

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2022

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 001-35401

CEMENTOS PACASMAYO S.A.A.
(Exact name of Registrant as specified in its charter)

PACASMAYO CEMENT CORPORATION
(Translation of Registrant's name into English)

Republic of Peru
(Jurisdiction of incorporation or organization)

Calle La Colonia 150, Urbanización El Vivero
Surco, Lima
Peru
(Address of principal executive offices)

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(Name, telephone, email and/or facsimile number and address of company contact person)

Securities registered pursuant to Section 12(b) of the Act.

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, par value S/1.00 per share, in the form of American Depositary Shares, each representing five Common Shares	CPAC	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

At December 31, 2022

423,868,449 common shares
4,238,397 investment shares*

* Excluding 36,040,497 investment shares held in treasury.

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Note- Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 203.405 of this chapter) during the preceding 12 months (or for such other period that the registrant was required to submit and post such files).

Yes ☐ No ☒

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐
Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the Registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the Registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark which basis of accounting the Registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐

International Financial Reporting Standards as issued by the International Accounting Standards Board ☒

Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the Registrant has elected to follow. Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

PART I INTRODUCTION

Certain Definitions

All references to “we,” “us,” “our,” “our company,” “Pacasmayo,” and “Cementos Pacasmayo” in this annual report are to Cementos Pacasmayo S.A.A., a publicly held corporation (*sociedad anónima abierta*) organized under the laws of Peru, and, unless the context requires otherwise, its consolidated subsidiaries. The term “U.S. dollar”, “U.S. dollars” and the symbol “US\$” refer to the legal currency of the United States; and the term “sol” or “soles” and the symbol “S/” refer to the legal currency of Peru.

Financial Information

Our consolidated financial statements included in this annual report have been prepared in *soles* and in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and audited in accordance with the standards of the Public Company Accounting Oversight Board (United States).

In this annual report, we present EBITDA, which is a financial measure that is not recognized under IFRS. We refer to such financial measures as “non-IFRS” financial measures. A non-IFRS financial measure is generally defined as one that purports to measure financial performance; financial position or cash flows of the subject reporting company but excludes or includes amounts that would not be so adjusted in the most comparable IFRS measure. We present EBITDA because we believe it provides the reader with a supplemental measure of the financial performance of our core operations that facilitates period-to-period comparisons on a consistent basis. EBITDA should not be construed as an alternative to profit or operating profit, as an indicator of operating performance, as an alternative to cash flow provided by operating activities or as a measure of liquidity (in each case, as determined in accordance with IFRS). EBITDA, as calculated by us, may not be comparable to similarly titled measures reported by other companies, including those in the cement industry. For a calculation of EBITDA and a reconciliation of EBITDA to the most directly comparable IFRS financial measure, see “Item 4. Information on the Company—B. Business Overview—Overview.”

We have translated some of the *soles* amounts appearing in this annual report into U.S. dollars for convenience purposes only. Unless the context otherwise requires, the rate used to translate *soles* amounts to U.S. dollars was S/3.814 to US\$1.00, which was the average accounting exchange rate (*tipo de cambio contable*) reported on December 31, 2022, by the Peruvian Superintendence of Banks, Insurance and Private Pension Fund Administrators (*Superintendencia de Banca, Seguros y AFPs*, or “SBS”). The Federal Reserve Bank of New York does not report a noon buying rate for *soles*. The U.S. dollar equivalent information presented in this annual report is provided solely for convenience of the reader and should not be construed as implying that the *soles* amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate.

Certain figures included in this annual report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be arithmetic aggregations of the figures that precede them.

Market Information

We make estimates in this annual report regarding our competitive position and market share, as well as the market size and expected growth of the construction sector and cement industry in Peru. We have made these estimates on the basis of our management’s knowledge and statistics and other information available from the following sources:

- the Central Bank of Peru (*Banco Central de Reserva del Perú*, or the “BCRP”);
- the National Statistical Institute of Peru (*Instituto Nacional de Estadística e Informática*, or “INEI”);
- the Association of Cement Producers of Peru (*Asociación de Productores de Cemento*, or “ASOCEM”);

- the Ministry of Housing, Construction and Sanitation (*Ministerio de Vivienda, Construcción y Saneamiento*);
- ADUANET, a website administered by the Peruvian Tax Superintendence (*Superintendencia Nacional de Administración Tributaria*, or “SUNAT”);
- the Peruvian Chamber of Construction (*Cámara Peruana de la Construcción*); and
- the Global Competitiveness Index prepared by the World Economic Forum.

We believe these estimates to be accurate as of the date of this annual report.

Forward-Looking Statements

This annual report contains forward-looking statements. Forward-looking statements convey our current expectations or forecasts of future events. These statements involve known and unknown risks, uncertainties and other factors, including those listed under “Item 3. Key Information – D. Risk Factors,” which may cause our actual results, performance or achievements to differ materially from the forward-looking statements that we make.

Forward-looking statements typically are identified by words or phrases such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “project,” “plan,” “believe,” “potential,” “continue,” “is/are likely to,” or other similar expressions. Any or all of our forward-looking statements in this annual report may turn out to be inaccurate. Our actual results could differ materially from those contained in forward-looking statements due to a number of factors, including:

- political, economic and social risk inherent to conducting business in Peru;
- exchange rates, inflation and interest rates;
- the entry of new competitors into the market we serve;
- construction activity levels, particularly in the northern region of Peru;
- private investment and public spending in construction projects;
- natural disasters, such as floods and earthquakes affecting the northern region of Peru, and global events, such as public health crises and epidemics/pandemics and the worldwide effects thereof and responses thereto;
- availability and prices of energy, admixtures and raw materials;
- changes in the regulatory framework, including tax, environmental and other laws;
- the successful expansion of our production capacity;
- our ability to compete with potential substitutes of cement products that may be introduced in the Peruvian construction industry;
- our ability to maintain and expand our distribution network;
- international conflicts, such as the current one between Russia and Ukraine, and the worldwide effects and responses thereto
- our ability to retain and attract skilled employees; and
- other factors discussed under “Item 3. Key Information—D. Risk Factors.”

The forward-looking statements in this annual report represent our expectations and forecasts as of the date of the filing of this annual report. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this annual report.

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. [Reserved]

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Global Macroeconomic Conditions

Global macroeconomic conditions may have an adverse effect on our business, financial condition and results of operations.

Our operations and customers are located in Peru. As a result, our business, financial condition and results of operations, like those of most companies in Peru, may be adversely affected by the level of economic activity in the country. Therefore, variations in economic indicators such as inflation, gross domestic product ("GDP"), the balance of payments, the appreciation and depreciation of the national currency, access to credit, interest rates, investment and savings, consumption, spending and fiscal income and employment rates, among other variables, over which we have no control, could affect the development of the Peruvian economy and, therefore, could generate adverse consequences for our business, financial condition and results of operations. These variables, in turn, may be affected by global macroeconomic factors.

During 2022, world economic activity continued to be affected by high energy prices, China's "zero COVID" policy, the reduction of surplus savings generated during the pandemic, geopolitical uncertainty and tightening monetary conditions. For emerging economies, this scenario contributed to a reduction in the price of several raw materials and the tightening of financial conditions. In 2022, capital flows continued to register low levels compared to the previous year.

The cement sector is closely related to the following main macroeconomic variables: (i) the expansion or contraction of the economy as measured by GDP, (ii) domestic demand, (iii) private investment and (iv) public spending. In this regard, prolonged conditions, at the global level, that adversely affect the economic growth of Peru would negatively affect the cement sector, which may have an adverse effect on our business, financial condition and results of operations.

International conflicts, such as the current war between Russia and Ukraine, and other geopolitical tensions or conflicts have put upward pressure on international prices, increasing inflation, and therefore adversely affecting our business, financial condition, and results of operations.

Global markets are currently operating in a period of economic uncertainty, volatility and disruption following Russia's full-scale invasion of Ukraine on February 24, 2022. Although the length and impact of the ongoing war is highly unpredictable, to date, it has had an adverse effect on global economic conditions and business activity globally and has lead to (i) credit and capital market disruptions, (ii) increases in interest rates and inflation in the market in which we operate and (iii) lower global growth, among others. These developments have caused interruptions in the trade flows of goods produced by Russia and Ukraine (mainly energy and grains) which have generated upward pressure on international prices of those goods. Additionally, Russia's prior annexation of Crimea, recognition of two separatist republics in the Donetsk and Luhansk regions of Ukraine and subsequent military interventions in Ukraine have led to sanctions and other penalties being levied by the United States, the European Union and other countries against Russia, Belarus, the Crimea Region of Ukraine, the so-called Donetsk People's Republic and the so-called Luhansk People's Republic. As a result of these commercial and financial sanctions, pressure on international prices may continue, even after the war in Ukraine has ended.

Similar pressures have been observed in the price of energy. Russia is a major producer of natural gas, oil and coal. Production and commercial activities have been affected by direct and indirect sanctions. Peru is a net importer of oil, and as such it has been affected by the significant increase in price, generating high levels of inflation. In Peru, the inflation rate in 2022 was the highest annual rate of inflation recorded since 1996. The increase in the price of coal directly affects our business since it is one of the raw materials used in our process and, in 2022, it accounted for 21.3% of our cement production cost. Indirectly, the increase in the price of oil and gas also affects our business, as it generates inflationary pressure throughout, and increases freight prices, which in turn increase import costs.

Geopolitical and economic risks have also increased over the past few years as a result of trade tensions between the United States and China, Brexit, and the rise of populism and tensions in South America and the Middle East. The foregoing conflicts and any other geopolitical tensions may lead, among others, to a de-globalization of the world economy, an increase in protectionism or barriers to immigration, a general reduction of international trade in goods and services and a reduction in the integration of financial markets, any of which could materially and adversely affect our business, financial condition and results of operations.

The increase in global freight costs have adversely affected international prices, increasing inflation and therefore impacting our business, financial condition and results of operations.

The current increase in freight prices is due both to demand and supply side issues. On the one hand, there was a surge in demand for goods, as consumers spent their money on goods rather than services during pandemic lockdowns and restrictions. On the other hand, there were capacity constraints, including container ship carrying capacity, container shortages, labor shortages, continued on and off COVID-19 restrictions across port regions and congestion at ports. This mismatch between surging demand and reduced supply capacity then led to record container freight rates during 2021, that remained high during 2022. According to the United Nations Conference on Trade and Development (UNCTAD), this will have a profound impact on trade and undermine socioeconomic recovery, especially in developing countries, until maritime shipping operations return to normal. In Peru, this has already resulted in higher levels of inflation, with inflation reaching 8.5 % in 2022, compared to 6.2% in 2021. Increased freight costs directly affect our business and results of operations since imported materials represent approximately 37.9% of our production costs.

Risks Relating to Peru

Economic, social and political developments in Peru including political instability, rates of inflation and unemployment could have a material adverse effect on our business, financial condition and results of operations.

All of our operations and customers are located in Peru. Accordingly, our business, financial condition and results of operations depend on the level of economic activity in Peru. Our business, financial condition and results of operations could be affected by changes in economic and other policies of the Peruvian government (which has exercised and continues to exercise substantial influence over many aspects of the private sector), and by other economic and political developments in Peru, including devaluation or depreciation, currency exchange controls, inflation, economic downturns, political instability, corruption scandals, social unrest and terrorism.

In the past, Peru has experienced political instability that included a succession of regimes with disparate economic policies and programs that created uncertainty for domestic and foreign investors. Pedro Castillo became President of Peru, after a disputed election result in 2021. He faced political opposition in the Peruvian Congress, which was highly fragmented, as no political party had achieved a clear majority and at least 10 political parties had minority representation, which led some groups in the Peruvian Congress to ask for his resignation. On December 7, 2022, President Castillo announced his decision to dissolve Congress, to intervene in the Judiciary, the Public Ministry, the Attorney General's Office, and the Constitutional Court, in addition to the scheduling of an election of a new Congress. These efforts by President Castillo failed due to the immediate rejection by all government bodies, including the cabinet and the armed and police forces. President Castillo was impeached that same day by Congress and arrested in transit to the Mexican embassy in Lima to request political asylum. The then Vice President Dina Boluarte was sworn in as President in accordance with the line of constitutional succession.

In December 2022, a few days into President Boluarte's term, there were strong protests in the central, southern, and southern Andean areas of the country by sectors of the population that demanded the immediate resignation of Dina Boluarte, the closure of Congress, the call for a Constituent Assembly and freedom of Pedro Castillo. In response, President Boluarte announced that she would propose to Congress an early election for April 2024. The protests escalated in various parts of the country, but subsequently downscaled to some extent. However, as of the date of this annual report, Congress has yet to approve the date of these early elections, and, accordingly, President Boluarte's mandate is currently scheduled to end in 2026. However, since the political opposition in the Peruvian Congress remains strong, no assurance can be made that impeachment motions will not be presented to the Peruvian Congress against President Boluarte during the remainder of her term. We can provide no assurance that these protests will not escalate again in the future. In addition, the Peruvian government may seek to modify and reform the Peruvian Constitution to expand the role of the government in activities currently undertaken by the private sector in accordance with statements made during the campaign of President Castillo. Although it is expected that a majority of the Peruvian Congress would oppose certain new policies and reforms, we can provide no assurance that policymaking by the government will not be unpredictable. We cannot assure you whether President Boluarte or any of her successors, should an impeachment motion (*moción de vacancia*) be approved by the Peruvian Congress, will pursue business-friendly and open-market economic policies that stimulate economic growth and stability, and that measures negatively impacting private investment, such as higher taxation or exchange controls, will not be implemented.

During the 1980s and the early 1990s, Peru experienced severe terrorist activity targeted against, among others, the government and the private sector. Since then, terrorist activity in Peru has been mostly confined to small-scale operations in the Huallaga Valley and the Valleys of the Rivers Apurimac, Ene and Mantaro, or "VRAEM," areas, both in the Eastern part of the country. The Huallaga Valley and VRAEM constitute the largest areas of coca cultivation in the country and thus serve as a hub for the illegal drug trade. Terrorist activity and the illegal drug trade continue to be key challenges for Peruvian authorities. Any violence derived from the drug trade or a resumption of large-scale terrorist activities which may occur could hurt our operations and, could disrupt the economy of Peru and our business. In addition, Peru has, from time to time, experienced social and political turmoil, including riots, nationwide protests, strikes and street demonstrations.

Despite Peru's ongoing economic growth and stabilization, the social and political tensions and high levels of poverty and proper employment continue. Future government policies to preempt or respond to social unrest could include, among other things, expropriation, nationalization, suspension of the enforcement of creditors' rights and new taxation policies. These policies could adversely and materially affect the Peruvian economy and our business.

The foregoing political uncertainty and presidential decisions could further increase interest rates and currency volatility, as well as adversely and materially affect the Peruvian economy and our business, financial condition and results of operations.

A depreciation or devaluation of the sol could have a material adverse effect on our business, financial condition and results of operations.

A significant depreciation or devaluation of the *sol* may affect us due to the fact that our revenues are denominated in *soles* while 37.9% of our costs, as of December 31, 2022 was denominated in U.S. dollars. As a result, we are exposed to currency mismatch risks. We expect to reduce our U.S. dollar-denominated costs once we stop requiring imported clinker, most likely during the second half of 2023. Nonetheless, a depreciation or devaluation of the *sol* against the U.S. dollar and increased exchange rate volatility would increase the cost of our debt service obligations which could have a material adverse effect on our business, financial condition and results of operations.

If the Peruvian government were to implement restrictive exchange rate policies and other similar laws, our business, financial condition and results of operations could be adversely affected.

Since 1991, the Peruvian economy has undergone a major transformation from a highly protected and regulated system to a free market economy. During this period, protectionist and interventionist laws and policies have been dismantled. As a result the Peruvian economy had been growing consistently, until 2020 due to the COVID-19 pandemic. Currently, foreign exchange rates are determined by market conditions, with regular open-market operations by the BCRP in the foreign exchange market to reduce volatility in the value of Peru's currency against the U.S. dollar.

We cannot assure you that the Peruvian government will not institute restrictive exchange rate policies in the future. Any such restrictive exchange rate policy could have a material adverse effect on our business, financial condition and results of operations and adversely affect our ability to repay debt or other obligations and restrict our access to international financing.

In addition, if the Peruvian government were to institute restrictive exchange rate policies in the future, we might be obligated to seek an authorization from the Peruvian government to make payments on the notes and the guarantees. We cannot assure you that such an authorization would be obtained. Any such exchange rate restrictions or the failure to obtain such an authorization could materially and adversely affect our ability to make payments under our U.S. dollar-denominated debt and to pay dividends on our American Depositary Shares ("ADSs").

Increased rates of inflation in Peru could have an adverse effect on the Peruvian long-term credit market, as well as the Peruvian economy generally and, therefore, on our business, financial condition and results of operations.

In the past, Peru has suffered through periods of high and hyper-inflation, which has materially undermined the Peruvian economy and the government's ability to create conditions that support economic growth. In response to increased inflation, the BCRP, which sets the Peruvian basic interest rate, may increase or decrease the basic interest rate in an attempt to control inflation or foster economic growth. Increases in the base interest rate could adversely affect our results of operations, increasing the cost of certain funding. Additionally, a return to a high-inflation environment would also undermine Peru's foreign competitiveness, with negative effects on the level of economic activity and employment, while increasing our operating costs and adversely impacting our operating margins if we are unable to pass the increased costs on to our customers. During 2022, inflation reached 8.5%, well above the previous five-year average of 2.6%. Supply shocks, including the recent rise in prices of energy, increased freight costs, and the increase in domestic demand explains this increase at a global level. The recent conflict between Russia and Ukraine is likely to exacerbate these effects. Moreover, there has been an increase in interest rates globally, which has an effect on the cost of financing and may adversely affect our business and financial condition if we were to require financing.

Changes in tax laws or their interpretation may increase our tax burden and, as a result, negatively affect our business.

The Peruvian Congress and government regularly implement changes to tax laws that may increase our tax burden, or the tax burden of our subsidiaries. These changes may include modifications in our taxable base, tax rates and, on occasion, the enactment of temporary taxes that in some cases have become permanent taxes or changes to VAT exemptions applicable to certain of our operations in the Amazonian region. We are unable to estimate the outcomes that these changes may have on business. In that sense, the Peruvian government recently introduced several changes related to transfer pricing rules and formal obligations in order to comply with BEPS (base erosion and profit shifting) Guidelines on transactions performed between related parties or with the intervention of low or no-tax jurisdictions, such as the obligation to file new local-files, master-files and country-by-country reports with the Peruvian tax authority, and to adjust taxable bases accordingly for income tax purposes.

The effects of any tax reforms that could be proposed in the future and any other changes that result from the enactment of additional reforms have not been, and cannot be, quantified. However, any changes to our tax regime or interpretations thereof (including in connection with the tax rates, tax base (*base imponible*), deductions rules, payments in advance regime (*regimen de pagos a cuenta*), time of payment or the establishment of new taxes thereof) may result in increases in our overall costs and/or our overall compliance costs, which could negatively affect our results of operations.

Our operations could be adversely affected by an earthquake, flood or other natural disasters.

Severe weather conditions and other natural disasters in areas in which we operate may materially adversely affect our operations. Peru is affected by El Niño, an oceanic and atmospheric phenomenon that causes a warming of temperatures in the Pacific Ocean, resulting in heavy rains off the coast of Peru and various other effects in other parts of the world. The effects of El Niño, which typically occurs every two to seven years, include flooding and the destruction of fish populations and agriculture, and accordingly have a negative impact on Peru's economy. For example, in early 2017, El Niño adversely affected agricultural production, transportation and communications services, tourism and commercial activity, caused widespread damage to infrastructure and displaced significant populations. Although our facilities were not significantly affected, our ability to ship cement was compromised by the destruction of infrastructure. Moreover, the road between our quarry and plant in Piura was flooded and became impassable in 2017, causing increased logistics costs, as we had to transport the raw material required for cement production at our Piura plant by an alternate road. With the rains experienced during the first months of 2023, this road has again become impassable, albeit over a shorter distance than in 2017. We currently have enough inventory to supply raw material to our Piura plant, but we cannot assure you that the road will be fully operational before we need to use it again.

Peru also is located in an area that experiences seismic activity and occasionally is affected by earthquakes. For example, in 2007, an earthquake with a magnitude of 7.9 on the Richter scale struck the central coast of Peru, severely damaging the region south of Lima. During March 2023, Cyclone Yaku generated intense rainfall, which resulted in flooding and landslides, which severely damaged some areas in the north of Peru. Although there was no severe physical damage to our properties, there have been closures of one or more of our franchised stores, inadequate work forces in our markets, temporary disruptions in the supply of products, delays in the delivery of goods and a reduction in the availability of products to these stores. In addition, adverse climate conditions (due to climate change or otherwise) and adverse weather patterns, such as droughts or floods that impact growing conditions and the quantity and quality of crops, may materially adversely affect the availability or cost of certain commodities or other products within our supply chain. Any of these factors may disrupt and materially adversely affect our business, financial condition and results of operations.

Our operations could be adversely affected by government-mandated plant closures.

Public health crises, such as epidemics or pandemics, as well as other events deemed to be public emergencies, may result in the government requiring us to cease our operations. For example, in March 2020, the Peruvian government ordered a state of emergency due to the COVID-19 outbreak, and required us to close our operations from March 16, 2020 until May 18, 2020. This closure had a materially adverse effect on our business, financial condition, and results of operations, in particular during the state of emergency. Although our business recovered well following the required period of closure, we do not know if the government will take similar measures in the future as a result of public health crises or other public emergencies that may have an impact on the Peruvian economy as a whole, the construction sector, our customers' ability to purchase cement and cement-based products, and/or our customers' ability to pay for products we have previously sold to them.

The Peruvian economy could be adversely affected by economic developments in regional or global markets.

Financial and securities markets in Peru are influenced by economic and market conditions in regional and global markets. Although economic conditions vary from country to country, investors' perceptions of the events occurring in one country may adversely affect cash flows and securities from issuers in other countries, including Peru. For example, the Peruvian economy was adversely affected by the political and economic events that occurred in several emerging economies in the 1990s, including in Mexico in 1994, which impacted the fair value of securities issued by companies from markets throughout Latin America. The crisis in the Asian markets beginning in 1997 also negatively affected markets throughout Latin America. Similar adverse consequences resulted from the economic crisis in Russia in 1998, the Brazilian devaluation in 1999 and the Argentine crisis in 2001. In addition, Peru's economy continues to be affected by events in the economies of its major regional partners and in developed economies that are trading partners or that affect the global economy.

The 2008 and 2009 global economic and financial crisis substantially affected the financial system, including Peru's securities market and economy. Additionally, the debt crisis in Europe that began with financial crises in Greece, Spain, Italy and Portugal, reduced the confidence of foreign investors, caused volatility in the securities markets and affected the ability of companies to obtain financing globally. Doubts about the pace of global growth, particularly in the United States, contributed to already weak international growth in 2011, 2012 and 2013. Brexit continues to create volatility and uncertainty in a number of financial markets. The global COVID-19 pandemic has resulted in a worldwide recession that we cannot yet accurately measure as it is ongoing. Any interruption to the recovery of developed economies, the continued effects of the global crisis in 2008 and 2009, a worsening or resurgence of the debt crisis in Europe, impacts due to Brexit, the economic impact of COVID-19, or a new economic and/or financial crisis, or a combination of the above, could affect the Peruvian economy, and consequently, materially adversely affect our business. In particular, the Peruvian economy recently has suffered the effects of fluctuating commodity prices in the international markets, a decrease in export volumes, a decrease in foreign direct investment inflows and, as a result, a decline in foreign reserves and an increase in its current account deficit. Additionally, adverse developments in regional or global markets or an increase in the perceived risks associated with investing in emerging markets in the future could adversely affect the Peruvian economy and, as a result, adversely affect our business, financial condition and results of operations. In March 2020, after its annual review, the FTSE announced that, since there is only one Peruvian stock in the FTSE Global All Cap index, it does not meet the requirements of the new minimum investable market cap and securities count requirement criterion. As a result, Peru was reclassified from Secondary Emerging to Frontier market status as of September 2020.

A decline in the prices of certain commodities in the international markets could have a material adverse effect on our financial condition and results of operations.

In 2022, traditional exports, in particular mineral products, fishing products, agricultural products and petroleum and its derivatives, represented 74.3% of Peru's total exports, according to the figures published by the BCRP. Changes in commodity prices in the international markets may have an adverse impact on Peruvian government finances, which could affect both investor confidence and the sustainability of government expenditure and social programs. Thus, a decline in commodity prices could, ultimately, affect the political environment in Peru, especially as regional and local governments are particularly reliant on tax revenue from mining operations. Lower commodity prices could also affect the retail sector, leading to, for example, a decline in purchasing power and consumer spending.

Corruption and ongoing high-profile corruption investigations may hinder the growth of the Peruvian economy and have a negative impact on our business and operations.

Peruvian authorities are currently conducting several high-profile corruption investigations relating to the activities of certain companies in the construction and infrastructure sectors, which have resulted in suspension or delay of important infrastructure projects that were otherwise operational and permitted. The overall delay relating to such projects has resulted in a drop in GDP growth and overall infrastructure investment.

In July 2017, former President Ollanta Humala and his wife were detained in connection with a corruption probe and in February 2018, a Peruvian judge submitted a request to extradite former president Alejandro Toledo on allegations of bribery, both in connection with Brazilian construction company Odebrecht S.A. Several high-profile politicians are subject to corruption investigations. Corruption and corruption investigations could directly affect the Peruvian government, divert resources that would otherwise be focused on developing the economy, create political instability, and result in slower or negative economic growth, such as has recently happened in Brazil. In turn, this could impact our ability to successfully implement our growth and expansion strategies.

On March 21, 2018, President Kuczynski announced his decision to resign his office as president, due to allegations of corruption he faced. On March 23, 2018, Congress accepted his resignation and his first vice president, Martin Vizcarra, was sworn in as acting president. In November 2021, President Vizcarra was impeached, due to alleged illegal payments by construction companies to President Vizcarra during his tenure as regional governor of Moquegua and, later, as Minister of Transport and Communications.

In July 2018, a set of secretly recorded phone conversations involving high-court officials in Peru revealed widespread corruption in the judicial system's top ranks. In February 2019, preventive prison was ordered of four of the implicated judges while the investigations continue.

In April 2019, two former presidents were placed in preliminary detention due to their alleged ties to corruption: Pedro Pablo Kuczynski, who is currently detained, and Alan Garcia, who took his own life when police came to place him under arrest.

In December 2022, President Castillo announced his decision to dissolve Congress, to intervene in the Judiciary, the Public Ministry, the Attorney General's Office and the Constitutional Court, and to convene the election of a new Congress. This announcement was rejected by all government institutions, including the Public Ministry, the cabinet, and the armed and police forces. President Castillo was impeached that same day by Congress and arrested in transit to the Mexican embassy in Lima to request political asylum. He is currently being investigated and held under preliminary detention.

Although recent history has shown that the macroeconomic stability of the country remains unaffected by political turmoil, we cannot yet assess the political and economic impact these developments may have on the political stability of the country. See "Economic, social and political developments in Peru including political instability, rates of inflation and unemployment could have a material adverse effect on our business, financial condition and results of operations."

Public health crises, including epidemics/pandemics, such as the COVID-19 pandemic, have adversely affected Peru's economy and therefore our business, financial condition and results of operations.

The COVID-19 pandemic had a material adverse impact on the Peruvian economy in 2020, resulting in volatility in the financial markets, reduced international trade and lower activity in certain of the key drivers of the local economy. In addition, social distancing and stay-at-home quarantine measures imposed to minimize pressure on the healthcare system and contain social costs, adversely affected dynamism of various productive sectors of the economy. Reduced activity in these economic sectors has resulted in reduced employment and less income for families and companies.

In 2021, there was a substantial recovery in the Peruvian economy, with the most dynamic sectors being construction, non-primary manufacturing, commerce and some branches of the service sector, including telecommunications and finance and insurance. However, there are sectors that are still lagging behind in their recovery, especially those with a greater degree of physical interaction such as services related to transportation, accommodations, restaurants and tourism in general.

We cannot assure you that the measures adopted by the Peruvian government to counteract the effects of public health crises, such as COVID-19, or others, will be sufficient over the long term to restore public confidence or to restore economic growth.

Risks Relating to our Business and Industry

We are subject to the possible entry of domestic or international competitors into our market, which could decrease our market share and profitability.

The cement market in Peru is competitive and is currently served mainly by three main groups, which together supply most of the cement consumed in the country, although there are two smaller producers and some imports. In the cement industry, the location of a production plant tends to limit the market a plant can serve because transportation costs are high, reducing profit margins. Historically, we have supplied the northern region of Peru while two other groups have supplied the central (which includes the Lima metropolitan area) and southern regions of Peru, driven principally by the location of production facilities and distribution focus. However, competition could intensify if other manufacturers decide to enter our market.

We may face increased competition if the other Peruvian cement manufacturers, despite incremental freight costs, expand their distribution of cement to the northern region of Peru, or if they develop a cement plant in the north, particularly if the cement markets in Lima or other areas of Peru become saturated. In the past, some foreign cement manufacturers have announced plans to build cement plants in the central region of the country. If competition intensifies in the central region of Peru due to the presence of foreign cement manufacturers or otherwise, it may have price repercussions in our market.

We also face the possibility of competition from the entry into our market of imported clinker for grinding facilities, cement or other materials or products from foreign manufacturers, which may have significantly greater financial resources than us, particularly as production capacity continues to exceed depressed demand in other parts of the world and transportation costs decrease.

We may not be able to maintain our market share if we cannot match our competitors' prices or keep pace with the development of new products. If any of these events were to occur, our business, financial condition and results of operations could be adversely affected.

Demand for our cement products is highly related to housing construction in northern Peru, which, in turn, is affected by economic conditions in the region.

Cement consumption is highly related to construction levels. Demand for our cement products depends, in large part, on residential construction in the north of Peru, which consists mostly of low-income families gradually building or improving their own homes without technical assistance, which we refer to as *auto-construcción*. We estimate that in 2022, *auto-construcción* accounted for approximately 76.6% of our cement sales, which proved to be the most resilient sector during the economic crisis generated during 2020 by the COVID-19 pandemic. Residential construction, in turn, is highly correlated to prevailing economic conditions in Peru. A decline in economic conditions would reduce household disposable income and cause a significant reduction in residential construction, leading to a decrease in demand for cement. As a result, a deterioration of economic conditions in the northern region of Peru would have a material adverse effect on our financial performance and results of operations. We cannot assure you that growth in Peru's GDP, or the contribution to GDP growth attributable to the northern region of the country, will continue at the recent pace or at all. Despite political uncertainty, cement sales have continued to be strong during 2022. However, we cannot assure you that strong sales will remain during 2023 and beyond, as the economy continues to be affected by external factors such as inflationary pressure, and political uncertainty continues.

A reduction in private or public construction projects in the northern region of Peru would have a material adverse effect on our business, financial condition and results of operations.

We estimate that in 2022, approximately 12.7% of our cement sales were derived from private construction (other than *auto-construcción*) and 10.7% from public construction in the north of Peru. Significant interruptions or delays in, or the termination of, private or public construction projects may adversely affect our business, financial condition and results of operations. Private and public construction levels in our market depend on investments in the region which, in turn, are affected by economic conditions.

The level of public infrastructure construction also depends, to a great extent, on the priorities and financial resources of the national, regional and local governmental authorities. Although the anticipated increase in Peru's large infrastructure projects has been delayed, this remains an important growth driver for the country and also a necessity due to Peru's significant infrastructure deficit. In the North, significant spending will be directed towards reconstruction works to address the damage caused by Coastal El Niño, based on Peru's "Reconstruction with Changes" Plan. This Plan has an approved budget of S/25.7 billion (US\$7.6 billion). In June 2020, the Peruvian government signed an agreement with the government of the United Kingdom, for the execution of a package of S/7 billion. Through the agreement, the United Kingdom will provide the structure, strategy and governance processes necessary for the timely delivery of all works, promoting efficiency and avoiding corruption. This model has already been used successfully for the construction of the necessary infrastructure for the Lima 2019 Pan American Games, therefore favorable results are expected this time as well. Although execution has been slower than expected, the continuation of this project will continue to boost our sales. However, we cannot assure that public spending for construction projects will continue in the upcoming years. A reduction in public infrastructure spending in our market would adversely affect our business, financial condition and results of operations.

Our business, financial condition and results of operations may be adversely affected by increases in energy prices or shortages in the supply of energy.

Energy accounts for a significant percentage of our production costs. Our principal energy sources are coal, gas and electricity. In 2022, the cost of energy represented approximately 31.0% of our cement production costs, compared to 25.0% in 2021 and 28.7% in 2020. We use a substantial amount of coal as a source of fuel in our production process. Most of the coal we use is anthracite coal which we purchase from domestic suppliers and import a small amount of bituminous coal from suppliers primarily in Colombia, in each case, at market prices. We do not have long-term coal supply agreements, and we do not engage in hedging transactions in connection with the price of coal. Any shortage or interruption in the supply of coal could also disrupt our operations. In addition, the price of coal is largely driven by the price of oil, and, as a result, increases in international oil prices are likely to affect the price of coal and adversely affect our results of operations.

We have a long-term electricity supply agreement with Electroperú S.A. (“Electroperú”), a government-owned company, to serve the electricity requirements of our Pacasmayo and Piura facilities until 2026. We have also entered into a supply agreement with Electro Oriente S.A. (“ELOR”) to supply the Rioja facility until 2024. Our business, financial condition and results of operations could be materially and adversely affected by higher costs, interruptions, and unavailability or shortage of electricity. We have no back-up power system at our plants and cannot assure you that, in case of interruption or failure in Electroperú’s or ELOR’s operations, we will have access to other energy sources at the same prices and conditions, which could adversely affect our business, financial condition and results of operations. Moreover, electricity to our plants is transmitted through the Peruvian Electricity Interconnection System (*Sistema Eléctrico Interconectado Nacional del Perú*, or “SEIN”). Any interruptions or failures in SEIN’s system would also have a material adverse effect on our business, financial condition and results of operations.

In the recent past, we have experienced electricity rationing, limiting our use of electricity to certain times of the day. In such cases, we were forced to readjust our production schedules in order to ensure that our production process was not interrupted. In the event of any future rationing of electricity, we may not be able to readjust quickly enough and our production process may be interrupted. Future shortages or efforts to respond to or prevent shortages, such as rationing, may adversely impact the cost or supply of electricity for our operations.

A significant increase in the prices of coal, gas or electricity would increase our costs of production. We may not be able to increase the prices of our cement products in the future if the prices of coal, gas or electricity rises, which would adversely affect our business, financial condition and results of operations.

Changes in the cost or availability of admixtures and raw materials supplied by third parties may adversely affect our business, financial condition and results of operations.

We use certain admixtures and raw materials in the production of cement, such as gypsum, blast furnace slag and iron that we obtain from third parties. In 2022, our cost of admixtures and raw materials supplied by third parties as a percentage of our cement production costs was approximately 5.1%, compared to approximately 4.5% in 2021. Moreover, during 2022, we had to use imported clinker, to satisfy the sharp and sudden increase in cement demand, and the cost of this imported clinker as a percentage of our cement production costs was approximately 16.3%, compared to 21.3% in 2021. We do not have long-term contracts for the supply of admixtures or raw materials that we use and if existing suppliers cease operations or reduce or eliminate production of these products, our costs to procure these materials may increase significantly or we may be obligated to procure alternatives to replace these products. Current increases in import prices, mainly due to freight increases, have affected the price of our admixtures. We have tried to replace, when possible, imported admixtures with local ones to decrease the effect on our cost of production. We are also currently investing to optimize the current capacity at our Pacasmayo plant, in order to produce an additional estimated 600,000 metric tons of clinker per year, in order to reduce our clinker imports. We expect to finish this optimization by the second half of 2023. However, we cannot assure that we will continue to be able to replace imported admixtures or optimize the current capacity at our Pacasmayo plant in the timing expected or at all.

We may undertake future acquisitions that may not achieve expected benefits.

Our strategic initiatives include pursuing acquisitions that tend to diversify our existing portfolio of products and services and expand our geographic footprint. In the future, we may decide to expand by acquiring other companies in Peru or abroad. Any future acquisitions will depend on our ability to identify suitable candidates, negotiate acceptable terms, and obtain financing for the acquisitions. If future acquisitions are significant, they could change the scale of our business and expose us to new geographic, political, operating and financial risks. In addition, each acquisition involves a number of risks, such as the diversion of our management's attention from our existing business to integrating the operations and personnel of the acquired business, possible adverse effects on our results of operations during the integration process, our inability to achieve the intended objectives of the combination and potential unknown liabilities associated with the acquired assets.

We may not be able to obtain the funding required to implement future strategies.

Our strategies to continue to expand our cement production capacity and distribution network require significant capital expenditures. We cannot assure you that we will generate sufficient cash flow from operations, or that we will have access to external financing sources, to adequately fund such capital expenditures. Our access to external sources of financing will depend on many factors, including factors beyond our control, such as conditions in the global capital markets and investors' risk perception of investing in Peru and in emerging markets generally. Any equity or debt financing, if available, may not be on terms that are favorable to us. If our access to external financing is limited, we may not be able to execute our strategy, which could adversely affect our business, financial condition and results of operations.

In addition, our local bonds due 2029 and 2034, and the "club deal" loan we entered into in 2021, contain covenants that limit our ability and that of our restricted subsidiaries to incur additional indebtedness if we do not meet certain financial ratios. If we are unable to incur additional debt to fund our future strategies, our business could be adversely affected.

We are subject to risks related to litigation and administrative proceedings that could adversely affect our business and financial performance in the event of an unfavorable ruling.

The nature of our business exposes us to litigation relating to product liability claims, labor, health and safety matters, environmental matters, regulatory, tax and administrative proceedings, governmental investigations, tort claims and contract disputes, among other matters. In the past, we have been subject to antitrust and tax proceedings or investigations. While we contest these matters vigorously and make insurance claims when appropriate, litigation is inherently costly and unpredictable, making it difficult to accurately estimate the outcome of actual or potential litigation. Although we establish provisions as we deem necessary, the amounts that we reserve could vary significantly from any amounts we actually pay due to the inherent uncertainties in the estimation process. We cannot assure you that these or other legal proceedings will not materially affect our ability to conduct our business, financial condition and results of operations in the event of an unfavorable ruling.

Our business is subject to a number of operational risks, which may adversely affect our business, financial condition and results of operations.

Our business is subject to several industry-specific operational risks, including accidents, natural disasters, labor disputes and equipment failures. Such occurrences could result in damage to our production facilities and equipment, and/or the injury or death of our employees and others involved in our production process. Moreover, such accidents or failures could lead to environmental damage, loss of resources or intermediate goods, delays or the interruption of production activities and monetary losses, as well as damage to our reputation. Our insurance may not be sufficient to cover losses from these events, which could adversely affect our business, financial condition and results of operations.

In addition, key equipment at our facilities, such as our mills and kilns, may deteriorate sooner than we currently estimate. Such deterioration of our assets may result in additional maintenance or capital expenditures and could cause delays or the interruption of our production activities. If these assets do not generate the cash flows we expect, and we are not able to procure replacement assets in an economically feasible manner, our business, financial condition and results of operations may be materially and adversely affected.

Our business depends on the continued operation of our Pacasmayo and Piura facilities.

Our production facilities in Pacasmayo and Piura are essential to our business. In 2022, approximately 91.1% of our total cement and all of our quicklime was produced at our Pacasmayo and Piura facilities. These plants are subject to normal hazards of operating any cement production facility, including accidents, natural disasters and unexpected malfunctioning of the equipment. Any interruption in our operation of our Pacasmayo or Piura facilities or a decrease in the effective capacity of these facilities would adversely affect our results of operations. In 2020, the production and commercialization of cement was shut down for over two months, as a consequence of the state of emergency declared to prevent the spread of COVID-19. This halt in production and commercialization for over two months had an adverse effect on our business, financial condition and results of operations, which we were able to partially offset during the second half of the year due to strong demand. However, we cannot assure you that demand will continue to be strong during 2023 and beyond, or that there will not be further shutdowns or closures of significant parts of the economy,

The introduction of cement substitutes into the market and the development of new construction techniques could have a material adverse effect on our business, financial condition and results of operations.

Materials such as plastic, aluminum, ceramics, glass, wood and steel can be used in construction as a substitute for cement. In addition, other construction techniques, such as the use of drywall, could decrease the demand for cement and concrete. In Peru, drywall has only been introduced into the housing construction market in recent years and it is not widely used. However, the use of drywall for housing construction could increase significantly in the future as it becomes more popular. In addition, research aimed at developing new construction techniques and modern materials may introduce new products in the future. The use of substitutes for cement could cause a significant reduction in the demand and prices for our cement products.

Our success depends on key members of our management and board of directors.

Our success depends largely on the efforts and strategic vision of our executive management team and our board of directors. The loss of the services of some or all of our executive management team or members of our board of directors could have a material adverse effect on our business, financial condition and results of operations.

The execution of our business plan also depends on our ongoing ability to attract and retain additional qualified employees capable of operating our plants. Due to the limited pool of skilled workers in the north of Peru or workers from other regions willing to relocate to the north of Peru, we may not be successful in attracting and retaining the personnel we require. If we are unable to hire, train and retain qualified employees at a reasonable cost, we may be unable to successfully operate our business or reach full planned production levels in a timely manner and, as a result, our business, financial condition and results of operations could be adversely affected.

Our operations and sales are highly concentrated in the northern region of Peru.

All of our operations are located in the northern region of Peru, including our production facilities and the quarries from where we obtain limestone to produce cement. In addition, substantially all our cement products are sold to consumers in this market. As a result, any adverse economic, political, or social conditions affecting the northern region of Peru, as well as natural disasters and weather conditions, such as the El Niño climate pattern, among other factors that may affect this region, could have a material adverse effect on our business, financial condition and results of operations. In 2017, the north of Peru experienced severe rain, landslides, and flooding, which affected the demand for cement, and the ability to ship it, as well as the provision of raw materials since some roads were destroyed. Our plants did not suffer any significant damage as we halted operations to mitigate physical damage. For example, in March 2023, Cyclone Yaku generated intense rainfall, which resulted in flooding and mudslides, which severely damaged some areas in the north of Peru, particularly the city of Pacasmayo, where we operate. Although there was no severe physical damage to our properties, we were affected by temporary road interruptions, inadequate work force turnout, temporary disruptions in the supply of products, delays in the delivery of our products.

We are subject to environmental regulations and may be exposed to liability and political cost as a result of our handling of hazardous materials and potential costs for environmental compliance.

We are subject to various environmental protection and health and safety laws and regulations that regulate, among other things, the generation, storage, handling, use and transportation of hazardous materials; emissions and discharge of hazardous materials; and the health and safety of our employees. Pursuant to Peruvian law, in order to conduct mining and industrial activities, we are required, among other things, to (i) submit an environmental impact assessment to the Ministry of Production (*Ministerio de la Producción*) and a mining closure plan to the Ministry of Energy and Mines (*Ministerio de Energía y Minas*, or “MINEM”) prior to initiating mining activities, (ii) comply with certain air emission and wastewater discharge standards, (iii) obtain approval from the water management authority to discharge wastewater into natural water sources or soil, (iv) dispose solid waste generated by us in special landfills exclusively through companies registered with the environmental agency, and (v) store fuel in compliance with environmental and safety standards. In addition, we are required to have a health and safety committee and develop an internal health and safety code. Although we believe we are in compliance with all these regulations in all material respects, we cannot assure you that we have been or will be at all times in full compliance with these laws and regulations. Any violation of such laws or regulations could result in substantial fines, criminal sanctions, revocations of operating permits and shutdowns of our facilities. In addition, current or future governments may also impose stricter regulations which may require us to incur higher compliance costs.

Pursuant to certain applicable environmental laws, we could be held liable for all or substantially all of the damages caused by pollution at our current or former facilities or those of our predecessors or at disposal sites. We could also be held liable for all incidental damages due to the health effects of exposure of individuals to hazardous substances or other environmental damage.

We cannot assure you that our costs of complying with current and future environmental and health and safety laws and regulations, and any liabilities arising from past or future releases of, or exposure to, hazardous substances will not adversely affect our business, financial condition and results of operations.

Social unrest by local communities may have an adverse effect on our business and results of operations.

Mining is an important part of the Peruvian economy. As of December 31, 2022, mining and oil and gas accounted for approximately 12.3% of the country’s GDP according to the BCRP. On several occasions, local communities have opposed these operations and accused them of polluting the environment and hurting agricultural and other traditional economic activities. In recent years, Peru has experienced protests against mining projects in several regions around the country. For example, since 2019, there have been on-and-off conflicts in Las Bambas between local communities and China Minmetals Corp, resulting in road blockages and halt in operations repeatedly throughout this period, and is still ongoing. We conduct some extraction activities in our quarries and operate in areas close to local communities. Although we have historically had very good relationships with the local communities where we operate and nearby, we provide no assurance that this will continue to be the case in the future. During 2022, certain groups made social demands relating to agriculture, transportation, mining, which caused instability. In December, social unrest, mainly in the center and south of the country after the impeachment of President Castillo caused further instability and have resulted in an overall slowdown in GDP growth. Further social demands and conflicts may have an effect on the Peruvian economy, and on our business and results of operations.

International agreements related to climate change may result in an increase in our costs.

There are ongoing international efforts to address greenhouse emissions. The United Nations and certain international organizations have taken action against activities that may increase the atmospheric concentration of greenhouse gases. Regulatory measures, such as the Kyoto Protocol, aimed at addressing greenhouse gas emissions and climate changes, are in various stages of negotiation and implementation. Such measures may result in increased costs to us for installation of new controls aimed at reducing greenhouse gas emissions, purchase of credits or licenses for atmospheric emissions, and monitoring and registration of greenhouse gas emissions from our operations. These measures, if adopted in Peru, could adversely affect our business, financial condition and results of operations.

Changes in regulations or in the interpretation of regulations may adversely affect our business, financial condition and results of operations.

Our business is subject to extensive regulation in Peru, including, among others, relating to tax, environmental, labor, health and safety, and mining matters. We believe that our facilities are currently operating in all material respects in accordance with all applicable concessions, laws and regulations. Future regulatory changes, changes in the interpretation of such regulations or stricter enforcement of such regulations, including changes to our concession agreements, may increase our compliance costs and could potentially require us to alter our operations. We cannot assure you that regulatory changes in the future will not adversely affect our business, financial condition and results of operations.

Any dispute with the labor unions that represent our employees could have an adverse effect on our business, financial condition and results of operations.

As of December 31, 2022, approximately 21.6% of our employees were members of employee unions. Although we consider our relations with our employees are currently positive, we cannot assure you that we will not experience work slowdowns, work stoppages, strikes or other labor disputes in the future, which could adversely affect our business, financial condition and results of operations.

New projects may require the prior approval of local indigenous communities.

On September 7, 2011, Peru enacted Law No. 29785, regarding the Prior Consultation Right of Local Indigenous Communities, in accordance with the International Labor Organization Convention No. 169 (*Ley del Derecho a la Consulta Previa a los Pueblos Indígenas y Originarios, Reconocido en el Convenio 169 de la Organización Internacional del Trabajo*). This law, which became effective on December 6, 2011, establishes a prior consultation procedure (*procedimiento de consulta previa*) that the Peruvian government must carry out with local indigenous communities, whose rights may be directly affected by new legislative or administrative measures, including the granting of new mining concessions. Local indigenous communities do not have a veto right; upon completion of this prior consultation procedure, the Peruvian government retains the discretion to approve or reject the applicable legislative or administrative measure. However, to the extent that in the future our new projects may require implementation of legislative or administrative measures that impact local indigenous communities, we may not be able to undertake such projects, unless the Peruvian government first conducts the foregoing consultation procedure. We cannot assure you that this law will not adversely affect our new projects and have an adverse effect on our business, financial condition and results of operations.

The instruments pursuant to which our principal indebtedness was issued contain financial and other covenants, and any default under any of these instruments may have a material adverse effect on our financial condition and cash flows.

In January 2019, we issued an aggregate of S/570 million in debt securities in two issuances under our local bond program: one in the aggregate principal amount of S/260 million bearing interest at a rate of 6.68750% with a term of 10 years, and another in the aggregate principal amount of S/310 million bearing interest at a rate of 6.84375% with a term of 15 years. These issuances contain the same restrictions and covenants as our 4.50% Senior Notes due 2023. And, in 2021, we entered into a “club deal” loan, which also contains restrictive covenants, as well as financial covenants requiring us to meet certain financial ratios tests. Failure to meet or satisfy any of these covenants could result in an event of default under the indenture, the agreements governing our local bonds or our “club deal” loan.

Failures in our information technology systems and information security (cybersecurity) systems can adversely impact our operations and reputation.

Our operations are to a certain extent dependent on information technology and automated operating systems to manage or support our operations. The proper functioning of these systems is critical to the efficient operation and management of our business. In addition, these systems may require modifications or upgrades as a result of technological changes or growth in our business. These changes may be costly and disruptive to our operations. Our systems may be vulnerable to damage, disruption or intrusion caused by circumstances beyond our control, such as physical or electronic break-ins, catastrophic events, power outages, natural disasters, computer system or network failures, viruses or malware, unauthorized access and cyberattacks. Although we take actions to secure our systems and electronic information through cybersecurity tools, backup and recovery solutions, procedures and policies which are based on Cybersecurity framework NIST 1.1 and ISO/IEC 27001:2013, have disaster recovery plans in case of incidents that could cause major disruptions to our business, these measures may not be sufficient since cybersecurity threats continue to evolve over time. Any significant information leakage or theft of information could affect our compliance with data privacy laws and damage our relationship with our employees, customers and suppliers, and also adversely impact our business, financial condition and results of operations. Our insurance does not cover any risk associated with any cyber security risks.

Risks Relating to our Common Shares and ADSs

The market price of our ADSs may fluctuate significantly, and you could lose all or part of your investment.

Volatility in the market price of our ADSs may prevent you from being able to sell your ADSs at or above the price you paid for them. The market price and liquidity of the market for our ADSs may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include, among others:

- actual or anticipated changes in our results of operations, or failure to meet expectations of financial market analysts and investors;
- investor perceptions of our prospects or our industry;
- operating performance of companies comparable to us and increased competition in our industry;
- new laws or regulations or new interpretations of laws and regulations applicable to our business;
- general economic trends in Peru;
- catastrophic events, such as earthquakes and other natural disasters; and
- developments and perceptions of risks in Peru and in other countries.

Our controlling shareholder has significant influence over us and his interests could conflict with the interests of other shareholders.

As of March 31, 2023, our controlling shareholder beneficially owned 50.01% of our outstanding common shares. As a result, our controlling shareholder has the ability to determine the outcome of substantially all matters submitted for a vote to our shareholders and thus exercise control over our business policies and affairs, including, among others, the following:

- the composition of our board of directors and, consequently, any determinations of our board with respect to our business direction and policy, including the appointment and removal of our executive officers;
- determinations with respect to mergers, other business combinations and other transactions, including those that may result in a change of control;
- whether dividends are paid or other distributions are made and the amount of any such dividends or distributions;
- whether we offer preemptive and accretion rights to holders of our common shares in the event of a capital increase;
- sales and dispositions of our assets; and
- the amount of debt financing we incur.

Our controlling shareholder may direct us to take actions that could be contrary to the interests of our other shareholders and may be able to prevent other shareholders from blocking these actions or from causing different actions to be taken. Also, our controlling shareholder may prevent change of control transactions that might otherwise provide the shareholders with an opportunity to dispose of or realize a premium on their investment in our common shares and ADSs. We cannot assure you that our controlling shareholder will act in a manner consistent with our other shareholders' best interests.

Holders of ADSs may be unable to exercise voting rights with respect to our common shares underlying the ADSs at our shareholders' meetings.

Holders of ADSs may exercise voting rights with respect to the common shares represented by the ADSs only in accordance with the deposit agreement relating to the ADSs. Holders of our common shares will receive notice of shareholders' meetings through publication of a notice 25 days in advance, pursuant to Peruvian law, in the official gazette in Peru, a Peruvian newspaper of general circulation, the bulletin of the Lima Stock Exchange and the website of the *Superintendencia del Mercado de Valores* (the "Peruvian Securities Commission"), and will be able to exercise their voting rights by either attending the meeting in person or voting by proxy. ADS holders will not receive notice directly from us. Instead, pursuant to the deposit agreement, we will notify the depositary, which will mail to holders of ADSs the notice of the meeting and a statement as to the manner in which voting instructions may be given. To exercise their voting rights, ADS holders must instruct the depositary how to exercise the voting rights for the common shares which underlie their ADSs. Due to these additional procedural steps involving the depositary, the process for exercising voting rights may take longer for ADS holders than for holders of our common shares.

Holders of ADSs also may not receive voting materials in time to instruct the depositary to vote the common shares underlying their ADSs. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions of the holders of ADS or for the manner of carrying out such instructions, unless such failure can be attributable to gross negligence, bad faith or willful misconduct on the part of the depositary or its agents. Accordingly, holders of ADSs may not be able to exercise voting rights, and they will have little, if any, recourse if the underlying common shares are not voted as requested.

The ability of holders of our ADSs to receive payments of cash dividends may be limited.

Our shareholders' ability to receive cash dividends may be limited by the ability of the depositary to convert cash dividends paid in *soles* into U.S. dollars. Under the terms of our deposit agreement with the depositary for the ADSs, the depositary will convert any cash dividend or other cash distribution we pay on the common shares underlying the ADSs into U.S. dollars, if it can do so on a reasonable basis and can transfer the U.S. dollars to the United States. If this conversion is not possible or if any government approval is needed and cannot be obtained, the deposit agreement allows the depositary to distribute the foreign currency only to those ADS holders to whom it is possible to do so. If the exchange rate fluctuates significantly during a time when the depositary cannot convert the foreign currency, holders of ADSs may lose some or all of the value of the dividend distribution.

Holders of ADSs may be unable to exercise pre-emptive or accretion rights with respect to the common shares underlying their ADSs.

Under Peruvian corporate law, if we issue new common shares as part of a capital increase, unless otherwise agreed to by holders of 40.0% of our outstanding common shares, our shareholders will generally have the right to subscribe to a proportional number of common shares of the class held by them to maintain their existing ownership percentage, which is known as preemptive rights. In addition, shareholders are entitled to the right to subscribe for the unsubscribed common shares of either the class held by them or other classes which remain unsubscribed at the end of a preemptive rights offering, on a pro rata basis, which is known as accretion rights. Holders of ADSs may not be able to exercise the preemptive or accretion rights relating to common shares underlying the ADSs unless a registration statement under the U.S. Securities Act of 1933, as amended (the "Securities Act"), is effective with respect to those rights or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement with respect to the common shares relating to these preemptive and accretion rights and we cannot assure you that we will file any such registration statement. Unless we file a registration statement or an exemption from registration is available, holders of ADSs may receive only the net proceeds from the sale of their preemptive and accretion rights by the depositary or, if the preemptive and accretion rights cannot be sold, they will be allowed to lapse. As a result, U.S. holders of our ADSs may suffer dilution of their interest in our company upon future capital increases.

We are entitled to amend the deposit agreement under which our ADSs were issued, and to change the rights of ADS holders under the terms of such agreement, without the prior consent of the ADS holders.

We are entitled to amend the deposit agreement and to change the rights of the ADS holders under the terms of such agreement, without the prior consent of the ADS holders. Any change related to an increase in deposits or charges for book-entry securities services or any modification that might hinder the rights of the ADS holders will be effective within 30 days after the ADS holders have received notice of such change or modification and such holders will have no right to any compensation whatsoever.

Our status as a foreign private issuer allows us to follow alternate standards to the corporate governance standards of the New York Stock Exchange, which may limit the protections afforded to investors.

We are a “foreign private issuer” within the meaning of the New York Stock Exchange corporate governance standards. Under New York Stock Exchange rules, a foreign private issuer may elect to comply with the practices of its home country and not to comply with certain corporate governance requirements applicable to U.S. companies with securities listed on the exchange. We currently follow certain Peruvian practices concerning corporate governance and intend to continue to do so. Accordingly, holders of our ADSs will not have the same protections afforded to shareholders of companies that are subject to all New York Stock Exchange corporate governance requirements.

For example, the New York Stock Exchange listing standards provide that the board of directors of a U.S. listed company must have a majority of independent directors at the time the company ceases to be a “controlled company.” Under Peruvian corporate governance practices, a Peruvian company is not required to have a majority of independent members on its board of directors.

The listing standards for the New York Stock Exchange also require that U.S. listed companies; at the time they cease to be “controlled companies,” have a nominating/corporate governance committee and a compensation committee (in addition to an audit committee). Each of these committees must consist solely of independent directors and must have a written charter that addresses certain matters specified in the listing standards. Under Peruvian law, a Peruvian company may, but is not required to, form special governance committees, which may be composed partially or entirely of non-independent directors.

In addition, New York Stock Exchange rules require the independent non-executive directors of U.S. listed companies to meet on a regular basis without management being present. There is no similar requirement under Peruvian law.

The New York Stock Exchange’s listing standards also require U.S. listed companies to adopt and disclose corporate governance guidelines. In November 2013, the Peruvian Securities Commission and a committee comprised of regulatory agencies and associations prepared and published a list of suggested non-mandatory corporate governance guidelines called the “Good Corporate Governance Code for Peruvian Companies.” Although we have implemented a number of these measures, we are not required to comply with the corporate governance guidelines by law or regulation, only to disclose whether or not we are in compliance.

Minority shareholders in Peru are not afforded equivalent protections as minority shareholders in other jurisdictions and investors may face difficulties in commencing judicial and arbitration proceedings against our company or the controlling shareholder.

Our company is organized and existing under the laws of Peru, and our controlling shareholder is resident in Peru. Accordingly, investors may face difficulties in serving process on our company, our officers and directors or the controlling shareholder in other jurisdictions, and in enforcing decisions granted by courts located in other jurisdictions against our company, our officers and directors or the controlling shareholder that are based on securities laws of jurisdictions other than Peru.

In Peru, there are no proceedings to file class action suits or shareholder derivative actions with respect to issues arising between minority shareholders and an issuer, its controlling shareholders or directors and officers. Furthermore, the procedural requirements to file actions by shareholders differ from those of other jurisdictions, such as in the United States. As a result, it may be more difficult for our minority shareholders to enforce their rights against us, our directors, officers or controlling shareholder as compared to the shareholders of a U.S. company. The deposit agreement provides that the depositary has no obligation to commence or become involved in any judicial proceedings and any other legal actions relating to the ADSs or the deposit agreement, either on behalf of the ADS holders or on behalf of any other person.

The ability of investors to enforce civil liabilities under U.S. securities laws may be limited.

Most of our directors or executive officers are not residents of the United States. All or a substantial portion of our assets and those of our directors and executive officers are located outside of the United States. As a result, it may not be possible for investors in our securities to affect service of process within the United States upon such persons or to enforce in U.S. courts or outside of the United States judgments obtained against such persons outside of the United States.

We are a company organized and existing under the laws of Peru, and there is no existing treaty between the United States and Peru for the reciprocal enforcement of foreign judgments. It is not clear whether a Peruvian court would accept jurisdiction and impose civil liability if proceedings were commenced in a foreign jurisdiction predicated solely upon U.S. federal securities laws.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Our History

Cementos Pacasmayo S.A.A. was incorporated in Lima, Peru in 1949, by a group of private investors that founded the company to serve the cement market in the northern region of Peru. Cementos Pacasmayo began its operations in 1957 and is a publicly held corporation (*sociedad anónima abierta*) organized under the laws of Peru. Our executive offices are located at Calle La Colonia 150, Urbanización El Vivero, Surco, Lima, Peru. Our telephone number at this location is + (511) 317-6000. Our website address is www.cementospacasmayo.com.pe. Information on or accessible through our website is not a part of, nor incorporated by reference in, this annual report.

Cementos Pacasmayo S.A.A. and Hochschild Mining plc together constitute the two businesses of the Hochschild Group, which has operated in Latin America for more than 100 years. Hochschild Mining plc is incorporated in the United Kingdom and its shares have been listed on the London Stock Exchange since 2006. Cementos Pacasmayo has been listed on the Lima Stock Exchange since 1995. As of March 31, 2023, Eduardo Hochschild, directly and indirectly, owned and controlled 38.32% of the shares of Hochschild Mining plc. Through Inversiones ASPI S.A. ("ASPI"), as of that same date, Eduardo Hochschild, directly and indirectly, owned and controlled 50.01% of the outstanding common shares of Cementos Pacasmayo. S.A.A.

The Hochschild Group traces its origins to 1911, when Mauricio Hochschild, a German mining engineer, founded a group of companies in South America that came to be known as the Hochschild Group. Following World War I, the Hochschild Group expanded into Bolivia where it developed significant interests in tin. The Hochschild Group commenced operations in Peru in 1925 and in 1945 Luis Hochschild, the nephew of Mauricio Hochschild (and the father of Eduardo Hochschild), joined the Hochschild Group's Peruvian operations.

During the first decades of its operations, the Hochschild Group focused on the commercialization of minerals, although it later began operating its own mines and other industrial companies. During World War II, the Hochschild Group was a key supplier of tin and other metals to the allied forces.

The Hochschild Group acquired its initial ownership interest in us in 1956. Set forth below are key developments in our company's history.

- In 1957, we began our operations with the installation of our first clinker line with an installed production capacity of approximately 110,000 metric tons per year. In 1966 and 1977, we added a second and third clinker line, respectively, increasing our installed clinker production capacity to approximately 830,000 metric tons per year.
- In November 1984, the South American mining and industrial operations of the Hochschild Group were sold to the Anglo American Corporation of South Africa which, in the same month, sold the Peruvian operations of the Hochschild Group, including its interest in Cementos Pacasmayo and predecessors of Hochschild Mining plc, to a group of companies controlled by Luis Hochschild.
- In 1995, we launched our distribution network to commercialize and distribute our products throughout the northern region of Peru. In that same year, we also listed our common shares for trading on the Lima Stock Exchange, currently under the ticker symbol "CPACASC1."
- In 1998, we acquired from the Peruvian government our Rioja facility, located in the northeast of Peru. At the time, the Rioja facility had one clinker line with an installed cement production capacity of approximately 35,000 metric tons per year.
- In 2003, we acquired Zemex Corporation, a U.S. company engaged in non-metallic mining and industrial activities in the United States and Canada, which we sold in 2007 in a series of transactions.
- In 2009, we created Fosfatos del Pacífico in order to explore phosphate rock deposits from our concession at Bayóvar in the north of Peru.
- In 2010, we reached an aggregate total installed cement production capacity of 3.1 million in our Pacasmayo and Rioja facilities and completed the conversion of our Waelz kiln, retrofitting it to produce quicklime or calcine zinc interchangeably. That same year, we also sold our copper mining concessions in the central region of Peru known as "Mina Raul," which were previously leased to a third party, for US\$28.0 million.
- In December 2011, we sold a minority equity interest in Fosfatos to an affiliate of Mitsubishi to develop our phosphate deposits in the Bayóvar fields, in the northwest of Peru.
- In March 2012, we completed our initial equity offering of 22,296,800 ADSs in the United States and listed our ADSs on the New York Stock Exchange.

- In February 2013, we issued US\$300 million in our inaugural international bond offering. A portion of the proceeds from this offering were used to prepay amounts outstanding on our secured loan agreement with BBVA Banco Continental, and the remaining proceeds were used to fund a portion of the capital expenditures related to the construction and operation of our new Piura plant and our cement business.
- In September 2015, we began producing cement at our new plant in Piura. This was a very important milestone for us, since we have been investing in this project since 2012 and we have begun to reap the benefits of this investment.
- In January 2016, we began producing clinker at our new plant in Piura, finishing the start-up of the plant, adding one million metric tons of annual clinker production capacity.
- In March 2017, we completed the spin-off of Fostatos del Pacifico.
- In December 2017, our board of directors resolved to focus our strategy on our core business of developing cement and building solutions. In furtherance of this strategy, we have focused on disposing of our non-core investments. In the fourth quarter of 2017, we discontinued our brine project.
- In March 2018, we launched our new brand image and updated our vision: to further enhance our position as a leader in developing building solutions and innovations that anticipate the needs of our clients and that contributes to the progress of our country.
- During 2018, we implemented the ISO 37001 anti-bribery management systems, obtaining certification in January 2019. This certification confirms that our management systems are designed to help prevent, detect and respond to bribery and comply with anti-bribery laws and voluntary commitments applicable to our activities. This certification and related initiatives reiterate our commitment to global anti-bribery best practices and high standards of transparency and good corporate governance.
- In November 2018, we launched an offer to purchase for cash a portion of the US\$300 million principal amount of our outstanding 4.50% Senior Notes due 2023. The offer expired on December 7, 2018 and we purchased a total of US\$168,388,000, or approximately 56.13% of the total outstanding amount of our 4.50% Senior Notes due 2023.
- On January 8, 2019, the General Shareholders' Meeting approved the creation of a local bond program in an aggregate principal amount up to S/1,000 million. On January 31, 2019, we issued an aggregate principal amount of S/570 million in debt securities under our local bond program: one in the aggregate principal amount of S/260 million accruing interest at a rate of 6.68750% per annum with term to maturity of 10 years, and the other in the aggregate principal amount of S/310 million accruing interest at a rate of 6.84375% per annum with a term to maturity of 15 years. The proceeds were used to purchase a portion of our 4.50% Senior Notes due 2023. The rates and terms obtained reduce our financial cost structure, with lower cost of capital, an extended maturity and less exposure to exchange rate fluctuations.
- In 2020, we were included on the Dow Jones Sustainability ("DJS") MILA Pacific Alliance Index for the second consecutive year. This index is made up of those companies that demonstrate superior performance among their peers based on social, environmental, and economic criteria.
- In 2021, given the exponential growth in the demand for cement, in October 2021, the optimization of the capacity of our Pacasmayo plant was approved, in order to produce an additional 600,000 metric tons of clinker, and thus reduce the consumption of imported clinker.
- In 2022, for the fourth consecutive year, we managed to be part of the annual DJS MILA Pacific Alliance Index, achieving a score of 79 points, which was an improvement of 4 points compared to the previous year. We were the only Peruvian cement company present in DJS MILA Pacific Alliance Index for 2022. In addition, to strengthen our sustainability strategy and especially our commitment to reducing emissions, in 2022, we designated a Sustainability Manager and a Climate Change Managing Director. During 2022, we implemented the ISO 37301 compliance management system, obtaining the certification in January 2023.

Capital Expenditures

We expect to spend approximately S/ 75 million per year over the next three years on recurring capital expenditures necessary to operate our plants and equipment. During 2023, we will incur in additional capital expenditures to finance the optimization of our plant in Pacasmayo. We expect to finance these investments with our current and future cash flows.

The table below sets forth our total capital expenditures incurred in 2022, 2021 and 2020.

(in millions of S/)	Year ended December 31,		
	2022	2021	2020
Concrete and aggregates equipment	18.8	27.9	24.9
Piura plant projects	17.1	15.1	17.0
Pacasmayo plant projects	149.7	45.4	16.9
Rioja plant projects	4.5	8.9	3.4
Other investing activities		-	0.5
Total	190.1	97.3	62.7

B. Business Overview

Overview

We are a leading Peruvian cement company, and the only cement manufacturer in the northern region of Peru. With more than 65 years of operating history, we produce, distribute and sell cement and cement-related materials, such as precast products and ready-mix concrete. Our products are primarily used in construction, which has been one of the fastest growing segments of the Peruvian economy in recent years. We also produce and sell quicklime for use in mining operations, although it represents a very small percentage of our overall revenues.

In 2022, our cement shipments were approximately 3.4 million metric tons, representing an estimated 23.9% share of total cement shipments in Peru. Cement volumes in 2022 decreased by 5.4% compared to 2021. 2021 was an all-time record year in terms of our cement shipments, with an increase of 39.6% versus 2019, which was our previous record year. We believe the construction sector has significant potential to grow with the continued deficit in infrastructure and the persistent housing deficit in the country, as well as the reconstruction of northern Peru following the impact of El Niño weather conditions in the first four months of 2017. Our current challenge is to sustain cement sales volume levels in 2023.

We own three cement production facilities, our flagship Pacasmayo facility located in the northwest region of Peru, our Piura facility located around 300 kilometers north of Pacasmayo, and our smaller Rioja facility located in the northeast. Our facilities have total installed annual cement production capacity of approximately 4.9 million metric tons. We also have installed annual production capacity of 240,000 metric tons of quicklime. We own concession rights to several quarries with reserves of limestone and other raw materials located near our facilities.

We completed an expansion of our Rioja plant in April 2013. We more than doubled the cement production capacity of our Rioja facility by installing a new production line with 240,000 metric tons of installed annual cement production capacity. We finished construction of our plant in Piura in 2015. This facility has annual production capacity of 1.6 million metric tons of cement. In September 2015, we began cement production, and clinker production began in January 2016. During 2021, we decided to optimize our capacity at our Pacasmayo plant, in order to add an estimated 600,000 metric tons of clinker capacity per year. This should be completed during the second half of 2023.

We provide consumers with high-quality and value-added cement products and, as a result, we believe we have developed strong brand recognition and customer loyalty in our market. We have developed one of the largest independent retail distribution networks for construction materials in Peru. Through our network of 240 independent retailers and 341 hardware stores as of December 31, 2022, we distribute our cement products as well as other construction materials manufactured by third parties, such as steel rebar, cables and pipes, in the northern region of Peru. We also sell our cement products directly to other retailers that are not part of our distribution network and to private construction companies and government entities.

The following table sets forth certain macroeconomic data for Peru and operating and financial data for our company for the periods indicated.

	As of and for the year ended December 31,		
	2022	2021	2020
Economic data⁽¹⁾:			
Change in GDP	2.9%	13.2%	(11.1)%
Change in construction sector in Peru	3.5%	34.7%	(15.6)%
Operating data:			
<i>Capacity (thousands of metric tons per year):</i>			
Installed cement capacity	4,940	4,940	4,940
Installed clinker capacity	2,780	2,780	2,780
<i>Production (thousands of metric tons):</i>			
Cement production	3,436	3,632	2,590
Clinker production	2,198	2,036	1,477
<i>Utilization rate at Pacasmayo plant⁽²⁾:</i>			
Cement	61.0%	67.9%	45.1%
Clinker	62.3%	58.6%	47.5%
<i>Utilization rate at Rioja plant⁽²⁾:</i>			
Cement	69.8%	76.8%	59.8%
Clinker	85.7%	94.4%	70.9%
<i>Utilization rate at Piura plant⁽²⁾:</i>			
Cement	85.1%	82.7%	63.7%
Clinker	100.0%	89.3%	56.6%
Gross profit (\$/ million)	652.0	559.4	375.3
Gross profit margin ⁽³⁾ :	30.8%	28.9%	29.0%
EBITDA (\$/ million)	493.9	453.9	315.3
EBITDA margin	23.3%	23.4%	24.3%
Profit (\$/ million)	176.8	153.2	57.9
Profit margin	8.4%	7.9%	4.5%

(1) Source: BCRP.

(2) Utilization rate is calculated by dividing production for the specified period by installed capacity.

(3) Gross profit margin is equal to gross profit as a percentage of net sales.

Non-IFRS Financial Measure and Reconciliation

We define EBITDA as net profit minus finance income and plus finance costs, income tax expense, and depreciation and amortization, and plus or minus gain from exchange difference, net.

EBITDA should not be construed as an alternative to profit or operating profit, as an indicator of operating performance, as an alternative to cash flow provided by operating activities or as a measure of liquidity (in each case, as determined in accordance with IFRS). EBITDA, as calculated by us, may not be comparable to similarly titled measures reported by other companies, including those in the cement industry.

The following table sets forth the reconciliation of our profit to EBITDA:

	Year ended December 31,			
	2022	2022	2021	2020
	(in millions of US\$)	(in millions of S/)	(in millions of S/)	(in millions of S/)
Net profit	46.4	176.8	153.2	57.9
Income tax expense	22.4	85.6	70.9	28.0
Finance income	(0.9)	(3.3)	(2.9)	(3.0)
Finance costs	24.9	95.1	89.0	88.7
Net (loss) gain derivative financial instruments recognized at fair value through profit or loss	—	0.1	(0.6)	(5.3)
Liquidation of financial instruments	—	—	—	—
Accumulated net loss due to settlement of derivative financial instruments at fair value through profit or loss	—	—	1.6	—
Loss from exchange difference, net	0.4	1.1	7.1	9.8
Depreciation and amortization	36.3	138.5	135.6	139.2
EBITDA	129.5	493.9	453.9	315.3

(1) Calculated based on an average exchange rate of S/3.814 to US\$1.00 as of December 31, 2022.

Peruvian Cement Market

Peru reached a 2.9% GDP growth rate in 2022. From 2017 to 2022 GDP grew at a compound annual growth rate, (“CAGR”), of 1.7%. Growth during this period was accompanied by low inflation, which averaged 2.88% per year. In addition, as of December 31, 2022, the government had accumulated foreign exchange reserves of approximately US\$74.0 billion, and the sovereign long-term debt rating was investment grade from each of the three major international credit rating agencies. Although this economic growth had resulted, among other key trends, in significant poverty reduction, with a decrease in the percentage of the country's population living below the poverty line from approximately 48.6% in 2004 to approximately 20.2% in 2019, the COVID-19 pandemic took a toll on it and in 2020 poverty levels increased 9.9 percentage points. Fortunately, poverty levels for 2021, which is the last available data, decreased by 4.2 percentage points, reaching 25.9%.

We sell substantially all our cement in the northern region of Peru, which in 2022 accounted for approximately 32.9% of the country's population and 20.0% of national GDP. Two other groups sold most of the cement consumed in each of the central and southern regions of Peru, with 1.9% of all the cement consumed in the country coming from imports, and approximately 3.6% coming from a small domestic producer. From 2017 to 2022, total cement consumption in Peru increased 2.3% according to the INEI. Peru continues to have a significant housing deficit, estimated by the INEI at 1.9 million homes nationwide. In Peru, cement is mainly sold to a highly fragmented consumer base, consisting primarily of households that buy cement in bags to gradually build or improve their own homes without professional technical assistance, a segment known in our industry as *auto-construcción*. We estimate that in 2022 sales to the *auto-construcción* segment accounted for approximately 76.6% of our total sales of cement, private construction projects accounted for 12.7%, and public construction projects accounted for the remaining 10.7%. Approximately 88.3% of our total cement sales in 2022 were in the form of bagged cement, substantially all of which was sold through retailers.

Even though our ready-mix sales are still a small proportion of our sales, we expect this trend to change as infrastructure becomes a bigger driver of demand in the upcoming years, and we are continuing the development of our strategy to become a building solutions company.

Competitive Strengths

Our principal competitive strengths include the following:

Strong corporate governance standards and international recognition

Our common shares are listed on the Lima Stock Exchange and our ADSs are listed on the New York Stock Exchange. We are subject to the disclosure requirements of the U.S. Securities and Exchange Commission (the “SEC”) and the Peruvian Securities Commission and we must comply with and adopt internal compliance standards to increase transparency and improve corporate governance standards including an audit committee and appointment of independent directors. Since 2009, every year we have been selected as part of the Good Corporate Governance Index of the Lima Stock Exchange. Furthermore, in 2022, we received the Top Social Responsibility Award (*Distintivo de Empresa Socialmente Responsable*) for the tenth consecutive year, in recognition of our achievement of corporate goals in a socially responsible manner, principle that is ingrained in our corporate culture and business strategy. Also, we were included for the fourth consecutive year as part of the 2022 DJS MILA Pacific Alliance Index. This index is made up of those companies that demonstrate superior performance among their peers under social, environmental and economic criteria. This achievement comes as a result of Pacasmayo’s effort to improve in all of these criteria and to work towards ambitious goals in terms of long-term sustainability. We are committed not only to remain in the Index but to improve our performance, as we are convinced that the focus on sustainability is key to our business and our stakeholders.

In February 2023, we were selected to be part of The Sustainability Yearbook 2023, for the third consecutive year. To appear in the Yearbook, companies must score within the top 15% of their industry globally and have a gap of less than 30% from the leader’s Global ESG score. With around 7,800 companies evaluated around the world, an inclusion in the yearbook is a true statement of excellence in corporate sustainability.

Track record of cash flow generation and strong results through multiple business cycles

We have historically generated strong cash flow and high profit margins mainly due to the following key factors:

- our leadership position in the northern region of Peru; and
- our extensive distribution network, operational flexibility and efficiency, and focus on innovation.

Despite the difficulties encountered globally due to the COVID-19 pandemic and the war in Ukraine, we were able to generate a record S/493.9 million in EBITDA during 2022, the highest in company history.

This solid financial position and our ability to consistently generate operating cash flow also allows us to obtain relatively low interest rates.

Leader in attractive and expanding market with solid macroeconomic fundamentals

We are currently the only cement manufacturer in the northern region of Peru and we produce and sell substantially all of our cement in the region. In 2022, the northern region accounted for approximately 32.9% of the country’s population and 20.0% of its GDP. From 2018 to 2022, GDP in the northern region increased at a CAGR of 1.9%. During the same period, our cement sales volume grew at a CAGR of 12.4%, above northern region GDP mainly due to increased public spending resulting from the government’s reconstruction plan after El Niño in 2017, and the resilience of the *auto-construcción* segment, mainly driven by high employment levels in agriculture which is prominent in the North.

Best-in-class operating efficiencies with vertical integration and strong brand recognition

Our quarries are located in close proximity to our plants, enabling us to minimize transportation costs. We strive to enhance our operational efficiency by focusing on lowering costs and improving profitability. We also benefit from our vertically integrated operations, participating in the entire chain of production from the quarries, which we own directly, to the related products such as quicklime, ready-mix, precast and our large distribution network. We have developed one of the largest independent retail distribution networks for construction materials in Peru, known as “DINO,” consisting of 240 independent retailers and 341 hardware stores as of December 31, 2022, primarily small, local stores in the northern region, through which we distribute our cement products, as well as construction materials manufactured by third parties. We use our distribution network, together with our strategically located commercial offices, to promote our products and stay abreast of market developments. We have developed this network through years of fostering relationships with retailers in the region, which we believe would be difficult for a competitor to replicate. Our distribution network has enabled us to build strong recognition for our Pacasmayo brand among retailers and end-consumers in our market, which we believe is important to our business, particularly because our cement is principally sold in bags to retail consumers.

Disciplined capital expenditure plan with attractive risk / return profile

We seek to minimize risk while securing an adequate return on our development projects. In 2015, we completed construction of our new plant in Piura, the third largest city in northern Peru, which has an annual production capacity of 1.6 million metric tons of cement. The first ton of cement from the Piura plant was produced and shipped on September 17, 2015. The Piura plant improves our competitive position in the northern region of Peru. With production from three plants, we are able to serve our market more efficiently. This state-of-the-art plant is one of the most modern in Latin America. It also reduces transportation costs by enabling the dispatching of cement from plants within closer proximity to the point of sale.

During 2021, we decided to invest approximately US\$70 million to optimize our current capacity at our Pacasmayo plant, in order to produce an additional estimated 600,000 metric tons of clinker per year. Due to the sudden and sharp increase in demand since the second half of 2020, we have had to import clinker, which negatively affects our margin due to higher cost of production. This optimization, when completed during the second half of 2023, will allow us to stop importing clinker, if demand remains around current levels, as we currently expect.

Emphasis on innovation

We place significant emphasis on research and development to ensure our products meet the needs of consumers in our market and to improve the efficiency of our operations. For example, we have developed cement products suitable to coastal construction that tend to be more exposed to erosion from sulfate. We believe that, by educating retailers and end consumers of these attributes of our products, we have been successful in building demand and realizing higher margins for our differentiated product offering.

In July 2016, we created the Innovation Department with the main objective of systematizing the continuous transformation process of the business in order to ensure a sustainable growth for Cementos Pacasmayo and the improvement of its margins. To achieve this objective it is necessary to:

- Put the customer at the center of all our processes.
- Design a management innovation model.
- Promote an organizational culture that encourages entrepreneurship and innovation.

Given that customers, and consumption patterns can change quickly and unexpectedly we must quickly adapt in order to retain our customers.

In 2019 we developed new value propositions that we believe will enable us to offer our clients the best experiences. We designed Journey Maps together with the commercial and marketing areas wherein we detailed the experience of our various clients to identify our strengths and those aspects that we need to improve. Under this approach, in 2022 we continued developing, and in some cases, consolidating our digital platforms:

Name of the project	Description
PACASPRO	Digital platform aimed at delivering value to construction companies. Through this digital application, our clients will be able to check the status of their dispatches, re-schedule them and display the GPS location of their shipments in real time.
APOLO	It will be our new commercial digital platform that will support our Mundo Experto digital strategy. It is in the research and design stage.
SISPLAN	Digitization of the request, approval and issuance processes for the discount on plans and promotions, negotiation, tenders and sale, giving visibility to our clients and sales force.
BIM	Digital catalogue of company products, aimed at facilitating the transition from traditional construction processes to the implementation of building information modeling. The initiative includes team training and use of BIM as a virtual design tool in the Engineering Department.
Cellular Concrete	Project development in conjunction with the R&D and Marketing Departments that involves the design of a new type of concrete with innovative properties such as lighter weight and high thermal and acoustic performance.
AYU	The project focuses on getting to know Peruvian families to design a value proposition that enhances the fulfillment of their plans through financial inclusion.
ISICOM	The project is aimed at the commercial management carried out by the sales force (CRM), in which we cover all the activities of its roadmap to be able to fulfill its commercial management of sales, registration of construction projects and contact with customers.
DAKAR	Digital platform aimed at medium and small carriers seeking greater utilization of their units by offering them an easy and fast way to find reliable cargo.
DEDALO	Design and guide the implementation of a process automation model, accelerating the digital transformation of the company.
EVA	Digital platform aimed at hardware stores that want to generate sales with digital receipts and that seek to improve the management of their business.

Strong relationship with local communities

Since we began operations 65 years ago, we have been committed to improving the quality of life of the communities surrounding our plants, whose members we regularly employ. We have developed close and cooperative relationships with the local communities, which are supported by several social responsibility initiatives we have undertaken. For example, the family of our controlling shareholder founded, Asociación Tecsup, a leading non-profit institute in Peru that provides technical education to students as well as UTEC, a leading technical university. We provide scholarships and financial aid to local qualified students interested in studying at Tecsup. Through its three campuses in Peru, as of December 31, 2022, Tecsup had graduated over 14,333 students in various technical fields, some of whom currently work for us and our affiliates.

Highly experienced and professional management and board of directors

Our management team, with an average of 15 years of experience in the cement industry in Peru, has extensive technical and local market expertise and has led our company through our recent growth. We have developed a strong professional business culture and a team of highly qualified executives. We also have a well-regarded and experienced board of directors that includes some of Peru's business leaders and former senior government officials. Since 2009, we have been selected to form part of the Best Corporate Governance Practices Index of the Lima Stock Exchange (recently renamed S&P/BVL Peru General ESG Index), and since 2019 we have been selected as part of the DJS MILA Pacific Alliance Index.

Our Strategies

Our objective is to maximize shareholder value, while honoring our commitment to the environment and abiding by our social responsibility goals. We aim to be a leading company that provides building solutions anticipating the needs of our clients and that contributes to the continued development of our country. We intend to achieve our objective through the following principal strategies:

Continue to focus on our core business of supplying the rising demand for cement

We plan to continue to meet the increasing demand for cement in our market, while controlling production costs. We intend to increase our production capacity while we continue to serve the current cement market, as well as increasing cement demand through the production of new cement-based products. Our principal goal is to maintain our market share in the northern region of Peru without reducing the profitability of our business.

Deepen our commercial relationship with retailers and end-consumers

We plan to enhance our commercial relationships with retailers and end-consumers in our market, both to maintain brand loyalty and to foster demand for our cement products. We will continue to support retailers in our DINO distribution network by providing product education, training sessions, rewards programs, and assistance in financing purchases of our products. In addition, we continue with our door-to-door commercial strategy for cement sales. We believe that these initiatives have been successful in strengthening our relationship with retailers and end-consumers.

Continue to focus on being the preferred provider of building solutions

We strive to be the supplier of choice for cement consumers in the northern region of Peru, whether its individuals building their homes or private construction companies or governmental entities undertaking projects of any size. We continue to focus on providing consumers with efficient and customized building solutions for their construction needs. Over the past several years, we have evolved from being a single type cement manufacturer to offering five different types of cement products, under 2 brands, and other building solutions, such as assembly gravity walls, sheet piles, precast beams, among others. Moreover, in 2018 we launched a new corporate image and future vision, transforming ourselves from a cement producer to a building solutions company. We focus on innovation and are constantly searching for ways to improve building practices, inspired by our culture based on sustainability. For example, we offer cement that contains special properties that protect against sulfate erosion, as well as other products designed to meet the needs of consumers in the northern region of Peru. For the industrial segment and under our *PacasPro* brand, we continue with the digitalization of the purchasing process and of the use of our products and services. For our mass channel and self-builders we have *Mundo Experto*, an ecosystem that integrates physical and digital solutions, improves the purchasing experience and contributes to the professionalization and formalization of the construction market. Our mission is to provide a comprehensive solution for all project types and thus respond to the unique needs of each client, generating savings and efficiencies in the construction processes.

Selectively pursue acquisitions

We will continue to evaluate and may selectively pursue strategic acquisitions of cement and complementary businesses that expand our geographic footprint and diversify our portfolio of products. Our management team has significant operating experience and industry knowledge in the production and commercialization of cement and cement-related materials, and we believe this experience will enable us to identify and pursue attractive acquisitions that will maximize shareholder value.

Continue to strengthen our enterprise risk management

We continue to strengthen our enterprise risk management methods and processes that allow us to identify, assess and monitor the legal, commercial, operational, financial and reputational risks, as well as fraud, corruption, bribery and money laundering and financing of terrorism risks, determining the existing controls and establishing a plan along with other areas in order to mitigate existing risks. Along these lines, since 2018, we have implemented the ISO 37001 Anti-bribery management systems obtaining the certification every year since 2019. This certification confirms that our management system is designed to help prevent, detect and respond to bribery and comply with anti-bribery laws and voluntary commitments applicable to its activities. We believe this certification reiterates our commitment to global anti-bribery best practices and high standards of transparency and good corporate governance. Also, to continue to strengthen our management systems, during 2022 we implemented the ISO 37301 compliance management system, obtaining certification in January 2023.

Maintain high environmental, social and governance standards

We are committed to maintaining high environment, social and corporate governance standards. We are focused on developing and strengthening a favorable social environment for the continuity and growth of our operations, prioritizing our social investment in innovative education, health and local development programs in coordination with other stakeholders to contribute to sustainable development. Since 2009, we have been selected as part of the Good Corporate Governance Index of the Lima Stock Exchange. Furthermore, in 2022, we received the Top Social Responsibility Award (*Distintivo de Empresa Socialmente Responsable*) for the tenth consecutive year, in recognition of our achievement corporate goals in a socially responsible manner, a principle that is ingrained in our corporate culture and business strategy. Furthermore, in 2022 we obtained a special distinction in the Environmental category. Also, we were included for the fourth consecutive year as part of the DJS MILA Pacific Alliance Index. This index is made up of those companies that demonstrate superior performance among their peers under social, environmental and economic criteria.

In February 2023, we were chosen to be part of The Sustainability Yearbook for the third consecutive year. To appear in the Yearbook, companies must score within the top 15% of their industry globally and have a gap of less than 30% from the leader's Global ESG score. 2021 was the first year that Peruvian companies were included as part of the Yearbook, and we are the only Peruvian cement company to be included for two consecutive years. With around 7,800 companies evaluated around the world, an inclusion in the yearbook is a true statement of excellence in corporate sustainability. This achievement is a recognition of our extraordinary efforts to improve in all of these criteria and to work towards ambitious goals in terms of long-term sustainability. We are committed not only to remain in the Index but to improve our performance, as we are convinced that the focus on sustainability is key to our business and our stakeholders.

Likewise, in 2022 we were recognized with first place in the category "Leading Company in Investor Relations Peru" in the "ALAS 20-Agenda Sustainable Leaders" award, organized by GOVERNART in Peru and other countries in the region.

Our Products

Our core products are cement and other cement-related materials. We also produce quicklime. In 2022, cement, concrete, mortar and precast accounted for 92.1% of our net sales and quicklime accounted for 2.0%. We also sell and distribute construction materials, such as steel rebar, cables and pipes, manufactured by large third-party manufacturing companies, and others which in 2022 represented 5.8% of our net sales.

The following table sets forth a breakdown of our shipments by type of product for the periods indicated:

(in thousands of metric tons)	Year ended December 31,		
	2022	2021	2020
Cement, concrete, mortar and precast	3,435	3,632	2,581
Quicklime	46	69	59

The following table sets forth a breakdown of our total net sales by product for the periods indicated:

(in millions of \$/)	Year ended December 31,		
	2022	2021	2020
Cement, concrete, mortar and precast	1,963.8	1,784.5	1,185.2
Construction Supplies (1)	114.0	113.9	32.5
Quicklime	37.9	39.1	78.2
Others	—	0.3	0.4
Total	2,115.7	1,937.8	1,296.3

(1) Refers to construction materials manufactured by third parties that we distribute. Construction supplies include the following products: steel rebar, wires, nails, corrugated iron, electric conductors, plastic tubes and accessories, among others.

Cement

Cement is a powdered mixture of ground minerals that, when mixed with water, adheres to other materials and hardens to form a rock-like substance. Cement is generally mixed with other materials, such as gravel and sand, forming concrete with a high degree of compressive strength that is able to withstand substantial pressure.

Cement types are generally classified as either Portland cement or blended hydraulic cement. Portland cement is a hydraulic cement produced by pulverizing clinker, consisting essentially of crystalline hydraulic calcium silicates and calcium sulfate. Blended hydraulic cement consists of a mixture of Portland cement clinker and mineral admixtures, such as blast furnace slag, pozzolanic materials and limestone.

We produce predominantly blended cement, which represented 83.5% of our cement sales in 2022. This type of cement requires less clinker and reduces carbon dioxide emissions of our operations and production. Our global clinker/cement ratio is estimated at 72%, below the average value for similar producers globally of approximately 76%.

We produce a range of cement products suitable for various uses, such as residential and commercial construction and civil engineering. We currently offer the following six types of cement products designed for specific uses:

- *Type ICo*. This type of cement is used for general purposes and is similar to Portland Type I cement. It is widely used in our market due to its effectiveness and low hydration heat.
- *Type MS/MH/R (called Fortimax3)*. This is the new formula for the type of cement that is used to protect against moderate sulfate action, such as drainage structures, with higher-than-normal, but not unusually severe, sulfate concentrations in ground water. It is designed for sites and structures in humid areas that are exposed to sulfates and sea water. It also prevents thermal contraction cracking due to moderate heat hydration and is resistant to contact with alkaline reagents.
- *Type I*. This type of cement is for general purposes and suitable if special properties are not needed. It is generally used for constructing pavements, floors, reinforced concrete buildings, bridges, reservoirs, pipes, masonry units and precast concrete products.

- *Type V.* Type V cement is used in concrete exposed to severe sulfate action, principally in places where soil or ground water has high sulfate content. It is generally used in hydraulic construction, such as irrigation canals, tunnels, water conduits and drains.
- *Type HS.* Type HS cement is used in concrete that is exposed to severe sulfate action, principally where soil or ground water has high sulfate content. It is recommended for port construction, industrial plants and construction of sewage sites. Our Portland Type HS cement has low reactivity with alkali-reactive aggregates, making it more durable than other types of cement.
- *Type IL.* Type IL cement is a blended Portland limestone cement. These cements are more environmentally friendly than Portland cements and have very similar performance to Portland Type I/II cements

We believe that our Type V, Fortimax and HS cement products are particularly suitable for construction in the northern coastal region of Peru, where sulfate and chloride concentrations from soil, ground water and sea water affect the durability of construction structures. By educating retailers about the different cement characteristics and conducting marketing campaigns, we believe we have been successful in building demand for our cement products. Our research and development department is also equipped to produce custom-tailored cement products on demand. In addition, through our dedicated team of geologists and scientists, we have significantly reduced the amount of clinker required for cement production minimizing our capital expenditures and significantly reducing our carbon dioxide emissions (CO2).

We market and distribute our cement primarily in 42.5 kilogram bags. Most of our bagged cement is sold to the retail sector consisting primarily of households that buy bags of cement to build or expand their own homes over time with little or no formal technical assistance (commonly referred to as *auto-construcción*). The bags are made of Kraft paper to preserve the quality of the cement. Our bags include information relating to the composition of our cement, handling instructions, production dates and storage instructions. Our cement bags have different colors to easily identify the different types of cement. Once bagged at our Pacasmayo, Rioja and Piura facilities, our cement is loaded onto trucks operated by third parties. Cement in bulk is sold to large industrial consumers.

Concrete Products

We also produce and sell concrete products principally in the form of ready-mix concrete used in large construction sites, as well as precast, bricks, pavers and other precast materials.

- *Ready-mix concrete.* Ready-mix is a blend of cement, aggregates (sand and stone), admixtures and water. It is manufactured and delivered to construction sites in a form that is ready to use. This mixture hardens to form a building material, ranging from sidewalks to skyscrapers. We have 19 fixed and mobile ready-mix plants.
- *Concrete precast.* We produce and sell concrete precast, such as paving units, or paver stones for pedestrian walkways, as well as other bricks for partition walls and concrete precast for structural and non-structural uses.
- *New cement based products.* We have developed, and are in the process of developing more cement-based products that are innovative and easy building solutions. Some of these products are:
 - *Mortar for brick laying:* Pre-dosed and bagged dry masonry mortar for block and brick laying.
 - *Mortar for plaster:* Pre-dosed mortar to plaster interiors and exteriors, walls and ceilings. Allows smooth finishes and thin applications
 - *Caravista Concrete:* Concrete designed to be exposed without any additional coating or paint.
 - *Tremie Concrete:* Concrete designed to be placed under water at depths greater than 1.5 meters.
 - *New Jersey Walls:* Safety barriers used to separate traffic flows

- *Mortar for brick laying*: Pre-dosed and bagged dry masonry mortar for block and brick laying.
- *Viaforte Type MH*: Cement of moderate heat of special hydration for stabilization of soils and road bases. The cement provides greater workability and less risk of cracking on site, also ensuring greater durability to the structure
- *Bagged Dry Concrete*: Pre-dosed mixture of cement, aggregates (Stone and Sand) and additives, that only requires the addition of water indicated on the package and mixing (manual or mechanical) to be used immediately
- *Corner block*: Product that complements the structures built with our precast, giving better functionality to any corner.
- *Beam block*: Product that is used to confine the upper part of walls built with our precast.
- *Concrete pipes*: Precast reinforced concrete pipes that are installed without the need to open pit ditches or dredging of maritime floors. The main use of the driving pipe is to collect seawater (inlet pipe) and to bring brackish water back out to sea (outfall pipe). We have built a 1.5 kilometer long underwater outfall project for the Talara Refinery, where it is necessary to build a water collection system for its fire and cooling system.
- *Sheet piles presented and assembled*: Concrete piles that can be pre-stressed or reinforced (they are two different types of manufacturing) that sink one alongside the other, forming a containment structure, used as riparian defenses. We manufacture pre-stressed and reinforced sheet piles that can form a coastal defense for rivers, ensuring the containment of water during rainy events, reducing the vulnerability of cities to floods.

Quicklime

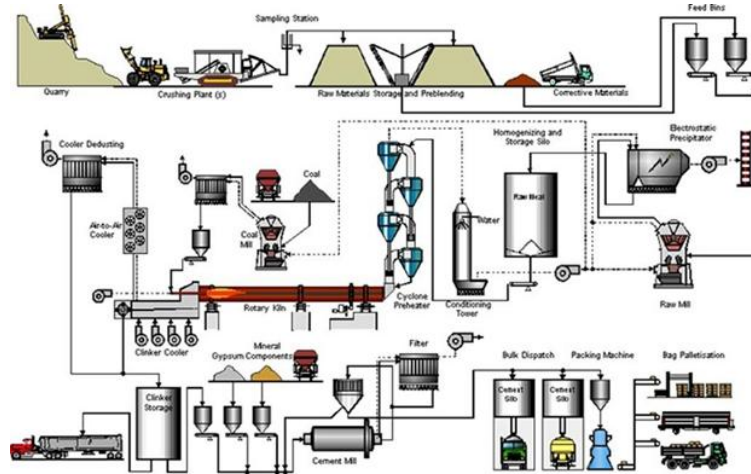
We produce and distribute quicklime, which has several industrial uses. Quicklime serves as a neutralizer, lubricant, drying and absorbing material, disinfectant, and as a raw material. Quicklime has various applications, including in the steel, food, fishing and chemical industries. It is also used in mining operations to treat water and industrial residues, in agriculture as a fertilizer enhancer and, to a lesser extent, in other industries. In Peru, quicklime is mainly used in the mining industry, as an additive to treat water residues. We produce quicklime in finely and coarsely ground varieties and sell it either in bags of one metric ton or in bulk, according to clients' requirement.

Production Process

Cement Production Process

The diagram below depicts the standard cement production process, which consists of the following main stages:

- extraction and transportation of limestone or coquina (seashells) from the quarry;
- grinding and homogenization to make the raw material of consistent quality;
- clinkerization;
- cement grinding;
- storage in silos; and
- packaging, loading and distribution.



Extraction of raw materials. To produce cement, limestone/coquina are extracted from our quarries. We use explosives to loosen the limestone and deploy bulldozers to remove dirt and the overburden covering the limestone. We crush the limestone in our primary and secondary cone crusher and the resulting limestone is loaded into trucks and hauled to our Pacasmayo or Rioja facilities from the adjacent quarry where it is stored. In the case of Piura, our surface miner drills out our coquina quarry and then it is also loaded into trucks and hauled to the Piura plant.

Grinding and homogenization. Limestone/coquina, clay and sand are mixed with iron that is acquired from third parties. The quality of the resulting raw meal is monitored by examining samples of each batch and processing them through our quality control x-ray software that automatically measures the mix of materials to confirm the blend is in compliance with our quality standards. Subsequently, the raw meal is sent to a blending silo and then to a storage silo from where it is fed into the pre-heater.

Clinkerization. The raw meal is heated at a temperature of approximately 1,450 degrees Celsius in our kilns. The intense heat causes the limestone and other materials in the mixture to react inside the kiln, turning the mixture into clinker. Clinker is then cooled to a temperature of approximately 200 degrees Celsius and stored in a silo or in an outdoor yard.

Cement grinding. After being cooled, clinker, together with gypsum and some admixtures, is fed into a ball mill or into a vertical roller mill where it is ground into a fine powder to produce cement. In this form, cement reacts as a binding agent that, when mixed with water, sand, stone and other aggregates, is transformed into concrete or mortar.

Storage in silos. After passing through the ball mills, the cement is transferred on conveyor belts and stored in concrete silos in order to preserve its quality until distribution.

Packaging, loading and transport. Cement is transferred through another conveyor belt from the silo to be packaged in 42.5 kilogram bags and then loaded into trucks operated by third parties to be transported for distribution. Bulk cement may be transported (unpackaged) on especially designed trucks that deliver large amounts of cement directly to the work site.

Quicklime Production Process

Quicklime is produced by crushing limestone with a calcium carbonate content of at least 95% by calcinating it in a rotary kiln. The limestone for quicklime comes from our quarries. The crushing of the limestone is done at the quarry and the calcination process takes place only at our Pacasmayo facility. We produce quicklime in finely and coarsely ground varieties and sell both varieties in bags of 40 kilograms and up to one metric ton, as well as in bulk.

Raw Materials and Energy Sources

Limestone and Other Calcareous Resources

We obtain limestone required to produce clinker and quicklime principally from land where we have concession rights. For our Pacasmayo plant, we extract limestone from our Acumulación Tembladera quarry located approximately 60 kilometers from the plant, and for our Rioja plant, we extract limestone from our Calizas Tioyacu quarry which is adjacent to our Rioja plant. For our Piura plant, we extract coquina from Virrilá quarry, located approximately 120 kilometers from the plant.

Acumulación Tembladera. We have a concession with an indefinite term to extract limestone and other minerals from our Acumulación Tembladera quarry, a 3,390 hectare open-pit mine located in the district of Yonan, in the department of Cajamarca. We acquired this concession in November 2002.

Calizas Tioyacu. For our Rioja production, we have a concession with an indefinite term to extract limestone and other minerals from a 400 hectare open-pit mine near our Rioja facility in the district of Elias Soplin Vargas, in the department of San Martín. We acquired this concession in February 1998.

Virrilá. For our Piura production, we also have a group of concessions with an indefinite term to extract coquina and other minerals from our Virrilá quarry, a 931 hectare open-pit mine located in the district of Sechura, in the department of Piura. We acquired these concessions between 2000 and 2008.

In addition to our Acumulación Tembladera, Calizas Tioyacu, Bayovar 4 and Virrilá quarries, we also own concession rights to various other calcareous material quarries consisting, in total, of approximately 40,767 hectares located in the northern region of Peru. None of these quarries are in operation as of the date of this annual report.

Clay, Sand and Other Raw Materials and Admixtures

The other raw materials that we use to produce clinker are clay, sand, iron and diatomite.

Clay

For cement production in our Pacasmayo facility, we extract clay from our Cerro Pintura quarry, a 400 hectare open-pit concession located in the district and province of Pacasmayo, department of La Libertad. We were granted this concession by the MEM in 1996. The term of the concession is indefinite, provided we pay an annual concession fee and meet minimum annual production requirements.

For cement production in our Rioja facility, we extract clay from our Pajonal quarry, a 400 hectares open-pit concession located in the district and province of Rioja, department of San Martin. This concession was granted to us by the MEM in 1998. The term of the concession is indefinite, provided we pay an annual concession fee and meet minimum annual production requirements.

We have not calculated our clay reserves, as we believe there is an abundant supply of clay in our concessions and more broadly in the northern region where we operate.

Sand

For cement production in our Pacasmayo facility, we use sand extracted from our Cerro Pintura quarry. Our Rioja facility does not utilize sand as a raw material given the type of cement it produces.

We have not calculated our sand reserves, as we believe there is an abundant supply of sand in our concessions and more broadly in the northern region where we operate.

Iron

We use small quantities of iron in our cement production, which we purchase from third parties at market prices.

Pozzolan Materials and Other Admixtures

Our cement production also requires small amounts of other admixtures, such as pozzolanic materials, gypsum and blast furnace slag.

For cement production in our Pacasmayo facility, we use pozzolanic materials obtained from our Cunyac quarry, a 200 hectare open-pit concession located in the district of Sexi, province of Santa Cruz, department of Cajamarca. The concession was granted to us by the MEM in 2008. The term of the concession is indefinite, provided we pay an annual concession fee and meet minimum annual production requirements.

For cement production in our Rioja facility, we use pozzolanic materials obtained from our Fila Larga quarry, a 1,000 hectare open-pit concession located in the district of El Milagro, province of Utcubamba, department of Amazonas. The concession was granted to us by the MEM in 1998.

We also own several other concessions containing pozzolanic material which have not been exploited. In addition, our use of pozzolanic materials may be substituted with clinker or other admixtures. Other admixtures, such as gypsum and blast furnace slag, are purchased at market prices from third-party suppliers. If we are unable to acquire raw materials or admixtures from current suppliers, we believe that other sources of raw materials and admixtures would be available without significant interruption to our business.

Energy Sources

Our main energy sources are fuel in the form of coal and electricity. Our production processes consume significant amounts of energy, because our kilns must reach extreme temperatures to produce clinker and quicklime. In addition, milling operations, homogenization and transportation of materials consume significant amounts of energy.

Coal

We purchase mostly anthracite coal from local suppliers and import small amounts of bituminous coal from suppliers mainly in Colombia, in each case at spot market prices. Anthracite coal tends to be less expensive than bituminous coal. We store coal at our premises and in our warehouse facility adjacent to the Salaverry port, located approximately 130 kilometers south of our Pacasmayo facility, where we have sufficient stock of coal to maintain our production levels for the next year.

In December 2009 and February 2010, we entered into option agreements to acquire coal mining concessions as a means to secure a steady and reliable source for our coal requirements and to reduce the volatility in costs related to coal. In 2011, we exercised certain options under these agreements to acquire coal mining concessions for 908.5 hectares near our Pacasmayo facility for a total purchase price of US\$4.5 million. In 2013, we exercised our remaining options to purchase an additional coal mining concession for 501.2 hectares for US\$1.0 million, thereby completing the acquisition of the related coal mining concessions.

Electricity

As of December 31, 2022, all of the electricity requirements for our Pacasmayo and Piura facilities were supplied by Electroperú and for our Rioja facility by ELOR.

We have a long-term electricity supply contract with Electroperú currently valid until 2026. Electroperú has agreed to provide us with sufficient energy to operate our Pacasmayo and Piura facilities at pre-determined maximum amounts during the term of the contract. Payments for electricity are based on a formula that takes into consideration our energy consumption and certain market variables, such as the U.S. purchase price index, the global price of oil, the local price of natural gas and the import price of bituminous coal.

In addition, we have a medium-term electricity supply contract with ELOR to supply the Rioja facility, which was recently extended until 2024. ELOR supplies the Rioja facility with six megawatts of electricity at peak hours and eight megawatts at non-peak hours. Payments for electricity are based on a formula that takes into consideration our energy consumption and certain market variables, such as the U.S. dollar price, the local price of natural gas, the global price of oil and the import price of bituminous coal.

Other Production Materials

We use other materials in the cement production process, including paper bags to package cement, which we purchase principally from local suppliers; plastic bags used to package quicklime, which we purchase from local suppliers; and water to cool the kiln exhaust gases and for our crushing operations at our Acumulación Tembladera quarry, which we obtain principally from a well located at our Pacasmayo facility and from the Jequetepeque river. Water used in our production process is maintained in a closed system at our plants and re-processed for utilization in our production process.

Consumer Base

The retail cement sector in Peru is characterized by households that purchase single bags of cement to gradually build or improve their homes with little or no professional assistance. This sector is known as *auto-construcción*. Families in this sector tend to invest a large portion of their savings in building or improving their own homes. *Auto-construcción* is often conducted with the help of a foreman (*maestro de obra*) who generally has experience in construction. Our retail marketing plans typically target the *maestro de obra* who is usually the decision maker when buying cement and other related construction materials.

We also sell directly to small, medium and large private construction companies working on a variety of construction projects, from housing complexes to commercial developments. In the public sector, we provide cement for national, regional and local governments carrying out construction projects including housing complexes and public construction, ranging from local schools and hospitals to large infrastructure.

Sales and Distribution

Distribution

Our market extends from the Ecuadorian border in the north of Peru to the city of Barranca in the south (approximately 180 kilometers north of Lima), to the rainforest in the east and the Pacific Ocean in the west. Our market covers the provinces of Amazonas, Cajamarca, La Libertad, Lambayeque, Piura and Tumbes in the north; and San Martín and Loreto in the northeast.

Our Pacasmayo, Piura and Rioja facilities supply the entire northern region of Peru, interchangeably subject to where it is most efficient to ship from at the moment, depending on the distance and type of cement being produced, among other factors.

In 2022, approximately 88.3% of our total cement shipments were in the form of bagged cement, substantially all of which was sold through retailers both within and outside of our distribution network. The remaining 11.4% of our cement was sold in bulk or in shipments of precast products or ready-mix concrete directly to large construction companies.

We have developed one of the largest independent retail distribution networks for construction materials in Peru, consisting of 341 local hardware stores, with which we have a distribution agreement. In addition, we also distribute to other independent retailers located throughout the northern region of Peru with whom we do not have contractual relationships. We have built our distribution network by investing in strengthening our relationship with retailers.

Even though our ready-mix sales are still a small proportion of our sales, we expect this trend to change as infrastructure becomes a bigger driver of demand in the upcoming years. Additionally, we sell and distribute other construction materials manufactured by third parties that are used alongside cement, such as steel rebar, plastic pipes and electrical wires, among others.

Marketing and Brand Awareness

We use our distribution network, together with our strategically located local commercial offices, to promote our products and brands, as well as to keep us informed of market developments. We believe our distribution network has enabled us to build strong recognition for our Pacasmayo brand among *maestros de obra*, retailers and end consumers which we believe is important to our business, particularly because our cement is principally sold in bags to retail consumers.

Our marketing expenses in 2022 were approximately S/6.4 million, or 0.1% of our sales. Historically, our marketing strategy has been to develop brand loyalty by providing high-quality products, tailored to the needs of our customers, and customer service accompanied by complimentary training for the *maestros de obra*, who are typically the decision makers in the auto-construcción segment.

We develop strong ties with our distributors by promoting income generating opportunities for them. For instance, we give them priority when hiring transportation to distribute our cement throughout our territory. Also, our large salesforce has the ability to cover most of the construction sites in northern Peru generating business opportunities that are then channeled through our distributors. Finally, our distributors enjoy various commercial and marketing benefits such as rebates, special promotions, special credit conditions, and loyalty programs.

We have been working consistently in recent years to focus time and attention on our client's needs, in an effort to go beyond just selling cement and its byproducts, to providing solutions and innovating. Consequently, we were well-positioned to leverage these initiatives during the ongoing pandemic period. The self-construction segment has been the primary driver behind the growth in sales volume during 2022. We have focused on several fronts to enhance the customer experience and to facilitate access to our solutions. We have developed *Mundo Experto*, which is a virtual ecosystem made up of digital solutions that serves to join supply and demand and offers a superior purchasing experience leveraged on intensive use of technology to generate more value for our users. The digital solutions are targeted and customized for the different users, such as foremen, hardware stores, and the self-builder.

Quality Control

In Peru, cement production is subject to standardization (*normalización*) regulations approved by the National Institute for the Protection of Competition and Intellectual Property (*Instituto Nacional de Defensa de la Competencia y de la Protección de la Propiedad Intelectual*, or "INDECOPI"). Although the standardization regulations are not mandatory, they are useful in achieving an optimum level of management. As of the date of this annual report, we comply with all standardization regulations applicable to our products.

We have established a quality assurance program in accordance with ISO Standard 9001-2008, certified by SGS del Perú S.A.C., a company that provides inspection, verification, testing and certification services. We monitor quality at every stage of the cement production process. In our facilities, we periodically test the quality of our raw materials. These tests include chemical, physical and x-ray tests. We perform similar examinations of the clinker we produce. Additionally, we also perform regular quality tests on our finished products.

We have a quality control area with computerized systems to access real-time information on the quality of our products. As part of our quality control process, we monitor the performance of our different cement products, monitor the performance of additives in our cement and review monthly statistical analysis on the resistance of cement, among other things.

Competitive Position

Peru's cement production is segmented into three main geographic regions: the northern region, the central region, including Lima's metropolitan area, and the southern region. We are the only cement manufacturer in the northern region of Peru. The central region is principally served by UNACEM (formerly known as Cementos Lima and Cemento Andino), some imports, Caliza Cemento Inca and Mixercon. The south is principally served by Cementos Yura and Cementos Sur. In 2022, our cement shipments were approximately 3.4 million metric tons, representing an estimated 23.9% share of total cement shipments in Peru.

Regulatory Matters

Overview

Although our core business is the production of cement, we hold a number of mining concessions granted by the Peruvian government for the supply of limestone and other raw materials required for cement production. As a result, we are subject both to the mining and the general industrial legal framework in Peru. The regulatory framework applicable to our cement production may be divided into rules and regulations relating to (i) the mining and crushing of limestone and clay, and (ii) the production process.

Mining Regulations

The General Mining Law (*Texto Único Ordenado de la Ley General de la Minería*) approved by Supreme Decree No. 014-92-EM, published in the Peruvian Official Gazette, *El Peruano*, on June 3, 1992, is the primary law governing both metallic and non-metallic mining activities in Peru and is supplemented by implementing guidelines and policies regarding mining and the processing of minerals enacted by the MEM. Under the General Mining Law, mining activities (except storage, reconnaissance, prospecting and trade) are carried out exclusively through various forms of concessions. Mining concessions are granted by the Geological, Mining and Metallurgical Institute (*Instituto Geológico Minero y Metalúrgico*, or "INGEMMET"), and all other concessions, including our mineral processing concessions, are granted by the Directorate General for Mining of the MEM. Any act, transfer, termination or agreement related to these concessions must be registered with the Mining Rights Registry, which is part of the National Public Registry System, to be effective against the Peruvian government and third parties.

Holders of concessions or mining claims must comply with several obligations, including the payment of an annual concession fee (*derecho de vigencia*) of US\$3.00 per applicable hectare. The annual concession fee is due and payable on or prior to June 30 of each year. Failure to pay the annual concession fee for two consecutive years will result in the termination of the mining concession.

Mining activities require holders to obtain title to the surface land from individual landowners, peasant communities or the Peruvian government. Mining concessions are granted for an unlimited period, subject to the achievement of minimum annual production levels. Two different regimes apply depending on the date the concession was granted:

Under Legislative Decree 1320 and Supreme Decree No. 011-2017-EM, since January 1, 2019, if the annual minimum production or investment has not been met, the annual penalty and the causes to terminate a mining concession will be determined by the General Mining Law for all concessions, as described below.

For concessions granted until 2008, the following rules apply:

- the minimum annual production target is equivalent to one tax unit (approximately US\$1,187) per year per hectare, in case of metallic mining concessions, and 10% of one tax unit (approximately US\$119) per year per hectare, in the case of non-metallic mining concessions;
- the minimum production level is to be achieved no later than the end of the tenth year from the date of grant;
- if the minimum production level is not achieved within that period, an annual penalty equivalent to 2% of the minimum annual production level is due until such level is achieved;
- if the minimum production level is not achieved by the end of the fifteenth year, an annual penalty equivalent to 5% of the minimum annual production level is due until such level is achieved;
- if the minimum production level is not achieved by the end of the twentieth year, an annual penalty equivalent to 10% of the minimum annual production level is due until such level is achieved; and
- if the minimum production level is not achieved by the end of the thirtieth year, the mining concession expires.

Any penalty must be paid prior to June 30 of each year. Failure to pay the penalty for two consecutive years results in the termination of the mining concession.

Since January 1, 2020, these penalties will be applied for concessions granted in 2009 and thereafter.

The foregoing penalties and fines are not applicable to mining concessions granted by the government through private investment promotion initiatives, which will be subject to the minimum production and investment levels set forth in such contracts.

In addition to the payment of the annual concession fee and the penalty, holders of mining concessions must, pursuant to the Mining Royalty Law, pay a royalty for the exploitation of metallic and non-metallic resources. Prior to the amendment of the Mining Royalty Law described below, the amount of the royalty was determined on a monthly basis. For those minerals with an international market price (gold, silver, copper, zinc, lead and tin), the amounts were computed by applying the rates to the value of the concentrate or its equivalent, according to the applicable international market price. The historic rate scales were established in the Mining Royalty Law's regulations as shown in the following table:

Annual sales (in millions of US\$)	Rate
Up to 60	1%
Between 60 and up to 120	2%
More than 120	3%

In case of minerals without an international reference market price (minerals other than gold, silver, copper, zinc, lead and tin), the mining royalty amounted to 1% of the value of the final product obtained from the mineral separation process, net of any costs incurred in the mineral separation process (*componente minero*).

However, the Mining Royalty Law was amended on September 29, 2011 to increase the tax payable on metallic and non-metallic mineral resources. Effective October 1, 2011, the royalty for the exploitation of metallic and non-metallic resources is payable on a quarterly basis in an amount equal to the greater of (i) an amount determined in accordance with the following statutory scale of tax rates based on a company's operating profit margin and applied to the company's operating profit, as adjusted by certain non-deductible expenses, and (ii) 1% of a company's net sales, in each case, during the applicable quarter. The royalty rate applied to the company's operating profit is based on its operating profit margin according to the following statutory scale of rates:

Operating Margin	Applicable Rate (%)
0% - 10%	1.00
10% - 15%	1.75
15% - 20%	2.50
20% - 25%	3.25
25% - 30%	4.00
30% - 35%	4.75
35% - 40%	5.50
40% - 45%	6.25
45% - 50%	7.00
50% - 55%	7.75
55% - 60%	8.50
60% - 65%	9.25
65% - 70%	10.00
70% - 75%	10.75
75% - 80%	11.50
More than 80%	12.00

Mining royalty payments will be deductible for income tax purposes in the fiscal year in which such payments are made.

We believed that certain portions of the regulations of the Mining Royalty Law were unconstitutional, because they impose a mining royalty tax on non-mining activities. For instance, for cement companies, the amended Mining Royalty Law and its regulations established that the mining royalty tax was calculated based on the total operating profit or net sales, as opposed to operating profit or net sales attributable exclusively to mining products, such as limestone, used to produce cement. Accordingly, in December 2011, we filed a claim to declare that the mining royalty tax applicable for the exploitation of non-metallic mining resources be calculated based on the value of the final product obtained from the mineral separation process, net of any costs incurred in the mineral separation process ("*componente minero*").

In November 2013, the Peruvian Constitutional Court affirmed the constitutional challenge we filed against the new regulation of the Mining Royalty Law, in a final and unappealable ruling, on the grounds that the new regulation violates the constitutional right of property, as well as the principles of legal reserve and proportionality. Therefore, the new regulation is rendered inapplicable to our operation. As a result, we will continue to use as a basis for the calculation of the mining royalty the value of the concentrate or mining component, and not the value of the product obtained from the industrial or manufacturing process.

Finally, holders of mining concessions are required at the beginning of their operations to submit a mining closure plan that must contain a description of the steps to restore the areas and facilities of each mining operation area to pre-mining condition. Holders of mining concessions are required to secure completion of the restorative measures by means of the following guarantees: (i) banking guarantee or credit insurance; (ii) cash guarantees; (iii) trusts; or (iv) those indicated in the Peruvian Civil Code.

In August 2021, Law 31347, that modifies the Mine Closure Law (Law 28090), specifying aspects such as mandatory, administrative and oversight powers, opportunity for presentation and approval, applicable guarantees, periodic reports to be presented to various authorities, among others was approved.

As of the date of this annual report, we primarily owned non-metallic mining concessions and limited metallic mining concessions with respect to iron. Substantially all of our concessions were granted prior to 2008. Our mining rights and concessions are in full force and effect under applicable Peruvian laws. We believe that we are in compliance in all material respects with the terms and requirements applicable to our mining rights and concessions.

Production Process

The cement production process along with other manufacturing activities are governed by General Industry Law (*Ley General de Industrias*), Law No. 23407, published in *El Peruano* on May 29, 1982, which establishes basic rules that promote and regulate activities in the manufacturing industry. The Ministry of Production is vested with authority to promote private investments in connection with industrial, processing and manufacturing activities, the surveillance of sustainable exploitation of natural resources (except for those extractive activities involving primary transformation of natural products), the protection of the environment, and the supervision of the quality of manufactured products. All industrial companies are subject to the General Industry Law and its regulations to the extent that the company's gross income is primarily derived from industrial activities. Pursuant to Supreme Decree No. 009-2011-MINAM, the supervisory and monitoring functions of the Ministry of Production were transferred to the OEFA in 2013.

Technical Regulation on Hydraulic Cement

On January 21, 2022, the Government published D.S. 1-2022-PRODUCE, which approves the Technical Regulation on Hydraulic Cement Used in Buildings and Constructions in General, through which various aspects are regulated that will allow verification of compliance with the minimum safety requirements of cement. Originally, the Regulation entered into force six months after its publication, later extended to July 22, 2023 by D.S. 10-2022-PRODUCE, a period in which all the parties involved (public entities, national manufacturers, importers, laboratories, chain of supply, among others) must adapt their protocols to comply with the provisions of the Regulation.

Environmental Regulations

Industrial companies and particularly cement companies are required to comply with several environmental regulations. Pursuant to Article 50 of Legislative Decree No. 757, the competent environmental authority is that corresponding to the activity of the company which generates the higher gross annual income. For that reason, the environmental authority that monitors our operations, considering that cement production represents the highest proportion of our gross profit, is the Ministry of Production.

The Environmental Regulations for Manufacturing Industries (*Reglamento de Protección Ambiental para el Desarrollo de Actividades de la Industria Manufacturera*—Supreme Decree No. 019-97-ITINCI, or the “Environmental Regulations”), set forth different environmental obligations depending on the date of commencement of the subject company’s industrial activities. Thus, companies with industrial cement activities operational at the time these regulations entered into force (September 1997) were obliged to submit an Environmental Adaptation Management Plan (*Programa de Adecuación y Manejo Ambiental*, or “PAMA”) to the Ministry of Production; while companies with industrial activities starting from that date onwards are obliged to submit either an environmental impact assessment or an environmental impact declaration depending on the level of risk and the impact of their activities on the environment. Furthermore, the Environmental Regulations establish that the Ministry of Production may require a mining closure plan (as an independent environmental assessment) with environmental measures that all companies must comply with before closing their operations to prevent any negative effects on the environment.

With regard to air emissions and wastewater discharges, the Ministry of Production has adopted legally binding environmental quality standards (*Limites Máximos Permisibles*, or “LMPs”) for cement industries (approved by Supreme Decree No. 001-2020-MINAM). These standards are legally enforceable, and all cement industry operations are required to comply with them.

A violation of the Environmental Regulations is subject to different types of administrative sanctions, as determined in the Environmental Sanctions Regime of the Ministry of Production (*Régimen de Sanciones e Incentivos del Reglamento de Protección Ambiental para el Desarrollo de Actividades de la Industria Manufacturera*—Supreme Decree No. 025-2001-ITINCI), including warnings notices; fines of up to 600 tax units (*Unidad Impositiva Tributaria*) (S/2,970,000); restrictions, suspensions or cancellation of the authorization or concession; and total or partial closing of the industrial facilities. The type of sanction imposed ultimately depends on the seriousness of the violation. Although the environmental competent authority for industrial activities is the Ministry of Production, other government agencies may impose fines in case of non-compliance with applicable permits.

By Directing Council Resolution No. 023-2013-OEFA/CD, of the *Organismo de Evaluación y Fiscalización Ambiental* (the Environmental Monitoring and Enforcement Agency or “OEFA”), OEFA assumes the functions of monitoring, supervision, control and sanctioning of environmental matters in the Cement Sector of the Manufacturing Industry, of the Industrial Subsector of the Ministry of Production - PRODUCE.

In 2016, by Ministerial Resolution No. 201-2016-MINAM, the “National Protocol of Continuous Emission Monitoring Systems – CEMS” was approved. Its objective is to standardize the process of continuous monitoring of polluting gases and particles emitted into the atmosphere by manufacturing activities. It establishes the technical criteria for the selection of continuous monitoring methodologies, as well as the location of the monitoring points, the operation of the equipment and the calibration tests required for the assurance of the quality of the measurements.

By Ministerial Resolution No. 191-2016-MINAM, the “National Plan for the Integral Management of Solid Waste - PLANRES 2016-2024” was approved. It establishes among other things, obligations to managers regarding the management of non-municipal solid waste, as well as the modification of the environmental studies in case it is planned to carry out co-processing.

Law 30754, published on April 18, 2018, approved the Framework Law on Climate Change. This law establishes the principles, approaches and general provisions to coordinate, articulate, design, execute, report, monitor, evaluate and disseminate public policies for the integral, participatory and transparent management of adaptation to and mitigation of the effects of climate change. It also established that the Ministry of the Environment (*Ministerio del Ambiente*) will establish the guidelines to add analyses of climate risk and vulnerability, as well as the mitigation and adaptation measures to address the effects of climate change, in the evaluation of investment projects subject to the National Environmental Impact Assessment System.

This law aims to reduce the vulnerability of the country to climate change, take advantage of opportunities for low carbon growth and fulfill the international commitments assumed by the government of Peru before the United Nations Framework Convention on Climate Change, with an intergenerational approach.

The Regulation of the Framework Law on Climate Change was approved on December 31, 2019 by Supreme Decree No. 013-2019-MINAM. The objectives set forth in the Regulation will be met through the implementation of climate change adaptation and mitigation measures, the creation of systems that contribute to account for carbon dioxide emissions, the reduction of carbon dioxide emissions and the promotion of private sector participation in the execution of sustainable and low-carbon projects. However, to date, no concrete measures or goals have been established, nor have any deadlines for their fulfillment.

In Peruvian legislation, there is no form of emissions trading scheme.

On January 25, 2022, Supreme Decree No. 003-2022-MINAM was published, declaring the climate emergency of national interest and providing guidelines and priority actions for the adaptation to and mitigation of the effects of climate change.

Prior Consultation with Local Indigenous Communities

On September 7, 2011, Peru enacted Law No. 29785, Prior Consultation Right of Local Indigenous Communities. The law was enacted in order to implement Convention No. 169 of the International Labor Organization on Local Indigenous Communities in Independent Countries, previously ratified by Peru through Legislative Decree No. 26253. This law, which became effective on December 6, 2011, establishes a prior consultation procedure to be undertaken by the Peruvian government in favor of local indigenous communities, whose collective rights may be directly affected by new legislative or administrative measures, including the granting of new mining concessions. Regulation implementing this law was approved on April 3, 2012, by Supreme Decree No. 001-2012-MC, which defines the local indigenous communities that are entitled to the prior consultation rights and establishes the different stages that comprise the prior consultation procedure.

Consultation procedures for mining and processing concessions are carried out by the MEM prior to the granting of a new processing concession.

According to the recent practice of the Geologic Institute of Mining and Metallurgy (*Instituto Geológico Minero Metalúrgico*), the granting of mining concessions does not qualify as an “administrative measure” that potentially affects the rights of indigenous people because it does not grant *per se* a right to explore and exploit mineral deposits. Accordingly, the granting of mining concessions has not been included among measures that require consultation procedures with indigenous people. According to Ministerial Resolution No. 003-2013-MEM-DM, the MEM has established that consultation procedures are applicable prior to the commencement of: (i) exploration activities (*Autorización de inicio de actividades de exploración*); (ii) exploitation activities (*Autorización de inicio o reinicio de las actividades de desarrollo, preparación y explotación - incluye plan de minado y botaderos*); and (iii) processing concessions (*otorgamiento de concesión de beneficio*).

Local indigenous communities do not have a veto right; upon completion of this prior consultation procedure, the Peruvian government can discretionarily approve or reject the applicable legislative or administrative measure. In addition, any sale, lease or other act of disposal of surface land owned by local indigenous communities is subject to the approval of an assembly composed of the members of such communities according to the following rules:

- for local indigenous communities located on the coast, approval of not less than 50% of members attending the assembly is required; and
- for local indigenous communities located in the highlands and the Amazon region, approval of at least 2/3 of all members attending the assembly is required.

Permits and Licenses

Mining Concessions

According to the General Mining Law, a mining concession is required in order to extract mineral resources needed to produce cement. The mining concession grants the right to explore and exploit the mineral resources located in a solid of indefinite depth, limited by the vertical plane corresponding to the sides of square, rectangle or polygon referred to by the Universal Transversal Mercator coordinates. The Geological Mining and Metallurgical Institute (*Instituto Geológico Minero y Metalúrgico*) is in charge of managing the procedure of granting mining concessions, which includes the receipt of the request, the granting and the termination of mining concessions.

Explosives.

Mining concessionaires are required to obtain the following permits to operate and store explosives:

- Certificate of Mining Operation (*Certificado de Operación Minera*), granted by the MEM;
- Semiannual Authorization for Use of Explosives, granted by the General Bureau of Explosives of the Ministry of Interior (*Superintendencia Nacional de Control de Servicios de Seguridad, Armas, Municiones y Explosivos de Uso Civil*, or “SUCAMEC”);
- Manipulation of Explosives License for each individual that intends to handle explosives, granted by the SUCAMEC; and
- Explosive’s Warehouse Operation License, granted by SUCAMEC.

Water and Wastewaters

To use water resources in cement industry activities, it is necessary to obtain a water right granted by the Water Management Authority (*Autoridad Nacional del Agua*, or “ANA”) prior to the use of underground or fresh water sources. If the proposed activities will generate domestic or industrial wastewaters, which will be discharged into natural water sources or soil, authorization from ANA is required, with a favorable opinion of the General Bureau of Environmental Health (*Dirección General de Salud Ambiental*, or “DIGESA”).

Hazardous Waste

Hazardous waste generated as a consequence of cement production activities must be disposed of in specialized landfills. The transportation of solid waste outside the limits of the industrial complex must be conducted exclusively through specialized companies registered with DIGESA and MINAM. Industries are free to contract with an EO-RS (a company that provides solid waste services such as transportation, treatment or disposal) or with an EC-RS (a company that carries out commercialization activities aiming at the reuse of solid waste). Yet in order to limit their liability in case of environmental harm, industries must make sure the EO-RS and EC-RS they retain count with all necessary permits to collect, transport and dispose hazardous wastes.

Chemical Feedstock

The commercialization, transportation and use of controlled chemical feedstock (*Insumos Químicos y Productos Fiscalizados*, or “IQPF”) is restricted, because of their potential use in the production of illegal drugs or controlled substances. Companies that require an IQPF must obtain an IQPF User Certificate (*Certificado de Usuario de IQPF*) from the General Bureau of Chemical Feedstock of the Ministry of Interior (*Unidad Antidrogas de la Policía Nacional del Perú*, or “DIRANDRO”). Companies such as ours are also required to register with the Ministry of Production any IQPF activities they plan to carry out (*Registro Único para el Control de IQPF*).

Fuel Storage

Any company that purchases fuels for its own activities and has facilities to receive and store fuel with a minimum capacity of one meter cubed (264.170 gallons) is required to (i) receive from the Mining and Energy Investment Supervision Body (*Organismo Supervisor de la Inversión en Energía y Minería*, or “OSINERGMIN”) prior permission to build and operate said installations, and (ii) be registered with the Registry of Direct Fuel Consumers, in order to obtain the SCOP Code (*Código del Sistema de Control de Órdenes de Pedido*) necessary to purchase fuel.

Cultural Heritage Protection

If the design and development of cement industry activities involves the removal of topsoil, a Certificate of Non-Existence of Archaeological Ruins (*Certificado de Inexistencia de Restos Arqueológicos*, or “CIRA”) from the Ministry of Culture (*Ministerio de Cultura*) with respect to the area under construction must be obtained. The CIRA will either certify that on the surface of the evaluated area no archaeological sites or features were discovered or will identify their exact location and extent in order to implement precautionary measures to protect the archaeological artifact. The CIRA is valid for an unlimited period but will become void should any archaeological artifacts be accidentally discovered during the construction works or due to any natural cause. In such an instance, the company must stop the construction work immediately and notify the Ministry of Culture. Failure to stop the construction work may generate civil and criminal liabilities. Under certain exceptional circumstances, Peruvian legislation allows the removal of archeological artifacts when the area is required for development of projects that are of national interest.

Labor Regulations

Peruvian legislation allows hiring employees through: (i) a fixed-term contract, (ii) a contract for an indefinite duration; or (iii) a contract for part-time employment.

The minimum wage established in Peru is S/1,025 per month. Peruvian labor legislation establishes a maximum 8-hour work day or 48 hours per week for employees older than 18 years. For overtime, employers must pay at least an additional 25% and an additional 35% over the regular hourly wage for the first two hours and for any additional hours, respectively. Employees are entitled to a minimum rest of 24 consecutive hours per week.

Regardless of the type of employment contract, pursuant to Peruvian law full-time employees are entitled to receive:

- (i) an additional 10% of the minimum wage, provided that they are responsible for (a) one or more children under the age of 18 or (b) persons who are up to 24 years of age if they are pursuing higher education,
- (ii) two additional months' salary per year, one in July and one in December (pursuant to Law No. 29351, said payments were not subject to any social contribution, except for Income Tax; consequently, until December 2015, employers paid directly to their employees as an Extraordinary Bonus, the amount of the contribution to the Social Health Insurance (ESSALUD) for such payments, equivalent to 9% of the bonus paid),
- (iii) thirty calendar days of annual paid vacation per year,

- (iv) life insurance, since the first day at work,
- (v) a compensation for years of service (CTS) equal to 1.16% of a monthly salary and is deposited each year in May and November, provided they work an average of at least four hours per day for the same employer,
- (vi) benefits from the Peruvian Social Health Insurance (ESSALUD) to which employers must contribute a rate equivalent to 9% of their employees' income, and
- (vii) a percentage of the company's annual income net of taxes (10% in the case of income derived from industrial cement operations, and 8% in the case of income derived from our mining or commercial activities), provided the company has twenty or more employees.

On June 25, 2021, Law 31246 was published, which modified the current Law on Safety and Health at Work to guarantee the right of workers to safety and health at work in the face of epidemiological and health risk.

Free and Fair Competition Protection

In Peru, businesses are generally not required to receive the prior authorization of the antitrust authority, which in Peru is INDECOPI. However, in order to promote economic efficiency and protect consumers, anti-competitive behavior is subject to sanctions under applicable law. Behavior that is prohibited according to national law includes: (i) the abuse of a dominant market position, (ii) concerted horizontal practices and (iii) concerted vertical practices. Moreover, under the Unfair Competition Law it is illegal to act in a way that may hinder the competitive process. An unfair behavior is one that is objectively contrary to the entrepreneurial good faith, ethical behavior and efficiency in a market economy.

On January 7, 2021, Law No. 31112, Law that establishes the Prior Control of Business Concentration Operations, was published in the Official Gazette "El Peruano", which entered into force in January, 2021, together with its Regulations, approved by Supreme Decree No. 039-2021-PCM. This law establishes a system of prior control of business concentration operations in order to promote effective competition and economic efficiency in the markets for the welfare of consumers.

C. Organizational Structure

Cementos Pacasmayo S.A.A. is part of the Hochschild Group. As of March 31, 2023, Eduardo Hochschild, directly and indirectly, owned and controlled 38.32% of the shares of Hochschild Mining plc. Through ASPI, as of that same date Eduardo Hochschild, directly and indirectly, owned and controlled 50.01% of the outstanding common shares of Cementos Pacasmayo.

All of our operating subsidiaries are incorporated in Peru. The following chart sets forth our simplified corporate structure, operating subsidiaries only, as of the date of this annual report.



The following is a brief description of the principal activities of our consolidated subsidiaries.

- Cementos Selva S.A.C. is engaged in the production and marketing of cement and other construction materials in the northeast region of Peru. It also owns all of the equity shares of Dinospelva Iquitos S.A.C. (a cement and construction materials distributor in the north of Peru, which also produces and sells precast, cement bricks and ready-mix concrete) and in Acuicola Los Paiches S.A.C. (a fish farm entity).

- Distribuidora Norte Pacasmayo S.R.L. is mainly engaged in selling cement produced by the Company. Additionally, it produces and sells precast, cement bricks and ready-mix concrete.
- Empresa de Transmisión Guadalupe S.A.C. is mainly engaged in providing electric energy transmission services to the Company.

Other immaterial, non-operating subsidiaries

- Salmueras Sudamericanas S.A. (“Salmueras”) was engaged in the exploration of a brine project located in the northern region of Peru. In December 2017, the Company decided not to continue with the activities related to this project,
- Soluciones Takay S.A.C. is a platform that connects families that want to build with certified professionals.
- 150Krea Inc. seeks to develop a business in the United States relating to digital innovation in the construction industry
- Corporación Materiales Piura S.A.C. is a non-operating company that owns some mining properties located in Piura.

D. Property, Plant and Equipment

Properties

We own our headquarters office in Lima, Peru, at Calle La Colonia 150, Urbanización El Vivero, Surco. We also own our plants, warehouses, transportation facilities and the office space at our production facilities, including our workers’ facilities occupying approximately 50,000 square meters at our Pacasmayo facility and a warehouse occupying approximately 25,000 square meters at the Salaverry port facility.

Area of Operation

We own and operate three cement production facilities. Our largest facility is located in the city of Pacasmayo, department of La Libertad, approximately 667 kilometers north of Lima. The second facility is located in the city of Piura, department of Piura, approximately 330 kilometers north of Pacasmayo. This facility started cement production in September 2015. We also own and operate a smaller cement facility, located in the city of Rioja, department of San Martín, approximately 468 kilometers east of the Panamericana Norte highway. From our Pacasmayo and Piura facilities we supply cement principally to the coastal and highland regions of northern Peru, including the cities of Piura, Chiclayo, Cajamarca, Trujillo and Chicbota. From our Rioja facility, we supply cement to the northeastern region of Peru, including the cities of Moyobamba, Tarapoto, Loreto, among others.



Pacasmayo Facility

As of December 31, 2022, our Pacasmayo facility had 9 kilns, which produce clinker (one of which is also equipped to produce quicklime), and an additional Waelz rotary kiln that produces quicklime. Additionally, our facility has a primary and secondary cone crusher located near our Acumulación Tembladera limestone quarry. The main crusher has installed crushing capacity of 800 metric tons per hour and the secondary crusher has installed crushing capacity of 170 metric tons per hour. Our Pacasmayo facility operates with three horizontal rotary kilns with total installed annual clinker production capacity of 1,034,880 metric tons and six vertical shaft kilns with total installed annual clinker production capacity of 465,120 metric tons. The total installed annual clinker production capacity at our Pacasmayo facility is 1.5 million metric tons. In 2021, due to the exponential growth in cement sales, we decided to invest approximately US\$70 million to optimize our current capacity at our Pacasmayo plant, in order to produce approximately 600,000 additional metric tons of clinker per year. Our Pacasmayo facility also features three cement finishing mills with installed annual cement production capacity of 2.9 million metric tons. Our Pacasmayo facility is also equipped with silos containing storage capacity for 26,700 metric tons of cement.

As of December 31, 2022, our Pacasmayo facility had installed production capacity of approximately 240,000 metric tons of quicklime per year, including the annual installed capacity of one of our clinker kilns and our Waelz rotary kiln, which are equipped to also produce quicklime.

Piura Facility

Annual installed production capacity of our Piura plant is 1.6 million metric tons of cement and 1 million metric tons of clinker. Our Piura plant operates with a horizontal kiln with installed clinker production capacity of 1 million metric tons per year, as well as a cement mill with installed cement production capacity of 1.6 million metric tons per year. Our Piura plant also has two storage silos with storage capacity of 240,000 metric tons of cement.

During 2020, we invested in the construction of a new silo, with a capacity of 1,300 metric tons, which will reduce transportation costs as we will be able to serve the areas of influence from the Piura plant.

Rioja Facility

Annual installed production capacity of our Rioja plant is 440,000 metric tons of cement and 280,000 metric tons of clinker.

Our Rioja facility currently operates with a small cone crusher and four vertical shaft kilns with total annual installed clinker production capacity of 280,000 metric tons and three cement finishing mills with total annual installed cement production capacity of 440,000 metric tons. Our Rioja plant is also equipped with silos with storage capacity of 1,750 metric tons of cement.

Ready-Mix Concrete Facilities

We also have 22 fixed and mobile ready-mix concrete and precast facilities located in the northern cities of Chimbote, Trujillo, Chiclayo, Piura, Cajamarca, Pacasmayo and Tarapoto among others. These facilities allow us to supply ready-mix concrete and precast materials to small, medium and large construction projects throughout the entire northern region of Peru. As of December 31, 2022, our ready-mix operations had 191 mixer trucks, 34 concrete pumps and 2 pavers available to deliver ready-mix concrete.

Capacity and Volumes

The table below sets forth our clinker, cement and quicklime production capacity and volumes in our Pacasmayo and Rioja facilities for the periods indicated.

(in thousands of metric tons, except percentages)	As of and for the year ended December 31,								
	2022			2021			2020		
	Capacity	Production	Utilization rate ⁽¹⁾	Capacity	Production	Utilization rate ⁽¹⁾	Capacity	Production	Utilization rate ⁽¹⁾
Cement:									
Pacasmayo facility	2,900	1,768	61.0%	2,900	1,970	67.9%	2,900	1,307	45.1%
Piura facility	1,600	1,361	85.1%	1,600	1,324	82.8%	1,600	1,020	59.8%
Rioja facility	440	307	69.8%	440	338	76.8%	440	263	63.7%
Total	4,940	3,436	69.6%	4,940	3,632	73.5%	4,940	2,590	52.4%
Clinker:									
Pacasmayo facility	1,500	935	62.3%	1,500	879	58.6%	1,500	712	47.5%
Piura facility	1,000	1,023	100.0%	1,000	893	89.3%	1,000	566	56.6%
Rioja facility	280	240	85.7%	280	264	94.3%	280	198	70.9%
Total	2,780	2,198	79.1%	2,780	2,036	73.2%	2,780	1,476	53.1%
Quicklime⁽²⁾:									
Pacasmayo facility	240	46	19.2%	240	69	28.8%	240	55	22.7%

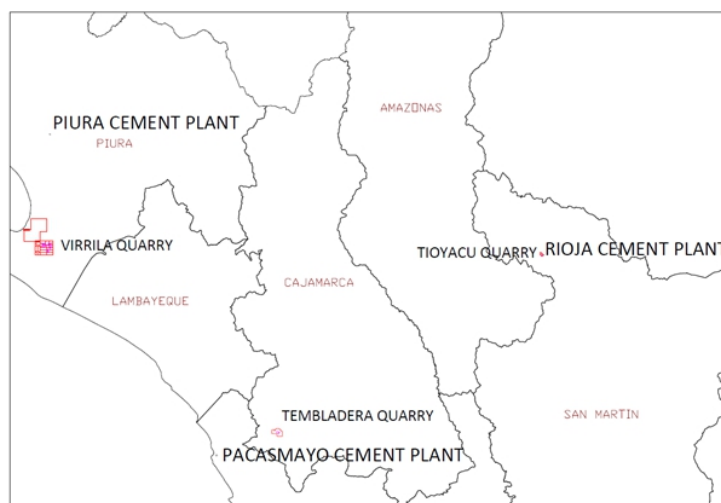
(1) Utilization rate is calculated by dividing production for the specified period by installed capacity.

(2) Our Rioja facility does not produce quicklime. In addition, one of our clinker kilns and our Waelz rotary kiln are equipped to produce quicklime.

Map of Mining Concessions of Cementos Pacasmayo S.A.A. and subsidiaries.

The following map of Peru shows the location of the Peruvian mining properties of Cementos Pacasmayo S.A.A. and subsidiaries. The mining properties are located in Piura, Lambayeque, Cajamarca, Amazonas, Ica, Cusco, San Martin, La Libertad and Ancash Region.

Figure 1 General map of the mining properties and industrial facilities of Cementos Pacasmayo S.A.A. and subsidiaries



The map shows the mining properties and industrial facilities of Cementos Pacasmayo and its subsidiaries.

General description of mining properties and operations

Cementos Pacasmayo's mining properties in Peru were obtained through administrative procedures of INGEMMET. Mineral properties in Peru are classified according to the type of ore (i.e. metallic and non-metallic).

Cementos Pacasmayo has mining properties in exploration, development and production stages. Cementos Pacasmayo has three material properties (Tembladera, Virrilá, and Tioyacu), all of which are in the production stage.

Table 1 provides an overview of Cementos Pacasmayo's material properties, including relevant information for each quarry.

Mining Property	Mining concessions	Location of the mining concession	Percentage of ownership interests	Operator	Surface area (ha)	Stage of the mining concession	Permits	Key condition of permit	Type of mine / material	Beneficiation plant and other installations	Production 2022 (Ton)	Production 2021 (Ton)	Production 2020 (Ton)
Tembladera	Acumulación Tembladera	Cajamarca	100%	San Martin Contratistas Generales S.A.	3,391	Production	Yes	EIA ⁽¹⁾ and others	Open Pit / Limestone	Industrial facilities ⁽²⁾	1,727,182	1,629,895	837,029
Virrilá	UEA Virrilá	Piura	100%	San Martin Contratistas Generales S.A.	38,226	Production	Yes	EIA ⁽¹⁾ and others	Open Pit / Coquina	Industrial facilities ⁽²⁾	1,766,003	1,465,709	748,722
Tioyacu	Calizas Tioyacu	San Martin	100%	Cementos Selva S.A.C.	400	Production	Yes	EIA ⁽¹⁾ and others	Open Pit / Limestone	Industrial facilities ⁽²⁾	421,636	377,702	208,935

Table 1 Main mining properties of Cementos Pacasmayo S.A.A. and subsidiaries

(1) Environmental Impact Study (EIA)

(2) Cement plants are governed by the laws of the industrial sector.

A. SUMMARY OF MINERAL RESOURCES AND MINERAL RESERVES

Tables 2 and 3 summarize the mineral resources and reserves of the mining properties of Cementos Pacasmayo and subsidiaries.

Table 2 Summary of mineral resources (exclusive of reserves) of Cementos Pacasmayo S.A.A. and subsidiaries as of December 31, 2022.

	Measured Mineral Resources		Indicated Mineral Resources		Measured + Indicated Mineral Resource		Inferred Mineral Resources	
	Amount (Million Tonnes)	Grades/ Qualities (% CaO)	Amount (Million Tonnes)	Grades/ Qualities (% CaO)	Amount (Million Tonnes)	Grades/ Qualities (% CaO)	Amount (Million Tonnes)	Grades/ Qualities (% CaO)
Limestone:								
Acumulación Tembladera	127.4	49.4	35.7	50.2	163.1	49.6	74.1	50.3
Calizas Tioyacu	0.07	50.1	0.13	47.1	0.20	48.1	19.7	45.9
Coquina:								
UEA Virrilá Total	17.4	49.7	29.0	49.5	46.4	49.5	3.9	46.4

* Table 2 is based on the following cement prices: Tembladera/Pacasmayo (S/599.5 per ton) and Virrilá/Piura (S/668.8 per ton) and other non-material information underlying the model, which were updated as of December 31, 2022. Also, technical and economic information assumed for the Mineral Resources estimation in the model can be found in the Cementos Pacasmayo S.A.A. Technical Report Summaries (TRS) 229.601 (Item 601) Exhibits 96.1, 96.2, and 96.3 to our 2021 Form 20-F.

Table 3 Summary of Mineral Reserves of Cementos Pacasmayo S.A.A. and subsidiaries' properties at December 31, 2022.

	Proven Mineral Reserves		Probable Mineral Reserves		Total Mineral Reserves	
	Amount (Million Tonnes)	Grades/ Qualities (%CaO)	Amount (Million Tonnes)	Grades/ Qualities (%CaO)	Amount (Million Tonnes)	Grades/ Qualities (%CaO)
Limestone:						
Acumulación Tembladera	62.1	49.5	12.2	49.6	74.3	49.5
Calizas Tioyacu	6.3	50.3	4.7	47.3	11.0	49.0
Coquina:						
UEA Virrilá Total	42.6	49.8	2.9	47.7	45.5	49.7

* Table 3 is based on the following cement prices: Tembladera/Pacasmayo (S/ 599.53 per ton), Virrilá/Piura (S/668.8 per ton) and Tioyacu/Rioja (S/735.9 per ton) and other non-material information underlying the model, which were updated as of December 31, 2022. Also, technical and economic information assumed for the Mineral Resources estimation in the model can be found in the Cementos Pacasmayo S.A.A. Technical Report Summaries (TRS) 229.601 (Item 601) Exhibits 96.1, 96.2, and 96.3 to our 2021 Form 20-F.

Property description

Location

The Tembladera property is located in Yonan district, Contumaza province, Cajamarca region, Peru at longitude -79.123393° W and latitude -7.245671° S. It is located 60 kilometers from the cement plant.

The area of the mining concession is 3,390.97 Hectares. The mining rights are granted by INGEMMET through a Presidential Resolution.

Cementos Pacasmayo S.A.A. owns the mining concession and it is registered as “Acumulación Tembladera” as a non-metallic mining concession.

Pacasmayo cement plant and Acumulación Tembladera mining concession are shown in Figure 1 while the locations of the Acumulación Tembladera and the cement plant are shown separately in Figures 2 and 3, respectively.

Figure 1 Pacasmayo cement plant and Acumulación Tembladera

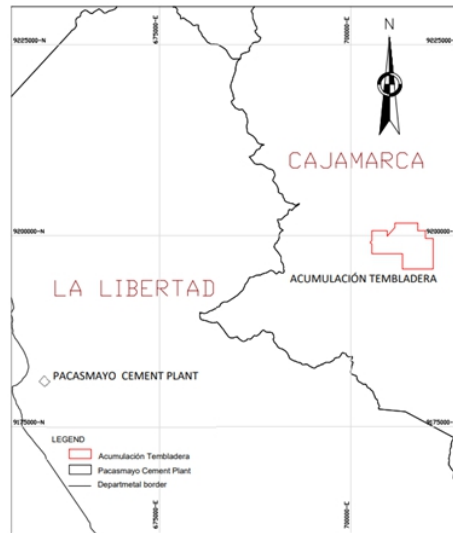
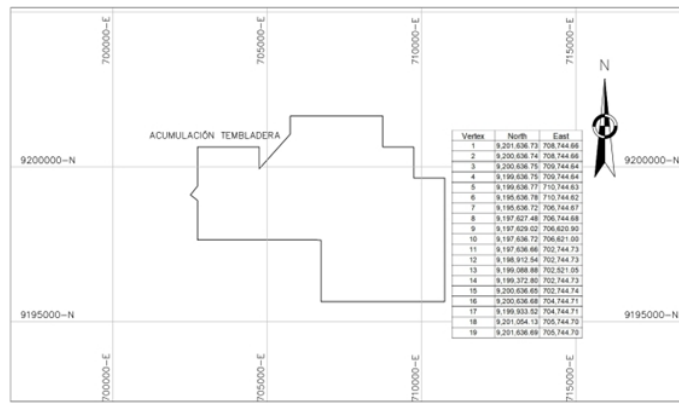
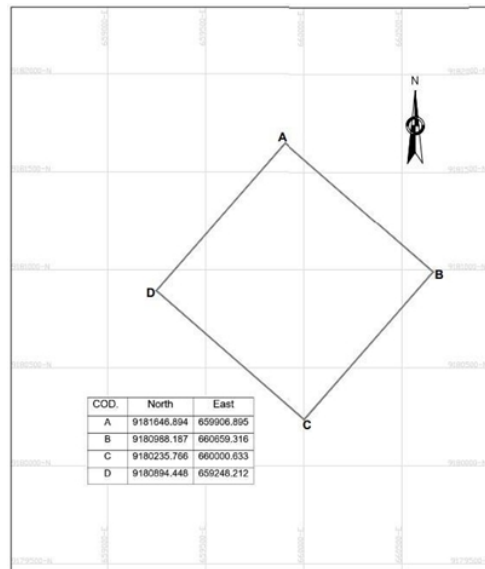


Figure 2 Acumulación Tembladera



Our Pacasmayo cement plant is shown in Figure 3.

Figure 3 Pacasmayo cement plant



Infrastructure

The Tembladera quarry has the necessary infrastructure for normal operations. Facilities for electric power, water supply, fuels, access and roads have been installed.

Energy is supplied by Hidrandina S.A. Company, which obtains energy from the national grid. Energy distribution is overhead and at medium voltage of 2.3 kilovolts. The quarry also has an electrical sub-station. The sub-station area is 1,062 square meters.

Water is obtained from the village canal, which flows near the quarry. The water is used for minor activities within the quarry, such as access and road watering, limestone watering in mining areas, post-blasting watering, watering of green areas, and consumption by restrooms.

A contractor manages the fuel system. The fuel storage and dispatch system has the necessary equipment to supply fuel to the mobile and fixed units within the quarry. Trained personnel and safety measures are in place to handle fuel safely.

The Tembladera quarry can be accessed by air from Lima to Trujillo (1 hour) and by land from Trujillo to Tembladera Quarry. The route is from Trujillo to Pacasmayo (112.6 kilometers), from Pacasmayo to Ciudad de Dios (14.3 kilometers) and from Ciudad de Dios to Tembladera (50 kilometers) and Tembladera - Security point (0.8 kilometers), for a total of 747.1 kilometers. The entire route is paved. Alternatively, the quarry can be accessed by air from Lima to Chiclayo, time average 1.15 hrs. of flight, and from Chiclayo to Ciudad de Dios (86.8 kilometers) and from Ciudad de Dios to Tembladera (50 kilometers) and Tembladera – Security point (0.8 kilometers). The entire route is paved.

The Tembladera quarry's personnel come from the town of Tembladera, adjacent to the quarry. Others come from Cajamarca and La Libertad region.

Personnel from the town of Tembladera are transported to the quarry in buses and pickup trucks.

Mining Concession Ownership and Area

The Tembladera Accumulation was granted by Resolution No. 01989-2002-INACC/J of the National Institute of Concessions and Cadastre (*Instituto Nacional de Concesiones y Catastro*).

The procedure to obtain a mining concession is established in the General Mining Law (Supreme Decree 014-92-EM) and its Regulation Legislative Decree 020-2020-EM.

The mining concession is in the owner's name of Cementos Pacasmayo S.A.A. and is also registered as "Acumulación Tembladera" as a non-metallic mine.

Cementos Pacasmayo has the surface rights to the area of operation in the Tembladera quarry.

Cementos Pacasmayo pays for the right to use the concession Acumulación Tembladera with unique code 010001801L. These payments must be made from the first working day of January to June 30 of each year, providing the financial entities the unique code of its mining right. The Acumulación Tembladera concession payment is equivalent to US\$3.00 per hectare.

Royalties

Law No. 28258 approved the Peruvian Mining Royalty Law on June 24, 2004, which was amended by Law No. 29788 of September 28, 2011. Cementos Pacasmayo S.A.A currently pays the Mining Royalty (see note 29 to our consolidated financial statements included in this annual report). The payment to the Peruvian government is made through (SUNAT), which is the entity designated to control this consideration for the use of natural resources, and such payment is made through an application that the tax authority has made available to those required to pay.

If the mining royalty is not declared or paid, penalties for infractions and default interest for non-compliance are incurred. However, failure to pay these fines is not a cause for the loss of the mining concession.

Set forth below is additional information, as relevant to the particular property.

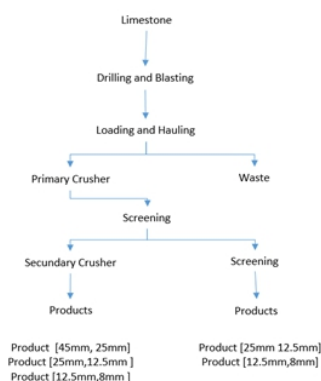
Mining activities on the property and industrial in the cement plant

Tembladera Quarry

The Tembladera quarry, located in the Acumulación Tembladera mining concession, is currently in production stage. The Tembladera quarry is an open-pit mine that uses explosives to fragment the limestone rock. After crushing, the material is loaded onto trucks to be transported from the quarry to the cement plant located in Pacasmayo.

Figure 4 shows the flowsheet of mining processes at the Tembladera quarry. Further details of the process are provided in Exhibit 96.1 to our 2021 Form 20-F.

Figure 4 Diagram of mining process of the Tembladera quarry



Pacasmayo cement plant

The Pacasmayo plant is subject to the laws of the industrial sector, according to current Peruvian regulations.

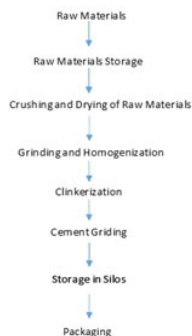
The Pacasmayo plant is located at Pacasmayo District, Pacasmayo Province, La Libertad Region. This plant is 67.3 kilometers from the Tembladera quarry. The Pacasmayo plant produces various products for the construction industry, the main product being cement. Different types of cement are produced depending on their applications, using limestone, sand, iron and clays as raw materials. The specific mix of raw materials produces the clinker necessary for the production of cement.

The standard cement production process consists of the following main stages:

- Extraction and transportation of limestone;
- Raw material storage;
- Grinding and homogenization to make the raw material of consistent quality;
- Clinkerization;
- Cement grinding;
- Storage in silos; and
- Packaging, loading and distribution.

Figure 5 shows the flowsheet for raw material processing, clinker and cement production. Further details of the process are provided in Exhibit 96.1 to our 2021 Form 20-F.

Figure 5 Pacasmayo plant process block diagram



Tembladera Quarry

The Tembladera quarry has been operating for 65 years. The material extracted from the quarry is used to supply the Pacasmayo plant. The amount of limestone to be mined is planned annually through the mining plan.

The equipment in operation at the Tembladera quarry are in optimum condition to maintain continuity of operations. Maintenance and optimization of the equipment is carried out periodically and is supervised by the operator of the quarry. The equipment is in good condition and operational. Further details of the equipment are provided in Exhibit 96.1 to our 2021 Form 20-F.

Facilities

The Tembladera quarry has facilities such as offices, blasting explosives warehouse, electrical substation, maintenance shop, lubricant warehouse, gas station, oil tank, guardhouse, limestone field, dining room, laboratory, truck scale, ore belt, loading tunnel, meteorological station, safety trench and septic tank.

Pacasmayo Plant

The Pacasmayo plant has been in operation for 65 years. The Pacasmayo plant uses the limestone extracted from the Tembladera quarry in the manufacture of cement and quicklime.

The equipment in operation at the Pacasmayo plant is in optimal condition to avoid any interruption in cement production. Maintenance and optimization of the equipment is carried out periodically and is supervised by Cementos Pacasmayo personnel. The Pacasmayo plant is currently being optimized with a modern, state-of-the-art clinker production line in order to increase production. The equipment is in good condition and operational. Further details of the equipment are provided in Exhibit 96.1 to our 2021 Form 20-F.

Facilities

The Pacasmayo plant has facilities such as maintenance workshops, warehouses, laboratories, administrative offices, and cement production lines that support cement production.

The total cost of the mining concession, mine development costs, land, buildings and other facilities, machinery and equipment, furniture and fixtures, transportation units, computer equipment and tools, quarry rehabilitation costs, capitalized interest and work in progress amounted to S/ 732,147,286 as of December 31, 2022.

History

By means of Resolution No. 01989-2002-INACC/J dated November 4, 2002, the National Institute of Concessions and Cadastre and granted Cementos Pacasmayo, the non-metallic concession title called "Acumulación Tembladera" with code No. 01-00018-01-L.

The property dates back to the date of its oldest integral concession: "Norte No. 1" granted by the Regional Mining Office of Cajamarca by Ministerial Resolution No. 267 of June 30, 1950, in benefit of Cementos Portland del Norte S.A., starting operations as Cementos Pacasmayo, from 1957 until 2013 when Calizas del Norte S.A.C. (CALNOR) was incorporated. CALNOR engaged in activities from January 2014 until May 2016. San Martín Contratistas Generales S.A. has engaged in activities from October 2016 to the present.

Property Encumbrances

Cementos Pacasmayo S.A.A. does not make any payments with respect to encumbrances for the Acumulación Tembladera property. The Acumulación Tembladera mining concession currently has no outstanding payments with respect to infractions and penalties.

Concessions

The Acumulación Tembladera mining concession is a production stage property with estimated mineral reserves.

Geology

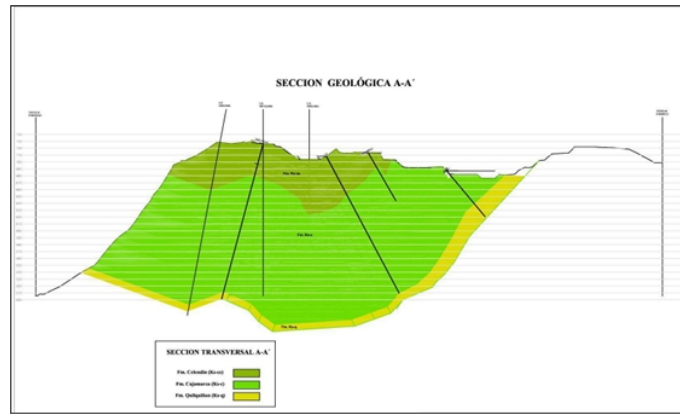
The ore deposit contains limestone rock with a grade suitable for cement production. The limestone is contained within the so-called Cajamarca Formation, belonging to the Upper Cretaceous (Turonian floor, around 90 MA). This Formation overlies the Quilquiñan Group, and intrajacent to the Celendín Formation.

Table 1 shows the stratigraphic column of the area of the Tembladera quarry. Sedimentary rocks corresponding to the Cajamarca Formation and the Upper Cretaceous Celendín Formation outcrop in the project area as described below.

Table 1 Stratigraphic Column of the Tembladera quarry

System Quaternary	Series Recent	Stratigraphic Unit		Intrusive rocks		Lithologic Description Fluvial origin
		Fluvial Deposit	Qr-fl			
Tertiary	Lower	Alluvial Deposit	Qr-al	Andesite	T-an	Alluvial origin Intrusion of andesitic dykes longitudinally into the deposit rock mass.
Cretaceous	Upper	Celendín Formation	Ks-ce			Thin layers of clayey nodular limestone, interbedded with marls and lutites.
		Cajamarca Formation	Ks-c			Limestone of marine origin of whitish to light gray color.
		Quilquiñan Group	Ks-q			Lutites and marls with some calcareous intercalations.

Figure 1 Geological section of Tembladera quarry



Resources and Reserves

Table 2 shows the mineral resources at the Tembladera quarry as of December 31, 2022.

Table 2 Mineral Resources (exclusive of reserves) as of December 31, 2022 based on cement price of S/599.5 per ton

	Amount (Million Tonnes)	Grades/ qualities (% CaO)	Grades/ qualities (% SO ₃)	Grades/ qualities (% MgO)	Grades/ qualities (% Al ₂ O ₃)	Cut-off grades (% CaO)
Measured resources	127.4	49.4	0.3	1.8	1.7	48.6
Indicated resources	35.7	50.2	0.1	1.6	1.4	48.6
Measured + Indicated resources	163.1	49.6	0.2	1.7	1.7	48.6
Inferred resources	74.1	50.3	0.3	1.6	1.4	48.6

The Mineral resources estimation considered the expected price of cement, the complete forecast horizon contemplates perpetuity is included at the end of the 30 years of projection. Clinker is used for cement production through the addition of other non-metallic minerals.

Table 3 shows the mineral Reserves at the Tembladera quarry.

Table 3 Mineral Reserves at the end of the 2022 fiscal year based on cement price of S/599.5 per ton

	Amount (Million Tonnes)	Grades/ qualities (% CaO)	Grades/ qualities (% SO ₃)	Grades/ qualities (% MgO)	Grades/ qualities (% Al ₂ O ₃)	Cut-off grades (% CaO)
Proven reserves	62.12	49.5	0.3	1.5	1.6	49.5
Probable reserves	12.23	49.6	0.2	1.5	1.5	49.5
Total Reserves	74.35	49.5	0.3	1.5	1.6	49.5

The Mineral Reserves estimation considered the expected price of cement. The complete forecast horizon contemplates a total of 30 years of projection. Clinker is used for cement production through the addition of other non-metallic minerals.

Reconciliation of Resources and Reserves at the End of the Fiscal Year

Table 4 shows the difference between the mineral resource estimates as of December 31, 2022 and 2021.

Table 4 Resources for the last two fiscal years expressed in millions of tons.

	Resources as of Dec. 31, 2022	Resources as of Dec. 31, 2021	Discrepancy
Measured resources	127.4	128.3	The difference is due to the annual consumption of limestone used in the cement plant and the updated quarry stability design.
Indicated resources	35.7	37.6	The difference is due to the annual consumption of limestone used in the cement plant and the updated quarry stability design.
Measured + Indicated resources	163.1	165.9	The difference is due to the annual consumption of limestone used in the cement plant and the updated quarry stability design.
Inferred resources	74.1	74.2	The difference is due to the annual consumption of limestone used in the cement plant and the updated quarry stability design.

* Some technicalThe for the Mineral Resources estimation in the economic model can be found in the Cementos Pacasmayo S.A.A. Technical Report Summary (TRS) of the Tembladera Quarry and Pacasmayo Cement Plant 20-F 229.601 (Item 601) Exhibit 96.1 to our 2021 Form 20-F. All mineral resources are estimated at cement plant. The updated average price is S/599.5 per ton of cement at nominal values, perpetuity is included at the end of the 30-year projection.

Table 5 shows the difference between the mineral reserve estimates at the end of this fiscal year and the previous fiscal year.

Table 5 Reserves as of December 31, 2022 and 2021 expressed in millions of tons.

	Reserves as of Dec. 31, 2022	Reserves as of Dec. 31, 2021	Discrepancy
Proven reserves	62.1	66.5	Mineral reserve estimation for 2022 considered 30 years as LOM due to economic issues of price and cost forecast. Main differences are supported by annual limestone consumption to produce cement.
Probable reserves	12.2	10.5	Mineral reserve estimation for 2022 considered 30 years as LOM due to economic issues of price and cost forecast. Main differences are supported by annual limestone consumption to produce cement.

* The prices assumed for the Mineral Reserves estimation in the economic model can be found in the Cementos Pacasmayo S.A.A. Technical Report Summary (TRS) Tembladera Quarry and Pacasmayo plant 229.601 (Item 601) Exhibit 96.1 to our 2021 Form 20-F, and which were updated as of December 31, 2022. All mineral Reserves are estimated at cement plant. The updated average price is S/599.5 per ton of cement, average of the 30-year projection, at nominal values.

Previously disclosed

Cementos Pacasmayo has previously disclosed mineral resources and reserves at the Tembladera quarry in our 2021 Form 20-F. Further details are provided in Exhibit 96.1 to our 2021 Form 20-F.

Exploration

Cementos Pacasmayo did not conduct any exploration activity at the Tembladera quarry during the year ended December 31, 2022. Cementos Pacasmayo is developing a drilling campaign in order to further refine mineral reserve estimates.

Virrilá Individual Disclosure (229.1304)

Property description

Location

The Virrilá property is located in the Sechura District, Sechura Province, Piura Region, Peru at longitude -80.766994° W and latitude -5.922731° S. The concessions are registered in INGEMMET as Virrilá 3, Virrilá 4, Virrilá 6, Virrilá 7, Virrilá 8, Virrilá 9, Virrilá 10, Virrilá 11, Virrilá 12, Virrilá 13, Virrilá 14, Virrilá 15, Virrilá 16, Virrilá 17, Virrilá 18, Virrilá 19, Virrilá 20, Virrilá 21, Virrilá 22, Virrilá 23 and Bayovar N° 4 with mining activity.

The area of the mining property is 38,226.00 hectares. The mining rights are granted by INGEMMET through a Presidential Resolution.

Cementos Pacasmayo owns the mining concession and it is registered as “Unidad Económica Administrativa (“UEA”) Virrilá” as a non-metallic mining concession.

Cementos Pacasmayo currently has an agreement with the Fundación Comunal San Martín de Sechura for the use of the surface land associated with the production area of the Virrilá quarry.

Piura Cement Plant and UEA Virrilá are shown in Figure 1 while the location of the UEA Virrilá property and Piura cement plant are shown in Figures 2 and 3, respectively.

Figure 1 Piura cement plant and UEA Virrilá

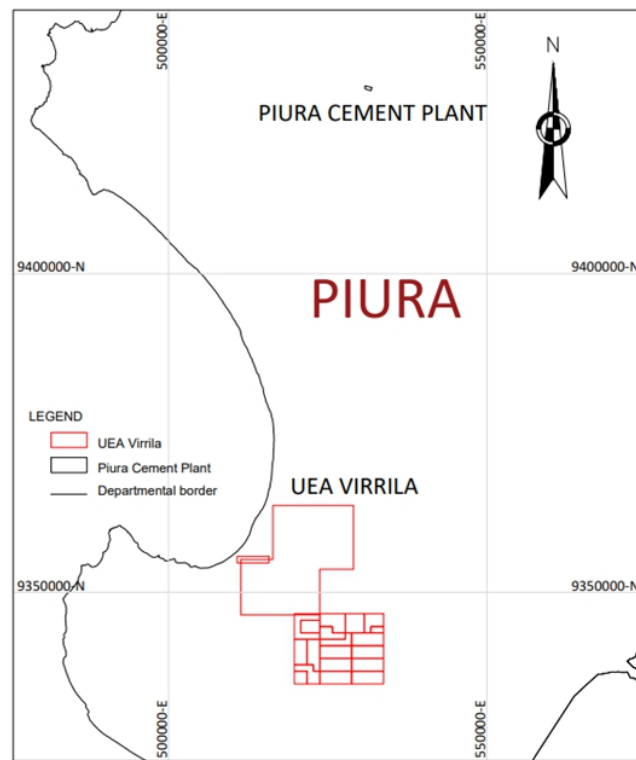
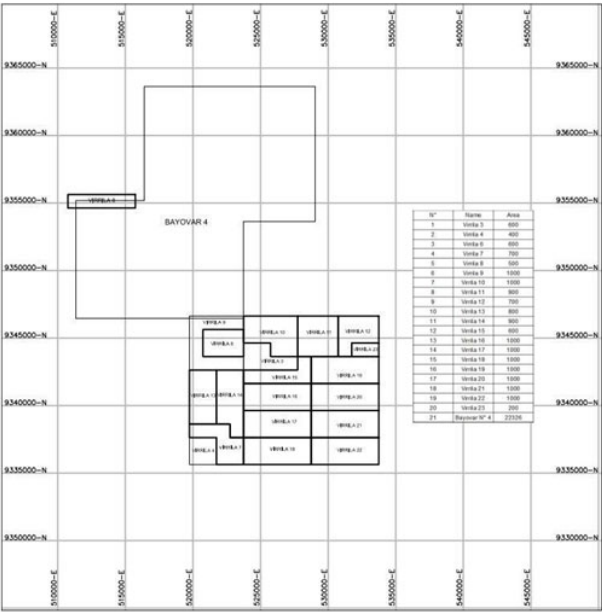
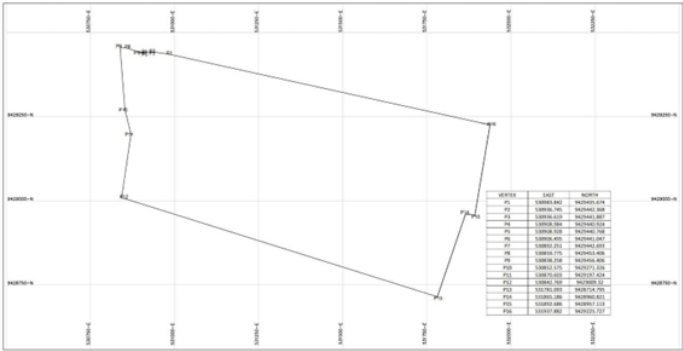


Figure 2 UEA Virrilá property



Piura Cement Plant is shown in Figure 3.

Figure 3 Piura cement plant



Infrastructure

The Virrilá quarry has the necessary infrastructure for normal operations. Facilities for electric power, water supply, fuels, accesses and roads have been installed.

The Virrilá quarry is supplied with fuel by diesel oil tanker trucks. Fuel distribution is the responsibility of an authorized contractor company, which will have the permits and records required for this type of facility and activity.

The Virrilá quarry is supplied with energy by electric generators.

The Virrilá quarry can be access by paved road from the Piura city, along the north Panamerican highway, to the Bayovar intersection and then to the Virrilá quarry. The estimated travel time is 2 hours.

Personnel for the Virrilá quarry come from the town of Sechura, near to the quarry and from Piura.

Personnel from Sechura are transported to the quarry in buses and pickup trucks. The contractor is responsible for the logistics of the personnel operating the quarry.

Mining Concession Ownership and Area

On March 31, 2016, the Virrilá concession was granted by Presidential Resolution No. 0147-2016-INGEMMET/PCD/PM and includes nine non-metallic mining rights in the UEA Virrilá, with code No. 01-00011-00-U of Cementos Pacasmayo S.A.A.

The UEA Virrilá, with code No. 01-00011-00-U of Cementos Pacasmayo S.A.A. which grouped 12 non-metallic mining rights according to Presidential Resolution No. 2869-2015-INGEMMET/PCD/PM dated September 30, 2015 now has a total of 21 mining rights.

Royalties

Law No. 28258 approved the Peruvian Mining Royalty Law on June 24, 2004, which was amended by Law No. 29788 of September 28, 2011. Cementos Pacasmayo S.A.A. currently pays the Mining Royalty (see note 29 to our consolidated financial statements included in this annual report).

The payment to the Peruvian government is made through SUNAT, which is the entity designated to control this consideration for the use of natural resources and such payment is made through an application that the tax authority has made available to those required to pay.

In case the mining royalty is not declared or paid, penalties for infractions and default interest for non-compliance are incurred. However, failure to pay these fines is not a cause for the loss of the mining concession.

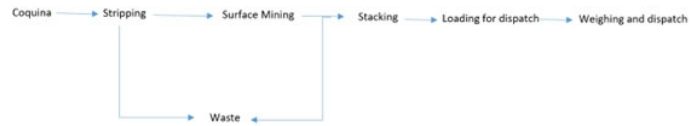
Set forth below is additional information, as relevant to the particular property;

Mining Activities on the Property

The Virrilá quarry located in the UEA Virrilá is currently in production stage. This is an open-pit mine where surface miners are used to fragment the coquina, which is loaded onto trucks by front-end loaders and transported to the cement plant located in Piura which is 120 kilometers from UEA Virrilá.

Figure 4 shows the flowsheet of mining process of the Virrilá quarry. Further details of the process are provided in Exhibit 96.2 to our 2021 Form 20-F.

Figure 4 Diagram of mining process of the Virrilá quarry



Piura Cement Plant

The cement plant is under the laws of the industrial sector, according to current Peruvian regulations.

The cement plant is located at Veintiséis de Octubre District, Piura Province and Piura region. This facility receives material from the Virrilá quarry. The cement plant produces various products for the construction industry, the main product being cement. Different types of cement are produced depending on their applications, and using coquina (a soft limestone of broken shells), sand, iron and clays are used as raw materials. The specific mix of raw materials produces the clinker necessary to produce cement.

The standard cement production process consists of the following main stages:

- Extraction and transportation of coquina;
- Raw material storage;
- Grinding and homogenization to make the raw material of consistent quality;
- Clinkerization;
- Cement grinding;
- Storage in silos; and
- Packaging, loading and distribution.

Figure 5 shows the flowsheet for raw material processing, clinker and cement production. Further details of the process are provided in Exhibit 96.2 to our 2021 Form 20-F.

Figure 5 Piura plant process block diagram



Virrilá Quarry

The Virrilá quarry has been operating for seven years. The material extracted from the quarry is used to supply the Piura plant. The amount of coquina to be mined is planned annually through the mining plan.

The equipment in operation at the Virrilá quarry are in optimum condition to maintain continuity of operations. Maintenance and optimization of the equipment is carried out periodically and is supervised by the operator of the quarry. The equipment is in good condition and operational. Further details of the equipment are provided in Exhibit 96.2 to our 2021 Form 20-F.

Facilities

The Virrilá quarry has facilities such as offices, dining room, infirmary, vehicle parking lots, lubricant warehouse, chemical baths, maintenance shop, sample preparation laboratory, industrial water tank, truck scale, hopper for weighing, wastewater treatment pond, and satellite and radio antenna.

Piura Plant

The equipment in operation at the Piura plant is in optimal condition to avoid any interruption in cement production. Maintenance and optimization of the equipment is carried out periodically and is supervised by Cementos Pacasmayo S.A.A. personnel. The equipment is in good condition and operational. Further details of the equipment are provided in Exhibit 96.2 to our 2021 Form 20-F.

Facilities

The Piura Plant has facilities such as maintenance workshops, warehouses, laboratories, administrative offices, and cement production lines that support cement production.

The total cost of the mining concession, mine development costs, land, buildings and other facilities, machinery and equipment, furniture and fixtures, transportation units, computer equipment and tools, quarry rehabilitation costs, capitalized interest and work in progress amounted to S/896,454,509 as of December 31, 2022.

History

The quarry is a non-metallic deposit of coquina material, source of different types of cements for construction; Cementos Pacasmayo S.A.A. owns the deposit.

The Virrilá quarry started operations in 2015. The mining contractor San Martin Contratistas Generales S.A. was in charge of the exploitation from the beginning of operations until March 14, 2020. The mining contractor Posada Perú SAC started operations at the Virrilá quarry on September 14, 2020 until December 30, 2021.

On January 3, 2022, the mining contractor San Martin Contratistas Generales S.A. was hired to transport the coquina from the Virrilá quarry to the Piura plant.

Property Encumbrances

Cementos Pacasmayo S.A.A. does not make any payments with respect to encumbrances for the UEA Virrilá concessions. The UEA Virrilá concessions currently have no outstanding payments with respect to infractions and penalties.

Concessions

The UEA Virrilá is a production stage property with estimated mineral reserves.

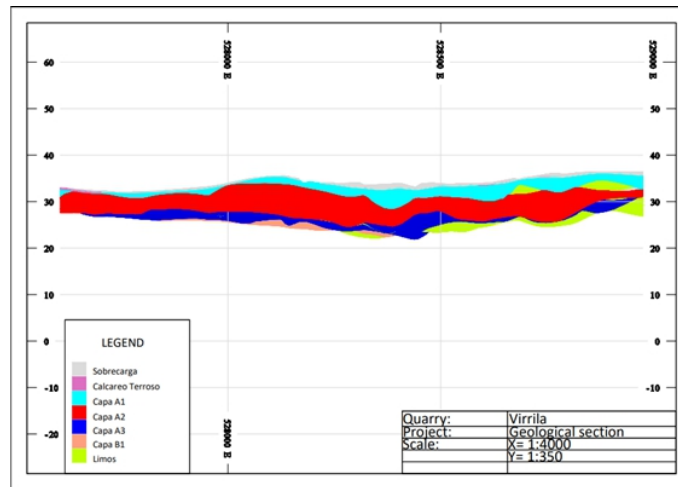
Geology

The lithostratigraphy of the area consists of Cenozoic sedimentary units, locally formed by Tertiary units and covered by Quaternary deposits; the Tablazo Lobitos and Quaternary deposits of ancient alluvial, lacustrine and Aeolian origin form these units. Table 1 shows the stratigraphic column of the area of the Virrilá quarry and Figure 6 shows the Geological section of the Virrilá quarry.

Table 1 Stratigraphic Column of the Virrilá quarry

Era	System	Symbol	Serie	Stratigraphic Unit
Cenozoic	Quaternary	Qh-e	Holocene	Eolic deposits
		Qp-tt	Pleistocene	Tablazo Talara
	Tertiary	Tm-zi	Miocene	Lower Zapallal Formation

Figure 1 Geological section of the Virrilá quarry



Resources and Reserves

Table 2 shows the mineral resources at the Virrilá quarry as of December 31, 2022.

Table 2 Mineral Resources (exclusive of reserves) as of December 31, 2022 based on cement price of S/668.8 per ton

	Amount (Million Tonnes)	Grades/ qualities (% CaO)	Grades/ qualities (% SO ₃)	Grades/ qualities (% MgO)	Cut-off grades (% CaO)
Measured resources	17.4	49.7	0.6	0.6	48.5
Indicated resources	29.0	49.5	1.0	1.1	48.5
Measured + indicated resources	46.4	49.5	0.8	0.9	48.5
Inferred resources	3.9	46.4	2.2	1.6	43.6 – 48.5

The Mineral resource estimation considered the expected price of cement. The complete forecast horizon contemplates a total of 30 years of projection. Clinker is used for cement production through the addition of other non-metallic minerals.

Table 3 Mineral Reserves as of December 31, 2022

Table 3 Mineral Reserves as of December 31, 2022 based on cement price of S/668.8 per ton

	Amount (Million Tonnes)	Grades/ qualities (% CaO)	Grades/ qualities (% SO ₃)	Grades/ qualities (% MgO)	Cut-off grades (% CaO)
Proven reserves	42.6	49.8	0.5	0.5	48.5
Probable reserves	2.9	47.6	0.9	0.9	48.5
Total reserves	45.5	49.7	0.6	0.5	48.5

The Mineral reserves estimation considered the expected price of cement. The complete forecast horizon contemplates a total of 30 years of projection. Clinker is used for cement production through the addition of other non-metallic minerals.

Reconciliation of Resources and Reserves at fiscal year-end

Table 4 shows the difference between the mineral resource estimates as of December 31, 2022 and December 31, 2021.

Table 4 Resources as of December 31, 2022 and 2021 expressed in millions of tons.

	Resources as of Dec. 31, 2022	Resources as of Dec. 31, 2021	Discrepancy
Measured Resources	17.4	21.1	The difference is due to the annual consumption of coquina used in the cement plant.
Indicated Resources	29.0	29.2	The difference is due to the annual consumption of coquina used in the cement plant.
Measured + Indicated Resources	46.4	50.3	The difference is due to the annual consumption of coquina used in the cement plant.
Inferred Resources	3.9	3.9	The inferred resources remain the same as last year.

* The prices assumed for the Mineral Resources estimation in the economic model can be found in the Cementos Pacasmayo S.A.A. Technical Report Summary (TRS) of the Virrilá Quarry and Piura plant 229.601 (Item 601) Exhibit 96.2 to our 2021 Form 20-F. All resources are estimated at cement plant. The updated average price is S/668.8 per ton of cement, average of the 30-year projection, at nominal values.

Table 5 shows the difference between the mineral reserve estimates as of December 31, 2022 and December 31, 2021.

Table 5 Reserves as of December 31, 2022 and 2021 expressed in millions of tons.

	Reserves as of Dec. 31, 2022	Reserves as of Dec. 31, 2021	Discrepancy
Proven Reserves	42.6	42.4	Due to the update of the coquina production plan.
Probable Reserves	2.9	2.9	

* The prices assumed for the Mineral Reserves estimation in the economic model can be found in the Cementos Pacasmayo S.A.A. Technical Report Summary (TRS) Virrilá Quarry and Piura Cement Plant 229.601 (Item 601) Exhibit 96.2 to our 2021 Form 20-F. All Reserves are estimated at cement plant. The updated average price is S/ 668.8 per ton of cement, average of the 30-year projection, at nominal values.

Previously disclosed

Cementos Pacasmayo has previously disclosed mineral resources and reserves at the Tembladera quarry in our 2021 Form 20-F. Further details are provided in Exhibit 96.2 to our 2021 Form 20-F.

Other Activities

Cementos Pacasmayo S.A.A. has carried out drilling works in the Virrilá quarry to confirm the mineral reserves. This activity will improve the accuracy of mineral reserves estimation. Diamond drilling was carried out and a specialized company was contracted to carry out the work. New drilling data is not included in the 2022 reserves model.

Tioyacu Individual Disclosure (229.1304)

Property description

Location

The Tioyacu property is located in Elias Soplin Vargas district, Rioja province, San Martin region, Peru at longitude -77.284376° W and latitude -5.999057° S. It is located 5 kilometers from the cement plant.

The area of the mining concession is 400 hectares. The mining rights are granted by INGEMMET of the Energy and Mines Sector through a Presidential Resolution.

Cementos Selva S.A.C owns the mining property and it is registered as "Calizas Tioyacu" a non-metallic mining property.

Rioja cement plant and Calizas Tioyacu quarry are shown in Figure 1 while the locations of the Calizas Tioyacu and Rioja cement plant are shown in Figures 2 and 3, respectively.

Figure 1 Rioja plant and Calizas Tioyacu

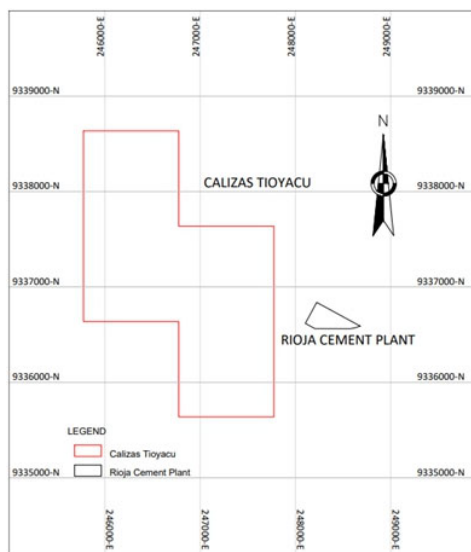
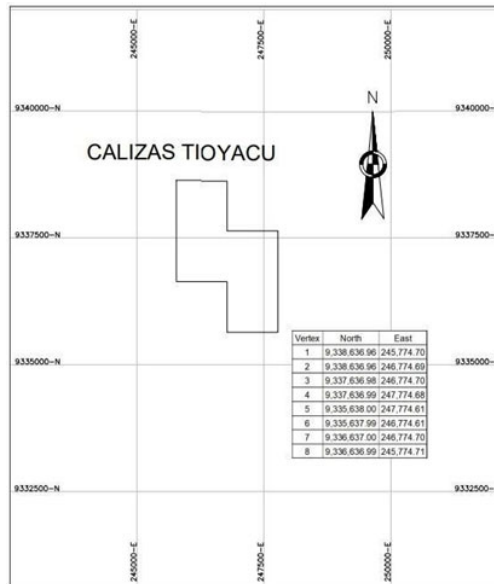
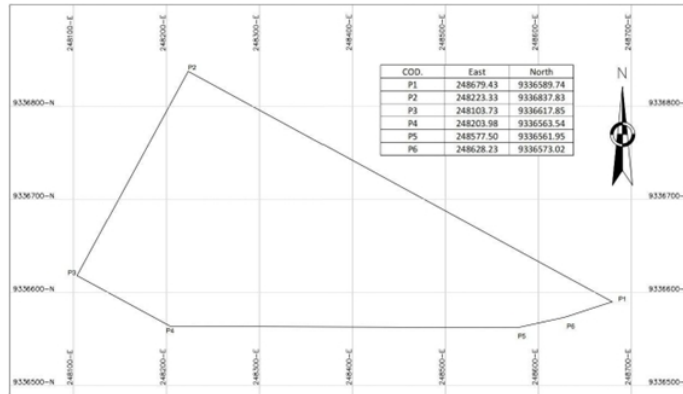


Figure 2 Calizas Tioyacu property



Our Rioja cement plant is shown in Figure 3.

Figure 3 Rioja cement plant



Infrastructure

The Tioyacu quarry has the necessary infrastructure for normal operations. Facilities for electric power, water supply, fuels, accesses and roads have been installed.

The Rioja plant owned by Cementos Selva S.A.C., a wholly-owned subsidiary of Cementos Pacasmayo S.A.A., currently has adequate infrastructure (such as workshops, service stations, restrooms, and others).

The Tioyacu quarry can be accessed from the coast by air from Lima to Tarapoto, time average 1.10 hours by air, and from Tarapoto to Rioja (139 kilometers) and from the city of Rioja to the cement plant (15 kilometers). Another alternative to access the quarry is by road from Lima to Rioja and the distance is 1,107 kilometers and the road is paved.

The personnel at Tioyacu quarry come from the Elias Soplin Vargas district and Rioja and Nueva Cajamarca.

Mining Concessions Ownership and Area

Calizas Tioyacu concession was approved by Resolution 0960-96-RPM granted by the Public Mining Registry.

The procedure to obtain a mining concession is contemplated in the General Mining Law DS- 014-92-EM) and its Regulation Legislative Decree 020-2020-EM.

The Tioyacu quarry has a Usufruct and Easement Agreement for the use and easement of the surface where mining activities where mining activities are carried out. The agreement was signed with Corporación de Desarrollo de San Martín (COREDESAM).

Cementos Selva S.A.C. pays the concession fee for the Calizas Tioyacu concession with unique code 010912495. These payments must be made from the first working day of January to June 30 of each year, providing the financial entities the unique code of its mining right. In the case of the Calizas Tioyacu concession, the payment is equivalent to US\$3.00 per hectare.

Royalties

The Peruvian Mining Royalty Law was approved on June 24, 2004 by Law No. 28258, which was amended by Law No. 29788 of September 28, 2011. Cementos Selva S.A.C. currently pays the Mining Royalty (see note 29 to our consolidated financial statements included in this annual report).

The payment to the Peruvian government is made through SUNAT, which is the entity designated to control this consideration for the use of natural resources, and such payment is made through an application that the tax authority has made available to those required to pay.

In case the mining royalty is not declared or paid, fines for infractions and late payment interest for non-compliance are incurred. However, failure to pay these fines is not a cause for the loss of the mining concession.

Set forth below is additional information, as relevant to the property.

Mining Activities on the Property

Tioyacu Quarry

The Tioyacu quarry located in the Calizas Tioyacu mining concession, is currently in the production stage. The Tioyacu quarry is an open-pit mine that uses explosives to fragment the limestone rock, which is then loaded onto trucks by front-end loaders and transported to the Rioja plant.

Figure 4 shows a flowsheet of mining process of the Tioyacu quarry. Further details of the process are provided in Exhibit 96.3 to our 2021 Form 20-F.

Figure 4 Diagram of mining process of the Tioyacu quarry



Rioja Cement Plant

This cement plant is under the laws of the industrial sector, according to current Peruvian regulations.

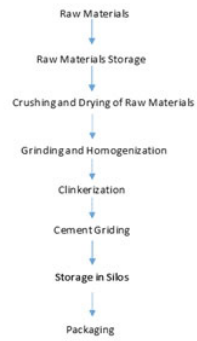
The Rioja cement plant is located in the district of Elías Soplin Vargas, La Rioja province, San Martín region, 5 kilometers from the quarry. This facility receives material from the Tioyacu quarry. The cement plant produces various products for the construction industry, the main product being cement. Different types of cement are produced depending on their applications, using limestone, sand, iron and clays are used as raw materials. The specific mix of raw materials produces the clinker necessary for the production of cement.

The standard cement production process consists of the following main stages:

- Extraction and transportation of limestone;
- Raw material storage;
- Crushing and Drying of Raw Materials
- Grinding and homogenization to make the raw material of consistent quality;
- Clinkerization;
- Cement grinding;
- Storage in silos; and
- Packaging, loading and distribution.

Figure 5 shows the flowsheet for raw material processing, clinker and cement production. Further details of the process are provided in Exhibit 96.3 to our 2021 Form 20-F.

Figure 5 Rioja plant process block diagram



Tioyacu Quarry

The Tioyacu quarry has been operating for 22 years for Cementos Selva S.A.C. The material extracted from the quarry is used to supply the Rioja cement plant, which has also been in operation for 22 years. The amount of limestone to be mined is planned annually through the mining plan.

The equipment in operation at the Tioyacu quarry is in optimum condition to maintain continuity of operations. Maintenance and optimization of the equipment is carried out periodically and is supervised by the operator of the quarry. The equipment is in good condition and operational. Further details of the equipment are provided in Exhibit 96.3 to our 2021 Form 20-F.

Facilities

The Tioyacu quarry does not have maintenance and administrative facilities because the Rioja cement plant is near the quarry and provides the necessary facilities for quarry operations.

Rioja Plant

The equipment in operation at the Rioja plant is in optimal condition to avoid any interruption in cement production. Maintenance and optimization of the equipment is carried out periodically and is supervised by Cementos Selva S.A.C. personnel. The equipment is in good condition and operational. Further details of the equipment are provided in Exhibit 96.3 to our 2021 Form 20-F.

Facilities

The Rioja plant has facilities such as maintenance workshops, warehouses, laboratories, administrative offices, and cement production lines that support cement production.

The total cost of the mining concession, mine development costs, land, buildings and other constructions, machinery and equipment, furniture and fixtures, transportation units, computer equipment and tools, quarry rehabilitation costs, capitalized interest and work in progress amounted to S/144,045,842 as of December 31, 2022.

History

The Tioyacu quarry began operations as Cementos Rioja S.A. in 2000. Prior to 2000, Cementos Rioja S.A. had successfully won the bid for the “Cement Plant with Vertical Kiln of Rioja”, promoted by CEPRI Cemento Rioja at the Public Auction of February 6, 1998. Ownership was then transferred by the Regional Government of San Martín by public deed on March 28, 1988, to Cementos Rioja S.A.

The development of the project, and the non-metallic mining concession – Calizas Tioyacu, among others, were a part of the transfer in favor of Cementos Rioja S.A. by Empresa Minera del Perú, by public deed dated April 8, 1998.

It should be noted for a better understanding of the above, that according to the provisions of article 9 to the General Mining Law (D.S. No. 014-92-EM). Accordingly, the industrial cement plant is not an integral or accessory part of the mining concession, nor does it carry out mining activities, it is a different property dedicated to the industrial manufacture of cement.

On March 1, 2022, Cementos Selva S.A. changed its corporate form from a S.A. (*sociedad anónima*) to a S.A.C. (*sociedad anónima cerrada*).

Property Encumbrances

Cementos Selva S.A.C. does not make any payments with respect to encumbrances for the Tioyacu quarry. Tioyacu quarry currently has no outstanding payments with respect to infractions and penalties.

Concessions

The Calizas Tioyacu is a production stage property with estimated mineral reserves.

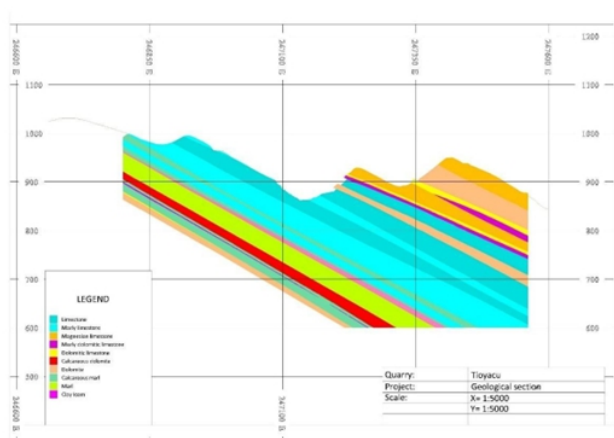
Geology

The ore deposit contains limestone with a grade suitable for cement production. The limestone is contained within the so-called Condorsinga Formation. This Formation is part of the Pucará Group. Figure 6 shows the stratigraphic column of the area of the Tioyacu quarry.

Figure 6 Rioja plant process block diagram

Stratigraphic Column of the Tioyacu Quarry					
AGES	FORMATION	STRATIGRAPHIC COLUMN	NOMENCLATURE	LITHOLOGIC DESCRIPTION	AVERAGE POTENCY (m)
CENOZOIC	QUATERNARY	ALLUVIAL DEPOSITS	TOP SOIL	GRAVELLY-SANDY CLAYS, LIGHT TO DARK BROWN, FINE-GRAINED, OF NEGLIGIBLE THICKNESS	0.20 A 2
MESOZOIC	LOWER JURASSIC	PUCARÁ GROUP - CONDORSINGA FORMATION	MAGNESIAN LIMESTONE	LIGHT GRAY COLOR, FINE GRAIN	25
			DOLOMITE	LEAD COLOR WITH WHITISH SHADES, FINE TO COARSE GRAIN	39
			DOLOMITIC LIMESTONE	LIGHT GRAY COLOR, FINE GRAIN	8
			DOLOMITIC LIMESTONE MARLSTONE	LIGHT GRAY COLOR, FINE GRAIN	9
			MAGNESIAN LIMESTONE	LIGHT GRAY COLOR, FINE GRAIN	22
			DOLOMITIC LIMESTONE	LIGHT GRAY COLOR, FINE GRAIN	6
			DOLOMITIC LIMESTONE MARLSTONE	LIGHT GRAY COLOR, FINE GRAIN	6
			LIMESTONE	LEAD COLOR WITH WHITISH SHADES, FINE TO COARSE GRAIN	15
			DOLOMITE	LEAD COLOR WITH WHITISH SHADES, FINE TO COARSE GRAIN	18
			LIMESTONE	LIGHT GRAY COLOR, FINE GRAIN	24
			MARLY LIMESTONE	LIGHT GRAY COLOR WITH DARK SHADES, FINE GRAIN	16
			LIMESTONE	LIGHT GRAY COLOR	35
			MARLY LIMESTONE	LIGHT GRAY COLOR WITH DARK SHADES, FINE GRAIN	34

Figure 7 Geological section of the Tioyacu quarry



Resources and Reserves

Table 1 shows the mineral resources at the Tioyacu quarry as of December 31, 2022.

Table 1 Limestone Resources (exclusive of reserves) as of December 31, 2022 based on cement price of S/753.9 per ton

	Amount (Million Ton)	Grades/ qualities (% CaO)	Grades/ qualities (% SiO ₂)	Grades/ qualities (% K ₂ O)	Cut-off grades (% CaO)
Measured resources	0.07	50.1	5.6	0.2	49.0
Indicated resources	0.13	47.1	6.2	0.1	49.0
Measured + Indicated resources	0.2	48.1	6.0	0.2	49.0
Inferred resources	19.7	45.9	2.0	0.1	40.0 – 49.0

Table 2 Limestone Reserves as of December 31, 2022 based on cement price of S/735.9 per ton

	Amount	Grades/ qualities (% CaO)	Grades/ qualities (% SiO ₂)	Grades/ qualities (% K ₂ O)	Cut-off grades (% CaO)
Proven reserves	6.3	50.3	5.7	0.2	49.0(1)
Probable reserves	4.7	47.3	6.3	0.2	49.0(1)
Total reserves	11.0	49.0	6.0	0.2	49.0(1)

(1) The quality restrictions established may vary according to the requirements of the material balance, associated with limestone and other raw materials.

The estimation of mineral resources and reserves considered the expected price of cement. The complete forecast horizon contemplates a total of 27 years of projection. Clinker is used for cement production through the addition of other non-metallic minerals.

Reconciliation of Resources and Reserves as of December 31, 2022 and 2021

Table 3 shows the difference between the mineral resource estimates as of December 31, 2022 and 2021.

Table 3 Resources for the two fiscal years expressed in millions of tons.

	Resources as at December 31, 2022	Resources as at December 31, 2021	Discrepancy
Measured resources	0.07	-	Due to the limestone production plan.
Indicated resources	0.13	-	Due to the limestone production plan.
Measured + Indicated resources	0.2	-	Due to the limestone production plan.
Inferred resources	19.7	19.2	The inferred resources are the same as last year, with some increases due to topographic differences.

* No economic analysis was performed for the Inferred Mineral Resources.

Table 4 Reserves as of December 31, 2022 and 2021 expressed in millions of tons.

	Reserves as at December 31, 2022	Reserves as at December 31, 2021	Discrepancy
Proven reserves	6.3	6.5	The difference is due to the annual consumption of limestone used in the cement plant.
Probable reserves	4.7	4.8	The difference is due to the annual consumption of limestone used in the cement plant.

* The prices assumed for the Mineral Reserves estimation in the economic model can be found in the Cementos Selva S.A.C. Technical Report Summary (TRS) of the Tiroyacu Quarry and Rioja Cement Plant 229.601 (Item 601) filed as Exhibit 96.3 to our 2021 Form 20-F. All mineral reserves are estimated as quantities at cement plant. The updated average price is S/735.9 per ton of cement, average of the 27-year projection, at nominal values.

Previously disclosed

Cementos Pacasmayo has previously disclosed mineral resources and reserves at the Tioyacu quarry in our 2021 Form 20-F. Further details are provided in Exhibit 96.3 to our 2021 Form 20-F.

Exploration

In 2022, Cementos Selva S.A.C. did not conduct any exploration activity at the Tioyacu quarry.

Internal Control Disclosure (229.1305)

As part of its corporate policies and through its Vice-President of Operations, Cementos Pacasmayo S.A.A. has implemented the necessary controls and procedures for quality assurance (QA) and quality control (QC) of the company's production activities and associated information for the estimation of mineral resources and reserves. Cementos Pacasmayo S.A.A. has also implemented quality management systems for its production activities and the quality management system has been ISO 9001 certified since 2015.

The QA and QC measures are applied to exploration, quarry production (mining), and cement plant processing activities. For laboratory analysis of exploration samples used in mineral resource and reserve estimates, Cementos Pacasmayo uses a program of duplicate samples, standards and blanks to evaluate the reliability of the laboratory results that its qualified persons rely on for resource and reserve estimates. Its qualified persons also verify the data prior to using the data in their work.

In each of its operations, Cementos Pacasmayo following the quality management system, applies the quality control procedures specific to each stage of the process such as exploration activities, limestone/coquina production, reception of raw materials in the cement plant, crushing of raw materials, coal grinding, cement grinding and raw materials or products in the cement plants such as clinker, additions and cement.

Quality control procedures include sample security such as chain of custody for reliable information.

Cementos Pacasmayo has a chemical analysis laboratory in each of its cement plants where procedures based on international standards are used for the chemical and physical analysis of raw materials, clinker, and other materials; mainly used in limestone and cement production. Methodologies including the insertion of blanks, duplicates, and standards are applied as part of the quality plan.

Cementos Pacasmayo has a data management department whose goal is to verify the quality of the information and its incorporation into the geological database, so that it can be used in studies and interpretations, geological modeling, and estimation of mineral resources and reserves.

Data verification activities apply to exploration, limestone/coquina production and cement processing data. For exploration and limestone production information, Datashed software is used as a tool for data analysis.

At the cement plant, the quality plan considers the PDCA (Plan, Do, Check, Act) cycle, which allows the quality of information to be verified during cement production activities.

As part of the quality control activities, Cementos Pacasmayo periodically hires an external laboratory to verify its laboratory results obtained during the exploration activities, which are part of the geological database and consequently used in the estimation of resources and reserves.

Cementos Pacasmayo has implemented internal controls to ensure its mineral resource and reserves estimates are compliant with Regulation S-K, Item 1300 requirements including ensuring of mineral resource and reserve estimates are prepared by qualified persons who are members of the Peruvian Engineers Association, an organization that regulates the legal professional practice of engineers in Peru.

Mineral resource and reserve estimates at the end of each fiscal year are and will continue to be reviewed by our Mining Operations Department to ensure compliance with S-K 1300. Cementos Pacasmayo engineers and geologists reconcile actual production with estimates of mineral resources and reserves annually to verify accuracy of the estimates. The comprehensive risk inherent in our estimates of mineral resources and reserves are consistent with industry best practices.

Insurance

We maintain a comprehensive insurance program that protects us from certain types of property and casualty losses. Our plants and equipment are insured against losses. Additionally, our insurance policy provides coverage for business interruption in our cement manufacturing facilities. We also purchase commercial insurance to cover risks associated with workers' compensation and other general liabilities. We believe our insurance programs and policy limits and deductibles are appropriate for the risks associated with our business and are in line with the insurance policies of similar cement manufactures that operate in Peru.

Sustainability Performance

We report our sustainability performance information to the GNR (Getting the Numbers Right) database, inspired by the guiding principles of the Cement Sustainability Initiative (CSI), a sector-project of the World Business Council for Sustainable Development (WBCSD) among other cement companies in Latin America through the Inter-American Cement Federation (FICEM).

In August 2018, we joined the Global Cement and Concrete Association (GCCA) and became members of the GCCA and the GCCA announced the formation of a strategic partnership with WBCSD to facilitate sustainable development of the cement and concrete sectors and their value chains. As part of a new agreement, the work carried out by the CSI and the GNR database was transfer from WBCSD to the GCCA on 1 January 2019.

In 2019, we became members of Innovandi Global Cement and Concrete Research Network which is GCCA's Innovation arm, which runs key programs to develop innovations to help the industry decarbonize and produce carbon neutral concrete by 2050.

In 2020, member companies of the Global Cement and Concrete Association came together as leaders in the sector to commit to producing carbon neutral concrete by 2050, in line with global climate targets – accelerating the Co2 reductions.

In 2022, we were included for the fourth consecutive year as part of the DJS MILA Pacific Alliance Index. This index is made up of those companies that demonstrate superior performance among their peers under social, environmental and economic criteria. This achievement comes as a result of Pacasmayo's effort to improve in all of these criteria and to work towards ambitious goals in terms of long-term sustainability. We are committed not only to remain in the Index but to improve our performance, as we are convinced that the focus on sustainability is key to our business and our stakeholders. We participated in the Carbon Disclosure Project (CDP) for the first time, and we are committed to participate every year in this project going forward. CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

In February 2023, we were selected to be part of The Sustainability Yearbook for the third consecutive year. To appear in the Yearbook, companies must score within the top 15% of their industry globally and have a gap of less than 30% from the leader's Global ESG score. 2021 was the first year that Peruvian companies were included as part of the Yearbook, and we are the only cement company that has been part of the Yearbook for three consecutive years. With around 7,800 companies evaluated around the world, an inclusion in the yearbook is a true statement of excellence in corporate sustainability. In addition, to strengthen our sustainability strategy and especially our commitment to reducing emissions, in 2022, we designated a Sustainability Manager and a Climate Change Managing Director

Social Performance

We are committed to the development and quality of life of communities that surround the area where we operate. We have developed a good relationship with the local communities surrounding our plant facilities since we started operations in Pacasmayo. We have a number of social responsibility programs aimed at improving health and education in the area. Below is a brief description of a few of our social initiatives.

Tecsup. Tecsup is a leading not-for-profit institute in Peru that provides technical education. It was founded by the family of our controlling shareholder, and we support it by providing scholarships to promising students living near our plants to study at the Trujillo campus of Tecsup. Through its three campuses in Peru, Tecsup has graduated over 11,285 students in various technical fields, some of whom currently work for us and our affiliated companies.

Center for Technological Training. We have three training centers at our facilities where we teach students and adults business and technical skills. Our centers are staffed with instructors from Tecsup. The goal of the center is to help develop the professional skills of the local population, especially of students and teachers at the educational institutions in the towns of Tembladera, Pacasmayo and Sechura. In 2022, this program benefited over 1,909 stakeholders.

Abilities Strengthening. This program seeks to provide training to local stakeholders such as grassroots organizations, and local entrepreneurs. The objective of the program is to strengthen their skills and knowledge by providing courses and seminars especially designed for that purpose. The program is funded by us and in 2022 benefited 186 stakeholders.

Universidad de Ingeniería y Tecnología – UTEC (University of Engineering and Technology). This entity is an educational nonprofit proposal that since 2012 is aimed at the development of people in the engineering field, looking to satisfy the need for these types of professionals in the labor market by implementing a curriculum in line with the trends and demands that globalization poses to modern engineering, with an integrated approach to innovative teaching models. We support it by providing financial aid for its operations. To enhance students' knowledge, UTEC also has various national and international alliances with top organizations.

Acuícola Los Paiches. Through our social venture, Acuícola Los Paiches S.A.C., we studied the reproductive forms of the “*paiche*” (arapaima giga), a native fish species that was on the edge of extinction. After years of studies and scientific testing, we have successfully bred this species in captivity, and we have obtained thousands of fingerlings.

Floor Improvement Project. This project promotes the urban development of our areas of influence, we set out to improve the infrastructure conditions of homes, through the substitution of dirt floors for concrete floors to contribute to the improvement of the quality of life and habitability conditions of the towns surrounding our operations. This is how 93 families joined this initiative and with our support they have managed to build concrete floors in their homes. Likewise, we have contributed 1,995 bags of cement to build a total of 2,922.26 square meters of concrete floors. This project has motivated the participants to invest financial resources and contribute labor to improve their homes.

Risk Management

Risk Management Description

Corporate Risk Management (GRC) is a structured approach that allows managing all of the important risks that could affect our long-term objectives. The purpose of this approach is to support senior management in the decision-making process, in order to reduce adverse impacts and take advantage of opportunities; as well as managing the action plans to mitigate the risks.

Therefore, Pacasmayo has processes and systems that analyze and evaluate the management of its business units, encouraging continuous improvement. Our management control systems include:

- Mapping of new emerging risks and definition of impact, probability and design of controls;
- Periodic review of current risks and update of impact probability and controls information;
- Quantification and effect of risk on EBITDA;
- Evaluation of external factors; and
- Periodic review of policies, procedures, regular internal audits and employee training.

Risk Management Process

The following are highlights of our risk management process.

- The risks are mapped considering the impact on profit, revenues, resources, employees, communities where we operate and our suppliers.
- An integrated risk management system and tools are used to collect information collaboratively with the functional areas and external sources of the company.
- These processes include the evaluation of risks related to operations, human rights, sustainability, fraud and corruption, in different areas such as commercial, operations, environment, health and safety, among others.
- The development of a risk management culture throughout the company in a decentralized manner, integrating the processes to the mapping of risks and the identification and mitigation of risks from the strategic level to the operational level.
- The foregoing is reinforced with training for employees and suppliers and communication plans for the entire company.

Risk Management Organization

Managers responsible for risk metrics	Risk management team	Risks committee	Audit Committee
• Those responsible for the evaluation, management and prevention of the risk metrics of each area. • Risk management coordinates with them for the development and monitoring of these metrics.	• Group responsible for the implementation of the corporate risk management strategy, which includes activities such as risk identification, evaluation, quantification, and promotion of a risk management culture, among others.	• Group created to establish and supervise the implementation of the risk management strategy at the corporate level. • It is made up by the CEO, the VPs and the Risks Manager • the Risks Committee reports to the Audit Committee	• Made up by 3 independent board members, reports directly to the Board • The participants are the external auditors, the internal auditor, the compliance officer, the CFO and the Risk Manager • Evaluates improvement opportunities and plans for the risk metrics.

Climate Related Risks

We have identified the risks and opportunities related to climate change and have analyzed the impacts of the risks on our strategy. ESG risk management and risks related to climate change are analyzed through the risk management stages and are part of our 2030 Sustainability Plan.

The identified risks have been incorporated into the risk matrix so that they can be managed and operated as part of the comprehensive risk management cycle. We are developing a business continuity plan with action measures and impact mitigation in the event of the occurrence of any events contemplated by such risks.

During 2022, we took financial measures in relation to the risks and opportunities derived from climate change, for a total investment amount of S/ 206,977.

- *Extreme scarcity of drinking water* - We identified the closest urban centers from which to meet the current demand for drinking water to mitigate this risk. The additional costs would be borne by us in their entirety. To manage this risk, we identified drinking water providers in the closest urban centers. The cost of the measures taken to manage this risk was S/37,701.
- *Extreme scarcity of water for production processes* - We identified tanker truck suppliers in the surrounding areas to mitigate this risk. The additional costs would be borne by us in their entirety. To manage this risk, we identified tanker truck suppliers in the surrounding areas. The cost of the measures taken to manage this risk was S/71,397.
- *Significant increases in the price of water* - We identified tanker truck suppliers in the surrounding areas to mitigate this risk. We closely follow the evolution of the price of water. The additional costs would be borne by us in their entirety. To manage this risk, we identified tanker truck suppliers and we track prices. The cost of the measure taken to manage this risk was S/97,879.

Cybersecurity

Our focus on Information Technology (IT) is to generate a collaborative digital ecosystem, where the different actors within the company (areas, processes and people) develop their activities leveraged on information, communication and automation technologies in a reliable, conscious and safe way. In this way, they can contribute to their own development, digital development, innovation and digital transformation and the fulfillment of our strategic objectives as a company.

Management is governed by ISO 27001, and the following 3 policies:

- o Policy on information security – protects IT assets
- o Logical Access Policy – regulates controlled access to information
- o Help Desk Management Policy - Standardizes service request management

Regarding cybersecurity, governance is led by IT management, through the Infrastructure and Information Security area, and the person responsible for supervising compliance with the strategy is the Chief Information Officer (CIO). Our management strategy focuses on four fundamental pillars:

- Awareness
- Risk management
- The regulatory framework provided by the associated internal processes and policies
- Resilience mechanisms for the protection of our information

Likewise, our management is complemented by an information security committee made up of the areas that are closely related to issues related to cybersecurity: Supply chain and risk management, human resources management, audit and internal control management, operations management and finance management.

During 2022 we successfully migrated our Core SAP S/4 HANA platform with the “RISE WITH SAP - Business transformation as a service” program to private environments in Google Cloud. Now we have a unified management of the infrastructure, licensing, support and services by SAP that covers 99.7% of our operations.

Emerging Risks

Emerging risks are those that have an impact in the long-term. The risks considered here include all recently identified risks that could have a long-term impact on the company's business or industry, although in some cases they may have already begun to impact the company's business.

Risk Description	Potential Impact	Mitigation Actions	Evidence of Mitigation Actions
Economic Risk: Cost increments due to extremely high energy prices influenced by geopolitical tensions in the European region (Import cost, inflation, exchange rate, etc.)	Medium to high: Margin reduction due to increases in production costs. Decrease in national consumption levels.	International situation constant monitoring Increase of raw material stock levels Implementation of production cost optimization strategies Anticipated currency and cash flow matching	Development of key raw material security stock review and expansion Evaluation of additional transportation routes Coal usage optimization plan Increase of foreign currency holding levels
Economic Risk: Revenue losses and cost increments due to political instability in Peru which translates in social unrest with direct consequences on the company's operations	Medium to high: Impact on revenue and margins due to protests, manifestations, riots and/or looting that might lead to important interruptions in the delivery of our finished products, the transportation of critical raw material and the disruption of consumption in the overall market.	Constant monitoring Increase of raw material stock levels Implementation of production cost optimization strategies Evaluation of available transportation companies Crisis Communication Management Manual	Development of key raw material security stock review and expansion Evaluation of alternative routes of transportation Expansion of selected suppliers for transportation activities

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. Operating Results

Overview

We are a leading Peruvian cement company, and the only cement manufacturer in the northern region of Peru. With more than 65 years of operating history, we produce, distribute and sell cement and cement-related materials, such as precast products and ready-mix concrete. Our products are primarily used in construction. We also produce and sell quicklime for use in mining operations.

In 2022, our cement sales volume were approximately 3.4 million metric tons, representing an estimated 23.9% share of Peru's total cement sales that year. That same year, we also sold approximately 46 thousand metric tons of quicklime.

We own three cement production facilities, our Pacasmayo and Piura facilities located in the northwest region of Peru, and our smaller Rioja facility located in the northeast. Our facilities have total installed annual cement production capacity of approximately 4.9 million metric tons. We also have installed annual production capacity of 240,000 metric tons of quicklime. We own concession rights to several quarries with reserves of limestone/coquina and other raw materials located near our facilities. We completed an expansion of our Rioja plant in April 2013. We more than doubled the cement production capacity of our Rioja facility by installing a new production line that added 240,000 metric tons of installed annual cement production capacity. In 2015, we completed construction of our cement plant in Piura, the third largest city in northern Peru, which has an annual production capacity of 1.6 million metric tons of cement. The first ton of cement from the Piura facility was produced and shipped on September 17, 2015, and clinker production started in January 2016. The Piura plant improved our competitive position in the northern region of Peru. With production from three plants, we are able to serve our market more efficiently, as it reduces transportation costs by enabling the dispatching of cement from plants within closer proximity to the point of sale. In 2021, due to the exponential growth in cement sales, we decided to invest approximately US\$70 million to optimize our current capacity at our Pacasmayo plant, in order to produce approximately 600,000 additional metric tons of clinker per year. Since mid-2020 we have needed to import clinker in order to satisfy current demand levels, which has had a negative effect on our margins. With this optimization -when completed, which we expect will occur during the second half of 2023- we should be able to stop importing clinker, if demand remains around current levels, as we estimate.

Factors Affecting our Results of Operations

Revenue Drivers

In 2022, approximately 88.6% of our total cement sales were in the form of bagged cement, substantially all of which was sold through retailers both within and outside of our distribution network. The remaining 11.4% of our cement was sold in bulk or in shipments of precast products or ready-mix concrete directly to large construction companies. Our retail sales are directed to both the *auto-construcción* segment and construction companies that buy cement for a variety of small construction works, including minor residential, commercial and infrastructure projects. Cement destined for large private and public projects, such as housing complexes, highways, irrigation channels, hospitals, schools, mining and industrial facilities, is typically sold in bulk or in shipments of precast products or ready-mix concrete.

We estimate that sales to the *auto-construcción* segment accounted for approximately 76.6% of our total cement sales in 2022, 70.3% in 2021 and 70.6% in 2020; private construction projects, both large and small, accounted for approximately 12.7% of our total cement sales in 2022, 14.7% in 2021, and 13.6% in 2020; and public construction projects accounted for the remaining 10.7% in of our total cement sales in 2022, 15.0% in 2021, and 15.8% in 2020. Since 2020, we have seen an increase in *auto-construcción* compared to other segments, mainly due to its resilience in times of crisis. As the Peruvian economy becomes less informal, and there is more stability and confidence from the private sector, private construction projects and infrastructure are expected to become increasingly more important to our business.

Our cement sales are largely driven by residential construction (both *auto-construcción* and small and large housing developments undertaken by construction companies), which is generally affected by economic conditions in the northern region of Peru. *Auto-construcción* is particularly affected by levels of disposable household income, as low-income families tend to invest most of their savings in developing their homes. Larger residential construction is more susceptible to the economic outlook, the availability of financing and prevailing investment levels in the region. GDP in the northern region of Peru is estimated to have increased by 1.7% in 2022, increased by 11.2% in 2021, and contracted by 7.9% in 2020. Our cement volumes, which represented most of the cement sales in the northern region of Peru, contracted 5.3% in 2022, grew by 40.4% in 2021 and contracted by 1.3% in 2020, in terms of metric tons of cement shipments.

Our cement sales are also driven, to a lesser extent, by commercial developments and infrastructure projects. Commercial and other private construction projects are also affected by the level of public and private investment in the region, while public infrastructure projects depend on the priorities and financial resources of the national, regional and local governments. During 2020, there was a significant reduction in activity relating to these projects, due primarily to the economic impact of the COVID-19 pandemic, but during 2021 and 2022, we have seen some level of recovery in commercial developments and infrastructure projects.

Cost Drivers

Coal is the main source of energy used in our production process, in particular to fuel our kilns. We purchase anthracite coal from nearby coal mines and import a small amount of bituminous coal primarily from Colombia. We do not have long-term coal supply agreements, and we do not engage in hedging transactions in connection with the price of coal. In the past, the price of bituminous coal has been related to the international price of oil, as it is used as a substitute for oil. Coal accounted for an estimated 16.8% of our costs of production in 2022, 11.6% in 2021 and 12.6% in 2020. During 2022, prices of coal were affected by global inflation, as the war in Ukraine put pressure on the supply of coal and other sources of energy.

Electricity is used in our facilities mainly to power our cement mills. We power our Pacasmayo and Piura facilities with electricity purchased from Electroperú, with which we have a long-term supply agreement expiring in 2026. Our Rioja facility is powered primarily with electricity from ELOR, with which we have a medium-term supply agreement expiring in 2024. Under these agreements, the price of electricity is based on a formula that takes into consideration our consumption of electricity and certain market variables, including the international price of oil. Electricity accounted for approximately 14.2% of our cost of production in 2022, 13.7% in 2021 and 14.6% in 2020. Electricity costs tend to be lower during the rainy season, from January to March of each year, as our region is served primarily by hydro-electric power plants. During 2022, electricity prices increased due to the increase in the international price of oil.

In addition, we purchase from third parties admixtures and certain raw materials that we use in our production process, including gypsum, blast furnace slag, iron and other materials. Admixtures and raw materials used in our cement production process do not include construction supplies that we acquire from third-parties for resale through our distribution network along with our cement products. The cost of admixtures and raw materials purchased from third parties, excluding imported clinker, accounted for approximately 5.1% of our cost of production in 2022, 4.3% in 2021, and 4.3% in 2020.

Due to the sudden and sharp increase in demand since the second half of 2020, we have had to use imported clinker in order to satisfy demand. The cost of imported clinker as a percentage of our cement production costs was approximately 16.3% in 2022, compared to 21.5% in 2021 and 10.1% in 2020.

Personnel expenses represented 15.0% of our total costs and expenses in 2022, 17.1% in 2021 and 18.9% in 2020.

Third-party Construction Supplies

In addition to selling our own products, we also sell and distribute construction supplies manufactured by third parties, such as steel rebar, wires and pipes that are typically used in construction along with our cement. Our profit margins from the sale of third party construction supplies are significantly lower than the margins on our cement products and they are affected by fluctuations in product prices and the exchange rate between the *sol* and the U.S. dollar between the time we purchase these products and the time we resell them. We sell these products primarily as a service to retailers in our distribution network in an effort to support the sale of our cement products.

Mining Royalty Tax

The mining royalty tax for the exploitation of metallic and non-metallic minerals is payable on a quarterly basis in an amount equal to the greater of (i) an amount determined in accordance with a statutory scale of tax rates based on a company's operating profit margin that is applied to its operating profit, as adjusted by certain non-deductible expenses and (ii) 1% of a company's net sales, in each case during the applicable quarter. These amounts are determined based on our unconsolidated financial statements and those of our subsidiaries with operations that are under the scope of the Mining Royalty Law. Mining royalty payments are deductible for income tax purposes in the fiscal year in which such payments are made. For additional information, see note 29 to our consolidated financial statements included in this annual report.

Operating Segments

We have three operating segments: (i) cement, concrete, mortar and precast, (ii) quicklime and (iii) sales of construction supplies. For additional information on our operating segments, see note 32 to our consolidated financial statements included in this annual report.

New Accounting Pronouncements

For a description of new interpretations and improvements to IFRS in effect since 2022, see notes 2.3.19 and 4 to our consolidated financial statements included in this annual report.

Critical Accounting Policies

The following is a discussion of our application of critical accounting policies that require our management to make certain assumptions about matters that are uncertain at the time the accounting estimate is made, where our management could reasonably use different estimates, or where accounting changes may reasonably occur from period to period, and in each case would have a material effect on our financial statements. For additional information, see note 3 to our annual audited consolidated financial statements included in this annual report.

Determination of Useful Life of Assets for Depreciation and Amortization Purposes

Depreciation of mining concessions and mine development costs are charged to cost of production on a units-of-production basis using proved reserves. Other assets are depreciated on a straight-line-basis over their estimated useful lives, as follows:

	Years
Buildings and other construction:	
Administrative facilities	Between 20 and 51
Main production structures	Between 20 and 56
Minor production structures	Between 20 and 35
Machinery and equipment:	
Mills and horizontal furnaces	Between 24 and 45
Vertical furnaces, crushers and grinders	Between 23 and 36
Electricity facilities and other minors	Between 10 and 35
Furniture and fixtures	10
Transportation units:	
Heavy units	Between 5 and 15
Light units	Between 5 and 10
Computer equipment	Between 3 and 10
Tools	Between 5 and 10

The assets' residual value, useful lives and methods of depreciation/amortization are reviewed at each reporting period, and adjusted prospectively, if appropriate.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when recognition of the asset is derecognized.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The following specific recognition criteria must also be met before revenue is recognized:

Sales of goods

Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

We consider whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, we consider the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

Rendering of services

In the operating segments of cement, concrete, mortar, precast, quicklime, and construction supplies, we provide transportation services. These services are sold together with the sale of the goods to the customer.

Transportation services are satisfied when the transport service is concluded, which coincides with the moment of delivery of the goods to the customers.

Operating lease income

Income from operating lease of land and office is recognized on a monthly accrual basis during the term of the lease.

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial assets, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the consolidated statement of profit or loss.

Impairment of Non-Financial Assets

We assess at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, (goodwill and intangible assets with indefinite useful lives), we estimate the asset's recoverable amount. An asset's recoverable value is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use, and is determined for an individual asset, unless the asset does not generate net cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset's cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

As of December 31, 2022 and 2021, goodwill related to the acquisition of assets made by our subsidiary Distribuidora Norte Pacasmayo S.R.L. amounted to S/4,459,000. We have assessed the recoverable amount of our goodwill and have determined that there are no indicators of an impairment loss of this asset as of December 31, 2022 and 2021.

We base our impairment calculation on detailed budgets and forecast calculations, which are prepared separately from our cash generation units to which the individual assets are allocated. Impairment losses of continuing operations, including impairment on inventories, are recognized in the consolidated statement of profit or loss in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or have decreased. If such indication exists, we estimate the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss. Exploration and evaluation assets are tested for impairment annually as of December 31, either individually or at the cash-generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

Deferred Tax

Deferred tax is provisioned using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in subsidiaries, where deferred assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax related to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Derivative Financial Instruments and Hedge Accounting

Initial Recognition and Subsequent Measurement

We use derivative financial instruments, such as cross-currency swaps (CCS), to hedge our foreign currency exchange rate risk. Such derivative financial instruments are initially recognized at their fair value on the date on which the derivative contract is entered into and subsequently remeasured at their fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when fair value is negative.

For the purpose of hedge accounting, hedges are classified as follows:

- "Fair value hedges" are those that hedge the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment.
- "Cash flow hedges" are those that hedge the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.
- "Hedges of a net investment in a foreign operation" are those that hedge the exposure to variability of the monetary item that is receivable from or payable to a foreign operation. Such monetary items may include long-term receivables or loans. They do not include trade receivables or trade payables.

At the inception of a hedge relationship, we formally designate and document the hedge relationship to which we wish to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how our management will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- there is 'an economic relationship' between the hedged item and the hedging instrument;
- the effect of credit risk does not 'dominate the value changes' that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are recorded as cash flow hedges.

Cash flow hedges

Any gains or losses arising from changes in the fair value of derivatives is taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income (OCI) and later reclassified to profit or loss when the hedge item affects profit or loss.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If the cash flow hedge is discontinued, the amount accumulated in other comprehensive income must remain in other comprehensive income accumulated if the covered cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the covered cash flows are given, any amount that remains in other comprehensive accumulated results must be recorded considering the nature of the underlying transaction.

On February 8, 2023, we paid in full the outstanding US\$131,612,000 aggregate principal amount of our 4.50% Senior Notes due 2023 at maturity using proceeds from the Club Deal credit line, and we also settled the US\$132,000,000 in related derivative financial instruments.

Results of Operations

Comparison of Year Ended December 31, 2022 to Year Ended December 31, 2021

(amounts in millions of S/)	Year ended December 31,		Variation %
	2022	2021	
Sales of goods	2,115.7	1,937.8	9.2%
Cost of sales	(1,463.7)	(1,378.3)	6.2%
Gross profit	652.0	559.5	16.5%
Operating income (expenses):			
Administrative expenses	(227.6)	(196.1)	16.1%
Selling and distribution expenses	(65.2)	(51.5)	26.6%
Other operating (expense) income, net	(3.9)	6.4	N/A
Total operating expenses, net	(296.7)	(241.2)	23.0%
Operating profit	355.3	318.3	11.6%
Other income (expenses):			
Finance income	3.3	2.9	(13.8)%
Finance costs	(95.1)	(89.0)	6.9%
Net (loss) gain on derivative financial instruments at fair value through profit or loss	(0.1)	0.6	N/A
Accumulated net loss due to settlement of derivative financial instruments at fair value through profit or loss	-	(1.6)	N/A
Loss from exchange difference, net	(1.0)	(7.1)	N/A
Total other expenses, net	(92.9)	(94.1)	(1.4)%
Profit before income tax	262.4	224.1	17.1%
Income tax expense	(85.6)	(70.9)	20.7%
Profit for the year	176.8	153.2	15.4%

Sales of Goods

The following table sets forth a breakdown of our sales of goods by segment for 2022 and 2021:

	Year ended December 31,			
	2022	%	2021	%
Cement, concrete, mortar and precast	1,963.8	92.8	1,784.5	92.1
Quicklime	37.9	1.8	39.1	2.0
Construction supplies	114.0	5.4	113.9	5.9
Other	-	-	0.3	-
Total sales of goods	2,115.7	100.0	1,937.8	100.0

Our total sales of goods increased by 9.2%, or S/177.9 million, to S/2,115.7 million in 2022 from S/1,937.8 million in 2021. This increase was primarily due to the following factors:

- a 10.0%, or S/179.3 million, increase in 2022 in sales of cement, concrete, mortar and precast mainly due to increased prices of cement and concrete.
- offset by a 3.1%, or S/1.2 million, decrease in quicklime sales, mainly due to decreased sales volume in 2022.
- a 0.1%, or S/0.1 million, increase in the sale of construction supplies, mainly remaining in line with 2021.

The following table sets forth the composition of our sales of cement, concrete mortar and precast for 2022 and 2021:

	Year ended December 31,		Variation	
	2022	2021		%
	(in millions of S/)			
Cement	1,742.7	1,534.9	13.5	
Concrete, mortar, and pavement	189.9	213.5	(11.1)	
Precast	31.2	36.1	(13.6)	
Total	1,963.8	1,784.5	10.0	

Our total sales of cement, concrete, mortar and precast increased by 10.0%, or S/179.3 million, to S/1,963.8 million in 2022 from S/1,784.5 million in 2021. This increase was primarily due to the following factors:

- cement sales revenue increased 13.5%, or S/207.8 million, in 2022 due to an increase in the average prices of cement due to both a price increase and a more favorable sales mix, as we started selling more of our higher-priced cements (17.2%), offset by slightly lower sales volume (3.7%).
- concrete, mortar and pavement sales revenue decreased 11.1%, or S/23.6 million, in 2022 due to a decrease in sales volume, as public and private investment slowed down as a result of macroeconomic uncertainty and low confidence levels from the private sector (32.4%), partially offset by a higher average price (21.3%) as we decided to focus on higher margin products.
- sales of precast decreased by 13.6%, or S/4.9 million, in 2022 mainly due to a decrease in sales volume (8.1%) for the public sector, as well as a decrease in the average price of precast products (5.5%), mainly due to sales mix as we sold higher margin products during 2021.

Cost of Sales

The following table sets forth a breakdown of our cost of sales by segment for 2022 and 2021:

	Year ended December 31,			
	2022		2021	
	(in millions of S/)	%	(in millions of S/)	%
Cement, concrete, mortar and precast	(1,316.5)	90.0	(1,233.7)	89.5
Quicklime	(35.9)	2.5	(33.5)	2.4
Construction supplies	(110.4)	7.5	(110.4)	8.0
Other	(0.9)	0.1	(0.7)	0.1
Total	(1,463.7)	100.0	(1,378.3)	100.0

Our total cost of sales increased by 6.2%, or S/85.4 million, to S/1,463.7 million for 2022, from S1,378.3 million for 2021, primarily due to the following factors:

- a 6.7%, or S/82.8 million, increase in the cost of sales of cement, concrete, mortar and precast in 2022, mainly due to increased prices of coal and electricity.
- a 7.2%, or S/2.4 million, increase in the cost of sales of quicklime in 2022, mainly due to higher costs of coal;
- no effect from construction supplies as costs remained flat.

The following table sets forth the composition of our cost of sales of cement, concrete, mortar and precast for 2022 and 2021:

	Year ended December 31,		Variation %
	2022	2021	
	(in millions of S/)		
Cement	(1,111.5)	(1,000.9)	11.1
Concrete, pavement and mortar	(169.6)	(196.9)	(13.9)
Precast	(35.4)	(35.9)	(1.4)
Total	(1,316.5)	(1,233.7)	6.7

Our cost of sales represented 69.2% of our sales revenue in 2022, compared to 71.1% in 2021. Our total cost of sales of cement, concrete, mortar, and precast increased by 6.7%, or S/82.8 million, in 2022, primarily due to the following factors:

- cost of sales of cement increased by 11.1%, or S/110.6 million, mainly due to an increase in productions costs (14.7%) due to the continued use of imported clinker, as well as increased prices of coal and electricity, partially offset by a decrease in volume sold (3.6%).
- an decrease in the cost of sales of concrete, pavement and mortar of 13.9%, or S/27.3 million due to a decrease in sales volume sold (-32.9%), offset by an increase in production costs (19.0%), as raw material and energy prices increased production costs;
- a 1.4% decrease in the cost of sales of precast, mainly due to decreased sales volume (8.8%) offset by an increase in production cost (7.4%) mainly due to lower dilution of fixed costs.

Gross Profit

The following table sets forth a breakdown of our gross profit and gross profit margin (gross profit as a percentage of net sales) by segment for 2022 and 2021:

	Year ended December 31,			
	2022		2021	
	Gross profit		Gross profit	
	(in millions of S/)	%	(in millions of S/)	%
Cement, concrete, mortar and precast	647.3	33.0	550.8	30.9
Quicklime	1.9	5.3	5.6	14.3
Construction supplies	3.6	3.2	3.5	3.1
Other	(0.8)	N/A	(0.4)	N/A
Total gross profit	652	30.8	559.5	28.9

Total gross profit of the cement, concrete, mortar and precast segment increased by 17.5%, or S/96.5 million, to S/ 652 million in 2022, from S/559.5 million in 2021, mainly because of increased sales, despite the use of imported clinker to satisfy the additional demand. Our gross profit margin for 2022 was 30.8% compared to 28.9% for 2021.

The following table sets forth a breakdown of our gross profit and gross profit margin for the cement, concrete, pavement and mortar and precast segment for 2022 and 2021:

	Year ended December 31,				
	2022		2021		Gross profit margin variation percentage points
	Gross profit (in millions of S/)	Gross profit margin %	Gross profit (in millions of S/)	Gross profit margin %	
Cement	631.2	36.2	534.0	34.8	1.4
Concrete, pavement and mortar	20.3	10.7	16.6	7.8	2.9
precast	(4.2)	(13.5)	0.2	0.6	(12.9)
Total gross profit	647.3	33.0	550.8	30.9	2.1

Gross profit margin for cement, concrete, pavement, mortar, and precast segment increased by 2.1 percentage points in 2022 compared to 2021. This increase was due mainly to an increase in cement margin (1.4 percentage points) due to higher prices and some costs savings because of lower use of imported clinker, complemented by an increase in concrete margin (4.0 percentage points) mainly due to higher prices and the focus on higher margin services, partially offset by a negative precast margin, mainly due low dilution of costs, especially heavy precast fixed as demand has stalled for lack of larger projects.

Operating Income (Expenses)

Our operating expenses primarily reflect administrative and selling and distribution expenses. In 2022, our operating expenses increased by S/45.2 million to S/296.7 million from S/241.2 million in 2021, mainly due to increased sales.

Administrative Expenses

The following table sets forth the composition of our administrative expenses for 2022 and 2021:

(in millions of S/)	Year ended December 31,	
	2022	2021
Personnel expenses	116.7	96.9
Third-part services	7.2	59.9
Board of directors compensation	6.1	6.4
Depreciation and amortization	16.7	16.6
Taxes	5.7	5.6
Other	10.2	10.7
Total	227.6	196.1

Our administrative expenses increased by 16.1%, or S/31.5 million, to S/227.6 million in 2022 from S/196.1 million in 2021. Personnel expenses increased by S/19.8 million mainly due to increase in salaries, in line with increased inflation, as the bonus that was paid to our unionized employees in 2022, which is negotiated every three years and has a larger impact during the first year.

Administrative expenses related to the cement, concrete, mortar and precast segment accounted for approximately 98.1% of total administrative expenses for 2022 compared to approximately 97.5% for 2021. Administrative expenses related to the construction supplies, quicklime and other segments accounted for approximately 1.2%, 0.5% and 0.2%, respectively, of total administrative expenses for 2022 compared to approximately 1.4%, 0.6% and 0.5% respectively, for 2021.

Selling and Distribution Expenses

The following table sets forth the components of our selling and distribution expenses for 2022 and 2021:

(in millions of S/)	Year ended December 31,	
	2022	2021
Personnel expenses	42.3	33.9
Advertising and promotion expenses	6.4	5.6
Other	16.5	12.0
Total	65.2	51.5

Our total selling and distribution expenses increased by 26.6%, or S/13.7 million, to S/ 65.2 million in 2022 from S/51.5 million in 2021, primarily due to an increase in variable salaries, in line with increased sales.

Selling and distribution expenses related to the cement, concrete, mortar and precast segment represented approximately 98.1% of total selling and distribution expenses for 2022, compared to 97.5% for 2021. Selling and distribution expenses related to construction supplies, quicklime, and other segments represented approximately 1.2%, 0.5% and 0.2% respectively, of total selling and distribution expenses for 2022, compared to 1.4%, 0.6% and 0.5%, respectively, for 2021.

Other Operating (Expense) Income , Net

Our other operating income, net decreased S/10.3 million, to a net expense of S/3.9 million in 2022 from net income of S/6.4 million in 2021, mainly due to rental of raw material unloading equipment and income from the refund of selective consumption tax in 2021.

Total Other Expenses, Net

Our total other expenses, net decreased by S/1.2 million, to S/92.9 million in 2022 from S/94.9 million in 2021.

Income Tax Expense

Our income tax expense increased by 20.7%, or S/14.7 million, to S/85.6 million for 2022 from S/70.9 million for 2021, mainly due to an increase in profit before income tax. Our effective tax rate for 2022 was 33.0% and 31.7% in 2021.

Profit for the Year

As a result of the foregoing, our profit for 2022 increased by 15.4%, or S/23.6 million, from S/153.2 million for 2021 to S/176.8 million for 2022, mainly due higher operating profit, due to an efficient pricing strategy to offset higher costs.

For a comparison of our results of operations for the year ended December 31, 2021 to the year ended December 31, 2020, please see our 2021 Form 20-F.

Liquidity and Capital Resources

Our main cash requirements are our operating expenses, capital expenditures relating to the maintenance and expansion of our facilities, the servicing of our debt, the payment of dividends and payment of taxes. Our primary sources of cash have been cash flow from operating activities, and our issuance of debt securities and, to a lesser extent, loans and other financings. We believe that these sources of cash will be sufficient to cover our working capital needs in the ordinary course of our business.

Cash Flows

The table below sets forth certain components of our cash flows for the years ended December 31, 2022 and 2021.

(in millions of S/)	Year ended December 31,		
	2022	2021	2020
Net cash flows from operating activities	111.8	170.6	331.4
Net cash flows used in investing activities	(176.2)	(91.8)	(48.4)
Net cash flows used in financing activities	(121.5)	(130.1)	(43.8)
Increase (decrease) in cash	(185.9)	(51.3)	239.2

Cash Flows from Operating Activities

Net cash flows from operating activities decreased by 34.5% or S/58.8 million, to S/111.8 million in 2022 from S/170.6 million in 2021, mainly due to high inventory purchases and higher interest and tax payments as our results of operations and profits increased.

Net cash flow from operating activities decreased by 48.5% or S/160.8 million, to S/170.6 million in 2021 from S/331.4 million in 2020, mainly due to inventory purchases, decreased accounts receivables and higher tax payments as our results of operations increased.

Cash Flows used in Investing Activities

Net cash flows used in investing activities were S/176.2 million for 2022, as compared to S/91.8 million for 2021, and were primarily related to purchases of property, plant and equipment for our cement plants.

Net cash flows used in investing activities were S/91.8 million for 2021, as compared to S/48.4 million for 2020 and were primarily related purchases of property, plant and equipment for our cement plants.

Cash Flows used in Financing Activities

Net cash flows used in financing activities were S/121.5 million for 2022, as compared to S/130.1 million for 2021 and were primarily due to dividends paid to our shareholders and a higher payment of bank loans offset by a higher income from banks loans received in 2022.

Net cash flows used in financing activities were S/130.1 million for 2021, as compared to S/43.8 million for 2020 and were primarily due to an extraordinary dividend paid to our shareholders and fewer loans received offset by a lower payment of banks loans in 2021.

Indebtedness

As of December 31, 2022, the Company's total outstanding debt reached S/1,593.2 million (equivalent to US\$417.1 million). This debt was primarily composed by our 4.50% Senior Notes due 2023, the two series of local bonds issued in January 2019 and short-term loans.

As of December 31, 2022, the Company maintained cross currency swap hedging agreements for US\$132 million in order to mitigate foreign exchange risks related to U.S.dollar-denominated debt. The adjusted debt in soles considering the exchange rate of the cross-currency swap hedging agreements amounts to S/1,509.3 million (equivalent to US\$359.1 million).

On February 8, 2023, we repaid in full the outstanding US\$131,612,000 aggregate principal amount of our 4.50% Senior Notes due 2023 at maturity using proceeds from the Club Deal credit line, and we also settled the US\$132,000,000 in related derivative financial instruments.

(amounts in millions of S/)	As of December 31, 2022	Interest rate	Maturity Date
Mid-term promisory notes	38.0	8.93%	December 18, 2023
Mid-term promisory notes	38.0	8.93%	December 18, 2023
Senior Notes due 2023	502.7	4.50%	February 8, 2023
Senior Notes due 2029	259.6	6.69%	February 1, 2029
Senior Notes due 2034	309.5	6.84%	February 1, 2034
Club deal	222.7	5.82%	December 1, 2028
Club deal	222.7	5.82%	December 1, 2028

International Bonds. In February 2013, we issued US\$300,000,000 aggregate principal amount of our 4.50% Senior Notes due 2023 in our inaugural international bond offering. A portion of the proceeds from this offering were used to prepay amounts outstanding on our secured loan agreement with BBVA Banco Continental, and the remaining proceeds was used in capital expenditures incurred in connection with the construction and operation of the new Piura plant and our cement business. The Senior Notes were issued pursuant to Rule 144A under the Securities Act and in compliance with Regulation S under the Securities Act and listed on the Irish Stock Exchange.

The indenture pursuant to which the Senior Notes were issued contains certain covenants, including restrictions on our and our restricted subsidiaries' ability to incur further indebtedness or issue disqualified stock and preferred stock, unless the following conditions are met:

- the fixed charge coverage ratio for our most recently ended four fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional indebtedness is incurred or such disqualified stock or such preferred stock is issued, as the case may be, would have been at least 2.5 to 1.0; and
- the consolidated debt to adjusted EBITDA ratio for our most recently ended four fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional indebtedness is incurred or such disqualified stock or such preferred stock is issued, as the case may be, would have been no greater than 3.5 to 1.0, in each case, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional indebtedness had been incurred or the disqualified stock or the preferred stock had been issued, as the case may be, at the beginning of such four fiscal quarters.

The indenture also contains restrictions on our ability and that of our restricted subsidiaries to incur liens and to merge, consolidate or transfer all or substantially all of our assets.

In management's opinion, we were in compliance with all of applicable covenants under the indenture as of the date of this annual report.

The subsidiaries that guarantee the Senior Notes are those related to our cement business namely, Cementos Selva S.A.C., Distribuidora Norte Pacasmayo S.R.L., Empresa de Transmisión Guadalupe S.A.C., Dinodelva Iquitos S.A.C. and Calizas del Norte S.A.C. (liquidated during 2022).

In December 2018, we purchased US\$168,388,000 or approximately 56.13% of the total outstanding Senior Notes by means of a partial cash tender offer using proceeds from the issuance of debt securities in the local market.

In February 2023, the remaining balance of the Senior Notes matured and were paid using proceeds from the issuance of the debt securities in the local market described below.

Local Bonds. On January 8, 2019, the General Shareholders' Meeting approved the issuance of a local bond program for up to S/1,000 million. On January 31, 2019, we issued two series of local bonds in the aggregate principal amount of S/570 million. One in the aggregate principal amount of S/260 million bearing interest at a rate of 6.68750% for a term of 10 years, and the other in the aggregate principal amount of S/310 million bearing interest at a rate of 6.84375% for a term of 15 years. The rates and terms obtained benefit our financial costs structure, with lower cost of capital, an extended maturity and less exposure to currency fluctuations.

Medium-term "Club Deal" Corporate Loan. On August 6, 2021, we entered into a S/860,000,000 medium-term corporate loan in a "Club Deal" format with Banco de Crédito del Perú S.A. and Scotiabank Perú S.A.A. Amounts borrowed under this loan bear interest at a rate of 5.82%. The loan will allow for the payment of all of the Company's financial obligations through February 2023 and will be disbursed based on the maturity of each such financial obligation. The first disbursement amounted to S/159,000,000, was made in January 2022 and was used to pay the short-term loans described under "Short-term loans." The loan includes an availability period of 18 months from August 6, 2021 and a payment term of seven years from the last disbursement, which was in February 2023. Commencing in February 2023, the loan will be paid in 22 equal quarterly installments.

Under this loan, the Company must comply with the following financial covenants:

- a. maintain a debt ratio (Financial Debt / EBITDA) of no more than 3.50 to 1;
- b. maintain a debt service coverage ratio (FCSD / SD) of at least 1.15 to 1; and
- c. maintain a debt service coverage ratio (EBITDA / SD) equal to 1.50 to 1.

In addition, the Company is required to comply with certain customary restrictive and affirmative covenants. As of December 31, 2022 we were in compliance with all covenants

Derivative Financial Instruments. As of December 31, 2022, we maintained cross currency swap hedging agreement in aggregate principal amount of US\$132 million to hedge against the foreign exchange risks associated with our U.S. dollar-denominated debt. In February 2023, we canceled the cross currency swaps when we paid all of the outstanding international bond in U.S. dollars.

Short-term loans. As of December 31, 2022, two loans, each in the amount of S/38,000,000, in *soles* with Banco de Crédito del Perú S.A. were obtained for working capital, have a medium-term maturity and accrue interest at an effective annual rate of 8.93%.

During 2022, the net loss originated by the exchange difference was approximately S/1,040,000 and, during 2021, the net loss from exchange difference amounted to S/7,086,000 All these results are presented in the caption “Loss from exchange difference, net” of the consolidated statement of profit and loss.

Capital Expenditures

See “Item 4—Information on the Company—A. History and Development of the Company—Capital Expenditures.”

B. Research and Development, Patents and Licenses, Etc.

Since 2016, Pacasmayo embarked on the path of innovation and digital transformation, a journey that has allowed us to explore new ways of doing things, interact with environments with a lot of uncertainty, as well as propose a cultural change. After all this time and with much experience gained, we were ready to rethink a new strategy, seeking to accelerate and extend the adoption of innovation and digital transformation initiatives in all areas of the company, making it necessary to decentralize their execution.

Pacasmayo has become a company that provides building solutions not only derived from cement, but that satisfy the needs of any actor in the construction sector. That is why today Pacasmayo complements its product research capacity with research focused on people. In other words, knowing who the hardware sellers, self-builders, construction foremen, transporters or construction residents really are, allows us to find new opportunities for Pacasmayo.

C. Trend Information

Cement Market

The Peruvian Cement Market

Peru’s cement production is segmented into three principal geographic regions: the northern region, the central region, including Lima’s metropolitan area, and the southern region. The table below sets forth selected data with respect to each region in Peru and the corresponding cement manufacturers. Market share data is based on metric tons of cement delivered during 2022.

Geographic Breakdown

Northern Region (thousands of metric tons)

Plant	2018	2019	2020	2021	2022	% share
Pacasmayo Group	2,364	2,615	2,576	3,625	3,437	23.9
Imports	32	13	38	62	2	-
Total	2,396	2,628	2,614	3,687	3,439	23.9

Central Region (thousands of metric tons)

Plant	2018	2019	2020	2021	2022	% share
UNACEM	5,058	5,316	4,172	5,838	6,297	43.7
Caliza Inca	448	513	382	518	515	3.6
Imports	885	663	493	630	202	1.4
Total	6,391	6,492	5,047	6,986	7,014	48.7

Southern Region (thousands of metric tons)

Plant	2018	2019	2020	2021	2022	% share
Grupo Yura	2,597	2,584	2,019	2,895	3,047	21.1
Imports	65	98	189	181	67	0.5
Total	2,662	2,682	2,208	3,076	3,114	21.6

Others	895	769	732	877	840	5.8
Total Regions	12,344	12,571	10,601	14,626	14,407	100.0

Sources: ASOCER, INEI, ADUANET, SUNAT.

Although a large part of housing construction is mainly concentrated in the Lima metropolitan area, located in the central region of Peru, the housing market in the provinces of Peru, including the northern region, has grown significantly in recent years. Despite this trend, Peru continues to have significant shortages in housing, estimated by the INEI at 1.9 million homes nationwide. Economic growth, particularly in the mining and agribusiness sectors, rising employment levels and the implementation of real estate projects, resulted in the creation of higher paying jobs, which ultimately resulted in the expansion of the housing market. However, the COVID-19 pandemic took a toll on it and, in 2020, poverty levels increased 9.9 percentage points. Fortunately, poverty levels for 2021, which is the last available data, decreased by 4.2 percentage points, reaching 25.9%.

Peru continues to have a significant deficit in infrastructure. In recent years, significant efforts have been made to channel investments into the infrastructure sector through a series of initiatives that range from the creation of financial instruments (such as the infrastructure investment and trust funds) to regulatory changes, to promotion of more public private partnerships (for example "taxes for infrastructure" which allows private companies to use part of their tax payments to directly finance infrastructure works) to allowing for other executors, such as the government to government agreements that have recently been signed by Peru and other governments to ensure promptly execution without corruption.

Distribution and Logistics

Peru's cement market is divided into three regions circumscribed primarily by the location of established production facilities. Our facilities are located in the northern region of Peru, UNACEM is the main producer in the central region, and Yura in the southern region. Cement is mainly sold in bags of 42.5 kilograms (approximately 94 pounds). However, cement can also be sold in bulk according to customer requirements.

The transportation and storage of cement requires specialized equipment. A favorable location of the production facilities not only reduces the time required to transport cement products to distributors and third-party merchants but also diminishes the costs of necessary equipment and resources. The location of a cement plant relative to its distribution network provides operational efficiencies and advantages that translate into stronger market share.

Cement can be stored in silos for up to 12 months if the silo is completely humidity proof. The typical vehicles used for the transport of cement are adapted to maintain the necessary environment during shipment. The proximity of production plants and storage centers to distribution centers, third-party vendors and retail outlets, creates a more efficient supply chain and minimizes the time and resources required to transport products from the production line to the construction site. The streamlined nature of this process ensures that cement products in the northern region of Peru, for example, reach customers within approximately one week of production. A cement company's success is inherently linked to the sophistication of its distribution network and its emphasis on quality assurance throughout the supply chain.

Competitive Dynamics

The Peruvian cement market is comprised basically of three groups and 2 other plants:

- Cementos Pacasmayo and Cementos Selva, which principally serve the northern region;
- UNACEM, which principally serves the central region;
- Cementos Yura and Cementos Sur, which primarily serve the southern region;
- Caliza Cemento Inca, located in Cajamarquilla, Lima which principally serves the central region as well as other regions throughout the country; and
- Mixercon, located in the city of Lima, mainly serves this city, and to a lesser extent some provinces of the country.

Additionally, there are cement importers that mainly supply the cities of Lima and, to a lesser extent, other provinces of the country.

The level of competitiveness of cement companies generally depends on their cost structure, which is a function of the cost of energy, fuel, costs of raw materials and transportation. Cement companies in Peru generally compete within the limits of their distribution market, which is determined principally by their geographic locations.

The following are the main characteristics of the cement sector in Peru:

- highly fragmented consumer base;
- relatively low cost of energy and raw materials;
- operations and distribution primarily determined by geographic location; and
- high correlation to *auto-construcción* and public and private investments.

D. Critical Accounting Estimates

Our consolidated financial statements are prepared in conformity with IFRS, as issued by the IASB. See note 3 to our consolidated financial statements included in this annual report.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

General

Our business and affairs are managed by the board of directors in accordance with our by-laws and Peruvian Corporate Law No. 26887 ("Peruvian Corporate Law"). Our by-laws provide for a board of directors of between seven and eleven members. Between three and five alternate directors may be elected by the shareholders to act on behalf of any director who is absent from meetings or who is unable to exercise his or her duties, when and for whatever period fixed by the chairman of the board. Alternate directors have the same responsibilities, duties and powers of directors to the extent they are called to replace them.

Directors are elected at a shareholders' meeting and hold office for three years. Directors may be elected to multiple terms. Our current board of directors is composed of seven directors. In the first board meeting held after the annual shareholders' meeting where members of the board are elected, the board of directors must elect among its members a chairman and a vice chairman.

The board of directors typically meets in regularly scheduled bi-monthly meetings and when called by the chairman of the board or a person representing the chairman. Resolutions must be adopted by a majority of the directors present at the meeting and the chairman is entitled to cast the deciding vote in the event of a tie.

Duties and Liabilities of Directors

Pursuant to Article 177 of Peruvian Corporate Law, directors are jointly and severally liable to a corporation, shareholders and third parties for any damages caused by abuse of power, fraud, willful misconduct or gross negligence. In addition, pursuant to Article 3 of Law No. 29720, as of June 26, 2011, directors of companies listed on the Lima Stock Exchange are also strictly liable for any damages caused as a result of any transactions in which they were involved and which resulted in damages or other losses to the corporation. A director cannot be found liable if the director expressed disagreement at the time the vote was cast or upon learning of such transaction and if there is a record expressing such opposition.

Our by-laws prohibit a director from voting on matters in which such director has an interest. In addition, Article 180 of the Peruvian Corporate Law requires a director with a conflicting interest on a specific matter to disclose such interest and abstain from the deliberation and decision-making process with respect to such matter. A director who violates this requirement is liable for any damages caused to us and may be removed by a majority of the board of directors upon request of any member of the board or by a majority vote of the shareholders.

Our by-laws stipulate that Directors' compensation is determined by the Mandatory Annual General Shareholders' Meeting at the time it reviews our annual audited financial statements. The fixed portion of the Chairman's compensation shall be twice the amount allocated to any other director. If directors are part of one or more Committees, their compensation may include an additional amount for the work performed as members of such Committees. The additional compensation of the directors may not exceed the aggregate fixed portion of the compensation that the directors are entitled to receive. Our by-laws do not restrict Directors from voting upon matters relating to their own compensation.

Our by-laws do not prohibit our directors from borrowing from us. However, Article 179 of the Peruvian Corporate Law provides that directors of a company may enter into an agreement with such company only if the related loan agreement relates to operations the company performs in the regular course of business and in an arms'-length transaction. Further, a company may provide a loan to a director or grant securities in such director's favor only in connection with operations that the company usually performs with third parties. Agreements, credits, loans or guarantees that do not meet the requirements set forth above require prior approval from at least two thirds of the members of the Company's Board of Directors. Directors are jointly liable to the company and the Company's creditors for contracts, credit, loans or securities executed or granted without complying with Article 179 of the Peruvian Corporate Law.

Neither our by-laws nor Peruvian Corporate Law contain age limit requirements for the retirement or non-retirement of directors.

Board of Directors

The following sets forth our directors and their respective positions as December 31, 2022. On March 24, 2023 the Annual Shareholder's meeting was held and the number of directors remained at seven and new directors were elected for the period 2023-2026. Ms. Ana Sofia Hochschild Correa and Esteban Chong Leon were elected as new members.

Name	Position	Year of Birth
Eduardo Hochschild Beeck	Chairman of the Board	1963
José Raimundo Morales Dasso	Vice Chairman of the Board	1946
Ana María Botella Serrano	Director	1953
Juan Francisco Correa Sabogal*	Director	1974
Venkat Krishnamurthy	Director	1971
Humberto Nadal Del Carpio	Director, Chief Executive Officer	1964
Marco Antonio Zaldivar Garcia*	Director	1960

* At our annual Shareholders meeting on March 24, 2023, new directors were appointed for the 2023-2026 period. Marco Antonio Zaldivar and Juan Francisco Correa are no longer directors as from that date.

The following sets forth selected biographical information for each of the members of our board of directors. The average tenure of board members is 10.96 years. The business address of each of our current directors is Calle La Colonia 150, Urb. El Vivero, Surco, Lima, Peru.

Eduardo Hochschild Beeck. Mr. Hochschild has been a director since April 1991 and is currently Chairman of the Board. He holds a Bachelor's Degree in Mechanical Engineering from Tufts University, Boston, United States. Mr. Hochschild is also Chairman of Hochschild Mining plc, Inversiones ASPI S.A. and member of the Board of Directors of UTEC and Tecsup. Additionally, he is member of the Board of Directors of Aclara, ASOCEM, MAC and IAC.

José Raimundo Morales Dasso. Mr. Morales has been a director since March 2008. He currently holds the position of Vice Chairman of the Board of Directors of Credicorp LTD., Banco de Crédito del Perú S.A., Pacífico EPS and Pacífico Cia. De Seguros y Reaseguros. He was CEO of BCP from October 1990 to April 2008 and is currently a member of the Board of Directors of Atlantic Security Holding Corporation, and Fosfatos del Pacífico S.A. Mr. Morales held various positions at Bank of America and Wells Fargo Bank between 1970 and 1980. He holds a bachelor's degree in Economics and Administration from the Universidad del Pacífico, Lima, Peru, and has a Master's in Business Administration from the Wharton Graduate School of Finance from the University of Pennsylvania, United States.

Ana María Botella Serrano. Mrs. Botella has been a director since July 9, 2020. Previously, she was Alternate Director from September 1, 2019 to July 9, 2020. She has a Law degree from the Complutense University of Madrid and belongs by opposition to the Superior Body of Civil Administrators of the Spanish State. As a civil servant, she has worked in the Ministry of the Interior, the Civil Government of La Rioja, the Ministry of Public Works, the Valladolid Treasury Delegation and the Ministry of the Treasury. In 2003 she was elected Councilor of the Madrid City Council, she has been Second Deputy Mayor and has participated in the Government Delegations for Employment and Social Services and Environment and Mobility. In December 2011, she was sworn in as Mayor of the Madrid City Council, a position she held until June 2015. She is currently the Executive President of the Integra Foundation and Council and Program Director at the Atlantic Government Institute.

Juan Francisco Correa Sabogal. Mr. Correa has been a director since February 2018. He has a degree in Business Administration from the Universidad de Lima and an MBA from The Wharton Business School, University of Pennsylvania. Previously, he served as Managing Director with Lazard Freres LLC in its offices in the Midwest United States until July 2017, following a career of more than 11 years with this firm. Mr. Correa was one of the founding members of the firm and was responsible for establishing the business and developing a client base in the Midwest United States from a variety of industries. Prior to that, Mr. Correa was a Director at Lazard's Power, Energy & Infrastructure group in New York, covering a variety of sub-sectors. Mr. Correa also assumed responsibilities connected to Lazard's efforts in Latin America and was a member of the Board of Directors of MBA Lazard (the former Lazard joint venture for Spanish-speaking Latin America). Prior to joining Lazard, Mr. Correa worked at RWE/Thames Water, Merrill Lynch and Banco de Crédito del Perú S.A. In addition, Mr. Correa has been a consultant to a large number of international and American companies on issues that are not in the public domain related to strategies for mergers, acquisitions and corporate finance activities. Mr. Correa is Mr. Eduardo Hochschild's brother-in-law.

Venkat Krishnamurthy. Mr. Krishnamurthy has been a director since July 9, 2020. He holds a Bachelor of Science from the Indian Institute of Technology in Kanpur, where he received the Presidential Gold Medal and a PhD in Computer Science from Stanford University. He is a serial entrepreneur, who has created disruptive business and technology breakthroughs in Computer Graphics, Enterprise Software, Social Networks, Internet Marketing, IOT, CAD, Laser Scanning, Manufacturing, Metrology, Orthodontics, EAS/Security and Supply Chain. He is currently co-founder at Alignable, North America's largest network for small and medium businesses and Gita Krishnamurthy Vidyalaya a free school for under-privileged children in South India, as well as board member at privately held internet travel business Grand Circle Corporation. He is an Academy Award winner for Technical Achievement (2001) for pioneering inventions in the area of animation-ready higher order (polynomial) surface reconstruction from 3-D scanners. Previously, he co-founded Invisalign, Paraform/Metris, now Nikon Metrology, CTO at OATSystems, now Checkpoint's RFID/IOT division and Instructor at MIT Professional Education on Radical Innovation.

Humberto Reynaldo Nadal Del Carpio. Mr. Nadal joined the Company as Corporate Development Manager in June 2007, and has been a director since March 2008 and Chief Executive Officer since April 2011. He holds a bachelor's degree in economics from Universidad del Pacifico and has an MBA from Georgetown University. He is also CEO and Board Member of ASPI, Fosfatos del Pacifico and Fossal S.A.A. Additionally, he is Deputy Chairman of the Board at Ferreycorp and has been Chairman of the Board of Trustees of the Universidad del Pacifico, and Chairman of the Board of Directors of Fondo Mi Vivienda. In April 2006, he joined Compañía Minera Ares S.A.C. (subsidiary of Hochschild Mining plc) as Corporate Development Manager. Mr. Nadal was also Business, Administration and Finance Manager of Instituto Libertad y Democracia and CEO of Socosani S.A. He has been distinguished among the top three CEOs in the construction industry in Latin America by Institutional Investor magazine every year from 2014 to 2022.

Marco Antonio Zaldivar. Mr. Zaldivar has been a director since March 2017. Certified Public Accountant, graduated from the Universidad de Lima and the Management Development Program of the PAD of the Universidad de Piura. He has an MBA from the Adolfo Ibáñez School of Management (USA). He was Chairman of the Board of Directors of the Lima Stock Exchange. Previously, at Ernst & Young, he was Partner of Risk Management and Regulatory Matters, Senior Partner of the firm's Audit and Business Advisory Division. Also, he has been Vice Dean of the College of Public Accountants of Lima, President of the Board of Directors and President of the Good Corporate Governance Committee of Procapitales. He is currently an Independent Director at Compañía de Minas Buenaventura, among other positions, with extensive experience in Corporate Governance issues.

The new board members for the 2023-2026 period are as follows:

Ana Sofia Hochschild Correa. Ms. Hochschild holds a bachelor's degree in Psychology from IE University in Madrid, with a special focus on organizational psychology and knowledge in digital transformation. At She has worked at Sony, Ernst & Young and Voxel School. She is currently Project Manager at XR Ventures, an investment company in immersive technologies. She has been admitted to Harvard University for a Master's Degree in Education Leadership, Organizations, and Entrepreneurship, which she will be studying from September 2023. She also carries out volunteering and fundraising actions to support the development and improvement of living conditions in Peru. She is Eduardo Hochschild Beeck's daughter.

Esteban Chong Leon. Mr. Chong holds a degree in Accounting from Universidad del Pacifico and a Master's in Business Administration from the University of Pittsburgh (United States). He holds a diploma in International Financial Reporting Standards from The Association of Chartered Certified Accountants (United Kingdom) and in Board of Directors' Corporate Governance from Northwestern University – Kellogg School of Management (United States). He is the Head Professor at the Universidad del Pacifico, Head of the Accounting Department, and President of the Admissions Council of such University. He is a retired partner at PricewaterhouseCoopers Peru (PwC) with more than 36 years of professional experience, 20 of them as a partner. He held various positions at PwC including Territory Senior Partner (TSP) for Peru and Bolivia, Head of Assurance for Peru, partner in charge of Risk Management, Member of the Regional Executive Committee and Representative to the Regional Board (Theater Oversight Board), where he was Chairman of the Admissions Committee. He is currently board member at Inmobiliaria Los Alerces, KR Comercial and KR Proyectos. He is also a member of the Audit, Finance and Risk Committee of CGIAR (France) and a member of the Advisory Board of Videnza Consultores. He was board member at the International Potato Center, where he was Vice Chairman of the Board and Chairman of the Audit and Risk Committee. He was Second Vice President of the Board of Directors of CONFIEP, Director of Procapitales, Board of Directors and Executive Committee Member of Amcham Peru and President of the Peruvian Institute of Independent Auditors - IPAI, among other positions. He is co-author of the books Intermediate Financial Accounting: financial statements and analysis of asset, liability and equity accounts and Theory and practice of intermediate accounting. He has made the following publications in specialized magazines: Disclosure on structural capital in companies in the financial sector of Peru listed on the Lima Stock Exchange and Relevance of non-financial information for managers of companies listed on the Lima Stock Exchange.

Executive Officers

Our executive officers oversee our business and are responsible for the execution of the decisions of the board of directors. The following table presents information concerning the current executive officers of the company and their respective positions:

Name	Position	Year of Birth	Year of Appointment
Humberto Nadal Del Carpio	Chief Executive Officer	1964	2008
Manuel Bartolomé Ferreyros Peña	Chief Financial Officer	1966	2008
Jorge Javier Durand Planas	Legal Vice – President/General Counsel	1966	2008
Carlos Julio Pomarino Pezzia	Vice – President of the Cement Business	1962	2009
Diego Arispe Silva	Corporate Social Responsibility Managing Director	1981	2021
Aldo Bertoli Estrella	Commercial Managing Director	1969	2016
Ibrahim Chahuan Riveros	Building Solutions Managing Director	1988	2021
Ely Hayashi Hirahoka	Finance Managing Director	1982	2021
Tito Alberto Inope Mantero	Industrial Operations Managing Director	1972	2015
Julio Oropeza Reyes	Operations Managing Director	1978	2022
Diego Reyes Pazos	Supply Chain Managing Director	1977	2013
Inés Roggero Cilloniz	Innovation and Digital Transformation Managing Director	1981	2022
Hugo Villanueva Castillo	Operations Managing Director	1962	2012

* After December 31, 2022 internal changes were made in the Operations Department. As of January 1, 2023, Hugo Villanueva assumed the role of Climate Change Managing Director and Tito Inope assumed the role of Corporate Excellence Managing Director.

The following sets forth selected biographical information for each of our executive officers:

Jorge Javier Durand Planas. Mr. Durand joined the Hochschild Group in 1994 and has been the General Counsel and Legal Vice President of the Company since 2008. Previously, he was Legal Vice President of Hochschild Mining plc. He is a lawyer graduated from the Universidad de Lima (Peru) and a Master of Business Administration from the Universidad del Pacífico (Peru). Among other studies, he participated in the Management Program for Lawyers and in the Corporate Governance and Performance Program of the Yale School of Management (United States), in the Strategic Negotiations Program of Harvard Business School (United States) and in the Prince of Wales, Business & Sustainability Program of the University of Cambridge Institute for Sustainability Leadership (United Kingdom). Currently, Mr. Durand is a member of the Board of Directors of Inversiones ASPI S.A. and is a member of the Board of Directors of Fosfatos del Pacífico S.A., Fossal S.A.A., UTEC and Tecsup.

Manuel Bartolomé Ferreyros Peña. Mr. Ferreyros has been Chief Financial Officer since January 2008. He is a member of the Board of Directors of Fosfatos del Pacífico S.A. and Fossal S.A.A. Mr. Ferreyros has a bachelor's degree in business administration from the Universidad de Lima, a multinational MBA from the Adolfo Ibáñez School of Management, Miami and an MBA from the New York College of Insurance. Mr. Ferreyros has participated in the Senior Management Program of the Central American Institute of Business Administration (INCAE) and in the CEO's Management Program at the Kellogg School of Management, among others. Before joining the Company, Mr. Ferreyros was CEO at La Positiva Seguros y Reaseguros. Distinguished among the three best CFOs in the construction industry in Latin America by Institutional Investor magazine between 2014 and 2021.

Carlos Julio Pomarino Pezzia. Mr. Pomarino has been Vice - President of the Cement Business since July 2017. He has a Bachelor's degree in Economic Engineering from the Universidad Nacional De Ingenieria and an MBA from the Adolfo Ibáñez Business School and ESAN. In addition, he has participated in the Senior Management Program (PAD) of the Universidad de Piura and completed the Certification of independent Board members at Centrum Católica. He was Vice President of the Cement Business from 2012 to 2017, Deputy General Manager from 2009 to 2012, Commercial Manager of the Company from 2002 to 2009 and General Manager of Distribuidora Norte Pacasmayo S.R.L. from 1998 to 2009. Before joining the Company, Mr. Pomarino worked as Administration and Finance Manager at Comercializadora de Alimentos S.A. and as Head of Finance at Fabrica de Tejidos San Jacinto S.A.

Diego Arispe Silva. Mr. Arispe has been the Corporate Social Responsibility Managing Director since January 2022 and of Human Resources since 2019. He holds a law degree from the Pontificia Universidad Católica del Perú and has an MBA from Columbia Business School (United States). He has worked in the company for more than 15 years, having held various positions in the areas of Human Management, Social Responsibility, and Legal, and was part of the team in charge of the implementation of our cement plant in Piura, as Project Controller.

Aldo Bertoli Estrella. Mr. Bertoli has been the Commercial Managing Director since May 2016. He has a bachelor's degree in Business Administration from the Universidad del Pacífico and a master's degree in Business Administration from the Universidad de Piura. Before joining our company, Mr. Bertoli worked for five years as Peru-Ecuador-Bolivia Sales Manager at Pepsico Inc. Previously, he spent 12 years at Procter & Gamble in various commercial positions, including 4 years in Bolivia as Country Manager.

Ibrahim Chahuan Riveros. Mr. Chahuan has been Managing Director of Construction Solutions since January 2022. He has a bachelor's degree in business administration from Universidad del Pacífico and is currently pursuing an Executive MBA at Northwestern University - Kellogg School of Management. Mr. Chahuan has worked at the company for 11 years, having held various positions primarily in the marketing area. He participated in key corporate finance projects for the development of the company, such as the issuance of bonds for USD 300 MM and for nearly 7 years he has been in charge of promoting and developing the company's building solutions.

Ely Hayashi Hirahoka. Ms. Hayashi has been the Finance Managing Director since January 2022. She has a bachelor's degree in business administration from Universidad del Pacífico and an MBA from IE Business School in Madrid Spain. Ms. Hayashi joined the company in 2006 and has held various positions in operational and financial areas throughout her more than 17 years with the Company.

Tito Alberto Inope Mantero. Mr. Inope has been the Industrial Operations Managing Director since January 2022. He is an Economist from the Universidad de Lima and has a Master of Business Administration (MBA) degree from the Universidad Peruana de Ciencias Aplicadas (UPC) as well as the senior management program (PAD). Mr. Inope joined the company in 1996 and has held various management positions throughout his more than 27 years with the Company.

Julio Oropeza Reyes. Mr. Oropeza has been Operations Managing Director since December 2022. He has 20 years of experience in the cement industry, performing in different functions and locations. Among the areas in which Mr. Oropeza has worked are: laboratory, production, systems implementation (TIS), process optimization, quality control, technical training, KPI's and cost optimization, training of high-performance teams, environmental and safety management, and innovation. He has a bachelor's degree in Chemical Engineering from Francisco de Miranda National University in Venezuela, he has a certification as a Holcim Process Engineer and an MBA in Integrated Management System: Quality, Environment and Safety from the University of Viña del Mar-Chile.

Diego Reyes Pazos. Mr. Reyes has been Managing Director of Supply Chain, Administration and Risks since July 2013. He has solid experience in supply chain, project development, system/process design and implementation, and financial analysis. He has a bachelor's degree in business administration from Universidad de Lima and holds a master's degree in Business Administration by Universidad de Piura. Prior to joining our Company, Mr. Reyes served as Operations and Finance Manager at Belcorp, Senior Business Process Expert for Latin America at SAB Miller, Project Manager in the Vice-Presidency of Supply Chain at UCP Backus & Johnston, among others.

Inés Roggero Cilloniz. Ms. Roggero has been Innovation and Digital Transformation Managing Director since June 2022. Before joining our company, she was the Corporate Innovation Manager at Alicorp, where she was in charge of identifying process improvement initiatives, new analog and digital products. In addition, Ms. Roggero has more than 17 years of experience in mass marketing. During this time, she has won more than 10 marketing awards and has successfully launched more than 10 new products on the market.

Hugo Pedro Villanueva Castillo. Mr. Villanueva has been Operations Managing Director at Cementos Pacasmayo and Cementos Selva since January 2012. Previously, he served as the Operations Manager at Cementos Selva for more than nine years. He has been working at the Company since 1992 and has held various positions in the areas of Quality, Production and Operations. He has a bachelor's degree in chemical engineering from the Universidad Mayor de San Marcos and an MBA from Tecnológico de Monterrey, Mexico. He has participated in the General Management Program of the PAD of Universidad de Piura and in the Senior Management Program of INCAE in Costa Rica. Additionally, he has completed various industry specialization programs.

B. Compensation

As of December 31, 2022, the total short-term compensation paid to our executive officers amounted to S/26,066,000 (2021: S/22,678,000 and 2020: S/21,859,000) and the total long-term compensation paid to our executive officers amounted to S/8,272,000 (2021: S/9,763,000 and 2020: S/5,759,000). There were no post-employment or contract termination benefits or share-payments.

In 2011, we decided to pay each of our directors a yearly compensation of US\$200,000 (US\$400,000 in the case of our Chairman). In addition, compensation paid to certain of our directors for serving on board committees will be, in aggregate per year, not higher than the total amount paid to our directors for serving on our board of directors. Our 2022 director compensation was approved at our annual shareholders' meeting.

Neither we nor any of our subsidiaries have entered into any agreement that provides for any benefit or compensation to any director or executive officer after expiration of his or her term.

Executive Compensation Plan

Our business operates in a competitive environment where highly trained professionals and executives are in demand. Continued expansion of the Peruvian economy over the past several years has created new opportunities resulting in additional competition for local talent. As a result, we have in place compensation plan to retain our key executives and attract new executives with the skills and experience required to achieve our strategic objectives and create long-term value for our shareholders. We believe that executive compensation should reward individual performance and the achievement of our strategic objectives.

Our executive compensation plan has been designed to achieve the following primary objectives:

- recruit, retain and incentivize highly talented and dedicated executives with the skills and experience required to manage and operate our business and create long-term value for our shareholders;
- provide our executive officers with compensation opportunities that are fair, reasonable and competitive in the market;
- compensate based on our performance and individual performance;
- promote transparency by using clear and straightforward compensation metrics; and
- align the interests of our executive officers with the interests of our shareholders, both in the short-term and long-term.

Our executive compensation plan is in addition to workers' profit sharing requirements applicable to all of our employees, including our executive officers, under Peruvian labor laws.

Our compensation plan has been designed to compensate our executives through a combination of base salary, a cash bonus incentive and other benefits that we believe are fair and equitable to us and our shareholders and competitive in the market. We believe that the combination of salary, cash bonus incentive and other benefits help distinguish us from other companies in the cement industry in Peru and serve as an important retention tool as we compete for executive talent. We also believe that it will provide an appropriate compensation structure to retain our executives, reward them for individual performance, and induce them to contribute to the creation of long-term value.

Components of Executive Compensation

The key components of our executive compensation plan are:

- base salary;
- short-term cash bonus incentives; and
- long-term cash bonus incentives.

We believe that the use of few and straightforward compensation components promotes the effectiveness and transparency of our executive compensation plan and enables us to be competitive. No formula or specific weightings or relationships are used to allocate the various components in our executive compensation plan. Each component has an important role in implementing our executive compensation philosophy and in meeting the executive compensation objectives described above.

Base Salary

We compensate our executive officers and other employees with a base salary to compensate them for services rendered on a day-to-day basis during the fiscal year. Base salaries provide stable compensation to executives, allow us to recruit and retain highly talented and dedicated executives and, through periodic merit increases, provide a basis upon which executives may be rewarded for individual performance.

Short-Term Cash Bonus Incentives

As a key component of our compensation plan, we currently provide our executive officers the opportunity to earn annual cash bonuses based on the achievement of our short-term business objectives. As additional cash compensation that is contingent on achieving our business objectives, cash incentives augment the base salary component while being tied directly to corporate and individual performance objectives.

Long-Term Cash Bonus Incentives

In addition, as a tool to promote retention of our executive officers, we have implemented a deferred cash incentive program that we believe aligns compensation with corporate performance, allows us to recruit and retain competent executive talent, and rewards for superior performance measured over the long-term. Our plan provides for the payment of bonuses in addition to the annual bonuses that are paid to our executive officers.

Our long-term bonus incentive program features the following key components:

- available to senior executives who have been employed by our company at this level for at least four years;
- at the end of each year, the cash bonus will be accrued in a “personal virtual account” for the benefit of the relevant executive;
- at the beginning of the sixth year the relevant executive will receive the amount accrued during the first four years;
- additional annual bonuses will be accrued for the following four years and a final payout will be made at the end of the eighth year from the creation or beginning of the plan; and
- if the employee decides to voluntarily leave the company before a scheduled distribution, he will not receive this compensation.

Our plan provides that the executive must meet the following eligibility criteria:

- must be no older than 58 years at the time his or her participation in the incentive program begins;
- must have at least four years as senior executives with either our company, or our subsidiaries or affiliates;
- is a professional who is deemed to have characteristics that are attractive to the market; and
- the executive’s departure is deemed by the board of directors or a committee thereof to have an adverse effect on our performance.

C. Board Practices

For information about the date of expiration of the current term of office and the period during which each director has served in such office, see “Item 6. Directors, Senior Management and Employees—A. Directors and Senior Management.”

Benefits upon Termination of Employment

There are no contracts providing for benefits to directors upon termination of employment.

Board Committees

We have four board committees composed by members of our board of directors, which are described below, as of April 17, 2023, when the Board meeting was held and members of these committees were elected.

Executive Committee

Our by-laws permit us to delegate an executive committee composed of three to five members of the board of directors. Mr. Eduardo Hochschild Beeck (chairman), Mr. Raimundo Morales Dasso and Mr. Humberto Nadal del Carpio are currently members of our executive committee. Our executive committee is mainly responsible for (i) supervising and supporting our management in executing the resolutions passed by our board of directors, (ii) executing the strategy approved by our board of directors, (iii) meeting short-term and medium-term goals, as well as designing action plans to meet such goals in accordance with the long-term strategy and goals approved by our board of directors, (iv) approving agreements or transactions involving amounts greater than US\$3 million but less than US\$20 million, (v) monitoring compliance with the annual budget and approving any significant deviations from approved levels of working capital, (vi) making strategic decisions that do not rise to the level of a full board approval, and (vii) approving and executing new projects in amounts up to US\$20 million.

Our executive committee also performs the functions of a compensation committee.

Antitrust Best Practices Committee

The antitrust best practices committee is composed of three members: Mr. Raimundo Morales Dasso, Mr. Humberto Nadal del Carpio and Mr. Eduardo Hochschild Beeck. The antitrust best practices committee is responsible for informing our employees about our competition best practices and for monitoring compliance with such practices, including compliance with antitrust regulations.

Audit Committee

Our audit committee is composed of three directors: Mr. Esteban Chong Leon, who is the chairman of the audit committee, Mr. Venkat Krishnamurthy and Mrs. Ana María Botella Serrano. All of the members of the audit committee qualify as independent in accordance with the SEC rules applicable to foreign private issuers. Mr. Esteban Chong Leon also qualifies as a financial expert under SEC rules. The audit committee is responsible for (i) reviewing our financial statements; (ii) evaluating our internal controls and procedures, and identifying deficiencies; (iii) the appointment, compensation, retention; and (iv) oversight of our external auditors. Additionally, it is responsible for informing our board of directors regarding any issues that arise with respect to the quality or integrity of our financial statements, our compliance with legal or regulatory requirements, the performance and independence of the external auditors, or the performance of the internal audit function; and overseeing measures adopted as a result of any observations made by our shareholders, directors, executive officers, employees or any third parties with respect to accounting, internal controls and internal and external audit, as well as any complaints regarding management irregularities, including anonymous and confidential methods for addressing concerns raised by employees.

Corporate Governance Committee

Our corporate governance committee is composed of three directors. The current members are Mr. Eduardo Hochschild Beeck (chair), Mr. Raimundo Morales Dasso and Mr. Humberto Nadal del Carpio. The corporate governance committee is responsible for assisting the board on its oversight of director nomination and committee assignments, as well as the board and CEO successions. Similarly, it is responsible for assisting in the implementation of the committee and board self-assessment surveys and the review of governance principles.

D. Employees

As of December 31, 2022, we had a total of 1,713 permanent employees. The following table sets forth a breakdown of our employees by category as of the periods indicated.

	As of December 31,		
	2022	2021	2020
Management	46	39	40
Administrative personnel	1343	1,334	1,295
Plant workers	324	319	322
Total(1)	1,713	1,692	1,657

(1) Workers from our social venture Acuicola Los Paiches S.A.C. are excluded from these calculations.

As of December 31, 2022, approximately 21.6% of our employees were members of labor unions (*Sindicato Único de Trabajadores de Cementos Pacasmayo S.A.A.*, *Sindicato de Trabajadores de Distribuidora Norte Pacamasyo S.R.L.*, *Sindicato Único de Trabajadores de la Empresa Distribuidora Norte Pacasmayo S.R.L.-Dino*) that represents its members in collective bargaining negotiations. Our management and administrative personnel are not members of a labor union. Labor relations for unionized and non-unionized employees in our production facilities, including compensation and benefits, are governed by a collective bargaining agreement that is renewed annually. In May 2022, three-year Union Agreements were signed with our largest union.

Under Peruvian law, it is illegal to lay off employees without cause or without following certain formal procedures. In addition, employees who are laid off are entitled to severance payments upon termination of their employment in an amount equal to one and a half month's salary for each full year of work performed with a maximum payment equal to 12 monthly salaries provided they are indefinite term employees. In case of fixed term employment relationship the severance payment is equal to 1.5 monthly salaries for each month, until the completion of the contract, with a maximum of 12 monthly salaries.

Our employees are enrolled in either the national public pension fund or a privately managed pension fund. In both cases the applicable payment (approximately 13%) is withheld by the employer from the employees' monthly salary. As of December 31, 2022, approximately 9.1% of our employees were enrolled with the national public pension fund and 90.1% with a private social pension plan.

2020-2021 was one of the most challenging periods in Pacasmayo's history. The COVID-19 pandemic created unprecedented impacts in Peru, and on the national economy, namely a collapsed healthcare system, more than 37,000 dead, strict confinement measures that paralyzed the country's main economic activities and which caused a contraction in GDP of 11.1% in 2020, as well as the loss of millions of jobs. The economy bounced back in 2021, reaching a 13.2% GDP growth rate.

2022 has been a year of experimentation: after returning to the office, we committed ourselves to finding the most appropriate work modality for each of our collaborators. Likewise, we materialize our intentions to build an inclusive company, providing greater opportunities, through programs, for women to access and develop their skills as part of the industry.

In order to protect the health and safety of our collaborators, as well as promoting the spirit of synergy among our teams, as of October 2021 and to date, we migrated to a hybrid work scheme. To accompany this process, in 2022, under the leadership of our CEO, we relaunched UnNuevoPacasmayo.com, a platform through which we provide tips to all our employees to balance life and work. Complementarily, we deployed hybrid Bootcamps, three learning spaces, where we strengthen leadership, collaboration, and well-being with a focus on this new modality. Thus, we seek that, from the place where we are, we continue to build together the future we dream of.

We believe we have a good relationship with our employees. In the past, we have not experienced any material strikes, work stoppages or any other significant disruptions.

E. Share Ownership

As of March 31, 2023, persons who are currently members of our board of directors and our executive officers held as a group 1,426,553 of our common shares and no investment shares (not including common shares held by Mr. Eduardo Hochschild through ASPI). This amount represented less than 1% of our outstanding share capital as of March 31, 2023. Mr. Eduardo Hochschild through ASPI indirectly controls 211,985,547 common shares.

Mr. Manuel Ferreyros, Mr. Humberto Nadal, Mr. Raimundo Morales, Mr. Carlos Pomarino own individually and in the aggregate less than 1% of our common shares.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

As of March 31, 2023, our issued and outstanding share capital was composed of 423,868,449 common shares. In addition, as of March 31, 2023, we had 40,278,894 non-voting investment shares outstanding, 36,040,497 of which were held in treasury.

The following table sets forth the beneficial ownership of our common shares and non-voting investment shares as of March 31, 2023.

Shareholder	As of March 31, 2023					
	Common shares		Investment shares		Total	
	Number of shares (in millions)	Percentage	Number of shares (in millions)	Percentage	Number of shares (in millions)	Percentage
ASPI ⁽¹⁾	211,985.5	50.0%	—	—	211,985.5	45.7%
CPSAA (treasury shares)	—	—	36,040.4	89.5%	36,040.4	7.7%
IN—Fondo 3 (AFP Integra)	17,880.8	4.2%	—	—	17,880.8	3.9%
RI—Fondo 2 (AFP Prima)	23,336.9	5.5%	—	—	23,336.9	5.0%
RI—Fondo 3 (AFP Prima)	18,064.3	4.3%	—	—	18,064.3	3.9%
PR—Fondo 3 (PROFUTURO)	19,342.3	4.6%	—	—	19,342.3	4.2%
Directors and officers ⁽²⁾	1,426.6	0.3%	—	—	1,426.6	0.3%
American Depositary Share Program	34,517.4	8.1%	—	—	34,517.4	7.4%
Other shareholders	83,290.0	19.7%	4,238.5	10.5%	87,528.4	18.9%
Total	423,868.5	100.0%	40,278.9	100.0%	464,147.3	100.0%

(1) ASPI is indirectly controlled by Mr. Eduardo Hochschild through Farragut Holdings, Inc. (Cayman Islands). Mr. Eduardo Hochschild is a member of the board of directors of our company. The shares expressed here include those held through ASPI.

(2) See “Item 6. Directors, Senior Management and Employees—Share Ownership” for information regarding shares of our common stock owned by members of our board of directors and executive officers. The number of common shares held by directors and executive officers excludes any shares that may be deemed to be beneficially owned by Mr. Eduardo Hochschild through ASPI.

Changes in Ownership

The following sets forth the composition of ownership from December 31, 2018 to December 31, 2022.

Shareholder	As of December 31,				
	2022	2021	2020	2019	2018
ASPI	45.7%	45.7%	45.7%	45.7%	45.7%
CPSAA (treasury shares)	7.8%	7.8%	7.8%	7.8%	7.8%
IN—Fondo 2 (AFP Integra)	—	—	—	—	4.7%
RI—Fondo 2 (AFP Prima)	5.0%	5.2%	4.6%	3.9%	4.4%
RI—Fondo 3 (AFP Prima)	4.0%	4.0%	—	4.1%	0.2%
American Depositary Receipt Program	7.3%	7.4%	6.8%	6.7%	13.0%
IN—Fondo 3 (AFP Integra)	4.3%	5.0%	4.1%	5.1%	—
PR—Fondo 3 (AFP Profuturo)	4.2%	4.4%	3.7%	4.0%	—
Other shareholders	18.4%	16.1%	22.7%	18.5%	24.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

On January 19, 2017, our management approved the buyback of an additional 7,911,845 investment shares, which we currently hold in treasury.

On March 1, 2018, we spun-off a portion of the net assets (consisting of the assets and liabilities) related to Fosfatos del Pacifico S.A. to Fossal S.A.A., and as a result our capital stock was reduced by approximately S/107,593,030, from S/531,461,479 to S/423,868,449 for our common shares, and from S/ 50,503,124 to S/40,278,894 for our investment shares.

Differences in Voting Rights

Our major shareholders do not have different voting rights.

Securities Held in the Host Country

On February 7, 2012, we completed our initial public offering of 20,000,000 ADSs, each representing five common shares, in the United States. On March 2, 2012, we sold an additional 2,296,800 ADSs pursuant to an over-allotment option granted to the underwriters in that offering. Our ADSs are listed on the New York Stock Exchange. As of March 31, 2023, we estimate that there were 6,903,477 ADSs outstanding, which represented 8.1% of our common shares outstanding as of such date.

Arrangements for Change in Control

We are not aware of any arrangements that may, when in force, result in a change in control.

B. Related Party Transactions

Peruvian Law Concerning Related Party Transactions

Under Peruvian law, board members and executive officers of a publicly held company may not (i) engage in transactions with the company or any related party of the company, except for transactions entered into in the ordinary course of business and on an arm's length basis, (ii) appropriate for their own benefit a business opportunity that belongs to the company, or (iii) participate in any transaction or decision that presents a conflict of interest with the company.

Peruvian law sets forth certain restrictions and limitations on transactions with certain related parties.

For instance, from a tax standpoint, the value of those transactions must be equal to the fair market value assessed under transfer pricing rules (i.e., the value agreed to by unrelated parties under the same or similar circumstances). Similarly, companies with securities registered in the Peruvian Public Registry of Securities (*Registro Público del Mercado de Valores*), such as us, are required to comply with the following rules:

- The directors and managers of the company cannot, without the prior authorization of the board of directors, (i) receive in the form of a loan money or assets of the company; or (ii) use, for their own benefit or for the benefit of related parties, assets, services or credits of the company.
- The execution of agreements that involve at least 5% of the assets of the company with persons or entities related to directors, managers or shareholders that own, directly or indirectly, 10% of the share capital, requires the prior authorization of the board of directors (with no participation of the director involved in the transaction, if any).
- The execution of agreements with a party controlled by the company's controlling shareholder requires the prior authorization of the board of directors and an evaluation of the terms of the transaction by an external independent company (audit companies or other to be determined by the Peruvian Securities Commission).

The external independent company that reviews the transaction should not be related to the parties involved therein, nor to directors, managers or shareholders that own at least 10% of the share capital of the company.

Related Party Transactions

As a general policy, we do not enter into transactions with related parties, including our board members and officers, on terms more favorable than what we would offer third parties. Any related party transaction we have entered into in the past has been in the ordinary course of business and on an arm's length basis.

As of December 31, 2022, we had an accounts payable balance with ASPI, our controlling shareholder, in the amount of S/5,000 (US\$1,308.9).

The following transactions have been entered into by us with related parties:

- We lease a plot of land adjacent to our headquarters to our affiliate, Compañía Minera Ares S.A.C., a subsidiary of Hochschild Mining plc. We received rental payments of S/1,303,000 in 2020, S/1,230,000 in 2021 and S/1,200,000 in 2022.
- We provide back office management and administrative services to ASPI, Fossal S.A.A and Fosfatos del Pacifico S.A., for which we received S/834,000 in 2020, S/305,000 in 2021 and S/198,000 in 2022.
- We receive a reimbursement of security services from our affiliate Compañía Minera Ares S.A.C., a subsidiary of Hochschild Mining plc. We paid a total of S/1,912,000 in 2020, S/2,836,000 in 2021 and S/2,110,000 in 2022 for these services.

ASPI and Hochschild Mining plc are majority-owned and controlled, directly and indirectly, by Mr. Eduardo Hochschild.

For more information about our related-party transactions please see note 27 to our consolidated financial statements included in this annual report.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information.

See Item 19. — Exhibits.

Legal and Administrative Proceedings

From time to time, we may become subject to various legal and administrative proceedings that are incidental to the ordinary conduct of our business. We are currently not party to any material legal or administrative proceedings.

Dividends and Dividend Policy

Our ability to pay dividends is subject to our results of operations for each year. Holders of our common shares and investment shares are entitled to receive dividends on a pro rata basis in accordance with their respective number of shares held

Under our dividend policy, shareholders must take the following factors into consideration prior to declaring dividends: our financial and economic condition, including committed and budgeted expenses and obligations, and previously approved investments. In addition, our dividend policy states that (a) our board of directors may declare advanced dividends based on either the net income resulting from financial statements prepared for such purpose or the cumulative net income corresponding to previous years, provided that shareholders delegated such authority to the board of directors, and (b) holders of common shares representing no less than 20% of our total share capital may request the distribution of dividends up to 50% of the net income corresponding to the previous year, net of any legal reserve requirements. Our board of directors makes a recommendation at the annual shareholders' meeting with respect to the amount and timing of dividend payments, if any, to be made on our common shares and investment shares.

Under Peruvian law, companies may distribute up to 100% of their profit (after payment of income tax) subject to a 10% legal reserve until the legal reserve equals 20% of shareholders' equity. According to Article 40 of the Peruvian Corporate Law, in order to distribute dividends, profits must be determined in accordance with the individual financial statements of the company.

Payment of Dividends

Dividends are paid to holders of our common shares and investment shares, as of a record date determined by us. In order to allow for the settlement of securities, under the rules of the Peruvian Securities Commission, investors who purchase shares of a publicly held company three business days prior to a dividend payment date do not have the right to receive such dividend payment. Dividends on issued and outstanding common shares and investment shares are distributed pro rata.

Holders of common shares and investment shares are not entitled to interest on accrued dividends. In addition, under Article 232 of the Peruvian Corporate Law, the right to collect accrued dividends declared by a publicly held company expires 10 years from the original dividend payment date.

Previous Dividend Payments

The following table sets forth the amounts of cash dividends declared and paid from 2012 through the date hereof for our common shares and our investment shares.

Year ended December 31,	Dividends paid	Per share (in \$/)
2022	194,941,884	0.42000
2021	366,676,401	0.79000
2020	106,753,888	0.23000
2019	154,118,465	0.36000
2018	161,396,280	0.37700
2017	149,837,396	0.35000
2016	155,236,000	0.28500
2015	162,950,000	0.28000
2014	116,393,000	0.20000

At the annual shareholders' meeting held on March 24, 2023, the shareholders of the Company approved the financial statements for fiscal year 2022 including the net income for such year and delegated to the Board of Directors the authority to decide the distribution of dividends from the retained earnings account and fiscal year 2023 operating results.

B. Significant Changes

We are not aware of any changes bearing upon our financial condition since the date of the financial statements included in this annual report.

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

Market Price of Our Common Shares and ADSs

Our ADSs

On February 7, 2012, we completed our initial public offering of 20,000,000 ADSs, each representing five common shares, in the United States. On March 2, 2012, we sold an additional 2,296,800 ADSs pursuant to an over-allotment option granted to the underwriters in that offering.

Our ADSs are listed on the New York Stock Exchange under the symbol "CPAC."

B. Plan of Distribution

Not applicable.

C. Markets

Trading in the Peruvian Securities Market

The Lima Stock Exchange

As of December 31, 2022, there were 397 companies with securities listed on the Lima Stock Exchange. Established in 1970, the Lima Stock Exchange is Peru's only securities exchange. On November 19, 2003, the members of the Lima Stock Exchange approved to convert its corporate status to a publicly held corporation effective as of January 1, 2003. As of December 31, 2022, The Lima Stock Exchange had a share capital of S/162,092,340], divided into 173,659,481 class "A" shares and 8,432,859 class "B" shares of par value S/1.00 each. Class "A" shares are entitled to one vote per share while class "B" shares do not have voting rights. As of December 31, 2022, the Lima Stock Exchange had 295 shareholders. On March 2020, after its annual review, FTSE announced that, since there is only one Peruvian stock in the FTSE Global All Cap index, it fails the new minimum investable market cap and securities count requirement criterion. As a result, Peru was reclassified from Secondary Emerging to Frontier market status effective from September 2020.

Trading on the Lima Stock Exchange is primarily done on an electronic trading system that became operational in August 1995. From the first Monday of November through the second Sunday of March of each year, trading hours are Monday through Friday (except holidays) as follows: 8:20 a.m.-8:30 a.m. (pre-market ordering); 8:30 a.m.-2:55 p.m. (trading); 2:55 p.m.-3:00 p.m. (after-market sales); and 3:00 p.m.-3:10 p.m. (after-market trading). At all other times, trading hours are from Monday to Friday (except holidays) as follows: 9:00 a.m.-9:30 a.m. (pre-market ordering); 9:30 a.m.-3:55 p.m. (trading); 3:55 p.m.-4:00 p.m. (after-market sales); and 4:00 p.m.-4:10 p.m. (after-market trading).

Transactions during the electronic sessions are executed through brokerage firms and stock brokers on behalf of their clients. Brokers submit orders in the order in which they are received. The orders must specify the type of security as well as the amount and price of the proposed sale or purchase. In order to control price volatility, for Peruvian companies there are volatility auctions for variations of +/- 7% during trading session and +/- 4% during the last half-hour of continuous trading, when a stock reaches the 15% limit there is an auction and a consequent price formation. For non-Peruvian companies there is no limit because it is the price in the foreign market the main reference.

Regulation of the Peruvian Securities Market

The Securities Market Law regulates certain securities matters, such as transparency and disclosure, corporate takeovers, capital market instruments and operations, the securities markets and broker-dealers, and credit-rating agencies. In 1996, the Peruvian Securities Commission, "*Superintendencia del Mercado de Valores – SMI*", formerly known as the National Supervisory Commission for Securities and Companies (*Comisión Nacional Supervisora de Empresas y Valores*, or "CONASEV"), was given additional responsibilities relating to the supervision, regulation and development of the securities market, while the Lima Stock Exchange was granted the status of a self-regulatory organization. Additionally, a unified system of guarantees and capital requirements was established for the Lima Stock Exchange.

Pursuant to Law No. 29782, published in the Peruvian Official Gazette, *El Peruano*, on July 28, 2011, the Peruvian Securities Commission is a governmental entity reporting to Peru's Ministry of Economy and Finance with functional, administrative, economic, technical and budgetary autonomy.

The Peruvian Securities Commission is governed by the Superintendent and a five board-members confirmed by the Superintendent (who acts as President of the board) and four members appointed by the Peruvian Executive Power (one suggested by the Ministry of Economy and Finance, one suggested by the BCRP, one suggested by the Peruvian Superintendence of Banking, Insurance and Private Pension Funds and one independent member). The Peruvian Securities Commission has broad regulatory powers, including reviewing, promoting, and making rules regarding the securities market, supervising its participants, and approving the registration of public offerings of securities.

The Peruvian Securities Commission supervises the securities markets and the dissemination of information to investors. It also (i) governs the operations of the Public Registry of Securities, (ii) regulates mutual funds, publicly placed investment funds and their respective management companies and broker-dealers, (iii) monitors compliance with accounting regulations by companies under its supervision as well as the accuracy of financial statements and (iv) registers and supervises auditors who provide accounting services to those companies registered with the Peruvian Securities Commission.

Pursuant to the Securities Market Law, broker-dealers must maintain a guarantee fund. This guarantee fund must be managed by an entity supervised by the Peruvian Securities Commission. Contributions to the guarantee fund must be made by the 25 broker-dealers that are members of the Lima Stock Exchange and are based on the volume traded over the exchange. In addition to the guarantee fund managed, each broker-dealer is required to maintain a guarantee in favor of the Peruvian Securities Commission to guarantee any liability that broker-dealers may have with respect to their clients. Such guarantees are generally established through letters of credit issued by local banks.

Disclosure Obligations

Issuers of securities registered with the Peruvian Securities Commission are required to disclose material information relating to the issuer. Pursuant to the Securities Market Law and relevant regulations enacted thereunder, all material information in connection with the issuer of registered securities (such as our common shares and investment shares), its activities or securities issued or secured by such issuer which may influence the liquidity or price of such securities must be disclosed. Accordingly, issuers must file with the Peruvian Securities Commission mainly two types of information: (a) financial information, including interim unaudited financial statements on a quarterly basis (which are not required to be subject to limited review), and annual audited consolidated financial statements on an annual basis, and (b) material information relating to the issuer and its activities that may significantly affect the price, offering or negotiation of the issued securities, and in general, all the information that may be relevant for investors to be able to make investment decisions.

In order to comply with the foregoing disclosure obligations, issuers must disclose reaffirmation to the Peruvian Securities Commission and, if the securities are listed, with the Lima Stock Exchange as soon as practicable but not later than one business day after having become aware of such information.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

Set forth below is certain information relating to our share capital, including brief summaries of the material provisions of our by-laws, Peruvian corporate law and certain related laws and regulations of Peru, all as in effect as of the date hereof.

General

We are a publicly held corporation under Peruvian Corporate law registered with the Public Registry of Corporations in Lima. We are currently listed on the Lima Stock Exchange.

The second article of our by-laws provides that our principal corporate purpose is mining and the production and sale of cement, quicklime and other construction materials in Peru and internationally.

We have common shares and investment shares.

See “Item 6. Directors, Senior Management and Employees—A. Directors and Senior Management” for information regarding our Board of Directors.

Common Shares

Common shares represent 100% of our voting shares. As of March 31, 2023, 423,868,449 of our common shares were outstanding. As of March 31, 2023, there were 34,517 owners of record of our common shares (considering the ADSs listed in the New York Stock Exchange are held by one registered owner). Our common shares have a par value of S/1.00 per share and have been fully subscribed and are fully paid. Our common shares are registered in the Securities Public Registry of the Peruvian Securities Commission and are listed on the Lima Stock Exchange.

Investment Shares

As of March 31, 2023, 4,238,397 of our investment shares were outstanding excluding 36,040,497 investment shares that were held in treasury. Investment shares have no voting rights and are not, under Peruvian law and accounting regulations, characterized as share capital. However, investment shares are still considered part of a company's equity. As of March 31, 2023, there were 421 owners of record of our investment shares. Our investment shares have a par value of S/1.00 per share and have been fully subscribed and are fully paid. Our investment shares are registered in the Securities Public Registry of the Peruvian Securities Commission and are listed on the Lima Stock Exchange.

Shareholders' Liability

Under Peruvian Corporate Law, holders of our common shares cannot vote on matters with respect to which they have a conflict of interest.

Under Article 133 of the Peruvian Corporate Law, a shareholder must abstain from voting if such shareholder has a conflict of interest. A resolution approved in disregard of this provision may be challenged under Article 139 of the Peruvian Corporate Law and any shareholder that participated in the determination in breach of this provision, if such shareholder's vote was key in attaining the required majority, may be held liable individually, or jointly with any other shareholder voting in breach of the provision.

Redemption and Rights of Withdrawal

Under Article 200 of the Peruvian Corporate Law, holders of our common shares have redemption rights if: (i) we change our corporate purpose; (ii) a change occurs in the place of organization to a foreign country; or (iii) any transformation, merger or significant spin-off occurs with respect to our company.

Preemptive and Accretion Rights

If we increase our share capital, holders of our common shares and investment shares have the right to subscribe to new common shares and investment shares, respectively, on a pro rata basis. Holders of common shares have preemptive rights in order to maintain their share interest in our share capital, unless the capital increase (i) results from a conversion of debt to common shares; (ii) is approved by shareholders representing at least 40.0% of the subscribed voting shares provided that the capital increase does not favor, directly or indirectly, certain shareholders to the detriment of others; and (iii) results from a corporate reorganization. Holders of investment shares have preemptive rights to maintain their proportional ownership in our share capital.

Shareholders who are in default of any payments relating to a capital call may not exercise their preemptive rights.

Preemptive rights are exercised in two rounds. During the first round, shareholders may subscribe to the new shares on a pro rata basis. During the second round, shareholders who participated in the first round may subscribe to any remaining shares on a pro rata basis up to the amount of shares such shareholders subscribed for in the first round. The first round must remain open for at least 15 business days. The second round must remain open for at least three business days.

Voting Rights and Dividends

Common Shares

Holders of common shares are entitled to one vote per share, with the exception of the election of the board of directors, where each holder is entitled to one vote per share per nominee. Each holder's votes may be cast for a single nominee or distributed among the nominees at the holder's discretion. To that effect, each of our common shares gives the holder the rights to as many votes as there are directors to be elected. Shareholders may pool votes in favor of one person or distribute them among various persons. Those candidates for the board who receive the most votes are elected directors. Holders of common shares may attend and vote at shareholders' meetings either in person or through a proxy.

Holders of common shares have the right to participate in the distribution of dividends and shareholder equity resulting from liquidation. Our by-laws do not establish a maximum time limit for the payment of the dividends. However, according to Article 232 of the Peruvian Corporate law, the right to collect past-due dividends in the case of companies that are publicly held companies, such as ours, expires 10 years after the date on which the dividend payment was due.

Our share capital may be increased by a decision of holders of common shares at a shareholders' meeting. Capital reductions may be voluntary or mandatory and must be approved by holders of common shares at a shareholders' meeting. Capital reductions are mandatory when accumulated losses exceed 50% of the capital and to the extent such accumulated losses are not offset by accumulated earnings and capital increases within the following fiscal year. Capital increases and reductions must be communicated to the Peruvian Securities Commission, the Lima Stock Exchange and the SUNAT. Voluntary capital reductions must also be published in the official gazette *El Peruano* and in a widely circulated newspaper in the city in which we are located.

Investment Shares

Under Peruvian Corporate Law, investment shares do not represent share capital. Accordingly, our balance sheet reflects the investment shares as a separate account from our share capital. Holders of investment shares are neither entitled neither to vote nor to participate in shareholders' meetings. However, investment shares confer upon the holders thereof the right to participate in the dividends distributed according to their par value, in the same manner as common shares. Investment shares also confer to the holders thereof the preemptive right to (i) maintain the current proportion of the investment shares in the case of a capital increase through new contributions; (ii) increase the number of investment shares upon capitalization of retained earnings, revaluation surplus or other reserves that do not represent cash contributions; (iii) participate in the distribution of assets resulting from a liquidation in the same manner as common shares; and, (iv) redeem the investment shares in case of a merger and/or change of business activity.

Liquidation Rights

If we are liquidated, our shareholders have the right to receive net assets resulting from the liquidation, after we comply with our obligation to pay all our creditors and after discounting any existing dividend liabilities. For this reason, we cannot assure that we will be able to reimburse 100% of the book value of the common shares and investment shares in case of bankruptcy or liquidation.

Ordinary and Extraordinary Meetings

Pursuant to Peruvian Corporate Law and our by-laws, the annual shareholders' meeting must be held during the three-month period after the end of each fiscal year. Additional shareholders' meetings may be held during the year. Because we are a publicly held corporation, we are subject to the special control of the Peruvian Securities Commission, as provided in Article 253 of the Peruvian Corporate Law. If we do not hold the annual shareholders' meeting during the three-month period after the end of each fiscal year or any other shareholders' meeting required by our by-laws, a public notary or a competent judge shall call for such a meeting at the request of at least one shareholder of the common shares. Such meeting will take place within a reasonable period of time.

Other shareholders' meetings are convened by the board of directors when deemed convenient by our company or when it is requested by the holders of at least 20% of our common shares. If, at the request of holders of 20% of the common shares, the shareholders' meeting is not convened by the board of directors within 15 business days of the receipt of such request, or the board expressly or implicitly refuses to convene the shareholders' meeting, a public notary or a competent judge will call pursuant to Law No. 29560 for such meeting at the request of holders of at least 20% of our common shares. If a public notary or competent judge calls for a shareholders' meeting, the place, time and hour of the meeting, the agenda and the person who will preside shall be indicated on the meeting notice. If the meeting called is other than the annual shareholders' meeting or a shareholders' meeting required by the Peruvian Corporate Law or the by-laws, the agenda will contain those matters requested by the shareholders who requested the meeting.

Holders of investment shares have no right to request the board to call a shareholders' meeting.

Notices of Meetings

Since we are a publicly held corporation, notice of shareholders' meetings must be given by publication of a notice. The publication shall occur at least 25 days prior to any shareholders' meeting in the Peruvian Official Gazette, *El Peruano*, and in a widely circulated newspaper in the city in which we are located. The notice requirement may be waived at the shareholders' meeting by agreement of the holders of 100% of the outstanding common shares.

Quorum and Voting Requirements

According to Article 25 of our by-laws and Article 257 of the Peruvian Corporate Law, shareholders' meetings called for the purpose of considering a capital increase or decrease, the issuance of obligations, a change in the by-laws, the sale in a single act of assets with an accounting value that exceeds 50% of our share capital, a merger, division, reorganization, transformation or dissolution, are subject to a first, second and third quorum call, each of the second and third quorum call to occur upon the failure of the preceding one. A quorum for the first call requires the presence of shareholders holding 50% of our total common shares. For the second call, the presence of shareholders holding at least 25% of our total common shares is adequate, while for the third call there is no quorum requirement. These decisions require the approval of the majority of the common shares represented at the shareholders' meeting. Shareholders' meetings convened to consider all other matters are subject to a first and second quorum call, the second quorum call to occur upon the failure of the first quorum.

In accordance with Peruvian Corporate Law, only those holders of common shares whose names are registered in our stock ledger not less than 10 days in advance of a meeting will be entitled to attend the shareholders' meeting and to exercise their rights.

Limitations on the Rights of Non-residents or Foreign Shareholders

There are no limitations under our by-laws or Peruvian Corporate Law on the rights of nonresidents or foreign shareholders to own securities or exercise voting rights with respect to our securities.

Disclosure of Shareholdings and Tender Offer Regulations

Disclosure of Shareholdings

There are no provisions in our by-laws governing the ownership threshold above which share ownership must be disclosed.

However, according to Article 10 of CONASEV Resolution No. 090-2005-EF-94.10, as amended, we must inform the Peruvian Securities Commission of the members of our economic group and a list of our holders of common shares owning more than a 4% share interest, as well as any change to such information.

Tender Offer Regulations

Peruvian security regulations include mandatory takeover rules applicable to the acquisition of control of a listed company.

Subject to certain conditions, such regulations generally establish the obligation to make a tender offer when a person or group of persons acquires a relevant interest in a listed company. According to Peruvian law, a person acquires a relevant interest in a listed company when such person (a) holds or has the power to exercise directly or indirectly 25%, 50% or 60% of the voting rights in a listed company, or (b) has the power to appoint or remove the majority of the board members or to amend its by-laws.

In general, the tender offer must be launched prior to the acquisition of the relevant interest. The tender offer may be launched after the “relevant interest” is acquired if it is acquired (a) by means of an indirect transaction, (b) as a consequence of a public sale offer, or (c) in no more than four transactions within a three-year period.

This mandatory procedure has the effect of alerting other shareholders and the market that an individual or financial group has acquired a significant percentage of a company’s voting shares, and gives other shareholders the opportunity to sell their shares at the price offered by the purchaser. The purchaser is required to launch a tender offer unless: (a) shareholders representing 100% of the voting rights consent in writing, (b) voting shares are acquired by a depositary in order to subsequently issue ADSs, or (c) voting shares are acquired pursuant to the exercise of preemptive rights.

Changes in Capital

Our by-laws do not establish special conditions to increase or reduce our share capital beyond what is required under Peruvian Corporate Law.

Anti-Takeover Provisions

Our by-laws do not contain any provision that would have the effect of delaying, deferring or preventing a change of control. However, acquisitions of shares of our capital stock that involve a change of control may be subject to Peruvian securities and exchange regulations (*Ley de Mercado de Valores y Reglamento de Oferta Pública de Adquisición y de Compra de Valores por Exclusión*) applicable to tender offers.

Form and Transfer

Common shares and investment shares may be either physical share certificates in registered form or book-entry securities in the CAVALI S.A. ICLV book-entry settlement system, also in registered form.

Furthermore, the Peruvian Corporate Law forbids publicly held corporations, such as us, from including in their by-laws stipulations limiting the transfer of their shares or restraining their trading in other ways. In addition, pursuant to our by-laws, we cannot recognize a shareholders’ agreement that contemplates limitations, restrictions or preferential rights on the transfer of shares, even if such an agreement is recorded in our stock ledger (*matrícula de acciones*) or in CAVALI S.A. ICLV.

C. Material Contracts

On December 31, 2007, we entered into a contract for the general management and provision of services with ASPI, pursuant to which we provide legal and corporate services to it. See “Item 7. Major Shareholders and Related Party Transactions—A. Related Party Transactions.”

On February 1, 2008, we entered into a surface rights agreement with Compañía Minera Ares S.A.C., pursuant to which we lease a plot of land adjacent to our headquarters to our affiliate, Compañía Minera Ares S.A.C., a subsidiary of Hochschild Mining plc. See “Item 7. Major Shareholders and Related Party Transactions—A. Related Party Transactions.”

On June 30, 2008, we entered into a property lease agreement with ASPI pursuant to which we lease part of our headquarters as office space to ASPI. See “Item 7. Major Shareholders and Related Party Transactions—A. Related Party Transactions.”

On June 3, 2010, we entered into a long-term electricity supply agreement with Electroperú, a government-owned company, which was set to expire in July 2020, to serve the electricity requirements of our Pacasmayo facility. Electroperú has agreed to provide us with sufficient energy to operate our Pacasmayo facility (later expanded to include our Piura facility) at pre-determined maximum amounts during the term of the contract. Payments for electricity are based on a formula that takes into consideration our energy consumption and certain market variables, such as the U.S. purchase price index, the global price of oil, the local price of natural gas and the import price of bituminous coal. We entered into an addendum to this agreement, effective February 1, 2016, which extends the term of the agreement until December 31, 2026, reduces the prices for the 2016-2020 period and establishes new prices for the 2020-2026 period. See “Item 4. Information on the Company—A. History and Development of the Company—Raw Materials and Energy Sources.”

On February 8, 2013, we issued US\$300,000,000 aggregate principal amount of our 4.50% Senior Notes due 2023, in our inaugural international bond offering, pursuant to an indenture. A portion of the proceeds were used to prepay amounts outstanding on our secured loan agreement with BBVA Banco Continental, and the remaining proceeds were used to cover a portion of the capital expenditures in connection with the construction and development of the new Piura plant and our cement business. We prepaid a portion of the Senior Notes in a cash tender offer in 2018, and we repaid the remaining amount upon maturity in February 2023. See “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources.”

On January 31, 2019, we issued an aggregate principal amount of S/570,000,000 of debt securities in the local market in two issuances. One in the aggregate principal amount of S/260 million bearing interest at a rate of 6.68750% for a term of 10 years, and the other in the aggregate principal amount of S/310 million bearing interest at a rate of 6.84375% for a term of 15 years. The proceeds were used to purchase a portion of our 4.50% Senior Notes due 2023.

On August 6, 2021, we 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 amounted 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.

On November 29, 2021, we entered into a supply contract with FLSmidth A/S for the supply of the equipment and engineering for a new 2000 tons per day pyro line for our Pacasmayo Plant for a total amount of €19,254,150.

On February 16, 2022, we entered into a construction and erection contract with Ingeniería y Construcción Sigdo Koppers Perú S.A.C. for the construction and erection required for our new 2000 tons per day pyro line for our Pacasmayo Plant for a referential amount of S/ 66,083,227.

D. Exchange Controls

Since August 1990, there have been no exchange controls in Peru and all foreign exchange transactions are based on free market exchange rates. Prior to August 1990, the Peruvian foreign exchange market consisted of several alternative exchange rates. Additionally, during the 1990s, the Peruvian currency experienced a significant number of large devaluations, and Peru has consequently adopted, and operated under, various exchange rate control practices and exchange rate determination policies, ranging from strict control over exchange rates to market determination of rates. Current Peruvian regulations on foreign investment allow the foreign holders of equity shares of Peruvian companies to receive and repatriate 100 percent of the cash dividends distributed by such companies. Such investors are allowed to purchase foreign exchange at free market currency rates through any member of the Peruvian banking system and transfer such foreign currency outside Peru without restriction.

E. Taxation

The following summary contains a description of certain Peruvian and United States federal income tax consequences of the acquisition, ownership and disposition of common shares or ADSs, but it does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase common shares or ADSs. The summary is based upon the tax laws of Peru and regulations thereunder and on the tax laws of the United States and regulations thereunder as in effect on the date hereof, which are subject to change.

Prospective holders of common shares or ADSs should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of common shares or ADSs in their particular circumstances.

Peruvian Tax Considerations

The following are the principal tax consequences of ownership of common shares or ADSs by non-resident individuals or entities ("Non-Peruvian Holders") as of the date hereof. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming. Any such changes or interpretations could affect the tax consequences to holders of common shares or ADSs and could alter or modify the conclusions set forth herein. This summary is not intended to be a comprehensive description of all the tax consequences of acquisition, ownership and disposition of common shares or ADSs and does not describe any tax consequences arising under the laws of any taxing jurisdiction other than Peru or applicable to a resident of Peru or to a person with a permanent establishment in Peru.

For purposes of Peruvian taxation:

- individuals are residents of Peru, if they are Peruvian nationals who have established their principal place of residence in Peru or if they are foreign nationals with a permanence in Peru of 183 days in any 12-month period (the condition of Peruvian resident can only be acquired as of the 1st of January of the year following the fulfillment of residence conditions); and
- legal entities are residents of Peru if they are established or incorporated in Peru.

Peruvian Income Tax Rate

The Peruvian income tax rate is 29.5% .

Cash Dividends and Other Distributions

Cash dividends paid with respect to common shares and amounts distributed with respect to ADSs are currently subject to a Peruvian withholding tax, at a rate of 5.0% of the dividend paid. As a general rule, the distribution of additional common shares representing profits, distribution of shares which differ from the distribution of earnings or profits, as well as the distribution of preemptive rights with respect to common shares, which are carried out as part of a pro rata distribution to shareholders, will not be subject to Peruvian tax or withholding taxes.

Capital Gains

Pursuant to Article 6 of the Peruvian income tax law, individuals and entities resident in Peru are subject to Peruvian income tax on their worldwide income while Non-Peruvian Holders are subject to Peruvian income tax on Peruvian source income only.

The general rule of the Law of Income Tax in Peru provides that income derived from the disposal of securities issued by Peruvian entities is considered Peruvian source income and is therefore subject to income tax. Peruvian income tax law also provides that capital gains resulting from the disposal of ADSs that represent shares issued by Peruvian entities are considered Peruvian source income and therefore also subject to Peruvian income tax. Peruvian income tax law also provides that taxable income resulting from the disposal of securities is determined by the difference between the sale price of the securities at market value and the tax basis.

Notwithstanding the foregoing, capital gains resulting from the disposal of ADSs or beneficial interest in ADSs that represent shares issued by a Peruvian entity are not considered Peruvian source income as long as the ADSs issued by the foreign depository are held in the name of a nominee and such ADSs are not transferred to a third party as a result of the disposal of the ADSs.

In the event ADSs are exchanged into common shares and such common shares are disposed of, capital gains resulting therefrom will be subject to an income tax rate of either 5% or 30%, depending on where the transaction takes place. If the transaction is consummated in Peru, the income tax rate is 5%; if the transaction is consummated outside of Peru, capital gains are taxed at a rate of 30%. Peruvian income tax law regulations have stated that transactions are deemed to be consummated in Peru if the common shares are transferred through the Lima Stock Exchange. Any gain resulting from the conversion of ADSs into common shares or common shares into ADSs will not be subject to taxation in Peru.

Any Non-Peruvian Holder who acquires common shares will have the following tax basis: (i) for common shares purchased by the transferor, the acquisition price paid for the shares; (ii) for common shares received by the transferor as a result of a share capital increase because of a capitalization of net profits, the face or nominal value of such common shares; (iii) for other common shares received free of any payment, the stock market value of such shares if listed on the Lima Stock Exchange or, if not, the face or nominal value of such common shares and (iv) for common shares of the same type acquired at different opportunities and at different values, the tax basis will be the weighted average cost. In cases where common shares are sold by Non-Peruvian Holders outside the Lima Stock Exchange, the tax basis must be certified by the Peruvian tax administration prior to the time payment is made to the transferor; otherwise it would not be possible to deduct the tax basis and a 30% Peruvian income tax would apply to the total sale price. Under Peruvian income tax law, tax basis certification is granted by the tax authorities within 30 days from the date of the application (which application must contain supporting evidence with respect to the tax basis) is made by the transferor. If the tax authorities do not respond within such 30 day period, the tax basis presented for approval by the transferor is deemed automatically approved.

On December 31, 2010, Law No. 29645 was enacted and took effect from January 1, 2011. This law states that in transactions relating to Peruvian securities through the Lima Stock Exchange, CAVALI S.A. ICLV (the Peruvian clearing house) will act as withholding agent to the extent that such transactions are settled in cash through CAVALI's account (*liquidación en efectivo*). The implementing regulations of Law No. 29645 enacted on July 9, 2011 provide that CAVALI began acting as a withholding agent as from November 1, 2011. As a result, while such regulations do not apply to securities transferred through the Lima Stock Exchange by a Non-Peruvian Holder, such transferor must still self-assess and pay its income tax liability directly to Peruvian tax authorities within the first 12 working days following the month in which Peruvian source income was earned. With respect to transactions of Peruvian securities conducted through the Lima Stock Exchange that are settled directly without CAVALI's intervention (*liquidación directa*), Non-Peruvian Holders are required to self-assess and pay income taxes directly to the Peruvian tax authorities within the first 12 working days following the month in which income from a Peruvian source was earned. Finally, if the purchaser is resident in Peru and the sale is not performed through the Lima Stock Exchange, the purchaser will act as withholding agent.

However, Law No. 30341 regulating an exception to the general rule was enacted on December 12, 2015, and entered into force on January 1, 2016, and Legislative Decree No. 1262, supplementing Law No. 30341, entered into force on January 1, 2017. This law was in force until December 31, 2019.

However, the validity of Law 30341 was initially extended until December 31, 2022, by Emergency Decree 005-2019. Then, Law No. 31662, published on December 30, 2022, again extended its validity until December 31, 2023. The exemption from income tax provided for by Law 30341, that promotes liquidity and integration of the Securities Market, now contains the following rules:

1. The exemption is applicable to capital gains generated by individuals and undivided succession or conjugal partnerships that chose to be taxed as such (not applicable to entities).
2. The exemption applies to up to 100 tax units (*Unidad Impositiva Tributaria*) of the capital gain generated in each taxable year.

The exemption regulated by the law applies to income from the sale of shares and other securities representing shares made through a centralized trading mechanism supervised by the Superintendency of Securities, when the shares do not represent 10% or more of the shares issued by a given company.

Law No. 30341 and the amendment by Legislative Decree No. 1262, Emergency Decree 005-2019 and Law 31662 include the following provisions:

- Securities covered by the exemption:
 - American Depositary Receipts (ADRs) representing ADSs and Global Depositary Receipts (GDRs);
 - Exchange Trade Fund (ETF) units having underlying shares and / or debt securities as underlying;
 - Debt securities;
 - Certificates of participation in mutual funds for investment in securities;
 - Certificates of participation in Investment Fund in Real Estate Income (FIRBI) and certificates of participation in Trust for Securitization for Investment in Real Estate Income (FIBRA); and
 - Negotiable invoices.

- Requirements that apply to the exemption:
 - No transfer of 10% or more of the shares or securities representing shares in a period of twelve (12) months. In the case of ADRs and GDRs, this requirement will be determined by considering the underlying shares;
 - In the case of shares or securities representing shares, the calculation of the percentage shall be determined based on the total number of shares of capital or account of investment shares at the time of disposal;
 - The law indicates those operations to be considered for calculating this percentage, as well as those that do not;
 - The securities must have a stock market presence. To determine if the securities have a stock market presence, the following shall be taken into account:
 - Within 180 business days prior to the transfer, the number of days in which the daily-negotiated amount has exceeded the limit established in the regulation shall be determined. This limit cannot be less than six Tax Units (ITU) and will be established considering the volume of transactions that take place in the centralized negotiation mechanisms;
 - The number of days determined according to what is indicated in the previous section will be divided between 180 and multiplied by 100; and
 - The result cannot be less than the limit established by the regulation. This limit cannot exceed 45%.
 - Those responsible for conducting centralized trading mechanisms must disseminate on their web pages the list of the securities that comply with having a presence in the stock market.
- Loss of exoneration:
 - If, after applying the waiver, the issuer delivers the values of the Securities Registry of the Stock Exchange, in whole or in part, in an act or progressively, within the 12 months following the sale, the exoneration applied with respect to the values listed; and
 - Those responsible for conducting the centralized trading mechanisms must notify SUNAT, in accordance with the procedure set forth in the regulations, of the securities whose registrations are canceled within 12 months of the sale.

Other Considerations

No Peruvian estate or gift taxes are imposed on the gratuitous transfer of ADSs or common shares. No stamp, transfer or similar tax applies to any transfer of ADSs or common shares, except for commissions payable by seller and buyer to the Lima Stock Exchange (0.15% of value sold), fees payable to the Peruvian Securities Commission (0.05% of value sold), brokers' fees (about 0.05% to 1% of value sold) and Value Added Tax (at the rate of 18%) on commissions and fees. Any investor who sells its common shares on the Lima Stock Exchange will incur these fees and taxes upon purchase and sale of the common shares.

United States Federal Income Tax Considerations

The following are the material United States federal income tax consequences as of the date hereof to a United States Holder (as defined below) of the ownership and disposition of our common shares and ADSs. This summary deals only with common shares and ADSs held as capital assets (generally, property held for investment). As used herein, the term "United States Holder" means a beneficial owner of common shares or ADSs that is for United States federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust, or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This summary does not represent a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws, including if you are:

- a dealer or broker in securities or currencies;
- a financial institution;
- a regulated investment company;
- a real estate investment trust;
- an insurance company;
- a tax-exempt organization;
- a person holding our common shares or ADSs as part of a hedging, integrated or conversion transaction, a constructive sale or a straddle;
- a trader in securities that has elected the mark-to-market method of accounting for your securities;
- a person liable for alternative minimum tax;
- a person who owns or is deemed to own 10% or more of our stock (by vote or value);
- a partnership or other pass-through entity for United States federal income tax purposes;
- a person required to accelerate the recognition of any item of gross income with respect to our common shares or ADSs as a result of such income being recognized on an applicable financial statement; or
- a person whose "functional currency" is not the U.S. dollar.

The discussion below is based upon the provisions of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), and regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be replaced, revoked or modified so as to result in United States federal income tax consequences different from those discussed below. There is currently no income tax treaty between the United States and Peru that would provide for United States federal income tax consequences different from those discussed below. In addition, this summary assumes that the deposit agreement, and all other related agreements, will be performed in accordance with their terms.

If a partnership (or other entity or arrangement treated as a partnership for United States federal income tax purposes) holds our common shares or ADSs, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. If you are a partnership or a partner of a partnership holding our common shares or ADSs, you should consult your tax advisors.

This summary does not address the Medicare tax on net investment income, United States federal estate and gift taxes or the effects of any state, local or non-United States tax laws. If you are considering the acquisition of our common shares or ADSs, you should consult your own tax advisors concerning the United States federal income tax consequences to you in light of your particular situation as well as any consequences arising under other United States federal tax laws and the laws of any other taxing jurisdiction.

ADSs

If you hold ADSs, for United States federal income tax purposes, you generally will be treated as the owner of the underlying common shares that are represented by such ADSs. Accordingly, deposits or withdrawals of common shares for ADSs will not be subject to United States federal income tax.

Taxation of Dividends

The gross amount of distributions on the ADSs or common shares (including amounts withheld to reflect Peruvian withholding taxes) will be taxable as dividends, to the extent paid out of our current or accumulated earnings and profits, as determined under United States federal income tax principles.

To the extent that the amount of any distribution (including amounts withheld to reflect Peruvian withholding taxes) exceeds our current and accumulated earnings and profits for a taxable year, as determined under United States federal income tax principles, the distribution will first be treated as a tax-free return of capital, causing a reduction in the adjusted basis of the ADSs or common shares, and the balance in excess of adjusted basis will be taxed as capital gain recognized on a sale or exchange. However, we do not expect to keep earnings and profits in accordance with United States federal income tax principles. Therefore, you should expect that a distribution will generally be reported as a dividend. Such dividends (including withheld taxes) will be includable in your gross income as ordinary income on the day actually or constructively received by you, in the case of the common shares, or by the depositary, in the case of ADSs. Such dividends will not be eligible for the dividends received deduction generally allowed to corporations under the Code.

Subject to applicable limitations (including a minimum holding period requirement), dividends received by non-corporate United States Holders from a qualified foreign corporation may be treated as "qualified dividend income" that is subject to reduced rates of taxation. A non-United States corporation is generally treated as a qualified foreign corporation with respect to dividends paid by that corporation on common shares (or ADSs backed by such shares) that are readily tradable on an established securities market in the United States. United States Treasury Department guidance indicates that our ADSs, which are listed on the New York Stock Exchange, but not our common shares, are readily tradable on an established securities market in the United States. Thus, we believe that dividends we pay on our common shares that are represented by ADSs, but not our common shares that are not so represented, will be eligible for the reduced tax rates. There can be no assurance, however, that our ADSs will be considered readily tradable on an established securities market in the United States in later years. You should consult your own tax advisors regarding the application of these rules given your circumstances.

The amount of any dividend paid in *soles* will equal the U.S. dollar value of the *soles* received, calculated by reference to the exchange rate in effect on the date the dividend is actually or constructively received by you, in the case of the common shares, or by the depository, in the case of ADSs, regardless of whether the *soles* are converted into U.S. dollars at that time. If the *soles* received as a dividend are converted into U.S. dollars on the date they are received, you generally will not be required to recognize foreign currency gain or loss in respect of the dividend income. If the *soles* received as a dividend are not converted into U.S. dollars on the date of receipt, you will have a tax basis in the *soles* equal to their U.S. dollar value on the date of receipt. Any gain or loss realized on a subsequent conversion or other disposition of the *soles* will be treated as United States source ordinary income or loss.

Subject to certain conditions and limitations (including a minimum holding period requirement), Peruvian withholding taxes on dividends may be treated as foreign taxes eligible for credit against your United States federal income tax liability. For purposes of calculating the foreign tax credit, dividends paid on the ADSs or common shares will be treated as foreign source income and will generally constitute passive category income. However, recently issued Treasury regulations (the “Foreign Tax Credit Regulations”) impose additional requirements for foreign taxes to be eligible for a foreign tax credit, and there can be no assurance that those requirements will be satisfied. Instead of claiming a foreign tax credit, you may be able to deduct Peruvian withholding taxes on dividends in computing your taxable income, subject to generally applicable limitations under United States law (including that a United States Holder is not eligible for a deduction for otherwise creditable foreign income taxes paid or accrued in a taxable year if such United States Holder claims a foreign tax credit for any foreign income taxes paid or accrued in the same taxable year). The rules governing the foreign tax credit and deductions for foreign taxes are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit or a deduction under your particular circumstances.

Distributions of ADSs, common shares or rights to subscribe for ADSs or common shares that are received as part of a pro rata distribution to all of our shareholders generally will not be subject to United States federal income tax.

Taxation of Capital Gains

For United States federal income tax purposes, you will recognize taxable gain or loss on any sale, exchange or other taxable disposition of ADSs or common shares in an amount equal to the difference between the amount realized for the ADSs or common shares and your tax basis in the ADSs or common shares, both as determined in U.S. dollars. Such gain or loss will generally be capital gain or loss. Capital gains of non-corporate United States Holders derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

If Peruvian income tax is withheld on the sale or other disposition of our ADSs or common shares, your amount realized will include the gross amount of the proceeds of that sale or other disposition before deduction of the Peruvian income tax. Any gain or loss recognized by you will generally be treated as United States source gain or loss. Consequently, in the case of gain from the disposition of ADSs or common shares that is subject to Peruvian income tax, you may not be able to benefit from a foreign tax credit for that Peruvian income tax (*i.e.*, because the gain from the disposition would be United States source), unless you can apply the credit (subject to applicable limitations) against United States federal income tax payable on other income from foreign sources. However, pursuant to the Foreign Tax Credit Regulations, any such Peruvian income tax would generally not be a foreign income tax eligible for a foreign tax credit (regardless of any other income that you may have that is from foreign sources). In such case, the non-creditable Peruvian income tax may reduce the amount realized on the sale or other disposition of the ADSs or common shares. You are urged to consult your tax advisors regarding the tax consequences if Peruvian income tax is imposed on a disposition of ADSs or common shares.

Passive Foreign Investment Company

We do not believe that we are, for United States federal income tax purposes, a passive foreign investment company (“PFIC”), and we expect to operate in such a manner so as not to become a PFIC. If, however, we are or become a PFIC, you could be subject to additional United States federal income taxes on gain recognized with respect to the ADSs or common shares and on certain distributions, plus an interest charge on certain taxes treated as having been deferred under the PFIC rules. Non-corporate United States Holders will not be eligible for reduced rates of taxation on any dividends received from us (as discussed above under “—Taxation of Dividends”) if we are a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year.

Information Reporting and Backup Withholding

In general, information reporting will apply to dividends in respect of our ADSs or common shares and the proceeds from the sale, exchange or other taxable disposition of our ADSs or common shares that are paid to you within the United States (and in certain cases, outside the United States), unless you establish that you are an exempt recipient. Backup withholding may apply to such payments if you fail to provide a taxpayer identification number and a certification that you are not subject to backup withholding or if you fail to report in full dividend and interest income.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is furnished to the Internal Revenue Service in a timely manner.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership or disposition of our ADSs or common shares. You should consult your own tax advisors concerning the overall tax consequences to you, including the consequences under laws other than United States federal income tax laws, of an investment in our ADSs or common shares.]

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We make our filings in electronic form under the EDGAR filing system of the SEC. Our filings are available through the EDGAR system at www.sec.gov. In addition, our filings are available to the public over our website www.cementospacasmayo.com.pe. Such filings and other information on our website are not incorporated by reference in this annual report. You may request a copy of this filing, and any other report, at no cost, by writing to us at the following address or telephoning us:

Investor Relations Department
Calle La Colonia 150,
Urbanización El Vivero, Surco,
Lima, Peru
Tel.: + (511) 317-6000
E-mail: cbustamante@cpsaa.com.pe

I. Subsidiary Information

See note 1 to our consolidated financial statements included in this annual report for a description of our subsidiaries.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For a description of our market risks, see note 31 to our consolidated financial statements included in this annual report.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Fees and expenses

JPMorgan Chase Bank, N.A., as depositary, pursuant to our Deposit Agreement, dated as of February 7, 2012, and the amendment dated December 4, 2020 (as so amended the "Deposit Agreement"), may charge each person to whom ADSs are issued, including, without limitation, issuances against deposits of common shares, issuances in respect of common share distributions, rights and other distributions, issuances pursuant to a stock dividend or stock split declared by us or issuances pursuant to a merger, exchange of securities or any other transaction or event affecting the ADSs or deposited securities, and each person surrendering ADSs for withdrawal of deposited securities or whose ADSs or American Depositary Receipts representing ADSs ("ADRs") are cancelled or reduced for any other reason, US\$5.00 for each 100 ADSs (or any portion thereof) issued, delivered, reduced, cancelled or surrendered, as the case may be. The depositary may sell (by public or private sale) sufficient securities and property received in respect of a common share distribution, rights and/or other distribution prior to such deposit to pay such charge.

The following additional charges shall be incurred by the ADR holders, by any party depositing or withdrawing common shares or by any party surrendering ADSs or to whom ADSs are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by us or an exchange of stock regarding the ADRs or the deposited securities or a distribution of ADSs), whichever is applicable:

- a fee of US\$1.50 per ADR or ADRs for transfers of certificated or direct registration ADRs;
- a fee of US\$0.05 or less per ADS for any cash distribution made pursuant to the deposit agreement;
- a fee of US\$0.05 or less per ADS per calendar year (or portion thereof) for services performed by the depositary in administering the ADRs (which fee may be charged on a periodic basis during each calendar year and shall be assessed against holders of ADRs as of the record date or record dates set by the depositary during each calendar year and shall be payable in the manner described in the next succeeding provision);

- reimbursement of such fees, charges and expenses as are incurred by the depositary and/or any of the depositary's agents (including, without limitation, the custodian and expenses incurred on behalf of holders in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in connection with the servicing of the common shares or other deposited securities, the delivery of deposited securities or otherwise in connection with the depositary's or its custodian's compliance with applicable law, rule or regulation (which charge shall be assessed on a proportionate basis against holders as of the record date or dates set by the depositary and shall be payable at the sole discretion of the depositary by billing such holders or by deducting such charge from one or more cash dividends or other cash distributions);
- a fee for the distribution of securities (or the sale of securities in connection with a distribution), such fee being in an amount equal to US\$0.05 per ADS issuance fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities (treating all such securities as if they were common shares) but which securities or the net cash proceeds from the sale thereof are instead distributed by the depositary to those holders entitled thereto;
- stock transfer or other taxes and other governmental charges;
- cable and facsimile transmission and delivery charges incurred at your request in connection with the deposit or delivery of common shares;
- transfer or registration fees for the registration of transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities; and
- expenses of the depositary in connection with the conversion of foreign currency into U.S. dollars.

We will pay all other charges and expenses of the depositary and any agent of the depositary (except the custodian) pursuant to agreements from time to time between us and the depositary. The charges described above may be amended from time to time by agreement between us and the depositary.

Our depositary has agreed to reimburse us for certain expenses we incur that are related to establishment and maintenance of the ADR program, including investor relations expenses and exchange application and listing fees. The amounts of reimbursements available to us are not based upon the amounts of fees the depositary collects from investors. The depositary collects its fees for issuance and cancellation of ADSs directly from investors depositing common shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting on their behalf. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions, or by directly billing investors, or by charging the book-entry system accounts of participants acting for them. The depositary will generally set off the amounts owing from distributions made to holders of ADSs. If, however, no distribution exists and payment owing is not timely received by the depositary, the depositary may refuse to provide any further services to holders that have not paid those fees and expenses owing until such fees and expenses have been paid. At the discretion of the depositary, all fees and charges owing under the deposit agreement are due in advance and/or when declared owing by the depositary.

The Deposit Agreement is incorporated by reference as Exhibit 2.2 to this annual report, and Amendment No. 1 thereto is incorporated by reference in this annual report as Exhibit 2.2A, and Amendment No. 2 thereto is incorporated by reference in this annual report as Exhibit 2.2B. We encourage you to review these documents carefully if you are a holder of ADRs.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

A. Disclosure Controls and Procedures

As of the end of the period covered by this annual report, the Company's management, with the participation of our Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objective. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2022, the design and operation of our disclosure controls and procedures were effective at the reasonable assurance level.

B. Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not necessarily prevent or detect some misstatements. It can only provide reasonable assurance regarding financial statement preparation and presentation. Also, projections of any evaluation of effectiveness for future periods are subject to the risk that controls may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate over time.

Management assessed the effectiveness of its internal control over financial reporting for the year ended December 31, 2022. The assessment was based on criteria established in the framework "Internal Controls—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (COSO). Based on this assessment, our management has concluded that as of December 31, 2022, our internal control over financial reporting was effective.

The effectiveness of internal control over financial reporting as of December 31, 2022, has been audited by Tanaka, Valdivia & Asociados SCRL, member firm of Ernst & Young Global Limited, an independent registered public accounting firm, as stated in their attestation report, which is included under "Item 15—Controls and Procedures —C. Attestation Report of Independent Registered Public Accounting Firm."

C. Attestation Report of the Independent Registered Public Accounting Firm

Report of the Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of

Cementos Pacasmayo S.A.A. and Subsidiaries

Opinion on Internal Control over Financial Reporting

We have audited Cementos Pacasmayo S.A.A. and subsidiaries' internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, Cementos Pacasmayo S.A.A. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial position of the Company as of December 31, 2022 and 2021, the related consolidated statements of profit or loss, other comprehensive income or loss, changes in equity and cash flows for each of the three years in the period ended December 31, 2022, and the related notes and our report dated April 27, 2023, expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/Tanaka, Valdivia & Asociados Sociedad Civil de Responsabilidad Limitada
A member practice of Ernst & Young Global Limited
Lima, Peru
April 27, 2023

D. Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting identified in connection with the evaluation required under Rules 13a-15 or 15d-15 that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16. [RESERVED]

ITEM 16A AUDIT COMMITTEE FINANCIAL EXPERT

Our Board of Directors has determined that Mr. Esteban Chong Leon, President of the audit committee, is a “financial expert,” as such term is defined in the SEC rules. We have determined that Ms. Ana Maria Botella, Mr. Venkat Krishnamurti and Mr. Esteban Chong Leon are independent under the standards of the New York Stock Exchange listing rules and Rule 10A-3 under the Exchange Act.

ITEM 16B. CODE OF ETHICS

We have adopted a code of ethics that applies to our directors, officers and employees. Our code of ethics is available on our website <http://www.cementospacasmayo.com.pe>. Information on our website is not incorporated by reference in this annual report.

If we make any substantive amendment to our code of ethics or if we grant any waivers, including any implicit waiver, from a provision of the code of ethics, we will disclose the nature of such amendment or waiver by filing a current report on a Form 6-K or in our subsequent annual report on Form 20-F to be filed with the SEC. During the year ended December 31, 2022, no such amendment was made nor did we grant any waiver to any provision of our code of ethics.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit and Non-Audit Fees

The following table presents the aggregate fees for professional services and other services rendered by our independent auditors, Tanaka, Valdivia y asociados, SCRL, member firm of Ernst & Young Global Limited, responsible for auditing the annual consolidated financial statements included in the annual report, during the fiscal years ended December 31, 2022 and 2021.

(in thousands of S/)	Year Ended December 31,	
	2022	2021
Audit fees	1,244	1,208
Advisory services	45	-
Tax fees	497	256
Total fees	1,786	1,464

Audit fees in the above table are the aggregate fees billed and billable by our independent auditors in connection with the audit of our annual consolidated financial statements and review of our quarterly financial information.

Tax fees in the above table are fees billed relating to tax compliance services.

Our audit committee is responsible for the oversight of the independent auditors and has established pre-approval procedures for the engagement of its independent registered public accounting firm for audit and non-audit services. Such services can only be contracted if they are approved by the audit committee, they comply with the restriction provided under applicable rules and they do not jeopardize the independence of our auditors.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

We are a "foreign private issuer" within the meaning of the New York Stock Exchange corporate governance standards. Under New York Stock Exchange rules, a foreign private issuer may elect to comply with the practices of its home country and not to comply with certain corporate governance requirements applicable to U.S. companies with securities listed on the exchange.

We currently follow certain Peruvian practices concerning corporate governance and intend to continue to do so. There are significant differences in the Peruvian corporate governance practices as compared to those followed by United States domestic companies under the New York Stock Exchange's listing standards.

The New York Stock Exchange listing standards provide that the board of directors of a U.S. listed company must have a majority of independent directors at the time the company ceases to be a "controlled company." Under Peruvian corporate governance practices, a Peruvian company is not required to have a majority of independent members on its board of directors.

The listing standards for the New York Stock Exchange also require that U.S. listed companies, at the time they cease to be “controlled companies,” have a nominating/corporate governance committee and a compensation committee (in addition to an audit committee). Each of these committees must consist solely of independent directors and must have a written charter that addresses certain matters specified in the listing standards. Under Peruvian law, a Peruvian company may, but is not required to, form special governance committees, which may be composed partially or entirely of non-independent directors.

In addition, New York Stock Exchange rules require the independent non-executive directors of U.S. listed companies to meet on a regular basis without management being present. There is no similar requirement under Peruvian law.

The New York Stock Exchange’s listing standards also require U.S. listed companies to adopt and disclose corporate governance guidelines. In November 2013, the Peruvian Securities Commission and a committee comprised of regulatory agencies and associations prepared and published a list of suggested non-mandatory corporate governance guidelines called the “Good Corporate Governance Code for Peruvian Companies.” These principles are disclosed on the Peruvian Securities Commission web page at <http://www.smv.gob.pe/> and the Lima Stock Exchange web page at <http://www.bvl.com.pe>. Although we have implemented a number of these measures and are part of the Best Corporate Governance Practices Index of the Lima Stock Exchange, we are not required to comply with the referred corporate governance guidelines by law or regulation, only to disclose whether or not we are in compliance.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

SECTION 1.02 PART III

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

See our consolidated financial statements beginning at page F-1 of this annual report. Our financial statements have been prepared in accordance with IFRS as issued by the IASB.

ITEM 19. EXHIBITS

The following documents are filed as part of this Annual Report on Form 20-F or incorporated by reference herein.

Exhibit Number	Description of Document
1.1	Amended and Restated By-laws of the Registrant, as currently in effect, incorporated by reference to Exhibit 1.1 of the Registrant's Annual Report on Form 20-F filed with the SEC on May 1, 2017 (File No. 001-35401)
2.1	Registrant's Form of American Depositary Receipt, incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form F-1 filed with the SEC on January 6, 2012 (File No. 333-178922)
2.2	Deposit Agreement dated January 19, 2012 among the Registrant, J.P. Morgan Chase N.A., as depositary, and the holders from time to time of American depositary shares issued thereunder, incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form F-1 filed with the SEC on January 6, 2012 (File No. 333-178922)
2.2A	Amendment No. 1, dated as of February 21, 2017, to the Deposit Agreement dated as of February 7, 2012, among the Registrant, J.P. Morgan Chase Bank, N.A., as depositary, and all holders from time to time of American depositary receipts issued thereunder, incorporated by reference to the Registrant's Registration Statement on Form F-6 filed with the SEC on February 21, 2017 (File No. 333-216152)
2.2B	Amendment No. 2, dated as of December 4, 2020, to the Deposit Agreement dated as of February 7, 2012, among the Registrant, J.P. Morgan Chase Bank, N.A., as depositary, and all holders from time to time of American depositary receipts issued thereunder, incorporated by reference to the Registrant's Registration Statement on Form F-6 filed with the SEC on December 4, 2020 (File No. 333-216152)
2.3	Indenture, dated as of February 8, 2013, among the Registrant, the Subsidiary Guarantors named therein and Deutsche Bank Trust Company Americas incorporated by reference to Exhibit 2.3 of the Registrant's Annual Report on Form 20-F filed with the SEC on April 30, 2014 (File No. 001-35401)
2.4	Local bond issuance agreement (Contrato Marco de Emisión de Bonos Corporativos correspondiente al Segundo Programa de Bonos Corporativos de Cementos Pacasmayo S.A.A.) dated January 8, 2019, between Scotiabank Perú S.A.A. as administrative agent and Cementos Pacasmayo S.A.A. as issuer (English summary of principal terms), providing for the issuance of up to S/1,000,000,000 in one or more series, and related issuances of series 1 in an aggregate principal amount of S/260,000,000 and series 2 in an aggregate principal amount of S/310 million, incorporated by reference to Exhibit 4.3 of the Registrant's Annual Report on Form 20-F filed with the SEC on April 30, 2019 (File No. 001-35401)
2(d)	Description of securities registered under Section 12(d) of the Exchange Act incorporated by reference to Exhibit 2(d) of the Registrant's Annual Report on Form 20-F filed with the SEC on April 30, 2012 (File No. 001-35401)
4.1	Power Supply Agreement, dated June 3, 2010, between the Registrant and Electroperú S.A., incorporated by reference to Exhibit 4.1 of the Registrant's Annual Report on Form 20-F filed with the SEC on April 30, 2012 (File No. 001-35401)
4.2	Contract of General Management and Provision of Services, dated December 31, 2007, between the Registrant and Inversiones ASPI S.A. (formerly Inversiones Pacasmayo S.A.), incorporated by reference to Exhibit 4.2 of the Registrant's Annual Report on Form 20-F filed with the SEC on April 30, 2012 (File No. 001-35401)
4.3	Property Lease Agreement, dated June 30, 2008, between the Registrant and Inversiones ASPI S.A. (formerly Inversiones Pacasmayo S.A.), incorporated by reference to Exhibit 4.3 of the Registrant's Annual Report on Form 20-F filed with the SEC on April 30, 2012 (File No. 001-35401)
4.4	Surface Rights Agreement, dated February 1, 2008, between the Registrant and Compañía Minera Ares S.A.C., incorporated by reference to Exhibit 4.4 of the Registrant's Annual Report on Form 20-F filed with the SEC on April 30, 2012 (File No. 001-35401)
4.5	Addendum, effective February 1, 2020, to the Power Supply Agreement, dated June 3, 2010, between the Registrant and Electroperú S.A., incorporated by reference to Exhibit 4.5 of the Registrant's Annual Report on Form 20-F filed with the SEC on May 1, 2020 (File No. 001-35401)
4.6	Summary of Principal Terms for Equipment and Engineering supply contract between the Registrant and FL SMIDTTH A/S dated November 29, 2021, incorporated by reference to Exhibit 4.6 of the Registrant's Annual Report on Form 20-F filed with the SEC on April 28, 2022 (File No. 001-35401)
4.7	Summary of Principal Terms for Construction and Assembly Contract between the Registrant and Ingeniería y Construcción Sigdo Koppers Perú S.A.C. dated February 16, 2022, incorporated by reference to Exhibit 4.7 of the Registrant's Annual Report on Form 20-F filed with the SEC on April 28, 2022 (File No. 001-35401)
8.1	List of Subsidiaries
12.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1*	Certification pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Chief Executive Officer
13.2*	Certification pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Chief Financial Officer
96.1	Technical Report Summary (TRS), Tembladera Quarry and Pacasmayo Cement Plant 20-F 229.601 (Item 601) incorporated by reference to Exhibit 96.1 of the Registrant's Annual Report on Form 20-F filed with the SEC on April 28, 2022 (File No. 001-35401)
96.2	Technical Report Summary (TRS), Virrilá Quarry and Piura Cement Plant 20-F 229.601 (Item 601) incorporated by reference to Exhibit 96.2 of the Registrant's Annual Report on Form 20-F filed with the SEC on April 28, 2022 (File No. 001-35401)
96.3	Technical Report Summary (TRS), Tiowacu Quarry and Rioja Cement Plant 20-F 229.601 (Item 601) incorporated by reference to Exhibit 96.3 of the Registrant's Annual Report on Form 20-F filed with the SEC on April 28, 2022 (File No. 001-35401)

* This certification will not be deemed "filed" for purposes of Section 18 of the Exchange Act (15 U.S.C. 78r), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Registrant specifically incorporates it by reference.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on Form 20-F on its behalf.

CEMENTOS PACASMAYO S.A.A.

By: /s/ Humberto Nadal Del Carpio
Humberto Nadal Del Carpio
Chief Executive Officer

By: /s/ Manuel Bartolome Ferreyros Peña
Manuel Bartolome Ferreyros Peña
Chief Financial Officer

Date: April 27, 2023

Cementos Pacasmayo S.A.A. and Subsidiaries

Consolidated financial statements as of December 31, 2022 and 2021 and
for the years ended December 31, 2022, 2021 and 2020, together with
the Report of Independent Registered Accounting Firm

Cementos Pacasmayo S.A.A. and Subsidiaries

Consolidated financial statements as of December 31, 2022 and 2021 and for the years ended December 31, 2022, 2021 and 2020, together with the Report of Independent Registered Accounting Firm

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Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Cementos Pacasmayo S.A.A. and subsidiaries (the Company) as of December 31, 2022 and 2021, and the related consolidated statements of profit or loss, other comprehensive income (loss), changes in equity and cash flows for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2022 and 2021, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB) the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated April 27, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Receivables related to uncertain tax position

Description of the Matter

As disclosed in Note 7(c) to the consolidated financial statements, the Company has identified certain income tax-related contingencies associated to the mining royalties of years 2008 and 2009. Peruvian taxation authorities have challenged the tax treatment applied by the Company during 2008 and 2009 under the royalty law for metallic and non-metallic mining activity in Peru. As of December 31, 2022, the Company has recognized an income tax receivable for an amount of S/28,922,000, resulting from payments made to the taxation authorities as part of the tax claim process in Peru but for which the Company is disputing the validity of the taxation authorities' assessment. The Company has recorded and disclosed the tax receivable, as management has concluded that the amounts paid to date are recoverable under IFRS based upon the technical merits of the income tax positions of royalty law for metallic and non-metallic mining activity.

Uncertainty in a tax position may arise where there is an uncertainty as to the meaning of the tax law, or the applicability of the tax law (General Mining Law) to a particular transaction, or both. The Company uses significant judgment to determine whether, based on the technical merits, a tax position is more likely than not to be sustained and in the determination of the recoverable amount of the mining royalties paid under protest.

Auditing the estimation of the outcome and measurement of the uncertain tax positions and the related recoverability of income tax receivables for the payments made under protest, before the uncertain tax treatment is resolved, requires a high degree of auditor judgment and significant audit effort due to its complexity and the judgment used by the Company in the assessment based on interpretations of the income tax legislation and legal rulings in Peru of royalty law for metallic and non-metallic mining activity.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's accounting process for income taxes, including uncertain tax positions and tax contingencies. For example, we tested the controls over management's review of the technical merits of tax positions, disputed tax assessments and the determination and recognition of the income tax receivable of the payments made under protest.

Our audit procedures included, among others, evaluating the assumptions used by the Company to develop its uncertain tax positions based on relevant Peruvian income tax laws (General Mining Law), including the inspection of the Company's internal and external counsel analysis of these matters.

In addition, we involved our tax subject matter professionals to assess the technical merits of the Company's tax position and to evaluate the application of relevant tax law and accounting guidance in assessing the recognition and recoverability of the related income tax receivables.

Furthermore, we evaluated the disclosure of this matter in Note 7(c) to the consolidated financial statements.

/s/ Tanaka, Valdivia & Asociados Sociedad Civil de Responsabilidad Limitada
A member practice of
Ernst & Young Global Limited

We have served as the Company's auditor since 2002.

Lima, Peru.
April 27, 2023

Cementos Pacasmayo S.A.A. and Subsidiaries

Consolidated statement of financial position
As of December 31, 2022 and 2021

	Note	2022 S/(000)	2021 S/(000)
Assets			
Current assets			
Cash and cash equivalents	6	81,773	273,402
Other financial instruments	31	86,893	-
Trade and other receivables, net	7	101,491	102,718
Income tax prepayments		8,268	9,288
Inventories	8	884,969	605,182
Prepayments		25,059	18,800
Total current assets		1,188,453	1,009,390
Non-current assets			
Trade and other receivables, net	7	43,543	41,206
Financial investments designated at fair value through other comprehensive income	9	274	476
Other financial instruments	31	-	106,601
Property, plant and equipment, net	10	2,007,838	1,974,931
Intangible assets, net	11	56,861	50,494
Goodwill	12	4,459	4,459
Deferred income tax assets	17	9,005	9,446
Right of use assets	13	3,639	4,668
Other assets		89	101
Total non-current assets		2,125,708	2,192,382
Total assets		3,314,161	3,201,772
Liabilities and equity			
Current liabilities			
Trade and other payables	14	284,554	227,554
Financial obligations	16	618,907	450,964
Lease liabilities	13	2,005	1,856
Income tax payable		16,340	17,517
Provisions	15	31,333	24,269
Total current liabilities		953,139	722,160
Non-current liabilities			
Financial obligations	16	974,264	1,094,391
Lease liabilities	13	2,350	3,973
Provisions	15	47,638	36,639
Deferred income tax liabilities	17	141,635	148,804
Total non-current liabilities		1,165,887	1,283,807
Total liabilities		2,119,026	2,005,967
Equity			
Capital stock	18	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 loss		(17,787)	(20,094)
Retained earnings		268,618	271,595
Total equity		1,195,135	1,195,805
Total liabilities and equity		3,314,161	3,201,772

The accompanying notes are an integral part of these consolidated financial statements.

Cementos Pacasmayo S.A.A. and Subsidiaries

Consolidated statement of profit or loss
For the years ended December 31, 2022, 2021 and 2020

	Note	2022 S/(000)	2021 S/(000)	2020 S/(000)
Sales of goods	19	2,115,746	1,937,767	1,296,334
Cost of sales	20	(1,463,715)	(1,378,336)	(921,048)
Gross profit		652,031	559,431	375,286
Operating income (expenses)				
Administrative expenses	21	(227,577)	(196,069)	(163,369)
Selling and distribution expenses	22	(65,237)	(51,520)	(40,153)
Other operating (expense) income, net	24	(3,899)	6,408	4,346
Total operating expenses, net		(296,713)	(241,181)	(199,176)
Operating profit		355,318	318,250	176,110
Other income (expenses)				
Finance income	25	3,306	2,891	2,976
Finance costs	26	(95,105)	(88,965)	(88,694)
Net (loss) gain on derivative financial instruments recognized at fair value through profit or loss		(59)	589	5,337
Net loss on settlement of derivative financial instruments recognized at fair value through profit or loss	16	-	(1,569)	-
Loss from exchange difference, net	5	(1,040)	(7,086)	(9,831)
Total other expenses, net		(92,898)	(94,140)	(90,212)
Profit before income tax		262,420	224,110	85,898
Income tax expense	17	(85,592)	(70,940)	(28,004)
Profit for the year		176,828	153,170	57,894
Earnings per share				
Basic and diluted earnings per share attributable to equity holders of common shares and investment in shares of Cementos Pacasmayo S.A.A. (S/ per share)	28	0.41	0.36	0.14

The accompanying notes are an integral part of these consolidated financial statements.

Cementos Pacasmayo S.A.A. and Subsidiaries

Consolidated statement of other comprehensive income (loss)
For the years ended December 31, 2022, 2021 and 2020

	<u>Note</u>	<u>2022</u> S/(000)	<u>2021</u> S/(000)	<u>2020</u> S/(000)
Profit for the year		176,828	153,170	57,894
Other comprehensive income (loss)				
<i>Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent years:</i>				
Change in fair value of financial instruments designated at fair value through other comprehensive income (loss)	9(a)	(565)	(1,995)	(17,532)
Deferred income tax	17	167	589	5,172
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent years:</i>				
Net gain (net loss) on cash flows hedges	31(a)	3,838	20,836	(1,652)
Deferred income tax	17	(1,133)	(6,146)	487
Other comprehensive income (loss) for the year, net of income tax		2,307	13,284	(13,525)
Total other comprehensive income for the year, net of income tax		179,135	166,454	44,369

The accompanying notes are an integral part of these consolidated financial statements.

Cementos Pacasmayo S.A.A. and Subsidiaries

Consolidated statement of changes in equity
For the years ended December 31, 2022, 2021 and 2020

	Capital stock	Investment shares	Treasury shares	Additional paid-in capital	Legal reserve	Unrealized loss on financial instruments designated at fair value	Unrealized gain (loss) on cash flow hedge	Retained earnings	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Balance as of January 1, 2020	423,868	40,279	(121,258)	432,779	168,636	(2,103)	(17,750)	497,200	1,421,651
Profit for the year	-	-	-	-	-	-	-	57,894	57,894
Other comprehensive loss	-	-	-	-	-	(12,360)	(1,165)	-	(13,525)
Total comprehensive income	-	-	-	-	-	(12,360)	(1,165)	57,894	44,369
Dividends, note 18(g)	-	-	-	-	-	-	-	(98,465)	(98,465)
Balance as of December 31, 2020	423,868	40,279	(121,258)	432,779	168,636	(14,463)	(18,915)	456,629	1,367,555
Profit for the year	-	-	-	-	-	-	-	153,170	153,170
Other comprehensive income (loss)	-	-	-	-	-	(1,406)	14,690	-	13,284
Total comprehensive income	-	-	-	-	-	(1,406)	14,690	153,170	166,454
Dividends, note 18(g)	-	-	-	-	-	-	-	(338,204)	(338,204)
Balance as of December 31, 2021	423,868	40,279	(121,258)	432,779	168,636	(15,869)	(4,225)	271,595	1,195,805
Profit for the year	-	-	-	-	-	-	-	176,828	176,828
Other comprehensive income (loss)	-	-	-	-	-	(398)	2,705	-	2,307
Total comprehensive income	-	-	-	-	-	(398)	2,705	176,828	179,135
Dividends, note 18(g)	-	-	-	-	-	-	-	(179,805)	(179,805)
Balance as of December 31, 2022	423,868	40,279	(121,258)	432,779	168,636	(16,267)	(1,520)	268,618	1,195,135

The accompanying notes are an integral part of these consolidated financial statements.

Cementos Pacasmayo S.A.A. and Subsidiaries

Consolidated statement of cash flows
For the years ended December 31, 2022, 2021 and 2020

	Note	2022 S/(000)	2021 S/(000)	2020 S/(000)
Operating activities				
Profit before income tax		262,420	224,110	85,898
Non-cash adjustments to reconcile profit before income tax to net cash flows from operating activities				
Depreciation and amortization	10, 11 and 13	138,539	135,567	139,167
Finance costs	26	95,105	88,965	88,694
Long-term incentive plan	23	8,272	9,763	5,759
Exchange difference related to monetary transactions		3,804	(9,114)	6,978
Provision for inventory obsolescence		1,977	3,348	2,451
Allowance for expected credit losses	7(d)	1,972	563	1,582
Net loss (gain) on derivative financial instruments recognized at fair value through profit or loss	31(a)	59	(589)	(5,337)
Accumulated net loss due to settlement of derivative financial instruments at fair value through profit or loss	31(a)	-	1,569	-
Finance income	25	(3,306)	(2,891)	(2,976)
Net gain on disposal of property, plant and equipment and intangible assets	24	(591)	(1,775)	(2,591)
Other operating, net		10,413	3,761	2,202
Working capital adjustments				
(Increase) decrease in trade and other receivables		(3,695)	(47,713)	38,005
(Increase) decrease in inventories		(282,554)	(151,530)	54,140
(Increase) decrease in prepayments		(10,099)	(12,956)	4,761
Increase in trade and other payables		60,571	48,834	3,346
		282,887	289,912	422,079
Interest received		3,668	4,484	1,838
Interest paid		(80,573)	(68,433)	(68,444)
Income tax paid		(94,163)	(55,401)	(24,108)
Net cash flows from operating activities		111,819	170,562	331,365
Investing activities				
Purchase of property, plant and equipment	10(a)	(162,785)	(85,594)	(47,325)
Purchase of intangible assets	11(a)	(15,712)	(8,953)	(5,224)
Purchase of investments available for sale	9(a)	(363)	(1,779)	-
Loans granted		(141)	(174)	(4,203)
Loan to related party	27	-	(17,121)	-
Cash flow proceeds from sale of property, plant and equipment		2,664	4,152	4,634
Proceeds from loans		149	524	3,697
Collection of loans from related parties	27	-	17,121	-
Opening of term deposits with original maturity greater than 90 days		-	-	(208,990)
Redemption of term deposits with original maturity greater than 90 days		-	-	208,990
Net cash flows used in investing activities		(176,188)	(91,824)	(48,421)
Financing activities				
Payment of bank loans	30	(448,984)	-	(674,463)
Dividends paid	30	(179,820)	(336,821)	(143,623)
Payment for hedging instrument	30	(15,390)	(15,214)	(15,685)
Lease payments	13	(2,511)	(2,419)	(1,669)
Bank loans received	30	525,000	220,000	791,270
Dividends returned	30	229	481	321
Cash flow from settlement of derivative financial instruments		-	3,879	-
Payment of bank overdraft		-	-	(70,921)
Proceeds from bank overdraft		-	-	70,921
Net cash flows used in financing activities		(121,476)	(130,094)	(43,849)
Net (decrease) increase in cash and cash equivalents		(185,845)	(51,356)	239,095
Net foreign exchange difference		(5,784)	15,846	1,551
Cash and cash equivalents as of January 1	6	273,402	308,912	68,266
Cash and cash equivalents as of December 31	6	81,773	273,402	308,912
Transactions with no effect on cash flows:				
Unrealized exchange difference related to monetary transactions		3,804	(9,114)	6,978
Outstanding accounts payable related to acquisition of property, plant and equipment	10(e)	14,560	7,615	4,830
Addition of right-of-use assets and lease liabilities	13	613	217	7,504
Additions of quarry rehabilitation costs	15	2,745	-	7,775

The accompanying notes are an integral part of these consolidated financial statements.

Cementos Pacasmayo S.A.A. and Subsidiaries

Notes to the consolidated financial statements
As of December 31, 2022, 2021 and 2020

1. Corporate information

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 December 31, 2022, 2021 and 2020. The Company’s registered address is Calle La Colonia No.150, Urbanización El Vivero, Santiago de Surco, Lima, Peru. All the subsidiaries are domiciled and operate in Peru.

The Company’s main activity is the production and marketing of cement, precast, concrete and quicklime in La Libertad region of the northern of Peru.

The issuance of the consolidated financial statements of the Company and its subsidiaries (hereinafter “the Group”) for the year ended December 31, 2022 were approved by the General Shareholders’ Meeting on March 24, 2023. The consolidated financial statements as of December 31, 2021 and for the year then that date were approved by the General Shareholders’ Meeting on March 29, 2022.

For the years ended December 31, 2022, 2021 and 2020, the consolidated financial statements comprise the financial statements of the Company and its subsidiaries: Cementos Selva S.A.C. and subsidiaries, Distribuidora Norte Pacasmayo S.R.L., Empresa de Transmisión Guadalupe S.A.C., Salmueras Sudamericanas S.A., Calizas del Norte S.A.C. (liquidated during 2022), Soluciones Takay S.A.C. and 150Krea Inc. To these dates, the Company maintains a 100 percent interest in all its subsidiaries.

The main activities of the subsidiaries incorporated in the consolidated financial statements are described as follows:

- Cementos Selva S.A.C. is engaged in production and marketing of cement and other construction materials in the northeast region of Peru. Also, it holds 100 percent of the shares in DinSelva Iquitos S.A.C. (a cement and construction materials distributor in the north of Peru, which also produces and sells precast, cement bricks and ready-mix concrete) and in Acuicola Los Paiches S.A.C. (a fish farm entity).
- Distribuidora Norte Pacasmayo S.R.L. is mainly engaged in selling cement produced by the Company. Additionally, it produces and sells precast, cement bricks and ready-mix concrete.
- Empresa de Transmisión Guadalupe S.A.C. is mainly engaged in providing electric energy transmission services to the Company.
- Salmueras Sudamericanas S.A. (“Salmueras”) In December 2017, the Company decided not to continue with the activities related to this project of Salmueras.

- Calizas del Norte S.A.C. On May 31, 2016, the Company decided to liquidate the subsidiary Calizas del Norte S.A.C. Thjs liquidation was completed during 2022.
- Soluciones Takay S.A.C., entity constituted on March 29, 2019 whose corporate purpose is to provide advisory services and information, promotion, acquisition and intermediation services for the management and development of real estate projects by natural and/or legal persons.
- 150Krea Inc., entity constituted on June 3, 2021 whose corporate purpose is the lease of intangible assets.

1.1 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 March 11, 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). As a result, since that date, the Company shut-down its three production plants until the Peruvian government allowed it to restart production and commercial activities on May 20, 2020.

During the halt period, the Company was unable to generate revenues; however, it largely returned to the operating levels prior to the shut-down as of the month of August 2020. The Group has prepared the consolidated financial statements for the financial years ended December 31, 2022, 2021 and 2020 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.

Through Supreme Decree No. 130-2022-PCM published on October 27, 2022, the Government formalized the end of the state of national emergency that was declared in 2020.

2. Significant accounting policies

2.1 Basis of preparation –

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

The 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 derivative financial instruments that have been measured at fair value. The carrying values of recognized assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortized cost are adjusted to record changes in fair value attributable to the risks that are being hedged in effective hedge relationships. The consolidated financial statements are presented in Soles and all values are rounded to the nearest thousand (S/000), except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period or periods. There are certain standards and amendments applied for the first time by the Group during 2022 that did not require the restatement of previous financial statements, as explained in note 2.3.19.

2.2 Basis of consolidation -

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of December 31, 2022 and 2021 and for the years ended December 31, 2022, 2021 and 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if it has: (i) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee), (ii) exposure, or rights, to variable returns from its involvement with the investee, and (iii) the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.3 Summary of significant accounting policies -

2.3.1 Cash and cash equivalents -

Cash and cash equivalents presented in the statement of financial position and statement of cash flows comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

2.3.2 Financial instruments-initial recognition and subsequent measurement –

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets -

Initial recognition and measurement -

Financial assets are classified at initial recognition as measured at amortized cost, fair value through OCI or fair value through profit or loss.

The Group's financial assets include cash and cash equivalents, commercial and other receivables, available-for-sale financial investments and derivative financial instruments.

Subsequent measurement -

For purposes of subsequent measurement, financial assets are classified into the following categories:

- Financial assets at amortized cost (debt instruments).
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments).
- Financial assets designated at fair value through OCI without recycling of cumulative gains and losses upon derecognition (equity instruments).
- Financial assets at fair value through profit or loss.

The classification depends on the business model of the Company and the contractual terms of the cash flows.

Financial assets at amortized cost (debt instruments) -

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to collect contractual cash flows and not sale or trade it, and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets are not reclassified after their initial recognition, except if the Group changes its business model for its management.

As of December 31, 2022 and 2021 the Group held trade and other receivables in this category.

Financial assets at fair value through OCI (debt instruments) –

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

The Group does not have debt instruments classified in this category.

Financial assets at fair value through OCI (equity instruments) -

Upon initial recognition, the Group can elect to irrevocably classify its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

As of December 31, 2022 and 2021 the Group elected to classify irrevocably its non-listed equity investments under this category, see note 9.

Financial assets at fair value through profit or loss -

Financial assets at fair value through profit or loss include financial assets held for trading assets, assets from derivative financial instruments at fair value through profit or loss, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value and net changes in such fair value are presented as Financial Costs (net negative changes in fair value) or Financial Income (net positive changes in fair value) in the consolidated statement of profit or loss.

As of December 31, 2022 and 2021, the Group held derivative financial instruments classified at fair value through profit or loss classified in this category.

Derecognition -

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- (i) The rights to receive cash flows from the asset have expired, or
- (ii) The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(ii) Impairment of financial assets -

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(iii) Financial liabilities -

Initial recognition and measurement -

Financial liabilities are classified at initial recognition as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, interest-bearing loans and borrowings.

Subsequent measurement -

The subsequent measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss -

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, derivative financial instruments at fair value through profit or loss and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term; gains or losses on liabilities held for trading are recognized in the statement of profit or loss. This category also includes derivative financial instruments entered by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9 – Financial Instruments.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

For the years ended December 31, 2022 and 2021, the Group does not have instruments classified in this category.

Loans and borrowings -

After their initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statement of profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of profit or loss.

As of December 31, 2022 and 2021, the Group includes trade and other payables and financial liabilities in this category, for more information refer to notes 14 and 16.

Derecognition -

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amount is recognized in the consolidated statement of profit or loss.

(iv) Offsetting of financial instruments -

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

(v) Derivative financial instruments and hedge accounting –

Initial recognition and subsequent measurement:

The Group uses derivative financial instruments, cross currency swaps, to hedge its foreign currency exchange rate risk. These derivative financial instruments are initially recognized at their fair values on the date on which the derivative contract is entered into and subsequently are remeasured at their fair value. Derivatives are accounted for as financial assets when their fair value is positive and as financial liabilities when their fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment.
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges expect to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they have been highly effective throughout the financial reporting periods for which they were designated.

A hedging relationship qualifies for hedge accounting if it meets all the following effectiveness requirements:

- There is 'an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group hedges and the quantity of the hedging instrument that the Group uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are recorded as cash flow hedges, see note 31(a).

Cash flow hedges

Any gains or losses arising from changes in the fair value of derivatives is taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in OCI and later reclassified to profit or loss when the hedged item affects profit or loss.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

In the case that the cash flow hedge is discontinued, the amount accumulated in OCI must remain in OCI if the hedged cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flows are recognized, any amount that remains in OCI must be recorded considering the nature of the underlying transaction.

(vi) Fair value measurement -

The Group measures financial instruments such as derivatives, and equity investments, at fair value at each period end.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value accounting hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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 in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for recurring and non-recurring fair value measurements.

At each reporting date, the Financial Management analyzes the changes in the values of the assets and liabilities that must be measured or determined on a recurring and non-recurring basis according to the Group's accounting policies. For this analysis, Management contrasts the main variables used in the latest assessments made with updated information available from valuations included in contracts and other relevant documents.

Management also compares the changes in the fair value of each asset and liability with the relevant external sources to determine whether the change is reasonable.

For purposes of disclosure of fair value, the Group has determined classes of assets and liabilities based on the inherent nature, characteristics and risks of each asset and liability, and the level of the fair value accounting hierarchy as explained above, see note 31(b).

2.3.3 Foreign currencies -

The functional and presentation currency for the consolidated financial statements of the Group is soles, which is also the functional currency for its subsidiaries.

Transactions and balances

Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

2.3.4 Inventories -

Inventories are valued at the lower of cost or net realizable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Raw materials and supplies

- Cost is determined using the weighted average method.

Finished goods and work in progress

- Cost of direct materials and supplies, services provided by third parties, direct labor and a proportion of manufacturing overheads is based on normal operating capacity, excluding borrowing costs and exchange currency differences.

Inventory in transit

- Cost.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated costs of inventory necessary to make the sale.

2.3.5 Borrowing costs -

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of interest rates applicable to relevant general borrowings of the Group during the period. All other borrowing costs are recognized in the consolidated statement of profit or loss in the period in which they are incurred.

2.3.6 Leases -

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee:

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or the estimated useful lives of the assets, unless the ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The leased assets correspond to motorized vehicles whose useful life is 5 years.

The right-of-use assets are subject to impairment assessment. Refer to accounting policies in note 2.3.12.

ii) Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the assessment of an option to purchase the underlying asset, a change in the amounts expected to be paid under residual value guarantee or changes to future payments resulting from a change in an index or rate used to determine such lease payments

The Group's lease liabilities are included in "lease liabilities" in the consolidated statement of financial position.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value.

Group as a lessor:

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease terms and is included in other income in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

2.3.7 Property, plant and equipment -

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met (see note 2.3.5). The capitalized value of a finance lease is also included within property, plant and equipment. When significant parts of plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to significant accounting judgments, estimates and assumptions (note 3) and quarry rehabilitation cost provisions (note 15).

Depreciation of assets is determined using the straight-line method over the estimated useful lives of such assets as follows:

	Years
Buildings and other construction:	
Administrative facilities	Between 20 and 51
Main production structures	Between 20 and 56
Minor production structures	Between 20 and 35
Machinery and equipment:	
Mills and horizontal furnaces	Between 24 and 45
Vertical furnaces, crushers and grinders	Between 23 and 36
Electricity facilities and other minors	Between 10 and 35
Furniture and fixtures	10
Transportation units:	
Heavy units	Between 5 and 15
Light units	Between 5 and 10
Computer equipment	Between 3 and 10
Tools	Between 5 and 10

The asset's residual value, useful lives and methods of depreciation are reviewed at each reporting period and adjusted prospectively if appropriate.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognized.

2.3.8 Mining concessions -

Mining concessions correspond to the exploration rights in areas of interest acquired. Mining concessions are stated at cost, net of accumulated amortization and/or accumulated impairment losses, if any, and are presented within the "Property, plant and equipment" caption of consolidated statement of financial position. Those mining concessions are amortized following the straight-line method. In the event the Group abandons the concession, the costs associated (see note 10(b)) are written-off in the consolidated statement of profit or loss.

For the years ended December 31, 2022, 2021 and 2020, mining concessions of the Group correspond to areas that contain raw material necessary for cement production.

2.3.9 Quarry development costs and stripping costs -

Quarry development costs -

Quarry development costs incurred are stated at cost and are the next step in development of quarries after the exploration and evaluation stage. Quarry development costs are, upon commencement of the production phase, presented net of accumulated amortization and/or accumulated impairment losses, if any, and are presented within the property, plant and equipment caption. The amortization is calculated using the straight-line method based on the useful life of the quarry to which it relates. Expenditures that significantly increase the economic life of the quarry under exploitation are capitalized.

Stripping costs -

Stripping costs incurred in the development of a mine before production commences are capitalized as part of mine development costs and subsequently amortized over the life of the mine on a units-of-production basis, using the proved reserves.

Stripping costs incurred subsequently during the production phase of its operation are recorded as part of cost of production.

2.3.10 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

The Group's intangible assets with finite useful lives are amortized over an average term of ten years.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. As of December 31, 2022 and 2021, the Company maintains as intangible assets with an indefinite useful life of a brand it acquired in 2018.

Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Exploration and evaluation assets -

Exploration and evaluation activity involve the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation activity include:

- Researching and analyzing historical exploration data.
- Gathering exploration data through geophysical studies.
- Exploratory drilling and sampling.
- Determining and examining the volume and grade of the resource.
- Surveying transportation and infrastructure requirements.
- Conducting market and finance studies.

License costs paid in connection with a right to explore in an existing exploration area, are capitalized and amortized over the term of the license.

Once the legal right to explore has been acquired, exploration and evaluation costs are charged to the consolidated statement of profit or loss, unless management concludes that a future economic benefit is more likely than not to be realized, in which case such costs are capitalized, see note 11(b). These costs include directly attributable employee remuneration, materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating if costs meet the criteria to be capitalized, several different sources of information are used, including the nature of the assets, extension of the explored area and results of sampling, among others. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

Exploration and evaluation costs are capitalized when the exploration and evaluation activity is within an area of interest for which it is expected that the costs will be recouped by future exploitation and active and significant operations in relation to the area are continuing or planned for the future.

The main estimates and assumptions the Group uses to determine whether it is likely that future exploitation will result in future economic benefits include: expected operational costs, committed capital expenditures, expected mineral prices and mineral resources found. For this purpose, the future economic benefit of the project can reasonably be regarded as assured when mine-site exploration is being conducted to confirm resources, mine-site exploration is being conducted to convert resources to reserves or when the Group is conducting a feasibility study, based on supporting geological information.

As the capitalized exploration and evaluation costs asset is not available for use, it is not amortized. These exploration costs are transferred to mine development assets once the work completed to date supports the future development of the property and such development receives appropriate approvals. In this phase, the exploration costs are amortized in accordance with the estimated useful life of the mining property from the time the commercial exploitation of the reserves begins. All capitalized exploration and evaluation costs are monitored for indications of impairment. Where a potential impairment indicator is identified, an assessment is performed for each area of interest in conjunction with the group of operating assets (representing a cash generating unit) to which the exploration is attributed.

Exploration areas in which resources have been discovered but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of resources exist or to ensure that additional exploration work is under way or planned. To the extent that a capitalized expenditure is no longer expected to be recovered it is charged to the consolidated statement of profit or loss. The Group assesses at each reporting date whether there is an indication that exploration and evaluation assets may be impaired, see note 11(c). The following facts and circumstances are considered in this assessment:

- (i) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- (ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- (iii) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- (iv) sufficient data exists to indicate that, although development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full through successful development or by sale.

2.3.11 Ore reserve and resource estimates -

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties and concessions. The Group estimates its ore reserves and mineral resources, based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, provision for quarry rehabilitation and depreciation and amortization charges.

2.3.12 Impairment of non-financial assets –

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required (goodwill and Intangible assets with indefinite useful lives), the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group supports its impairment calculation by using detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated.

Impairment losses related to continuing operations, including impairment on inventories, are recognized in the consolidated statement of profit or loss in expense categories consistent with the function of the impaired asset.

In addition, an assessment is made at each reporting date to determine whether there is any indication that previously recognized impairment losses may no longer exist or have decreased. If such an indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss.

Exploration and evaluation assets are tested for impairment annually as of December 31, either individually or at the cash-generating unit level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.3.13 Provisions -

General -

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as finance cost in the consolidated statement of profit or loss.

Quarry rehabilitation provision -

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. Quarry rehabilitation costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current risk-free rate. The unwinding of the discount is expensed as incurred and recognized in the consolidated statement of profit or loss as a finance cost. The estimated future costs of quarry rehabilitation are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Environmental expenditures and liabilities -

Environmental expenditures that relate to current or future revenues are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and do not contribute to current or future earnings are expensed.

Liabilities for environmental costs are recognized when a clean-up is probable, and the associated costs can be reliably estimated. Generally, the timing of recognition of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites.

The amount recognized is the best estimate of the expenditure required. Where the liability will not be settled for a number of years, the amount recognized is the present value of the estimated future expenditure.

2.3.14 Employees benefits -

The Group has short-term obligations for employee benefits including salaries, severance contributions, legal bonuses, performance bonuses and profit sharing. These obligations are recorded monthly on an accrual basis.

Additionally, the Group has a long-term incentive plan for key management. This benefit is settled in cash, measured on the salary of each officer and upon fulfilling certain conditions such as years of experience within the Group and permanency. The Group recognizes the long-term obligation at its present value at the end of the reporting period using the projected credit unit method. To calculate the present value of these long-term obligations the Group uses a government bond discount rate at the date of the consolidated financial statements. This liability is annually reviewed on the date of the consolidated financial statements, and the accrual updates and the effect of changes in discount rates are recognized in the consolidated statement of profit or loss, until the liability is extinguished.

2.3.15 Revenue recognition -

The group is dedicated to the production and trading of cement, precast, concrete and quicklime, as well as trade of construction supplies. These goods are sold in contracts with customers. The Group has concluded that it is principal in its sales agreements because it controls the goods or services before transferring to the customer.

Revenue is measured at the fair value of the consideration received or receivable, considering contractually defined terms of payment and excluding taxes or duties.

The following specific recognition criteria must also be met before revenue is recognized:

Sales of goods -

Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

The Group considers whether there are other terms in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

Rendering of services -

In the business segments cement, concrete, mortar, precast and construction supplies, the Group provides transportation services. These services are sold together with the sale of the goods to the customer.

Transportation services are satisfied when the transport service is concluded, which coincides with the moment of delivery of the goods to the customers.

Operating lease income -

Income from operating lease of land and office is recognized on a monthly accrual basis during the term of the lease.

Interest income -

For all financial instruments measured at amortized cost and interest-bearing financial assets, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the consolidated statement of profit or loss.

2.3.16 Taxes -

Current income tax -

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in Peru, where the Group operates and generates taxable income.

Deferred tax -

Deferred tax is determined based on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in subsidiaries, where deferred assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax related to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Mining royalties -

Mining royalties are accounted when they have the characteristics of an income tax. This is considered to be the case when they are imposed under government authority and the amount payable is based on taxable net income, rather than based on quantity produced or as a percentage of revenue, after adjustment for temporary differences. For such arrangements, current and deferred tax is provided on the same basis as described above for income tax. Obligations arising from royalty arrangements that do not satisfy these criteria are recognized as current provisions and included in results of the year.

2.3.17 Treasury shares-

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

2.3.18 Business combinations and goodwill -

A business consists of inputs and processes applied to those inputs that have the ability to contribute to the creation of outputs. Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses of the consolidated statement of profit or loss.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognized in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill

Goodwill is the excess of the aggregate of the consideration transferred on the business acquired over the fair value of the assets acquired.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The Group performs impairment tests of goodwill annually. The impairment of goodwill is determined estimating the recoverable amount of the cash generating units related to it. When the recoverable amount of the cash generating units is lower than the carrying value, an impairment is recognized. Impairment related to goodwill cannot be reversed in future periods.

2.3.19 New amended standards and interpretations –

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Onerous Contracts – Costs of Fulfilling a Contract - Amendments to IAS 37

An onerous contract is a contract under which the unavoidable costs 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 and an allocation of costs directly related to contract activities. 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. These amendments had no impact on the consolidated financial statements of the Group as there were no onerous contracts during the period.

Reference to the Conceptual Framework – Amendments to IFRS 3 –

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets or liabilities within the scope of these amendments that arose during the period.

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. These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

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. These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur. The most significant estimate considered by the Company's Management in relation to the consolidated financial statements refers to the evaluation of the impairment of long-lived assets, see notes 2.3.12, 10 and 11.

4. Standards issued but not yet effective

The standards and interpretations relevant to the Group that are issued, but not yet effective, up to the date of issuance of the financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective:

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after January 1, 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The Group is currently assessing the impact of the amendments.

5. Transactions in foreign currency

Transactions in foreign currency take place at the open-market exchange rates published by the Superintendence of Banks, Insurance and Pension Funds Administration. As of December 31, 2022 the exchange rates for transactions in United States dollars, published by this institution, were S/3.808 for purchase and S/3.820 for sale (S/3.975 for purchase and S/3.998 for sale as of December 31, 2021).

As of December 31, 2022 and 2021, the Group had the following assets and liabilities in United States dollars:

	2022	2021
	US\$(000)	US\$(000)
Assets		
Cash and cash equivalents	4,426	51,343
Trade and other receivables	3,262	4,946
Advances to suppliers for work in progress	18,899	10,175
	<u>26,587</u>	<u>66,464</u>
Liabilities		
Trade and other payables	(18,399)	(10,356)
Interest-bearing loans and borrowings	(131,612)	(149,612)
	<u>(150,011)</u>	<u>(159,968)</u>
Cross currency swap position	132,000	132,000
Net monetary position	<u>8,576</u>	<u>38,496</u>

As of December 31, 2022 and 2021, the Group has cash currency hedging agreements for its bonds (denominated in US dollars), see note 16. Of the US\$132,000,000 shown in the swap position as of December 31, 2022 and 2021, respectively, there are underlying liabilities in the amount of US\$131,612,000 and the difference of US\$388,000 is maintained as derivative financial instruments at fair value through profit or loss.

During 2022, the net loss originated by the exchange difference was approximately S/1,040,000 (the net loss from exchange difference amounted to S/7,086,000 and S/9,831,000 during 2021 and 2020, respectively). All these results are presented in the caption "Loss from exchange difference, net" in the consolidated statement of profit or loss.

6. Cash and cash equivalents

(a) This caption was made up as follows:

	<u>2022</u>	<u>2021</u>
	S/(000)	S/(000)
Cash on hand	161	273
Cash at banks (b)	39,112	225,629
Short-term deposits (c)	<u>42,500</u>	<u>47,500</u>
	<u>81,773</u>	<u>273,402</u>

(b) Cash at banks is denominated in local and foreign currency and U.S. dollars, is deposited in local and foreign bank are freely available. The demand deposits 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.

7. Trade and other receivables

(a) This caption was made up as follows:

	Current		Non-current	
	2022	2021	2022	2021
	S/(000)	S/(000)	S/(000)	S/(000)
Trade receivables (b)	78,519	91,072	-	-
Other accounts receivable	7,790	5,940	-	-
Accounts receivable from Parent company and affiliates, note 27	1,858	1,314	-	-
Interest receivable	1,163	636	-	-
Loans to employees	676	610	-	-
Funds restricted to tax payments	244	1,314	-	-
Other receivables from sale of fixed assets	215	937	-	-
Loans granted	-	1,066	-	83
Allowance for expected credit losses (d) and (e)	(7,433)	(5,539)	-	-
Financial assets classified as receivables (e)	83,032	97,350	-	83
Value-added tax credit	18,459	5,368	1,874	2,673
Payment under protest for mining royalties 2008 – 2009 (c)	-	-	28,922	28,922
Other accounts receivable	-	-	12,747	9,320
Tax refund receivable	-	-	9,034	9,242
Allowance for expected credit losses (d)	-	-	(9,034)	(9,034)
Non-financial assets classified as receivables	18,459	5,368	43,543	41,123
	101,491	102,718	43,543	41,206

(b) Trade account receivables have current maturity (30 to 90 days) and those overdue bear interest.

(c) 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. Company has made, under protest, payments of the debts arbitrarily placed in collection. These payments as of December 31, 2022 and 2021 amount to S/28,922,000. To date, the Company has 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.

- (d) The movement of the allowance for expected credit losses is as follows:

	2022 S/(000)	2021 S/(000)	2020 S/(000)
Opening balance	14,573	14,358	12,781
Additions, note 22	1,972	563	1,582
Recoveries	(78)	(348)	(5)
Ending balance	<u>16,467</u>	<u>14,573</u>	<u>14,358</u>

As of December 31, 2022, the additions include S/1,972,000 related to the provision for expected credit losses for trade receivables (S/563,000 as of December 31, 2021), which are presented in the caption "selling and distribution expenses" on the consolidated statement of profit and loss, see note 22.

- (e) The aging analysis of trade and other accounts receivable as of December 31, 2022 and 2021, is as follows:

As of December 31, 2022

	Total S/(000)	Neither past due nor impaired S/(000)	Past due but not impaired				
			< 30 days S/(000)	30-60 days S/(000)	61-90 days S/(000)	91-120 days S/(000)	> 120 days S/(000)
Expected credit loss rate	8.2%	0.1%	1.5%	3.5%	2.1%	-	59.4%
Carrying amount 2022	90,465	63,676	8,538	3,807	2,573	-	11,871
Expected credit loss	7,433	64	124	135	55	-	7,055

As of December 31, 2021

	Total S/(000)	Neither past due nor impaired S/(000)	Past due but not impaired				
			< 30 days S/(000)	30-60 days S/(000)	61-90 days S/(000)	91-120 days S/(000)	> 120 days S/(000)
Expected credit loss rate	5.4%	0.0%	0.9%	1.7%	3.7%	-	76.5%
Carrying amount 2021	102,972	65,314	21,233	6,112	3,672	-	6,641
Expected credit loss	5,539	28	190	105	136	-	5,080

8. Inventories

(a) This caption is made up as follows:

	2022	2021
	S/(000)	S/(000)
Goods and finished products	18,903	24,720
Work in progress	186,281	134,358
Raw materials	397,096	243,139
Packages and packing	5,245	7,262
Fuel	3,642	3,498
Spare parts and supplies	260,742	183,056
Inventory in transit	13,060	9,149
	<u>884,969</u>	<u>605,182</u>

(b) As of December 31, 2022 and 2021, the amount of the provision for inventory obsolescence amounts to S/24,905,000 and S/23,052,000, respectively.

9. Financial investment designated at fair value through OCI

(a) Movement in financial investment designated at fair value through OCI is as follow:

	2022	2021	2020
	S/(000)	S/(000)	S/(000)
Beginning balance	476	692	18,224
Contribution of investment shares	363	1,779	-
Fair value change recorded in OCI	(565)	(1,995)	(17,532)
Ending balance	<u>274</u>	<u>476</u>	<u>692</u>

(b) As of December 31, 2022 and 2021, corresponds to 837,881 and 2,481,397 investment shares of Fossal S.A.A. These shares represent 8.52% and 8.40% of equity of Fossal S.A.A., respectively.

The main asset held by Fossal S.A.A. corresponded to its investment in the company Fosfatos del Pacifico S.A., a pre-operational company that has a diatomite extraction concession and is dedicated to the Fosfatos Project (a project for the exploitation and sale of phosphate rock). The Board of Directors of the company Fosfatos del Pacifico S.A. held on December 30, 2020, considering the longer time it will take for the renewal of the Environmental Impact Study (EIA) of the project and that the current international prices of phosphate rock are lower than the sales prices originally estimated at the beginning of the project, agreed to make the accounting provision due to the total devaluation of the assets related to the Phosphate Project.

The Company has recognized a charge in OCI for S/565,000 related to updating the fair value of the financial investment maintained in Fossal S.A.A. during 2022 (S/1,995,000 and S/17,532,000 during 2021 and 2020, respectively).

10. Property, plant and equipment

(a) The composition and movement in property, plant and equipment for two years ended December 31, 2022 is presented below:

	Mining concessions (b) S/(000)	Mine development costs (b) S/(000)	Land S/(000)	Buildings and other construction S/(000)	Machinery, equipment and related spare parts S/(000)	Furniture and accessories S/(000)	Transportation units S/(000)	Computer equipment and tools S/(000)	Quarry rehabilitation costs S/(000)	Capitalized interest (f) S/(000)	Work in progress (d) and units in transit S/(000)	Total S/(000)
Cost												
As of January 1, 2021	75,893	53,975	252,190	690,542	1,694,145	33,123	113,109	52,645	9,290	64,904	37,731	3,077,547
Additions	21	3,435	4,254	(98)	16,160	191	7,523	3,731	(260)	103	53,120	88,180
Disposals	-	-	-	(7)	(33,176)	(22,786)	(10,583)	(23,105)	-	-	(136)	(89,793)
Transfers, note 11	-	592	108	2,648	20,526	178	3,302	1,157	-	-	(28,575)	(64)
As of December 31, 2021	75,914	58,002	256,552	693,085	1,697,655	10,706	113,351	34,428	9,030	65,007	62,140	3,075,870
Additions	-	7,311	868	-	13,085	318	658	2,849	2,745	3,158	143,540	174,532
Sales and/or retirement	-	-	(2,285)	-	(4,978)	(14)	(2,654)	(228)	-	-	(398)	(10,557)
Disposals	-	-	-	(1,600)	(17,075)	(28)	(4,460)	(481)	-	-	-	(23,644)
Transfers, note 11	-	529	-	3,069	22,853	98	442	4,736	-	-	(32,461)	(734)
As of December 31, 2022	75,914	65,842	255,135	694,554	1,711,540	11,080	107,337	41,304	11,775	68,165	172,821	3,215,467
Accumulated depreciation												
As of January 1, 2021	12,256	10,267	-	139,857	644,190	30,049	80,632	42,348	1,616	7,499	-	968,714
Additions	72	217	-	18,605	93,581	589	7,350	3,198	766	1,522	-	125,900
Disposals	-	-	-	(7)	(32,317)	(22,767)	(9,819)	(23,090)	-	-	-	(88,000)
As of December 31, 2021	12,328	10,484	-	158,455	705,454	7,871	78,163	22,456	2,382	9,021	-	1,006,614
Additions	72	387	-	18,818	95,486	575	7,398	3,595	140	1,521	-	127,992
Sales and/or retirement	-	-	-	-	(3,990)	(12)	(2,269)	(194)	-	-	-	(6,465)
Disposals	-	-	-	(795)	(13,425)	(26)	(4,278)	(428)	-	-	-	(18,952)
Transfers, note 11	-	(3)	-	-	-	-	-	-	-	-	-	(3)
As of December 31, 2022	12,400	10,868	-	176,478	783,525	8,408	79,014	25,429	2,522	10,542	-	1,109,186
Impairment (b)												
As of December 31, 2021	42,859	24,048	-	13,578	12,424	201	26	454	-	-	735	94,325
As of December 31, 2022	42,859	24,048	3,624	13,579	12,918	200	26	454	-	-	735	98,443
Net book value												
As of December 31, 2021	20,727	23,470	256,552	521,052	979,777	2,634	35,162	11,518	6,648	55,986	61,405	1,974,931
As of December 31, 2022	20,655	30,926	251,511	504,497	915,097	2,472	28,297	15,421	9,253	57,623	172,086	2,007,838

- (b) Mining concessions mainly include net acquisition costs of S/15,488,000 related to coal concessions acquired through a purchase option executed from 2011 to 2013. The caption also includes some concessions acquired by the Group for exploration activities related to the cement business.

In previous years management recognized a full impairment related to the total net book value of a closed zinc mining unit which included concession costs, development costs and related facilities and equipment. From this impairment estimate, S/42,859,000 corresponds to concession costs. According to management's expectation the recovery amount of this zinc mining unit is zero.
- (c) The Group has assessed the recoverable amount of its remaining long-term assets and did not find indicators of an impairment for these assets as of December 31, 2022 and 2021.
- (d) Work in progress included in property, plant and equipment as of December 31, 2022 and 2021 is mainly related to complementary facilities of the cement plants.
- (e) As of December 31, 2022, the Group maintains accounts payable related to the acquisition of property, plant and equipment for S/14,560,000 (S/7,615,000 as of December 31, 2021), see note 14.
- (f) During 2022 and 2021, the Group capitalized borrowing costs by S/2,739,000 and S/103,000 mainly related with the Clinker Line Optimization project - Kiln 4 located in Pacasmayo. The rate used to determine the amount of borrowings costs eligible for capitalization was approximately 5.30 percent as of December 31, 2022, which is the effective rate of the borrowing the Group has as of such date. The amount of borrowing costs eligible for capitalization is determined by applying the capitalization rate to the capital expenditures incurred on qualifying assets.

11. Intangibles assets, net

(a) The composition and movement of this caption as of the date of the consolidated statement of financial position is presented below:

	IT applications S/(000)	Finite life intangible S/(000)	Indefinite life intangible S/(000)	Exploration cost and mining evaluation (b) S/(000)	Total S/(000)
Cost					
As of January 1, 2021	34,271	24,543	1,975	49,530	110,319
Additions	7,152	-	-	1,739	8,891
Disposals	-	-	-	(54)	(54)
Transfers, note 10	-	-	-	64	64
As of December 31, 2021	41,423	24,543	1,975	51,279	119,220
Additions	14,564	-	-	417	14,981
Disposals	(27)	-	-	-	(27)
Transfers and reclassifications, note 10	107	-	-	627	734
As of December 31, 2022	56,067	24,543	1,975	52,323	134,908
Accumulated amortization					
As of January 1, 2021	13,344	5,710	71	8,085	27,210
Additions	4,681	2,455	-	965	8,101
Disposals	-	-	-	(54)	(54)
As of December 31, 2021	18,025	8,165	71	8,996	35,257
Additions	5,833	2,454	-	575	8,862
Transfers and reclassifications, note 10	-	-	-	3	3
As of December 31, 2022	23,858	10,619	71	9,574	44,122
Impairment (b)					
As of December 31, 2021	-	-	-	33,469	33,469
As of December 31, 2022	456	-	-	33,469	33,925
Net Carrying Value					
As of December 31, 2021	23,398	16,378	1,904	8,814	50,494
As of December 31, 2022	31,753	13,924	1,904	9,280	56,861

(b) As of December 31, 2022 and 2021, the exploration cost and mining evaluation include mainly capital expenditures related to the coal project and to other minor projects related to the cement business.

(c) As of December 31, 2022 and 2021, the Group evaluated the conditions of use of the projects related to the exploration and mining evaluation costs and its other intangibles, not finding any indicators of impairment in said assets.

12. Goodwill

As of December 31, 2022 and 2021, the S/4,459,000 of goodwill relates to the acquisition of assets made by the subsidiary Distribuidora Norte Pacasmayo S.R.L.

The Group has assessed the recoverable amount of goodwill held and has determined that there is no impairment at December 31, 2022 and 2021.

13. Leases

The Group maintains lease contracts with third parties, mainly a contract for the lease of trucks for a term of 5 years. 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/1,527,000 for the twelve-month period ended December 31, 2022 (2021: S/1,419,000) 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	Other	Total
	S/(000)	S/(000)	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 December 31, 2021	7,721	35	7,756
Additions	306	307	613
Balance as of December 31, 2022	8,027	342	8,369
Accumulated depreciation -			
Balance as of January 1, 2021	1,501	35	1,536
Additions	1,552	-	1,552
Balance as of December 31, 2021	3,053	35	3,088
Additions	1,616	26	1,642
Balance as of December 31, 2022	4,669	61	4,730
Net book value			
As of December 31, 2021	4,668	-	4,668
As of December 31, 2022	3,358	281	3,639

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	613	217
Financial interest expenses, note 26	317	383
Lease payments	(2,511)	(2,419)
Other	107	1,015
Balance as of December 31	4,355	5,829
Maturity		
Current portion	2,005	1,856
Non-current portion	2,350	3,973
Balance as of December 31	4,355	5,829

The future cash disbursements in relation to lease liabilities have been disclosed in note 30.

14. Trade and other payables

(a) This caption is made up as follows:

	2022 S/(000)	2021 S/(000)
Trade payables (b)	159,096	111,336
Interest payable (d)	26,611	29,871
Remuneration payable	19,735	20,835
Advances from customers	14,702	14,668
Accounts payable related to the acquisition of property, plant and equipment, note 10(e)	14,560	7,615
Taxes and contributions	11,347	8,638
Dividends payable, note 18(g)	9,764	9,550
Hedge finance cost payable	5,978	6,213
Board of Directors' fees	5,191	5,615
Guarantee deposits	4,127	4,645
Account payable to the principal and affiliates, note 27	2,686	143
Other accounts payable	10,757	8,425
	284,554	227,554

(b) Trade accounts payable result from the purchases of material, services and supplies for the Group's operations, and mainly correspond to invoices payable to domestic suppliers. Trade payables are non-interest bearing and are normally settled on 60 to 120 days term.

(c) Other payables are non-interest bearing and have an average term of 3 months.

(d) Interest payable is normally settled semiannually throughout the financial year.

15. Provisions

(a) This caption is made up as follows:

	Workers' profit-sharing (b) S/(000)	Long-term incentive plan (c) S/(000)	Quarry Rehabilitation provision (d) S/(000)	Provision of legal contingencies S/(000)	Total S/(000)
At January 1, 2021	9,380	12,090	10,161	3,090	34,721
Additions (b), note 23	25,165	9,763	-	-	34,928
Exchange difference	-	-	1,060	-	1,060
Unwinding of discounts, note 26	-	660	75	-	735
Change in estimate	-	-	(260)	-	(260)
Payments and advances	(10,276)	-	-	-	(10,276)
At December 31, 2021	<u>24,269</u>	<u>22,513</u>	<u>11,036</u>	<u>3,090</u>	<u>60,908</u>
Current portion	24,269	-	-	-	24,269
Non-current portion	-	22,513	11,036	3,090	36,639
	<u>24,269</u>	<u>22,513</u>	<u>11,036</u>	<u>3,090</u>	<u>60,908</u>
At January 1, 2022	24,269	22,513	11,036	3,090	60,908
Additions (b), note 23	32,161	8,272	-	1,368	41,801
Exchange difference	-	-	(495)	-	(495)
Unwinding of discounts, note 26	-	1,200	91	-	1,291
Change in estimate	-	-	2,745	-	2,745
Payments and advances	(25,097)	-	-	(2,182)	(27,279)
At December 31, 2022	<u>31,333</u>	<u>31,985</u>	<u>13,377</u>	<u>2,276</u>	<u>78,971</u>
Current portion	31,333	-	-	-	31,333
Non-current portion	-	31,985	13,377	2,276	47,638
	<u>31,333</u>	<u>31,985</u>	<u>13,377</u>	<u>2,276</u>	<u>78,971</u>

(b) Workers' profit sharing -

In accordance with Peruvian legislation, the Group is obliged to pay its employees profit sharing of between 8% and 10% of annual taxable income. Distributions to employees under the plan are based 50% on the number of days that each employee worked during the preceding year and 50% on proportionate annual salary levels.

The workers' profit sharing is recognized in the following line items:

	2022 S/(000)	2021 S/(000)
Cost of sales, note 23	15,165	13,887
Administrative expenses, note 23	12,520	8,935
Selling and distribution expenses, note 23	3,287	2,227
Investment	1,189	116
	<u>32,161</u>	<u>25,165</u>

(c) Long-term incentive plan -

In 2011, the Group implemented a compensation plan for its key management. This long-term benefit is payable in cash, based on the salary of each officer and depends on the years of service of each officer in the Group. According to the latest plan update, the executive would receive the equivalent of an annual salary for each year of service beginning to accrue from 2019. This benefit accrues and accumulates for each officer and is payable in two installments: the first payment will be made on the sixth year after the creation of this bonus plan, and the last payment at the end of the ninth year from the creation of the plan. If the executive decides to voluntarily leave the Group before a scheduled distribution, they will not receive this compensation. The Group used the Projected Unit Credit Method to determine the present value of this deferred obligation and the related current deferred cost, considering the expected increases in salary base and the corresponding current government bond discount rate (risk-free rate).

(d) Quarry Rehabilitation provision -

As of December 31, 2022 and 2021, it corresponds to the provision for the future costs of rehabilitating the quarries exploited in Company's operations. The provision has been created based on studies made by internal specialists. Management believes that the assumptions used, based on the current economic environment, are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to consider any material change to the assumptions. However, actual quarry rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required to reflect future economic conditions.

Future cash flows have been estimated based on financial budgets approved by Management. The range of the risk-free discount rate in dollars used in the calculation of the provision as of December 31, 2022 was from 0.54 to 4.14 and the risk-free discount rate in dollars used in the calculation of the provision as of December 31, 2021 was from 0.12 to 1.94

Management expects to incur a significant part of this obligation in the medium and long-term. The Group estimates that this liability is sufficient according to the current environmental protection laws approved by the Ministry of Energy and Mines.

16. Financial obligations

(a) This caption is made up as follows:

	<u>Currency</u>	<u>Nominal interest rate</u> %	<u>Maturity</u>	<u>2022</u> S/(000)	<u>2021</u> S/(000)
Short-term promissory notes (b)					
Banco de Crédito del Perú	S/	8.93%	December 18, 2023	38,000	-
Banco de Crédito del Perú	S/	8.93%	December 18, 2023	38,000	-
Banco de Crédito del Perú	US\$	1.80%	July 8, 2022	-	71,964
Banco de Crédito del Perú	S/	2.62%	January 10, 2022	-	79,500
Banco de Crédito del Perú	S/	2.62%	January 10, 2022	-	79,500
Banco de Crédito del Perú	S/	1.55%	December 23, 2022	-	110,000
Banco de Crédito del Perú	S/	1.55%	December 23, 2022	-	110,000
Total current				<u>76,000</u>	<u>450,964</u>
Senior Notes (c)					
Principal, net of issuance costs	US\$	4.50%	February 8, 2023	502,699	525,420
Principal, net of issuance costs	S/	6.69%	February 1, 2029	259,625	259,563
Principal, net of issuance costs	S/	6.84%	February 1, 2034	309,457	309,408
				<u>1,071,781</u>	<u>1,094,391</u>
Short and long-term Corporate Loan under "Club deal" (d)					
Banco de Crédito del Perú	S/	5.82%	December 1, 2028	222,695	-
Scotiabank	S/	5.82%	December 1, 2028	222,695	-
				<u>445,390</u>	<u>-</u>
Total non-current				<u>1,593,171</u>	<u>1,545,355</u>
Maturity					
Current				618,907	450,964
Non-current				974,264	1,094,391
				<u>1,593,171</u>	<u>1,545,355</u>

(b) Short-term promissory notes -

As of December 31, 2021, the Company maintained two loans of S/79,500,000 each with maturity in January 2022 and with an annual effective interest rate of 2.62 percent. Also, as of December 31, 2021, the Company maintained a loan of US\$18,000,000 with maturity in July 2022 and at an effective annual interest rate of 1.80 percent. On July 1, 2021, the Company acquired two medium-term notes with Banco de Crédito del Perú 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. These loans have been paid with the corporate loan mentioned in section (d).

(c) Senior Notes-

(c.1) Senior Notes in US dollars

The General Shareholder's Meeting held on January 7, 2013, approved that the Company complete a financing transaction. In connection with this, the Board of Directors' Meeting held on January 24, 2013, agreed to issue Senior Notes through a private offering under Rule 144A and Regulation S of the U.S. Securities Act of 1933. Also it was agreed to list these securities on the Ireland Stock Exchange. Consequently, on February 1, 2013, the Company issued Senior Notes with a face value of US\$300,000,000, with a nominal annual interest rate of 4.50%, and maturity in 2023, obtaining total net proceeds of US\$293,646,000 (S/762,067,000). The Company used part of the net proceeds from the offering to prepay certain of its existing debt and the difference was used to fund capital expenditures in connection with its cement business. The Senior Notes are guaranteed by the following subsidiaries of the Company: Cementos Selva S.A.C., Distribuidora Norte Pacasmayo S.R.L., Empresa de Transmisión Guadalupe S.A.C., Dinosevsa Iquitos S.A.C and Calizas del Norte S.A.C. (liquidated during 2022).

The Board of Directors' Meeting held on November 26, 2018, approved the repurchase of a portion of the Senior Notes denominated in US dollars. As a result, the Company acquired Senior Notes totaling US\$168,388,000. Consequently, the Senior Notes balance in US dollars was US\$131,612,000, in periods as of December 31, 2022 and 2021. To finance this acquisition, the Company issued medium-term promissory notes from Banco de Crédito del Perú (bridge loans) for a total of S/580,769,000, which were canceled with the issuance of the Senior Notes denominated in Soles in January 2019, as explained below.

On the other hand, as a consequence of the purchase of the Senior Notes denominated in US dollars, the Company's Management considers that it was not necessary to continue with all the derivative financial instruments that were previously used to hedge those liabilities. For this reason, during December 2018, the Company settled US\$150,000,000 of a total of US\$300,000,000 nominal amount of derivatives then outstanding. In 2021, the Company settled derivative financial instruments of negotiation recognized at fair value through profit or loss for US\$18,000,000. The loss obtained from this settlement amounted to approximately S/1,569,000, which was presented in cumulative net loss on settlement of derivative financial instruments caption from the consolidated statement of profit and loss for the year ended December 31, 2021, see note 31(a).

As of December 31, 2022 and 2021, the Company has hedged certain derivative contracts as cash flow hedges contracts to reduce the foreign currency risk of the outstanding corporate bonds, which are denominated in US dollars for the amount of US\$132,000,000, see note 31(a).

(c.2) *Senior Notes in Soles*

The General Shareholders' Meeting held on January 8, 2019, approved the issuance of Senior Notes denominated in Soles in the local market up to the maximum amount of S/1,000,000,000 through the Second Corporate Bonds Program of Pacasmayo, whose purpose was to settle the mid-term loans described in the previous paragraph. On January 31, 2019, senior notes were issued for: i) S/260,000,000 at a rate of 6.688 percent per year and maturity of 10 years and; ii) S/310,000,000 at a rate of 6.844 percent per year and maturity of 15 years.

The Senior Notes in soles issued in 2019 are guaranteed by the following Company's subsidiaries: Cementos Selva S.A.C., Distribuidora Norte Pacasmayo S.R.L., Empresa de Transmisión Guadalupe S.A.C. and Dinoseiva Iquitos S.A.C.

(c.3) *Financial covenants*

The financial covenants related to the Senior Notes denominated US dollars and soles state that if the Company and its guarantor subsidiaries issue debt or equity instruments, merges with another company or dispose or rents significant assets, the Senior Notes will trigger the following financial covenants, calculated based on the Company and Guarantee Subsidiaries annual consolidated financial statements:

- A fixed charge covenant ratio of at least 2.5 to 1.
- A consolidated debt-to-EBITDA ratio of no greater than 3.5 to 1.

As of December 31, 2022, the Company was in compliance with these covenants.

For the years ended December 31, 2022, 2021 and 2020, senior notes generated interest that has been recognized in the consolidated statement of profit or loss for S/60,225,000, S/63,333,000 and S/60,857,000, respectively, see note 26.

(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 a maturity until February 2023 and will be disbursed based on the maturity of each of these obligations. The disbursements amounted to S/449,000,000 and were made during 2022 and were used to pay the loans 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 the Company estimates will occur in 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 has assumed 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) $> 1.15x$
- 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 the consolidated financial statements of the Company for the last 12 months, prepared in accordance with 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 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. Pay dividends, reduce capital stock or make any other distribution to its shareholders if such events would result in the Company's lack of compliance 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 December 31, 2022, the Company was in compliance with the ratios and other obligations of the loan.

17. Deferred income tax assets and liabilities

The following is the composition of the caption according to the items that originated it:

	As of January 1, 2021 S/(000)	Effect on profit or loss S/(000)	Effect on OCI S/(000)	As of December 31, 2021 S/(000)	Effect on profit or loss S/(000)	Additions quarry rehabilitation provision S/(000)	Effect on OCI S/(000)	As of December 31, 2022 S/(000)
Movement of deferred income tax assets:								
Deferred income tax assets								
Provision for vacations	1,570	335	-	1,905	196	-	-	2,101
Allowance for expected credit losses for trade receivables	1,457	76	-	1,533	555	-	-	2,088
Provision of discounts and bonuses to customers	2,457	(230)	-	2,227	(448)	-	-	1,779
Lease liabilities	892	(87)	14	819	(119)	-	-	700
Effect of tax-loss carry forward	9,270	(7,559)	-	1,711	(1,018)	-	-	693
Legal claim contingency	461	-	-	461	-	-	-	461
Estimate for devaluation of spare parts and supplies	431	1	-	432	3	-	-	435
Effect of differences between book and tax bases of fixed assets and in the depreciation rates used for book purposes	227	73	-	300	89	-	-	389
Effect of differences between book and tax bases of inventories	55	-	-	55	-	-	-	55
Allowance for expected credit losses for other receivables	974	-	-	974	(974)	-	-	-
Other	63	555	(14)	604	290	-	-	894
	<u>17,857</u>	<u>(6,836)</u>	<u>-</u>	<u>11,021</u>	<u>(1,426)</u>	<u>-</u>	<u>-</u>	<u>9,595</u>
Deferred income tax liabilities								
Right of use assets	(809)	178	(17)	(648)	88	-	-	(560)
Effect of differences between book and tax bases of fixed assets and in the depreciation rates used for book purposes	(1,430)	486	-	(944)	897	-	-	(47)
Other	-	-	17	17	-	-	-	17
	<u>(2,239)</u>	<u>664</u>	<u>-</u>	<u>(1,575)</u>	<u>985</u>	<u>-</u>	<u>-</u>	<u>(590)</u>
Total deferred income tax assets	<u>15,618</u>	<u>(6,172)</u>	<u>-</u>	<u>9,446</u>	<u>(441)</u>	<u>-</u>	<u>-</u>	<u>9,005</u>
Movement of deferred income tax liabilities:								
Deferred income tax assets								
Impairment on brine project assets Salmueras	17,563	255	-	17,818	212	-	-	18,030
Long-term incentive plan	3,566	3,075	-	6,641	2,794	-	-	9,435
Impairment of mining assets	6,916	(212)	-	6,704	951	-	-	7,655
Financial instruments designated at fair value through OCI	6,051	-	589	6,640	-	-	167	6,807
Provision for spare parts and supplies obsolescence	5,381	327	-	5,708	216	-	-	5,924
Provision for vacations	3,258	423	-	3,681	203	-	-	3,884
Quarry rehabilitation provision	2,781	(55)	-	2,726	27	810	-	3,563
Allowance for expected credit losses for trade receivables	101	534	-	635	18	-	-	653
Legal claim contingency	1,065	(135)	-	930	(502)	-	-	428
Lease liabilities	450	-	-	450	(240)	-	-	210
Other	275	53	-	328	-	-	-	328
	<u>47,407</u>	<u>4,265</u>	<u>589</u>	<u>52,261</u>	<u>3,679</u>	<u>810</u>	<u>167</u>	<u>56,917</u>
Deferred income tax liabilities								
Effect of differences between book and tax bases of fixed assets and in the depreciation rates	(192,544)	2,366	-	(190,178)	3,752	(810)	-	(187,236)
Net gain on cash flow hedge	(2,952)	1,684	(6,146)	(7,414)	36	-	(1,133)	(8,511)
Effect of costs of issuance of senior notes	(770)	(1,915)	-	(2,685)	314	-	-	(2,371)
Right of use assets	(963)	217	-	(746)	354	-	-	(392)
Other	(42)	-	-	(42)	-	-	-	(42)
	<u>(197,271)</u>	<u>2,352</u>	<u>(6,146)</u>	<u>(201,065)</u>	<u>4,456</u>	<u>(810)</u>	<u>(1,133)</u>	<u>(198,552)</u>
Total deferred income tax liabilities, net	<u>(149,864)</u>	<u>6,617</u>	<u>(5,557)</u>	<u>(148,804)</u>	<u>8,135</u>	<u>-</u>	<u>(966)</u>	<u>(141,635)</u>
		<u>445</u>	<u>(5,557)</u>		<u>7,694</u>		<u>(966)</u>	

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities, and the tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority. The legal right is defined for each individual determination of the income tax of the Company and its Subsidiaries.

A reconciliation between tax expense and the product of the accounting profit multiplied by Peruvian tax rate for the years ended December 31, 2022, 2021 and 2020 are as follows:

	2022 S/(000)	2021 S/(000)	2020 S/(000)
Profit before income tax	262,420	224,110	85,898
Income tax expense calculated at the statutory income tax rate of 29.5%	(77,414)	(66,112)	(25,340)
Permanent differences			
Non-deductible expenses, net	(7,415)	(4,070)	(1,596)
Effect of tax-loss carry forward not recognized	(763)	(758)	(1,068)
Income tax expense the effective income tax rate of 33% in 2022 (2021: 32% and 2020: 33%)	(85,592)	(70,940)	(28,004)

The components of the deferred income tax related to the items recognized in the OCI during the years ended December 31, 2022, 2021 and 2020, are as follow:

	2022 S/(000)	2021 S/(000)	2020 S/(000)
Consolidated statement of profit or loss			
Current	(93,286)	(71,385)	(25,779)
Deferred	7,694	445	(2,225)
	(85,592)	(70,940)	(28,004)

The income tax recorded directly to OCI represents a loss of S/966,000 during 2022, a loss of S/5,557,000 during 2021 and a gain of S/5,659,000 during 2020.

The composition of the deferred income tax related to the items recognized in OCI is as follow:

	2022 S/(000)	2021 S/(000)	2020 S/(000)
Tax effect on unrealized gain on available-for-sale financial asset	167	589	5,172
Tax effect on unrealized gain (loss) on hedging derivative financial asset	(1,133)	(6,146)	487
Total deferred income tax in OCI	(966)	(5,557)	5,659

As of December 31, 2022, 2021 and 2020, the Group had not recognized a deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's subsidiaries. The Group has determined that the timing differences will be reversed by means of dividends to be received in the future that, according to the current tax rules in effect in Peru, are not subject to income tax.

As of December 31, 2022, certain subsidiaries of the Group had tax loss carryforwards of S/25,424,000 (2021: S/24,085,000). These tax loss carryforwards do not expire, are related to subsidiaries that have a history of losses for some time and cannot be used to offset future taxable profits of other Group subsidiaries. No deferred tax assets have been recognized in relation to these tax loss carryforwards, since there are no possibilities of tax planning opportunities or other evidence of recovery in the near future.

For information purposes, the temporary difference associated with investments in subsidiaries, would generate an aggregate deferred tax liability amounting to S/104,842,000 (2020: S/83,079,000), which should not be recognized in the consolidated financial statements as it is not expected to reverse in the foreseeable future and the Company is in control of such reversal.

18. Equity

(a) Capital stock -

As of December 31, 2022 and 2021, share capital was represented by 423,868,449 authorized common shares subscribed and fully paid, with a nominal value of one Soles per share. As of December 31, 2022, the total outstanding common shares are as follow; 34,060,726 are listed on the New York Stock Exchange and 389,807,723 listed on the Lima Stock Exchange. As of December 31, 2021 from the total outstanding common shares; 34,252,841 are listed on the New York Stock Exchange and 389,615,608 were listed on the Lima Stock Exchange.

(b) Investment shares -

Investment shares do not have voting rights or participate in shareholder's meetings or the appointment of directors. Investment shares confer upon the holders thereof the right to participate in dividends distributed according to their nominal value, in the same manner as common shares. Investment shares also confer the holders thereof the right to:

- (i) maintain the current proportion of the investment shares in the case of capital increase by new contributions;
- (ii) increase the number of investment shares upon capitalization of retained earnings, revaluation surplus or other reserves that do not represent cash contributions;
- (iii) participate in the distribution of the assets resulting from liquidation of the Company in the same manner as common shares; and,
- (iv) redeem the investment shares in case of a merger and/or change of business activity of the Company.

As of December 31, 2022 and 2021, the Company had 40,278,894 investment shares subscribed and fully paid, with a nominal value of one Sol per share.

(c) Treasury shares -

As of December 31, 2022 and 2021, the Company maintained 36,040,497 investment shares held in treasury amounting to S/121,258,000.

(d) Additional paid-in capital -

As of December 31, 2022 and 2021, the additional capital amounted to S/432,779,000 and arises mainly as a result of the excess of total proceeds obtained versus par value in the issuance of 111,484,000 common shares and 928,000 investment shares corresponding to a public offering of American Depositary Shares (ADS) registered with the New York Stock Exchange and Lima Stock Exchange.

(e) Legal reserve -

Provisions of the General Corporation Law require that a minimum of 10 per cent of the distributable earnings for each period, after deducting the income tax, be transferred to a legal reserve until such is equal to 20 per cent of the capital. This legal reserve can offset losses or can be capitalized, and in both cases, there is the obligation to replenish it.

(f) Other accumulated comprehensive results -

This reserve records fair value changes on available-for-sale financial assets and the unrealized results of cash flow hedges.

(g) Distributions made and proposed -

	2022	2021	2020
Approval date by Board of Directors	October 10, 2022	April 29, 2021	November 16, 2020
Declared dividends per share to be paid in cash S/	0.42000	0.79000	0.23000
Declared dividends S/(000):	179,805	338,204	98,465

As of December 31, 2022 and 2021, dividends payable amounted to S/9,764,000, and S/9,550,000, respectively, see note 14.

19. Sales of goods

This caption is made up as follows:

For the year ended of December 31, 2022						
	Cement	Concrete and mortar	Precast	Quicklime	Construction supplies	Other
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Segments						
Sale of cement, concrete, mortar and precast	1,742,704	189,945	31,177	-	-	-
Sale of construction supplies	-	-	-	-	114,024	-
Sale of quicklime	-	-	-	37,858	-	-
Sale of other	-	-	-	-	-	38
	<u>1,742,704</u>	<u>189,945</u>	<u>31,177</u>	<u>37,858</u>	<u>114,024</u>	<u>38</u>
						<u>2,115,746</u>
Moment of the revenue recognition						
Goods transferred at a point in time	<u>1,742,704</u>	<u>189,945</u>	<u>31,177</u>	<u>37,858</u>	<u>114,024</u>	<u>38</u>
						<u>2,115,746</u>
For the year ended of December 31, 2021						
	Cement	Concrete and mortar	Precast	Quicklime	Construction supplies	Other
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Segments						
Sale of cement, concrete, mortar and precast	1,534,867	213,565	36,055	-	-	-
Sale of construction supplies	-	-	-	-	113,905	-
Sale of quicklime	-	-	-	39,141	-	-
Sale of other	-	-	-	-	-	234
	<u>1,534,867</u>	<u>213,565</u>	<u>36,055</u>	<u>39,141</u>	<u>113,905</u>	<u>234</u>
						<u>1,937,767</u>
Moment of the revenue recognition						
Goods transferred at a point in time	<u>1,534,867</u>	<u>213,565</u>	<u>36,055</u>	<u>39,141</u>	<u>113,905</u>	<u>234</u>
						<u>1,937,767</u>
For the year ended of December 31, 2020						
	Cement	Concrete and mortar	Precast	Quicklime	Construction supplies	Other
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Segments						
Sale of cement, concrete, mortar and precast	1,023,907	126,135	35,144	-	-	-
Sale of construction supplies	-	-	-	-	78,192	-
Sale of quicklime	-	-	-	32,473	-	-
Sale of other	-	-	-	-	-	483
	<u>1,023,907</u>	<u>126,135</u>	<u>35,144</u>	<u>32,473</u>	<u>78,192</u>	<u>483</u>
						<u>1,296,334</u>
Moment of the revenue recognition						
Goods transferred at a point in time	<u>1,023,907</u>	<u>126,135</u>	<u>35,144</u>	<u>32,473</u>	<u>78,192</u>	<u>483</u>
						<u>1,296,334</u>

For all segments, performance obligations are met at the time of delivery of the goods and the terms of payment are usually between 30 and 90 days from the date of dispatch.

20. Cost of sales

This caption is made up as follows:

	2022	2021	2020
	S/(000)	S/(000)	S/(000)
Beginning balance of goods and finished products	25,304	12,877	22,133
Beginning balance of work in progress	135,008	114,246	166,999
Consumption of miscellaneous supplies	622,579	566,781	295,688
Maintenance and third-party services	277,250	242,412	147,282
Shipping costs	201,849	196,064	113,054
Depreciation and amortization	121,871	118,998	122,541
Personnel expenses, note 23(b)	125,683	113,513	89,805
Costs of packaging	81,023	71,580	45,032
Other manufacturing expenses	80,122	102,177	45,637
Ending balance of goods and finished products	(20,037)	(25,304)	(12,877)
Ending balance of work in progress	(186,937)	(135,008)	(114,246)
	<u>1,463,715</u>	<u>1,378,336</u>	<u>921,048</u>

21. Administrative expenses

This caption is made up as follows:

	2022	2021	2020
	S/(000)	S/(000)	S/(000)
Personnel expenses, note 23(b)	116,748	96,891	76,291
Third-party services	72,172	59,896	48,713
Depreciation and amortization	16,667	16,569	16,626
Donations	8,494	9,067	9,188
Board of Directors compensation	6,112	6,397	5,992
Taxes	5,669	5,563	5,262
Consumption of supplies	1,715	1,686	1,297
	<u>227,577</u>	<u>196,069</u>	<u>163,369</u>

22. Selling and distribution expenses

This caption is made up as follows:

	2022	2021	2020
	S/(000)	S/(000)	S/(000)
Personnel expenses, note 23(b)	42,300	33,867	26,283
Third-party services	11,106	9,733	7,326
Advertising and promotion	6,417	5,637	3,285
Allowance for expected credit losses, note 7(d)	1,972	563	1,582
Other	3,442	1,720	1,677
	<u>65,237</u>	<u>51,520</u>	<u>40,153</u>

23. Employee benefits expenses

(a) Employee benefits expenses are made up as follow:

	2022	2021	2020
	S/(000)	S/(000)	S/(000)
Wages and salaries	165,530	138,675	115,630
Social contributions	32,966	28,842	26,085
Workers 'profit sharing, note 15(b)	30,972	25,049	9,513
Legal bonuses	20,556	19,620	17,413
Vacations	18,481	18,032	16,301
Long-term incentive plan, note 15	8,272	9,763	5,759
Cessation payments	4,511	2,203	858
Training	2,307	1,408	476
Other	1,136	679	344
	<u>284,731</u>	<u>244,271</u>	<u>192,379</u>

(b) Employee benefits expenses are allocated as follows:

	2022	2021	2020
	S/(000)	S/(000)	S/(000)
Cost of sales, note 20	125,683	113,513	89,805
Administrative expenses, note 21	116,748	96,891	76,291
Selling and distribution expenses, note 22	42,300	33,867	26,283
	<u>284,731</u>	<u>244,271</u>	<u>192,379</u>

24. Other operating income (expense), net

This caption is made up as follows:

	2022	2021	2020
	S/(000)	S/(000)	S/(000)
Rentals to third parties	1,694	2,328	649
Income from land rental and office lease, note 27	1,508	1,639	1,859
Net gain (loss) on disposal of property, plant and equipment and intangible assets	591	1,775	2,591
Recovery of expenses	204	491	1,166
Income from management and administrative services provided to related parties, note 27	198	305	834
Expenses to counteract the COVID-19 effect	-	-	(2,642)
Other, net	(8,094)	(130)	(111)
	<u>(3,899)</u>	<u>6,408</u>	<u>4,346</u>

25. Finance income

This caption is made up as follows:

	2022	2021	2020
	S/(000)	S/(000)	S/(000)
Interest on term deposits	1,884	834	2,243
Interest on accounts receivable	1,090	898	204
Tax interest	-	1,015	-
Other finance income	332	144	529
	<u>3,306</u>	<u>2,891</u>	<u>2,976</u>

26. Finance costs

This caption is made up as follows:

	2022	2021	2020
	S/(000)	S/(000)	S/(000)
Interest on senior notes, note 16 (c)	60,225	63,333	60,857
Finance cost on cross currency swaps	15,155	15,046	16,144
Interest on promissory notes	14,920	7,326	8,298
Expenses for the purchase and amortization of issuance costs of senior notes	1,027	815	816
Interest on lease liabilities, note 13	317	383	409
Counterparty credit risk in cross currency swaps	62	848	542
Interest for bank overdraft	-	-	802
Commission for prepayment of loans	-	-	325
Other	2,108	479	74
Total interest expense	93,814	88,230	88,267
Unwinding of discount of provisions, note 15	1,291	735	427
Total finance costs	<u>95,105</u>	<u>88,965</u>	<u>88,694</u>

27. Related parties

Transactions with related entities -

During 2022, 2021 and 2020, the Company carried out the following transactions with its parent company Inversiones ASPI S.A. and its other related parties:

	2022	2021	2020
	S/(000)	S/(000)	S/(000)
Income			
Parent			
Inversiones ASPI S.A. (ASPI)			
Income from office lease	16	20	17
Fees for management and administrative services	100	98	88
Other related parties			
Compañía Minera Ares S.A.C. (Ares)			
Income from land lease, note 29	1,200	1,230	1,303
Income from office lease	244	332	478
Fossal S.A.A. (Fossal)			
Income from office lease	16	18	19
Fees for management and administrative services	52	52	48
Fosfatos del Pacífico S.A. (Fospac)			
Income from office lease	16	19	24
Fees for management and administrative services	46	155	698
Asociación Sumac Tarpuy			
Income from office lease	16	20	18
Expense			
Other related parties			
Security services provided by Compañía Minera Ares S.A.C.	(2,110)	(2,836)	(1,912)
Loans			
Other related parties			
Loans to Fossal S.A.A.	-	(14,252)	-
Loans to Fosfatos del Pacífico S.A.	-	(2,869)	-
Loan collection from Fossal S.A.A.	-	14,252	-
Loan collection from Fosfatos del Pacífico S.A.	-	2,869	-

As a result of these transactions, the Company had the following rights and obligations as of December 31, 2022 and 2021:

	2022		2021	
	Accounts receivable S/(000)	Accounts payable S/(000)	Accounts receivable S/(000)	Accounts payable S/(000)
Parent				
Inversiones ASPI S.A.	-	5	-	105
	-	5	-	105
Other related parties				
Fosfatos del Pacifico S.A.	1,123	461	1,039	37
Compañía Minera Ares S.A.C.	564	2,220	199	-
Fossal S.A.A.	75	-	12	-
Other	96	-	64	1
	1,858	2,681	1,314	38
	1,858	2,686	1,314	143

Terms and conditions of transactions with related parties -

Outstanding balances with related parties at the year-end are unsecured and interest free and settlement occurs in cash. For the years ended December 31, 2022, 2021 and 2020, the Group has not recorded an allowance for expected credit losses relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

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. For the year ended December 31, 2022, the total short-term compensation amounted to S/26,066,000 (2021: S/22,678,000 and 2020: S/21,859,000) and the total long-term compensation amounted to S/8,272,000 (2021: S/9,763,000 and 2020: S/5,759,000), and there were no post-employment or contract termination benefits or share-payments.

28. Earnings per share

Basic and diluted earnings per share amounts are calculated by dividing the profit for the year by the weighted average number of common shares and investment shares outstanding during the year.

The calculation of basic and diluted earnings per share is shown below:

	2022	2021	2020
Numerator			
Profit for the year (S/000)	176,828	153,170	57,894
Denominator			
Weighted average number of common and investment shares (thousands of shares)	428,107	428,107	428,107
Basic and diluted earnings per share (S/)	0.41	0.36	0.14

The Group has no dilutive potential ordinary shares as of December 31, 2022, 2021 and 2020.

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

29. Commitments and contingencies**Operating lease commitments – Group as lessor**

As of December 31, 2022 and 2021, 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 renewable annually, and provided an annual rent expense for the years ended December 31, 2022, 2021 and 2020 of S/1,200,000, S/1,230,000 and S/1,303,000, respectively; see note 27.

Consortium contract –

On December 19, 2022, Distribuidora Norte Pacasmayo S.R.L., subsidiary of the Group, has subscribed a collaboration contract with Flujo Libre S.A.C., with the purpose to participate together in the project “Mejoramiento del Sistema de Pistas y Cerco Perimétrico del Aeropuerto de Piura”. The mentioned contract is valid for a maximum of 2 years and 11 months.

On this matter, the Company has communicated to the tax authority the subscription of the collaboration contract which will not take independent accounting and Distribuidora Norte Pacasmayo S.R.L. will be the contracting party that will act as operator of the contract.

Capital commitments

As of December 31, 2022 and 2021, the Group had no significant capital commitments.

Usufruct Concessions

In December 2013, the Company signed an agreement with a third party, related to the use of the Virrilá concession, to carry out other non-metallic mining activities related to cement production. This agreement has a term of 30 years, with fixed annual payments of US\$600,000 for the first three years and variable payments for the rest of the contract. The related expense for the years ended December 31, 2022, 2021 and 2020 amounted to S/9,445,000, S/7,280,000 and S/5,918,000 respectively, and was recognized as part of cost of inventory production. As part of this agreement, the Company is required to pay an equivalent amount of S/4.5 for each metric ton of calcareous extracted that is indexed by inflation after the first year of exploitation; the annual royalty may not be less than the equivalent to 850,000 metric tons after the beginning of the fourth year of production.

The Company signed an agreement with two third parties in October 2007, related to usufruct of the Bayovar 4 concession for an indefinite period to extract coquina and other minerals. As consequence, the Group made payments amounting to US\$250,000 for each third party for the first five years and variable payments for the rest of the contract. The related expense as of December 31, 2022 and 2021 amounted to S/1,582,000 and S/1,687,000, respectively, and were recognized as part of the cost of inventory production. As part of this agreement, the Company is required to pay an equivalent amount of US\$5.1 to each third party for every metric ton of calcareous extracted, with the minimum production level for the calculation of 20,000 metric tons every six months following the beginning of the sixth year of production.

Mining royalty

According with the Royalty Mining Law in force since October 1, 2011, the royalty for the exploitation of metallic and nonmetallic resources is payable on a quarterly basis in an amount equal to the greater of: (i) an amount determined in accordance with a statutory scale of rates based on operating profit margin that is applied to the quarterly operating profit, adjusted by certain items, and (ii) 1% of net sales, in each case during the applicable quarter. These amounts are estimated based on the unconsolidated financial statements of Cementos Pacasmayo S.A.A. and the subsidiaries affected by this mining royalty, prepared in accordance with IFRS. Mining royalty payments will be deductible for income tax purposes in the fiscal year in which such payments are made.

Mining royalty expense paid to the Peruvian Government for 2022, 2021 and 2020 amounted to S/1,193,000, S/990,000 and S/555,000 respectively, and is recognized as part of the cost of inventory production.

Tax situation

The Company is subject to Peruvian tax law. As of December 31, 2022, 2021 and 2020, 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 for transactions with related companies and companies resident in territories with low or no taxation, must be supported with documentation including information on the valuation methods used and the criteria considered for determination. Based on the 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 December 31, 2022 and 2021.

The tax authority has the power to review and, if applicable, adjust the income tax calculated by each company in the four years subsequent after the year of filing the tax return.

The statements of income tax and value added tax corresponding to the years indicated in the attached table are subject to review by the tax authorities:

Entity	Years open to review by Tax Authority	
	Income tax	Value-added tax
Cementos Pacasmayo S.A.A.	2018 - 2022	Dec. 2018 - 2022
Cementos Selva S.A.C.	2018 - 2022	Dec. 2018 - 2022
Distribuidora Norte Pacasmayo S.R.L.	2018 - 2022	Dec. 2018 - 2022
Empresa de Transmisión Guadalupe S.A.C.	2018 - 2022	Dec. 2018 - 2022
Salmueras Sudamericanas S.A.	2018 - 2022	Dec. 2018 - 2022
Calizas del Norte S.A.C. (liquidated during 2022)	2018 - 2022	Dec. 2018 - 2022
Soluciones Takay S.A.C.	2019 - 2022	May to Dec.2019 - 2022

Due to possible interpretations that the tax authority may give to legislation in effect, it is not possible to determine whether or not any of the tax audits 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 of the period in which it is determined. However, in management's opinion and that of its legal advisors, any possible additional payment of taxes would not have a material effect on the consolidated financial statements as of December 31, 2022.

Environmental matters

The Group's exploration and exploitation activities are subject to environmental protection standards.

Environmental remediation -

Law No. 28271 regulates environmental liabilities in mining activities. This Law has the objectives of ruling the identification of mining activity's environmental liabilities and financing the remediation of the affected areas. According to this law, environmental liabilities refer to the impact caused to the environment by abandoned or inactive mining operations.

In compliance with the above-mentioned laws, the Group presented environmental impact studies (EIS), declaration of environmental studies (DES) and Environmental Adaptation and Management Programs (EAMP) for its mining concessions.

The Peruvian authorities approved the EIS and EAMP presented by the Group for its mining concessions and exploration projects. A detail of plans and related expenses approved is presented as follows:

Project unit	Resource	Resolution Number	Year of approval	Program approved	Operating year expense		
					2022 S/(000)	2021 S/(000)	2020 S/(000)
Rioja	Limestone	RD186-2014-PRODUCE/DVMYPE-I/DIGGAM	2014	EIA	810	713	315
Tembladera	Limestone	RD304-18-PRODUCE/DVMYPE-I/DIGAAMI	2018	PAMA	299	298	237
					<u>1,109</u>	<u>1,011</u>	<u>552</u>

As of December 31, 2022 and 2021, the Group had no liabilities related to environmental remediation expenses because all were paid before the end of the year.

Quarry rehabilitation provision -

The Law No. 28090 regulates the obligations and procedures that must be met by the holders of mining activities for the preparation, filing and implementation of Quarry Closure Plans, as well as the establishment of the corresponding environmental guarantees to secure fulfillment of the investments that this includes, subject to the principles of protection, preservation and recovery of the environment. In connection with this obligation, as of December 31, 2022 and 2021, the Group maintains a provision for the closing of the quarries exploited by its operations amounting to S/13,377,000 and S/11,036,000, respectively. The Group believes that this liability is adequate to meet the current environmental protection laws approved by the Ministry of Energy and Mines, refer to note 15.

Legal claim contingency

The Group has received claims from third parties in relation with its operations which in aggregate represent S/ 3,447,000. From this total amount, S/ 2,847,000 corresponded to labor claims from former employees, S/596,000 is related to the tax assessments received from the tax administration corresponding to the 2009 tax period, which was reviewed by the tax authority during 2012 and S/4,000 correspond to contentious administrative claims.

The Group has been advised by its legal counsel that it is only possible, but not probable, that these actions will succeed.

30. Financial risk management, objectives and policies

The Group's main financial liabilities comprise loans and borrowings, trade payables and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's main financial assets include cash and short-term deposits and trade and other receivables that derive directly from its operations. The Group also holds derivative financial instruments designated at fair value through OCI, derivative financial instruments designated as cash flow hedges and derivative financial instruments at fair value through profit or loss.

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.

Management reviews and implements policies for managing each of these risks, which are summarized below.

Market risk -

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: interest rate risk, foreign currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include deposits, financial obligations, financial instruments designated at fair value through OCI and derivative financial instruments designated at fair value through profit or loss.

The sensitivity analyses shown in the following sections relate to the Group's consolidated position as of December 31, 2022 and 2021. The sensitivity analyses have been prepared on the basis that the amount of net debts and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place as of December 31, 2022 and 2021.

Interest rate risk -

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As of December 31, 2022 and 2021, all of the Group's borrowings were at a fixed rate of interest; consequently, the management evaluated that it is not relevant to do an interest rate sensitivity analysis.

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 swap contracts, see note 31(a).

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.

2022	Change in US\$ rate	Effect on consolidated profit before tax
U.S. Dollar	%	S/(000)
	+5	1,638
	+10	3,276
	-5	(1,638)
	-10	(3,276)
2021	Change in US\$ rate	Effect on consolidated profit before tax
U.S. Dollar	%	S/(000)
	+5	7,695
	+10	15,391
	-5	(7,695)
	-10	(15,391)

Equity price risk -

The Group's listed equity securities measured at level three of the fair value hierarchy are susceptible to market price risk arising from uncertainties about future values of the investment securities, see note 31.

Credit risk -

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to a credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed, and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit. As of December 31, 2022 and 2021, the Group had 4 and 7 customers, that owed the Group more than S/3,000,000 each accounting for approximately 23% and 46% of all trade receivables outstanding, respectively. There were 27 and 22 customers with balances greater than S/700,000 and less than S/3,000,000, which accounted for approximately 55% and 34% of the total trade receivables, respectively. The evaluation for allowance for expected credit losses is updated at the date of the consolidated financial statements and individually for the main customers. This calculation is based on actual historical data incurred.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 7. The Group does not hold collateral as security.

Cash deposits and hedging derivative financial instruments or at fair value through profit or loss-

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties of first level. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments. As of December 31, 2022 and 2021, the Group's maximum exposure to credit risk for the components of carrying amounts as showed in note 6. The Group's maximum exposure relating to financial derivative instruments is noted in the liquidity table below.

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

As of December 31, 2022 and 2021 no portion of Senior Notes denominated in soles will mature in less than one year. In 2021, to cover the obligations of Senior Notes denominated in US dollars maturing in February 2023, the Company established the obligations of the new "Club Deal" financing to begin disbursements in 2022, see note 16(d).

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

	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
As of December 31, 2022					
Financial obligations	414,290	116,818	326,544	651,638	1,509,290
Interest	36,222	45,282	213,427	119,201	414,132
Derivative financial instruments	7,473	-	-	-	7,473
Trade and other payables	231,698	41,510	-	-	273,208
Lease liabilities	502	1,503	2,350	-	4,355
As of December 31, 2021					
Financial obligations	159,000	291,964	414,290	570,000	1,435,254
Interest	31,255	35,147	166,252	154,851	387,505
Derivative financial instruments	7,821	7,821	7,821	-	23,463
Trade and other payables	175,975	42,941	-	-	218,916
Lease liabilities	465	1,391	3,973	-	5,829

The financial derivative instruments disclosed in the table below are the gross undiscounted cash flows. However, those amounts may be settled gross or net. The following table shows the corresponding reconciliation to those amounts to their carrying amounts:

	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>Total</u>
	S/(000)	S/(000)	S/(000)	S/(000)
As of December 31, 2022				
Inflows	88,968	-	-	88,968
Outflows	(1,627)	-	-	(1,627)
Net	87,341	-	-	87,341
Discounted at the applicable interbank rates	86,893	-	-	86,893
As of December 31, 2021				
Inflows	-	-	125,537	125,537
Outflows	(1,703)	(7,908)	(7,992)	(17,603)
Net	(1,703)	(7,908)	117,545	107,934
Discounted at the applicable interbank rates	(1,695)	(7,716)	116,012	106,601

Changes in liabilities arising from financing activities:

	Balance as of January 1, S/(000)	Distribution of dividends S/(000)	Finance cost on cross currency swaps S/(000)	Cash inflow S/(000)	Cash outflow S/(000)	Movement of foreign currency S/(000)	Amortization of costs of issuance of senior notes S/(000)	Balance as of December 31 S/(000)
2022								
Hedge finance cost payable	6,213	-	15,155	-	(15,390)	-	-	5,978
Dividends payable	9,550	179,805	-	229	(179,820)	-	-	9,764
Interest-bearing loans	1,545,355	-	-	525,000	(448,984)	(25,407)	(2,793)	1,593,171
2021								
Hedge finance cost payable	6,381	-	15,046	-	(15,214)	-	-	6,213
Dividends payable	7,686	338,204	-	481	(336,821)	-	-	9,550
Interest-bearing loans	1,268,584	-	-	220,000	-	55,955	816	1,545,355

Capital management -

For the purpose of the Group's capital management, capital includes capital stock, investment shares, additional paid-in capital and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Group's capital management is to maximize the shareholders' value.

In order to achieve this overall objective, the Group's capital management, among other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the creditors to immediately call the senior notes. There have been no breaches in the financial covenants of Senior Notes in any of the years presented.

The Group manages its capital structure and adjusts it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2022 and 2021.

31. Fair value of financial assets and liabilities

Financial assets -

Except for derivative financial instruments and financial instruments designated at fair value through OCI, all financial assets which included trade and other receivables are classified in the category of loans and receivables, which are non-derivative financial assets carried at amortized cost, held to maturity, and generate a fixed or variable interest income for the Group. The carrying value may be affected by changes in the credit risk of the counterparties.

Financial liabilities -

All financial liabilities of the Group including trade and other payables financial obligations are classified as loans and borrowings and are carried at amortized cost.

(a) Derivative financial instruments -

Hedging derivatives -

Foreign currency risk -

As of December 31, 2022 and 2021, the Company maintains cross currency swaps agreements for a notional amount of US\$132,000,000, with maturity in 2023 and an average rate of 2.97%. Of this total, US\$131,612,000 has been designated as hedging instruments for Senior notes that are denominated in U.S. dollars, with the intention of hedging the foreign exchange risk.

The cash flow hedge of the expected future payments was assessed to be highly effective and resulted in an unrealized gain of S/3,838,000 for 2022 (unrealized gain of S/20,836,000 during 2021). The amounts retained in OCI of 2022 are expected to be recognized in the consolidated statement of profit or loss in 2023, the year of its maturity.

Assets (liabilities) from financial instruments at fair value through profit or loss -

As of December 31, 2022 and 2021 the Company held cross currency swaps that do not have an underlying relationship amounts to US\$388,000. The effect on profit or loss of the change in their fair value was a loss of S/59,000 and a gain of S/589,000 as of December 31, 2022 and 2021, respectively. In January 2021, derivative financial instruments at fair value through profit or loss were settled in the amount of US\$18,000,000, the result was a net loss amounting to S/1,569,000 presented in "Accumulated net loss on settlement of derivative financial instruments at fair value through profit or loss" caption in the consolidated statement of profit or loss.

(b) Fair values and fair value accounting hierarchy -

Set out below is a comparison of the carrying amounts and fair values of financial instruments as of December 31, 2022 and 2021, as well as the fair value accounting hierarchy. The dates of valuations at fair value were as of December 31, 2022 and 2021, respectively.

	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	81,773	273,402	81,773	273,402	Level 1
Trade and other receivables	145,034	143,924	145,034	143,924	Level 2
Other financial instruments	86,893	106,601	86,893	106,601	Level 2
Financial investments designated at fair value through other comprehensive income	274	476	274	476	Level 3
Total financial assets	313,974	524,403	313,974	524,403	
Financial liabilities					
Trade and other payables	284,554	227,554	284,554	227,554	Level 2
Senior notes	1,071,781	1,094,391	996,156	1,119,035	Level 1
Promissory notes	521,390	450,964	459,117	447,558	Level 2
Total financial liabilities	1,877,725	1,772,909	1,739,827	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. The fair value hierarchies are those described in note 2.3.2 (vi).

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

Management assessed that cash and cash equivalents; 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 and 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 consider 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 as they trade on the exchange.
- The fair value of the fixed rate promissory note it is calculated using the results of cash flow discounted at the average indebtedness rates effective as of the reporting date.
- The fair value of financial instruments at fair value with changes in OCI has been determined through the percentage of the Company's shareholding in the equity of Fossal S.A.

32. 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 (steel rebar and building materials) 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 unit separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit before income tax and is measured consistently with profit before income tax in the consolidated statement of profit and loss.

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

	2022					2021					2020				
	Cement, concrete, mortar and precast	Construction supplies	Quicklime	Other (*)	Total consolidated	Cement, concrete, mortar and precast	Construction supplies	Quicklime	Other (*)	Total consolidated	Cement, concrete, mortar and precast	Construction supplies	Quicklime	Other (*)	Total consolidated
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Revenues from external customers	1,963,826	114,024	37,858	38	2,115,746	1,784,487	113,905	39,141	234	1,937,767	1,185,186	78,192	32,473	483	1,296,334
Gross profit	647,285	3,670	1,954	(878)	652,031	550,816	3,501	5,651	(537)	559,431	367,456	3,014	5,012	(196)	375,286
Administrative expenses	(223,162)	(2,741)	(1,238)	(436)	(227,577)	(191,132)	(2,675)	(1,099)	(1,163)	(196,069)	(157,491)	(2,862)	(1,493)	(1,523)	(163,369)
Selling and distribution expenses	(63,971)	(786)	(355)	(125)	(65,237)	(50,223)	(703)	(289)	(305)	(51,520)	(38,708)	(703)	(367)	(375)	(40,153)
Other operating (expense) income, net	(2,964)	8	-	(943)	(3,899)	6,358	47	-	3	6,408	4,204	154	-	(12)	4,346
Finance income	3,252	20	-	34	3,306	2,874	17	-	-	2,891	2,951	26	-	(1)	2,976
Finance cost	(95,102)	(3)	-	-	(95,105)	(88,961)	(3)	-	(1)	(88,965)	(88,569)	(130)	-	5	(88,694)
Net (loss) gain on (settlement of) derivative financial instruments recognized at fair value through profit or loss	(59)	-	-	-	(59)	(980)	-	-	-	(980)	5,337	-	-	-	5,337
Loss from exchange difference, net	(1,030)	5	(6)	(9)	(1,040)	(6,987)	(30)	(85)	16	(7,086)	(9,352)	(404)	(88)	13	(9,831)
Profit before income tax	264,249	173	355	(2,357)	262,420	221,765	154	4,178	(1,987)	224,110	85,828	(905)	3,064	(2,089)	85,898
Income tax expense	(86,189)	(56)	(116)	769	(85,592)	(70,198)	(49)	(1,322)	629	(70,940)	(27,981)	295	(999)	681	(28,004)
Profit for the year	178,060	117	239	(1,588)	176,828	151,567	105	2,856	(1,358)	153,170	57,847	(610)	2,065	(1,408)	57,894

(*) 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 (including brine projects).

	2022					2021					2020				
	Cement, concrete, mortar and precast	Construction supplies	Quicklime	Other	Consolidated	Cement, concrete, mortar and precast	Construction supplies	Quicklime	Other	Consolidated	Cement, concrete, mortar and precast	Construction supplies	Quicklime	Other	Consolidated
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Segment assets	3,086,104	38,353	70,327	32,210	3,226,994	2,940,888	42,578	79,383	31,846	3,094,695	2,806,803	51,225	83,621	31,696	2,973,345
Other assets (*)	86,630	-	-	537	87,167	106,280	-	-	797	107,077	37,068	-	-	5,871	42,939
Total assets	3,172,734	38,353	70,327	32,747	3,314,161	3,047,168	42,578	79,383	32,643	3,201,772	2,843,871	51,225	83,621	37,567	3,016,284
Operating liabilities	2,041,923	76,780	-	323	2,119,026	1,930,140	75,633	-	194	2,005,967	1,590,105	58,517	-	107	1,648,729
Capital expenditure (**)	190,126	-	-	-	190,126	97,288	-	-	-	97,288	63,960	-	-	-	63,960
Depreciation and amortization	(133,276)	(1,545)	(3,519)	(199)	(138,539)	(128,522)	(1,102)	(5,199)	(744)	(135,567)	(131,877)	(767)	(5,741)	(782)	(139,167)
Provision of inventory net realizable value and obsolescence	(2,027)	-	-	-	(2,027)	(3,374)	-	-	-	(3,374)	(3,635)	-	-	-	(3,635)

(*) As of December 31, 2022, corresponds to the financial investment designated at fair value through OCI for S/274,000 and fair value of derivative financial instruments ("cross currency swap") for S/86,893,000. As of December 31, 2021, corresponds to the financial investment designated at fair value through OCI for approximately S/476,000 and the fair value of derivative financial instruments ("cross currency swap") for S/106,601,000. The fair value of derivative financial instruments of hedging is allocated to the segment of cement, and the financial investment designated at fair value through OCI and fair value of derivative financial instrument at fair value through profit or loss are not assigned to any segment.

(**) Capital expenditure consists of S/190,126,000 and S/97,288,000 during the years ended as of December 31, 2022 and 2021, respectively, and are related to additions of property, plant and equipment, intangible and other minor non-current assets.

Geographic information

As of December 31, 2022 and 2021, all non-current assets are located in Peru and all revenues are from clients located in the north region of the country.

33. Subsequent events

On January 4, 2023, Cementos Pacasmayo S.A.A. acquired all the shares of the company Corporación Materiales Piura S.A.C. for which paid an approximate value of US\$9,000,000.

On February 8, 2023, Cementos Pacasmayo S.A.A. made the payment of the Senior Notes in dollars for US\$131,612,000 using the Club Deal credit line and consequently the derivative financial instruments for US\$132,000,000 were settled.

List of Subsidiaries

Subsidiary*	Jurisdiction of Incorporation	Name Under Which the Subsidiary Does Business
Cementos Selva S.A.C.	Perú	
Distribuidora Norte Pacasmayo S.R.L.	Perú	Dino
Dinoselva Iquitos S.A.C.	Perú	Dino Selva
Empresa de Transmisión Guadalupe S.A.C.	Perú	
Salmueras Sudamericanas S.A.	Perú	
Acuicola Los Paiches S.A.C.	Perú	
Soluciones Takay S.A.C.	Perú	
150Krea	United States	
Corporación Materiales Piura S.A.C. ¹	Perú	

* All subsidiaries are wholly owned, directly or indirectly, by Cementos Pacasmayo S.A.A.

¹ On January 4, 2023, Cementos Pacasmayo S.A.A. acquired all the shares of the company Corporación Materiales Piura S.A.C.

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Humberto Nadal Del Carpio, certify that:

1. I have reviewed this annual report on Form 20-F of Cementos Pacasmayo S.A.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 27, 2023

/s/ Humberto Nadal Del Carpio
Humberto Nadal Del Carpio
Chief Executive Officer

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Manuel Ferreyros Peña, certify that:

1. I have reviewed this annual report on Form 20-F of Cementos Pacasmayo S.A.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 27, 2023

/s/ Manuel Ferreyros Peña
Manuel Ferreyros Peña
Chief Executive Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350.AS ADOPTED PURSUANT TOSECTION 906 OF THE U.S. SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Cementos Pacasmayo S.A.A. (the "Company") on Form 20-F for the fiscal year ended December 31, 2022, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Humberto Nadal Del Carpio, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the U.S. Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (i) the Report fully complies with the requirements of Section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 27, 2023

/s/ Humberto Nadal Del Carpio

Humberto Nadal Del Carpio
Chief Executive Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350.AS ADOPTED PURSUANT TOSECTION 906 OF THE U.S. SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Cementos Pacasmayo S.A.A. (the "Company") on Form 20-F for the fiscal year ended December 31, 2022, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Manuel Ferreyros Peña, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the U.S. Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (i) the Report fully complies with the requirements of Section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 27, 2023

/s/ Manuel Ferreyros Peña

Manuel Ferreyros Peña
Chief Executive Officer