TECHNOLOGICAL INNOVATION
FOCUSED ON RESULTS

2019 ANNUAL REPORT

ACEROS AREQUIPA

TECHNOLOGICAL INNOVATION FOCUSED ON RESULTS

Committed to clean production, our plants have the most high-end technology as well as strict quality control throughout the entire production process.

MISSION

OFFER STEEL SOLUTIONS TO OUR CUSTOMERS BASED ON INNOVATION, CONTINUOUS IMPROVEMENT, AND HUMAN TALENT DEVELOPMENT, CONTRIBUTING TO THE COUNTRY'S GROWTH AND INCREASING VALUE FOR OUR SHAREHOLDERS.

VISION

LEADERS IN THE PERUVIAN STEEL MARKET, RANKED AMONG THE MOST PROFITABLE IN THE REGION WITH AN ACTIVE PRESENCE IN THE INTERNATIONAL MARKET.

STATEMENT

THIS DOCUMENT CONTAINS TRUE AND SUFFICIENT INFORMATION WITH REGARD TO THE BUSINESS PERFORMANCE OF ACEROS AREQUIPA S.A. DURING 2019. WITHOUT PREJUDICE TO THE ISSUER'S LIABILITY, WE, THE UNDERSIGNED PARTIES, DO HEREBY ASSUME RESPONSIBILITY FOR THE CONTENT HEREOF IN ACCORDANCE WITH THE LAWS IN FORCE.

June 2020

RICARDO CILLÓNIZ CHAMPÍN
Chairman

TULIO SILGADO CONSIGLIERI
CEO

RICARDO GUZMÁN VALENZUELA
CFO

DIEGO HERNÁNDEZ SIGUAS
Accounting Manager

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C.01—
PRESENTATION

CUSTOMER-FOCUSED INNOVATION

Our sales representatives and clients have online visibility of their purchase orders.

LETTER TO OUR SHAREHOLDERS

IN 2019 THE PERUVIAN ECONOMY GREW BY

2.16%

RICARDO CILLÓNIZ CHAMPÍN
Chairman

DEAR SHAREHOLDERS,

The Board of Directors, along with the Chairman, Company´s CEO and its senior executives, are firmly committed to ensuring the sustainability of Corporación Aceros Arequipa S.A., creating economic value for all shareholders, placing value on our team members, and working in harmony with our suppliers and the community within the framework of ethics and transparency established by the Company, all with a view to supporting and contributing to Peru's development.

In compliance with the corporate bylaws, the Board of Directors hereby presents for your consideration the individual financial statements of Corporación Aceros Arequipa S.A. (hereinafter, the "Company"), comprising the statement of financial position and the statements of profit and loss, changes in net equity and cash flows, aligned with International Financial Reporting Standards (IFRS) for Fiscal Year 2019, audited by our external auditors, Messrs. Paredes, Burga &

LETTER TO OUR SHAREHOLDERS

Asociados S. Civil de R.L., a member firm of EY International.

In 2019, the Peruvian economy grew by 2.16%, the lowest growth rate in the last ten years, against a difficult economic backdrop exacerbated by trade conflicts among the world's leading economies. Despite social unrest in several Latin American countries and the closure of the Peruvian congress, Peru was able to maintain its favorable business environment, earning recognition as one of the least risky countries in the region.

2019 IMPORTS TO PERU

US$ 41.074 billion

2019 EXPORTS FROM PERU

US$ 47.688 billion

In economic terms, local cement dispatches rose by 4.3%. Public and private investment varied by -2.1% and 4%, respectively, compared to 2018. The significant growth in mining investment in 2019 was driven by three mining mega-projects: the construction of Mina Justa and Quellaveco, and the expansion of Toromocho. Counting the present fiscal year, the country has now registered twenty-one consecutive years of growth.

Imports to Peru in 2019 totaled US$ 41.074 billion, 2% lower than 2018. Meanwhile, exports during the same period totaled US$ 47.688 billion, falling by 3% compared to fiscal year 2018. Consequently, Peru reported a positive trade balance of US$ 6.614 billion.

The Sol appreciated by 1.9% against the US dollar, with an exchange rate of S/ 3.31 at the close of the fiscal year. Cumulative inflation during 2019, measured based on the variation in the Metropolitan Lima Consumer Price Index, was 2%, which is within the target range established by the Peruvian Central Reserve Bank.

> AGAINST A DIFFICULT ECONOMIC BACKDROP PERU WAS ABLE TO MAINTAIN ITS FAVORABLE BUSINESS ENVIRONMENT, EARNING RECOGNITION AS ONE OF THE LEAST RISKY COUNTRIES IN THE REGION.

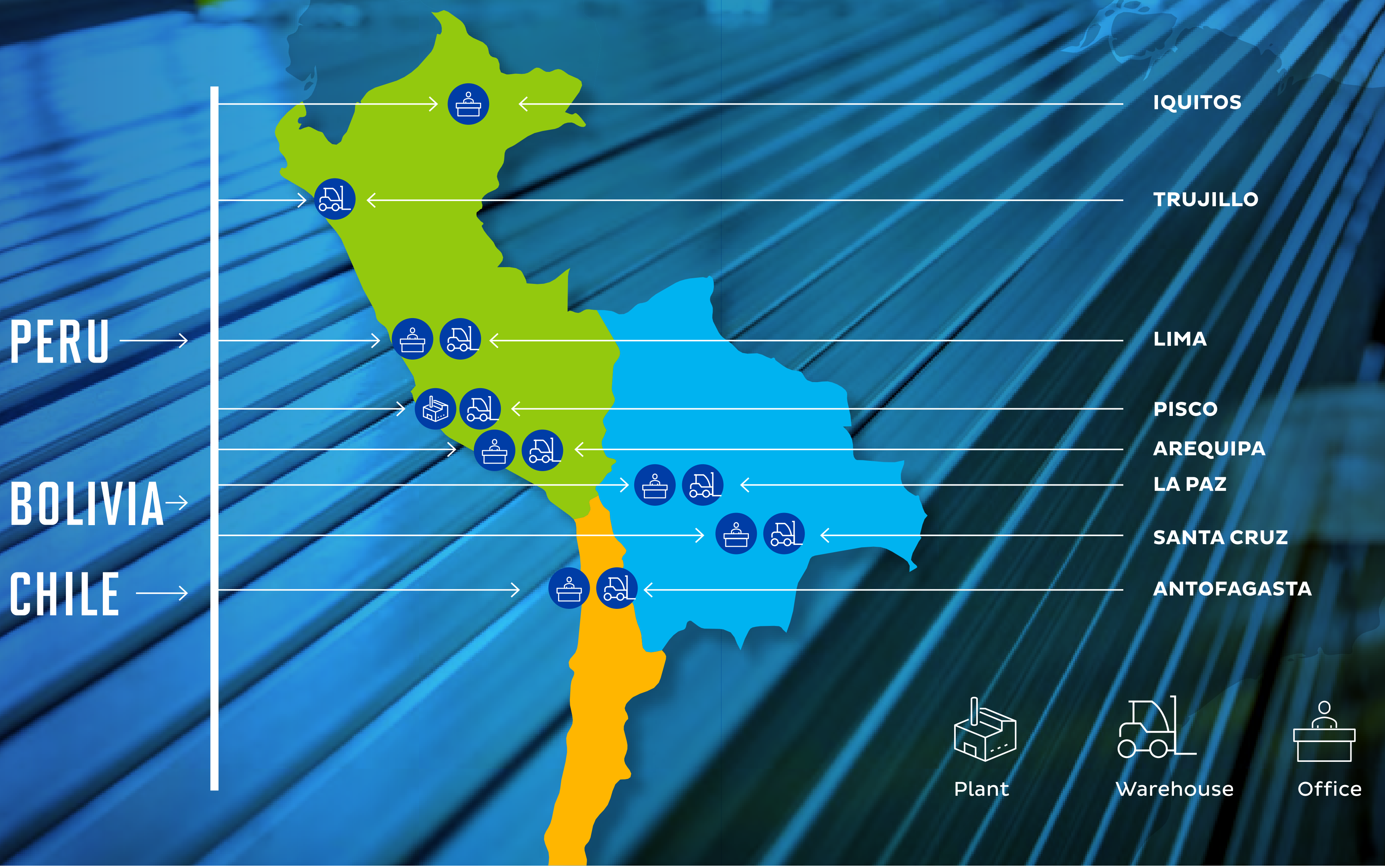
LETTER TO SHAREHOLDERS

The apparent steel market totaled 3,085,000 MT in 2019, which is 2% lower than that registered for the previous year. In 2019, third-party imports accounted for 46% of the apparent market.

Last but not least, we would like to thank all of the Company's team members for the hard work and cooperation exhibited throughout the fiscal year 2019, as well as the commitment shown so far in 2020 to overcome this unusual challenge we face as a result of the COVID-19 pandemic.

RICARDO CILLÓNIZ CHAMPÍN
Chairman

OUR LOCATIONS



GROWTH WITHOUT BORDERS

USA
PUERTO RICO
PANAMA
COLOMBIA
ECUADOR
PERU
CHILE
BRASIL
BOLIVIA
ARGENTINA

> "OUR PRODUCTS MEET INTERNATIONAL QUALITY STANDARDS."

SUBSIDIARIES AND AFFILIATES

CORPORACIÓN ACEROS AREQUIPA S. A.

100%	99.90%	99.90%	99.00%	99.99%	33.65%	33.65%	99.90%	99.92%	10.00%
ACEROS AMERICA SPA	ACERO INSTALADO	ACEROS AREQUIPA IQUITOS	ACEROS DEL ALTIPLANO	COMERCIAL DEL ACERO S.A.	INMOBILIARIA COMERCIAL DEL ACERO ARGENTINA S.A.	INMOBILIARIA COMERCIAL DEL ACERO CAJAMARQUILLA S.A.	TSC innovation	TRANSPORTES BARCINO S.A.	celepsa

SUBSIDIARIES AND AFFILIATES

COMERCIAL DEL ACERO S.A. (COMASA)

In September 2018, the Company acquired a 66.35% stake in Comasa for the amount of S/ 84.6 million. With this purchase, the Company increased its shareholding stake to 100% of the capital stock. The acquisition was made with the Company's own resources, which it had set aside for such purpose. As a result of this transaction, the Company has increased its sheets & coils and tubes market share and entered into the beams market.

99.99%

TECNOLOGÍA Y SOLUCIONES CONSTRUCTIVAS S.A.C. (TSC INNOVATION)

In November 2018, the Company established a new subsidiary focused on value-added services for construction, providing detailed engineering, virtual design, and building information Modeling (BIM) construction services.

99.90%

CORPORACIÓN ACEROS DEL ALTIPLANO S.R.L.

Corporación Aceros del Altiplano S.R.L.: In 2016, the Company established a new subsidiary in Santa Cruz, Bolivia, to optimize customer service and increase its market share in that country, as well as to supply scrap metal.

99.00%

TRANSPORTES BARCINO S.A.

This company has several years of experience in the freight transport services branch, mainly providing services to the Company.

99.92%

SUBSIDIARIES AND AFFILIATES

ACERO INSTALADO S.A.C

Company incorporated in May 2019 to provide installation services for the construction industry.

99.90%

ACEROS AMÉRICA SPA

Subsidiary established in November 2019 in Chile to provide raw materials to Corporación Aceros Arequipa S.A.

100.00%

COMPAÑÍA ELÉCTRICA EL PLATANAL S.A. (CELEPSA)

Our Company has a 10% stake in the capital stock of CELEPSA, the company that operates the El Platanal hydroelectric plant, with a capacity of 222 MW of power, in the Cañete River Basin. In 2019, Celepsa accounted for 2.2% of national production in the Peruvian National Grid System (SEIN), and 4% of hydroelectric generation.

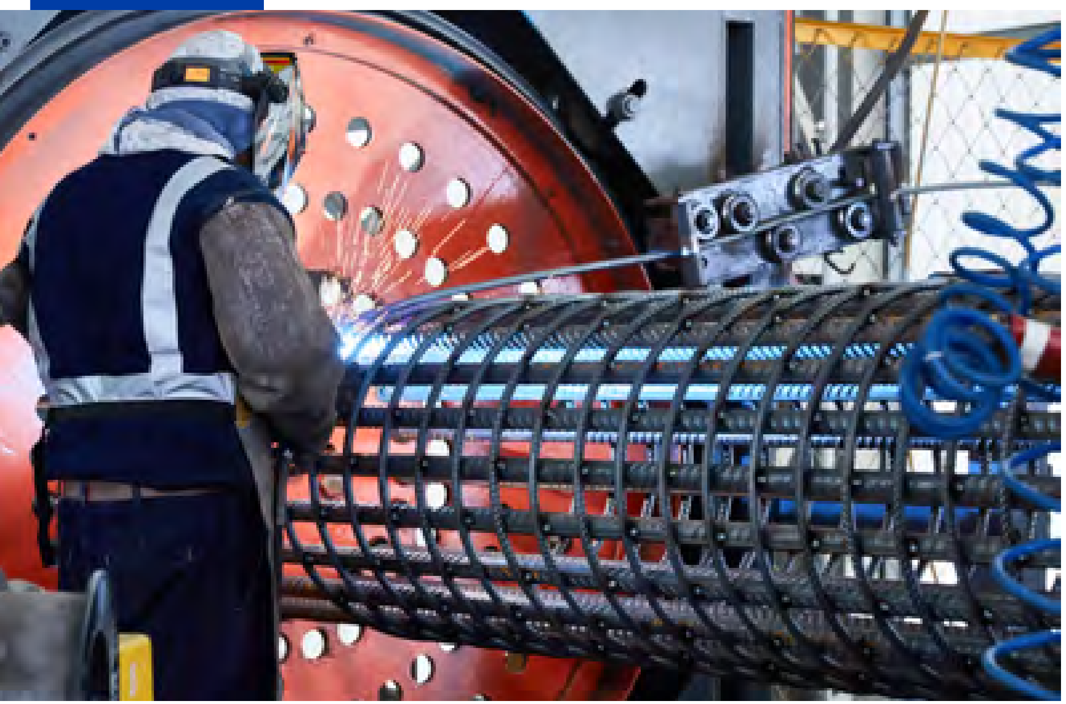
Celepsa has two subsidiaries: (i) Celepsa Renovables S.R.L. (formerly Hidro Marañón SRL), the company that operates the Marañón Hydroelectric Plant, with a capacity of 19.92 MW of power, in the Marañón River Basin in Huánuco, and performs research and development for new renewable energy resource generators; and (ii) Ambiental Andina S.A., which provides meteorology and hydrology services, in which Celepsa holds a 50% stake.

Celepsa is also the promoter of the first private trust, recognized by the National Service for Protected Natural Areas (SERNANP), for the conservation of a protected natural area.

10.00%

SECTOR DESCRIPTION

Corporación Aceros Arequipa S. A. is one of the two steel producers in the country. These producers, together with independent importers, supply the domestic market with long products, such as rebar, merchant bars; as well as flat products such as sheets & coils and tubes and corrugated sheets.



It is estimated that global steel production rose by 3.0%, to a total of 1.87 billion MT.

During the present fiscal year, international prices fell for both long and flat products. The average rebar price for export FOB Turkey was 16% lower than the average price for 2018. For its part, the average hot-rolled coil price for export FOB China in 2019 was 13% lower than the average price for 2018.

During 2019, consumption of long products in the domestic market rose by 4.0% over the previous year, while for sheets & coils and tubes, this figure was 14% lower.

1.87 billion MT
GLOBAL STEEL PRODUCTION

3.0%
RISE IN GLOBAL STEEL PRODUCTION

4.0%
RISE IN DOMESTIC MARKET CONSUMPTION OF LONG PRODUCTS

INDUSTRIAL PROCESS

During fiscal year 2019, the production level came to 990,090 MT of finished product, thus maintaining the production level from the previous year.

The year's production plan was covered with the operations of the two rolling mills at the Pisco Plant, meeting demand for the domestic and export markets. Rolling Mill 1 underwent a scheduled stop in November as part of the activities for the Upgrading of Rolling Mill 1.

990,090 MT

OF FINISHED PRODUCT

Additionally, both rolling lines continued to undergo significant improvements thanks to the optimization of the manufacturing process for the different product families. As a result, 83% of the rolling mills' installed capacity was used.

The performance of the tube plant located in the Company's warehouses in El Callao was also gradually optimized.

Generally speaking, production work proceeded with no major setbacks over the course of the year, in keeping with the production plan.

C.02 —
GOOD PRACTICES

HIGH-END TECHNOLOGY IN THE ROLLING MILL Nº2

Rolling Mill control booth where the industrial production line is managed and monitored.

CAASA 2019

Committed to our natural resources and the environment

COMMITTED TO CLEAN PRODUCTION AND INVESTMENT PROJECTS, WE REAPPOINT INDUSTRIAL WASTE AND ARE ONE OF THE FEW COMPANIES IN THE COUNTRY TO CARRY OUT CO-PROCESSING. OUR HIGH-END TECHNOLOGY ALLOWS US TO MAINTAIN SUSTAINABLE GROWTH.

Committed to development

THE CONSTRUCTION WORKS ARE UNDERWAY FOR THE NEW MELT SHOP IN THE CITY OF PISCO, WHICH WILL COUNT WITH A PRODUCTION CAPACITY OF 1'250,000MT OF BILLETS PER YEAR.

Committed to excellence

IN THE YEAR 2019 WE OBTAINED THE RE-CERTIFICATION OF OUR INTEGRATED MANAGEMENT SYSTEM WITH THE ISO 9001, ISO 1400 AND THE 45001 CERTIFICATION.

Committed to our customers

WE ARE PERMANENTLY SEEKING TO IMPROVE THE LEVEL OF OUR CUSTOMER SERVICE. EMPLOYING INFORMATION TECHNOLOGY FOR ORDER REQUESTS AND DISPATCH CONTROLS.

Committed to the community

WE CONTINUE THE DEVELOPMENT OF SOCIAL PROGRAMS IN ACCORDANCE TO OUR PILLARS OF ACTION: EDUCATION, HEALTH PREVENTION, AND THE ENVIRONMENT.

QUALITY MANAGEMENT

In 2019, the Company successfully recertified its integrated management system under ISO 9001 and ISO 14001 standards, as well as obtaining ISO 45001 certification, thus bolstering its processes and management practices.

Also during 2019, products for export were subject to Asociación Brasilera de Normas Técnicas (ABNT) and Instituto Colombiano de Normas Técnicas (ICONTEC) certification requirements for export to Brazil and Colombia, respectively.

IN 2019, THE COMPANY SUCCESSFULLY RECERTIFIED ITS INTEGRATED MANAGEMENT SYSTEM UNDER ISO 9001 AND ISO 14001 STANDARDS, AS WELL AS OBTAINING ISO 45001 CERTIFICATION

QUALITY MANAGEMENT

Quality is a key aspect for the Company. In view of this, its laboratories are accredited under the NTP-ISO/IEC 17025 standard by the National Institute of Quality (INACAL), thus demonstrating the Company's rigor in obtaining reliable and technically competent test results.

Our "5'S" improvement program has enabled us to streamline the operational controls of our tri-standard integrated system with self-management in each area and the use of integrated inspections, as well as the establishment of terms and conditions for the continuous improvement of our processes.

In 2019, fourteen (14) continuous improvement projects were implemented. The successful implementation of these projects was presented at the 27th Company Conference, where recognition is given to outstanding achievements in our quality programs.

IN 2019
14
projects
OF CONTINUOUS IMPROVEMENT WERE IMPLEMENTED

WE WON
first
place
WITH THE RECOGNITION OF IMPROVEMENT PROJECT MANAGEMENT IN THE "PRODUCTION" CATEGORY

Two of the continuous improvement projects also took part in business competitions, garnering significant recognition and important awards. During the "Quality Week" organized by the Peruvian National Association of Industries (SNI), we won first place with the Recognition of Improvement Project Management in the "Production" category. We also took home the Silver Medal in the "2019 Leaders in Excellence Team Competition" organized by the Quality Institute of the Pontificia Universidad Católica del Perú, in collaboration with the American Society for Quality (ASQ).

Thanks to the experience and creativity of our team members, we are able to develop innovative ideas, year after year, to improve the quality of our products and achieve more efficient and environmentally friendly processes.

ENVIRONMENT

In 2019, as part of our commitment to sustainable development, the Company maintained its objective of preventing, controlling, and mitigating the environmental impacts of its operations, through responsible environmental management in compliance with the environmental laws in force.

With the goal of registering "zero waste" disposed of, we innovated in the use of industrial byproducts. In 2019, work was done for the recovery and commercialization of scale and other waste of relevant value. One example of this is the use of waste from the shredder in the manufacture of over 3,000 MT of briquettes, which were used as an alternative fuel in the rotary furnaces. This makes the Company one of the few corporations in Peru to engage in coprocessing. On the other hand, it used over 3,500 MT of eco-gravel (slag) in the production of concrete and over 35,000 MT of eco-gravel for road construction, entirely replacing conventional aggregates and reducing costs.

The Company also has an environmental awareness program for schools in its local communities, which seek to raise greater environmental awareness among children in the Company's area of influence starting at an early age. In 2019, the second sustainability marathon was organized, successfully recovering 8.9 MT of recyclable waste and implementing the 5S methodology in five schools in the province of Pisco.
As part of our commitment to clean production, investment projects for plant infrastructure and production processes use cutting-edge technology that helps guarantee sustainable growth. Important projects such as the "New Melt Shop" and the "Upgrading of Rolling Mill 1" will enable the Company to reduce and optimize water and electricity consumption. Additionally, as part of this same commitment and the Company's environmental protection policy, it is building a fume treatment plant in the New Melt Shop to continue reducing atmospheric emissions, even below internationally accepted levels.

The Company remains committed to its objective of continuing to grow responsibly by increasing our corporate ecoefficiency.

SOCIAL RESPONSIBILITY

We have a Social Responsibility Policy aimed at creating a socially responsible culture and leadership in our corporation and its subsidiaries.

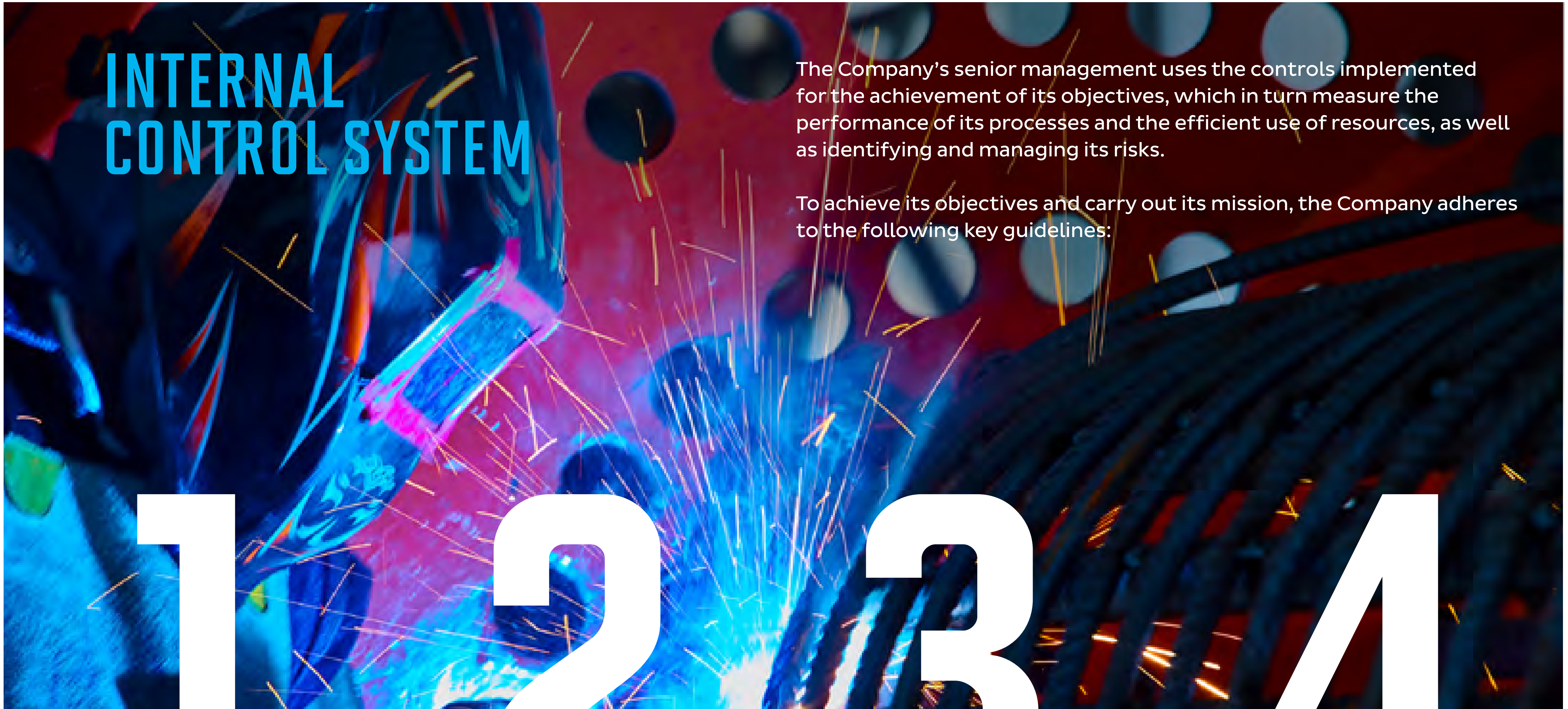
Within this framework, we have carried out socioenvironmental development programs in the areas of influence of our operations, and we promote work sharing by fostering strategic alliances between the community, the government, the private sector, and social organizations, with the goal of generating processes of social change in the preservation of the environment and natural resources. In keeping with these efforts, we have continued to develop social programs aligned with our lines of action (education, preventative health care, and the environment).

SOCIAL RESPONSIBILITY

As part of our convictions regarding the importance of the fight against corruption in both the public and private sectors in Peru, we have bolstered our Anticorruption Program with more awareness raising activities for our team members, clarifying the role we must play with our stakeholders and prohibiting unethical conduct in our relationships.

We also improved our standing in Merco's "Responsibility and Corporate Governance" rankings, jumping from 45th place to 29th.

As evidence of the work we have done, we continued to emphasize transparency in the preparation and presentation of our annual Sustainability Report in compliance with the Global Reporting Initiative (GRI) standard. In this report, we describe our opportunities for improvement and the progress we have made on those topics that are most relevant for our corporation.



INTERNAL CONTROL SYSTEM

The Company's senior management uses the controls implemented for the achievement of its objectives, which in turn measure the performance of its processes and the efficient use of resources, as well as identifying and managing its risks.

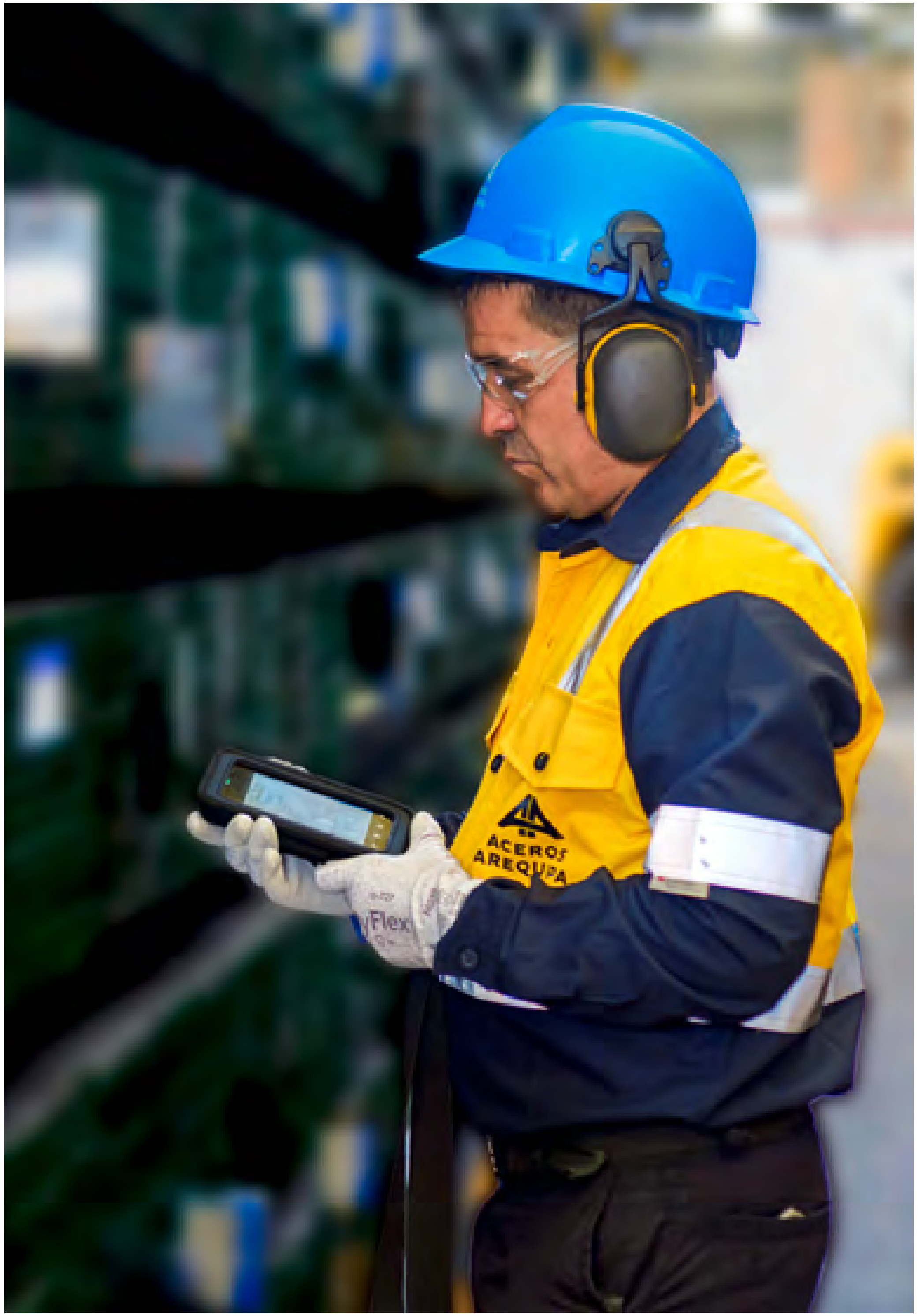
To achieve its objectives and carry out its mission, the Company adheres to the following key guidelines:

1. HAVE A CLEAR AND DEFINED STRATEGY
2. SUPPORT ITS PROCESSES WITH AN ORGANIZATIONAL STRUCTURE ALIGNED WITH ITS STRATEGY
3. PROPOSE ITS BUDGET, MONITOR COMPLIANCE, AND MEASURE OUTCOMES
4. ENSURE THE PARTICIPATION AND COMMITMENT OF ITS TEAM MEMBERS

BUSINESS ETHICS MANAGEMENT

For the Company and its subsidiaries, ethics and the fight against fraud and corruption are key components of its organizational culture and fundamental pillars of its relations with its stakeholders, guiding its actions in the markets where it engages in its activities. With over five decades doing business in Peru, the Company is known for maintaining the highest standards of transparency, ethical behavior, and compliance with the law, as well as having a zero tolerance policy toward fraud and corruption.

THE COMPANY HAS MADE AVAILABLE TO ITS COLLABORATORS, CLIENTS, AND SUPPLIERS A COMPLAINT CHANNEL CALLED ACEROS AREQUIPA ETHICS LINE.



BUSINESS ETHICS MANAGEMENT

CONFLICT OF INTEREST MANAGEMENT

All board members, managers, and team members are responsible for reporting situations that represent conflicts of interest and refraining from participating in any issues related thereto. They are also obligated to act with due diligence and report any situations involving conflicts of interest to the persons or offices indicated in the Code of Ethics. The Code of Ethics contains all the necessary information on conflicts of interest and their definition.

ACEROS AREQUIPA ETHICS HOTLINE

The Company provides its team members, clients, and suppliers with a channel for filing grievances and complaints called the Aceros Arequipa Ethics Hotline. The purpose of this channel is to prevent, detect, investigate, and remedy any event involving fraud or corruption, illegal acts, or any inappropriate conduct that runs counter to the Code of Ethics and harms the Company and its subsidiaries. To guarantee the reporting party's anonymity, the confidentiality of all information, and the proper handling of reports and investigations, the Aceros Arequipa Ethics Hotline is operated by a specialized independent third party.

The grievance channel provides the following mechanisms to facilitate the reporting of fraud, corruption, or conducts that violate the Code of Ethics of the Company and its subsidiaries:

a) Online form:
www.lineaeticaacerosarequipa.com

b) Email:
denuncias@lineaeticaacerosarequipa.com

c) Phone:
Toll-free hotline: 0 800 18134
Local calls: (511) 219-7134

ETHICS COMMITTEE

Compliance with the Code of Ethics is supervised by the CEO, who delegates duties and authority to an Ethics Committee, which acts in accordance with the provisions set forth in its regulations.

The Ethics Committee is also responsible for

- Acting as an advisory body in case team members or third parties have concerns about events or circumstances that may have an impact on corporate ethics.
- Analyzing and ruling on disputes regarding possible conflicts of interest reported to the Company by team members in compliance with the Code of Ethics
- Freely and objectively analyzing situations involving potential ethical violations.

AUDIT AND RISK COMMITTEE

The main purpose of the Audit and Risk Committee is to assist the Board of Directors in performing its oversight responsibilities with regard to the Company's internal control system. The Committee meets at least four times a year, and consists of four board members:

MIEMBROS DEL COMITÉ DE AUDITORÍA Y RIESGOS

Mr. Andreas
von WEDEMEYER
As Committee Chair

Mr. Pablo
PESCHIERA ALFARO
Member

Mr. Diego
URQUIAGA HEINEBERG
Member

Mr. Ricardo
BUSTAMANTE CILLÓNIZ
Member

The Chairman, the CEO and the Internal Audit Manager attend meetings of the Committee with the right to speak but not vote. The Internal Audit Manager acts as Technical Secretary of the Committee. The External Auditor or other managers or team members of the Company can attend as guests when asked to do so by the Audit and Risk Committee.

The Audit and Risk Committee promotes the drafting, revision, and compliance with Corporate Codes and Policies, which should be approved by the Board of Directors, since such codes and policies provide guidelines on significant issues for the Company's management, such as information, human resources management, inventories, fixed assets, occupational health and safety, procurement of goods and services, credits and collections, costs and budgets, ethics, fraud, corruption, internal control and comprehensive risk management, social responsibility, good corporate governance, and more.

AUDIT AND RISK COMMITTEE

TO GUARANTEE THE INDEPENDENCE OF EACH INTERNAL AUDIT, THE INTERNAL AUDIT MANAGER AND HIS TEAM REPORT, IN TERMS OF DUTIES, TO THE AUDIT AND RISK COMMITTEE OF THE BOARD OF DIRECTORS, WHILE WITH REGARD TO ADMINISTRATIVE MATTERS, THEY REPORT TO THE CHAIRMAN AND THE CEO

During fiscal year 2019, the Audit and Risk Committee met six times in different months of the year, covering all relevant aspects under its management.

INTERNAL AUDITS

The Company has an Internal Audit Manager elected by the Audit and Risk Committee. All internal audits in the organization are intended to support the senior management in improving and strengthening internal control and risk management, as well as providing proposals for improvement with a focus on the most relevant factors.

To guarantee the independence of each internal audit, the Internal Audit Manager and his team report, in terms of duties, to the Audit and Risk Committee of the Board of Directors, while with regard to administrative matters, they report to the Company's Chairman and CEO.

EXTERNAL AUDIT OF THE FINANCIAL STATEMENTS

The powers and responsibilities delegated by the Board of Directors to the Audit and Risk Committee with regard to the work of the independent external auditor include the following

- Select and propose external audits to the Board of Directors
- Review and approve the external auditors' approach and work plan
- Review and confirm the independence of the external auditors, by receiving statements regarding the relationship between the auditors and the Company and any services other than audits.
- Evaluate the work performed by the external auditors.
- Review the results of the audit with the management and external auditors; and approve the auditors' report for its submission to the Board of Directors and Shareholders' Meeting.

APPOINTMENTS, COMPENSATION, AND HUMAN RESOURCES COMMITTEE

The main purpose of the Appointments, Compensation, and Human Resources Committee is to guarantee that the human resources management of the Company's executives complies with the corporate guidelines and latest practices in human resources development. The Committee is also responsible for ensuring an equitable and competitive salary system that allows the organization to carry out its mission and achieve its strategic objectives.

On April 25, 2019, the Board of Directors ratified and/or renewed the members of this Committee:

> THE APPOINTMENTS, COMPENSATION, AND HUMAN RESOURCES COMMITTEE PROMOTES PERFORMANCE STANDARDS AMONG MANAGEMENT STAFF BY SETTING AND MONITORING OBJECTIVES AND TARGETS FOR EACH FUNCTIONAL AREA.

MEMBERS OF THE APPOINTMENTS, COMPENSATION, AND HUMAN RESOURCES COMMITTEE

Mr. Fernando
CARBAJAL FERRAND
Committee Chair

Mr. Pablo
PESCHIERA ALFARO
Member

Mr. José Antonio
BAERTL MONTORI
Member

Mr. Enrique
OLAZÁBAL BRACESCO
Member

The Chairman, the CEO and the Human Resources Manager attend meetings of the Committee with the right to speak but not vote. The Human Resources Manager acts as Technical Secretary of the Committee.

The Appointments, Compensation, and Human Resources Committee promotes performance standards among management staff by setting and monitoring objectives and targets for each functional area and periodically reviewing the salary and organizational structures, adapting them to the process of change being implemented by the Company.

During fiscal year 2019, the Appointments, Compensation, and Human Resources Committee met five times in different months of the year, covering all of the relevant human resources management matters for the period.

C.03 —

ECONOMIC, FINANCIAL AND ADMINISTRATIVE ASPECTS

HIGH-SPEED STEEL TUBE PLANT

State-of-the-art plant dedicated to the manufacture of steel tubes in different shapes and sections.

ECONOMIC ASPECTS

SALES

During 2019, a total of 1.105 million MT of products were sold.

The sales volume achieved was 4% higher than in the previous fiscal year, due to an increase in sales in the domestic market, as well as exports to Bolivia.

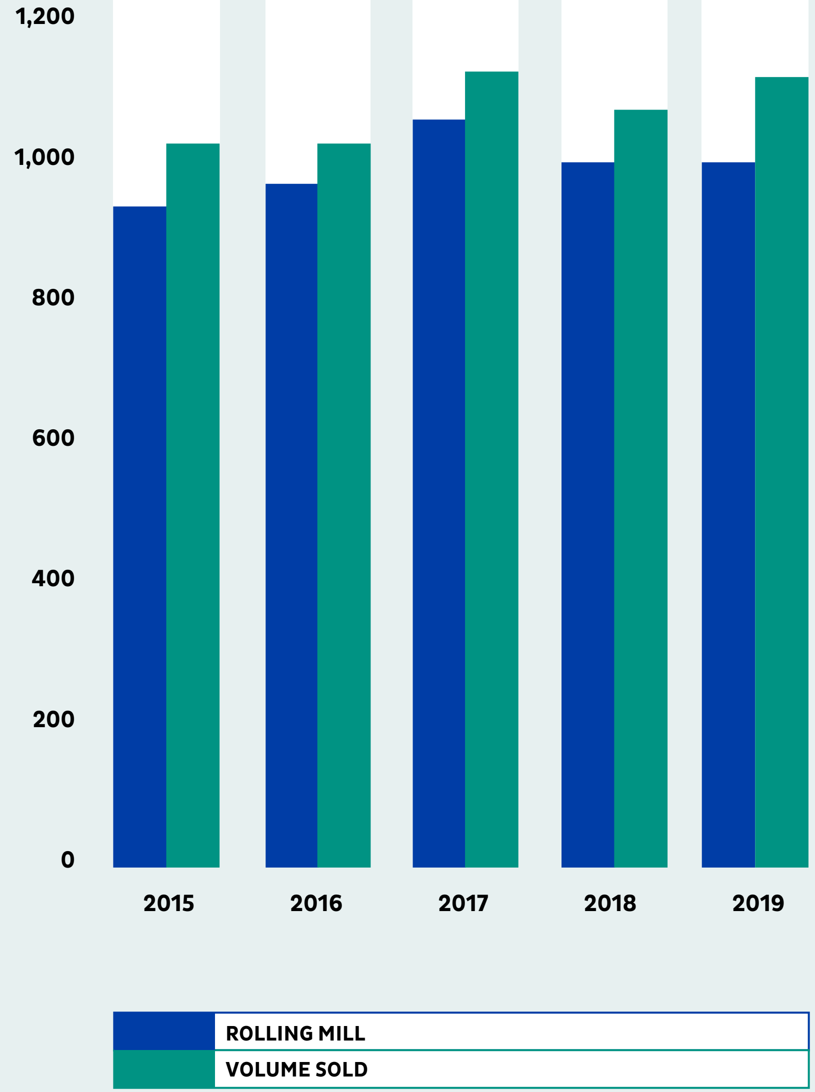
In terms of the Company's exports, the Bolivian market remained the primary destination for our exports.

Net sales for the fiscal year totaled S/ 2.73 billion, making for an increase of 4% over the previous year.

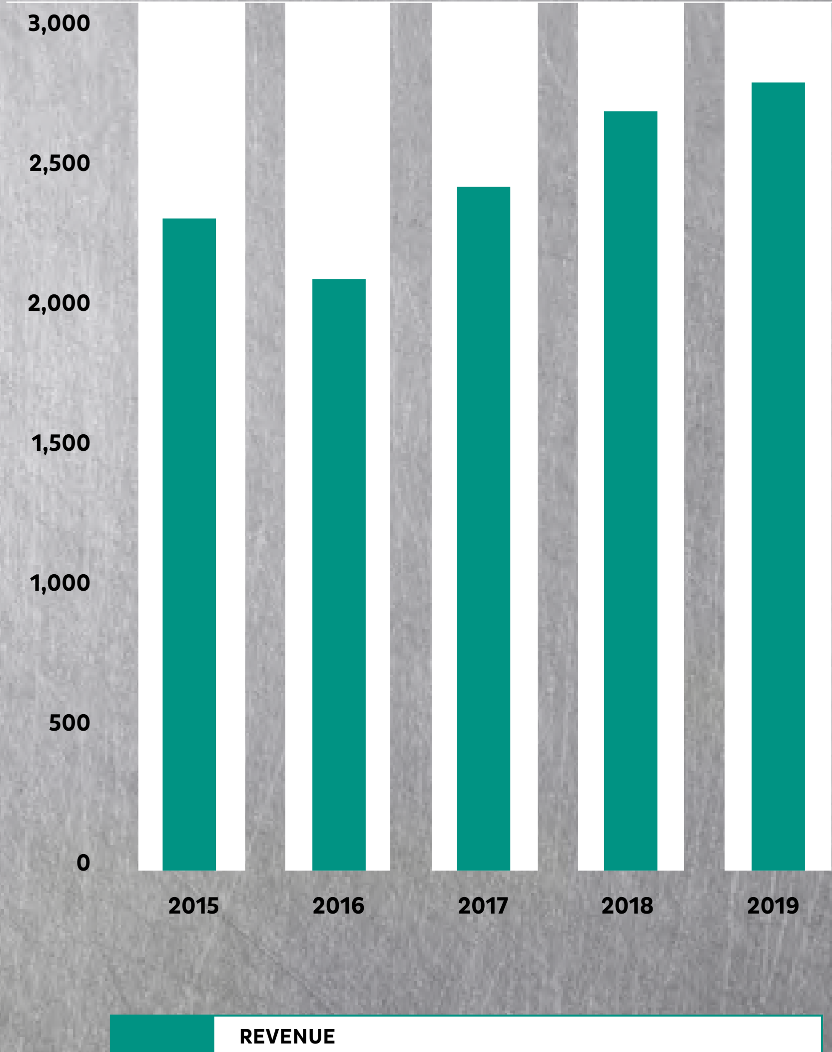
The comparative charts on page 31 show production and revenue for fiscal years 2015 through 2019.

ECONOMIC
ASPECTS

MT (THOUSANDS)



REVENUE (IN MILLIONS OF PERUVIAN SOL)



FINANCIAL ASPECTS

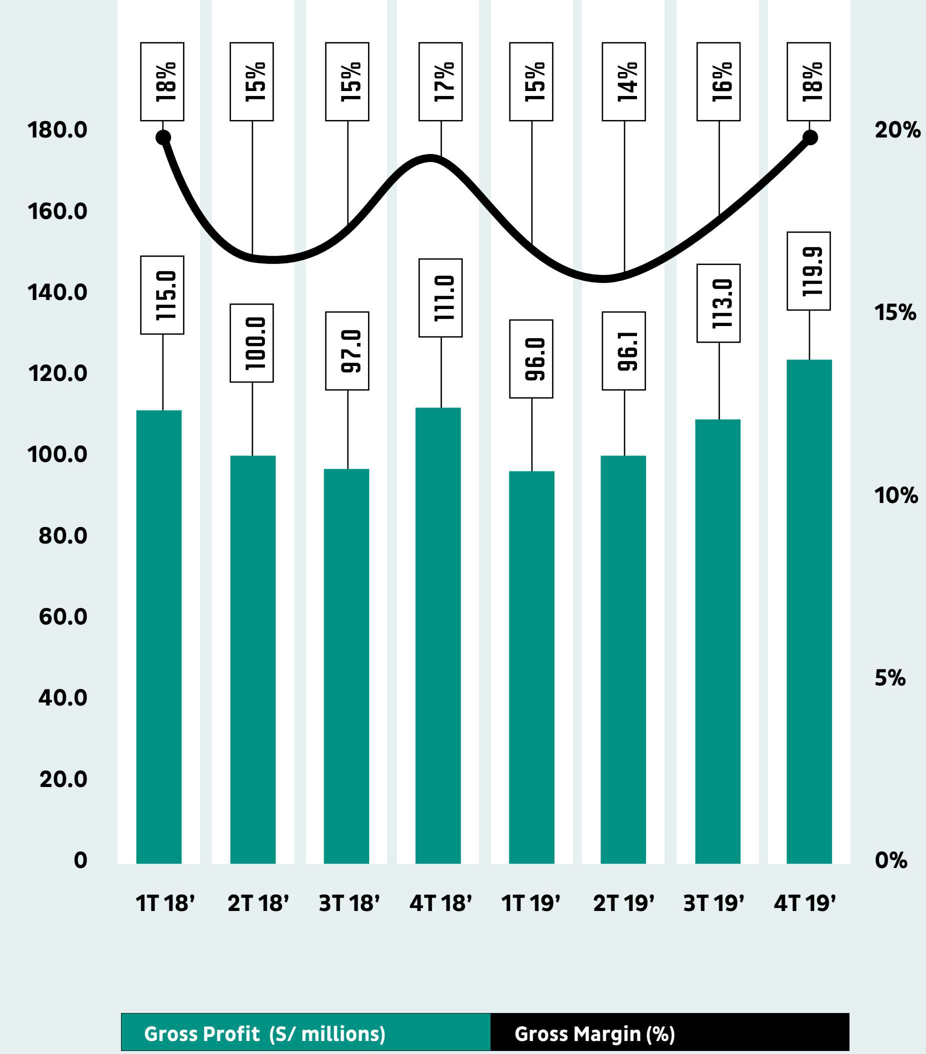
As of the close of 2019, revenue totaled S/ 2.73 billion, making for an increase of 4% compared to the prior year, thanks to the higher volume of sales.

Gross profit for 2019 (S/ 425 million) were 0.7% higher than the gross profit reported for fiscal year 2018 (S/ 422 million).

The Company's gross margin was 15.6%, which was lower than that registered in fiscal year 2018 (16.1%).

During 2019, allowances were made that affected the cost of sales, in connection to the write-off of obsolete inventory and excess costs in the billing of suppliers which are currently the subject of a complaint proceeding. The foregoing concepts represented a total of S/ 63 million in charges for the year.

GROSS PROFIT AND GROSS MARGIN



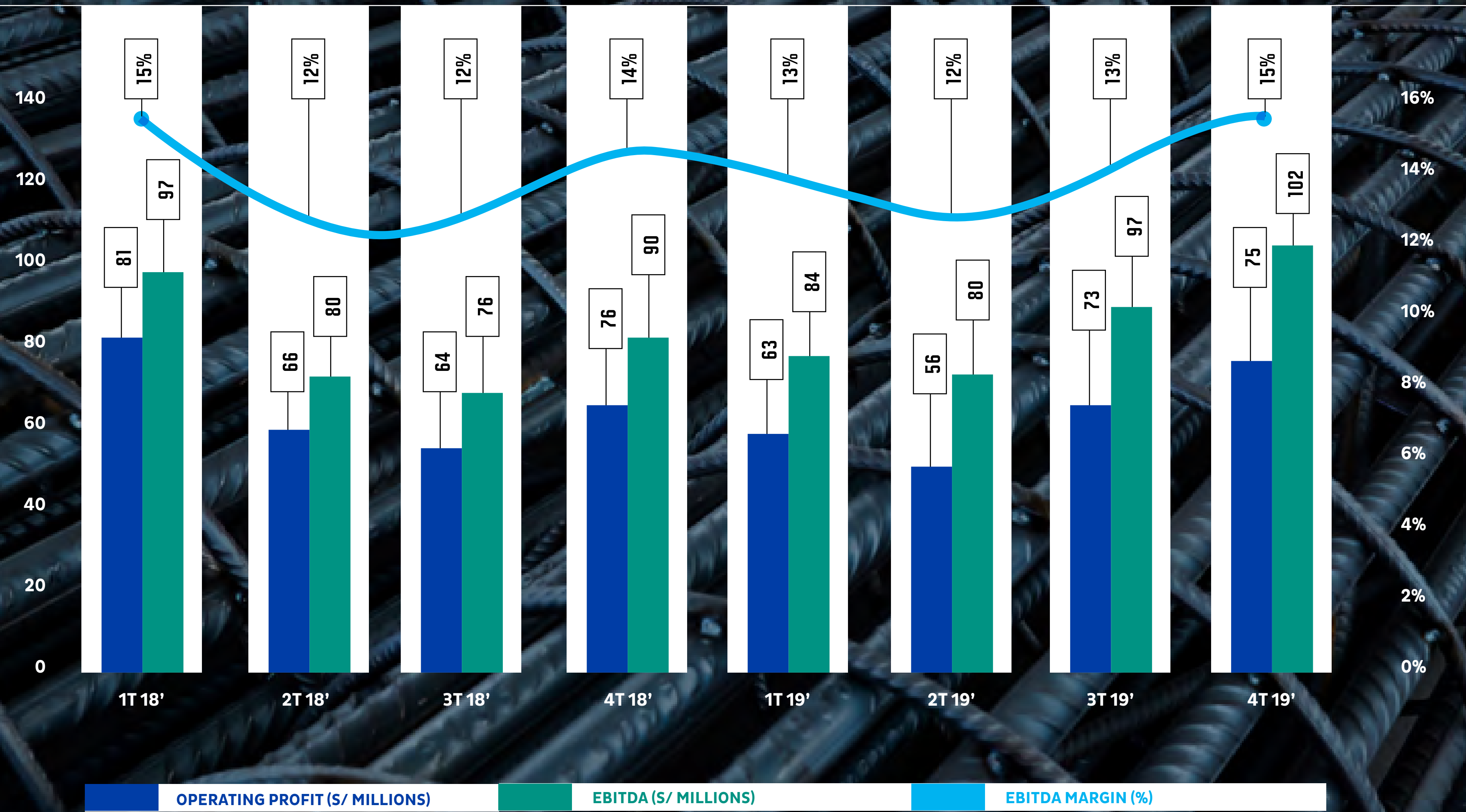
FINANCIAL ASPECTS

The operating earnings and EBITDA registered during 2019 came to S/ 266 and S/ 364 million, respectively. The EBITDA for the fiscal year was 6% higher than in 2018.

The EBITDA margin obtained during fiscal year 2019 (13.3%) was higher than that obtained in 2018 (13.1%).

FINANCIAL
ASPECTS

EBITDA



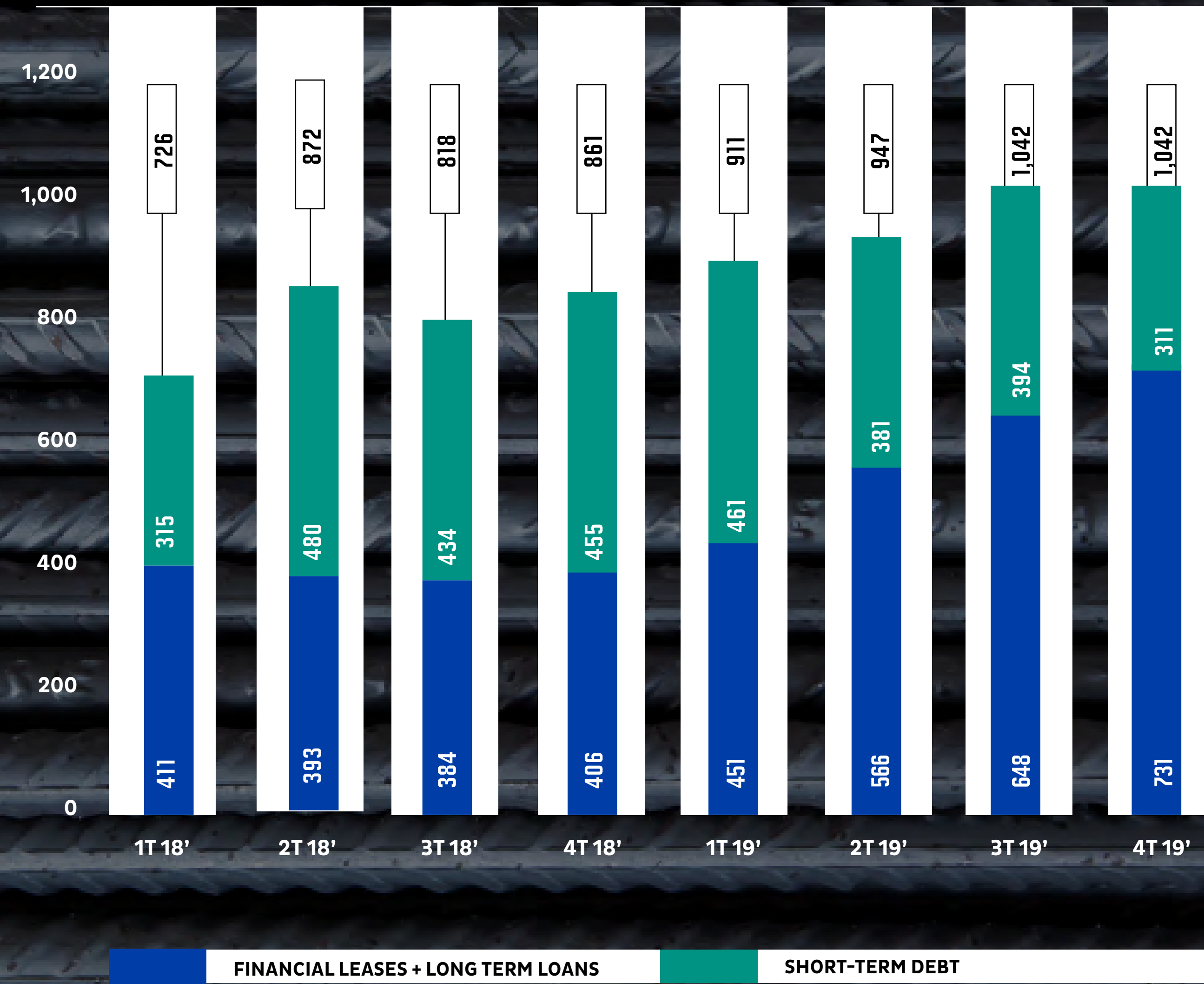
Note: The EBITDA is the Operating Earnings + Depreciation & Amortization +/- adjustments due to sale of assets and others

FINANCIAL ASPECTS

The financial expenses generated in 2019 were higher than those in the previous fiscal year due to the increase in rates and increased financing for the working capital in local currency compared to 2018.

Despite the increase in financial debt, as of December 2019, the leverage ratio, defined as Net Financial Debt/EBITDA, was 1.8x, which was similar to the ratio reported in December 2018. The following graph shows the evolution of the liabilities in question.

FINANCIAL LIABILITIES (S/ MILLIONS)



Note: Does not include financial obligations with suppliers.

FINANCIAL ASPECTS

On 2019, the Company obtained a Net Profit of S/ 199 million, which was higher than the earnings registered for the previous year (S/ 163 million). This increase was due to the higher operating earnings obtained in 2019, thanks to lower expenses from assets´s write-off. However, lower revenues were obtained from subsidiaries and higher financial expenses that were offset by foreign exchange earnings in 2019 (S/ 0.8 million) compared to the loss in 2018 (S/ -1.7 million).

It is important to note that the Company has a debt policy that minimizes the gap between its assets and liabilities in US$, thus partially mitigating the impact of foreign exchange fluctuations.

As of December 2019, current assets had fallen by 3% (S/ 47 million) compared to their value in December of 2018, for a total amount of S/ 1.605 billion. This reduction was mainly caused by lower inventory and non-current liabilities available for sale despite the increase of S/ 175 million in cash or cash equivalents.

THE COMPANY OBTAINED A PROFIT A OF

S/ 199 million

4%

RISE IN THE COMPANY'S WORKING CAPITAL

S/ 1,822 million

IN NET ASSETS IN PROPERTY, PLANT AND EQUIPMENT

Current liabilities decreased by 6% (S/ 70 million) compared to the end of 2018, totaling S/ 1.01 billion. This variation was mainly due to lower financial obligations for the financing of working capital.

The Company's working capital rose by 4% over the close of 2018, ending the year at S/ 595 million, due mainly to the lower current liabilities. The liquidity indicator (current assets divided by current liabilities) registered an increase in December 2019, situated at 1.59 compared to 1.53 as of december 31, 2018.

As of December 2019, the net property, plant and equipment totaled S/ 1.822 billion, which was higher than those registered in December 2018 (S/ 1.435 billion). As of the same date, intangibles totaled S/ 35 million. Investments in property, plant and equipment, and intangibles made by the Company during 2019 mainly consisted of the start of the New Melt Shop (financed through a capital lease agreement); the acquisition of land in the Lurin district; and improvements to the Pisco Plant.

FINANCIAL ASPECTS

As of December 2019, the book value of the investments in subsidiaries and related companies came to S/ 346 million, which was higher than S/ 331 million in investments registered as of december 2018.

For its part, the debt ratio (total liabilities less deferred taxes divided by net equity) increased compared to December 2018 (0.73), finishing the year at 0.80 due mainly to higher bank loans.

The growth in the Company's net equity (S/ 128 million) was due to the earnings for the fiscal year after taxes, less the distribution of dividends.

Finally, Paredes, Burga & Asociados, a member firm of EY International, were appointed by the Company's Board of Directors as external auditors for fiscal year 2019.

S/ 346 million

BOOK VALUE OF THE INVESTMENTS IN SUBSIDIARIES AND RELATED COMPANIES

S/ 35 million

IN INTANGIBLES

APPLICATION OF RESULTS FOR THE FISCAL YEAR

After applying the International Financial Reporting Standards (IFRS), the audited results for fiscal year 2019, in thousands of Peruvian nuevos soles, were as follows:

Net Earnings for the Fiscal Year	**S/ 198,956**
(-) Legal Reserve	**S/ 0**
Freely Available Earnings	**S/ 198,956**

Pursuant to the Business Corporations Act, a minimum of ten percent (10%) of the distributable earnings for each fiscal year must be transferred to a legal reserve until this reserve is equal to twenty percent (20%) of the Capital Stock. During 2018, the Company met the required percentage, which means that no further deductions need be made at this time.

The Company's Capital Stock as of December 31, 2019, totals S/ 890,858,308, represented by 890,858,308 shares with a par value of S/ 1.00 each. As of the same date, the Investment Shares account is S/ 190,051,980, represented by 190,051,980 shares with a par value of S/ 1.00 each.

The Board of Directors has proposed the payment of cash dividends for S/ 79,583,000.00, charged to the retained earnings for previous fiscal years. This amount would be subject to the subtraction of the cash dividend approved on July 23, 2019 and paid out on September 5, 2019, for an amount of S/ 16,405,000.00; as well as that approved on October 24, 2019, and paid out on December 6, 2019, for an amount of S/ 27,354,000.00. The remaining amount, totaling S/ 35,824,000.00, applies to both common shares and investment shares in free circulation, for a total of 1,073,265,820 shares. Thus, the dividend per share would be S/ 0.033378. The freely available earnings will be channeled to the retained earnings account.

The Board of Directors proposes that the definition of book dates and payment dates be delegated to the Board of Directors so that the latter establishes said dates, safeguarding the Company's liquidity, indebtedness, and cash flow, as well as compliance with the established covenants in the financing contracts signed by the Company.

With the approval of the proposed dividend, the Company's retained earnings and Net Equity, in thousands of soles, would be as follows:

Capital Stock	**S/ 890,858**
Investment Shares	**S/ 190,052**
Treasury Shares	**S/ (7,644)**
Legal Reserve	**S/ 178,261**
Revaluation Surplus	**S/ 218,012**
Retained Earnings	**S/ 582, 334**
Total Net Equity	**S/ 2'051,873**

AVAILABLE FOR SALE ASSETS

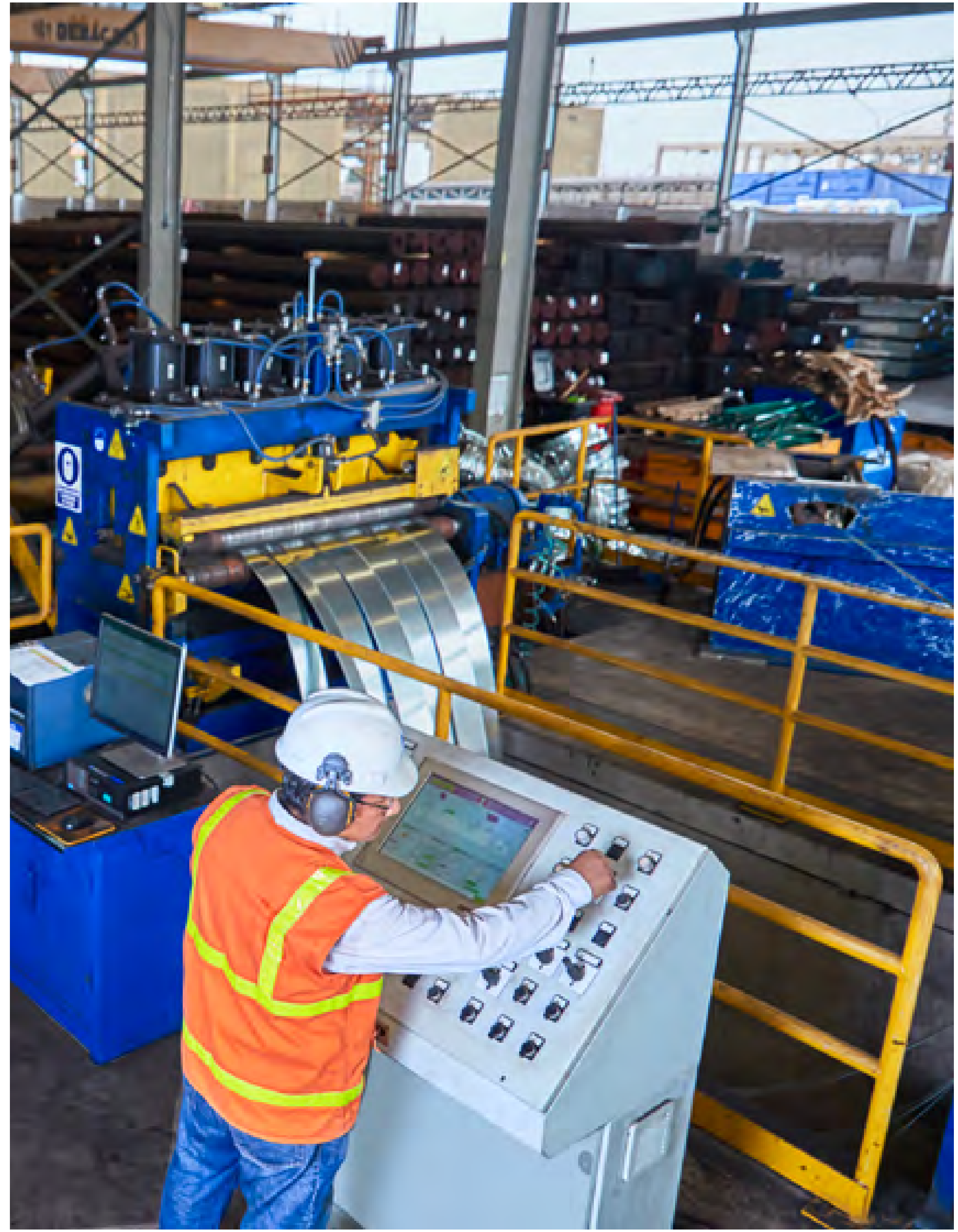
In November 2016, the Board of Directors approved the definitive suspension of the production activities at the Arequipa Plant. The property with an area of 35,645 m2 was put up for sale, entering into a sale agreement for the entire property for a value of US$ 16.4 millions in 2019.

In 2020, properties that will remain for sale include an urban lot measuring 84,877 m2 in Pisco; a piece of land measuring 801 m2 in Paracas; and a property measuring 10,730 m2 in Arequipa. Additionally, as per the resolution of the Board of Directors in January 2018, a land was purchased in Lurín district to replace the Company’s main warehouse, currently located in El Callao. The actual warehouse, which have an area of 43,674 m2, will be up for sale when the new warehouse in Lurin starts operating.

JUDICIAL, ADMINISTRATIVE, OR ARBITRATION PROCEEDINGS

Neither Corporación Aceros Arequipa S.A. nor the Company's management were involved as respondent, petitioner, or participant in any legal process that may have directly or indirectly affected Corporación Aceros Arequipa S.A., its shareholders, directors, or managers; or that significantly affect the normal development of its activities and business dealings.

At present, it is the opinion of the Management and its legal advisors that the Company has sufficient arguments to obtain favorable results in all ongoing legal proceedings as of this date, as detailed in the notes to the financial statements or reported as significant events.



OUTLOOK

Corporación Aceros Arequipa S.A. in line with forecasts regarding the Peruvian economy, the construction sector, and estimated exports, believes that its sales will trend downwards in 2020 compared to the total sales volume registered in 2019. The projected fall will happen as a result of the government-imposed quarantine, taken to limit the impact of the COVID-19 pandemic on the country's health, given the limitations of the national health system; and on the impact that similar measures may have on the export market.

The Company's core objectives will remain the health and safety of its workers by implementing protocols that limit the spread of contagion, reduction of costs and expenses, increased productivity, growth of new products and services, as well as care for the environment. Additional reinforcement will be given to customer service for both local and foreign clients, and continuous improvement will continue to be fostered in the quality of our products.

With the acquisition of Comercial del Acero S.A. (Comasa) in 2018, the Company commenced an integration plan with teams formed by the Company and Comasa with the goal of identifying and implementing a range of synergies. During 2019, the first stage of integration was implemented, and a second stage is now being evaluated that would involve combining both companies' warehouses on a plot of land purchased by the Company in Lurín.

The Board of Directors, during its meeting held in January 2020, agreed to approve an increase in the amount to be invested in the construction of a New melt shop in Pisco, with a capacity of 1,250,000 MT/year. The predicted expenditure comes to approximately US$ 208 million plus VAT, and is scheduled for commissioning in the First quarter of 2021.

This investment will help increase the local production capacity for billet, thus reducing dependence on imported billet. It will also reduce the cost of steel processing and offer flexibility in the metal load used.

The current furnace, with a capacity of 850,000 MT, will remain on standby until the internal demand and/or export market for billet warrants its use. Together with the new melt shop, which will have a capacity of 1,250,000 MT, the Company will have a total capacity of 2,100,000 MT of billet.

THE COMPANY'S CORE OBJECTIVES WILL REMAIN THE HEALTH AND SAFETY OF ITS WORKERS BY IMPLEMENTING PROTOCOLS THAT LIMIT THE SPREAD OF CONTAGION, REDUCTION OF COSTS AND EXPENSES, INCREASED PRODUCTIVITY, GROWTH OF NEW PRODUCTS AND SERVICES, AS WELL AS CARE FOR THE ENVIRONMENT.

OUTLOOK

The Company will also continue to evaluate backward integration, in an effort to diversify its metal load by replacing imported raw materials for those derived from iron ore, mainly from domestic sources. Likewise, during 2020, certain initiatives are expected to materialize that will help guarantee its raw materials through the installation of scrap yards, both locally and abroad.

In general terms, the level of CapEx originally budgeted for 2020 has been cut. However, diverse investments that were already in place, such as the new melt shop and the automatization of the rolling mill 1, are expected to continue.

During 2020, we expect to reduce inventory to meet market needs; strengthen our presence in Bolivia through our subsidiary there, as well as monetize non-productive assets through the sale of real estate, and, increase dispatches from the Pisco warehouses, thus reducing restock freights.

During 2019, operations in Bolivia were further consolidated through the scrap collection warehouse and a new bay for finished product in Santa Cruz, along with the start of work on the warehouse in La Paz.

Elsewhere, Aceros América SPA was incorporated in Chile to strengthen relations with scrap suppliers in that country.

It should be emphasized that the Company will continue analyzing its product portfolio with a view to proceeding with the streamlining of its inventories by combining warehouses with Comasa. The effects of this effort are expected to increase the Company’s liquidity and ensure the sustainability of its margins.
Finally, the Company continuously seeks to strengthen channels of communication with the market and ensure transparency with its stakeholders. With this goal in mind, it has relaunched its investors’ website with relevant information on the Company and its performance.

2´100,000 MT WILL BE THE ESTIMATED TOTAL ANNUAL BILLET CAPACITY WITH THE FUNCTIONING OF THE NEW MELT SHOP

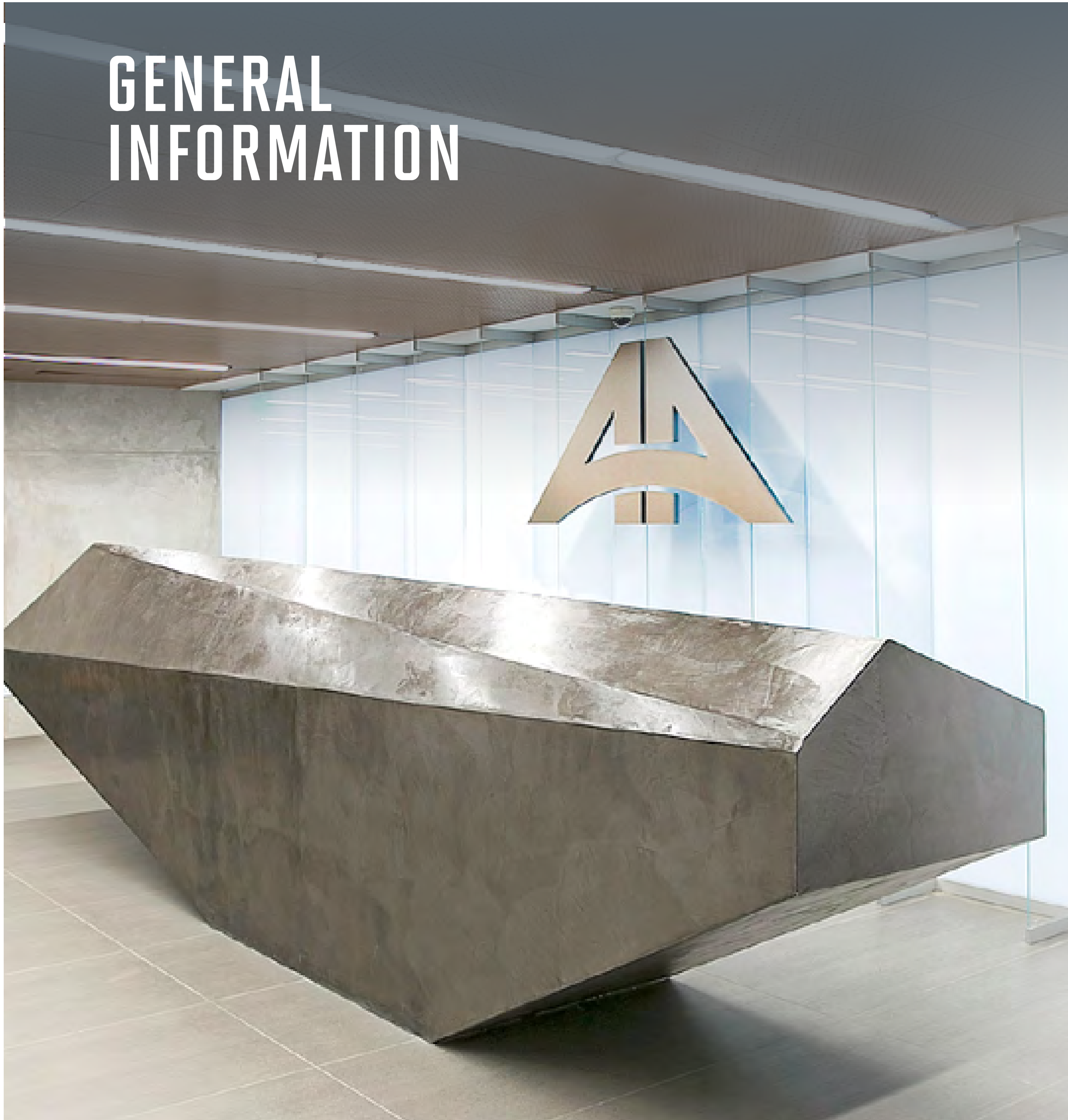
C.04—

CORPORATE PROFILE

TSC INNOVATION DESIGN AND VIRTUAL CONSTRUCTION

An engineering company that increases the level of industrialization of construction projects, through a digital transformation of activities of the structural chain.

GENERAL INFORMATION



CORPORACION ACEROS AREQUIPA S.A. was incorporated as per the Notarially Recorded Instrument issued on December 31, 1997, before Carlos Gómez de la Torre R., Notary Public, by virtue of the merger between Aceros Arequipa S.A. and Aceros Calibrados S.A., which were wound up without liquidation to form the new Company. Aceros Arequipa S.A. was incorporated, in turn, as per the Notarially Recorded Instrument issued on May 13, 1964, before Ricardo Samanamud, Notary Public.

The Company was registered in Entry 01, Item A of Card 10456, now Electronic Filing Card 11010518, of the Registry of Companies in and for Arequipa.

GENERAL INFORMATION

In 2015, the Company approved an amendment to its Bylaws changing its principal place of business, which was registered in Electronic Filing Card 70627037 of the Registry of Companies in and for El Callao.

Its duration is perpetual.

The Company's corporate purpose is to engage in the manufacture, preparation, and distribution of iron, steel, and other metals and their byproducts, and the sale of the products it manufactures, and the preparation of the products it uses as raw materials. It is also engaged in the import, for its own use, distribution, and sale, of the aforementioned goods and products. It may additionally file mining petitions and testing, prospecting, exploration, exploitation, and other activities inherent to mining activity.

The Company is also engaged in the commercialization, distribution, and sale of iron, steel, other metals and their byproducts, in different forms and qualities; as well as hardware and construction products in general. The amendment to its corporate purpose made in 2010 clarifies the mining activities it may perform and expands its field of activities to include the collection, transportation, and commercialization of solid waste, in accordance with the laws in force on the matter, and agricultural activities in general and actions for the preservation and improvement of the environment.

The Company's main line of business corresponds to economic activity code 2410, under the United Nations International Standard Industrial Classification.

In regards to its relations with the state, it should be placed on record that it is not subject to any special tax treatments, exemptions, or other benefits.

The Company has the following locations:

- **Its administrative and management offices** are located at Av. Antonio Miró Quesada 425, Piso 17, Magdalena del Mar.
- **The industrial plant** is located at Panamericana Sur Km. 241, District of Paracas, Province of Pisco, Department of Ica.
- **The finished goods warehouses and tube plant** are located at Av. Enrique Meiggs 329, El Callao, Phone: (51) (1) 517-1800.

BOARD OF DIRECTORS

BOARD OF DIRECTORS

The Board of Directors was elected for a three year period at the annual mandatory general meeting on march 20th, 2019

CHAIRMAN

RICARDO Cillóniz Champín

VICE CHAIRMAN

FERNANDO Carbajal Ferrand

DIRECTORS

JOSÉ ANTONIO Baertl Montori
PEDRO Blay Hidalgo
RICARDO Bustamante Cillóniz
RENEE Cillóniz De Bustamante
GISELLE Ferrand Rubini
MANUEL Montori Burbank
ENRIQUE Olazábal Bracesco
PABLO Peschiera Alfaro
DIEGO Urquiaga Heineberg
ANDREAS von Wedemeyer Knigge

CHAIRMAN

RICARDO
Cillóniz Champín

Is a civil engineer by profession and holds a Master's in Business Administration from Michigan State University. He has held the position of Managing Director since January 1988. He is a board member of Rímac-Internacional Cía. de Seguros y Reaseguros, Transportes Barcino S.A., and Celepsa S.A., among others. On January 1, 2007, he became Chairman.

VICE CHAIRMAN

FERNANDO
Carbajal Ferrand

Is a business administrator by profession. He was Manager for Latin America of the U.S. companies STP Corporation and First Brands Corporation; and Vice President for Latin America of Honeywell International. He is currently the President of Plásticos Nacionales S.A., and a board member of Inmobiliaria Terrano S.A. and Transportes Barcino S.A. He has been a board member of Corporación Aceros Arequipa since March 13, 1998.

BOARD OF DIRECTORS

JOSÉ ANTONIO
Baertl Montori

Holds a Bachelor's Degree in Agricultural Sciences from Universidad Agraria La Molina. Previously, he was the manager of Laminadora del Pacífico S.A.; and manager of Castrovirreyna Cía. Minera S. A. and Volcán Cía. Minera until 1982. In 2018, he was Chairman of the Board of Agrícola La Venta S.A.C. He is a board member of Transportes Barcino S.A. He has been a board member of Corporación Aceros Arequipa since March 13, 1998.

PEDRO
Blay Hidalgo

Is an industrial engineer by profession. He graduated from the Pontificia Universidad Católica del Perú, and holds an MBA from Cornell University and a Master's in International Business from Thunderbird School of Global Management. He is a board member of Comfer S.A., Transportes Barcino S.A., Inmobiliaria Comercial del Acero Argentina S.A., and Inmobiliaria Comercial del Acero Cajamarquilla S.A. He has been a board member of Corporación Aceros Arequipa since March 28, 2016.

RICARDO
Bustamante Cillóniz

Is an agronomist by profession. He studied at California Polytechnic State University and completed the PAD program at Universidad de Piura. Since 1995, he has been General Manager and founder of Fundo San Fernando S.A. Since 2005, he has been the General Manager and founder of Agrícola La Joya S.A.C. He is a board member of Transportes Barcino S.A. He has been a board member of Corporación Aceros Arequipa since December 22, 2011.

BOARD OF DIRECTORS

RENEE
Cillóniz de Bustamante

Studied trade. She is currently the General Manager of Renemar S.A. She is a board member of Fundo San Fernando S.A. and Transportes Barcino S.A. She has been a board member of Corporación Aceros Arequipa since July 22, 2005.

GISELLE
Ferrand Rubini

Majored in Business Administration at Universidad del Pacífico, where she graduated with honors and was recognized with the Robert Maes and Maes Heller awards. She taught financial mathematics at the same university before working at Atlantic Security Bank and Procter & Gamble (Deter Perú S.A.). She later started her own businesses in the bakery, restaurant, and agricultural sectors, as well as imports in the paper, automotive, and household appliance sectors. She is currently a board member of Transportes Barcino S.A. She has been a board member of Corporación Aceros Arequipa S.A. since April 25, 2019

MANUEL
Montori Burbank

Is an attorney at law graduated from Universidad de Lima, and holds an MBA from Harvard Business School. He is currently Executive Vice President of Altozano Desarrollo y Construcción. He was previously Chairman of the Board at Citileasing Peru and a board member of Citibank Peru, ICBC Peru, Compañía Minera Poderosa, Calcios del Sur, and Cipensa Explosivos, among others. He has held executive positions at Chase Manhattan Bank as Vice President of Investment Banking in New York and Mexico; Executive Director of Citibank for Corporate Banking in Peru; and Manager of the Citibank School of Banking in the state of Florida, USA. He is a board member of Transportes Barcino S.A. He has been a board member of Corporación Aceros Arequipa since March 23, 2017

BOARD OF DIRECTORS

ENRIQUE
Olazábal Bracesco

Is an attorney at law graduated from Pontificia Universidad Católica del Perú. He has experience in providing legal counsel to nationally and internationally renowned companies. For many years, he was part of the law firm of Estudio Romero, Abogados, where he became one of four senior partners, and counseled major Peruvian and international clients, including Banco de Crédito del Perú, Compañía de Seguros Rímac, Compañía Minera Atacocha, TEXACO, BASF, Marriot Perú, and others. He has experience in managing arbitration proceedings. He is a board member of Transportes Barcino S.A. He has been a board member of Corporación Aceros Arequipa since March 13, 1998

PABLO
Peschiera Alfaro

Holds a BSc in Mechanical Engineering from the University of California, Berkeley, and an MBA from Stanford University. He is a corporate consultant and entrepreneur. He has been and continues to be a board member of a number of companies in the industrial, construction, trade, services, and agriculture and livestock sectors. He is currently a board member of Transportes Barcino S.A., Tradi S.A., Comfer S.A., Inmobiliaria Comercial del Acero Argentina S.A., Inmobiliaria Comercial del Acero Cajamarquilla S.A., Define Consultoría S.A., Define Servicios S.A.C., Dirige S.A.C., Agipac S.A., and Ubicua Offices Perú S.A. He was previously Chairman of the Board of Redondos S.A. and a board member of COSAPI S.A. He is the chairman of the investments committee of Fondo HMC Capital High Yield Perú FI and Fondo HMC Deuda Privada Andina. He has been a board member of Corporación Aceros Arequipa since February 28, 2008

DIEGO
Urquiaga Heineberg

Holds a BSc in Animal Science from California Polytechnic State University and an MBA from Universidad de Piura. He is a zootechnician and business administrator by profession, and has been a manager at a number of Peruvian and multinational companies in the industrial, foods and beverages, and service sectors. He is currently an independent businessman. He is a board member of Transportes Barcino S.A. He has been a board member of Corporación Aceros Arequipa since November 27, 2003.

BOARD OF DIRECTORS

ANDREAS
von Wedemeyer Knigge

Received the degree of Dipl.-Kfm. in business administration from the University of Hamburg in Germany. He is currently Chairman and CEO of Corporación Cervesur S.A.A. He is the president of the different companies that form part of Corporación Cervesur, and Chairman of the Board of Euromotors S.A., Altos Andes S.A., Euro Camiones, Euroinmuebles, EuroRenting S.A.C. and International Camiones del Perú S.A. He is Chairman of the Board of La Positiva Seguros y Reaseguros, La Positiva Vida Seguros y Reaseguros, and de La Positiva Entidad Prestadora de Salud - EPS. He is a board member of Corporación Financiera de Inversiones (CFI), Ferreycorp S.A.A., and Ferreyros S.A., Transportes Barcino S.A., as well as Alianza Compañía de Seguros y Reaseguros and Alianza Vida Seguros y Reaseguros (Bolivia), among others. He is the former president of the National Association of Industries (SNI), a board member of Comex Perú, and the German-Peruvian Chamber of Commerce and Industry. He has been a board member of Corporación Aceros Arequipa since March 24, 2010.

Throughout the period, the members of the Board of Directors have met more than the twelve (12) regular sessions required, due to strategic matters that have demanded their attention; they have met thirteen (13) times, in keeping with the Company's objectives. The Board of Directors' meeting in November was held at the Pisco Plant, after which the board members visited the new equipment that was installed in the plant and toured the location where the new melt shop is being built. For their part, the Audit and Risk Committee and the Appointments, Compensation, and Human Resources Committee, which are formed by members of the Board of Directors, met a total of eleven (11) times over the course of the year.

Additionally, given that it is a fact of interest, the following is a list of those people who have continuously been board members of the former company Aceros Arequipa S.A. and who were board members of Corporación Aceros Arequipa S.A. as of December 2019.

JOSÉ ANTONIO Baertl Montori	**FERNANDO** Carbajal Ferrand	**RICARDO** Cillóniz Champín	**ENRIQUE** Olazábal Bracesco
Since march 1988	Since march 1985	Since march 1985	Since march 1985

MANAGEMENT TEAM

MANAGEMENT TEAM

Below are the members of the Management Team of Corporación Aceros Arequipa S.A. Given that some of them previously worked for Aceros Arequipa S.A., their time in the position also includes the period they spent there

RICARDO Cillóniz Champín
TULIO Silgado Consiglieri
AUGUSTO Cornejo Cañedo
MARIANA Talavera Rubina
GONZALO Arróspide Del Busto
RICARDO Guzmán Valenzuela
DIEGO Arróspide Benavides
MARCELO Zevallos Sánchez
RAFAEL Cáceres Gallegos
FERNANDO Bustamante Cillóniz
RICARDO Cillóniz Rey
FRANCISCO Alayza Camarero
HUMBERTO Barragán Herrera

RICARDO
Cillóniz Champín

Chairman

Is a civil engineer by profession and holds a Master's in Business Administration from Michigan State University. He has held the position of Managing Director since January 1988. He is a board member of Rímac-Internacional Cía. de Seguros y Reaseguros, Transportes Barcino S.A., and Celepsa S.A., among others. On January 1, 2007, he became Chairman.

TULIO
Silgado Consiglieri

CEO

Is an agronomist graduated from the Universidad Nacional Agraria, with studies at the Kellogg School of Management, among others. He has been CEO since January 2015. Previously, he was Director and CEO of Cerámica San Lorenzo from 1994 to 2015; a board member of Cerámicas Cordillera Chile and a board member of Cerámica San Lorenzo Colombia; Sales Manager for Central America and the Caribbean of Imperial Chemical Industries (ICI); CEO of ICI Dominicana; and Agrochemicals Manager of ICI Perú from 1987 to 1994. He is currently a board member of Fundo Buenos Aires Quilmana SAC, Fruto del Monte SAC, Blue Valley, Pampa Bendita, and Fábrica Peruana Eternit.

MANAGEMENT TEAM

AUGUSTO
Cornejo Cañedo

Chief Production Officer

Is an electromechanical engineer. He holds a Master's in Administration, with a focus on business management, and a PhD in Business Science from Universidad San Luis Gonzaga in Ica. He has held the position of Chief Production Officer since January 2016. Previously, he was the Manager of Rolling and Finishing Plants and Rolling Superintendent.

MARIANA
Talavera Rubina

Supply Chain Manager

Is a business management engineer by profession, and graduated from the Universidad Nacional Agraria La Molina. She has been the Supply Chain Manager since June 2018. Previously, she held local management positions in the procurements and supply chain areas in companies such as Kimberly Clark, Intralot del Perú, and ABInbev, and was Regional Procurements Manager for Kimberly Clark.

GONZALO
Arróspide Del Busto

Commercial Manager

Is a business administrator by profession, with graduate degrees from ESAN and Northwestern University in the USA. He has been the Commercial Manager since December 1998. Prior to that, he worked at Cerámica Lima S.A. as the Commercial Manager there.

MANAGEMENT TEAM

RICARDO
Guzmán Valenzuela

CFO

Is a business administrator by profession, with a minor in finance. He holds a bachelor's degree from the University of Texas at Austin, and an MBA from the University of Chicago Booth School of Business. He has been the Company's Corporate Finance Manager since July 2011, and the CFO since April 2017. Previously, he was Executive Director of Corporate and Investment Banking at BBVA, and was responsible for mergers and acquisitions for Peru. Prior to that, he worked in corporate finance for a number of different financial entities.

DIEGO
Arróspide Benavides

Strategic Procurements Manager

Is an industrial engineer by profession, with a degree from the Universidad de Lima. He holds a Master's in Operations Management from the UPC. He has been the Strategic Procurements Manager since July 2017. Prior to that, he held managerial positions in the procurements and logistics areas in companies such as Engie Energía Perú, Peruana de Combustibles, BBVA Continental, and British American Tobacco.

MARCELO
Zevallos Sánchez

Human Resources Manager

Is an attorney at law with a degree from the Universidad de Lima, and diplomas in Strategic Organizational Management from the Universidad de Lima and Human Resources Management from the TEC in Monterrey. He has been Human Resources Manager since July 2017. Previously, he was Human Resources Manager for the Peruvian business unit of Grupo NUTRESA of Colombia; Human Resources Manager at Mondelez Perú S.A.; Head of Human Resources at Kimberly Clark Perú SRL; and Senior Legal Counsel at Kimberly Clark Perú S.A.

MANAGEMENT TEAM

RAFAEL
Cáceres Gallegos

IT Manager

An electronic engineer by profession, has held the position of IT Manager since September 1999. Prior to that, he was a manager at @Phone S.A. Up until 1998, he worked as the Operations Manager of Americatel Perú S.A.

FERNANDO
Bustamante Cillóniz

Strategic Management Control Manager

Has a degree in mechanical engineering from Boston University, with an MBA from the Universidad de Piura. He has been the Strategic Management Control Manager since 2010. Before that, he was Internal Consultant, Head of Marketing for the Profiles Line, Corporate TQM Coordinator, and Head of PCI and Supply Warehouses. At present, he is also a board member of Fundo San Fernando.

RICARDO
Cillóniz Rey

Projects and Mining Manager

Is an industrial engineer by profession, graduated from the Universidad de Lima, with an MBA from the Kellogg School of Management and a Master's in Engineering from the McCormick School of Engineering. He has been the Projects and Mining Manager since November 2010. From 2005 to 2010, he was the Consultancy Manager at Bain and Company in the United Kingdom. He has also held positions at Deutsche Bank London and South Pacific Business Development. He is currently also a board member of Agroindustrias AIB S.A.

MANAGEMENT TEAM

FRANCISCO
Alayza Camarero

Legal Affairs Manager

Holds a law degree from the Universidad de Lima and a Master's in Finance and Corporate Law from ESAN. He has been the Legal Affairs Manager since April 2018. Prior to that, he held managerial positions in the legal and compliance areas of companies such as Inversiones Centenario, Komatsu-Mitsui, and Praxair, and was Legal Director for Latam at ESCO.

HUMBERTO
Barragán Herrera

Internal Audit Manager

Is a certified public accountant graduated from the Pontificia Universidad Católica del Perú (PUCP). He has a diploma of specialization in internal auditing, management control, and quality management from the Universidad de Lima, as well as a diploma of specialization in finances and international accounting standards from Universidad ESAN. He was an External Financial Auditor at the firm of KPMG; Internal Auditor at Aliaxis Latinoamérica (a group engaged in the manufacture of pipes, accessories, plastic valves and related products for residential, commercial, and industrial construction) with headquarters in Costa Rica; an Internal Auditor at the road infrastructure construction company in Peru owned by Grupo H&H of Ecuador; and Internal Auditor for electricity transport companies in Peru belonging to Grupo Empresarial ISA of Colombia. He was a part-time faculty member of the accounting program at PUCP. He has been Internal Audit Manager since December 2013.

Degree of relations by affinity of consanguinity among Board Members and the Management Team:

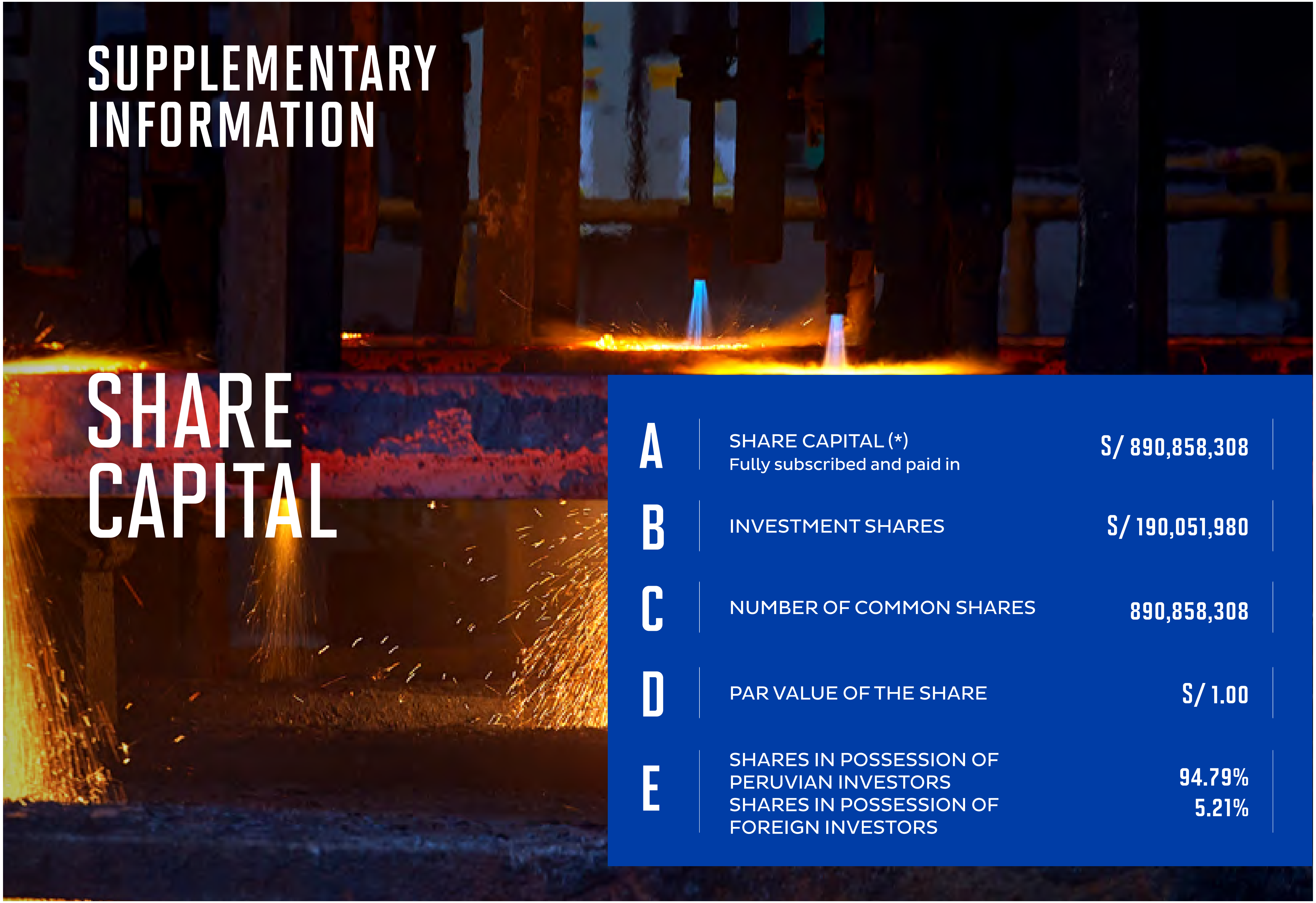
RENEE Cillóniz de Bustamante and **RICARDO** Bustamante Cillóniz *are related by consanguinity in the first degree.*

RICARDO Cillóniz Champín and **RICARDO** Cillóniz Rey *are related by consanguinity in the first degree.*

RICARDO Cillóniz Champín and **RENEE** Cillóniz de Bustamante *are related by consanguinity in the second degree.*

RICARDO Bustamante Cillóniz and **FERNANDO** Bustamante Cillóniz *are related by consanguinity in the second degree.*

RICARDO Cillóniz Champín and **RICARDO** Bustamante Cillóniz *are related by consanguinity in the third degree.*



SUPPLEMENTARY INFORMATION

SHARE CAPITAL

A	SHARE CAPITAL (*) Fully subscribed and paid in	S/ 890,858,308
B	INVESTMENT SHARES	S/ 190,051,980
C	NUMBER OF COMMON SHARES	890,858,308
D	PAR VALUE OF THE SHARE	S/ 1.00
E	SHARES IN POSSESSION OF PERUVIAN INVESTORS SHARES IN POSSESSION OF FOREIGN INVESTORS	94.79% 5.21%

F

STAKE IN OTHER COMPANIES

ACEROS AMERICA SPA
100.00% stake
CHILEAN

COMERCIAL DEL ACERO S. A
99.99% stake
PERUVIAN

TRANSPORTES BARCINO S. A.
99.92% stake
PERUVIAN

ACERO INSTALADO S.A.C.
99.90% stake
PERUVIAN

CORPORACION ACEROS AREQUIPA DE IQUITOS S.A.C.
99.90% stake
PERUVIAN

TECNOLOGÍA Y SOLUCIONES CONSTRUCTIVAS S.A.C.
99.90% stake
PERUVIAN

CORPORACION ACEROS DEL ALTIPLANO S.R.L.
99.00% stake
BOLIVIAN

INMOBILIARIA COMERCIAL DEL ACERO ARGENTINA S.A.C.
33.65% stake
PERUVIAN

INMOBILIARIA COMERCIAL DEL ACERO CAJAMARQUILLA S.A.C.
33.65% stake
PERUVIAN

COMPAÑÍA ELECTRICA EL PLATANAL S. A.
10.00% stake
PERUVIAN

SUPPLEMENTARY
INFORMATION

PRODUCTION

A	INSTALLED CAPACITY	1'200,000 MT
B	PLANT USE	83%
C	WORK SHIFTS	3
C	VARIATION IN CAPACITY AND CAUSES	Abovementioned capacity is rated nominal.

SUPPLEMENTARY
INFORMATION

REVENUE

A

NET REVENUE

S/ 2,729,515,453

DOMESTIC REVENUE

S/ 2,268,756,941
(83.1%)

EXPORT REVENUE

S/ 460,758,512
(16.9%)

B

MAIN PRODUCT LINES

REBAR AND WIRE ROD

S/ 2,080,173,413

MERCHANT BARS

S/ 279,341,614

SHEETS, COILS, AND OTHERS

S/ 370,000,426

PERSONNEL

Comparing this figures with those for the previous fiscal year, a decrease of 20 staff members (-2%) may be observed, with the highest drop among executives (-5%) and employees (-5%). In 2018, a reduction of 5% occurred compared to 2017.

Of the total personnel, 110 staff members (11%) are contract personnel, while the remaining 937 are regular in-house personnel.

EXECUTIVES
37

SUPERVISORS
130

EMPLOYEES
394

LABORERS
486

GRAND TOTAL
1,047

SUPPLEMENTARY
INFORMATION

SECURITIES

In accordance with CONASEV General Manager's Resolution 061-98-EF/94.11, the common shares and investment shares of Corporación Aceros Arequipa S.A. were registered with the Public Stock Exchange Registry on February 23, 1998. The evolution of these shares is shown below:

A

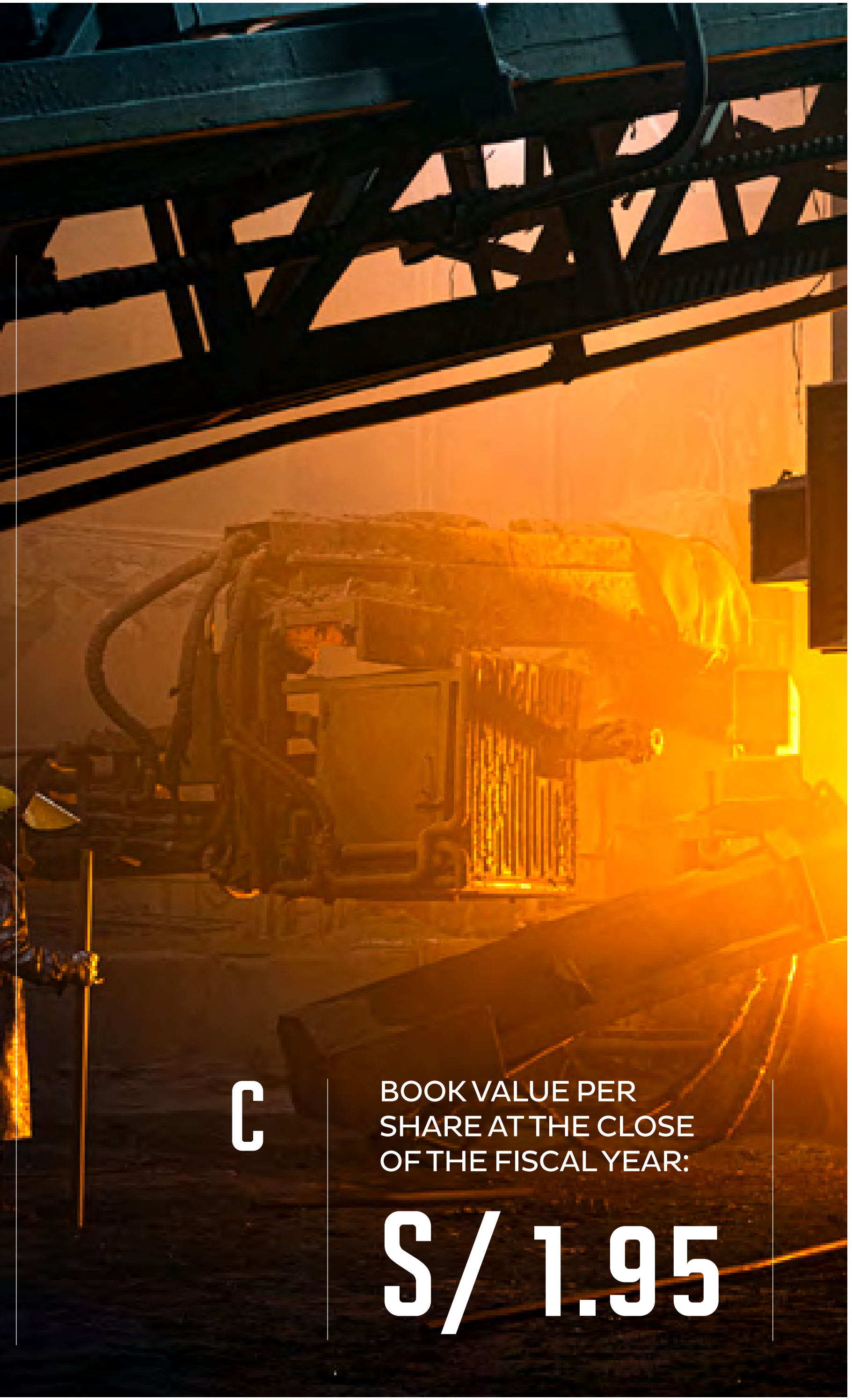
STOCK EXCHANGE PRICES FOR COMMON SHARES (S/):

MONTH	OPEN	CLOSE	HIGH	LOW	AVERAGE
January	0.95	1.01	1.01	0.95	0.96
February	1.01	1.02	1.02	1.00	1.01
March	1.02	1.05	1.05	1.02	1.04
April	1.04	1.02	1.04	1.02	1.02
May	1.01	1.00	1.01	1.00	1.00
June	1.00	1.00	1.04	1.00	1.02
July	1.00	1.07	1.07	1.00	1.05
August	1.03	0.97	1.03	0.97	0.99
September	1.03	1.00	1.03	1.00	1.01
October	1.00	1.04	1.05	1.00	1.00
November	1.02	1.05	1.05	1.00	1.01
December	1.07	1.11	1.11	1.05	1.07

B

STOCK EXCHANGE PRICES FOR INVESTMENT SHARES (S/):

MONTH	OPEN	CLOSE	HIGH	LOW	AVERAGE
January	0.70	0.77	0.77	0.68	0.72
February	0.77	0.78	0.82	0.75	0.78
March	0.78	0.82	0.83	0.76	0.80
April	0.80	0.76	0.81	0.75	0.78
May	0.76	0.67	0.77	0.67	0.71
June	0.67	0.73	0.74	0.67	0.72
July	0.74	0.74	0.74	0.71	0.73
August	0.71	0.64	0.73	0.62	0.67
September	0.64	0.67	0.70	0.64	0.67
October	0.66	0.80	0.82	0.65	0.71
November	0.80	0.87	0.90	0.80	0.84
December	0.87	0.91	0.94	0.83	0.88



C

BOOK VALUE PER SHARE AT THE CLOSE OF THE FISCAL YEAR:

S/ 1.95

SUPPLEMENTARY
INFORMATION

SHAREHOLDERS

SHAREHOLDER A	15.94%	Peru
SHAREHOLDER B	10.96%	Bahamas
SHAREHOLDER C	8.53%	Peru
SHAREHOLDER D	8.50%	Peru
SHAREHOLDER E	5.47%	Peru
SHAREHOLDER F	5.20%	Peru
SHAREHOLDER G	2.82%	Peru
SHAREHOLDER H	2.59%	Panama
SHAREHOLDER I	2.27%	Peru
SHAREHOLDER J	2.00%	Peru

SUPPLEMENTARY INFORMATION

COMMON SHARES

SHARES HELD	Nº OF SHAREHOLDERS	STAKE PERCENTAGE
Less than 1%	384	24.93
Between 1% to 5%	13	20.48
Between 5% to 10%	4	27.70
More than 10%	2	26.89
Total	**403**	**100.00**

INVESTMENT SHARES

SHARES HELD	Nº OF SHAREHOLDERS	STAKE PERCENTAGE
Less than 1%	2,324	62.31
Between 1% to 5%	11	23.26
Between 5% to 10%	2	14.43
More than 10%	0	0.00
Total	**2,337**	**100.00**

MENU

C.05—
ANNEXES

CORPORACIÓN ACEROS AREQUIPA S.A.

Separate financial statements as of December 31, 2019 and 2018 together with the Independent Auditors Report

EY
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Paredes, Burga & Asociados
Sociedad Civil de Responsabilidad Limitada

Independent Auditors' Report

To the Shareholders of Corporación Aceros Arequipa S.A.

We have audited the accompanying separate financial statements of Corporación Aceros Arequipa S.A., which comprise the separate statement of financial position as of December 31, 2019 and 2018, and the related separate statements of comprehensive income, changes in net equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management Responsibility for Separate Financial Statements

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audits. Our audits were performed in conformity with International Auditing Standards approved in Peru by the Board of Deans of the Peruvian Charter of Accounts. Such standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the separate financial statements to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

Inscrita en la partida 11396556 del Registro de Personas Jurídicas de Lima y Callao
Miembro de Ernst & Young Global

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Independent Auditors' Report (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying separate financial statements, present fairly, in all material respects, the separate financial position of Corporación Aceros Arequipa S.A. as of December 31, 2019 and 2018, as well as its financial perfomance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

Emphasis on separate information

The separate financial statements of Corporación Aceros Arequipa S.A. have been prepared in compliance with the legal requirements in force in Peru for the presentation of financial information. These financial statements reflect the value of its investments in subsidiaries and associates under the equity method and not on a consolidated basis, so they should be read together with the consolidated financial statements of Corporación Aceros Arequipa S.A. and Subsidiaries, which are presented separately and on which we issued an unqualified opinion dated February 20, 2020.

Lima, Peru
February 20, 2020

Signed by:

Paredes, Burga & Asociados

Patricia R
C.P.C.C. No. 40030

SEPARATE STATEMENT OF FINANCIAL POSITIONAL

AS OF DECEMBER 31, 2019 AND 2018

	NOTe	2019 S/(000)	2018 S/(000)
Assets			
Current assets			
Cash and cash equivalents	2.2(a) y 5(a)	404,360	228,988
Trade accounts receivable, net	2.2(b) y 6(a)	369,305	335,005
Accounts receivable from related parties	2.2(b) y 7(b)	95,813	61,631
Current portion of other accounts receivable	2.2(b) y 8(a)	39,350	30,499
Inventories, net	2.2(g) y 9(a)	679,347	927,685
Expenses contracted in advance	2.2(q) y 10(a)	6,555	5,213
		1,594,730	1,589,021
Assets available for sale	2.2(x) y 1(d)	10,597	63,161
Total current assets		**1,605,327**	**1,652,182**
Non-current assets			
Investments in subsidiaries and associates	2.2(h) y 11(a)	346,044	330,936
Other long-term accounts receivable	2.2(b) y 8(a)	13,591	9,129
Accounts receivable from related parties	2.2(b) y 7(b)	4,197	13,725
Property, plant and equipment, net	2.2(i) y 12(a)	1,822,419	1,436,633
Right of use assets and others, net	2.2(m) y 13	24,080	27,651
Intangibles, net	2.2(j) y 14(a)	35,176	39,572
Other assets, net	2.2(k) y 15	36,024	36,371
Total non-current assets		**2,281,531**	**1,894,017**
Total assets		**3,886,858**	**3,546,199**

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

SEPARATE STATEMENT OF FINANCIAL POSITIONAL

AS OF DECEMBER 31, 2019 AND 2018

	NOTE	2019 S/(000)	2018 S/(000)
Liabilities and net equity			
Current liabilities			
Current portion of financial obligations	2.2(c) y 16(a)	398,946	545,141
Trade accounts payable	2.2(c) y 17(a)	499,694	434,753
Accounts payable to related parties	2.2(c) y 7(b)	23,429	21,320
Other accounts payable	2.2(c) y 18(a)	66,538	61,188
Income tax payable	2.2(u) y 19(d)	21,570	17,381
Total current liabilities		1,010,177	1,079,783
Non-current liabilities			
Long term of financial obligations	2.2(c) y 16(a)	662,851	341,842
Other long-term liabilities	11(b)	6,738	7,761
Deferred tax liability, net	2.2(u) y 19(a)	119,395	157,597
Total non-current liabilities		**788,984**	**507,200**
Total liabilities		**1,799,161**	**1,586,983**
Net equity	20		
Capital stock		890,858	890,858
Investment shares		190,052	190,052
Treasury shares		(7,644)	(7,644)
Legal reserve		178,261	165,074
Revaluation surplus		218,012	220,482
Retained earnings		618,158	500,394
Total net equity		**2,087,697**	**1,959,216**
Total liabilities and net equity		**3,886,858**	**3,546,199**

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

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	NOTA	2019 S/(000)	2018 S/(000)
Net sales	2.2(r) y 21	2,729,515	2,623,078
Cost of sales	2.2(s) y 22	(2,304,538)	(2,200,892)
Gross profit		**424,977**	**422,186**
Operating income (expenses)			
Selling expenses	2.2(s) y 23(a)	(82,058)	(76,173)
Administrative expenses	2.2(s) y 24(a)	(76,366)	(76,880)
Other operating income	2.2(r) y 26(a)	64,537	21,543
Other operating expenses	2.2(s) y 26(a)	(64,703)	(58,452)
		(158,590)	(189,962)
Operating profit		**266,387**	**232,224**
Financial income	2.2(r) y 27	11,679	8,388
Financial costs	2.2(l) y 27	(35,392)	(33,074)
Exchange difference, net	2.2(f) y 31	810	(1,745)
Participation in the results of subsidiaries and associates	2.2(h) y 11(f)	13,127	16,383
Profit before income tax		**256,611**	**222,176**
Income tax expense	2.2(u) y 19(b)	(57,655)	(58,942)
Net profit		**198,956**	**163,234**

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

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	NOTA	2019 S/(000)	2018 S/(000)
Other comprehensive income			
Sale of properties and realization of the revaluation surplus, net of its tax effect	2.2(b)	-	(15)
Others		-	4
Other comprehensive income net of income tax		**-**	**(11)**
Total comprehensive income for the year, net of income tax		**198,956**	**163,223**
Net profit per basic and diluted share	2.2(v) y 29	0.18	0.15
Weighted average of outstanding shares (in thousands of units)	2.2(v) y 29	1,085,597	1,085,597

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

SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	CAPITAL STOCK	INVESTMENT SHARES	TREASURY SHARES	LEGAL RESERVE	REVALUATION SURPLUS	RETAINED EARNINGS	TOTAL
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Balance as of January 1, 2018	**941,875**	**200,936**	**(69,545)**	**152,169**	**224,207**	**402,602**	**1,852,244**
	-	-	-	-	-		
Profit for the period	-	-	-	-	-	163,234	163,234
Sale of properties and realization of the revaluation surplus, note 1(d)					(3,714)	3,714	-
Sale of subsidiary's property and realization of the revaluation surplus	-	-	-	-	(15)	-	(15)
Others					4		4
Total comprehensive results for the year					**(3,725)**	**166,948**	**163,223**
Dividends note 20(f)	-	-	-	-	-	(56,366)	(56,366)
Appropriation of legal reserve, note 20(e)	-	-	-	12,790	-	(12,790)	-
Transfer of expired dividends note 20 (e)	-	-	-	115	-	-	115
Reduction of investment and treasury shares, note 20(a), (b) y (c)	(51,017)	(10,884)	61,901	-	-	-	-
Balances as of December 31, 2018	**890,858**	**190,052**	**(7,644)**	**165,074**	**220,482**	**500,394**	**1,959,216**
Net income of the year	-	-	-	-	-	198,956	198,956
Sale of property and realization of the revaluation surplus	-	-	-	-	(2,470)	2,470	-
Total comprehensive income of the year					**(2,470)**	**201,426**	**198,956**

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

SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	CAPITAL STOCK	INVESTMENT SHARES	TREASURY SHARES	LEGAL RESERVE	REVALUATION SURPLUS	RETAINED EARNINGS	TOTAL
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Dividends note 20(f)	–	–	–		–	(70,564)	(70,564)
Appropriation of legal reserve, note 20(e)	–	–	–	13,098	–	(13,098)	–
Transfer of expired dividends, note 20(e)	–	–	–	89	–	–	89
Balances as of December 31, 2019	**890,858**	**190,052**	**(7,644)**	**178,261**	**218,012**	**618,158**	**2,087,697**

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

SEPARATE STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	NOTE	2019 S/(000)	2018 S/(000)
Operating activities			
Collection for sale of goods		2,773,227	2,555,239
Payment to suppliers of goods and services		(1,969,910)	(2,300,886)
Payment of remuneration and social benefits		(192,694)	(176,557)
Payment of taxes		(93,404)	(79,721)
Other cash receipts related to the activity		31,117	28,864
Net cash from operating activities		**548,336**	**26,939**
Investing activities			
Dividends collected	11(c)	339	13,486
Sale of property, plant and equipment	26	26,235	12,513
Interest received	27	11,679	8,388
Purchase subsidiary, investment contribution, net	11(f)	(1,981)	(85,796)
Purchase of property, plant and equipment	12(a)	(158,863)	(120,434)
Purchase of intangibles assets	14(a)	(4,870)	(4,803)
Purchase of other assets	15(a)	(5)	(10)
Net cash flows used in investing activities		**(127,466)**	**(176,656)**

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

SEPARATE STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	NOTE	2019 S/(000)	2018 S/(000)
Financing activities			
Increase of financial obligations	16(n)	1,504,686	1,254,753
Payments of financial obligations	16(n)	(1,637,339)	(1,096,124)
Payments of interest	27	(35,392)	(33,075)
Dividends paid to shareholders	20(f)	(70,564)	(56,366)
Net cash flows (used in) from financing activities		**(238,609)**	**69,188**
Net increase (decrease) in cash and cash equivalents		182,261	(80,529)
Exchange difference for cash and cash equivalents		(6,889)	(8,677)
Cash and cash equivalents at beginning of year		228,988	318,194
Cash and cash equivalents at year-end	5(a)	**404,360**	**228,988**
Non-cash transactions			
Acquisition of assets under financial leases	12(a)	326,082	75,687
Participation in the results of subsidiaries and associates	11(e)	13,127	16,383
Sale of properties and realization of the revaluation surplus	1(d)	2,470	3,714
Sale of land of subsidiary		-	15

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2019, AND 2018

1
IDENTIFICATION AND ECONOMIC ACTIVITY

a. Identification

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

b. Economic activity

The Company is engaged in the manufacture, for sale in the country and abroad, of rebars, wire rod for construction, merchant bars and other products derived from steel. For this purpose, the Company has a steel plant and two rolling lines located in the city of Pisco.

In Board meeting dated on November 25, 2016, was approved the definitive suspension of the production of the Arequipa plant, see section 1(d), and with the purpose of improving the efficiency of its production processes, and to faced with competitors from the global environment, the Company’s Management decided to concentrate total production at its Pisco Plant, in which, in Board meeting dated on January 25, 2018, was approved to build a new electric furnace with a capacity of 1,250,000 MT/Year with a planned investment of approximately US$180,000,000, estimating its start up for mid 2020.

As of December 31, 2019, and 2018, the Company directly owns investments in the following subsidiaries:

- Comercial del Acero S.A is a Peruvian corporation that was incorporated in May 1985, in which it has a 99.99 percent of participation in capital stock’ shares, and which is dedicated to the commercialization of national and foreign steel products in the local market, especially merchant bars, tubes, plates, angles, rebars, construction iron and other derivatives of iron and steel. It also provides transformation and cutting services for steel sheet coils. The registered office of this subsidiary is Av. Argentina N ° 2051, Lima Peru.

- Transportes Barcino S.A. is a Peruvian corporation incorporated on November 1989, in which it has 99.92 percent of participation in capital stock’ shares and provides the service of transportation and land cargo and other related to the transport activity, being the Company its main customer. Additionally, it provides the leasing service of its warehouse called “El Cural” to a third party. The registered office is Av. Jacinto Ibáñez N ° 111-A, Industrial Park, Arequipa, Arequipa Peru.

- Tecnología y Soluciones Constructivas S.A, is a Peruvian corporation that was incorporated on September 2018, in which the Company has a 99.99 percent of participation in capital stock' shares and provides design services and structural modifications to the construction sector inside and outside the country. The registered office of this subsidiary is Av. Antonio Miro Quesada N ° 425, Magdalena del Mar district, Lima Peru.

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

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

- Acero Instalado S.A.C. Its a public limited company incorporated on May 2019 and is dedicated to activities of architecture and engineering, civil works, construction, supervision of works of advice, among others. The Company owns 99 percent of its stock capital.

- Aceros América S.A.C., is a foreign company located in Chile incorporated on August 2019 and dedicated to the purchase and sale of scrap metal and steel products. The Company owns 100 percent of its stock capital.

c. **Approval of the separate financial statements**

The separate financial statements as of December 31, 2018 and for the year then ended on that date, were approved and authorized for its issued on General Shareholders' Meeting on March 20, 2019. The accompaying separate financial statements as of December 31, 2019 have been approved and authorized for issuance by the General Management of the Company and will be presented for the approval of the General Meeting of Shareholders in the first quarter of 2020. In Management's opinion, the financial statements will be approved without modifications.

Likewise, the attached separate financial statements, which have been prepared in compliance with the legal requirements in force in Peru, reflect the individual activity of the Company, without including the effects of the consolidation with those of its subsidiaries.

The Company has also prepared consolidated financial statements in accordance with the IFRS 10, which are presented separately. For a correct interpretation of the separate financial statements according to IFRS, these should be read together with the consolidated financial statements. The consolidated financial statements as of December 31, 2019 and 2018, show the following balances for the most significant items:

	2019 S/(000)	2018 S/(000)
Current assets	1,957,633	2,032,045
Total Assets	4,172,385	3,849,131
Current liabilities	1,218,410	1,302,104
Total liabilities	2,035,316	1,841,399
Equity	2,137,069	2,007,732
Total revenue from ordinary activities	3,129,144	2,789,681
Net income for the year	198,991	211,750

d. Assets available for sale –
Related to the definitive suspension of the production of the Arequipa plant, mentioned in section 1(b), the Company publicly announced its decision to sell some properties. Consequently, they have been classified as assets held for sale. In accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", the related assets and liabilities are presented in the separate statement of financial position at cost or fair value less costs to sell, the lower.

The assets held for sale as of December 31, 2019 and 2018 are presented below:

	2019 S/(000)	2018 S/(000)
Properties – Arequipa (d.1)	10,597	63,161

As of December 31, 2019, the assets held for sale correspond to land located on Avenida Alfonso Ugarte - Arequipa for an approximate amount of S/10,597,000.

As of December 31, 2018, it comprised two properties located on Avenida Jacinto Ibañez (Ex - Aceros Arequipa Plant) and Avenida Alfonso Ugarte for a total of S/63,161,000.

During the year 2019, the Company sold the land located on Avenida Jacinto Ibañez to a third party for a total of US$16,648,000 (equivalent to approximately S/55,337,000), as part of such operation, a revaluation surplus was transferred to results accumulated by S/2,470,000.

During the year 2018, the Company sold a land located in Callao for an amount of approximately S/10,471,000 at a value of US$3,368,000 (equivalent to approximately S/11,285,000); transferring the revaluation surplus to accumulated results of approximately S/3,714,000.

1
IDENTIFICATION AND ECONOMIC ACTIVITY

The Company has evaluated the recoverable value of said assets and has determined that their fair value less expenses to sell them, exceeds their book value. In this sense, the Company maintained the cost of the properties in the separate statement of financial position in the short term on December 31, 2019.

Likewise, as of December 31, 2018, the land that made up the balance of the properties available for sale contains a revaluation surplus of approximately S/4,603,000, which is presented net of deferred income tax in the "Surplus of revaluation", in the separate statement of changes in equity.

As of December 31, 2019, the assets available for sale do not maintain a revaluation surplus.

2
BASIS OF PREPARATION, CONSOLIDATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1
Basis of preparation

Declaration of compliance

The information contained in these separate financial statements is the responsibility of the Company's Management, which expressly states that the attached separate financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB for its acronym in English) effective as of December 31, 2019 and 2018, respectively.

Measurement base

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

The separate financial statements have been prepared based on historical cost, from the accounting records of the Company, except for the land item that has been measured at its revaluation value. The attached separate financial statements are presented in Soles (functional and presentation currency), and all amounts have been rounded to thousands of Soles (S/000), except where otherwise indicated.

Basis of preparation and presentation

The accounting policies adopted are consistent with those applied in previous years, except for the new IFRS and revised IAS that are mandatory for the periods beginning on or after January 1, 2019 and that are applicable to the Company's operations. The nature and effect of these changes are indicated below:

a. IFRS 16 "Leases"

During the year 2018, the Company early adopted IFRS 16 "Leases", effective as of January 1, 2019, applying the retroactive approach that states that the restatement of comparative information is not necessary. As a result, the Company has changed its accounting policy for lease agreements as detailed in note 2.2 (m).

Prior to the adoption of IFRS 16 "Leases", the Company classified each of its leases (as lessee) at the initial time as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all the risks and benefits related to the ownership of the leased asset to the Company; otherwise, it was classified as an operating lease. Finance leases were capitalized at the start of the lease at their fair value of the property leased at the initial time or, if lower, at the present value of the minimum lease payments. Lease payments were distributed between interest (recognized as financial expense) and reduction of the lease liability. In an operating lease, the leased property was not capitalized, and the lease payments were recognized as lease expenses in the income statement on a straight-line basis over the term of the contract.

When adopting IFRS 16, the Company applied a lessee recognition and measurement approach for all its leases, except for short-term leases and low-value asset leases. The Company separately recognizes in the statement of financial position, liabilities for lease payments to be made and rights to use the assets that represent the right to use the underlying assets.

Consequently, the effects of said change in accounting policy represented the recognition of an asset and a liability for right of use at its present value of approximately S/19,890,000 As of December 31, 2018, see notes 13 and 16, respectively. Likewise, the deferred income tax effect amounted to approximately S/5,868,000.

b. Interpretation 23 Uncertainty over Income Tax Treatments –

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- If an entity considers uncertain tax treatments separately.
- The assumptions made by an entity regarding the examination of tax treatments by the tax authorities.

- How an entity determines fiscal gain (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances.

The Company determines whether to consider each uncertain tax treatment separately or in conjunction with one or more uncertain tax treatments and uses the approach that best predicts the resolution of uncertainty.

The Company applies a significant judgment in identifying uncertainties about income tax treatments.

Following the adoption of the Interpretation, the Company considered that it has no uncertain fiscal positions. The Company determined, based on its tax compliance and transfer pricing study, that its tax treatments are likely to be accepted by the tax authorities. The Interpretation had no impact on the financial statements of the Company.

2.2 Summary of significant accounting policies and practices

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

a. Cash and cash equivalents

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

b. Financial assets

Recognition and initial measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. Except for trade accounts receivable that do not contain a significant financial component or for which the Company has applied the practical file, The Company initially measures a financial asset at its fair value plus, in the case of a financial asset that is not at fair value with changes in results, transaction costs. Accounts receivable that do not contain a significant financial component or for which the Company has not applied the practical file are measured at the transaction price determined in accordance with IFRS 15, see note 2.2 (r).

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

For a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

Subsequent measurement

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

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

Financial assets at amortized cost (debt instruments)

The Company measures financial assets at amortized cost if the following conditions are met:

- i The financial asset is held within a business model with the objective to hold financial assets to collect contractual cash flows and not sale or trade it, and
- ii The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

The Company does not have debt instruments classified in this category.

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

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

The Company does not possess equity instruments.

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

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

Derecognition

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

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

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

Impairment of financial assets

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

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

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

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

c. Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognized initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs.
The Company's financial liabilities includes borrowings, trade payables, payables to related parties and other payables.

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

The Company has not designated any financial liability as at fair value through profit or loss.

Debts and loans that accrue interest

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

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

In general, this category applies to current and non-current debts and loans that accrue interest, see note 16.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

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

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

d. Derivative financial instruments and accounting hedges –
Derivative financial instruments are initially recognized at their fair values at the date on which the derivative contract is concluded, and subsequently measured again at their fair value. Derivatives are accounted for as financial assets when their fair value is positive, and as financial liabilities when their fair value is negative.

For hedge accounting purposes, hedges are classified as:

i Fair value hedges, when they cover exposure to changes in the fair value of recognized assets or liabilities, or unrecognized firm commitments;
ii Cash flow hedges, when they cover exposure to variations in cash flows attributed to either a risk associated with a recognized asset or liability or a highly probable planned transaction, or to the exchange rate risk in a firm commitment not recognized;
iii Coverage of a net investment in a business abroad.

At the beginning of a hedging relationship, the Company formally designates and documents the hedging relationship to which he wishes to apply hedge accounting, the objective of risk management and the strategy to carry out the hedge.

Until January 1, 2018, the documentation included the identification of the hedging instrument, the hedged item or transaction, the nature of the risk that is covered and how the Company would evaluate the effectiveness of the hedge in the face of changes in the fair value of the instrument. of coverage by compensating for changes in the fair value of the hedged item or the variations in cash flows attributable to the hedged risk. The Company expects hedges to be highly effective in compensating for changes in fair value or variations in cash flows and evaluates them permanently to determine if they have been highly effective throughout the periods for which they were designated.

As of January 1, 2018, the documentation includes identification of the hedging instrument, the hedged asset, the nature of the risk that is covered and how the Company will assess whether the hedging relationship meets the requirements of coverage effectiveness (including analysis of the sources of ineffectiveness of coverage and how the coverage ratio is determined). A hedging relationship is treated as hedge accounting if it meets the following effectiveness requirements:

- **i** There is an economic relationship between the covered asset and the hedging instrument.
- **ii** The credit risk effect does not dominate the changes in value that result from the economic relationship.
- **iii** The coverage ratio of the hedging relationship is the same as the result of the amount of the hedged asset that the Company covers and the amount of the hedging instrument that the Company uses to cover the amount of the hedged asset.

Coverages that meet all the criteria for hedge accounting are recorded as cash flow hedges.

Cash flow hedges

The effective portion of the gain or loss of a hedging instrument is recognized as another comprehensive result in the reserve for cash flow hedges, while the ineffective portion is immediately recognized in the statement of comprehensive income. The ineffective portion related to foreign currency contracts is recognized as financial expenses.

Prior to January 1, 2018, any gain or loss arising from changes in the fair value of derivatives is taken directly to income, except for the effective portion of cash flow hedges, which was recognized in other comprehensive income. and subsequently reclassified to income for the year when the covered asset affects results.

As of January 1, 2018, only the cash element of derivative contracts is designated as a hedging instrument. The future element is recognized in other comprehensive income and accumulated in a component of equity under the concept of coverage reserve cost.

For any cash flow hedge, the amount accumulated in other comprehensive income is transferred to profit or loss as a reclassification adjustment in the same period or periods during which the cash flows covered affect results.

If the cash flow hedge is discontinued, the amount accumulated in other comprehensive income must remain in other comprehensive income accumulated if the covered cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once covered cash flows are given, any amount that remains in other comprehensive accumulated results must be recorded considering the nature of the underlying transaction.

As of December 31, 2019, and 2018, the Company does not carry out transactions with derivative financial instruments for which hedge accounting is used.

e. Current and non-current classification

The Company presents the assets and liabilities in the separate statement of financial position, classified in current and non-current.

An asset is classified as current when the entity:

- Expect to realize the asset or intends to sell it or consume it in its normal operating cycle.
- Maintains the asset primarily for trading purposes;
- Expects to realize the asset within the following twelve months after the reporting period;
- Expects to realize the asset within twelve months - the asset is effective unless it is restricted and cannot be exchanged or used to cancel a liability for a minimum period of twelve months after the close of the reporting period following after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when the entity:

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

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

f. Foreign currency transactions and balances

i Functional currency and presentation currency
The Company has defined the Sun as its functional and presentation currency.

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

g. Inventories

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

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

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

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

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

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

h. Investment on subsidiaries and associates

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

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

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

i. Property, plant and equipment

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

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

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

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

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

Works in progress corresponds to facilities under construction and are recorded at cost. This includes the cost of construction and other direct costs. Works in progress does not depreciate until the relevant assets are completed and operational.

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

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

Residual values, useful lives and depreciation methods are reviewed and adjusted, if necessary, to the date of each separate statement of financial position, any change on these estimates are adjusted prospectively.

j. Intangibles

Intangible assets mainly comprise the cost of licenses and the costs of implementing and developing the SAP System. The licenses acquired are capitalized based on the costs necessary to acquire them and to operate the specific program. The licenses have a defined useful life and are shown at cost less their accumulated amortization. Amortization is calculated using the straight-line method over a period of 10 years.

k. Concessions and exploration costs of mining projects

The Company has adopted IFRS 6 for the recognition of the acquisition of concessions and exploration expenses.

This standard indicate that mining entities must be design an accounting policy that specifies which expenses from their exploration and evaluation activities will be recognized as assets and subsequently apply this policy uniformly. In establishing the policy that Management decides to apply, it can discard the requirements of the IFRS Conceptual Framework in accordance with the exceptions in paragraphs 11 and 12 of IAS 8. However, the policy adopted must be relevant and provide reliable information. The exception allows the mining company to maintain accounting policies that it applied in the past even when they do not agree with the Conceptual Framework.

In this context, the Company has established as its accounting policy that consists of recognizing the acquisition of concessions as assets, as well as exploration costs even when the recovery of these investments is uncertain. Concessions and exploration costs are recorded at acquisition cost. These costs are recorded as "Other assets" in the Separate statement of financial position.

The Company's policy also contemplates that administrative or pre-operating expenses not directly related to exploration activities are recognized as expenses when incurred.

Capitalized investments are subject to impairment test in accordance with the criteria prescribed in IFRS 6.

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

m. **Leases –**
At the beginning of a contract, the Company evaluates whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company evaluates whether:

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

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BASIS OF PREPARATION, CONSOLIDATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Right of use assets

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

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

Lease liability

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

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

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

Exceptions to recognition –

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

n. Impairment of non-financial assets

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

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

In determining fair value less cost to disposal, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used. These calculations are compared with valuation multiples, share quotations for listed entities and other available indicators of fair value. Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

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

o. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) because of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as finance cost in the separate Statement of comprehensive income.

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

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

q. Expenses contracted in advance
The criteria adopted for the registration of these items are:

- Insurance is recorded at the value of the premium paid to cover the different assets and is amortized using the straight-line method during the term of the policies.
- Advance payments for miscellaneous services are recorded as an asset and recognized as an expense when the service, such as advertising, is earned.

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

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

- **Performance obligation**
The Company has a single performance obligation for the sale of rebars, wire rod

for construction, merchant bars and other products derived from steel; that occurs upon delivery of the goods.

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

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

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

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

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

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

s. Recognition of costs and expenses

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

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

t. Employee benefits

- **Vacations and legal bonuses**

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

- **Compensation for length of service**

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

- **Workers' profit sharing**

Workers' profit sharing in the Company's profits are calculated in accordance with legal regulations (Legislative Decree No. 892) on the same net tax base used to calculate income tax. In the case of the Company, the profit participation rate is 5 percent on the net tax base for the current year. According to Peruvian Law, there is a limit on the participation that a worker can receive, equivalent to 18 salaries.

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

u. Taxes

- **Current income tax**

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

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

- **Deferred income tax**

  Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except:

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

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

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

foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

- **Value added tax**

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

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

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

v. Earnings per share

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

As of December 31, 2019, and 2018, the Company does not have financial instruments with dilutive effect, so the basic and diluted earnings per share are the same.

w. Segment information

The Management has organized the

Company based on a single product, steel derivatives. The goods produced and marketed by the Company result from a single production process, share the same marketing channels, are destined substantially for the same geographic market and are subject to the same legislation. As of December 31, 2019, merchandise sales (13.6 percent of total sales) and exports (16.9 percent of sales) are not considered representative to designate them as separate operating segments and consequently such information is not required for a proper understanding of the Company's operations and performance. Likewise, the activities related to mining to date are exclusively restricted to the acquisition of permits and concessions and some initial exploration expenses of the projects.

In consequence, Management understand that the Company works in only one business segment. The Board have been identified as incharge to assign the resources and assess the performance as only one operating unit.

x. Assets available for sale

The Company classifies the assets as held for sale if their book values are to be recovered through a sale rather than their continued use. Assets classified as held for sale are measured at the lower book value or fair value less costs to sell.

The criteria for the classification of assets as held for sale are met only when the sale is highly probable and the group to be arranged is available for immediate sale as is. The actions required to complete the sale should indicate that it is unlikely that significant changes will be made to the plan or that the plan will be voided. Management must be committed to the expected sale within one year from the date of classification. Items of property, plant and equipment are not depreciated or amortized once they are classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the separate statement of financial position.

A group to be disposed qualifies as a discontinued operation if it is a component of an entity that has already been disposed of or has been classified as held for sale, and:

- Represents a separate line of business or major geographic area of operations.
- It is part of a single coordinated plan to set up a separate line of business or major geographic area of operations.

- It is a subsidiary acquired exclusively with the intention of selling it.

  There are facts and circumstances that could extend the period to complete the sale beyond one year, an extension of the period required to complete a sale does not prevent the asset from being classified as held for sale.

  Discontinued operations are excluded from the results of continuing operations and are presented in a single amount of profit or loss net of taxes from discontinued operations in the separate statement of comprehensive income.

y. **Repurchase of capital stock (Treasury shares)**
When the capital stock recognized as equity is repurchased, the amount paid, including the costs directly attributable to the transaction, is recognized as a deduction from the separate equity. The repurchased treasury shares are classified as treasury shares and are presented as a deduction from equity. When the treasury shares are sold or subsequently reissued, the amount received is recognized as an issue premium.

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

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

If the business combination is carried out in stages, any participation that the acquirer previously had in the acquiree's equity is measured again at its fair value at the acquisition date, and any resulting gain or loss is recognized in the consolidated results. These records are considered in the determination of goodwill (goodwill). On the other hand, if the fair value of the investment acquired is less than the net asset acquired, a negative goodwill is generated that must be recognized in the statement of comprehensive income.

The Company has chosen to recognize the effects of the acquisition according to IFRS 3 in the consolidated financial statements.

3
SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

- Estimated impairment due to expected loss – note 2.2(b)
- Estimated useful life of assets, for depreciation and amortization purposes – note 2.2 (i) and (j)
- Estimate for devaluation and obsolescence of inventories – note 2.2(g)
- Impairment of the value of non-financial assets – note 2.2(n)
- Provision for contingencies – note 2.2(p)
- Income tax – note 2.2(u)
- Estimate of right in use asset – note 2.2(m)

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

4
CHANGES IN ACCOUNTING POLICIES AND STANDARDS ISSUED BUT NOT EFFECTIVE

4.1
Changes in accounting policies and disclosures

The Company adopted IFRIC 23 Uncertainty about Income Tax Treatments for the first time after January 1, 2019. The nature and effect of these changes as a result of the adoption of these new standards are described below. In addition to the changes described below, the accounting policies adopted are consistent with those of the previous year.

IFRIC Interpretation 23 Uncertainty about the treatment of income tax

The interpretation addresses accounting for income tax when tax treatments involve uncertainties that affect the application of IAS 12 Income Tax. It does not apply to taxes or liens outside the scope of IAS 12, nor does it include requirements related to interest and penalties associated with uncertain tax treatments. Following the adoption of the interpretation, the Company assessed whether it had uncertain tax positions. The Company's tax returns consider tax positions that the tax authorities could challenge. However, based on the evaluation made by the Company's Management and its legal advisors, it was determined that its tax treatments are likely to be accepted by the tax authority. Therefore, based on said evaluation, the interpretation had no impact on the Company's separate financial statements.

4.2
Standards issued but not effective

The relevant regulations and interpretations applicable to the Company are described below, which have been published, but were not yet in force as of the date of issuance of these separate financial statements. The Company intends to adopt these standards and interpretations, as appropriate, when they become effective.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".

The amendments to the definition of material is not expected to have a significant impact on the separate financial statements of the Company.

5
CASH AND CASH EQUIVALENTS

a. A continuación se presenta la composición del rubro:

	2019 S/(000)	2018 S/(000)
Cash and fixed funds	18	18
Current accounts (b)	403,924	33,236
Savings accounts (b)	418	669
Term deposits (c)	-	195,065
	404,360	**228,988**

b. The current and savings accounts are denominated in US dollars and Soles, are deposited in local and foreign financial entities, and which are free availability. The savings accounts bear interest at market rates.

In the year 2019, the Company improved of its inventories' management and the indicators of collections and payments, favoring the cash flow from operating activities, in addition, in December 2019, the Company made partial collection for the sale of the property domiciliated in Arequipa classified by Management as "Available for sale" for S/22,014,000, see note 1(d).

c. As of December 31, 2018, they corresponded to term deposits with original maturities of up to 60 days deposited in local financial entities, were denominated in US dollars for US$57,900,000 (equivalent to approximately S/195,065,000). These deposits earned interest at an average rate of between 2.48 and 2.60 percent.
During the years 2019 and 2018, term deposits beared interest for approximately S/6,657,000 and S/4,848,000, respectively; which are presented in the caption "Financial income" in the separate statement of comprehensive income, see note 27.

6
TRADE ACCOUNTS RECEIVABLE, NET

a. The composition of the item is presented below:

	2019 S/(000)	2018 S/(000)
Invoices (b)	371,397	323,808
Notes receivable (c)	10,706	20,896
	382,103	344,704
Less		
Expected credit loss (d)	(12,798)	(9,699)
	369,305	335,005

b. Corresponds mainly to accounts receivable arising from sales of merchandise and finished goods made to local and foreign entities, they have current maturities and are denominated mainly in US dollars. As of December 31, 2019, these accounts are guaranteed with bank guarantee letters for an approximate amount of S/53,759,000 (S/56,149,000 as of December 31, 2018).

c. The notes receivable bear interest at market rates of 8.73 percent.

d. As of December 31, 2019, and 2018, the aging of the trade accounts receivable is as follows:

6
TRADE ACCOUNTS RECEIVABLE, NET

AS OF DECEMBER 31, 2019

	Trade accounts receivable S/(000)	Expected credit loss S/(000)	Total S/(000)
Not past due	272,604	-	272,604
Past due:			
Between 1 and 30 days	61,625	-	61,625
Between 31 and 180 days	35,076	-	35,076
Over 180 days	-	12,798	12,798
Total	**369,305**	**12,798**	**382,103**

AL 31 DE DICIEMBRE DE 2018

	Trade accounts receivable S/(000)	Expected credit loss S/(000)	Total S/(000)
Not past due	268,910	-	268,910
Past due:			
Between 1 and 30 days	60,696	-	60,696
Between 31 and 180 days	5,399	-	5,399
Over 180 days	-	9,699	9,699
Total	**335,005**	**9,699**	**344,704**

6
TRADE ACCOUNTS
RECEIVABLE, NET

e. The movement of the expected impairment of credit loss was as follows:

	2019 S/(000)	2018 S/(000)
Initial balance	**9,699**	**9,939**
Additions, note 23(a)	4,279	2,815
Recoveries, note 26(a)	(488)	(905)
Write-offs	(692)	(2,150)
Final balance	**12,798**	**9,699**

In Management's opinion, the estimated impairment for expected loss as of December 31, 2019 and 2018 adequately covers the credit risk of this item at that time.

7 TRANSACTIONS WITH RELATED PARTIES

a. As of December 31, 2019 and 2018, the Company has mainly carried out the following transactions with related entities:

	TYPE	2019 S/(000)	2018 S/(000)
Sale of rebars, wire rod and others, note 21			
Tradi S.A.	Related	145,412	156,127
Corporación Aceros del Altiplano S.R.L.	Subsidiary	101,376	25,433
Comercial del Acero S.A.	Subsidiary	50,564	44,723
Comfer S.A.	Related	161	41
Transportes Barcino S.A.	Subsidiary	4	40
Corporación Aceros Arequipa de Iquitos S.A.C.	Subsidiary	(5)	26,223
		297,512	**252,587**
Acquisition of goods and services			
Corporación Aceros del Altiplano S.R.L.	Subsidiary	(43,214)	(34,409)
Transportes Barcino S.A.	Subsidiary	(24,607)	(23,062)
Comercial del Acero S.A.	Subsidiary	(19,215)	(1,585)
Tecnología y Soluciones Constructivas S.A.	Subsidiary	(7,269)	(475)
Tradi S.A.	Related	(300)	(176)
Comfer S.A.	Related	(91)	(77)
		(94,696)	**(59,784)**

b. As a result of these and other transactions, the balance of accounts receivable and payable to related parties is presented below for the years then ended December 31, 2019 and 2018:

	TYPE	2019 S/(000)	2018 S/(000)
Trade accounts receivable			
Comerciales			
Corporación Aceros del Altiplano S.R.L.	Subsidiary	46,688	16,333
Tradi S.A. (c)	Related	28,364	24,041
Comercial del Acero S.A.	Subsidiary	16,268	5,677
Tecnología y Soluciones Constructivas S.A.	Subsidiary	414	652
Transportes Barcino S.A.	Subsidiary	261	667
Corporación Aceros Arequipa de Iquitos S.A.C.	Subsidiary	15	11,003
		92,010	**58,373**
Other accounts receivable			
Compañía Eléctrica El Platanal S.A. (e)	Associated	4,197	4,536
Tecnología y Soluciones Constructivas S.A. (g)	Subsidiary	2,545	1,535
Corporación Aceros Arequipa de Iquitos S.A.C. (g)	Subsidiary	1,227	1,722
Aceros América S.A. (g)	Subsidiary	27	-
Corporación Aceros del Altiplano S.R.L. (f)	Subsidiary	4	9,190
		8,000	**16,983**
Total		**100,010**	**75,356**

	TYPE	2019 S/(000)	2018 S/(000)
By Due –			
Current		95,813	61,631
Non-current (e) y (f)		4,197	13,725
Total		**100,010**	**75,356**
Trade accounts payable			
Transportes Barcino S.A.	Subsidiary	2,507	1,706
Comercial del Acero S.A.	Subsidiary	1,613	1,365
Corporación Aceros del Altiplano S.R.L.	Subsidiary	731	735
Corporación Aceros Arequipa de Iquitos S.A.C.	Subsidiary	-	146
Tradi S.A. (c)	Related	-	8
		4,851	3,960
Other account payable			
Remuneration to the Board of Directors and management		18,187	15,925
Dividends payable		391	1,435
		18,578	17,360
Total		**23,429**	**21,320**

7
TRANSACTIONS WITH RELATED PARTIES

As of December 31, 2019, and 2018, accounts receivable and trade payable and non-commercial payable to related parties not bear interest and do not have specific guarantees.

In Management's opinion, as of December 31, 2019 and 2018, there is no risk of bad debts accounts at such dates, so have been necessary to register an impaiment of expected loss.

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

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

e. The account receivable from Compañía Comercial Eléctrica El Platanal S.A. corresponds to dividends receivable of the year 2017. This balance, in Management's estimates will be collect from year 2020.

f. Corresponds to loans granted for working capital that accrue interest at an average interest rate that fluctuates between 4.04 and 7.50 percent, does not have a specific maturity. The Management of the Company have considered presenting them as long-term accounts receivable and no specific guarantees have been established.

g. Corresponds to loans granted for working capital that accrue interest at an average interest rate that fluctuates between 2.27 and 5.65 percent, does not have a specific maturity and no specific guarantees have been established.

8
OTHER ACCOUNTS RECEIVABLE

a. This caption was made up as follows:

	2019 S/(000)	2018 S/(000)
Sale of property classified as available for sale (b)	33,110	-
Tax claims of income tax of year 2009 (c)	7,896	7,896
Judicial withholding (d)	4,400	4,400
Credit of value added tax (e)	3,297	23,974
Claims to third parties	2,371	2,427
Loans receivable to personnel	560	354
Others	2,519	1,789
	54,153	**40,840**
Less -		
Allowance for doubtful accounts (f)	(1,212)	(1,212)
	52,941	**39,628**
Current	39,350	30,499
Non-current (c)	13,591	9,129
	52,941	**39,628**

8
OTHER ACCOUNTS
RECEIVABLE

b. It corresponds to the balance pending collection of US$10,000,000 for the sale of the property located on Avenida Jacinto Ibañez de Arequipa, which was canceled in January 2020.

c. As of December 31, 2019, and 2018, correspond to collection rights to the Tax Administration, which in Management's opinion and their legal advisors, are recoverable because the Tax Court ruled in favor of the Company in October 2018. The Management estimated to present this claim as of long-term.

d. During the year 2018, through a resolution of the Judiciary, the Company made a judicial withholding of one of its current accounts for S/4,400,000, because of the breach of the contract for non-payment of goods purchased from a supplier. Management and its legal advisors consider that said resolution will be favorable to the Company.

e. Corresponds to the Value Added Tax paid by the Company in the acquisition of goods and services; likewise, this tax credit is mainly explained by the disbursements made by the investment that is being carried out in the Plant located in Pisco and the acquisition of goods and services. In Management's opinion, this Value Added Tax will be recovered in the short term, see note 1(b).

f. Mainly includes advances paid to suppliers in previous periods and whose services were not attended. In Management's opinion, as of December 31, 2019 and 2018, there is no uncollectibility risk in this item, so it is not necessary to establish an additional provision for impairment.

9
INVENTORIES, NET

a. This caption is made up as follows:

	2019 S/(000)	2018 S/(000)
Merchandise	92,957	112,670
Finished products	181,131	206,221
Products in process	124,864	273,350
Raw materials	81,059	111,929
Auxiliary materials, supplies and spare parts	95,661	112,906
Inventories in transit (b)	110,657	114,597
	686,329	**931,673**
Less		
Allowance for impairment (c)	(1,514)	(204)
Allowance for obsolescence (c)	(5,468)	(3,784)
	(6,982)	(3,988)
	679,347	**927,685**

b. As of December 31, 2019, and 2018, this caption includes raw material, merchandise and other materials imported by the Company, which it estimates will be received mainly during the first quarter of the year 2019 and 2020, respectively.

9
INVENTORIES,
NET

c. The movement of the allowance for impairment and obsolescence of inventories for the years ended December 31, 2019 and 2018 was as follows:

	2019 S/(000)	2018 S/(000)
Opening balance	**3,988**	**204**
Additions, note 22	5,923	4,894
Punishments	(2,929)	(1,110)
Closing balance	**6,982**	**3,988**

During the year 2019, the Company's Management carried out an evaluation of its spare parts and supplies in relation to deteriorated and slow-moving items. Because of this evaluation, an obsolescence of approximately S/5,923,000 (S/4,894,000 as of December 31, 2018) was estimated.

In Management's opinion, the inventories's impairment estimate as of December 31, 2019 and 2018 covers adequately the risk of impairment at those dates, so it is not necessary to record any additional provision.

10
EXPENSES CONTRACTED IN ADVANCE

a. The composition of the item is presented below:

	2019 S/(000)	2018 S/(000)
Insurance (b)	2,099	2,536
Prepaid expenses (c)	3,473	1,537
Subsidies receivable from EsSalud	603	922
Others	380	218
Total	**6,555**	**5,213**

b. As of December 31, 2019, and 2018, correspond mainly to multi-risk coverage, general liability and civil insurance, among others. These insurances are renewed annually and expire mainly in December 2020 and 2019, respectively.

c. As of December 31, 2019, and 2018, corresponds mainly to license renewals for the softwares that the Company uses in the development of its operations for approximately S/2,050,000 and S/820,000, respectively, which will accrue in next year.

11
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

a. A continuación se presenta la composición del rubro:

			EQUITY SHARE (%)				VALUE	
BUSINESS	OPERATION	COUN-TRY	2019	2018	Investment cost as of December 2019 S/(000)	Total equity as of December 2019 S/(000)	2019 S/(000)	2018 S/(000)
Investments in subsidiaries								
Comercial del Acero S.A. (b)	Selling steel products	Peru	99.99	99.99	103,204	228,996	170,559	162,018
Transportes Barcino S.A. (c)	Transport services	Peru	99.92	99.92	16,961	44,263	57,460	56,860
Corporación Aceros del Altiplano S.R.L.	Purchase of raw material / Sale of steel products	Bolivia	99.00	99.00	580	2,000	1,999	3,324
Tecnología y Soluciones Constructivas S.A.C. (d)	Design service	Peru	99.90	99.90	3,194	3,656	3,656	1,158
Acero Instalado S.A.C.	Engineering services	Peru	99.90	-	1	1	1	-
Aceros América S.A.	Selling steel products	Chile	99.90	-	5	(29)	(29)	-
Corporación Aceros Arequipa de Iquitos S.A.C.	Sale of steel products	Peru	99.90	99.90	3	(375)	(375)	(208)
					123,948		**233,271**	**223,152**
Investments in associates								
Compañía Eléctrica El Platanal S.A. (e)	Energy	Peru	10.00	10.00	63,125	756,421	75,642	71,137
Inmobiliaria Comercial de Acero Argentina S.A.C. (e)	Real state	Peru	33.65	33.65	3,746	86,540	28,938	28,502
Inmobiliaria Comercial de Acero Cajamarquilla S.A.C. (e)	Real state	Peru	33.65	33.65	1,073	24,348	8,193	8,145
					67,944		**112,773**	**107,784**
							346,044	**330,936**

b. On August 31, 2018, through a Public Procurement Offer (OPA), the Company acquired 66.35 percent of the shares the capital stock of Comercial del Acero S.A. Because of the operation, the Company managed to acquire 114,301,556 common shares with voting rights at a price of S/0.74 per share, and for this acquisition it disbursed approximately S/84,584,000. With the acquisition plus the participation that the Company previously held; the Company achieved a representative participation of 99.99 percent of the share capital of Comercial del Acero S.A. Likewise, because of the purchase, on July 23, 2018, usual guarantees were established for this type of transaction.

The acquisition of said company was recorded in accordance with IFRS 3 “Business Combination”, following the accounting method of purchase, reflecting the assets and liabilities acquired at their estimated market values (fair value).

Likewise, as a result of the purchase of the shares of Comercial del Acero S.A., on July 23, 2018, usual guarantees were established for this type of transaction.

As explained in note 2.2 (z), the Company’s Management has considered accounting for the impacts of IFRS 3 Business Combination only in the consolidated financial statements as of December 31, 2018.

The values of the assets and liabilities of this company at the date of acquisition were the following:

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INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

	Book value at 31.08.2018 (No audited) S/(000)
Asset	
Cash	7,798
Trade accounts receivable and other accounts receivable	95,190
Inventories	228,231
Expenses contracted in advance and others	2,180
Property, plant and equipment, net	25,308
	358,707
Liability	
Financial obligations	119,374
Trade accounts payable and related parties	14,101
Other accounts payable	9,800
	143,275
Total net assets	**215,432**

The fair values of the intangible assets that were identified at the acquisition date were estimated using the income approach, based on the present value of the benefits attributable to the asset or the costs avoided because of owning the asset. Under this approach, the fair value of the asset is determined under the discounted cash flow method and the discount rate applied corresponds to the rate of return that considers the relative risk of reaching cash flows and the value of money over time. The following methods based on the income approach were used by the Company's Management to estimate the fair values of the intangible assets identified as of the acquisition date:

- For brand valuation, the value approach used corresponds to the Relief from royalty method. The discount rate applied was 14.66 percent on sales.
- For the valuation of the relationship with clients, the value approach used corresponds to the Multi-Period-Excess-Earnings-Method method. The discount rate applied was 15.66 percent on sales.

c. The equity value includes approximately S/13,077,000 of higher value of lands due to revaluation surplus.

d. In General Shareholders' Meeting held on September 27, 2018, was approved an initial capital contribution for a total of US$105,000 (equivalent to approximately S/355,000 at the date of the contribution) for the constitution of Tecnología y Soluciones Constructivas S.A.C. The economic purpose of this company is providing differentiated services and steel solutions to construction sector inside and outside the country.

In General Shareholders' Meeting held on November 2018, was approved to make an additional capital contribution for a total of US$242,000 (equivalent to approximately S/817,000). Consequently, the Company received 817,000 shares at a nominal value of one sol each.

In General Shareholders' Meeting held on December 2018, was approved to make an additional capital contribution for a total of US$12,000 (equivalent to approximately S/41,000). Consequently, the Company received 41,000 shares at a nominal value of one sol each.

In General Shareholders' Meeting held on February 2019, was approved to make an additional capital contribution for a total of US$242,000 (equivalent to approximately S/807,000). Consequently, the Company received 807,000 shares at a nominal value of one Sol each.

11 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Likewise, in General Shareholders' Meeting held on November 2019, was approved to make an additional capital contribution for a total of US$350,000 (equivalent to approximately S/1,174,000). Consequently, the Company received 1,174,000 shares at a nominal value of one Sol each.

e. The Company, in association with the unrelated Peruvian company UNACEM (merger of the companies Cementos Lima S.A. and Cemento Andino S.A.), participates in 100 percent of Compañía Eléctrica El Platanal S.A. - CELEPSA, through a participation of 10 and 90 percent, respectively. CELEPSA develops and operates the G-1 El Platanal Electric Generation concession through a 220 MW hydroelectric plant, using the waters of the Cañete river.

Celepsa has two subsidiaries: (i) Celepsa Renovables S.R.L. (ex Hidro Marañón S.R.L), a company that operates the 19.92 MW Marañón Hydroelectric Power Plant in the Marañón River Basin in Huánuco, and which carries out the study and development of new generators of renewable energy resources; and, (ii) Ambiental Andina S.A., which provides meteorology and hydrology services where Celepsa participates with 50 percent.

Likewise, as of December 31, 2017 the subsidiary Comercial del Acero S.A. through the General Shareholders' Meeting dated on December 7, 2017, approved the spin-off of two equity blocks that were transferred to the companies Inmobiliaria Comercial de Acero Argentina S.A.C. and Inmobiliaria Comercial de Acero Cajamarquilla S.A.C. The economic purpose of carrying out the spin-off process was to develop a real estate housing complex with commercial development and sales areas. As of December 31, 2019, and 2018, these companies provide the real estate leasing service to their related Comercial del Acero S.A.

f. The following is the movement of the caption for the years ended December 31, 2019 and 2018:

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INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

	2019 S/(000)	2018 S/(000)
Opening balance at 1 January	**330,936**	**241,939**
Participation in results of subsidiaries and associates	13,127	16,383
Dividends of subsidiaries and associates	-	(13,150)
Purchase of subsidiaries (b)	-	84,584
Revaluation surplus of subsidiarie and associate	-	(15)
Other comprehensive income of associate	-	4
Capital contribution (d)	1,981	1,212
Others	-	(21)
Closing balance at 31 December	**346,044**	**330,936**

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INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

g. The most relevant information of the subsidiary and associates as of December 31, 2019 and 2018, is as follows:

	COMERCIAL DEL ACERO S.A.		TRASPORTES BARCINO S.A.		CORPORACIÓN ACEROS DEL ALTIPLANO S.R.L.		CORPORACIÓN ACEROS AREQUIPA DE IQUITOS S.A.C. (NO AUDITED)		TECNOLOGÍA Y SOLUCIONES CONSTRUCTIVAS S.A.C.	
	2019 S/(000)	2018 S/(000)	2019 S/(000)	2018 S/(000)	2019 S/(000)	2018 S/(000)	2019 S/(000)	2018 S/(000)	2019 S/(000)	2018 S/(000)
Current assets	397,400	403,545	7,805	8,708	49,619	22,473	943	12,663	2,564	1,429
Non-current assets	30,890	25,033	47,032	48,406	19,628	6,184	-	1	7,808	5,173
Current liabilities	178,119	206,041	5,505	6,456	66,212	15,487	1,318	12,869	5,050	5,444
Non-current liabilities	1,176	2.083	5,122	7,310	-	9,846	-	-	1,765	-
Net equity	228,996	220,454	44,210	43,348	3,035	3,324	(375)	(205)	3,557	1,158
Revenue	457,582	484,266	25,629	27,576	149,103	64,435	4,046	23,256	10,710	915
Net profit	8,542	23,847	862	357	(1,325)	1,375	(170)	(314)	420	(56)

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INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

	ACEROS AMERICA S.A. (NO AUDITED)		COMPAÑÍA ELÉCTRICA EL PLATANAL S.A. (NO AUDITED)		INMOBILIARIA COMERCIAL DEL ACERO ARGENTINA S.A.C. (NO AUDITED)		INMOBILIARIA COMERCIAL DEL ACERO CAJAMARQUILLA S.A.C. (NO AUDITED)	
	2019 S/(000)	2018 S/(000)	2019 S/(000)	2018 S/(000)	2019 S/(000)	2018 S/(000)	2019 S/(000)	2018 S/(000)
Current assets	7	-	90,925	80,282	2,524	421	834	171
Non-current assets	-	-	1,050,404	1,080,239	105,811	106,699	26,996	27,418
Current liabilities	36	-	163,100	115,635	184	825	43	165
Non-current liabilities	-	-	221,808	333,749	21,611	22,052	3,439	3,438
Net equity	(29)	-	756,421	711,137	86,540	84,243	24,348	23,986
Revenue	-	-	258,353	223,930	3,644	3,684	1,036	1,048
Net profit	(34)	-	45,283	25,280	1,752	1,876	362	391

12
PROPERTY, PLANT AND EQUIPMENT, NET

a. The movement of property, plant and equipment and its corresponding accumulated depreciations for the years ended December 31, 2019 and 2018, is the following:

	Lands S/(000)	Buildings and other constructions S/(000)	Machinery and equipment S/(000)	Equipment various S/(000)	Transport units S/(000)	Furniture and fixtures S/(000)	Work in progress S/(000)	Total S/(000)
Cost								
Balance as of January 1, 2018	**367,243**	**433,483**	**1,228,694**	**41,073**	**6,891**	**14,073**	**91,938**	**2,183,395**
Additions (b)	36,205	1,435	44,355	29,417	-	21	84,688	196,121
Sales and withdrawals, note 26	(88)	(19)	(50,704)	(19,005)	(2,137)	(1,763)	-	(73,716)
Transfers	-	8,724	39,093	(3,525)	-	95	(44,387)	-
Transfers to assets available for sale, note 1(d)	(10,597)	-	-	-	-	-	-	(10,597)
Balance as of December 31, 2018	**392,763**	**443,623**	**1,261,438**	**47,960**	**4,754**	**12,426**	**132,239**	**2,295,203**
Additions (b)	31,683	406	22,723	29,514	-	618	398,353	483,297
Sales and withdrawals, note 26	(1,616)	(450)	(28,272)	(611)	(163)	(446)	(324)	(31,882)
Transfers	40	1,778	9,061	673	-	35	(11,587)	-
Other movements	-	-	(6,186)	-	-	-	(6,793)	(12,979)
Balance as of December 31, 2019	**422,870**	**445,357**	**1,258,764**	**77,536**	**4,591**	**12,633**	**511,888**	**2,733,639**

12 PROPERTY, PLANT AND EQUIPMENT, NET

	Lands S/(000)	Buildings and other constructions S/(000)	Machinery and equipment S/(000)	Equipment various S/(000)	Transport units S/(000)	Furniture and fixtures S/(000)	Work in progress S/(000)	Total S/(000)
Accumulated depreciation								
Balance as of January 1, 2018	**-**	**91,994**	**694,941**	**29,552**	**3,564**	**11,442**	**-**	**831,493**
Additions (e)	-	15,056	63,125	1,667	881	463	-	81,192
Sales and withdrawals, note 26	-	(11)	(41,471)	(4,892)	(2,102)	(5,639)	-	(54,115)
Transfers	-	(188)	-	188	-	-	-	-
Balance as of December 31, 2018	**-**	**106,851**	**716,595**	**26,515**	**2,343**	**6,266**	**-**	**858,570**
Additions (e)	-	14,859	64,809	1,725	821	457	-	82,671
Sales and withdrawals, note 26	-	(205)	(25,998)	(611)	(95)	(442)	-	(27,351)
Other movements	-	-	(2,670)	-	-	-	-	(2,670)
Balance as of December 31, 2019	**-**	**121,505**	**752,736**	**27,629**	**3,069**	**6,281**	**-**	**911,220**
Net value as of December 31, 2018	**392,763**	**336,772**	**544,843**	**21,445**	**2,411**	**6,160**	**132,239**	**1,436,633**
Net value as of December 31, 2019	**422,870**	**323,852**	**506,028**	**49,907**	**1,522**	**6,352**	**511,888**	**1,822,419**

b. LThe additions for the year 2019 correspond mainly to works in progress related to the building and implementation of the New Steel Plant in Pisco, see note 1(b), and other projects develop in the plant of Pisco for approximately S/361,447,000 and S/98,680,000, respectively (During the year 2018, the additions correspond mainly to the acquisition of land located in Lurín for approximately S/29,394,000, the transfer of land to assets available for the sale of real estate for approximately S/5,490,000, acquisition of machinery and equipment, as well as works in progress related to the building and implementation of the New Steel Plant in Pisco, see note 1(b), for approximately S/44,355,000 and S/88,595,000, respectively). The construction and implementation of the New Steel Mill Plant have been financed through a financial leasing operation maintained with Banco de Crédito del Perú S.A. for approximately US$180 million, see note 16(e). As part of this financing operation, the Company has capitalized interests for S/8,579,000).

c. EThe property, plant and equipment caption include assets acquired through financial leasing contracts. As of December 31, 2019, and 2018, the cost and the corresponding accumulated depreciation of these assets are made up as follows:

	DECEMBER 31, 2019			DECEMBER 31, 2018		
	Cost S/(000)	Accumulated depreciation S/(000)	Cost net S/(000)	Cost S/(000)	Accumulated depreciation S/(000)	Cost net S/(000)
Buildings	156,489	(29,227)	127,262	156,489	(24,830)	131,659
Machinery and equipment	240,084	(84,055)	156,029	243,988	(73,615)	170,373
Transport units	998	(399)	599	998	(200)	798
Work in progress	403,996	-	403,996	81,532	-	81,532
	801,567	**(113,681)**	**687,886**	**483,007**	**(98,645)**	**384,362**

d. As of December 31, 2019, and 2018, the Company maintains recorded in the caption “Land” a higher value for approximately S/218,353,000 y S/220,482,000, respectively. This higher value is presented net of its deferred tax in the caption “Revaluation surplus” in the separate statement of changes in net equity.

e. The depreciation expense for the years 2019 and 2018 has been recorded in the following items of the separate statement of comprehensive income:

	2019 S/(000)	2018 S/(000)
Cost of sale, note 22	74,734	72,626
Selling expenses, note 23(a)	6,997	7,729
Administrative expenses, note 24(a)	940	837
	82,671	**81,192**

f. In July 2010, a Guarantee Trust Fund was established, made up of machinery and property from the Pisco Plant, in support of loans granted by Banco de Crédito del Perú S.A. As of December 31, 2019, and 2018, the Company maintains in this Trust Fund assets for an approximate value of S/736,537,000, see note 16(l)

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

h. As of December 31, 2019, and 2018, based on the projections made by Management on the results expected for the coming years, there are no indicators that the recoverable value of property, machinery and equipment is less than its value in books. Therefore, it is not necessary to record any provision for impairment of these assets at the date of the separate statement of financial position.

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RIGHT OF USE ASSETS AND OTHERS, NET

a. Corresponds mainly to the contracts that the Company maintains for the various rents of different properties and equipment, which have maturities that fluctuate between 51 and 60 months, this recognition has been made in accordance with the policy described in 2.2(m). The value of the right in use assets was determined based on the future flows of the payment schedule using a discount rate of 5.75 percent.

b. The depreciation expense for the years 2019 and 2018 has been recorded in the following items of the separate statement of comprehensive income:

	2019 S/(000)
Cost of sale, note 22	1,401
Selling expenses, note 23(a)	205
Administrative expenses, note 24(a)	2,273
	3,879

14
INTANGIBLES, NET

a. Below is the composition and movement of the item:

	System SAP (b) S/(000)	Others (c) S/(000)	Total S/(000)
Cost			
Balance as of January 1, 2018	**69,456**	**26,131**	**95,587**
Additions (b)	-	4,803	4,803
Sales and withdrawals	(661)	-	(661)
Transfers	3,922	(3,922)	-
Balance as of December 31, 2018	**72,717**	**27,012**	**99,729**
Additions (b)	793	4,077	4,870
Sales and withdrawals		(3)	(3)
Transfers	2,804	(2,804)	-
Balance as of December 31, 2019	**76,314**	**28,282**	**104,596**
Amortization			
Balance as of January 1, 2018	**33,269**	**19,146**	**52,415**
Additions (c)	7,077	665	7,742
Balance as of December 31, 2018	**40,346**	**19,811**	**60,157**
Additions (c)	9,012	387	9,399
Sales and withdrawals	(136)	-	(136)
Balance as of December 31, 2019	**49,222**	**20,198**	**69,420**
Net value as of December 31, 2018	**32,371**	**7,201**	**39,572**
Net value as of December 31, 2019	**27,092**	**8,084**	**35,176**

14
INTANGIBLES, NET

b. As of December 31, 2019, and 2018, corresponds to the implementation, development and commissioning of the integrated computer system "SAP R4 Hanna" that the Company use in its operations.

c. As of December 31, 2019, and 2018, corresponds to intangibles in progress for S/6,291,000 and S/5,020,000, respectively; related to the improvements in their systems necessary for the development of their operations.

d. The amortization expense for the year has been recorded in the following items of the separate statement of comprehensive income:

	2019 S/(000)	2018 S/(000)
Cost of sales, note 22	4,317	3,027
Selling expenses, note 23(a)	2,107	1,851
Administrative expenses, note 24(a)	2,975	2,864
	9,399	**7,742**

15 OTHER ASSETS, NET

a. This caption was made up as follow:

	2019 S/(000)	2018 S/(000)
Cost		
Initial balance	**37,883**	**37,995**
Additions	7	10
Disposals	-	(122)
Final balance	**37,890**	**37,883**
Amortization		
Initial balance	**1,512**	**1,234**
Additions	354	278
Final balance	**1,866**	**1,512**
Net book value	**36,024**	**36,371**

b. As of December 31, 2019, and 2018, mainly comprises the cost of acquisiton of concessions and mining claims in different locations in Peru, acquired in previous years for an approximate value of S/38,977,000, net of accumulated amortization of approximately S/1,866,000 and S/1,512,000, respectively. The amortization of concessions and mining claims is calculated on a linear basis, based on the useful lives defined by Management, between 12 and 46 years. The Management carried out various studies and evaluated the probability of future recovery of its investment in these concessions and estimated that there is no impairment as of such dates.

16
FINANCIAL OBLIGATIONS

a. The composition of the item is presented below:

TYPE OF OBLIGATION	Guarantee	Annual interest rate (%)	Maturity	Currency	Original amount (000)	2019 S/(000)	2018 S/(000)
Finance leases (c) y (d)							
Banco de Crédito del Perú S.A. (e)	Fixed assets acquired	5.36 y 6.57	2028	US$ y S/	101,735	282,900	46,988
Banco de Crédito del Perú S.A. (e)	Fixed assets acquired	5.36 y 6.57	2025	US$ y S/	78,265	104,878	2,424
Banco de Crédito del Perú S.A. (f)	Fixed assets acquired	Between 5.00 y 5.50	2020	S/	298,324	45,266	97,489
Banco Internacional del Perú S.A.A. – Interbank (g)	Fixed assets acquired	3.90	2021	US$	1,197	2,538	3,359
Maquinarias S.A. (h)	Fixed assets acquired	7.25	2021	S/	14,988	1,226	4,988
Renting S.A.C. (h)	Fixed assets acquired	1.25	2022	US$	307	611	831
Operating leases (i)							
Right of use assets	With specific guarantees	5.75	2023	S/	–	17,721	19,890
						455,140	175,969
Notes (j)							
BBVA Banco Continental S.A.	With specific guarantees	Between 1.90 y 2.80	2020	S/	150,200	150,200	120,000
BBVA Banco Continental S.A.	With specific guarantees	Between 1.28 y 1.53	2020	US$	24,500	81,267	42,238
Banco de Crédito del Perú S.A.	With specific guarantees	2.68	2020	S/	42,800	42,800	18,500
Banco ICB Perú Bank	With specific guarantees	1.75	2020	US$	11,000	36,487	–
Banco de Crédito del Perú S.A.	With specific guarantees	Between 2.90 y 3.29	2019	US$	26,300	–	88,868
Scotiabank Perú S.A.A.	With specific guarantees	Between 2.70 y 3.30	2019	US$	26,300	–	88,867
Banco Internacional del Perú S.A.A.	With specific guarantees	6.75	2019	S/	33,320	–	33,320
Banco Santander Perú S.A.	With specific guarantees	6.75	2019	S/	33,320	–	33,320
Banco ICB Perú Bank	With specific guarantees	3.65	2019	S/	29,700	–	29,700
						310,754	454,813
Loans (k)							
Banco de Crédito del Perú S.A.	No specific guarantees	5.80	2022	US$	27,779	71,481	82,035
Banco de Crédito del Perú S.A.	No specific guarantees	5.98	2022	S/	85,750	66,885	75,460
Banco de Crédito del Perú S.A.	No specific guarantees	Libor + 3.65%	2022	US$	25,000	64,512	74,083
Banco Santander S.A.	With specific guarantees	6.75	2029	S/	33,320	33,089	–
Banco Internacional del Perú S.A.A. – Interbank	With specific guarantees	6.75	2029	S/	33,320	32,772	–
Banco de Crédito del Perú S.A.	No specific guarantees	6.67	2024	S/	33,500	19,864	24,623
Banco Internacional del Perú S.A.A. – Interbank	With specific guarantees	6.75	2029	S/	7,300	7,300	–
						295,903	256,201
Total						**1,061,797**	**886,983**
By maturity –							
Current						398,946	545,141
Non-current						662,851	341,842
Total						**1,061,797**	**886,983**

b. As of December 31, 2019, and 2018, the amortization schedule of the financial obligations, net of accrued interest, is as follows (it considered in the short term, the pre-payments paid in the Banco de Crédito del Perú because of the financing of the leasing of the New Steel Plant):

	2019 S/(000)	2018 S/(000)
2019	-	545,141
2020	398,946	138,290
2021	90,538	92,030
2022	102,237	98,647
2023	16,127	7,925
2024 onwards	453,949	4,950
	1,061,797	**886,983**

c. The minimum future payments for the financial leases described in section (a) of this note, net of future financial charges are as follows:

	DECEMBER 31, 2019		DECEMBER 31, 2018	
	Minimum payments S/(000)	Present value of lease payments S/(000)	Minimum payments S/(000)	Present value of lease payments S/(000)
In a year	51,994	49,865	63,542	59,444
Older than one year	407,770	405,275	117,824	116,525
Total l payments to be made	**459,764**	**455,140**	**181,366**	**175,969**
Less interest payable	(4,624)	-	(5,397)	-
Total	**455,140**	**455,140**	**175,969**	**175,969**

d. Obligations for financial leases are guaranteed with the transfer of the property titles of the acquired assets that revert to the lessor in case of default, which mainly include the acquired fixed assets, see note 12(c).

e. On September 14, 2018, two financial leases contracts were signed for the construction of a new steel plant on Pisco with Banco de Crédito del Perú for a total amount of US$180 million, divided into 2 contracts of US$101,735 million to civil works and US$78,265 million for machinery and equipment, with financing annually rates of 5.36 and 6.57 percent, payable in 10 years for civil works and 7 years for machinery considering a 6-year grace period for civil works and 3 years for machinery from the date of signature. Also, both contracts are bi-currency (Soles / Dollars).

f. On December 2, 2011, the Company celebrated a financial Lease contract for the implementation, equipment and start-up of the new rolling mill plant with Banco de Credito del Perú S.A., for an amount of up to US$100 million. On December 27, 2012, the Company celebrated an addendum to the contract modifying the amount up to US$125 million, extending the payment term to 84 monthly installments, including a grace period of 12 months from the date of activation, and considering an interest rate of 5.50 percent. On September 11, 2013, the Company celebrated an addendum to the contract modifying the amount to US$121 million.

The activation date of this operation was carried out during the third quarter of year 2013. At that same date, a surface right contract was signed, pursuant to which a surface right was established over the land where the new rolling mill plant would be installed, in favor to the bank. To guarantee the full and timely payment of the obligations, the debt was adhered to the Creditors Framework Contract, considering the assets that make up said financial lease as Committed Assets.

On July 24, 2015, an addendum to the financial lease agreement was signed with the BCP, which stipulated the change of currency from US dollars to soles, the original amount of which was S/258 million, payable in 84 installments and maintaining the rates established in the initial contracts, see section (n).

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

h. In January 2016, the Company signed two service provision contracts with the supplier Maquinarias S.A to supply lifts and front loaders. The contract has a duration of 48 months, the cost of the equipment being approximately S/14,988,000.

In November 2017, the Company signed a service provision contract with the supplier Renting S.A.C to be used only for the development of its corporate operations. The contract has a duration of 60 months, the cost of the vehicles being approximately US$307,000.

i. Corresponds to the lease contracts for rights of use that the Company maintains on property and various equipment. This obligation has been calculated based on the duration of the contracts that the Company maintains, which fluctuate from 51 to 57 months, and a discount rate of 5.75 percent, see note 13.

The movement of the right to use lease is as follows:

	2019 S/(000)
Initial balance	19,890
Additions	1,331
Financial interests	(1,054)
Lease payments	(2,446)
Final balance	**17,721**

j. **Promissory notes –**
The notes have a current maturity and are renewable upon maturity. The book value of the promissory notes is substantially like their fair values since the impact of the discount is not significant. The promissory notes are used for working capital, and the Company's Management expects to pay them off when due.

k. Loans

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

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

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

  The balance of the long-term loan (Tranche I) amounting to US$27.7 million, kept the terms, the rate and the currency agreed in the initial contracts constant.

- On February 27, 2017, the Company celebrated with Banco de Crédito del Perú S.A. a loan contract for S/33.5 million. The payment terms of said loan are 84 installments at an interest rate of 6.67 percent per year.

- On March 28, 2019 the Company celebrated with Banco Santander S.A. a loan contract for S/33.3 million. The payment terms of said loan are 120 installments at an interest rate of 6.75 percent per year.

- On March 28, 2019, the Company celebrated with Banco Internacional del Perú S.A.A. - Interbank a loan contract for S/33.3 million. The payment terms of said loan are 120 installments at an interest rate of 6.75 percent per year.

- On October 15, 2019, the Company celebrated with Banco Internacional del Perú S.A.A. - Interbank a loan contract for S/7.3 million. The payment terms of said loan are 120 installments at an interest rate of 6.75 percent per year.

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

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

m. The interest generated as of December 31, 2019 and 2018 by the financial obligations, amount to approximately S/35,392,000 and S/33,074,000, respectively, and are presented in the item “Financial expenses” of the separate statement of comprehensive income, see note 27.

As of December 31, 2019, and 2018, accrued interest pending payment of financial obligations amounts to S/2,023,000 and S/3,557,000, respectively, see note 18(a).

n. As of December 31, 2019, and 2018, the movement of financial obligations was as follows:

	2019 S/(000)	2018 S/(000)
Initial balance as of January 1	**886,983**	**647,575**
Adquisition of machinery and equipment through lease agreements	338,366	49,412
Loans obtained	73,940	-
Promissory notes obtained	1,430,746	1,254,753
Amortization of lease agreements	(53,071)	(69,536)
Loan amortization	(30,968)	(12,568)
Amortization of promissory notes	(1,553,300)	(1,014,020)
Exchange difference	(30,899)	31,367
Final balance as of December 31	**1,061,797**	**886,983**

o. As part of the financial loans and leases maintained with Banco de Crédito del Perú, the Company has undertaken to comply with certain financial ratios such as:

- Financial leverage ratio, not greater than 1.3
- Debt service coverage ratio, not less than 1.2
- Debt coverage ratio, not greater than 4.5
- Interest coverage ratio, not less than 4.5
- Liquidity ratio, not less than 1

The Company has been complied with the financial ratios requiered as of December 31, 2019 and 2018. To support the full and timely payment of the obligation, the debt was adhered to the creditor's framework contract.

17
TRADE ACCOUNTS PAYABLE

a. The composition of the item is presented below:

	2019 S/(000)	2018 S/(000)
Local invoices (b)	385,501	266,420
Foreing invoices (c)	84,160	115,589
Customer advances (d)	30,033	52,744
Total	**499,694**	**434,753**

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

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

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

18 OTHER ACCOUNTS PAYABLE

a. The composition of the item is presented below:

	2019 S/(000)	2018 S/(000)
Workers profit sharing	36,128	29,679
Vacations	12,830	13,129
Compensation for length of service	4,423	4,689
Taxes and withholdings	4,801	2,759
Miscellaneous provisions	4,136	6,082
Interest payable, see note 16(m)	2,023	3,557
Private pension fund	1,076	1,072
Others	1,121	221
	66,538	**61,188**

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

19
DEFERRED INCOME TAX LIABILITY, NET

a. Below is the composition and movement of the item according to the items that originated it:

	As of January 1, 2018 S/(000)	Income (expense) S/(000)	As of December 31, 2018 S/(000)	Income (expense) S/(000)	As of December 31, 2019 S/(000)
Deferred assets					
Provision	21,346	15,310	36,656	19,291	55,947
Estimated impairment of inventories	625	551	1,176	1,924	3,100
Vacations accrued	3,948	(239)	3,709	76	3,785
Others	5,215	3,167	8,382	(6,059)	2,323
	31,134	**18,789**	**49,923**	**15,232**	**65,155**
Deferred liabilities					
Financial leasing operations	(95,390)	(7,396)	(102,786)	30,801	(71,985)
Land surplus	(82,171)	1,554	(80,617)	(10,447)	(91,064)
Higher value of property, plant and equipment	(25,499)	7,030	(18,469)	450	(18,019)
Exploration and evaluation expenses	(5,892)	244	(5,648)	2,166	(3,482)
	(208,952)	**1,432**	**(207,520)**	**22,970**	**(184,550)**
Deferred tax liability, net	**(177,818)**	**20,221**	**(157,597)**	**38,202**	**(119,395)**

19
DEFERRED INCOME
TAX LIABILITY, NET

b. The expense for income tax shown in the separate statement of comprehensive income for the years 2019 and 2018 is composed as:

	2019 S/(000)	2018 S/(000)
Current	(95,857)	(79,163)
Deferred	38,202	20,221
	(57,655)	**(58,942)**

c. The reconciliation between the effective income tax rate and the legal tax rate for the years 2019 and 2018 is as follows

	FOR THE YEAR ENDED DECEMBER 31, 2019		FOR THE YEAR ENDED DECEMBER 31, 2018	
	S/(000)	%	S/(000)	%
Profit before income tax	**256,611**	**100.00**	**222,176**	**100.00**
Theorical tax expense	(75,700)	29.50	(65,542)	29.50
Net tax impact of non – deductible items	18,045	7.03	6,600	2.97
Income tax	**(57,655)**	**22,47**	**(58,942)**	**26.53**

d. As of December 31, 2019, and 2018, la Compañía has generated an income tax of S/95,857,000 and S/79,163,000, respectively, which have been applied to payments on account that are maintained to date, generating a net liability of S/21,570,000 and S/17,381,000, respectively.

20
NET EQUITY

a. Capital stock

As of December 31, 2019, and 2018, the balance of this account is made as follows:

	2019 S/(000)	2018 S/(000)
Capital stock	890,858	941,875
Treasury shares (c)	-	(51,017)
	890,858	**890,858**

As of December 31, 2019, and 2018 the capital stock is represented by 890,858,308 common shares fully subscribed and paid, whose nominal value is S/1.00 per share.

At the General Shareholders' Meeting dated December 20, 2018, the reduction of the Company's share capital was approved for the approximate amount of S/51,017,000, through the amortization of 51,016,863 common shares that maintained in treasury.

As of December 31, 2019, and 2018, the market price of the common share was S/1.11 and S/0.94 and its trading frequency was 42.86 and 25 percent, in relation to the total trades performed on the Lima's stock market, respectively.

20
NET EQUITY

As of December 31, 2019, and 2018, the Company's corporate participation structure is as follows:

	AS OF DECEMBER 31, 2019	
PERCENTAGE OF INDIVIDUAL CAPITAL PARTICIPATION	**Number of Shareholders**	**Total participation percentage**
Greater than 10 percent	2	26.89
Between 5.01 to 10 percent	4	27.70
Between 1.01 to 5 percent	13	20.48
Less than 1 percent	384	24.93
	403	**100**

	AS OF DECEMBER 31, 2018	
PERCENTAGE OF INDIVIDUAL CAPITAL PARTICIPATION	**Number of Shareholders**	**Total participation percentage**
Greater than 10 percent	2	25.87
Between 5.01 to 10 percent	4	27.65
Between 1.01 to 5 percent	13	20.00
Less than 1 percent	413	26.48
	432	**100**

20
NET EQUITY

b. Investment shares
As of December 31, 2019, and 2018, the balance of this account is made as follows:

	2019 S/(000)	2018 S/(000)
Investment shares	190,052	200,936
Treasury shares (c)	(7,644)	(10,884)
	182,408	**190,052**

As of December 31, 2019, and 2018, the investment shares are represented by 190,051,980 shares, whose nominal value is S/1.00 per share. The price for each investment share has been S/0.91 and S/0.70 at such dates, and its trading frequency has been 100 percent, in relation to the total number of negotiations in the Lima Stock Exchange, respectively.

At the General Shareholders' Meeting dated December 20, 2018, the reduction of investment shares was approved through the amortization of 10,883,724 shares held in treasury for approximate of S/10,884,000.

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

c. Treasury shares
As of December 31, 2015, the Company maintained treasury shares corresponding to 18,863,032 common shares and 6,489,070 investment shares that the subsidiary Transportes Barcino SA held over the Company.

During the year 2016, the Company repurchased 18,528,192 of its investment shares, of which 6,489,070 shares were already shown as treasury shares, as of December 31, 2015, because they belonged to Transportes Barcino S.A. and 12,039,122 additional shares which are presented in the Separate Statement of Changes in Equity as of December 31, 2016. Said transaction generated a result amounting to approximately S/6,936,000, which is presented in "Accumulated results" in the separate statement. of changes in equity as of December 31, 2016.

In February 2017, the Company repurchased 51,016,863 shares of its common shares, of which 18,863,032 shares were already shown as treasury shares, as of December 31, 2016, because they belonged to Transportes Barcino S.A. and 32,153,831 additional shares which are presented in the Separate Statement of Changes in Equity as of December 31, 2017. This transaction generated an amount of approximately S/25,048,000, which is presented in "Accumulated results" in the separate statement of changes. in net worth.

Through a General Shareholders' Meeting dated December 20, 2018, the reduction of 61,900,587 treasury shares was approved, which generated a balance of 7,644,468 investment shares that it maintains in treasury.

d. Revaluation surplus

As of December 31, 2019, and 2018, this item includes the revaluation surplus related to the land held by the Company. The Company calculates the fair value of its land every five years.

e. Legal reserve

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

At the General Meeting of Shareholders held on March 20, 2019, the appropriation of the legal reserve for S/13,098,000 was approved, charged to the results of the year 2018.

At the General Meeting of Shareholders held on March 26, 2018, the appropriation of the legal reserve for S/12,790,000 was approved, charged to the results of 2017.

During the years 2019 and 2018, and in accordance with the provisions of the General Companies Law, the Company paid the legal reserve of those dividends pending payment that are older than three years. The amount recorded by the Company for this concept amounts to approximately S/89,000 and S/115,000, respectively.

f. Dividends distribution

On General Shareholders' Meeting held on March 20, 2019 was approved cash dividends of S/60,055,000 with a charge to retained earnings of year 2014, an amount to which the dividend on account distributed in cash must be deducted and which was approved dated July 19, 2018 for an amount of S/10,666,000, as well as that approved on October 26, 2018 for S/22,584,000. The remaining amount amounts to S/26,805,000 (S/0.024975 per share), amount that will be paid in May 2019.

Likewise, at Board Meeting dated on July 23, 2019, was approved to advance dividends corresponding to retained earnings of year 2015 for S/16,405,000 (S/0.01528512 per share), amount that was finished paid in September of 2019.

Likewise, at Board Meeting dated on October 24, 2019, was approved to advance dividends corresponding to retained earnings of year 2015 for S/27,354,000 (S/0.02548670 per share), amount that was finished paid in December of 2019.

At General Shareholders' Meeting held on March 26, 2018, was approved cash dividends of S/46,043,000, with a charge to retained earnings of year 2014, an amount to which the dividend on account distributed in cash must be deducted and which was approved dated July 20, 2017 for an amount of S/6,955,000, as well as that approved on October 26, 2017 for S/15,971,000. The remaining amount amounts to S/23,117,000 (S/0.021539 per share), amount that was finished paid in May 2018.

20
NET EQUITY

Likewise, at Board meeting dated on July 19, 2018, was approved advance dividends corresponding to the retained earnings of year 2014 for S/10,666,000 (S/0.009938 per share), amount that was finished paid in September 2018.

At Board Meeting dated on October 25, 2018, was approved advance dividends corresponding to the retained earnings of year 2014 for S/22,583,000 (S/0.021042 per share), amount that was finished paid in December 2018.

21
NET REVENUES

The composition of the item is presented below:

	2019 S/(000)	2018 S/(000)
Local sales to third parties	1,971,245	1,903,126
Foreign sales to third parties	460,758	467,365
Sales to related parties, note 7(a)	297,512	252,587
	2,729,515	**2,623,078**

22
COST OF SALES

The composition of the item is presented below:

	2019 S/(000)	2018 S/(000)
Beginning balance of products in process, note 9(a)	273,350	93,512
Beginning balance of finished products, note 9(a)	206,221	195,649
Beginning balance of merchandise, note 9(a)	112,670	100,160
Beginning balance of auxiliary materials, supplies and spare parts, note 9(a)	112,906	98,699
Beginning balance of raw material, note 9(a)	111,929	104,918
Personnel expenses, note 25(b)	117,501	109,281
Purchases of merchandise	281,199	264,787
Purchases of raw materials	934,393	1,305,648
Purchases of supply	231,218	302,491
Manufacturing expenses	335,221	295,444
Depreciation of the year, note 12 (e)	76,135	72,626
Freight cost	77,227	66,832
Amortization of the year, note 14 (c)	4,317	3,027
Final balance of products in process, note 9 (a)	(124,864)	(273,350)
Final balance of finished products, note 9 (a)	(181,131)	(206,221)
Final balance of merchandise, note 9 (a)	(92,957)	(112,670)
Final balance of auxiliary materials, supplies and spare parts, note 9(a)	(95,661)	(112,906)
Final balance of raw material, note 9 (a)	(81,059)	(111,929)
Estimation for devaluation and obsolescence of inventories, note 9 (c)	5,923	4,894
	2,304,538	**2,200,892**

23
SELLING EXPENSES

a. The composition of the item is presented below:

	2019 S/(000)	2018 S/(000)
Services provided by third parties (b)	41,408	39,223
Personnel expenses, note 25(b)	22,292	20,420
Depreciation of the year, note 12(e)	7,202	7,729
Other Management fees	4,003	3,217
Estimation of impairment due to expected loss, note 6(e)	4,279	2,815
Amortization of the year, note 14(c)	2,107	1,851
Taxes	767	918
	82,058	**76,173**

b. As of December 31, 2019, and 2018, corresponds mainly to rental services for commercial spaces, advertising service, marketing services, outsourcing service for sales personnel, among others.

24 ADMINISTRATIVE EXPENSES

a. The composition of the item is presented below:

	2019 S/(000)	2018 S/(000)
Personnel expenses, note 25(b)	54,884	51,816
Services provided by third parties (b)	13,399	19,556
Depreciation of the year, note 12(e)	3,213	837
Amortization of the year, note 14 (c)	2,975	2,864
Other management fees	1,221	1,018
Taxes	674	789
	76,366	**76,880**

As of December 31, 2019, and 2018, it corresponds mainly to services for legal advice, surveillance service, software support service, maintenance service, among others

25
PERSONNEL EXPENSES

a. The composition of the item is presented below:

	2019 S/(000)	2018 S/(000)
Remuneration to personnel	104,170	99,384
Workers profit sharing	36,288	29,951
Perks	15,490	15,083
Vacations	14,744	13,639
Contributions	10,107	10,130
Social benefits of workers	11,288	10,673
Others	2,590	2,657
	194,677	**181,517**

b. Below is the distribution of personnel expenses:

	2019 S/(000)	2018 S/(000)
Cost of sale, note 22	117,501	109,281
Selling expenses, note 23(a)	22,292	20,420
Administrative expenses, note 24(a)	54,884	51,816
	194,677	**181,517**

26
OTHER INCOME AND OPERATING EXPENSES

a. The composition of the item is presented below:

	2019 S/(000)	2018 S/(000)
Other income		
Sale of land classified as available for sale (b)	52,392	11,285
Sale of fixed assets (c)	4,225	1,228
BackOffice services of subsidiaries	2,808	1,031
Reimbursement for import expenses	1,984	1,504
Sale of disused materials	681	1,686
Accounts receivable recovery, note 6(e)	488	905
Reimbursement of penalties	55	33
Refund for excess collect of electric and gas services	-	1,612
Return of customer balances	-	595
Others	**1,904**	**1,664**
	64,537	**21,543**

26
OTHER INCOME AND OPERATING EXPENSES

	2019 S/(000)	2018 S/(000)
Other expenses		
Cost of disposal of property classified as available for sale (b)	(52,564)	(10,471)
Disposal costs of machinery and equipment, note 12 (a)	(4,531)	(19,601)
Personnel incentives (c)	(3,900)	(8,225)
Legal advice services	(435)	(5,555)
Provisions for personnel contingencies	(1,500)	(3,800)
Dismantling and relocation service of Arequipa's plant	-	(2,943)
Others	(1,773)	(7,857)
	(64,703)	**(58,452)**

b. As of December 31, 2019, and 2018, correspond to the sale of the properties located in Arequipa and Callao, respectively for a total of US$15,762,000 and US$3,368,000, respectively, see note 1(d).

c. As of December 31, 2019, and 2018, corresponds to dirbursements related to the dismissal of workers.

27
INCOME AND FINANCIAL EXPENSES

The composition of these items is presented below:

	2019 S/(000)	2018 S/(000)
Financial income		
Interest on invoices receivable	5,022	3,540
Interest on term deposits, note 5(c)	6,657	4,848
	11,679	8,388
Financial expenses		
Interest on loans	(30,081)	(25,375)
Interest on financial leasing	(3,813)	(7,594)
Interest on liabilities for right of use assets	(1,054)	-
Interest on import operations	(291)	(43)
Others	(153)	(62)
	(35,392)	**(33,074)**

28
TAX SITUATION

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

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

b. The Company is subject to Peruvian tax law. As of December 31, 2019, and 2018, the income tax rate is 29.5 percent of the taxable profit after deducting employee participation that is calculated at a rate of 10 percent on taxable income.

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

c. The Tax Authority has the power to review and, if applicable, correct the income tax calculated by the Company in the four years following the year of the filing of the tax return. The sworn declarations of the income tax of the years 2015 to 2019 of the Company are pending inspection by the Tax Authority. Due to the possible interpretations that the Tax Authority may give to the current legal regulations, it is not possible to determine, to date, whether the revisions that are carried out will be passive for the Company, so any higher tax or surcharge that could resulting from eventual tax reviews would be applied to the results of the year in which it is determined. However, in the opinion of the Company's Management and its legal advisors, any eventual additional tax settlement would not be significant for the separate financial statements as of December 31, 2019.

d. For purposes of determining the income tax, transfer prices of transactions between related companies and companies resident in tax-haven countries must be supported with documentation and information regarding the valuation methods and criteria used to determine them. Based on the analysis of the Company's operations and in the opinion of the Management and its legal advisors, the application of these legal provisions will not generate any significant contingencies as of December 31, 2019.

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

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

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

i. The treatment applicable to royalties and fees for services provided by non-resident companies, eliminating the obligation to pay an amount equivalent to the retention due to the accounting record of the cost or expense, owing withholding income tax due to payment or accreditation of compensation (Legislative Decree N°1369).

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

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

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

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

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

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

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

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

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

29 NET PROFIT PER BASIC AND DILUTED SHARE

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

	Issued shares					Effective days until the end of the year		Weighted average of shares		
			Treasury							
	Common	Investment	Common	Investment	Total	Common	Investment	Common	Investment	Total
Balance as of January 1, 2018	941,875,171	200,935,704	(51,016,863)	(18,528,192)	1,073,265,820			894,910,572	190,686,327	1,085,596,899
Acquisition of investment shares	(51,016,863)	(10,883,724)	51,016,863	10,883,724	-					
Balance as of December 31, 2018	**890,858,308**	**190,051,980**	**-**	**(7,644,468)**	**1,073,265,820**	**319**	**319**	**894,910,572**	**190,686,327**	**1,085,596,899**
Balance as of January 1, 2019	890,858,308	190,051,980	-	(7,644,468)	1,073,265,820			894,910,572	190,686,327	1,085,596,899
Acquisition of investment shares	-	-	-	-	-			-	-	-
Balance as of December 31, 2019	**890,858,308**	**190,051,980**	**-**	**(7,644,468)**	**1,073,265,820**	**365**	**365**	**894,910,572**	**190,686,327**	**1,085,596,899**

29
NET PROFIT PER BASIC AND DILUTED SHARE

The calculation of earnings per share as of December 31, 2019 and 2018, is presented below:

	AS OF DECEMBER 31, 2019			AS OF DECEMBER 31, 2018		
	Earnings (numerator) S/(000)	**Shares (denominator)** (000)	**Earnings per share** S/	**Earnings (numerator)** S/(000)	**Shares (denominator)** (000)	**Earnings per share** S/
Earnings per basic and diluted shares of the common and investment shares.	198,956	1,085,597	0.18	163,234	1,085,597	0.15

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CONTINGENCIES AND GUARANTEES GRANTED

a. Contingencies

a.1 As of December 31, 2019 and 2018, the Company maintains the following contingent tax processes:

- Various labor processes related to its operations related to lawsuits for the payment of profits and reimbursement of social benefits.
- The Company has filed a claim against the file related to the General Sales Tax for the 1998 financial year, the file is assigned to Room 4 of the Tax Court, pending resolution. The amount, as of December 31, 2018 amounts to approximately S/2.8 million.
- Because of the review by the Tax Authority of the years 2004, 2005 and 2006, the Company received Resolutions of Determination and Resolutions of Penalty for the Income Tax and General Sales Tax, contesting a total amount of approximately S/21.7 million. As of December 31, 2018, the resources presented by the Company are pending resolution by the Tax Court.
- On December 29, 2011, the Company received Resolutions of Determination and Resolutions of Penalty for the Income Tax and General Sales Tax of the years 2007 to 2009, totaling S/21.7 million, debt that was offset by the Tax Authority with the balance in favor of the 2009's Income Tax, this refund was requested by the Company. The Company has filed a partial claim against the resolutions for an approximate amount of S/7.9 million, an amount which has also been requested to be returned. The process is pending resolution by the Tax Authority.
- On June 27, 2017, the Company filed an appeal against the denial relapsed in the claim that was formulated against the resolution of determination for income tax of the year 2011, the debt updated to December 31, 2018 amounts to approximately S/3.2 million.

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

a.2

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

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

Despite the exclusion, the owners of the overlapping property initiated a series of actions against the Company and some officials, claiming the total area of the land acquired by the Company. The civil lawsuit includes as main claims: (i) the nullity of the legal act of sale and purchase executed in 1999 by the people who sold the Property to the company; and, (ii) the restitution of the property. Have been requested as accessory claims, among others, the annulment of the registration entry and compensation of US$20,920,000, this litigation is in the Judiciary. By the resolutions of August 10, 2015, the Court has dismissed the concerns raised by the Company referred of the lack of legitimacy, the extinctive prescription, the darkness and the ambiguity of the lawsuit. As of the date of this report, it is pending for the Court to resolve the references and the withdrawal of the claim made by the plaintiff to her claim for compensation.

In the opinion of Management and its legal advisors, the Company has the necessary arguments to obtain favorable results in this process.

a.3.

EIn February 2017, the natural gas supplier in Ica, Contugas S.A.C. maintained an undue billing related to the services provided in the framework of the "Contrato de Distribución y Suministro de Gas Natural", signed on December 21, 2011, the Company filed a claim with the OSINERGMIN, in order for this institution to declare that Contugas had to fulfill with billing the Company for natural gas distribution, transport and supply services, based on the quantities actually consumed, in accordance with the provisions of the billing procedure for the concession of the "Sistema de Distribución de Gas Natural por Red de Ductos" in the department of Ica, and considering an Average Cost of Transport (CMT) that does not include inefficiencies and cost overruns assumed by Contugas as a consequence of contracts entered into with third parties. Likewise, it was also requested that Contugas be ordered to re-invoice the services according to the billing procedure indicated, an amount that as of December 31, 2019 amounts to approximately US$73,836,000, including VAT.

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

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

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

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

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

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

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

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

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

b. Guarantees granted

As of December 31, 2019, the Company maintains letters of guarantee for S/4,974,304 and US$7,649,838, mainly in favor of the Tax Authority by tax and customs matters.

31
FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

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

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

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

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

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

Credit risk related to bank deposits: the credit risks of bank balances are managed by Company's Management in accordance with the Company's policies. Investments of cash surpluses are made with first class financial entities. The maximum exposure to credit risk As of December 31, 2019 and 2018, is the book value of the cash balances shown in note 5.

Consequently, in the opinion of the Company's Management, the Company does not have any concentration that represents a significant credit risk As of December 31, 2019 and 2018.

Risk market

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

The sensitivity analyzes in the following sections refer to positions As of December 31, 2019 and 2018. They are also since the net amount of debt, the relation of fixed interest rates, and the position in instruments in foreign currency they remain constant.

It has been assumed that the sensitivities in the separate statement of comprehensive income are the effect of the assumed changes in the respective market risk. This is based on financial assets and liabilities held As of December 31, 2019 and 2018.

i **Exchange rate risk –**

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

The Company's activities, mainly its indebtedness, expose it to the risk of fluctuations in the exchange rates of the US dollar with respect to the Sol. To reduce this exposure, the Company makes efforts to maintain an appropriate balance between assets and liabilities expressed in US dollars. It is worth mentioning that the Company's income is received in United States dollars (or its equivalent in Soles at the exchange rate of the day), a significant part of its production costs are related to the United States dollar and short and medium-term indebtedness is agreed partially in US dollars. Despite this alignment between income, costs and debt, by maintaining accounting in Soles, the debt as well as the obligations to pay in foreign currency, adjust with any variation in the exchange rate. Management permanently evaluates economic coverage alternatives that may be adapted to the reality of the Company.

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

As of December 31, 2019, weighted average free market exchange rates for transactions in US dollars were S/3.311 for US$1 for the purchase and S/3.317 for US$1 for sale, respectively (S/3.369 per US$1 for the purchase and S/3.379 for US$1 for sale as of December 31, 2018, respectively).

As of December 31, 2019, and 2018, the Company does not have derivative financial instruments and has the following assets and liabilities in thousands of US dollars:

	2019 US$(000)	2018 US$(000)
Assets		
Cash and cash equivalents	118,783	66,239
Trade accounts receivable, net	144,186	114,932
Accounts receivable from related parties	13,435	12,193
	276,404	**193,364**
Liabilities		
Trade accounts payable	(105,290)	(86,869)
Financial obligations, current and non-current	(168,412)	(127,015)
	(273,702)	**(213,884)**
Net active (liability) position	**2,702**	**(20,520)**

During the year 2019, the Company has recorded a net income by exchange difference of approximately S/810,000 (net loss of approximately S/1,745,000 as of December 2018), which are presented in the separate statement of comprehensive income.

The following table shows the sensitivity analysis of US dollars (the only currency other than the functional currency in the Company has significant exposure as of December 31, 2019 and 2018), in its monetary assets and liabilities and its estimated cash flows. The analysis determines the effect of a reasonably possible variation in the exchange rate of the US dollar, the other constant variables in the separate statement of comprehensive income before income tax. A negative amount shows a net potential reduction in the separate statement of comprehensive income, while a positive amount reflects a net potential increase.

		Impact on profit before income tax	
SENSITIVITY ANÁLISIS	**Changes in exchange rate %**	**2019** S/(000)	**2018** S/(000)
Depreciation –			
Dollars	5	365	3,564
Dollars	10	730	7,127
Appreciation –			
Dollars	5	(365)	(3,564)
Dollars	10	(730)	(7,127)

ii Interest rate risk –
As of December 31, 2019, and 2018, the Company maintains financial instruments that accrue fixed and variable interest rates, in top local banks. The Company's operating cash flows are substantially independent of changes in market interest rates, therefore, in Management's opinion, the Company does not have significant exposure to interest rate risks.

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

	Increase / decrease in basic points	Effect on profit or loss before income tax S/(000)
2019		
Soles	+/- 50	1,240
	+/- 100	2,479
2018		
Soles	+/- 50	1,590
	+/- 100	3,179

iii Price risk

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

The following table shows the sensitivity in the Company's results as of December 31, 2019 and 2018, if the internal price had increased / decreased 5 percent and the other variables had remained constant.

	Increase / decrease percentage	Effect in income before income tax S/(000)
2019	+5%	96,215
	-5%	(96,215)
2018	+5%	92,463
	-5%	(92,463)

iv Liquidity risk –

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

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

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

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

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

	Less than 3 months S/(000)	3 to 12 months S/(000)	From 1 to 5 years S/(000)	Total S/(000)
As of December 31, 2019				
Financial obligations:				
Amortization of capital	271,410	127,536	662,851	1,061,797
Interest payment flow	4,373	9,919	43,209	57,501
Trade accounts payable (*)	469,661	-	-	469,661
Accounts payable to related parties	23,429	-	-	23,429
Other accounts payable (*)	67,399	-	-	67,399
Total	**836,272**	**137,455**	**706,060**	**1,679,787**

	Menos de 3 meses S/(000)	De 3 a 12 meses S/(000)	De 1 a 5 años S/(000)	Total S/(000)
As of December 31, 2018				
Financial obligations:				
Amortization of capital	326,757	218,384	341,842	886,983
Interest payment flow	5,377	14,173	23,474	43,024
Trade accounts payable (*)	382,009	-	-	382,009
Accounts payable to related parties	21,320	-	-	21,320
Other accounts payable (*)	65,118	-	-	65,118
Total	**800,581**	**232,557**	**365,316**	**1,398,454**

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

Gestión del capital

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

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

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

	2019 S/(000)	2018 S/(000)
Financial obligations	1,061,797	886,983
Trade accounts payable, to related parties and other accounts payable	617,969	542,403
Less		
Cash and cash equivalents	(404,360)	(228,988)
Net debt (a)	**1,275,406**	**1,200,398**
Net equity	2,087,697	1,959,216
Total capital and net debt (b)	**3,363,103**	**3,159,614**
Leverage ratio (a/b)	**38%**	**38%**

During the years ended December 31, 2019 and 2018, there were no changes in the objectives, policies, or processes related to capital management.

32
FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

- Cash and cash equivalents do not represent a significant credit or interest rate risk. Therefore, it has been assumed that their book values approach their fair value.

- Accounts receivable, because they are net of their provision for bad debt and, mainly, they have maturities of less than one year, Management has considered that their fair value is not significantly different from their book value.

- In the case of financial obligations, given that these liabilities are subject to fixed and variable interest rates, Management estimates that their accounting balance is close to their fair value.

- In the case of trade accounts receivable and other accounts receivable, since that these liabilities have a current maturity, Management estimates that their accounting balance is close to their fair value.

Based on the criteria described above, Management estimates that there are no material differences between the book value and the fair value of the Company's financial instruments. As of December 31, 2019, and 2018.

33
INFORMATION BY OPERATING SEGMENTS

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

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

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

For the years ended December 31, 2019 and 2018, sales by type of product, which do not constitute an operating segment were the following:

	2019 S/(000)	2018 S/(000)
Rebars and wire rod	2,080,173	1,961,565
Merchant bars	279,342	281,652
Other	370,000	379,861
	2,729,515	**2,623,078**

33
INFORMATION BY OPERATING SEGMENTS

Likewise, sales take place in the following locations:

	2019 S/(000)	2018 S/(000)
Perú	2,268,757	2,155,714
Other countries	460,758	467,364
	2,729,515	**2,623,078**

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

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

34
SUBSEQUENT EVENTS

Between January 1, 2020 and the date of issuance of these separate financial statements, no significant subsequent events of a financial-accounting nature have occurred that may affect the interpretation of these separate financial statements.

35
EXPLANATION ADDED FOR THE ENGLISH TRANSLATION

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

COMPLIANCE REPORT ON GOOD CORPORATE GOVERNANCE (10150)

SECTION A

LETTER OF INTRODUCTION

The Board of Directors and Management of Corporación Aceros Arequipa S.A. (the “Company) fully identify with the guidelines regulating Good Corporate Governance, which are critical for the achievement of the objectives set forth, as well as the creation of value for our stakeholders.

In order to maintain and strengthen the Company’s internal control system and orient the behavior of its team members toward the achievement of corporate objectives, the Board of Directors’ Audit and Risk Committee has promoted the definition and implementation of Business Policies and Codes that define criteria and establish a framework for action that guides the performance of all team members in specific assets. Once approved by the Board of Directors, they become nonnegotiable, compulsory behavioral guidelines.

During 2019, the Audit and Risk Committee has monitored the implementation of an organized system of standards, mechanisms, and procedures for prevention, surveillance, and control, voluntarily implemented within the Company with the goal of reasonably mitigating the risk of commission of crimes and promoting integrity in performance and management, i.e., a Prevention Model. This model establishes cases exempting the Company from administrative liability in case of the commission of certain crimes. In compliance with said model, in May 2018, the Company’s Board of Directors appointed the Prevention Supervisor, who reports to the Board of Directors’ Audit and Risk Committee. It also approved the statutory framework of the prevention model, including the Code against Acts of Fraud and Corruption. Said document defines the policies and guidelines against acts of fraud and corruption, money laundering and terrorist financing.

The actions of the Company and its subsidiaries are governed by a Culture of Ethics based on their values, the Code of Ethics, and the Code against Acts of Fraud and Corruption. The Company implemented the Aceros Arequipa Ethics Hotline in May 2017. Through this means of communication, team members, clients, and suppliers may anonymously and confidentially report any irregularities or situations that run counter to the values and Code of Ethics of Aceros Arequipa and its subsidiaries that may occur during the different processes in which these companies are engaged.

During this fiscal year, the Audit and Risk Committee worked tirelessly to guarantee the independence of the external auditor of the financial statements of the Company and its subsidiaries and their review before being submitted to the Board of Directors and the Mandatory Annual Shareholders’ Meeting for final approval.

Finally, the Appointments, Compensation, and Human Resources Committee was once again responsible for structuring the Company’s Management bonus program for fiscal year 2019. It also handled the review and oversight of talent management initiatives, especially those tied to key positions in the organization’s management.

SECTION B

COMPLIANCE REPORT ON GOOD CORPORATE GOVERNANCE (10150)

Company name:
CORPORACION ACEROS AREQUIPA S.A.

Fiscal year:
2019

Website:
www.acerosarequipa.com

Company name or buYESness name
of the reviewing company: [1]"

RPJ

1 Only applicable when the information contained in this report has been reviewed by a specialized company (e.g. an audit company or a consulting firm).

SECTION B

COMPLIANCE REPORT ON GOOD CORPORATE GOVERNANCE (10150)

EVALUATION OF COMPLIANCE WITH THE PRINCIPLES OF THE CODE OF GOOD CORPORATE GOVERNANCE FOR PERUVIAN COMPANIES

PILLAR I:	**Right of Shareholders**	
	Principle 1: Treatment parity	YES
	Principle 2: Shareholding	YES
	Principle 3: Non-dilution in equity interest	YES
	Principle 4: Information and communication to shareholders	YES
	Principle 5: Share in dividends of the company	YES
	Principle 6: Change of control or takeover	YES
	Principle 7: Arbitration for the settlement of disputes	YES
PILLAR II:	**Shareholders' Meeting**	
	Principle 8: Function and competence	YES
	Principle 9: Regulations of the Shareholders' Meeting	YES
	Principle 10: Mechanisms of notice of meeting	YES
	Principle 11: Proposals for agenda topics	YES
	Principle 12: Voting procedures	YES
	Principle 13: Proxy vote	YES
	Principle 14: Follow-up of resolutions adopted by the Shareholders' Meeting	YES
PILLAR III:	**Board of Directors and Senior Management**	
	Principle 15: Establishment of the Board of Directors	YES
	Principle 16: Functions of the Board of Directors	YES
	Principle 17: Duties and Rights of Board members	YES
	Principle 18: Regulations of the Board of Directors	YES
	Principle 19: Independent Directors	YES
	Principle 20: Efficiency of the Board of Directors	YES
	Principle 21: Special Committees	YES
	Principle 22: Code of Ethics and conflicts of interest	YES
	Principle 23: Related party operations	YES
	Principle 24: Functions of Senior Management	YES
PILLAR IV:	**Risk and Compliance**	
	Principle 25: Risk management system environment	YES
	Principle 26: Internal audit	YES
	Principle 27: External auditors	YES
PILLAR V:	**Transparency of Information**	
	Principle 28: Information policy	YES
	Principle 29: Financial Statements and Annual Report	
	Principle 30: Information on shareholding structure and resolutions among shareholders	YES
	Principle 31: Corporate governance report	YES

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PILLAR I: RIGHT OF SHAREHOLDERS

PRINCIPLE 1: TREATMENT PARITY

QUESTION I.1	YES	NO	EXPLANATION:
Does the company recognize in its actions equal treatment for shareholders of the same class and who maintain the same conditions (*)?	X		

(*) The same conditions are understood to be those particularities that distinguish shareholders, or make them have a common characteristic in their relationship with the company (institutional investors, non-controlling investors, etc.). It should be noted that this does not imply that the use of privileged information is favored.

QUESTION I.2	YES	NO	EXPLANATION:
Does the company only promote the existence of classes of voting shares?	X		

a. On the capital of the company, specify:

Capital subscribed at the fiscal year end	Capital paid-up at the fiscal year end	Total number of shares representing the capital	Number of voting shares
S/ 890´858,308	S/ 890´858,308	890´858,308	890´858,308

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b. If the company has more than one class of share, specify:

Class	Number of shares	Nominal value	Rights(*)
COMMON	890´858,308	S/1.00	RIGHT TO VOTE

(*) This field must indicate the particular rights of the class which distinguish it from the others.

QUESTION I.3	YES	NO	EXPLANATION:
If the company has investment shares, does the company promote a policy of redemption or voluntary exchange of investment shares for common shares?		X	FOR THE TIME BEING, THE COMPANY DOES NOT HAVE A POLICY AS THE ONE MENTIONED.

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PRINCIPLE 2: SHAREHOLDING

QUESTION I.4	YES	NO	EXPLANATION:
a. Does the company establish in its corporate documents the form of representation of the shares and the person responsible for registration in the stock record?	X		THE FORM OF REPRESENTATION OF THE SHARES IS INDICATED IN THE BYLAWS, WHICH ARE AVAILABLE ON THE COMPANY'S WEBSITE.
b. Is the stock record permanently updated?	X		

Indicate the periodicity with which the stock record is updated, after being informed about any change.

PERIODICITY:	Within forty-eight hours	
	WeeklY	X
	Other / Detail (in days)	

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PRINCIPLE 3: NON-DILUTION IN EQUITY INTEREST

QUESTION I.5	YES	NO	EXPLANATION:
a. Does the company have a policy where the proposals of the Board of Directors referring to corporate operations that may affect the right of non-dilution of the hsareholders (i.e., mergers, spin-offs, capital increases, among others) are previously explained by said body in a detailed report with the independent opinion of an external advisor of recognized professional trustworthiness appointed by the Board of Directors?	X		TO DATE, THERE HAVE BEEN NO CORPORATE OPERATIONS AS THOSE MENTIONED ABOVE.
b. Does the company have a policy of making these reports available to shareholders?	X		

If the company has carried out corporate operations during the fiscal year under the scope of subparagraph a) of question I.5, and if the company has Independent Directors (*), specify whether in all cases:

	YES	NO
Did all the Independent Directors vote in favor of the appointment of the external advisor?		
Did all the Independent Directors clearly express their acceptance of the referred report and give reasons, if any, for their disagreement?		

(*) Independent Directors are those who, according to the Guidelines for the Qualification of Independent Directors, approved by the SMV, qualify as such.

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PRINCIPLE 4: INFORMATION AND COMMUNICATION TO SHAREHOLDERS

QUESTION I.6	YES	NO	EXPLANATION:
Does the company determine who is responsible or how shareholders can receive and require timely, reliable and truthful information?	X		YES. THE COMPANY HAS A SHAREHOLDER SERVICE AREA, WHICH E-MAIL IS: accionistas@aasa.com.pe. THE COMPANY USES: WEBSITE FOR INVESTORS WHERE RELEVANT INFORMATION IS GIVEN (https://investors.acerosarequipa.com). ALSO IN THE QUARTERLY RESULTS (TELEPHONE AND/OR WEBSITE), MAILING LIST, ETC.

a. Indicate the means by which shareholders receive and/or request information from the company.

MEDIA	RECEIVE INFORMATION	REQUEST INFORMATION
E-mail address	X	X
Telephone	X	X
Corporate website	X	X
Post	X	X
Briefings	X	X
Other / Detail	IMPORTANT FACTS	

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b. Does the company have a deadline for responding to requests for information submitted by shareholders? If yes, specify the deadline:

MAXIMUM PERIOD (DAYS)	**3**

QUESTION I.7	**YES**	**NO**	**EXPLANATION:**
Does the company have mechanisms for shareholders to express their opinion on the development of the company?	X		SHAREHOLDERS CAN EXPRESS THEIR OPINION AT THE SHAREHOLDERS' MEETING AND THROUGH THE COMPANY'S MEDIA. ALSO IN THE QUARTERLY RESULTS.

If the answer is affirmative, indicate the established mechanisms that the company has for shareholders to express their opinion on the development of the company.

THE SAME MEDIA DETAILED IN POINT I.6. a.

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PRINCIPLE 5: SHARE IN DIVIDENDS OF THE COMPANY

QUESTION I.8	YES	NO	EXPLANATION:
a. Is compliance with the dividend policy subject to scheduled evaluations?	X		
b. Is the dividend policy communicated to shareholders, among other media, through its corporate website?	X		

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a. Indicate the company's dividend policy applicable to the fiscal year.

DATE OF APPROVAL	**03/28/16**
Dividend policy (criteria for distribution of profits)	The Company will apply the profits to cash dividends, after the statutory reserves have been made and those that may, at the proposal of the Board of Directors, be necessary for the company's operations. The proportion of profits to be distributed annually as cash dividends will be 40% of the freely distributable profit for the year. The Board of Directors may approve two interim cash dividend advances during the current fiscal year at any time as follows: -) For an amount equivalent to up to 10% of the projected freely distributable profit for the current fiscal year, together with the approval of the interim financial statements as of June 30 of every year. -) For an amount equivalent to 24% of the projected freely distributable profit for the current fiscal year, less the first advance dividend, together with the approval of the interim financial statements as of September 30 of every year. The payment of the dividend up to an amount equivalent to 40% of the freely distributable profit for the year, less advances made, will be put for consideration at the mandatory annual shareholders' meeting to be held within the first quarter of the next year. The approval of cash dividend advances, the balance of the annual dividend, and the amounts for which they are made, will be subject to liquidity, indebtedness and cash flow of the company, as well as compliance with the covenants established in the financing contracts signed by the company. Exceptionally, the Board of Directors may, if it deems convenient, approve an additional dividend, with the obligation to support the decision made before the shareholders' meeting. The distribution of shares fully paid-up by the capitalization of profits will be evaluated by the shareholders' meeting at the proposal of the board of directors, either at the mandatory annual shareholders' meeting or at any other shareholders' meeting called for such purpose.

b. Indicate the dividends in cash and shares distributed by the company in the fiscal year and in the previous one.

Per share	DIVIDENDS PER SHARE	
	Reporting fiscal year	**Fiscal year prior to the reporting fiscal year**
Class: Common and investment	0.06574699	0.05251914
Class		
Investment Share+A4		

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PRINCIPLE 6: CHANGE OF CONTROL OR TAKEOVER

QUESTION I.9	YES	NO	EXPLANATION:
Does the company have policies or agreements not to adopt antiabsorption mechanisms?		X	THE COMPANY DOES NOT HAVE POLICIES AS THOSE MENTIONED AND THERE HAVE BEEN NO CASES AS THOSE MENTIONED.

Indicate whether your company has applied any of the following measures:

	YES	NO
Requirement of a minimum number of shares to be a Director		X
Minimum number of years as Director to be appointed as Chairman of the Board of Directors		X
Executives/officials compensation agreements as a result of changes following a Takeover		X
Others of a similar nature/ Detail		

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PRINCIPLE 7: ARBITRATION FOR THE SETTLEMENT OF DISPUTES

QUESTION I.10	YES	NO	EXPLANATION:
a. Does the company's bylaws include an arbitration agreement that recognizes that any dispute among shareholders, or between shareholders and the Board of Directors, is submitted to arbitration in law; as well as the challenge of resolutions of the Shareholders' Meeting and the Board of Directors by the shareholders of the company?	X		YES, ACCORDING TO ARTICLE 74 OF THE BYLAWS.
b. Does this clause make it easier for an independent third party to settle disputes, except in the case of an express statutory reserve before the provincial courts?	X		YES, THE THIRD PARTY BEING AN ARBITRATION COURT.

If the resolutions of the Shareholders' Meeting and the Board of Directors have been challenged by the shareholders or others involving the company during the fiscal year, specify their number.

Number of challenges of resolutions of the Shareholders' Meeting	0
Number of challenges of resolutions of the Board of Directors	0

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PILLAR II: SHAREHOLDERS' MEETING

PRINCIPLE 8: FUNCTION AND COMPETENCE

QUESTION II.1	YES	NO	EXPLANATION:
Is the approval of the remuneration policy of the Board of Directors an exclusive and nondelegable function of the Shareholders' Meeting?	X		IT IS CONSIDERED IN THE BYLAWS OF THE COMPANY, WHICH ARE APPROVED BY THE SHAREHOLDERS' MEETING.

Indicate whether the following functions are exclusive to the Shareholders' Meeting; in the event of a negative answer, specify the body that exercises them.

	YES	NO	BODY
Provide for special investigations and audits		X	SHAREHOLDERS' MEETING. FUNCTION SHARED WITH THE BOARD OF DIRECTORS, IN THE AUDIT AND RISK COMMITTEE.
Agree on the amendment to the Bylaws	X		
Agree on an increase in capital stock	X		
Agree on the distribution of interim dividends		X	SHAREHOLDERS' MEETING. FUNCTION SHARED WITH THE BOARD OF DIRECTORS, ACCORDING TO THE DIVIDEND POLICY.
Appoint external auditors		X	SHAREHOLDERS' MEETING, UNLESS EXPRESSLY DELEGATED TO THE BOARD OF DIRECTORS.

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PRINCIPLE 9: REGULATIONS OF THE SHAREHOLDERS' MEETING

QUESTION II.2	YES	NO	EXPLANATION:
Does the company have Regulations of the Shareholders' Meeting, which are binding in nature and does non-compliance entail liability?	X		

If Regulations of the Shareholders' Meeting are in place, please specify whether they set the procedures for:

	YES	NO
Notices of meeting	X	
Incorporate agenda topics by shareholders	X	
Provide additional information to shareholders for the Shareholders' Meetings	X	
Development of the Shareholders' Meetings	X	
Appointment of members of the Board of Directors		X
Other relevant / Detail		

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PRINCIPLE 10: MECHANISMS OF NOTICE OF MEETING

QUESTION II.3	YES	NO	EXPLANATION:
In addition to the mechanisms of notice of meeting established by law, does the company have mechanisms of notice of meeting that allow it to establish contact with shareholders, particularly with those who do not participate in the control or management of the company?	X		

a. Complete the following information for each of the Shareholders' Meetings held during the fiscal year:

Date of notice of meeting	Date of Shareholders' Meeting	Place of Shareholders' Meeting	Kind of Shareholder's meeting		Universal Shareholders' Meeting		Quórum %	Nº of attending shareholders	Share (%) of total voting shares		
			Special	General	YES	No			Through powers of attorneY	Direct exercise (*)	Did not exercise right to vote
02/28/19	03/20/19	Av. Miro Quesada 425, Piso 1, Magdalena del Mar		X				92	40	65	27

(*) Direct exercise includes voting by any means or modality that does not imply representation.

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b. What means, in addition to that included in Article 43 of the General Law of Companies and the provisions of the Regulations on Important Facts and Confidential information, did the company use to disseminate the notices of meeting to the Shareholders' Meetings during the fiscal year?

E-mail	X	Post	
Telephone		Social networks	
Corporate website	X	Other / Detail	

QUESTION II.4	YES	NO	EXPLANATION:
Does the company make available to shareholders all the information relating to the topics contained in the agenda of the Shareholders' Meeting and the proposals for the resolutions to be adopted (motions)?	X		

In the notices of meeting made by the company during the fiscal year:

	YES	NO
Was the location of the information referring to the agenda topics to be discussed at the Shareholders' Meetings specified?	X	
Were the following topics included in the agenda: "other subjects", "various topics" or similar?		X

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PRINCIPLE 11: PROPOSALS FOR AGENDA TOPICS

QUESTION II.5	YES	NO	EXPLANATION:
Does the Regulations of the General Shareholders' Meeting include mechanisms that allow shareholders to exercise the right to make proposals for agenda topics to be discussed at the Shareholders' Meeting and the procedures for accepting or rejecting such proposals?	X		

a. Does the Regulations of the General Shareholders' Meeting include mechanisms that allow shareholders to exercise the right to make proposals for agenda topics to be discussed at the Shareholders' Meeting and the procedures for accepting or rejecting such proposals?

	NUMBER OF REQUESTS	
Received	Accepted	Rejected
0	0	0

b. If requests for agenda topics to be discussed at the Shareholders' Meeting were rejected during the fiscal year, indicate whether the company communicated the grounds for rejection to the requesting shareholders.

YES		NO	

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PRINCIPLE 12: VOTING PROCEDURES

QUESTION II.6	YES	NO	EXPLANATION:
Does the company have mechanisms in place that allow shareholders to distance voting through safe, electronic or postal means that guarantee that the person casting the vote is actually the shareholder?		X	THE COMPANY DOES NOT HAVE DISTANCE VOTING MECHANISMS.

a. If so, indicate the mechanisms or means that the company has to exercise distance voting.

Vote by electronic means		Vote by postal means	

b. If distance voting was used during the fiscal year, provide the following information:

Date of the Shareholders' Meeting	% distance voting				% distance voting / total
	E-mail	Corporate website	Post	Other	

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QUESTION II.7	YES	NO	EXPLANATION:
Does the company have corporate documents that clearly specify that shareholders can vote separately on matters that are materially independent, so that they can exercise their voting preferences separately?	X		

Indicate whether the company has corporate documents that clearly specify that shareholders can vote separately for:

	YES	NO
Appointment or ratification of Directors by individual vote by each of them.		X
The amendment to the Bylaws, for each article or group of articles that are substantially independent.		X
Other/ Detail		

QUESTION II.8	YES	NO	EXPLANATION:
Does the company allow those who act on behalf of several shareholders to cast different votes for each shareholder, so that they comply with the instructions of each represented party?	X		

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PRINCIPLE 13: PROXY VOTE

QUESTION II. 9	YES	NO	EXPLANATION:
Does the company's Bylaws allow its shareholders to delegate their vote in favor of any person?	X		

If the answer is no, indicate whether if your Bylaws restrict the right of representation in favor of any of the following persons:

	YES	NO
Of another shareholder		
Of a Director		
Of a Manager		

QUESTION II.10	YES	NO	EXPLANATION:
a. Does the company have procedures detailing the conditions, means and formalities to be complied with in situations of proxy vote?	X		IT IS REGULATED IN THE COMPANY'S BYLAWS, IN ACCORDANCE WITH ARTICLE 37.
b. Does the company provide shareholders with a model letter of representation, including data of the representatives, the matters for which the shareholder delegates its vote, and if so, the direction of its vote for each of the proposals?	X		

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Indicate the requirements and formalities demanded for a shareholder to be represented at a Shareholders' Meeting:

Formality (indicate if the company requires a non-notarized letter, notarized letter, notarial instrument or other).	NON-NOTARIZED LETTER
Advance (number of days prior to the Shareholders' Meeting with which the power of attorney must be submitted).	24 HOURS
Cost (indicate if there is a payment demanded by the company for these purposes and how much it amounts to).	DOES NOT EXIST

QUESTION II.11	YES	NO	EXPLANATION:
a. Does the company have a policy of establishing limitations on the percentage of proxy votes in favor of the members of the Board of Directors or Senior Management?		X	NOT REGULATED
b. In the case of proxy voting in favor of members of the Board of Directors or Senior Management, does the company have a policy that the shareholders who delegate their votes clearly establish their direction?	X		

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PRINCIPLE 14: FOLLOW-UP OF RESOLUTIONS ADOPTED BY THE SHAREHOLDERS' MEETINGS

QUESTION II.12	YES	NO	EXPLANATION:
a. Does the company monitor the resolutions adopted by the Shareholders' Meetings?	X		
b. Does the company issue regular reports to the Board of Directors and are they made available to shareholders?	X		THE COMPANY REPORTS REGULARLY TO THE BOARD OF DIRECTORS AND, AS APPROPRIATE, COMMUNICATES THEM TO THE SHAREHOLDERS.

If so, indicate the area and/or person in charge of following up on the resolutions adopted by the Shareholders' Meeting. If a person is in charge, include additionally his/her position and the work area.

Area in charge	LEGAL AFFAIRS MANAGEMENT

PERSON IN CHARGE		
Full name	Position	Area
FRANCISCO JOSÉ ALAYZA CAMARERO	MANAGER	LEGAL AFFAIRS

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PILLAR III: BOARD OF DIRECTORS AND SENIOR MANAGEMENT

PRINCIPLE 15: ESTABLISHMENT OF THE BOARD OF DIRECTORS

QUESTION III.1	YES	NO	EXPLANATION:
Is the Board of Directors composed of people with different specialties and competencies, with prestige, ethics, economic independence, sufficient availability and other qualities relevant to the company, so that there is a plurality of approaches and opinions?	X		

a. Provide the following information corresponding to the members of the company's Board of Directors during the fiscal year.

Full name	Professional Training (*)	Date		Shareholding (****)	
		Start (**)	End (***)	N° Of Shares	Shares (%)
Directors (not including Independent Directors)					
RICARDO CILLÓNIZ CHAMPÍN	**CIVIL ENGINEER WITH A MASTER'S DEGREE IN BUSINESS ADMINISTRATION.**	**13/03/98**			
	He is also Director of Rímac-Internacional Cía. de Seguros y Reaseguros, Compañía Eléctrica El Platanal S.A. (Celepsa) and Intradevco Industrial S.A., companies that are not part of the Economic Group. He is Director of Transportes Barcino S.A., Inmobiliaria Comercial del Acero Arequipa S.A. and Inmobiliaria Comercial del Acero Cajamarquilla S.A., companies that are part of the Economic Group.				

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Full name	Professional Training (*)	Date		Shareholding (****)	
		Start (**)	End (***)	N° Of Shares	Shares (%)
Directors (not including Independent Directors)					
JOSÉ ANTONIO BAERTL MONTORI	**BACHELOR IN AGRICULTURAL SCIENCES**	**03/13/98**		**46´328,865**	**5.20**
	He is also Director at Agrícola La Venta S.A.C., a company that is not part of the Economic Group. He is Director at Transportes Barcino S.A., a company that is part of the Economic Group.				
ANDREAS VON WEDEMEYER KNIGGE	**BUSINESS ADMINISTRATOR**	**03/24/10**			
	He is also Director at Corporacion Cervesur S.A.A., Euromotors S.A., Altos Andes S.A., Euro Camiones, Euroinmuebles, Renting SAC, La Positiva Seguros y Reaseguros, La Positiva Vida Seguros y Reaseguros, La Positiva Entidad Prestadora de Salud- EPS, Corporación Financiera de Inversiones (CFI), Ferreycorp S.A.A., Ferreyros S.A., Alianza Vida Seguros y Reaseguros (Bolivia), SNI, Comex Perú and the Peruvian-German Chamber of Commerce and Industry, organizations thet are not part of the Economic Group. He is Director at Transportes Barcino S.A., a company that is part of the Economic Group.				

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Full name	Professional Training (*)	Date		Shareholding (****)	
		Start (**)	End (***)	N° Of Shares	Shares (%)
Directors (not including Independent Directors)					
RENEE CILLÓNIZ DE BUSTAMANTE	**MERCHANT**	**07/22/05**		**141´971,334**	**15.94**
	She is also Director at Agrícola La Joya SAC., Fundo San Fernando S.A., companies that are not part of the Economic Group. She is Director at Transportes Barcino S.A., a company that is part of the Economic Group.				
PABLO PESCHIERA ALFARO	**MECHANICAL ENGINEER, HOLDS A MBA AND IS BUSINESS CONSULTANT.**	**02/28/08**			
	He is also Director at Tradi S.A., Comfer S.A., Define Consultoría S.A., Define Servicios S.A.C., Dirige S.A.C., Agipac S.A. and Ubicua Offices Perú S.A., companies that are not part of the Economic Group. He is Director at Transportes Barcino S.A., Inmobiliaria Comercial del Acero Arequipa S.A. and Inmobiliaria Comercial del Acero Cajamarquilla S.A., companies that are not part of the Economic Group.				
PEDRO BLAY HIDALGO	**INDUSTRIAL ENGINEER, HOLDS A MBA AND A MASTER'S DEGREE IN INTERNATIONAL BUSINESS**	**03/28/16**			
	He is also Director at Comfer S.A., a company that is not part of the Economic Group. He is Director at Transportes Barcino S.A., Inmobiliaria Comercial del Acero Arequipa S.A. and Inmobiliaria Comercial del Acero Cajamarquilla S.A., companies that is part of the Economic Group.				

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Full name	Professional Training (*)	Date		Shareholding (****)	
		Start (**)	End (***)	N° Of Shares	Shares (%)
Directors (not including Independent Directors)					
RICARDO BUSTAMANTE CILLÓNIZ	**AGRICULTURAL ENGINEER**	**12/22/11**			
	He is also Director at Fundo San Fernando S.A. and Agrícola La Joya SAC, companies that are not part of the Economic Group. He is Director at Transportes Barcino S.A., a company that is part of the Economic Group.				
Independent Directors					
MANUEL MONTORI BURBANK	**LAWYER AND HOLDS A MBA**	**03/23/17**			
	He is also Director at Altozano Desarrollo y Construcción, a company that is not part of the Economic Group. He is Director at Transportes Barcino S.A., a company that is part of the Economic Group.				
FERNANDO CARBAJAL FERRAND	**BUSINESS ADMINISTRATOR**	**03/13/98**			
	He is also Director at Inmobiliaria Terrano S.A. and Plásticos Nacionales S.A., companies that are not part of the Economic Group. He is Director at Transportes Barcino S.A., a company that is part of the Economic Group.				

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Full name	Professional Training (*)	Date		Shareholding (****)	
		Start (**)	End (***)	N° Of Shares	Shares (%)
Independent Directors					
ENRIQUE OLAZÁBAL BRACESCO	**LAWYER**	**03/13/98**			
	ZOOTECHNICIAN AND BUSINESS ADMINISTRATOR, BACHELOR OF ANIMAL SCIENCE and MASTER OF BUSINESS ADMINISTRATION.				
DIEGO URQUIAGA HEINEBERG	**ZOOTECHNICIAN AND BUSINESS ADMINISTRATOR, BACHELOR OF ANIMAL SCIENCE and MASTER OF BUSINESS ADMINISTRATION.**	**11/27/03**			
	He is also Director at Transportes Barcino S.A., a company that is part of the Economic Group.				
GISELLE FERRAND RUBINI	**BUSINESS ADMINISTRATOR**	**04/25/19**			
	She is also Director at Transportes Barcino S.A., a company that is part of the Economic Group.				

(*) State in addition whether the Director participates simultaneously in other Boards of Directors, specify the number and whether these are part of the economic group of the reporting company. To this end, the definition of economic group contained in the Regulations on Indirect Ownership, Relationship and Economic Groups must be considered.
(**) Corresponds to the first appointment in the reporting company.
(***) Complete only if the person has left the position of Director during the fiscal year.
(****) Mandatory only for Directors with an equity interest equal to or higher than 5% of the shares of the reporting company.

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% of total shares held by Directors	24.93

Indicate the number of Directors of the company in each of the following age ranges:

Under 35	Between 35 and 55	Between 55 and 65	Older than 65
0	4	3	5

b. Indicate if there are any specific requirements to be appointed Chairman of the Board of Directors in addition to those required to be appointed Director

YES		NO	X

If yes, indicate such requirements.

c. Does the Chairman of the Board of Directors have a casting vote?

YES	X	NO	

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PILLAR III: BOARD OF DIRECTORS AND SENIOR MANAGEMENT
PRINCIPLE 15: ESTABLISHMENT OF THE BOARD OF DIRECTORS

QUESTION III.2	YES	NO	EXPLANATION:
Does the company avoid the appointment of Alternate Directors, especially for quorum reasons?	X		

If there are Alternate Directors, specify the following:

Full Name of Alternate Director	Start (*)	End (**)

(*) Corresponds to the first appointment as Alternate Director in the reporting company.
(**) Complete only if the person has left the position of Alternate Director during the fiscal year.

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PRINCIPLE 16: FUNCTIONS OF THE BOARD OF DIRECTORS

QUESTION III.4	YES	NO	EXPLANATION:
Are the functions of the Board of Directors the following? **a.** To approve and direct the company's corporate strategy.	X		
b. To set objectives, goals and action plans including annual budgets and business plans	X		
c. To control and supervise the management and be in charge of the governance and administration of the company.	X		
d. To supervise good corporate governance practices and establish the necessary policies and measures for their better application	X		

a. Detail what other relevant powers fall on the Board of Directors of the company.

Monitor the whole company's business; evaluate, approve, define and direct the strategic plan; analyze and monitor the market situation; establish the information policy both inside and outside the company in order to ensure transparency and timeliness with respect to the information provided to the market while safeguarding confidentiality with respect to the company's strategic or sensitive data or information; ensure compliance with the company's code of ethics and approve its changes or modifications, etc.

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b. Does the Board of Directors delegate any of its functions?

YES		NO	X

Indicate, if applicable, which are the main functions of the Board of Directors that have been delegated, and the body that exercises them by delegation.

Functions	Body / Area to which functions have been delegated

PRINCIPLE 17: DUTIES AND RIGHTS OF MEMBERS OF THE BOARD OF DIRECTORS

QUESTION III.5	YES	NO	EXPLANATION
Do members of the Board of Directors have the right to? **a.** Ask the Board of Directors for expert support or input.	X		
b. Participate in induction programs on their powers and responsibilities and to be informed in a timely manner about the organizational structure of the company.	X		
c. Receive remuneration for the work carried out, which combines recognition of professional experience and commitment to the company with a criterion of rationality.		X	THE BYLAWS OF THE COMPANY STIPULATE THAT THE REMUNERATION OF THE BOARD OF DIRECTORS IS SIX (6) PERCENT OF THE NET PROFIT BEFORE TAXES AND AFTER DEDUCTION OF THE STATUTORY RESERVE CALCULATED ACCORDING TO LAW, IF APPLICABLE.

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a. If specialized advisors were hired during the fiscal year, indicate whether the list of specialized advisors of the Board of Directors who provided services during the fiscal year for the decision-making of the company was communicated to the shareholder

YES		NO	X

If so, state whether any of the specialized advisors had any connection with any member of the Board of Directors and/or Senior Management (*).

YES		NO	X

(*) For the purposes of relationship, the relationship criteria contained in the Regulations on Indirect Ownership, Relationship and Economic Groups will be applied.

b. If so, state whether any of the specialized advisors had any connection with any member of the Board of Directors and/or Senior Management (*).

YES	X	NO	

c. Indicate the percentage represented by the total amount of remuneration and annual bonuses of Directors in relation to gross income, according to the financial statements of the company.

Remuneration	(%) Gross income	Bonuses	(%) Gross income
Directors (excluding in-dependent)	0.31	Delivery of shares	
Independent Directors	0.22	Delivery of options	
		Delivery of money	
		Other (detail)	NOT APPLICABLE

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PRINCIPLE 18: REGULATIONS OF THE BOARD OF DIRECTORS

QUESTION III.6	YES	NO	EXPLANATION:
Does the company have binding Regulations of the Board of Directors which non-compliance entails liability?	X		

Indicate if the Regulations of the Board of Directors contain:

	YES	NO
Policies and procedures for its operation	X	
Organizational structure of the Board of Directors	X	
Functions and responsibilities of the Chairman of the Board of Directors	X	
Procedures for the identification, evaluation and nomination of candidates for membership in the Board of Directors, who are proposed to the Shareholders' Meeting	X	
Procedures for vacancy, resignation and succession of Directors	X	
Other / Detail		

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PRINCIPLE 19: INDEPENDENT DIRECTORS

QUESTION III.7	YES	NO	EXPLANATION:
Is at least one-third of the Board of Directors made up of Independent Directors?	X		

In addition to those established in the "Guidelines for the Classification of Independent Directors," the Company has set forth the following criteria for classifying its directors as independent:

THE COMPANY IS USING THE SAME CRITERIA IN FORCE AS OF 2019.
IN ADDITION TO THOSE SET FORTH IN THE BGC FORM FOR 2019: STAKE OF LESS THAN 5% OF CAPITAL STOCK

QUESTION III.8	YES	NO	EXPLANATION
a. Does the Board of Directors state that the candidate it proposes is independent on the basis of its inquiries and the candidate's statement?	X		
b. Do the candidates for Independent Directors state that they are independent before the company, its shareholders and directors?	X		

Please indicate whether, at least once a year, the Board of Directors verifies that the Independent Directors meet the prerequisites and conditions to be classified as such.

YES		NO	X

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PRINCIPLE 20: EFFICIENCY OF THE BOARD OF DIRECTORS

QUESTION III.9	YES	NO	EXPLANATION:
Does the Board of Directors have a work plan that contributes to the efficiency of its functions?	X		

QUESTION III.10	YES	NO	EXPLANATION:
Does the company provide its Directors with the necessary channels and procedures to enable them to participate effectively in the Board meetings, including non-attendance?	X		

a. Indicate the following in relation to the meetings of the Board of Directors held during the fiscal year:

Number of meetings held	13
Number of meetings in which a notice of meeting has not been made (*)	0
Number of meetings not attended by the Chairman of the Board of Directors	0
Number of meetings in which one or more Directors were represented by Alternate Directors	3
Number of Regular Directors who were represented at least once	3

(*) In this field, the number of meetings held under the last paragraph of Article 167 of the General Law of Companies must be reported.

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b. Indicate the percentage of Directors attending Board meetings during the fiscal year.

NAME	% OF ATTENDANCE
RICARDO CILLÓNIZ CHAMPÍN	100
FERNANDO CARBAJAL FERRAND	100
PEDRO BLAY HIDALGO	100
JOSÉ ANTONIO BAERTL MONTORI	100
RICARDO BUSTAMANTE CILLÓNIZ	100
RENEE CILLÓNIZ CHAMPÍN	100
ENRIQUE OLAZÁBAL BRACESCO	100
PABLO PESCHIERA ALFARO	92.3
BELISARIO ROSAS RAZZETO	23.08
DIEGO URQUIAGA HEINEBERG	100
GISELLE FERRAND RUBINI	76.92
ANDREAS VON WEDEMEYER KNIGGE	92.3
MANUEL MONTORI BURBANK	100

c. Indicate how far in advance to the Board meeting, all the information referring to the matters to be discussed in a meeting is available to the Directors.

	LESS THAN 3 DAYS	FROM 3 TO 5 DAYS	MORE THAN 5 DAYS
Non-confidential information		X	
Confidential information		X	

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QUESTION III.11	YES	NO	EXPLANATION
a. Does the Board of Directors evaluate, at least once a year, objectively, its performance as a collegiate body and that of its members?	X		
b. Does the self-evaluation methodology alternate with the evaluation carried out by external advisors?		X	THE COMPANY CONSIDERS THAT THE BOARD OF DIRECTORS HAS THE NECESSARY SKILLS AND CONDITIONS TO CARRY OUT A SELF-EVALUATION WITHOUT REQUIRING THE SUPPORT OF AN EXTERNAL ADVISOR.

a. Indicate whether any performance evaluations of the Board of Directors have been conducted during the fiscal year.

	YES	NO
As collegiate body	X	
To its members		X

If the answer to the previous question in any of the fields is yes, indicate the following information for each evaluation:

Evaluation	SELF-EVALUACIÓN		EXTERNAL EVALUATION		
	Date	Dissemination (*)	Date	Entity in charge	Dissemination (*)
SELF-EVALUATION	03/23/20	NO			

(*) Indicate Yes or No, if the evaluation was informed to the shareholders.

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PRINCIPLE 21: SPECIAL COMMITTEES

QUESTION III.12	YES	NO	EXPLANATION:
a. Does the Board of Directors of the company form special committees focused on the analysis of those as-pects most relevant to the company's performance?	X		
b. Does the Board of Directors ap-prove the regulations that govern each of the special committees that it forms?	X		
c. Are the special committees chaired by Independent Directors?	X		YES, APPOINTMENTS AND REMUNERATION COMMITTEE. NO, AUDIT AND RISK COMMITTEE (ARC).
d. Are the special committees allocated a budget?		X	SI, COMITÉ DE NOMBRAMIENTOS Y REMUNERACIONES. NO, COMITÉ DE AUDITORIA Y RIESGOS (CAR).

QUESTION III.13	YES	NO	EXPLANATION:
Does the company have an Appointments and Remuneration Committee responsible for nominating candidates to member of the Board of Directors, who are proposed to the Shareholders' Meeting by the Board of Directors, as well as for approving the system of remuneration and incentives for Senior Management?	X		

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QUESTION III.14	YES	NO	EXPLANATION:
Does the company have an Audit Committee that supervises the effectiveness and suitability of the company's internal and external control system, the work of the audit company or the independent auditor, as well as compliance with the rules of legal and professional independence?	X		

a. Indicate whether the company also has the following Special Committees:

	YES	NO
Risk Committee	X	
Corporate Governance Committee		X

b. If the company has Special Committees, indicate the following information for each committee:

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	COMMITTEE 1
Name of Committee:	AUDIT AND RISK COMMITTEE
Date of creation:	09/11/12
Main duties:	**EXTERNAL AUDIT** Assess the integrity of accounting systems through external audit. Propose the external auditor to the Board of Directors. Review and approve the external auditor's work plan. Review and confirm the independence of the external auditor, obtain its statements regarding the relationship between auditor and company and non-audit services. Meet with the external auditor when appropriate If necessary, facilitate the obtaining of relevant information required by the auditors. Assess the work of the external auditor appointed by the Board of Directors and hired by the company. Review progress reports from the external auditor. Review the results of the audit of financial statements with management and the external auditor and approve the final report of the latter for submission to the Board of Directors and the Shareholders' Meeting. Review the letter of recommendation.

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INTERNAL AUDIT AND RISK MANAGEMENT

Promote the creation of the Internal Audit and Risk Control area and approve its bylaws.
Select, hire and, if necessary, separate the Internal Audit Manager, reporting to the Board of Directors.
Assess compliance with and update the internal audit bylaws.
Review the way in which the code of conduct is communicated to company personnel and how its compliance is verified.
Supervise and assess the work of the Internal Audit area and approve its budget.
Assess the effectiveness and efficiency of the internal control system of the company, including information technology.
Ensure the consistency of the Financial Statements submitted to the Board of Directors.
Ensure the clarity of the company's transactions with related companies.
Summon company officials when necessary.
Resolve any type of disagreement between management and the Internal Audit Manager.
Assess and promote the independence of the internal auditors and non-existence of restrictions or limitations to their work.
Approve and request the hiring of advisors, accountants, lawyers, or other external services to advise the committee or assist it in the performance of its duties, either on its own initiative or by proposal of the Internal Audit Manager. Approve their fees and expenses with the knowledge of the Board of Directors.
Implement a confidential complaints and suggestions system accessible to the entire organization.
Authorize and supervise investigations into matters within its scope of responsibility.
Assess the results, and supervise the implementation of the recommendations of the Internal Audit and external auditors.
Assess the effectiveness and efficiency of the audit, in compliance with the standards for the professional exercise of the internal audit.
Define risk management and control policies.
Promote the implementation of the corporate risk management model.
Participate in the analysis and definition of the comprehensive risk management model, including the comprehensive risk map.
Assess and approve contingency plans for the most relevant risks.
Review risk reports and report regularly to the Board of Directors.

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“COMMITTEE MEMBERS (*): FULL NAME	DATE		POSITION HELD IN THE COMMITTEE			
	Start (**)	End (***)				
ANDREAS VON WEDEMEYER KNIGGE	09/11/12		CHAIRMAN			
PABLO PESCHIERA ALFARO	09/11/12					
DIEGO URQUIAGA HEINEBERG	09/11/12					
RICARDO BUSTAMANTE CILLÓNIZ	04/28/16					
% Independent Directors with respect to the total of the Committee						25
Number of meetings held during the fiscal year:						6
It has delegated powers in accordance with Article 174 of the General Law of Companies:			YES		NO	X
The committee or its chairman participates in the Shareholders’ Meeting			YES	X	NO	

(*) Information will be provided regarding the persons who are or were members of the Committee during the reporting fiscal year.

(**) Corresponds to the first appointment as a member of the Committee in the reporting company.

(***) Complete only if the person has ceased to be part of the Committee during the fiscal year.

COMMITTEE 2	
Name of Committee:	Appointments, Remuneration and Human Resources Committee
Date of creation:	07/23/13
Main duties:	Guarantee that human management at the executive level of CAASA is framed within the corporate guidelines and modern practices of Human Development. Furthermore, maintain an equitable and competitive compensation system that allows the fulfillment of the mission and strategic objectives of the organization.

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COMMITTEE MEMBERS (*): FULL NAME	DATE Start (**)	DATE End (***)	POSITION HELD IN THE COMMITTEE			
FERNANDO CARBAJAL FERRAND	07/23/13		CHAIRMAN			
ENRIQUE OLAZÁBAL BRACESCO	07/23/13					
PABLO PESCHIERA ALFARO	07/23/13					
JOSÉ ANTONIO BAERTL MONTORI	04/25/19					
BELISARIO ROSAS RAZZETO	07/23/13	25/04/19				
% Independent Directors with respect to the total of the Committee						50
Number of meetings held during the fiscal year:						5
It has delegated powers in accordance with Article 174 of the General Law of Companies:			YES		NO	X
The committee or its chairman participates in the Shareholders' Meeting			YES	X	NO	

(*) Information will be provided regarding the persons who are or were members of the Committee during the reporting fiscal year.

(**) Corresponds to the first appointment as a member of the Committee in the reporting company.

(***) Complete only if the person has ceased to be part of the Committee during the fiscal year.

COMMITTEE 3	
Name of Committee:	NILO
Date of creation:	02/21/17
Main duties:	Conduct negotiations for the possible acquisition of a significant percentage of a group of companies and carry out possible legal and financial audits of such companies.

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COMMITTEE MEMBERS (*): FULL NAME	DATE		POSITION HELD IN THE COMMITTEE			
	Start (**)	End (***)				
JOSÉ ANTONIO BAERTL MONTORI	02/21/17					
FERNANDO CARBAJAL FERRAND	02/21/17					
DIEGO URQUIAGA HEINEBERG	02/21/17					
ANDREAS VON WEDEMEYER KNIGGE	02/21/17					
ENRIQUE OLAZÁBAL BRACESCO	02/21/17					
MANUEL MONTORI BURBANK	06/22/17					
% Independent Directors with respect to the total of the Committee						66.7
Number of meetings held during the fiscal year:						4
It has delegated powers in accordance with Article 174 of the General Law of Companies:			YES	X	NO	
The committee or its chairman participates in the Shareholders' Meeting			YES	X	NO	

(*) Information will be provided regarding the persons who are or were members of the Committee during the reporting fiscal year.

(**) Corresponds to the first appointment as a member of the Committee in the reporting company.

(***) Complete only if the person has ceased to be part of the Committee during the fiscal year.

COMMITTEE 4
Name of Committee:
Date of creation:
Main duties:

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COMMITTEE MEMBERS (*): FULL NAME	DATE		POSITION HELD IN THE COMMITTEE			
	Start (**)	End (***)				
% Independent Directors with respect to the total of the Committee						
Number of meetings held during the fiscal year:						
It has delegated powers in accordance with Article 174 of the General Law of Companies:			YES		NO	
The committee or its chairman participates in the Shareholders' Meeting			YES		NO	

(*) Information will be provided regarding the persons who are or were members of the Committee during the reporting fiscal year.

(**) Corresponds to the first appointment as a member of the Committee in the reporting company.

(***) Complete only if the person has ceased to be part of the Committee during the fiscal year.

COMMITTEE 5	
Name of Committee:	
Date of creation:	
Main duties:	

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COMMITTEE MEMBERS (*): FULL NAME	DATE		POSITION HELD IN THE COMMITTEE
	Start (**)	End (***)	

% Independent Directors with respect to the total of the Committee				
Number of meetings held during the fiscal year:				
It has delegated powers in accordance with Article 174 of the General Law of Companies:	YES		NO	
The committee or its chairman participates in the Shareholders' Meeting	YES		NO	

(*) Information will be provided regarding the persons who are or were members of the Committee during the reporting fiscal year.

(**) Corresponds to the first appointment as a member of the Committee in the reporting company.

(***) Complete only if the person has ceased to be part of the Committee during the fiscal year.

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PRINCIPLE 22: CODE OF ETHICS AND CONFLICTS OF INTEREST

QUESTION III.15	YES	NO	EXPLANATION:
Does the company take measures to prevent, detect, manage and disclose conflicts of interest that may arise?	X		

Indicate, if applicable, which area and/or person is responsible for monitoring and controlling possible conflicts of interest. If a person is in charge, include additionally his/her position and work area.

Area in charge	Ethics Committee (collaborators and Senior Management)

PERSON IN CHARGE		
FULL NAME	POSITON	ÁREA
FERNANDO BUSTAMANTE CILLÓNIZ (President)	CHAIRMAN	Strategic Management Control
MARCELO ZEVALLOS SÁNCHEZ	CHAIRMAN	Human Management
RICARDO GUZMÁN VALENZUELA	CHAIRMAN	Administration & Finance
HUMBERTO BARRAGÁN HERRERA	CHAIRMAN	Internal Audit

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QUESTION III.16 / COMPLIANCE	YES	NO	EXPLANATION:
a. Does the company have a Code of Ethics (*), compliance with which is required of its Directors, managers, officials and other collaborators (**) of the company, which includes ethical and professional responsibility criteria, including the handling of potential cases of conflicts of interest?	X		
b. Do the Board of Directors or General Management approve training programs for compliance with the Code of Ethics?	X		

(*) The Code of Ethics may be part of the Internal Standards of Conduct.

(**) The term collaborators embraces all persons who have certain type of labor relationship with the company, regardless of the labor regime or modality.laboral.

If the company has a Code of Ethics, indicate the following:

a. It is available to:

	YES	NO
Sharehlders	X	
Other persons to whom it applies	X	
The general public	X	

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b. Indicate the area and/or person responsible for monitoring and complying with the Code of Ethics. If a person is in charge, include additionally his/her position, the work area, and to whom he/her reports.

Area in charge	General Management through the Ethics Committee

PERSON IN CHARGE			
FULL NAME	**POSITION**	**AREA**	**REPORTS TO**
FERNANDO BUSTAMANTE CILLÓNIZ (Chairman)	MANAGER	Strategic Management Control	CEO
MARCELO ZEVALLOS SÁNCHEZ	MANAGER	Human Management	CEO
RICARDO GUZMÁN VALENZUELA	MANAGER	Administration & Finance	CEO
HUMBERTO BARRAGÁN HERRERA	MANAGER	Internal Audit	Audit and Risk Committee

c. Is there a record of cases of breaches of the Code?

YES	X	NO	

d. Indicate the number of breaches of the provisions of the Code that were detected or reported during the fiscal year.

Number of breaches	7

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QUESTION III.17	YES	NO	EXPLANATION
a. Does the company have mechanisms for reporting any illegal or unethical behavior, guaranteeing the confidentiality of the complainant?	X		THERE IS A COMPLAINTS CHANNEL MANAGED BY A SPECIALIZED COMPANY
b. Are complaints filed directly to the Audit Committee when they relate to accounting issues or when General Management or Financial Management is involved?estén involucradas?	X		A COMMUNICATION PROTOCOL HAS BEEN DEFINED TO REPORT COMPLAINTS RECEIVED THROUGH THE ETHICAL LINE, WHICH GUARANTEES THE CONFIDENTIALITY OF THE COMPLAINANT AND WITHOUT INCURRING A CONFLICT OF INTEREST.

QUESTION III.18	YES	NO	EXPLANATION
a. Is the Board of Directors responsible for monitoring and controlling possible conflicts of interest that may arise in the Board of Directors?	X		
b. If the company is not a financial institution, does it have an established policy that Board members are prohibited from receiving loans from the company or any company in their economic group, unless they have prior authorization from the Board?	X		
c. If the company is not a financial institution, does it have an established policy that members of Senior Management are prohibited from receiving loans from the company or any company in their economic group, unless they have prior authorization from the Director?	X		

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a. Indicate the following information on members of Senior Management who are shareholders in a percentage equal to or higher than 5% of the company.

FULL NAME	POSITION	NUMBER OF SHARES	% OF TOTAL SHARES
RICARDO CILLÓNIZ REY	Project and Mining Manager	76,017,839	8.53
% of total shares held by Senior Management		8.68	

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b. Indicate whether any of the members of the Board of Directors or Senior Management of the company are spouses, relatives in the first or second degree by consanguinity, or relatives in the first degree by affinity:

FULL NAME	Relationship with:			"FULL NAME OF SHAREHOLDER / DIRECTOR / MANAGER	TYPE OF RELATIONSHIP (**)	ADDITIONAL INFORMATION (***)
	Shareholder (*)	Director	Senior Management			
RICARDO CILLÓNIZ CHAMPÍN	X	X		RENEE CILLÓNIZ DE BUSTAMANTE	2nd degree by consanguinity	
RENEE CILLÓNIZ DE BUSTAMANTE		X		RICARDO BUSTAMANTE CILLÓNIZ	1st degree by consanguinity	
RICARDO BUSTAMANTE CILLÓNIZ			X	FERNANDO BUSTAMENTE CILLÓNIZ (1)	2nd degree by consanguinity	1) Strategic Control Manager
RICARDO CILLÓNIZ CHAMPÍN	X		X	RICARDO CILLÓNIZ REY (2)	1st degree by consanguinity	(2) Project and Mining Manager
RICARDO CILLÓNIZ CHAMPÍN		X		RICARDO BUSTAMANTE CILLÓNIZ	3rd degree by consanguinity	

((*) Shareholders holding 5% or more of the capital stock.

(** For the purposes of the relationship, the relationship criteria contained in the Regulations on Indirect Ownership, Relationship and Economic Groups will be applied.

(***) In the event that there is a relationship with a shareholder, include its shareholding. In the event that the relationship is with a member of the senior management, include his/her position.

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c. In the event that any member of the Board of Directors occupies or has occupied during the period covered by this report any managerial position in the company, indicate the following information:

FULL NAME	MANAGERIAL POSITION CURRENTLY HELD OR HELD	PERIOD IN THE MANAGERIAL POSITION	
		START (*)	END (**)
RICARDO CILLÓNIZ CHAMPÍN	CHAIRMAN	01/01/07	

(*) Corresponds to the first in the reporting company in the managerial position.

(**) Complete only in the event that the person left the managerial position during the fiscal year

d. In the event that any member of the Board of Directors or Senior Management of the company has maintained during the fiscal year any commercial or contractual relationship with the company that has been important due to its amount or subject matter, indicate the following information.

FULL NAME	TYPE OF RELATIONSHIP	BRIEF DESCRIPTION

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PRINCIPLE 23: RELATED PARTY OPERATIONS

QUESTION III.19	YES	NO	EXPLANATION
a. Does the Board of Directors have policies and procedures for the valuation, approval and disclosure of certain operations between the company and related parties, as well as for knowing the commercial or personal, direct or indirect relationships that the Directors maintain among themselves, with the company, with their suppliers or clients, and other stakeholders?		X	DOES NOT HAVE
b. In the case of operations of special relevance or complexity, is the intervention of inde-pendent external advisors considered for valuation?	X		

a. If you comply with subparagraph a) of question III.19, indicate the area(s) of the company in charge of dealing with related party operations in the following aspects:

APECTS	AREA IN CHARGE
Valuation	
Approval	
Disclosure	

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b. Indicate the procedures for approving related party operations:

c. Give details of any operations carried out between the company and its related parties during the fiscal year that were significant in terms of their amount or subject matter.

COMPANY NAME OR BUSINESS NAME OF THE RELATED PARTY	NATURE OF THE RELATIONSHIP (*)	TYPE OF OPERATION	AMOUNT (S/.)

(*) The relationship shall be determined using the Provisions established for the application of Section 51, Point c) of the Stock Market Act, approved by Resolution 029-2018-SMV/01, as substituted.

d. Specify whether the company sets limits for carrying out operations with related parties:

YES		NO	X

SECCIÓN B

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PRINCIPLE 24: FUNCTIONS OF SENIOR MANAGEMENT

QUESTION III.20 / COMPLIANCE	YES	NO	EXPLANATION
a. Does the company have a clear policy of definition of functions between the administration or governance exercised by the Board of Directors, the ordinary management carried out by the Senior Management and the leadership of the General Manager?	X		
b. Do the appointments of General Manager and Chairman of the Board of Directors of the company fall on different persons?	X		
c. Does Senior Management have sufficient autonomy to carry out the assigned functions, within the framework of policies and guidelines defined by the Board of Directors, and under its control?	X		
d. Is the General Management responsible for complying with and enforcing the policy of providing information to the Board of Directors and its Directors?	X		
e. Does the Board of Directors annually assess the performance of the General Management based on well-defined standards?	X		
f. Does the remuneration of the Senior Management have a fixed and a variable component, which takes into consideration the results of the company, based on prudent and responsible assumption of risks, and compliance with the goals set forth in the respective plans?	X		

SECTION B

EVALUATION OF COMPLIANCE WITH THE PRINCIPLES OF THE CODE OF GOOD CORPORATE GOVERNANCE FOR PERUVIAN COMPANIES

a. Indicate the following information regarding the remuneration received by the General Manager and senior management (including bonuses).

	REMUNERATION (*)	
POSITION	FIXED	VARIABLE
GENERAL MANAGEMENT	0.06	0.01
SENIOR MANAGEMENT	0.28	0.08

(*) Indicate the percentage represented by the total amount of the annual remuneration of the members of Senior Management, with respect to the level of gross income, according to the financial statements of the company.

b. In the event that the company pays bonuses or indemnities other than those determined by legal mandate, to Senior Management, indicate the form(s) in which these are paid.

	GENERAL MANAGER	MANAGERS
Delivery of shares		
Delivery of options		
Delivery of money	X	X
Other / Detail		

SECTION B

EVALUATION OF COMPLIANCE WITH THE PRINCIPLES OF THE CODE OF GOOD CORPORATE GOVERNANCE FOR PERUVIAN COMPANIES

c. If there is a variable component in the remuneration, specify which are the main aspects taken into account for its determination.

EBITDA, INVENTORY COVERAGE, ROA, ETC.

d. Indicate whether the Board of Directors assessed the performance of the General Management during the fiscal year.

YES	X	NO	

PILLAR IV: RISK AND COMPLIANCE

PRINCIPLE 25: RISK MANAGEMENT SYSTEM ENVIRONMENT

QUESTION IV.1	YES	NO	EXPLANATION
a. Does the Board of Directors approve a comprehensive risk management policy according to its size and complexity, promoting a risk management culture within the company, from the Board of Directors and Senior Management to the collaborators themselves?	X		
b. Does the comprehensive risk management policy cover all the companies that are part of the group and allow an overview of critical risks?		X	FOR THE TIME BEING, THE SUBSIDIARIES ARE NOT WITHIN THE SCOPE OF THE COMPREHENSIVE RISK MANAGEMENT POLICY.

SECTION B

EVALUATION OF COMPLIANCE WITH THE PRINCIPLES OF THE CODE OF GOOD CORPORATE GOVERNANCE FOR PERUVIAN COMPANIES

Is the General Management responsible for the risk management system, if there is no Risk Committee or Risk Management?

YES		NO	X

QUESTION IV.2	YES	NO	EXPLANATION:
a. Does the General Management manage the risks to which the company is exposed and communicate them to the Board of Directors?	X		
b. Is the General Management responsible for the risk management system, if there is no Risk Committee or Risk Management?	X		

Does the company have a Risk Manager?

YES		NO	X

SECTION B

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If yes, please provide the following information:

FULL NAME	DATE OF EXERCISE OF THE POSITION		REPORTS TO:
	START (*)	END (**)	

(*) Corresponds to the first appointment in the reporting company.

(**) Complete only in the event that the person has ceased to hold the position during the fiscal year.

QUESTION IV.3	YES	NO	EXPLANATION
Does the company have an internal and external control system, the effectiveness and suitability of which is supervised by the Board of Directors of the company?	X		

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PRINCIPLE 26: INTERNAL AUDIT

QUESTION IV.4	YES	NO	EXPLANATION
a. Does the internal auditor carry out audit work exclusively, does it have autonomy, experience and specialization in the matters under evaluation, and independence for monitoring and assessing the effectiveness of the risk management system?	X		
b. Are the duties of the internal auditor the permanent assessment of the validity and reliability of all the financial information generated or registered by the company, as well as the verification of the effectiveness of regulatory compliance?	X		
c. Does the internal auditor report directly to the Audit Committee on its plans, budget, activities, progress, results obtained and actions taken?	X		

a. Indicate whether the company has an independent area in charge of internal audit.

YES	X	NO	

If the answer to the previous question is yes, within the organizational structure of the company indicate, hierarchically, who is responsible for the audit.

It depends on:	AUDIT AND RISK COMMITTEE (ARC)

SECTION B

EVALUATION OF COMPLIANCE WITH THE PRINCIPLES OF THE CODE OF GOOD CORPORATE GOVERNANCE FOR PERUVIAN COMPANIES

b. Indicate whether the company has a Corporate Internal Auditor.

YES	X	NO	

Indicate the main responsibilities of the person in charge of the internal audit and whether he/she performs other duties other than internal audit.

a) Prepares and executes the Annual Audit Plan based on the identification and analysis of risks, previously approved by the ARC.
b) Regularly reports the execution status of the audit plan to the ARC.
c) Provides advice on Internal Control, Risks and Corporate Governance to the company's Management and to the ARC.
d) Timely issues internal audit reports with results of control evaluation.
e) Regularly monitors action plans arising from internal and external audit observations and recommendations.
f) Supports the Chairman of the ARC in the organization of the agendas of the audit committees, acting as Technical Secretary of the Committee.
g) Supports the ARC in the Selection, Contracting, Supervision and Evaluation of the work of the external auditor of the Financial statements of the company.
h) Collaborates in the investigation of ethical complaints filed through the Complaints Channel of the company.

QUESTION IV.5	YES	NO	EXPLANATION
Does the appointment and resignation of the Internal Auditor correspond to the Board of Directors at the proposal of the Audit Committee?	X		

SECTION B

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PRINCIPLE 27: EXTERNAL AUDITORS

QUESTION IV.6	YES	NO	EXPLANATION:
Does the Shareholders' Meeting, at the proposal of the Board of Directors, appoint the audit company or the independent auditor, who maintain a clear independence from the company?	X		UNLESS EXPRESSLY DELEGATED BY THE BOARD OF DIRECTORS.

a. Does the company have a policy for the appointment of an External Auditor?

YES	X	NO	

If yes, describe the procedure for hiring the audit company responsible for auditing the annual financial statements (including identification of the body of the company responsible for selecting the audit company).

THE POLICY FOR THE CONTRACTING OF THE EXTERNAL AUDITOR was approved by the Audit and Risk Committee in March 2014. The Policy considers the following activities:

1. Preparation of the terms and conditions of the service to be contracted.
2. Evaluation of the offers considering legal, technical and economic aspects of the bidders.
3. The Audit and Risk Committee selects the best offer, which includes value-added services and suggests its hiring to the Board of Directors and the Shareholders' Meeting.

SECTION B

EVALUATION OF COMPLIANCE WITH THE PRINCIPLES OF THE CODE OF GOOD CORPORATE GOVERNANCE FOR PERUVIAN COMPANIES

b. In the event that the audit company has provided services other than the audit of accounts, indicate whether such hiring was reported to the Shareholders' Meeting, including the percentage of invoicing that such services represent over the total invoicing of the audit company to the company.

YES		NO	X

c. Do the persons or entities related to the audit company provide services to the company, other than those of the audit of accounts?

YES	X	NO	

If the answer to the previous question is yes, indicate the following information regarding the additional services provided by persons or entities related to the audit company in the reporting year.

CORPORATE NAME OR BUSINESS NAME	ADDITIONAL SERVICES	% OF REMUNERATION (*)
ERNST & YOUNG ASESORES S.C.R.L.	SAP Consultancy and Tax Consultancy	949

(*) Invoicing of additional services over invoicing of audit services.

d. Indicate whether the audit company has used different equipment, if it has provided additional services to the audit of accounts.

YES		NO	

SECTION B

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QUESTION IV.7	YES	NO	EXPLANATION:
a. Does the company have a policy of renewal of its independent auditor or audit company?	X		
b. If this policy establishes longer periods for renewal of the audit company, does the work team of the audit company rotate at most every five (5) years?	X		

Indicate the following information in relation to the audit companies that have provided audit services to the Company in the last five (5) years.

BUSINESS NAME OF THE AUDIT COMPANY	SERVICE	PERIOD	REMUNERATION (**)	% OF REVENUES OF THE AUDIT COMPANY
PAREDES, BURGA & ASOCIADOS S.CIVIL DE R.L., REPRESENTANTES DE E Y INTERNATIONAL	EXTERNAL AUDIT ON FS	2019	100	
PAREDES, BURGA & ASOCIADOS S.CIVIL DE R.L., REPRESENTANTES DE E Y INTERNATIONAL	EXTERNAL AUDIT ON FS	2018	87	
PAREDES, BURGA & ASOCIADOS S.CIVIL DE R.L., REPRESENTANTES DE E Y INTERNATIONAL	EXTERNAL AUDIT ON FS	2017	86	
PAREDES, BURGA & ASOCIADOS S.CIVIL DE R.L., REPRESENTANTES DE E Y INTERNATIONAL	EXTERNAL AUDIT ON FS	2016	100	
PAREDES, ZALDIVAR, BURGA & ASOCIADOS S.CIVIL DE R.L., REPRESENTANTES DE E Y INTERNATIONAL	EXTERNAL AUDIT ON FS	2015	88	

(*) Include all types of services, such as financial information reports, accounting expert evidence, operational audits, system audits, tax audits or other services.u otros servicios.

(**) Of the total amount paid to the audit company for all items, indicate the percentage that corresponds to remuneration for financial audit services.

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QUESTION IV.8	YES	NO	EXPLANATION
In the case of economic groups, is the external auditor the same for the whole group, including off-shore subsidiaries?		X	EXCEPT COMERCIAL DEL ACERO SA, INMOBILIARIA COMERCIAL DEL ACERO ARGENTINA SAC, AND INMOBILIARIA COMERCIAL DEL ACERO CAJAMARQUILLA SAC.

Indicate whether the audit company contracted to audit the financial statements of the company for the fiscal year subject matter of this report also audited the financial statements for the same fiscal year for other companies in its economic group.

YES		NO	

f your previous answer is yes, indicate the following:

CORPORATE NAME OR BUSINESS NAME OF THE COMPANY (IES) OF THE ECONOMIC GROUP
TRANSPORTES BARCINO S.A.
CORPORACIÓN ACEROS DEL ALTIPLANO S.R.L.
COMERCIAL DEL ACERO S.A.C.
TECNOLOGÍA Y SOLUCIONES CONSTRUCTIVAS S.A.C.

SECTION B

EVALUATION OF COMPLIANCE WITH THE PRINCIPLES OF THE CODE OF GOOD CORPORATE GOVERNANCE FOR PERUVIAN COMPANIES

PILLAR V: TRANSPARENCY OF INFORMATION
PRINCIPLE 28: INFORMATION POLICY

QUESTION V.1	YES	NO	EXPLANATION:
Does the company have an information policy for shareholders, investors, other stakeholders and the market in general, with which it defines in a formal, orderly and comprehensive manner the guidelines, standards and criteria that will be applied to the management, collection, elaboration, classification, organization and/or distribution of the information generated or received by the company?	X		

a. If so, indicate whether, in accordance with its information policy, the company disseminates the following:

	YES	NO
Objectives of the company	X	
List of members of the Board of Directors and Senior Management	X	
Shareholding structure		X
Description of the economic group to which it belongs	X	
Financial Statements and Annual Report	X	
Other / Detail		

SECTION B

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b. Does the company have a corporate website?

YES	X	NO	

The corporate website includes:

	YES	NO
A special section on corporate governance or relations with shareholders and investors that includes a Corporate Governance Report	X	
Important facts	X	
Financial information	X	
Bylaws	X	
Regulations of the Shareholders' Meeting and information on Meetings (attendance, minutes, other)	X	
Composition of the Board of Directors and its Regulations	X	
Code of Ethics	X	
Risk policy	X	
Corporate Social Responsibility (community, environment, other)	X	
Other / Detail		

SECTION B

EVALUATION OF COMPLIANCE WITH THE PRINCIPLES OF THE CODE OF GOOD CORPORATE GOVERNANCE FOR PERUVIAN COMPANIES

QUESTION V.2	YES	NO	EXPLANATION
Does the company have an investor relations office?	X		THE SECURITIES AREA, WHICH REPORTS TO THE ADMINISTRATION AND FINANCE MANAGEMENT, PERFORMS THIS FUNCTION. CONTACT MAIL: accionistas@aasa.com.pe

If you have an investor relations office, please indicate who is responsible.

Responsible for the Investor Relations Office	DEPUTY MANAGER OF CORPORATE FINANCE AND INVESTOR RELATIONS

If you do not have an investor relations office, indicate the unit (department/area) or person in charge of receiving and processing requests for information from shareholders of the company and the general public. If a person, include additionally his/her position and the work area.

Area in charge	

PERSON IN CHARGE		
FULL NAME	POSITION	AREA

SECTION B

EVALUATION OF COMPLIANCE WITH THE PRINCIPLES OF THE CODE OF GOOD CORPORATE GOVERNANCE FOR PERUVIAN COMPANIES

PRINCIPLE 29: FINANCIAL STATEMENTS AND ANNUAL REPORT

If there are qualifications in the report by the external auditor, have these qualifications been explained and/or justified to the shareholders?

YES	X	NO	

PRINCIPLE 30: INFORMATION ON SHAREHOLDING STRUCTURE AND RESOLUTIONS AMONG SHAREHOLDERS

QUESTION V.3	YES	NO	EXPLANATION
Does the company disclose the ownership structure, considering the different classes of shares and, if applicable, the joint equity interest of a particular economic group?	X		LIMITED TO DISCLOSURE OF OWNERSHIP.

Indicate the composition of the shareholding structure of the company at the fiscal year end.

HOLDING OF VOTING SHARES	Number of holders (at the fiscal year end)	% of shares
Less than 1%	384	24.93
Between 1% and 5%	13	20.48
Between 5% and 10%	4	27.7
More than 10%	2	26.89
Total	403	100

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HOLDING OF NON-VOTING SHARES (IF APPLICABLE)	NUMBER OF HOLDERS (AT THE FISCAL YEAR END)	% OF SHARES
Less than 1%		
Between 1% and 5%		
Between 5% and 10%		
More than 10%		
Total		

HOLDING OF INVESTMENT SHARES (IF APPLICABLE)	NUMBER OF HOLDERS (AT THE FISCAL YEAR END)	% OF SHARES
Less than 1%	2324	62.31
Between 1% and 5%	11	23.26
Between 5% and 10%	2	14.43
More than 10%	0	0
Total	2337	100

Percentage of treasury shares over capital stock:	0

SECTION B

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QUESTION V.4	YES	NO	EXPLANATION
Does the company report on agreements or covenants among shareholders?	X		

a. Does the company have any covenants in force registered among shareholders?

YES	

NO	X

b. If there has been any covenant or agreement among shareholders that has been reported to the company during the fiscal year, indicate the matters discussed by each of them.

Election of Board Members	
Exercise of voting rights in meetings	
Restriction on the free transfer of shares	
Changes in the company's internal or statutory rules	
Other /Detail	

SECTION B

EVALUATION OF COMPLIANCE WITH THE PRINCIPLES OF THE CODE OF GOOD CORPORATE GOVERNANCE FOR PERUVIAN COMPANIES

PRINCIPLE 31: CORPORATE GOVERNANCE REPORT

QUESTION V.5	YES	NO	EXPLANATION
Does the company disclose the standards adopted in corporate governance matters in an annual report, the content of which is the responsibility of the Board of Directors, following a report from the Audit Committee, the Corporate Governance Committee or an external consultant, if applicable?	X		FOR THE TIME BEING, THE COMPANY DOES NOT HAVE A REPORT ON GOOD CORPORATE GOVERNANCE.

a. Does the company have mechanisms for the internal and external dissemination of corporate governance practices?

YES	X	NO	

If yes, specify the mechanisms used.

THE SELF-ASSESSMENT ON COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE IS INCLUDED IN THE QUESTIONNAIRE THAT IS PART OF THE ANNUAL REPORT. SUCH REPORT, INCLUDING THE SELF-ASSESSMENT, IS PUBLISHED ON OUR WEBSITE AND ON THE PORTAL OF THE STOCK MARKET SUPERINTENDENCY.

SECTION C

CONTENTS OF DOCUMENTS OF THE COMPANY

SECTION C | INDICATE IN WHICH OF THE FOLLOWING DOCUMENT(S) OF THE COMPANY, THE FOLLOWING MATTERS ARE REGULATED:

		PRINCIPLE	BYLAWS	INTERNAL REGULATIONS (*)	MANUAL	OTHER	NOT REGULATED+H24	NOT APPLIOCABLE	NAME OF DOCUMENT (**)
1	Policy for the redemption or exchange of non-voting shares	1					X		
2	"Method of registering the rights of ownership of shares and responsible for registration"	2			X				Instructions on the Closing of Securities.
3	Procedures for the selection of an external advisor to issue an independent opinion on the proposals of the Board of Directors of corporate operations that may affect the right of non-dilution of the shareholders	3		X					
4	Procedure for receiving and responding to requests for information and shareholders' opinions	4				X			"Business Information Policy (pages 6 to 9)"
5	Dividend policy	5				X			"Resolution of Shareholders' Meeting (03/23/2016)"
6	Policies or resolutions not to adopt anti-absorption mechanisms	6					X		
7	Arbitration agreement	7	X						Title Seven, Art. 74
8	Policy for the selection of Directors of the company	8		X					
9	Policy for evaluating the remuneration of the company's Directors	8						X	
10	Mechanisms for making available to shareholders information on topics contained in the agenda of the Shareholders' Meeting and proposals for resolutions	10				X			Business Information Policy
11	Means additional to those established by law, used by the company to convene Meetings	10				X			"Business Information Policy"
12	Additional mechanisms for shareholders to make proposals for agenda topics to be discussed at the Shareholders' Meeting	11		X					Regulations of the Shareholders' Meeting

SECTION C | INDICATE IN WHICH OF THE FOLLOWING DOCUMENT(S) OF THE COMPANY, THE FOLLOWING MATTERS ARE REGULATED:

		PRINCIPLE	BYLAWS	INTERNAL REGULATIONS (*)	MANUAL	OTHER	NOT REGULATED+H24	NOT APPLIOCABLE	NAME OF DOCUMENT (**)
13	Procedures for accepting or rejecting shareholders' proposals to include agenda topics to be discussed at the Shareholders' Meeting	11		X					"Regulations of the Shareholders' Meeting, art. 9°"
14	Mechanisms that allow distance participation of shareholders	12					X		
15	Mechanisms that allow distance participation of shareholders	12		X					"Regulations of the Shareholders' Meeting, art. 20°"
16	Procedures to be followed in proxy voting	13	X	X					
17	Requirements and formalities for a shareholder to be represented at a Meeting	13	X						
18	Procedures for the proxy vote in favor of the Board members or of Senior Management	13		X					
19	Procedure for following up on the resolutions of the Shareholders' Meeting.	14					X		
20	The minimum and maximum number of Directors that make up the company's Board of Directors	15	X						
21	The duties, rights and functions of the company's Directors	17	X	X					
22	Types of bonuses received by the Board of Directors for the achievement of corporate goals	17						X	
23	Policy for the hiring of advisory services for Directors	17					X		
24	Induction policy for new Directors	17		X					
25	Special requirements to be an Independent Director of the company	19		X					
26	Criteria for evaluating the performance of the Board of Directors and its members	20		X					

SECTION C | INDICATE IN WHICH OF THE FOLLOWING DOCUMENT(S) OF THE COMPANY, THE FOLLOWING MATTERS ARE REGULATED:

		PRINCIPLE	BYLAWS	INTERNAL REGULATIONS (*)	MANUAL	OTHER	NOT REGULATED+H24	NOT APPLIOCABLE	NAME OF DOCUMENT (**)
27	Policy of determination, monitoring and control of possible conflicts of interest	22				X			Regulations of the Shareholders' Meeting, art. 20°
28	Policy defining the procedure for the valuation, approval and disclosure of related party operations	23					X		
29	Responsibilities and functions of the Chairman of the Board of Directors, Chief Executive Officer, General Manager, and other senior managers	24	X	X					
30	Criteria for the assessment of Senior Management performance	24				X			
31	Policy to set and evaluate the remunerations of Senior Management	24				X			
32	Comprehensive risk management policy	25				X			Internal Control Policy and Comprehensive Risk Management
33	Responsibilities of the person in charge of Internal Audit	26				X			Bylaws of the Internal Audit Activity
34	"Policy for the appointment of the External Auditor, term of the contract and criteria for renewal"	27				X			External Audit Contracting Policy
35	Policy for disclosure and communication of information to investors	28				X			Information Policy

(*) Includes Regulations of the Shareholders' Meeting, Regulations of the Board of Directors or others issued by the company.

(**) Indicate the name of the document, except in the case of the Bylaws of the company.

SECTION D

OTHER INFORMATION OF INTEREST

WE HAVE NOTHING TO ADD.

1 Other information of interest not covered in the previous sections is included, which helps the investor and the various interest groups, have a greater scope on other good corporate governance practices implemented by the Company, as well as practices related to corporate social responsibility, the relationship with institutional investors, etc.

Likewise, the Company may indicate whether it has voluntarily adhered to other codes of ethical principles or good practices, international, sectoral or another ambit, indicating the code and the date of accession.

RECORPORATE SUSTAINABILITY REPORT (10180)

Corporate name: **CORPORACION ACEROS AREQUIPA S.A.**

Year: **2019**

Website: **www.acerosarequipa.com**

“Corporate name or business name of the reviewing company: [1]”

RPJ

Section A	**Complete**
Question A.1	YES
Question A.2	YES
Question A.3	YES
Question A.4	YES
Question A.5	YES
Question A.6	YES

1 Only applies when the information contained in this report has been reviewed by a specialized company (e.g. an audit company or a consulting firm).

SECTION A

IMPLEMENTATION OF CORPORATE SUSTAINABILITY ACTIONS

QUESTION A.1	YES	NO	EXPLANATION:
"Has the company voluntarily adhered to good practice standards in the Corporate Sustainability area?"	X		"We have the following corporate policies and adherence: • Environmental certification ISO 14001:2015 • 2016 Sustainability Report, under GRI G4 guidelines • Socially Responsible Company Distinction • World Steel Association • Agreement with perú responsable - MINTRA • SOS Company Recognition • OHSAS 18001-2007 • ISO 9001-2015 • ISO 17025 • ASQ. QUALITY • AOTS – 5SS"

SECTION A

If the answer is affirmative, indicate the standard and date of adherence:

STANDARD	DATE OF ADHERENCE
Environmental certification ISO 14001:2015 –Environmental management systems	09/07/16
2017, 2018, 2019 Sustainability Report, under the GRI standards	04/30/17
World Steel Association	01/23/18
Socially Responsible Company Distinction	12/15/17
Agreement with Perú Responsable - MINTRA	12/15/17
SOS Company Recognition	09/18/17
ISO 9001-2015	09/07/16
ISO 17025	01/11/17
AOTS – 5SS	11/07/17
ASQ. QUALITY	06/09/17
ISO 45001:2018	09/10/19

If you are preparing sustainability reports or reports other than this report, provide the following information:

THESE REPORTS ARE PREPARED:	YES	NO
Voluntarily	X	
Upon demand from investors		X
Upon demand from public institutions		X
Other (Detail):	2017, 2018 2019 Sustainability Reports, in line with GRI standards.	

Those reports can be accessed through:

SMV portal	X
Corporate website	X
Social media	
Other / Detail:	“• GRI database • Submission to stakeholders”

QUESTION A.2	YES	NO	EXPLANATION:
“Does the company have a corporate policy that includes the impact of its activities on the environment?”	X		We have an integrated quality, Environment and Occupational Health and Safety Management System Policy. This Policy establishes the commitment to prevent, control and mitigate environmental pollution, as well as to comply with current legal regulations and commitments that the company voluntarily adopts

SECTION A

a. If the answer to question A.2 is affirmative, indicate document regulating this policy and the body that approves it.

DOCUMENT	BODY
Integrated Quality, Environment and Occupational Health and Safety Management System Policy (version 5).	Chairman CEO

b. Does the company quantify the greenhouse gas emissions generated in its activities (carbon footprint)?

YES	X	NO	

If yes, indicate the results obtained:

"Fiscal Year 2019: GHG Emissions
Scope (1) [tCO2e] 27,984.59
Scope (2) [tCO2e] 110,657.07
Scope (3) [tCO2e] 2,297.41
Emissions per capita (tCO2e/employee) 63.84"

c. Does the company quantify and document the total use of power used in its activities?

YES	X	NO	

SECTION A

If yes, indicate the results obtained

Total energy consumption for 2019 was 6,760,698.63 Gigajoules, including both renewable and nonrenewable sources.

d. d. Does the company quantify and document the total water used (water footprint) in its activities?

YES	X	NO	

If yes, indicate the results obtained:

Water consumption: 2019 per month; Volume: M3
Total annual use 1,412,112 M3

e. Does the company quantify and document the waste generated as a result of its activities?

YES	X	NO	

If yes, indicate the results obtained:

Generation 2019: 16,111 MT of steel dust. Reused waste: Slag: 27,069 MT; Lime Fines: 1,550 MT: Bag House Dust RD: 1,156 MT; Scale: 118 MT. In Pisco, a total of 245.26 MT of hazardous waste was produced. In Lima, 36.15 MT of hazardous waste was produced. In Pisco, 70.20 MT of residual oil was recycled, along with 4.76 MT of empty chemical product containers. In Lima, 3.64 MT of residual oil was recycled.

QUESTION A.3	YES	NO	EXPLANATION:
Does the company have a policy to promote and secure the fundamental principles and rights in the work of its collaborators?[1]	X		• Integrated Quality, Environment and Occupational Health And Safety Management System Manual • Internal Labor Regulations • Internal Occupational Health and Safety Regulations

1 According to the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, adopted in 1998, principles and rights fall into the following four categories: (i) freedom of association and the effective recognition of the right to collective bargaining, (ii) the elimination of forced or compulsory labour, (iii) the abolition of child labour, and (iv) the elimination of discrimination in respect of employment and occupation.

a. If the answer to question A.3 is affirmative, indicate the corporate document regulating this policy and the body that approves this document.

DOCUMENT	BODY
Business Policy on Occupational Health and Safety. Internal Occupational Health and Safety Regulations / Code of Ethics. 4. Integrated Quality, Occupational Health and Safety, and Environmental Manual.	Board of Directors Board of Directors Chairman and Board of Directors

b. Does the company keep a record of occupational accidents?

YES	X	NO	

If yes, indicate the area in charge of keeping the record and who this area is hierarchically dependent on.

AREA IN CHARGE	DEPENDS HIERARCHICALLY ON
Occupational Health and Safety Area	Central Production Management

c. Does the company have a training plan for its collaborators

YES	X	NO	

If so, indicate the corporate body that approves the plan and the frequency with which it evaluates compliance with the plan:

BODY	FREQUENCY
Senior Management 5. Occupational Health and Safety Committee.	Annual Monthly

d. Does the company carry out surveys or assessments related to the work environment?

YES	X	NO	

If yes, indicate the results obtained:

Year 2018: General Acceptance Ratio: 78%, Gestalt 80%.
* The survey was conducted in 2019, and the final report with the results will be delivered by the end of February 2020.

QUESTION A.4	YES	NO	EXPLANATION:
Does the company have a policy that establishes the basic guidelines for its relationship with the communities with which it interacts?	X		Business Policy on Social Responsibility

a. If the answer to question A.4 is affirmative, indicate the corporate document regulating this policy and the body that approves this document.

DOCUMENT	BODY
Business Policy on Social Responsibility	Board of Directors

b. Has the company faced social conflicts (strikes, protest demonstrations, others) in the community where it develops its main activities as a result of its operations?

YES		NO	X

If yes, explain the impact of these social conflicts on the activity of the company.

c. Does the company work in collaboration with the community in the joint creation of value, including the identification and solution of their main common problems?

YES	X	NO	

d. Does the company invest in social programs in the community where it develops its main activities?

YES	X	NO	

If yes, indicate the percentage of gross income represented by your investment in those programs, according to the company's financial statements:

(%) Gross Income	0.06

SECTION A

QUESTION A.5	YES	NO	EXPLANATION:
Does the company have a policy that establishes the basic guidelines for managing the relationship with its suppliers?	X		A Goods and Services Purchasing Policy that includes a pre-approval questionnaire and establishes actions of visits on the part of those in charge at the Corporation, Instructions on the selection of goods and services providers, instructions for the evaluation of Strategic Goods Providers.

a. If the answer to question A.5 is affirmative, indicate the corporate document regulating this policy and the body that approves this document.

DOCUMENT	BODY
Goods and Services Purchasing Policy	Board of Directors
Code of Ethics (Suppliers)	Board of Directors

b. Does the company keep an updated record of its suppliers?

YES	X	NO	

If yes, indicate the area in charge of keeping the record and who this area is hierarchically dependent on.

AREA IN CHARGE	DEPENDS HIERARCHICALLY ON
Purchasing and Import Area	Supply Chain Management

c. Does the company invest in social programs in the community where it develops its main activities?

YES	X	NO	

d. Does the company have criteria for the selection of suppliers that include ethical aspects and compliance with labor legislation?

YES	X	NO	

QUESTION A.6	YES	NO	EXPLANATION:
Does the company have a policy that establishes the basic guidelines for the management of customer relations?	X		We have instructions that allow good communication with customers and aftersales service.

SECTION A

a. If yes, indicate the corporate document regulating this policy and the body that approves this document.

DOCUMENT	BODY
Instructions for claims management	Commercial Management
Instructions for company recognition	Commercial Management

b. Does the company keep an updated record of customer complaints?

YES	X	NO	

AREA IN CHARGE	DEPENDS HIERARCHICALLY ON
Customer and postsales services	Commercial Management

c. Does the company have permanent attention channels to the public and to receive suggestions and complaints regarding the goods and services provided?

YES	X	NO	

d. Has the company received any recognition for the quality of its customer service?

YES		NO	X

If so, indicate the recognitions received:

SECTION B

CORPORATE SUSTAINABILITY REPORT 2019

The information concerning the management of Corporación Aceros Arequipa S.A. in sustainability matters during the year 2019, is contained in the body of the Sustainability Report for said exercise, available on its website:

www.acerosarequipa.com

AS WELL AS IN THE GLOBAL REPORTING INITIATIVE DATABASE:

https://database.globalreporting.org/organizations/15547/

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