

4Q 2020 EARNINGS REPORT

Lima, Peru, January 25, 2021. Corporación Aceros Arequipa S.A. ("the Company" or "Aceros Arequipa") (BVL: CORAREC1 and CORAREI1) announced its unaudited consolidated financial results corresponding to the Fourth Quarter ("4Q 2020") period ended December 31, 2020. Financial figures are reported on a consolidated and individual basis in nominal Peruvian Soles (S/) and are in accordance with International Financial Reporting Standards ("IFRS"). The following consolidated statements should be read in conjunction with the Financial Statements and Notes, published at the Peruvian Securities and Exchange Commission (*Superintendencia del Mercado de Valores - SMV*).

I. Highlights

- 1 **Revenue** reached S/ 1,063.2 million (+38.5% YoY), mainly due to higher demand.
- 2 **Gross Profit** totaled S/ 243.3million (+77.1% YoY) and **Gross Margin** was 22.9%.
- 3 **EBITDA** was S/ 184.6 million (+69.5% YoY); while **EBITDA Margin** reached 17.4%.
- 4 **CAPEX** was S/ 108.4 million, 46.4 million allocated towards the new melt shop project.
- 5 **Net Profit** reached S/ 100.2 million (+47.6% YoY).
- 6 **Operating Working Capital requirements** reached S/ 416.0 million, mainly due to lower inventories and accounts receivables, and higher accounts payables.
- 7 As of December 31, 2020, **Net Debt / EBITDA** ratio lowered to 1.26x, compared to December 2019, primarily due to higher EBITDA and cash.
- 8 On October 22 and November 26 of 2020 the Board of Directors approved dividend payments of S/32.8 million and S/24.2 million respectively.



Revenue
reached S/ 1,063
million
(+38.5% YoY)

EBITDA was
S/ 184.6 million,
with a 17.4%
margin

Net Profit was
S/ 100.2 million,
and Net Margin
was
9.4%

Net Debt / EBITDA
ratio reached 1.3x
as of December
2020

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Financial Summary

(\$/ million)	4Q 2019	4Q 2020	YoY	FY 2019	FY 2020	YoY
Financial Figures						
Revenue	767.4	1,063.2	38.5%	3,129.1	2,837.6	-9.3%
Gross Profit	137.4	243.3	77.1%	495.3	546.4	10.3%
Operating Profit	79.0	151.5	91.8%	281.3	285.7	15.6%
EBITDA	108.9	184.6	69.5%	393.7	411.0	4.4%
Net Profit	67.9	100.2	47.6%	199.0	184.0	-7.5%
CAPEX ¹	159.4	108.4	-68.0%	525	369	-70.2
Financial Margins						
Gross Margin	17.9%	22.9%	5.0 p.p.	15.8%	19.3%	3.4 p.p.
Operating Margin	10.3%	14.2%	4.0 p.p.	9.0%	10.1%	1.1 p.p.
EBITDA Margin	14.2%	17.4%	3.2 p.p.	12.6%	14.5%	1.9 p.p.
Net Margin	8.8%	9.4%	0.6 p.p.	6.4%	6.5%	0.1 p.p.
Earnings per share ²				0.19	0.17	-7.5%
Other Figures, as of						
	Dec, 2019	Dec, 2020	YTD			
Net Debt ³	773.9	518.4	-33.0%			
Net Debt ³ / LTM ⁴ EBITDA	1.97x	1.26x	0.70x			
<ol style="list-style-type: none"> 1. Includes the new melt shop plant (financed through a capital lease agreement). 2. Earnings per share (EPS) defined as Net Profit LTM / Total Stock at the end of the quarter, excluding treasury stock. Expressed in \$/ per share. 3. Total Financial Debt (includes leases with suppliers) 4. LTM: last twelve months 						

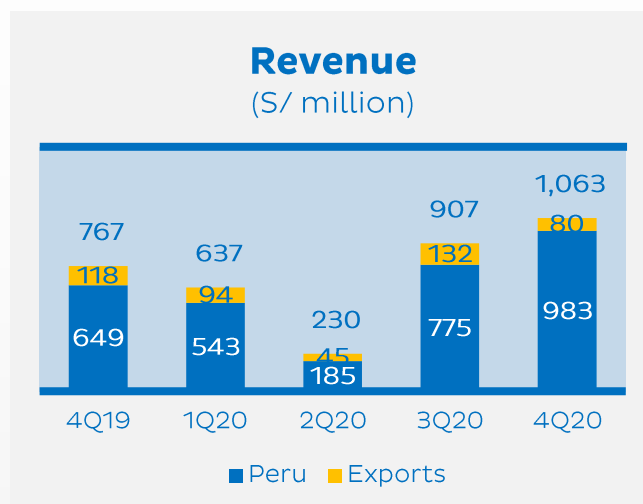
III. Income Statement

Revenue

During 4Q 2020, Revenue reached S/ 1,063.2 million (+38.5% YoY).

Revenue increased due to the increased demand after the lift of the Peruvian lockdown restrictions and higher average selling prices.

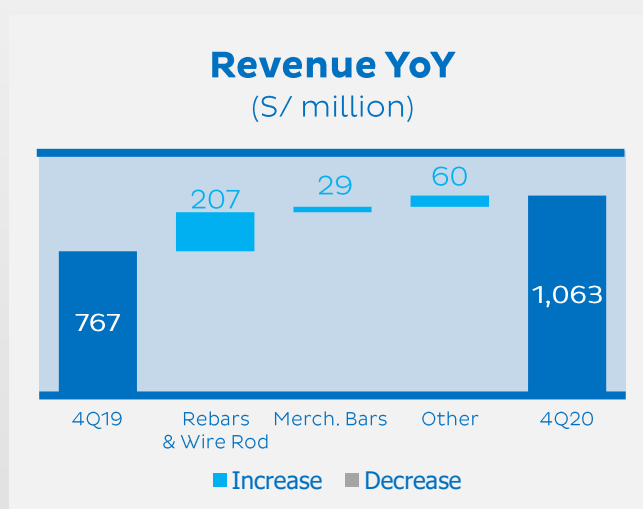
Consequently, Domestic Revenues increased by S/ 334.0 million (51.4%) YoY. On the other hand, Exports decreased by S/ 38.2 million (-32.3%) YoY.



During the quarter, Export Revenue represented 7.5% of Total Revenue; a 7.9 p.p. decrease when compared to 15.4% in 4Q 2019. The decrease in Exports was mainly due to lower volume sold to Bolivia, which remained as the main export market for the Company during the quarter.

On a per-category basis, the “Rebars & Wire Rod” category increased S/ 206.6 million (+40.4%) YoY. This was followed by the “Other” products category, which increased S/ 60.4 million (+33.3%) YoY, and the “Merchant bars” category which increased S/ 28.7million (+38.9%) YoY.

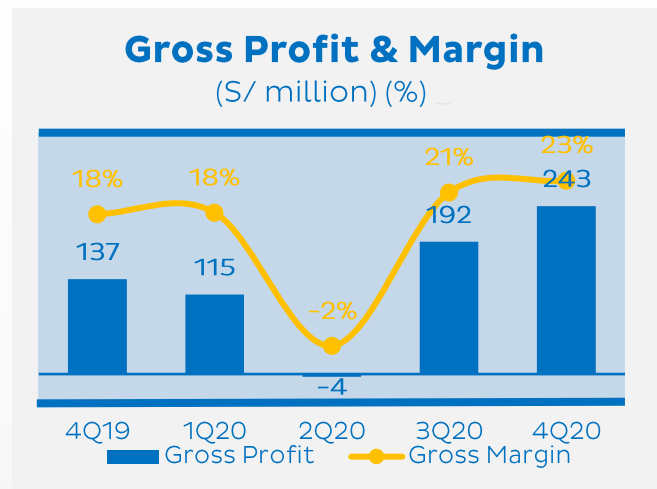
Revenue for FY 2020 reached S/ 2,837.6 million, which represented a S/ 291.5 million or 9.3% reduction versus the same period of 2019.



Gross Profit

Gross Profit reached S/ 243.3 million during 4Q 2020, as Revenue increased due to a boost in sales volume following the lift of the COVID-19 restrictions and an increase in prices of finished products. Gross Margin was also higher and reached 23%.

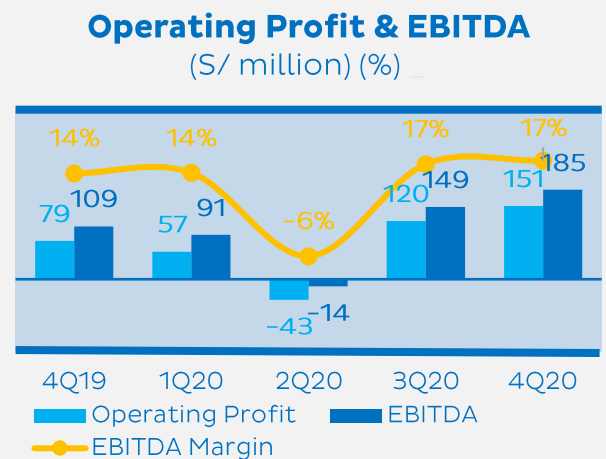
Gross Profit for FY 2020 reached S/546.4 million, a S/ 51.1 million, or 10.3% increase versus the same period of 2019.



Operating Profit & EBITDA

Operating Profit reached S/ 151.5 million during 4Q 2020, a S/ 72.5 million (+91.8%) increase compared to S/ 79.0 million in 4Q 2019. Operating Margin was 14.2%, 4.0 p.p higher versus 4Q 2019.

The S/ 72.5 million increase in Operating Profit was mainly due to a higher Gross Profit which was partially offset by a S/ 26.8 million and S/6.6 million increase in SG&A and Other net expenses, respectively.



SG&A increase was mainly due to higher allowances for doubtful accounts, Personnel Expenses and COVID-19 related expenses. SG&A as a percentage of Revenue reached 7.7%, slightly higher compared to 4Q 2019.

Other Net Operating Expenses rose S/ 6.6 million mainly as a result of higher asset write-offs and COVID related expenses.

Consequently, during 4Q 2020, earnings before interest, taxes, depreciation and amortization (EBITDA) reached S/ 184.6 million, with an increase of S/ 75.7 million or 69.5% YoY, and represented an EBITDA Margin of 17.4%; 3.2 p.p. higher compared to 4Q 2019.

EBITDA for FY 2020 reached S/ 411.0 million, a S/ 17.3 million, or 4.4% increase versus the same period of 2019.

Net Financial Expenses

During 4Q 2020, Net Financial Expenses reached S/ 3.7 million, S/ 0.9 million lower versus 4Q 2019, driven by lower Financial Expenses by S/ 2.8 million. Moreover, Net Financial Expenses for FY 2020 reached S/ 24.1 million, S/ 4.7 million lower, or -16.2% versus the same period of 2019.

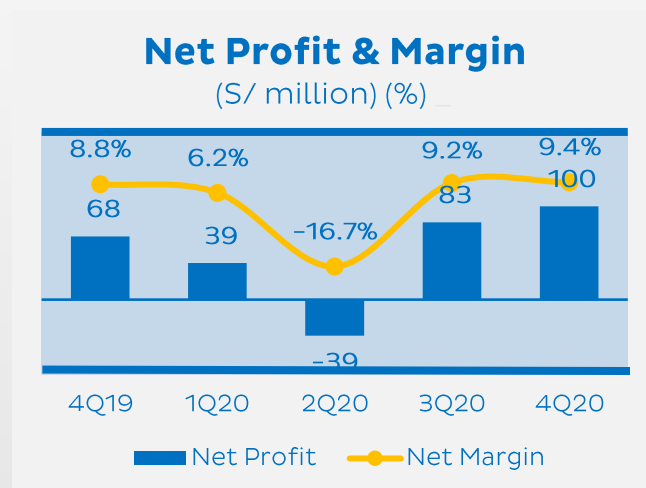
Additionally, during the quarter, the Net Exchange Rate Difference was a negative S/ 1.9 million, which represented a higher expense of S/ 0.6 million YoY.

Net Profit

Net Profit was S/ 100.2 million during 4Q 2020, S/ 32.3 million higher (+47.6%) YoY. Net Margin was 9.4%.

This increase was a result of a higher Gross Profit and lower Net Financial Expenses, and was partially offset by higher SG&A by S/ 26.8 million, and an increase in Income Taxes by S/ 40.0 million.

Earnings per Share, based on the Net Profit for the last twelve months (LTM), reached S/ 0.17 in 4Q 2020, lower than the ratio of S/ 0.19 reported in 4Q 2019 (-7.5%).



IV. Balance Sheet

Assets

As of December 31, 2020, Total Assets reached S/ 4,570.9 million, representing an increase of S/ 406.8 million versus December 31, 2019. Asset increase was driven by Non-Current Assets, which increased by S/ 269.6 million and current assets by S/ 137.2 million.

Current Assets were higher as of December 31, 2020, mainly due to a S/ 255.0 million higher Cash balance or 57.2% YTD. This increase was partially offset by a reduction in:

- i Inventories (-S/ 61.6 million, or -6.6% YTD), driven by higher demand for finished products.
- ii Other accounts receivable (- S/ 40.2 million, or -76.3% YTD).

Days of Sales Outstanding rose to 64.1 days as of December 31, 2020, from 58.6 days as of December 31, 2019. Days of Inventory on Hand slightly increased to 128.5 days as of December 31, 2020 compared to 127.4 days as of December 31, 2019.

Non-Current Assets increase was driven by CAPEX, mainly due to investments in the new melt shop plant, which is currently under construction. Consequently, Net, Property, Plant and Equipment increased by S/ 289.5 million (+15.0%) YTD.

Liabilities

As of December 2020, Total Liabilities reached S/ 2,315.3 million, a S/ 288.3 million or 14.2% increase YoY, driven by higher Non-Current Liabilities by S/ 211.2 million, and an increase in Current Liabilities of S/ 77.1 million.

Current Liabilities increased mainly due to a higher balance of accounts payable mainly explained by steel billet imports, local accounts payable and advance payments from clients. Consequently, Days of Payables Outstanding increased to 128.5 days as of December 2020 from 75.2 days as of December 2019.

As of December 2020, Total Financial Debt (including supplier leases) reached S/ 1,218.9 million, similar to the figure as of December 2019.

Current Financial Debt as of December 31, 2020 was S/ 317.1 million, S/ 233.5 million lower than the figure reported as of December 2019, and of which S/ 250.8 million represented Working Capital Financing.

Non-Current Financial Debt was S/ 901.9 million, S/ 233.1 million higher than the figure reported at December 2019, mainly explained by the financial lease for the new melt shop.

As of December 2020, 54.2% of Total Debt was denominated in Soles, while 44.0% was denominated in U.S. Dollars and the remaining 1.8% in Bolivianos.

Net Debt to EBITDA ratio was 1.26x as of December 2020, a decrease of 0.70x compared to December 2019, as Net Financial Debt decreased by S/ 255.5 million and EBITDA for the Full Year was S/ 17.3 million higher.

Shareholders' Equity

At the close of December 2020, Shareholders' Equity reached S/ 2,255.6 million, an increase of S/ 118.5 million compared to the figure as of December 2019.

V. Cash Flow Statement

Cash Flow from Operations

As of December 31, 2020, Cash Flow from Operations was S/ 734.8 million, mainly explained by the increases in EBITDA and accounts payable, and the decrease in inventory and accounts receivables.

Cash Flow from Investing

As of December 31, 2020, Cash Flow from Investing was -S/ 131.4 million, mainly due to investments in Property, Plant and Equipment of S/ 171.8 million and in Intangibles of S/ 2.4 million. These were partly offset by S/ 33.7 million in asset sales and S/ 8.3 million in interests received.

These figures do not consider S/ 194.5 million related to the new melt shop plant, which is financed through a capital lease agreement.

Cash Flow from Financing

As of December 31, 2020, Cash Flow from Financing was -S/ 348.4 million; which included interest payments of S/ 32.4 million and dividend payments of S/ 74.9 million.

These figures do not consider the capital leasing agreement for the new melt shop plant.

VI. Relevant Events during 4Q 2020

1. During the quarter, the Company invested S/ 46.4 million as part of the construction of its upcoming new melt shop facility, which will have capacity of over 1.25 million tons of liquid steel. In January 2020, the Board of Directors approved an increase of total investment from US\$ 180 million to US\$ 208 million. Works are expected to be completed during 2Q 2021.
2. Since November 23, 2020, Corporación Aceros Arequipa has been included as an index component of the Dow Jones Sustainability Indices (DJSI) in the MILA Pacific Alliance category, which is comprised of 62 firms from the Mila Pacific Alliance region (Mexico, Chile, Colombia, and Peru).
3. During the quarter, the Board approved a total of S/ 56.9 million of dividend payments, completing a total payment of S/ 74.9 million during 2020.

Conference Call Information

Corporacion Aceros Arequipa S.A. cordially invites you to participate in its Fourth Quarter 2020 Earnings Conference Call

Date: Tuesday, January 26, 2020

Time: 12:00 pm ET / 12:00 pm Lima Time

To access the live presentation via Zoom, visit the following URL:

<https://tinyurl.com/y3aa4ww9>

About CORPORACIÓN ACEROS AREQUIPA S.A.

CORPORACIÓN ACEROS AREQUIPA S.A., founded in 1964, is the leading Peruvian Company in production and commercialization of steel products, with exports to Bolivia and other countries in the region. Its core products are rebars and wire rod and other products for the construction industry as well as merchant bars & profiles and flat steel products. The Company has an industrial facility located in Pisco, Peru with an average per-year capacity of 850 thousand tons for its melt shop and 1,250 thousand tons in steel rolling mill. Aceros Arequipa employs over 1,100 people across its operations in Peru and subsidiaries. The Company's common and investment (non-voting) shares are listed on the Lima Stock Exchange under the ticker symbols CORAREC1 and CORAREI1, respectively. Currently, Aceros Arequipa has a stake in the following companies:

• Transportes Barcino:	99.92%
• Comercial del Acero:	99.99%
• Inmobiliaria Comercial del Acero Cajamarquilla:	33.65%
• Inmobiliaria Comercial del Acero Argentina:	33.65%
• Aceros del Altiplano:	99.00%
• Aceros Arequipa Iquitos:	99.90%
• Tecnología y Soluciones Constructivas:	99.90%
• Acero Instalado:	99.90%
• Aceros America (Chile)	100.00%
• Aceros America (Colombia)	100.00%
• Celepsa:	10.00%

Disclaimer

This Earnings Report may contain forward-looking statements concerning management's current expectations for future operating and financial performance, based on assumptions currently believed to be valid and recent acquisitions, its financial and business impact, management's beliefs and objectives with respect thereto. Forward-looking statements are all statements other than statements of historical facts. The words "anticipates," "may," "can," "plans," "believes," "estimates," "expects," "projects," "intends," "likely," "will," "should," "to be," and any similar expressions or other words of similar meaning are intended to identify those assertions as forward-looking statements. It is uncertain whether the events anticipated will transpire, or if they do occur what impact they will have on the results of operations and financial condition of Aceros Arequipa whether individually or as a consolidated Company. Aceros Arequipa does not undertake any obligation to update the forward-looking statements included in this Earnings Report to reflect subsequent events or circumstances.

III. Unaudited Financial Statements

Corporación Aceros Arequipa S.A.	Consolidated Financial Statement of Financial Position (in thousands of Peruvian Soles)		
	Notes	December 31, 2020	December 31, 2019
Assets			
Current Assets			
Cash and Cash Equivalents	5	700,534	445,501
Accounts Receivable	6	475,920	481,260
Accounts Receivable from related parties	7	29,726	28,364
Other Accounts Receivable	8 & 10	18,236	59,941
Inventories	9	870,411	931,970
Deferred Income tax Assets		0	0
Assets classified as held for sale	1	0	10,597
Total Current Assets		2,094,827	1,957,633
Non-Current Assets			
Other financial assets	13	30,121	30,869
Investments in subsidiaries, affiliates or joint ventures	11	114,323	112,796
Accounts Receivable from related parties	7	4,197	4,197
Other Accounts Receivable	8	13,589	13,591
Property, Plant and Equipment, Net	12	2,218,884	1,929,401
Intangible Assets, Net	14	59,281	79,557
Other non-financial assets	15	35,641	36,024
Total Non-Current Assets		2,476,038	2,206,435
TOTAL ASSETS		4,570,865	4,164,068
Liabilities and Shareholders' Equity			
Current Liabilities			
Other Financial Liabilities	16	317,084	550,591
Accounts Payable	17	790,334	531,581
Accounts Payable to related parties	7	27,419	18,578
Other Accounts Payable	18	122,454	98,958
Current Income Tax	19	38,107	18,587
Total Current Liabilities		1,295,398	1,218,295
Non-Current Liabilities			
Other Financial Liabilities	16	901,863	668,811
Accounts Payable		0	0
Other Accounts Payable	17	6,891	6,754
Deferred Income Tax Liabilities	19	111,125	133,139
Total Non-Current Liabilities		1,019,879	808,704
Total Liabilities		2,315,277	2,026,999
Shareholders' Equity			
Share Capital	20	890,858	890,858
Investment Shares	20	182,408	190,052
Treasury Shares	20	0	-7,644
Other Capital Reserves	20	178,261	178,261
Retained Earnings	20	774,017	667,530
Other Shareholders' Equity Reserves	20	230,012	218,012
Total Shareholders' Equity		2,255,588	2,137,069
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,570,865	4,164,068

Corporación Aceros Arequipa S.A.

Consolidated Financial Statement of Comprehensive Income (in thousands of Peruvian Soles)

	Notes	4Q 2020	4Q 2019	FY2020	FY2019
Revenue	21	1,063,161	767,356	2,837,638	3,129,144
Cost of Goods Sold	22	-819,909	-629,973	-2,291,277	-2,633,855
Gross Profit (Loss)		243,252	137,383	546,361	495,289
Selling and Distribution Expenses	23	-45,292	-30,565	-127,649	-113,820
Administrative Expenses	24	-36,363	-24,262	-93,296	-86,007
Other Operating Income	26	2,467	57,901	8,214	66,018
Other Operating Expenses	26	-12,596	-61,475	-47,936	-80,185
Other Income (Expenses)		0	0	0	0
Operating Profit (Loss)		151,468	78,982	285,694	281,295
Financial Income	27	2,105	3,942	8,250	12,537
Financial Expenses	27	-5,803	-8,587	-32,380	-41,343
Other income (Expenses) from subsidiaries, affiliated and joint ventures	11	814	1,338	2,397	4,953
Exchange Rate Differences, Net	31	-1,890	-1,294	-5,338	1,022
Profit (Loss) before taxes		146,694	74,401	258,533	258,464
Income Tax Expense	19	-46,492	-6,533	-74,513	-59,473
Profit (Loss) from Discontinued Operations		0	0	0	0
Net Profit (Loss)		100,202	67,868	184,020	198,991
Earnings Per Share					
Basic in Continued Operations of Common Stock		0.17	0.19	0.17	0.19
Basic in Discontinued Operations of Common Stock		0.00	0.00	0.00	0.00
Total Earnings Per Share of Common Stock		0.17	0.19	0.17	0.19
Basic in Continued Operations of Investment Stock (Non-voting)		0.17	0.19	0.17	0.19
Basic in Discontinued Operations of Investment Stock (Non-voting)		0.00	0.00	0.00	0.00
Total Earnings Per Share of Investment Stock (Non-Voting)		0.17	0.19	0.17	0.19

Corporación Aceros Arequipa S.A.

Consolidated Financial Statement of Cash Flow – Direct Method (in thousands of Peruvian Soles)

	Notes	Jan 01 – Dec 31 2020	Jan 01 – Dec 31 2019
Cash Flow from Operating Activities			
Collections due to Operating Activities			
Sales of Goods and Services Offered		2,974,847	3,121,398
Other Operating Collections		28,767	31,727
Payments due to Operating Activities			
Suppliers of Goods and Services		-1,967,710	-2,193,357
Payments and payments on account to employees		-212,359	-216,660
Income Tax		-88,747	-102,114
Net Cash Generated by Operating Activities		734,798	640,994
Cash Flow from Investing Activities			
Collections due to Investing Activities			
Sale of Property, Plant and Equipment	26	33,730	27,439
Interests Received	27	8,250	12,537
Dividends Received		811	339
Payments due to Investing Activities			
Gain of Control of Subsidiaries or Other Businesses		0	0
Purchase of Subsidiaries, Net of Cash Acquired		0	0
Purchase of Property, Plant and Equipment	12	-171,792	-177,322
Purchase of Intangible Assets	14	-2,391	-5,391
Purchase of Other Long-Term Assets		0	0
Net Cash Generated by Investing Activities		-131,392	-142,405
Cash Flow from Financing Activities			
Collections due to Financing Activities			
Short term and long-term loans		2,050,429	2,024,210
Payments due to Financing Activities			
Short term and long-term loans amortization		-2,291,502	-2,203,040
Interests paid	27	-32,380	-41,343
Dividends paid		-74,920	-70,564
Net Cash Generated by Financing Activities		-348,373	-290,737
Net Increase (Reduction) of Cash and Equivalents before Exchange Rate Changes		255,033	207,852
Effects of Exchange Rate Changes on the balance of Cash Held in Foreign Currencies		0	-7,116
Net Increase (Reduction) of Cash and Equivalents		255,033	200,736
Cash and Cash Equivalents at the beginning of the year		445,501	244,765
Cash and Cash Equivalents at the end of the period	5	700,534	445,501