Libor to 3 months + 2.60%	5.660%	2,161
Santander S.A.	45,000	November, 2023	Libor to 3 months + 1.85%	5.030%	4,440
Banco de Crédito e Inversiones (BCI)	3,700	November, 2027	6.78%	3.3766%	887
Total, note 24(a)					19,294

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

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

As of December 31, 2019 and 2018 the Group recognized an expense on these derivative financial instruments amounting to approximately S/7,678 ,000 and S/.6,227,000 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. As of December 31, 2019 and 2018, the Group recognized under the heading "Unrealized results" of the consolidated statement of changes in equity.

(b) Derivative Financial instruments from trading –

Counterparty	Referential amount as of December 31, 2019 US$(000)	Maturity rate	Receives variable rate at	Pays fix rate at	Fair value As of December 31, 2019 S/ (000)	Fair value As of December 31, 2018 S/ (000)
Liabilities -						
Citibank N.A. New York	35,000	October 2020	Libor to 3 months + 1.08%	5.200%	2,459	4,313
Total, note 24(a)					2,459	4,313

As of December 31, 2019, the effective portion of changes in the fair value of financial instruments that qualify as hedges is recognized as assets or liabilities. As of December 31, 2019 and 2018, the effect amounts to approximately S/ 1,854,000 and S/5,547,000, respectively, and is presented as part of the "Financial income" heading of 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 December 31, 2019 and 2018 was a net gain and loss amounting approximately S/22,228,000 and S/75,194,000, respectively, which are presented in the item "Exchange difference, net" in the consolidated statement of income.

As of December 31, 2019, and 2018, the Group has "Cross Currency Interest Rate Swap" amounting to S/ 242,000 and S/ 958,000 in favor of the bank, respectively, and hedging of risks associated with exchange rate fluctuations. These instruments were designated as held for trading. The effect as of December 31, 2019 and 2018 is an income of approximately S/. 717,00 and S/ 622,000, respectively.

Foreign currency sensitivity -

Foreign currency transactions made at free market exchange rates published by the Superintendence of Banks, Insurance and Private Funds Managers. As of December 31, 2019, the weighted average exchange rates of the free market for transactions in U.S. Dollars were S/ 3.311 for buying and S/ 3.317 for selling (S/ 3.369 for buying and S/.3.379 for selling as of December 31, 2018), respectively.

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

American Dollars

	2019		2018	
	US$(000)	Equivalent S/ (000)	US$(000)	Equivalent S/ (000)
Asset				
Cash and cash equivalents	13,807	45,715	7,355	24,776
Trade and other payables	111,847	370,324	87,681	295,397
	125,654	416,039	95,036	320,173
Liabilities				
Other financial liabilities	(258,348)	(856,939)	(520,443)	(1,758,575)
Trade and other payables	(36,667)	(121,624)	(43,556)	(147,177)
Derivative financial instruments	(741)	(2,459)	(1,276)	(4,313)
	(295,756)	(981,022)	(565,275)	(1,910,065)
Derivative financial instrument in foreign currency	(73)	(242)	(284)	(958)
Net liability position	(170,175)	(565,225)	(470,523)	(1,590,850)

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

Change in US Dollars rate In American Dollars	Impact on profit before income tax	
	As of December 31, 2019	As of December 31, 2018
%	S/(000)	S/ (000)
+5	(28,261)	(79,542)
+10	(56,522)	(159,085)
-5	28,261	79,542
-10	56,522	159,085

23.2 Credit risk –

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

23.3 Liquidity risk –

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

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

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

	As of December 31, 2019			
	From 1 to 12 months S/ (000)	From 1 to 3 years S/ (000)	From 4 to more years S/ (000)	Total S/ (000)
Trade and other payables	647,504	25,730	19,736	692,970
Other financial liabilities				
Amortization of capital	672,473	1,133,691	2,342,370	4,148,534
Flow of interest payments	197,063	383,372	336,761	917,196
Total liabilities	1,517,040	1,542,793	2,698,867	5,758,700

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

23.4 Capital management–

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

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

	2019 S/ (000)	2018 S/ (000)
Other financial liabilities, note 11	4,148,534	4,381,122
Trade and other payables, note 12	692,970	809,563
Less: Cash and cash equivalents, note 4	(124,651)	(111,410)
Net debt (a)	**4,716,853**	**5,079,275**
Net Equity	4,641,054	4,283,945
Total capital and net debt (b)	**9,357,907**	**9,363,220**
Leverage ratio (a/b)	**0.504**	**0.542**

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

24. Fair values

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

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

	2019 S/ (000)	2018 S/ (000)
Derivative financial instruments:		
Level 2	-	484
Total, assets, note 5(a)	-	484
Derivative financial instruments:		
Level 2	32,156	24,565
Total, liabilities, note 23.1(i) and (ii)	32,156	24,565

Level 1 -

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

Level 2 -

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

- Derivative financial instruments –

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

Level 3 -

As of December 31, 2019, and 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 it carrying value.
- Trade and other payables, due to its current maturity Management estimates that its accounting balances approximate its fair value.

Level 2 –

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

	As of December 31, 2019		As of December 31, 2018	
	Carrying value S/ (000)	Fair value S/ (000)	Carrying value S/ (000)	Fair value S/ (000)
Other financial liabilities (*)	3,932,337	3,565,088	4,138,679	3,686,574

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

25. Segment information

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

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

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

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

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

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

	As of December 31, 2019						
	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	2,307,381	1,625,842	168,761	15,630	4,117,614	-	4,117,614
Inter segments	220,529	125,642	96,817	78,513	521,501	(521,501)	-
Total revenues	2,527,910	1,751,484	265,578	94,143	4,639,115	(521,501)	4,117,614
Gross profit	800,309	196,205	97,784	30,048	1,124,346	3,870	1,128,216
Operating income (expenses)							
Administrative expenses	(210,100)	(66,046)	(15,268)	(19,914)	(311,328)	22,143	(289,185)
Selling expenses	(84,276)	(26,229)	(2,686)	-	(113,191)	1,402	(111,789)
Other operating income (expenses), net	178,397	10,888	2,787	(718)	191,354	(167,521)	23,833
Operating profit	684,330	114,818	82,617	9,416	891,181	(140,106)	751,075
Other income (expenses)							
Participation in net income of associates and joint business	-	1,476	(56)	423	1,843	50	1,893
Financial Income	20,075	4,505	313	1,691	26,584	(7,121)	19,463
Finance cost	(209,023)	(31,126)	(24,595)	(9,167)	(273,911)	7,121	(266,790)
Exchange difference, net	17,679	(597)	5,056	156	22,294	(66)	22,228
Income before income tax	513,061	89,076	63,335	2,519	667,991	(140,122)	527,869
Income tax	(123,994)	(31,601)	(19,091)	(3,621)	(178,307)	-	(178,307)
Net income for segment	389,067	57,475	44,244	(1,102)	489,684	(140,122)	349,562
Income before tax for segment	702,009	114,221	87,673	9,522	913,425	(385,556)	527,869

	As of December 31, 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	2,313,567	1,436,621	151,816	-	3,902,004	-	3,902,004
Inter segments	274,667	152,412	81,173	10,083	518,335	(518,335)	-
Total revenues	2,588,234	1,589,033	232,989	10,083	4,420,339	(518,335)	3,902,004
Gross profit	900,992	170,628	78,727	1,091	1,151,438	(64,031)	1,087,407
Operating income (expenses)							
Administrative expenses	(239,295)	(61,702)	(14,243)	(5,752)	(320,992)	24,614	(296,378)
Selling expenses	(73,495)	(21,050)	(2,531)	-	(97,076)	2,798	(94,278)
Other operating income (expenses), net	121,752	1,422	9,884	2,942	136,000	(123,381)	12,619
Operating profit	709,954	89,298	71,837	(1,719)	869,370	(160,000)	709,370
Other income (expenses)							
Participation in net income of associates and joint business	-	1,975	(45)	-	1,930	-	1,930
Financial Income	14,061	4,325	143	853	19,382	(3,944)	15,438
Finance cost	(259,373)	(29,229)	(27,716)	(8,905)	(325,223)	3,944	(321,279)
Exchange difference, net	(58,206)	(3,064)	(13,237)	(164)	(74,671)	(523)	(75,194)
Income before income tax	406,436	63,305	30,982	(9,935)	490,788	(160,523)	330,265
Income tax	(124,824)	(12,580)	(9,635)	(30)	(147,069)	-	(147,069)
Net income for segment	281,612	50,725	21,347	(9,965)	343,719	(160,523)	183,196
Income before tax for segment	651,748	86,234	58,600	(1,883)	794,699	(464,434)	330,265

	As of December 31, 2019						
	Cement	Concrete	Electrical Energy	Others	Total Segments	Adjustments elimination	Consolidated
Operating assets	7,489,807	1,245,791	1,220,234	263,084	10,218,916	190,934	10,409,850
Operating liabilities	329,807	467,531	81,799	53,359	932,496	4,836,300	5,768,796

	As of December 31, 2018						
	Cement	Concrete	Electrical Energy	Others	Total segments	Adjustments elimination	Consolidated
Operating assets	7,570,155	1,312,706	1,246,699	131,897	10,261,457	161,169	10,422,626
Operating liabilities	463,558	496,489	88,180	4,097	1,052,324	5,086,357	6,138,681

Eliminations and Reconciliation -

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

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

A reconciliation of the effective rate of income tax as of December 31, 2019 and 2018 is as follows:

	2019 S/ (000)	2018 S/ (000)
Reconciliation of income -		
Income before tax for segment before adjustment and eliminations	913,425	794,699
Financial Income	19,463	15,438
Finance cost	(266,790)	(321,279)
Participation in net income of associates and joint business	1,893	1,930
Inter segments	(140,122)	(160,523)
Income before tax for segment	527,869	330,265

A reconciliation of the effective rate of income tax as of December 31, 2019 and 2018 is as follows:

	2019 S/ (000)	2018 S/ (000)
Reconciliation of assets -		
Segment operating assets	10,218,916	10,261,457
Deferred income tax asset	152,340	151,691
Derivative financial instruments	-	484
Other assets	38,594	8,994
Operating assets of the Group	10,409,850	10,422,626
Reconciliation of liabilities -		
Segment operating liabilities	932,496	1,052,324
Other financial liabilities	4,148,534	4,381,122
Trade payables to Directors	4,633	2,456
Deferred income tax liability	650,977	678,214
Derivative financial instruments	32,156	24,565
Operating liabilities of the Group	5,768,796	6,138,681

Geographic information –

The income information contained above is based on customer location.

Income by location as of December 31, 2019 and 2018 is as follows:

	2019 S/ (000)	2018 S/ (000)
Income of customers		
Peru	2,879,469	2,756,272
Ecuador	515,334	556,238
United State of America	459,367	414,339
Chile	252,225	169,149
Colombia	11,219	6,006
Total income according to the consolidated statements of income	4,117,614	3,902,04

Total noncurrent assets by location as of December 31, 2019 and 2018 is as follows:

	2019 S/ (000)	2018 S/ (000)
Non-current assets:		
Peru	6,706,338	6,813,387
United State of America	1,299,062	1,236,655
Ecuador	774,677	794,711
Chile	90,968	93,992
Colombia	30,775	31,289
Non- current assets according to the financial statement	8,901,820	8,970,034

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

26. Subsequent events

No significant events of a financial-accounting nature have been identified after December 31, 2019 that may affect the interpretation of these consolidated financial statements.