

Translation of consolidated financial statements originally issued in Spanish - See note 33 to the consolidated financial statements

Ferreycorp S.A.A. and Subsidiaries

Consolidated financial statements as of December 31, 2023 and 2022 together with Independent auditors' report

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Ferreycorp S.A.A. and Subsidiaries

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Independent Auditor's report

To the Shareholders of Ferreycorp S.A.A. and Subsidiaries

Opinion

We have audited the consolidated financial statements of Ferreycorp S.A.A. and Subsidiaries (hereinafter "the Group"), which comprise the consolidated statement of financial position as of December 31, 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, which include information on material accounting policies.

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

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) approved for its application in Peru by the Board of Deans of Peruvian Public Accounting Associations. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Peru, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

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

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Independent Auditor's report (continued)

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters.

Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	Audit response
Revenue recognition The Group maintains a long-term contract, agreement with multiple elements (MARC), by which it undertakes to provide a maintenance service at all costs of its client's machinery and equipment. Revenue is recognized progressively based on the percentage of completion method. This method is measured by reference to costs incurred to date as a percentage of total estimated costs. The accounting policy on revenue recognition together with significant estimates and assumptions are described in notes 3.3(n) and 3.4 of the consolidated financial statements. During the year 2023, the Group recognized S/219.3 million of revenue related to this contract. We view this area as a key audit matter because the determination of estimated costs over the life of the contract is a significant judgment that could have a significant impact on margin and revenue recognition. These significant judgments are related to labor, materials and estimated general costs for the future performance of the contract, the subjectivity of which depends on the complexity and progress of the service at the closing date of the financial statements.	 Our audit procedures on revenue recognition on this contract were aimed at obtaining an understanding of the process, for which we reviewed the revenue policies, evaluated the design and the accuracy of the underlying data used by management to determine the estimate. Our detailed substantive audit procedures included, among others: <ul style="list-style-type: none">(i) Evaluation of the initial cost estimates, determined by Management, and revision of the key components of the total cost estimate of the contract, including labor and replacement parts.(ii) Review of significant variations in estimated costs compared to costs incurred in the current period to assess Management's ability to estimate costs to complete contract agreements at the closing date of the financial statements. We also evaluate the disclosure of the Group's accounting policy for revenue recognition for service contracts as well as significant accounting estimates and assumptions related to said estimate in the consolidated financial statements.

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Independent Auditor's report (continued)

Key audit matter	Audit response
<p>Goodwill impairment</p> <p>The goodwill registered by the Group comes from the difference between the estimated market value of the net assets acquired from the subsidiaries of Ferreycorp S.A.A. and the price paid for the assets, as described in note 3.3(a) and 11(b) to the financial statements. As of December 31, 2023, goodwill amounts to S/156,459,000, which represents 2.4 percent of total assets.</p> <p>Annually, the Group's Management must perform tests in order to identify any indication of permanent impairment and, if necessary, recognize a decrease in the asset.</p> <p>Determining its recoverable amount is complex and usually requires a high level of judgement. The most significant judgments arise on the projected or future cash flows, the discount rate and the growth rate applied in the estimation of the value in use.</p> <p>Due to the factors mentioned above, the evaluation of goodwill for impairment is considered a key audit matter.</p>	<p>Our audit procedures on goodwill impairment assessment were focused on obtaining an understanding of the value-in-use estimation process and engaged valuation specialists to help us:</p> <ul style="list-style-type: none"> (i) Evaluate the methodology and reasonableness of the assumptions used by the Group's Management, such as the discount rate and growth rates used in the analysis of the impairment valuation model carried out by the Company. (ii) Raise awareness of the assumptions and verification of the financial projections used. (iii) Consider the historical performance and analysis of comparable as procedures to verify the existence of evidence contrary to what is used by the Company. <p>Additionally, we have made inquiries with key management about possible modifications or changes in the estimation model.</p>

Other information included in the Group's 2023 Annual Report

Management is responsible for the other information. Other information includes the Annual Report but does not include the consolidated financial statements or our audit report which is expected to be available after the date of this audit report.

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



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Independent Auditor's report (continued)

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report the identified matter to those charged with governance of the Group.

We have read the other information and have nothing to report in this regard.

Responsibilities of Management and those charged with governance of the Group in relation to the consolidated financial statements

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

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

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

Auditor's Responsibilities in Relation to the Audit of the Consolidated Financial Statements

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

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Independent Auditor's report (continued)

As part of an audit in accordance with the International Auditing Standards (ISA) approved for its application in Peru by the Board of Deans of the Associations of Public Accountants of Peru, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate to those charged with governance of the Group, among other matters, the planned scope and timing of the audit, significant audit findings, as well as any significant deficiencies in internal control identified during the audit.

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



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Independent Auditor's report (continued)

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

Lima, Peru,
February 28, 2024

Countersigned by:

A handwritten signature in black ink, appearing to read "Carlos Valdivia".

Carlos Valdivia
Partner-in-Charge
C.P.C.C. Registration No. 27255

TAWAKA, VALDIVIA & ASOCIADOS

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Ferreycorp S.A.A. and Subsidiaries

Consolidated statement of financial position

As of December 31, 2023 and 2022

	Note	2023 S/(000)	2022 S/(000)		Note	2023 S/(000)	2022 S/(000)
Current asset				Current liability			
Cash and cash equivalents	5	219,097	192,015	Financial obligations	12	1,563,124	1,111,638
Trade receivables, net	6	1,344,509	1,292,084	Lease liability	13	26,843	36,785
Other current assets	7	199,757	208,814	Trade Payables	14	791,976	782,406
Inventories	8	2,256,442	2,207,441	Other liabilities	15	553,115	547,395
Expenses paid in advance		33,991	39,588	Income tax liability		23,486	51,336
		<u>4,053,796</u>	<u>3,939,942</u>	Total current liability		<u>2,958,544</u>	<u>2,529,560</u>
Non-current assets held for sale	10(i)	<u>2,777</u>	<u>14,750</u>	Non-current liability			
Total current asset		<u>4,056,573</u>	<u>3,954,692</u>	Financial obligations	12	752,004	1,048,083
				Lease liability	13	16,281	41,473
				Other long-term liabilities	15	1,654	2,279
				Deferred income tax liability, net	16	129,014	133,287
				Deferred income		2,656	5,737
				Total current liability		<u>901,609</u>	<u>1,230,859</u>
				Total liability		<u>3,860,153</u>	<u>3,760,419</u>
Non-current assets				Equity	17		
Long-term trade receivables	6	36,798	37,915	Issued capital		946,063	946,063
Other non-current assets	7	40,089	46,024	Treasury shares		(12,311)	(1,104)
Investments in joint venture	9	23,318	20,702	Additional capital		27,743	42,521
Property, machinery and equipment	10	1,825,623	1,647,998	Legal reserve		211,631	211,631
Intangible assets, net	11(a)	208,761	231,178	Other reserves		341,150	350,688
Goodwill	11(b)	156,459	159,151	Retained earnings		1,150,445	938,538
Deferred income tax asset, net	16	<u>177,253</u>	<u>151,096</u>	Equity attributable to equity holders of the parent		2,664,721	2,488,337
Total non-current asset		<u>2,468,301</u>	<u>2,294,064</u>	Non-controlling interest		-	-
Total asset		<u>6,524,874</u>	<u>6,248,756</u>	Total equity		<u>2,664,721</u>	<u>2,488,337</u>
				Total liability and equity		<u>6,524,874</u>	<u>6,248,756</u>

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

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Ferreycorp S.A.A. and Subsidiaries

Consolidated income statement

For the years ended December 31, 2023 and 2022

	Note	2023 S/(000)	2022 S/(000)
Operating revenues	18	6,941,855	6,576,381
Other operating income		2,656	1,148
Total operating income		6,944,511	6,577,529
Cost of sales	18	(5,137,031)	(4,884,725)
Gross profit		1,807,480	1,692,804
Selling expenses	19	(739,825)	(680,134)
Administrative expenses	20	(375,528)	(354,469)
Other income and expenses, net		7,916	1,089
Operating profit		700,043	659,290
Participation in net results in joint venture	9(b)	2,617	917
Financial income	22	31,794	24,883
Financial expenses	23	(109,838)	(76,412)
Exchange difference, net	29(c)	29,066	33,505
Profit before income tax		653,682	642,183
Income tax expense	16	(221,730)	(222,802)
Profit for the year from continuing operations		431,952	419,381
Discontinued operations	27		
Loss for the year after tax from discontinued operations		1,899	(502)
Profit for the year		433,851	418,879
Earnings per share			
Basic and diluted net earnings per share (in soles)	24	0.461	0.447
Earnings per share from continuing operations			
Basic and diluted net earnings per share (in soles)		0.002	0.001

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Ferreycorp S.A.A. and Subsidiaries

Consolidated statement of comprehensive income

For the years ended December 31, 2023 and 2022

	Note	2023 S/(000)	2022 S/(000)
Profit of the year		433,851	418,879
Exchange differences on translation of subsidiaries		(10,128)	(22,729)
Revaluation surplus, net of income tax		9,976	(2,045)
Other comprehensive income for the year		(152)	(24,774)
Comprehensive results for the year		433,699	394,105

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Ferreycorp S.A.A. and Subsidiaries

Consolidated statement of changes in equity

For the years ended December 31, 2023 and 2022

	Note	Equity attributable to equity holders of the parent											Equity attributable to equity holders of the parent S/(000)	Non- controlling interest S/(000)	Total equity S/(000)			
		Other reserves																
		Number of shares outstanding	Issued capital S/(000)	Treasury shares S/(000)	Additional capital S/(000)	Legal reserve S/(000)	Revaluation S/(000)	Unrealized results S/(000)	Cumulative translation reserve S/(000)	Other reserves S/(000)	Total other reserves S/(000)	Retained earnings S/(000)						
Balances as of January 1, 2022		946,062	958,894	(12,832)	43,710	211,631	254,011	(2,634)	93,669	30,416	375,462	765,291	2,342,156	-	2,342,156			
Profit of the year		-	-	-	-	-	-	-	-	-	-	418,879	418,879	-	418,879			
Other comprehensive income for the year:																		
- Exchange difference on translation	17(e)	-	-	-	-	-	-	-	(22,729)	-	(22,729)	-	(22,729)	-	(22,729)			
- Revaluation surplus		-	-	-	-	-	(2,045)	-	-	-	(2,045)	-	(2,045)	-	(2,045)			
Comprehensive result for the year		-	-	-	-	-	(2,045)	-	(22,729)	-	(24,774)	418,879	394,105	-	394,105			
Transactions with shareholders:																		
- Distribution of dividends	17(f)	-	-	-	-	-	-	-	-	-	-	(245,633)	(245,633)	-	(245,633)			
- Repurchase of shares	17(b)	(1,103)	-	(1,103)	(1,189)	-	-	-	-	-	-	-	(2,292)	-	(2,292)			
- Amortization of shares in treasury	17(b)	-	(12,831)	12,831	-	-	-	-	-	-	-	-	-	-	-			
- Other		-	-	-	-	-	-	-	-	-	-	1	1	-	1			
Balances as of December 31, 2022		944,959	946,063	(1,104)	42,521	211,631	251,966	(2,634)	70,940	30,416	350,688	938,538	2,488,337	-	2,488,337			
Profit of the year		-	-	-	-	-	-	-	-	-	-	433,851	433,851	-	433,851			
Other comprehensive income for the year:																		
- Exchange difference on translation	17(e)	-	-	-	-	-	-	-	(10,128)	-	(10,128)	-	(10,128)	-	(10,128)			
Revaluation surplus		-	-	-	-	-	9,976	-	-	-	9,976	-	9,976	-	9,976			
Other comprehensive income		-	-	-	-	-	(9,385)	-	-	-	(9,385)	9,385	-	-	-			
Comprehensive result for the year		-	-	-	-	-	591	-	(10,128)	-	(9,537)	443,236	433,699	-	433,699			
Transactions with shareholders:																		
- Distribution of dividends	17(f)	-	-	-	-	-	-	-	-	-	-	(231,328)	(231,328)	-	(231,328)			
- Repurchase of shares	17(b)	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
- Amortization of shares in treasury	17(b)	-	(11,207)	(14,778)	-	-	-	-	-	-	-	-	(25,985)	-	(25,985)			
- Other		-	-	-	-	-	-	-	-	(1)	(1)	(1)	(1)	(2)	(2)			
Balances as of December 31, 2023		944,959	946,063	(12,311)	27,743	211,631	252,557	(2,634)	60,812	30,415	341,150	1,150,445	2,664,721	-	2,664,721			

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Ferreycorp S.A.A. and Subsidiaries

Consolidated statement of cash flows
For the years ended December 31, 2023 and 2022

	Note	2023 S/(000)	2022 S/(000)
Operating Activities			
Collections from customers and third parties		6,817,214	6,128,911
Payments to suppliers		(5,328,086)	(5,133,281)
Payments to workers and others		(861,677)	(785,098)
Income tax payments		(262,848)	(196,087)
Tax payments		-	(18,026)
Net cash (used in) provided by operating activities		<u>364,603</u>	<u>(3,581)</u>
Investment activities			
Acquisition of real estate, machinery and equipment	10(a)	(168,537)	(59,890)
Acquisition of intangibles	11(a)	(10,506)	(4,878)
Sale of investments		35	-
Sale of real estate, machinery and equipment		<u>4,532</u>	<u>101,036</u>
Net cash provided by (used in) investing activities		<u>(174,476)</u>	<u>36,268</u>
Financial activities			
Obtaining financial obligations	28	2,575,563	2,946,947
Payment of financial obligations	28	(2,307,711)	(2,582,767)
Lease liability payment	28	(50,085)	(54,613)
Interest paid	28	(107,187)	(67,801)
Payment of dividends	17(f)	(231,184)	(245,577)
Repurchase of shares	17(b)	(25,394)	(2,293)
Net cash used in financing activities		<u>(145,998)</u>	<u>(6,104)</u>
Net increase (decrease) in cash and cash equivalents		<u>44,130</u>	<u>26,583</u>
Exchange difference on cash and cash equivalents		<u>(17,048)</u>	<u>(50,329)</u>
Balance of cash and cash equivalents at the beginning of the year		<u>192,015</u>	<u>215,761</u>
Balance of cash and cash equivalents at the end of the year		<u>219,097</u>	<u>192,015</u>
Transactions with no effects in cash flows:			
Right-of-use assets IFRS 16	10	23,115	6,785
Inventory transfer to fixed assets	10	345,217	352,457

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

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Ferreycorp S.A.A. and Subsidiaries

Notes to the consolidated financial statements

As of December 31, 2023 and 2022

1. Identification and Business activity

(a) Identification -

Ferreycorp S.A.A. (hereinafter, "the Headquarters" or "the Company") was incorporated in the city of Lima in September 1922 and is the holding entity of a group of companies that operate in Peru and abroad, called "Grupo Ferreycorp", coordinating its policies and administration. The Ferreycorp Group ("the Group"), through its subsidiaries, is mainly engaged in the distribution of machinery, engines, equipment, spare parts, lubricants and other types of goods, as well as the delivery of related services.

The legal domicile of the Group, where its administrative offices are located, is Avenida Cristóbal de Peralta Norte No.820, Surco, Lima, Peru.

(b) Distribution contracts -

On April 13, 2012, the Ferreycorp Group, through its subsidiary Ferreyros SA, signed the update of two non-exclusive distribution contracts for Caterpillar products in Peru with Caterpillar SARL (Dutch Limited Partnership), represented by Caterpillar Americas CV (hereinafter "CAT"). The "Sales & Services Agreement" and "Distribution Agreement for Engine, Parts and Services", referring to the sale of machinery called "Prime" and the sale of engines, spare parts and services, respectively, are for an indefinite term. The Ferreycorp Group, for more than 75 years, has sold the entire line of machinery and spare parts, provides the factory warranty and provides after-sales services (preventive maintenance and repair). The Group's Management expects that the commercial relationship will continue to be maintained in the long term.

(c) Approval of consolidated financial statements -

The consolidated financial statements as of December 31, 2023 have been issued with the authorization of the Management of the Company and the Audit Committee on February 28, 2024 and approved by the Board of Directors on the same date and will then be presented to the General Shareholders' Meeting to be held in the first quarter of 2024, for final approval.

The consolidated financial statements as of December 31, 2022 were approved by the Board of Directors on February 23, 2023 and by the General Shareholders' Meeting held on March 30, 2023.

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Notes to the consolidated financial statements (continue)

(d) Covid-19-

On March 15, 2020, the Peruvian Government declared a state of emergency by Supreme Decree No. 044-2020-PCM, for a period of fifteen (15) calendar days as a result of the COVID-19 outbreak. After that date, the Peruvian Government made official several extensions to the length of the term of the State of Emergency, and on April 23, 2022, by Supreme Decree No. 041-2022-PCM, the Peruvian Government formalized an extension to the State of National Emergency of Peru for a period of 31 days, from May 1, 2022, restricting certain economic activities, according to the level of alert in each state of Peru.

On October 2022 and through Supreme Decree No. 016-2022, the Peruvian Government declared the end of the state of emergency due to Covid-19 throughout the Peruvian territory, eliminating all coronavirus restrictions and promoting vaccination against Covid-19. The norm indicates that the revocation of the aforementioned Supreme Decree is due to the evolution of the pandemic, the progress of the vaccination process, the decrease in positivity, the decrease in patients admitted to intensive care units, and the decrease in deaths from COVID-19.

The Group's Management has evaluated and implemented the necessary measures to mitigate the impacts originated by COVID-19, as well as the compliance with the aforementioned decrees, on its operations and financial situation. Likewise, it will continue to monitor in the following years the development of the pandemic and its implications on the Group's equity and financial situation, as well as the results of its operations and its cash flows.

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Notes to the consolidated financial statements (continue)

2. Information on the structure of the Subsidiaries

As of December 31, 2023 and 2022, the consolidated financial statements comprise the financial statements of Ferreycorp S.A.A., the subsidiaries in which it has control and an investment in a joint venture. The Group owns 100 percent of the participation of the subsidiaries, either through the Parent Company or through other subsidiaries. The following are the main data of the companies that are part of the consolidated financial statements as of December 31, 2023 and 2022, before eliminations made for consolidation purposes:

			Participation Percentage		Total Assets		Total Liabilities		Total Net Assets		Net income (loss)	
			2023 %	2022 %	2023 \$/000	2022 \$/000	2023 \$/000	2022 \$/000	2023 \$/000	2022 \$/000	2023 \$/000	2022 \$/000
Ferreyros S.A.	Purchase and sale of machinery and spare parts and delivery of workshop services		99.99	99.99	3,909,713	3,677,720	2,574,768	2,397,818	1,334,945	1,279,902	455,796	400,753
Inti Inversiones Interamericanas Corp. and subsidiaries (a)	Holding that groups the business in Central America		100.00	100.00	728,306	694,754	393,830	324,205	334,476	370,549	23,548	21,725
Unimaq S.A.	Purchase and sale of machinery and spare parts and delivery of workshop services		99.99	99.99	519,591	398,182	393,496	300,675	126,095	97,507	6,432	9,083
Trex Latinoamerica SpA and Subsidiaries (b)	Holding that groups the business in South America		100.00	100.00	441,897	435,479	425,172	363,007	16,725	72,472	(55,286)	(17,520)
Motriz S.A.	Purchase, sale, distribution, marketing and export of the Trex line of goods		-	99.00	-	97,914	-	75,759	-	22,155	-	1,343
Fargoline S.A.	Storage services		99.91	99.91	115,626	119,917	74,226	75,170	41,400	44,747	4,200	7,459
Motored S.A. (d)	Purchase-sale of automotive line, spare parts and delivery of automotive services		99.99	99.99	19,068	43,674	13,586	40,091	5,482	3,583	1,899	(502)
Orvisa S.A. and subsidiaries	Purchase-sale of machinery and spare parts and delivery of services		99.37	99.37	143,134	119,533	104,261	79,245	38,873	40,288	(1,424)	1,789
Soltrak S.A.	Representative and distributor of tires, lubricants and safety equipment		99.99	99.99	202,467	216,023	137,093	146,063	65,374	69,960	(4,586)	6,405
Cresko S.A.	Purchase-sale of machinery, chemical equipment and supplies		99.99	99.99	1,006	1,121	-	9	1,006	1,112	(106)	(926)
Soluciones Sitech Perú S.A.(c)	Marketing of software and equipment related to technology		99.98	99.98	25,502	23,536	8,940	8,572	16,562	14,964	1,598	(287)
Forbis Logistics S.A.	Bulking agent		99.98	99.98	26,328	26,065	21,435	21,858	4,893	4,207	5,926	5,242
Xpedite Procurement Services S.A.C.	Non-specialized wholesale and retail		90.00	90.00	4,684	2,363	2,362	666	2,322	1,697	686	611

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Notes to the consolidated financial statements (continue)

- (a) This holding entity controls the subsidiaries in Central and North America, which are: Compañía General de Equipos S.A. (El Salvador), Corporación General de Tractores S.A. (Guatemala), General Equipment Company (Belize), Mercado Centroamericano de Lubricantes S.A. (Nicaragua), Forbis Logistics Corp. (United States of America) and Transportes Pesados S.A. de C.V. (El Salvador). These subsidiaries are engaged in the purchase and sale of machinery, vehicles, spare parts and the delivery of workshop services.
- (b) This holding entity controls the subsidiaries in South America, which are: Trex Latin America SpA and its subsidiary Equipos y Servicios Trex SpA (both domiciled in Chile) and Trex Overseas Investments S.A. (domiciled in Chile) and its subsidiary domiciled in Colombia.
- (c) On March 30, 2021, the Company repurchased the shares of the minority shareholder of Soluciones Sitech Perú S.A. for US\$ 500,000 (equivalent to S/1,800,000), for which the Company's interest increased from 56.82% to 99.98%.
- (d) During 2021, the Company capitalized the debt held with the subsidiary Motored S.A., to absorb operating losses for S/25,099,000. On September 29, 2021, the Group's Management took the decision to discontinue the operation of Motored, see note 27.
- (e) The Group has a joint venture for the investment of 50 percent in Ferrenergy S.A. an entity controlled jointly through the subsidiary Ferreyros S.A. through an agreement signed with SoEnergy International Corporation, which is dedicated to the generation and delivery of service of electrical power supply. The Company's investment in its joint venture is accounted for using the equity method. Under this method, the investment in the joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of the net assets of the joint venture since the acquisition date. As of December 31, 2023, the value of the investment by the equity method and the consolidated income for the year amounted to S/23,178,000 and S/2,617,000, respectively (S/20,560,000 and S/917,000, respectively, in 2022).

3. Basis of preparation and summary of main accounting policies

The main accounting policies applied in the preparation of the consolidated financial statements are detailed below. These policies have been applied uniformly in all the years presented, unless otherwise indicated.

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Notes to the consolidated financial statements (continue)

3.1 Basis of preparation and presentation of the consolidated financial statements -

The Company has prepared the consolidated financial statements in compliance with the Financial Information Regulations of the Superintendencia de Mercado de Valores (SMV). The accompanying consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), in force at the date of the financial statements, which include the International Information Standards (IFRS), the International Accounting Standards (IAS) and the Interpretations issued by the Committee on Interpretations of International Financial Reporting Standards (IFRIC).

The information contained in the consolidated financial statements is the responsibility of the Company's Management, which expressly confirms that all the principles and criteria contemplated in the IFRS issued by the IASB have been applied in their preparation.

The consolidated financial statements have been prepared on the historical cost basis, based on the accounting records maintained by the Group, except for the land, on which the fair value policy is applied, see note 3.3(g). The consolidated financial statements are presented in thousands of soles (under the heading of S/000), except when a different monetary expression is indicated.

The accounting policies adopted by the Group are consistent with those applied in previous years.

3.2 Basis of consolidation -

The consolidated financial statements include the financial statements of the Company and those of the subsidiaries in which it exercises control, for all the years presented. Control is obtained when the Group is exposed to or has the right to variable returns from its participation in the entity where has invested and has the ability to influence the returns through its power over the entity. The Group controls an entity if and only if it has:

- Power over the entity; that is, having the rights that give the present capacity to direct the relevant activities of the entity,
- Exposure or rights to variable returns from their participation in the entity, and,
- Ability to use their power over the entity to significantly affect its returns.

The Group assesses whether or not it has control over an entity when the facts and circumstances indicate that there are changes in any of the control elements. The consolidation of a subsidiary begins when the Group obtains control of it and ceases to be consolidated from the date on which the control ceases. The consolidated financial statements include the assets, liabilities, income and expenses of the Company and its subsidiaries.

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Notes to the consolidated financial statements (continue)

The result of the period and each component of other comprehensive income are attributed to the owners of the Parent and to the shareholders that do not control (minority interest), even if this results in a minority interest with a negative balance. When necessary, adjustments are made to the financial statements of the subsidiaries to align their accounting policies with the policies adopted by the Group. All assets and liabilities, equity, income, expenses and cash flows related to transactions between members of the Group are eliminated in consolidation.

A change in the participation of a subsidiary, without loss of control, is accounted for as an equity transaction.

3.3 Summary of significant accounting policies -

(a) Business combinations and goodwill -

Business combinations are accounted for using the purchase method. Combinations can occur through the purchase of a separate entity or a group of assets and liabilities that qualify as a business. In the latter case, the cost of the purchase corresponds to the consideration transferred, measured at its fair value at the date of purchase. Acquisition costs incurred are expensed as incurred and presented as administrative expenses in the consolidated statement of income.

Goodwill is initially measured at cost, which is the excess of the consideration transferred over the fair value of the identifiable net assets acquired.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For purposes of performing the impairment test, goodwill acquired in a business combination is, as of the acquisition date, attributed to each of the Group's cash-generating units (CGU) that are expected to benefit from the business combination, regardless of whether other assets or liabilities of the acquiree have been distributed to these units.

If the goodwill has been distributed to a CGU and part of the assets with which said unit operates are sold or written off, the goodwill and the assets disposed of are included in the book value of the transaction when determining the result of said transaction. Under these circumstances, the goodwill to be decreased is measured based on the relative value of the assets disposed of and the portion of the cash-generating unit retained. Goodwill is presented in these financial statements as a result of a business purchase made in previous years, resulting from the acquisition of various assets that qualified as a business.

Goodwill impairment is determined by evaluating the recoverable amount for each CGU (or group of CGUs) to which it is related. When the recoverable amount of the CGU is less than the book value, an impairment loss is recognized. Impairment losses related to goodwill cannot be reversed in future periods.

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Notes to the consolidated financial statements (continue)

(b) Investment in joint venture -

Joint agreements are contracts in which two or more participants share control of the activity undertaken, which is called joint control. A joint venture is a type of arrangement whereby the parties that have joint control of the arrangement are entitled to the net assets of the arrangement. Joint control is the distribution of control contractually decided for a joint arrangement and that exists only when decisions about the relevant activities thereof require the unanimous consent of the parties that share control. As a result of the assessment of their joint arrangement, the Group has determined that it has a joint venture.

The Group's investments in its joint venture are accounted for using the equity method. Under this method, the investment in your joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of the net assets of its joint venture since the acquisition date.

The consolidated statement of income reflects the Group's participation in the results of the operations of its joint venture, after the effects of the adjustments made at the time of its purchase. Any change in 'other comprehensive income' of its joint venture is presented as 'other comprehensive income' of the Group. In addition, if there were changes recognized directly in the equity of the joint venture, the Group would recognize its participation in any of these changes, as appropriate, in the consolidated statement of changes in the equity of the Group.

When the participation in these investments exceeds the amount of the investment, the Group stops recognizing those losses unless it has the obligation to assume them.

The Group's participation in the results of its joint venture is presented in the caption "Share in the net results of the joint venture" of the consolidated income statement.

The financial statements of the joint venture are prepared for the same information period as that of the Company. If necessary, appropriate adjustments are made to bring its accounting policies into line with the Company's accounting policies.

(c) Financial instruments: Recognition and measurement -

(c.1) Financial assets - Classification and initial measurement -

The Group classifies its financial assets in the following measurement categories:

- Measured at fair value (either through other comprehensive income, or through results), and
- Measured at amortized cost.

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Notes to the consolidated financial statements (continue)

The classification depends on the Group's business model for managing its financial assets and whether the contractual terms represent only payments of principal and interest.

At the time of initial recognition, financial assets are measured at fair value plus, in the case of a financial asset that is not at fair value through profit or loss, transaction costs directly attributable to the acquisition of the financial asset. Transaction costs of financial assets at fair value through results are recorded in results.

Subsequent measurement of debt instruments -

The subsequent measurement of debt instruments depends on the business model that the Group has established for managing the asset and the characteristics of the cash flows arising from the asset. There are three measurement categories with which the Company classifies its debt instruments:

(i) Assets at amortized cost -

Assets held for the collection of contractual cash flows, provided that these cash flows represent only payments of principal and interest, are measured at amortized cost. Interest income generated by these financial assets is recognized as financial income using the effective interest rate method. Any gain or loss arising from the derecognition of this type of financial asset is recognized directly in results. Impairment losses are presented as a separate line item in the consolidated statement of income.

(ii) Assets at fair value through other comprehensive income -

Financial assets whose business model is mixed, that is, financial assets that are held both to collect their contractual cash flows and for sale and if their cash flows correspond solely to payments of principal and interest, are measured at fair value at through other comprehensive income (VR-ORI). Changes in the book value are recognized in other comprehensive income (through OCI), except for the recognition of losses (or reversal of losses) due to impairment, interest income and gains and losses due to exchange differences that are recognized in results. When the financial asset is derecognized, the accumulated gain or loss recognized in OCI is reclassified from equity to results and presented in the caption "Other income and expenses, net". Interests generated by these financial assets is recognized as financial income using the effective interest method. Gains or losses from exchange differences are recognized in income under the caption "Other income and expenses, net" and impairment losses are also recognized in income and presented in a separate line item in the consolidated statement of income.

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Notes to the consolidated financial statements (continue)

(iii) Assets at fair value through profit or loss -

Assets that do not meet the criteria to use amortized cost or FV-ORI are measured at fair value through profit or loss. Changes in the fair value of debt instruments in this category are recognized in income as "Other income and expenses, net".

The Group reclassifies debt instruments when its business model for managing these assets changes.

Impairment of value of financial assets -

The Group evaluates, with a future perspective, the expected credit losses associated with debt instruments measured at amortized cost and at FV-ORI. The methodology applied to determine impairment depends on whether the credit risk of an asset has experienced a significant increase.

For trade receivables, the main account measured at amortized cost, the Group applies the simplified approach allowed by IFRS 9, which requires estimating the credit loss of the account for the total duration of the instrument and recognizing it from its initial recording, based on a provision matrix, directly in the results of the period (see note 29(c.1) on financial risk management for further details); additionally, to measure expected credit losses, accounts receivable are grouped based on shared credit risk characteristics and days past due.

(c.2) Financial liabilities - Recognition and initial measurement -

The Group classifies its financial liabilities, for measurement purposes, at amortized cost. As an exception, in appropriate cases, they are classified to be measured at fair value through results. Management determines the classification of its financial liabilities at the time of initial recognition.

Financial liabilities are recognized when the Group is a party to the contractual agreements of the instrument. All financial liabilities are initially recognized at fair value, deducting, in the case of financial liabilities carried at amortized cost, the incremental costs that are directly attributed to the purchase or issue of the liability.

As of December 31, 2023 and 2022, the Group only presents liabilities measured at amortized cost, which include financial obligations, lease liabilities, trade payables, accounts payable to related parties and other liabilities.

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Notes to the consolidated financial statements (continue)

Subsequent measurement -

After initial recognition, when the effect of the time value of money is significant, financial liabilities are measured at amortized cost using the effective interest rate method. The amortized cost is calculated considering any discount or premium in the issuance and the costs that are an integral part of the effective interest rate.

Financial liabilities are classified as short-term obligations unless the Group has the irrevocable right to defer the agreement of the obligations for more than twelve months after the date of the consolidated financial statements.

Derecognition -

A financial liability, or when applicable, a part of a financial liability or a part of a group of similar financial liabilities, is written off when the obligation specified in the corresponding contract has been paid or canceled or has expired. When an existing financial liability is replaced by another from the same creditor under substantially different conditions, or if the conditions of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized directly in income.

(c.3) Compensation of financial instruments -

The financial assets and liabilities that are subject to compensation are presented net in the consolidated statement of financial position, only if there is a legally enforceable right to offset the recognized amounts, and there is the intention to settle them for the net amount, or to carry out the assets and pay off liabilities simultaneously.

(d) Foreign currency transactions -

Functional currency and presentation currency -

The items included in the Group's consolidated financial statements are expressed in soles, which in turn is the currency of the primary economic environment where the Company operates (functional currency).

The consolidated financial statements are presented in soles, which is the Group's functional and presentation currency.

Each subsidiary determines its functional currency and prepares its financial statements in that functional currency. The Group concluded in all its subsidiaries that the economic characteristics determine that the local currency of their country of origin corresponds to their functional currency. Due to this, the financial statements of subsidiaries with a functional currency other than that of the Parent Company are converted by applying the criteria described below.

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Notes to the consolidated financial statements (continue)

Balances or transactions in foreign currency -

Balances or transactions in foreign currency are considered to be those carried out 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 in which they initially qualified for recognition.

Subsequently, the monetary assets and liabilities denominated in foreign currency are translated at the exchange rate on their settlement date or, if payment remains pending, on the closing date. The exchange differences generated by the translation of items in foreign currency are recognized in income, under the caption "Exchange difference, net". Non-monetary assets and liabilities acquired in foreign currency are translated at the exchange rate on the date of the initial transactions and are not remeasured.

Translation to presentation currency -

The consolidated financial statements have been prepared to present the activity of the Holding Company and its subsidiaries in a grouped manner, defining that the sol (the functional currency of the Holding Company) is the presentation currency of the Group. The balances of the financial statements of the subsidiaries that operate in countries whose functional currency is other than the sol were converted using the methodology established in IAS 21, "Effects of variations in foreign currency exchange rates", which is summarized next:

- (i) The balances of assets and liabilities have been translated using the closing exchange rates at the date of each consolidated statement of financial position presented.
 - (ii) Income and expenses have been converted using the average monthly exchange rate that approximates the exchange rates on the date of recording of said transactions.
 - (iii) The differences resulting from the translation have been recognized as part of 'other comprehensive income' and presented in the consolidated statement of financial position under the heading "Other equity reserves".
- (e) Cash and cash equivalents -
- For purposes of preparing and presenting the statement of cash flows under the direct method, cash and cash equivalents include cash available in fixed funds, checking accounts, and bank deposits with an original maturity of less than 90 days. Such accounts are not subject to a significant risk of changes in value.

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Notes to the consolidated financial statements (continue)

(f) Inventories -

Inventories are measured at cost or net realizable value, whichever is lower. The cost is determined following the specific identification method, except spare parts that are recorded by the weighted average cost method. The cost of workshop services in process includes the costs of mechanical and repair workshop services. The net realizable value is the estimated sale price of an asset in the normal course of business, net of discounts and other costs and expenses incurred to put the inventories in a condition for sale and to market them.

The estimate of the net realizable value takes into account any depreciation that is observed on the inventories. To this end, the Group analyses, at each closing date, the conditions and rotation of inventories. In the case of spare parts and components that do not move, a provision is recognized based on an analysis by the Supply Chain Management, who determines the impaired value. This loss is recorded directly in results under the headings "Cost of sales" and "Sales expenses".

(g) Property, machinery, and equipment -

Property, machinery, and equipment, except land, are presented at cost, net of accumulated depreciation and, if applicable, of accumulated impairment losses. This cost includes the cost of replacing components of real estate, machinery and equipment. For significant components of property, plant and equipment that must be replaced periodically, the replaced component is written off and the new component is recognized with its corresponding useful life and depreciation.

Subsequent costs are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only when it is probable that they will generate future economic benefits for the Group, and the cost of these assets can be measured reliably. Disbursements for ordinary maintenance and repairs are recognized in income as they are incurred.

The land is measured at its revaluation value (fair value), using appraisals carried out every two to three years by an independent expert appraiser, to ensure that the fair value does not differ materially from its carrying amount. When the variations in the fair value are not significant, the revaluations will be made every three or five years. As of December 31, 2023 and 2022, the variations in the fair value of the land have not been significant, so it has not been necessary to modify its book value.

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Any increase due to revaluation is recognized in the consolidated statement of comprehensive income and is accumulated in consolidated equity under "Other equity reserves" for revaluation of assets in equity and in the consolidated statement of comprehensive income, unless such increase corresponds to the reversal of a revaluation decrease of the same asset previously recognized in the consolidated statement of income, in which case that increase is recognized in income. A revaluation decrease is recognized in the consolidated statement of income, except to the extent that such decrease offsets a revaluation increase of the same asset previously recognized in the asset revaluation reserve. At the time of the sale of the revalued asset, any revaluation reserves related to that asset are transferred to retained earnings.

Land is not depreciated. The depreciation of other assets is calculated on a straight-line basis over the estimated useful lives of the assets in years or based on machine-hours (h/m) used, in the terms shown below:

	Term
Buildings and other constructions:	
Structural work	between 30 and 80
Finishes and complementary Works	between 15 and 20
Installations	between 5 and 10
Machinery and equipment	between 3 and 5
Rental machinery and equipment	m/h used
Transport units	5
Furniture and fixtures	between 3 and 10

Residual values, useful lives and asset depreciation methods and rates are reviewed at each annual closing date and are adjusted prospectively.

A component of property, machinery and equipment or any significant part thereof initially recognized, is derecognized at the time of its sale or when no future economic benefits are expected from its use or sale. Any resulting gain or loss at the time of derecognition of the asset (calculated as the difference between the net income from the sale and the carrying amount of the asset) is included in income, under the caption "Other income and expenses, net".

(h) Leases -

The determination of whether an agreement constitutes or includes a lease is based on the substance of the agreement at the date of its execution, if the fulfillment of the agreement depends on the use of one or more specific assets; or if the agreement grants the right to use the asset, even if such right is not explicitly specified in the agreement.

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The Group as lessee -

Leases are recognized as a right-of-use asset and a lease liability from the date the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured based on present values.

Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including payments that, regardless of their form, are considered "in substance" fixed payments), less any balance receivable for incentives received to start the lease;
- Variable lease payments that are index or rate-based, which are initially measured using the index or rate in effect on the lease commencement date;
- The amounts of any residual value guarantee that the Group has been obliged to pay;
- The price of exercising call options, if the Group considers that it is reasonably certain that it will exercise them; and
- Compensation payments for terminating the lease, if the term of the lease has considered the assumption that the Group will exercise this option.

If it would be reasonably certain to extend the term of a lease, the lease payments for the extended term are also included in the measurement of the liability.

Lease payments are discounted using the implicit interest rate in the lease. If that rate cannot be determined in a simple way, the lessee's incremental borrowing rate is used, which represents the rate that would be charged to the lessee to raise the necessary funds to acquire an asset of similar value to the asset underlying the right of use, in a similar economic context and under similar terms, regarding the term, guarantees and conditions.

To determine the incremental borrowing rate, the Group takes into account the following criteria:

- To the extent possible, it uses, as a reference point, the rates of recently obtained financing and adjusts them to reflect changes in conditions since the date such financing was obtained;
- If it does not have recent financing, it applies an accumulation approach based on a risk-free rate, which is adjusted for the Group's credit risk; and
- Apply specific adjustments to the calculated rate that reflect the specific terms of the lease; for example, regarding the term, country, currency and type of guarantees.

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The lease payments are distributed between the portion that reduces the capital and the portion that corresponds to the financial cost. The financial cost is recognized in results during the lease term, in an amount that reflects a periodic and constant interest rate applied to the balance of the liability at the closing date.

Right-of-use assets are measured at cost, which includes:

- The value of the initial measurement of the lease liability;
- Any lease payment made on or before the lease commencement date; minus any rental incentives received;
- Initial direct costs; and
- The restoration or rehabilitation costs that the Group is obliged to incur.

Right-of-use assets are generally depreciated on a straight-line basis over the shorter of the useful life of the leased asset and the term of the lease. If the Group considers that it is reasonably safe to exercise its purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset.

Payments associated with short-term leases of real estate and vehicles and all leases of low-value assets are recognized in income on a straight-line basis. Short-term leases are leases with a lease term of 12 months or less. Low-value assets include technology equipment and miscellaneous equipment.

The Group as lessor -

When the Group acts as lessor determines, at the beginning of the lease, whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an assessment of whether it has transferred to the lessee substantially all the risks and rewards inherent to ownership of the underlying asset. If this is the case, then the lease is a finance lease; Otherwise, it is an operating lease. As part of this evaluation, the Group considers certain indicators, such as whether the lease contract covers most of the economic life of the asset.

Income from operating leases is recognized on a straight-line basis over the term of the lease.

When the Group sublease an asset, it reflects its role in the main lease and in the sub-lease separately. The lease classification of a sublease is assessed with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease, for the Group to apply the exemption described above, then the sublease is classified as an operating lease.

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If a contract contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract among the different components.

(i) Intangibles -

Intangible assets acquired separately are initially measured at cost. The cost of intangible assets acquired in business combinations is measured at their fair value at the acquisition date. After initial recognition, intangible assets are carried at cost less accumulated amortization and, if applicable, any accumulated impairment loss.

Direct costs that are capitalized as part of the cost of computer programs include consulting costs, costs of employees who develop the software, complementary assistance, infrastructure and centralized licenses, user licenses and a portion of the corresponding indirect costs.

Other costs that do not meet these criteria are recognized in results as incurred.

Acquired computer program licenses are capitalized based on the costs incurred to acquire and put the specific program into use.

The useful lives of intangible assets may be finite or indefinite. Intangible assets with finite useful lives are amortized using the straight-line method over their useful lives, which fluctuate between two and thirty-nine years, and are reviewed to determine if they had any impairment in value to the extent that it exists. any indication that the intangible asset may have suffered such impairment.

The period and method of amortization for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of the asset are accounted for when the amortization period or method is modified, as appropriate, and are treated as changes in accounting estimates. The expense for amortization of intangible assets with finite useful lives is recognized in the consolidated statement of income under the heading of the category that is consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortized but are subject to annual tests to determine whether they have suffered any impairment in value, either individually or at the level of the cash-generating unit to which they belong. An indefinite useful life is reviewed annually to determine if it is still appropriate. If not, the change in useful life from indefinite to finite is accounted for prospectively.

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Amortization is calculated on a straight-line basis over the estimated useful lives in years of the assets, as shown below:

	Term
Customer relationship	2 to 28
Rights Of Use	2
Distribution contract	10
Relationship with suppliers	39
Non-compete agreement	4 to 5
Software licenses	3 to 10

The costs incurred in the development of software recognized as assets will be amortized over their estimated useful lives. Amortization will begin when the asset is available for use, that is, when it is in the location and condition necessary for it to operate as planned by Management.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net income from the sale and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized, respectively, in the caption "Other income and expenses, net".

(j) Impairment of value of non-financial assets -

The net book value of property, plant and equipment and finite-lived intangible assets are reviewed to determine if there are signs of impairment at the end of each fiscal year. If such indications exist, the Group estimates the recoverable value of the asset, this being the higher of the fair value, less the expenses necessary to carry out the sale, and the value in use.

When the recoverable amount of an asset is below its book value, it is considered that there is value impairment.

The fair value corresponds to the amount that can be obtained in the sale of an asset in a free market, while the value in use is the present value of the estimated future net cash flows of the continuous use of an asset and its disposal to the end of its useful life. In determining value in use, future cash flows are discounted to their present value using a pre-tax discount rate that reflects an assessment of current market conditions, the time value of money, and the risks specific to the asset.

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When new events occur, or changes in circumstances that already exist, that show that an impairment loss recorded in a previous period may no longer exist or may have been reduced, the Group makes a new estimate of the recoverable value of the corresponding asset. Previously recognized impairment losses are reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the date the impairment loss was last recognised. If this is the case, the asset's carrying amount is increased to its recoverable amount. Said increase may not exceed the book value that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. This reversal is recognized in results. After the reversal is made, the depreciation charge is adjusted in future periods by distributing the book value of the asset over its remaining useful life.

Goodwill and indefinite life brands -

Goodwill arises from the purchase of a group of assets that qualifies as a business. This goodwill represents the excess of the cost of acquisition with respect to the fair value of the net assets acquired at the date of acquisition of control. The book value of goodwill is tested annually to determine if there is an impairment in value (as of December 31), and when circumstances indicate that its book value could be impaired. The book value of goodwill is shown at cost less, if any, accumulated impairment losses. If the total or partial sale of the business that gave rise to the goodwill occurs, the gain or loss on said sale includes the book value of the goodwill.

Goodwill impairment is determined by evaluating the recoverable amount of each cash-generating unit (or a group of cash-generating units) to which it is related. When the recoverable amount of the cash-generating unit is less than its carrying amount, including the carrying amount of goodwill, an impairment loss is recognized.

Impairment losses related to goodwill cannot be reversed in future periods.

(k) Financing costs -

Financing costs directly attributable to the acquisition, construction or production of an asset that necessarily requires a considerable preparation period to be available for use or sale are capitalized as part of the cost of the respective asset. All other financing costs are recognized as an expense in results. Financing costs are made up of interest and other costs that the Group incurs in relation to the funds obtained.

In 2023 and 2022, the Group did not incur costs in the construction of assets that qualify for the capitalization of financing costs.

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(I) Employee benefits -

Profit sharing -

The Group recognizes a liability and an expense for the participation of workers in the profits of the companies based on the legal provisions in force in each country where they operate, if applicable. In the case of entities in Peru, the participation of workers in profits is equivalent to between 5% and 8% of the taxable material determined in accordance with current income tax legislation. Under Peruvian law, there is a limit on the workers participation that an employee can receive, equivalent to eighteen monthly salaries.

The Group recognizes the participation of workers in accordance with the provisions of IAS 19, "Employee benefits", that is, as a short-term benefit that the entity provides to workers in exchange for their services. This benefit is recognized as a cost or expense depending on the function of each of them.

Guaranteed bonuses -

The Group recognizes a liability and an expense for employee bonuses based on the legal provisions in force in each country where it operates. In the case of entities in Peru, the bonuses correspond to two annual remunerations that are paid in July and December of each year.

Compensation for length of service -

The Group recognizes the compensation for length of service of the personnel that corresponds to their compensation rights calculated in accordance with the legislation in force in each country where it operates, if applicable. In the case of entities in Peru, that compensation must be deposited in the bank accounts designated by the workers in the months of May and November of each year. Compensation for staff service time is equivalent to the average monthly remuneration in effect on the date of deposit. The Group has no additional payment obligations once it makes the annual deposits of the funds to which the worker is entitled.

Vacations -

Annual vacations and other paid absences are recognized on an accrual basis and in accordance with the legislation in force in each country where the Group operates, if applicable. In the case of entities in Peru, the provision for the estimated obligation for annual employee vacations, which is calculated on the basis of remuneration for every twelve months of services provided by employees, is recognized at each closing date of the financial statements.

The Group does not provide post-employment benefits and does not operate a share-based equity compensation plan.

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(m) Income tax -

Income tax for the period includes current and deferred income tax, and is recognized in the consolidated statement of income, except to the extent that it is related to items recognized as other comprehensive income or directly in equity.

Current income tax -

Income tax for the current period is calculated in accordance with the legal regulations in force in each country, based on the non-consolidated financial statements and for the amount expected to be paid to the tax authorities. The legal standards and rates used to calculate the amounts payable are those in force at the date of the consolidated financial statements.

Management periodically evaluates the tax regulations in which they are subject to interpretations and recognizes provisions on the amounts that it expects to be paid to the tax authorities.

When the Group makes payments in excess of what it considers to be its income tax payment obligations, for example, when it pays the Tax Administration under claim to avoid accumulating interest and penalties but considers that it is likely that it will obtain a refund, recognizes these amounts in the "Other assets" caption. The Company analyzes the estimated recovery period in order to identify the amounts to be presented as part of current assets and non-current assets.

Deferred income tax -

Income tax for future periods is recognized using the liability method, considering temporary differences between the tax base of assets and liabilities and their respective accounting balances at the date of the consolidated statement of financial position.

Deferred assets and liabilities are measured using the tax rates (and legislation) that are expected to apply to taxable income in the years in which these differences are recovered or eliminated.

Deferred assets are recognized for all deductible differences and carryover tax losses, to the extent that it is probable that there is taxable income against which the deductible temporary differences can be offset, and carryover tax losses can be used. The book value of the deferred asset is reviewed at each closing date of the financial statements and is reduced to the extent that it is unlikely that there will be sufficient taxable income against which all or part of the deferred asset can be offset. Unrecognized deferred assets are reviewed at each financial statement date.

Deferred tax assets and liabilities are offset if there is a legal right to offset them and they are related to the same tax authority.

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The Company recognizes a liability to make distributions of cash dividends to its shareholders when the distribution is duly authorized and is not at the Company's discretion. In accordance with the Company's policies, the distribution of dividends is authorized when approved by the General Shareholders' Meeting. The corresponding authorized amount is recorded directly with a charge to equity.

Uncertain tax positions -

An uncertain tax position is any tax treatment applied by an entity for which there is uncertainty as to whether it will be accepted by the tax authority. The recognition and measurement of current and deferred tax assets and liabilities may be affected in cases where an entity has uncertain tax positions associated with income tax, in which it is considered probable that the tax authority will not accept group treatment. The existence of uncertain tax positions may affect the determination of tax profit or loss, the tax base of assets and liabilities, tax credits or the tax rates used.

(n) Recognition of revenue, costs and expenses -

Revenue -

Revenues are measured based on the consideration specified in the contract with the client, and exclude amounts received on behalf of third parties. Revenues are presented net of sales taxes, rebates, discounts, bonuses and other items related to sales.

At the beginning of the contract, Management determines if the Group undertakes to deliver multiple goods or services and identifies which of them qualify as separable performance obligations, which will require recognizing income independently. This may cause the contract price to be distributed among various promises to deliver goods or services to the customer, which could be recognized as revenue at different times.

In the event that different separable performance obligations are identified, the Group distributes the contract price proportionally to each performance obligation based on their individual sales prices. If the Group does not have the individual sale price, it estimates it using a cost plus a reasonable market margin approach.

Unsatisfied performance obligations at the date of the financial statements, for which the Group has already received full or partial consideration from the client, are presented in the caption "Other current liabilities", in the consolidated statement of financial position, under the concept of "Customer advances" (note 15).

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Revenue from the sale of machines, engines, equipment and spare parts is recognized when control of the goods is transferred, a situation that occurs when the product is delivered to the customer, the customer has total discretion over it and the Group does not assume any obligation that is pending to be satisfied and that could affect the acceptance of the product by the client. The product is considered delivered when the products are shipped to the location specified by the customer, the risks of obsolescence and loss have been transferred to the customer and the customer has accepted the products in accordance with the terms of sale.

Revenues from workshop services are recognized in income over the time the service requires, on a straight-line basis.

Costs and expenses -

The cost of sale, which corresponds to the cost of the products sold by the Group, is recorded when the goods are delivered, simultaneously with the recognition of income from the corresponding sale.

The cost of services is capitalized as incurred and is recognized in results simultaneously with the recognition of the associated income. For presentation purposes, the Group includes capitalized costs as part of the "Inventories".

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

(o) Provisions -

General -

A provision is recognized only when the Group has a present obligation (legal or implicit) as a result of a past event, it is probable that resources will be required to settle the obligation and its value can be reliably estimated. Provisions are reviewed each period and adjusted to reflect the best estimate available at the annual closing date. When the effect of the value of money over time is important, the amount of the provision is determined by the present value of the disbursements that are expected to be incurred to cancel it.

Guarantees -

Provisions for costs related to guarantees granted to customers in sales of products or services are recognized when the product is sold or the service is provided. Initial recognition is based on historical experience of the frequency and value of these events in the past. The initial estimate of costs related to guarantees is reviewed annually.

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Notes to the consolidated financial statements (continue)

(p) Liabilities and contingent assets -

Contingent liabilities are not recognized in the financial statements. These are disclosed in notes to the financial statements, except when the possibility that an economic flow will be disbursed is remote. Contingent assets are not recognized in the financial statements and are only disclosed when it is probable that income will occur for the Group.

(q) Capital -

Social capital -

Common shares are classified in equity.

When the capital stock recognized as equity is repurchased, either by the Parent Company or by a subsidiary, the amount paid, including the direct costs attributable to the transaction (net of taxes), is recognized as a deduction from the consolidated equity. Own shares repurchased are classified as treasury shares and are presented as a deduction from equity. Any excess paid in the repurchase with respect to its nominal value, is presented affecting the Additional Capital item. When such shares are subsequently reissued or sold, any payment received, net of incremental costs directly attributable to the transaction and the corresponding effects of income tax expense, is included in equity attributable to holders of the Group's equity.

Treasury shares -

Repurchased own equity instruments (treasury shares or treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the income statement derived from the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration received, if reissued, is recognized as an issue premium. The votes corresponding to the shares in treasury are canceled for the Company and no dividends are assigned to them. Stock options exercised during the period are settled with treasury shares.

(r) Earning per share -

Basic and diluted earnings per share are calculated by dividing the earnings for the year by the weighted average number of common shares outstanding during the period, see note 24.

The shares that come from the capitalization of profits, or similar transactions, constitute a division of shares and, therefore, for the calculation of the weighted average of shares, it is considered that these shares were always in circulation, and the calculation of the profit by basic and diluted share is adjusted retrospectively.

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(s) Fair value measurement -

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the assumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a main market, in the most advantageous market for the asset or liability.

The main or most advantageous market must be accessible by the Group. Also, the fair value of a liability reflects its risk of default.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is considered active if transactions for the asset or liability take place with sufficient frequency and volume to provide price information on a continuous basis.

All assets and liabilities for which fair values are determined or disclosed in the consolidated financial statements are classified within the fair value hierarchy described below, based on the lowest level of data used that is significant to the fair value measurement as a whole:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques whereby the lowest level of information that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level of information that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized at fair value in the consolidated financial statements on a recurring basis, the Group determines whether there have been transfers between the different levels within the hierarchy by reviewing the categorization at the end of each reporting period.

Management determines the policies and procedures for recurring and non-recurring fair value measurements. At each reporting date, Management analyzes the movements in the values of assets and liabilities that must be valued in accordance with the Group's accounting policies.

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Notes to the consolidated financial statements (continue)

For fair value disclosure purposes, the Group has determined the asset and liability classes based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(t) Information by segments -

Information by operating segments is presented in a manner consistent with internal reports provided to the operating decision maker. The person in charge of making operational decisions, who is responsible for allocating resources and evaluating the performance of the operating segments, has been identified as the General Management, in charge of making strategic decisions.

An operating segment is a component of an entity that: (i) carries on business activities from which it may earn income and incur expenses (including income and expenses related to transactions with other components of the same entity), (ii) whose result is regularly reviewed by Management to make decisions about the resources that should be allocated to the segment and evaluate its performance, and (iii) for which the financial and operating information is available, see note 31.

(u) Subsequent events -

Events after the end of the period that provide additional information about the Group at the date of the consolidated statement of financial position (adjusting events) are included in the consolidated financial statements. Significant subsequent events that are not adjusting events are disclosed in the notes to the consolidated financial statements.

3.4 Significant accounting judgments, estimates and assumptions -

The preparation of the Company's consolidated financial statements requires Management to make judgments, estimates and accounting assumptions that affect the amounts of income and expenses, assets and liabilities, and related disclosures, the disclosure of contingent liabilities at the date of the financial statements as well as the reported figures of income and expenses.

Management considers that the estimates included in the consolidated financial statements were made based on its best knowledge of the relevant facts and circumstances at the date of their preparation; however, the final results may differ materially from the estimates included in the consolidated financial statements.

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The significant judgments and estimates considered by Management in the preparation of the consolidated financial statements are:

(a) Judgements -

The transactions for the years ended December 31, 2023 and 2022 have not required the special application of critical professional judgment when applying the accounting policies adopted by the Company.

(b) Estimates and assumptions -

The main estimates of Management to prepare the consolidated financial statements are:

Revaluation of real estate, machinery and equipment (land) -

The Group measures its land at its fair value, for this purpose, it hired independent specialists who are experts in valuations to determine the fair values of these assets. For land, the appraiser relies on objective market evidence, using comparable prices adjusted for specific factors, such as nature, location, and condition. Management considers that performing sensitivity calculations on this estimate would be of little relevance since it is based on objective information and provided by independent sources.

Impairment of the value of non-financial assets -

The Group determines the recoverable amount of the CGUs, for the purpose of assessing impairment, based on the value in use. The value in use calculation is based on a discounted cash flow model. The cash flows arise from the estimated projections for the next ten years, excluding restructuring activities to which the Group has not yet committed, and significant future investments that will increase the operating performance of the asset or of the cash-generating unit subjected to impairment testing.

The calculation of the recoverable amount is very sensitive to any changes in the rate used to discount the cash flows, to changes in the expected future income from funds, and to the long-term growth rate used in the extrapolation. Management considers that performing sensitivity calculations on this estimate would be of little relevance due to the width of the gap when comparing the recoverable amount and the book value of its non-financial assets, see note 11.

Provision for impairment of trade receivables -

To measure expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and days past due. Expected loss rates are based on sales payment profiles over a 48-month period, corresponding historical credit losses experienced within this period (recovery trend), and the age of trade receivables.

Historical loss rates are adjusted to reflect current and prospective macroeconomic factors that affect customers' ability to settle trade receivables. Management considers that performing sensitivity calculations on this estimate would be of little relevance since it is based mainly on historical and objective information.

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Provision for estimation for impairment of inventories -

The cost of inventories may not be recoverable if the estimated costs to bring them into commercial condition and to carry out their marketing increase. The practice of writing down the balance of inventories, until their book value is equal to their net realizable value, is consistent with the criteria that assets should not be valued above the amounts that are expected to be recovered on their sale. The determination of the recoverable value of the inventories is made by Management based on the sales prices and the estimated sales expenses that will be incurred at the time they are made. Based on this evaluation, Management concluded that it is not necessary to increase the provision for inventory impairment.

Likewise, Management performs a rotation analysis to determine if inventories (machines, engines and spare parts) require a provision for obsolescence and/or slow movement, which lowers the balance of the inventories item in the statement of financial position. The estimate for obsolescence of warehouse stock is determined based on a specific evaluation carried out by Management on a quarterly basis in the case of machinery and motors, and on the basis of items that are more than 24 months without rotation in the case of spare parts. Management considers that performing sensitivity calculations on this estimate would be of little relevance since it is based mainly on historical and objective information, which is reviewed at each closing date of the consolidated financial statements.

Current and deferred income taxes -

There are uncertainties regarding the interpretation of complex tax regulations, changes in tax rules and the amount and timing of future tax income.

The Group calculates provisions based on reasonable estimates of the possible consequences of the reviews carried out by the tax authority. The amount of such provisions is based on several factors, such as the experience in previous tax reviews, and the different interpretations of the tax regulations made by the entity subject to tax and by the responsible tax authority. Such differences in interpretation may arise on a wide variety of issues, depending on the circumstances and conditions in the jurisdiction of the Company and its subsidiaries.

Multi-element agreement service revenues -

A multi-element arrangement involves performing routine maintenance activities, repair activities, welding activities, inventory management, among others, which are estimated based on the estimated number of hours of use of the machinery and equipment by the customer.

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Accrued revenue is recognized progressively using the percentage-of-completion method over the term of the contract. This method is measured by reference to costs incurred to date as a percentage of total estimated costs.

Management monitors financial indicators monthly to identify areas that may be directly or indirectly affecting the profitability of the contract and thus be able to make timely corrections to the progress of the service.

3.5 Changes in accounting policies and disclosure of information -

The Company applied certain standards and amendments for the first time, which were in effect as of January 1, 2023. The Company did not early adopt any other standards, interpretations or amendments that have been issued but were not in effect.

The following modifications were effective as of January 1, 2023:

- *Definition of accounting estimates - Amendments to IAS 8*

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and correction of errors. In addition, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

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

- *Disclosures about accounting policies - Amendments to IAS 1 and IFRS 2 Practice Statement*

The amendments to IAS 1 and IFRS 2 Practice Statement Making Materiality Judgments provide guidance and examples to assist entities in applying materiality judgments to accounting policy disclosures. The amendments are intended 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 by adding guidance on how entities apply the concept of "materiality" when making decisions about disclosing accounting policies.

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

- *Deferred Taxes Related to Assets and Liabilities Arising from a Single Transaction - Amendments to IAS 12*

The amendments to IAS 12 Income Taxes reduce the scope of the initial recognition exception provided for in the standard, so that it no longer applies to transactions giving rise to the same amounts of tax payable and deductible for the same taxable and deductible temporary differences.

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These modifications had no impact on the Company's financial statements.

3.6 New accounting pronouncements pending adoption -

Standards and interpretations issued that are relevant to the Group, but not yet effective, at the date of issuance of the financial statements are detailed below. The Group intends to adopt these standards, where applicable, when they become effective:

- *Amendment to IAS 1: Classification of Liabilities as Current and 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 the following points:

- What is meant by a right to defer settlement?
- That there must be a right to defer at the end of the reporting period.
- That classification is not affected by the probability that an entity will exercise its deferral right.
- That only if a derivative embedded in a convertible liability is itself an equity instrument would the terms of a liability not affect its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and should be applied retroactively. The Group is currently evaluating the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- *Amendments to IFRS 16: Lease Liability in a Sale and Leaseback Transaction*

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 that the seller-lessee does not recognize any amount for the gain or loss that relates to the right of use it holds.

The amendments are effective for annual periods beginning on or after January 1, 2024, and should be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

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

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- *Vendor Financing 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 vendor financing arrangements and require additional disclosures about such arrangements. The objective of the disclosure requirements imposed by the amendments is to assist users of financial statements to better understand the effects of vendor financing arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments are effective for annual periods beginning on or after January 1, 2024.

Earlier application is permitted provided that this fact is disclosed. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

4. Financial instruments

4.1 Financial instruments by category -

The classification of financial instruments by category is as follows:

	2023 S/(000)	2022 S/(000)
Financial assets according to the consolidated statement of financial position-		
Financial assets at amortized cost:		
- Cash and cash equivalents	219,097	192,015
- Trade receivables and other assets (*)	<u>1,551,738</u>	<u>1,496,113</u>
	1,770,835	1,688,128
Financial liabilities according to the consolidated statement of financial position-		
Other liabilities:		
- Financial obligations	2,315,128	2,159,721
- Trade payables and other payables and provisions (*)	<u>1,133,219</u>	<u>1,101,000</u>
	<u>3,448,347</u>	<u>3,260,721</u>

(*) Does not include advances, taxes or provisions.

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4.2 Credit quality of financial assets -

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external risk ratings (if any) or based on historical information on the default rates of their counterparties.

The credit quality of financial assets is presented below:

	2023 S/(000)	2022 S/(000)
Cash and cash equivalents (*)		
Banco Internacional del Perú S.A.A. (A+)	7,853	49,320
Banco de Crédito del Perú S.A. (A+)	107,082	42,773
Banistmo - Panamá (BB+)	540	20,463
Banco Santander Perú S.A. (A+)	20,644	9,250
Banco de la Nación (A)	11,065	8,897
BBVA Banco Continental S.A. (A+)	12,109	7,495
Banco Davivienda Salvadoreño, S.A. (B)	6,806	4,827
Citibank N.A. (A+)	8,564	4,692
Mercantil Commercebank, N.A. (BB+)	-	3,450
Banco Agrícola S.A. (B)	6,646	2,800
Banco de América Central S.A. (AAA)	1,071	2,499
Scotiabank Perú S.A.A. (A+)	2,376	2,311
Banco Inter Banco, S.A. (AA)	4,414	1,649
Heritage Bank Plc. - Belize (BBB+)	2,338	1,620
Davivienda - Centroamérica (BB)	168	648
Banco Industrial, S.A. (BB-)	1,942	632
Scotiabank Belize (A)	-	601
Citibank del Perú S.A. (A+)	33	335
Citibank - El Salvador (B+)	262	288
Banco Interamericano de Finanzas S.A. (A+)	1,112	255
Other minors	<u>23,743</u>	<u>26,697</u>
	<u>218,768</u>	<u>191,502</u>

The risk ratings in the chart above of "A", "A+" and "AAA" represent high quality ratings. For banks in Peru, these risk ratings are obtained mainly from risk rating agencies authorized by the Superintendency of Banking, Insurance and AFPs (SBS).

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- (*) The rest of the cash equivalents in the consolidated statement of financial position corresponds to the cash held in "cash" and to "cash in transit".

	2023 S/(000)	2022 S/(000)
Trade receivables -		
Counterparties with internal risk ratings:		
A	54,247	36,077
B	1,111,686	1,077,130
C	<u>215,374</u>	<u>216,792</u>
Total trade receivables	<u>1,381,307</u>	<u>1,329,999</u>
Other assets -		
Counterparties with internal risk ratings:		
A	3,740	2,072
B	<u>166,691</u>	<u>164,042</u>
Total other assets	<u>170,431</u>	<u>166,114</u>

The credit quality of customers is evaluated in three categories (internal rating):

- A: New clients/related parties (less than 6 months),
- B: Existing customers / related parties (with more than 6 months of business relationship) with no breaches in the past, and
- C: Existing customers / related parties (with more than 6 months of business relationship) with breaches in the past.

As of December 31, 2023 and 2022, most of the portfolio has been evaluated as risk category "B". Likewise, of the accounts that are in compliance with their contractual terms, there are not some that have been renegotiated.

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5. Cash and cash equivalents

(a) This item includes:

	2023 S/(000)	2022 S/(000)
Current accounts (b)	177,028	158,465
Term deposits (c)	36,428	29,408
Savings accounts (b)	5,312	3,629
Cash	312	513
Cash in transit	17	-
	<hr/>	<hr/>
	219,097	192,015

- (b) Bank checking and savings accounts are maintained in local and foreign banks, are denominated in national and foreign currency, are freely available and do not earn interest, except for savings accounts that earn market interest rates.
- (c) Term deposits are kept in first-rate local and foreign banks, are denominated in national and foreign currency, have a maturity of less than 30 days and bear market interest rates.

6. Trade receivables, net

(a) This item includes:

	2023 S/(000)	2022 S/(000)
Invoices (b)	1,331,490	1,260,839
Letters (b)	285,965	297,370
Unearned interest	(15,162)	(14,440)
	<hr/>	<hr/>
	1,602,293	1,543,769
Less - Estimate for doubtful accounts collection (d)	(220,986)	(213,770)
	<hr/>	<hr/>
Total trade receivables	1,381,307	1,329,999
(-) Non-current portion	(36,798)	(37,915)
	<hr/>	<hr/>
Current portion	1,344,509	1,292,084

- (b) Trade receivables are denominated in national and foreign currency and do not accrue interest, with the exception of receivable invoices that accrue an annual interest rate in US dollars between 14% and 20% and in soles between 22% and 24%.

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Invoices and letters correspond mainly to accounts receivable originating from the sale of merchandise and services to various local and foreign companies. In general, the invoices are current due (due and payable status) and the bills have original maturities between 30 and 360 days, with some exceptions that are classified as non-current.

- (c) The detail of the aging of the balance of trade receivables, without offsetting unearned interest, is as follows:

	Not provisioned S/000	Provisioned S/000	Total S/000
As of December 31, 2023-			
Not due:	1,145,969	21,811	1,167,780
Due:			
- Up to 1 month	153,308	2,938	156,246
- From 1 to 3 months	29,487	1,974	31,461
- From 3 to 6 months	35,941	1,254	37,195
- More than 6 months	<u>31,764</u>	<u>193,009</u>	<u>224,773</u>
Total	<u>1,396,469</u>	<u>220,986</u>	<u>1,617,455</u>
As of December 31, 2022 -			
Not due:	1,157,686	65,782	1,223,468
Due:			
- Up to 1 month	119,526	3,880	123,406
- From 1 to 3 months	38,776	1,241	40,017
- From 3 to 6 months	11,226	1,692	12,918
- More than 6 months	<u>17,225</u>	<u>141,175</u>	<u>158,400</u>
Total	<u>1,344,439</u>	<u>213,770</u>	<u>1,558,209</u>

- (d) The movement of the impairment allowance for is as follows:

	2023 S/(000)	2022 S/(000)
Beginning balance	213,770	192,864
Estimate charged to results, note 19	44,027	42,931
Discontinued operation -Motored	57	-
Recovery	(4,625)	(5,610)
Write-off	(22,258)	(15,220)
Translation effect	<u>(9,985)</u>	<u>(1,195)</u>
Closing balance	<u>220,986</u>	<u>213,770</u>

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Notes to the consolidated financial statements (continue)

In Management's opinion, the provision for impairment of trade receivables adequately covers the credit risk as of December 31, 2023 and 2022.

7. Other assets

- (a) This item includes:

	2023 S/(000)	2022 S/(000)
Taxes to be recovered from the tax administration (d)	53,267	52,325
Accounts receivable from Caterpillar (b)	42,769	39,149
Credit for general sales tax (e)	38,966	21,344
Income tax credit (c)	19,021	38,171
Loan receivable from Ferrenergy SA	14,971	19,225
Receivables from staff	10,913	6,430
Supplier claims	8,159	2,630
Advances to suppliers	5,708	20,085
Receivable for works program for taxes (f)	3,270	6,530
Claims to insurance companies and third parties	2,560	4,527
Guaranty deposit	2,503	1,710
Refunds of customs and tax duties	2,450	2,594
Receivable subleases - IFRS 16 (g)	140	2,645
Other	<u>35,546</u>	<u>37,638</u>
	<u>240,243</u>	<u>255,003</u>
Less - Estimate for accounts of doubtful collection (i)	<u>(397)</u>	<u>(165)</u>
	<u>239,846</u>	<u>254,838</u>
Less: Non-current portion	<u>(40,089)</u>	<u>(46,024)</u>
Current portion	<u>199,757</u>	<u>208,814</u>

- (b) As of December 31, 2023 and 2022, accounts receivable from Caterpillar include balances related to discounts obtained on the purchase of Prime-type machinery and spare parts. Likewise, it includes balances related to reimbursements of guarantees agreed with the factory (Caterpillar) for the sale of machinery. These accounts do not earn interest and do not contain significant financing components.
- (c) Corresponds to the credit balance for payments on account of income tax, which, in Management's opinion, will be recovered through the development of the Group's current commercial operations.

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Notes to the consolidated financial statements (continue)

- (d) As of December 31, 2023 and 2022, this item mainly includes claimed payments made by the Company to the Tax Administration derived from a compliance intendency resolution, which includes challenges and annotations to the income tax of the year 2002 for S/30,035,000. In the opinion of Management and its tax advisors, these amounts will be reimbursed to the Company, and the corresponding interest, within the terms in which the administrative and/or judicial instances are exhausted.
- (e) The general sales tax credit results mainly from disbursements for the purchase of inventories, fixed assets and other disbursements related to the Group's operations. In Management's opinion, the general sales tax credit will be recovered through the development of the Group's current commercial operations.
- (f) As of December 31, 2023 and 2022, the item includes the tax credits generated in favor of the Company for disbursements made to finance the following projects within the framework of Law No.29230, "Law that promotes Regional and Local Public Investment with private sector participation":
 - In April 2017, the Company signed an agreement with the Regional Government of Cusco to grant financing through contributions of money and execution activities for the development of various projects in its region. As of December 31, 2023, the item includes the contributions made through the consortium formed by the Company and Union of Peruvian Breweries Backus and Johnston SA with participation percentages of 50 percent each, to finance the project called "Improvement, Expansion of the Potable Water and Sewerage Services of the Piura and Corimanca Micro-basin - District of Chinchero - Urubamba - Cusco" for S/ 1,191,664 (S/60,585 in 2022).
 - In January 2021, an agreement was signed with the Provincial Municipality of Coronel Portillo - Pucallpa, to grant financing through cash contributions and execution activities for the development of various projects in its region. As of December 31, 2023, the item includes the contributions made by the company to finance the project called "Improvement and expansion of the services of the Juana Alarco de Dammert Initial Educational Institution No. 283, District of Gallería - Province of Coronel Portillo - Department of Ucayali" for S/ 468,981 (S/ 3,396,715 in 2022).

As of December 31, 2022, there are projects started since 2017 that are in the process of being liquidated and in execution. For this reason and by virtue of such law, the Company may use as tax credit the CIPRL, the disbursements made and apply them in future liquidations against income tax.

- (g) As of December 31, 2023 and 2022, this item includes the balance receivable from third parties for sublease contracts from the subsidiaries Unimaq S.A. and Motriza S.A., which have been classified as finance leases.

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Notes to the consolidated financial statements (continue)

(h) The detail of the age of the balance of other assets is as follows:

	2023 S/(000)	2022 S/(000)
Not passed due	236,741	251,251
Overdue up to 180 days	1,493	832
Overdue more than 180 days	<u>2,009</u>	<u>2,920</u>
	<u>240,341</u>	<u>255,003</u>

(i) The movement in 2023 and 2022 of the allowance for other doubtful assets is as follows:

	2023 S/(000)	2022 S/(000)
Beginning Balance	165	490
Estimate charged to results, note 18	242	175
Writte-off	-	(488)
Traslation effect	<u>(10)</u>	<u>(12)</u>
Ending balance	<u>397</u>	<u>165</u>

In Management's opinion, the allowance for other doubtful assets adequately covers the credit risk as of December 31, 2023 and 2022, respectively.

8. Inventories

(a) This item includes:

	2023 S/(000)	2022 S/(000)
Machines, motors and automobiles (b)	807,934	670,340
Spare parts for sale (b)	897,846	1,015,068
Cost of workshop services in process (c)	188,103	141,761
Merchandise	91,597	109,733
Advances to suppliers	75,440	113,072
Miscellaneous supplies	10,492	8,551
Goods in transit (d)	<u>251,683</u>	<u>215,602</u>
	<u>2,323,095</u>	<u>2,274,127</u>
Less - Estimate for impairment of inventories (f)	<u>(66,653)</u>	<u>(66,686)</u>
	<u>2,256,442</u>	<u>2,207,441</u>

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Notes to the consolidated financial statements (continue)

- (b) Corresponds mainly to items that the Group allocates for sale. Caterpillar branded and non-Caterpillar branded machines, engines and equipment, and parts associated with those machines. It is estimated that the sale of these products will take place during the first quarter of the following year.
- (c) Corresponds mainly to the costs incurred in mechanical workshop and repair services that the Group provides to customers (inventory in process), and that were pending completion at the date of the financial statements.
- (d) It mainly corresponds to spare parts for Caterpillar machines, engines and equipment, as well as other brands, which the Group imports and then sells mainly to its mining and agricultural customers. It is estimated that the sale of these products will take place during the first half of the following year.
- (e) The amount of inventories recognized in the results of 2023 and 2022 has substantially affected the item "Cost of sales" and is detailed by concept in note 18.
- (f) The annual movement of the estimate for inventory impairment is shown below:

	2023 S/(000)	2022 S/(000)
Beginning Balance as of January 1	66,686	71,874
Estimate charged to cost of sales, note 18	41,123	79,300
Transfer from fixed assets	555	3,351
Estimate charged to results - Motored	-	1,952
Recovery of provision, note 19	(28,170)	(59,432)
Destruction of spare parts and others	(13,604)	(27,110)
Estimate charged to sales expenses, note 19	2,074	(2,329)
Transfer to fixed assets	(521)	(242)
Translation effect	<u>(1,490)</u>	<u>(678)</u>
Closing balance as of December 31	<u>66,653</u>	<u>66,686</u>

The estimate for inventory impairment is determined based on inventory turnover levels and other characteristics, according to periodic evaluations by Management and the technical and financial areas. In Management's opinion, the balance of this estimate adequately covers the risk of impairment in inventories as of December 31, 2023 and 2022.

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9. Investments in joint venture

(a) This item includes:

	Main activity	Share capital participation percentage		Value in books	
		2023 %	2022 %	2023 S/(000)	2022 S/(000)
Joint venture (b):					
Ferrenergy S.A.	Power generation and supply	50.000	50.00	23,178	20,560
Other investments:					
Other minor investments	Others			140	142
				<u>23,318</u>	<u>20,702</u>

(b) In 2023, the Group has recognized a total gain of S/2,617,000 (S/917,000, in 2022) in the item "Participation in results of joint venture" of the consolidated statement of income.

Below are the figures of the financial statements of Ferrenergy S.A. as of December 31, 2023 and 2022:

	2023 S/(000)	2022 S/(000)
Statement of financial position:		
Total assets	94,258	107,031
Total liabilities	47,903	65,911
Equity	46,355	41,120
Statement of income:		
Total revenues	35,853	29,648
Operating profit	10,373	4,736
Net profit	5,781	3,180

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Notes to the consolidated financial statements (continue)

10. Property, machinery and equipment

(a) The composition and movement of the item for the years 2023 and 2022 is presented below:

Description	2023							
	Rental fleet							
	Land S/(000)	Buildings and other constructions S/(000)	Machinery and equipment S/(000)	machinery and equipment 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	600,408	546,719	485,520	723,898	61,376	68,846	18,658	2,505,425
Right-of-use assets - IFRS 16	-	13,394	1,348	-	4,015	-	-	18,757
Additions (c)	68,652	8,925	34,291	(3,366)	4,244	13,362	42,429	168,537
Withdrawals and/or sales (b)	-	(3,135)	(12,798)	(1,675)	(8,120)	(2,539)	(2,891)	(31,158)
Withdrawals IFRS 16	-	(16,047)	(3,002)	-	(2,073)	-	-	(21,122)
Fair value	11,084	-	-	-	-	-	-	11,084
Transfer from inventory	-	-	38,679	299,737	136	-	6,665	345,217
Transfer to inventory	-	-	(4,347)	(175,847)	-	-	-	(180,194)
Other transfers	(9)	33,104	19,472	(1,124)	(269)	(3,382)	(53,078)	(5,286)
Translation effect	(1,758)	(2,238)	(933)	(31,814)	590	(976)	-	(37,129)
Balance as of December 31	678,377	580,722	558,230	809,809	59,899	75,311	11,783	2,774,131
Accumulated depreciation -								
Balance January 1	-	218,917	275,815	264,435	37,651	55,141	-	851,959
Right-of-use assets - IFRS 16(h)	-	14,796	307	14,520	6,817	-	-	36,440
Additions	-	20,424	31,913	87,541	2,619	7,764	-	150,261
Discontinued operation additions - Motored	-	-	-	-	-	-	-	-
Withdrawals and/or sales (b)	-	(998)	(9,514)	(867)	(7,435)	(2,477)	-	(21,291)
Withdrawals IFRS 16 (h)	-	(12,013)	(1,253)	-	(2,073)	-	-	(15,339)
Transfer to inventory	-	-	(1,337)	(49,679)	-	-	-	(51,016)
Other transfers	-	2,031	420	(5,638)	1,303	(3,585)	-	(5,469)
Translation effect	-	(2,341)	(862)	(52)	(127)	(896)	-	(4,278)
Balance as of December 31	-	240,816	295,489	310,260	38,755	55,947	-	941,267
Estimate for impairment -								
Balance as of January 1	-	193	578	4,697	-	-	-	5,468
Additions	-	-	-	1,958	-	-	-	1,958
Transfers from inventories	-	-	-	521	-	-	-	521
Withdrawals and/or sales	-	-	-	(130)	-	-	-	(130)
Transfer to inventory	-	-	-	(555)	-	-	-	(555)
Translation effect	-	-	-	(21)	-	-	-	(21)
Balance as of December 31	-	193	578	6,470	-	-	-	7,241
Net cost	678,377	339,713	262,163	493,079	21,144	19,364	11,783	1,825,623

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Notes to the consolidated financial statements (continue)

Description	2022							
	Rental fleet							
	Land S/(000)	Buildings and other constructions S/(000)	Machinery and equipment S/(000)	machinery and equipment 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	667,025	557,912	471,929	647,308	63,805	66,602	54,103	2,528,684
Right-of-use assets - IFRS 16 (h)	-	6,264	-	-	2,508	-	-	8,772
Additions	-	9,119	24,818	(3,070)	2,361	8,912	17,750	59,890
Withdrawals and/or sales (b)	(63,046)	(23,614)	(8,078)	(4,169)	(6,269)	(4,818)	(12,451)	(122,445)
Withdrawals IFRS 16 (h)	-	(2,357)	(4,784)	-	-	-	-	(7,141)
Transfer from inventory	-	-	46,322	301,045	13	-	5,077	352,457
Transfer to inventory	-	-	(44,167)	(247,201)	-	-	-	(291,368)
Other transfers	-	6,203	1,252	75,746	-	108	(83,309)	-
Translation effect	(3,571)	(6,808)	(1,772)	(8,136)	(1,042)	(1,958)	(137)	(23,424)
Balance as of December 31	<u>600,408</u>	<u>546,719</u>	<u>485,520</u>	<u>761,523</u>	<u>61,376</u>	<u>68,846</u>	<u>(18,967)</u>	<u>2,505,425</u>
Accumulated depreciation -								
Balance January 1	-	195,042	295,589	241,279	35,374	53,737	-	821,021
Right-of-use assets - IFRS 16(h)	-	13,549	473	21,681	6,952	-	-	42,655
Additions	-	19,899	31,787	69,500	2,613	7,244	-	131,043
Discontinued operation additions - Motored	-	-	125	-	19	88	-	232
Withdrawals and/or sales (b)	-	(2,152)	(6,905)	(100)	(5,394)	(4,200)	-	(18,751)
Withdrawals IFRS 16 (h)	-	(1,347)	(4,784)	-	-	-	-	(6,131)
Transfer to inventory	-	-	(39,133)	(67,595)	-	-	-	(106,728)
Other transfers	-	(865)	349	(11)	(1,130)	52	-	(1,605)
Translation effect	-	(5,209)	(1,686)	(319)	(783)	(1,780)	-	(9,777)
Balance as of December 31	<u>-</u>	<u>218,917</u>	<u>275,815</u>	<u>264,435</u>	<u>37,651</u>	<u>55,141</u>	<u>-</u>	<u>851,959</u>
Estimate for impairment -								
Balance as of January 1	-	193	578	7,362	-	-	-	8,133
Additions	-	-	-	1,459	-	-	-	1,459
Transfers from inventories	-	-	-	(1)	-	-	-	(1)
Withdrawals and/or sales	-	-	-	(3,351)	-	-	-	(3,351)
Transfer to inventory	-	-	-	(871)	-	-	-	(871)
Translation effect	-	-	-	99	-	-	-	99
Balance as of December 31	<u>-</u>	<u>193</u>	<u>578</u>	<u>4,697</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,468</u>
Net cost	<u>600,408</u>	<u>327,609</u>	<u>209,127</u>	<u>492,391</u>	<u>23,725</u>	<u>13,705</u>	<u>(18,967)</u>	<u>1,647,998</u>

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- (b) As of December 31, 2023, the Group sold and derecognized fixed assets whose net cost amounted to S/9,867,000 (S/103,694,000 as of December 31, 2022, mainly the sale of the property located in Lot P - 18, Sector P group, district of Punta Negra, Lima; whose book value is S/91,057,000). The Group generated a gain on the sale of its fixed assets of S/3,841,000 (S/8,267,000 as of December 31, 2022), which is shown under "Other income and expenses, net" in the consolidated statement of income. As of December 31, 2023, the main sales comprise transportation units, machinery and equipment; and the main disposals comprise furniture and fixtures - computer equipment, machinery and equipment and buildings and facilities due to the termination of the lease agreement (as of December 31, 2022, the main sales comprise buildings, land; and the main disposals comprise machinery and equipment, transportation units, and furniture and fixtures).
- (c) As of December 31, 2023, the balances of work in progress mainly comprise disbursements made for the execution of the new WIP 2 Welding Workshop located in La Joya - Arequipa for S/866,000, various improvements in Lima Workshops for S/147,000 and in various mining operations for S/4,315,000. As of December 31, 2022, work in progress balances mainly comprise disbursements made for the execution of the new WIP 2 Welding Workshop located in La Joya - Arequipa for S/8,702,000, miscellaneous improvements in Lima Workshops for S/1,717,000 and in various mining operations for S/1,119,000.
- (d) As of December 31, 2023 and 2022, the Group has taken out insurance for all of its assets. In Management's opinion, its insurance policies are consistent with international industry practice and the risk of possible losses due to claims considered in the insurance policy is reasonable considering the type of assets held by the Group.
- (e) In 2023, rental income amounted to S/237,778,000 (S/207,979,000, in 2022), which is related to the rental of rental fleet machinery and equipment and is included in the caption "Revenue from sales" of the consolidated statement of results.
- (F) Depreciation expense for the years ended December 31, 2023 and 2022 has been recorded in the following items of the consolidated statement of income:

	2023 S/(000)	2022 S/(000)
Cost of sales, note 18	90,039	72,953
Selling expenses, note 19	49,053	46,994
Administrative expenses, note 20	<u>11,169</u>	<u>11,096</u>
	<u>150,261</u>	<u>131,043</u>

- (g) As of December 31, 2023 and 2022, Management carried out an evaluation of the state of use of its properties, machinery and equipment, and has not found signs of impairment in said assets.

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Notes to the consolidated financial statements (continued)

- (h) The movement of the right-of-use asset and its corresponding accumulated amortization is described below:

	Buildings and other constructions S/000	Machinery and equipment S/000	Transport Units S/000	Total S/000
2023:				
Cost -				
Initial balance as of January 1, 2023	66,768	120,331	23,406	210,505
Additions	13,394	1,348	4,015	18,757
Adjustments	1,659	(12,799)	(89)	(11,229)
Retirement/discharges	<u>(16,047)</u>	<u>(3,002)</u>	<u>(2,073)</u>	<u>(21,122)</u>
Balance as of December 31, 2023	65,774	105,878	25,259	196,911
Accumulated depreciation -				
Initial balance as of January 1, 2023	42,182	108,230	15,021	165,433
Additions	14,796	14,827	6,817	36,440
Adjustments	1,444	(1,723)	1,010	731
Retirement/discharges	<u>(12,013)</u>	<u>(1,253)</u>	<u>(2,073)</u>	<u>(15,339)</u>
Balance as of December 31, 2023	46,409	120,081	20,775	187,265
2022:				
Cost -				
Initial balance as of January 1, 2022	63,448	122,935	20,980	207,363
Additions	6,264	-	2,508	8,772
Adjustments	(587)	2,180	(82)	1,511
Retirement/discharges	<u>(2,357)</u>	<u>(4,784)</u>	<u>-</u>	<u>(7,141)</u>
Balance as of December 31, 2022	66,768	120,331	23,406	210,505
Accumulated depreciation -				
Initial balance as of January 1, 2022	29,980	83,636	8,069	121,685
Additions	13,549	22,154	6,952	42,655
Discontinued operation additions -				
Motored	-	-	-	-
Adjustments	-	7,224	-	7,224
Retirement/discharges	<u>(1,347)</u>	<u>(4,784)</u>	<u>-</u>	<u>(6,131)</u>
Balance as of December 31, 2022	42,182	108,230	15,021	165,433

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Notes to the consolidated financial statements (continued)

The expense generated by the amortization of the right-of-use asset was distributed as follows:

	2023 S/(000)	2022 S/(000)
Cost of sale, note 18	21,385	26,829
Selling expenses, note 19	12,883	14,878
Administrative expenses, note 20	2,172	948
	<hr/> <hr/>	<hr/> <hr/>
	36,440	42,655
	<hr/> <hr/>	<hr/> <hr/>

In 2023 and 2022, the Group has not entered into contracts that include variable lease payments that depend or not on an index or rate.

In 2023, the expense related to leases with a term of 12 months or less and low-value assets, for which the Group used the practical application allowed by IFRS 16, if not considered as part of the lease liability, amounted to S/22,064,000 (S/19,622,000 in 2022) and is presented under the headings "Selling expenses" and "Administrative expenses" of the consolidated statement of income.

(i) Non-current assets held for sale -

During the year 2022, the Company decided to put up for sale a land located at Av. Industrial No.504-508, Cercado de Lima, under the category of investment properties, which is why that asset as of that date was classified as available for sale for the amount of S/13,914,000. During the year 2023, sales materialized.

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Notes to the consolidated financial statements (continue)

11. Intangible assets and goodwill

(a) Intangible assets -

The composition and movement of the item for the years 2023 and 2022 is presented below:

	Customer relations S/(000)	Brand Rights S/(000)	Distribution contract S/(000)	Computer programs S/(000)	Rights Of Use S/(000)	Relationship with suppliers S/(000)	Non-compete agreement S/(000)	Others S/(000)	Total S/(000)
Cost									
Balances as of January 1, 2022	59,545	9,562	14,374	309,779	17,552	2,359	5,470	8,099	426,740
Additions (ii)	-	-	-	3,586	-	-	-	1,292	4,878
Withdrawals and transfers	-	-	-	(511)	-	-	-	-	(511)
Translation effect	(646)	(279)	(604)	(131)	-	(129)	(250)	(3)	(2,042)
Balances as of December 31, 2022	58,899	9,283	13,770	312,723	17,552	2,230	5,220	9,388	429,065
Additions (ii)	-	-	-	10,171	-	-	-	335	10,506
Withdrawals and transfers	-	-	-	2,951	-	-	-	(93)	2,858
Translation effect	(436)	(190)	(372)	(35)	-	(113)	(178)	(7)	(1,331)
Balances as of December 31, 2023	58,463	9,093	13,398	325,810	17,552	2,117	5,042	9,623	441,098
Amortization									
Balances as of January 1, 2022	55,331	1,110	12,692	71,721	17,552	389	5,470	4,860	169,125
Additions	831	163	1,611	27,594	-	54	-	269	30,522
Discontinued operation additions - Motored	-	-	-	-	-	-	-	177	177
Reclassifications and/or adjustments	-	-	-	(511)	-	-	-	-	(511)
Translation effect	(447)	(47)	(533)	(6)	-	(18)	(372)	(3)	(1,426)
Balances as of December 31, 2022	55,715	1,226	13,770	98,798	17,552	425	5,098	5,303	197,887
Additions	706	3,178	-	27,792	-	56	-	362	32,094
Discontinued operation additions - Motored	-	-	-	177	-	-	-	-	177
Reclassifications and/or adjustments	-	-	-	2,967	-	-	-	-	2,967
Translation effect	(315)	(32)	(356)	(3)	-	(24)	(56)	(2)	(788)
Balances as of December 31, 2023	56,106	4,372	13,414	129,731	17,552	457	5,042	5,663	232,337
Net equity									
As of December 31, 2023	2,357	4,721	(16)	196,079	-	1,660	-	3,960	208,761
As of December 31, 2022	3,184	8,057	-	213,925	-	1,805	122	4,085	231,178

- (i) Intangible assets related to customer relationships, brand rights, distribution contracts, purchase orders, rights of use, relationships with suppliers and non-competition agreements were generated through various business combinations. As of December 31, 2023 and 2022, based on its cash flow projections of the cash-generating units to which these intangible assets were assigned, Management concludes that there are no indications that the book values of these intangible assets (including goodwill described later in this note) may not be recoverable.
- (ii) The item of computer programs corresponds mainly to the costs of the "SAP Business Project" that has been implemented in the Headquarters and in the main subsidiaries of the Group. This project corresponds to the design, implementation and testing of the updated version of the SAP program, which was fully completed for the Group in December 2020 and was available for use in January 2021.

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

	2023 S/(000)	2022 S/(000)
Selling expenses, note 19	1,873	1,497
Administrative expenses, note 20	<u>30,221</u>	<u>29,025</u>
	<u>32,094</u>	<u>30,522</u>

- (b) Goodwill -

The composition of the item by cash-generating unit is presented below.

	2023 S/(000)	2022 S/(000)
Ferreyros S.A. (Bucyrus)	83,396	83,396
Inversiones Interamericanas Corp. (i)	34,521	37,213
Trex Latinoamérica SpA	19,340	19,340
Soltrak S.A.	13,912	13,912
Ferreycorp S.A.A. (Soltrak S.A.)	<u>5,290</u>	<u>5,290</u>
	<u>156,459</u>	<u>159,151</u>

- (i) As of December 31, 2022, the Group cancelled the commercial credit related to the distribution line of mobile lubricants in Central America for approximately S/18 million, due to the completion of the contracts for that representation.

Goodwill and intangibles impairment test -

For the purposes of the value impairment test, goodwill acquired through business combinations and intangibles with indefinite useful lives (brands) were assigned to the cash-generating units indicated below:

- Trex Latin America SpA (included in Ferreycorp S.A.A.)
- "Bucyrus" business line (included in Ferreyros S.A.)
- Inversiones Interamericanas Corp. - INTI (includes the line of business and companies acquired in Central America)
- Soltrak S.A.

The recoverable amount of each cash-generating unit (CGU) has been determined based on what the standards define as "value in use". To determine the value in use of the assets that makes up each CGU, there have been used cash flow projections obtained from the financial budgets approved by senior management.

As of December 31, 2023 and 2022, the carrying amount of intangibles and goodwill related to each CGU has been compared to the recoverable value; and Management has determined that it is not necessary to establish any provision for impairment for these assets at the dates of the consolidated statements of financial position.

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Below, we present the main assumptions used in the assessment of impairment for each CGU as of December 31, 2023 and 2022, as follows:

CGU	Cup of discount %	Period	Growth rate %
Year 2023			
Bucyrus	9,46	10	2
Inti	11,89	10	2
Trex	8,90	10	2
Soltrak S.A.	11,13	10	2
Year 2022			
Bucyrus	10.16	10	2.0
Inti	10.20	10	2.0
Trex	8.20	10	2.0
Soltrak S.A.	10.25	10	2.0

Key assumptions used in value in use calculations -

The calculation of the value in use for the evaluated units is mainly sensitive to the following assumptions:

Gross margin -

It is based on the average values achieved in the three years prior to the beginning of the budget period that include future projects of each company, considered on the basis of projected revenues and costs based on the historical budget base of each Group company. Increases during the budget period for expected efficiency improvements are also considered. In the long term, the gross margin is decreased by 1% to 2%, depending on the company or line of business.

Discount rate -

Represents the current market assessment of the risks specific to each CGU, considering the time value of money and the particular risks of the underlying assets that were not incorporated into the cash flow estimates. The calculation of the discount rate is based on the specific circumstances of the Group and its operating segments, and represents the average cost of capital. This average takes into account both debt and equity. The cost of equity is based on the return on investment that the Group's shareholders expect to obtain. The cost of debt is based on the Group's interest-bearing borrowings. Segment-specific risk is incorporated by applying individual beta factors. Beta factors are evaluated annually on the basis of publicly available market information.

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Long-term growth rate -

The long-term growth rate is based on published market research and depends on each CGU.

The key assumptions described above may change if market and economic conditions change. The Group estimates that changes in these assumptions that would be reasonably expected would not cause the recoverable amount of certain CGU's to decrease to below their carrying amounts.

As of December 31, 2023 and 2022, the carrying amount of goodwill related to each CGU has been compared to the recoverable value and Management has determined that it is not necessary to establish any provision for impairment.

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12. Financial obligations

This item includes:

	As of December 31, 2023			As of December 31, 2022		
	Current S/(000)	Non-current portion S/(000)	Total S/(000)	Current S/(000)	Non-current portion S/(000)	Total S/(000)
Bank loans (b)	1,209,707	-	1,209,707	746,986	-	746,986
Long-term bonds and debt with banking entities (c)	353,417	752,004	1,105,421	364,652	1,048,083	1,412,735
	<u>1,563,124</u>	<u>752,004</u>	<u>2,315,128</u>	<u>1,111,638</u>	<u>1,048,083</u>	<u>2,159,721</u>

(a) Bank loans -

Financial entity	Average effective interest rate fixed annual		Currency	2023 S/(000)	2022 S/(000)
	2023 %	2022 %			
Banco Crédito del Perú - BCP	Entre 5.90 y 8.00	Between 2.45 and 6.85	US\$	679,586	123,573
BBVA Banco Continental	Entre 5.95 y 7.00	Between 1.85 and 3.20	US\$	252,608	5,348
Banco Bladex	Entre 7.40 y 8.60	Between 7.15 and 8.30	US\$	102,517	69,524
Banco Itau Corpbanca New York.	Entre 7.45 y 7.80	Between 6.40 and 6.45	US\$	54,953	1,910
Scotiabank	Entre 6.45 y 6.75	Between 4.95 and 5.20	US\$	29,705	196,916
Caterpillar Leasing Chile	Entre 8.55 y 8.60	Between 0.00 and 8.10	US\$	21,814	226,212
Banco Interbank	Entre 6.45 y 6.55	-	GTO	18,977	-
Banco Davivienda	Entre 7.90 y 8.00	Between 6.00 and 6.25	US\$	16,447	18,527
Banco de América Central	Entre 6.45 y 6.55	-	US\$	14,852	-
Banco Agrícola	Entre 7.00 y 7.25	Between 5.25 and 6.05	US\$	9,988	16,180
BBVA Banco Continental	Entre 7.05 y 7.10	-	S/	8,000	-
Banco Internacional del Perú - Interbank	Entre 7.00 y 7.10	Between 1.40 and 7.75	US\$	260	75,846
Banco Interbank	-	Between 5.00 and 7.00	US\$	-	12,950
				<u>1,209,707</u>	<u>746,986</u>

US\$ = US dollar S/ = Sol CLP = Chilean peso

The interest expense accrued in 2023, related to debts with banking entities, amounts to S/51,095,000 (S/24,857,000, in 2023) and is presented in the caption "Financial expenses" of the consolidated income statement (note 23). The accrued interest pending payment as of December 31, 2023 amounts to S/19,184,000 (S/5,686,000, as of December 31, 2022) (note 15).

As of December 31, 2023 and 2022, bank loans in foreign currency obtained from local and foreign financial institutions were mainly used for working capital, have maturities between 6 and 360 days, and can be renewed at maturity for up to 360 days. Interest rates for such bank loans fluctuate between 5.90% and 8.60%.

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As of December 31, 2023, the Group maintains lines of credit for working capital of up to S/5,624,501,000 (S/6,129,000, as of December 31, 2022) with most banks in the Peruvian financial system, which are intended for short-term financing. The Group does not have specific conditions to use these lines of credit.

(b) Long-term bonds and debts with banking entities -

Bank	Maturity	Original currency	Annual effective interest rate %	As of December 31, 2023			As of December 31, 2022		
				Current portion S/(000)	Non-current portion S/(000)	Total S/(000)	Current portion S/(000)	Non-current portion S/(000)	Total S/(000)
Senior Bonds									
Prudential Capital Group (i)	Until July 2027	US\$	4.78(*)	66,489	199,617	266,106	68,856	273,522	342,378
Promissory notes -									
Caterpillar Leasing Chile, S.A.	Until July 2027	US\$	Between 5.00 y 8.30	3,256	8,671	11,927	3,295	5,043	8,338
Caterpillar Crédito S.A. de C.V.	Until April 2023	US\$	Between 4.60 y 8.30	-	-	-	1,270	3,021	4,291
Promissory notes with local and foreign institutions	Until September 2044	US\$	Between 2.50 y 8.80	238,790	463,622	702,412	250,072	660,511	910,583
Promissory notes with local and foreign institutions	Until June 2026	S/	Between 2.45 y 9.20	40,960	66,069	107,029	40,808	105,728	146,536
Promissory notes with local and foreign institutions	Until May 2028	GTQ	6.50	3,792	13,899	17,691	-	-	-
Financial leases (ii)	Until November 2025	US\$	Between 4.10 y 5.90	130	126	256	351	258	609
				<u>353,417</u>	<u>752,004</u>	<u>1,105,421</u>	<u>364,652</u>	<u>1,048,083</u>	<u>1,412,735</u>

(*) Nominal rate of 4.45%.

US\$ = US dollar S/ = Sol UF = Unidad de fomento (Chile)

In 2023, interest expenses for promissory notes and long-term obligations amount to S/42,419,000 (S/39,596,000, in 2022), which are presented in the caption "Financial expenses" of the consolidated statement of income (note 23).

The accrued interest pending payment, as of December 31, 2023, amounts to S/8,363,000 (S/6,072,000, as of December 31, 2022) and is presented in the caption "Other liabilities" of the consolidated statement of financial position (note 15).

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- (i) On July 23, 2020, Ferreycorp S.A.A., together with some of its subsidiaries, have placed in the capital market and privately issued bonds with The Prudential Insurance Company of America (PGIM). The placement of the bonds took place under the laws of the State of New York, United States of America. This issuance was for a total of US\$90 million at a nominal annual interest rate of 4.45% for a term of 7 years from the date of issuance, with quarterly installments and principal payment as of July 23, 2023. and maturing on July 23, 2027. The payment by the issuers of all amounts due and the fulfillment of their payment obligations will be, jointly and severally and unconditionally guaranteed by the subsidiary guarantors in accordance with the established guarantee. By virtue of the aforementioned issue, the amount disbursed will allow the Group to have resources that will be paid in the long term and under very advantageous conditions, to support its financial management and debt reprofiling.

The bonds are backed by a generic equity guarantee and must meet the following covenants:

- Maintain a debt ratio Adjusted Debt / Ebitda not greater than 3.5 times.
- Maintain an interest coverage service index (Ebitda / Financial expenses) of not less than 3.0 times.
- Maintain an indebtedness ratio Net financial debt / Ebitda not greater than 3.75 times.

Compliance with the obligations described above is supervised by Management. Failure to comply with the aforementioned safeguards will result in early termination. In Management's opinion, the corporation is in compliance with these obligations as of December 31, 2023 and 2022.

- (ii) Corresponds to financial lease contracts signed by the Group with different banking entities. The financial obligations related to leases are guaranteed by the property rights over the asset that revert to the lessor in the event of default by the Group.
- (iii) As of December 31, 2023 and 2022, the amortization schedule of the non-current portion of long-term debt is as follows:

	2023 S/(000)	2022 S/(000)
2024	-	-
2025	318,267	354,892
2026	265,297	307,319
2027	118,201	259,484
2028	19,067	111,032
>2028	<u>31,172</u>	<u>15,356</u>
	<u>752,004</u>	<u>1,048,083</u>

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13. Lease liability

(a) This item includes:

	2023 S/(000)	2022 S/(000)
Current portion	26,843	36,785
Non-current portion	<u>16,281</u>	<u>41,473</u>
Total lease liability	<u>43,124</u>	<u>78,258</u>

Liabilities include leases of real estate for the Group's operations. The leases have maturities of up to 5 years and accrue interest at annual rates in dollars ranging from 1.84% to 8.76% and in soles from 3.5% to 11.54%.

(b) The movement of the liability for right of use, for the year 2023 and 2022, is as follows:

	2023 S/(000)	2022 S/(000)
Balance as of January 1	78,258	119,406
Lease additions	18,757	8,772
Withdrawals	(5,783)	(1,010)
Lease adjustments	598	6,894
Financial interest expenses, note 23	3,554	4,583
Lease payments	(50,085)	(54,613)
Difference in change	(1,726)	(2,569)
Translation effect	<u>(449)</u>	<u>(3,205)</u>
Balance as of December 31	<u>43,124</u>	<u>78,258</u>

14. Trade Payables

(a) This item includes:

	2023 S/(000)	2022 S/(000)
Invoices (b)	<u>791,976</u>	<u>782,406</u>

(b) As of December 31, 2023, balances of invoices payable mainly include accounts payable to Caterpillar Group for US\$121,170,000 (equivalent to S/453,960,000) for the purchase of products for sale. At December 31, 2022, accounts payable balances include mainly accounts payable to the Caterpillar Group for US\$129,431,000 (equivalent to S/457,241,000) for the purchase of products for sale. These accounts payable have current maturities, no specific guarantees have been granted for these obligations and do not accrue interest.

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15. Other liabilities

(a) This item includes:

	2023 S/(000)	2022 S/(000)
Customer advances (b)	206,287	180,930
Remuneration payable (c)	78,585	73,182
Liabilities for sundry expenses (d)	96,603	77,290
Accrual of various services (e)	10,041	35,920
Provision for contingencies, note 25(c)	17,046	24,842
Participation of the workers	73,497	64,504
Taxes payable	7,239	50,150
Provision for guarantees (f)	19,452	18,642
Dues and contributions payable	17,873	11,938
Interest payable, note 12(b) and (c)	27,547	11,759
Dividends payable	599	517
	554,769	549,674
Less:		
Non-current portion	(1,654)	(2,279)
Current portion	553,115	547,395

The concepts that comprise this item mostly have current maturities, do not generate interest and no specific guarantees have been granted for them.

- (b) (b) Advances from customers correspond mainly to advances received for S/169,042,000 (S/108,550,000 in 2022) and performance obligations in application of IFRS 15, "Revenue from Ordinary Activities from Contracts with Customers" for S/37,245,000 (S/72,380,000 in 2022); related to the sale of goods and services mainly from mining customers whose delivery and services will be rendered during the next year.
- (c) Remuneration payable mainly includes vacation provisions, bonuses, compensation for length of service and severance payments to staff.
- (d) Said balance mainly comprises various provisions recognized by the Group in accordance with the practice described in note 3.3(p), based on its best estimates of the disbursement that would be required to settle obligations for services received at the date of the consolidated statement of financial situation.
- (e) This item mainly includes the accrual of freight services and rentals related to the acquisition of machinery and spare parts.
- (f) Corresponds to the provision for guarantees granted by the Group for sales of machinery and services, which are granted for an average term of one year. This provision is reviewed annually in accordance with the policy described in note 3.3(p).

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16. Deferred income tax assets and liabilities, net

(a) The components that originate the asset and liability for deferred income taxes, as of December 31, 2023 and 2022, are detailed below:

	Balance at 1 January 2022 S/(000)	(Charge) / credit to the consolidated income statement S/(000)	(Charge)/credit to the consolidated statement of changes in equity S/(000)	Balance as of December 31, 2022 S/(000)	(Charge) / credit to the consolidated income statement S/(000)	(Charge)/credit to the consolidated statement of changes in equity S/(000)	Balance as of December 31, 2023 S/(000)
Deferred asset -							
Allowance for doubtful accounts receivable	35,168	8,004	(227)	42,945	(3,899)	8,017	47,063
Non-deductible provisions	32,548	(618)	1,756	33,686	(1,129)	-	32,557
Estimate for impairment of inventories	16,762	(3,021)	1,299	15,040	137	1,286	16,463
Tax credits for accumulated losses	16,084	(1,529)	(65)	14,490	16,902	(8,559)	22,833
Difference in depreciation rates	26,356	(16,898)	-	9,458	1,670	-	11,128
Vacation allowance	10,803	(2,259)	-	8,544	485	61	9,090
Estimate for impairment of fixed assets	3,187	(1,269)	(30)	1,888	354	(6)	2,236
Miscellaneous provisions	13,041	(7,331)	193	5,903	3,419	4,331	13,653
Differences in lease payments IFRS 16	643	664	(134)	1,173	350	(3)	1,521
Others	20,273	(4,833)	2,529	17,969	5,245	(2,505)	20,709
	<u>174,865</u>	<u>(29,090)</u>	<u>5,321</u>	<u>151,096</u>	<u>23,534</u>	<u>2,622</u>	<u>177,253</u>
Deferred liabilities -							
Fair value of land	(97,339)	759	130	(96,450)	3,927	44	(92,479)
Depreciation rate differences	(20,262)	778	(675)	(20,159)	-	(75)	(20,234)
Revaluation of buildings	(7,043)	580	187	(6,276)	(1,243)	88	(7,431)
Financial leasing operations	(4,101)	341	-	(3,760)	333	-	(3,427)
Valuation for business acquisition	(2,530)	-	874	(1,656)	-	962	(694)
Deferred sales gain, net	(1,753)	996	-	(757)	(13)	-	(770)
Change of useful life of the fixed asset	(488)	114	17	(357)	86	5	(266)
Others	(29,096)	27,797	(2,573)	(3,872)	128	31	(3,713)
	<u>(162,612)</u>	<u>31,365</u>	<u>(2,040)</u>	<u>(133,287)</u>	<u>3,218</u>	<u>1,055</u>	<u>(129,014)</u>
Deferred liabilities, net	<u>12,253</u>	<u>2,275</u>	<u>3,281</u>	<u>17,809</u>	<u>26,752</u>	<u>3,677</u>	<u>48,239</u>

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(b) The income tax expense recorded in the consolidated statement of income is made up as follows:

	2023 S/(000)	2022 S/(000)
Current	248,482	225,077
Deferred	<u>(26,752)</u>	<u>(2,275)</u>
	<u>221,730</u>	<u>222,802</u>

(c) The reconciliation of the effective income tax rate with the tax rate is explained as follows:

	2023 S/(000)	2023 %	2022 S/(000)	2022 %
Income before income tax	<u>653,682</u>	<u>100</u>	<u>642,183</u>	<u>100.00</u>
Theoretical tax expense	192,836	29.50	189,444	29.50
Effect of participation in joint venture	(2,617)	(0.40)	(917)	(0.14)
Effect of permanent differences, net	<u>31,511</u>	<u>4.82</u>	<u>34,275</u>	<u>5.34</u>
Income tax expense	<u>221,730</u>	<u>33.92</u>	<u>222,802</u>	<u>34.69</u>

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- (d) The composition of the deferred income tax balance as of December 31, 2023 and 2022 by the Company and its Subsidiaries is as follows:

	2023		2022	
	Net assets S/(000)	Net liability S/(000)	Net assets S/(000)	Net liability S/(000)
Companies:				
Ferreyros S.A.	103,622	2,323	97,036	1,325
Unimaq S.A.	17,420	6,127	13,410	6,127
Ferreycorp S.A.A. and subsidiaries	-	31,917	-	38,648
Trex Latinoamerica SpA and subsidiaries	33,871	2,743	20,785	2,335
Motored S.A.	4,446	-	5,360	-
Orvisa S.A. and subsidiaries	6,962	8,561	4,285	8,561
Soltrak S.A.	2,758	994	2,342	994
Ferreycorp S.A.A.	3,013	51,411	628	48,737
Motriz S.A.	-	-	2,127	46
Soluciones Sitech Perú S.A.	511	-	1,065	-
Inti Inversiones Interamericanas Corp. and subsidiaries	3,761	8,797	3,411	9,987
Forbis Logistics S.A.	889	166	647	152
Fargoline S.A.	-	15,975	-	16,375
	<u>177,253</u>	<u>129,014</u>	<u>151,096</u>	<u>133,287</u>

17. Equity

- (a) Issued capital -

As of December 31, 2023 and 2022, the Group's issued capital is represented by S/946,063,288 fully subscribed and paid common shares, with a par value of S/1.00 each.

Stock market values and trading frequency were as follows:

	Quotation stock market S/(000)	Frequency %
As of December 31, 2023	2.48	100.00
As of December 31, 2022	2.23	100.00

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As of December 31, 2023 and 2022, the shareholding structure in the Company's capital is as follows:

Percentage of individual participation in the capital	Number of shareholders		Participation percentage	
	2023	2022	2023 %	2022 %
Up to 1.00	3,967	3,050	25.74	27.75
From 1.01 to 4.00	15	13	43.08	42.19
From 4.01 to 10.00	5	5	31.18	30.06
	<hr/>	<hr/>	<hr/>	<hr/>
	3,987	3,068	100.00	100.00

(b) Treasury shares -

During 2023, the Company acquired 12,314,817 shares of its own stock for a value of S/28,365,000. The nominal value of these shares of S/12,315,000 is presented in this account and the excess paid, with respect to the nominal value, of S/16,050,000 is presented as a debit balance in the additional capital account. During 2023, the Company sold 1,107,618 own shares for a value of S/2,379,000. The nominal value of these shares of S/1,108,000 is presented in this account and the excess collected, with respect to the nominal value, of S/1,271,000 is presented as a credit balance in the additional capital account.

During 2022, the Company acquired 1,103,618 own shares for a value of S/2,292,000. The nominal value of these shares of S/1,103,000 is presented in this account and the excess paid, with respect to the nominal value, of S/1,189,000 is presented as a debit balance in the additional capital account.

At the general shareholders' meeting held on August 24, 2022, it was agreed to redeem 12,830,950 treasury shares, with a par value of S/ 1.00 each, which resulted in a reduction of the capital stock from S/ 958,894,000 to S/ 946,063,000.

The share repurchase program was approved at the Board Meeting of Directors on October 30, 2019.

(c) Additional capital -

This item corresponds to the difference between the contribution received, after the conclusion of preferential subscription rounds by the shareholders, and the nominal value of the shares issued by the Company in 2012, reduced by partial capitalizations made in previous years and by the higher value with respect to the par value of the issued own shares acquired, which is described in section b) above.

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(d) Legal reserve -

Pursuant to the provisions of the General Companies Law, it is required that a minimum of 10% of the distributable profit of each fiscal year, deducting income tax, be transferred to a legal reserve until it is equal to 20% of the capital stock. The legal reserve can offset losses or can be capitalized, in both cases there is an obligation to replace it with the profits of subsequent years.

As of December 31, 2023, the legal reserve established by the Company exceeds by S/22,418,000 and as of December 31, 2022, the legal reserve established by the Company exceeds by S/22,419,000 the amount required by the General Corporations Law.

(e) Other equity reserves -

Revaluation surplus -

Corresponds to the increase in the value of investment properties with the opportunity to apply IFRS for the first time in 2011, in this process it was decided to consider the fair value as the assumed cost, based on appraisals made by independent appraisers. As of December 31, 2023, the revaluation surplus, net of the corresponding deferred income tax, amounts to S/242,581,000 (S/251,966,000 as of December 31, 2022). The revaluation surplus is transferred to retained earnings as it is realized, either through depreciation or when the assets that gave rise to it are retired or sold.

Result per Translation -

Corresponds to the exchange difference resulting from the Translation of the financial statements of foreign operations to the presentation currency of the Group.

Unrealized results -

Corresponds mainly to the recognition of items that affect unrealized results, in application of the equity participation method in the joint venture owned by the Group.

(f) Distribution of dividends -

Dividends distributed to shareholders other than domiciled legal entities are subject to income tax charged by these shareholders; Said tax is withheld and settled by the Company. There are no restrictions on the remittance of dividends or the repatriation of capital to foreign investors. The dividends that are distributed or paid on the profits of the 2023 and 2022 periods are subject to the 5 percent rate.

At the General Shareholders' Meeting held on March 29, 2023, the Company approved the payment of cash dividends of S/251,328,000; in this regard, on October 29, 2022, an advance dividend of S/120,000,000 (S/0.1270 dividend per share) was paid on account of the profits of fiscal year 2022; therefore, the remaining amount to be distributed was S/131,328,000 (S/0.1390 dividend per share), this amount was paid on May 4, 2023.

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On September 27, 2023, the Board of Directors, in a meeting held on September 27, 2023 and in exercise of the Dividend Policy, agreed to pay an advance cash dividend of S/100,000,000 (S/0.1068 dividends per share) on account of the profits for the year 2023. This amount was paid on October 26, 2023.

At the General Shareholders' Meeting held on March 30, 2022, the Company approved the payment of cash dividends of S/225,633,000; in this regard, on October 29, 2021, an advance payment of dividends of S/100,000,000 (S/ 0.1057 dividend per share) was made on account of the profits for the year 2021; therefore, the remaining amount to be distributed was S/ 125,633,000 (S/ 0.1328 dividend per share), this amount was paid on May 4, 2022.

18. Sales and cost of sales

Sales and cost of sales for the years ended as of December 31 comprise:

	2023 S/(000)	2022 S/(000)
Sales		
Sales of machinery, engines, equipment and vehicles	2,418,231	2,364,416
Sales for spare parts	3,134,559	2,802,766
Rental services of machinery, engines and equipment and workshop	920,662	798,368
Other income	<u>468,403</u>	<u>610,831</u>
	<u>6,941,855</u>	<u>6,576,381</u>
Cost of sales:		
Initial balance of inventories, note 8	1,945,453	1,836,904
Purchase of stock	4,256,868	4,187,739
Labor, note 21(d)	288,936	258,836
Workshop expenses	236,150	154,022
Depreciation, note 10(f) and 10(h)	111,424	99,782
Impairment of inventories, note 8(f)	41,123	79,300
Recoveries, note 8(f)	(28,170)	(59,432)
Rental fleet operating expenses	63,797	54,653
Rental fleet impairment	1,637	1,255
Services provided by third parties and other expenses	222,183	234,638
Discontinued operation - Motored S.A.	(6,398)	(17,519)
Closing balance of inventories, note 8	<u>(1,995,972)</u>	<u>(1,945,453)</u>
	<u>5,137,031</u>	<u>4,884,725</u>

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Notes to the consolidated financial statements (continue)

19. Selling expenses

- (a) Selling expenses for the years ended as of December 31 include:

	2023 S/(000)	2022 S/(000)
Personnel expenses, note 21(d)	353,884	338,777
Services provided by third parties (b)	153,735	141,940
Depreciation, note 10(f) and 10(h)	61,936	61,872
Miscellaneous management charges	114,301	88,406
Allowance for doubtful collections, note 6(e) and 7(i)	44,269	43,106
Recoveries - Impairment of inventories, note 8(f)	2,074	(2,329)
Tributes	7,753	6,865
Amortization of intangibles, note 11(a)	1,873	1,497
	739,825	680,134

- (b) Corresponds mainly to miscellaneous expenses for rental of real estate and transport units, maintenance of buildings, installations and equipment, incurred by the Group's sales areas.

20. Administrative expenses

- (a) Administrative expenses for the years ended as of December 31 include:

	2023 S/(000)	2022 S/(000)
Personnel expenses, note 21(d)	216,626	204,277
Services provided by third parties (b)	90,456	80,842
Depreciation, note 10(f) and 10(h)	13,341	12,044
Miscellaneous management charges	15,074	19,840
Amortization of intangibles, note 11(a)	30,221	29,025
Tributes	9,810	8,439
	375,528	354,469

- (b) Corresponds mainly to miscellaneous expenses for real estate rentals, maintenance of buildings and facilities, IT services, software use licenses and advisory and consulting services incurred by the Group's administrative areas.

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21. Personnel expenses

- (a) The detail of personnel expenses is presented below:

	2023 S/(000)	2022 S/(000)
Remuneration and shares (b)	612,318	565,989
Guaranteed bonuses	111,314	105,743
Employer charges	65,475	62,245
Assignment to workers	40,532	39,701
Trainings	14,696	11,162
Vacations	11,190	13,029
Other minors	<u>3,921</u>	<u>4,021</u>
	<u>859,446</u>	<u>801,890</u>

- (b) It mainly includes salaries and contributions to Group personnel. In the case of Peru, in accordance with the current worker participation regime regulated by Legislative Decree 677, the workers of Peruvian companies have the right to receive a participation between 5% and 8% of the taxable income, which is distributed pro rata among all workers based on the days worked and the balance in proportion to the basic remuneration received in the year. The employee participation liability is presented in the caption "Other liabilities".
- (c) The average number of employees in the Group was 7,464 in the year 2023 and 7,023 in the year 2022.
- (d) Personnel expenses have been recorded in the following items of the consolidated income statement:

	2023 S/(000)	2022 S/(000)
Cost of sales, note 18	288,936	258,836
Selling expenses, note 19	353,884	338,777
Administrative expenses, note 20	<u>216,626</u>	<u>204,277</u>
	<u>859,446</u>	<u>801,890</u>

- (e) Remuneration of key personnel -
In 2023, the total remuneration received by the directors and key executives of Management amounted to S/57,664,000 (S/57,870,000, in 2022), which includes short-term benefits and compensation for length of service.

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The Group does not provide post-employment benefits and does not operate a share-based equity compensation plan.

22. Financial income

Financial income for the years ended December 31 includes:

	2023 S/(000)	2022 S/(000)
Interest on bills receivable	22,534	20,255
Interest on bank deposits	5,841	2,981
Moratory interest	1,133	665
Other minors	2,286	982
	<hr/>	<hr/>
	31,794	24,883
	<hr/>	<hr/>

23. Financial expenses

Financial expenses for the years ended December 31 include:

	2023 S/(000)	2022 S/(000)
Interest on overdrafts and loans, note 12(a)	51,095	24,857
Interest on corporate bonds and long-term loans, note 12(b)	42,419	39,596
Interest on lease liabilities - IFRS 16, note 13(b)	3,554	4,583
Interest on financing from foreign suppliers	7,732	3,742
Financial transaction tax	861	753
Other minors	4,177	2,881
	<hr/>	<hr/>
	109,838	76,412
	<hr/>	<hr/>

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Notes to the consolidated financial statements (continue)

24. Earnings per share

Basic and diluted earnings per share are calculated by dividing earnings for the year by the weighted average number of shares outstanding during the period.

The calculation of basic and diluted earnings per share is shown below:

	2023 S/(000)	2022 S/(000)
Numerator		
Profit for the year attributable to owners of the Company	<u>433,851</u>	<u>418,879</u>
	thousands of shares	thousands of shares
Denominator		
Weighted Average Common Stock	<u>940,103</u>	<u>937,917</u>
	2023 S/(000)	2022 S/(000)
Basic and diluted earnings per common share	<u>0.461</u>	<u>0.447</u>

As of December 31, 2023 and 2022, the Company does not have financial instruments that produce dilutive effects, so the basic and diluted earnings per share are the same.

25. Commitments, guarantees granted and contingencies

(a) Commitments -

The Group leases assets such as real estate and vehicles under non-cancellable operating leases that expire within a period of 2 to 3 years. The terms and conditions of the leases are negotiated individually.

(b) Guarantees granted -

The Group has the following guarantees granted:

Ferreycorp S.A.A.:

- As of December 31, 2023, the Company has commitments for guarantees that guarantee credit operations of subsidiaries and represented brands for US\$120,641,469 (US\$110,079,689, as of December 31, 2022) and guarantees that guarantee purchase operations with third parties for US\$5,929,524 (US\$13,289,307 as of December 31, 2022). Likewise, it maintains a cross guarantee signed on July 23, 2020, between the Company and some of its subsidiaries as Co-Issuers, see note 12(c)(i).
- As of December 31, 2023, the company held letters of guarantee for the faithful performance of contracts and advances for S/7,280,870 (US\$10,000,000 as of December 31, 2022) in favor of its subsidiaries.

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Ferreyros S.A.:

- As of December 31, 2023, this subsidiary has guarantees for US\$14,291,154 (US\$17,322,487 in 2022) that guarantee third-party purchase operations.
- As of December 31, 2023, the subsidiary has bank guarantees in favor of financial entities for US\$17,156,611 (US\$8,503,760 in 2022), which mainly guarantee the seriousness of the Company's offer and the faithful fulfillment of the delivery of the products sold through public tenders and the payment of customs obligations related to the importation of merchandise.

Fargoline S.A.:

- As of December 31, 2023 and 2022, the subsidiary has contracted a surety policy in favor of the National Customs Superintendence for merchandise under the customs regime for US\$200,000.

Soltrak S.A.:

- As of December 31, 2023, the subsidiary has guarantees for US\$18,800,000 and S/14,300,000 (US\$7,000,000 and S/18,200,000 in 2022), which guarantee third-party purchase operations and financial leases, respectively, with various maturities.
- As of December 31, 2023, the subsidiary has bank guarantees in favor of financial entities for US\$ 12,390,197 and S/ 300,000 (US\$11,639,373 and S/300,000 in 2022), which mainly guarantee the seriousness of the Company's offer and faithful compliance of the delivery of the products sold through public tenders, as well as the payment of customs obligations related to the importation of merchandise, respectively.

Motored S.A.:

- As of December 31, 2023, the subsidiary has guarantees for US\$499,523 (US\$942,302 in 2022) that guarantee credit operations for third-party purchases.
- As of December 31, 2023, the subsidiary has bank guarantees in favor of third parties for S/16,142 (US\$646,313 and S/16,142 in 2022) that mainly guarantee the seriousness of the offer and the faithful fulfillment of the delivery of the products sold through public tenders.

Orvisa S.A.:

- As of December 31, 2023, the subsidiary has bank guarantees in favor of third parties for US\$4,401,130 and S/ 4,513,781 (US\$5,060,732 and S/2,511,149 in 2022), which mainly guarantee credit operations of subsidiaries and purchase operations of third parties.

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(c) Contingencies -

As of December 31, 2023, the Company has no tax proceedings on appeal or in administrative litigation. As of December 31, 2022, the Company had tax proceedings on appeal or in litigation for the 2010 taxable year for S/82,000 (income tax S/19,000 and non-domiciled income tax S/63,000) resolved as of December 31, 2023.

In all cases, as of December 31, 2023, the Company has requested the advice of specialists, who have determined, together with Management, that there are some assessments for S/7,988,000 (S/17,000,000, as of December 31, 2022), which is recorded as a provision for such amounts, which is presented in the caption "Other current liabilities" of the consolidated statement of financial position, see note 12(a). This case is in a state of execution of the Supreme Court sentence, having a high probability of success, therefore, Management maintains a conservative position and decided to reduce the provision.

26. Tax situation

(a) The Group is subject to the tax regime of each country in which it operates and is taxed based on its non-consolidated results. As of December 31, 2023 and 2022, the income tax rate on taxable income in the main countries in which the Group and its subsidiaries operate is:

	Tax rates	
	2023 %	2022 %
Peru	29.5	29.50
Ecuador	22	22
Colombia	24	24
Chile (*)	25	25
Guatemala	25	25
El Salvador	30	30
Belize	25	25
Nicaragua	30	30
United States of America	15 and 28	15 and 28

(**) As a result of the tax reforms issued in Chile, the income tax rate for the following years will be:

Year	Regime	
	Article 14 Letter A Tax rate %	Article 14 Letter B Tax rate %
2018 hereafter	25.0	27.0

As long as the subsidiaries in Chile do not express their intention to pay taxes under the regime of Art. 14 Letter "A", through an extraordinary meeting of shareholders, the Law establishes that by default it must be considered in the regime of Art. 14 Letter "B".

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

	Tax rates	
	2023 %	2022 %
Peru	5	5
Ecuador	10	10
Colombia	35	35
Chile (*)	5	5

- (b) Through Legislative Decree No. 1488, published on May 10, 2020, a special depreciation regime has been established, exceptionally and temporarily, for taxpayers of the General Income Tax Regime, whose main aspects are the following:
- As of the 2021 financial year, buildings and constructions acquired in the 2020 to 2022 financial years may be depreciated by applying an annual percentage of 20% until their total depreciation, provided that the following conditions are met:
 - (i) They are fully affected to the production of third category taxable income.
 - (ii) The construction would have started as of January 1, 2020. For these purposes, the start of the construction is understood to be the moment the building license is obtained and in the case of processing plants and other concession constructions of benefit the moment the construction authorization is obtained.
 - (iii) Until December 31, 2022, the construction has a progress of at least 80%. In the case of constructions that have not been completed until December 31, 2022, it is presumed that the progress of the work to that date is less than 80%, unless the taxpayer proves otherwise. It is understood that the construction has concluded when the approval of the work has been obtained from the municipality and for the processing plants when the administrative act that approves the verification inspection of the construction of works has been obtained.
 - As of the 2021 financial year, the assets acquired in the 2020 to 2021 financial years, affected to the production of taxable income, will be depreciated by applying the following annual percentages until their total depreciation:
 - Data processing equipment: 50%
 - Machinery and equipment: 20%
 - Land transport vehicle (except railways) with EURO IV, Tier II and EPA 2007 technology, used by authorized companies: 33.3%
 - Hybrid or electric land transport vehicle (except railways): 50%.

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On December 27, 2021, Law 31380 was published in which Congress delegates to the Executive Branch the power to legislate for a period of 90 days on tax, financial and economic reactivation matters for a period of 90 calendar days, that is, until March 28, 2022.

In tax matters, these powers refer to the Income Tax regulations on the deductibility of certain types of expenses, non-domiciled income, market value in the transfer of securities, among other issues, as well as the regulations of the Tax Code, Customs and Municipal Taxation.

On March 31, 2020, was published the Superintendence Resolution 066-2020 / SUNAT, establishing new default interest rates effective from April 1, 2020. Thus, the default interest rate in national currency went from 1.2% to 1% and in the case of foreign currency it went from 0.6% to 0.5%. Likewise, the interest rates for the return of undue or excessive payments in national currency went from 0.50% to 0.42%, while in foreign currency it went from 0.30% to 0.25%. In the case of the interest for return for withholding and/or perceptions not applied to the IGV, it went from 1.2% to 1%.

Subsequently, on March 31, 2021, Superintendence Resolution 044-2021 / SUNAT was published, establishing that the default interest rate in national currency goes from 1.0% to 0.9% per month, effective as of April 1, 2021. The other Rates have not changed.

- (c) For purposes of determining the Income Tax and the General Sales Tax, the price and transfer regulations must be applied and are in force in Peru, Nicaragua, Guatemala, El Salvador, Belize, Chile, Colombia and Ecuador and United States of America and regulate that transactions with local or foreign related parties and with companies resident in territories with low or no taxation, must be carried out at market values and supported by documentation and information on the valuation methods used and the criteria considered for its determination.
- (d) The Tax Administration in Peru has the power to review and, if applicable, correct the income tax calculated by the Group in the four years following the year in which the corresponding tax affidavit is filed (years open to inspection). The affidavits of the income tax and the general sales tax for the years 2017 to 2021 are pending inspection by the Tax Administration in Peru. The affidavits corresponding to the years from 2001 to 2016 have already been audited.

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Likewise, the income tax affidavits and the value added tax of the main subsidiaries of the Group are subject to inspection by the Tax Administration of each country for the periods detailed below:

	Period subject to inspection
Foreign subsidiaries	
Guatemala	2018 a 2023
El Salvador	2018 a 2023
Belize	2018 a 2023
Nicaragua	2018 a 2023
United States of America, Chile, Colombia and Ecuador	2018 a 2023
Peruvian subsidiaries	
Ferreyros S.A.	2018 a 2023
Unimaq S.A.	2018 a 2023
Cresko S.A.	2018 a 2023
Soltrak S.A.	2018 a 2023
Fargoline S.A.	2018 a 2023
Orvisa S.A. and subsidiaries	2018 a 2023
Motored S.A.	2018 a 2023
Forbis Logistic S.A.	2018 a 2023
Soluciones Sitech Perú S.A.	2018 a 2023

Due to the possible interpretations that the corresponding tax authority may give to the current legal regulations, it is not possible to determine, to date, whether or not the revisions carried out will result in liabilities for the Group, so that any higher tax or surcharge that could result from possible tax reviews would be applied to the results of the year in which the difference in criteria with the Tax Authority is resolved. In the opinion of Management and its legal advisors, any eventual additional settlement of taxes, by the corresponding Tax Administration of each country, would not be significant for the consolidated financial statements as of December 31, 2023 and 2022.

- (e) In Peru, the Temporary Tax on Net Assets is levied on third-category income generators subject to the general Income Tax regime. The tax rate is 0.4% applicable to the amount of net assets that exceed S/1 million.

The amount actually paid may be used as a credit against the payments on account of the General Income Tax Regime or against the regularization payment of the Income Tax of the taxable year to which it corresponds.

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27. Discontinued operations

On September 29, 2021, the Group made the decision to discontinue the operation of Motored S.A., which is a wholly owned subsidiary of the Group. The operations of Motored S.A. are expected to conclude within the year after the closing date.

Due to the classification of Motored S.A. as a discontinued operation, such operations will no longer be presented in the automobiles, spare parts and services segment in the note of segments. The results of the operations of Motored S.A. are as follows:

	2023 S/(000)	2022 S/(000)
Income from contracts with clients	6,450	17,937
Cost	<u>(6,398)</u>	<u>(19,471)</u>
Gross profit from discontinued operations	52	(1,534)
Selling expenses	(57)	(509)
Administration expenses	(1,161)	(2,018)
Other income and expenses, net	<u>3,154</u>	<u>2,561</u>
Operating profit from discontinued operations	1,988	(1,500)
Financial income	809	1,827
Financial expense	-	(149)
Exchange difference, net	<u>16</u>	<u>(520)</u>
Loss before tax from discontinued operations	2,813	(342)
Income tax	<u>(914)</u>	<u>(160)</u>
Loss from discontinued operations	<u>1,899</u>	<u>(502)</u>

The net cash flows incurred by Motored S.A. are as follows:

	2023 S/(000)	2022 S/(000)
Operation	19,818	24,459
Financing	<u>(19,698)</u>	<u>(30,904)</u>
Net cash income	<u>120</u>	<u>(6,445)</u>
	2023	2022
Earnings per share		
Basic and diluted for the year of discontinued operations	(0.34)	(0,140)

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28. Changes in liabilities related to financing activities

The changes that have occurred in liabilities related to financing activities for the year ended December 31 are as follows:

	Cash flows			Changes that do not generate cash flows			As of December 31 S/(000)	
	As of January 1 S/(000)	New loans S/(000)	Payment of loans S/(000)	Interest payment S/(000)	Accrued interest S/(000)	Lease liability S/(000)	Exchange difference S/(000)	
Year 2023								
Financial obligations, note 12	2,159,721	2,575,563	(2,307,711)	-	-	-	(112,445)	2,315,128
Lease liability, note 13	78,258	-	(50,085)	-	-	17,261	(2,310)	43,124
Interest on financial obligations, note 15	11,784	-	-	(107,187)	122,950	-	-	27,547
	<u>2,249,763</u>	<u>2,575,563</u>	<u>(2,357,796)</u>	<u>(107,187)</u>	<u>122,950</u>	<u>17,261</u>	<u>(114,754)</u>	<u>2,385,800</u>
Year 2022								
Financial obligations, note 12	1,887,886	3,097,817	(2,733,638)	-	-	-	(92,344)	2,159,721
Lease liability, note 13	119,406	-	(54,613)	-	-	16,034	(2,569)	78,258
Interest on financial obligations, note 15	7,261	-	-	(67,801)	72,324	-	-	11,784
	<u>2,014,553</u>	<u>3,097,817</u>	<u>(2,788,251)</u>	<u>(67,801)</u>	<u>72,324</u>	<u>16,034</u>	<u>(94,913)</u>	<u>2,249,763</u>

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29. Financial risk management and other aspects

Due to the nature of its activities, the Group is exposed to market risks (such as interest rate and exchange rate risks), credit risk and liquidity risk, which are managed through a process of identification, evaluation, treatment and continuous monitoring, subject to risk limits and other controls. This risk management process is critical to the continued profitability of the Group and each area is responsible for the risk exposures related to its responsibilities.

The comprehensive risk management process includes business risks such as business continuity, focus on competition, worker health and safety, changes in the environment, technology and industry, among others.

(a) Risk management structure -

The risk management structure is based on the Group's Board of Directors, which is ultimately responsible for identifying and controlling risks; in coordination with other areas as explained below:

(a.1) Directors -

He is responsible for the overall approach to risk management. The Board of Directors provides the principles for risk management, as well as the policies developed for specific areas, such as exchange rate risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments.

(a.2) Risk Committee -

Its mission is to assist the General Management and the Board of Directors, through the Audit Committee, in supervising the Group's risk management, monitoring the internal environment and providing guidelines on action plans related to those risks that may negatively affect the achievement of the Group's objectives.

The function of the Committee is to supervise that the Risk Area develops its annual work plan and that the operational areas participate actively. This supervision is carried out through periodic sessions where the Risk Area reports the status of the execution of the plan.

(a.3) Internal audit -

It monitors the risk management processes in the Group and analyzes both the adequacy of the procedures and compliance with them. Internal Audit discusses the results of all evaluations with Management, and reports its findings and recommendations to the Board.

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(a.4) Management of administration and finance -

It is responsible for managing the assets and liabilities of the Group and the entire financial structure. It is primarily responsible for the management of its funds and liquidity risks of the Group; assuming the risks of liquidity, interest rates and currency exchange, according to the current policies and limits.

(a.5) Corporate Risk Area -

It is responsible for facilitating comprehensive risk management based on the established methodology, defining the work schedule with the operating areas of the entire corporation and supporting them in the process of identifying, evaluating, responding, controlling and monitoring their most important risks. The operating areas of each subsidiary of the Group are responsible for complying with and executing the work schedule; as well as the implementation of the agreed action plans on the risks that may have a material impact on each individual company and on the Group.

Likewise, as part of the risks of the Group's strategic planning process, action plans are established to mitigate them, considering the risks of competition, recruitment, staff retention, equipment availability, product failure, social conflict and global financial crisis.

(b) Risk Mitigation -

As part of overall financial risk management, the Group may use derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currency, capital risk and credit risks. The risk profile is evaluated before carrying out hedging operations, which are authorized by the competent level within the Group. The other critical business risks are treated through action plans executed by each Management of the subsidiary companies.

(c) Risk concentration -

(c.1) Credit risk -

Credit risk is the risk that a counterparty may not meet its obligations in relation to a financial instrument or sales contract, generating a financial loss. The Group is exposed to credit risk from its operating activities (mainly accounts receivable) and from its financing activities, including bank deposits. Regarding deposits in banks, the Group, as of December 31, 2023, concentrates 99.86% (99.73% in 2022) of its cash and cash equivalent balances in financial entities.

Credit risk related to accounts receivable: customer credit risk is managed by Management, subject to duly established policies, procedures and controls. The outstanding balances of accounts receivable are periodically reviewed to ensure their recovery; likewise, the Group has a broad customer base. As of December 31, 2023, the average collection period maintained by the Group is 59 days on credit risk, which it controls and monitors continuously (55 days, as of December 31, 2022).

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Notes to the consolidated financial statements (continue)

Credit risk related to financial instruments and deposits in banks: the credit risks of balances in banks are managed by Management in accordance with the Group's policies. Investments of cash surpluses are made with top-tier financial entities. The maximum exposure to credit risk as of December 31, 2023 and 2022, is the book value of the cash and cash equivalent balances shown in note 4.

As of December 31, 2023, Management has estimated that the maximum amount of credit risk to which the Group is exposed amounts to approximately S/ 1,770,835 (S/1,688,128 as of December 31, 2022), which represents the book value of financial assets, see note 4.

In Management's opinion, the estimate of the provision for doubtful commercial accounts receivable adequately covers the risks of uncollectability as of December 31, 2023 and 2022.

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Notes to the consolidated financial statements (continue)

(c.2) Interest rate risk -

The Group's operating cash flows are substantially independent of changes in market interest rates; Due to the Group's individual credit rating, it can obtain competitive interest rates in the markets where it operates. It should be noted that the Group has not carried out significant financial operations at variable interest rates, therefore, in Management's opinion, it does not have a significant exposure to interest rate risks.

The following tables summarize the Group's exposure to interest rate risks. The Group's financial instruments are shown at their book value, classified according to their different contractual terms:

	As of December 31, 2023					
	Fixed rate				Average fixed interest rate	
	Up to 3 months S/(000)	From 3 to 12 months S/(000)	From 1 to 5 years S/(000)	Without interest S/(000)	Total S/(000)	2023 %
Asset:						
Cash and cash equivalents	35,133	-	-	183,964	219,097	Entre 5.05% y 6.25%
Trade receivables	241,607	17,566	6,605	1,115,529	1,381,307	Entre 14% y 24%
Other assets (*)	-	-	-	170,431	170,431	
Total assets	276,740	17,566	6,605	1,469,924	1,770,835	
Liability						
Financial obligations	308,885	1,254,238	752,005	-	2,315,128	Entre 2.45% y 9.20%
Lease liability	5,686	14,584	22,854	-	43,124	Entre 1.84% y 11.54%
Trade Payables	-	-	-	791,976	791,976	
Other liabilities (*)	-	-	-	341,243	341,243	
Total liabilities	314,571	1,268,822	774,859	1,133,219	3,491,471	
Fringe gap	(37,831)	(1,251,256)	(768,254)	336,705	(1,720,636)	
Cumulative gap	(37,831)	(1,289,087)	(2,057,341)	(1,720,636)	-	

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Notes to the consolidated financial statements (continue)

	As of December 31, 2022					
	Fixed rate				Average fixed interest rate	
	Up to 3 months S/(000)	From 3 to 12 months S/(000)	From 1 to 5 years S/(000)	Without interest S/(000)	Total S/(000)	2021 %
Asset:						
Cash and cash equivalents	23,578	-	-	168,437	192,015	Entre 0.15% y 4.70%
Trade receivables	121,855	37,119	18,308	1,152,717	1,329,999	Entre 7% y 22%
Other assets (*)	-	-	-	166,114	166,114	
Total assets	145,433	37,119	18,308	1487,268	1,688,128	
Liability						
Financial obligations	400,368	711,270	1,048,083	-	2,159,721	Entre 0.00% y 8.20%
Lease liability	10,319	26,466	41,473	-	78,258	Entre 1.84% y 6.57%
Trade Payables	-	-	-	782,406	782,406	
Other liabilities (*)	-	-	-	318,594	318,594	
Total liabilities	410,687	737,736	1,089,556	1,101,000	3,338,979	
Fringe Gap	(265,254)	(700,617)	(1,071,248)	386,268	(1,650,851)	
Cumulative gap	(265,254)	(965,871)	(2,037,119)	(1,650,851)	-	

(*) As of December 31, 2023 and 2022, "Other assets" and "Other liabilities" included in this table exclude amounts corresponding to tax general to sales payable, tax refunds, income tax, advances, and all those that do not qualify as financial instruments, see note 4

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Notes to the consolidated financial statements (continue)

In general, the Group has a high exposure to interest rate risk, due to its current level of long-term indebtedness. Borrowing at variable rates exposes the Group to interest rate risk on its cash flows. Borrowing at fixed rates exposes the Group to interest rate risk on the fair value of its liabilities. As of December 31, 2023 and 2022, the Group only has short- and long-term indebtedness for financial obligations and lease liabilities, which have been agreed at fixed interest rates, so it is exposed to interest rate risk on the fair value of the liabilities. However, the Group assumes the fair value risk because considers it to be insignificant and it does not expect future market rates to deviate significantly from contractual rates.

(c.3) Liquidity risk -

Liquidity risk is the risk that the Group will not be able to meet its payment obligations related to financial liabilities when due and replace the funds when they are withdrawn. The consequence would be non-compliance with the payment of its obligations to third parties. The Group has adequate levels of cash and cash equivalents and available lines of credit.

The Group controls the required liquidity through proper management of the maturities of its assets and liabilities, in such a way as to achieve a match between the flow of income and future payments, which allows it to carry out its activities normally.

The Group's main source of cash income is collections from sales of domestic and imported merchandise. The average payment term to its main suppliers was 58 days and 55 days for the years 2023 and 2022, respectively. The Group considers that the management of collection and payment terms tends to improve due to the improvements made in its collection management policies.

In the event that the Group does not have, at any given time, the necessary resources to meet its short-term obligations, it has lines of credit with financial institutions and, due to its economic solvency, has been able to acquire short-term and medium term at rates below the market average.

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Notes to the consolidated financial statements (continue)

The following table presents the cash flows payable by the Group in accordance with the contractual terms agreed on the dates of the consolidated statement of financial position. These cash flows are stated at undiscounted values; and include the interests that would be generated in the future:

	From 1 to 3 months S/(000)	From 3 to 12 months S/(000)	From 1 to 5 years S/(000)	5 years to more S/(000)	Total S/(000)
As of December 31, 2023					
Other liabilities:					
- Financial obligations (capital)	308,885	1,248,973	725,326	31,944	2,315,128
- Financial obligations (interest)	12,597	48,115	43,219	59	103,990
- Lease liability IFRS 16 (capital)	5,686	14,584	22,854	-	43,124
- IFRS 16 lease liability (interest)	528	1,410	1,898	-	3,836
- Trade payables	529,944	262,032	-	-	791,976
- Other liabilities	437,713	117,056	-	-	554,769
	<u>1,295,353</u>	<u>1,692,170</u>	<u>793,297</u>	<u>32,003</u>	<u>3,812,823</u>
As of December 31, 2022					
Other liabilities:					
- Financial obligations (capital)	400,368	711,270	1,048,083	-	2,159,721
- Financial obligations (interest)	14,575	28,972	55,747	-	99,294
- Lease liability IFRS 16 (capital)	10,319	26,466	41,473	-	78,258
- IFRS 16 lease liability (interest)	697	1,569	2,120	-	4,386
- Trade payables	530,093	252,312	-	-	782,405
- Other liabilities	438,306	111,368	-	-	549,674
	<u>1,394,358</u>	<u>1,131,957</u>	<u>1,147,423</u>	<u>-</u>	<u>3,673,738</u>

Translation of consolidated financial statements originally issued in Spanish - See note 33 to the consolidated financial statements

Notes to the consolidated financial statements (continue)

(c.4) Exchange rate risk -

The Group is exposed to the effects of fluctuations in the exchange rate of the prevailing foreign currency on its financial position and cash flows. Management sets limits on exposure levels by currency and total daily operations.

Asset and liability operations are basically carried out in the functional currency of the parent company (Sol), which is the one used by the Group to measure its performance, so that if the exchange position in foreign currency (for example, the US dollar) is positive, any depreciation of the Sol would positively affect the Group's consolidated statement of financial position. Foreign currency transactions are made at bid and ask rates.

The Group manages foreign currency exchange risk by monitoring and controlling the values of the position that is not held in soles (functional currency) and that are exposed to movements in exchange rates. The Group measures its performance in the currency of each country in such a way that, if the exchange position in foreign currency is positive, any depreciation of the US dollar would negatively affect the Group's consolidated statements of financial position. Any devaluation/revaluation of the foreign currency would affect the consolidated income statement.

Transactions in foreign currency in Peru are carried out at the free market exchange rates published by the Superintendencia de Banca, Seguros y AFP. As of December 31, 2023, the free market exchange rates for transactions in U.S. dollars, published by this institution, were S/3,705 and S/3,713 per US\$1 for assets and liabilities, respectively (S/3,808 and S/3,820 per US\$1 for assets and liabilities, respectively, at December 31, 2022).

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Notes to the consolidated financial statements (continue)

As of December 31, 2023 and 2022, the Group had the following monetary assets and liabilities in foreign currency presented in soles:

	2023						
	Soles S/(000)	Dollars S/(000)	Quetzal S/(000)	Cordova S/(000)	Chilean pesos S/(000)	Belize dollar S/(000)	Total S/(000)
Asset							
Cash and cash equivalents	101,067	103,823	3,716	940	8,584	967	219,097
Trade receivables	425,843	823,533	37,272	-	94,659	-	1,381,307
Other assets	181,122	55,916	2,768	-	-	40	239,846
	<u>708,032</u>	<u>983,272</u>	<u>43,757</u>	<u>940</u>	<u>103,243</u>	<u>1,007</u>	<u>1,840,250</u>
Liability							
Financial obligations	434,289	1,573,244	73,256	-	234,339	-	2,315,128
Lease liabilities	10,300	15,763	5,283	-	11,778	-	32,824
Trade Payables	192,913	490,483	77,897	-	27,751	2,932	791,976
Other liabilities	495,454	49,509	-	-	9,806	-	554,769
	<u>1,132,956</u>	<u>2,129,000</u>	<u>156,436</u>	<u>-</u>	<u>283,674</u>	<u>2,932</u>	<u>3,704,997</u>
Net liability position	<u>(424,924)</u>	<u>(1,145,728)</u>	<u>(112,679)</u>	<u>940</u>	<u>(180,431)</u>	<u>(1,925)</u>	<u>(1,864,747)</u>
	2022						
	Soles S/(000)	Dollars S/(000)	Quetzal S/(000)	Cordova S/(000)	Chilean pesos S/(000)	Belize dollar S/(000)	Total S/(000)
Asset							
Cash and cash equivalents	141,319	46,582	188	2,798	1,066	62	192,015
Trade receivables	208,147	983,982	19,829	1,109	116,932	-	1,329,999
Other assets	204,565	43,709	5,614	-	-	950	254,838
	<u>554,031</u>	<u>1,074,273</u>	<u>25,631</u>	<u>3,907</u>	<u>117,998</u>	<u>1,012</u>	<u>1,776,852</u>
Liability							
Financial obligations	227,634	1,655,582	51,117	-	225,388	-	2,159,721
Lease liabilities	2,013	23,736	3,686	-	48,823	-	78,258
Trade Payables	125,137	557,430	66,189	3,176	28,413	2,061	782,406
Other liabilities	497,329	38,463	-	-	13,882	-	549,674
	<u>852,113</u>	<u>2,275,211</u>	<u>120,992</u>	<u>3176</u>	<u>316,506</u>	<u>2,061</u>	<u>3,570,059</u>
Net liability position	<u>(298,082)</u>	<u>(1,200,938)</u>	<u>(95,361)</u>	<u>731</u>	<u>(198,508)</u>	<u>(1,049)</u>	<u>(1,793,207)</u>

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Notes to the consolidated financial statements (continue)

The Group does not have a specific policy regarding forward foreign currency contracts to hedge foreign currency exposure. In 2023 and 2022, the strategy has been to buy foreign currency in the free exchange market (spot market). The Group does not have future foreign currency contracts in force at the date of the financial statements, apart from those described in the previous paragraph.

As of December 31, 2022, the Group has recorded a net exchange difference loss of approximately S/33,505,000 (net loss of approximately S/124,544,000 in 2021), which is presented in the caption "Exchange difference, net" of the consolidated income statement.

The following table shows the sensitivity analysis of US dollars, the currency to which the Group has a 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, considering the other constant variables in the consolidated statement of comprehensive income before income tax.

A negative amount shows a potential net decrease in the consolidated statement of income before taxes, while a positive amount reflects a potential net increase:

Sensitivity analysis	Change in US\$		
	rates %	2023 S/(000)	2022 S/(000)
Devaluation			
Soles	5	77,199	68,240
Soles	10	154,397	136,480
Revaluation			
Soles	5	(77,199)	(68,240)
Soles	10	(154,397)	(136,480)

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Notes to the consolidated financial statements (continue)

(d) Capital management -

The Group actively manages a capital base to cover the risks inherent in its activities. The adequacy of the Group's capital is monitored using, among other measures, the ratios established by Management.

The Group's objectives when managing capital, which is a broader concept than "Equity" shown in the consolidated statement of financial position, are: (i) safeguard the Group's ability to continue operating in a manner that continues to provide returns to the shareholders and benefits to the other participants; and (ii) maintain a strong capital base to support the development of its activities.

Likewise, the Group also monitors its capital based on the leverage ratio. As of December 31, 2023 and 2022, the leverage ratio was as follows:

	2023 S/(000)	2022 S/(000)
Financial obligations, note 12(a)	2,315,128	2,159,721
Lease liability, note 13(a)	43,124	78,258
Less: Cash and cash equivalents, note 5	<u>(219,097)</u>	<u>(192,015)</u>
Net financial debt (A)	2,139,155	2,045,964
Net equity (B)	<u>2,664,721</u>	<u>2,488,337</u>
Leverage ratio (A) / (B)	<u>0.803</u>	<u>0.822</u>

30. Fair value of financial instruments

The book value of short-term financial assets and liabilities approximate their fair values due to their short-term maturity. In the case of long-term debts, below is an indication of their fair value:

	2023		2022	
	Book value S/(000)	Fair value S/(000)	Book value S/(000)	Fair value S/(000)
Short-term financial obligations	1,563,124	1,563,124	1,111,638	1,111,638
Short-term lease liability	26,843	26,843	36,785	36,785
Long-term financial obligations	752,004	777,278	1,048,083	973,538
Long-term lease liability	16,281	15,462	41,473	42,013

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Notes to the consolidated financial statements (continue)

The book values of other financial liabilities (financial obligations and lease liabilities) approximate their fair value. As of December 31, 2023, the fair values of long-term financial obligations have been determined by applying the average annual rate of 4.45% for bonds, 4.66% for medium and long-term notes and 5.30% for lease liabilities (4.45% for bonds, 3.13% for medium and long-term notes and 3.32% for lease liabilities in 2022).

31. Information by segments

For management purposes, the Group is organized into business units based on their products and activities, and has five distinguishable segments organized as follows:

- Heavy equipment, which includes equipment purchase and sale operations, their respective spare parts and maintenance and repair services.
- Automotive, which includes the purchase-sale operations of automotive vehicles, their respective spare parts and maintenance and repair services.
- Equipment rental.
- Agricultural equipment, which includes the purchase-sale operations of agricultural equipment, their respective spare parts and maintenance and repair services.
- Other business units.

No other operating segments have been added as part of the operating segments described above.

Management supervises profit before taxes for each business unit separately for the purpose of making decisions on the allocation of resources and the evaluation of financial performance. The financial performance of a segment is evaluated on the basis of profit before income tax, using the same preparation bases as the financial statements.

Transfer prices between operating segments are given on market conditions between independent parties in a similar way to those agreed with third parties.

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Notes to the consolidated financial statements (continue)

In 2023 and 2022, the information on the results of the operating segments is as follows:

	Sales and services S/(000)	Other operating income S/(000)	Total revenue S/(000)	Gross margin S/(000)	Selling expenses S/(000)	Administrative expenses S/(000)	Other net income and expenses S/(000)	Financial expenses S/(000)	Financial income S/(000)	Net exchange difference S/(000)	Participation in results with joint venture S/(000)	Income before income tax S/(000)	Income tax S/(000)	Net profit S/(000)
2023														
Heavy equipment, spare parts and services	6,177,071	1,932	6,179,003	1,585,612	(619,957)	(323,379)	(422)	(89,027)	28,139	36,033	2,617	619,616	(210,728)	408,888
Automotive, spare parts and services	80,958	-	80,958	23,560	(13,357)	(1,953)	120	(1,782)	126	-	-	6,714	(2,310)	4,404
Equipment rental	201,306	-	201,306	53,346	(32,334)	(2,734)	71	(8,202)	1,739	(7,843)	-	4,043	(1,451)	2,592
Agricultural equipment, parts and services	130,348	724	131,072	28,733	(22,216)	(1,873)	634	(3,004)	326	(798)	-	1,802	(544)	1,258
Others	352,171	-	352,171	116,229	(51,961)	(45,589)	7,513	(7,823)	1,464	1,674	-	21,507	(6,697)	14,810
Total consolidated	6,941,854	2,656	6,944,510	1,807,480	(739,825)	(375,528)	7,916	(109,838)	31,794	29,066	2,617	653,682	(221,730)	431,952
2022														
Heavy equipment, spare parts and services	5,662,569	738	5,663,307	1,449,326	(554,549)	(302,702)	14,870	(59,487)	19,573	34,236	917	602,184	(203,667)	398,517
Automotive, spare parts and services	82,976	86	83,062	23,992	(13,772)	(1,954)	296	(1,301)	198	-	-	7,459	(2,643)	4,816
Equipment rental	207,979	-	207,979	63,009	(30,755)	(5,219)	1,176	(8,401)	2,932	(2,584)	-	20,158	(5,887)	14,271
Agricultural equipment, parts and services	132,732	324	133,056	28,057	(29,831)	(1,488)	687	(1,586)	324	682	-	(3,155)	1,005	(2,150)
Others	490,125	-	490,125	128,420	(51,227)	(43,106)	(15,940)	(5,637)	1,856	1,171	-	15,537	(11,610)	3,927
Total consolidated	6,576,381	1,148	6,577,529	1,692,804	(680,134)	(354,469)	1,089	(76,412)	24,883	33,505	917	642,183	(222,802)	419,381

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Notes to the consolidated financial statements (continue)

In 2023 and 2022, the information by operating segments by country is as follows:

	Sales and services S/(000)	Other operating income S/(000)	Total revenue S/(000)	Gross margin S/(000)	Selling expenses S/(000)	Administrative expenses S/(000)	Other net income and expenses S/(000)	Financial expenses S/(000)	Financial income S/(000)	Net exchange difference S/(000)	Participation in results with joint venture S/(000)	Income before income tax S/(000)	Income tax S/(000)	Net profit S/(000)
2023														
Peru	6,259,043	2,290	6,261,333	1,619,828	(630,109)	(360,503)	66,583	(73,150)	21,749	44,927	2,617	691,942	(227,699)	464,243
Guatemala	307,073	366	307,439	64,818	(27,356)	(11,267)	688	(8,057)	1,574	(94)	-	20,306	(6,124)	14,182
El Salvador	262,921	-	262,921	64,696	(32,211)	(8,592)	511	(8,353)	930	-	-	16,981	(5,942)	11,039
Belize	24,409	-	24,409	6,934	(2,205)	(2,199)	(16)	-	304	383	-	3,201	(422)	2,779
United States of America	53,932	-	53,932	7,000	(313)	(4,578)	178	(256)	120	-	-	2,151	(625)	1,526
Nicaragua	6,890	-	6,890	712	(243)	(1,564)	517	(20)	348	-	-	(248)	(324)	(572)
Honduras	8,002	-	8,002	2,371	(1,257)	(53)	4	(176)	2	-	-	886	(273)	613
Panama	-	-	-	-	-	(6,090)	(522)	(12)	50	-	-	(6,572)	-	(6,572)
Chile	300,402	-	300,402	41,121	(46,131)	(31,783)	(8,926)	(20,583)	7,486	(16,150)	-	(74,965)	19,679	(55,286)
Intercompany operations	(280,817)	-	(280,817)	-	-	51,101	(51,101)	769	(769)	-	-	-	-	-
Total consolidated	6,941,855	2,656	6,944,511	1,807,480	(739,825)	(375,528)	7,916	(109,838)	31,794	29,066	2,617	653,682	(221,730)	431,952
2022														
Peru	5,865,761	902	5,866,663	1,487,134	(570,031)	(355,531)	64,185	(56,628)	17,785	41,627	917	629,458	2142,80	415,178
Guatemala	322,395	160	322,555	66,260	(32567)	(9,718)	(1,478)	(3,968)	1,151	(1,966)	-	17,714	5,175	12,539
El Salvador	290,944	86	291,030	67,677	(30623)	(7,698)	7578	(3,806)	731	-	-	33,859	9,645	24,214
Belize	27,774	-	27,774	7,189	(2214)	(2,260)	27	-	309	386	-	3,437	484	2,953
United States of America	53,509	-	53,509	6,803	(412)	(3,975)	152	(43)	40	-	-	2,565	926	1,639
Nicaragua	23,359	-	23,359	7,703	(3645)	(1,603)	131	(126)	43	48	-	2,551	1,007	1,544
Honduras	6,857	-	6,857	2,076	(1153)	(48)	(7)	(194)	13	-	-	687	240	447
Panama	-	-	-	-	-	(3,722)	(17,912)	(6)	27	-	-	(21,613)	-	(21,613)
Chile	261,836	-	261,836	47,962	(39,489)	(19,757)	(1,744)	(13,634)	6,777	(6,590)	-	(26,475)	(8,955)	(17,520)
Intercompany operations	(276,054)	-	(276,054)	-	-	49,843	(49,843)	1,993	(1,993)	-	-	-	-	-
Total consolidated	6,576,381	1,148	6,577,529	1,692,804	(680,134)	(354,469)	1,089	(76,412)	24,883	33,505	917	642,183	222,802	419,381

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Notes to the consolidated financial statements (continue)

32. Subsequent events to the date of the consolidated statement of financial position

Between January 1, 2024 and the date of approval of the consolidated financial statements, no subsequent relevant events have occurred that, in Management's opinion, require any additional disclosure or any material adjustment to the amounts presented in the consolidated financial statements.

33. Explanation added for English translation

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

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