Unión Andina de Cementos S.A.A.

UN-AUDITED Separate Interim Financial Statements as of March 31, 2017 and December 31, 2016

UNIÓN ANDINA DE CEMENTOS S.A.A.

Statement of Financial Position

As of March 31st, of 2017 and December 31st, 2016

(In thousands of Nuevos Soles)

	Notes	As of March 31st, 2017	As of December 31, 2016
Assets			
Current Assets			
Cash and cash equivalents	3	39,695	54,481
Other Financial Assets		0	0
Trade Accounts Receivable and other accounts receivable	4	**533,565**	**320,125**
Trade Accounts Receivable , net	4	67,602	64,509
Other Accounts Receivable , net	4	21,871	27,666
Accounts Receivable from Related Companies	4	435,568	219,803
Advanced payments	4	8,524	8,147
Inventories	5	690,303	685,629
Biological Assets		0	0
Assets by Income Taxes	4	0	1,469
Other Non-Financial Assets		6,265	7,173
Total Current Assets different than assets or groups of assets for its classified as held for sale or for distribution to owners		**1,269,828**	**1,068,877**
Non-current assets or groups of assets for disposal Classified as Held for Sale		0	0
Non-current assets or groups of assets for its classified as held for distribution to owners		0	0
Non-current assets or groups of assets for disposal Classified as Held for Sale or Held for distribution to owners		**0**	**0**
Total Current Assets		**1,269,828**	**1,068,877**
Non-Current Assets			
Other Financial Assets		0	0
Investments in subsidiaries, joint ventures and associates	6	3,262,984	3,262,977
Trade Accounts Receivables and other accounts receivables	0	**53,546**	**53,546**
Trade Accounts Receivable		0	0
Other Accounts Receivable	4	53,546	53,546
Accounts Receivable from Related companies		0	0
Advanced payments		0	0
Biological Assets		0	0
Investment Property		0	0
Property, Plant and Equipment , net	7	3,931,873	3,989,548
Intangible Assets , net	9	68,336	69,423
Assets Deferred Income Tax		0	0
Surplus value	9	9,745	9,745
Other Assets	8	126,025	127,132
Total Non-current Assets		**7,452,509**	**7,512,371**
TOTAL ASSETS		**8,722,337**	**8,581,248**

	Notes	As of March 31st, 2017	As of December 31, 2016
Liabilities and Stocholders' Equity			
Current Liabilities			
Other Financial Liabilities	11	530,524	750,098
Trade accounts payable and other payable accounts	0	**360,397**	**246,449**
Trade Accounts Payable	10	160,802	90,304
Other Accounts Payable	10	100,234	68,946
Accounts payable to related companies	10	74,570	70,890
Diferred Income	12	24,791	16,309
Provision for Employee Benefits		0	0
Other provisions	13	11,328	16,356
Income Tax Liabilities		33,307	0
Other non-financial liabilities		0	0
Total Current Liabilities different of Liabilities included groups of assets for disposal Classified as Held for Sale		**935,556**	**1,012,903**
Liabilities included in asset groups classified as held for sale		0	0
Total Current Liabilities		**935,556**	**1,012,903**
Non-Current Liabilities			
Other Financial Liabilities	11	3,022,791	3,112,633
Trade accounts payable and other payable accounts	0	**3,249**	**4,200**
Trade Accounts Payable		0	0
Other Accounts Payable		0	0
Accounts payable to related companies	10	3,249	4,200
Deferred Income		0	0
Provision for Employee Benefits		0	0
Other provisions	13	13,023	13,023
Liabilities Deferred Income Taxes	14	530,112	531,844
Other non-financial liabilities	23	8,025	10,492
Total Non-Current Liabilities		**3,577,200**	**3,672,192**
Total Liabilities		**4,512,756**	**4,685,095**
Stockholders' Equity			
Capital Issued	15	1,646,503	1,646,503
Issuance Premiums		0	0
Investment shares		0	0
Treasury Shares in portfolio		0	0
Other Capital Reserves		329,301	329,301
Accrued Results		2,233,460	1,920,070
Other Equity Reserves		317	279
Total Stockholders' Equity		**4,209,581**	**3,896,153**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**8,722,337**	**8,581,248**

UNIÓN ANDINA DE CEMENTOS S.A.A.
Statement Income
For the periods ended March 31st, 2017 and 2016
(In thousands of Nuevos Soles)

	Notes	For the specific quarter from January 1, to March 31st, 2017	For the specific quarter from January 1, to March 31st, 2016	For the cummulative period from January 1st to March 31st, 2017	For the cummulative period from January 1st to March 31st, 2016
Incomes from ordinary activities		446,078	456,929	446,078	456,929
Cost of Sales		-247,173	-243,132	-247,173	-243,132
Profit (Loss) Gross	**16**	**198,905**	**213,797**	**198,905**	**213,797**
Sales Expenses		-16,286	-18,597	-16,286	-18,597
Administrative expenses		-73,805	-72,033	-73,805	-72,033
Profit (Loss) in the write-off of financial assets carried at amortized cost		-	-	-	-
Other Operating Income	17	258,916	224,442	258,916	224,442
Other Operating Expenses	17	-24,561	-3,104	-24,561	-3,104
Other profit (loss)		-	-	-	-
Profit (Loss) from operating activities		**343,169**	**344,505**	**343,169**	**344,505**
Financial Income		3,208	2,024	3,208	2,024
Financial Expenses	18	-59,070	-54,383	-59,070	-54,383
Exchange differences, net		85,239	63,439	85,239	63,439
Other income (expense) from subsidiaries, joint ventures and associates		-	-	-	-
Share of Profit (Loss) in net results from Equity-Accounted Joint Ventures and related companies		-	-	-	-
Difference between the book value of the distributed assets and the book value of the divided payable		-	-	-	-
Gains before Income tax		**372,546**	**355,585**	**372,546**	**355,585**
Income tax expenses	14(b)	-37,751	-40,811	-37,751	-40,811
Profit (Loss) Net of Continued Operations		**334,795**	**314,774**	**334,795**	**314,774**
Profit (loss) net of the tax to the profit from discontinued operations		-	-	-	-
Profit (loss) net of the year		**334,795**	**314,774**	**334,795**	**314,774**

UNIÓN ANDINA DE CEMENTOS S.A.A.
Statement of Comprehensive Income
For the periods ended March 31st, 2017 and 2016
(In thousands of Nuevos Soles)

	Notas	For the specific quarter from January 1, to March 31st, 2017	For the specific quarter from January 1, to March 31st, 2016	For the cummulative period from January 1st to March 31st, 2017	For the cummulative period from January 1st to March 31st, 2016
Net Profit (Loss) of the year		**334,795**	**314,774**	**334,795**	**314,774**
Components of other comprehensive income:					
Net Change for Cash Flow Hedges		0	0	0	0
Hedges of a Net Investment in a Foreign Operation		0	0	0	0
Profit (Loss) in equity instrument investments at fair value		0	0	0	0
Exchange difference on translation of Foreign Operations		0	0	0	0
Net variation of non-current assets or groups of assets held for sale		0	0	0	0
Revaluation Surplus		0	0	0	0
Actuarial Gain (Loss) on defined benefit pension plans		0	0	0	0
Changes in the fair value of financial liabilities attributable to changes in the credit risk of the liability		0	0	0	0
Other Comprehensive Income Pre Tax		**-**	**-**	**-**	**-**
Income tax relating to components of other comprehensive income					
Net Change for Cash Flow Hedges		38	-579	38	-579
Hedges of a Net Investment in a Foreign Operation		0	0	0	0
Profit (Loss) in equity instrument investments at fair value		0	0	0	0
Exchange difference on translation of Foreign Operations		0	0	0	0
Net variation of non-current assets or groups of assets held for sale		0	0	0	0
Revaluation Surplus		0	0	0	0
Actuarial Gain (Loss) on defined benefit pension plans		0	0	0	0
Changes in the fair value of financial liabilities attributable to changes in the credit risk of the liability		0	0	0	0
Sum of Income Tax-Related Components of other comprehensive income		**38**	**-579**	**38**	**-579**
Other Comprehensive Income		**38**	**-579**	**38**	**-579**
Total Comprehensive Income for the period , net of income tax		**334,833**	**314,195**	**334,833**	**314,195**

UNIÓN ANDINA DE CEMENTOS S.A.A.
Statement of Cash Flow
Direct Method
For the periods ended March 31st, 2017 and 2016
(In thousands of Nuevos Soles)

	Notes	As of January 1st, 2017 to March 31st, 2017	As of January 1st, 2016 to March 31st, 2016
Operating activities cash flows			
Types of cash collections from operating activities			
Sale of Goods and Services		565,382	467,006
Royalties, fees, commissions and other income from ordinary activities		21,156	25,317
Contracts held for brokering or trading purposes		0	0
Lease and subsequent sales of such assets		0	0
Other Cash Receipts Related to Operating Activity		0	0
Types of cash collections from operating activities			
Suppliers of goods and services		-253,673	-329,464
Contracts held for brokering or trading purposes		0	0
cash payments to and on behalf of employees		-48,895	-30,364
Elaboration or acquisition of assets to be leased and other assets held for sale		0	0
Other Cash Payments Related to Operating Activity		0	0
Cash flows and cash equivalents from (used in) Operating Activities		**283,970**	**132,495**
Interests received (not included in the Investment Activities)		0	0
Interests paid (not included in the Investment Activities)		-36,687	-26,104
Dividends Received (not included in the Investment Activities)		0	0
Dividends Paid (not included in the Investment Activities)		0	0
Income tax (paid) reimbursed		-3,648	-12,600
Other cash collections (payments)		0	0
Cash flows and cash equivalents from (used in) Operating Activities		**243,635**	**93,791**
Cash flows from Investment activities			
Type of cash collections from investment activities			
Reimbursement of loan repayment and loans granted to third parties		0	0
Loss of control of subsidiaries or other businesses		0	0
Loan repayments received from related parties		0	0
Sale of Equity-related Financial Instruments or debt of other entities		0	0
Derivatives contracts (Futures, Forwards or Options)		0	0
Sales of Interest in Joint Ventures, Net of the expropriated cash		0	0
Sale of Property, Plant and Equipment		0	0
Sale of intangible assets		0	0
Sale of other long- term assets		0	0
Government Subventions		0	0
Interests received		0	0
Dividends received		0	0
Type of cash payments from investment activities			
Advances and loans granted to third parties		0	0
Controlling interest of subsidiaries and other businesses		0	0
Loans from related		0	0
Purchase of Financial Instruments of equity or debt of other entities		-7	-300
Derivatives contracts (Futures, Forwards or Options)		0	0
Purchase of Subsidiaries, Net of cash acquired		0	0
Purchase of Joint Venture shares, Net of the cash acquired		0	0
Purchase of Property, Plant and Equipment		-17,849	-40,535
Purchase of intangible assets		-270	-921
Purchase of other long- term assets		0	0
Income tax (paid) reimbursed		0	0
Other cash receipts (payments) relating to Investment activities			
Cash flows and cash equivalents from (used in) investing activities		**-18,126**	**-41,756**
Cash flows from Financing activities			

UNIÓN ANDINA DE CEMENTOS S.A.A.
Statement of Cash Flow
Direct Method
For the periods ended March 31st, 2017 and 2016
(In thousands of Nuevos Soles)

	Notes	As of January 1st, 2017 to March 31st, 2017	As of January 1st, 2016 to March 31st, 2016
Type of cash collections from financing activities			
Loan securing		151,352	0
Loans from related entities		0	0
Changes to the subsidiaries ownership interest not resulting in the loss of control		0	0
Issuance of Shares		0	0
Issuance of Other Equity Instruments		0	0
Government Subventions		0	0
Type of cash payments from financing activities		0	0
Loan Amortization or payment		-370,230	-72,830
Financial leasing liabilities		0	0
Loans from related entities		0	0
Changes to the subsidiaries ownership interest not resulting in the loss of control		0	0
Redemption or repurchase of the entities' shares (Shares in the portfolio)		0	0
Acquisition of other equity interest		0	0
Interests paid		0	0
Dividends paid		-21,395	-21,400
Income tax (paid) reimbursed		0	0
Other cash receipts (payments) relating to financing activities		0	0
Cash flows and cash equivalents from (used in) financing activities		**-240,273**	**-94,230**
Increase (Decrease) in Net Cash and cash equivalents, before Changes in Foreign Exchange Rates		**-14,764**	**-42,195**
Effects of Changes in Foreign Exchange Rates on Cash and Cash Equivalents		-22	-356
Increase (Decrease) in Net Cash and Cash Equivalents		**-14,786**	**-42,551**
Cash and cash equivalents at beginning of year		**54,481**	**131,043**
Cash and cash equivalents at end of year		**39,695**	**88,492**

UNIÓN ANDINA DE CEMENTOS S.A.A.
Statement of change in Stockholder's Equity
For the periods ended March 31st, 2017 and 2016
(In thousands of Nuevos Soles)

	Capital Issued	Issuance Premiums	Investment shares	Treasury Shares in Portfolio	Other Capital Reserves	Accrued Results	Other Equity Reserves									Total Stockholders' Equity
							Cash Flow Hedges	Investment Hedges, net of foreign businesses	Investments in equity instruments accounted at fair value	Exchange difference on translation of Foreign Operations	Non-current assets or groups of assets for held for sale	Revaluation Surplus	Actuarial Profit (Loss) on defined benefit plans	Changes in the fair value of financial liabilities attributable to changes in the credit risk of the liability	Subtotal	
Balances as of January 1, 2016	1,646,503	-		-	312,273	1,710,488	331								331	3,669,595
1. Changes in Accounting Policies	-	-	-	-	-	-	-								-	-
2. Correction of Errors	-	-	-	-	-	-	-								-	-
3. Restated Initial Balance	1,646,503	-	-	-	312,273	1,710,488	331	-	-	-	-	-	-	-	331	3,669,595
4. Changes in Stockholders' Equity:																
5. Comprehensive Income:																
6. Gain (Loss) for the year						314,774										314,774
7. Other Comprehensive Income:						-	-579	-	-	-	-	-	-	-	-579	-579
8. Comprehensive Income - Total year						314,774	-579	-	-	-	-	-	-	-	-579	314,195
9. Cash Dividends Declared					-	-21,405										-21,405
10. Equity Issuance (reduction)	-	-	-	-	-	-										-
11. Reduction or amortization of Investment shares		-	-	-		-										-
12. Increase (decrease) in Other Contributions by Owners	-	-	-	-	-	-										-
13. Decrease (Increase) for Other Distributions to Owners	-	-	-	-	-	-										-
14. Increase (Decrease) due to changes in the subsidiaries ownership interest not resulting in the loss of control	-	-	-	-	-	-										-
15. Increase (decrease) for transactions with Treasury Shares in Portfolio	-	-	-	-	-	-										-
16. Increase (Decrease) for Transfer and other Equity Changes	-	-	-	-	17,028	-17,028										-
Total Equity Increase (decrease)	-	-	-	-	17,028	276,341	-579	-	-	-	-	-	-	-	-579	292,790
Balance as of March 31st, 2016	1,646,503	-		-	329,301	1,986,829	-248	-		-		-		-	-248	3,962,385
Balance as of January 1, 2017	1,646,503	-		-	329,301	1,920,070	279			-		-		-	279	3,896,153
1. Changes in Accounting Policies	-	-	-	-	-	-			-	-	-	-	-	-	-	-
2. Correction of Errors	-	-	-	-	-	-			-	-	-	-	-	-	-	-
3. Restated Initial Balance	1,646,503	-	-	-	329,301	1,920,070	279		-		-		-	-	279	3,896,153
4. Changes in Stockholders' Equity:																
5. Comprehensive Income:																
6. Gain (Loss) for the year						334,795										334,795
7. Other Comprehensive Income:						-	38	-	-	-	-	-	-	-	38	38
8. Comprehensive Income - Total year						334,795	38		-		-		-	-	38	334,833
9. Cash Dividends Declared					-	-21,405										-21,405
10. Equity Issuance (reduction)	-	-	-	-	-	-										-
11. Reduction or amortization of Investment shares		-	-	-		-										-
12. Increase (decrease) in Other Contributions by Owners	-	-	-	-	-	-										-
13. Decrease (Increase) for Other Distributions to Owners	-	-	-	-	-	-										-
14. Increase (Decrease) due to changes in the subsidiaries ownership interest not resulting in the loss of control	-	-	-	-	-	-										-
15. Increase (decrease) for transactions with Treasury Shares in Portfolio	-	-	-	-	-	-										-
16. Increase (Decrease) for Transfer and other Equity Changes	-	-	-	-	-	-										-
Total Equity Increase (decrease)	-	-	-	-	-	313,390	38	-	-	-	-	-	-	-	38	313,428
Balance as of March 31st, 2017	1,646,503	-	-	-	329,301	2,233,460	317	-	-	-	-	-	-	-	317	4,209,581

Unión Andina de Cementos S.A.A.

UN-AUDITED Separate Interim Financial Statements

As of March 31, 2017 and December 31, 2016

1. Identification and economic activity

Unión Andina de Cementos S.A.A. (hereinafter "the Company") was incorporated in December 1967. The Company is a subsidiary of Sindicato de Inversiones y Administración S.A. (hereinafter "the Principal") which holds 43.40 percent of the Company's issued capital, which in turn is a subsidiary of Inversiones JRPR S.A., ultimate parent of the consolidated economic group. On July 24, 2012, the General Shareholders' Meeting approved to change the Company's name from Cementos Lima S.A.A. to Unión Andina de Cementos S.A.A.

The registered office of the Company is located at Av. Atocongo 2440, Villa María del Triunfo, Lima, Peru.

The Company's main activity is the production and sale, for local and foreign sales of cement and clinker. For this purpose, the Company owns two plants located at Lima and Junín, whose capacity is 6.7 million tons of clinker and 8.3 million tons of cement.

The separate financial statements as of the first quarter, 2017 have been issued with Management authorization and on April 28, 2017 will be presented for the approval of the Boards of Directors. The Separate financial statements of 2016 were approved on March 23, 2017 by the Board of Directors and the Shareholders within the terms established by law.

2. Summary of significant accounting policies

The accounting policies adopted to prepare the separate financial statement are consistent with those applied on December 31, 2016, except when otherwise indicated.

2.1 Basis of preparation -

The Company Separate Interim Financial Statements have been prepared according with the IAS 34 Interim financial information issued by the International Accounting Standards Board (IASB).

The separate financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The separate financial statements are presented in Soles and all values are rounded to the nearest thousand (S/000), except when otherwise indicated.

The interim financial statements provide comparative information for earlier periods, however, does not include all information and disclosures required in the annual financial statements and should therefore be read in conjunction with the audited report as of and for the year ended on December 31, 2016.

2.2. New accounting standards

Below are described those standards and interpretations applicable to the Company, that have been published, but not yet effective up to the date of issuance of the Company's separate financial statement. The Company intends to adopt these standards and interpretations, if applicable, when they are in force.

- *IFRS 9 "Financial Instruments"*

  In July 2014, the IASB issued the final version of IFRS 9 "Financial Instruments" which reflects all phases of the financial instruments project and replaces IAS 39 "Financial Instruments: Recognition and Measurement" and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but the provision of comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The adoption of IFRS 9 would have not significant effect on the classification and measurement of the Company's financial assets and liabilities

- *IFRS 15 "Revenues from Contracts with Customers"*

  IFRS 15 was issued in May 2014 and established a five-step model to be applied to those revenue from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the contractual consideration which has been agreed with the customer. The accounting principles in IFRS 15 provides a more structured approach to measure and recognize revenue approach. This new IFRS on income will apply to all entities, and replace all the requirements of revenue recognition under IFRS. It required a full or modified retrospective application for those annual periods beginning on January 1, 2018, and its adoption is permitted in advance. The Company is currently assessing the impact of IFRS 15 on its financial statements and plans to adopt this new standard on the required effective date.

- *IFRS 16 "Leases"*

  IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases. This new IFRS is required to apply for those annual periods beginning on January 1, 2019, and is allowed to be adopted in advance. The Company is currently assessing the impact of IFRS 16 on its financial statements and plans to adopt this new standard on the required effective date.

3. Cash and cash equivalents

(a) This item is made up as follows:

	As of March 31, 2017 S/(000)	As of December 31, 2016 S/(000)
Petty cash	839	847
Current accounts (b)	6,525	12,066
Time deposits (c)	32,331	41,568
	39,695	54,481

(b) Current accounts are maintained in local and foreign currency, kept in domestic and foreign banks and are freely available. These deposits earn interest at market rates.

(c) Corresponds to time deposits in domestic banks denominated in local and foreign currency, earn interest at market rates and have original maturities shorter than 3 months.

4. Trade and other receivable, net

(a) This item is made up as follows:

	Current		Non-current	
	As of March 31 2017 S/(000)	As of December 31, 2016 S/(000)	As of March 31 2017 S/(000)	As of December 31, 2016 S/(000)
Trade accounts receivable, (b)	67,602	64,509	-	-
Accounts receivable from related parties, note 19(c)	435,568	219,803	-	-
Advances to suppliers	8,524	8,147	-	-
Loans to employees (d)	2,754	4,092	12,225	12,225
Claims to third parties	7,082	10,846	2,922	2,922
Derivative financial instruments, note 22.1(i)	449	396	-	-
Other accounts receivable	14,785	15,702	-	-
	536,764	323,495	15,147	15,147
Advance payments of income tax (c)	-	1,469	-	-
Claims to Tax Authority (e)	179	-	38,399	38,399
	179	1,469	38,399	38,399
Less – Allowance for doubtful accounts (f)	(3,378)	(3,370)	-	-
	533,565	321,594	53,546	53,546

(b) Trade account receivables are mainly denominated in Soles, have current maturities, do not bear interest, have no specific guarantees and do not present significant overdue balances.

(c) As of December 31, 2016, corresponds to advance payments of income tax, paid on those dates, in addition to payments of temporary tax on net assets, and credit from public works tax deduction.

(d) As of March 31, 2017 and December 31,2016 corresponds mainly to loans to employees, which will be collected within four years according to the agreements signed by the Company. On March 2016, the Company granted loans to the employees an amounting to S/4,295,000.

(e) As of March 31, 2017 and December 31, 2016 corresponds mainly to claims submitted to the Tax Authority for the return of overpayment of income tax and selective excise of previous year, see note 21.4.

In Management´s opinion, these funds will be recovered in long term.

(f) The aging analysis of trade receivables and other as of March 31, 2017 and December 31, 2016 is as follows:

	As of March 31, 2017		
	Non-impaired S/(000)	Impaired S/(000)	Total S/(000)
Outstanding -	393,578	-	393,578
Past due -			
- Up to 1 month	21,461	-	21,461
- From 1 to 3 months	22,322	-	22,322
- From 3 to 6 months	19,515	-	19,515
- More than 6 months	130,235	3,378	133,613
Total (*)	587,111	3,378	590,489

	As of December 31, 2016		
	Non-impaired S/(000)	Impaired S/(000)	Total S/(000)
Outstanding -	184,248	-	184,248
Past due -			
- Up to 1 month	39,250	-	39,250
- From 1 to 3 months	12,715	-	12,715
- From 3 to 6 months	121,218	-	121,218
- More than 6 months	16,240	3,370	19,610
Total (*)	373,671	3,370	377,041

(*) The balance does not include payments of income tax by approximately S/1,469,000 as of December 31, 2016 respectively.

In the note 22.2 on credit risk and accounts receivable, it is explained how the Company manages and measures the credit risk of trade receivables that are neither past due nor impaired.

(g) In Management's opinion, the allowance for doubtful accounts adequately covers the credit risk as of March 31, 2017 and December 31, 2016.

5. Inventories

(a) This item is made up as follows:

	As of March 31, 2017 S/(000)	As of December 31, 2016 S/(000)
Finished goods	12,216	20,521
Work in progress (b)	268,406	252,634
Raw and auxiliary materials (c)	178,040	180,399
Packages and packing	29,021	30,316
Spare parts and supplies (d)	218,320	208,352
	706,003	692,222
Allowance for inventory obsolescence.	(15,700)	(6,593)
	690,303	685,629

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

(c) Raw and auxiliary materials mainly include imported and domestic coal. As of March 31, 2017, the Company has in stock coal for approximately S/57,099,0000 (S/66,261,000 as of December 31, 2016). In addition, as of March 31, 2017 and December 31, 2016, the Company has remained in the store Drake Cement LLC (Company´s subsidiary) Clinker for approximately S/58,920,000.

(d) As of March 31, 2017 and December 31, 2016, the Company maintains no significant and necessary supplies parts to provide maintenance to the machinery and kilns of plants Atocongo and Condorcocha; these plants are evaluated through technical reviews, and in turn comply with the provisions of quality and are in proper storage conditions.

(e) In opinion of Company's Management, the allowance for obsolescence of inventories covers appropriately its obsolescence risk as of March 31, 2017 and December 31, 2016.

6. **Investments in subsidiaries and other**

(a) This item is made up as follows:

	Economic activity	Country	Percentage of share Share participation		Carrying value	
			As of March 31, 2017 %	As of December 31, 2016 %	As of March 31, 2017 S/(000)	As of December 31, 2016 S/(000)
(f) Investments in subsidiaries -						
Inversiones Imbabura S.A.	Holding	Peru (subsidiary in Colombia)	99.99	99.99	1,516,724	1,516,724
Skanon Investments Inc.	Cement and Concrete	Unites States	85.05	85.05	1,025,145	1,025,145
Compañía Eléctrica El Platanal S.A.	Electrical energy	Peru	90.00	90.00	567,829	567,829
Inversiones en Concreto y Afines S.A.	Holding	Peru	93.38	93.38	67,036	67,036
Transportes Lurín S.A.	Services	Peru	99.99	99.99	64,250	64,250
Prefabricados Andinos S.A.	Precast	Chile	51.00	51.00	20,021	20,021
Prefabricados Andinos Perú S.A.C.	Precast	Peru (subsidiary in Colombia)	50.02	50.02	17,537	17,537
Depósito Aduanero Conchán S.A.	Services	Peru	99.99	99.50	2,783	2,783
Minera Adelaida S.A.	Holding	Peru	99.99	99.99	2,468	2,461
Generación Eléctrica de Atocongo S.A.	Services	Peru	99.85	99.85	125	125
Other:						
Ferrocarril central Andino S.A.	Services	Peru	16.49	16.49	7,567	7,567
Others					224	224
					3,291,709	3,291,702
Allowance for impairment of investments (b)					(28,725)	(28,725)
					3,262,984	3,262,977

The Company records its investments in subsidiaries and held to maturity at cost.

A brief summary of the activities of the most significant subsidiaries of the Company is presented below:

- Inversiones Imbabura S.A. (IMBABURA)

  It is a company incorporated on July 2014. The main activity is the investment in values in companies established in Ecuador, mainly, dedicated to related activities with the cement industry, the supply of pre-mixed concrete, building materials and related activities.

  On November 25, 2014, Imbabura acquired 98.57 percent of the shares representing capital of UNACEM Ecuador S.A. ("UNACEM Ecuador") and subsidiaries and thereby acquired the control on it; whose economic activity is the production and sale of cement in Ecuador.

  On December 2014, IMBABURA acquired a 0.32 percent additional of the shares with right to vote of UNACEM Ecuador, increasing its participation to 98.89 percent.

In 2015, the Company made a capital contribution of approximately US$327,000 (equivalent to S/989,000), with which obtained 1,231 shares representing the capital of UNACEM Ecuador.

- Skanon Investments Inc. – SKANON
  It is a non-resident company incorporated in February 2007 under the laws of the State of Arizona in the United States of America. SKANON owns 94.15 percent of Drake Cement LLC, a company domiciled in the United States of America, which built cement plant in Yavapai County, in northern Arizona.

- Compañía Eléctrica El Platanal S.A. - CELEPSA
  It is a company incorporated in Lima in December 2005. It is dedicated to the generation and sale of electricity, using water resources, geothermal and thermal, as well as to the operation of its property and facilities in general. CELEPSA directly and indirectly the 100 percent of participations of the shares of capital Hidroeléctrica Marañón S.R.L. – HIDROMARAÑON, proprietary company of Hidroeléctrica Marañon project, located on the river whit the same name near the town Nuevas Flores, department of Huánuco. As of December 31, 2016, the project is in pre-operative stage and will begin its commercial operations in the second quarter of 2017.

- Inversiones en Concreto y Afines S.A. - INVECO
  It is a company incorporated in Lima in April 1996, dedicated to investing in companies principally engaged in supplying concrete ready-mix, building materials and related activities, through its subsidiary Unión Concreteras S.A.-UNICON, on which holds a participation of 99.90 percent, which is also the owner in 99.90 percent of Concremax S.A.-CONCREMAX, dedicated to the same activity.

- Transportes Lurín S.A. - LURIN
  It is a company incorporated in Lima in July 1990. The General Shareholders' Meeting held on February 23, 2015 agreed the extending of core business through which the company will can to dedicate to the activity of creation, design, development and administration of own and third parties franchises, and any other activities conducive to carrying out the above in the condition of franchisor and/or franchisors, being able to sign franchise agreements and others, necessary for the development of such activities.

- Prefabricados Andinos S.A. – PREANSA Chile
  It is a company constituted in November 1996. The mainly activity of PREANSA Chile is the manufacture, sale and rental of all types of products especially concrete for industrial construction.

  On January 2014, the Company acquired 51 percent of the equity shares of PREANSA Chile for a total amount of US$7,140,000 (equivalent to approximately S/20,021,000).

- Prefabricados Andinos Perú S.A.C. – PREANSA Peru
  It is a company founded in Lima in October 2007. The mainly activity of PREANSA Peru is the manufactures of prestressed concrete structures and precast concrete, as well as the sells these products in Peru and abroad. PREANSA Peru own 100 percent of the of the share capital in its subsidiary Prefafricados Andinos Colombia S.A.S. (hereinafter "PREANSA Colombia"), which operate from November 1, 2016.

In 2017, the Company performed new capital contribution of approximately S/7,000 in Minera Adelaida S.A. (during 2016, the performed new capital contributions for approximately S/2.220,000 in Depósito Aduanero Conchán S.A.).

(b) As of March 31, 2017 and December 31, 2016, the Company´s Management expect than the allowance for impairment of investments to S/28,725,000 substantively related to Transportes Lurín S.A.

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

(a) The table below presents the changes in Mining concessions and property, plant and equipment, net:

	Concessions (b) S/(000)	Land S/(000)	Mine closure S/(000)	Buildings and constructions S/(000)	Other installations S/(000)	Machinery and equipment S/(000)	Transportation units S/(000)	Furniture and fixtures S/(000)	Other equipment S/(000)	Units in transit S/(000)	Work in progress (d) S/(000)	Total S/(000)
Cost -												
As of January 1, 2016	41,705	586,223	9,629	739,312	60,007	2,580,328	24,033	17,141	61,187	-	723,141	4,842,706
Additions	1,836	-	575	-	1,852	-	1,012	81	584	-	154,703	160,643
Transfers	-	-	-	164,858	28,794	157,996	-	-	183	-	(351,831)	-
Withdrawals	-	-	-	-	-	-	(622)	-	-	-	38	(584)
As of December 31, 2016	43,541	586,223	10,204	904,170	90,653	2,738,324	24,423	17,222	61,954	-	526,051	5,002,765
Additions (d)	-	-	-	-	-	-	-	7	-	-	17,842	17,849
Transfers	-	-	-	145,210	2,299	50,600	-	122	-	-	(198,231)	-
Withdrawals	-	-	-	-	-	-	(117)	-	-	-	-	(117)
As of March 31, 2017	43,541	586,223	10,204	1,049,380	92,952	2,788,924	24,306	17,351	61,954	-	345,662	5,020,497
Accumulated depreciation -												
As of January 1, 2016	10,260	-	3,380	137,596	44,759	547,135	17,104	14,911	42,156	-	-	817,301
Period depreciation (e)	267	-	1,238	34,204	4,353	149,686	2,622	515	3,523	-	-	196,408
Withdrawals	-	-	(1)	-	-	(21)	(470)	-	-	-	-	(492)
As of December 31, 2016	10,527	-	4,617	171,800	49,112	696,800	19,256	15,426	45,679	-	-	1,013,217
Period depreciation (e)	17,067	-	230	11,055	1,171	44,431	583	122	780	-	-	75,439
Withdrawals	-	-	-	(7)	-	(2)	(23)	-	-	-	-	(32)
As of March 31, 2017	27,594	-	4,847	182,848	50,283	741,229	19,815	15,548	46,459	-	-	1,088,624
Net book value -												
As of March 31, 2017	15,497	586,223	5,357	866,532	42,669	2,047,695	4,490	1,803	15,495	-	345,662	3,931.873
As of December 31, 2016	33,014	586,223	5,587	732,370	41,541	2,041,524	5,167	1,796	16,275	-	526,051	3,989,548

(b) As of March 31, 2017 and December 31, 2016, corresponds mainly to the concessions of the quarries of Atocongo, Atocongo Norte, Pucará and Oyón.

(c) As of March 31, 2017, the carrying value of fixed assets acquired through finance leases amounted to approximately S/468,022,000 (S/474,207,000 as of December 2016). The leased assets guaranteed financial lease liabilities, see note 11(d).

(d) The main additions of 2017 correspond mainly to Carpapata III Hydroelectric plant for S/ 4,716,000 and other projects for minor amounts. The main additions during the years 2016 correspond to the projects at the plant Condorcocha, related to Carpapata III hydroelectric plant, Cement Mill VIII and packing machine V for approximately S/94,177,000.

On January 2017, the Company culminated the construction and initiated the use of the projects Cement Mill VIII and Packing Machine V located at the plant Condorcocha by a cost of approximately S/196,482,000, which were transferred of work in progress a to its correspondent classification in the item "Mining concessions and property, plant and equipment, net".

On May 2016, the Company culminated the construction and initiated the use of the projects Cement Mill VIII and Packing Machine V located at the plant Condorcocha by a cost of approximately S/322,996,000, which were transferred of work in progress a to its correspondent classification in the item "Mining concessions and property, plant and equipment, net".

(e) The depreciation was distributed as follows:

	As of March 31 2017 S/(000)	As of March 31 2016 S/(000)
Cost of sales,	61,813	43,763
Administrative expenses	1,669	1,435
Others	11,797	-
Work-in-process	160	273
	75,439	45,471

(f) The amount of borrowing costs capitalized during the period ended December 31, 2016 was approximately S/13,126,000, which are related to qualified assets. Interest rates used to determine the amount of borrowing costs eligible for capitalization were between 5.55 percent.

(g) As of March 31, 2017 and December 31, 2016, the Company's Management in basis to its evaluation on the condition of use, the Company has not identified an impairment loss of value for assets for which, in its opinion, the net book value of the assets are recoverably with the futures profits that generate the Company.

(h) In Management's opinion, the Company has insurance policies to adequately cover all of its fixed assets.

8. Deferred Stripping assets

(a) This item is made up as follows:

	S/(000)
Cost -	
As of January 1, 2016	164,912
Additions	-
As of December 31, 2016	164,912
Additions	-
As of March 31, 2017	164,912
Accumulated depreciation -	
As of January 1, 2016	(33,250)
Additions	(4,530)
As of December 31, 2016	(37,780)
Additions	(1,107)
As of March 31, 2017	(38,887)
Net book value -	
As of March 31, 2017	126,025
As of December 31, 2016	127,132

As of March 31, 2017 and December 31, 2016, the Company has three identifiable components that allow a specific volume of limestone quarries and waste. Atocongo quarry; North Atocongo and Pucará quarry.

As of March 31, 2017, the Company and its technical advisors determined 174,513,000 and 156,031,000 tons of limestone reserves and related waste limestone to be extracted in the future, respectively (175,495,000 and 156,142,000 tons at December 31, 2016, respectively), which are determined and controlled by identifiable component.

Limestone production and removal of waste during 2017 was 982,433 and 111,180 tons, respectively from quarries Atocongo; North Atocongo and Pucará. The cost for the preparation of quarries for waste removal 2017 amounts to approximate S/523,000 (S/5,189,000 as of December 31, 2016).

9. Intangible assets, net

(a) The table below presents the components of this item:

	Concession for electricity generation (b) S/(000)	Goodwill (c) S/(000)	Software S/(000)	Environmental protection program S/(000)	Other S/(000)	Total S/(000)
Cost -						
As of January 1, 2016	61,330	9,745	17,014	17,071	6,070	111,230
Additions	-	-	2,358	-	2,086	4,444
Withdrawals	-	-	-	-	-	-
As of December 31, 2016	61,330	9,745	19,372	17,071	8,156	115,674
Additions	-	-	167	-	103	270
As of March 31, 2017	61,330	9,745	19,539	17,071	8,259	115,944
Accumulated amortization -						
As of January 1, 2016	8,589	-	5,511	16,834	361	31,295
Accumulated amortization	1,484	-	2,931	237	559	5,211
As of December 31, 2016	10,073	-	8,442	17,071	920	36,506
Accumulated amortization	371	-	783	-	203	1,357
As of March 31, 2017	10,444	-	9,225	17,071	1,123	37,863
Net book value -						
As of March 31, 2017	50,886	9,745	10,314	-	7,136	78,081
As of December 31, 2016	51,257	9,745	10,930	-	7,236	79,168

(b) This amount corresponds to the expenditures to develop the overall project "El Platanal" consisting of the construction of two hydroelectric reservoirs and a system for the irrigation of uncultivated lands, and also to obtain the final concession to develop the activity of electricity generation, which was obtained by the Company, through Supreme Resolution N°130-2001-EM, dated July 25, 2001. On September 12, 2006, the transfer of the concession and the assignment of use of the "El Platanal" project to its subsidiary Compañía Eléctrica El Platanal S.A. (CELEPSA) was approved by Supreme Resolution N°053-2006-EM for a period of 25 years from March 30, 2011, whereby the Company receives royalties in exchange equivalent to 3.55 percent of net monthly income obtained by CELEPSA, on sales of energy and power to third parties. As of March 31, 2017 and December 31, 2016, the Company amortizes the cost incurred to develop the project, during the term of the contract (25 years).

(c) Effective 2003, the Company acquired 100 percent of the shares representing the capital stock of Lar Carbón S.A. The acquisition was recorded using the purchase method, by means of which the Company recorded adjustments to its separate financial statements to reflect the assets and liabilities acquired at their fair values at the acquisition date. As a result of this acquisition, the Company recognized goodwill of S/9,745,000 and later in 2011 such Company was merged by absorption.

The recoverable amount of coal grinding plant (generating unit) is established on the basis of calculation of value in use, which uses projections of cash flows on preliminary financial budgets prepared by Management covering a 5-year period, calculated on the resource base. As a result of this analysis, no impairment loss on this unit was found. Management believes that there will not be significant changes in estimated production volumes, which would produce that the book value of these assets exceeds its recoverable value. The Company has projected its operating costs in relation to their current cost of coal grinding. In relation to the assessment of value in use of the cash-generating unit, Management believes that no reasonable change in assumptions would cause the carrying amount of the unit exceeds its recoverable amount significantly.

10. Trade and other payable

(a) This item is made up as follows:

	Current		Non-current	
	As of March 31, 2017	**As of December 31, 2016**	**As of March 31, 2017**	**As of December 31, 2016**
	S/(000)	S/(000)	S/(000)	S/(000)
Trade accounts payable (b)	160,802	90,304	-	-
Accounts receivable from related parties, note 19(b)	74,570	70,890	3,249	4,200
Interest payable, note 11 (c) and (o)	56,616	35,095	-	-
Salaries and vacation payable	12,527	14,148	-	-
Value Added Tax payable	9,963	7,017	-	-
Dividends payable	255	246	-	-
Board compensation payable	4,201	2,587	-	-
Other accounts payable	16,672	9,853	-	-
	335,606	230,140	3,249	4,200

(b) Trade account payables are mainly originated by mining services and procurement of supplies and additives for the production of the Company, as well they are denominated in domestic and foreign currency, have current maturities, do not yield interest and have no specific guarantees.

11. Other financial payables

(a) This item is made up as follows:

	As of March 31, 2017			As of December 31, 2016		
	Short-term S/(000)	Long-term S/(000)	Total S/(000)	Short-term S/(000)	Long-term S/(000)	Total S/(000)
Bank loans (b) and (c)	285,962	296,527	582,489	368,309	335,894	704,203
Bonds and long-term debt (d)	244,562	2,726,264	2,970,826	381,789	2,776,739	3,158,528
	530,524	3,022,791	3,553,315	750,098	3,112,633	3,862,731

(b) Bank loans mainly correspond to loans for working capital at fixed annual rates that range from 3.65 to 5.85 percent, do not have specific guarantees and are renewed depending on the needs of working capital from the Company. As of March 31, 2017 and December 31, 2016, the balance per bank consists of:

	As of March 31 2017 S/(000)	As of December 31, 2016 S/(000)
Creditor -		
Citibank N.A. New York	302,157	312,480
Banco Santander Uruguay	94,221	164,640
BBVA Banco Continental	111,111	133,333
Scotiabank Perú S.A.	75,000	93,750
	582,489	704,203

(c) As of March 31, 2017 and March 31, 2016, the interest payable amounts to approximately S/3,304,000 and S/6,731,000, respectively, and are recorded in the caption "Trade and other payable" of the separate statement of financial position, see note 10(a). As of March 31, 2017 and December 31, 2016, the interest expenses amounted to approximately S/9,864,000 and S/10,682,000, respectively, and are included in the caption "Financial costs" of the separate statement of income.

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

	Annual interest rate %	Maturity	Guarantee	As of March 31, 2017 S/(000)	As of December 31, 2016 S/(000)
Bonds -					
International bonds (e) and (m)	5.875	October 2021	No guarantees	2,030,625	2,100,000
First and third issuance of the second program (f) y (l)	Between 4.93 and 5.16	March 2020 and 2023	No guarantees	120,000	120,000
First and third issuance programs (g) y (l)	6.25	January 2018	No guarantees	18,194	28,224
				2,168,819	2,248,224
Amortized cost				(20,870)	(21,837)
				2,147,949	2,226,387
Bank debt (l) -					
Banco de Crédito del Perú (i)	Between 5.25 and 5.85	March 2019 and March 2020	No guarantees	153,893	204,668
Banco de Crédito del Perú (i)	Between 5.90 and 6.60	April 2019 and February 2020	No guarantees	167,084	174,819
Bank of Nova Scotia	Between Libor 3 months plus 2.35 and 2.40	August and September 2018	No guarantees	106,405	124,180
BBVA Banco Continental (k)	6.25	November 2021	No guarantees	120,000	120,000
Scotiabank Perú S.A. (k)	6.25	December 2021	No guarantees	120,000	120,000
BBVA Banco Continental	4.35 and 5.40	June 2017 and July 2018	No guarantees	28,692	32,061
				696,074	775,728
Amortized cost				(4,096)	(3,986)
				691,978	771,742
Finance leases -					
Banco de Crédito del Perú (h) y (m)	6.52	February 2018	Leased goods	92,617	114,876
Banco Internacional del Perú (j) y (m)	5.80	October 2018	Leased goods	38,282	45,523
				130,899	160,399
Total				2,970,826	3,158,528
Less - Current portion				244,562	381,789
Long-term				2,726,264	2,776,739

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

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

On March and December 2013, the Company placed the First, Second and Third Issuance of the Second Program of Corporate Bonds for a total amount S/60,000,000 each. On December 2016, the Third Issuance of the Second Program was canceled in full.

(g) On March 26 and June 19, 2009, the Board of Directors and General Shareholders' Meeting, respectively, approved the First Program of Corporate Bonds of Cemento Andino S.A. (transferred later than the date of merger to the Company) until US$40,000,000 or its equivalent in Soles.

On June 17, 2009, the Company signed, as Debtors' Representative, the agreement and prospect framework with Banco de Crédito del Perú for the "First Program of Corporative Bonds". On January 21, 2010 the Company placed the first and third issuance for US$$7,000,000 and US$28,000,000. In January 2013, the first issuance was canceled in full. As of March 31, 2017, the third issuance is partially canceled, outstanding of payment US$5,600,000.

(h) On December 17, 2008, the Company signed a financial leasing agreement with Banco de Crédito del Perú (BCP), by amount of US$187,000,000, for the construction of the kiln 4 at Condorcocha plant, located in Junin.

In March 13, 2015, the balance of financing amount to US$84,832,000, that initially was in foreign currency was modified by a financing in local currency with an interest rate of 6.52 percent and a term of three years with quarterly quotas.

As of March 31, 2017, the net book value of the kiln 4 assets is approximately S/484,517,000 (S/491,552,000 as of December 31, 2016), which guarantee the financing described.

(i) On August 12, 2015, the Company entered into with Banco de Crédito del Perú (BCP) a medium-term loan agreement of S/150,000,000 for construction, equipment, installation and commissioning of the hydroelectric plant Carpapata III. The term of the loan is four and a half years and accrues interest at an effective annual interest rate of 5.90 percent.

(j) On May 19, 2010, the General Shareholders Meeting agreed to approved the lease agreement to increase the production capacity with Banco Internacional del Perú (Interbank), said project increase the production capacity of kiln 1 plant from 3,200 to 7,500 tones clinker/daily, located in Atocongo. The Company completed the project in the year 2013.

As of March 31, 2017, the net book value of the assets of the extension of kiln 1 at the Atocongo plant is approximately S/547,547,000 (S/555,016,000 as of December 31, 2016), which guarantee the described financing.

(k) On November 30, 2016, the Company signed two financing contracts, each by S/120,000,000, with Scotiabnk Perú and BBVA Continental, both for a term of five years with a grace period of eighteen months and fourteen write-offs quarterly, with the purpose of refinancing short-term financial debt.

(l) On March 30, 2017, the Company entered into a financing agreement with Banco Internacional del Peru SAA, for a total amount of S / 260,000,000. On March 31, the first disbursement was made for S/. 111,352,000. The use of these funds is to refinance short-term financial debt.

(m) The applicable financial safeguards to other local financial liabilities are of quarterly follow-up and it must be calculated on the bases of the separate financial information and the calculation methodologies by each financial entity.

As of March 31, 2017, the main financial safeguards that the Company maintains with each financial entity fluctuate between the following rates and indexes:

- Maintain an index debt minor or equal to 1.5 times.
- Maintain a rate of hedge of debt service major o equal between 1.2 to 1.25 times.
- Maintain a rate of hedge of interest major o equal between 3.0 to 4.0 times.
- Maintain an index of hedge of debt o financial debt/EBITDA minor or equal to 3.75.

In Management's opinion, the Company has complied with financial covenants requested for financial entities related to these obligations as of March 31, 2017 and December 31, 2016.

(n) Clauses of incurrences in issuance contracts of foreign bonds, note 11(e)
The contract contains certain clauses that restrict the capacity of the Company and of its subsidiaries, among other:

- Consolidate, merge or transfer substantially all the assets.
- Pay dividends or perform any other type of payment or restricted distribution.
- Sell assets, including share capital of its subsidiaries.
- Perform operations with related parties that are not restricted subsidiaries.
- Create limitations in the capacity of its restricted subsidiaries to pay dividends, perform loans.
- Transfer of the ownership of the Company.
- Incur charges.
- Participate in any business that is not an allowed business.
- Obtain additional debt, for which should:
    (i) Maintain a Consolidated Fixed Charge Coverage Ratio equal or greater than 2.5 to 1.0.

(ii) Maintain Consolidated Leverage Ratio (net Financial Debt/EBITDA) equal o minor of 4 until 1, in the case of the incurred debt before of December 2015, and 3.5 until 1 thereafter.

In Management's opinion, the Company has been fulfilling with the restricted includes in the contract of issuance of foreign bonds as of March 31, 2017 and December 31, 2016.

(o) As of March 31, 2017 and December 31, 2016, interests payable related to bonds and long-term debt are amounted to approximately S/53,312,000 and S/28,364,000, respectively and are recorded in the caption "Trade and other payable", of the separate statement of financial position, note 10(a).

(p) Interests generated by Bonds and long-term loans as of March 31, 2017 and March 31, 2016, amounting approximately S/41,902,000 and S/40,089,000, respectively are included in the caption "Financial costs" in the separate statement of income.

12. Deferred income

As of March 31, 2017, mainly correspond to sales of cement and clinker invoiced and not delivered, amounting to approximately S/24,791,000 which will be conducted in the second quarter of year 2017 (S/16,309,000 as of December 31, 2016 sales of cement delivered during first quarter of the 2017).

13. Provisions

(a) This item is made up as follows:

	Current		Non-current	
	As of March 31, 2017 S/(000)	As of December 31, 2016 S/(000)	As of March 31, 2017 S/(000)	As of December 31, 2016 S/(000)
Severance compensation	3,509	1,467	-	-
Provision for mine closure (c)	109	201	13,023	13,023
Workers' profit sharing (b)	7,710	14,688	-	-
	11,328	16,356	13,023	13,023

(b) Workers' profit sharing –

In accordance with Peruvian legislation, the Company maintains an employee profit sharing plan of 10 percent of annual taxable income. Distributions to employees under the plan are based 50 percent on the number of days that each employee worked during the preceding year and 50 percent on proportionate annual salary levels. As of March 31, 2017 and December 31, 2016, the Company recognized an expense that amounts to S/7,822,000 and S/. 33,005,000, respectively.

(c) Provision for mine closure -

As of March 31, 2017 and December 31, 2016, the Company maintains a provision for future closure costs of its mines to be occur between 12 and 38 years. The provision was created on the basis of studies conducted by internal specialists using a discount rate. Based on the current economic environment, Management adopted certain assumptions which are considered reasonable to make an estimation of future liabilities. These estimates are reviewed annually to take into account any significant change in the assumptions. However, the actual costs of mine closure finally depend on future market prices for the necessary works of abandonment that will reflect market conditions at the relevant time. In addition, the actual closing time depends on when the mines ceases to produce economically viable products.

14. Deferred income tax liability, net

(a) The following table presents the composition of the caption, in accordance to the difference:

	As of March 31, 2017 S/(000)	As of December 31, 2016 S/(000)
Deferred liability		
Differences on fixed assets tax bases	465,340	463,467
Deferred Stripping assets	37,178	37,504
Capitalized interests	36,420	36,975
Exchange difference on leasing's	2,184	2,184
Amortization of intangible assets	4,057	3,897
Amortization of software	1,025	1,195
	546,204	545,222
Deferred asset		
Deferred income (net)	(3,123)	(1,507)
Provision for vacation	(2,937)	(3,098)
Derivative financial instruments	(2,233)	(2,976)
Provision for mine closure	(2,179)	(2,076)
Workers' profit sharing charged to inventories	572	(49)
Other provisions	(6,192)	(3,672)
	(16,092)	(13,378)
Deferred income tax liability, net	530,112	531,844

The Company offsets assets and liabilities if and only if it has a legally enforceable right to offset current tax assets with current tax liabilities and when the deferred assets and deferred liabilities are relate to income taxes levied by the same Tax Authority.

(b) The current and deferred portions of income tax as of March 31, 2017 and 2016 are comprised as follows:

	As of March 31 2017 S/(000)	As of March 31 2016 S/(000)
Current	(36,003)	(24,436)
Deferred	(1,748)	(16,375)
Total	(37,751)	(40,811)

15. Equity

(a) Capital issued–

As of March 31, 2017 and December 31, 2016, the capital stock is represented by 1,646,503,408 common shares totally subscribed and paid at a nominal value of S/1 per share. The common shares representing the Company's capital stock are traded on the Lima Stock Exchange.

Shareholders	Number of shares	Percent of participation %
Sindicato de Inversiones y Administración S.A.	714,311,308	43.38
Inversiones Andino S.A.	399,979,008	24.29
AFPs	346,888,804	21.07
Other	185,324,288	11.26
	1,646,503,408	100.00

As of March 31, 2017, the share price of each share has been S/2.60 (S/2.56 as of December 31, 2016).

(b) Legal reserve -

Under the terms of the General Corporation Law, it is required that at least 10 percent of the distributable profit for each year, less income tax, has to be transferred to a legal reserve until such reserve equals to 20 percent of the share capital. The legal reserve may offset any losses or may be capitalized, existing in both cases the obligation to replenish it.

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

Corresponds to the fair value changes on hedging financial instruments, net of its corresponding tax effect.

(d) Dividend distributions –

At the Board of Directors meeting held on January 27, 2017, the Company agreed to distribute dividends with charge to retained earnings for approximately S/21,405,000 (S/0.013 per common share), such payment was made on March 1, 2017, respectively.

The Board of Directors meetings held on January 29, April 29, July 22 and October 28, 2016, agreed to distribute dividends with charge to retained earnings for approximately S/85,618,000 (S/0.052 per common share), such payments were made on March 2, June 1, August 26 and December 5, 2016 respectively.

16. Net sales, cost of sales and net earnings

This item is made up as follows as of March 31, 2017:

	2017 S/(000)	2016 S/(000)
Cement	431,242	433,826
Concrete blocks, bricks and pavers	12,470	15,512
Exports of Clinker	2,366	7,590
	446,078	456,928
Cost of sales	247,173	243,131
Gross profit	198,905	213,797

17. Other operating income (expenses), net

As of December 31, 2017 and 2016 this category is mainly composed of dividends received from subsidiaries:

- Inversiones Imbabura S.A., received dividends from its subsidiary UNACEM Ecuador SA, for approximately US$ 47,342,000 (equivalent to S/155,375,000.) and US$ 52,900,000 (equivalent to S/180,653,000), respectively. See note 19 (a) and (b).
- Inversiones en Concreto y Afines S.A., received dividends from its subsidiary Union Concreteras S.A., for approximately S/44,729,000 and S/29,844,000, respectively. See note 19 (a) and (b).
- Compañía Eléctrica el Platanal S.A. For S/43,848,000 as of March 31, 2017. See note 19 (a) and (b)
- Ferrocarril Central Andino S.A. For S/3,209,000 as of March 31, 2017. See note 19 (a) and (b)

18. Finance cost

As of March 31, 2017 and 2016, this item is mainly composed of interest on bonds and debt with banks by S/51,767,000 and S/50,770,000, respectively.

19. Related parties transactions

a) The main transactions with related entities as of March 31 were as follows:

	2017 S/(000)	2016 S/(000)
Cement sales –		
La Viga S.A.	97,333	97,555
Unión de Concreteras S.A.	46,205	39,504
Concremax S.A.	15,468	10,136
Prefabricados Andinos Perú S.A.C.	147	536
Asociación UNACEM	141	90

Blocks, bricks, pavers and HCR sales –		
Concremax S.A.	5,304	8,343
Unión de Concreteras S.A.	5,983	7,170
Leases of plant, equipment and facility –		
Unión de Concreteras S.A.	183	192
Depósito Aduanero Conchán S.A.	79	84
Prefabricados Andinos Perú S.A.C.	47	47
La Viga S.A.	44	46
Other	12	18
Income from royalties –		
Compañía Eléctrica El Platanal S.A.,	1,719	1,558
Licenses - Intellectual property and trademarks – Abroad		
UNACEM Ecuador S.A.	4,340	4,676
Dividends income, note 17		
Inversiones Imbabura S.A.	155,375	180,653
Inversiones en Concreto y Afines S.A.	44,729	29,844
Ferrocarril central Andino S.A.	3,209	-
Compañía Eléctrica El Platanal S.A.	43,848	-
Administrative, technology and management support –		
Unacem Ecuador S.A.	2,162	-
Drake Cement LLC.	88	104
Prefabricados Andinos Perú S.A.C.	96	83
Generación Eléctrica Atocongo S.A.	26	28
Depósito Aduanero Conchán S.A.	48	51
Transportes Lurín S.A.	26	28
Compañía Eléctrica El Platanal S.A.	29	23
Vigilancia Andina S.A.A.	23	20
Prefabricados Andinos S.A.	-	-
Prefabricados Adinos Colombia	(5)	-
Other income –		
Sunshine Concrete & Materials INC	550	-
Compañía Eléctrica El Platanal S.A.	264	5
Unión de Concreteras S.A.	147	42
Prefabricados Andinos Perú S.A.C.	-	28
Asociación Unacem	2	8
La Viga S.A.	17	-
Depósito Aduanero Conchán S.A.	-	5
Generación Eléctrica Atocongo S.A.	2	3

Purchases of electric energy –		
Compañía Eléctrica El Platanal S.A.	19,411	27,404
Management service,		
Sindicato de Inversiones y Administración S.A.	30,771	29,530
Inversiones Andino S.A.A.	11,967	11,484
Management project services –		
ARPL tecnología Industrial S.A.	412	524
Celepsa Renovables S.A.C.	-	360
Commissions and freight costs of cement sales -		
La Viga S.A.	3,985	3,988
Concremax S.A.	-	-
Unión de Concreteras S.A.	-	-
Technical assistance and engeniering services –		
ARPL tecnología Industrial S.A.	5,223	3,198
Maquila Service –		
Concremax S.A.	2,949	4,464
Unión de Concreteras S.A.	1,037	3,099
Warehouse management services–		
Depósito Aduanero Conchán S.A.	443	439
Purchases of additional material –		
Unión de Concreteras S.A.	722	874
Expense reimbursements –		
Unión de Concreteras S.A.	875	933
ARPL tecnología Industrial S.A.	79	52
Generación Eléctrica Atocongo S.A.		-
Others –		
Vigilancia Andina S.A.A.	5,007	1,659
Generación Eléctrica Atocongo S.A.	797	799
Transportes Lurín S.A.	-	-
Inversiones Andino S.A.	250	257
Unión de Concreteras S.A.	136	-
Depósito Aduanero Conchán S.A.	-	35
Drake Cement	83	-
Prefabricados Andinos Perú S.A.C	-	185
Basf Constrution Chemical Perú S.A.	-	-

Concremax S.A.	-	3
Celepsa Renovables S.A.C.	59	-

(b) As a result of these and other minor transactions, as of March 31, 2017 and December 31, 2016, the Company had the following balances with its related entities:

	2017 S/(000)	2016 S/(000)
Trade receivable, note 4(a) –		
Inversiones Imbabura S.A.	253,943	103,546
Compañía Eléctrica El Platanal S.A.	51,110	4,811
Inversiones en Concreto y Afines S.A.	44,832	103
Drake Cement LLC.	23,131	22,561
La Viga S.A.	19,827	23,746
Unión de Concreteras S.A.	16,366	41,326
Concremax S.A.	10,322	12,149
UNACEM Ecuador S.A.	6,029	4,855
Skanon Investments INC	5,680	5,798
Ferrocarril central Andino S.A.	3,217	-
Sunshine Concrete & Materials INC	549	-
Minera Adelaida S.A.	188	1
Sindicato de Inversiones y Administración S.A.	155	159
Prefabricados Andinos Perú S.A.C.	56	520
Depósito Aduanero Conchán S.A.	50	1
Others	113	227
	435,568	219,803
Trade payable –		
Sindicato de Inversiones y Administración S.A.	30,558	22,820
Unión de Concreteras S.A.	9,649	20,364
Compañía Eléctrica El Platanal S.A.	7,921	10,452
Inversiones Andino S.A.A.	16,313	7,876
Concremax S.A.	2,102	4,242
ARPL tecnología Industrial S.A.	5,083	2,672
Vigilancia Andina S.A.A.	2,654	2,110
La Viga S.A.	1,563	2,017
Drake Cement LLC.	1,216	1,173
Transporte Lurin S.A.	-	1,021
Other	760	343
	77,819	75,090
By term -		
Current portion, note 10(a)	74,570	70,890
Non-current portion, note 10(a)	3,249	4,200

	2017 S/(000)	2016 S/(000)
	77,819	75,090

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

(c) The total remuneration paid to directors and key members of management as of March 31, 2017 is amounting to approximately S/8,137,000 (as of March 31, 2016 approximately S/8,571,000), which include short-term benefits and compensation for time served.

20. Earnings per share

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

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

	As of March 31 2017 S/(000)	As of March 31 2016 S/(000)
Numerator		
Net income attributable to common shares	334,795	314,774
	Thousand	**Thousand**
Denominator		
Weighted average number of common shares	1,646,503	1,646,503
Basic and diluted earnings for common shares	0.203	0.191

21. Commitments and contingencies

21.1 Financial commitments -

As of March 31, 2017 and December 31, 2016, the Company has the following commitments:

- Guarantee letter in favor of the National Institute for the Defense of Competition and the Protection of Intellectual Property (INDECOPI) issued by BBVA Banco Continental in an amount of S/5,878,000, with maturity May 2017, in order to ensure compliance with the payment of a fine imposed for defense of free competition of INDECOPI, see note 21.4.

- Guarantee letter to the Ministry of Energy and Mines (MEM), issued by Banco de Crédito del Perú, by a total approximate of US$3,547,000 (equivalent to S/11,514,000) and US$2,417,000 (equivalent to S/8,101,000) respectively, in order to ensure compliance of the Mine Closure.
- Credit letter to Banco Bilbao Vizcava Argentaria New York issued issued by BBVA Banco Continental by a total of US$9,888,000 (equivalent to S/33,145,000) in order to ensure the operations of their subsidiary Sunshine Concrete and Materials Inc.

21.2 Financial leases -

The future minimum payments for leases are as follows:

	As of March 31, 2017		As of December 31, 2016	
	Minimum payments S/(000)	Present value of minimum lease payments S/(000)	Minimum payments S/(000)	Present value of minimum lease payments S/(000)
Between one to five years	136,773	105,193	168,876	154,647
Total payments	136,773	105,193	168,876	154,647
Less - finance costs	(5,874)	-	(8,477)	-
Present value of minimum lease payments	130,899	105,193	160,399	154,647

21.3 Tax situation -

(a) The Company is subject to the Peruvian tax system

Until December 31, 2016, through Law N°30296 enacted on December 31, 2014, the current income tax regime established the following:

- A gradual reduction of the corporate income tax rate from 30% to 28% in the years 2015 and 2016; to 27% in the years 2017 and 2018; and to 26% in 2019 and future.

- A progressive increase in the rate applicable to the dividend tax from 4.1% to 6.8% in 2015 and 2016; to 8.0% in the years 2017 and 2018; and to 9.3% in 2019 and futures. These rates would apply to the distribution of profits available in cash or in kind whichever occurs first, from 1 January 2015.

- Accumulated results or other items capable of generating dividends which were obtained up to 31 December 2014 and which form part of the dividends or any other form of distribution of profits, would be subject to a rate applicable to the dividend tax of 4.1%. It is important to note that it is assumed, without admitting evidence to the contrary, that the distributed dividends correspond to the oldest accumulated results.

- The Law No. 30296 did not modify the additional rate of 4.1 percent applicable to cases of indirect distribution of income not subject to subsequent tax control applicable to those disbursements whose destination can´t be reliably proven.

By Legislative Decree No. 1261 published on December 10, 2016, the government introduced certain amendments to the Income Tax Law, effective as from January 1, 2017. The most relevant are presented below:

- An income tax rate of 29.5% is set.

- A tax of 5% of income tax is established on dividends or any other form of distribution of profits. The rate applicable to dividends will be considered taking into account the year in which the results or profits that form part of the distribution have been obtained, in accordance with the following: 4.1% with respect to the results obtained until December 31, 2014; 6.8% on results obtained during the years 2015 and 2016; and 5% with respect to the results obtained from January 1, 2017. It is important to note that it is assumed, without admitting evidence to the contrary, that the distributed dividends correspond to the oldest accumulated results.

(b) For purposes of determining the Income Tax, the transfer prices for transactions with related entities and entities domiciled in territories with little or no taxation must be supported by documentation and information on the valuation methods used and the criteria considered for their determination. Based on an analysis of the Company's operations, management and its legal advisors believe that the application of this rule would not result in material contingencies for the Company as of March 31, 2017 and December 31, 2016.

(c) The Tax Authority has the power to review and adjust the income tax calculated by the Company in the four years following the year the tax returns presentation. The tax returns of the Income Tax for the years 2012 to 2016 and value added tax ("IGV" for its acronym in Spanish) for the periods December 2012 to December 2016 are open to review by Tax Authority. Likewise, the tax returns of the income tax of the periods 2012 and the value added tax of the monthly periods between January and September of 2012 by Cemento Andino S.A. (entity absolved by merger in the 2012) are open to review by the Tax Authority.

As of to date of this report, the review referred to 2015 exercise, are in the process; however, in the opinion of management of the Company, any additional tax invoice will not be significant to the separate financial statements as of March 31, 2017 and December 31, 2016.

(d) Due to the interpretations likely to be given by the Tax Authority on current legal regulations, it is not possible to determine, as of this date, whether the reviews to be conducted will result or not in liabilities for the Company, therefore, any increased tax or surcharge that could arise from possible tax reviews will be applied to the results of the year in which it is determined. In the Management's and its legal advisors' opinion, any additional tax settlement would not be significant for the separate financial statements as of March 31, 2017 and December 31, 2016.

21.4 Contingencies –

In the normal course of business, the Company has received several complaints of such tax, legal (labor and management) and regulatory, which are recorded and disclosed in accordance with International Financial Reporting Standards.

As a result of audits for the years 2004 to 2006, the Company has been notified by the Superintendence of Tax Authority (SUNAT) with different resolutions for alleged omissions in income tax. In some cases, the Company has filed appeals for not finding the appropriate resolutions in accordance with the laws in force in Peru and in other cases it has proceeded to pay the assessments received. As of March 31, 2017 and December 31, 2016, the Company has recorded the necessary provisions, leaving as a possible contingency an amount of S/48,255,000 plus interest and costs.

Likewise, as of March 31, 2017 and December 31, 2016, the Company holds claims to Tax Authority (SUNAT), corresponding to demands and requirements of refund of income tax paid in excess for the years 2004, 2005, 2006 and 2009, in which it requested the decisions of the Tax Court set aside and will return the money paid ascending approximately S/31,158,000 and other claims by approximately S/987,000, see note 4(e).

As result of the review the year 2010, the Company has been notified by the Superintendence of Tax Authority (SUNAT) with other resolutions for supposed omissions to the tax income. In some cases, the Company has filed appeals for not finding the appropriate resolutions in accordance with the laws in force in Peru and in other cases it has proceeded to pay the assessments received. As of March 31, 2017 and December 31, 2016, the Company has recorded the necessary provisions, leaving as a possible contingency an amount of S/19,912,000 plus interest and costs.

On the other hand, the Company has two additional claims for excise tax related to coal imports in 2006 and 2007 for a total amount of S/6,254,000, see Note 4(e). In December 2015, the Superior Court upheld the original ruling in 2014 declaring void the Tax Court Resolution N°14294-A-2013 by claims amounting to approximately S/5,023,000 and are pending collection.

Management and its legal advisors estimate that there are legal arguments to obtain a favorable outcome in these processes, in which case they will not have a significant impact on the financial statements of the Company.

On the other hand, through Resolution N° 004-2010/ST-CLC-INDECOPI of March 25, 2010, the Technical Secretary of the Committee for the Defense of Free Competition declared admissible the complaint by the Ferretería Malva S.A., against to the Company and others related to commission of anticompetitive behavior, and initiate an infringement procedure against the complained companies. In 2013, through Resolution N° 010-2013/CLC, the Committee for the

Defense of Free Competition sanctions to the Company at the end of the unjustified refusal sales, imposing a penalty of 1,488.20 UIT and absolves the offense relating to boycott. Given the resolution of the Commission, the Company filed an appeal to the Court of Competition, at the end of the penalty for the alleged refusal of unjustified sales, which confirmed the decision appealed, whereupon the Company has decided to bring contentious administrative proceedings before the Judiciary, for the annulment of the decision of INDECOPI is declared. Through Resolution N°05 of July 13, 2015, the Twenty-Fifth Administrative Court declared the process sanitized the evidence was admitted and ordered to refer the case to the Public Ministry to issue the final opinion. The Company expects to obtain a favorable ruling in court.

21.5 Environmental commitments -

The activities of the Company are subject to environmental protection standards. This tax rules are the same as those described in the notes to the annual separate financial statements as of December 31, 2016.

22. Financial risk management, objectives and policies

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

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

22.1 Market risk –

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

The sensitivity analyses shown in the following sections relate to the position as of March 31, 2017 and December 31, 2016.

The sensitivity analyses have been prepared on the basis that the amount of net debts, the ratio of fixed to floating interest rate of the debt and the proportion of financial instruments in foreign currencies are all constant as of March 31, 2017 and December 31, 2016.

(i) Interest rate risk –

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

(a) Derivative Financial instruments from hedge -

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

Counterparty	Referential amount as of March 31, 2017	Maturity	Receives variable rate at:	Pays fix rate at:	Fair value	
					As of March 31, 2017	As of December 31, 2016
	US$(000)				S/(000)	S/(000)
Assets-						
Bank of Nova Scotia	12,500	August 2018	Libor to 3 months + 2.35%	0.825%	168	164
Bank of Nova Scotia	20,250	September 2018	Libor to 3 months + 2.40%	1.020%	281	232
					449	396

Financial instruments are intended to reduce exposure to interest rate risk variable associated with the financial obligations set out in note 11. These financings bear interest at a variable rate equal to the 3-month Libor.

The Company pays or receives on a quarterly basis (on each interest payment date of the loan) the difference between the Libor rate on the loan market in that period and the fixed rate agreed upon in the contract coverage. Flows actually received or paid by the Company are recognized as a correction of the financial cost of the loan period for the hedged loans.

As of March 31, 2017, the Company recognized an expense on these derivative financial instruments amounting to approximately S/1,408,000 (S/198,000 as of March 31, 2016) , whose amounts were actually paid during the year and are presented as "Finance costs" in the separate statement of income.

The effective portion of changes in the fair value of financial instruments that qualify as hedges is recognized as assets or liabilities and with impact on equity. As of March 31, 2017 and December 31, 2016, the Company has recognized under "Unrealized net profit (loss) on hedging financial derivative instruments" in the statement of changes in equity, a positive and negative change in fair value of approximately S/317,000 and S/279,000, respectively, which is presented net of the income tax effect.

(b) Derivative Financial instruments from trading -

Counterparty	Reference value	Maturity	Receives variable rate at:	Pays fix rate at:	Fair value
					As of March 31, 2017
	US$(000)				S/(000)
Liabilities -					
Citibank N.A.	23,000	October 2017	Libor to 3 months + 2.70%	2.750%	873
Citibank N.A.	70,000	April 2019	Libor to 3 months + 2.70%	2.900%	5,738
					6,611

On November 1, 2016, the Company signed two contract of swap of the interest rate which were designated as derivate instruments from trading. The effective portion of changes in the fair value of financial instruments that qualify as hedges is recognized as assets or liabilities. As of March 31, 2017, the effect amounts to approximately S/2,022,000 and is presented as part of the item "Financial income" in the separate statement of income.

Sensitivity to interest rate -

The following table shows the sensitivity to a reasonably possible change in interest rates on the portion of the loans, after the impact of hedge accounting. With all other variables remaining constant, the income before income tax would be affected by the impact on variable rate loans, as follows:

Increase / decrease in basis points	**Effect on profit before tax**	
	As of March 31, 2017	**As of December 31, 2016**
%	S/(000)	S/(000)
-10	(539)	(556)
+10	539	556

The movement course in the basics related to the analysis of sensitivity to interest rate is based on the current market environment.

(ii) Foreign currency risk -

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

Management monitors this risk through analysis of the country's macroeconomic variables.

The result of holding balances in foreign currency for the Company as of March 31, 2017 and 2016 was a net gain of approximately S/85,239,000 and a net gain of approximately S/63,439,000, respectively, which are presented in the caption "Exchange difference, net" in the separate statement of income.

As of March 31, 2017, the Company has one "Cross Currency Interest Rate Swap" amounting to S/1,415,000 on behalf of the bank (a "Cross Currency Interest Rate Swap" amounting to S/1,859,000 on behalf of the bank as of December 31, 2016). These instruments were designated as held for trading. The effect as of March 31, 2017 is an income of approximately S/444,000.

As of March 31, 2017 and December 31, 2016, the Company had the following assets and liabilities in U.S. Dollars:

	2017		2016	
	US$(000)	Equivalent in US$(000)	US$(000)	Equivalent in US$(000)
Asset				
Cash and cash equivalents	2,104	6,829	10,138	33,984
Trade and other receivable, net	95,101	308,698	44,487	149,121
	97,205	315,527	54,625	183,105
Liabilities				
Trade and other payable	(53,363)	(173,377)	(15,824)	(53,169)
Other financial payables	(797,132)	(2,589,883)	(825,907)	(2,775,047)
Derivative financial instruments	-	-	-	-
	(850,495)	(2,763,260)	(841,731)	(2,828,216)
Derivative financial instruments of exchange rate	(2,470)	(8,025)	(3,123)	(10,492)
Net liability position	(755,760)	(2,455,758)	(790,229)	(2,655,603)

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, of the Company's profit before income tax (due to changes in the fair value of monetary assets and liabilities, including derivative financial instruments in foreign currency not classified as hedge).

Change in US Dollars rate In American Dollars	**Effect on profit before tax**	
	As of March 2017	**As of December 31, 2016**
%	S/(000)	S/(000)
+5	(122,788)	(132,780)
+10	(245,576)	(265,561)
-5	122,788	132,780
-10	245,576	265,561

22.2 Credit risk –

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to a credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, and trade and other receivables. The maximum credit risk of the components of the financial statements as of March 31, 2017 and December 31, 2016 is represented by the amount of the captions cash and cash equivalents, trade and other accounts receivable.

The Company's Management monitors continuously the credit risk to such items and periodically, it assesses the balances that evidence an impairment to determine the required allowance for un-collectability.

22.3 Liquidity risk –

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

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of overdraft current accounts, bank loans and other financial liabilities

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

	As of March 31, 2017		
	From 3 to 12 months S/(000)	From 1 to 8 years S/(000)	Total S/(000)
Trade and other payable	335,606	3,249	338,855
Other financial payables			
Amortization of capital	530,524	3,022,791	3,553,315
Flow of interest payments	190,113	548,150	738,263
Total liabilities	1,056,243	3,574,190	4,630,433

	As of December 31, 2016		
	From 3 to 12 months S/(000)	From 1 to 8 years S/(000)	Total S/(000)
Trade and other payable	230,140	4,200	234,340
Other financial payables			
Amortization of capital	750,098	3,112,633	3,862,731
Flow of interest payments	200,414	590,035	790,449
Total liabilities	1,180,652	3,706,868	4,887,520

22.4 Capital management–

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

In order to maintain or adjust the capital structure, the Company can adjust the amount of dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce its debt.

Consistent to the industry, the Company monitors its capital on the basis of leverage ratio. This ratio is calculated dividing the net debt into the capital stock. The net debt corresponds to the total of debt (including current and non-current debt) minus the cash and cash equivalents. The total capital stock corresponds to the net equity and is presented in the separate statement of financial position plus the net debt.

As of March 31, 2017 and December 31, 2016 the leverage ratio is determine as follows:

	2017 S/(000)	2016 S/(000)
Other financial liabilities, note 11	3,553,315	3,862,731
Trade, related and other payables	360,397	246,449
Less: Cash and cash equivalents, note 3	(39,695)	(54,481)
Net debt (a)	3,874,017	4,054,699
Equity	4,209,581	3,896,153
Total capital and net debt (b)	8,083,598	7,950,852
Leverage ratio (a/b)	0.479	0.510

No changes were made in the objectives, policies or processes for managing capital during the years ended on March 31, 2017 and December 31, 2016.

23. Fair values

Instruments recorded at fair value according to hierarchy – The following table presents an analysis of the financial instruments recorded at fair value, according to their hierarchy level:

	2017 S/(000)	2016 S/(000)
Assets for derivative financial instruments:		
Level 2	449	396
Total	449	396
Liability for derivative financial instruments:		
Level 2	8,025	10,492
Total	8,025	10,492

Level 1 -

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

Level 2 -

Level 2 Financial instruments are measured based on market factors. This category includes instruments valued using market prices of similar instruments - whether it be an active market or not – and other valuation techniques (models) where all significant inputs are directly or indirectly observable in the marketplace. The following is a description of how the fair value of the Company’s main financial instruments included in this category is determined:

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

Level 3 -
As of March 31, 2017 and December 31, 2016, the Company does not maintain financial instruments in this category.

The Company only carries derivative financial instrument at fair value, as indicated in paragraph (a); therefore, they are considered in Level 2 of the fair value hierarchy.

Other financial instruments are carried at amortized cost and their estimated fair value. The level of the fair value hierarchy is described as follows:

Level 1 –
- Cash and cash equivalents do not represent a credit risk or a significant interest rate; therefore, their carrying amounts are close to their fair value.
- Accounts receivable, as they are net of provision for loan losses and most have maturities of less than three months; Management deems their fair value is not materially different from its carrying value.
- Trade and others payables, due to its current maturity, Management deems that its accounting balances are close to its fair value.

Level 2 –
- The fair value of other financial liabilities was determined by comparing the market's interest rates at the time of its initial recognition against the market's current interest rates offered for similar financial instruments. The following is a comparison between the carrying value and the fair value of these financial instruments.

	As of March 31, 2017		As of December 31, 2016	
	Carrying value S/(000)	**Fair value** S/(000)	**Carrying value** S/(000)	**Fair value** S/(000)
Other financial liabilities (*)	2,970,826	2,526,054	3,158,528	2,739,316

(*) As of March 31, 2017 and December 31, 2016, the balance does not include bank notes, see note 11.

24. Subsequent events

No significant subsequent events have been identified as of March 31, 2017.