

- international conflicts, such as the current one between Russia and Ukraine, and the worldwide effects and responses thereto
- our ability to retain and attract skilled employees; and
- other factors discussed under “Item 3. Key Information–D. Risk Factors.”

The forward-looking statements in this annual report represent our expectations and forecasts as of the date of this annual report. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this annual report.

#### **ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

#### **ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

#### **ITEM 3. KEY INFORMATION**

##### **A. [Reserved]**

##### **B. Capitalization and Indebtedness**

Not applicable.

##### **C. Reasons for the Offer and Use of Proceeds**

Not applicable.

##### **D. Risk Factors**

##### **Global Risks**

***The extent to which the coronavirus (COVID-19) pandemic and measures taken in response thereto impact our business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted.***

Global health concerns related to the COVID-19 pandemic have been weighing on the macroeconomic environment and the outbreak has significantly increased economic uncertainty. Although during 2021 government-imposed restrictions were much less than in 2020, the Peruvian economy has not yet recovered to pre-pandemic levels. To the extent that new strains of the virus continue to emerge, these and other measures may remain in place for a significant period of time and are likely to continue to affect financial condition and prospects.

The spread of COVID-19 has caused us to modify our business practices (including employee travel, employee work locations, and the cancellation of physical participation in meetings, events, and conferences), and we may take additional steps as required by current circumstances, by government authorities or that we determine are in the best interest of our employees, customers and business partners. There is no certainty that such measures are sufficient to mitigate the risks posed by COVID-19 or are satisfactory to government authorities. The extent to which the COVID-19 pandemic impacts our business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the duration and spread of COVID-19, its severity, the actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume. Even after the COVID-19 pandemic has subsided, we may continue to experience materially adverse impacts to our business as a result of its global economic impact, including the recession that has already occurred and may continue or intensify in the future.

***Global macroeconomic conditions may have an adverse effect on our business, financial condition and results of operations.***

Our operations and customers are located in Peru. As a result, our business, financial condition and results of operations, like those of most companies in Peru, could be adversely affected by the level of economic activity in the country. Therefore, variations in economic indicators such as inflation, gross domestic product ("GDP"), the balance of payments, the appreciation and depreciation of the currency, access to credit, interest rates, investment and savings, consumption, spending and fiscal income, employment, among other variables, over which we have no control, could affect the development of the Peruvian economy and, therefore, could generate adverse consequences for our business, financial condition and results of operation.

Peru's economy experienced a relatively greater contraction than the economies of other countries in the region as a result of the COVID-19 pandemic, mainly due to the more severe virus containment measures implemented in Peru: a greater number of activities were mandated to be shut down and a strict national stay-at-home order and quarantine lasted more than 100 days. The application of these severe measures aimed at containing the expansion of COVID-19 in the country caused the Peruvian economy to contract 11.1% in 2020. With the progressive reopening of the economy and the application of monetary and fiscal stimuli, GDP bounced back in 2021, reaching 13.2% growth. In addition, in 2021 the annual inflation rate was 6.2% compared to 1.5% in 2020, mainly due to external factors, such as the increased cost of oil and transportation, as well as the depreciation of the sol. Domestic demand also recovered after the 9.4% decrease in 2020, reaching 13.9% growth in 2021.

The extent to which the economy continues its recovery depends on the extent the country is able to combat the adverse impacts of the inflationary pressure, the continuation of the vaccination process and the ability to decrease the current political uncertainty and its negative impact on future economic expectations.

The cement sector is closely related to the following main macroeconomic variables: (i) the expansion or contraction of the economy as measured by GDP, (ii) domestic demand, (iii) private investment and (iv) public spending. In this regard, prolonged conditions that adversely affect the economic growth of Peru would negatively affect the cement sector, in such a way that the economic situation and our results of operations may not coincide with those presented at the date of this annual report.

***International conflicts, such as the current conflict between Russia and Ukraine have adversely affected international prices, increasing inflation and therefore our business, financial condition and results of operations***

Global markets are currently operating in a period of economic uncertainty, volatility and disruption following Russia's full-scale invasion of Ukraine on February 24, 2022. Although the length and impact of the ongoing military conflict is highly unpredictable, the conflict in Ukraine and any other geopolitical tensions could have an adverse effect on the economy and business activity globally and lead to (i) credit and capital market disruptions, (ii) increase in interest rates and inflation in the markets in which we operate, (iii) lower or negative global growth, among others. These developments have caused interruptions in the trade flows of goods produced by Russia and Ukraine (mainly energy and grains) which have generated upward pressure on international prices. Additionally, Russia's prior annexation of Crimea, recent recognition of two separatist republics in the Donetsk and Luhansk regions of Ukraine and subsequent military interventions in Ukraine have led to sanctions and other penalties being levied by the United States, European Union and other countries against Russia, Belarus, the Crimea Region of Ukraine, the so-called Donetsk People's Republic, and the so-called Luhansk People's Republic. As a result of these commercial and financial sanctions pressure on international prices may continue, even after the conflict has ended.

Similar pressures have been observed in the price of energy. Russia is a major producer of natural gas, oil and coal. Production and commercial activities have been affected by direct and indirect sanctions. Peru is a net importer of oil, and as such it has been affected by the significant increase in price, generating high levels of inflation. The inflation rate in March 2022 was the highest since 1996. The increase in the price of coal directly affects our business since it is one of the raw materials used in our process and in 2021 accounted for 11.6% of our cement production cost. Indirectly, the increase in the price of oil and gas also affects our business, as it generates inflationary pressure throughout, and increases freight prices, which in turn increase import costs.

Geopolitical and economic risks have also increased over the past few years as a result of trade tensions between the United States and China, Brexit, and the rise of populism and tensions in South America and Middle East. Growing tensions may lead, among others, to a deglobalization of the world economy, an increase in protectionism or barriers to immigration, a general reduction of international trade in goods and services and a reduction in the integration of financial markets, any of which could materially and adversely affect our business, financial condition and results of operations.

***Global freight costs increases have adversely affected international prices, increasing inflation and therefore our business, financial condition and results of operations***

The current increase in freight prices is due both to demand and supply side issues. On the one hand, there was a surge in demand for goods, as consumers spent their money on goods rather than services during pandemic lockdowns and restrictions. On the other, there was capacity constraints, including container ship carrying capacity, container shortages, labor shortages, continued on and off COVID-19 restrictions across port regions and congestion at ports. This mismatch between surging demand and reduced supply capacity then led to record container freight rates during 2021. According to UNCTAD, this will have a profound impact on trade and undermine socioeconomic recovery, especially in developing countries, until maritime shipping operations return to normal. In Peru, this has already resulted in higher levels of inflation, reaching 6.2% in 2021 compared to 1.5% in 2020. Increase freight costs directly affect our business and results of operation since imported materials represent approximately 39.7% of our production costs.

#### **Risks Relating to Peru**

***Public health crises and epidemics/pandemics, such as COVID-19 have adversely affected Peru's economy and therefore our business, financial condition and results of operations.***

The COVID-19 pandemic had a material adverse impact on the Peruvian economy resulting in, volatility in the financial markets, reduced international trade and lower activity in certain of the key drivers of the local economy. In addition, social distancing and stay-at-home quarantine measures imposed to minimize pressure on the healthcare system and contain social costs, adversely affected dynamism of various productive sectors of the economy. Reduced activity in these economic sectors has resulted in reduced employment and less income for families and companies. Poverty levels increased 9.9 percentage points in 2020.

In 2021, there was a substantial recovery and the most dynamic sectors were construction, non-primary manufacturing, commerce and some branches of the service sector, including telecommunications and finance and insurance. However, there are sectors that are still lagging behind in their recovery, especially those with a greater degree of physical interaction such as services related to transportation, accommodations and restaurants.

Over the long-term, we cannot assure you that the measures adopted by the Peruvian government to counteract the effects of the COVID-19 pandemic will be sufficient to restore public confidence or to restore economic growth.

***Economic, social and political developments in Peru including political instability, rates of inflation and unemployment could have a material adverse effect on our business, financial condition and results of operations.***

All of our operations and customers are located in Peru. Accordingly, our business, financial condition and results of operation depend on the level of economic activity in Peru. Our business, financial condition and results of operations could be affected by changes in economic and other policies of the Peruvian government (which has exercised and continues to exercise substantial influence over many aspects of the private sector), and by other economic and political developments in Peru, including devaluation or depreciation, currency exchange controls, inflation, economic downturns, political instability, corruption scandals, social unrest and terrorism.

In the past, Peru has experienced political instability that included a succession of regimes with disparate economic policies and programs that created uncertainty for domestic and foreign investors. Pedro Castillo became President of Peru, after a disputed election results. President Castillo has faced political opposition in the Peruvian Congress, which is highly fragmented, as no political party has achieved a clear majority and at least 10 political parties have minority representation, which has led some groups in the Peruvian Congress to ask for his resignation. On February 8, 2022, President Castillo appointed Anibal Torres as the Prime Minister to serve under his government. Mr. Torres had previously served as the Ministry of Justice and Human Rights. The current Prime Minister was preceded by Héctor Valer, Mirtha Vásquez and Guido Bellido. On March 9, 2022, the Peruvian cabinet (*Consejo de Ministros*), headed by Anibal Torres, received a vote of confidence (*voto de confianza*) from the Peruvian Congress after obtaining a total of 64 votes in favor, 58 votes against and two abstentions. This was the fourth cabinet that received a vote of confidence from the Peruvian Congress under President Castillo's administration. On March 14, 2022, the Peruvian Congress admitted a motion to impeach (*moción de vacancia*) President Castillo with a total of 76 votes in favor, 41 votes against and one abstention, claiming alleged permanent moral incapacity of President Castillo. This was the second motion to impeach against President Castillo presented to the Peruvian Congress since he took office on July 28, 2021. On March 28, 2022, the Peruvian Congress denied the motion to impeach with a total of 55 votes in favor, 54 votes against and 19 abstentions and as a result, President Castillo has remained in office. However, since the political opposition in the Peruvian Congress remains strong, we cannot assure that additional impeachment motions will not be presented to the Peruvian Congress against President Castillo during the remainder of his term, which will expire in 2026. In addition, the Peruvian government led by President Castillo may seek to modify and reform the Peruvian Constitution to expand the role of the government in activities currently undertaken by the private sector in accordance with statements made during his campaign. The new President is expected to face challenges in aligning certain initiatives with, and obtaining support from, the Peruvian Congress. Although it is expected that a majority opposition from the Peruvian Congress against certain new policies and reforms to be proposed by the new President will continue, there is a risk of unpredictable policymaking. We cannot assure you whether President Castillo or any of his successors, should an impeachment motion (*moción de vacancia*) be approved by the Peruvian Congress, will pursue business-friendly and open-market economic policies that stimulate economic growth and stability, and that measures negatively impacting private investment, such as higher taxation or exchange controls, will not be implemented.

In spite of this political turmoil, the Peruvian economy has continued its recovery from the effects of COVID-19. Exports reached record numbers during 2021, which in turn gave a record on the positive account balance of Peru. However, expectations of private investment are still negative, according to BCR.

During the 1980s and the early 1990s, Peru experienced severe terrorist activity targeted against, among others, the government and the private sector. Since then, terrorist activity in Peru has been mostly confined to small-scale operations in the Huallaga Valley and the Valleys of the Rivers Apurimac, Ene and Mantaro, or "VRAEM," areas, both in the Eastern part of the country. The Huallaga Valley and VRAEM constitute the largest areas of coca cultivation in the country and thus serve as a hub for the illegal drug trade. Terrorist activity and the illegal drug trade continue to be key challenges for Peruvian authorities. Any violence derived from the drug trade or a resumption of large-scale terrorist activities which may occur could hurt our operations and, could disrupt the economy of Peru and our business. In addition, Peru has, from time to time, experienced social and political turmoil, including riots, nationwide protests, strikes and street demonstrations. In March 2022, a nationwide strike by carriers resulted in riots and on April 4, 2022, the Government issued Supreme Decree 034-2022-PCM, imposing a 22-hour lockdown for Metropolitan Lima and the Constitutional Province of Callao for April 5, 2022. This generated massive protests in Lima, leading President Castillo to cut the lockdown and to further decrease his popularity levels.

Despite Peru's ongoing economic growth and stabilization, the social and political tensions and high levels of poverty and proper employment continue. Future government policies to preempt or respond to social unrest could include, among other things, expropriation, nationalization, suspension of the enforcement of creditors' rights and new taxation policies. These policies could adversely and materially affect the Peruvian economy and our business.

The foregoing political uncertainty and presidential decisions could further increase interest rates and currency volatility, as well as adversely and materially affect the Peruvian economy and our business, financial condition and results of operations.

***A depreciation or devaluation of the sol could have a material adverse effect on our business, financial condition and results of operations.***

A significant depreciation or devaluation of the sol may affect us due to the fact that our revenues are denominated in soles while 38.7% of our indebtedness, as of December 31, 2021 is denominated in U.S. dollars. As a result, we are exposed to currency mismatch risks. As of December 31, 2021, we maintain cross currency swap hedging agreements in aggregate principal amount of 100% of our current U.S. dollar-denominated debt obligations to hedge against the associated foreign exchange risks. Nonetheless, a depreciation or devaluation of the sol against the U.S. dollar and increased exchange rate volatility would increase the cost of our debt service obligations which could have a material adverse effect on our business, financial condition and results of operations.

***If the Peruvian government were to implement restrictive exchange rate policies and other similar laws, our business, financial condition and results of operations could be adversely affected.***

Since 1991, the Peruvian economy has undergone a major transformation from a highly protected and regulated system to a free market economy. During this period, protectionist and interventionist laws and policies have been dismantled. As a result the Peruvian economy had been growing consistently, until 2020 due to the COVID-19 pandemic. Currently, foreign exchange rates are determined by market conditions, with regular open-market operations by the BCRP in the foreign exchange market to reduce volatility in the value of Peru's currency against the U.S. dollar.

We cannot assure you that the Peruvian government will not institute restrictive exchange rate policies in the future. Any such restrictive exchange rate policy could have a material adverse effect on our business, financial condition and results of operations and adversely affect our ability to repay debt or other obligations and restrict our access to international financing.

In addition, if the Peruvian government were to institute restrictive exchange rate policies in the future, we might be obligated to seek an authorization from the Peruvian government to make payments on the notes and the guarantees. We cannot assure you that such an authorization would be obtained. Any such exchange rate restrictions or the failure to obtain such an authorization could materially and adversely affect our ability to make payments under our U.S. dollar-denominated debt and to pay dividends on our ADRs.

***Increased rates of inflation in Peru could have an adverse effect on the Peruvian long-term credit market, as well as the Peruvian economy generally and, therefore, on our business, financial condition and results of operations.***

In the past, Peru has suffered through periods of high and hyper-inflation, which has materially undermined the Peruvian economy and the government's ability to create conditions that support economic growth. In response to increased inflation, the BCRP, which sets the Peruvian basic interest rate, may increase or decrease the basic interest rate in an attempt to control inflation or foster economic growth. Increases in the base interest rate could adversely affect our results of operations, increasing the cost of certain funding. Additionally, a return to a high-inflation environment would also undermine Peru's foreign competitiveness, with negative effects on the level of economic activity and employment, while increasing our operating costs and adversely impacting our operating margins if we are unable to pass the increased costs on to our customers. During 2021, inflation reached 6.2%, well above the previous five-year average of 2.32%. Supply shocks, including the recent rise in prices of energy, increased freight costs, and the increase in domestic demand explains this increase at a global level. The recent conflict between Russia and Ukraine is likely to exacerbate these effects.

***Changes in tax laws or their interpretation may increase our tax burden and, as a result, negatively affect our business.***

The Peruvian Congress and government regularly implement changes to tax laws that may increase our tax burden, or the tax burden of our subsidiaries. These changes may include modifications in our taxable base, tax rates and, on occasion, the enactment of temporary taxes that in some cases have become permanent taxes or changes to VAT exemptions applicable to certain of our operations in the Amazonian region. We are unable to estimate the outcomes that these changes may have on business. In that sense, the Peruvian government recently introduced several changes related to transfer pricing rules and formal obligations in order to comply with BEPS (base erosion and profit shifting) Guidelines on transactions performed between related parties or with the intervention of low or no-tax jurisdictions, such as the obligation to file new local-files, master-files and country-by-country reports with the Peruvian tax authority, and to adjust taxable bases accordingly for income tax purposes.

The effects of any tax reforms that could be proposed in the future and any other changes that result from the enactment of additional reforms have not been, and cannot be, quantified. However, any changes to our tax regime or interpretations thereof (including in connection with the tax rates, tax base (*base imponible*), deductions rules, payments in advance regime (*regimen de pagos a cuenta*), time of payment or the establishment of new taxes thereof) may result in increases in our overall costs and/or our overall compliance costs, which could negatively affect our results of operation.

***Our operations could be adversely affected by an earthquake, flood or other natural disasters.***

Severe weather conditions and other natural disasters in areas in which we operate may materially adversely affect our operations. Peru is located in an area that experiences seismic activity and occasionally is affected by earthquakes. For example, in 2007, an earthquake with a magnitude of 7.9 on the Richter scale struck the central coast of Peru, severely damaging the region south of Lima. Peru is also affected by El Niño, an oceanic and atmospheric phenomenon that causes a warming of temperatures in the Pacific Ocean, resulting in heavy rains off the coast of Peru and various other effects in other parts of the world. The effects of El Niño, which typically occurs every two to seven years, include flooding and the destruction of fish populations and agriculture, and accordingly have a negative impact on Peru's economy. For example, in early 2017, El Niño adversely affected agricultural production, transportation and communications services, tourism and commercial activity, caused widespread damage to infrastructure and displaced significant populations. Although our facilities were not significantly affected, our ability to ship cement was compromised by the destruction of infrastructure. Any of the foregoing conditions, or other natural disasters or weather conditions, may result in physical damage to our properties, closure of one or more of our production facilities, inadequate work force in our operations, temporary disruptions in the ability to ship cement, among others. Any of these factors may disrupt and materially adversely affect our business, financial condition and results of operations.

***Our operations could be adversely affected by government-mandated plant closures***

Public health outbreaks, epidemics or pandemics, as well as other events may result in the government stopping our operations. In March 2020, the Peruvian government ordered a state of emergency due to the outbreak of COVID-19, therefore our operations were closed from March 16, 2020 until May 18, 2020. This had a materially adverse effect on our business, financial condition and results of operation, mainly during the state of emergency. Although our dispatches recovered well following the lockdown, we do not yet know if the government will take further measure that may have an impact on the economy as a whole, the construction sector, our customers' ability to purchase cement and cement-based products, and their ability to pay for previously sold products.

***The Peruvian economy could be adversely affected by economic developments in regional or global markets.***

Financial and securities markets in Peru are influenced by economic and market conditions in regional and global markets. Although economic conditions vary from country to country, investors' perceptions of the events occurring in one country may adversely affect cash flows and securities from issuers in other countries, including Peru. For example, the Peruvian economy was adversely affected by the political and economic events that occurred in several emerging economies in the 1990s, including in Mexico in 1994, which impacted the fair value of securities issued by companies from markets throughout Latin America. The crisis in the Asian markets beginning in 1997 also negatively affected markets throughout Latin America. Similar adverse consequences resulted from the economic crisis in Russia in 1998, the Brazilian devaluation in 1999 and the Argentine crisis in 2001. In addition, Peru's economy continues to be affected by events in the economies of its major regional partners and in developed economies that are trading partners or that affect the global economy.

The 2008 and 2009 global economic and financial crisis substantially affected the financial system, including Peru's securities market and economy. Additionally, the debt crisis in Europe that began with financial crises in Greece, Spain, Italy and Portugal, reduced the confidence of foreign investors, caused volatility in the securities markets and affected the ability of companies to obtain financing globally. Doubts about the pace of global growth, particularly in the United States, contributed to already weak international growth in 2011, 2012 and 2013. Brexit continues to create volatility and uncertainty in a number of financial markets. The global COVID-19 pandemic has resulted in a worldwide recession that we cannot yet accurately measure as it is ongoing. Any interruption to the recovery of developed economies, the continued effects of the global crisis in 2008 and 2009, a worsening or resurgence of the debt crisis in Europe, impacts due to Brexit, the economic impact of COVID-19, or a new economic and/or financial crisis, or a combination of the above, could affect the Peruvian economy, and consequently, materially adversely affect our business. In particular, the Peruvian economy recently has suffered the effects of fluctuating commodity prices in the international markets, a decrease in export volumes, a decrease in foreign direct investment inflows and, as a result, a decline in foreign reserves and an increase in its current account deficit. To date, the United States and China are facing a trade dispute, which has imposed new tariffs that could undermine economic growth and raise costs for manufacturers around the world. Further, the current global COVID-19 pandemic caused a global recession in 2020, that has in turn affected our business, financial condition and results of operation. See "Global Risks."

Additionally, adverse developments in regional or global markets or an increase in the perceived risks associated with investing in emerging markets in the future could adversely affect the Peruvian economy and, as a result, adversely affect our business, financial condition and results of operations. In March 2020, after its annual review, the FTSE announced that, since there is only one Peruvian stock in the FTSE Global All Cap index, it does not meet the requirements of the new minimum investable market cap and securities count requirement criterion. As a result, Peru was reclassified from Secondary Emerging to Frontier market status as of September 2020.

During 2021, with the advance of vaccination at the global level and the contained impact of the COVID-19 pandemic, despite new variants, we have seen a recovery in global growth levels. Nonetheless, this recovery has weakened due to, among others, the increase in energy prices, general supply shortages, and the increase of COVID-19 cases due to new variants, such as Delta and Omicron.

***A decline in the prices of certain commodities in the international markets could have a material adverse effect on our financial condition and results of operations.***

In 2021, traditional exports, in particular mineral products, fishing products, agricultural products and petroleum and its derivatives, represented 73.6% of Peru's total exports, according to the figures published by the BCRP. Changes in commodity prices in the international markets, may have an adverse impact on Peruvian government finances, which could affect both investor confidence and the sustainability of government expenditure and social programs. Thus, a decline in commodity prices could, ultimately, affect the political environment in Peru, especially as regional and local governments are particularly reliant on tax revenue from mining concerns. By potentially affecting private sector demand and investor confidence, lower commodity prices could also affect the retail sector, leading to, for example, a decline in purchasing power and consumer spending.

***Corruption and ongoing high-profile corruption investigations may hinder the growth of the Peruvian economy and have a negative impact on our business and operations.***

Peruvian authorities are currently conducting several high-profile corruption investigations relating to the activities of certain companies in the construction and infrastructure sectors, which have resulted in suspension or delay of important infrastructure projects that were otherwise operational and permitted. The overall delay relating to such projects has resulted in a drop in GDP growth and overall infrastructure investment.

In July 2017, former President Ollanta Humala and his wife were detained in connection with a corruption probe and in February 2018, a Peruvian judge submitted a request to extradite former president Alejandro Toledo on allegations of bribery, both in connection with Brazilian construction company Odebrecht S.A. Several high-profile politicians are subject to corruption investigations. Corruption and corruption investigations could directly affect the Peruvian government, divert resources that would otherwise be focused on developing the economy, create political instability, and result in slower or negative economic growth, such as has recently happened in Brazil. In turn, this could impact our ability to successfully implement our growth and expansion strategies.

On March 21, 2018, President Kuczynski announced his decision to resign his office as president, due to allegations of corruption he faced. On March 23, 2018, Congress accepted his resignation and his first vice president, Martín Vizcarra, was sworn in as acting president. On April 2, 2018, President Vizcarra appointed the members of his cabinet.

In July 2018, a set of secretly recorded phone conversations involving high-court officials in Peru revealed widespread corruption in the judicial system's top ranks. In February 2019, preventive prison was ordered of four of the implicated judges while the investigations continue.

In April 2019, two former presidents were placed in preliminary detention due to their alleged ties to corruption: Pedro Pablo Kuczynski, who is currently detained, and Alan Garcia, who took his own life when police came to place him under arrest.

During 2020, Peru experienced a new change of President, after Congress voted to impeach Martín Vizcarra on November 10. As there was no Vice-President, Manuel Merino, the President of Congress assumed the Presidency in the midst of protests against the legitimacy of his Government, and had to resign five days later. On November 16, 2020, Francisco Sagasti was elected President of Congress and, due to constitutional succession after Mr. Merino's resignation, President of Peru. On July 28, 2021, Pedro Castillo became President of Peru, after a disputed election results. During the first six months of President Pedro Castillo's administration, he, members of his government, and people around him have been confronted with a series of complaints and accusations of corruption. Some of these cases are under investigation and others, specifically against the President, have been suspended until the end of his mandate.

Although recent history has shown that the macroeconomic stability of the country remains unaffected by political turmoil, we cannot yet assess the political and economic impact these developments may have on the political stability of the country. See "—Economic, social and political developments in Peru including political instability, rates of inflation and unemployment could have a material adverse effect on our business, financial condition and results of operations."

#### **Risks Relating to our Business and Industry**

***We are subject to the possible entry of domestic or international competitors into our market, which could decrease our market share and profitability.***

The cement market in Peru is competitive and is currently served mainly by three main groups, which together supply most of the cement consumed in the country, although there are two more smaller producers and some imports. In the cement industry, the location of a production plant tends to limit the market a plant can serve because transportation costs are high, reducing profit margins. Historically, we have supplied the northern region of Peru while two other groups have supplied the central (which includes the Lima metropolitan area) and southern regions of Peru, driven principally by the location of production facilities and distribution focus. However, competition could intensify if other manufacturers decide to enter our market.

We may face increased competition if the other Peruvian cement manufacturers, despite incremental freight costs, expand their distribution of cement to the northern region of Peru, or if they develop a cement plant in the north, particularly if the cement markets in Lima or other areas of Peru become saturated. In the past, some foreign cement manufacturers have announced plans to build cement plants in the central region of the country. If competition intensifies in the central region of Peru due to the presence of foreign cement manufacturers or otherwise, it may have price repercussions in our market.

We also face the possibility of competition from the entry into our market of imported clinker for grinding facilities, cement or other materials or products from foreign manufacturers, which may have significantly greater financial resources than us, particularly as production capacity continues to exceed depressed demand in other parts of the world and transportation costs decrease.

We may not be able to maintain our market share if we cannot match our competitors' prices or keep pace with the development of new products. If any of these events were to occur, our business, financial condition and results of operations could be adversely affected.



***Demand for our cement products is highly related to housing construction in northern Peru, which, in turn, is affected by economic conditions in the region.***

Cement consumption is highly related to construction levels. Demand for our cement products depends, in large part, on residential construction in the north of Peru, which consists mostly of low-income families gradually building or improving their own homes without technical assistance, which we refer to as *auto-construcción*. We estimate that in 2021, *auto-construcción* accounted for approximately 70.3% of our cement sales, which proved to be the most resilient sector during the economic crisis generated during 2020 by the COVID-19 pandemic. Residential construction, in turn, is highly correlated to prevailing economic conditions in Peru. A decline in economic conditions would reduce household disposable income and cause a significant reduction in residential construction, leading to a decrease in demand for cement. As a result, a deterioration of economic conditions in the northern region of Peru would have a material adverse effect on our financial performance and results of operations. We cannot assure you that growth in Peru's GDP, or the contribution to GDP growth attributable to the northern region of the country, will continue at the recent pace or at all. Despite political uncertainty, cement sales have continued to be strong during 2021. However, we cannot assure you that strong sales will remain during 2022 and beyond, as the economy continues to be affected by external factors such as inflationary pressure, and political uncertainty continues.

***A reduction in private or public construction projects in the northern region of Peru would have a material adverse effect on our business, financial condition and results of operations.***

We estimate that in 2021, approximately 15.0% of our cement sales were derived from private construction (other than *auto-construcción*) and 14.7% from public construction in the north of Peru. Significant interruptions or delays in, or the termination of, private or public construction projects may adversely affect our business, financial condition and results of operations. Private and public construction levels in our market depend on investments in the region which, in turn, are affected by economic conditions.

The level of public infrastructure construction also depends, to a great extent, on the priorities and financial resources of the national, regional and local governmental authorities. Although the anticipated increase in Peru's large infrastructure projects has been delayed, this remains an important growth driver for the country and also a necessity due to Peru's significant infrastructure deficit. In the North, significant spending will be directed towards reconstruction works to address the damage caused by Coastal El Niño, based on Peru's "Reconstruction with Changes" Plan. This Plan has an approved budget of S/25.7 billion (US\$7.6 billion). In June 2020, the Peruvian government signed an agreement with the government of the United Kingdom, for the execution of a package of S/7 billion to be executed during 2020 and 2021. Through the agreement, the United Kingdom will provide the structure, strategy and governance processes necessary for the timely delivery of all works, promoting efficiency and avoiding corruption. This model has already been used successfully for the construction of the necessary infrastructure for the Lima 2019 Pan American Games, therefore favorable results are expected this time as well. Although execution has been slower than expected, the continuation of this project will continue to boost our sales. However, we cannot assure that public spending for construction projects will continue in the upcoming years. A reduction in public infrastructure spending in our market would adversely affect our business, financial condition and results of operations.

***Our business, financial condition and results of operations may be adversely affected by increases in energy prices or shortages in the supply of energy.***

Energy accounts for a significant percentage of our production costs. Our principal energy sources are coal, gas and electricity. In 2021, the cost of energy represented approximately 25.3% of our cement production costs, compared to 28.8% in 2020 and 31.4% in 2019. We use a substantial amount of coal as a source of fuel in our production process. Most of the coal we use is anthracite coal which we purchase from domestic suppliers and import a small amount of bituminous coal from suppliers primarily in Colombia, in each case, at market prices. We do not have long-term coal supply agreements, and we do not engage in hedging transactions in connection with the price of coal. Any shortage or interruption in the supply of coal could also disrupt our operations. In addition, the price of coal is largely driven by the price of oil, and, as a result, increases in international oil prices are likely to affect the price of coal and adversely affect our results of operations. The current increase in both coal and oil prices because of the conflict between Russia and Ukraine will have a negative effect on our margins and hence on our results of operations.

We have a long-term electricity supply agreement with Electroperú S.A. ("Electroperú"), a government-owned company, to serve the electricity requirements of our Pacasmayo and Piura facilities until 2026. We have also entered into a supply agreement with Electro Oriente S.A. ("ELOR") to supply the Rioja facility until November 2022. Our business, financial condition and results of operations could be materially and adversely affected by higher costs, interruptions, and unavailability or shortage of electricity. We have no back-up power system at our plants and cannot assure you that, in case of interruption or failure in Electroperú's or ELOR's operations, we will have access to other energy sources at the same prices and conditions, which could adversely affect our business, financial condition and results of operations. Moreover, electricity to our plants is transmitted through the Peruvian Electricity Interconnection System (*Sistema Eléctrico Interconectado Nacional del Perú*, or "SEIN"). Any interruptions or failures in SEIN's system would also have a material adverse effect on our business, financial condition and results of operations.

In the recent past, we have experienced electricity rationing, limiting our use of electricity to certain times of the day. In such cases, we were forced to readjust our production schedules in order to ensure that our production process was not interrupted. In the event of any future rationing of electricity, we may not be able to readjust quickly enough and our production process may be interrupted. Future shortages or efforts to respond to or prevent shortages, such as rationing, may adversely impact the cost or supply of electricity for our operations.

A significant increase in the prices of coal, gas or electricity would increase our costs of production. We may not be able to increase the prices of our cement products in the future if the prices of coal, gas or electricity rises, which would adversely affect our business, financial condition and results of operations.

***Changes in the cost or availability of admixtures and raw materials supplied by third parties may adversely affect our business, financial condition and results of operations.***

We use certain admixtures and raw materials in the production of cement, such as gypsum, blast furnace slag and iron that we obtain from third parties. In 2021, our cost of admixtures and raw materials supplied by third parties as a percentage of our cement production costs was approximately 4.3%, similar to 2020. Moreover, during 2021, we had to use imported clinker, to satisfy the sharp and sudden increase in cement demand, and the cost of this imported clinker as a percentage of our cement production costs was approximately 21.5%, compared to 10.1% in 2020. We do not have long-term contracts for the supply of admixtures or raw materials that we use and if existing suppliers cease operations or reduce or eliminate production of these products, our costs to procure these materials may increase significantly or we may be obligated to procure alternatives to replace these products. Current increases in import prices, mainly due to freight increases, have affected the price of our admixtures. We have tried to replace, when possible, imported admixtures with local ones to decrease the effect on our cost of production. We are also currently investing to optimize the current capacity at our Pacasmayo plant, in order to produce an additional estimated 600,000 metric tons of clinker per year, in order to reduce our clinker imports. We expect to finish this optimization by the second half of 2023. However, we cannot assure that we will be continue to be able to replace imported admixtures or optimize the current capacity at our Pacasmayo plant in the timing expected or at all.

***We may undertake future acquisitions that may not achieve expected benefits.***

Our strategic initiatives include pursuing acquisitions that tend to diversify our existing portfolio of products and services and expand our geographic footprint. In the future, we may decide to expand by acquiring other companies in Peru or abroad. Any future acquisitions will depend on our ability to identify suitable candidates, negotiate acceptable terms, and obtain financing for the acquisitions. If future acquisitions are significant, they could change the scale of our business and expose us to new geographic, political, operating and financial risks. In addition, each acquisition involves a number of risks, such as the diversion of our management's attention from our existing business to integrating the operations and personnel of the acquired business, possible adverse effects on our results of operations during the integration process, our inability to achieve the intended objectives of the combination and potential unknown liabilities associated with the acquired assets.

***We may not be able to obtain the funding required to implement future strategies.***

Our strategies to continue to expand our cement production capacity and distribution network require significant capital expenditures. We cannot assure you that we will generate sufficient cash flow from operations, or that we will have access to external financing sources, to adequately fund such capital expenditures. Our access to external sources of financing will depend on many factors, including factors beyond our control, such as conditions in the global capital markets and investors' risk perception of investing in Peru and in emerging markets generally. Any equity or debt financing, if available, may not be on terms that are favorable to us. If our access to external financing is limited, we may not be able to execute our strategy, which could adversely affect our business, financial condition and results of operations.

In addition, the indenture pursuant to which we issued our 4.50% Senior Notes due 2023, as well as our local bonds due 2029 and 2034, and the “club deal” loan we entered into in 2021, contain covenants that limit our ability and that of our restricted subsidiaries to incur additional indebtedness if we do not meet certain financial ratios. If we are unable to incur additional debt to fund our future strategies, our business could be adversely affected.

***We are subject to risks related to litigation and administrative proceedings that could adversely affect our business and financial performance in the event of an unfavorable ruling.***

The nature of our business exposes us to litigation relating to product liability claims, labor, health and safety matters, environmental matters, regulatory, tax and administrative proceedings, governmental investigations, tort claims and contract disputes, among other matters. In the past, we have been subject to antitrust and tax proceedings or investigations. While we contest these matters vigorously and make insurance claims when appropriate, litigation is inherently costly and unpredictable, making it difficult to accurately estimate the outcome of actual or potential litigation. Although we establish provisions as we deem necessary, the amounts that we reserve could vary significantly from any amounts we actually pay due to the inherent uncertainties in the estimation process. We cannot assure you that these or other legal proceedings will not materially affect our ability to conduct our business, financial condition and results of operations in the event of an unfavorable ruling.

***Our business is subject to a number of operational risks, which may adversely affect our business, financial condition and results of operations.***

Our business is subject to several industry-specific operational risks, including accidents, natural disasters, labor disputes and equipment failures. Such occurrences could result in damage to our production facilities and equipment, and/or the injury or death of our employees and others involved in our production process. Moreover, such accidents or failures could lead to environmental damage, loss of resources or intermediate goods, delays or the interruption of production activities and monetary losses, as well as damage to our reputation. Our insurance may not be sufficient to cover losses from these events, which could adversely affect our business, financial condition and results of operations.

In addition, key equipment at our facilities, such as our mills and kilns, may deteriorate sooner than we currently estimate. Such deterioration of our assets may result in additional maintenance or capital expenditures, and could cause delays or the interruption of our production activities. If these assets do not generate the cash flows we expect, and we are not able to procure replacement assets in an economically feasible manner, our business, financial condition and results of operations may be materially and adversely affected.

***Our business depends on the continued operation of our Pacasmayo and Piura facilities.***

Our production facilities in Pacasmayo and Piura are essential to our business. In 2021, approximately 90.7% of our total cement and all of our quicklime was produced at our Pacasmayo and Piura facilities. These plants are subject to normal hazards of operating any cement production facility, including accidents, natural disasters and unexpected malfunctioning of the equipment. Any interruption in our operation of our Pacasmayo or Piura facilities or a decrease in the effective capacity of these facilities would adversely affect our results of operations. In 2020, the production and commercialization of cement was shut down for over two months, as a consequence of the state of emergency declared to prevent the spread of COVID-19. This halt in production and commercialization for over two months had an adverse effect on our business, financial condition and results of operations, which we were able to partially offset during the second half of the year due to strong demand. However, we cannot assure you that demand will continue to be strong during 2022, or that there will not be further shutdowns or closures of significant parts of the economy as a result of the COVID-19 pandemic.

***The introduction of cement substitutes into the market and the development of new construction techniques could have a material adverse effect on our business, financial condition and results of operations.***

Materials such as plastic, aluminum, ceramics, glass, wood and steel can be used in construction as a substitute for cement. In addition, other construction techniques, such as the use of drywall, could decrease the demand for cement and concrete. In Peru, drywall has only been introduced into the housing construction market in recent years and it is not widely used. However, the use of drywall for housing construction could increase significantly in the future as it becomes more popular. In addition, research aimed at developing new construction techniques and modern materials may introduce new products in the future. The use of substitutes for cement could cause a significant reduction in the demand and prices for our cement products.

***Our success depends on key members of our management.***

Our success depends largely on the efforts and strategic vision of our executive management team and board of directors. The loss of the services of some or all of our executive management team or members of our board of directors could have a material adverse effect on our business, financial condition and results of operations.

The execution of our business plan also depends on our ongoing ability to attract and retain additional qualified employees capable of operating our plants. Due to the limited pool of skilled workers in the north of Peru or workers from other regions willing to relocate to the north of Peru, we may not be successful in attracting and retaining the personnel we require. If we are unable to hire, train and retain qualified employees at a reasonable cost, we may be unable to successfully operate our business or reach full planned production levels in a timely manner and, as a result, our business, financial condition and results of operations could be adversely affected.

***Our operations and sales are highly concentrated in the northern region of Peru.***

All of our operations are located in the northern region of Peru, including our production facilities and the quarries from where we obtain limestone to produce cement. In addition, substantially all of our cement products are sold to consumers in this market. As a result, any adverse economic, political or social conditions affecting the northern region of Peru, as well as natural disasters and weather conditions, such as the El Niño climate pattern, among other factors that may affect this region, could have a material adverse effect on our business, financial condition and results of operations. In 2017, the north of Peru experienced severe rain, landslides and flooding, which affected the demand for cement, and the ability to ship it, as well as the provision of raw materials since some roads were destroyed. Our plants did not suffer any significant damage as we halted operations to mitigate physical damage.

***We are subject to environmental regulations and may be exposed to liability and political cost as a result of our handling of hazardous materials and potential costs for environmental compliance.***

We are subject to various environmental protection and health and safety laws and regulations that regulate, among other things, the generation, storage, handling, use and transportation of hazardous materials; emissions and discharge of hazardous materials; and the health and safety of our employees. Pursuant to Peruvian law, in order to conduct mining and industrial activities, we are required, among other things, to (i) submit an environmental impact assessment to the Ministry of Production (*Ministerio de la Producción*) and a mining closure plan to the Ministry of Energy and Mines (*Ministerio de Energía y Minas*, or "MINEM") prior to initiating mining activities, (ii) comply with certain air emission and wastewater discharge standards, (iii) obtain approval from the water management authority to discharge wastewater into natural water sources or soil, (iv) dispose solid waste generated by us in special landfills exclusively through companies registered with the environmental agency, and (v) store fuel in compliance with environmental and safety standards. In addition, we are required to have a health and safety committee and develop an internal health and safety code. Although we believe we are in compliance with all these regulations in all material respects, we cannot assure you that we have been or will be at all times in full compliance with these laws and regulations. Any violation of such laws or regulations could result in substantial fines, criminal sanctions, revocations of operating permits and shutdowns of our facilities. In addition, current or future governments may also impose stricter regulations which may require us to incur higher compliance costs.

Pursuant to certain applicable environmental laws, we could be held liable for all or substantially all of the damages caused by pollution at our current or former facilities or those of our predecessors or at disposal sites. We could also be held liable for all incidental damages due to the health effects of exposure of individuals to hazardous substances or other environmental damage.

We cannot assure you that our costs of complying with current and future environmental and health and safety laws and regulations, and any liabilities arising from past or future releases of, or exposure to, hazardous substances will not adversely affect our business, financial condition and results of operations.

***Social unrest by local communities may have an adverse effect on our business and results of operation***

In recent years, Peru has experienced protests against mining projects in several regions around the country. Mining is an important part of the Peruvian economy, with mining and oil and gas as of December 31, 2021, accounted for approximately 12.3% of the country's GDP according to the BCRP. On several occasions, local communities have opposed these operations and accused them of polluting the environment and hurting agricultural and other traditional economic activities. Since 2019, there have been on-and-off conflicts in Las Bambas between local communities and China Minmetals Corp, resulting in road blockages and halt in operations repeatedly throughout this period, and is still ongoing. We conduct some extraction activities in our quarries and operate in areas close to local communities. Although we have always had very good relationship with our communities, we cannot assure this will continue to be the case in the future. During 2021 and the first months of 2022, there have been social demands by different groups such as agriculture, transportation, mining, which have temporarily caused instability. Further social demands and conflicts may have an effect on the Peruvian economy, and on our business and results of operation.

***International agreements related to climate change may result in an increase in our costs.***

There are ongoing international efforts to address greenhouse emissions. The United Nations and certain international organizations have taken action against activities that may increase the atmospheric concentration of greenhouse gases. Regulatory measures, such as the Kyoto Protocol, aimed at addressing greenhouse gas emissions and climate changes, are in various stages of negotiation and implementation. Such measures may result in increased costs to us for installation of new controls aimed at reducing greenhouse gas emissions, purchase of credits or licenses for atmospheric emissions, and monitoring and registration of greenhouse gas emissions from our operations. These measures, if adopted in Peru, could adversely affect our business, financial condition and results of operations.

***Changes in regulations or in the interpretation of regulations may adversely affect our business, financial condition and results of operations.***

Our business is subject to extensive regulation in Peru, including, among others, relating to tax, environmental, labor, health and safety, and mining matters. We believe that our facilities are currently operating in all material respects in accordance with all applicable concessions, laws and regulations. Future regulatory changes, changes in the interpretation of such regulations or stricter enforcement of such regulations, including changes to our concession agreements, may increase our compliance costs and could potentially require us to alter our operations. We cannot assure you that regulatory changes in the future will not adversely affect our business, financial condition and results of operations.

***Any dispute with the labor unions that represent our employees could have an adverse effect on our business, financial condition and results of operations.***

As of December 31, 2021, 19.7% approximately of our employees were members of employee unions. Although we consider our relations with our employees are currently positive, we cannot assure you that we will not experience work slowdowns, work stoppages, strikes or other labor disputes in the future, which could adversely affect our business, financial condition and results of operations.

***New projects may require the prior approval of local indigenous communities.***

On September 7, 2011, Peru enacted Law No. 29785, regarding the Prior Consultation Right of Local Indigenous Communities, in accordance with the International Labor Organization Convention No. 169 (*Ley del Derecho a la Consulta Previa a los Pueblos Indígenas y Originarios, Reconocido en el Convenio 169 de la Organización Internacional del Trabajo*). This law, which became effective on December 6, 2011, establishes a prior consultation procedure (*procedimiento de consulta previa*) that the Peruvian government must carry out with local indigenous communities, whose rights may be directly affected by new legislative or administrative measures, including the granting of new mining concessions. Local indigenous communities do not have a veto right; upon completion of this prior consultation procedure, the Peruvian government retains the discretion to approve or reject the applicable legislative or administrative measure. However, to the extent that in the future our new projects may require implementation of legislative or administrative measures that impact local indigenous communities, we may not be able to undertake such projects, unless the Peruvian government first conducts the foregoing consultation procedure. We cannot assure you that this law will not adversely affect our new projects and have an adverse effect on our business, financial condition and results of operations.

***The instruments pursuant to which our principal indebtedness was issued contain financial and other covenants, and any default under any of these instruments may have a material adverse effect on our financial condition and cash flows.***

The indenture pursuant to which we issued our 4.50% Senior Notes due 2023 contains restrictions and covenants, including restrictions on our and our guarantor subsidiaries' ability to incur further indebtedness or issue disqualified stock and preferred stock, unless certain conditions are met.

Additionally, in January 2019, two issuances were completed under a local bond program in a total principal amount of S/570 million: One in the aggregate principal amount of S/260 million bearing interest at a rate of 6.68750% with a term of 10 years, and another in an aggregate principal amount of S/310 million bearing interest at a rate of 6.84375% with a term of 15 years. These issuances contain the same restrictions and covenants as our Senior Notes due 2023. And, in 2021, we entered into a "club deal" loan, which also contains restrictive covenants, as well as financial covenants requiring us to meet certain financial ratios tests. Failure to meet or satisfy any of these covenants could result in an event of default under the indenture, the agreements governing our local bonds or our "club deal" loan.

**Risks Relating to our Common Shares and ADSs**

***The market price of our ADSs may fluctuate significantly, and you could lose all or part of your investment.***

Volatility in the market price of our ADSs may prevent you from being able to sell your ADSs at or above the price you paid for them. The market price and liquidity of the market for our ADSs may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include, among others:

- actual or anticipated changes in our results of operations, or failure to meet expectations of financial market analysts and investors;
- investor perceptions of our prospects or our industry;
- operating performance of companies comparable to us and increased competition in our industry;
- new laws or regulations or new interpretations of laws and regulations applicable to our business;
- general economic trends in Peru;
- catastrophic events, such as earthquakes and other natural disasters; and
- developments and perceptions of risks in Peru and in other countries.

***Our controlling shareholder has significant influence over us and his interests could conflict with the interests of other shareholders.***

As of March 31, 2022, our controlling shareholder beneficially owned 50.01% of our outstanding common shares. As a result, our controlling shareholder has the ability to determine the outcome of substantially all matters submitted for a vote to our shareholders and thus exercise control over our business policies and affairs, including, among others, the following:

- the composition of our board of directors and, consequently, any determinations of our board with respect to our business direction and policy, including the appointment and removal of our executive officers;
- determinations with respect to mergers, other business combinations and other transactions, including those that may result in a change of control;
- whether dividends are paid or other distributions are made and the amount of any such dividends or distributions;
- whether we offer preemptive and accretion rights to holders of our common shares in the event of a capital increase;
- sales and dispositions of our assets; and
- the amount of debt financing we incur.

Our controlling shareholder may direct us to take actions that could be contrary to the interests of our other shareholders and may be able to prevent other shareholders from blocking these actions or from causing different actions to be taken. Also, our controlling shareholder may prevent change of control transactions that might otherwise provide the shareholders with an opportunity to dispose of or realize a premium on their investment in our common shares and ADSs. We cannot assure you that our controlling shareholder will act in a manner consistent with our other shareholders' best interests.

***Holders of ADSs may be unable to exercise voting rights with respect to our common shares underlying the ADSs at our shareholders' meetings.***

Holders of ADSs may exercise voting rights with respect to the common shares represented by the ADSs only in accordance with the deposit agreement relating to the ADSs. Holders of our common shares will receive notice of shareholders' meetings through publication of a notice 25 days in advance, pursuant to Peruvian law, in the official gazette in Peru, a Peruvian newspaper of general circulation, the bulletin of the Lima Stock Exchange and the website of the *Superintendencia del Mercado de Valores* (the "Peruvian Securities Commission"), and will be able to exercise their voting rights by either attending the meeting in person or voting by proxy. ADS holders will not receive notice directly from us. Instead, pursuant to the deposit agreement, we will notify the depositary, which will mail to holders of ADSs the notice of the meeting and a statement as to the manner in which voting instructions may be given. To exercise their voting rights, ADS holders must instruct the depositary how to exercise the voting rights for the common shares which underlie their ADSs. Due to these additional procedural steps involving the depositary, the process for exercising voting rights may take longer for ADS holders than for holders of our common shares.

Holders of ADSs also may not receive voting materials in time to instruct the depositary to vote the common shares underlying their ADSs. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions of the holders of ADS or for the manner of carrying out such instructions, unless such failure can be attributable to gross negligence, bad faith or willful misconduct on the part of the depositary or its agents. Accordingly, holders of ADSs may not be able to exercise voting rights, and they will have little, if any, recourse if the underlying common shares are not voted as requested.

***The ability of holders of our ADSs to receive payments of cash dividends may be limited.***

Our shareholders' ability to receive cash dividends may be limited by the ability of the depositary to convert cash dividends paid in soles into U.S. dollars. Under the terms of our deposit agreement with the depositary for the ADSs, the depositary will convert any cash dividend or other cash distribution we pay on the common shares underlying the ADSs into U.S. dollars, if it can do so on a reasonable basis and can transfer the U.S. dollars to the United States. If this conversion is not possible or if any government approval is needed and cannot be obtained, the deposit agreement allows the depositary to distribute the foreign currency only to those ADS holders to whom it is possible to do so. If the exchange rate fluctuates significantly during a time when the depositary cannot convert the foreign currency, holders of ADSs may lose some or all of the value of the dividend distribution.

***Holders of ADSs may be unable to exercise pre-emptive or accretion rights with respect to the common shares underlying their ADSs.***

Under Peruvian corporate law, if we issue new common shares as part of a capital increase, unless otherwise agreed to by holders of 40% of our outstanding common shares, our shareholders will generally have the right to subscribe to a proportional number of common shares of the class held by them to maintain their existing ownership percentage, which is known as preemptive rights. In addition, shareholders are entitled to the right to subscribe for the unsubscribed common shares of either the class held by them or other classes which remain unsubscribed at the end of a preemptive rights offering, on a pro rata basis, which is known as accretion rights. Holders of ADSs may not be able to exercise the preemptive or accretion rights relating to common shares underlying the ADSs unless a registration statement under the U.S. Securities Act of 1933, as amended (the "Securities Act"), is effective with respect to those rights or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement with respect to the common shares relating to these preemptive and accretion rights and we cannot assure you that we will file any such registration statement. Unless we file a registration statement or an exemption from registration is available, holders of ADSs may receive only the net proceeds from the sale of their preemptive and accretion rights by the depositary or, if the preemptive and accretion rights cannot be sold, they will be allowed to lapse. As a result, U.S. holders of our ADSs may suffer dilution of their interest in our company upon future capital increases.

***We are entitled to amend the deposit agreement under which our ADSs were issued, and to change the rights of ADS holders under the terms of such agreement, without the prior consent of the ADS holders.***

We are entitled to amend the deposit agreement and to change the rights of the ADS holders under the terms of such agreement, without the prior consent of the ADS holders. Any change related to an increase in deposits or charges for book-entry securities services or any modification that might hinder the rights of the ADS holders will be effective within 30 days after the ADS holders have received notice of such change or modification and such holders will have no right to any compensation whatsoever.

***Our status as a foreign private issuer allows us to follow alternate standards to the corporate governance standards of the New York Stock Exchange, which may limit the protections afforded to investors.***

We are a "foreign private issuer" within the meaning of the New York Stock Exchange corporate governance standards. Under New York Stock Exchange rules, a foreign private issuer may elect to comply with the practices of its home country and not to comply with certain corporate governance requirements applicable to U.S. companies with securities listed on the exchange. We currently follow certain Peruvian practices concerning corporate governance and intend to continue to do so. Accordingly, holders of our ADSs will not have the same protections afforded to shareholders of companies that are subject to all New York Stock Exchange corporate governance requirements.

For example, the New York Stock Exchange listing standards provide that the board of directors of a U.S. listed company must have a majority of independent directors at the time the company ceases to be a "controlled company." Under Peruvian corporate governance practices, a Peruvian company is not required to have a majority of independent members on its board of directors.

The listing standards for the New York Stock Exchange also require that U.S. listed companies; at the time they cease to be "controlled companies," have a nominating/corporate governance committee and a compensation committee (in addition to an audit committee). Each of these committees must consist solely of independent directors and must have a written charter that addresses certain matters specified in the listing standards. Under Peruvian law, a Peruvian company may, but is not required to, form special governance committees, which may be composed partially or entirely of non-independent directors.