Translation of a report and consolidated financial statements originally issued in Spanish – See note 36

**Corporación Aceros Arequipa S.A. and Subsidiaries**

Consolidated financial statements as of December 31, 2023 and 2022 together with the Independent Auditors´ Report

Translation of a report originally issued in Spanish - See note 36

## Corporación Aceros Arequipa S.A. and Subsidiaries

# Consolidated financial statements as of December 31, 2023 and 2022 together with the Independent Auditors´ Report

**Content**

Tanaka, Valdivia & Asociados
Sociedad Civil de R. L

# Translation of a report originally issued in Spanish - See note 36

## Report of Independent Auditors

To the Shareholders of Corporación Aceros Arequipa S.A

*Opinion*

We have audited the accompanying consolidated financial statements of Corporación Aceros Arequipa S.A and Subsidiaries (hereinafter "the Group"), which comprise the consolidated statement of financial position as of December 31, 2023, and the consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including information on material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2023 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standard Board (IASB).

*Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs) approved for its application in Peru by the Board of Deans of Peruvian Public Accounting Associations. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Peru, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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*Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

**Existence of inventory**

| | |
|---|---|
| *Description of the matter* | The inventories of Corporación Aceros Arequipa S.A. and Subsidiaries amount to S/1,434 million, representing 23% of the Group's total assets. These inventories are made up mainly of finished products and merchandise sold by the Company, as well as raw materials, products in process and other materials that are necessary for the production and operations of the Company. Inventories are located mainly in its Pisco plant and in the distribution centers located in Lima, Arequipa, Trujillo and Piura. As well as those that maintain their foreign subsidiaries located in Bolivia, Chile, Colombia, Ecuador and the United States of America.<br><br>To validate the existence of inventories, the Group plans and executes an annual inventory, which is carried out according to the schedule approved by Management. This procedure implies significant participation by the audit team, as well as the involvement of a specialist for the measurement of scrap, the main raw material. Based on this, we believe that the existence of inventories is a key audit matter. |
| *How we addressed the matter in our audit* | We obtained an understanding, evaluated the design and enhancing the controls of the Company's processes related to the completeness and existence of inventories. Our audit procedures included, among others:<br><br>- Define the participation strategy according to the locations and type of inventories that the Group maintains. |

| Existence of inventory | |
|---|---|
| | - Participate, through representative samples using statistical tools, on the days and sites established in our inventory strategy.<br>- Evaluate the integrity of the inventories counted on the days of our participation, through reconciliation with the accounting balances on the date of taking the inventories.<br>- Verify compliance with the procedures established by Management for counting.<br>- Review the tally sheets, as well as the differences identified, verifying their disposition or registration in the Company's books.<br>- Involve an external specialist to validate the methodology used by the Group to calculate the amount of scrap it had on inventory days.<br>- For the inventories maintained in foreign subsidiaries, we have obtained the worksheets carried out by their auditors, we have obtained confirmation if there is any unrecorded difference. Finally, we have had meetings with the executives of each component in order to monitor the execution and conclusion of this procedure.<br>- We carried out connection procedures on inventory balances, from the date of taking inventory until the end of the period.<br>- We reviewed the reports on the conclusions of the inventories.<br>- Review of the adequacy of the related disclosures in the consolidated financial statements. |

*Other information included in the Group's 2023 Annual Report*

The other information comprises information included in the Annual Report, but it is not part of the consolidated financial statements or our Auditors´ Report. Management is responsible for the other information.

Our opinion does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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# Translation of a report originally issued in Spanish - See note 36

## Report of Independent Auditors (continue)

*Responsibilities of management and those charge with governance for the consolidated financial statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

*Auditor's responsibilities for the audit of the consolidated financial statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## Report of Independent Auditors (continue)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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Translation of a report originally issued in Spanish - See note 36

## Report of Independent Auditors (continue)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so, would reasonably be expected to outweigh the public interest benefits of such communication.

Lima, Peru
February 29, 2024

Tanaka, Valdivia & Asociados

Countersigned by:

Ricardo Del Aguila
Audit Partner In Charge
C.P.C.C. Register No. 37948

**Corporación Aceros Arequipa S.A. and Subsidiaries**

# Consolidated statement of financial position

As of December 31, 2023 and 2022

| | Note | 2023 S/(000) | 2022 S/(000) |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 2.3(a) and 5(a) | 626,550 | 632,422 |
| Trade accounts receivable, net | 2.3(b.1) and 6(a) | 424,590 | 504,203 |
| Accounts receivable from related parties | 2.3(b.1) and 7(b) | 780 | 31,308 |
| Other accounts receivable, net | 2.3(b.1) and 8(a) | 119,620 | 80,061 |
| Inventories, net | 2.3(e) and 9(a) | 1,433,910 | 2,127,431 |
| Prepaid expenses | 10(a) | 11,310 | 12,994 |
| Deferred income tax asset | 20(q) | 102,675 | 93,991 |
| **Total current assets** | | 2,719,435 | 3,482,410 |
| **Non-current assets** | | | |
| Investments in subsidiaries and associates | 2.3(f) and 11(a) | 94,240 | 95,617 |
| Other long-term accounts receivable, net | 2.3(b.1) and 8(a) | 11,803 | 11,650 |
| Property, machinery and equipment, net | 2.3(g) and 12(a) | 3,233,431 | 2,955,109 |
| Right of use assets, net | 2.3(k) and 13(a) | 49,850 | 55,512 |
| Investment properties | 2.3(h) and 14(a) | 81,015 | 73,113 |
| Intangibles, net | 15(a) | 74,003 | 76,967 |
| Other assets, net | 16(a) | 34,576 | 34,922 |
| Deferred tax asset | 2.3(q) and 20(c) | 19,928 | 13,404 |
| **Total non-current assets** | | 3,598,846 | 3,316,294 |
| **Total assets** | | 6,318,281 | 6,798,704 |

| | Note | 2023 S/(000) | 2022 S/(000) |
|---|---|---|---|
| **Liabilities and equity net** | | | |
| **Current liabilities** | | | |
| Current portion of financial obligations | 2.3(b.3) and 17(a) | 1,384,612 | 1,887,346 |
| Trade accounts payable | 2.3(b.3) and 18(a) | 599,040 | 537,702 |
| Accounts payable to related parties | 2.3(b.3) and 7(b) | 12,322 | 30,956 |
| Other accounts payable | 2.3(b.3) and 19.1(a) | 94,785 | 169,218 |
| **Total current liabilities** | | 2,090,759 | 2,625,222 |
| **Non-current liabilities** | | | |
| Long term of financial obligations | 2.3(b.3) and 17(a) | 1,243,578 | 1,152,688 |
| Other long-term liabilities | 19.2(a) and 31(a.3) | 9,049 | 59,319 |
| Deferred tax liability, net | 2.3(q) and 20(c) | 237,399 | 231,917 |
| **Total non-current liabilities** | | 1,490,051 | 1,443,924 |
| **Total liabilities** | | 3,580,810 | 4,069,146 |
| **Net equity** | 21 | | |
| Capital stock | | 890,858 | 890,858 |
| Investment shares | | 182,408 | 182,408 |
| Legal reserve | | 178,742 | 178,449 |
| Revaluation surplus | | 194,412 | 211,694 |
| Result per conversion | | 4,583 | 3,308 |
| Retained earnings | | 1,286,468 | 1,262,841 |
| **Total net equity** | | 2,737,471 | 2,729,558 |
| **Total liabilities and net equity** | | 6,318,281 | 6,798,704 |

The accompanying notes are an integral part of this consolidated financial statement.

## Corporación Aceros Arequipa S.A. and Subsidiaries

# Consolidated statement of comprehensive income

For the years ended December 31, 2023 and 2022

| | Note | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|---|
| Net sales | 2.3(o) and 22 | 4,678,180 | 5,342,681 |
| Cost of sales | 2.3(p) and 23 | (4,178,872) | (4,560,159) |
| **Gross profit** | | 499,308 | 782,522 |
| **Operating income (expenses)** | | | |
| Selling expenses | 2.3(p) and 24 | (163,317) | (152,197) |
| Administrative expenses | 2.3(p) and 25 | (98,679) | (122,364) |
| Other operating income | 2.3(o) and 27 | 36,881 | 56,003 |
| Other operating expenses | 2.3(p) and 27 | (38,004) | (56,270) |
| **Operating profit** | | 236,189 | 507,694 |
| Financial income | 2.3(o) and 28 | 31,796 | 19,954 |
| Financial costs | 2.3(p) and 28 | (178,980) | (142,945) |
| Exchange difference, net | 2.3(d) and 32 | 12,705 | (25,682) |
| Share in the results of subsidiaries and associates | 2.3(f) and 11(d) | 1,203 | (4,701) |
| **Profit before income tax** | | 102,913 | 354,320 |
| Income tax expense | 2.3(q) and 20(b) | (35,635) | (111,957) |
| **Net income** | | 67,278 | 242,363 |
| **Other comprehensive income** | | | |
| Effect of transfer of foreign subsidiaries | | 1,275 | 2,428 |
| Effect of the revaluation surplus of land in subsidiaries, net of its tax effects | 21(c) | (17,282) | (4,333) |
| **Other comprehensive income net of income tax** | | (16,007) | (1,905) |
| **Total comprehensive income for the year, net of income tax** | | 51,271 | 240,458 |
| Net income per basic and diluted share | 30 | 0.06 | 0.23 |
| Weighted average of outstanding shares (in thousands of units) | 30 | 1,078,359 | 1,078,359 |

The accompanying notes are an integral part of this consolidated financial statement.

**Corporación Aceros Arequipa S.A. and Subsidiaries**

# Consolidated statement of changes in equity

For the years ended December 31, 2023 and 2022

| | Capital stock S/(000) | Investment shares S/(000) | Legal reserve S/(000) | Revaluation surplus S/(000) | Result per conversion S/(000) | Retained earnings S/(000) | Total S/(000) |
|---|---|---|---|---|---|---|---|
| **Balance as of January 1, 2022** | 890,858 | 182,408 | 178,449 | 216,027 | 880 | 1,184,619 | 2,653,241 |
| Net income | - | - | - | - | - | 242,363 | 242,363 |
| Effect of transfer of foreign subsidiaries | - | - | - | - | 2,428 | - | 2,428 |
| Land revaluation surplus | - | - | - | (4,333) | - | - | (4,333) |
| **Total comprehensive income of the year** | - | - | - | (4,333) | 2,428 | 242,363 | 240,458 |
| Dividends distribution, note 21(e) | - | - | - | - | - | (164,894) | (164,894) |
| Others | - | - | - | - | - | 753 | 753 |
| **Balances as of December 31, 2022** | 890,858 | 182,408 | 178,449 | 211,694 | 3,308 | 1,262,841 | 2,729,558 |
| Net income | - | - | - | - | - | 67,278 | 67,278 |
| Effect of transfer of foreign subsidiaries | - | - | - | - | 1,275 | - | 1,275 |
| Land revaluation surplus | - | - | - | (17,282) | - | - | (17,282) |
| **Total comprehensive income of the year** | - | - | - | (17,282) | 1,275 | 67,278 | 51,271 |
| Dividends distribution, note 21(e) | - | - | - | - | - | (43,957) | (43,957) |
| Others | - | - | 293 | - | - | 306 | 599 |
| **Balances as of December 31, 2023** | 890,858 | 182,408 | 178,742 | 194,412 | 4,583 | 1,286,468 | 2,737,471 |

The accompanying notes are an integral part of this consolidated financial statement.

Translation of consolidated financial statements originally issued in Spanish – See note 36

## Corporación Aceros Arequipa S.A. and Subsidiaries

# Consolidated statement of cash flows

For the years ended December 31, 2023 and 2022

| | Note | 2023 S/(000) | 2022 S/(000) |
|---|---|---|---|
| **Operating activities** | | | |
| Collections from sale of goods | | 4,757,793 | 5,414,729 |
| Payment to suppliers of goods and services | | (3,285,647) | (4,837,156) |
| Payment of remuneration and social benefits | | (247,655) | (295,051) |
| Payment of income tax | | (40,862) | (86,995) |
| Payment of other taxes | | (30,179) | (47,307) |
| Other collections related to the activity | | 27,697 | 63,159 |
| **Net cash from operating activities** | | 1,181,147 | 211,379 |
| **Investing activities** | | | |
| Dividends collected | 11(d) and 7(b) | 2,679 | 23,378 |
| Sale of property, plant and equipment | 27 | 1,087 | 472 |
| Interest received | 28 | 31,796 | 19,954 |
| Purchase of property, plant and equipment | 12 and 16 | (475,000) | (433,908) |
| Purchase of intangible assets | 15 | (3,139) | (1,873) |
| Capital contributions in subsidiaries | | - | (45) |
| **Net cash flows used in investing activities** | | (442,577) | (392,022) |
| **Financing activities** | | | |
| Increase of financial obligations | 17(m) | 4,018,110 | 3,018,490 |
| Payments of financial obligations | 17(m) | (4,539,615) | (2,542,127) |
| Payments of interest | 28 | (178,980) | (142,945) |
| Dividends paid to shareholders | 21(e) | (43,957) | (164,894) |
| **Net cash flows (used in) from financing activities** | | (744,442) | 168,524 |
| Net decrease in cash and cash equivalents | | (5,872) | (12,119) |
| Cash and cash equivalents at the beginning of the year | | 632,422 | 644,541 |
| **Cash and cash equivalents at year-end** | 5(a) | 626,550 | 632,422 |
| **Non-cash transactions** | | | |
| Acquisition of assets under financial leases | 17(m) | 19,526 | 115,231 |
| Revaluation of land | 21(c) | (17,282) | 19,074 |

The accompanying notes are an integral part of this consolidated financial statement.

## Corporación Aceros Arequipa S.A. and Subsidiaries

# Notes to the consolidated financial statements

As of December 31, 2023 and 2022

1. **Identification and economic activity**

(a) Identification-

Corporación Aceros Arequipa SA (hereinafter "the Company"), is a Peruvian company listed on the Lima Stock Exchange that was established in December 1997 as a result of the merger of Aceros Arequipa S.A. and its subsidiary Aceros Calibrados S.A. The registered office of the Company, where its main production plant and main warehouse are located, is in Carretera Panamericana Sur N ° 241, Paracas, Ica.

(b) Economic activity-

The Group is dedicated to the manufacturing, processing, marketing, distribution and sale of iron, steel, among other metals and their derivatives, for sale in the country and abroad. For this purpose, the Company has two steel plants (plant #2 in operation and plant #1 on standby), two rolling plants and an industrialization plant for cutting, bending and pre-assembling services of corrugated steel bars, located in the city of Pisco and tube, wire, nail and electro-welded mesh plants in Lima. Our product portfolio covers deformed bars, wire rods, angles, U channels, plates, tees, square bars, round bars for ball manufacturing and helical bars.

The Board of Directors, in a meeting held on January 27, 2022, agreed to approve the investment in a new rolling mill to be installed at the Pisco plant, with an estimated capacity of 300,000 MT/Year. The planned investment amounts to approximately US$75,000,000 plus VAT, and its start-up is estimated during the second half of year 2024. According to the Group's Management, this investment will increase the local production capacity of construction bars and profiles, reducing the future need to import these products and thus be able to accompany the market growth.

Additionally, this new line, in conjunction with the two current rolling lines, would generate cost efficiencies by optimizing consolidated production.

(c) Approval of the consolidated financial statements -

The consolidated financial statements as of December 31, 2022 and for the year then ended were approved by the virtual General Shareholders' Meeting held on March 30, 2023.

The accompanying consolidated financial statements as of December 31, 2023 were approved and authorized for its issuing by the Board of the Company on February 29, 2024 and are expected to be approved by the General Shareholders' Meeting during the first quarter of 2024.

As of December 31, 2023, the consolidated financial statements comprise the financial statements of the Company and the following subsidiaries: Comercial del Acero S.A (in liquidation), Transportes Barcino S.A., Corporación Aceros Arequipa S.R.L., Corporación Aceros Arequipa Iquitos S.A.C., Tecnología y Soluciones Constructivas S.A.C., Acero Installado S.A.C. , Aceros América S.P.A, Aceros Arequipa S.A.S, Comfer S.A (in liquidation), Aceros América Corporation, Aceros America Port Manatee LLC, Aceros America St Pete LLC and Corporación Aceros Arequipa AA S.A.S.

The main activities of the subsidiaries that are incorporated into the consolidated financial statements are described below:

- Comercial del Acero S.A. ("COMASA", in liquidation) is a Peruvian public limited company that was established in 1985 and is dedicated to the marketing of national and imported steel products, as well as the transformation and cutting service of steel sheet coils. As of September 1, 2018, the Company owns 99.99 percent of its share capital. It should be noted that as of January 4, 2021, the Shareholders' Meeting of Comercial del Acero approved its dissolution and liquidation for the reasons contemplated in section 8 of article 407 of the General Companies Law, see note 1(d).

- Transportes Barcino S.A. is a Peruvian public limited company that was established in 1989 and is dedicated to transportation and land cargo services and others related to transportation activity. Its income substantially corresponds to services provided to the Company. The Company owns 99.99 percent of its share capital, see note 1(g).

- Corporación Aceros Arequipa S.R.L., is a foreign company located in Bolivia, established in December 2016 and is dedicated to the purchase and sale of scrap metal and steel products. The Company owns 99 percent of its share capital.

- Corporación Aceros Arequipa de Iquitos S.A.C is a Peruvian corporation incorporated in August 2016 and its main activity is the purchase and sale of steel products. The Company owns 99.9 percent of its share capital.

- Tecnología y Soluciones Constructivas. S.A.C. is a Peruvian public limited company incorporated in October 2018 and is dedicated to architecture and engineering activities and related technical consulting activities. The company owns 99.9 percent of its share capital. Its income substantially corresponds to services provided for the Company.

- Acero Instalado S.A.C. is a Peruvian public limited company incorporated in May 2019 and is dedicated to activities in Architecture and Engineering in general, Civil Works, construction, and supervision of related advisory works, among others. The company owns 99 percent of its share capital.

- Aceros América S.P.A., is a foreign company located in Chile, established in August 2019 and is dedicated to the purchase and sale of scrap metal. The Company owns 100 percent of its share capital.

- Aceros Arequipa S.A.S is a foreign company located in Colombia established in March 2020 and is dedicated to the import and sale of steel products in said market. The Company owns 100 percent of its share capital.

- Comfer S.A. is a Peruvian public limited company that was established in October 1986, in which it has a 100.00 percent stake in the shares representing the capital stock. It is dedicated to the commercialization in the local market of national and imported steel products, especially nails, wires, steel meshes, steel profiles, tubes, plates and other iron and steel derivatives. The legal address of this subsidiary is Av. Argentina N°1646-1650, Callao, Perú. It should be noted that on August 2, 2021, the Shareholders' Meeting of Comfer S.A approved its dissolution for the reasons contemplated in section 8 of article 407 of the General Companies Law.

- Aceros América Corporation is a foreign company located in Delaware, United States, incorporated in June 2021 and is dedicated to providing the necessary financing to the two companies that purchased the scrap yards (see section f of this note). The company owns 100 percent of its share capital.

- Aceros América Port Manatee LLC is a foreign company located in Florida, United States, incorporated in June 2021 and is dedicated to the purchase of local scrap and subsequent export to the Company. Aceros America Corporation owns 100 percent of its share capital.

- Aceros América Sant Pete LLC is a foreign company located in Florida, United States, incorporated in June 2021 and is dedicated to the purchase and sale of local scrap metal. Aceros América Corporation owns 100 percent of its share capital.

- Corporación Aceros Arequipa AA S.A.S is a foreign company located in Quito, Ecuador, established in 2022 that will be dedicated to the import and sale of steel products in said market. The Company owns 100 percent of its share capital.

Below is a summary of the main data of the financial statements of the Subsidiaries, before the eliminations for their consolidation with the Company as of December 31, 2023 and 2022, and for the years ended on those dates, as well as the percentages of direct and indirect participation that the Company maintains in the share capital of each of them:

| | | | Equity participation (%) | | Total asset | | Total liabilitie | | Net equity | | Net income (loss) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Entity | Country | Activity | December 2023 | December 2022 | December 2023 S/(000) | December 2022 S/(000) | December 2023 S/(000) | December 2022 S/(000) | December 2023 S/(000) | December 2022 S/(000) | December 2023 S/(000) | December 2022 S/(000) |
| **Subsidiaries (*)** | | | | | | | | | | | | |
| Comercial del Acero S.A.C – In Liquidation | Peru | Marketing of steel products | 99.99 | 99.99 | 21,912 | 22,763 | 1,607 | 2,819 | 20,305 | 19,944 | 361 | 963 |
| Transportes Barcino S.A. | Peru | Transport services | 99.99 | 99.99 | 75,328 | 83,816 | 30,159 | 36,928 | 45,169 | 46,888 | 3,306 | 1,285 |
| Corporación Aceros Arequipa S.R.L. | Bolivia | Purchase and sale of raw materials / Sale of steel products | 99.00 | 99.00 | 265,033 | 213,887 | 247,621 | 202,069 | 17,412 | 11,818 | (12,816) | (4,878) |
| Tecnología y Soluciones Constructivas S.A.C. | Peru | Design service | 99.90 | 99.90 | 8,583 | 8,491 | 5,483 | 5,412 | 3,100 | 3,079 | 20 | 343 |
| Aceros América S.P.A. | Chili | Purchase and sale of raw materials | 100.00 | 100.00 | 91,685 | 73,929 | 108,088 | 75,755 | (16,403) | (1,826) | (15,140) | 211 |
| Aceros Arequipa S.A.S. | Colombia | Marketing of steel products | 100.00 | 100.00 | 118,452 | 110,880 | 103,249 | 132,795 | 15,203 | (21,915) | (2,732) | (20,378) |
| Corporación Aceros Arequipa de Iquitos S.A.C. | Peru | Sale of steel products | 99.90 | 99.90 | 790 | 794 | 1,230 | 1,230 | (440) | (436) | (3) | (11) |
| Comfer S.A - In Liquidation | Peru | Sale of steel products | 100.00 | 100.00 | 43,265 | 43,653 | 10,429 | 10,866 | 32,836 | 32,787 | 49 | 1,436 |
| Aceros America Corporation and Subsidiaries | USA | Purchase and sale of raw materials | 100.00 | 100.00 | 143,010 | 22,644 | 139,067 | 22,580 | 3,943 | 64 | (8,828) | 85 |
| Corporación Aceros Arequipa AA S.A.S | Ecuador | Marketing of steel products | 100.00 | 100.00 | 69,131 | 350 | 74,972 | 690 | (5,841) | (340) | (5,502) | (353) |

(*) Unaudited.

(d) Liquidation of the Subsidiary Comercial del Acero S.A.C.- COMASA -
The General Shareholders' Meeting of the subsidiary COMASA held on January 04, 2021 approved its dissolution and liquidation by unanimity. The liquidation process covers various activities, which will be carried out in stages. Although this subsidiary will terminate once all the activities detailed in the liquidation plan have been executed, the Management of the Company has considered that the components of the financial statements and the operations of COMASA should not be classified as a discontinued asset as required by IFRS 5 "Non-current assets held for sale and discontinued operations" since it is estimated that said liquidation will not have relevant effects on the Company and on the activities that will remain part of its economic Group.

As of December 31, 2023 and 2022, the liquidation process is being carried out in accordance with the plan established by Management.

(e) Acquisition and liquidation of subsidiary Comfer S.A. –
On February 25, 2021, the Company signed a purchase agreement through which 96 percent of the total shares of Comfer S.A were acquired for a total amount of US$16,800,000. In September 2021, the additional 4 percent was purchased, obtaining 100 percent of the share capital (total net paid for 100 percent amounted to S/66,929,000).

The General Shareholders' Meeting of the subsidiary Comfer S.A. held on August 2, 2021, unanimously approved its dissolution and liquidation. The liquidation process encompasses various activities, which will be carried out in stages. Although said subsidiary will be extinguished once all the activities detailed in the liquidation plan have been carried out, Management has considered that the investment held in the Company by said subsidiary should not be classified as a discontinued asset as required by the IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" since Management estimates that said liquidation will not have relevant effects on the Group and on the activities that are maintained as a Group.

This acquisition has been recorded using the acquisition method, as established in IFRS 3 "Business Combinations". Assets and liabilities were recorded at their estimated market values at the date of purchase, including identified intangible assets not recorded in the acquired entity's statements of financial position. These fair values were determined by Management and its external advisors.

Below are the values determined by the Company:

| | Carrying amount S/(000) | Fair value adjustments S/(000) | Fair value S/(000) |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 47,374 | - | 47,374 |
| Trade accounts receivable | 11,225 | - | 11,225 |
| Inventories, net | 30,505 | - | 30,505 |
| Other accounts receivable | 3,283 | - | 3,283 |
| Intangibles | 48 | - | 48 |
| Required guarantees | - | 9,082 | 9,082 |
| Non-competitive intangibles | - | 173 | 173 |
| Property, machinery and equipment | 44,684 | 24,980 | 69,664 |
| Investment properties | 6,048 | (272) | 5,776 |
| **Liabilities** | | | |
| Other financial liabilities | 16,643 | - | 16,643 |
| Trade accounts payable | 9,098 | - | 9,098 |
| Other accounts payable | 14,262 | 9,082 | 23,344 |
| Deferred tax liability | 9,495 | 7,340 | 16,835 |
| **Total identified net assets** | 93,669 | 17,541 | 111,210 |
| Negative goodwill "badwill" from acquisitions | | | (38,116) |
| **Consideration transferred** | | | 73,094 |

The negative goodwill amounting to S/38,116,000 has been recorded in Other Income. Goodwill represents the value of the expected synergies that will arise from the acquisition; The Company believes that with this purchase it will improve its value offer for clients and consumers, thanks to a more powerful brand portfolio, more efficient distribution and greater opportunities in innovation. The final consideration for the purchase of Comfer includes S/66,929,000 actually paid and S/5,562,000 corresponding to the estimate for the sale of the property and S/603,000 for some tax contingencies included in the contract as an adjustment to the defined value.

Likewise, the intangibles identified at the acquisition date correspond mainly to brands with a useful life limited to 5 years for S/173,000.

The fair values of the identified intangible assets were determined using the income approach.

(f) Acquisition of business units in the United States -
On July 13, 2021, the Company, through its subsidiary Aceros America Corporation, acquired scrap metal business units in the US for a total of US$28,000,000. These business units belonged to the entities Port Manatee Scrap Metal and San Pete Scrap Metal LLC, which is why it was decided to establish the entities Aceros América Port Manatee LLC and Aceros América Sant Pete LLC and through their holding Aceros América Corporation they are consolidated with the Company.

This acquisition has been recorded using the acquisition method, as established in IFRS 3 "Business Combinations". Assets and liabilities were recorded at their estimated market values at the date of purchase, including identified intangible assets not recorded in the statements of financial position of the acquired businesses. These fair values were determined by Management and its external advisors.

Below are the values determined:

| | Carrying amount S/(000) | Fair value adjustments S/(000) | Fair value S/(000) |
|---|---|---|---|
| **Assets** | | | |
| Relationship with Clients | - | 34,848 | 34,848 |
| Property, machinery and equipment | 67,395 | (22,176) | 45,219 |
| **Total identified net assets** | 67,395 | 12,672 | 80,067 |
| Goodwill from acquisitions | | | 30,813 |
| **Consideration transferred** | | | 110,880 |

The goodwill amounting to S/30,813,000 has been recorded in the Intangible asset.
Goodwill represents the value of the expected synergies that will arise from the acquisition; The Company believes that with this purchase it will improve its value offer for clients and consumers, more efficient distribution and greater opportunities in innovation.

Likewise, the intangibles identified at the acquisition date correspond to the commercial relationship with clients to whom a limited useful life of 15 years has been assigned and represent an approximate value of S/34,848,000 at the acquisition date. The fair values of the intangible assets identified were determined using the income approach.

(g) Purchase of shares of Transportes Barcino S.A. –
The Board meeting held on July 22, 2022 approved the acquisition of up to 25,421 common shares issued by Transportes Barcino S.A. equivalent to 0.08% of its capital. The objective was to obtain from Corporación Aceros Arequipa S.A the ownership of 100% of the common shares issued by Transportes Barcino S.A, considering that on said date Corporación Aceros Arequipa S.A.A. already owned 99.92% of said shares. It is worth noting that in order to define the purchase price of the shares, an independent third party was hired to carry out the valuation of the assets of Transportes Barcino S.A, determining the purchase price at S/1.72 for each share, therefore the disbursement for the transaction it was below S/45 thousand soles, reaching 99.99% capital.

## 2. Basis of preparation, consolidation and summary of significant accounting policies

2.1 Basis of preparation –

2.1.1 *Declaration of compliance -*
The information contained in these consolidated financial statements is the responsibility of the Group's Management, which expressly states that the attached consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB for its acronym in English) effective as of December 31, 2023 and 2022, respectively.

2.1.2 *Measurement basis -*
The consolidated financial statements have been prepared based on historical cost basis, from the accounting records of the Company and its Subsidiaries, except for the land and investment properties items that have been measured at their revaluation value. The accompanying consolidated financial statements are presented in Soles (functional and presentation currency), and all amounts have been rounded to thousands of Soles (S/000), except where otherwise indicated.

2.1.3 *Basis of preparation and presentation -*
The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**Definition of Accounting Estimates - Amendments to IAS 8 –**
The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group’s consolidated financial statements.

**Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2**
The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's consolidated financial statements.

**Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 -**
The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Group's consolidated financial statements.

**International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12 -**
The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The amendments had no impact on the Group's consolidated financial statements as the Group is not in the scope of the Pillar Two model rules as its revenue is less than EUR 750 million/year.

2.2 Consolidation basis –

The consolidated financial statements include the financial statements of the Company and its Subsidiaries. Sales, balances and other common transactions between the Company and its Subsidiaries have been eliminated, including the profits and losses arising from such transactions. The minor interest, like the translation effect, does not show a balance in the consolidated financial statements because it does not reach the unit in which they are expressed.

Control is achieved when the investor is exposed or has the right to variable returns from his participation in the entity receiving the investment and has the ability to affect such returns through his power over the latter.

Specifically, the investor controls an entity receiving the investment if and only if it has:

- Power over the entity receiving the investment (that is, there are rights that grant it the present capacity to direct the relevant activities of the entity).
- Exposure or right to variable returns from your participation in the entity receiving the investment.
- Ability to use its power over the entity receiving the investment to significantly affect its returns.

When the investor has less than a majority of the voting or similar rights of the investee entity, the investor considers all relevant facts and circumstances in order to evaluate whether or not it has power over such entity, including:

- The existence of a contractual agreement between the investor and the other holders of the voting rights of the entity receiving the investment.
- Rights arising from other contractual agreements.
- The investor's voting rights, their potential voting rights or a combination of both.

The investor will reassess whether or not it has control over an investment recipient entity if facts and circumstances indicate that there are changes in one or more of the three elements of control described above. The consolidation of a subsidiary begins when the parent company obtains control over the subsidiary and ends when the parent company loses control over it. The assets, liabilities, income and expenses of a subsidiary acquired or sold during the year are included in the consolidated financial statements from the date on which the parent company acquires control of the subsidiary until the date on which the parent company ceases to control the subsidiary.

The result for the period and each component of other comprehensive income are attributed to the owners of the parent company and the non-controlling interests, even if the results of the non-controlling interests give rise to a debit balance. If necessary, appropriate adjustments are made to the financial statements of the subsidiaries so that their accounting policies conform to the accounting policies of the Company and its Subsidiaries. All assets and liabilities, equity, income, expenses and cash flows within the Company and its Subsidiaries that relate to transactions are eliminated in their entirety in the consolidation process.

A change in interest in a subsidiary, without loss of control, is accounted for as an equity transaction. When the parent company loses control of a subsidiary:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary.
- Derecognizes the carrying amount of any non-controlling interest.
- Derecognizes the accumulated translation differences, recorded in equity.
- Recognizes the fair value of the consideration received.
- Recognizes the fair value of any residual investment retained.
- Recognizes any positive or negative balance as results, and
- Reclassifies to results or accumulated results, as appropriate, the parent's participation in the components previously recognized in other comprehensive income, as would be required if the parent had directly sold the related assets or liabilities.

2.3 Summary of significant accounting policies -

The significant accounting policies of the Company and its Subsidiaries for the preparation of their consolidated financial statements are described below:

(a) Cash and cash equivalents -

Cash and cash equivalents presented in the consolidated statement of financial position include cash balances, fixed funds, checking and savings accounts and time deposits. For preparing the consolidated statement of cash flows, cash and cash equivalents include cash and term deposits with an original maturity of less than three months.

(b) Financial instruments: initial recognition and subsequent measurement -

(b.1) Financial assets -

*Recognition and initial measurement -*

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, at fair value through other comprehensive income (OCI), and at fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company and its Subsidiaries business model for managing them. Except for trade accounts receivable that do not contain a significant financial component or for which the Company and its Subsidiaries have applied the practical file, The Company and its Subsidiaries initially measure a financial asset at its fair value plus, in the case of a financial asset that is not at fair value with changes in results, transaction costs. Accounts receivable that do not contain a significant financial component or for which the Company has not applied the practical file are measured at the transaction price determined in accordance with IFRS 15. See accounting policy in section 2.3(o) Income from Contracts with Clients.

For a financial asset to be classified and measured at amortized cost or at fair value with changes in other comprehensive income, it needs to give rise to cash flows that are "only payments of principal and interest (PPI)" originated by the principal amount valid. This evaluation is referred to as the PPI test and is performed at the level of each instrument.

The Company's business model for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

*Subsequent measurement -*
For purposes of subsequent measurement, financial assets are classified into the following categories:

(i) Financial assets at amortized cost (debt instruments).
(ii) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments).
(iii) Financial assets are designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).
(iv) Financial assets at fair value through profit or loss.

*Financial assets at amortized cost (debt instruments) –*
This category is the most relevant for the Company and its Subsidiaries. The Company its Subsidiaries measure financial assets at amortized cost if the following conditions are met:

(i) The financial asset is held within a business model with the objective to hold financial assets to collect contractual cash flows and not sale or trade it, and

(ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets held at amortized cost include cash, other financial assets, restricted funds, trade receivables and other receivables.

Financial assets at fair value with changes in other comprehensive income (debt instruments)

The Company and its Subsidiaries measure debt instruments at fair value with changes in other comprehensive income if the following two conditions are met:

(i) The financial asset is held with the objective of having rights to collect contractual cash flows and then sell them; and
(ii) The contractual terms of the financial asset, on specific dates, give rise to cash flows that correspond only to principal payments and interest on the outstanding principal amount.

The Company and its Subsidiaries do not have debt instruments classified in this category.

Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) -
Upon initial recognition, the Company and its Subsidiaries can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Profit or losses on these financial instruments are never transferred to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right to payment has been established, except when the Group benefits from the said income as a recovery of part of the cost of the financial asset, in which case such earnings are recorded in other comprehensive income. Equity instruments designated at fair value with changes in other comprehensive income are not subject to impairment evaluation.

The Company and its Subsidiaries do not possess equity instruments.

Financial assets at fair value through profit or loss -
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives are classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets with changes in other comprehensive income are maintained in the consolidated statement of financial position at fair value with net changes in fair value, recognized in the consolidated statement of comprehensive income.

*Derecognition -*
A financial asset (or, if applicable, part of a financial asset or part of a group of similar financial assets) is derecognized, which means is eliminated from the consolidated statement of financial position, when:

(i) The rights to receive cash flows from the asset have expired; or
(ii) The Company and its Subsidiaries have transferred its rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either (a) the Company it Subsidiaries have transferred substantially all the risks and rewards of the asset or, (b) the Company and its Subsidiaries have neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Company and its Subsidiaries have transferred its rights to receive cash flows from an asset or has entered a pass-through arrangement, it evaluates if and to what extent, it has retained the risk and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Company and its Subsidiaries continue to recognize the transferred asset to the extent of the Group´s continuing involvement. In that case, the Company and its Subsidiaries also recognize an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company and its Subsidiaries have retained.

(b.2) Impairment of financial assets -

The Company and its Subsidiaries recognize a provision for expected credit loss (ECLs) for all debt instruments not held at fair value through profit or loss. ELCs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company and its Subsidiaries expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows resulting from the sale of collateral held or other credit enhancements.

ELCs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade accounts receivable, the Company and its Subsidiaries apply a simplified approach when calculating the ELC. Therefore, the Company and its Subsidiaries do not monitor changes in credit risk; instead, it recognizes a provision for impairment based on "PCE throughout life" on each reporting date. The Company and its Subsidiaries have established a provision matrix that is based on the experience of historical loss, adjusted for expected factors specific to debtors and the economic environment.

The Company and its Subsidiaries consider a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company and its Subsidiaries may also consider a financial asset to be in default when internal or external information indicates that the Company and its Subsidiaries are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company and its Subsidiaries. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(b.3) Financial liabilities -

Initial recognition and measurement -

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings, payables, or derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs.

Financial liabilities include trade accounts payable, accounts payable to related parties, other accounts payable and other long-term liabilities.

Subsequent measurement -
The subsequent measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss -
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for repurchasing in the near term; gains or losses on liabilities held for trading are recognized in the statement of profit or loss. This category also includes derivative financial instruments entered by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

The Company and its Subsidiaries have not designated any financial liability at fair value with changes in profit or loss.

Debts and loans that accrue interest -
After initial recognition, debts and loans that accrue interest are subsequently measured at amortized cost, using the effective interest rate method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are written off, as well as through the process of accrued interest applying the effective interest rate method.

Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Amortization under the effective interest rate method is included as financial costs in the consolidated statement of comprehensive income.

In general, this category applies to current and non-current debts and loans that accrue interest, see note 17.

Derecognition -
A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the Statement of comprehensive income.

(b.4) Offsetting of financial instruments -
Financial assets and financial liabilities are offset, and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

(c) Current and non-current classification -
The Company and its Subsidiaries present the assets and liabilities in the consolidated statement of financial position, classified as current and non-current. An asset is classified as current when the entity:

- Expect to realize the asset or intend to sell it or consume it in its normal operating cycle.
- Maintains the asset primarily for trading purposes;
- Expects to realize the asset within the following twelve months after the reporting period;
- The asset is cash or cash equivalents unless it is restricted from being exchanged or used to settle a liability for a minimum period of twelve months after the end of the reporting period.

All other assets are classified as non-current.

A liability is classified as current when the entity:

- Expects to settle the liability in its normal operating cycle;
- Maintains the liability mainly for trading purposes;
- Expects to be liquidated within twelve months of the reporting period; or
- Do not have an unconditional right to postpone the cancellation of the liability for at least the twelve months following the period reported on the closing date.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(d) Foreign currency transactions and balances -

(i) Functional currency and presentation currency –

The consolidated financial statements of the Company and its Subsidiaries are presented in Soles, which is also the functional currency of the parent company. For each subsidiary, the Company and its Subsidiaries determine the functional currency and the items included in the financial statements of each entity are measured using that functional currency. The Company and its Subsidiaries concluded in all its subsidiaries that their local currency is also their functional currency, as well as in the case of Aceros America S.R.L, Aceros América S.P.A., Corporación Aceros Arequipa AA S.A.S, Aceros ArequipaS.A.S. and Aceros América Corporation and Subsidiaries where the economic characteristics determine that the functional currency is in accordance with the local currency of the country of origin.

In such cases, the conversion of the local currency to its functional currency was carried out according to the following methodology:

- Monetary assets and liabilities have been translated at the closing exchange rate on the date of each consolidated statement of financial position presented.
- Non-monetary assets and liabilities in the consolidated statement of financial position have been translated at the exchange rate on the dates of the transactions.
- Income and expenses, except for those related to non-monetary assets, which are converted at the exchange rate in effect on the dates of the transactions, are converted using the monthly average exchange rate.
- All differences resulting from the conversion have been recognized in the consolidated statement of equity as “Result per conversion”.

The consolidated financial statements have been prepared mainly to present the activity of the subsidiaries and the Company in a grouped manner, establishing the Sol (the functional currency of Corporación Aceros Arequipa S.A.) as the presentation currency. In addition, the balances of the financial statements of the subsidiaries that operate in countries whose functional currency is other than the Sol were converted using the methodology established in IAS 21, “Effects of Variations in Foreign Currency Exchange Rates”, as mentioned below:

Non-hyperinflationary economies –

- The balances of assets and liabilities have been translated using the closing exchange rates as of the date of each consolidated statement of financial position presented. The differences resulting from the initial balances in the presentation currency at an exchange rate different from that at the end of the year are presented as a movement in each of the items to which they correspond.
- Income and expenses have been converted using the monthly average exchange rates that approximate those of the recording date of said transactions.
- All resulting differences have been recognized as other comprehensive income in the "Effect of transfer of foreign subsidiaries" item.

(ii) Transactions and balances in foreign currency –

Transactions in foreign currency are initially recorded by the Group entities at the exchange rates of their respective functional currencies on the date on which the transaction first meets the conditions for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the closing exchange rates of the functional currency in effect at the closing date of the reporting period.

Non-monetary items that are measured in terms of their historical cost in foreign currencies are translated using the exchange rates in effect on the date of the original transactions. Non-monetary items that are measured at their fair value in foreign currencies are translated using the exchange rates on the date on which that fair value is determined. Gains or losses arising from the translation of non-monetary items measured at fair value are recognized based on how gains or losses arising from the change in the fair value of the item are recognized (i.e., item translation differences). whose gain or loss derived from the fair value is recognized in the other comprehensive income or in the results are also recognized in the other comprehensive income or in the results, respectively).

(iii) Group Entities –

In the consolidation, the assets and liabilities of foreign businesses whose functional currency is other than the Sol, are converted to Soles (the presentation currency) at the exchange rate in effect on the closing date of the reporting period and the respective income statements are translated at the exchange rates in effect on the dates of the transactions. Exchange differences arising from the conversion are recognized in other comprehensive income.

(e) Inventories -

Inventories are valued at cost or net realizable value, whichever is less. The costs incurred to bring each product to its location and its current conditions are counted as follows:

- Merchandise, raw material and auxiliaries -
  At acquisition cost, following the weighted average method.

- Finished products and in process -
  At the cost of the raw material, direct labor, other direct costs, general manufacturing expenses and a proportion of fixed and variable manufacturing costs based on normal operating capacity, following the weighted average method. Likewise, financing costs and exchange differences are excluded.

- Inventories to be received -
  At the specific acquisition cost.

The net realizable value is the sale price of the inventories in the normal course of business, less the costs to put the inventories fit for sale and the costs of commercialization and distribution.

The obsolescence impairment is determined based on an analysis of the conditions and the inventory turnover. The estimate is recorded against the results of the year in which they are identified.

(f) Investment in subsidiaries and associates -

Investments in subsidiaries and associates are recorded using the equity method. Under this method, investments are initially recorded at the cost of the contributions made. Subsequently, its book value increases or decreases in accordance with the Group's share in the equity movements and in the profits or losses of the associates, recognizing them in the corresponding equity accounts and in the comprehensive income for the year, accordingly.

Under the equity method, dividends from associates will be recognized in the consolidated financial statements as a reduction in the amount of the investment.

In the case of investments in associates, the Company and its Subsidiaries have not recognized a deferred income tax because it has the intention and the ability to maintain these investments in the long term. In this sense, the Company and its Subsidiaries consider that the temporary difference will be reversed through dividends that will be received in the future, the same that are not subject to income tax payable by the Company and its Subsidiaries. There is no legal or contractual obligation for the Group's Management to be forced to sell its investments in these associates (an event that would cause the capital gain to be taxable based on current tax legislation).

(g) Property, plant and equipment -

Except for the lands that are measured under the revaluation model, property, machinery and equipment are expressed at cost, net of accumulated depreciation and accumulated losses due to impairment, if any. The initial cost of an asset includes its purchase price or construction cost, the costs directly attributable to put the asset into operation. This cost includes the cost of replacement components and the costs of loans for long-term construction projects if the requirements for recognition are met. The present value of the expected cost of dismantling the asset and rehabilitating the place where it is located is included in the cost of the respective asset.

Beginning 2013, land is presented at its revalued value, estimated based on appraisals made by independent appraisers.

When it is necessary to replace significant components of property, machinery and equipment, the Company and its Subsidiaries cancel the replaced component, and recognize the new component, with its useful life and its respective depreciation. All other repair and maintenance costs are recognized in the consolidated statement of comprehensive income as they are incurred.

The land is not depreciated. Depreciation of assets is calculated following the straight-line method, based on the useful life of the asset. The estimated useful lives are as follows:

| | **Years** |
|---|---|
| Buildings and other constructions | Between 50 and 75 |
| Machinery and equipment | Between 2 and 36 |
| Miscellaneous equipment | Between 4 and 10 |
| Transport units | 5 |
| Furniture and fixtures | 5 |

An item of property, plant and equipment and any significant part is written off at the time of its sale or when it is not expected to obtain economic benefits from its use or sale. Any gain or loss at the time the asset is derecognized (calculated as the difference between the net income from the sale of the asset and it’s carrying amount) is included in the consolidated statement of comprehensive income when the asset is derecognized.

Any increase in revaluation is recognized in the consolidated statement of comprehensive income and is accumulated in equity in "revaluation surplus", unless such increase corresponds to the reversal of a decrease in revaluation of the same asset previously recognized in the consolidated statements of income, in which case that increase is recognized in said state. A decrease due to revaluation is recognized in the consolidated statements of comprehensive income, except to the extent that such decrease compensates an increase in revaluation of the same asset previously recognized in the reserve for revaluation of assets. At the time of the sale of the revalued asset, any revaluation reserve related to that asset is transferred to accumulated results.

Residual values, useful lives and depreciation methods of assets are reviewed and adjusted prospectively at each year-end date, if necessary.

(h) Investment properties -

Investment properties are presented at their acquisition cost, in accordance with the provisions of IAS 40 "Investment Properties". Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise. The investment properties are made up of the amount paid for the land, plus the costs incurred in their respective construction.

Buildings are subject to depreciation following the straight-line method, at a rate that is adequate to extinguish the cost at the end of the estimated useful life. The useful life estimated by Management for its buildings and facilities is 10 and 33 years.

Transfers are made to or from investment properties only when there is a change in the use of the asset. In the case of a transfer from a property of investment towards a component of property, plant and equipment, the deemed cost taken for subsequent accounting is the fair value of the asset at the date of the change of use. If a component of property, plant and equipment is transferred to an investment property, the Company accounts for the asset up to the date of change of use in accordance with the accounting policy established for property, plant and equipment.

Investment properties are written off, either at the time of sale or when these are withdrawn from use permanently, and no economic benefit is expected to be recovered of its sale. The difference between the net income from the sale and the carrying amount of the asset is recognized in the consolidated income statement comprehensive in the period in which the asset was written off.

(i) Business combination -

Business combinations are accounted using the purchase method. The cost of a purchase is measured as the sum of the consideration transferred, measured at its fair value at the date of purchase, and the amount of any non-controlling interest in the acquiree. For each business combination, the Company and its Subsidiaries may choose to measure the non-controlling interest in the acquiree at its fair value, or by the proportionate interest in the identifiable net assets of the acquiree. Acquisition costs incurred are expensed as incurred and presented as administrative expenses in the consolidated statement of income.

When the Company and its Subsidiaries acquire a business, it evaluates the financial assets and liabilities incorporated for their appropriate classification and designation in accordance with the contractual conditions, economic circumstances and conditions relevant to the date of acquisition. This includes the separation of embedded derivatives in the acquired entity's host contracts.

If the business combination is carried out in stages, any interest that the acquirer previously held in the equity of the acquiree is remeasured at its fair value at the date of acquisition, and any resulting gain or loss is recognized in consolidated results. These records are considered in determining goodwill.

*Goodwill* –

Goodwill is initially measured at cost, and corresponds to the excess of the sum of the consideration transferred and the amount recognized by the non-controlling interest, with respect to the identifiable assets acquired and the liabilities assumed in a business combination.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. In order to perform the impairment test, the goodwill acquired in a business combination is assigned, as of the acquisition date, to each of the cash-generating units of the Company and its Subsidiaries that are expected to benefit from the combination.

When goodwill is part of a cash-generating unit and part of the operation of a unit is disposed of, the goodwill associated with the disposed operation is included in the book value when the profit or loss on the operation is determined.

If the acquiring entity's share of the net fair value of the identifiable assets, liabilities and contingent liabilities, recognized in accordance with the above, exceeds the cost of the business combination, the acquirer will: (a) reconsider the identification and measurement of the identifiable assets, liabilities and contingent liabilities of the acquirer, as well as the measurement of the cost of the combination; and (b) will immediately recognize in the result of the period, any excess that continues to exist after making the previous reconsideration.

(j) Borrowing costs –

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period to be available for expected use or sale, are capitalized as part of the cost of the respective asset. All other borrowing costs are accounted for as expenses in the period in which they are incurred. Borrowing costs include interest and other costs incurred by the entity in connection with the conclusion of the respective loan agreements.

(k) Leases –

At the beginning of a contract, the Company and its Subsidiaries evaluate whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company and its Subsidiaries evaluate whether:

- The contract involves the use of an identified asset, which can be specified explicitly or implicitly, and must be physically different or substantially represent the entire capacity of a physically different asset. If the supplier has a substantive right to substitute the asset throughout the entire period of use, then the asset is not identified;
- The Company and its Subsidiaries have the right to obtain substantially all the economic benefits of use of the asset during the entire period of use; and
- The Company and its Subsidiaries have the right to direct the use of the identified asset throughout the period in use. The Company and its Subsidiaries have this right when the decision-making rights that are most relevant to change how and for what purpose the asset is used are available. In rare cases, in which all decisions about how and for what purpose the asset is used are predetermined, the Company and its Subsidiaries have the right to direct the use of the asset if:

  1) The Company and its Subsidiaries have the right to operate the asset; or
  2) The Company and its Subsidiaries have designed the asset in a way that predetermines the form and for what purpose it will be used.

In its role as lessee, the Company and its Subsidiaries recognize an asset for right of use and a liability for lease on the beginning date of the lease.

Right of use assets –

The right-of-use asset is initially measured at cost, which includes the initial amount of the lease liability adjusted for any lease payment made on or before the start date, in addition to the initial direct costs incurred and an estimate of the costs of dismantling the underlying asset or to restore the underlying asset or the site where it is located, minus any incentive received by the lease.

The right-of-use asset depreciates under straight-line over the shorter term between the lease term and the useful life of the underlying asset. In addition, the right-of-use asset is subject to impairment evaluation, if there are indications of them.

Lease liability -

The lease liability is initially measured at the present value of the lease payments that are not paid at the start date, discounted using the interest rate implicit in the lease or in case the rate cannot be easily determined, the rate is applied Incremental debt.

Lease payments include fixed or variable payments that depend on an index or a rate. When the leases include termination or extension options that the Company and its Subsidiaries consider with reasonable certainty to exercise them, the cost of the option is included in the lease payments.

Subsequent liability measurement is made when there is a change in future lease payments derived from a change in an index or rate, if there is a change in the estimate of the amount expected to be paid for a residual value guarantee or if the company changes its evaluation of whether it will exercise a purchase, extension or termination option, recognizing an adjustment in the book value of the right of use asset, or in the results if the right of use asset does not present an accounting balance.

Exceptions to recognition -

The Company and its Subsidiaries do not recognize the right-of-use assets and lease liabilities, for short-term leases of machinery and equipment that have a lease term of 12 months or less and leases of low-value assets, including computer equipment. The Company and its Subsidiaries do not recognize the lease payments associated with these lease agreements as an expense in a straight-line method during the term of the lease.

(l) Impairment of non-financial assets -

At the balance sheet date, the Company and its Subsidiaries evaluate whether there is any indication that an asset could be impaired in value. If such evidence exists, or when an annual impairment test for an asset is required, the Company and its Subsidiaries estimate the recoverable amount of that asset. The recoverable amount of an asset is the highest value between the fair value less costs of sale, either of an asset or a cash-generating unit, and its value in use, and is determined for an individual asset, except that the asset does not generate cash flows that are substantially independent of those of other assets or groups of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less cost to disposal, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used. These calculations are compared with valuation multiples, share quotations for listed entities and other available indicators of fair value.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses may no longer exist or have decreased. If such indication exists, the Company and its Subsidiaries estimate the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income.

(m) Provisions -

Provisions are recognized when the Company and its Subsidiaries have a present obligation (legal or constructive) because of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company and its Subsidiaries expect that the provisions will be reimbursed part or a whole, for example an insurance contract, the reimbursement is recognized as a contingent asset but only when it is virtually certain. The related expense with any provision is recognized in the consolidated statement of comprehensive income, net of all related reimbursements. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as finance cost in the consolidated statement of comprehensive income.

The Company and its Subsidiaries recognize a liability to distribute cash dividends to its shareholders when the distribution is duly authorized and is not at the discretion of the Company and its Subsidiaries. In accordance with the Group's policies, the distribution of dividends is authorized when it is approved by the General Shareholders' Meeting. The corresponding amount authorized is recorded directly from the equity.

(n) Contingencies -

A contingent liability is disclosed when the existence of an obligation will only be confirmed by future events or when the amount of the obligation cannot be measured with sufficient reliability. Contingent assets are not recognized but are disclosed when it is probable that there will be an income of economic benefits to the Company and its Subsidiaries.

(o) Revenues from customer contracts -

The Company and its Subsidiaries are engaged in the commercialization of rebars, wire rod for construction, merchant bars and other products derived from steel. Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the value that the Company and its Subsidiaries expect to receive in exchange for the goods or services. The Company and its Subsidiaries have concluded that it is Principal in its sales agreements because it controls the goods or services before transferring them to the client.

- Sale of rebars, wire rod for construction, merchant bars and other products derived from steel -

  Revenue from the sale of rebars, wire rod for construction, merchant bars and other products derived from steel are recognized at a point on time when control of the asset is transferred to the customer, which generally occurs in the delivery of said products.

- Performance obligation -
  The Company and its Subsidiaries have a single performance obligation for the sale of rebars, wire rod for construction, merchant bars and other products derived from steel; that occurs upon delivery of the goods.

- Return rights -
  If a contract includes a variable amount, the Company and its Subsidiaries estimate the amount of consideration to which it is entitled in exchange for transferring the goods or services to the customer. Variable consideration is estimated at the start of the contract and is restricted until it is highly probable that a significant reversal of income will not occur at the time the uncertainty associated with variable consideration disappears.

  Sales contracts with customers contain a right of return, which gives rise to variable consideration. The Company and its Subsidiaries use the expected value method to estimate the goods that will not be returned because this method is the one that best predicts the variable consideration amount that the Company and its Subsidiaries will receive. The requirements in IFRS 15 on the restriction of estimates by variable consideration also apply to determine the amount of variable consideration that can be included in the transaction price.

- Provision of virtual design services
  The construction, engineering and virtual design and BIM construction services provided by its subsidiary TSC are recognized at a point in time when control of the service is transferred to the client, which generally occurs with the acceptance of the service by the client.

- Performance obligation -
  The Company and its Subsidiaries have a single performance obligation for the sale of construction, engineering and virtual design and BIM construction services; that is executed upon delivery of the services.

- Interest income -
  Interest is recognized as it accrues, using the effective interest rate method.

  (i) Effective interest rate method -
  According to IFRS 9, interest income is recorded using the effective interest rate method ("EIR") for all financial instruments measured at amortized cost or for financial instruments designated at fair value with changes in results. Interest income on financial assets that accrue interest is measured at fair value with changes in other comprehensive income according to IFRS 9. The EIR is the rate that exactly discounts the estimated future cash flows over the expected life of the financial instrument or, where applicable, a shorter period, at the net book value of the financial asset.

The EIR (and, therefore, the amortized cost of the asset) is calculated considering any discount, premium and costs that are an integral part of the effective interest rate. The Company and its Subsidiaries recognize interest income using a rate that represents the best estimate of a constant rate of return over the expected life of the financial instrument. Therefore, it recognizes the interest rate effect considering credit risk, and other characteristics of the product life cycle (including prepayments, charges, etc.).

If the expectations regarding the cash flows of the financial asset are reviewed for reasons other than credit risk, the adjustment is recorded as a positive or negative adjustment to the book value of the asset in the consolidated statement of financial position with an increase or decrease in interest income. The adjustment is subsequently amortized through interest in the consolidated income statement.

Although the paralysis of economic activities caused by Covid-19 affected the Group's sales, they did not change the terms of the contracts, performance obligations or additional discounts, so the sales conditions remain in force.

(p) Recognition of costs and expenses -

The cost of sales, which corresponds to the production cost of the products marketed, is recorded when the goods or services are delivered, simultaneously to the recognition of the income from the corresponding sale.

The other costs and expenses are recognized as they accrue, regardless of when they are paid, and are recorded in the periods with which they relate.

(q) Taxes –

Current income tax -

Assets and liabilities for current income tax are measured by the amounts that are expected to be recovered or paid to or from the tax authority. The tax rates and tax regulations used to compute these amounts are those that are current as of the closing date of the reporting period, corresponding to the country in which the Company operates in Peru.

The current income tax related to items that are recognized directly in equity is also recognized in equity and not in the consolidated income statement. Management periodically evaluates the positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and constitutes provisions when appropriate.

Deferred income tax -

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the timing of the reversal of the temporary differences associated with investments in subsidiaries and associates, can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses and to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized, or the liability is settled, based on tax rates and tax rules that have been enacted or substantively enacted at the reporting date.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses and to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

Value added tax -

Revenues, expenses, and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

(r) Earnings per share -

The basic and diluted earnings per share have been calculated considering the weighted average number of common and investment shares outstanding as of the date of the consolidated statement of financial position. The shares issued by capitalization of profits are considered as if they always have been issued.

As of December 31, 2023, and 2022, the Company and its Subsidiaries do not have financial instruments with dilutive effect, so the basic and diluted earnings per share are the same.

(s) Segment information -

Management has organized the Company and its Subsidiaries based on a single product, steel derivatives. The goods produced and marketed by the Company and its Subsidiaries result from a single production process, share the same marketing channels, are destined substantially for the same geographic market and are subject to the same legislation. As of December 31, 2023, merchandise sales and exports are not considered representative to designate them as separate operating segments and consequently, such information is not required for a proper understanding of the Group's operations and performance. Likewise, the activities related to mining to date are exclusively restricted to the acquisition of permits and concessions and some initial exploration expenses of the projects.

In consequence, Management understands that the Company and its Subsidiaries work in only one business segment. The Board of Directors has been identified as the body in charge of making operational decisions of the Company and its Subsidiaries. The Board of Directors has been identified as in charge of assigning the resources and assessing the performance as one operating unit.

(t) Repurchase of capital stock (Treasury shares) -
When the capital stock recognized as equity is repurchased, the amount paid, including the costs directly attributable to the transaction, is recognized as a deduction from the consolidated equity. The repurchased treasury shares are classified as treasury shares and are presented as a deduction from equity.

When the treasury shares are sold or subsequently reissued, the amount received is recognized as an issue premium.

**3. Significant accounting judgments, estimates and assumptions –**

The preparation of the consolidated financial statements of the Company and its Subsidiaries requires Management to make judgments, estimates and assumptions that affect the reported figures of income, expenses, assets and liabilities, and disclosures of contingent liabilities.

Therefore, the professional judgment and unknown related assumptions and estimates could result in amounts that require a material adjustment to the book vale of assets and liabilities. The main estimates considered by the Management in relation to the consolidated financial statements are:

- Estimation of expected credit loss - note 2.3(b.2)
- Estimated useful life of assets, for depreciation and amortization purposes - note 2.3 (g) and (h)
- Estimate for devaluation and obsolescence of inventories - note 2.3(e)
- Impairment of non-financial assets - note 2.3(l)
- Provisions and contingencies - note 2.3(m) and (n)
- Income tax - note 2.3(q)
- Estimate of the rate used to determine right-of-use assets - note 2.3(k)

In the opinion of Management, these estimates were made based on their best knowledge of the relevant facts and circumstances at the date of preparation of the consolidated financial statements; however, actual results may differ from the estimates included in the consolidated financial statements.

**4. Standards and interpretations issued but not effective**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company’s financial statements are disclosed below. The Company and its Subsidiaries intend to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback
In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 20243 and must be applied retrospectively. The Company and its Subsidiaries are currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7
In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted but will need to be disclosed.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

## 5. Cash and cash equivalents

(a) The composition of the item is presented below:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| Cash and fixed funds | 4,481 | 252 |
| Current accounts (b) | 179,356 | 74,918 |
| Savings accounts (b) | 526 | 366 |
| Time deposits (c) | 442,187 | 556,886 |
| | 626,550 | 632,422 |

(b) Current and savings accounts are denominated in U.S. dollars and Soles, are deposited in local and foreign financial entities, and are free available. Savings accounts bear interest at market rates.

(c) As of December 31, 2023, they corresponded to time deposits in local financial entities, were denominated in US dollars for US$103,154,000 (equivalent to S/382,187,000) and time deposits in local currency for S/60,000,000 (US$137,838,000, equivalent to S/524,886,000, and time deposits in local currency for S/32,000,000 as of December 31, 2022), with current maturities of less than 90 days, accrue interest at effective annual rates between 5.77 and 6.25 percent, which are recognized in the caption "Financial income" of the consolidated statement of comprehensive income, see note 28, for S/24,031,000 for the year ended December 31, 2023 (S/11,587,000 for the year ended December 31, 2022).

## 6. Trade accounts receivable, net

(a) The composition of the item is presented below:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| Invoices (b) | 534,790 | 608,141 |
| Notes receivable (c) | 2,405 | 5,165 |
| | 537,195 | 613,306 |
| **Less -** | | |
| Expected credit loss (e) | (112,605) | (109,103) |
| | 424,590 | 504,203 |

(b) Corresponds mainly to accounts receivable arising from sales of merchandise and finished goods made to local and foreign entities, they have current maturities and are denominated mainly in US dollars. As of December 31, 2023, these accounts are guaranteed with bank guarantee letters for an approximate amount of S/1,370,000 and US$13,900,000 (S/1,920,000 and US$26,571,000 as of December 31, 2022).

(c) Notes receivable have current maturities and bear interest at market rates of 8.73 percent.

(d) As of December 31, 2023, and 2022, the aging of the trade accounts receivable is as follows:

| | As of December 31, 2023 | | |
|---|---|---|---|
| | **Trade accounts receivable** S/(000) | **Expected credit loss** S/(000) | **Total** S/(000) |
| Not past due | 192,805 | - | 192,805 |
| Past due: | | | |
| Between 1 and 30 days | 119,229 | - | 119,229 |
| Between 31 and 180 days | 112,556 | - | 112,556 |
| Over 180 days | - | 112,605 | 112,605 |
| **Total** | 424,590 | 112,605 | 537,195 |

| | As of December 31, 2022 | | |
|---|---|---|---|
| | **Trade accounts receivable** S/(000) | **Expected credit loss** S/(000) | **Total** S/(000) |
| Not past due | 386,859 | - | 386,859 |
| Past due: | | | |
| Between 1 and 30 days | 86,915 | - | 86,915 |
| Between 31 and 180 days | 25,054 | - | 25,054 |
| Over 180 days | 5,375 | 109,103 | 114,478 |
| **Total** | 504,203 | 109,103 | 613,306 |

(e) The movement of the expected credit loss was as follows:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| **Initial balance** | 109,103 | 110,733 |
| Additions, note 24 | 15,797 | 13,038 |
| Recoveries, note 27 | (10,729) | (2,235) |
| Write-offs | 37 | (7,654) |
| Exchange difference | (1,603) | (4,779) |
| **Final balance** | 112,605 | 109,103 |

In Management's opinion, the estimation for expected credit loss as of December 31, 2023 and 2022 adequately covers the credit risk of this item at that time, also, include all the effects of the pandemic on its customers and covers properly the credit risk.

## 7. Transactions with related parties

(a) As of December 31, 2023 and 2022, the Company and its Subsidiaries have mainly carried out the following transactions with related entities:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| **Sale of construction bars, wirerod and others, note 22** | | |
| Tradi S.A. | 143,092 | 174,138 |
| **Acquisition of goods and services -** | | |
| Tradi S.A. | (175) | (2,148) |

(b) As a result of these and other transactions, the balance of accounts receivable and payable to related parties is presented below for the years then ended December 31, 2023 and 2022:

| | Type | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|---|
| **Trade accounts receivable -** | | | |
| Tradi S.A. (c) | Related | 780 | 31,308 |
| | | 780 | 31,308 |
| **Trade accounts payable** | | | |
| Tradi S.A. (c) | Related | 3 | - |
| | | 3 | - |
| **Other account payable** | | | |
| Remuneration to the Board of Directors and management | | 9,871 | 29,208 |
| Dividends payable | | 2,448 | 1,748 |
| **Total** | | 12,322 | 30,956 |

As of December 31, 2023, and 2022, accounts receivable and trade payable and non-commercial payable to related parties do not bear interest and do not have specific guarantees.

In Management's opinion, as of December 31, 2023 and 2022, there is no recovery risk for these accounts at such dates; thus, it is not necessary to register any estimation for expected credit loss.

(c) The entity Tradi S.A. meets the requirements of accounting standards to be considered a related party to the Company due to the relationship of its shareholders. However, the Company has no direct interest in the equity of this entity, or any interference in the administration of its operations. Consequently, in Management's opinion, the Company and this entity are not part of an economic group.

As of December 31, 2023, it corresponds to invoices for the sale of finished products and merchandise.

(d) In Management's opinion, the Company and its Subsidiaries develop their operations with related parties under the same conditions of a third party, therefore, there are no differences in price policies or in the tax settlement base; in relation to the forms of payment, they do not differ with policies granted to third parties.

(e) Below is the detail of the remuneration of the Company's key personnel (including the income tax assumed by the Company) for the years ended December 31, 2023 and 2022:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| **Disbursements for:** | | |
| Remuneration of key management personnel and directors | 23,916 | 44,308 |
| | 23,916 | 44,308 |

## 8. Other accounts receivable

(a) The composition of the item is presented below:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| Value added tax credit (b) | 73,534 | 45,906 |
| Contract asset (g) | 24,074 | 11,313 |
| Required Guarantees (c) | 16,187 | 19,097 |
| Payments to Paracas Municipality account (d) | 10,978 | 10,978 |
| Tax claims for income tax (e) | 7,896 | 7,988 |
| Claims to third parties | 4,031 | 4,909 |
| Interest receivable | 3,677 | 2,202 |
| Loans receivable from personnel | 2,587 | 2,151 |
| Tax refunds (f) | 465 | 464 |
| Others | 9,336 | 8,028 |
| | 152,765 | 113,036 |
| Allowance for doubtful accounts (h) | (21,342) | (21,325) |
| | 131,423 | 91,711 |
| **By maturity -** | | |
| Current | 119,620 | 80,061 |
| Non-current | 11,803 | 11,650 |
| | 131,423 | 91,711 |

(b) Corresponds to the Value Added Tax credit paid by the Company in the acquisition of goods and services; likewise, this tax credit is mainly explained by the disbursements made in the investment that is being carried out in the plant located in Pisco and the acquisition of goods and services. In Management's opinion, this Value Added Tax will be recovered in the short term.

(c) It mainly corresponds to the guarantee accounts that the Company maintains for the acquisition of two of its subsidiaries carried out in the years 2018 and 2021 for an approximate amount of S/16,187,000.

(d) As of December 31, 2023, it mainly comprises the payments made to the Municipality of Paracas for property tax on its land located in the city of Pisco, which are in claim with said Municipality. In Management and its legal advisors' opinion, as of December 31, 2023, there is a collection risk of these disbursements; thus, a provision for impairment has been recognized for the entire balance.

(e) As of December 31,2023, and 2022, corresponds of claims to the Tax Administration. In Management and its legal advisors' opinion, there is a collection risk for some disbursements, for which the Company has recognized an impairment provision for S/7,896,000.

(f) In accordance with current tax legislation, companies located in the jungle region, such as the Subsidiary Aceros Arequipa de Iquitos S.A.C., have the right to refunds for customs and tax duties of the general sales tax recorded in suppliers' invoices. Said refund, prior approval by the Tax Administration, is made effective through non-negotiable checks. In the opinion of Management, these balances will be recovered in the short term.

(g) It mainly corresponds to rights to receive consideration in exchange for the delivery of goods that the Company is going to make to the client over a certain period of time.

(h) The movement of the estimate of impairment due to expected loss was as follows:

| | **2021**<br>S/(000) | **2022**<br>S/(000) |
|---|---|---|
| **Opening balance** | 21,325 | 11,658 |
| Additions | 43 | 11,531 |
| Write-off | (26) | - |
| Reclassifications | - | (1,864) |
| **Closing balance** | 21,342 | 21,325 |

In Management's opinion, as of December 31, 2023 and 2022, there is no collection risk in this item, so it is not necessary to establish an additional provision for impairment.

**9. Inventories, net**

(a) The composition of the item is presented below:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| Merchandise | 428,872 | 743,254 |
| Finished products | 240,715 | 320,050 |
| Products in process | 111,646 | 375,231 |
| Raw materials | 191,836 | 192,820 |
| Auxiliary materials, supplies and spare parts | 173,384 | 229,311 |
| Inventories in transit (b) | 306,983 | 279,072 |
| | 1,453,436 | 2,139,738 |
| **Less -** | | |
| Allowance for obsolescence (c) | (19,526) | (12,307) |
| | 1,433,910 | 2,127,431 |

(b) As of December 31, 2023, and 2022, correspond a raw material, merchandise and other materials imported by the Company and its Subsidiaries, which they estimate will be received mainly during the first quarter of 2024 and 2023, respectively.

(c) The movement of the allowance for impairment and obsolescence of inventories for the years ended December 31, 2023 and 2022 was as follows:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| **Opening balance** | 12,307 | 13,022 |
| Additions, note 23 | 16,041 | 14,462 |
| Write-offs | (8,822) | (15,177) |
| **Closing balance** | 19,526 | 12,307 |

As of December 31, 2023, the Company's Management carried out an evaluation mainly of its spare parts and supplies in relation to deteriorated and/or slow-moving items. As a result of said evaluation, an obsolescence provision of approximately S/16,041,000 (S/14,462,000 as of December 31, 2022) was recorded.

In Management's opinion, the inventories's impairment estimate as of December 31, 2023 and 2022 covers adequately the risk of impairment at those dates, so it is not necessary to record any additional provision.

## 10. Prepaid expenses

(a) The composition of the item is presented below:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| Comissions, licenses paid in advance and others (b) | 4,132 | 6,735 |
| Subsidies receivable from EsSalud | 3,884 | 3,447 |
| Insurance (c) | 3,197 | 1,479 |
| Others | 97 | 1,333 |
| **Total** | 11,310 | 12,994 |

(b) As of December 31, 2023, it corresponds mainly to structuring commissions for medium-term debts and license renewals for various software used by the Company and its Subsidiaries in the development of its operations for an amount of S/4,132,000, which will accrue in the following year.

(c) As of December 31, 2023, and 2022, correspond mainly to multi-risk coverage, general liability, and civil insurance, among others. These insurances are renewed annually and expire mainly in December 2023 and 2022, respectively.

**11. Investments in subsidiaries and associates**

(a) The composition of the item is presented below:

| | | | Equity share (%) | | Investment cost | Total equity | | | |
|---|---|---|---|---|---|---|---|---|---|
| Company | Operation | Country | 2023 | 2022 | 2023<br>S/(000) | 2023<br>S/(000) | 2022<br>S/(000) | 2023<br>S/(000) | 2022<br>S/(000) |
| Compañía Eléctrica El Platanal S.A. (b) | Energy generation | Peru | 10.00 | 10.00 | 63,125 | 860,786 | 860,137 | 86,079 | 86,014 |
| Inmobiliaria Comercial de Acero Cajamarquilla S.A.C. (c) | Real estate | Peru | 33.65 | 33.65 | 1,073 | 23,280 | 24,143 | 7,834 | 8,124 |
| Inmobiliaria Comercial de Acero Argentina S.A.C. (c) | Real estate | Peru | 33.65 | 33.65 | 3,746 | 761 | 4,060 | 256 | 1,366 |
| Other investments | | | | | 47 | | | 71 | 113 |
| | | | | | | | | 94,240 | 95,617 |

(b) The Company, in association with the non-related Peruvian company UNACEM (merger of the companies Cementos Lima S.A. and Cemento Andino S.A.), participates in 100 percent of Compañía Eléctrica El Platanal S.A. - CELEPSA, through a 10 and 90 percent share, respectively. CELEPSA develops and operates the G-1 El Platanal Electrical Generation concession through a 227 MW hydroelectric plant, using the waters of the Cañete River, the Marañón hydroelectric plant of 19.92 MW of power and the Olleros thermal plant of 300MW of power.

Celepsa has two subsidiaries: (i) Celepsa Renovables S.R.L. (former Hidro Marañón S.R.L), a company that operates the 19.92 MW Marañon Hydroelectric Power Plant in the Marañon River Basin in Huanuco, and which carries out the study and development of new generators of renewable energy resources; and (ii) Ambiental Andina S.A., which provides meteorology and hydrology services where Celepsa participates with 50 percent, Ecorer S.A.C., a company for the generation and marketing of energy from non-conventional renewable sources (solar, wind, geothermal and/or hydraulic); iv) Termochilca, thermal power plant located in Chilca with a power of 300 MW.

(c) The General Shareholders' Meeting of Comercial del Acero S.A. held on December 7, 2017 approved the spin-off of two equity blocks that were transferred to the companies Inmobiliaria Comercial de Acero Argentina S.A.C. and Inmobiliaria Comercial de Acero Cajamarquilla S.A.C., which at the end of 2017 had not yet started operations. The economic purpose of carrying out the spin-off process was to develop a real estate housing complex with commercial development and sales areas. As of December 31, 2022, one of the properties was sold and the other is leased to Corporación Aceros Arequipa.

(d) Following of the movement of the item for the years ended December 31, 2023 and 2022:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| **Opening balance** | 95,617 | 119,485 |
| Participation in results of associates | 1,203 | (4,701) |
| Dividends received from associates | (2,679) | (19,181) |
| Others | 99 | 14 |
| **Closing balance** | 94,240 | 95,617 |

(e) The most relevant information of the associates as of December 31, 2023 and 2022, is as follows:

| | Compañía Eléctrica El Platanal S.A. (Unaudited) | | Inmobiliaria Comercial del Acero Argentina S.A.C. (Unaudited) | | Inmobiliaria Comercial del Acero Cajamarquilla S.A.C. (Unaudited) | |
|---|---|---|---|---|---|---|
| | 2023<br>S/(000) | 2022<br>S/(000) | 2023<br>S/(000) | 2022<br>S/(000) | 2023<br>S/(000) | 2022<br>S/(000) |
| Current asset | 146,298 | 162,393 | 761 | 11,447 | 1,282 | 2,307 |
| Non-current asset | 1,556,264 | 1,067,516 | - | - | 25,467 | 25,728 |
| Current liability | 444,050 | 111,070 | - | 7,388 | 31 | 454 |
| Non-current liability | 395,992 | 258,702 | - | - | 3,438 | 3,438 |
| Equity | 862,520 | 860,137 | 761 | 4,059 | 23,280 | 24,143 |
| Revenues | 516,012 | 405,834 | - | 329 | 2,236 | 2,284 |
| Net income (loss) | 12,079 | 52,924 | (513) | (30,671) | 1,011 | 1,043 |

## 12. Property, machinery and equipment, net

(a) Following the movement of property, plant and equipment and its corresponding accumulated depreciations:

| | Lands S/(000) | Buildings and other constructions S/(000) | Machinery and equipment S/(000) | Equipment Various S/(000) | Transport units S/(000) | Furniture and Fixtures S/(000) | Work in progress S/(000) | Total S/(000) |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| **Balance as of January 1, 2022** | 529,692 | 950,749 | 2,034,814 | 97,389 | 34,736 | 10,503 | 82,252 | 3,740,135 |
| Additions (b) | 15,726 | 65,383 | 155,356 | 2,588 | 24,811 | 53 | 229,835 | 493,752 |
| Sales and withdrawals | - | - | (45,408) | (1,404) | (2,434) | (209) | (4,728) | (54,183) |
| Transfers | - | 161,584 | (124,999) | 834 | - | - | (37,401) | 18 |
| Translation effect | (391) | - | (85) | (5) | - | (1) | (511) | (993) |
| **Balance as of December 31, 2022** | 545,027 | 1,177,716 | 2,019,678 | 99,402 | 57,113 | 10,346 | 269,447 | 4,178,729 |
| Additions (b) | 3,651 | 91,281 | 76,184 | 5,305 | 876 | 388 | 297,278 | 474,963 |
| Sales and withdrawals | (228) | (837) | (15,445) | (932) | (3,592) | (243) | (1,045) | (22,322) |
| Transfers | - | 102,941 | 35,347 | 4,380 | - | 59 | (142,727) | - |
| Revaluation | (24,112) | - | - | - | - | - | - | (24,112) |
| Translation effect | (118) | (1,576) | (1,110) | (1) | - | - | 4,480 | 1,675 |
| **Balance as of December 31, 2023** | 524,220 | 1,369,525 | 2,114,654 | 108,154 | 54,397 | 10,550 | 427,433 | 4,608,933 |
| **Accumulated depreciation** | | | | | | | | |
| **Balance as of January 1, 2022** | - | 155,730 | 882,852 | 30,023 | 18,126 | 7,793 | - | 1,094,524 |
| Additions | - | 43,777 | 108,271 | 3,315 | 4,115 | 512 | - | 159,990 |
| Sales and withdrawals | - | - | (36,136) | (1,372) | (1,855) | (205) | - | (39,568) |
| Translation effect | - | (28) | 6 | 5 | 5 | 4 | - | (8) |
| **Balance as of December 31, 2022** | - | 199,479 | 954,993 | 31,971 | 20,391 | 8,104 | - | 1,214,938 |
| Additions | - | 47,629 | 113,253 | 3,091 | 5,310 | 397 | - | 169,680 |
| Sales and withdrawals | - | (441) | (12,053) | (916) | (3,333) | (191) | - | (16,934) |
| Translation effect | - | 189 | (431) | (1) | (25) | - | - | (268) |
| **Balance as of December 31, 2023** | - | 246,856 | 1,055,762 | 34,145 | 22,343 | 8,310 | - | 1,367,416 |
| **Impairment** | | | | | | | | |
| **Balance as of January 1, 2022** | - | - | 13,609 | - | - | - | - | 13,609 |
| Withdrawals, note 27 | - | - | (4,927) | - | - | - | - | (4,927) |
| **Balance as of December 31, 2022** | - | - | 8,682 | - | - | - | - | 8,682 |
| Withdrawals, note 27 and note 24(a) | - | - | 2,950 | - | - | - | - | 2,950 |
| Application cancellations | - | - | (3,546) | - | - | - | - | (3,546) |
| **Balance as of December 31, 2023** | - | - | 8,086 | - | - | - | - | 8,086 |
| **Net value as of December 31, 2023** | 524,220 | 1,122,669 | 1,050,806 | 74,009 | 32,054 | 2,240 | 427,433 | 3,233,431 |
| **Net value as of December 31, 2022** | 545,027 | 978,237 | 1,056,003 | 67,431 | 36,722 | 2,242 | 269,447 | 2,955,109 |

(b) Additions for the year 2023 correspond mainly to work in-progress related to projects for the construction and implementation of rolling mill N° 3 for S /167,590,000; tube plant for S/9,042,000, Lurin distribution center for S/57,556,000, Non-ferrous recovery plant for S/18,180,000, Wire and nail plant S/57,612,000, Repowering of rotary kilns S/40,148,000, tube plant in Bolivia for S/12,785,000, among other projects being carried out at the Pisco plant.

Additions for the year 2022 correspond mainly to work in-progress related to projects for the construction and implementation of the New Steel Plant in Pisco for S/65,261,000, see note 1(b), rolling mill N° 3 for S/46,359,000; tube plant for S/17,513,000, Lurin distribution center for S/63,560,000, among other projects being carried out at the Pisco plant for S/192,132,000; It also includes additions in the Subsidiaries, a tube and profile plant in Bolivia for S/45,085,000, purchase of land in Colombia for S/22.4 million and purchase of a fleet of trucks in its subsidiary Transportes Barcino S.A. for S/28.2 millions. The construction and implementation of the New Steel Plant was financed through a financial lease operation maintained with Banco de Crédito del Perú S.A. for approximately US$243 million, see note 17(e).

(c) The property, machinery and equipment item include assets acquired through finance lease contracts. As of December 31, 2023, and 2022, the cost and the corresponding accumulated depreciation of these assets are made up as follows:

| | December 31, 2023 | | | December 31, 2022 | | |
|---|---|---|---|---|---|---|
| | **Cost** S/(000) | Accumulated depreciation S/(000) | **Cost net** S/(000) | **Cost** S/(000) | Accumulated depreciation S/(000) | **Cost net** S/(000) |
| Buildings | 647,840 | (89,145) | 558,695 | 647,815 | (65,226) | 582,589 |
| Machinery and equipment | 509,309 | (166,188) | 343,121 | 510,973 | (138,670) | 372,303 |
| Transport units | 8,663 | (2,623) | 6,040 | 7,890 | (4,393) | 3,497 |
| Work in progress | - | - | - | 998 | (998) | - |
| | 1,165,812 | (257,956) | 907,856 | 1,167,676 | (209,287) | 958,389 |

(d) The depreciation expense has been recorded in the following items of the consolidated statement of comprehensive income:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| Cost of sale, note 23 | 153,688 | 146,287 |
| Selling expenses, note 24(a) | 13,491 | 9,979 |
| Administrative expenses, note 25(a) | 2,501 | 2,776 |
| Other expenses, note 27 | - | 948 |
| | 169,680 | 159,990 |

(e) As of December 31, 2023, and 2022, the Company maintains recorded in the item "Land" a higher value for approximately S/375,281,000 and S/396,294,000, respectively. This higher value is presented net of its deferred tax in the item "Revaluation surplus" in the consolidated statement of changes in net equity.

(f) As of December 31, 2023 and 2022, the historical cost of land measured at revalued values amounts to S/148,939,000 and S/148,733,000, respectively.

(g) In July 2010, a Guarantee Trust Fund was established, made up of machinery and property from the Pisco Plant, in support of loans granted by Banco de Crédito del Perú S.A. As of December 31, 2023, and 2022, the Company maintains in this Trust Fund assets for an approximate value of S/1,016,239, see note 17(k).

(h) The Company maintains current insurance on its main assets in accordance with the policies established by Management.

(i) As of December 31, 2023, and 2022, based on the projections made by Management on the results expected for the coming years, there are no indicators that the recoverable value of property, machinery and equipment is less than its book value. Therefore, it is not necessary to record any provision for impairment of these assets at the date of the consolidated statement of financial position.

## 13. Right-of-use assets and others, net

(a) Following the composition and movement of the item:

| | Lands and buildings S/(000) | Machinery and equipment S/(000) | Vehicles S/(000) | Other equipments S/(000) | Total S/(000) |
|---|---|---|---|---|---|
| **Cost -** | | | | | |
| Balance as of January 1, 2022 | 45,676 | - | 556 | 3,885 | 50,117 |
| Additions | 11,067 | 38,435 | 65 | 505 | 50,072 |
| Withdrawals and/or sales | (10,736) | - | - | - | (10,736) |
| Translation effect | (144) | - | - | - | (144) |
| Balance as of December 31, 2022 | 45,863 | 38,435 | 621 | 4,390 | 89,309 |
| Additions | 14,865 | 2,592 | 1,574 | 495 | 19,526 |
| Withdrawals and/or sales | (1,713) | - | - | - | (1,713) |
| Translation effect | (70) | 55 | - | - | (15) |
| Balance as of December 31, 2023 | 58,945 | 41,082 | 2,195 | 4,885 | 107,107 |
| **Accumulated amortization -** | | | | | |
| Balance as of January 1, 2022 | 26,619 | - | 37 | 2,832 | 29,488 |
| Additions (d) | 10,941 | 193 | 215 | 1,053 | 12,402 |
| Withdrawals and/or sales | (8,059) | - | - | - | (8,059) |
| Translation effect | (32) | (2) | - | - | (34) |
| Balance as of December 31, 2022 | 29,469 | 191 | 252 | 3,885 | 33,797 |
| Additions (d) | 12,722 | 10,002 | 475 | 1,000 | 24,199 |
| Withdrawals and/or sales | (717) | - | - | - | (717) |
| Translation effect | 15 | (37) | - | - | (22) |
| Balance as of December 31, 2023 | 41,489 | 10,156 | 727 | 4,885 | 57,257 |
| **Net book value -** | | | | | |
| **Balance as of December 31, 2023** | 17,456 | 30,926 | 1,468 | - | 49,850 |
| **Balance as of December 31, 2022** | 16,394 | 38,244 | 369 | 505 | 55,512 |

(b) Corresponds mainly to the contracts that the Company maintains for the various rental of different properties and equipment, which have maturities that fluctuate between 51 and 60 months, this recognition has been made in accordance with the policy described in 2.3(k). The value of the right-of-use assets was determined based on the future flows of the payment schedule using a discount rate between 3.15 and 5.75 percent.

(c) The depreciation expense has been recorded in the following items of the consolidated statement of comprehensive income:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| Cost of sales, note 23 | 11,430 | 2,077 |
| Selling expenses, note 24(a) | 9,400 | 7,143 |
| Administrative expenses, note 25(a) | 3,369 | 3,039 |
| Other expenses, note 27 | - | 143 |
| | 24,199 | 12,402 |

(d) The carrying amounts of the lease liabilities (included in financial obligations, see note 17 and the movements during the period are detailed below:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| **Initial balance** | 58,515 | 30,043 |
| Additions of lease liabilities | 19,526 | 50,073 |
| Financial interest expenses (note 28) | (2,593) | (961) |
| Lease payments (note 17 h) | (20,988) | (20,640) |
| | 54,460 | 58,515 |
| **Classification -** | | |
| Current | 23,879 | 18,369 |
| Non-current | 30,581 | 40,146 |
| | 54,460 | 58,515 |

(e) The analysis of the maturities of the lease liabilities and the amounts recognized in results are presented below:

| | Less than 3 months<br>S/(000) | From 3 to 12 months<br>S/(000) | From 1 to 5 years<br>S/(000) | Total<br>S/(000) |
|---|---|---|---|---|
| **As of December 31, 2023** | | | | |
| Lease liabilities | 12,981 | 10,898 | 30,581 | 54,460 |
| **As of December 31, 2022** | | | | |
| Lease liabilities | 8,395 | 9,974 | 40,146 | 58,515 |

(f) Commitments –

The Company has not entered into other types of commitments related to leases. The Group also has certain equipment and machinery leases with terms of leases of 12 months or less and low cost office equipment leases. The Group applies the "short-term lease" recognition exemptions term" and "lease of low value assets" for these leases.

**14. Investment properties**

(a) Following the composition and movement of the item:

| | Lands S/(000) | Buildings S/(000) | Total S/(000) |
|---|---|---|---|
| **Cost -** | | | |
| Balance as of January 1, 2022 | 57,602 | 20,745 | 78,347 |
| Additions | 136 | - | 136 |
| Balance as of December 31, 2022 | 57,738 | 20,745 | 78,483 |
| Revaluations | 8,546 | - | 8,546 |
| Translation effect | 104 | - | 104 |
| Balance as of December 31, 2023 | 66,388 | 20,745 | 87,133 |
| **Accumulated amortization -** | | | |
| Balance as of January 1, 2022 | - | 4,768 | 4,768 |
| Additions (d) | - | 602 | 602 |
| Balance as of December 31, 2022 | - | 5,370 | 5,370 |
| Additions (d) | | 748 | 748 |
| Balance as of December 31, 2023 | - | 6,118 | 6,118 |
| **Net book value -** | | | |
| **Balance as of December 31, 2023** | 66,388 | 14,627 | 81,015 |
| **Balance as of December 31, 2022** | 57,738 | 15,375 | 73,113 |

As of December 31, 2023 and 2022, it corresponds to the properties owned by Compañía Aceros Arequipa S.A., Comercial del Acero S.A – In liquidation and Transportes Barcino S.A; which are intended for the generation of surplus value. These properties are free of liens.

The Company and its Subsidiaries maintain insurance on their investment properties in accordance with the policies established by Management; In this sense, as of December 31, 2023 and 2022, it has contracted corporate insurance policies for material damage and loss and, in the Management's opinion, policies cover the integrity of the assets of the Company and its Subsidiaries as of those dates.

(b) As of December 31, 2023, the fair value of this property amounts approximately to S/81,015,000, equivalent to US$21,662,000 (S/73,113,000 equivalent to US$19,115,000 as of December 31, 2022), which has been determined based on appraisals made by independent appraisers, which have been valued according to the location, size and zoning of the property.

The following table presents the sensitivity of fair values to changes in the market price per square meter of the investment property:

| **Sensitivity analysis** | **Change of sq.m price** | **2023** | **2022** |
|---|---|---|---|
| | % | S/(000) | S/(000) |
| **Decrease -** | | | |
| Soles | 5 | (4,051) | (3,656) |
| Soles | 10 | (8,102) | (7,311) |
| **Increase -** | | | |
| Soles | 5 | 4,051 | 3,656 |
| Soles | 10 | 8,102 | 7,311 |

(c) The depreciation expense for the year has been recorded in the following items of the consolidated statement of comprehensive income:

| | **2023** | **2022** |
|---|---|---|
| | S/(000) | S/(000) |
| Cost of sales, note 23 | 612 | 466 |
| Selling expenses, note 24(a) | 136 | 136 |
| | 748 | 602 |

(d) Management has carried out an impairment analysis for this asset and has concluded that there are no impairment indicators, therefore it has not been necessary to constitute a provision.

**15. Intangibles, net**

(a) Below is the composition and movement of the item:

| | SAP (b) S/(000) | Customer relationship (c) S/(000) | Goodwill (d) S/(000) | Others (e) S/(000) | Total S/(000) |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **Balance as of January 1, 2022** | 81,742 | 34,848 | 30,813 | 31,614 | 179,017 |
| Additions | 1,873 | - | - | - | 1,873 |
| Transfers | - | - | - | (18) | (18) |
| Translation effect | 481 | (1,232) | (1,901) | - | (2,652) |
| **Balance as of December 31, 2022** | 84,096 | 33,616 | 28,912 | 31,596 | 178,220 |
| Additions | 2,226 | - | - | 913 | 3,139 |
| Translation effect | (8) | - | - | (1,449) | (1,457) |
| **Balance as of December 31, 2023** | 86,314 | 33,616 | 28,912 | 31,060 | 179,902 |
| **Accumulated amortization** | | | | | |
| **Balance as of January 1, 2022** | 68,227 | - | - | 22,400 | 90,627 |
| Additions (f) | 10,625 | - | - | - | 10,625 |
| Translation effect | 1 | - | - | - | 1 |
| **Balance as of December 31, 2022** | 78,853 | - | - | 22,400 | 101,253 |
| Additions (f) | 3,899 | - | - | 749 | 4,648 |
| Translation effect | (2) | - | - | - | (2) |
| **Balance as of December 31, 2023** | 82,750 | - | - | 23,149 | 105,899 |
| **Net value as of December 31, 2023** | 3,564 | 33,616 | 28,912 | 7,911 | 74,003 |
| **Net value as of December 31, 2022** | 5,243 | 33,616 | 28,912 | 9,196 | 76,967 |

(b) As of December 31, 2023, and 2022, the additions correspond to the implementation, development, and commissioning of the integrated computer system "SAP R4 Hanna" for the development of its operations.

(c) The customer relationship and brand rights correspond to the intangibles acquired through the business combination carried out in 2018 by the Company with its subsidiary Comercial del Acero S.A. As of December 31, 2023 and 2022, Management prepared and reviewed the projected cash flows of the cash generating units to which these assets were assigned; verifying that there are no indications that the recoverable values of intangible assets are less than their book values.

The Company's Management estimated that the useful life of the brand and the relationship with customers is 10 and 5 years, respectively.

(d) On July 13, 2021, as a result of the acquisition of the businesses incorporated into the entities Aceros América Port Manatee LLC and Aceros América Sant Pete LLC, a value of the customer relationship of S/34,848,000 and a capital gain of S/30,813,000 was determined, see note 1(f).

(e) As of December 31, 2023 and 2022, it corresponds mainly to intangibles in progress related to improvements in its computer systems necessary for the development of its operations.

(f) The amortization expense for the year has been recorded in the following items of the consolidated statement of comprehensive income:

| | **2023**<br>S/(000) | **2022**<br>S/(000) |
|---|---|---|
| Cost of sales, note 23 | 2,216 | 4,422 |
| Selling expenses, note 24(a) | 1,272 | 3,153 |
| Administrative expenses, note 25(a) | 1,160 | 2,907 |
| Other expenses, note 27 | - | 143 |
| | 4,648 | 10,625 |

## 16. Other assets, net

(a) The composition of the item is presented below:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| **Cost** | | |
| **Initial balance** | 37,937 | 37,902 |
| Additions (b) | 37 | 35 |
| **Final balance** | 37,974 | 37,937 |
| **Accumulated amortization** | | |
| **Initial balance** | 3,015 | 2,632 |
| Additions | 383 | 383 |
| **Final balance** | 3,398 | 3,015 |
| **Net book value** | 34,576 | 34,922 |

(b) As of December 31, 2023, and 2022, mainly comprises the acquisition cost of concessions and mining claims in different locations in Peru, acquired in previous years for an approximate value of S/37,974,000, net of accumulated amortization of approximately S/3,398,000 and S/3,015,000, respectively. The amortization of concessions and mining claims is calculated on a straight-line basis, based on the useful lives defined by Management, between 12 and 46 years. The amortization expense for the year has been recorded under "Other operating expenses" in the consolidated statement of comprehensive income, see note 27.

(c) Management carried out various studies and evaluated the probability of future recovery of its investment in these concessions and estimated that there are no impairment indicators as of those dates.

## 17. Financial obligations

(a) The composition of the item is presented below:

| Type of obligation | Guarantee | Annual interest rate (%) | Maturity | Currency | Original amount | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|---|---|---|---|---|
| **Finance leases (b) y (c)** | | | | | | | |
| Banco de Crédito del Perú S.A. (e) | Fixed assets acquired | 5.23 | 2025-2028 | US$ | 137,506 | 453,323 | 497,474 |
| Banco de Crédito del Perú S.A. (e) | Fixed assets acquired | 6.50 | 2025-2028 | S/ | 311,147 | 236,360 | 268,538 |
| Banco de Crédito del Perú S.A. (g) | Fixed assets acquired | 8.60 | 2025 | S/ | 28,113 | 22,981 | 28,267 |
| Banco Internacional del Perú S.A.A. – Interbank (f) | Fixed assets acquired | 3.90 | 2023 | US$ | 1,197 | - | 250 |
| Scotiabank Peru S.A.A. | Fixed assets acquired | 5.70 | 2023 | S/ | - | - | 135 |
| Renting S.A.C. (g) | Fixed assets acquired | 1.25 | 2022 | US$ | 307 | - | - |
| **Leaseback** | | | | | | | |
| Scotiabank Peru S.A.A. | Fixed assets acquired | 4.45 | 2027 | S/ | 1,388 | 989 | 1,245 |
| **Operating leases (h)** | | | | | | | |
| Lease for right-of-use assets | No specific guarantees | Between 4.96 and 5.75 | 2023-2024 | S/ | | 45,913 | 56,094 |
| Lease for right-of-use assets | No specific guarantees | Between 5.16 and 5.82 | 2026 | US$ | | 8,547 | 2,421 |
| | | | | | | 768,113 | 854,424 |
| **Notes (i)** | | | | | | | |
| Banco ICB Perú Bank | No specific guarantees | 5.36 | 2023 | US$ | 10,000 | - | 38,200 |
| Banco BCI Perú S.A. | No specific guarantees | 7.27 | 2024 | S/ | 48,000 | 48,000 | - |
| BBVA Banco Continental S.A. | No specific guarantees | 6.75 | 2024 | S/ | 351,000 | 351,000 | 221,900 |
| BBVA Banco Continental S.A. | No specific guarantees | Between 2.73 and 6.16 | 2024 | US$ | 24,500 | 90,968 | 141,340 |
| BBVA Banco Continental S.A. | No specific guarantees | 17.3 | 2024 | COP | 13,800,000 | 13,406 | 28,506 |
| Scotiabank Perú S.A.A. | No specific guarantees | Between 6.44 and 8.54 | 2023 | S/ | 199,100 | - | 199,100 |
| Scotiabank Perú S.A.A. | No specific guarantees | Between 6.13 and 6.15 | 2024 | US$ | 21,000 | 77,973 | - |
| Banco Internacional del Perú S.A.A. – Interbank | No specific guarantees | 0.97 | 2023 | S/ | 155,300 | - | 155,300 |
| Banco Internacional del Perú S.A.A. – Interbank | No specific guarantees | 1.10 | 2023 | US$ | 25,000 | - | 95,500 |
| Banco de Crédito del Perú S.A. | No specific guarantees | Between 4.15 and 7.3 | 2024 | S/ | 290,000 | 290,000 | 490,700 |
| Banco de Crédito del Perú S.A. | No specific guarantees | Between 5.83 and 6.35 | 2024 | US$ | 14,000 | 51,982 | 38,200 |
| BCP Miami | No specific guarantees | Between 5.97 and 6.81 | 2024 | US$ | 4,950 | 18,370 | 16,235 |
| Banco de Crédito de Bolivia | No specific guarantees | Between 6.00 and 7.50 | 2024 | BOB | 80,909 | 43,162 | 22,222 |
| Banco Bisa SA | No specific guarantees | Between 5.90 and 6.10 | 2024 | BOB | 69,000 | 36,811 | 42,020 |
| Banco ITAU | No specific guarantees | Between 11.19 and 12.42 | 2024 | CLP | 23,889,500 | 100,274 | 42,163 |
| BLADEX | No specific guarantees | 7.19 | 2024 | US$ | 2,600 | 9,654 | - |
| Bladex | No specific guarantees | 7.01 | 2024 | US$ | 13,300 | 49,383 | - |
| BANK OF CHINA PERU S.A | No specific guarantees | 7.25 | 2024 | S/ | 23,000 | 23,000 | - |
| Banco Itau BBA SA - Nassau Bra | No specific guarantees | Between 2.65 and 3.15 | 2023 | US$ | 40,000 | - | 152,800 |
| | | | | | | 1,203,983 | 1,684,186 |

| Type of obligation | Guarantee | Annual interest rate (%) | Maturity | Currency | Original amount | 2023 S/(000) | 2022 S/(000) |
|---|---|---|---|---|---|---|---|
| **Loans (j)** | | | | | | | |
| Banco de Crédito del Perú S.A. (j.1) | With specific guarantees | 3.65 | 2023 | US$ | 18,720 | - | 71,148 |
| Banco Internacional del Perú S.A.A. – Interbank (j.3) | With specific guarantees | 6.75 | 2029 | S/ | 68,501 | 53,879 | 62,303 |
| Banco Internacional del Perú S.A.A. – Interbank (j.7) | With specific guarantees | 7.15 | 2031 | US$ | 49,000 | 181,145 | 64,940 |
| Banco de Crédito del Perú S.A. (j.8) | With specific guarantees | 10.04 | 2031 | S/ | 235,513 | 231,606 | 95,913 |
| Banco de Crédito del Perú S.A. (j.10) | No specific guarantees | 5.84 | 2023 | S/ | 3,667 | - | 467 |
| Banco de Crédito del Perú S.A. (j.10) | No specific guarantees | 7.09 | 2024 | S/ | 3,147 | 156 | 531 |
| Banco de Crédito del Perú S.A. (j.10) | No specific guarantees | 5.86 | 2023 | S/ | 1,171 | - | 179 |
| Banco Santander Perú (j.3) | With specific guarantees | 6.75 | 2029 | S/ | 41,100 | 32,382 | 37,832 |
| Banco de Crédito de Bolivia (j.5) | With specific guarantees | 5.42 | 2026 | BOB | 41,820 | 9,668 | 14,537 |
| Banco Mercantil Santa Cruz S.A (j.6) | With specific guarantees | 5.49 – 5.75 | 2032 | BOB | 137,200 | 73,193 | 51,367 |
| Banco de Crédito del Perú S.A. (j.2) | With specific guarantees | 4.65 | 2024 | S/ | 15,972 | - | 15,972 |
| Banco de Crédito del Perú S.A. (j.4) | Reactiva Perú- No specific guarantees | 0.98 | 2023 | S/ | 1,087 | - | 215 |
| BCP Miami (j.9) | With specific guarantees | 3.95 | 2027 | US$ | 22,400 | 74,065 | 86,020 |
| | | | | | | 656,094 | 501,424 |
| **Total** | | | | | | 2,628,190 | 3,040,034 |
| **Less current portion** | | | | | | (1,384,612) | (1,887,346) |
| **Non-current portion** | | | | | | 1,243,578 | 1,152,688 |

(b) As of December 31, 2023, and 2022, the amortization schedule of the financial obligations, net of future interest, is as follows:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| 2023 | - | 1,887,346 |
| 2024 | 1,384,612 | 198,798 |
| 2025 | 152,000 | 57,500 |
| 2026 onwards | 1,091,578 | 896,390 |
| | 2,628,190 | 3,040,034 |

(c) The minimum future payments for the financial leases, as of December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| | Minimum payments<br>S/(000) | Present value of lease payments<br>S/(000) | Minimum payments<br>S/(000) | Present value of lease payments<br>S/(000) |
| Within a year | 141,899 | 141,101 | 93,622 | 93,557 |
| More than one year | 633,498 | 627,012 | 768,982 | 760,867 |
| **Total l payments to be made** | 775,397 | 768,113 | 862,604 | 854,424 |
| Less interest payable | (7,284) | - | (8,180) | - |
| **Total** | 768,113 | 768,113 | 854,424 | 854,424 |

(d) Obligations for financial leases are guaranteed with the transfer of the property titles of the acquired assets that revert to the lessor in case of default, which mainly include the acquired fixed assets, see note 12(c). Also, the effect of the pandemic COVID-19 did not affect the terms and conditions of the leasing contracts and, in general, any other financial liability.

(e) On September 14, 2018, two financial lease contracts were signed for the construction of a new steel plant in Pisco with Banco de Crédito del Perú for a total amount of US$180 million, divided into 2 contracts of US$101.7 million to civil works and US$78.3 million for machinery and equipment, with financing annually effective rates of 5.36 and 6.57 percent, payable in 10 years for civil works and 7 years for machinery considering a 6-year grace period for civil works and 3 years for machinery from the date of signature. Also, both contracts are bi-currency (Soles / Dollars). In 2019, the financed amount was increased to US$207.5 million, and better interest rate conditions were obtained. In 2021 it expanded to US$243.0 million. Currently, the corresponding addenda are in the process of being drawn up. The finance lease mentioned in the present note are attached to the Framework Agreement of Creditors to guarantee the full and timely payment of the obligation.

(f) In June 2017, a financial lease agreement was signed for US$1.2 million for the acquisition of machinery, payable in 48 monthly installments at an effective rate of 3.90 percent per year.

(g) The subsidiary Transportes Barcino S.A. acquired truck tractors for S/28,267,000 through a financial lease with Banco de Crédito del Perú S.A. with an effective annual rate of 8.6 percent maturing in 2025.

Additionally, in November 2017, the Company and its Subsidiaries entered into a service provision contract with the provider Renting S.A.C, in order to be used solely for the development of its corporate purpose. The contract has a duration of 60 months and the cost of the vehicles is approximately US$307,000.

(h) Corresponds to the lease contracts for rights- of-use assets that the Company maintains on property and various equipment. This obligation has been calculated based on the duration of the contracts that the Company maintains, which fluctuate from 51 to 57 months, and a discount rate between 4.96 and 5.82 percent, see note 13(d).

(i) Notes -
As of December 31, 2023 and 2022, the notes have a current maturity and are renewable upon maturity. The book value of the promissory notes is substantially like their fair values since the impact of the discount is not significant. The promissory notes are used for working capital, and the Company's Management expects to pay them off when due.

(j) Loans -

(j.1) On January 18, 2016, an addendum was signed with Banco de Crédito del Perú S.A. to modify the long-term loan contract (Tranche I), in which it was agreed to convert part of the balance of the loan initially granted in foreign currency to a loan in soles. In that sense, US$25 million from Tranche I was converted to S/85.7 million at an interest rate of 9.05 percent. In October 2018, an addendum was signed to the contract for S/49.5 million, which modified the rate from 9.05 percent to 5.98 percent and whose expiration is in 2022.

The balance of the long-term loan (Tranche I) amounting to US$27.7 million, kept the terms, the rate and the currency agreed in the initial contracts constant. In October 2020, a Medium Term Loan Agreement was signed with Banco de Crédito del Peru S.A. whose use of funds was the prepayment of the aforementioned financing, which at the date of the disbursement had an outstanding balance of US$18.7 million; this new Financing matures in 2023 and has a rate of 3.65 percent.

(j.2) On February 27, 2017, the Company celebrated with Banco de Crédito del Perú S.A. a loan contract for S/33.5 million. The payment terms of said loan are 84 installments at an interest rate of 6.67 percent per year. In October 2020 said financing was prepaid with the loan granted by Banco de Crédito del Perú S.A., as of the disbursement date, the outstanding balance amounted to S/15.9 million, this new financing matures in 2023 and has a rate of 4.65 percent.

(j.3) On March 28, 2019, the Company celebrated with Banco Santander S.A. and Banco Internacional del Perú S.A.A. - Interbank a loan agreement up to US$15 million (equivalent to S/41.1 million) and up to US$25 million (final equivalent to S/68.5 million) respectively. The payment terms of said loan are 120 installments at an interest rate of 6.75 percent per year.

(j.4) On April 27, 2020, the subsidiary Tecnología y Soluciones Constructivas celebrated with Banco de Crédito del Perú S.A. a credit subsidized by the Peruvian government through the “Reactiva Perú” program for the amount of S/1,086,918 which was allocated for working capital, payable in 36 monthly installments with a grace period of 12 months. Likewise, the Company recognized the amount of S/137,829 as deferred income, resulting from valuing the loan at a market rate of 7.50 percent annually.

(j.5) In February 2020, a loan contract was signed with Banco de Crédito Bolivia for BOB 41.2 million, whose maturity will be in 2026 with a one-year grace period and at a rate of 5.42% per year.

(j.6) In April 2022, a loan contract was signed with Banco Mercantil Santa Cruz for BOB 116.6 million, whose maturity will be in 2032 with a two-year grace period and at a rate of 5.6% annually, and another for BOB 20.58 million with the same conditions.

(j.7) On December 14, 2022, a Medium-Term Loan Contract was signed with Banco Internacional del Perú S.A.A. – Interbank for 9 years in US$ currency, with a grace period and availability of 3 years, for a value of up to US$75,000,000 at an interest rate of 7.15 percent per year. In December 2022 we received a first disbursement of US$17,000,000, then in June 2023 we received a second disbursement for US$10,400,000 and in December 2023 we received a third disbursement for US$21,600,000.

(j.8) On December 14, 2022, a Medium-Term Loan Contract was signed with Banco de Crédito del Peru S.A. for 9 years in Soles currency, with a grace period and availability of 2 years, for a value of up to S/343,200,000 and at an interest rate of 10.04 percent per year. In December 2022 we received a first disbursement of S/95,912,500, then in June 2023 we received a second disbursement for S/94,000,000 and in December 2023 we received a third disbursement for S/45,600,000.

(j.9) On January 22, 2022, a Medium-Term Loan Contract was entered into with Banco de Crédito de Miami for 4 years, with a grace period and availability of 1 year, for a value of US$22,400,000 at a rate of 1.37 percent annual. In said loan the Company participates as jointly obligated.

(j.10) In January 2021, a loan contract was signed with the Banco de Crédito del Perú for S/7.9 million at rates between 5.84 and 7.09 percent annually with maturity in 2024.

(k) In guarantee of the loans detailed in paragraph (e) above, the Company entered into a guarantee trust agreement where the Company acts as the settlor, Banco de Crédito del Perú S.A. as representative of the trustees and as trustee La Fiduciaria SA, by virtue of which the Company transferred to the trustee the fiduciary domain over the Pisco production plant (excluding assets committed to other financial entities) and the insurance policies that correspond to said goods, see note 12 (f).

Pursuant to what is indicated in the previous paragraph, a Trust Property is established irrevocably, if the guaranteed obligations remain in force, for which the Company in its capacity as trustor and in accordance with the provisions of article N° 241 of the Banking Law, transfers in trust domain to La Fiduciaria SA, the Trust assets that constitute the Trust assets. The purpose of this contract is for the Trust Property to serve entirely as a guarantee of the total payment of the guaranteed obligations, mentioned in the sections above.

(l) The interest generated as of December 31, 2023 and 2022 by the financial obligations, amount approximately to S/132,279,000 and S/95,870,000, respectively, and are presented in the item "Financial expenses" of the consolidated statement of comprehensive income, see note 28.

(m) As of December 31, 2023 and 2022, the movement of financial obligations is as follows:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| **Initial balance as of January 1** | 3,040,034 | 2,491,002 |
| Acquisition of machinery and equipment through finance lease agreements | - | 65,158 |
| Acquisition of machinery and equipment through operating lease agreements | 19,526 | 50,073 |
| Promissory notes obtained | 4,018,110 | 3,018,490 |
| Amortization of financial obligations | (4,539,615) | (2,542,127) |
| Exchange difference | 90,135 | (42,562) |
| **Final balance as of December 31** | 2,628,190 | 3,040,034 |

(n) As part of the financial loans and leases maintained with Banco de Crédito del Perú, and the loans maintained with Banco Internacional del Perú S.A.A. – Interbank and Banco Santander Perú, the Company has undertaken to comply with certain financial ratios as of December 31, 2023 and 2022 such as:

- Financial leverage ratio, not greater than 1.6
- Debt service coverage ratio, not less than 1.2
- Debt coverage ratio, not greater than 4.0
- Interest coverage ratio, not less than 3.0
- Liquidity ratio, not less than 1

The Company has complied with the financial ratios required as of December 31, 2023 and 2022. The finance of financial leases mentioned in item (e) are adhered to the Creditor's Framework Contract to support the full and timely payment of the obligation.

## 18. Trade accounts payable

(a) The composition of the item is presented below:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| Domestic invoices | 430,158 | 389,637 |
| Foreing invoices (c) | 124,957 | 118,356 |
| Customer advances | 43,925 | 29,709 |
| **Total** | 599,040 | 537,702 |

(b) Trade accounts payable originate mainly from the acquisition from third parties of merchandise, raw materials, materials, supplies, and spare parts for production, are denominated in local and foreign currency, have mainly current maturities and have not been granted guarantees.

(c) Foreign invoices to be paid are directly financed from third parties, bear interest at an annual rate of 1.25 percent and have current maturity.

## 19. Other accounts payable

### 19.1 Other accounts payable

(a) The composition of the item is presented below:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| Interest payable | 16,652 | 53,528 |
| Miscellaneous provisions | 29,037 | 36,660 |
| Workers profit sharing | 11,446 | 35,562 |
| Vacations | 19,485 | 18,325 |
| Taxes and withholdings | 6,919 | 8,225 |
| Labor provisions (b) | 5,377 | 5,377 |
| Severance indemnities | 2,230 | 2,043 |
| Private pension fund | 1,494 | 1,526 |
| Others | 2,145 | 7,972 |
| | 94,785 | 169,218 |

(b) The composition and movement of sundry and labor provisions for the years 2023 and 2022 are presented below:

| | Initial balance S/(000) | Additions S/(000) | Payment S/(000) | Usage S/(000) | Ending balance S/(000) |
|---|---|---|---|---|---|
| **As of December 31, 2023** | | | | | |
| Tax contingencies | 6,366 | - | (941) | (1,435) | 3,990 |
| Labor contingencies | 29,419 | - | (83) | (6,664) | 22,672 |
| Labor provisions | 5,377 | - | - | - | 5,377 |
| Other provisions, note 27 | 875 | 1,500 | - | - | 2,375 |
| **Total** | 42,037 | 1,500 | (1,024) | (8,099) | 34,414 |
| **As of December 31, 2022** | | | | | |
| Tax contingencies | 8,276 | - | (455) | (1,455) | 6,366 |
| Labor contingencies | 30,044 | 2,322 | (98) | (2,849) | 29,419 |
| Labor provisions | 8,377 | 7,282 | - | (10,282) | 5,377 |
| Other provisions | 7,466 | 6,343 | - | (12,934) | 875 |
| **Total** | 54,163 | 15,947 | (553) | (27,520) | 42,037 |

(c) These provisions are related to the current litigation that the Group maintain related mainly to tax and labor nature. In accordance with the evaluation carried out by Management and its legal advisors, they consider that the recorded amount of the provisions is sufficient to cover such contingencies as of December 31, 2023 and 2022.

(d) The concepts that comprise this item have current maturity, do not generate interest and no specific guarantees have been granted for them.

**19.2 Other long-term accounts payable**

(a) The composition of the item is presented below:

| | 2023 S/(000) | 2022 S/(000) |
|---|---|---|
| Gas supplier provision, note 31 | - | 50,424 |
| Guarantee provisions and others, note 8(c) | 9,074 | 8,895 |
| | 9,074 | 59,319 |

## 20. Deferred income tax liability, net

(a) Below is the composition and movement of the caption according to the items that originated it:

| | As of January 1, 2022 S/(000) | (Charge) / credit to the consolidated statement of comprehensive income S/(000) | Initial Balance due to acquisition of Subsidiary S/(000) | As of December 31, 2022 S/(000) | Other comprehensive income S/(000) | Charge) / credit to the consolidated statement of comprehensive income S/(000) | As of December 31, 2021 S/(000) |
|---|---|---|---|---|---|---|---|
| **Deferred assets** | | | | | | | |
| Miscellaneous and other minor provisions | (3,212) | - | 23,021 | 19,809 | - | (6,578) | 13,231 |
| Estimate of expected credit losses | 8,094 | - | 278 | 8,372 | - | (557) | 7,815 |
| Vacations accrued and unpaid | 4,958 | - | 471 | 5,429 | - | 293 | 5,722 |
| Estimated impairment of inventories | 2,926 | - | 4,694 | 7,620 | - | 3,337 | 10,957 |
| Lease liabilities | - | - | 16,796 | 16,796 | - | (10,676) | 6,120 |
| Revaluations | - | - | - | - | 8,827 | - | 8,827 |
| Others | (5,266) | - | 9,435 | 4,169 | 1,890 | 11,772 | 17,831 |
| | 7,500 | - | 54,695 | 62,195 | 10,717 | (2,409) | 70,503 |
| **Deferred liabilities** | | | | | | | |
| Property, machinery and equipment, intangible assets and right-of-use assets | (211,002) | (1,041) | (64,901) | (276,944) | - | (1,263) | (278,207) |
| Exploration and evaluation expenses | (5,936) | - | 2,188 | (3,748) | - | (95) | (3,843) |
| Revaluations | - | - | - | - | (5,882) | - | (5,882) |
| Others | 6,333 | - | (6,349) | (16) | (26) | - | (42) |
| | (210,605) | (1,041) | (69,062) | (280,708) | (5,908) | (1,358) | (287,974) |
| **Deferred tax liability, net** | (203,105) | (1,041) | (14,367) | (218,513) | 4,809 | (3,767) | (217,471) |

(b) The income tax expense shown in the consolidated statement of comprehensive income comprises of:

| | 2023 S/(000) | 2022 S/(000) |
|---|---|---|
| Current | (31,868) | (97,590) |
| Deferred | (3,767) | (14,367) |
| | (35,635) | (111,957) |

(c) The net deferred liability is composed as follows:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Deferred asset, net S/(000) | Deferred liability, net S/(000) | Deferred asset, net S/(000) | Deferred liability, net S/(000) |
| Corporación Aceros Arequipa S.A. | - | 215,656 | - | 206,259 |
| Comfer S.A. | - | 13,452 | - | 14,208 |
| Transportes Barcino S.A. | - | 8.258 | - | 11,117 |
| Aceros América S.P.A. | 1,769 | - | - | 333 |
| Aceros Arequipa S.A.S. | 8,708 | - | 9,165 | - |
| Comercial del Acero S.A. | - | 33 | 2,013 | - |
| Tecnología y Soluciones Constructivas S.AC. | 488 | - | 520 | - |
| Aceros América Corporation | 3,011 | - | 450 | - |
| Corporación Aceros Arequipa S.R.L. | 5,936 | - | 1,154 | - |
| Corporación Aceros Arequipa AA S.A.S | 16 | - | 102 | - |
| | 19,928 | 237,399 | 13,404 | 231,917 |

(d) The reconciliation between the effective income tax rate and the legal tax rate for the years 2023 and 2022 is as follows

| | For the year ended December 31, 2023 | | For the year ended December 31, 2022 | |
|---|---|---|---|---|
| | S/(000) | % | S/(000) | % |
| **Profit before income tax** | 102,913 | 100 | 354,320 | 100 |
| Theorical tax expense | (30,359) | (29.50) | (104,524) | (29.50) |
| Net tax impact of non – deductible or non-taxable items | (5,276) | (5.13) | (7,433) | (2.10) |
| **Income tax** | (35,635) | (34,63) | (111,957) | (31.60) |

(d) As of December 31, 2023, and 2022, the Company and its Subsidiaries have generated an income tax of S/31,868,000 and S/97,590,000 , respectively, which have been offset with advance payments maintained to date, generating a net asset of S/102,675,000 and net liabilitie of S/93,991,000, respectively.

## 21. Net equity

(a) Capital stock -

As of December 31, 2023, and 2022 the capital stock is represented by 890,858,308 common shares fully subscribed and paid, whose nominal value is S/1.00 per share.

As of December 31, 2023, and 2022, the market price of the common share was S/1.70 and S/1.92 and its trading frequency was 15.79 and 15.00 percent, in relation to the total trading operations performed in the Lima stock market, respectively.

As of December 31, 2023, and 2022, the Group's corporate shareholding structure is as follows:

| | As of December 31, 2023 | |
|---|---|---|
| **Percentage of individual capital shareholding** | **Number of Shareholders** | **Total shareholding percentage** |
| Greater than 10 percent | 2 | 26.89 |
| Between 5.01 and 10 percent | 5 | 32.86 |
| Between 1.01 and 5 percent | 13 | 20.35 |
| Less than 1 percent | 409 | 19.9 |
| | 429 | 100 |

| | As of December 31, 2022 | |
|---|---|---|
| **Percentage of individual capital shareholding** | **Number of Shareholders** | **Total shareholding percentage** |
| Greater than 10 percent | 2 | 26.89 |
| Between 5.01 and 10 percent | 4 | 27.72 |
| Between 1.01 and 5 percent | 12 | 23.43 |
| Less than 1 percent | 371 | 21.96 |
| | 390 | 100.00 |

(b) Investment shares -

As of December 31, 2023, and 2022, the investment shares are represented by 182,407,512 shares, whose nominal value is S/1.00 per share. The price for each investment share amounted to S/0.95 and S/1.40 at those dates, and its trading frequency has been 63.16 and 60.00 percent, in relation to the total number of negotiations in the Lima Stock Exchange, respectively.

Investment shares give their holders the right to dividend distribution according to their nominal value. These shares will be maintained until the Company agrees to their redemption with their owners.

(c) Revaluation surplus -
As of December 31, 2023, and 2022, this item includes the revaluation surplus related to the land held by the Company. The Company and its Subsidiaries calculate the fair value of its land every five years.

(d) Legal reserve -
In accordance with Peruvian Corporate Law, the Company is obliged to establish a legal reserve by the transfer of no less than 10% of its profits after taxes and up to a maximum of 20% of the share capital. In the absence of non-distributed profits, the legal reserve must be used to offset losses and must be replenished with profit from subsequent years. It may also be capitalized. However, in both cases, it must be fully replenished. The Company records the appropriation of the legal reserve when it is approved by the General Shareholders Meeting.

During 2023, and in accordance with the provisions of the General Corporations Law, the Company paid the legal reserve of those dividends pending payment that were older than three years.

(e) Dividends distribution –
The distribution of dividends made by the Company in 2023 and 2022 is detailed below:

| Approved by | Approval date | Amount approved and distributed 2022 S/(000) |
|---|---|---|
| General Shareholders' Meeting (i) | March 31, 2022 | 90,991 |
| Board of Directors (ii) | July 22, 2022 | 35,829 |
| Board of Directors (iii) | October 25, 2022 | 38,074 |
| | | 164,894 |

| Approved by | Approval date | Amount approved and distributed 2023 S/(000) |
|---|---|---|
| General Shareholders' Meeting (i) | March 31, 2022 | 24,663 |
| Board of Directors (ii) | July 22, 2022 | 10,580 |
| Board of Directors (iii) | October 25, 2022 | 8,714 |
| | | 43,957 |

(i) The General Shareholders' Meeting held on March 31, 2022 approved cash dividends of S/275,737,000 with a charge to retained earnings of previous years, an amount that will be deducted by: the cash dividend of S/111,000,000 approved on May 14, 2021 corresponding to dividends in advance from 2021 and paid on June 3, 2021, as well as the cash dividend of US$18,000,000 equivalent to S/73,746,000 approved on September 6, 2021 and paid on September 24, 2021.

(ii) The Board Meeting held on July 22, 2022 approved a cash dividend of US$9,154,000 equivalent to S/35,829,000, charged to accumulated results of previous periods. The dividend applies to both the 890,858,308 common shares and 182,407,512 investment shares, in accordance with the General Corporations Law, resulting in a dividend per share of US$0.008529.

(iii) The Board Meeting held on October 25, 2022 approved a cash dividend of US$9,511,000 equivalent to S/38,074,000 charged to accumulated results from previous years. The dividend applies to both the 890,858,308 common shares and 182,407,512 investment shares, in accordance with the General Corporations Law, resulting in a dividend per share of US$0.008862.

(iv) At the session of the General Shareholders' Meeting on March 30, 2023, the delivery of a cash dividend of S/98,556,000 was approved, charged to accumulated results from previous years, the amount from which the approved cash dividend must be deducted dated July 22, 2022 corresponding to the advance of dividends for fiscal year 2022 and paid on August 16, 2022 for an amount of US$9,154,000 (equivalent to S/35,829,000) as well as the one approved on October 25, 2022 and delivered on November 16, 2022 for an amount of US$9,511,000 (equivalent to S/38,074,000). The remaining amount amounting to S/24,663,000, which is equivalent to US$6,561,000 applying the closing exchange rate of 3.759, applies to both the common shares and the freely circulating investment shares that total 1,073,265,820 shares, resulting in a dividend per share. equivalent to US$0.006113, which, as mentioned above, will be paid in US$. The freely available profit will be channeled to the accumulated results account.

(v) The board of directors in a meeting held on July 18, 2023, and in line with the provisions of the dividend policy, agreed to deliver a cash dividend of S/10,580,000, equivalent to US$2,964,000, charged to accumulated results of previous years to be paid on August 9, 2023. The dividend applies to both the 890,858,308 common shares and the 182,407,512 investment shares, in accordance with the General Companies Law, resulting in a dividend per share of US$ 0.002762 and It was paid in US$.

(vi) The board of directors in a meeting held on October 24, 2023, and in line with the provisions of the dividend policy, agreed to deliver a cash dividend of S/8,714,000, equivalent to US$2,248,000, charged to accumulated results of previous years to be paid on November 15, 2023. The dividend applies to both the 890,858,308 common shares and the 182,407,512 investment shares, in accordance with the General Companies Law, resulting in a dividend per share of US$0.002095 and it was paid in US$.

## 22. Net sales

The composition of the item is presented below:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| Local sales to third parties | 3,630,144 | 3,784,245 |
| Foreign sales to third parties | 904,944 | 1,384,298 |
| Sales to related parties, note 7(a) | 143,092 | 174,138 |
| | 4,678,180 | 5,342,681 |

| | Local sales to third parties<br>S/(000) | Foreign sales to third parties<br>S/(000) | Sales to related parties<br>S/(000) | Total<br>S/(000) |
|---|---|---|---|---|
| 2023 | | | | |
| **Types of goods or services -** | | | | |
| Income from sale of goods | 3,620,691 | 874,845 | 143,092 | 4,638,628 |
| Freight and other income | 9,297 | 29,395 | - | 38,692 |
| Income from advisory services | 156 | 704 | - | 860 |
| **Total** | 3,630,144 | 904,944 | 143,092 | 4,678,180 |
| **Schedule of transfer of goods or services-** | | | | |
| Goods or services from the prior period carried over to the current period | 123,583 | - | - | 123,583 |
| Goods or services transferred in the period | 3,506,561 | 904,944 | 143,092 | 4,554,597 |
| **Total** | 3,630,144 | 904,944 | 143,092 | 4,678,180 |

| | Local sales to third parties<br>S/(000) | Foreign sales to third parties<br>S/(000) | Sales to related parties<br>S/(000) | Total<br>S/(000) |
|---|---|---|---|---|
| 2022 | | | | |
| **Types of goods or services -** | | | | |
| Income from sale of goods | 3,770,334 | 1,336,903 | 174,138 | 5,281,375 |
| Freight and other income | 13,234 | 46,532 | - | 59,766 |
| Income from advisory services | 677 | 863 | - | 1,540 |
| **Total** | 3,784,245 | 1,384,298 | 174,138 | 5,342,681 |
| **Schedule of transfer of goods or services-** | | | | |
| Goods or services from the prior period carried over to the current period | 29,920 | - | - | 29,920 |
| Goods or services transferred in the period | 3,754,325 | 1,384,298 | 174,138 | 5,312,761 |
| **Total** | 3,784,245 | 1,384,298 | 174,138 | 5,342,681 |

## 23. Cost of sales

The composition of the item is presented below:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| Beginning balance of products in process, note 9(a) | 375,231 | 141,993 |
| Beginning balance of finished products, note 9(a) | 320,050 | 222,649 |
| Beginning balance of merchandise, note 9(a) | 743,254 | 589,620 |
| Beginning balance of auxiliary materials, supplies and spare parts, note 9(a) | 229,311 | 194,665 |
| Beginning balance of raw material, note 9(a) | 192,820 | 321,585 |
| Personnel expenses, note 26(b) | 131,618 | 136,175 |
| Purchases of merchandise | 537,644 | 1,285,649 |
| Purchases of raw materials | 1,660,773 | 2,413,073 |
| Purchases of supplies | 455,047 | 558,950 |
| Manufacturing expenses | 339,317 | 216,396 |
| Depreciation of the year, note 12(d), 13(c) and 14(c) | 165,730 | 148,830 |
| Amortization of the year, note 15(c) | 2,216 | 4,422 |
| Freight cost | 156,273 | 172,356 |
| Ending balance of products in process, note 9(a) | (111,646) | (375,231) |
| Ending balance of finished products, note 9(a) | (240,715) | (320,050) |
| Ending balance of merchandise, note 9(a) | (428,872) | (743,254) |
| Ending balance of auxiliary materials, supplies and spare parts, note 9(a) | (173,384) | (229,311) |
| Ending balance of raw material, note 9 (a) | (191,836) | (192,820) |
| Estimation for obsolescence of inventories, note 9 (c) | 16,041 | 14,462 |
| | 4,178,872 | 4,560,159 |

## 24. Selling expenses

(a) The composition of the item is presented below:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| Services provided by third parties (b) | 80,514 | 74,570 |
| Personnel expenses, note 26(b) | 32,194 | 33,076 |
| Estimation of expected credit loss, note 6(e) | 15,797 | 13,038 |
| Depreciation of the year, note 12(d), 13(c) and 14(c) | 23,027 | 17,258 |
| Other management charges | 8,494 | 8,747 |
| Retirement of fixed assets, note 12 | 325 | - |
| Amortization of the year, note 15(c) | 1,272 | 3,153 |
| Taxes | 1,694 | 2,355 |
| | 163,317 | 152,197 |

(b) For 2023 and 2022, it corresponds mainly to rental services for commercial premises, advertising services, marketing services, and outsourcing services for sales personnel, among others.

## 25. Administrative expenses

(a) The composition of the item is presented below:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| Personnel expenses, note 26(b) | 55,712 | 75,745 |
| Services provided by third parties (b) | 30,260 | 32,004 |
| Depreciation of the year, note 12(d) and 13(c) | 5,870 | 5,815 |
| Other management charges | 3,295 | 3,175 |
| Amortization of the year, note 15(f) | 1,160 | 2,907 |
| Taxes | 2,382 | 2,718 |
| | 98,679 | 122,364 |

(b) As of December 31, 2023, and 2022, it corresponds mainly to services for legal advice, surveillance service, software support service and maintenance service, among others

## 26. Personnel expenses

(a) The composition of the item is presented below:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| Remuneration to personnel | 127,799 | 137,984 |
| Workers profit sharing | 11,306 | 36,748 |
| Employee bonuses | 21,047 | 19,944 |
| Vacations | 18,819 | 17,909 |
| Contributions | 15,480 | 15,557 |
| Social benefits of workers | 11,940 | 11,249 |
| Others | 13,133 | 5,614 |
| | 219,524 | 245,005 |

(b) Below is the distribution of personnel expenses:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| Cost of sales, note 23 | 131,618 | 136,175 |
| Administrative expenses, note 25(a) | 55,712 | 75,745 |
| Selling expenses, note 24(a) | 32,194 | 33,076 |
| Other expenses, note 27 | - | 9 |
| | 219,524 | 245,005 |

## 27. Other income and operating expenses

(a) The composition of the item is presented below:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| **Other income -** | | |
| Income from a supplier claim | 1,278 | 11,107 |
| Sale of obsolete materials | - | 9,831 |
| Reimbursement for import expenses | 5,995 | 5,963 |
| Recovery of accounts receivable, note 6(e) | 10,729 | 2,235 |
| Sale of fixed assets | 1,087 | 472 |
| Other minor | 17,792 | 26,395 |
| | 36,881 | 56,003 |
| **Other expenses-** | | |
| Provisions for contingencies | (1,500) | (15,947) |
| Application of the balance of the retention with clients | (12,092) | (11,030) |
| Cost of disposal and withdrawals of machinery and equipment (c) and note 12 | (8,013) | (14,615) |
| Cost for sale of obsolete materials | - | (5,269) |
| Personnel incentives (b) | (3,500) | (3,245) |
| Depreciation of the year, note 12(d) and 13(c) | - | (1,091) |
| Other assets' amortization of the year, note 15(f) | (383) | (383) |
| Intangible's amortization of the year, note 15(f) | - | (143) |
| Personnel expenses, note 26(b) | - | (9) |
| Other minor | (12,516) | (4,538) |
| | (38,004) | (56,270) |

(b) Corresponds to disbursements related to the dismissal of workers.

(c) Corresponds to the casualties of damaged and obsolete machinery and equipment located in the production headquarters.

## 28. Income and financial expenses

The composition of these items is presented below:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| **Financial income -** | | |
| Interest on time deposits, note 5(c) | 24,031 | 11,587 |
| Interest on invoices receivable | 7,765 | 8,367 |
| | 31,796 | 19,954 |
| **Financial expenses -** | | |
| Interest on financial obligations, note 17(l) | (132,279) | (95,870) |
| Interest on finance leases | (43,009) | (45,736) |
| Interest on lease liabilities, note 13(d) | (2,593) | (961) |
| Other minor | (1,099) | (378) |
| | (178,980) | (142,945) |

## 29. Tax situation

(a) Management considers that it has determined the taxable income under the general income tax regime in accordance with current tax legislation, which requires adding and deducting to the result, shown in the consolidated financial statements, those items that the referred legislation recognizes as taxable and non-taxable, respectively.

The income tax expense shown in the consolidated statement of comprehensive income corresponds to the deferred and current income tax.

(b) The Company and its Subsidiaries are subject to the tax regime of each country in which it operates and are taxed based on their unconsolidated results. When companies have tax losses in countries like Chile and the United States, they can be applied indefinitely in subsequent years until they are fully compensated. In the case of Bolivia and Colombia they only allow three and twelve years to apply them, respectively. In Ecuador it is five years. As of December 31, 2023 and 2022, the income tax rate on taxable income in the main countries in which the Company and its Subsidiaries operate is:

| | Tax rates | |
|---|---|---|
| | 2023<br>% | 2022<br>% |
| Perú | 29.5 | 29.5 |
| Bolivia | 25 | 25 |
| Ecuador | 25 | 5 |

| | Tax rates 2023 % | Tax rates 2022 % |
|---|---|---|
| Chile | 10 | 10 |
| Colombia | 35 | 35 |
| Estados Unidos | 23.65 | 23.65 |

In accordance with the legal provisions in force in some countries as of December 31, 2023 and 2022, cash dividends in favor of non-domiciled shareholders are subject to income tax at the following rates:

| | Tax rates 2023 % | Tax rates 2022 % |
|---|---|---|
| Perú | 5 | 5 |
| Bolivia | 12.5 | 12.5 |
| Chile | 35 | 35 |
| Ecuador | 25 | 25 |
| Colombia | 10 | 10 |
| Estados Unidos | 30 | 30 |

(c) The Tax Authority has the power to review and, if applicable, correct the income tax calculated by the Company in the four years following the year of the filing of the tax return. The sworn declarations of the income tax of the years 2019 to 2023 of the Company are pending inspection by the Tax Authority. Due to the possible interpretations that the Tax Authority may give to the current legal regulations, it is not possible to determine, to date, whether the revisions that are carried out will result in liabilities for the Company, so any higher tax or surcharge that could result from eventual tax reviews would be applied to the results of the year in which it is determined. However, in the opinion of the Company's Management and its legal advisors, any eventual additional tax settlement would not be significant for the consolidated financial statements as of December 31, 2023, and 2022.

(d) Likewise, the sworn declarations of the income tax and the value-added tax of the Subsidiaries are subject to inspection by the Tax Administration of each country for the periods detailed below:

| | Período sujeto a fiscalización |
|---|---|
| **Foreign subsidiaries:** | |
| Corporacion Aceros Arequipa S.R.L. Bolivia | 2016 - 2023 |
| Aceros Arequipa S.A.S Colombia | 2021 - 2023 |
| Aceros Arequipa SPA Chile | 2019 - 2023 |
| Corporacion Aceros Arequipa AA Ecuador | 2022 - 2023 |
| Aceros América Corporation | 2021 - 2023 |
| Aceros América Port Manatee LLC | 2021 - 2023 |
| Aceros América Sant Pete LLC | 2021 - 2023 |
| **Local subsidiaries** | |
| Comercial del Acero S.A. | 2019 - 2023 |
| Corporación Aceros Arequipa Iquitos S.A.C. | 2019 - 2023 |
| Transporte Barcino S.A. | 2019 - 2023 |
| Tecnología y Soluciones Constructivas S.A.C.- | 2019 - 2023 |
| Comfer S.A.C.- | 2019 - 2023 |

(e) Temporary Tax on Net Assets (ITAN) -
The entities that pay third-category income tax are subject to paying this tax. Beginning 2012, the tax rate is 0.4 percent applicable to the amount of net tax assets that exceed S/1 million.

The amount paid may be used as a credit against payments on account of income tax or against the regularization payment of income tax for the taxable year to which it corresponds.

(f) In July 2018, Law 30823 was published by the Peruvian Congress, which delegated to the Government the faculty to legislate various issues, including tax and financial matters. In this sense, the main tax regulations issued were the following:

(i) Beginning January 1, 2019, the treatment applicable to royalties and remuneration for services rendered by non-domiciled persons was modified, eliminating the obligation to pay the amount equivalent to the withholding due to the accounting record of the cost or expense. Now the income tax is withheld at the payment or accreditation of the compensation (Legislative Decree N°1369).

(ii) Established rules governing the obligation of legal individuals and (or) legal entities to report the identification of their final beneficiaries (Legislative Decree N ° 1372). These rules are applicable to legal individuals resident in the country, pursuant to article 7 of the Income Tax Law, and to legal entities in the country. The obligation is applicable for non-resident legal entities and legal entities constituted abroad while: a) have a branch, agency or another permanent establishment in the country; b) the individual (natural or legal entity) who manages the autonomous patrimony or foreign investment funds, or the natural or legal individual who has the quality of guard or administrator, resides in the country; and, c) any part of a consortium resident in the country. This obligation must be accomplished through the presentation of an affidavit to the Tax Authority, using digital form N°3800, which had maturity on November 2019 for Main Taxpayer according to SUNAT (Resolution No. 185-2019-SUNAT).

(iii) The Tax Code was modified to provide greater guarantees to taxpayers in the application of the general anti-avoidance rule (Rule XVI of the Preliminary Title of the Tax Code); as well as to provide the Tax Administration with tools for its effective implementation (Legislative Decree No. 1422).

As part of this modification, a new assumption of joint and several liability is provided, when the tax debtor is subject to application measures provided by Rule XVI in the event that cases of circumvention of tax rules are detected; in this case, joint and several liability shall be attributed to legal representatives provided that have collaborated with the design or approval or execution of economic acts or situations or relationships provided as elusive in Rule XVI. In situations of companies that have a Board of Directors, it is up to this corporate body to define the tax strategy of the entity, deciding whether to approve economic acts, situations or relationships to be carried out within the framework of tax planning, and this faculty cannot be delegated. The acts, situations and economic relations carried out within the framework of tax planning and implemented as of the date of entry into force of Legislative Decree N° 1422 (September 14, 2018) and continue presenting effects, must be evaluated by the Board of Directors of the legal entity for the purpose of ratification or modification until March 29, 2019, notwithstanding that Management or other administrators of the company had approved at the time the aforementioned acts, situations and economic relations.

It has also been established that the application of Rule XVI, related to the recharacterization of tax evasion cases, will occur in the final control procedures in which acts, events or situations produced since 19 July 2012.

It should be noted that, through Supreme Decree No. 145-2019-EF, the substantive parameters and form for the application of the general anti-avoidance rule contained in Rule XV of the Preliminary Title of the Tax Code were approved, which allowed the Full validity and application of Regulation XVI from the day after its publication (May 6, 2019).

Likewise, it specifies that the intent, gross negligence and abuse of powers referred to in the third paragraph of Article 16 of the Tax Code are not criminal in nature.

(iv) Modifications to Income Tax Law were included, effective as of January 1, 2019, to improve the tax treatment applicable to (Legislative Decree N°1424):

- Income obtained by indirect disposal of shares or stakes representing the capital of legal individuals resident in the country. The most relevant changes are the inclusion of a new case of indirect disposal, which is set when the total amount of the shares of the resident individual whose indirect disposal is made is equal to or greater than 40,000 UIT.
- Permanent establishments entities of any nature incorporated abroad. For this purpose, new cases of permanent establishment have been included, among them, when services are granted in the country, related to the same project, service or for a related one, for a period that in total exceeds 183 calendar days within any twelve-month period.
- The law of credits against Income Tax for taxes paid abroad, incorporates indirect credit (corporate tax paid by subsidiaries abroad) as an applicable credit against Income Tax of resident individuals, to avoid double economic taxation.
- The deduction of interest expenses for determination of the Corporate Income Tax. For this purpose, limits were established both for loans with related parties, and for loans with third parties contracted as of September 14, 2018 based on equity and EBITDA.

(v) Regulations have been established for the accrual of income and expenses for tax purposes as of January 1, 2019 (Legislative Decree No. 1425). Until 2018 there was no normative definition of this concept, so in many cases the accounting standards were used for its interpretation. In general terms, with the new criterion, in the purpose of determining income tax, Companies have to evaluate whether the material facts for the generation of the income or expense agreed by the parties have occurred, which are not subject to a suspensive condition, in which case the recognition will be given when it is fulfilled and the established collection or payment opportunity will not be taken into account.

## 30. Earnings per basic and diluted share

Below is the calculation of the weighted average of shares and of the earnings per basic and diluted share:

| | Issued shares | | | | | Effective days until the end of the year | | Weighted average of shares | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Common | Investment | Treasury | | Total | Common | Investment | Common | Investment | Total |
| | | | Common | Investment | | | | | | |
| Balance as of January 1, 2022 | 890,858,308 | 182,407,512 | - | - | 1,073,265,820 | 365 | 365 | 890,858,308 | 187,501,132 | 1,078,359,440 |
| Balance as of December 31, 2022 | 890,858,308 | 182,407,512 | - | - | 1,073,265,820 | 365 | 365 | 890,858,308 | 187,501,132 | 1,078,359,440 |
| Balance as of December 31, 2023 | 890,858,308 | 182,407,512 | - | - | 1,073,265,820 | 365 | 365 | 890,858,308 | 187,501,132 | 1,078,359,440 |

The calculation of earnings per share as of December 31, 2023 and 2022, is presented below:

| | December 31, 2023 | | | December 31, 2022 | | |
|---|---|---|---|---|---|---|
| | Earnings (numerator) S/(000) | Shares (denominator) (000) | Earnings per share S/ | Earnings (numerator) S/(000) | Shares (denominator) (000) | Earnings per share S/ |
| Earnings per basic and diluted common and investment shares. | 67,278 | 1,078,359 | 0.062 | 242,363 | 1,078,359 | 0.225 |

**31. Contingencies and guarantees granted**

(a) Contingencies –

(a.1) As of December 31, 2023 and 2022, the Group maintains the following contingent tax processes:

- Various labor processes related to its operations concerning to lawsuits for the payment of profits and reimbursement of social benefits.

- The Company has filed a claim against the file related to the Value Added Tax of 1998, pending resolution. As of December 31, 2023 it amounts approximately to S/2.8 million.

- As a result of the review by the Tax Authority of the years 2004 and 2005, the Company received Determination and Fine Resolutions for Income Tax and General Sales Tax. As of December 31, 2023, the Company has sued before the Judiciary, with a total amount of approximately S/7.7 million being the subject of challenge.

- Regarding 2006, the Group received Determination and Fine Resolutions for Income Tax and Value Added Tax. On April 25, 2022, the Group received the Administration Resolution that resolved the Claim file and on May 13, 2022, the Group filed an appeal against the Administration Resolution. As of December 31, 2023, the debt associated with the process amounts to S/4.9 million. Likewise, the Group has alleged prescription referring to the power of the Tax Administration to determine the tax obligation and impose sanctions in relation to Income Tax for the year 2006 and Value Added Tax. In April 2022, the Tax Court declared the prescription for determining fines and a contentious tax lawsuit has been filed in the confirmed end. Likewise, on July 7, 2023, an appeal was filed against the new values issued by the IR and Additional Tax 2006.

- On December 29, 2011, the Group received Determination and Fine Resolutions for the Income Tax and Value Added Tax of the years 2007 to 2009, totaling S/21.7 million, debt that was offset by the Tax Authority with the balance in favor of the 2009 Income Tax, this refund was requested by the Group. The Group has filed a partial claim against the resolutions for an approximate amount of S/8.8 million, an amount which has also been requested to be returned. The process is pending resolution by the Tax Authority. In this regard, during 2021, the Group's Management recorded an estimate for impairment for approximately S/5,141,000 under the heading "Other accounts receivable", see note 8(e).

- On June 27, 2017, the Group filed an appeal against the denial relapse in the claim that was formulated against the Determination Resolution for the 2011 income tax. The updated debt to December 31, 2022 amounts approximately to S/3.8 million.

- On December 31, 2019, the Group was notified with the Determination Resolution No.012-003-0109770, issued by the Income Tax corresponding to the taxable year 2016, and the Fine Resolution No.012-002 -0033530, issued for the alleged commission of the infraction classified in paragraph 1 of article 178 of the Tax Code, both for S/ 6.8MM.

  Subsequently, a complaint and appeal were filed against the aforementioned values, considering that what was determined by SUNAT was not in accordance with the Law. In November 2020, the oral report was carried out before Chamber 4 of the Tax Court, the same as at December 31, 2023 is pending resolution.

- On December 31, 2023, the Group was notified with Determination Resolutions issued for Income Tax (IR), IR Account Payments for the periods January to December of fiscal year 2017 and fine resolutions totaling S/. 3.8MM. On November 29, 2023, an appeal was filed against the aforementioned values, considering that what was determined by SUNAT was not in accordance with the Law.

- Process followed by the R&B supplier where payment has been ordered for the works executed in the company's warehouse (additional works), compensation and interest. The amount paid by the company for capital is S/4.4 million of an originally demanded total of S/8.8 million, with the last payment credited on July 5, 2022.

As of December 31, 2023, it is pending to be set In short, the costs and costs of the process, the sum of S/1.4 million have been proposed by the plaintiff, which the company has rejected and appealed.

In Management's opinion and its legal advisors, the Company has arguments to obtain favorable results in the processes mentioned in the previous paragraphs.

(a.2) On February 7, 2014, the Company acquired the property " Lomas de Calanguillo Zona Río Seco de Chilca Sector Hoyadas de la Joya", located in the district of Chilca, province of Cañete, with a registered area of 31 hectares 8,560.54 m2, registered in Registry Item No. 21186464 of the Cañete Registry.

After the acquisition and when the Company was using the land, on February 17, 2014, was informed of an overlap of the acquired land, with a rustic property owned by third parties. Confirmed the overlap, the Company modified the object of its purchase sale, excluding the overlapping area (126,806.13 m2), maintaining an area of 19 hectares of 1,754.41 m2 and reducing the price, for which was signed an addendum to the purchase-sale contract.

Despite the exclusion, the owners of the overlapping property initiated a series of actions against the Company and some officials, claiming the total area of the land acquired by the Company. The civil lawsuit includes as its main claims: (i) the nullity of the legal act of sale and purchase executed in 1999 by the people who sold the Property to the company; and, (ii) the restitution of the property. Have been requested as accessory claims, among others, the annulment of the registration entry and compensation of US$20,920,000, this litigation is in the Judiciary.

By the resolutions of August 10, 2015, the Court has dismissed the concerns raised by the Company referred of the lack of legitimacy, the extinct prescription, the darkness and the ambiguity of the lawsuit. As of the date of this report, the first and second instance rulings have been issued, in which both instances declare that the Group acted in good faith in the acquisition of the property. Likewise, the plaintiff's request for cassation was rejected. In Management’s and its legal advisor’s opinion, the Group has the necessary arguments to obtain favorable results in this process.

(a.3.) In February 2017, the natural gas supplier in Ica, Contugas S.A.C. maintained an undue billing related to the services provided in the framework of the “Agreement to Distribute and Provide Natural Gas”, signed on December 21, 2011, the Company filed a claim with the OSINERGMIN (the energy and gas regulator), in order for this institution to declare that Contugas had to fulfill with billing the Company for natural gas distribution, transport and supply services, based on the quantities actually consumed, in accordance with the provisions of the billing procedure for the concession of the “Distribution of Natural Gas System through Pipeline Network” in the department of Ica, and considering an Average Transport Cost (CMT for its Spanish acronym) that does not include inefficiencies and cost overruns assumed by Contugas as a consequence of contracts entered into with third parties. Likewise, it was also requested that Contugas be ordered to re-invoice the services according to the billing procedure indicated above.

The claim was admitted in April 2017. Contugas answered that claim contradicting the factual and legal grounds raised by the Company and, in addition, filed an exception of material incompetence, which was intended that OSINERGMIN refrain from knowing the controversy, because it is, in his opinion, of a claim on unregulated contractual matters.

The Ad-Hoc Collegiate Body decided: (i) to declare unfounded the exception of material incompetence deduced by Contugas; and (ii) order the suspension of the dispute settlement procedure, until the concluded Protective Action related to the judgment of December 21, 2016, issued by the Fifth Specialized Court of Constitutional Law of the Superior Court of Justice of Lima.

It should be noted that the aforementioned judicial process is linked to the precautionary measure indicated above, from which the Company was excluded, being followed only by Contugas against OSINERGMIN, EGASA and EGESUR. Despite that the result of said judicial process should not affect the Company, the Ad-Hoc Collegiate Body chose to suspend the processing of the claim, considering, erroneously, that the decisions obtained in the judicial process involving third parties could have an impact on the criteria of the regulatory body. Due to this, in July 2017, the Company filed an appeal against the party referring to the suspension of the processing of the dispute settlement procedure.

Likewise, on May 10, 2018, the Company was informed that the Ad Hoc Collegiate Body of the "Organismo Supervisor de la Inversión en Energía y Minería – OSINERGMIN" declared founded, in all its extremes, the Company's claim against Contugas, ending the first administrative instance as established in article 45 of the Single Ordered Text of the OSINERGMIN Regulation for the Resolution of Controversies approved by Resolution No. 223-2013-OS / CD.

The Resolution of the Dispute Settlement Court No. 002-2018-Q-TSC / 103-2017-TSC declared unfounded the complaint raised by Contugas, it is not an administrative act that exhausts the administrative route regarding Resolution No. 013-2018 -OS / CC-103, which declared Contugas's appeal inadmissible, out of time; because the complaint is a procedural remedy for defects in the processing, but it is not a resource to question administrative decisions.

On October 5, 2018, the Group presented the respective answer to the demand, denying and contradicting it in all its aspects, requesting that it be declared inadmissible or unfounded, based on the arguments indicated. OSINERGMIN has also answered the demand alleging similar arguments raised by the Group.

By Resolution No. 6, dated January 28, 2019, the Court declared unfounded the exception; that pronouncement was appealed, which is pending resolution by the 4th Administrative Litigation Chamber.

On June 11, 2019, the first instance's oral report was carried out.

By Resolution No. 12, dated September 12, 2019, the Court issued a Judgment and resolved to declare the Contugas claim unfounded in all its extremes. It should be noted that the Judgment is favorable to the Group because it rejects Contugas' lawsuit and allows the precautionary measure to be lifted that ordered the provisional suspension of the administrative claim procedure.

Subsequently, the oral report of this procedure was carried out and on July 6, 2020, the Group's final arguments brief was presented to the Court.

Finally, on July 30, 2021, the negotiations are completed and both parties reached an agreement for direct treatment through which the Group would receive approximately US$27 million in credit notes, reducing the payment obligation that was in claim, in addition to the Subscription of an addendum to the Natural Gas Distribution and Supply Contract and payment to Contugas of US$26.4 million at the time of signing and 3 annual payments of US$13.2 million, as well as a reduction in the monthly gas consumption rate.

(b) Guarantees granted -

As of December 31, 2023, the Group had an exposure greater than 10 percent of its equity with Banco de Crédito del Perú, Banco Internacional del Perú and BBVA Banco Continental, said exposure includes promissory notes, financial leases, medium-term financing and letters of credit for an aggregate amount of S/1,348 million, S/410 million and S/455 million respectively, amounts that represented 50.0, 15.2 and 16.9 percent of the equity respectively. Likewise, as of December 31, 2022, the Group had an exposure greater than 10 percent of its equity with the Banco de Crédito del Perú, Interbank, and BBVA, said exposure includes promissory notes, financial leases, medium-term financing and letters of credit. for an aggregate amount of S/1,477 million, S/378 million and S/363 million, an amount that represented 55.8, 18.4 and 16.4 percent of the equity, respectively.

Likewise, the Company incorporated a Trust comprised of machinery and properties of the Pisco Plant, in endorsement of loans granted by Banco de Crédito del Perú S.A, Banco Santander Perú and Banco Internacional del Perú S.A.A – Interbank; the realizable value of the assets in said trust amounts to US$201 million, which represents 29% of the company's equity.

**32. Financial risk management, objectives and policies**

Financial instrument category –

The Group's financial assets and liabilities are made up of:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| **Financial assets -** | | |
| Loans and trade accounts receivable: | | |
| Cash and cash equivalents | 626,550 | 632,422 |
| Trade accounts receivable, net | 424,590 | 504,203 |
| Other accounts receivable, net | 57,889 | 45,805 |
| Accounts receivable from related parties | 780 | 31,308 |
| **Total** | 1,109,809 | 1,213,738 |
| **Financial liabilities -** | | |
| **At amortized cost** | | |
| Other financial liabilities | 2,628,190 | 3,040,034 |
| Trade accounts payable | 599,040 | 537,702 |
| Other accounts payable | 96,940 | 220,312 |
| Accounts payable to related parties | 12,322 | 30,956 |
| **Total** | 3,336,492 | 3,829,004 |

The main financial liabilities of the Company and its Subsidiaries are financial obligations, trade accounts payable, related parties and other accounts payable. The main purpose of these financial liabilities is to finance the operations of the Company and its Subsidiaries. It also maintains cash and short-term deposits, trade accounts receivable, related parties and other accounts receivable that arise directly from its operations. The Company and its Subsidiaries are exposed to credit, market and liquidity risk.

The Group's Management supervises risk management. The Group's Management is supported by the Financial Management that advises on such risks and on the corporate framework for managing financial risk that is most appropriate for the Group. The Financial Management provides assurance to the Group's Management that the Group's financial risk-taking activities are regulated by appropriate corporate policies and procedures and that those financial risks are identified, measured and managed in accordance with the policies of the Group and its preferences for taking risks.

The Group's Management reviews and approves the policies to manage each of the risks, which are summarized below:

Credit risk -
Credit risk is the risk that a counterparty may not fulfill its obligations in relation to a financial instrument or sale contract, generating a financial loss. The Company and its Subsidiaries are exposed to credit risk for its operating activities (mainly accounts receivable) and for its deposits in banks.

*Credit risk related to accounts receivable:* the credit risk of clients is managed by Group's Management, subject to duly established policies, procedures and controls. The outstanding balances of accounts receivable are periodically reviewed to ensure their recovery; Likewise, the Company and its Subsidiaries have a broad customer base.

*Credit risk related to bank deposits:* the credit risks of bank balances are managed by Group's Management in accordance with the Group's policies. Investments of cash surpluses are made with first-class financial entities. The maximum exposure to credit risk As of December 31, 2023 and 2022, is the book value of the cash balances shown in note 5.

Consequently, in the opinion of the Group's Management, the Company does not have any concentration that represents a significant credit risk as of December 31, 2023 and 2022.

Market risk –
Market risk is the risk of suffering losses in balance sheet positions derived from movements in market prices. These prices comprise three types of risk: (i) exchange rate, (ii) interest rates and (iii) prices of "commodities" and others. All of the Group's financial instruments are affected only by exchange rate and interest rate risks.

Sensitivity analysis in the following sections refers to positions as of December 31, 2023 and 2022. They are also since the net amount of debt, the relation of fixed interest rates, and the position in instruments in foreign currency they remain constant.

It has been assumed that the sensitivities in the consolidated statement of comprehensive income are the effect of the assumed changes in the respective market risk. This is based on financial assets and liabilities held As of December 31, 2023 and 2022.

(i) Exchange rate risk -
Exchange rate risk is the risk that the fair value of future cash changes of a financial instrument fluctuates due to changes in exchange rates. The Financial Management is responsible for identifying, measuring, controlling and reporting the Group's global exchange risk exposure. Foreign exchange risk arises when the Group presents mismatches between its asset, liability and off-balance sheet positions in the different currencies in which it operates, which are mainly Soles (functional currency) and US dollars. Management monitors this risk through the analysis of the country's macroeconomic variables.

The Group's activities, mainly its indebtedness, expose it to the risk of fluctuations in the exchange rates of the US dollar with respect to the Sol. The Company and its Subsidiaries also present operations with an exchange rate in euros, however, as of December 31, 2023 these amounts are not significant, not having an impact on the Group's statements of comprehensive income. To reduce this exposure, the Company and its Subsidiaries make efforts to maintain an appropriate balance between assets and liabilities expressed in US dollars. It is worth mentioning that the Group's income is received in United States dollars (or its equivalent in Soles at the exchange rate of the day), a significant part of its production costs are related to the United States dollar and short and medium-term indebtedness is agreed partially in US dollars. Despite this alignment between income, costs and debt, by maintaining accounting in Soles, the debt as well as the obligations to pay in foreign currency, adjust with any variation in the exchange rate. Management permanently evaluates economic coverage alternatives that may be adapted to the reality of the Company and its Subsidiaries.

Foreign currency transactions are carried out at free market exchange rates published by the Superintendence of Banking, Insurance and Pension Fund Administrators.

As of December 31, 2023, weighted average free market exchange rates for transactions in US dollars were S/3.705 for US$1 for the purchase and S/3.713 for US$1 for sale, respectively (S/3.808 for US$1 for the purchase and S/3.820 for US$1 for sale as of December 31, 2022, respectively).

As of December 31, 2023, and 2022, the Company and its Subsidiaries do not have derivative financial instruments and has the following assets and liabilities in thousands of US dollars:

| | 2023<br>US$(000) | 2022<br>US$(000) |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | 130,473 | 146,292 |
| Trade accounts receivable, net | 192,215 | 128,927 |
| Accounts receivable from related parties | 210 | 8,223 |
| | 322,898 | 283,442 |
| **Liabilities** | | |
| Trade accounts payable | (119,141) | (67,813) |
| Financial obligations, current and non-current | (287,311) | (331,822) |
| | (406,452) | (399,635) |
| **Net liability position** | (83,554) | (116,193) |

For the year ended December 31, 2023, the Company has recorded a net gain from exchange differences for approximately S/12,705,000 (net loss of approximately S/25,682,000 for the year ended December 31, 2022), which are presented in the consolidated statement of comprehensive results.

The following table shows the sensitivity analysis of US dollars (the only currency other than the functional currency in the Group that has significant exposure as of December 31, 2023 and 2022), in its monetary assets and liabilities and its estimated cash flows. The analysis determines the effect of a reasonably possible variation in the exchange rate of the US dollar, the other constant variables in the consolidated statement of comprehensive income before income tax. A negative amount shows a net potential reduction in the consolidated statement of comprehensive income, while a positive amount reflects a net potential increase.

| Sensitivity analysis | Changes in exchange rate | Impact on profit before income tax | |
|---|---|---|---|
| | % | 2023<br>S/(000) | 2022<br>S/(000) |
| **Depreciation -** | | | |
| Dollars | 5 | 15,641 | 12,561 |
| Dollars | 10 | 31,282 | 25,123 |
| **Appreciation -** | | | |
| Dollars | 5 | (15,641) | (12,561) |
| Dollars | 10 | (31,282) | (25,123) |

(ii) Interest rate risk -

As of December 31, 2023, and 2022, the Company and its Subsidiaries maintain financial instruments that accrue fixed and variable interest rates, in top local banks. The Group's operating cash flows are substantially independent of changes in market interest rates, therefore, in Management's opinion, the Company and its Subsidiaries do not have significant exposure to interest rate risks.

*Interest rate sensitivity -*

The following table demonstrates sensitivity to a reasonably possible change in interest rates on fixed and variable rate loans. Keeping all the other variables constant, the profit before the Group's income tax would be affected by a variation in the rate as follows:

| | Increase / decrease in basic points | Effect on profit or loss before income tax S/(000) |
|---|---|---|
| **2022** | | |
| Soles | +/- 50 | 2,698 |
| **2023** | | |
| Soles | +/- 50 | 2,568 |

(iii) Price risk -

In general, the Company and its Subsidiaries are exposed to the risk of fluctuations in prices for the steel products that the Company and its Subsidiaries manufacture, markets and transforms, with domestic prices being influenced by the variation in international steel prices. For this reason, Management maintains strict control of its operating costs and makes significant productive and technological investments, in order to maintain competitive cost levels.

The following table shows the sensitivity in the Group's results as of December 31, 2023 and 2022, if the internal price had increased / decreased 5 percent and the other variables had remained constant.

| | Increase / decrease percentage | Effect in income before income tax S/(000) |
|---|---|---|
| **2022** | +5% | 188,330 |
| | -5% | (188,330) |
| **2023** | +5% | 164,906 |
| | -5% | (164,906) |

(iv) Liquidity risk -

Liquidity risk is the risk that the Company and its Subsidiaries will not be able to meet its payment obligations related to financial liabilities at maturity and replace the funds when they are withdrawn.

The consequence would be non-compliance with the payment of its obligations to third parties.

Liquidity is controlled by matching the maturities of its assets and liabilities, obtaining lines of credit and / or excess liquidity, which allows the Company to carry out its activities on a regular basis.

Managing liquidity risk involves maintaining sufficient cash and the availability of financing, through an adequate number of committed credit sources and the ability to settle mainly indebtedness transactions. In this regard, the Group's Management focuses its efforts on maintaining the necessary resources that allow it to face its disbursements.

The following table shows the maturity of the Group's future payments based on the contractual obligations:

| | **Less than 3 months** S/(000) | **3 to 12 months** S/(000) | **From 1 to 5 years** S/(000) | **Total** S/(000) |
|---|---|---|---|---|
| **As of December 31, 2023** | | | | |
| Financial obligations: | | | | |
| Amortization of capital | 196,383, | 1,188,229 | 1,243,578 | 2,628,190 |
| Interest payment outflow | 17,346 | 153,026 | 154,386 | 324,758 |
| Trade accounts payable (*) | 555,115 | - | - | 555,115 |
| Accounts payable to related parties | 12,322 | - | - | 12,322 |
| Other accounts payable (*) | 87,866 | - | - | 87,866 |
| **Total** | 869,032 | 1,341,255 | 1,397,964 | 3,608,251 |

| | **Less than 3 months** S/(000) | **3 to 12 months** S/(000) | **From 1 to 5 years** S/(000) | **Total** S/(000) |
|---|---|---|---|---|
| **As of December 31, 2022** | | | | |
| Financial obligations: | | | | |
| Amortization of capital | 192,153 | 1,695,193 | 1,152,688 | 3,040,034 |
| Interest payment outflow | 23,744 | 209,470 | 142,434 | 375,648 |
| Trade accounts payable (*) | 507,993 | - | - | 507,993 |
| Accounts payable to related parties | 30,956 | - | - | 30,956 |
| Other accounts payable (*) | 160,993 | - | - | 160,993 |
| **Total** | 915,839 | 1,904,663 | 1,295,122 | 4,115,624 |

(*) Tax obligations or advances to customers are not included.

Capital management -

The Group's objectives in managing capital are to safeguard the ability to continue as a going concern with the purpose of generating returns to its shareholders, benefits to other stakeholders and maintaining an optimal capital structure to reduce the cost of capital.

To maintain or adjust the capital structure, the Company and its Subsidiaries may adjust the dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce its debt.

Consistent with the industry, the Company and its Subsidiaries monitor its capital based on the leverage ratio. This ratio is calculated by dividing the net debt by the total capital, the net debt corresponds to the total indebtedness (including current and non-current indebtedness) less cash and cash equivalents. Total capital corresponds to net equity as shown in the consolidated statement of financial position plus net debt.

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| Financial obligations | 2,628,190 | 3,040,034 |
| Trade accounts payable, payables to related parties and other accounts payable | 715,221 | 797,195 |
| **Less -** | | |
| Cash and cash equivalents | (626,550) | (632,422) |
| **Net debt (a)** | 2,716,861 | 3,204,807 |
| Net equity | 2,737,471 | 2,729,559 |
| **Total capital and net debt (b)** | 5,454,332 | 5,934,365 |
| **Leverage ratio (a/b)** | 50% | 54% |

During the years ended December 31, 2023 and 2022, there were no changes in the objectives, policies, or processes related to capital management.

## 33. Fair value of financial instruments

Fair value is defined as the amount by which an asset could be exchanged, or a liability settled between knowledgeable and willing parties in a current transaction, under the assumption that the entity is a going concern.

Accounting standards define a financial instrument as cash, evidence of ownership in an entity, or a contract in which the contractual right or obligation to receive or deliver cash or another financial instrument is agreed or imposed on an entity. Fair value is defined as the amount at which a financial instrument can be exchanged in a transaction between two parties that so wish, other than a forced sale or liquidation, and the best evidence of its value is its price, if it exists.

The methodologies and assumptions used depend on the terms and risks characteristic of the different financial instruments, and include the following:

- Cash and cash equivalents do not represent a significant credit or interest rate risk. Therefore, it has been assumed that their book values approach their fair value.
- Accounts receivable, because they are net of their provision for bad debt and, mainly, they have maturities of less than one year, Management has considered that their fair value is not significantly different from their book value.
- In the case of financial obligations, given that these liabilities are subject to fixed and variable interest rates, Management estimates that their accounting balance is close to their fair value.
- In the case of trade accounts payable and other accounts payable, since these liabilities have a current maturity, Management estimates that their accounting balance is close to their fair value.

Based on the criteria described above, Management estimates that there are no material differences between the book value and the fair value of the Group's financial instruments as of December 31, 2023 and 2022.

## 34. Information by operating segments

As described in note 2.3(s), the Company and its Subsidiaries have a single operating segment called "Steel derivatives".

The only operating segment that the Company and its Subsidiaries manage is reported in a manner consistent with the internal report (The Board) that is reviewed by the Executive Chairman, the highest authority in making operational decisions, responsible for allocating resources and evaluating the performance of operating segments.

The Board of Directors evaluates the results of the business based on the consolidated financial statements representative of its only segment of operation and based on the management information generated by the information systems.

For the years ended December 31, 2023 and 2022, sales by type of product, which do not constitute an operating segment were the following:

| | **2023**<br>S/(000) | **2022**<br>S/(000) |
|---|---|---|
| Rebars and wire rod | 3,191,097 | 3,730,801 |
| Merchant bars | 439,695 | 429,505 |
| Plate, coils and others | 1,047,388 | 1,182,375 |
| | 4,678,180 | 5,342,681 |

Likewise, sales take place in the following locations:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| Peru | 3,710,633 | 4,484,208 |
| Other countries | 967,547 | 858,473 |
| | 4,678,180 | 5,342,681 |

Sales carried out in other countries are under the export modality and therefore, no non-current assets are related to that geographical location.

Sales to the main distributors are not concentrated because they individually represent less than 10.00 percent of the total sales of the Company and its Subsidiaries.

## 35. Subsequent events

Between January 1, 2024 and the date of issuance of these consolidated financial statements, no significant subsequent events of a financial-accounting nature have occurred that may affect the interpretation of these consolidated financial statements.

## 36. Explanation added for the English translation

The accompanying financial statements were originally issued in Spanish and are presented based on International Financial Reporting Standards, as described in Note 2. These financial statements should be read in conjunction with the financial statements in Spanish. In the event of a discrepancy, the Spanish language version prevails.

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