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

Corporación Aceros Arequipa S.A.

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

Corporación Aceros Arequipa S.A.

Separate 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 separate financial statements of Corporación Aceros Arequipa S.A, which comprise the separate statement of financial position as of December 31, 2023, and the separate statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the separate financial statements, including information on material accounting policies

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of Corporación Aceros Arequipa S.A. 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 separate financial statements section of our report. We are independent of the Company 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 separate 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the 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.

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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 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 separate financial statements.

Existence of inventory

Description of the matter	The inventories of Corporación Aceros Arequipa S.A. amount to S/1,185 million, representing 21% of the Company'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. To validate the existence of inventories, the Company 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: - Define the participation strategy according to the locations and type of inventories that the Company maintains. - Participate, through representative samples using statistical tools, on the days and sites established in our inventory strategy. - 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. - Verify compliance with the procedures established by Management for counting. - Review the tally sheets, as well as the differences identified, verifying their disposition or registration in the Company's books.

Existence of inventory

- Involve an external specialist to validate the methodology used by the Company to calculate the amount of scrap it had on inventory days.
- We carried out connection procedures on inventory balances, from the date of taking inventory until the end of the period.
- We reviewed the reports on the conclusions of the inventories.
- Review of the adequacy of the related disclosures in the financial statements.

Emphasis on separate information

The separate financial statements of Corporación Aceros Arequipa S.A. have been prepared in compliance with the legal requirements in force in Peru for the presentation of financial information and instructions of the Superintendency of the Securities Market, as indicated in note 1. These separate financial statements must be read together with the consolidated financial statements of Corporación Aceros Arequipa S.A. and Subsidiaries as of December 31, 2023, which are prepared and presented separately on dates consistent with the instructions of the Superintendence of the Securities Market.

Other information included in the Company's 2023 Annual Report

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

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 separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

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 separate financial statements

Management is responsible for the preparation and fair presentation of the separate 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 separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate 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 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 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.

- 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 Company'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 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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.

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 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

Countersigned by:

Tanaka, Valdivia & Asociados

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

Corporación Aceros Arequipa S.A.

Separate 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	2.2(a) and 5(a)	582,204	602,883
Trade accounts receivable, net	2.2(b) and 6(a)	385,808	471,748
Accounts receivable from related parties	2.2(b) and 7(b)	207,049	241,397
Other accounts receivable, net	2.2(b) and 8(a)	56,983	35,163
Inventories, net	2.2(g) and 9(a)	1,185,089	1,917,060
Prepaid expenses	10(a)	9,111	10,387
Deferred income tax asset	2.2(t) and 20(d)	86,740	88,573
Total current assets		2,512,984	3,367,211
Non-current assets			
Investments in subsidiaries and associates	2.2(h) and 11(a)	227,909	218,727
Other long-term accounts receivable, net	2.2(b) and 8(a)	11,801	11,650
Property, machinery and equipment, net	2.2(i) and 12(a)	2,931,728	2,653,111
Right of use assets, net	2.2(m) and 13(a)	36,826	50,434
Investment properties	2.2(k) and 14(a)	17,830	22,556
Intangibles, net	15(a)	5,508	8,187
Other assets, net	16(a)	34,576	34,922
Total non-current assets		3,266,178	2,999,587
Total assets		5,779,162	6,366,798

	Note	2023 S/(000)	2022 S/(000)
Liabilities and equity net			
Current liabilities			
Current portion of financial obligations	2.2 (c) and 17(a)	1,080,230	1,713,044
Trade accounts payable	2.2(c) and 18(a)	575,097	520,040
Accounts payable to related parties	2.2(c) and 7(b)	24,672	41,952
Other accounts payable	2.2(c) and 19.1(a)	91,299	164,645
Total current liabilities		1,771,298	2,439,681
Non-current liabilities			
Long term of financial obligations	2.2(c) and 17(a)	1,082,721	987,518
Other long-term liabilities	19.2(a) and 31(a.3)	9,049	59,319
Deferred tax liability, net	2.2(t) and 20(a)	218,480	206,259
Total non-current liabilities		1,310,250	1,253,096
Total liabilities		3,081,548	3,692,777
Net equity	21		
Capital stock		890,858	890,858
Investment shares		182,408	182,408
Legal reserve		178,742	178,449
Revaluation surplus		193,967	202,950
Retained earnings		1,251,639	1,219,356
Total net equity		2,697,614	2,674,021
Total liabilities and net equity		5,779,162	6,366,798

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

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

Corporación Aceros Arequipa S.A.

Separate statement of comprehensive income

For the years ended December 31, 2023 and 2022

	Note	2023 S/(000)	2022 S/(000)
Net sales	2.2(q) and 22	4,505,013	5,211,387
Cost of sales	2.2(r) and 23	(4,018,633)	(4,511,676)
Gross profit		486,380	699,711
Operating income (expenses)			
Selling expenses	2.2(r) and 24(a)	(146,092)	(139,358)
Administrative expenses	2.2(r) and 25(a)	(81,907)	(107,442)
Other operating income	2.2(q) and 27(a)	23,345	72,364
Other operating expenses	2.2(r) and 27(a)	(14,275)	(34,673)
		(218,929)	(209,109)
Operating profit		267,451	490,602
Financial income	2.2(q) and 28	34,096	23,945
Financial costs	2.2(r) and 28	(147,322)	(131,237)
Exchange difference, net	2.2(f) and 32	4,904	(7,862)
Share in the results of subsidiaries and associates	2.2(h) and 11(i)	(30,474)	(13,433)
Profit before income tax		128,655	362,015
Income tax expense	2.2(t) and 20(b)	(45,842)	(115,599)
Net income		82,813	246,416
Other comprehensive income			
Effect of the revaluation surplus of land in subsidiaries, net of its tax effects	11(i)	(8,314)	19,107
Other comprehensive income net of income tax		(8,314)	19,107
Total comprehensive income for the year, net of income tax		74,499	265,523
Net income per basic and diluted share	2.2(u) and 30	0.08	0.23
Weighted average of outstanding shares (in thousands of units)	2.2(u) and 30	1,078,359	1,078,359

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

Corporación Aceros Arequipa S.A.

Separate 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)	Retained earnings S/(000)	Total S/(000)
Balance as of January 1, 2022	890,858	182,408	178,449	215,392	1,106,285	2,573,392
Net income	-	-	-	-	246,416	246,416
Other comprehensive income	-	-	-	(12,442)	31,549	19,107
Total comprehensive income of the year	-	-	-	(12,442)	277,965	265,523
Dividends distribution, note 21(e)	-	-	-	-	(164,894)	(164,894)
Balances as of December 31, 2022	890,858	182,408	178,449	202,950	1,219,356	2,674,021
Net income	-	-	-	-	82,813	82,813
Other equity changes	-	-	293	(8,983)	1,741	(6,949)
Other comprehensive income	-	-	-	-	(8,314)	(8,314)
Total comprehensive income of the year	-	-	293	(8,983)	76,240	67,550
Dividends distribution, note 21(e)	-	-	-	-	(43,957)	(43,957)
Balances as of December 31, 2023	890,858	182,408	178,742	193,967	1,251,639	2,697,614

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

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

Corporación Aceros Arequipa S.A.

Separate 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		4,549,616	5,251,732
Payment to suppliers of goods and services		(3,156,027)	(4,698,127)
Payment of remuneration and social benefits		(219,383)	(277,340)
Payment of income tax		(16,523)	(79,129)
Payment of other taxes		(25,935)	(48,339)
Other collections related to the activity		46,795	49,045
Net cash from (used in) operating activities		1,178,543	197,842
Investing activities			
Dividends collected	11(i) and 7(b)	7,679	23,378
Sale of property, plant and equipment	27	374	1,766
Interest received	28	34,096	23,945
Refund of capital contributions on investments	11(i) and 27(a)	-	41,330
Capital contributions in investments	11(i)	-	(45)
Loans for asset purchase	11(d)	-	-
Purchase of property, plant and equipment	12	(449,755)	(351,982)
Purchase of intangible assets	15	(1,207)	(1,680)
Net cash flows used in investing activities		(408,813)	(263,288)
Financing activities			
Increase of financial obligations	17(j)	3,489,438	2,710,074
Payments of financial obligations	17(j)	(4,088,568)	(2,351,688)
Payments of interest	28	(147,322)	(131,236)
Dividends paid to shareholders	21(e)	(43,957)	(164,894)
Net cash flows from financing activities		(790,409)	62,256
Net decrease in cash and cash equivalents		(20,679)	(3,190)
Exchange difference for cash and cash equivalents			81
Cash and cash equivalents at the beginning of the year		602,883	605,992
Cash and cash equivalents at year-end	5(a)	582,204	602,883
Non-cash transactions			
Acquisition of assets under financial leases	17(j)	5,473	82,510
Revaluation of land and investment properties		(8,314)	19,107

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

Notes to the separate 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 Company 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 Company'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.

(c) Approval of the separate financial statements -

The separate 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 separate 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. Likewise, the accompanying separate financial statements, which have been prepared in compliance with the legal requirements in force in Peru for the presentation of separate financial information to the Superintendence of Stock Market (SMV for its Spanish acronym), reflect the individual activity of the Company, without including the effects of the consolidation with those of its subsidiaries. These separate financial statements reflect the value of investments in subsidiaries and associates under the equity method of accounting, see note 2.1.2, and not on a consolidated basis; thus, they should be read together with the consolidated financial statements as of December 31, 2023 and 2022 of Corporacion Aceros Arequipa S.A.A. and Subsidiaries, which are presented separately within the term established by the regulator.

The Company has also prepared consolidated financial statements in accordance with IFRS 10 "Consolidated financial statements", which are presented separately. For a correct interpretation of the separate financial statements in accordance with IFRS, they must be read together with the consolidated financial statements.

The consolidated financial statements as of December 31, 2023 and 2022, show the following balances for the most significant items:

	2023 S/(000)	**2022** S/(000)
Current assets	2,719,435	3,482,410
Total Assets	6,318,281	6,798,704
Current liabilities	2,090,759	2,625,222
Total liabilities	3,580,810	4,069,146
Equity	2,737,471	2,729,558
Total revenue from ordinary activities	4,678,180	5,342,681
Net income for the year	67,278	242,363

(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. Althoughthis 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 Company and on the activities that are maintained as a group.

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

(f) 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 separate financial statements is the responsibility of the Company's Management, which expressly states that the attached separate 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 -*

In accordance with these standards, there is no obligation to prepare separate financial statements; however, in Peru, companies have the obligation to prepare them in accordance with current legal regulations. Because of this, the Company has prepared separate financial statements in accordance with IAS 27 "Consolidated and separate financial statements". The Company also prepares consolidated financial statements in accordance with IFRS 10, which are presented separately. For a correct interpretation of the separate financial statements in accordance with IFRS, these must be read together or with the consolidated financial statements of the Company and its Subsidiaries that are presented separately.

The separate financial statements have been prepared based on historical cost basis, from the accounting records of the Company, except for the land and investment properties items that have been measured at their revaluation value. The accompanying separate 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 Company 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 Company 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 Company's separated 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 Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company's 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 Company's separated 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 Company's separated financial statements as the Company is not in the scope of the Pillar Two model rules as its revenue is less than EUR 750 million/year.

2.2 Summary of significant accounting policies -

The main accounting principles and practices used in the preparation of the Company's separate financial statements are presented below:

(a) Cash and cash equivalents -

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

(b) 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's business model for managing them. Except for trade accounts receivable that do not contain a significant financial component or for which the Company has applied the practical file, The Company initially measures 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. Account's 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 note 2.2 (q).

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 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. The Company measures 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 Company'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 measures 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 does 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 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 Company 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 does 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 statement of financial position at fair value with net changes in fair value, recognized in the 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 statement of financial position, when:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered a pass-through arrangement, it evaluates if and to what extent, it has retained the 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 continues to recognize the transferred asset to the extent of the Company´s continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of financial assets -
The Company recognizes 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 expects 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 applies a simplified approach when calculating the ELC. Therefore, the Company does not monitor changes in credit risk; instead, it recognizes a provision for impairment based on "PCE throughout life" on each reporting date. The Company has 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 considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(c) 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 as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of 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 has 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 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.

(d) 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.

(e) Current and non-current classification -
The Company presents the assets and liabilities in the separate 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 intends 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;
- Expects to realize the asset within twelve months - the asset is effective unless it is restricted and cannot be exchanged or used to cancel a liability for a minimum period of twelve months after the close of the reporting period following after 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;
- 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.

(f) Foreign currency transactions and balances -
(i) Functional currency and presentation currency –
The Company has defined the Sun as its functional and presentation currency.

(i) Transactions and balances in foreign currency –
Transactions in foreign currency are those made in a currency other than the functional currency. Foreign currency transactions are initially recorded in the functional currency using the exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currency are subsequently adjusted to the functional currency using the exchange rate prevailing at the date of the statement of financial position. Gains or losses on exchange difference resulting from the settlement of said transactions and the conversion of monetary assets and liabilities in foreign currency at the exchange rates of the date of the statement of financial position, are recognized in the heading "Exchange difference, net" in the statement of comprehensive income. Non-monetary assets and liabilities determined in foreign currency are transferred to the functional currency at the exchange rate in effect on the date of the transaction.

(g) 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.

(h) Investment on 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 Company's share in the equity movements and in the profits or losses of the subsidiaries and associates, recognizing them in the corresponding equity accounts and in the comprehensive income for the year, accordingly.

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

In the case of investments in associates, the Company has 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 considers 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. There is no legal or contractual obligation for the Company's Management to be forced to sell its investments in these associates (event that would cause the capital gain to be taxable based on current tax legislation).

(i) Property, plant and equipment -
Except for the land that is 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 cancels the replaced component, and recognizes the new component, with its useful life and its respective depreciation. All other repair and maintenance costs are recognized in the 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 30
Miscellaneous equipment	Between 4 and 10
Transport units	5
Furniture and fixtures	5

Work in-progress corresponds to installations under construction and are recorded at cost. This includes the construction cost as well as direct costs. Work in-progress do not depreciate until the relevant assets are finished and operative.

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 separate statement of comprehensive income when the asset is derecognized.

Any increase in revaluation is recognized in the separate 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 separate statements of income, in which case that increase is recognized in said state. A decrease due to revaluation is recognized in the separate 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 are reviewed and adjusted, if necessary, to the date of each separate statement of financial position, any change on these estimates is adjusted prospectively.

(k) 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.

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 separate income statement comprehensive in the period in which the asset was written off.

(l) 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.

(m) Leases –

At the beginning of a contract, the Company evaluates 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 evaluates 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 has the right to obtain substantially all the economic benefits of use of the asset during the entire period of use, and

- The Company has the right to direct the use of the identified asset throughout the period in use. The Company has 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 has the right to direct the use of the asset if:

  1) The Company has the right to operate the asset; or
  2) The Company has 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 recognizes 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 considers 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 does 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 does not recognize the lease payments associated with these lease agreements as an expense in a straight-line method during the term of the lease.

(n) Impairment of non-financial assets -
At the balance sheet date, the Company evaluates 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 estimates 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 estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income.

(o) Provisions -

Provisions are recognized when the Company has 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 expects 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 separate Statement of comprehensive income.

The Company recognizes a liability to distribute cash dividends to its shareholders when the distribution is duly authorized and is not at the discretion of the Company. In accordance with the Company'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.

(p) 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.

(q) Revenues from customer contracts -

The Company is 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 expects to receive in exchange for the goods or services. The Company has 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 has 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 estimates 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 uses 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 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.

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

  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 recognizes 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 Separate statement of financial position with an increase or decrease in interest income. The adjustment is subsequently amortized through interest in the separate income statement.

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

(r) 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.

(s) Employee benefits –

- Vacations and legal bonuses –

  The vacations, bonuses and other benefits of employees are calculated based on legal provisions in force in Peru and are recorded on an accrual basis. The estimated obligation for vacations, bonuses and other benefits to employees resulting from their services rendered, are recognized as of the date of the statement of financial position.

- Severance indemnities provision –

  Severance indemnities (CTS for its Spanish acronym) correspond to a compensation right equivalent to a remuneration per year worked, calculated in accordance with current legislation, which must be deposited in the bank accounts chosen by the workers, divided into two moments, in May (CTS from November 1 to April 30) and November (CTS from May 1 to October 31) of each year. Such deposits are cancellation in accordance with the provisions of the law. The Company has no additional payment obligations once it makes the annual deposits of the funds to which the worker is entitled.

- Workers’ profit sharing -

  Workers' profit sharing in the Company's profits is calculated in accordance with legal regulations (Legislative Decree No. 892) on the same net tax base used to calculate income tax. In the case of the Company, the profit-sharing rate is 10 percent on the net tax base for the current year. According to Peruvian Law, there is a limit on the profit sharing that a worker can receive, equivalent to 18 salaries.

The Company recognizes the current portion of the employee profit sharings paid directly in accordance with IAS 19 "Employee Benefits", through which it considers such profit sharings as any benefit that the entity provides to workers in exchange for their services. Based on this, the Company recognizes the profit sharings as cost or expense, depending on the role of the workers.

(t) 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 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.

(u) 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 separate 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 does not have financial instruments with dilutive effect, so the basic and diluted earnings per share are the same.

(v) Segment information -

Management has organized the Company based on a single product, steel derivatives. The goods produced and marketed by the Company 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 (21 percent of total sales) and exports (17 percent of sales) are not considered representative to designate them as separate operating segments and consequently, such information is not required for a proper understanding of the Company'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 works in only one business segment. The Board has been identified as in charge of assigning the resources and assessing the performance as one operating unit.

(w) 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 separate 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 separate financial statements of the Company 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 separate financial statements are:

- Estimation of expected credit loss - note 2.2(b)
- Estimated useful life of assets, for depreciation and amortization purposes - note 2.2 (i)
- Estimate for devaluation and obsolescence of inventories - note 2.2(g)
- Impairment of non-financial assets - note 2.2(n)
- Provisions and contingencies - note 2.2(p)
- Income tax - note 2.2(t)
- Estimate of the rate used to determine right-of-use assets - note 2.2(m)

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 separate financial statements; however, actual results may differ from the estimates included in the separate 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 intends 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 Company's 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 is 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 Company's financial statements.

5. Cash and cash equivalents

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

	2023 S/(000)	2022 S/(000)
Cash and fixed funds	1	21
Current accounts (b)	139,493	45,613
Savings accounts (b)	523	363
Time deposits (c)	442,187	556,886
	582,204	602,883

(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 approximately S/382,187,000, and time deposits in local currency for S/60,000,000 (US$137,838,000, equivalent to approximately 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 separate statement of comprehensive income, see note 28, for S/23,975,000 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 S/(000)	2022 S/(000)
Invoices (b)	447,010	526,332
Notes receivable (c)	2,405	5,162
	449,415	531,494
Less -		
Expected credit loss (e)	(63,607)	(59,746)
	385,808	471,748

(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	170,193	-	170,193
Past due:			
Between 1 and 30 days	111,487	-	111,487
Between 31 and 180 days	104,128	-	104,128
Over 180 days	-	63,607	63,607
Total	385,808	63,607	449,415

	As of December 31, 2022		
	Trade accounts receivable S/(000)	**Expected credit loss** S/(000)	**Total** S/(000)
Not past due	360,228	-	360,228
Past due:			
Between 1 and 30 days	85,566	-	85,566
Between 31 and 180 days	20,579	-	20,579
Over 180 days	5,375	59,746	65,121
Total	471,748	59,746	531,494

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

	2023 S/(000)	**2022** S/(000)
Initial balance	59,746	52,656
Additions, note 24(a)	15,544	12,276
Recoveries, note 27(a)	(9,872)	(1,254)
Write-offs	(59)	(1,785)
Exchange difference	(1,752)	(2,147)
Final balance	63,607	59,746

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 over its customers and cover properly the credit risk.

7. Transactions with related parties

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

	Type	2023 S/(000)	2022 S/(000)
Sale of rebars, wire rod and others, note 22			
Tradi S.A.	Related	143,092	174,139
Corporación Aceros Arequipa S.R.L.	Subsidiary	204,430	398,420
Aceros Arequipa S.A.S.	Subsidiary	111,428	160,049
Transportes Barcino S.A.	Subsidiary	198	179
Corporación Aceros Arequipa AA SAS	Subsidiary	54,202	-
Comercial del Acero S.A.C - In liquidation	Subsidiary	-	(157)
		513,350	732,630
Acquisition of goods and services -			
Aceros América Port Manatee LLC	Subsidiary	(107,874)	(178,487)
Corporación Aceros Arequipa S.R.L.	Subsidiary	(54,839)	(79,366)
Aceros América S.P.A.	Subsidiary	(47,989)	(59,171)
Comercial del Acero S.A.C - In liquidation	Subsidiary	(1,402)	(42,943)
Transportes Barcino S.A.	Subsidiary	(54,271)	(40,694)
Comfer S.A - In liquidation	Subsidiary	(1,071)	(12,439)
Tecnología y Soluciones Constructivas S.A.C.	Subsidiary	(11,083)	(9,842)
Tradi S.A. (c)	Related	(175)	(2,148)
Aceros Arequipa S.A.S.	Subsidiary	-	(12)
		(278,704)	(425,102)

(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 S/(000)	2022 S/(000)
Trade accounts receivable -			
Aceros Arequipa S.A.S.	Subsidiary	33,758	76,605
Corporación Aceros Arequipa S.R.L.	Subsidiary	75,660	57,608
Corporación Aceros Arequipa AA SAS	Subsidiary	54,914	-
Tradi S.A. (c)	Related	780	31,307
		165,112	165,520
Other accounts receivable			
Aceros América S.P.A. (d)	Subsidiary	1,713	27,448
Aceros Arequipa S.A.S (e)	Subsidiary	53	21,996
Aceros América Corporation (f)	Subsidiary	22,562	21,676
Tecnología y Soluciones Constructivas S.A. (g)	Subsidiary	2,237	2,579
Corporación Aceros Arequipa de Iquitos S.A.C.	Subsidiary	795	807
Aceros América Port Manatee LLC	Subsidiary	-	617
Corporación Aceros Arequipa AA S.A.S (h)	Subsidiary	14,302	605
Transporte Barcino S.A.	Subsidiary	421	81
Corporación Aceros Arequipa S.R.L.	Subsidiary	49	50
Aceros América St Pete LLC	Subsidiary	-	17
Comfer S.A - In liquidation	Subsidiary	(6)	1
Comercial del Acero S.A.C - In liquidation	Subsidiary	(189)	-
		41,937	75,877
Total		207,049	241,397
By maturity -			
Current		207,049	241,397
Non-current (e)		-	-
Total		207,049	241,397

	Type	2023 S/(000)	2022 S/(000)
Trade accounts payable			
Transportes Barcino S.A.	Subsidiary	5,519	6,603
Comercial del Acero S.A.C – In liquidation	Subsidiary	1,553	1,698
Tecnología y Soluciones Constructivas S.A.C.	Subsidiary	555	995
Comfer S.A – In liquidation	Subsidiary	219	896
Aceros América S.R.L.	Subsidiary	-	415
Aceros América S.P.A.	Subsidiary	178	366
Tradi S.A. (c)	Related	3	12
Aceros América S.A.S.	Subsidiary	-	11
		8,027	10,996
Other account payable			
Remuneration to the Board of Directors and management		9,872	29,208
Dividends payable		2,448	1,748
Comercial del Acero S.A.C – In liquidation	Subsidiary	4,325	-
		16,645	30,956
Total		24,672	41,952

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.

(d) As of December 31, 2022, it corresponds mainly to loans granted to finance working capital, which were paid during the second quarter of 2023 and accrued interest at an average interest rate that fluctuates between 5.63% and 6.07% annually.

(e) Corresponds mainly to two loans granted to finance working capital granted in October and December, 2022 for US$866,000, equivalent to S/3,297,000 and US$4,906,000, equivalent to S/18,682,000, which accrue interest at an average interest annual rate of 11.59% and that were canceled during the second quarter of 2023.

(f) Corresponds to a loan granted in July, 2022 to finance working capital for US$5,600,000, equivalent to S/22,320,000, which accrues interest at an average interest annual rate of 2.39%, this loan has not had a specific maturity, however, the Company Management estimates that they will be canceled in the short term, likewise, no specific guarantees have been established for this loan.

(g) Corresponds to loans granted to finance working capital for S/2,496,000, which accrue interest at an average interest annual rate that fluctuates between 4.19% and 6.04%, likewise, no specific guarantees have been established for these loans.

(h) Corresponds mainly to loans granted to finance working capital for US$3,681,000 equivalent to S/13,606,000, which accrue interest at an average interest rate that fluctuates between 4.48% and 6.23%, these loans do not have established maturities; However, the Company's Management estimates that they will be paid in the short term; likewise, no specific guarantees have been established for said loans.

(i) In Management's opinion, the Company develops its 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.

(j) 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 S/(000)	2022 S/(000)
Disbursements for:		
Remuneration of key management personnel and directors	23,916	44,308

8. Other accounts receivable

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

	2023 S/(000)	2022 S/(000)
Value added tax credit (b)	23,406	16,832
Contract asset (g)	24,074	11,313
Payments to Paracas Municipality account (c)	10,978	10,978
Escrow account (d) and note 19.2(a)	7,105	6,952
Tax claims for income tax (e)	7,896	7,896
Claims to third parties	1,758	4,451
Interest receivable	3,677	2,062
Loans receivable from personnel	2,287	1,956
Others	8,352	5,145
	89,533	67,585
Less -		
Allowance for doubtful accounts (f)	(20,749)	(20,772)
	68,784	46,813
By maturity -		
Current	56,983	35,163
Non-current	11,801	11,650
	68,784	46,813

(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) 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.

(d) Corresponds to the guaranty accounts that the Company maintains for the acquisition of two of its subsidiaries carried out in 2018 and 2021.

(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/5,141,000.

(f) The movement of the estimate of impairment due to expected los was as follows:

	2021 S/(000)	2022 S/(000)
Opening balance	20,772	7,648
Additions, note 27	-	10,978
Reclassifications, note 19(c)	-	2,146
Write-off	(23)	-
Closing balance	20,749	20,772

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

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

9. Inventories, net

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

	2023 S/(000)	2022 S/(000)
Merchandise	306,421	612,717
Finished products	232,587	319,125
Products in process	106,531	372,534
Raw materials	107,418	158,728
Auxiliary materials, supplies and spare parts	171,934	228,699
Inventories in transit (b)	275,299	234,046
	1,200,190	1,925,849
Less -		
Allowance for obsolescence (c)	(15,101)	(8,789)
	1,185,089	1,917,060

(b) As of December 31, 2023, and 2022, corresponds a raw material, merchandise and other materials imported by the Company, which it estimates will be received mainly during the first quarter of 2023 and 2022, 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 S/(000)	2022 S/(000)
Opening balance	8,789	4,695
Additions, note 23	12,854	10,944
Write-offs	(6,542)	(6,850)
Closing balance	15,101	8,789

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/12,854,000 (S/10,944,000 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 S/(000)	2022 S/(000)
Comissions, licenses paid in advance and others (b)	3,680	6,173
Subsidies receivable from EsSalud	3,819	3,345
Insurance (c)	1,515	244
Others	97	625
Total	9,111	10,387

(b) As of December 31, 2023, it corresponds mainly to license renewals for various software used by the Company in the development of its operations for an amount of S/3,680,000, 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	2023	2022	2023	2022
					S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Investment in subsidiaries									
Transportes Barcino S.A. (b)	Transport services	Peru	99.99	99.99	16,961	45,169	46,888	64,570	72,676
Comfer S.A in liquidation (c)	Sale of steel products	Peru	100.00	100.00	66,929	32,832	32,787	22,109	22,064
Aceros American Corporation (d)	Entity dedicated finance subsidiaries located in the U.S.	USA	100.00	100.00	-	3,941	13,337	3,941	13,337
Corporación Aceros Arequipa S.R.L.	Purchase of raw material / Sale of steel products	Bolivia	99.00	99.00	580	17,412	11,818	18,336	12,065
Tecnología y Soluciones Constructivas S.A.C. (e)	Design, architecture, engineering, civil works, construction, supervision of related advisory works, among others services.	Peru	99.90	99.90	4,274	3,100	3,080	3,100	3,080
Acero Instalado S.A.C.	Engineering services, construction and others	Peru	99.90	99.90	1	1	1	1	1
Comercial del Acero S.A.C - En liquidación (f)	Selling steel products	Peru	99.99	99.99	103,204	20,305	19,944	3,708	-
Aceros América S.A.S.	Selling steel products	Colombia	100.00	100.00	34	15,203	(21,915)	17,975	-
Aceros América S.P.A.	Purchase and seeling of scrap	Chile	100.00	100.00	5	(16,403)	(1,826)	-	-
Corporación Aceros Arequipa AA S.A.S.	Selling steel products	Ecuador	100.00	100.00	3	(5,840)	(340)	-	-
Corporación Aceros Arequipa de Iquitos S.A.C.	Selling steel products	Peru	99.90	99.90	3	(437)	(425)	-	-
								133,740	123,223
Investment in associates									
Compañía Eléctrica El Platanal S.A. (g)	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. (h)	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. (h)	Real estate	Peru	33.65	33.65	3,746	761	4,060	256	1,366
								94,169	95,504
								227,909	218,727

(b) Transportes Barcino S.A is a subsidiary that provides transportation services mainly to the Company. The equity value includes approximately S/25,796,000 of higher value of lands due to revaluation surplus.

(c) On February 25, 2021, the Company acquired 96 percent of the shares representing the capital stock of Comfer S.A for a total amount of US$16,800,000. Likewise, in September 2021, the Company acquired an additional 4 percent, obtaining 100 percent of the capital stock of said subsidiary. Likewise, on August 2, 2021, the General Shareholders' Meeting of Comfer S.A approved its liquidation, see note 1(e)

(d) In July 2021, the Company incorporated Aceros América Corporation, a holding company located in Delaware, United States. On July 12, 2021, through the financing granted by the Company, two scrap yards located in Florida belonging to the entities Port Manatee Scrap Metal and Saint Pete Scrap Metal LLC were acquired for a total amount of US$28,000,000, in which businesses of buying and selling scrap were developed. This acquisition represents, since its incorporation, the strategic expansion designed by the Company.

(e) Tecnología y Soluciones Constructivas S.A.C. is a subsidiary who's economic purpose is to provide differentiated services and steel solutions to the construction sector inside and outside the country.

(f) On January 4, 2021, the General Shareholders' Meeting of Comercial del Acero S.A approved the liquidation of this Company, see note 1(d).

(g) 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.

(h) 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., 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.

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

	2023 S/(000)	2022 S/(000)
Opening balance	218,727	226,554
Participation in results of subsidiaries and associates	(30,474)	(13,433)
Participation in equity movements of subsidiaries (*)	(8,314)	19,107
Dividends received from subsidiaries and associates	(7,679)	(19,181)
Refund of capital from subsidiary Comfer	-	(10,512)
Purchase of shares of Transportes Barcino S.A.	-	41
Capital contribution in y Aceros America AA	57,032	3
Reclassification of investments in subsidiaries with equity losses, see note 19.1(a)	(3,076)	16,148
Others	1,693	-
Closing balance	227,909	218,727

(*) Corresponds to the recognition through the equity method of the revaluation surplus of its subsidiaries.

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

	Comercial del Acero S.A.C In liquidation		Trasportes Barcino S.A.		Aceros América S.R.L.		Corporación Aceros Arequipa de Iquitos S.A.C. (Unaudited)		Tecnología y Soluciones Constructivas S.A.C.	
	2023 S/(000)	2022 S/(000)	2023 S/(000)	2022 S/(000)	2023 S/(000)	2022 S/(000)	2023 S/(000)	2022 S/(000)	2023 S/(000)	2022 S/(000)
Current asset	7,328	6,659	13,023	16,134	140,790	107,819	790	794	3,607	2,705
Non-current asset	14,583	16,103	62,305	67,681	124,244	104,669	-	-	4,976	5,787
Current liability	1,606	2,819	10,870	12,131	169,223	139,357	1,230	1,230	4,881	4,423
Non-current liability	-	-	19,289	24,797	78,399	61,313	-	-	602	989
Equity	20,305	19,943	45,169	46,887	17,412	11,818	(440)	(436)	3,100	3,080
Revenues	-	36,404	54,704	38,042	400,535	540,304	-	-	11,173	11,351
Net income (loss)	362	961	3,306	1,285	(12,816)	(4,878)	(3)	(11)	20	343

	Comfer S.A. In liquidation		Aceros América S.A.S		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 S/(000)	2022 S/(000)	2023 S/(000)	2022 S/(000)	2023 S/(000)	2022 S/(000)	2023 S/(000)	2022 S/(000)	2023 S/(000)	2022 S/(000)
Current asset	1,988	1,692	77,278	77,135	146,298	162,393	761	11,447	1,282	2,307
Non-current asset	41,277	41,961	41,174	33,745	1,556,264	1,067,516	-	-	25,467	25,728
Current liability	2,925	3,360	103,249	110,747	444,050	111,070	-	7,388	31	454
Non-current liability	7,504	7,506	-	22,048	395,992	258,702	-	-	3,438	3,438
Equity	32,836	32,787	15,203	(21,915)	862,520	860,137	761	4,059	23,280	24,143
Revenues	-	8,503	153,143	177,366	516,012	405,834	-	329	2,236	2,284
Net income (loss)	49	1,436	(2,732)	(20,378)	12,079	52,924	(513)	(30,671)	1,011	1,043

	Aceros América AA S.A.S		Aceros America S.P.A		Aceros America Corporation (Unaudited)		Aceros America Port Manatee		Aceros America St Pete	
	2023 S/(000)	2022 S/(000)	2023 S/(000)	2022 S/(000)	2023 S/(000)	2022 S/(000)	2023 S/(000)	2022 S/(000)	2023 S/(000)	2022 S/(000)
Current asset	62,500	152	84,659	71,048	22,628	22,643	30,982	32,281	7,725	2,610
Non-current asset	6,631	198	7,026	2,881	5	1	85,329	92,982	9,534	7,421
Current liability	57,814	263	108,088	75,379	22,591	22,580	45,608	28,448	10,448	2,067
Non-current liability	17,159	427	-	376	-	-	78,735	92,509	7,551	6,990
Equity	(5,842)	(340)	(16,403)	(1,826)	42	64	(8.032)	4,306	(740)	974
Revenues	24,958	-	47,990	59,864	-	-	139,355	206,783	17,512	20,608
Net income (loss)	(5,501)	(353)	(15,140)	211	(19)	85	(11,999)	1,735	(1,669)	378

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	440,063	918,450	1,978,864	39,226	4,733	12,614	116,309	3,510,259
Additions (b)	380	65,382	144,412	2,318	236	36	170,575	383,339
Sales and withdrawals, note 27	-	-	(43,990)	(680)	(718)	(159)	(4,728)	(50,275)
Reclassifications	-	-	-	-	-	(3,905)	3,905	-
Transfers	-	161,584	(124,999)	834	-	-	(37,419)	-
Reclassifications to intangibles	-	-	-	-	-	-	18	18
Balance as of December 31, 2022	440,443	1,145,416	1,954,286	41,698	4,251	8,585	248,660	3,843,339
Additions (b)	283	74,729	65,053	4,450	174	332	304,734	449,755
Sales and withdrawals, note 27 and 24(a)	(227)	(836)	(15,190)	(626)	(587)	(196)	(1,046)	(18,708)
Revaluation	(12,678)	-	-	-	-	-	-	(12,678)
Transfers	-	65,871	8,801	4,351	-	59	(79,082)	-
Balance as of December 31, 2023	427,821	1,285,180	2,012,951	49,873	3,838	8,781	473,266	4,261,710
Accumulated depreciation								
Balance as of January 1, 2022	-	153,956	879,509	27,821	4,026	7,046	-	1,072,358
Additions (f)	-	41,604	101,711	2,437	399	356	-	146,507
Sales and withdrawals, note 27	-	-	(35,763)	(678)	(718)	(158)	-	(37,317)
Balance as of December 31, 2022	-	195,560	945,457	29,580	3,707	7,244	-	1,181,548
Additions (f)	-	45,180	105,872	2,552	140	295	-	154,039
Sales and withdrawals, note 27 and note 24(a)	-	(441)	(11,908)	(609)	(588)	(145)	-	(13,691)
Balance as of December 31, 2023	-	240,299	1,039,421	31,523	3,259	7,394	-	1,321,896
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, 2022	440,443	949,856	1,000,147	12,118	544	1,342	248,660	2,653,111
Net value as of December 31, 2023	427,821	1,044,881	965,444	18,350	579	1,387	473,266	2,931,728

(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, 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. 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(b).

(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	647,841	(89,145)	558,696	647,815	(65,226)	582,589
Machinery and equipment	507,174	(164,564)	342,610	508,590	(137,440)	371,150
Transport units	997	(997)	-	998	(998)	-
Work in progress	-	-	-	-	-	-
	1,156,012	(254,706)	901,306	1,157,403	(203,664)	953,739

(d) As of December 31, 2023, and 2022, the Company maintains recorded in the item "Land" a higher value for approximately S/278,882,000 and S/291,700,000, respectively. This higher value is presented net of its deferred tax in the item "Revaluation surplus" in the separate statement of changes in net equity.

(e) 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.

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

	2023 S/(000)	2022 S/(000)
Cost of sale, note 23	143,901	138,120
Selling expenses, note 24(a)	8,716	7,032
Administrative expenses, note 25(a)	1,422	1,355
	154,039	146,507

(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(f)

(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 separate statement of financial position

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

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

	Buildings S/(000)	Machinery and equipment S/(000)	Vehices S/(000)	Other equipments S/(000)	Total S/(000)
Cost -					
Balance as of January 1, 2022	18,966	-	469	3,885	23,320
Additions	11,594	35,868	65	505	48,032
Withdrawals	(1,863)	-	-	-	(1,863)
Balance as of December 31, 2022	28,697	35,868	534	4,390	69,489
Additions	3,404	-	1,574	495	5,473
Balance as of December 31, 2023	32,101	35,868	2,108	4,885	74,962
Accumulated amortization -					
Balance as of January 1, 2022	8,210	-	-	2,832	11,042
Additions (c)	7,426	-	194	1,053	8,673
Withdrawals	(660)	-	-	-	(660)
Balance as of December 31, 2022	14,976	-	194	3,885	19,055
Additions (c)	8,656	8,967	458	1,000	19,081
Balance as of December 31, 2023	23,632	8,967	652	4,885	38,136
Net book value -					
Balance as of December 31, 2023	8,469	26,901	1,456	-	36,826
Balance as of December 31, 2022	13,721	35,868	340	505	50,434

(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 2.2(m).

The value of the right-of-use assets was determined based on the future flows of the payment schedule using a discount rate of 5.75 percent.

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

	2023 S/(000)	2022 S/(000)
Cost of sales, note 23	7,868	494
Selling expenses, note 24(a)	8,543	5,140
Administrative expenses, note 25(a)	2,670	3,039
	19,081	8,673

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

	2023 S/(000)	2022 S/(000)
Initial balance	53,152	15,784
Additions of lease liabilities	5,473	48,032
Financial interest expenses	(2,310)	(905)
Lease payments	(14,982)	(9,759)
	41,333	53,152
Classification -		
Current	16,108	16,685
Non-current	25,225	36,467
	41,333	53,152

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

	Less than 3 months S/(000)	From 3 to 12 months S/(000)	From 1 to 5 years S/(000)	Total S/(000)
As of December 31, 2023				
Lease liabilities	6,671	9,437	25,225	41,333
As of December 31, 2022				
Lease liabilities	469	16,216	36,467	53,152

(f) Commitments –

The Company has not entered into other types of commitments related to leases. The Company also has certain equipment and machinery leases with terms of leases of 12 months or less and low cost office equipment leases. The Company 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:

	2023 S/(000)	2022 S/(000)
Initial balance	22,556	22,554
Revaluations	(4,726)	
Others	-	2
Ending balance	17,830	22,556

As of December 31, 2023, and 2022, it corresponds to the property located in Arequipa and is intended for the generation of surplus value. This property is free of encumbrances.

The Company maintains insurance on its investment property 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 property damage and loss and, in the opinion of Management, said policies cover the entirety of the Company's assets as of those dates.

(b) As of December 31, 2023, the fair value of this property amounts approximately to S/17,830,000, equivalent to US$4,802,000 (S/22,556,000 equivalent to US$5,923,000 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 S/(000)	2022 S/(000)
Decrease -			
Soles	5	(892)	(1,128)
Soles	10	(1,783)	(2,256)
Increase -			
Soles	5	892	1,128
Soles	10	1,783	2,256

(c) 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:

	Sistema SAP (b) S/(000)	Others (b) S/(000)	Total S/(000)
Cost			
Balance as of January 1, 2022	79,956	22,531	102,487
Additions (b)	1,105	575	1,680
Transfers to Property, plant and equipment, net	-	(18)	(18)
Balance as of December 31, 2022	81,061	23,088	104,149
Additions (b)	244	963	1,207
Balance as of December 31, 2023	81,305	24,051	105,356
Accumulated amortization			
Balance as of January 1, 2022	66,538	20,972	87,510
Additions (c)	8,066	386	8,452
Balance as of December 31, 2022	74,604	21,358	95,962
Additions (c)	3,499	387	3,886
Balance as of December 31, 2023	78,103	21,745	99,848
Net value as of December 31, 2022	6,457	1,730	8,187
Net value as of December 31, 2023	3,202	2,306	5,508

(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", as well as disbursements made to make improvements to its computer systems necessary for the development of its operations.

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

	2023 S/(000)	2022 S/(000)
Cost of sales, note 23	2,011	4,298
Selling expenses, note 24(a)	1,219	2,549
Administrative expenses, note 25(a)	656	1,605
	3,886	8,452

16. Other assets, net

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

	2023 S/(000)	2022 S/(000)
Cost		
Initial balance	37,937	37,902
Additions	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 acquisiton 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 separate 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:

	Current		Non-current		Total (d)	
	2023	2022	2023	2022	2023	2022
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Finance leases (b)	117,672	69,385	572,011	696,877	689,683	766,262
Operating leases (c)	16,108	16,685	25,225	36,467	41,333	53,152
Notes (d)	932,923	1,533,040	-	-	932,923	1,533,040
Loans (e)	13,527	93,934	485,485	254,174	499,012	348,108
	1,080,230	1,713,044	1,082,721	987,518	2,162,951	2,700,562

(b) As of December 31, 2023 and 2022, finance leases are comprised as follows:

Type of obligation	Guarantee	Annual interest rate (%)	Maturity	Currency	Original amount (000)	2023 S/(000)	2022 S/(000)
Finance leases							
Banco de Crédito del Perú S.A. (i)	Fixes assets acquired	5.23	2025 – 2028	US$	137,507	453,323	497,474
Banco de Crédito del Perú S.A. (i)	Fixes assets acquired	6.50	2025 - 2028	S/	311,147	236,360	268,538
Banco Internacional del Perú S.A.A. – Interbank (ii)	Fixes assets acquired	3.90	2023	US$	419	-	250
						689,683	766,262

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.

(i) 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, 5.23 and 6.50 percent. 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, see note 12(b).

(ii) 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.

(c) As of December 31, 2023 and 2022, operating leases are comprised as follow:

Type of obligation	Guarantee	Annual interest rate (%)	Maturity	Currency	2023 S/(000)	2022 S/(000)
Operating leases						
Lease for right-of-use assets	Without specific guarantees	5.75	2023	S/	41,333	53,152

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 of 5.75 percent, see note 13.

(d) 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 and they are comprised as follows:

Financial entity	Maturity	Interest annual rate (%)	Currency	Original amonut (000)	2023 S/(000)	2022 S/(000)
BBVA Banco Continental S.A.	March 2024	Between 5.44 and 8.03	S/	221,900	351,000	221,900
Banco de Crédito del Perú S.A.	March 2024	Between 7.1 and 7.3	S/	490,700	290,000	490,700
BBVA Banco Continental S.A.	April 2024	Between 6.16 and 6.32	US$	24,500	90,968	141,340
Scotiabank Perú S.A.A.	March 2024	Between 6.13 and 6.15	US$	21,000	77,973	-
Banco de Crédito del Perú S.A.	January 2024	6.35	US$	14,000	51,982	38,200
Banco BCI Peru S.A.	March 2024	7.27	S/	48,000	48,000	-
Bank of China Peru S.A.	March 2024	7.25	S/	23,000	23,000	-
ICBC Perú Bank	July 2023	5.36	US$	10,000	-	38,200
Banco Internacional del Perú S.A.A.	December 2023	Between 6.72 and 7.98	S/	155,300	-	155,300
Banco Internacional del Perú S.A.A.	December 2023	6.22	US$	30,000	-	95,500
Scotiabank Perú S.A.A.	September 2023	8.55	S/	199,100	-	199,100
Banco Itau BBA SA - Nassau Bra	Between January and February 2023	Between 2.65 and 3.15	US$	40,000	-	152,800
					932,923	1,533,040

(e) As of December 31, 2023 and 2022, the loans are comprised as follows:

Type of obligation	Guarantee	Annual interest rate (%)	Maturity	Currency	Original amount (000)	2023 S/(000)	2022 S/(000)
Banco de Crédito del Perú S.A. (e.6)	With specific guarantees	10.04	2031	S/	235,513	231,606	95,913
Banco Internacional del Peru S.A. (e.5)	With specific guarantees	7.15	2031	US$	49,000	181,145	64,940
Banco Internacional del Peru S.A. (e.4)	With specific guarantees	6.75	2029	S/	68,501	53,879	36,837
Banco Santander Perú S.A. (e.4)	With specific guarantees	6.75	2029	S/	41,100	32,382	37,832
Banco Internacional del Peru S.A (e.4)	With specific guarantees	6.75	2029	S/	27,400	-	25,466
Banco de Crédito del Perú (e.3)	With specific guarantees	4.65	2023	S/	15,972	-	15,972
Banco de Crédito del Perú (e.2)	With specific guarantees	3.65	2023	US$	18,720	-	71,148
						499,012	348,108

(e.1) On November 20, 2014, the Company signed with Banco de Crédito del Perú S.A. a loan agreement for US$78 million. The operation was structured in two tranches, Tranche I for up to US$53 million at an interest rate of 5.80 percent and Tranche II for up to US$25 million at a variable interest rate Libor (1 month) + 3.65 percent. The terms of payment are 96 monthly installments from the disbursement date, including a 12-month grace period and up-to-date amortizations.

The Framework Creditors Agreement is the contract that regulates the guarantees granted by the Pisco Plant, with respect to the companies that provide financing to the Company. This contract provides the guidelines for the award of said guarantees and each company that finances the Company and receives assets collateral from the Pisco plant, will become part of this contract.

(e.2) 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 by which the rate was changed from 9.05 percent to 5.98 percent and its maturity 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.

(e.3) 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 2022 and has a rate of 4.65 percent.

(e.4) 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.

(e.5) 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.

(e.6) 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.

Notes to separate financial statements (continued)

(f) 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 (g).

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

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

	2023 S/(000)	2022 S/(000)
2023	-	1,713,044
2024	1,080,230	987,518
2025 onwards	1,082,721	-
	2,162,951	2,700,562

(h) 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 S/(000)	Present value of lease payments S/(000)	Minimum payments S/(000)	Present value of lease payments S/(000)
Within a year	134,488	133,780	86,121	86,070
More than one year	603,328	597,236	740,915	733,344
Total l payments to be made	737,816	731,016	827,036	819,414
Less interest payable	(6,800)	-	(7,622)	-
Total	731,016	731,016	819,414	819,414

(i) The interest generated as of December 31, 2023 and 2022 by the financial obligations, amount approximately to S/103,554,000 and S/84,8060,000 , respectively, and are presented in the item "Financial expenses" of the separate statement of comprehensive income, see note 28.

As of December 31, 2023, and 2022, accrued interest pending payment of financial obligations amounts to S/13,453,000 and S/51,841,000, respectively, see note 19.1(a).

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

	2023 S/(000)	2022 S/(000)
Initial balance as of January 1	2,700,562	2,295,256
Adquisition of machinery and equipment through finance lease agreements	-	34,478
Adquisition of machinery and equipment through operating lease agreements	5,473	48,032
Promissory notes obtained	3,489,438	2,710,074
Amortization of financial obligations	(4,088,568)	(2,351,688)
Exchange difference	56,046	(35,590)
Final balance as of December 31	2,162,951	2,700,562

(k) As part of the financial loans and leases maintained with Banco de Crédito del 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 (b) 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 S/(000)	2022 S/(000)
Domestic invoices (b)	411,758	388,689
Foreing invoices (c)	124,939	102,906
Customer advances (d)	38,400	28,445
Total	575,097	520,040

(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.

(d) Corresponds to advances made by clients, which will be applied against shipments made in the following periods.

19. Other accounts payable

19.1 Other accounts payable

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

	2023 S/(000)	2022 S/(000)
Interest payable, see note 17(i)	13,453	51,841
Workers profit sharing	11,440	35,556
Share on subsidiaries' equity, note 11(i) and (b)	22,675	25,751
Miscellaneous provisions	17,531	24,292
Vacations	18,081	17,371
Taxes and withholdings	4,099	5,140
Private pension fund	1,389	1,435
Severance indemnities	1,461	1,432
Others	1,170	1,827
	91,299	164,645

(b) Corresponds to the equity participation maintained by investments in subsidiaries that present losses and is made up of the following subsidiaries:

	2023 S/(000)	2022 S/(000)
Aceros America S.A.S	-	21,915
Aceros America S.P.A	16,403	1,826
Comercial del Acero S.A.C – In liquidation	-	1,245
Corporación Aceros America AA S.A.S	5,840	340
Corporación Aceros Arequipa de Iquitos S.A.C	432	425
	22,675	25,751

(c) 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)	Usage S/(000)	Ending balance S/(000)
As of December 31, 2023				
Tax contingencies (d)	5,425	-	(2,499)	2,926
Labor contingencies (d)	10,256	-	(1,966)	8,290
Labor provisions, note 27	5,377	3,500	(7,220)	1,657
Other provisions	3,234	7,440	(6,016)	4,658
Total	24,292	10,940	(17,701)	17,531
As of December 31, 2022				
Tax contingencies (d)	6,832	-	(1,407)	5,425
Labor contingencies, note 27 and (d)	8,010	2,246	-	10,256
Labor provisions, note 27	8,377	3,245	(6,245)	5,377
Other provisions, note 27	5,850	3,125	(5,741)	3,234
Total	29,069	8,616	(13,393)	24,292

(d) These provisions are related to the current litigation that the Company maintains 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.

(e) 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)
Guarantee provisions and others, note 8(d)	9,049	8,895
Gas supplier provision, note 31	-	50,424
	9,049	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)	Income (expense) S/(000)	As of December 31, 2022 S/(000)	Income (expense) S/(000)	Other effects in equity accounts S/(000)	As of December 31, 2021 S/(000)
Deferred assets						
Lease liabilities	-	15,680	15,680	(3,487)	-	12,193
Estimate of expected credit losses	8,094	278	8,372	(565)	-	7,807
Estimated impairment of inventories	3,153	2,772	5,925	3,337	-	9,262
Vacations accrued and unpaid	4,968	156	5,124	210	-	5,334
Provisions for labor and tax contingencies	4,378	248	4,626	(213)	-	4,413
Provision for debit balances with supplier	4,709	(4,147)	562	(562)	-	-
Miscellaneous and other minor provisions	6,920	(2,504)	4,416	(5,356)	-	(940)
	32,222	12,483	44,705	(6,636)	-	38,069
Deferred liabilities						
Land revaluation surplus and fair value of investment property	(93,655)	(1)	(93,656)	1,395	3,741	(88,520)
Difference in depreciation rates for financial lease operations	(104,339)	(5,753)	(110,092)	(11,622)	-	(121,714)
Right-of-use assets	-	(14,878)	(14,878)	4,014	-	(10,864)
Higher value of property, machinery and equipment	(17,046)	(11,544)	(28,590)	(3,018)	-	(31,608)
Exploration and evaluation expenses	(3,654)	(94)	(3,748)	(95)	-	(3,843)
	(218,694)	(32,270)	(250,964)	(9,326)	3,741	(256,549)
Deferred tax liability, net	(186,472)	(19,787)	(206,259)	(15,962)	3,741	(218,480)

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

	2023 S/(000)	2022 S/(000)
Current	(29,880)	(95,812)
Deferred	(15,962)	(19,787)
	(45,842)	(115,599)

(c) 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	128,655	100	362,015	100
Theorical tax expense	(37,953)	(29.50)	(106,794)	(29.50)
Net tax impact of non – deductible or non-taxable items	(7,889)	(6.13)	(8,805)	(2.43)
Income tax	(45,842)	(35.63)	(115,599)	(31.93)

(d) As of December 31, 2023, and 2022, the Company has generated an income tax of S/29,880,000 and S/95,813,000 , respectively, which have been offset with advance payments maintained to date, generating a net asset of S/86,740,000 and net liabilitie of S/88,573,000, 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 Company'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 balance of this account is made as follows:

	2023 S/(000)	**2022** S/(000)
Investment shares	182,408	182,408
Treasury shares (c)	-	-
	182,408	182,408

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 calculates 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 S/(000)	2022 S/(000)
Local sales to third parties	3,620,017	4,292,564
Foreign sales to third parties	371,646	186,193
Sales to related parties, note 7(a)	513,350	732,630
	4,505,013	5,211,387

Notes to separate financial statements (continued)

	Local sales to third parties S/(000)	Foreign sales to third parties S/(000)	Sales to related parties S/(000)	Total S/(000)
2023				
Types of goods or services -				
Income from sale of goods	3,607,337	339,557	513,350	4,460,244
Freight and other income	12,680	32,089	-	44,769
Total	3,620,017	371,646	513,350	4,505,013
Schedule of transfer of goods or services -				
Goods or services from the prior period carried over to the current period	63,948	-	-	63,948
Goods or services transferred in the period	3,556,069	371,646	513,350	4,441,065
Total	3,620,017	371,646	513,350	4,505,013

	Local sales to third parties S/(000)	Foreign sales to third parties S/(000)	Sales to related parties S/(000)	Total S/(000)
2022				
Types of goods or services -				
Income from sale of goods	4,279,330	139,661	732,630	5,151,621
Freight and other income	13,234	46,532	-	59,766
Total	4,292,564	186,193	732,630	5,211,387
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	4,262,644	186,193	732,630	5,181,467
Total	4,292,564	186,193	732,630	5,211,387

23. Cost of sales

The composition of the item is presented below:

	2023 S/(000)	2022 S/(000)
Beginning balance of products in process, note 9(a)	372,534	141,590
Beginning balance of finished products, note 9(a)	319,125	221,924
Beginning balance of merchandise, note 9(a)	612,717	435,960
Beginning balance of auxiliary materials, supplies and spare parts, note 9(a)	228,699	191,210
Beginning balance of raw material, note 9(a)	158,728	258,354
Personnel expenses, note 26(b)	110,852	129,536
Purchases of merchandise	496,785	1,225,199
Purchases of raw materials	1,589,291	2,373,765
Purchases of supplies	452,076	558,950
Manufacturing expenses	306,563	363,827
Depreciation of the year, note 12 (f) and 13(c)	151,769	138,614
Freight cost	129,520	149,308
Amortization of the year, note 15(c)	2,011	4,298
Final balance of products in process, note 9(a)	(106,531)	(372,534)
Final balance of finished products, note 9(a)	(232,587)	(319,125)
Final balance of merchandise, note 9(a)	(306,421)	(612,717)
Final balance of auxiliary materials, supplies and spare parts, note 9(a)	(171,934)	(228,699)
Final balance of raw material, note 9 (a)	(107,418)	(158,728)
Estimation for obsolescence of inventories, note 9 (c)	12,854	10,944
	4,018,633	4,511,676

Notes to separate financial statements (continued)

24. Selling expenses

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

	2023 S/(000)	2022 S/(000)
Services provided by third parties (b)	75,570	74,116
Personnel expenses, note 26(b)	26,933	29,655
Estimation of expected credit loss, note 6(f)	15,544	12,276
Depreciation of the year, note 12(f) and 13(c)	17,259	12,172
Other management charges	8,001	7,396
Amortization of the year, note 15(c)	1,219	2,549
Taxes	1,241	1,194
Retirement of fixed assets	325	-
	146,092	139,358

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

25. Administrative expenses

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

	2023 S/(000)	2022 S/(000)
Personnel expenses, note 26(b)	50,898	73,078
Services provided by third parties (b)	22,173	24,204
Depreciation of the year, note 12(f) and 13(c)	4,092	4,394
Amortization of the year, note 15(c)	656	1,605
Other management charges	2,701	2,932
Taxes	1,387	1,229
	81,907	107,442

(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

Notes to separate financial statements (continued)

26. Personnel expenses

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

	2023 S/(000)	2022 S/(000)
Remuneration to personnel	109,741	131,086
Workers profit sharing	10,923	36,547
Employee bonuses	18,942	18,348
Vacations	17,675	17,098
Contributions	14,351	14,901
Social benefits of workers	10,597	10,269
Others	9,483	4,020
	191,712	232,269

(b) Below is the distribution of personnel expenses:

	2023 S/(000)	2022 S/(000)
Cost of sales, note 23	110,852	129,536
Selling expenses, note 24(a)	26,933	29,655
Administrative expenses, note 25(a)	50,898	73,078
Other expenses	3,029	-
	191,712	232,269

27. Other income and operating expenses

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

	2023 S/(000)	2022 S/(000)
Other income -		
Recovery of accounts receivable, note 6(e)	9,872	1,254
Reimbursement for import expenses	5,995	5,963
BackOffice services to subsidiaries	1,376	1,284
Income from a supplier claim (c)	1,278	11,107
Sale of fixed assets	374	1,766
Dividends received (b)	-	30,818
Sale of obsolete materials	-	9,778
Other minor	4,450	10,394
	23,345	72,364

	2023 S/(000)	2022 S/(000)
Other expenses-		
Cost of disposal and withdrawals of machinery and equipment (d)	(7,642)	(8,032)
Personnel incentives (e), note 19(c)	(3,500)	(3,245)
Provisions for contingencies, note 8(f) and 19(c)	(1,500)	(14,103)
Cost for sale of obsolete materials	-	(5,236)
Other minor	(1,633)	(4,057)
	(14,275)	(34,673)

(b) Corresponds to the dividends received from its subsidiary Comercial del Acero S.A.C – In Liquidation, in accordance with the liquidation plan of this subsidiary, this entity has been distributing dividends from the results obtained in previous periods.

(c) Corresponds to the credit notes issued by ElectroPeru, the Company's electricity supplier for billings in excess of previous periods, which were in dispute. In the 2022 period, it was resolved in favor of the Company.

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

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

28. Income and financial expenses

The composition of these items is presented below:

	2023 S/(000)	2022 S/(000)
Financial income -		
Interest on time deposits, note 5(c)	23,975	11,587
Interest on invoices receivable	10,121	11,246
Other interest	-	1,112
	34,096	23,945
Financial expenses -		
Interest on financial obligations, note 17(d) and (e)	(103,554)	(84,806)
Interest on finance leases	(40,500)	(45,172)
Interest on lease liabilities, note 17(c)	(2,310)	(905)
Other minor	(958)	(354)
	(147,322)	(131,237)

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 separate financial statements, those items that the referred legislation recognizes as taxable and non-taxable, respectively.

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

(b) The Company is subject to Peruvian tax law. As of December 31, 2023, and 2022, the income tax rate is 29.5 percent of the taxable profit after deducting employee profit sharing which is calculated at a rate of 10 percent on taxable income.

By Legislative Decree No. 1261, promulgated on December 10, 2016, the dividend tax rate for non-resident individuals and legal entities is established at 5 percent, for dividends from 2017 onwards.

(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 separate financial statements as of December 31, 2023, and 2022.

(d) For purposes of determining income tax, transfer prices of transactions between related companies and companies' residents in tax-haven countries must be supported with documentation and information regarding the valuation methods and criteria used to determine them. Based on the analysis of the Company's operations and in the opinion of the Management and its legal advisors, the application of these legal provisions will not generate any significant contingencies as of December 31, 2023 and 2022.

(e) Temporary Tax on Net Assets (ITAN) -
The entities that pay third-category income tax are subject to pay 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 PeruvianCongress, which delegated to the Goverment 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 manage 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, to incorporate 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 purpose of determine 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	Total
			Common	Investment		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.	82,813	1,078,359	0.077	246,416	1,078,359	0.229

31. Contingencies and guarantees granted

(a) Contingencies –

(a.1) As of December 31, 2023 and 2022, the Company 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 Company received Determination and Fine Resolutions for Income Tax and Value Added Tax. On April 25, 2022,the Company received the Administration Resolution that resolved the Claim file and on May 13, 2022, the Company 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 Company 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 Company 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 Company. The Company 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 Company'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 Company filed an appeal against the denial relapsed 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.

- 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 Company acted in good faith in the acquisition of the property. Likewise, the plaintiff's request for cassation was rejected.

In the opinion of Management and its legal advisors, the Company 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 concluded the 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 Company 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 Company.

By Resolution No. 6, dated January 28, 2019, the Court declared unfounded the exception; that pronouncement that 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 Company 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 Company's final arguments brief was presented to the Court.

Finally, on July 30, 2021, the negotiations are completed and both parties reach an agreement for direct treatment through which the Company 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 Company 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 Company 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 assets, 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 Company's financial assets and liabilities are made up of:

	2023 S/(000)	2022 S/(000)
Financial assets -		
Loans and trade accounts receivable:		
Cash and cash equivalents	582,204	602,883
Trade accounts receivable, net	385,808	471,748
Other accounts receivable, net	33,576	18,331
Accounts receivable from related parties	207,049	241,397
Total	1,208,637	1,334,359
Financial liabilities -		
At amortized cost		
Other financial liabilities	2,162,951	2,700,562
Trade accounts payable	575,097	520,040
Other accounts payable	64,524	133,754
Accounts payable to related parties	24,672	41,952
Total	2,827,244	3,396,308

The main financial liabilities of the Company 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. 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 is exposed to credit, market and liquidity risk.

The Company's Management supervises risk management. The Company'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 Company. The Financial Management provides assurance to the Company's Management that the Company'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 Company and its preferences for taking risks.

The Company'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 is 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 Company 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 has a broad customer base.

Credit risk related to bank deposits: the credit risks of bank balances are managed by Company Management in accordance with the Company'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 Company'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 Company'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 separate 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 Company's global exchange risk exposure. Foreign exchange risk arises when the Company 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 Company'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 also presents operations with an exchange rate in euros, however, as of December 31, 2022 these amounts are not significant, not having an impact on the Company's statements of comprehensive income. To reduce this exposure, the Company makes efforts to maintain an appropriate balance between assets and liabilities expressed in US dollars. It is worth mentioning that the Company'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.

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).

Notes to separate financial statements (continued)

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

	2023 US$(000)	2022 US$(000)
Assets		
Cash and cash equivalents	126,029	144,658
Trade accounts receivable, net	189,420	128,355
Accounts receivable from related parties	9,789	62,460
	325,238	335,473
Liabilities		
Trade accounts payable	(71,334)	(74,065)
Financial obligations, current and non-current	(243,926)	(304,030)
	(315,260)	(378,095)
Net liability position	9,978	(42,622)

For the year ended December 31, 2023, the Company has recorded a net gain from exchange differences for approximately S/4,904,000 (net loss of approximately S/7,862,000 for the year ended December 31, 2022), which are presented in the separate statement of comprehensive results.

The following table shows the sensitivity analysis of US dollars (the only currency other than the functional currency in the Company 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 separate statement of comprehensive income before income tax. A negative amount shows a net potential reduction in the separate 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 S/(000)	2022 S/(000)
Depreciation -			
Dollars	5	(1,722)	8,342
Dollars	10	(3,445)	16,684
Appreciation -			
Dollars	5	1,722	(8,342)
Dollars	10	3,445	(16,684)

(ii) Interest rate risk -

As of December 31, 2023, and 2022, the Company maintains financial instruments that accrue fixed and variable interest rates, in top local banks. The Company's operating cash flows are substantially independent of changes in market interest rates, therefore, in Management's opinion, the Company does 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 Company'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)
2023		
Soles	+/- 50	3,146
	+/- 100	6,293
2022		
Soles	+/- 50	2,020
	+/- 100	4,040

(iii) Price risk -

In general, the Company is exposed to the risk of fluctuations in prices for the steel products that the Company manufactures, 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 Company'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)
2023	+5%	158,802
	-5%	(158,802)
2022	+5%	183,701
	-5%	(183,701)

(iv) Liquidity risk -

Liquidity risk is the risk that the Company 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 Company'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 Company'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	169,533	910,697	1,082,721	2,162,951
Interest payment outflow	13,623	121,053	123,953	258,629
Trade accounts payable (*)	536,697	-	-	536,697
Accounts payable to related parties	24,672	-	-	24,672
Other accounts payable (*)	64,524	-	-	64,524
Total	809,049	1,031,750	1,206,674	3,047,473

	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	153,666	1,559,378	987,517	2,700,562
Interest payment outflow	22,135	180,812	186,065	389,012
Trade accounts payable (*)	491,595	-	-	491,595
Accounts payable to related parties	41,952	-	-	41,952
Other accounts payable (*)	133,754	50,424		184,178
Total	843,102	1,790,614	1173582	3,807,299

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

Capital management -

The Company'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 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 monitors 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 Separate statement of financial position plus net debt.

	2023 S/(000)	2022 S/(000)
Financial obligations	2,162,951	2,700,562
Trade accounts payable, payables to related parties and other accounts payable	700,117	785,956
Less -		
Cash and cash equivalents	(582,204)	(602,883)
Net debt (a)	2,280,864	2,883,635
Net equity	2,697,614	2,674,021
Total capital and net debt (b)	4,978,478	5,557,656
Leverage ratio (a/b)	46%	52%

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 Company's financial instruments as of December 31, 2023 and 2022.

34. Information by operating segments

As described in note 2.2(v), the Company has a single operating segment called "Steel derivatives".

The only operating segment that the Company manages 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 separate 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 S/(000)	2022 S/(000)
Rebars and wire rod	3,114,445	3,640,227
Merchant bars	423,588	414,861
Plate, coils and others	966,980	1,156,299
	4,505,013	5,211,387

Notes to separate financial statements (continued)

Likewise, sales take place in the following locations:

	2023 S/(000)	2022 S/(000)
Peru	3,760,803	4,466,724
Bolivia	226,117	464,640
Colombia	120,897	185,311
Brazil	134,278	-
Other countries	262,918	94,712
	4,505,013	5,211,387

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.

35. Subsequent events

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