

Cementos Pacasmayo S.A.A. and Subsidiaries

Unaudited interim condensed consolidated financial statements
as of September 30, 2022 and for the three and nine-month
periods then ended

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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 unaudited consolidated statement of financial position of Cementos Pacasmayo S.A.A. (a Peruvian company) and its Subsidiaries (together the "Group") as of September 30, 2022, and the related interim condensed consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the three and nine-month periods then ended, and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed unaudited 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

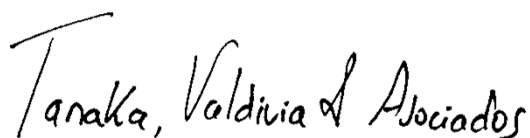
We conducted our review in accordance with International Auditing Standard on Review Engagements (ISRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of the persons responsible 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 unaudited consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.

Lima, Peru
October 26, 2022

Signed by:



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Cementos Pacasmayo S.A.A. and Subsidiaries

Interim condensed consolidated statements of financial position

As of September 30, 2022 (unaudited) and December 31, 2021 (audited)

	Note	As of September 30, 2022 S/(000)	As of December, 2021 S/(000)
Assets			
Current assets			
Cash and cash equivalents	3	211,650	273,402
Derivative financial instruments	15	106,123	-
Trade and other receivables	4	110,264	102,718
Income tax prepayments		3,739	9,288
Inventories	5	812,854	605,182
Prepayments		39,783	18,800
Total current asset		1,284,413	1,009,390
Non-current assets			
Trade and other receivables	4	43,931	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	1,971,072	1,974,931
Intangible assets		53,844	50,494
Goodwill		4,459	4,459
Deferred income tax assets		10,010	9,446
Right of use assets	7	3,762	4,668
Other assets		92	101
Total non-current asset		2,087,646	2,192,382
Total assets		3,372,059	3,201,772
Liability and equity			
Current liabilities			
Trade and other payables	8	270,944	227,554
Financial obligations	9 and 15	744,107	450,964
Lease liabilities	7	1,923	1,856
Income tax payables		11,202	17,517
Provisions	10	22,919	24,269
Total current liabilities		1,051,095	722,160
Non-current liabilities			
Financial obligations	9 and 15	796,252	1,094,391
Lease liabilities	7	2,670	3,973
Non-current provisions	10	43,195	36,639
Deferred income tax liabilities		143,976	148,804
Total non-current liabilities		986,093	1,283,807
Total liabilities		2,037,188	2,005,967
Equity			
Capital stock		423,868	423,868
Investment shares		40,279	40,279
Investment shares held in treasury		(121,258)	(121,258)
Additional paid-in capital		432,779	432,779
Legal reserve		168,636	168,636
Other accumulated comprehensive results		(18,933)	(20,094)
Retained earnings		409,500	271,595
Total equity		1,334,871	1,195,805
Total liability and equity		3,372,059	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 and nine-month periods ended September 30, 2022 and September 30, 2021 (unaudited)

	Note	For the three-month period ended September 30,		For the nine-month period ended September 30,	
		2022 S/(000)	2021 S/(000)	2022 S/(000)	2021 S/(000)
Sales of goods	12	553,556	507,170	1,581,851	1,412,898
Cost of sales		(387,695)	(358,767)	(1,092,943)	(1,014,868)
Gross profit		<u>165,861</u>	<u>148,403</u>	<u>488,908</u>	<u>398,030</u>
Operating income (expense)					
Administrative expenses		(58,149)	(50,675)	(166,399)	(144,977)
Selling and distribution expenses		(17,242)	(14,204)	(51,237)	(42,559)
Other operating income (expense), net		(688)	(93)	(2,023)	336
Total operating expenses, net		<u>(76,079)</u>	<u>(64,972)</u>	<u>(219,659)</u>	<u>(187,200)</u>
Operating profit		<u>89,782</u>	<u>83,431</u>	<u>269,249</u>	<u>210,830</u>
Other income (expenses)					
Finance income		855	1,524	2,425	2,304
Finance costs		(24,999)	(24,371)	(71,607)	(66,261)
Cumulative net loss on settlement of derivative financial instruments		-	-	-	(1,569)
Net profit (loss) for valuation of trading derivative financial instruments		62	140	(2)	640
(Loss) gain from exchange difference, net		(1,832)	510	(1,481)	927
Total other expenses, net		<u>(25,914)</u>	<u>(22,197)</u>	<u>(70,665)</u>	<u>(63,959)</u>
Profit before income tax		<u>63,868</u>	<u>61,234</u>	<u>198,584</u>	<u>146,871</u>
Income tax expense	11	(19,667)	(19,118)	(60,679)	(45,290)
Profit for the period		<u>44,201</u>	<u>42,116</u>	<u>137,905</u>	<u>101,581</u>
Earnings per share					
Basic earning per share for the period attributable to equity holders of common shares and investment shares of the parent (S/ per share)	14	0.10	0.10	0.32	0.24

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 other comprehensive income

For the three and nine-month periods ended September 30, 2022 and September 30, 2021 (unaudited)

	Note	For the three-month period ended September 30,		For the nine-month period ended September 30,	
		2022 S/(000)	2021 S/(000)	2022 S/(000)	2021 S/(000)
Profit for the period		<u>44,201</u>	<u>42,116</u>	<u>137,905</u>	<u>101,581</u>
Other comprehensive income					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>					
Net gain on cash flow hedges	15(a)	1,256	13,071	1,647	19,503
Deferred income tax	11	<u>(370)</u>	<u>(3,856)</u>	<u>(486)</u>	<u>(5,753)</u>
Other comprehensive income for the period, net of income tax		<u>886</u>	<u>9,215</u>	<u>1,161</u>	<u>13,750</u>
Total comprehensive income for the period, net of income tax		<u>45,087</u>	<u>51,331</u>	<u>139,066</u>	<u>115,331</u>

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 changes in equity

For the nine-month period ended September 30, 2022 and September 30, 2021 (unaudited)

	Attributable to equity holders of the parent								
	Capital stock S/(000)	Investment shares S/(000)	Investments shares held in treasury S/(000)	Additional paid-in capital S/(000)	Legal reserve S/(000)	Unrealized 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	-	-	-	-	-	-	-	101,581	101,581
Other comprehensive income	-	-	-	-	-	-	13,750	-	13,750
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,750</u>	<u>101,581</u>	<u>115,331</u>
Dividends, note 8	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(338,204)</u>	<u>(338,204)</u>
Balance as of September 30, 2021	423,868	40,279	(121,258)	432,779	168,636	(14,463)	(5,165)	220,006	1,144,682
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	-	-	-	-	-	-	-	137,905	137,905
Other comprehensive income	-	-	-	-	-	-	1,161	-	1,161
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,161</u>	<u>137,905</u>	<u>139,066</u>
Balance as of September 30, 2022	<u>423,868</u>	<u>40,279</u>	<u>(121,258)</u>	<u>432,779</u>	<u>168,636</u>	<u>(15,869)</u>	<u>(3,064)</u>	<u>409,500</u>	<u>1,334,871</u>

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 and nine-month period ended September 30, 2022 and September 30, 2021 (unaudited)

	Note	For the three-month period ended September 30		For the nine-month period ended September 30	
		2022 S/(000)	2021 S/(000)	2022 S/(000)	2021 S/(000)
Operating activities					
Profit before income tax		63,868	61,234	198,584	146,871
Non-cash adjustments to reconcile profit before income tax to net cash flows					
Depreciation and amortization		34,959	33,853	103,621	101,538
Finance costs		24,999	24,371	71,607	66,261
Long-term incentive plan	13	2,235	3,060	6,039	6,699
Loss on the valuation of trading derivative financial instruments		-	-	-	1,569
Estimate expected credit loss	4	-	324	1,893	1,517
Unrealized exchange difference related to monetary transactions		(3,927)	(6,929)	295	(13,831)
Finance income		(855)	(1,524)	(2,425)	(2,304)
Net (gain) on disposal of property, plant and equipment	6	(53)	(170)	(460)	(1,329)
Net gain (loss) on the settlement of trading derivative financial instruments		(62)	(140)	2	(640)
Other operating, net		2,428	2,266	3,345	2,701
Working capital adjustments					
(Increase) in trade and other receivables		(20,603)	(26,549)	(11,674)	(37,712)
(Increase) decrease in prepayments		(8,194)	1,647	(22,933)	(19,942)
(Increase) in inventories		(92,610)	(8,154)	(209,102)	(47,785)
Increase in trade and other payables		45,770	37,295	60,406	55,140
		<u>47,955</u>	<u>120,584</u>	<u>199,198</u>	<u>258,753</u>
Interest received		1,900	2,145	3,188	3,969
Interest paid		(35,447)	(35,224)	(72,761)	(67,848)
Income tax paid		(16,987)	(14,674)	(68,087)	(38,932)
Net cash flows provided (used in) by operating activities		<u>(2,579)</u>	<u>72,831</u>	<u>61,538</u>	<u>155,942</u>

Interim condensed consolidated statements of cash flows (continued)

	Note	For the three-month period ended September 30,		For the nine-month period ended September 30,	
		2022 S/(000)	2021 S/(000)	2022 S/(000)	2021 S/(000)
Investing activities					
Proceeds from sale of property, plant and equipment		398	440	1,519	3,694
Collection of loan granted to third parties		-	145	149	427
Purchase of property, plant and equipment		(56,239)	(10,981)	(95,155)	(40,378)
Loans granted to related parties		-	(17,122)	-	(17,122)
Purchase of intangible assets		(4,438)	(2,145)	(9,590)	(6,133)
Loans granted to third parties		-	-	(141)	-
Net cash flows used in investing activities		<u>(60,279)</u>	<u>(29,663)</u>	<u>(103,218)</u>	<u>(59,512)</u>
Financing activities					
Loan received	9	70,000	220,000	229,000	220,000
Income from settlement of derivative financial instrument		-	-	-	3,879
Dividends returned		2	35	172	232
Dividends paid		(135)	(336,106)	(774)	(336,586)
Payment of hedge finance cost		(7,708)	(8,012)	(15,390)	(15,214)
Payment of lease liabilities	7	(628)	(612)	(1,821)	(1,786)
Loan paid		(69,984)	-	(228,984)	-
Net cash flows used in financing activities		<u>(8,453)</u>	<u>(124,695)</u>	<u>(17,797)</u>	<u>(129,475)</u>
Net decrease in cash and cash equivalents		(71,311)	(81,527)	(59,477)	(33,045)
Net foreign exchange difference		4,971	11,789	(2,275)	23,047
Cash and cash equivalents at the beginning of the period		<u>277,990</u>	<u>368,652</u>	<u>273,402</u>	<u>308,912</u>
Cash and cash equivalents at the end of the period	3	<u>211,650</u>	<u>298,914</u>	<u>211,650</u>	<u>298,914</u>
Transactions with no effect in cash flows:					
Unrealized exchange difference related to monetary transactions		(3,927)	(6,929)	295	(13,831)
Outstanding accounts payable related to acquisition of property, plant and equipment as of September 30	6	1,995	3,111	8,022	6,964
Recognition of right-of-use assets and lease liabilities during the period	7	-	-	305	217

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

Cementos Pacasmayo S.A.A. and Subsidiaries

Notes to interim condensed consolidated financial statements (unaudited)

As of September 30, 2022 and 2021, and December 31, 2021

1. Economic activity

(a) Economic activity -

Cementos Pacasmayo S.A.A. (hereinafter "the Company") was incorporated in 1957 and, in accordance with the General Law of Peruvian Companies, is an open stock corporation with publicly traded share. The Company is a subsidiary of Inversiones ASPI S.A., which holds 50.01 percent of the Company's common shares as of September 30, 2022, December 31, 2021 and September 30, 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 September 30, 2022 and for the nine-month period then ended, were approved for issuance by the Company's Management on October 26, 2022. The consolidated financial statements as of December 31, 2021 have been approved by the General Meeting of Shareholders, on March 29, 2022.

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) and 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 Management consider that there are no material uncertainties that may cast 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.

Notes to interim condensed consolidated financial statements (unaudited)

(continued)

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 recognizes 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 September 30, 2022 and 2021.

Notes to interim condensed consolidated financial statements (unaudited) (continued)

As of September 30, 2022 and 2021, there was no changes in the participation of the common shares that the Company's had in its subsidiaries; the main activities and information about subsidiaries are disclosed 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 September 30, 2022 S/(000)	As of December 31, 2021 S/(000)
Cash on hand	185	273
Cash at banks (b)	174,465	225,629
Term deposits with original maturities of ninety days or less (c)	37,000	47,500
	<u>211,650</u>	<u>273,402</u>

(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 September 30, 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 62% of trade receivables were guaranteed by banks guarantees and mortgages amounting to S/45,973,000 and S/ 56,533,000, 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.

Notes to interim condensed consolidated financial statements (unaudited) (continued)

The Company has made, under protest, partial payments of the debts arbitrarily placed in collection. These payments as of September 30, 2022 and December 31, 2021 amount to approximately S/41,310,000 y S/38,242,000, respectively, and are presented as 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 September 30, 2022 and 2021, the Group recorded S/1,893,000 and S/1,517,000, respectively, related to the provision for expected credit losses for trade receivables, which are presented in the caption "Selling and distribution expenses" of the interim condensed consolidated statement 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 others receivable for the three-month period ended as of September 30, 2022 and 2021 is as follows:

	2022 S/(000)	2021 S/(000)
Opening balance	14,573	14,358
Additions	1,893	1,517
Recoveries and others	(62)	17
Ending balance	<u>16,404</u>	<u>15,892</u>

5. Inventories

As of September 30, 2022 and December 31, 2021 inventories 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- and nine-month periods ended September 30, 2022 the Group's additions amounted approximately to S/58,234,000 and S/95,562,000, respectively (S/14,093,000 and S/42,513,000 during the three- and nine-month periods ended September 30, 2021, respectively).

Assets with a net book value of S/690,000 were sold during the nine-month period ended September 30, 2022 (S/939,000 for the nine-month period ended September 30, 2021), resulting in a net gain on disposal of S/460,000 (S/1,287,000 for the nine-month period ended September 30, 2021).

As of September 30, 2022 the Group maintains accounts payable related to the acquisition of property, plant and equipment for S/8,022,000 (S/7,615,000 as of December 31, 2021).

Notes to interim condensed consolidated financial statements (unaudited)

(continued)

7. Leases

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

The annual incremental interest rate used for the initial recognition of the right-of-use asset and the lease liability ranges between 5.2 and 6.2 percent.

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/1,011,000 for the nine-month period ended September 30, 2022 (S/992,000 as of September 30, 2021) and was recognized in the "Administrative expenses" caption of the interim condensed consolidated statement 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	217	-	217
Sales and/or retirement	-	(3)	(3)
Balance as of September 30, 2021	<u>7,721</u>	<u>35</u>	<u>7,756</u>
Balance as of January 1, 2022	7,721	35	7,756
Additions	305	-	305
Sales and/or retirement	-	-	-
Balance as of September 30, 2022	<u>8,026</u>	<u>35</u>	<u>8,061</u>
Accumulated depreciation -			
Balance as of January 1, 2021	1,501	35	1,536
Additions	1,164	-	1,164
Balance as of September 30, 2021	<u>2,665</u>	<u>35</u>	<u>2,700</u>
Balance as of January 1, 2022	3,053	35	3,088
Additions	1,211	-	1,211
Sales and/or retirement	-	-	-
Balance as of September 30, 2022	<u>4,264</u>	<u>35</u>	<u>4,299</u>
Net book value			
As of December 31, 2021	<u>4,668</u>	<u>-</u>	<u>4,668</u>
As of September 30, 2022	<u>3,762</u>	<u>-</u>	<u>3,762</u>

Notes to interim condensed consolidated financial statements (unaudited) (continued)

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	305	217
Financial interest expense	226	285
Lease payments	(1,821)	(1,786)
Others	54	1,135
Balance as of September 30	<u>4,593</u>	<u>6,484</u>
Maturity		
Current portion	1,923	1,804
Non-current portion	2,670	4,680
Balance as of September 30	<u>4,593</u>	<u>6,484</u>
Net book value		
As of December 31, 2021		<u>5,829</u>
As of September 30, 2022		<u>4,593</u>

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

8. Trade and other payables

As of September 30, 2022 and December 31, 2021, this caption includes trade payables, account payables to related parties, interest payable, dividends payable among other minor payables.

On April 29, 2021, the Board of Directors agreed to distribute dividends amounting to S/338,204,000 (this amount does not include dividends corresponding to treasury shares), from unrestricted earnings for the years 2014 to 2019, which were paid during the first days of July of the year 2021.

As of September 30, 2022 dividends payable amounted to S/8,948,000 (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 September 30, 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 nine-month period ended September 30, 2022 and 2021, the corporate bonds generated interests that have been recognized in the interim condensed consolidated financial statement of profit or loss for S/45,704,000 and S/47,681,000, respectively.

Notes to interim condensed consolidated financial statements (unaudited) (continued)

(b) Bank loans

As of September 30, 2022 and December 31, 2021, the Company maintains 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 canceled two promissory notes of S/79,500,000 each and on July 6 made the payment of a promissory note for US\$18,000,000, 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 the second disbursement amounts to S/70,000,000 made on July 2022, both were 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 covenants:
 - a. Debt Ratio (Financial Debt / EBITDA) $\leq 3.50x$
 - b. Debt Service Coverage Ratio (FCSD / SD) $\geq 1.15x$
 - 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.

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.

Notes to interim condensed consolidated financial statements (unaudited) (continued)

- 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.

As of September 30, 2022, the Company complies with the ratios and other obligations contained in the loan conditions.

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 September 30, 2022					
Financial obligations	220,000	424,700	166,546	622,044	1,433,290
Interests	4,101	60,314	186,929	118,499	369,843
Trade and other payables	191,355	55,125	-	-	246,480
Hedge finance cost payable	-	7,794	-	-	7,794
Lease liabilities	472	1,451	2,670	-	4,593
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 September 30, 2022 and December 31, 2021, this caption includes workers' profit sharing, provision for contingencies, long-term incentive plan and rehabilitation provision.

Notes to interim condensed consolidated financial statements (unaudited)

(continued)

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 statement of profit or loss and statement of other comprehensive income are:

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2022 S/(000)	2021 S/(000)	2022 S/(000)	2021 S/(000)
Current income tax	(21,974)	(18,365)	(66,557)	(45,215)
Deferred income tax	<u>2,307</u>	<u>(753)</u>	<u>5,878</u>	<u>(75)</u>
Total income tax expense recognized in the interim consolidated statements of profit or loss	(19,667)	(19,118)	(60,679)	(45,290)
Income tax recognized in other comprehensive income	<u>(370)</u>	<u>(3,856)</u>	<u>(486)</u>	<u>(5,753)</u>
Total income tax	<u>(20,037)</u>	<u>(22,974)</u>	<u>(61,165)</u>	<u>(51,043)</u>

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

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2022 S/(000)	2021 S/(000)	2022 S/(000)	2021 S/(000)
(Decrease) increase of deferred income tax asset	(154)	(3,779)	564	(5,958)
Increase (decrease) of deferred income tax liability	<u>2,091</u>	<u>(830)</u>	<u>4,828</u>	<u>130</u>
Total variation of deferred income tax	<u>1,937</u>	<u>(4,609)</u>	<u>5,392</u>	<u>(5,828)</u>
Deferred income tax benefit (expense) recognized in interim condensed consolidated statements of profit or loss	2,307	(753)	5,878	(75)
Deferred income tax recognized in other comprehensive income	<u>(370)</u>	<u>(3,856)</u>	<u>(486)</u>	<u>(5,753)</u>
Total variation of deferred income tax	<u>1,937</u>	<u>(4,609)</u>	<u>5,392</u>	<u>(5,828)</u>

Notes to interim condensed consolidated financial statements (unaudited)

(continued)

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 September 30,		For the nine-month period ended September 30,	
	2022 S/(000)	2021 S/(000)	2022 S/(000)	2021 S/(000)
Loss unrealized on derivative financial instruments	(370)	(3,856)	(486)	(5,753)
Total deferred income tax in OCI	(370)	(3,856)	(486)	(5,753)

12. Sales of goods

This caption is made up as follows:

	Cement, concrete, mortar and precast S/(000)	Constructio n Supplies S/(000)	Quicklime S/(000)	Other S/(000)	Total S/(000)
For the three-month period ended September 30, 2022					
Revenue from external customers	516,178	27,683	9,681	14	553,556
Revenue from external customers	516,178	27,683	9,681	14	553,556
For the nine-month period ended September 30, 2022					
Revenue from external customers	1,463,214	87,126	31,493	18	1,581,851
Revenue from external customers	1,463,214	87,126	31,493	18	1,581,851
For the three-month period ended September 30, 2021					
Revenue from external customers	471,284	28,032	7,854	-	507,170
Revenue from external customers	471,284	28,032	7,854	-	507,170
For the nine-month period ended September 30, 2021					
Revenue from external customers	1,310,396	78,304	23,970	228	1,412,898
Revenue from external customers	1,310,396	78,304	23,970	228	1,412,898

Notes to interim condensed consolidated financial statements (unaudited)

(continued)

13. Related party transactions

During the three and nine-months periods ended September 30, 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 September 30,		For the nine-month period ended September 30,	
	2022 S/(000)	2021 S/(000)	2022 S/(000)	2021 S/(000)
Income				
Inversiones ASPI S.A.				
Fees from office lease	4	5	12	15
Fees for management and administrative services	25	25	75	73
Compañía Minera Ares S.A.C. (Ares)				
Fees from land rental services	300	310	878	890
Fees from leasing of parking	68	87	199	268
Fosfatos del Pacífico S.A. (Fospac)				
Fees from office lease	4	5	12	14
Fees for management and administrative services	12	12	34	143
Fossal S.A.A. (Fossal)				
Fees from office lease	4	3	12	13
Fees for management and administrative services	13	14	39	39
Asociación Sumac Tarpuy				
Fees from office lease	4	5	12	15
Expenses				
Security services provided by Compañía Minera Ares S.A.C.	660	660	1,980	1,980

Notes to interim condensed consolidated financial statements (unaudited) (continued)

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 September 30, 2022 and December 31, 2021:

	September 30, 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.	1,116	73	1,039	37
Compañía Minera Ares S.A.C.	339	1,690	199	-
Fossal S.A.	65	-	12	-
Inversiones ASPI S.A.	-	25	-	105
Other	89	-	64	1
	<u>1,609</u>	<u>1,788</u>	<u>1,314</u>	<u>143</u>

Outstanding balances are unsecured and interest free. There have been no guarantees provided or received from any related party. As of September 30, 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/7,353,000 and S/18,291,000 during the three and nine-month periods ended September 30, 2022, respectively (S/6,395,000 and S/16,665,000, during the three and nine-month periods ended September 30, 2021), and the total long-term compensations expense amounted to S/2,235,000 and S/6,039,000 during the three and nine-month periods ended September 30, 2022, respectively (S/3,060,000 and S/6,699,000 during the three and nine-month period ended September 30, 2021, respectively). 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 nine-month period ended September 30, 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 September 30, 2022 and 2021.

Notes to interim condensed consolidated financial statements (unaudited) (continued)

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

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2022 S/(000)	2021 S/(000)	2022 S/(000)	2021 S/(000)
Numerator				
Net profit attributable to ordinary equity holders of the Parent	<u>44,201</u>	<u>42,116</u>	<u>137,905</u>	<u>101,581</u>
Denominator				
Weighted average number of common and investment shares (thousands)	<u>428,107</u>	<u>428,107</u>	<u>428,107</u>	<u>428,107</u>
Basic earning per share for common and investment shares	<u>0.10</u>	<u>0.10</u>	<u>0.32</u>	<u>0.24</u>

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 September 30, 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/1,647,000 and an unrealized gain of S/19,503,000 for the nine-month period ended September 30, 2022 and September 30, 2021, respectively. The amounts retained in other comprehensive income as of September 30, 2022 are expected to mature and affect the consolidated statement of profit or loss in 2023, settlement year of cross currency contracts.

Derivate assets from trading -

As of September 30, 2022 and 2021, cross currency swaps that do not have an underlying hedging 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/2,000 for the nine-month period ended September 30, 2022 and a gain of S/640,000 for the nine-month period ended September 30 2021.

Notes to interim condensed consolidated financial statements (unaudited) (continued)

(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 2022/2021
	2022 S/(000)	2021 S/(000)	2022 S/(000)	2021 S/(000)	
Financial assets					
Cash and cash equivalents	211,650	273,402	211,650	273,402	Level 1
Trade and other receivables	154,195	143,924	154,195	143,924	Level 2
Derivative financial assets - "cross currency swaps"	106,123	106,601	106,123	106,601	Level 2
Financial instruments at fair value through other comprehensive income	476	476	476	476	Level 3
Total financial assets	472,444	524,403	472,444	524,403	
Financial liabilities					
Trade and other payables	270,944	227,554	270,944	227,554	Level 2
Senior notes	1,093,159	1,094,391	1,000,220	1,119,035	Level 1
Fixed rate notes	447,200	450,964	416,586	447,558	Level 2
Total financial liabilities	1,811,303	1,772,909	1,687,750	1,794,147	

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 September 30, 2022 and December 31, 2021, there were no transfers between the fair value hierarchies.

Notes to interim condensed consolidated financial statements (unaudited) (continued)

Management assessed that cash and short-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 percentage of shareholding of the Company equity of Fossal S.A.

16. Commitments and contingencies

Operating lease commitments – Group as lessor

As of September 30, 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 nine-month period ended September 30, 2022 and 2021 for S/878,000 and S/890,000, respectively.

Capital commitments

As of September 30, 2022, the Group had no significant capital commitments.

Notes to interim condensed consolidated financial statements (unaudited) (continued)

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 September 30, 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 September 30, 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

Entity	Years open to review by Tax Authorities	
	Income tax	Value-added tax
Cementos Pacasmayo S.A.A.	2018-2021	Dec.2017-2022
Cementos Selva S.A.	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
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 September 30, 2022 and the consolidated financial statements as of December 31, 2021.

Legal claim contingency

As of September 30, 2022, the Group has received claims from third parties in relation with its operations which in aggregate represent S/3,528,000. From this total amount, S/2,928,000 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.

Notes to interim condensed consolidated financial statements (unaudited)

(continued)

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.

Notes to interim condensed consolidated financial statements (unaudited) (continued)

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.

	Sales of goods		Gross profit		Profit (loss) before income tax		Income tax		Profit (loss) for the period	
	2022 S/(000)	2021 S/(000)	2022 S/(000)	2021 S/(000)	2022 S/(000)	2021 S/(000)	2022 S/(000)	2021 S/(000)	2022 S/(000)	2021 S/(000)
For the three-month period ended September 30,										
Cement, concrete, mortar and precast	516,178	471,284	164,109	147,061	64,005	62,264	(19,711)	(19,438)	44,294	42,826
Construction supplies	27,683	28,032	806	640	(217)	(501)	66	155	(151)	(346)
Quicklime	9,681	7,854	1,162	1,282	736	701	(223)	(217)	513	484
Other	14	-	(216)	(580)	(656)	(1,230)	201	382	(455)	(848)
Total	553,556	507,170	165,861	148,403	63,868	61,234	(19,667)	(19,118)	44,201	42,116
For the nine-month period ended September 30,										
Cement, concrete, mortar and precast	1,463,214	1,310,396	485,583	393,152	200,671	148,745	(61,317)	(45,868)	139,354	102,877
Construction supplies	87,126	78,304	3,209	2,476	286	(824)	(87)	254	199	(570)
Quicklime	31,493	23,970	678	2,857	(546)	1,165	167	(359)	(379)	806
Other	18	228	(562)	(455)	(1,827)	(2,215)	558	683	(1,269)	(1,532)
Total	1,581,851	1,412,898	488,908	398,030	198,584	146,871	(60,679)	(45,290)	137,905	101,581

Notes to interim condensed consolidated financial statements (unaudited)

(continued)

	Segment assets S/(000)	Other Assets (**) S/(000)	Total asset S/(000)	Total liabilities by segment S/(000)
As of September 30, 2022				
Cement, concrete, mortar and precast	3,119,849	105,804	3,225,653	1,957,498
Construction supplies	42,018	-	42,018	79,401
Quicklime	72,174	-	72,174	-
Other (*)	31,419	795	32,214	289
Total	3,265,460	106,599	3,372,059	2,037,188
As of December 31, 2021				
Cement, concrete, mortar and precast	2,940,888	106,280	3,047,168	1,930,140
Construction supplies	42,578	-	42,578	75,633
Quicklime	79,383	-	79,383	-
Other (*)	31,846	797	32,643	194
Total	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 September 30, 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/106,123,000, respectively. As of December 31, 2021 corresponds to the financial instruments designated at fair value through other comprehensive income for approximately S/476,000 and fair value of derivative financial instruments (cross currency swap) for approximately S/106,601,000. 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 September 30, 2022 and December 31, 2021, all non-current assets are located in Peru and all revenues are from Peruvian clients.

Notes to interim condensed consolidated financial statements (unaudited) (continued)

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 September 30, 2022 U.S. Dollar	Change in US\$ rate %	Effect on consolidated profit before tax S/(000)
	+5	9,334
	+10	18,667
	-5	(9,334)
	-10	(18,667)

Notes to interim condensed consolidated financial statements (unaudited)

(continued)

As of September 30, 2021 U.S. Dollar	Change in US\$ rate %	Effect on consolidated profit before tax S/(000)
	+5	10,732
	+10	21,465
	-5	(10,732)
	-10	(21,465)

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 September 30, 2022 and December 31, 2021, no portion of the corporate bonds in soles will mature in less than one year.

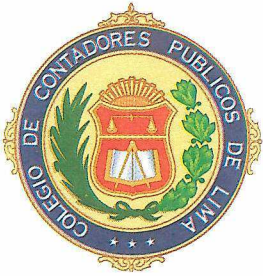
Risk management activities -

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 nine-month period ended September 30, 2022, 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 September 30, 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.

19. Subsequent event

On October 10, 2022, in a Board Meeting it was agreed to distribute dividends of S/0.42 per share, which represents an amount to be distributed of S/194,942,000 on account of accumulated results. As of the date of this report, the Company owns 36,040,497 investment shares (shares in treasury) to which a total dividend of S/15,137,000 corresponds. As a consequence, the dividend that will be distributed without considering said treasury shares is S/179,805,000 and it is intended to be paid on December 5, 2022.



COLEGIO DE CONTADORES PÚBLICOS DE LIMA

CONSTANCIA DE HABILITACIÓN

El Decano 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 SOCIEDAD CIVIL
DE RESPONSABILIDAD LIMITADA
SOCIEDAD: S0761**

Se encuentra, HABIL, para el ejercicio de las funciones profesionales que le faculta la Ley N° 13253 y su modificación Ley N° 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 31 de MARZO del 2023.

Lima, 09 de AGOSTO de 2022.

CPC. Rafael Enrique Velásquez Soriano
DECANO



CPC. David Eduardo Bautista Izquierdo
DIRECTOR SECRETARIO