Cementos Pacasmayo S.A.A. and Subsidiaries

Unaudited interim condensed consolidated financial statements as of March 31, 2021 and for the three-month period then ended

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Content

Paredes, Burga & Asociados
Sociedad Civil de Responsabilidad Limitada

Report on review of interim condensed consolidated financial statements

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Cementos Pacasmayo S.A.A. (a Peruvian company) and its Subsidiaries (together the "Group") as of March 31, 2021, and the related interim condensed consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the three-month period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 Interim Financial Reporting (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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

Lima, Peru
April 28, 2021

Countersigned by:

Paredes, Burga & Asociados

Mayerling Zambrano R.

Mayerling Zambrano R.
C.P.C.C. Register No. 23765

Interim condensed consolidated statements of financial position

As of March 31, 2021 (unaudited) and December 31, 2020 (audited)

	Note	As of March 31, 2021 S/(000)	As of December 31, 2020 S/(000)
Assets			
Current assets			
Cash and cash equivalents	3	305,314	308,912
Trade and other receivables	4	96,234	84,412
Income tax prepayments		12,789	18,076
Inventories	5	508,379	460,610
Prepayments		24,813	5,729
Total current asset		947,529	877,739
Non-current assets			
Trade and other receivables	4	4,691	5,215
Financial instruments designated at fair value through other comprehensive income	15	692	692
Derivative financial instruments	15	60,232	42,247
Property, plant and equipment	6	1,992,456	2,014,508
Intangible assets		49,454	49,640
Goodwill		4,459	4,459
Deferred income tax assets		14,974	15,618
Right of use asset	7	5,827	6,006
Other assets		155	160
Total non-current asset		2,132,940	2,138,545
Total assets		3,080,469	3,016,284
Liability and equity			
Current liabilities			
Trade and other payables	8	189,945	187,876
Financial obligations	9 y 15	226,644	65,232
Lease liabilities	7	1,662	1,531
Income tax payables		8,379	1,051
Provisions	10	5,779	9,380
Total current liabilities		432,409	265,070
Non-current liabilities			
Financial obligations	9 y 15	1,062,192	1,203,352
Lease liabilities	7	5,050	5,102
Non-current provisions	10	27,794	25,341
Deferred income tax liabilities		149,511	149,864
Total non-current liabilities		1,244,547	1,383,659
Total liability		1,676,956	1,648,729
Equity			
Capital stock		423,868	423,868
Investment shares		40,279	40,279
Investment shares holds in treasury		(121,258)	(121,258)
Additional paid-in capital		432,779	432,779
Legal reserve		168,636	168,636
Other accumulated comprehensive results		(29,221)	(33,378)
Retained earnings		488,430	456,629
Total equity		1,403,513	1,367,555
Total liability and equity		3,080,469	3,016,284

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

Cementos Pacasmayo S.A.A. and Subsidiaries

Interim condensed consolidated statements of profit or loss

For the three-month period ended March 31, 2021 and March 31, 2020 (unaudited)

	Note	For the three-month period ended March 31, 2021 S/(000)	2020 S/(000)
Sales of goods	12	464,805	299,258
Cost of sales		(331,579)	(207,247)
Gross profit		133,226	92,011
Operating income (expense)			
Administrative expenses		(47,089)	(40,315)
Selling and distribution expenses		(14,183)	(13,725)
Other operating (expense) income, net		(678)	204
Total operating expenses, net		(61,950)	(53,836)
Operating profit		71,276	38,175
Other income (expenses)			
Finance income		501	534
Finance costs		(20,836)	(20,629)
Cumulative net loss on settlement of derivative financial instruments		(1,569)	-
Net profit for valuation of trading derivative financial instruments		455	2,946
Loss from exchange difference, net		(3,550)	(4,150)
Total other expenses, net		(24,999)	(21,299)
Profit before income tax		46,277	16,876
Income tax expense	11	(14,476)	(6,152)
Profit for the period		31,801	10,724
Earnings per share			
Basic profit for the period attributable to equity holders of common shares and investment shares of the parent (S/ per share)	14	0.07	0.03

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

Cementos Pacasmayo S.A.A. and Subsidiaries

Interim condensed consolidated statements of other comprehensive income

For the three-month period ended March 31, 2021 and March 31, 2020 (unaudited)

	Note	For the three-month period ended March 31,	
		2021 S/(000)	2020 S/(000)
Profit for the period		31,801	10,724
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net gain on cash flow hedges	15(a)	5,895	4,788
Deferred income tax	11	(1,738)	(1,411)
Other comprehensive income for the period, net of income tax		4,157	3,377
Total comprehensive income for the period, net of income tax		35,958	14,101

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

Cementos Pacasmayo S.A.A. and Subsidiaries

Interim condensed consolidated statements of changes in equity

For the three-month period ended March 31, 2021 and March 31, 2020 (unaudited)

	Attributable to equity holders of the parent								
	Capital stock S/(000)	Investment shares S/(000)	Treasury shares S/(000)	Additional paid-in capital S/(000)	Legal reserve S/(000)	Unrealized gain on financial instruments designated at fair value S/(000)	Unrealized gain on cash flow hedge S/(000)	Retained earnings S/(000)	Total equity 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 period	-	-	-	-	-	-	-	10,724	10,724
Other comprehensive income	-	-	-	-	-	-	3,377	-	3,377
Total comprehensive income	-	-	-	-	-	-	3,377	10,724	14,101
Balance as of March 31, 2020	423,868	40,279	(121,258)	432,779	168,636	(2,103)	(14,373)	507,924	1,435,752
Balance as of January 1, 2021	423,868	40,279	(121,258)	432,779	168,636	(14,463)	(18,915)	456,629	1,367,555
Profit for the period	-	-	-	-	-	-	-	31,801	31,801
Other comprehensive income	-	-	-	-	-	-	4,157	-	4,157
Total comprehensive income	-	-	-	-	-	-	4,157	31,801	35,958
Balance as of March 31, 2021	423,868	40,279	(121,258)	432,779	168,636	(14,463)	(14,758)	488,430	1,403,513

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

Cementos Pacasmayo S.A.A. and Subsidiaries

Interim condensed consolidated statements of cash flows

For the three-month period ended March 31, 2021 and March 31, 2020 (unaudited)

	Note	For the three-month period ended March 31,	
		2021 S/(000)	2020 S/(000)
Operating activities			
Profit before income tax		46,277	16,876
Non-cash adjustments to reconcile profit before income tax to net cash flows			
Depreciation and amortization		33,855	34,113
Finance costs		20,836	20,629
Unrealized exchange difference related to monetary transactions		2,576	447
Long-term incentive plan	13	1,671	1,439
Cumulative net loss on settlement of derivative financial instruments		1,569	-
Estimate expected credit loss		707	1,122
(Gain) loss on the valuation of trading derivative financial instruments		(455)	(2,946)
Net gain on disposal of property, plant and equipment	6	(42)	(1,176)
Finance income		(501)	(534)
Other operating, net		(252)	(1,545)
Working capital adjustments			
(Decrease) increase in trade and other receivables		(5,210)	12,609
Increase in prepayments		(19,064)	(5,290)
Increase in inventories		(47,743)	(5,776)
Increase (decrease) in trade and other payables		20,772	(38,568)
		54,996	31,400
Interests received		1,527	518
Interests paid		(32,288)	(29,711)
Income tax paid		(12,463)	(14,003)
Net cash flows provided by (used in) operating activities		11,772	(11,796)

Interim condensed consolidated statements of cash flows (continued)

	Note	For the three-month period ended March 31, 2021 S/(000)	2020 S/(000)
Investing activities			
Proceeds from sale of property, plant and equipment		1,255	841
Collection of loan to third party		140	91
Purchase of property, plant and equipment		(10,657)	(12,210)
Purchase of intangibles assets		(1,763)	(1,562)
Acquisition of term deposits with maturity greater than ninety days		-	(208,990)
Loan to third party		-	(718)
Net cash flows used in investing activities		(11,025)	(222,548)
Financing activities			
Proceeds from sale of derivative financial instruments		3,879	-
Payment of hedge finance cost		(7,202)	(7,732)
Payment of lease liabilities	7	(499)	(460)
Dividends paid		(359)	(45,891)
Bank overdraft		-	13,507
Loan received	9	-	212,350
Net cash flows (used in) provided by financing activities		(4,181)	171,774
Net decrease in cash and cash equivalents		(3,434)	(62,570)
Net foreign exchange difference		(164)	(447)
Cash and cash equivalents at the beginning of the period		308,912	68,266
Cash and cash equivalents at the end of the period	3	305,314	5,249
Transactions with no effect in cash flows:			
Unrealized exchange difference related to monetary transactions		2,576	447
Recognition of right of use assets and lease liabilities in the period	7	212	7,504

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

1. Economic activity

(a) Economic activity -

Cementos Pacasmayo S.A.A. (hereinafter "the Company") was incorporated in 1957 and, in accordance with the General Law of Peruvian Companies, is an open stock corporation with publicly traded share. The Company is a subsidiary of Inversiones ASPI S.A., which holds 50.01 percent of the Company's common shares as of March 31, 2021, December 31, 2020 and March 31, 2020.

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

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

The interim condensed consolidated financial statements of the Company and its subsidiaries (hereinafter the "Group") as of March 31, 2020 and for the three-month period then ended, were approved for issuance by the Company's Management on April 28, 2021. The consolidated financial statements as of December 31, 2020 have been approved by the General Meeting of Shareholders, on March 23, 2021.

(b) COVID 19 -

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

On March 15, 2020, the Peruvian government declared a nationwide state of emergency, effectively shutting down all business considered non-essential (with exception of food production and commercialization, pharmaceuticals and health). As a result, since that date, we shut-down our three plants until the Peruvian government allowed us to restart production and commercial activities on May 20, 2020.

On April 17, 2021 the Government has decided to extend the state of health emergency nationwide for 31 calendar days from May 1, 2021, in order to continue with the prevention, control and health care actions for the protection of the population of the entire country.

During the halt period, we were unable to generate income; however, the Company largely returned to the operating levels prior to the shut-down as of the month of August 2020. The Group has prepared **interim condensed consolidated financial statements** until 31 March 2021 on a going concern basis, which assumes continuity of current business activities and the realization of assets and settlement of liabilities in the ordinary course of business.

Regarding financial obligations, we have not yet seen any changes in our access and cost of funding, however, at the beginning of the nationwide emergency state we took a bank overdraft line and short-term loans as a precautionary measure in order to cover our working capital needs witch were replaced with two loans each one of US$18,000,000 with maturity in July 2021 and annual interest rate of 2.20 per cent and two loans each one of S/79,500,000 with maturity in January 2022 and annual interest rate of 2.62 per cent. As of December 31, 2020, one of the US$18,000,000 loans were paid.

The Company has taken various measures to preserve the health of its employees and to prevent contagion in its administrative and operational areas, such as remote work, rigorous cleaning of work environments, distribution of personal protective equipment, test of suspicious cases and body temperature measurement.

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

2.1 Basis of preparation -

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with Group's annual consolidated financial statements as of December 31, 2020.

New standards, interpretations and amendments

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with the policies considered in the preparation of the consolidated financial statements of the Group at December 31, 2020, except for the adoption of new standards effective as of 1 January 2021. The standards and interpretations relevant to the Group, that are effective since January 1, 2021 are disclosed below.

- *Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform*
  The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform, "LIBOR". A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group since it does not have financial debt agreed with the reference interest rate "LIBOR" or associated hedging relationships. The Group has not adopted early any standard, interpretation or modification that has been issued but is not yet in force.

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

2.2 Basis of consolidation -

The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of March 31, 2021 and 2020.

As of March 31, 2021 and 2020, there was no changes in the participation of the common shares that the Company's had on its subsidiaries; the main activities and information about subsidiaries are revealed on the consolidated financial statements as of December 31, 2020.

2.3 Seasonality of operations -

Seasonality is not relevant to the Group's activities.

3. Cash and cash equivalents

(a) This caption consists of the following:

	As of March 31, 2021 S/(000)	As of December 31, 2020 S/(000)
Cash on hand	215	177
Cash at banks (b)	17,099	22,510
Term deposits with original maturities of ninety days or less (c)	288,000	286,225
	305,314	308,912

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

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

4. Trade and other receivables

As of March 31, 2021 and December 31, 2020 this caption mainly include trade receivables, value-added tax credit (VAT), interest receivables and accounts receivables from related parties. At those dates, approximately 59 % and 63 % of the trade receivables were guaranteed by banks guarantees and mortgages amounting to S/ 51,525,000 and S/ 46,484,000, respectively.

As of March 31, 2021 and 2020, the Group recorded S/707,000 and S/1,122,000, respectively, related to the provision for expected credit losses for trade receivables, which are presented in the caption "Sales and distribution expenses" of the interim condensed consolidated statement of income and; correspond to the best estimate of Management considering the current situation. The Group's Management will continue evaluating the conditions of its client portfolio and, if deemed necessary, the corresponding provisions will be made.

The movement of the allowance for expected credit losses on trade and other receivable for the three-month period ended as of March 31, 2021 and 2020 is as follows:

	2021 S/(000)	2020 S/(000)
Opening balance	14,358	12,781
Additions	707	1,122
Recoveries	-	(8)
Ending balance	15,065	13,895

5. Inventories

As of March 31, 2021 and December 31, 2020 includes goods and finished products, work in progress, raw materials and other supplies to be used in the production process.

6. Property, plant and equipment, net

During the three-month period ended March 31, 2021 the Group's additions amounted approximately to S/ 9,556,000 (S/8,963,000 during the three-month period ended March 31, 2020).

Assets with a net book value of S/ 104,000 were disposed by the Group during the three-month period ended March 31, 2021 (S/819,000 for the three-month period ended March 31, 2020), resulting in a net gain on disposal of S/ 42,000 (S/ 1,176,000 for the three-month period ended March 31, 2020).

As of March 31, 2021 the Group maintains accounts payable related to the acquisition of property, plant and equipment for S/ 3,729,000 (S/ 4,830,000 as of December 31, 2020).

7. Leases

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

The Group also leases certain minor equipment for less than 12 months, the Group has decided to apply the recognition exemption for short term leases (less than 12 months) and for leases of low value assets. The expense for this type of lease amounted to S/285,000 for the three-month period ended March 31, 2021 (S/417,000 as of March 31, 2020) and was recognized in the "Administrative expenses" caption of the interim condensed consolidated statement of profit or loss.

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

	Transportation units S/(000)	Other S/(000)	Total S/(000)
Cost -			
Balance as of January 1, 2020	-	109	109
Additions	7,504	.	7,504
Balance as of March 31, 2020	7,504	109	7,613
Balance as of January 1, 2021	7,504	38	7,542
Additions	212	-	212
Sales and/or retirement	-	(3)	(3)
Balance as of March 31, 2021	7,716	35	7,751
Accumulated depreciation -			
Balance as of January 1, 2020	-	63	63
Additions	372	14	386
Balance as of March 31, 2020	372	77	449
Balance as of January 1, 2021	1,501	35	1,536
Additions	388	-	388
Balance as of March 31, 2021	1,889	35	1,924
Net book value			
As of December 31, 2020	6,003	3	6,006
As of March 31, 2021	5,827	-	5,827

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

	2021 S/(000)	2020 S/(000)
Balance as of January, 1	6,633	57
Additions	212	7,504
Financial interest expense	91	102
Lease payments	(485)	(460)
Others	261	-
Balance as of March 31	6,712	7,203
Maturity		
Current portion	1,662	1,410
Non-current portion	5,050	5,793
Balance as of March 31	6,712	7,203

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

8. Trade and other payables

As of March 31, 2021 and December 31, 2020, this caption includes trade payables, account payables to related parties, interest payable, dividends payable among other minor payables.

As of March 31, 2021 dividends payable amounted to S/ 7,327,000 (S/ 7,686,000 as of December 31, 2020).

9. Financial Obligations

Corporate bonds

On January 31, 2019, corporate bonds were issued in soles for S/260,000,000 at a rate of 6.688 percent per year and maturity of 10 years and; 15-year bonds for S/310,000,000 at a rate of 6.844 percent per year. As of March 31, 2021 and as of December 31, 2020 the corporate bonds issued in US Dollars amounts to US$131,612,000 with an annual rate of 4.5 per cent and maturity in 2023.

For the three-month period ended March 31, 2021 and 2020, the corporate bonds generated interests that have been recognized in the interim condensed consolidated financial statement of profit or loss for S/15,461,000 and S/15,068,000, respectively.

Bank loans

As of March 31, 2021 and December 31, 2020, the Company maintains a loan of US$ 18,000,000 maturing in July 2021 and with an effective annual interest rate of 2.20 percent. Also, the Company maintains two loans of S/ 79,500,000 each maturing in January 2022 and with an effective annual interest rate of 2.62 percent.

Financial covenants –

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

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

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

	Less than 3 months S/(000)	3 to 12 months S/(000)	1 to 5 years S/(000)	More than 5 years S/(000)	Total S/(000)
As of March 31, 2021					
Financial obligations	-	226,644	414,290	570,000	1,210,934
Interests	-	64,516	176,669	174,152	415,337
Trade and other payables	128,971	55,067	-	-	184,038
Hedge finance cost payable	-	16,658	16,658	-	33,316
Lease liabilities	411	1,254	5,047	-	6,712
As of December 31, 2020					
Financial obligations	-	65,232	572,993	570,000	1,208,225
Interests	30,033	35,056	186,607	193,454	445,150
Trade and other payables	142,253	38,235	-	-	180,488
Hedge finance cost payable	8,032	8,032	24,096	-	40,160
Lease liabilities	-	383	1,148	5,102	6,633

10. Provisions

As of March 31, 2021 and December 31, 2020, this caption includes workers' profit sharing, provision for contingencies, long-term incentive plan and rehabilitation provision. The decrease in this liability is mainly explained by the payment of the workers' profit sharing and the long-term incentive plan.

11. Income tax

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

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

	For the three-month period ended March 31,	
	2021 S/(000)	2020 S/(000)
Current income tax	(15,923)	(3,316)
Deferred income tax	1,447	(2,836)
Income tax expense recognized in the interim consolidated statements of profit or loss	(14,476)	(6,152)
Income tax recognized in other comprehensive income	(1,738)	(1,411)
Total income tax	(16,214)	(7,563)

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

	For the three-month period ended March 31,	
	2021 S/(000)	2020 S/(000)
Increase of deferred income tax asset (*)	(644)	2,097
Increase of deferred income tax liability(**)	353	(6,344)
Total variation of deferred income tax	(291)	(4,247)
Deferred income tax expense recognized in interim condensed consolidated statements of profit or loss	1,447	(2,836)
Deferred income tax recognized in other comprehensive income	(1,738)	(1,411)
Total variation of deferred income tax	(291)	(4,247)

(*) As of March 31, 2020 corresponds to the increase of tax-loss carry forward in the subsidiaries Distribuidora Norte Pacasmayo S.R.L. and Dinoselva Iquitos S.A.C.

(**) As of March 31, 2020 corresponds mainly to base difference.

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

	For the three-month period ended March 31,	
	2021 S/(000)	2020 S/(000)
Unrealized gain on derivative financial instruments	(1,738)	(1,411)
Total deferred income tax recognized in other comprehensive income	(1,738)	(1,411)

12. Sales of goods

This caption is made up as follows:

For the three-month period ended March 31, 2021	Cement, concret and precast S/(000)	Quicklime S/(000)	Construction Supplies S/(000)	Other S/(000)	Total S/(000)
Revenue from external customers	430,467	8,515	25,663	160	464,805
Revenue from external customers	430,467	8,515	25,663	160	464,805
For the three-month period ended March 31, 2020					
Revenue from external customers	277,430	6,946	14,655	227	299,258
Revenue from external customers	277,430	6,946	14,655	227	299,258

13. Related party transactions

During the three-months periods ended March 31, 2021 and 2020, the Group carried out the following main transactions with Inversiones ASPI S.A. and its related parties:

	For the three-month period ended March 31,	
	2021 S/(000)	**2020** S/(000)
Income		
Inversiones ASPI S.A.		
Fees from office lease	5	3
Fees for management and administrative services	23	136
Compañía Minera Ares S.A.C. (Ares)		
Fees from land rental services	283	327
Fees from leasing of parking	126	82
Fosfatos del Pacífico S.A. (Fospac)		
Fees from office lease	6	7
Fees for management and administrative services	119	290
Fossal S.A.A. (Fossal)		
Fees from office lease	5	4
Fees for management and administrative services	12	10
Asociación Sumac Tarpuy		
Fees from office lease	5	-
Expenses		
Security services provided by Compañía Minera Ares S.A.C.	(660)	(475)

As a result of these and other transactions, the Group had the following rights and obligations with Inversiones ASPI S.A. and its related parties as of March 31, 2021 and December 31, 2020:

	March 31, 2021		December 31, 2020	
	Accounts receivable S/(000)	**Accounts payable** S/(000)	**Accounts receivable** S/(000)	**Accounts payable** S/(000)
Compañía Minera Ares S.A.C.	840	1,607	678	1,348
Fosfatos del Pacífico S.A.	759	5	1,449	-
Fossal S.A. (Fossal)	87	-	-	-
Inversiones ASPI S.A.	-	167	-	211
Other	45	-	85	-
	1,731	1,779	2,212	1,559

Outstanding balances are unsecured and interest free. There have been no guarantees provided or received from any related party. As of March 31, 2021 and December 31, 2020, the Group has not recorded any allowance for expected credit losses on receivables from related parties.

Compensation of key management personnel of the Group -

The compensation paid to key management personnel includes expenses for profit-sharing, compensation and other concepts for members of the Board of Directors and the key management. The total short-term compensations expense amounted to S/5,115,000 during the three-month period ended March 31, 2021 (S/ 7,312,000 during the three-month period ended March 31, 2020), and the total long-term compensations expense amounted to S/ 1,672,000 during the three-month period ended March 31, 2021 (S/ 1,439,000 during the three-month period ended March 31, 2020). The Group does not compensate Management with post-employment or contract termination benefits or share-based payments.

14. Earnings per share (EPS)

Basic earnings per share amounts are calculated by dividing net profit for the three-month period ended March 31, 2021 and 2020 by the weighted average number of common and investment shares outstanding during those periods.

The Group has no dilutive potential common shares as of March 31, 2021 and 2020.

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

	For the three-month period ended March 31,	
	2021 S/(000)	2020 S/(000)
Numerator		
Net profit attributable to ordinary equity holders of the Parent	31,801	10,724
	Thousands of shares	Thousands of shares
Denominator		
Weighted average number of common and investment shares	428,107	428,107
Basic profit for common and investment shares	0.07	0.03

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

15. Financial assets and liabilities

(a) Financial asset –

Derivatives assets of hedging -

Foreign currency risk –

As of March 31,2021 the Group maintains Cross currency swap contracts for a nominal amount of US$132,000,000 (US $ 150,000,000 as of December 31, 2020), with maturity in 2023 and a rate of 2.97%. Of this total, US$131,612,000 have been designated as hedging instruments for Senior notes that are denominated in U.S. dollars, with the intention of reducing the foreign exchange risk.

The cash flow hedge of the expected future payments was assessed to be highly effective and an unrealized gain of S/ 5,895,000 for the three-month period ended March 31, 2021 (gain of S/4,788,000 for the three-month period ended March 31, 2020) is included in the interim condensed consolidated statement of other comprehensive income. The amounts retained in other comprehensive income as of March 31, 2021 are expected to mature and affect the consolidated statement of profit or loss in 2023, settlement year of cross currency contracts.

Derivate assets from trading -

As of March 31, 2021 and 2020, cross currency swaps that do not have an underlying relationship amounts to US$388,000 and US$18,388,000, respectively, have been designated as trading. The effect on profit or loss from its measurement at fair value was a gain of S/ 455,000 and S/ 2,946,000 for the three-month period ended March 31, 2021 and 2020, respectively.

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

	Carrying amount		Fair value		Fair value hierarchy
	2021	2020	2021	2020	2021/2020
	S/(000)	S/(000)	S/(000)	S/(000)	
Financial assets					
Cash and cash equivalents	305,314	308,912	305,314	308,912	Level 1
Trade and other receivables	100,925	89,627	100,925	89,627	Level 2
Derivative financial assets - "cross currency swaps"	60,232	42,247	60,232	42,247	Level 2
Financial instruments at fair value through other comprehensive income	692	692	692	692	Level 3
Total financial assets	467,163	441,478	467,163	441,478	
Financial liabilities					
Trade and other payables	189,945	187,876	189,945	187,876	Level 2
Senior notes	1,062,192	1,044,352	1,137,959	1,118,492	Level 1
Fixed rate notes	226,644	224,232	229,101	221,607	Level 2
Total financial liabilities	1,478,781	1,456,460	1,557,005	1,527,975	

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

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

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

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

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy. As of March 31, 2021 and December 31, 2020, there were no transfers between the fair value hierarchies.

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

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

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

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

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

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

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

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

Significant unobservable inputs	Weighted average	Fair value sensitivity
Earning growth factor	3.79%	5% increase or decrease of the factor would result in increase (decrease) of fair value in S/ 131,580,000 and (S/456,870,000), respectively.
WACC	8.53%	10% increase or decrease in the discount rate would result in an increase (decrease) in fair value in (S/ 390,352,000) and S/ 169,179,000, respectively.

16. Commitments and contingencies

Operating lease commitments – Group as lessor

As of March 31, 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 annually renewable, and provided a rent for the three-month period ended March 31, 2021 and 2020 for S/283,000 and S/327,000, respectively.

Capital commitments

As of March 31, 2020, the Group had no significant capital commitments.

Environmental matters

The Group exploration and exploitation activities are subject to environmental protection standards. Such standards are the same as those disclosed on the consolidated financial statement as of December 31, 2020.

Tax situation

The Company is subject to Peruvian tax law. As of March 31, 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 transactions with related companies and companies resident in territories with low or no taxation, must be supported with documentation and information on the valuation methods used and the criteria considered for determination. Based on the analysis of operations of the Group, Management and its legal advisors believe that as a result of the application of these standards will not result in significant contingencies for the Group as of March 31, 2021 and December 31, 2020.

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

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

	Years open to review by Tax Authorities	
Entity	**Income tax**	**Value-added tax**
Cementos Pacasmayo S.A.A.	2016-2020	Dec.2016-2021
Cementos Selva S.A.	2016-2020	Dec.2016-2021
Distribuidora Norte Pacasmayo S.R.L.	2016-2020	Dec.2016-2021
Empresa de Transmisión Guadalupe S.A.C.	2016-2020	Dec.2016-2021
Salmueras Sudamericanas S.A.	2016-2020	Dec.2016-2021
Calizas del Norte S.A.C. (on liquidation)	2016-2020	Dec.2016-2021
Soluciones Takay S.A.C.	2019-2020	May to Dec.2019-2021

Due to possible interpretations that the tax authorities may give to legislation in effect, it is not possible to determine whether any of the tax audits that may be performed will result in increased liabilities for the Group. For that reason, tax or surcharge that could arise from future tax audits would be applied to the income during the period in which it is determined. However, in management's opinion, any possible additional payment of taxes would not have a material effect on the interim condensed consolidated financial statements as of March 31, 2021 and the consolidated financial statements as of December 31, 2020.

Legal claim contingency

As of March 31, 2021, some third parties have commenced actions against the Group in relation with its operations which claims in aggregate represent S/11,702,000. From this total amount, S/1,723,000 corresponded to labor claims from former employees; S/7,681,000 linked to resolutions of determination and fine on the property tax of the periods 2009 to 2014 issued by the District Municipality of Pacasmayo and S/2,298,000 related to the tax assessments received from the tax administration corresponding to 2009 tax period, which was reviewed by the tax authority during 2012.

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

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

Mining royalty

The Group signed agreements with third parties and with Peruvian Government related to the use of concessions for extraction activities on process of cement production. The information of the payment of royalties are reveled on the consolidated financial statements of the Group as of December 31, 2020.

17. Segment information

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

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

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

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

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

	For the three-month period ended March 31,					As of March 31, 2021 and December 31, 2020			
	Revenues from external customers S/(000)	Gross margin S/(000)	Profit (loss) before income tax S/(000)	Income tax S/(000)	Profit (loss) for the period S/(000)	Segment assets S/(000)	Other Assets (**) S/(000)	Total asset S/(000)	Total liabilities by segment S/(000)
2021									
Cement, concrete and precast	430,467	131,583	48,065	(15,036)	33,029	2,864,921	60,046	2,924,967	1,620,595
Construction supplies	25,663	599	(1,665)	521	(1,144)	43,264	-	43,264	56,139
Quicklime	8,515	1,088	490	(153)	337	79,904	-	79,904	-
Other (*)	160	(44)	(613)	192	(421)	31,456	878	32,334	222
Total	464,805	133,226	46,277	(14,476)	31,801	3,019,545	60,924	3,080,469	1,676,956
2020									
Cement, concrete and precast	277,430	90,739	18,410	(6,711)	11,699	2,806,803	37,068	2,843,871	1,590,105
Construction supplies	14,655	987	(180)	66	(114)	51,225	-	51,225	58,517
Quicklime	6,946	299	(251)	92	(159)	83,621	-	83,621	-
Other (*)	227	(14)	(1,103)	401	(702)	31,696	5,871	37,567	107
Total	299,258	92,011	16,876	(6,152)	10,724	2,973,345	42,939	3,016,284	1,648,729

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

(**) As of March 31, 2021 corresponds to the financial instruments designated at fair value through other comprehensive income and to the fair value of derivative financial instruments (cross currency swap) for approximately S/692,000 and S/60,232,000, respectively. As of December 31, 2020 corresponds to the financial instruments designated at fair value through other comprehensive income for approximately S/692,000 and fair value of derivative financial instruments (cross currency swap) for approximately S/42,247,000. The fair value of hedge derivative financial instruments is allocated to the segment of cement, and the financial instruments designated at fair value through other comprehensive income and the fair value of the trading derivative financial instrument are presented as "Other".

Geographic information

As of March 31, 2021 and December 31, 2020, all non-current assets are located in Peru and all revenues are from Peruvian clients.

18. Financial risk management, objectives and policies

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

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management is supported by financial management that advises on financial risks and the appropriate financial risk governance framework for the Group. The financial management provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group´s policies and risk objectives.

The Management reviews and agrees policies for managing each of these risks as mentioned in the consolidated financial statements as of December 31, 2020.

Foreign currency risk -

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

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

Foreign currency sensitivity

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

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

As of March 31, 2020	Change in US$ rate	Effect on consolidated profit before tax
U.S. Dollar	%	S/(000)
	+5	(1,207)
	+10	(2,412)
	-5	1,207
	-10	2,412

Liquidity risk -

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and debentures of long term. Access to fund sources is sufficiently available and debt maturing within 12 months can be rolled over under the same conditions with existing lenders, if necessary.

As of March 31, 2021 and December 31, 2020, no portion of the corporate bonds will mature in less than one year.

Risk management activities –

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

As of March 31, 2021 and December 31, 2020, except for the derivatives financial instruments (cross currency swaps) signed by the Company to hedge the foreign currency risk of its Senior Notes, the Group had no other financial instruments to hedge its foreign exchange risk, interest rates or market price (purchase price of coal) fluctuations.

COLEGIO DE CONTADORES PUBLICOS DE LIMA

Constancia de Habilitación

La Decana y la Directora Secretaria del Colegio de Contadores Públicos de Lima, que suscriben, declaran que, en base a los registros de la institución, se ha verificado que:

PAREDES, BURGA & ASOCIADOS S. CIVIL DE R.L.
Nº MATRICULA: SO761

Se encuentra **HABIL**, para el ejercicio de las funciones profesionales que le faculta la Ley N.° 13253 y su modificación Ley N.° 28951 y conforme al Estatuto y Reglamento Interno de esté Colegio; en fe de lo cual y a solicitud de parte, se le extiende la presente constancia para los efectos y usos que estime conveniente. Esta constancia tiene vigencia hasta el 31 de JULIO 2021.

Lima, 2 de Noviembre 2020.

CPC. GUILLERMINA ZAVALA PAUCAR
DECANA

CPC. GLADYS MILAGROS BAZAN ESPINOZA
DIRECTORA SECRETARIA

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ÁREA DE PAGOS POR TRANSFERENCIAS