Cementos Pacasmayo S.A.A. and Subsidiaries

Unaudited interim condensed consolidated financial statements as of March 31, 2022 and for the three-month period then ended

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Content

Tanaka, Valdivia & Asociados
Sociedad Civil de R.L

Report on review of interim condensed consolidated financial statements

To the Board of Directors and Shareholders of Cementos Pacasmayo S.A.A.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Cementos Pacasmayo S.A.A. (a Peruvian company) and its Subsidiaries (together the "Group") as of March 31, 2022, and the related interim condensed consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the three-month period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 Interim Financial Reporting (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Auditing Standard on Review Engagements (ISRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of the persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.

Lima, Peru
April 27, 2022

Tanaka, Valdivia & Asoc.

Countersigned by:

Oscar Mere
C.P.C.C. Register No. 39990

Cementos Pacasmayo S.A.A. and Subsidiaries

Interim condensed consolidated statements of financial position

As of March 31, 2022 (unaudited) and December 31, 2021 (audited)

	Note	As of March 31, 2022 S/(000)	As of December 31, 2021 S/(000)
Assets			
Current assets			
Cash and cash equivalents	3	264,598	273,402
Derivative financial instruments	15	69,414	-
Trade and other receivables	4	109,427	102,718
Income tax prepayments		8,776	9,288
Inventories	5	637,262	605,182
Prepayments		19,141	18,800
Total current asset		1,108,618	1,009,390
Non-current assets			
Trade and other receivables	4	42,205	41,206
Financial instruments designated at fair value through other comprehensive income	15	476	476
Derivative financial instruments	15	-	106,601
Property, plant and equipment	6	1,953,941	1,974,931
Intangible assets		50,811	50,494
Goodwill		4,459	4,459
Deferred income tax assets		9,237	9,446
Right of use asset	7	4,278	4,668
Other assets		97	101
Total non-current asset		2,065,504	2,192,382
Total assets		3,174,122	3,201,772
Liability and equity			
Current liabilities			
Trade and other payables	8	228,183	227,554
Financial obligations	9 y 15	773,126	450,964
Lease liabilities	7	1,756	1,856
Income tax payables		5,238	17,517
Provisions	10	7,051	24,269
Total current liabilities		1,015,354	722,160
Non-current liabilities			
Financial obligations	9 y 15	726,677	1,094,391
Lease liabilities	7	3,224	3,973
Non-current provisions	10	38,035	36,639
Deferred income tax liabilities		147,860	148,804
Total non-current liabilities		915,796	1,283,807
Total liability		1,931,150	2,005,967
Equity			
Capital stock		423,868	423,868
Investment shares		40,279	40,279
Investment shares holds in treasury		(121,258)	(121,258)
Additional paid-in capital		432,779	432,779
Legal reserve		168,636	168,636
Other accumulated comprehensive results		(18,652)	(20,094)
Retained earnings		317,320	271,595
Total equity		1,242,972	1,195,805
Total liability and equity		3,174,122	3,201,772

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

Cementos Pacasmayo S.A.A. and Subsidiaries

Interim condensed consolidated statements of profit or loss

For the three-month period ended March 31, 2022 and March 31, 2021 (unaudited)

	Note	For the three-month period ended March 31, 2022 S/(000)	2021 S/(000)
Sales of goods	12	525,409	464,805
Cost of sales		(360,444)	(331,579)
Gross profit		164,965	133,226
Operating expense			
Administrative expenses		(53,389)	(47,089)
Selling and distribution expenses		(16,970)	(14,183)
Other operating (expense) income, net		(1,024)	(678)
Total operating expenses, net		(71,383)	(61,950)
Operating profit		93,582	71,276
Other income (expenses)			
Finance income		558	501
Finance costs		(22,795)	(20,836)
Cumulative net loss on settlement of derivative financial instruments		-	(1,569)
Net profit for valuation of trading derivative financial instruments	15 (a)	(109)	455
Loss from exchange difference, net		(6,514)	(3,550)
Total other expenses, net		(28,860)	(24,999)
Profit before income tax		64,722	46,277
Income tax expense	11	(18,997)	(14,476)
Profit for the period		45,725	31,801
Earnings per share			
Basic profit for the period attributable to equity holders of common shares and investment shares of the parent (S/ per share)	14	0.11	0.07

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

Interim condensed consolidated statements of other comprehensive income

For the three-month period ended March 31, 2022 and March 31, 2021 (unaudited)

	Note	For the three-month period ended March 31,	
		2022 S/(000)	2021 S/(000)
Profit for the period		45,725	31,801
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net gain on cash flow hedges	15(a)	2,046	5,895
Deferred income tax	11	(604)	(1,738)
Other comprehensive income for the period, net of income tax		1,442	4,157
Total comprehensive income for the period, net of income tax		47,167	35,958

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

Interim condensed consolidated statements of changes in equity

For the three-month period ended March 31, 2022 and March 31, 2021 (unaudited)

	Attributable to equity holders of the parent								
	Capital stock S/(000)	Investment shares S/(000)	Treasury shares S/(000)	Additional paid-in capital S/(000)	Legal reserve S/(000)	Unrealized gain (loss) on financial instruments designated at fair value S/(000)	Unrealized gain (loss) on cash flow hedge S/(000)	Retained earnings S/(000)	Total equity S/(000)
Balance as of January 1, 2021	423,868	40,279	(121,258)	432,779	168,636	(14,463)	(18,915)	456,629	1,367,555
Profit for the period	-	-	-	-	-	-	-	31,801	31,801
Other comprehensive income	-	-	-	-	-	-	4,157	-	4,157
Total comprehensive income	-	-	-	-	-	-	4,157	31,801	35,958
Balance as of March 31, 2021	423,868	40,279	(121,258)	432,779	168,636	(14,463)	(14,758)	488,430	1,403,513
Balance as of January 1, 2022	423,868	40,279	(121,258)	432,779	168,636	(15,869)	(4,225)	271,595	1,195,805
Profit for the period	-	-	-	-	-	-	-	45,725	45,725
Other comprehensive income	-	-	-	-	-	-	1,442	-	1,442
Total comprehensive income	-	-	-	-	-	-	1,442	45,725	47,167
Balance as of March 31, 2022	423,868	40,279	(121,258)	432,779	168,636	(15,869)	(2,783)	317,320	1,242,972

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

Cementos Pacasmayo S.A.A. and Subsidiaries

Interim condensed consolidated statements of cash flows

For the three-month period ended March 31, 2022 and March 31, 2021 (unaudited)

	Note	For the three-month period ended March 31,	
		2022 S/(000)	2021 S/(000)
Operating activities			
Profit before income tax		64,722	46,277
Non-cash adjustments to reconcile profit before income tax to net cash flows			
Depreciation and amortization		33,891	33,855
Finance costs		22,795	20,836
Unrealized exchange difference related to monetary transactions		7,699	2,576
Long-term incentive plan	13	1,902	1,671
Estimate expected credit loss		1,497	707
Loss (gain) on the valuation of trading derivative financial instruments		109	(455)
Finance income		(558)	(501)
Net gain on disposal of property, plant and equipment	6	(176)	(42)
Cumulative net loss on settlement of derivative financial instruments		-	1,569
Other operating, net		(579)	(252)
Working capital adjustments			
Increase in trade and other receivables		(8,174)	(5,210)
Increase in prepayments		(1,707)	(19,064)
Increase in inventories		(32,768)	(47,743)
Increase in trade and other payables		5,419	20,772
		94,072	54,996
Interests received		510	1,527
Interests paid		(34,603)	(32,288)
Income tax paid		(32,865)	(12,463)
Net cash flows provided by operating activities		27,114	11,772

Interim condensed consolidated statements of cash flows (continued)

	Note	For the three-month period ended March 31, 2022 S/(000)	2021 S/(000)
Investing activities			
Purchase of property, plant and equipment		(12,664)	(10,657)
Purchase of intangibles assets		(2,213)	(1,763)
Loan to third party		(141)	-
Proceeds from sale of property, plant and equipment		443	1,255
Collection of loan to third party		-	140
Net cash flows used in investing activities		(14,575)	(11,025)
Financing activities			
Loan received	9	159,000	-
Paid bank loans	9	(159,000)	-
Payment of hedge finance cost		(7,682)	(7,202)
Payment of lease liabilities	7	(460)	(499)
Dividends paid		(156)	(359)
Proceeds from sale of derivative financial instruments		-	3,879
Net cash flows used in financing activities		(8,298)	(4,181)
Net increase (decrease) in cash and cash equivalents		4,241	(3,434)
Net foreign exchange difference		(13,045)	(164)
Cash and cash equivalents at the beginning of the period		273,402	308,912
Cash and cash equivalents at the end of the period	3	264,598	305,314
Transactions with no effect in cash flows:			
Unrealized exchange difference related to monetary transactions		7,699	2,576
Outstanding accounts payable related to acquisition of property, plant and equipment	6	5,984	7,615
Recognition of right of use assets and lease liabilities in the period	7	-	212

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

1. Economic activity

(a) Economic activity -

Cementos Pacasmayo S.A.A. (hereinafter "the Company") was incorporated in 1957 and, under the Peruvian General Corporation Law, is an open stock corporation, its shares are listed in the Lima and New York Stock Exchange. The Company is a subsidiary of Inversiones ASPI S.A., which holds 50.01 percent of the Company's common shares as of March 31, 2022, December 31, 2021 and March 31, 2021.

The address registered by the Company is Calle La Colonia No.150, Urbanización El Vivero, Santiago de Surco, Lima, Peru.

The main activity of the Company is the production and commercialization of cement, precast, concrete and quicklime in the northern region of Peru.

The interim condensed consolidated financial statements of the Company and its subsidiaries (hereinafter the "Group") as of March 31, 2022 and for the three-month period then ended, were approved for issuance by the Company's Management on April 27, 2022. The consolidated financial statements as of December 31, 2021 have been approved by the General Meeting of Shareholders, on March 29, 2022.

(b) COVID 19 -

COVID-19, an infectious disease caused by a new virus, was declared a world-wide pandemic by the World Health Organization ("WHO") on 11 March 2020.The measures to slow the spread of COVID-19 have had a significant impact on the global economy.

On March 15, 2020, the Peruvian government declared a nationwide state of emergency, effectively shutting down all business considered non-essential (with exception of food production and commercialization, pharmaceuticals and health).

The Group has prepared the financial statements for the financial year ended March 31, 2022 on a going concern basis, which assumes continuity of current business activities and the realization of assets and settlement of liabilities in the ordinary course of business. Regarding financial obligations, the Company has not seen any change in our access and cost of financing, see note 9.

During 2021, a large part of the Peruvian population has been immunized with various types of vaccines, this measure has allowed us to continue with the economic reactivation and the reduction of positive cases. Given the presence of the Omicron variant, the Peruvian Government has established a series of measures to prevent the spread of this variant, these measures have been applied by the Company to safeguard the integrity and health of its workers and to continue with normal operations.

On January 21, 2022 the Government has decided to extend the state of health emergency nationwide for 180 calendar days from March 2, 2022, to August 29, 2022 in order to continue with the prevention, control and health care actions for the protection of the population of the entire country.

The Company maintains various measures to preserve the health of its employees and to prevent contagion in its administrative and operational areas.

2. Basis of preparation and changes to the Group's accounting policies

2.1 Basis of preparation -

The interim condensed consolidated financial statements of the Group have been prepared in accordance with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB). The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for financial instruments designated at fair value through other comprehensive income (OCI) and derivatives financial instruments that have been measured at fair value. The interim condensed consolidated financial statements are presented in soles and all values are rounded to the nearest thousand (S/000), except when otherwise indicated. The Group has prepared the financial statements on the basis that it will continue to operate as a going concern. The Company's Management consider that there are no material uncertainties that may cast doubt significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with Group's annual consolidated financial statements as of December 31, 2021.

New standards, interpretations and amendments
The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with the policies considered in the preparation of the consolidated financial statements of the Group at December 31, 2021, except for the adoption of new standards effective as of 1 January 2022. The standards and interpretations relevant to the Group, that are effective since January 1, 2022 are disclosed below.

- *Onerous Contracts – Costs of Fulfilling a Contract - Amendments to IAS 37*
  An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

  The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. This amendment has not had a material impact on the Group.

- *Property, Plant and Equipment: Proceeds before intended Use – Amendments to IAS 16*
  The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. This amendment has not had a material impact on the Group.

- *IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities*
  The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. This amendment has not had a material impact on the Group.

The Group has not adopted in advance any other standard, interpretation or modification that has been issued but has not yet entered into force.

2.2 Basis of consolidation -
The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of March 31, 2022 and 2021.

As of March 31, 2022 and 2021, there was no changes in the participation of the common shares that the Company's had on its subsidiaries; the main activities and information about subsidiaries are revealed on the consolidated financial statements as of December 31, 2021.

2.3 Seasonality of operations -
Seasonality is not relevant to the Group's activities.

3. Cash and cash equivalents

(a) This caption consists of the following:

	As of March 31, 2022 S/(000)	As of December 31, 2021 S/(000)
Cash on hand	217	273
Cash at banks (b)	215,381	225,629
Term deposits with original maturities of ninety days or less (c)	49,000	47,500
	264,598	273,402

(b) Cash at banks is denominated in local and foreign currencies, is deposited in domestic and foreign banks and is freely available. The cash at banks interest yield is based on daily bank deposit rates.

(c) The short-term deposits held in domestic banks were freely available and earned interest at the respective short-term market rates and original maturity less than three months.

4. Trade and other receivables

As of March 31, 2022 and December 31, 2021 this caption mainly include trade receivables, value-added tax credit (VAT), interest receivables and accounts receivables from related parties. At those dates, approximately 54% and 59% of the trade receivables were guaranteed by banks guarantees and mortgages amounting to S/54,365,000 and S/51,525,000, respectively.

On March 22, 2021, the Company received Tax Court Resolution N° 00905-4-21 that declares the calculation of Mining Royalty should be based on gross sale of the final product (cement) for the years 2008 and 2009. This is an opposite position to what is established by the Constitutional Court in the STC Exp. N° 1043-2013-PA/TC that declares founded the writ of protection presented by the Company and its right to calculate the Mining Royalty exclusively based on the value of the mining component, without considering in any way the value of the final products derived from industrial and manufacturing processes.

The Company has made, under protest, partial payments of the debts arbitrarily placed in collection. These payments as of March 31, 2022 amount to approximately S/39,101,000 and are presented in the caption "Miscellaneous receivables, net", non-current assets. To date, the Company has already initiated the corresponding legal actions to recover said payments and in the opinion of Management and its external legal advisors, it has a high probability of obtaining a favorable result.

As of March 31, 2022 and 2021, the Group recorded S/1,497,000 and S/707,000, respectively, related to the provision for expected credit losses for trade receivables, which are presented in the caption "Sales and distribution expenses" of the interim condensed consolidated statements of profit or loss and; correspond to the best estimate of Management considering the current situation. The Group's Management will continue evaluating the conditions of its client portfolio and, if deemed necessary, the corresponding provisions will be made.

The movement of the allowance for expected credit losses on trade and other receivable for the three-month period ended as of March 31, 2022 and 2021 is as follows:

	2022 S/(000)	2021 S/(000)
Opening balance	14,573	14,358
Additions	1,497	707
Recoveries	(62)	(8)
Ending balance	16,008	15,057

5. Inventories

As of March 31, 2022 and December 31, 2021 includes goods and finished products, work in progress, raw materials and other supplies to be used in the production process.

6. Property, plant and equipment, net

During the three-month period ended March 31, 2022 the Group's additions amounted approximately to S/11,033,000 (S/9,556,000 during the three-month period ended March 31, 2021).

Assets with a net book value of S/307,000 were disposed during the three-month period ended March 31, 2022 (S/104,000 for the three-month period ended March 31, 2021), resulting in a net gain on disposal of S/176,000 (S/42,000 for the three-month period ended March 31, 2021).

As of March 31, 2022 the Group maintains accounts payable related to the acquisition of property, plant and equipment for S/5,984,000 (S/7,615,000 as of December 31, 2021).

7. Leases

The Group has lease contracts with third parties, mainly a 5-year lease contract of trucks.

The Group also leases certain minor equipment for less than 12 months, the Group has decided to apply the recognition exemption for short term leases (less than 12 months) and for leases of low value assets. The expense for this type of lease amounted to S/309,000 for the three-month period ended March 31, 2022 (S/285,000 as of March 31, 2021) and was recognized in the "administrative expenses" caption of the interim condensed consolidated statements of profit or loss.

The movement of the right of use assets recognized by the Group is shown below:

	Transportation units S/(000)	Other S/(000)	Total S/(000)
Cost -			
Balance as of January 1, 2021	7,504	38	7,542
Additions	212	-	212
Sales and/or retirement	-	(3)	(3)
Balance as of March 31, 2021	7,716	35	7,751
Balance as of January 1, 2022	7,721	35	7,756
Balance as of March 31, 2022	7,721	35	7,756
Accumulated depreciation -			
Balance as of January 1, 2021	1,501	35	1,536
Additions	388	-	388
Balance as of March 31, 2021	1,889	35	1,924
Balance as of January 1, 2022	3,053	35	3,088
Additions	390	-	390
Balance as of March 31, 2022	3,443	35	3,478
Net book value			
As of December 31, 2021	4,668	-	4,668
As of March 31, 2022	4,278	-	4,278

The movement of the lease liabilities recognized by the Group is shown below:

	2022 S/(000)	2021 S/(000)
Balance as of January, 1	5,829	6,633
Additions	-	212
Financial interest expense	71	91
Lease payments	(460)	(499)
Others	(460)	275
Balance as of March 31	4,980	6,712
Maturity		
Current portion	1,756	1,662
Non-current portion	3,224	5,050
Balance as of March 31	4,980	6,712
Net book value		
As of December 31, 2021		5,829
As of March 31, 2022		4,980

The future cash disbursements in relation to lease liabilities have been disclosed in note 9.

8. Trade and other payables

As of March 31, 2022 and December 31, 2021, this caption includes trade payables, account payables to related parties, interest payable, dividends payable among other minor payables.

As of March 31, 2022 dividends payable amounted to S/9,394,000 (S/9,550,000 as of December 31, 2021).

9. Financial Obligations

(a) Corporate bonds

On January 31, 2019, corporate bonds were issued in soles for S/260,000,000 at a rate of 6.688 percent per year and maturity of 10 years and; 15-year bonds for S/310,000,000 at a rate of 6.844 percent per year. As of March 31, 2022 and as of December 31, 2021 the corporate bonds issued in US Dollars amounts to US$131,612,000 with an annual rate of 4.5 per cent and maturity in 2023.

For the three-month period ended March 31, 2022 and 2021, the corporate bonds generated interests that have been recognized in the interim condensed consolidated financial statements of profit or loss for S/14,888,000 and S/15,461,000, respectively.

(b) Short-term promissory notes

As of March 31, 2022 and December 31, 2021, the Company maintains a loan of US$18,000,000 with maturity in July 2022 and at an effective annual interest rate of 1.80 percent. In addition, the Company acquired two medium-term notes with Banco de Credito del Peru S.A. for S/110,000,000 each, with a maturity date of December 23, 2022 and an effective annual interest rate of 1.55 percent.

On January 10, 2022, the Company paid two promissory notes of S/79,500,000 each with the corporate loan indicated in section (d).

(c) Financial covenants –

The contracts for corporate bonds issued in US dollars and soles have the following covenants to limit incurring indebtedness for the Company and its guarantor subsidiaries, which are measured prior to the following transactions: issuance of debt or equity instruments, merger with another company or disposal or rental of significant assets. The covenants are the following:

- The debt service coverage ratio (includes amortization plus interest) must be at least 2.5 to 1.
- The financial debt to Ebitda ratio may not be greater than 3.5 to 1.

(d) Medium-term Corporate Loan under "Club deal" modality -

On August 6, 2021, the Company established the conditions of a medium-term corporate loan under "Club Deal" modality with Banco de Crédito del Perú S.A. and Scotiabank Perú S.A.A. The loan amounts to S/ 860,000,000 that will allow the payment of all the financial obligations that the Company maintains with maturity until February 2023 and will be disbursed based on the maturity of each of them. The first disbursement amounts to S/159,000,000, was made on January 2022 and was used to pay the loan mentioned in section (b). The loan conditions include a grace/availability period of 18 months from August 6 and a payment term of 7 years from the last disbursement, which is estimated for February 2023. Since that date, the loan will be paid in 22 equal quarterly installments and has an annual interest rate of 5.82 percent.

As part of the loan conditions, the Company would assume the following obligations:

I. Comply with the following financial safeguards:
   a. Debt Ratio (Financial Debt / EBITDA) <= 3.50x
   b. Debt Service Coverage Ratio (FCSD / SD)> = 1.15x
   c. Debt Service Coverage Ratio (EBITDA / SD) = 1.50x

These financial safeguards will be calculated and verified at the end of each calendar quarter, considering the information of consolidated financial statements of the Company for the last 12 months, prepared in accordance with International Financial Reporting Standards - IFRS.

As of March 31, 2022, the Company complies with the ratios contained in the loan conditions.

II. It maintains the following main obligations to do:
   a. Subordinate any obligation the Company had or may have to this loan.
   b. Maintain the loan with a status equal to other senior financing of the Company.
   c. Keep your assets in good condition and properly insured.
   d. Maintain all licenses, authorizations, concessions, permits, titles and rights required by government authorities.

III. It maintains the following obligations not to do:
   a. Refrain from paying dividends, reducing capital stock or any other distribution to its shareholders if this event make the Company not comply with the obligations assumed.
   b. That the Company and its subsidiaries participate in processes of liquidation, transformation, corporate reorganization, acquisition of companies, merger or spin-off.
   c. Transfer, sell, alienate, donate or give in usufruct, lease, give in fiduciary domain, encumber their assets, income flows and / or collection rights.
   d. Grant financing, personal or real guarantees in favor of third parties.

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

	Less than 3 months S/(000)	**3 to 12 months** S/(000)	**1 to 5 years** S/(000)	**More than 5 years** S/(000)	**Total** S/(000)
As of March 31, 2022					
Financial obligations	-	700,908	108,409	620,591	1,429,908
Interests	2,365	70,360	180,255	138,298	391,278
Trade and other payables	136,848	66,937	-	-	203,785
Hedge finance cost payable	-	14,480	-	-	14,480
Lease liabilities	426	1,299	3,227	-	4,952
As of December 31, 2021					
Financial obligations	159,000	291,964	414,290	570,000	1,435,254
Interests	31,255	35,147	166,252	154,851	387,505
Trade and other payables	175,975	42,941	-	-	218,916
Hedge finance cost payable	7,821	7,821	7,821	-	23,463
Lease liabilities	465	1,391	3,973	-	5,829

10. Provisions

As of March 31, 2022 and December 31, 2021, this caption includes workers' profit sharing, provision for contingencies, long-term incentive plan and rehabilitation provision. The decrease in this liability is mainly explained by the payment of the workers' profit sharing and the long-term incentive plan.

11. Income tax

The Group calculates income tax expense of the period using the tax rate that would be applicable to the expected total annual earnings.

The major components of the income tax expense in the interim condensed consolidated statements of profit or loss and statements of other comprehensive income are:

	For the three-month period ended March 31,	
	2022 S/(000)	2021 S/(000)
Current income tax	(20,336)	(15,923)
Deferred income tax	1,339	1,447
Income tax expense recognized in the interim consolidated statements of profit or loss	(18,997)	(14,476)
Income tax recognized in other comprehensive income	(604)	(1,738)
Total income tax	(19,601)	(16,214)

The movement of the Group's deferred income tax assets and liabilities is shown below:

	For the three-month period ended March 31,	
	2022 S/(000)	2021 S/(000)
Decrease of deferred income tax asset	(209)	(644)
Decrease of deferred income tax liability	944	353
Total variation of deferred income tax	735	(291)
Deferred income tax expense recognized in interim condensed consolidated statements of profit or loss	1,339	1,447
Deferred income tax recognized in other comprehensive income	(604)	(1,738)
Total variation of deferred income tax	735	(291)

Following is the composition of deferred tax related to items recognized in interim condensed consolidated statements of other comprehensive income:

	For the three-month period ended March 31,	
	2022 S/(000)	2021 S/(000)
Unrealized gain on derivative financial instruments	(604)	(1,738)
Total deferred income tax recognized in other comprehensive income	(604)	(1,738)

12. Sales of goods

This caption is made up as follows:

For the three-month period ended March 31, 2022	Cement, concret, mortar and precast S/(000)	Quicklime S/(000)	Construction Supplies S/(000)	Other S/(000)	Total S/(000)
Revenue from external customers	477,637	14,364	33,404	4	525,409
Revenue from external customers	477,637	14,364	33,404	4	525,409
For the three-month period ended March 31, 2021					
Revenue from external customers	432,050	8,515	24,080	160	464,805
Revenue from external customers	432,050	8,515	24,080	160	464,805

13. Related party transactions

During the three-months periods ended March 31, 2022 and 2021, the Group carried out the following main transactions with Inversiones ASPI S.A. and its related parties:

	For the three-month period ended March 31,	
	2022 S/(000)	2021 S/(000)
Income		
Inversiones ASPI S.A.		
Fees from office lease	5	5
Fees for management and administrative services	25	23
Compañía Minera Ares S.A.C. (Ares)		
Fees from land rental services	290	283
Fees from leasing of parking	92	126
Fosfatos del Pacífico S.A. (Fospac)		
Fees from office lease	5	6
Fees for management and administrative services	10	119
Fossal S.A.A. (Fossal)		
Fees from office lease	5	5
Fees for management and administrative services	13	12
Asociación Sumac Tarpuy		
Fees from office lease	5	5
Expenses		
Reimbursement of security expenses to Compañía Minera Ares S.A.C.	(660)	(660)

As a result of these and other transactions, the Group had the following rights and obligations with Inversiones ASPI S.A. and its related parties as of March 31, 2022 and December 31, 2021:

	March 31, 2022		December 31, 2021	
	Accounts receivable S/(000)	Accounts payable S/(000)	Accounts receivable S/(000)	Accounts payable S/(000)
Fosfatos del Pacífico S.A.	1,061	1	1,039	37
Compañía Minera Ares S.A.C.	207	2	199	-
Fossal S.A.	30	-	12	-
Inversiones ASPI S.A.	-	76	-	105
Other	80	-	64	1
	1,378	79	1,314	143

The balances receivable and payable are free of guarantees given and received, free of interest and are settled in cash. As of March 31, 2022 and December 31, 2021, the Group has not recorded any allowance for expected credit losses on receivables from related parties.

Compensation of key management personnel of the Group -
The compensation paid to key management personnel includes expenses for profit-sharing, compensation and other concepts for members of the Board of Directors and the key management. The total short-term compensations expense amounted to S/5,389,000 during the three-month period ended March 31, 2022 (S/5,115,000 during the three-month period ended March 31, 2021), and the total long-term compensations expense amounted to S/1,902,000 during the three-month period ended March 31, 2022 (S/1,671,000 during the three-month period ended March 31, 2021). The Group does not compensate Management with post-employment or contract termination benefits or share-based payments.

14. Earnings per share (EPS)

Basic earnings per share amounts are calculated by dividing net profit for the three-month period ended March 31, 2022 and 2021 by the weighted average number of common and investment shares outstanding during those periods.

The Group has no dilutive potential common shares as of March 31, 2022 and 2021.

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

	For the three-month period ended March 31,	
	2022	2021
	S/(000)	S/(000)
Numerator		
Net profit attributable to ordinary equity holders of the Parent	45,725	31,801
	Thousands of shares	Thousands of shares
Denominator		
Weighted average number of common and investment shares	428,107	428,107
Basic profit for common and investment shares	0.11	0.07

There have been no other transactions involving common and investment shares between the reporting date and the date of completion of these interim condensed consolidated financial statements.

15. Financial assets and liabilities

(a) Financial asset –

Derivatives assets of hedging -

Foreign currency risk –

As of March 31,2022 and as of December 31, 2021 the Group maintains Cross currency swap contracts for a nominal amount of US$132,000,000, with maturity in February 2023 and a rate of 2.97%. Of this total, US$131,612,000 have been designated as hedging instruments for Senior notes that are denominated in U.S. dollars, with the intention of reducing the foreign exchange risk.

The cash flow hedge of the expected future payments was assessed to be highly effective and in the interim condensed consolidated statements of other comprehensive income is included an unrealized gain of S/2,046,000 and S/5,895,000 for the three-month period ended March 31, 2022 and 2021. The amounts retained in the interim condensed consolidated statements of other comprehensive income as of March 31, 2022 are expected to mature and affect the consolidated statements of profit or loss in 2023, settlement year of cross currency contracts.

Derivate assets from trading -

As of March 31, 2022 and 2021, cross currency swaps that do not have an underlying relationship amounts to US$388,000, have been designated as trading. The effect on profit or loss from its measurement at fair value was a loss of S/109,000 and a gain of S/455,000 for the three-month period ended March 31, 2022 and 2021, respectively.

(b) Fair values and fair value accounting hierarchy –
Set out below is a comparison of the carrying amounts and fair values of financial instruments of the Group, as well as the fair value accounting hierarchy:

	Carrying amount		Fair value		Fair value hierarchy
	2022 S/(000)	2021 S/(000)	2022 S/(000)	2021 S/(000)	2022/2021
Financial assets					
Cash and cash equivalents	264,598	273,402	264,598	273,402	Level 1
Trade and other receivables	151,632	143,924	151,632	143,924	Level 2
Derivative financial assets - "cross currency swaps"	69,414	106,601	69,414	106,601	Level 2
Financial instruments at fair value through other comprehensive income	476	476	476	476	Level 3
Total financial assets	486,120	524,403	486,120	524,403	
Financial liabilities					
Trade and other payables	228,183	227,555	228,183	227,555	Level 2
Senior notes	1,055,507	1,094,391	1,074,228	1,119,035	Level 1
Fixed rate notes	444,296	450,964	449,146	447,558	Level 2
Total financial liabilities	1,727,986	1,772,910	1,751,557	1,794,148	

All financial instruments for which fair value is recognized or disclosed are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy. As of March 31, 2022 and December 31, 2021, there were no transfers between the fair value hierarchies.

Management assessed that cash and term deposits, trade and other receivables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values:

- The fair value of cross currency swaps is measured by using valuation techniques where inputs are based on market data. The most frequently applied valuation techniques include swap valuation models, using present value calculations. The models incorporate various inputs, including the credit quality of counterparties, foreign exchange, forward rates and interest rate curves.

  A credit valuation adjustment (CVA) is applied to the "Over-The-Counter" derivative exposures to take into account the counterparty's risk of default when measuring the fair value of the derivative. CVA is the mark-to market cost of protection required to hedge credit risk from counterparties in this type of derivatives portfolio. CVA is calculated by multiplying the probability of default (PD), the loss given default (LGD) and the expected exposure (EE) at the time of default.

  A debit valuation adjustment (DVA) is applied to incorporate the Group's own credit risk in the fair value of derivatives (that is the risk that the Group might default on its contractual obligations), using the same methodology as for CVA.

- The fair value of the quoted senior notes is based on the current quotations value at the reporting date.

- The fair value of the promissory note is calculated using the results of cash flow discounted at the indebtedness market rates effective as of the date of estimation.

- The fair value of financial instruments designated at fair value through other comprehensive income has been determined using the income approach and discounted cash flow method. The quantitative information about the significant unobservable inputs used in level 3 fair value measurements are described as follows:

As of March 31, 2022	**Weighted average**	**Fair value sensitivity**
Earning growth factor	3.79%	5% increase or decrease of the factor would result in increase (decrease) of fair value in S/ 289,055,000 and (S/293,389,000), respectively.
WACC	9.02%	10% increase or decrease in the discount rate would result in an increase (decrease) in fair value in (S/ 217,435,000) and S/ 315,534,000, respectively.

16. Commitments and contingencies

Operating lease commitments – Group as lessor

As of March 31, 2022, the Group, as lessor, has a land lease with Compañía Minera Ares S.A.C., a related party of Inversiones ASPI S.A. This lease is annually renewable, and provided a rent for the three-month period ended March 31, 2022 and 2021 for S/290,000 and S/283,000, respectively.

Capital commitments

As of March 31, 2022, the Group had no significant capital commitments.

Environmental matters

The Group exploration and exploitation activities are subject to environmental protection standards. Such standards are the same as those disclosed on the consolidated financial statement as of December 31, 2021.

Tax situation

The Company is subject to Peruvian tax law. As of March 31, 2022 and 2021, the income tax rate is 29.5 percent of the taxable profit after deducting employee participation, which is calculated at a rate of 8 to 10 percent of the taxable income.

For purposes of determining income tax, transfer pricing transactions with related companies and companies resident in territories with low or no taxation, must be supported with documentation and information on the valuation methods used and the criteria considered for determination. Based on the analysis of operations of the Group, Management and its legal advisors believe that as a result of the application of these standards will not result in significant contingencies for the Group as of March 31, 2022 and December 31, 2021.

During the four years following the year tax returns are filed, the tax authority has the power to review and, as applicable, correct the income tax computed by each individual company.

The income tax and value-added tax returns for the following years are open for review by the tax authority:

	Years open to review by Tax Authorities	
Entity	**Income tax**	**Value-added tax**
Cementos Pacasmayo S.A.A.	2017-2021	Dec.2017-2022
Cementos Selva S.A.C.	2017-2021	Dec.2017-2022
Distribuidora Norte Pacasmayo S.R.L.	2017-2021	Dec.2017-2022
Empresa de Transmisión Guadalupe S.A.C.	2017-2021	Dec.2017-2022
Salmueras Sudamericanas S.A.	2017-2021	Dec.2017-2022
Calizas del Norte S.A.C. (on liquidation)	2017-2021	Dec.2017-2022
Soluciones Takay S.A.C.	2019-2021	May to Dec.2019-2022

Due to possible interpretations that the tax authorities may give to legislation in effect, it is not possible to determine whether any of the tax audits that may be performed will result in increased liabilities for the Group. For that reason, tax or surcharge that could arise from future tax audits would be applied to the income during the period in which it is determined. However, in management's opinion, any possible additional payment of taxes would not have a material effect on the interim condensed consolidated financial statements as of March 31, 2022 and the consolidated financial statements as of December 31, 2021.

Legal claim contingency

As of March 31, 2022, the Group has received claims from third parties in relation with its operations which in aggregate represent S/3,954,000. From this total amount, S/3,354,000 corresponded to labor claims from former employees, S/596,000 is related to the tax assessments received from the tax administration corresponding to 2009 tax period, which was reviewed by the tax authority during 2012 and S/4,000 corresponded to contentious-administrative claims.

Management expects that these claims will be resolved within the next five years based on prior experience; however, the Group cannot assure that these claims will be resolved within this period because the authorities do not have a maximum term to resolve cases.

The Group has been advised by its legal counsel that it is only possible, but not probable, that these actions will succeed. Accordingly, no provision for any liability has been made in these interim condensed consolidated financial statements.

Mining royalty

The Group signed agreements with third parties and with Peruvian Government related to the use of concessions for extraction activities on process of cement production. The information of the payment of royalties are reveled on the consolidated financial statements of the Group as of December 31, 2021.

17. Segment information

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

- Production and marketing of cement, concrete, mortar and precast in the northern region of Peru.
- Sale of construction supplies in the northern region of Peru.
- Production and marketing of quicklime in the northern region of Peru.

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

Management monitors the profit before income tax of each business units separately for the purpose of making decisions about resource allocation and performance assessment.

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

	For the three-month period ended March 31,					As of March 31, 2022 and December 31, 2021			
	Revenues from external customers S/(000)	Gross margin S/(000)	Profit (loss) before income tax S/(000)	Income tax S/(000)	Profit (loss) for the period S/(000)	Segment assets S/(000)	Other Assets (**) S/(000)	Total asset S/(000)	Total liabilities by segment S/(000)
2022									
Cement, concrete, mortar and precast	477,637	161,719	63,282	(18,574)	44,708	2,946,681	69,202	3,015,883	1,858,817
Construction supplies	33,404	2,291	1,364	(400)	964	47,509	-	47,509	71,964
Quicklime	14,364	1,023	561	(165)	396	78,453	-	78,453	-
Other (*)	4	(68)	(485)	142	(343)	31,589	688	32,277	369
Total	525,409	164,965	64,722	(18,997)	45,725	3,104,232	69,890	3,174,122	1,931,150
2021									
Cement, concrete, mortar and precast	432,050	131,451	46,740	(14,621)	32,119	2,940,888	106,280	3,047,168	1,930,140
Construction supplies	24,080	731	(340)	106	(234)	42,578	-	42,578	75,633
Quicklime	8,515	1,088	490	(153)	337	79,383	-	79,383	-
Other (*)	160	(44)	(613)	192	(421)	31,846	797	32,643	194
Total	464,805	133,226	46,277	(14,476)	31,801	3,094,695	107,077	3,201,772	2,005,967

(*) The "Other" segment includes activities that do not meet the threshold for disclosure under IFRS 8.13 and represent non-material operations of the Group.

(**) As of March 31, 2022 corresponds to the financial instruments designated at fair value through other comprehensive income and to the fair value of derivative financial instruments (cross currency swap) for approximately S/476,000 and S/69,414,000, respectively. As of December 31, 2021 corresponds to the financial instruments designated at fair value through other comprehensive income and to the fair value of derivative financial instruments (cross currency swap) for approximately S/476,000 and S/106,601,000, respectively. The fair value of hedge derivative financial instruments is allocated to the segment of cement, and the financial instruments designated at fair value through other comprehensive income and the fair value of the trading derivative financial instrument are presented as "Other".

Geographic information

As of March 31, 2022 and December 31, 2021, all non-current assets are located in Peru and all revenues are from Peruvian clients.

18. Financial risk management, objectives and policies

The Group's main financial assets include cash and short-term deposits (with maturity less than 360 days) and trade and other receivables that derive directly from its operations. The Group also holds financial instruments designated at fair value through OCI, cash flow hedges instruments and derivative financial instruments of trading. The Group's main financial liabilities comprise trade payables and other payables, loans and borrowings, with short-term and long-term maturities. The main purpose of these financial liabilities is to finance the Group's operations.

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 financial management that advises on financial risks and the appropriate financial risk governance framework for the Group. The financial management provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives.

The Management reviews and agrees policies for managing each of these risks as mentioned in the consolidated financial statements as of December 31, 2021.

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).

The Group hedges its exposure to fluctuations on the translation into soles of its Senior Notes which are denominated in US dollars, by using cross currency swaps contracts, see note 15.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant. The impact on the Group's profit before income tax is due to changes in the fair value of monetary assets and liabilities.

As of March 31, 2022	**Change in US$ rate**	**Effect on consolidated profit before tax**
U.S. Dollar	%	S/(000)
	+5	8,725
	+10	17,450
	-5	(8,725)
	-10	(17,450)

As of March 31, 2021	Change in US$ rate	Effect on consolidated profit before tax
U.S. Dollar	%	S/(000)
	+5	(2,324)
	+10	(4,647)
	-5	2,324
	-10	4,647

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 use of bank loans and debentures of long term. Access to fund sources is sufficiently available and debt maturing within 12 months can be rolled over under the same conditions with existing lenders, if necessary.

As of March 31, 2022 and December 31, 2021, no portion of the corporate bonds in soles will mature in less than one year.

Risk management activities –

As a result of its activities, the Group is exposed to the foreign currency exchange rate risk, thereof the Company has acquired hedging financial instruments to cover this risk. Since November 2014, the Group has hedged its exposure to foreign currency from its corporate bonds (denominated in US dollars). During the three-month period ended March 31, 2022 and 2021, there was moderate volatility in the US dollar exchange rate with respect to the soles, whose effects were partially mitigated by the exchange rate hedge maintained by the Company.

As of March 31, 2022 and December 31, 2021, except for the derivatives financial instruments (cross currency swaps) signed by the Company to hedge the foreign currency risk of its Senior Notes, the Group had no other financial instruments to hedge its foreign exchange risk, interest rates or market price (purchase price of coal) fluctuations.

CONSTANCIA DE HABILITACIÓN

El Decana y el Director Secretario del Colegio de Contadores Públicos de Lima, que suscriben, declaran que, en base a los registros de la institución, se ha verificado que

TANAKA VALDIVIA & ASOCIADOS S. CIVIL DE R.L
SOCIEDAD: S0761

Se encuentra, HABIL, para el ejercicio de las funciones profesionales que le faculta la Ley Nº 13253 y su modificación Ley Nº 28951 y conforme al Estatuto y Reglamento Interno de este Colegio; en fe de lo cual y a solicitud de parte, se le extiende la presente constancia para los efectos y usos que estime conveniente. Esta constancia tiene vigencia hasta el 30 de ABRIL del 2022.

Lima, 02 de AGOSTO de 2021.

CPC. GUILLERMINA ZAVALA PAUCAR
DECANA

CPC. GLADYS MILAGROS BAZAN ESPINOZA
DIRECTORA SECRETARIA