ACEROS
AREQUIPA

2018
Annual Report

CONTENT
EXIT

Construction of
Armendáriz Viaduct
in Costa Verde -
Miraflores, Lima

Development

Our products and services are part of the most important and emblematic infrastructure works in Peru.

VISION

Leaders of the Peruvian steel market, ranked among the most profitable in the region with an active presence in the international market.

MISSION

Offer steel solutions to our clients, through innovation, continuous improvement and human development, contributing to the growth of the country and increasing the value for our shareholders.

STATEMENT

This document contains true and sufficient information about the operations of Corporacion Aceros Arequipa S.A. in 2018. Without prejudice to the responsibility of the issuer, the signees are responsible for its content in accordance with the applicable legal provisions.

Ricardo Cillóniz Champín
Chairman

Tulio Silgado Consiglieri
CEO

Ricardo Guzman Valenzuela
CFO & IRO

Diego Hernández Siguas
General Accountant

February 2019

Content

1 Chapter

Presentation

Letter to our shareholders

In compliance with the provisions of the Bylaws, the Board of Directors submits the separate financial statements of Corporación Aceros Arequipa S.A. (the "Company") for their consideration, comprising the statement of financial position and the statements of comprehensive income, changes in shareholders' equity and cash flows in accordance with International Financial Reporting Standards (IFRS) for fiscal year 2018, duly audited by our External Auditors, Paredes, Burga & Asociados S. Civil de R.L., representatives of EY International.

In 2018, the Peruvian economy recovered with a growth rate of 4.0%. The recovery of the economy took place in a not very favorable international context, with the beginning of the moderation of the global growth that was aggravated by commercial conflicts among the most important economies of the world. Considering the political internal context, Peru experienced a governability crisis that led to the resignation of President Kuczynski to his position as President of the Republic. And, at economic level, the country was driven by a new cycle of mining investment and growth of the exporting agricultural sector. Consequently, sectors such as construction and non-primary manufacture became more dynamic. Thus, Peruvian formal employment recovered and grew at its highest rate since 2015. However, these improvements were not felt homogeneously in the population. Considering the current fiscal year, the country accumulated 20 consecutive years of growth.

In 2018, the local cement dispatch grew 3.2% and the estimated public investment would reach 7.5%, compared to 2017. Regarding mining investment, it should be noted that three megaprojects (Quellaveco, Mina Justa and the Toromocho expansion) began preliminary works during the second half of the year.

Imports from Peru during 2018 totaled US$ 41,893 million, 8.2% higher than those of the previous year; exports in the same period totaled US$ 48,942 million, a figure that represented 8.1% growth compared to the same periodo of 2017. As a consequence, the trade balance registered a surplus of US$ 7,049 million.

The Sol depreciated with respect to the American dollar by 4.3%, being the exchange rate at the fiscal year end of S/ 3.38. The accumulated inflation in 2018, measured by the variation of the Consumer Price Index of Metropolitan Lima, was 2.2%, figure within the target range of 2% established by the Central Reserve Bank of Peru.

The apparent steel market reached 3,140,000 MT in 2018, a figure 4.7% higher than that recorded in the previous year. This time, imports from third parties represented 54% of the apparent market.

Finally, we would like to express our gratitude to all the Company's personnel for their efforts and collaboration throughout fiscal year 2018.

Our Locations

Expansion without Borders

ACEROS AREQUIPA

Our products comply with international quality standards.

Subsidiaries and Affiliates

Corporación Aceros Arequipa S.A.

100.00%	COMERCIAL DEL ACERO
33.65%	INMOBILIARIA COMERCIAL DEL ACERO CAJAMARQUILLA
33.65%	INMOBILIARIA COMERCIAL DEL ACERO ARGENTINA
99.90%	ACEROS AREQUIPA IQUITOS
99.00%	ACEROS DEL ALTIPLANO
99.90%	TSC innovation TECNOLOGÍA Y SOLUCIONES CONSTRUCTIVAS
99.92%	TRANSPORTES BARCINO S.A.
10.00%	celepsa

Subsidiaries and Affiliates

COMERCIAL DEL ACERO S.A. (COMASA)

In September 2018, the Company acquired 66.35% of Comasa for S/ 84.6 million. With the acquisition, the Company increased its share, obtaining 100% ownership stake. The acquisition was financed with the Company's cash reserves. As a result of the operation, the Company increased its market share of flat Steel products and entered into the beam market.

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

In November 2018, the Company incorporated a new subsidiary focused on value-added services for construction, providing detail engineering services and Virtual Design and Construction and BIM (Building Information Modeling).

CORPORACIÓN ACEROS DEL ALTIPLANO S.R.L.

In 2016, the Company incorporated a new subsidiary in Bolivia (Santa Cruz) to optimize customer service and to increase market share.

CORPORACIÓN ACEROS AREQUIPA DE IQUITOS S.A.C.

It was incorporated in 2016 in Iquitos with the purpose of increasing the market share of the Company's products in its area of influence.

TRANSPORTES BARCINO S.A.

A company with several years of experience in the field of cargo transport services, mainly providing services to the Company.

COMPAÑÍA ELÉCTRICA EL PLATANAL S.A. (CELEPSA)

The Company has a 10% share in CELEPSA, a company that operates the 222 MW El Platanal hydroelectric power plant in the Cañete river basin. In 2018, Celepsa represented 2.2% of the national production of the National Electric Power Grid (SEIN), and a 4% share at the level of hydroelectric generation.

Celepsa has two subsidiaries: (i) Celepsa Renovables S.R.L. (ex Hidro Marañón SRL), a company that operates the 19.92 MW Marañón Hydroelectric Power Plant in the Marañón river basin in Huánuco, and which studies and develops new generators of renewable energy resources; and, (ii) Ambiental Andina S.A., which provides meteorology and hydrology services, in which Celepsa has a 50% share.

Celepsa is also the promoter of the first private non-profit organization, recognized by SERNANP (National Service of Natural Areas protected by the State), for the conservation of a protected natural area.

TSC innovation.

Digital Transformation in
Construction Projects.

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EXIT

Virtual Design and Construction

Engineering Service with BIM Technology.

Arturo Merino Benítez Airport, Chile

Description of the Sector

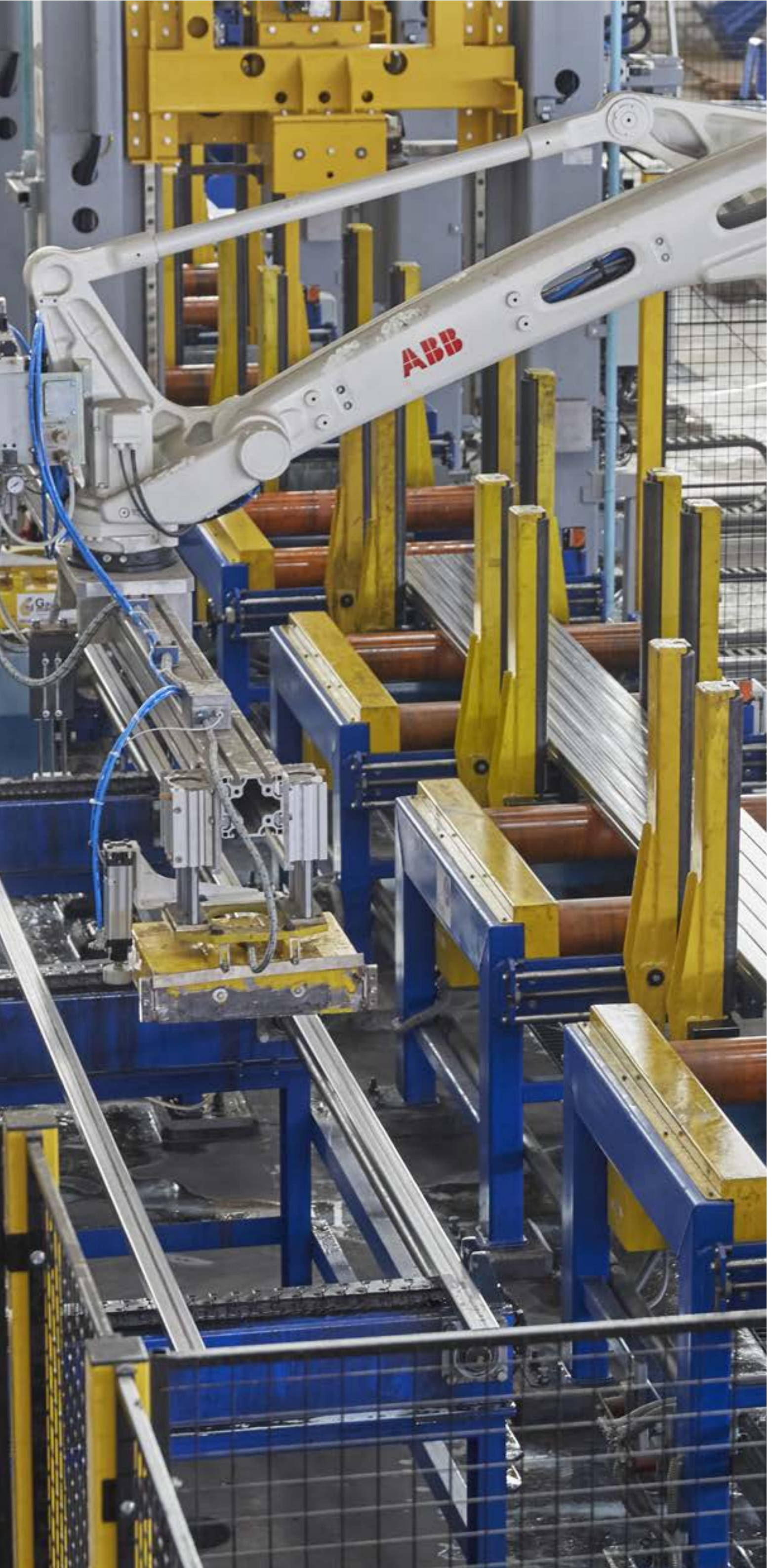
Corporación Aceros Arequipa S.A. and Empresa Siderúrgica del Perú S.A. - Siderperú, are the only steel producing companies in the country. Both companies, together with independent importers, supply the domestic market with long products such as construction o rebars, merchant bars, as well as flat products such as coils, sheets, pipes and galvanized corrugated sheets.

With respect to world steel production, its increase was estimated in 4.6%, reaching 1,809 million MT.

A significant recovery in international prices of long and flat products was observed during the current fiscal year. In the case of construction bars, the average FOB Turkey export price in 2018 was 13% above the average price in 2017. On the other hand, the average FOB China export price of hot-rolled coil in 2018 was 12% above the average price in 2017.

During 2018, consumption of long products in the domestic market showed a growth of 4.0% over the previous year and in the case of flat and tubular products, this figure dropped by 6.2%.

In 2018, consumption of long products in the domestic market grew 4% compared to 2017.



Industrial Process

In 2018, the production level was 991,340 MT of end product, 5.4% lower than in 2017, mainly as a result of lower production of bars for mining balls.

The production plan for the year was covered by the operations of the two rolling mills of the Pisco Plant, meeting domestic and export market demand.
During 2018 the Rolling mill N°2 had a planned stop of 27 days to change the reheating furnace refractories.

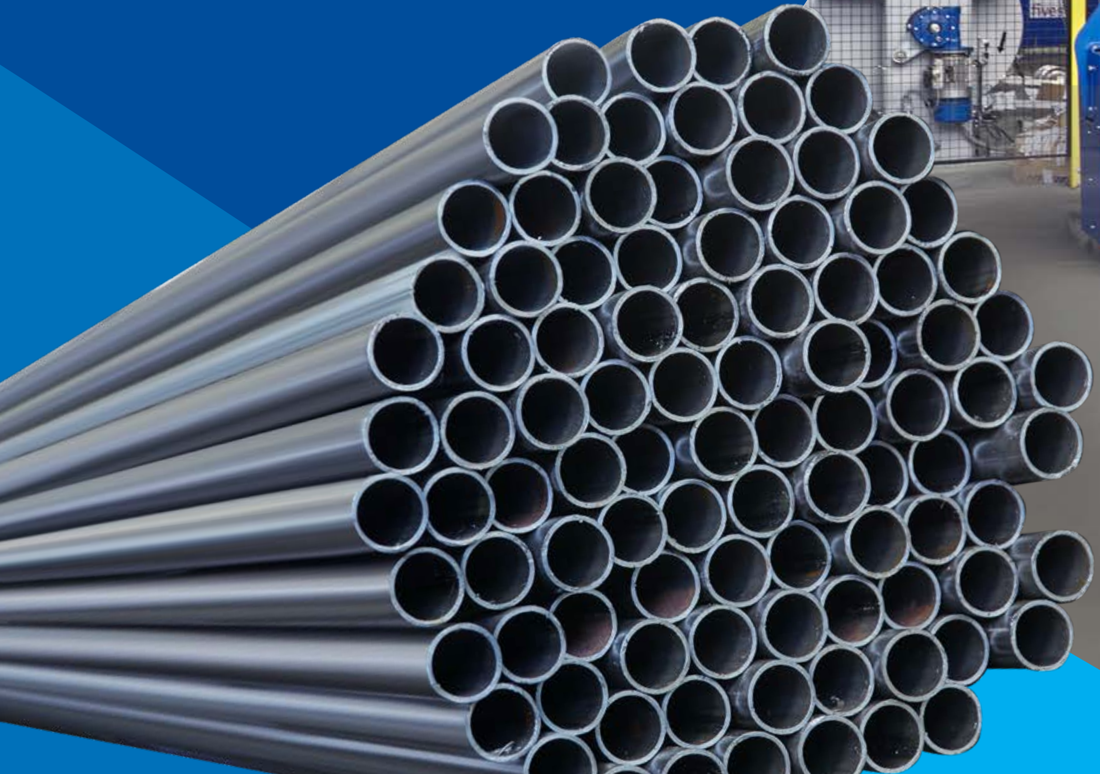
Additionally, both rolling lines continued with considerable improvements generated by the optimization of the manufacture process in the different product families. Under this scheme, 83% of the installed capacity of the rolling mills was used. During the last quarter of 2018, the new tube plant started its operations with an annual capacity of 36,000 tons.

In general, it is possible to state that the productive tasks were carried out without major inconveniences throughout the year according to the production plan.

The new tube plant located in Callao started its operations during the last quarter of 2018 with a nominal annual capacity of 36,000 tons.

New Pipe Plant

Production of hot-rolled, cold-rolled and galvanized pipes.

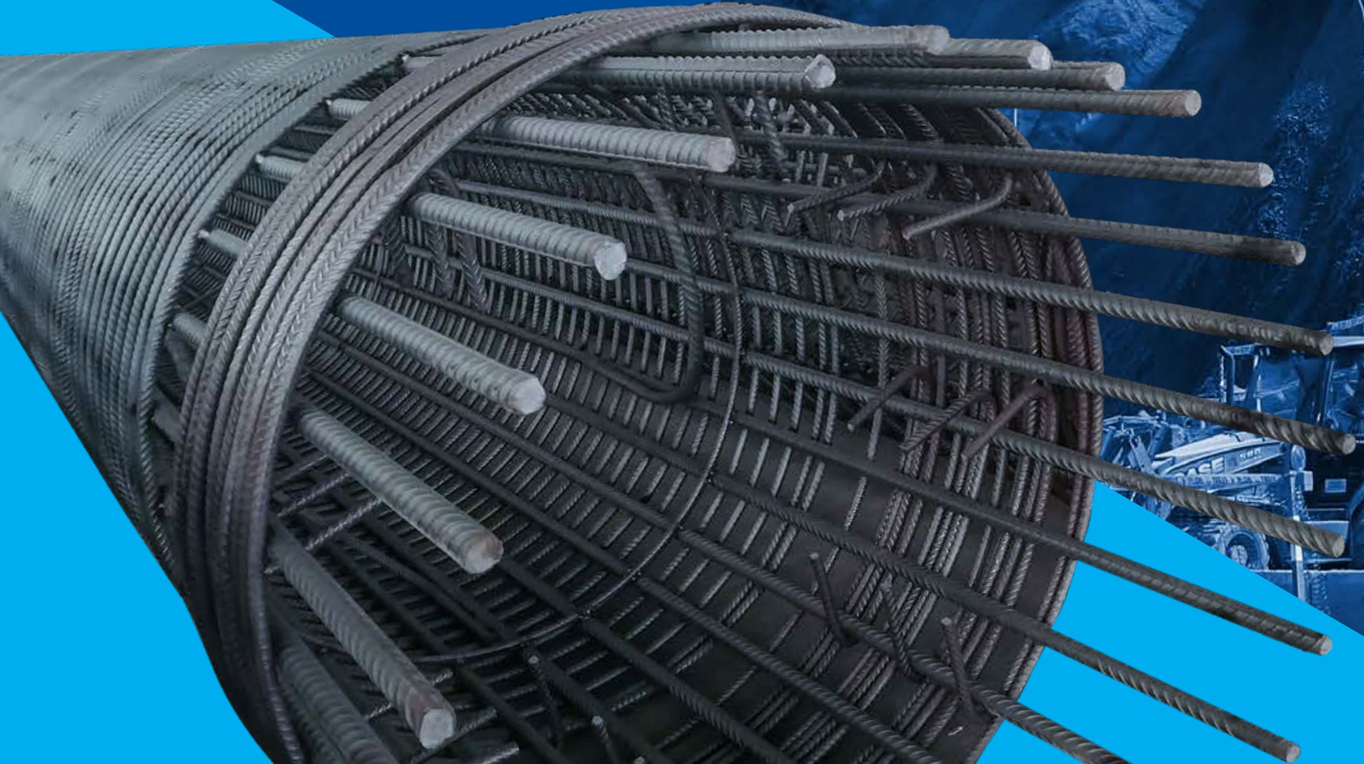


New line of pre-assembled products

Assembly of buckets for reinforced concrete piles.

Pre-assembled piles

Armendáriz Viaduct, Miraflores.

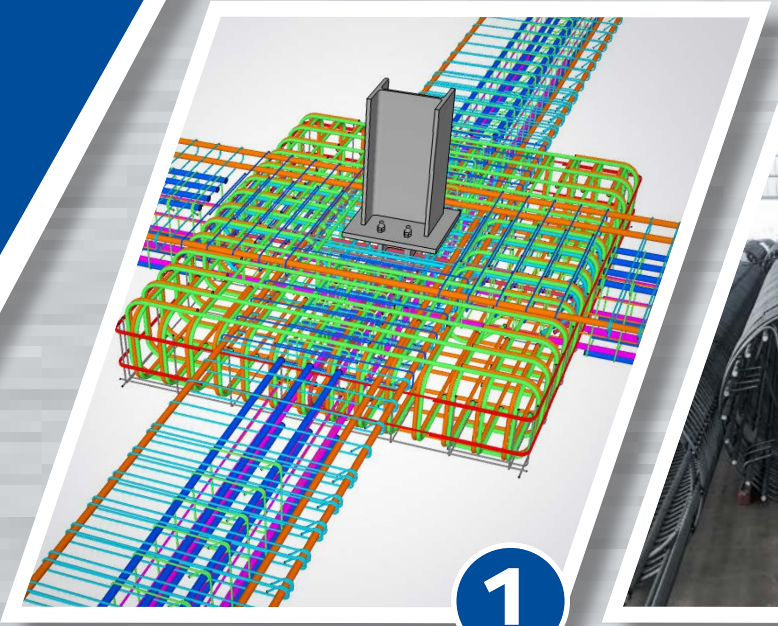


2 Chapter

Best Practices

Construction Industrialization

YOUR WORKS IN THREE STEPS



1

BIM (BUILDING INFORMATION MODELING)

A team of assembly experts who make the digital prototypes of your project to anticipate any problem and propose solutions in the structural item.

2

MANUFACTURE AND PRE-ASSEMBLY

Industrialized assemblies that allow to accelerate processes and to take out of the critical route the stage of assembly in the traditional work.

3

INSTALLATION

Our experts in assembly give you the support to help your project is completed on time and with quality as planned.

Achievements

2018

CAPEX IN THE NEW MELT SHOP PROJECT AND MODERNIZATION OF THE ROLLING MILL N° 1 WILL REDUCE AND OPTIMIZE WATER CONSUMPTION, **ELECTRICITY AND ATMOSPHERIC EMISSIONS.**

IN 2018, THE COMPANY **ACQUIRED 66.35% OF COMASA** FOR S/ 84.6 MILLION. THE COMPANY ALSO **ESTABLISHED A NEW SUBSIDIARY (TSC INNOVATION)** FOCUSED ON VALUE-ADDED SERVICES FOR CONSTRUCTION.

OUR LABORATORIES OBTAINED THE **CONFORMITY OF ISO 17025 INTERNATIONAL STANDARD.**

ECOGRAVILLA WAS SUCCESSFULLY USED IN CONCRETE PRODUCTION, REPLACING **100% OF CONVENTIONAL AGGREGATES.**

WE HAVE OBTAINED **THE SOCIALLY RESPONSIBLE COMPANY DISTINCTION** – DESR IN THE 2017-2018 EDITION, GRANTED BY PERÚ 2021 AND CEMEFI.

Quality Management

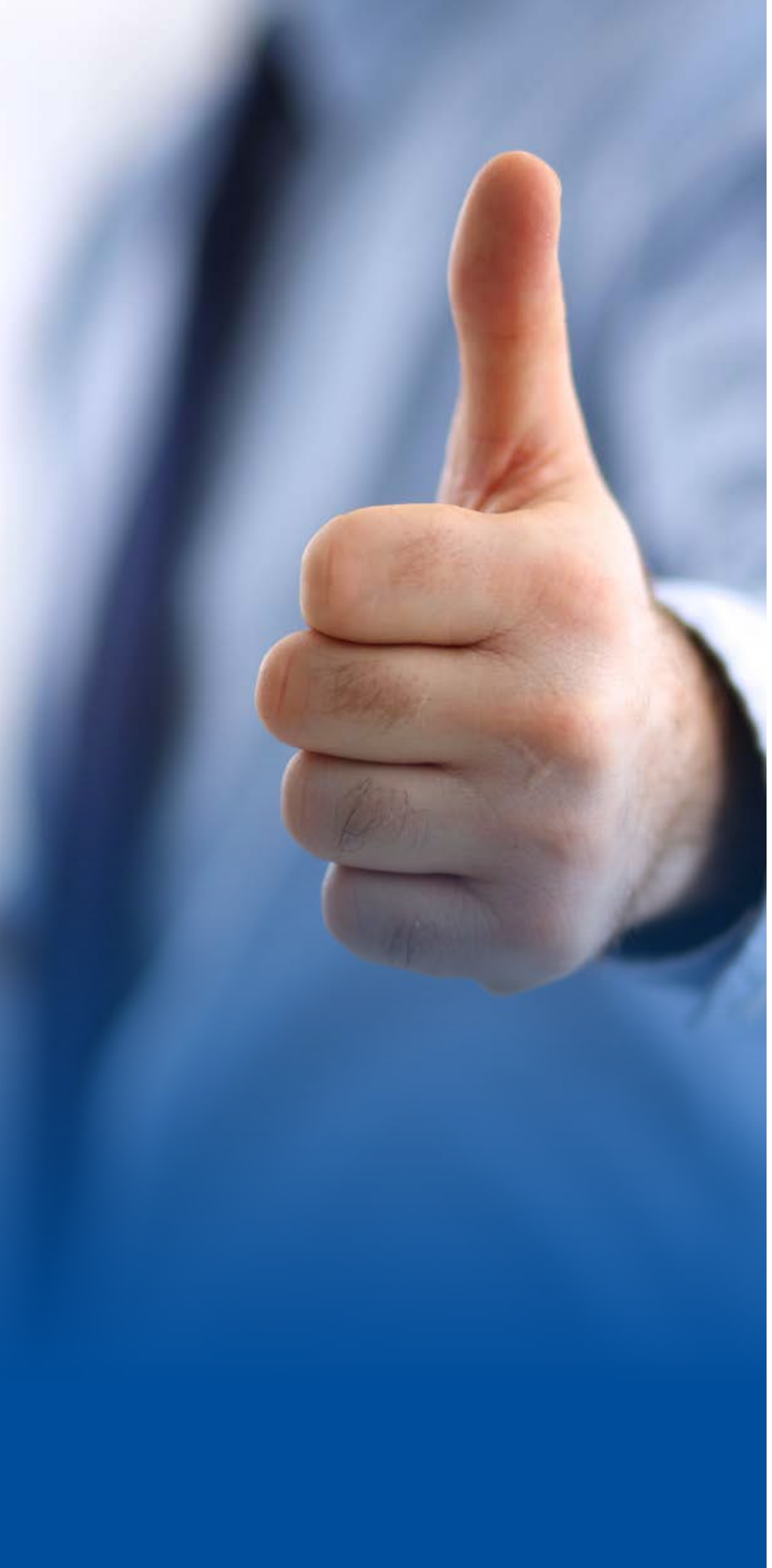
In 2018, the Company transferred its certifications for the Quality, Environment, Safety and Occupational Health management systems to the certifying company ABS Quality Evaluations. This company confirmed compliance with the requirements of ISO 9001, ISO 14001 and OHSAS 18001 standards, demonstrating our commitment to continuous improvement.

In November 2018, the National Institute for Quality - INACAL conducted the follow-up evaluation of the accreditation of the Company's laboratories, obtaining compliance with the requirements of ISO 17025 standard. Such accreditation technically qualifies us to issue reliable quality certificates to our clients.

With respect to continuous improvement programs, 38 Quality Circles were formed, which developed projects aimed at reducing costs and optimizing processes. The best 14 projects competed in the 26th Internal Meeting, an annual event where the outstanding participation of collaborators in continuous improvement programs is recognized and rewarded.

In order to disseminate good practices of continuous improvement and being evaluated against other organizations, in 2018, the Company participated in different business competition events, obtaining important recognitions and awards. During the quality week organized by the National Society of Industries - SNI, the first place was achieved with the Recognition to the Management of Improvement Projects in the Production category. Furthermore, the Silver Award was obtained as winner of the "Leaders of Excellence Team Competition – 2018" carried out by the Institute for Quality of the Pontificia

CONTENT
EXIT



Universidad Católica del Perú in collaboration with the American Society for Quality (ASQ). It was also obtained, for the third consecutive year, the trophy “Gold Medal” in the National 5S Award, organized by the Asociación Kenshu Kiokay del Perú (AOTS) in conjunction with various Japanese institutions in Peru.

The Company encourages the active participation of its employees in integrated management systems and continuous improvement programs, strengthening the culture of quality, safety and environment.

Steel Installation Service

We are leaders in bringing efficiency to the construction process of our clients.

Environment

Commitment to the environment is a central topic of Aceros Arequipa's growth strategy. Such commitment has led us to develop strategies to prevent, control and mitigate environmental impacts on our operations.

The investment projects, both in plant infrastructure and in production processes, rely on state-of-the-art technology that will allow the Company to continue growing in a sustainable manner. In this regard, relevant projects such as the "New Steel Mill" and the "Modernization of Roller Train 1" will allow the Company to reduce and optimize the water and power consumption. Additionally, with the new Steel Mill, a significant improvement will be obtained in the suction capacity of the fumes plant, further reducing any concentration of emissions into the atmosphere.

The Company has an Environmental Management System implemented and certified under ISO 14001:2015 standard at the corporate level.

All auditable units have an Environmental Management Instrument approved by the Ministry of Production. In August, the Company obtained conformity from the Ministry of Production of the Contaminated Site Identification Report in compliance with the Environmental Quality Standards for Soil, in which it is evident that this resource has not been affected throughout the years of operation.

Furthermore, we are permanently committed to the community, we maintain an agreement with the NGO Ciudad Saludable, to which we donate our recyclable waste. We provide Educational Institutions with training, donate containers for solid waste segregation and launch recycling campaigns.

We have set a goal of zero waste, so we are constantly innovating in the use of our Industrial By-products. We have a wide portfolio of projects that will allow us to recover and value the materials

Projects such as the new melt shop and the modernization of the Rolling mill N° 1 will **reduce and optimize water and power consumption**.

Use of ecogravilla on asphalt

that until a few years ago were classified as waste. As an example, we have the recovery of Zinc in Dust from the Steel Fumes Plant, the recovery of non-ferrous metals from the by-product generated in the scrap industrialization processes.

This year it was possible to successfully use ecogravilla (processed slag) in concrete production, replacing 100% of conventional aggregates. As a result, different prototypes have been developed, such as floor tiles, retaining walls with stackable concrete blocks, road dividers, bricks, paving stones, among others.

Because we are a leading company in the Peruvian market, we challenge and commit ourselves to continue growing not only in production volume but also in reaching the highest standards to be a socially responsible company.

We are a socially responsible company committed to offering our clients the highest quality standards.

Social Responsibility

We have a social responsibility policy aimed at creating a culture of socially responsible leadership in our Company and its subsidiaries which contributes to the creation of value in a sustainable manner, through corporate governance practices that strengthen transparent dialogue with our stakeholders.

Along these lines, we have been developing socioeconomic and environmental programs based on the real needs of the population surrounding our environment, aimed at improving the quality of life, especially in education, care of the environment, health care prevention, among others. We also work closely with strategic allies such as local governments and environmental regulatory institutions which publicly recognize our work.

We facilitate the mobilization of talent, time and energy of our collaborators in favor of the social development of the population in the area where our Company operates through our Corporate Volunteering, a program that not only invites Company collaborators to participate, but can also be extended to their families or even to the workers of our supplier companies.

We continue advancing in our relationship process in the areas where we operate, for this we activate processes of effective, participatory and transparent dialogues with the different public and private actors.

As proof of the work we do, we continue to transparently prepare and disseminate our annual Sustainability Report, in accordance with the standards of the Global Reporting Initiative - GRI, the sole sustainability reporting standard in the world. In this public document you can see in detail the evolution of the socio-environmental indicators that we have been developing.

Also, we have obtained the Socially Responsible Company Distinction - DESR in the 2017-2018 edition, awarded by “Peru 2021” and CEMEFI.

Internal Control System

The Company's senior management uses the internal controls implemented to achieve its objectives, which, in turn, measure the performance of its processes and the efficient use of resources, in addition to identifying and managing its risks.

In order to achieve its objectives and fulfill its mission, the Company considers the following key aspects:

1. Have a clear and defined strategy,
2. Support its processes with an organizational structure aligned to the strategy,
3. Establish its budget, monitor its compliance, and measure results; and
4. Count on the participation and commitment of its collaborators.

CONTENT

EXIT

Business Ethical Management

For the Company and its subsidiaries, ethics and the fight against fraud and corruption are key elements of its organizational culture. They are fundamental pillars in the relations with its stakeholders and guide its actions in the markets where it carries out its activities. The Company, with more than five (5) decades of presence in Peru, is characterized by maintaining the highest standards of transparency, ethical behavior and compliance with the law, as well as a level of zero tolerance with fraud and corruption.

MANAGEMENT OF CONFLICTS OF INTEREST

Board members, managers, and collaborators are careful and responsible to disclose situations where conflicts of interest arise, refraining from participating in the issues that generate them. The Code of Ethics deals with conflict of interest and its definition.

Directors, managers and collaborators of the Company are obliged to act with due diligence and loyalty, that is to say, they have the responsibility to

The company has made available to its collaborators, clients and suppliers a complaints channel called Aceros Arequipa Ethical Line.

report on those situations where there are conflicts of interest to the authorities indicated in the Code of Ethics.

ACEROS AREQUIPA ETHICAL LINE

The Company has made available to its collaborators, clients and suppliers a complaints channel called Aceros Arequipa Ethical Line. The purpose of this channel is to prevent, detect, investigate and remedy any event of fraud or corruption, illegal act or any other improper conduct that violates the Code of Ethics and harms the Company and its subsidiaries. In order to guarantee the anonymity of the complainant, confidentiality of the information and an adequate handling of complaints and investigations, the Aceros Arequipa Ethical Line is operated by an independent third party specialist.

The complaints channel provides the following mechanisms to facilitate the reporting of an event of fraud, corruption or conduct that violates the Code of Ethics of the Company and its subsidiaries:

a) **Web form:**
www.lineaeticaacerosarequipa.com

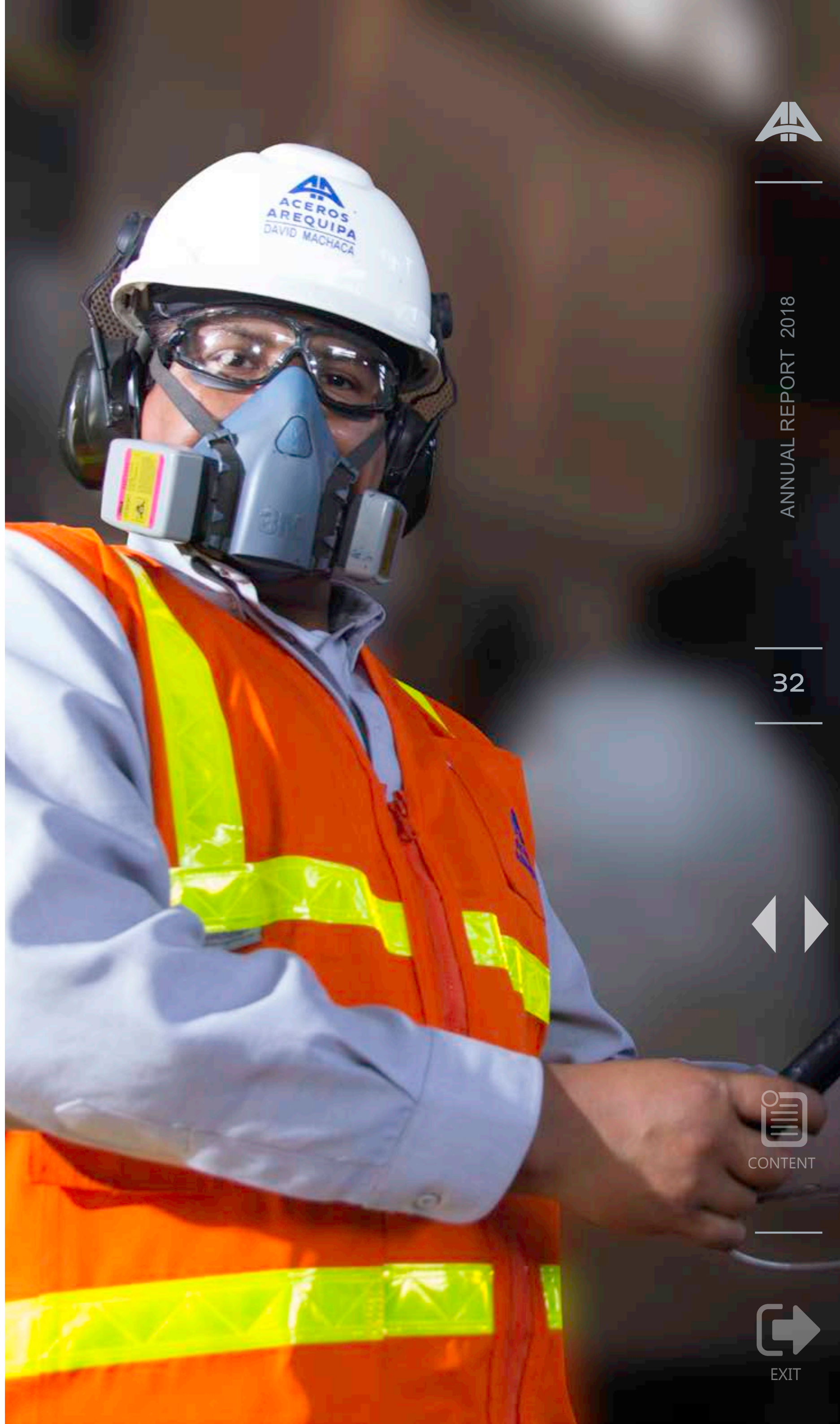
b) **Email**
denuncias@lineaeticaacerosarequipa.com

c) **Telephone lines:**
- Toll free 0 800 18134
- Local rate cost (511) 219-7134

ETHICS COMMITTEE

Compliance with the Code of Ethics is supervised by the General Manager who delegates functions and authority to an Ethics Committee that acts in accordance with the provisions of its regulations.

The Ethics Committee is also responsible for:
- Serving as a consultation body for collaborator or third party concerns about facts or circumstances that may affect business ethics.
- Analyzing and settling disputes regarding possible conflicts of interest reported by collaborators to the Company in compliance with the provisions of the Code of Ethics.
- Freely and objectively analyzing situations of ethical non-compliance.



Audit and Risk Committee

The main purpose of the Audit and Risk Committee is to assist the Board of Directors in fulfilling its supervision responsibilities over the Company's internal control system. It meets at least four times a year and is made up of four (4) members of the Board of Directors:

Mr. Andreas von Wedemeyer, Chairman of the Committee
Mr. Pablo Peschiera Alfaro, member
Mr. Diego Urquiaga Heineberg, member
Mr. Ricardo Bustamante Cillóniz, member

The Chief Executive Officer, the General Manager and the Internal Audit Manager attend the Committee with the right to speak but not to vote; the latter participates as Technical Secretary of the Committee. The External Auditor or other managers or collaborators of the Company attend as guests when required by the Audit and Risk Committee.

The Audit and Risk Committee has been promoting the elaboration, review and fulfillment of Policies and Business Codes and their approval by the Board of Directors, due to the fact that these set the guidelines on significant topics for the management of the Company, such as: Information, Human Management, Inventories, Investments, Fixed Assets, Occupational Health and Safety, Purchase of Goods and Services, Credits and Collections, Costs and Budgets, Ethics, Fraud, Corruption, Internal Control and Comprehensive Risk Management, Social Responsibility, Good Corporate Governance, among others.

During fiscal year 2018, the Audit and Risk Committee met 5 times, in different months of the year, embracing all relevant aspects of its management.

Internal Audit

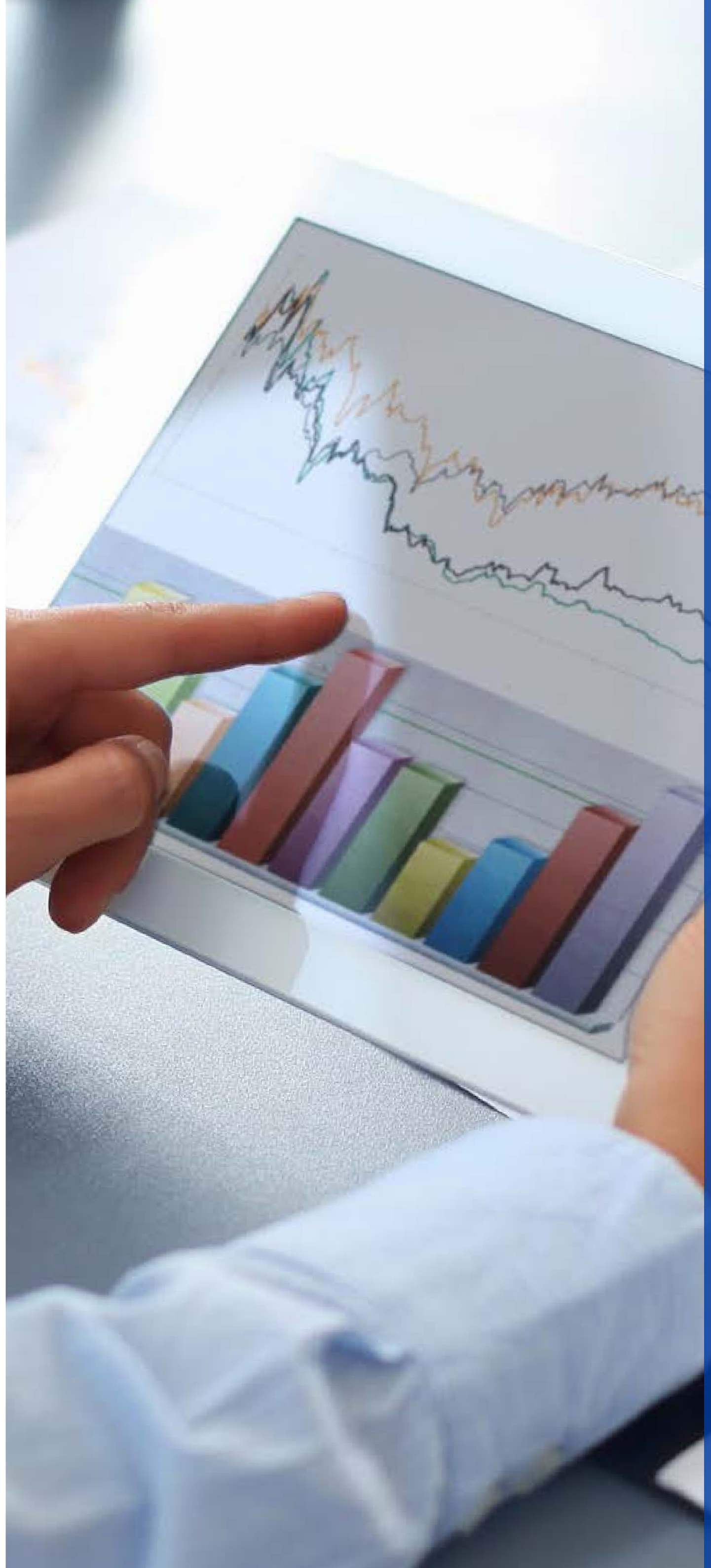
The Company has an Internal Audit Manager elected by the Audit and Risk Committee. The mission of Internal Audit in the organization is to support Senior Management in the improvement and strengthening of internal control and risk management, providing proposals for improvement.

In order to guarantee the independence of Internal Audit, the Internal Audit Manager must report functionally to the Audit and Risk Committee of the Board of Directors and administratively to the Chief Executive Officer and the General Manager of the Company.

External Audit of Financial Statements

The powers and responsibilities delegated by the Board of Directors to the Audit and Risk Committee in relation to the work of the independent external auditor are the following:

- Select and propose the external auditors to the Board of Directors.
- Review and approve the approach and work plan of the external auditors.
- Review and confirm the independence of the external auditors, obtaining their statements regarding the relationship between auditors and the Company and non-audit services.
- Assess the work performed by the external auditors.
- Review the results of the audit with management and the external auditors; and approve their report for submission to the Board of Directors and the Shareholders' Meeting.



Appointments, Remuneration and Human Resources Committee

The main purpose of the Appointments, Remuneration and Human Resources Committee is to ensure that human management at the executive level of the Company is framed within the corporate guidelines and modern practices of Human Development. Also, to maintain a fair and competitive compensation system that allows the mission and strategic objectives of the organization to be fulfilled.

On April 28, 2016, the Board of Directors ratified the members of this Committee, with the directors having this function:

- Mr. Fernando Carbajal Ferrand, Chairman of the Committee.
- Mr. Pablo Peschiera Alfaro, member.
- Mr. Belisario Rosas Razzeto, member.
- Mr. Enrique Olazábal Bracesco, member.

The Chief Executive Officer, the General Manager and the Human Management Manager attend the Committee with the right to speak but not to vote; the latter participates as Technical Secretary of the Committee.

The Appointments, Remuneration and Human Resources Committee has been promoting the performance of management levels by setting and monitoring objectives and goals for each functional area and regularly reviewing the salary and organizational structure, adapting it to the change process being developed by the Company.

During 2018, the Appointments, Remuneration and Human Resources Committee met 4 times, in different months of the year, embracing all relevant aspects of people management in the period.

Chapter 3

Economic, Financial and Administrative Aspects

ACEROS AREQUIPA
IN FIGURES 2018

Net Sales

S/ 2,623 million

an increase of with respect to 2017 11% ↑

Gross Profit

S/ 422 million

Higher than fiscal year 2017 24% ↑

Economic Aspects

SALES

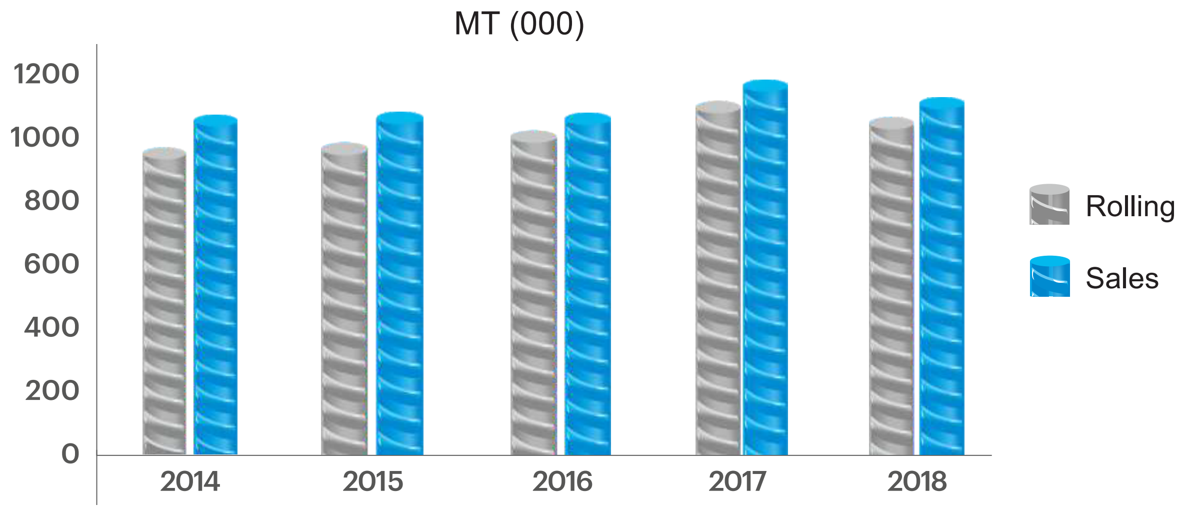
During 2018, 1,061,000 MT of products were sold.

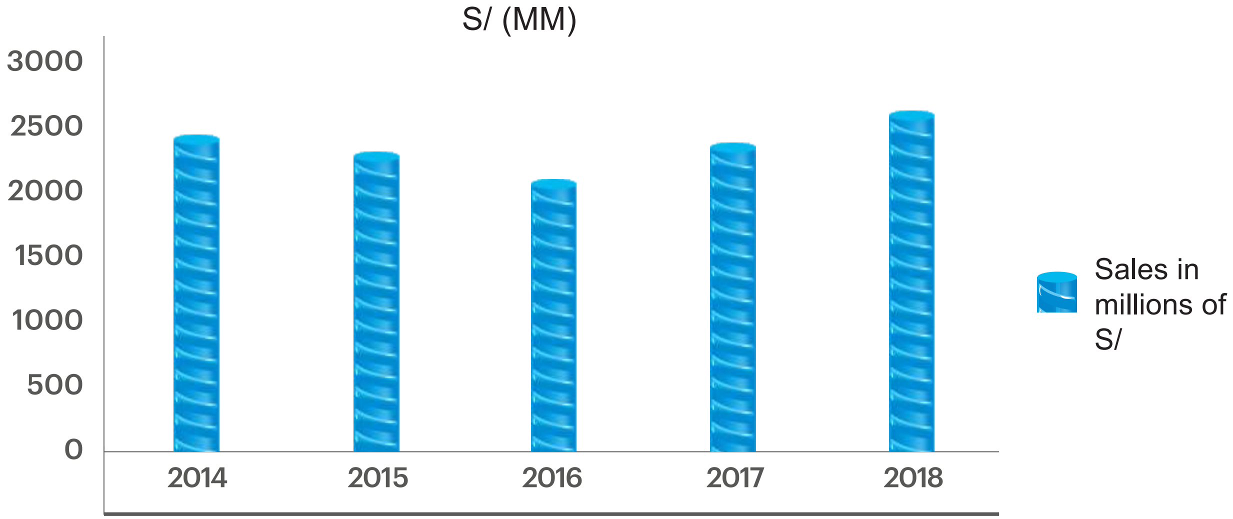
The sales volume reached was 5% lower than that commercialized during the previous fiscal year as a result of a lower sale of bars for the manufacture of mining balls. Such product was affected by the lack of availability of imported steel billet, raw material used for their production.

With respect to the Company's exports, the volumes dispatched were similar when compared to those of the previous year. In relation to the Bolivian market, it continued to be the main destination of our exports.

Net sales for the year totaled S/ 2,623 million, representing an increase of 11% over the previous year, mainly as a result of higher sales prices in the local market.

Comparative tables of production and sales for fiscal years 2014 through 2018 are shown below:





During 2018, our net sales increased by 11%.

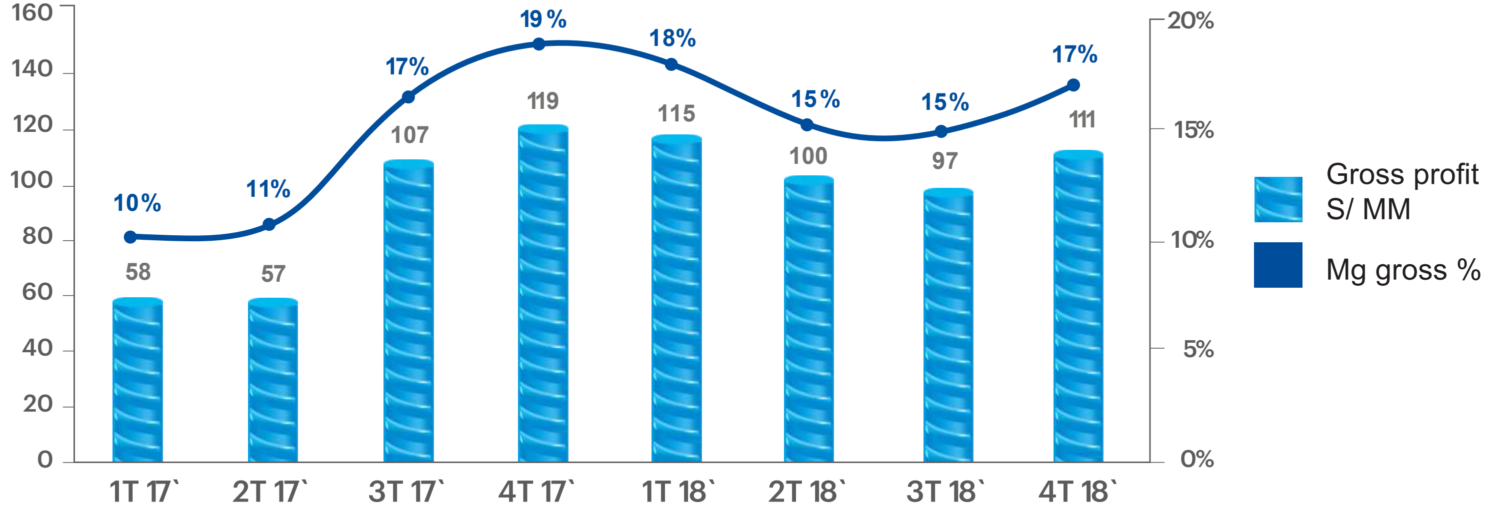
Financial Aspects

At the end of 2018, sales reached S/ 2,623 million, representing an increase of 11% compared to the previous year due to higher average sales prices.

The 2018 gross profit (S/ 422 million) was 24% higher than the 2017 gross profit (S/ 340 million).

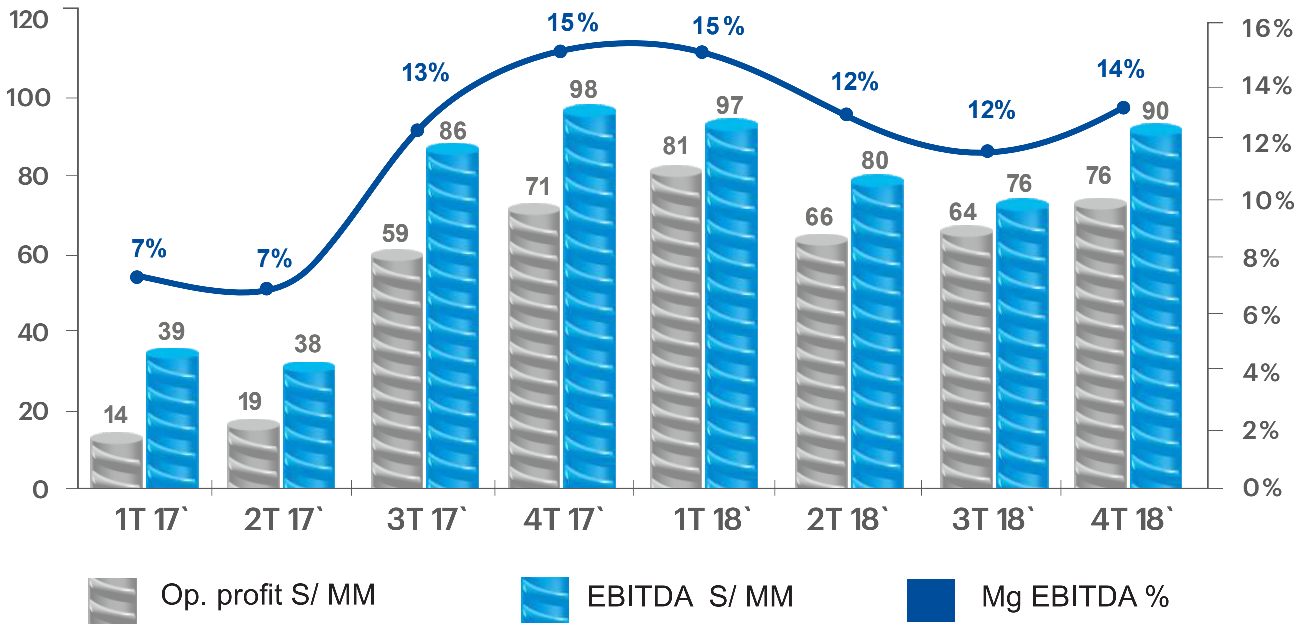
The Company's gross margin was 16%, higher than the figure recorded in 2017 (14%).

Also, in 2018, there were provisions that affected the cost of sales, which are related to write-offs of obsolete inventories and collections in excess in invoicing of suppliers which are in process of claim. The items indicated meant charges in the year of S/ 56 million.



The operating profit and EBITDA recorded during 2018 were S/ 232 and S/ 343 million, respectively. EBITDA in said year was 32% higher than in 2017.

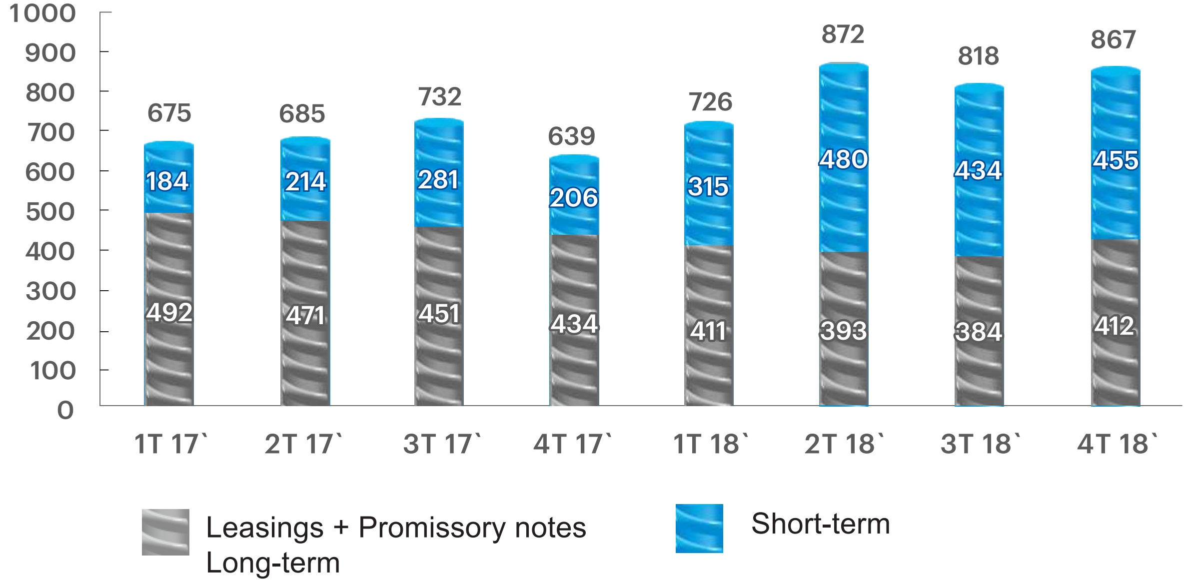
The EBITDA margin obtained during fiscal year 2018 (13%) was higher than that obtained the previous year (11%).



Note: EBITDA is the Operating Profit + Depreciation & Amortization +/- adjustments for sale of assets and others

Financial expenses generated in 2018 were higher than in the previous year mainly due to the increase in the Company's short-term financial liabilities. The evolution of liabilities is shown below.

Financial Liabilities (S/ MM)



At the end of 2018, the Company obtained earnings of S/ 163 million, which were higher than the profit recorded in the previous year (S/ 128 million). The increase is explained by the higher operating profit recorded in 2018, obtained thanks to the higher gross profit and lower sales expenses. However, there were lower revenues by subsidiaries and a loss for exchange difference of 2018 (S/ 1.7 million) compared to the earnings of 2017 (S/ 1.8 million). Finally, there was a higher income tax in line with the higher profits.

It should be noted that the Company has a debt policy that minimizes the gap between its assets and liabilities denominated in US$ and thus partially mitigates the impact of fluctuations on the exchange rate.

As of December 2018, current assets increased 17% (S/ 242 million) compared to December 2017, totaling S/ 1,652 million. Such increase was mainly due to an increase in international prices of raw material and sales prices that affected inventory and accounts receivable, as well as a higher inventory of imported steel billets and higher accounts receivable.

Current liabilities increased 51% (S/ 363 million) with respect to those existing at the end of 2017, reaching S/ 1,080 million. Such variation is mainly due to higher bank loans and accounts payable.

The Company's working capital decreased 18% with respect to the one existing at the end of 2017, reaching S/ 572 million, mainly due to the increase in current liabilities. As for the liquidity indicator (current assets divided by current liabilities), it decreased as of December 2018 and stood at 1.53 compared to 1.97 obtained at the end of 2017.

In January 2018, the Company approved the project of the New Steel Mill for US$ 180 million and which will have a capacity of more than 1.25 million tons of steel billet. In September 2018, the financing of the total investment was closed through two financial lease agreements with the BCP.

As of December 2018, net assets in property, plant and equipment were S/ 1,435 million, higher than the amount recorded in December 2017 (S/ 1,352 million). At the same date, intangibles totaled S/ 40 million. Investments in property, plant and equipment and intangibles made by the Company during 2018 mainly included the commissioning of the New Steel Mill (financed through a leasing), the acquisition of land in Lurin, the acquisition and start-up of a pipe plant and improvements in the Pisco plant.

On September 3, 2018, the Company informed as an important fact that on August 31, 2018, the previous Takeover Bid (the "OPA") for the shares representing the capital stock of Comercial del Acero S.A., was completed. As a result of the OPA, 114,301,556 common voting shares were acquired at a price of S/ 0.74 per share, paying S/ 84.6 MM. With the acquisition of these shares, added to the shareholding previously held by the Company, an equity interest of 100% of Comercial del Acero S.A. has been achieved.

In November 2018, the Company formed Tecnología y Soluciones Constructivas S.A.C., a new subsidiary focused on value-added services for construction, such as detail engineering and Virtual Design and Construction and BIM (Building Information Modelling).

In the fourth quarter, the book value of investments in subsidiaries and affiliates amounted to S/ 331 million, higher than the S/ 242 million existing at the end of 2017, due to the acquisition of Comercial del Acero S.A.

The debt ratio (total liabilities less deferred taxes divided by shareholders' equity) increased compared to December 2017 (0.58), standing at 0.73 mainly due to higher accounts payable and bank loans.

In December 2018, the Company's Shareholders' Meeting approved the redemption of the Company's common and investment shares held in treasury. Thus, in the case of common shares, 51,016,863 treasury shares were redeemed, reducing the opening balance from 941,875,171 to 890,858,308 shares (with no remaining treasury shares). Meanwhile, in the case of investment shares, 10,883,724 shares were redeemed, so the opening balance of 200,935,704 shares went to 190,051,980 shares (remaining 7,644,468 treasury shares).

The growth of the Company's shareholders' equity (S/ 107 million) is a consequence of the increased profit.

Finally, it is indicated that Paredes, Burga & Asociados, representatives of EY International, was appointed by the Board of Directors as external auditors for fiscal year 2018.

Own Shares

On December 20, 2018, the Company's Shareholders' Meeting approved the redemption of the own common and investment shares held by the Company in treasury.
As a result, in the shareholders' equity, the accounts of the Capital Stock and Investment Shares were reduced by S/ 61.9 million, as well as the statement of treasury shares, having no impact on the shareholders' equity.

In the case of common shares, 51,016,863 shares were redeemed, reducing the opening balance from 941,875,171 to 890,858,308 shares (no remaining treasury shares). In the case of investment shares, 10,883,724 shares were redeemed, so that the opening balance of 200,935,704 shares went to 190,051,980 shares (remaining 7,644,468 treasury shares).

New Steel Mill

In January 2018, the Company's Board of Directors approved the construction of a New Steel Mill with a capacity of more than 1,250,000 tons/year of steel billet. The investment will amount to US$ 180 million. Once in operation, the Company will reduce its production costs and dependence on imported steel billets, among other benefits. It is expected that the new steel mill will be commissioned by mid-2020.

In September 2018, the financing of the steel mill was closed through two financial leases with the BCP for 100% of the investment. These financings will have terms between 7 and 10 years.

The amount of the investment will total US$ 180 million.

Application of Results of the Fiscal Year

After applying the International Financial Reporting Standards (IFRS), the audited result for fiscal year 2018, in thousands of nuevos soles, was as follows:

Net profit of fiscal year	S/ 163,234
(-) Legal reserve	S/ 13,097
Freely distributable profit	S/ 150,137

As of December 31, 2018, the Company's Capital Stock amounts to S/ 890,858,308, represented by 890,858,308 shares with a par value of S/ 1.00. As of the same date, the statement of Investment Shares is S/ 190,051,980 represented by 190,051,980 shares with a par value of S/ 1.00.

The Board of Directors proposes the delivery of a cash dividend of S/ 60,055,000.00, charged to the accumulated results of previous fiscal years, from which the cash dividend approved on July 19, 2018 and paid on September 5, 2018 for an amount of S/ 10,666,000.00 as well as the one approved on October 26, 2018 and paid on December 7, 2018 for an amount of S/ 22,584,000.00 will have to be detracted. The remaining amount of S/ 26,805.000.00 is applied to both common shares and freely tradable investment shares totaling 1,073,265,820 shares, resulting in a dividend per share of S/ 0.024975. The freely distributable profit will be channeled to the statement of Retained Earnings.

The proposed registration and delivery dates are as follows:

- Registration date: 12.04.2019
- Delivery date: 03.05.2019

With the proposed delivery of dividends, the Company's Accumulated Results and Shareholders' 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/ 178,171
Revaluation surplus	S/ 220,482
Accumulated results	S/ 460,492
Total shareholders' equity	S/ 1'932,411

Available Assets for Sale

In 2018, the Company kept various properties available for sale, achieving the sale of a property located in Callao.

In November 2016, the Board of Directors agreed to approve the definitive suspension of the production activities of the Arequipa plant. The property located in that city was put up for sale and currently there is a sales contract for a significant part of the property for a value of US$ 11.4 MM.

For 2019, a 84,877 m2 estate in Pisco, a 801 m2 land in Paracas and a 10,730 m2 property in Arequipa are still for sale. Additionally, according to a resolution adopted by the Board of Directors dated January 2018, a land was purchased in Lurin with the purpose of moving the main warehouse that the Company maintains in Callao, so additional 43,674 m2 in Callao would be later offered for sale.

Third Program of Debt Securities

In September 2018, the Company's Shareholders' Meeting approved the Third Program of Debt Securities (commercial papers and bonds) for up to US$ 300 million to be issued in both Soles and American dollars. The resources may be used to i) finance investment plans, ii) finance working capital, iii) refinance or substitute liabilities, and, (iv) other corporate uses. This Program was approved by the Stock Market Superintendency (SMV) in January 2019.

Judicial Administrative or Arbitration Proceedings

Neither Corporación Aceros Arequipa S.A. nor the Company's management has participated as an aggrieved party, complainant or participant in any legal proceedings that have directly or indirectly affected Corporación Aceros Arequipa S.A., its shareholders, directors or managers; or that significantly affect the usual development of its activities and businesses.

It is currently the opinion of management and its legal advisors that the Company has sufficient arguments to obtain favorable results in all processes in force to date detailed in the notes to the financial statements or reported as an important fact.

Perspectives

Corporación Aceros Arequipa S.A., in line with the growth forecasts of the Peruvian economy, the construction sector and estimated exports, considers that in 2019 its sales will have a positive evolution in relation to the total sales volume obtained in 2018.

The Company will continue to maintain as central objectives the increase in productivity, growth in new products and services, reduction of costs and expenses, as well as care of the environment and safety for our workers. In addition, the Company will further strengthen service to its local and foreign clients and continue to encourage continuous improvement in the quality of its products.

With the acquisition of Comercial del Acero S.A. (Comasa), carried out in 2018, the Company started an integration plan with teams formed by the Company and Comasa in order to identify and implement various synergies. In 2019, it is expected to complete the implementation of the first stage of the integration and evaluate a second

Service to our local and foreign clients will be further strengthened and continuous improvement in the quality of our products will continue to be promoted.

stage that would involve unifying the warehouses of both companies in a land acquired by the Company in Lurin by 2021.

At a meeting held on January 25, 2018, the Board of Directors, agreed to approve the construction of a New Steel Mill to be installed in the Pisco plant, with a capacity of 1,250,000 MT/year. The planned investment amounts to US$ 180 million plus the General Sales Tax (IGV) approximately, and its commissioning is expected by mid-2020.
Such investment will increase local production capacity of steel billet, reducing dependence on imported steel billets. It also reduces the cost of transforming the steel mill and provides flexibility in the metallic load used.

The current furnace with a capacity of 850,000 MT will be on standby until domestic demand and/or the steel billet export market deserves its use. With the new steel mill of 1,250,000 MT of capacity, the Company would have a total capacity of 2,100,000 MT of steel billet.

Additionally, the Company will continue to evaluate integration backwards, seeking to replace metallic load and imported inputs with raw material derived from iron ore, primarily of national origin.

During 2019, we expect to continue increasing the capacity used by the new roller train and the new pipe plant, which will allow us to gradually reduce production costs and adapt our inventory to market needs; strengthen our presence in Bolivia through our subsidiary in that country; monetize non-productive assets through the sale of real property; and, increase shipments from Pisco warehouses, thus reducing restocking freight.

On the other hand, we would like to point out that the Company will continue to analyze its product portfolio in order to optimize it considering the new acquisition of Comasa. It is expected that the effect on this effort will increase the liquidity of the Company and contribute to the sustainability of margins.

4 Chapter

Corporate Profile

Excellence

Real Plaza, Jesús María

Served steel
tons 4,500

Modernity and Development

T Tower, San Isidro

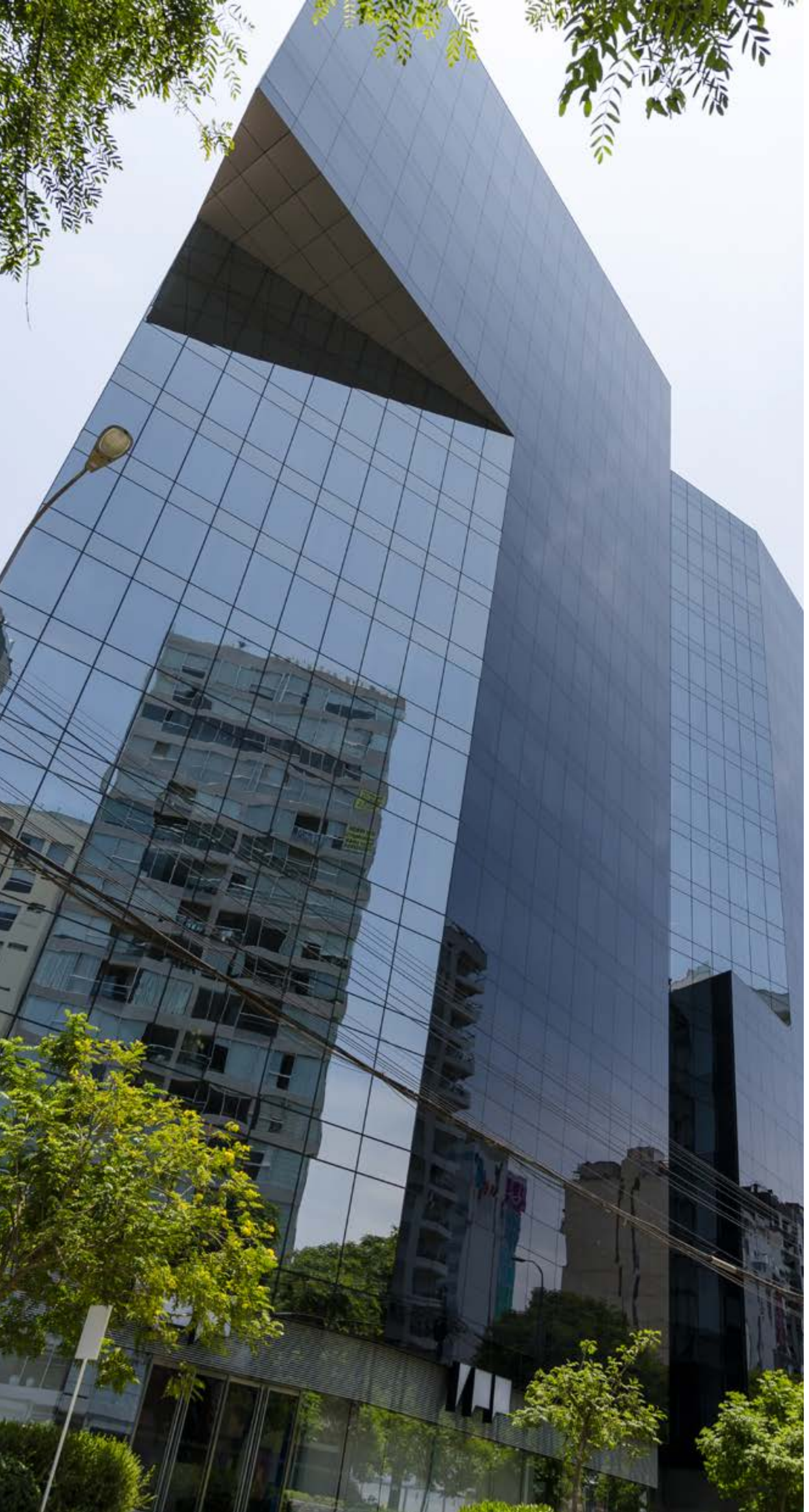
Served steel
tons 1,290

Hotel Aloft, Miraflores

Served steel
tons 750

Infrastructure and Transport

Stretch 4 of the Peru – Brazil Southern Interoceanic Corridor



General Data

CORPORACION ACEROS AREQUIPA S.A. was incorporated by Notarial Instrument issued on December 31, 1997 before Notary Public Carlos Gómez de la Torre R. due to the merger between Aceros Arequipa S.A. and Aceros Calibrados S.A., which were dissolved without being liquidated to form the new company. Aceros Arequipa S.A., in turn, had been incorporated by Notarial Instrument issued on May 13, 1964 before Notary Public Ricardo Samanamud.

The Company was registered in entry 01, item A of record 10456, now Electronic Record 11010518, of the Registry of Legal Entities of Arequipa.
The term is indefinite.

The main purpose of the Company is to manufacture, prepare and distribute iron, steel and other metals and their by-products, to sell the products it manufactures, and to prepare products it uses as raw material. Also, to import for the use, distribution and sale of the above-mentioned goods and products. It may also carry out mining exploration claims and activities of boring, prospecting, exploration, exploitation and others related to the mining activity.

The Company is also engaged in the marketing, distribution and sale of iron, steel, other metals and their by-products, in different forms and qualities, as well as hardware and construction products in general. Additionally, the amendment to the corporate purpose made in 2010 clarifies the mining activities it can develop and extends its field of action to the performance of activities of collection, transport and marketing of solid waste, in accordance with the pertinent legal standards, as well as agricultural activities in general and actions of preservation and improvement of the environment.

The Company’s main line of business corresponds to the economic activity code No. 2410, according to the United Nations International Standard Industrial Classification.

With respect to the relationship with the State, it should be noted that the Company is not favored by special tax treatments, exemptions or other benefits.

The Company has the following locations:

The administrative and management offices
Av. Antonio Miró Quesada 425, Piso 17, Magdalena del Mar.

The Industrial Plant
South Pan-American Highway km 241, district of Paracas, province of Pisco, department of Ica.

The end products warehouses and the pipe plant
Av. Enrique Meiggs No. 329 - Callao, telephone: (51) (1) 517-1800.

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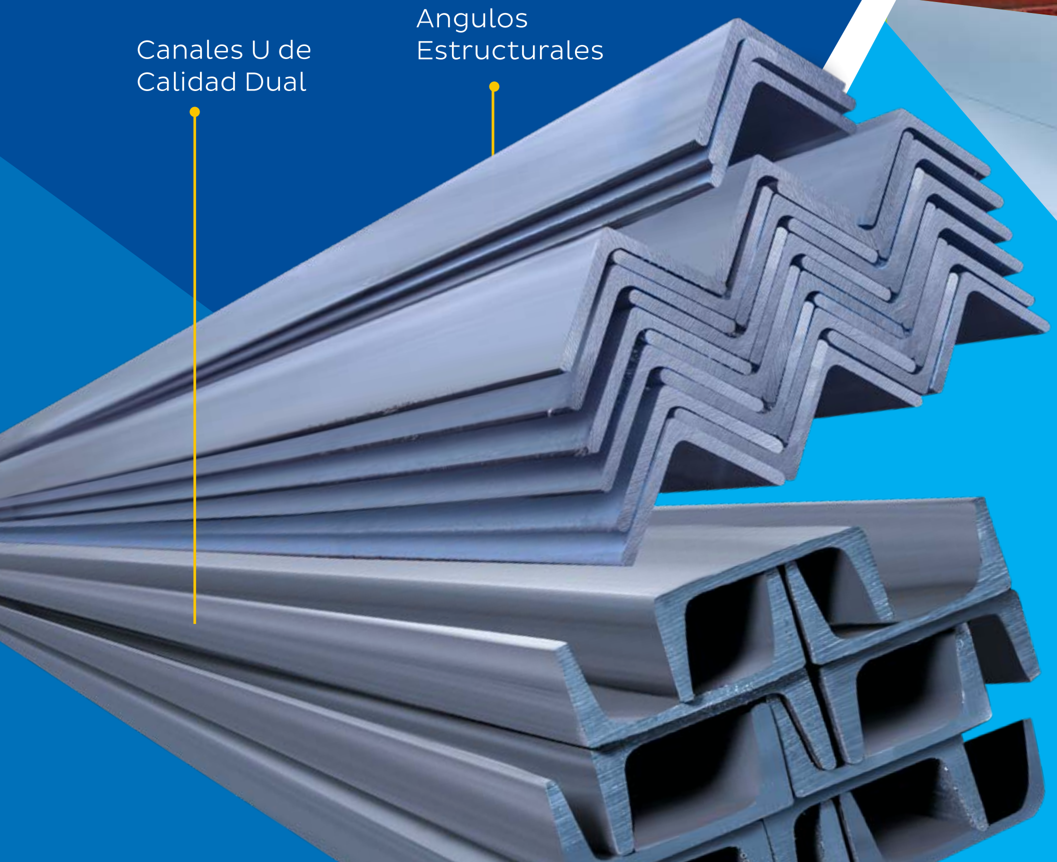
Metalworking Industry

The best products for the metalworking industry
Dual Quality U-Channels
Structural Angles



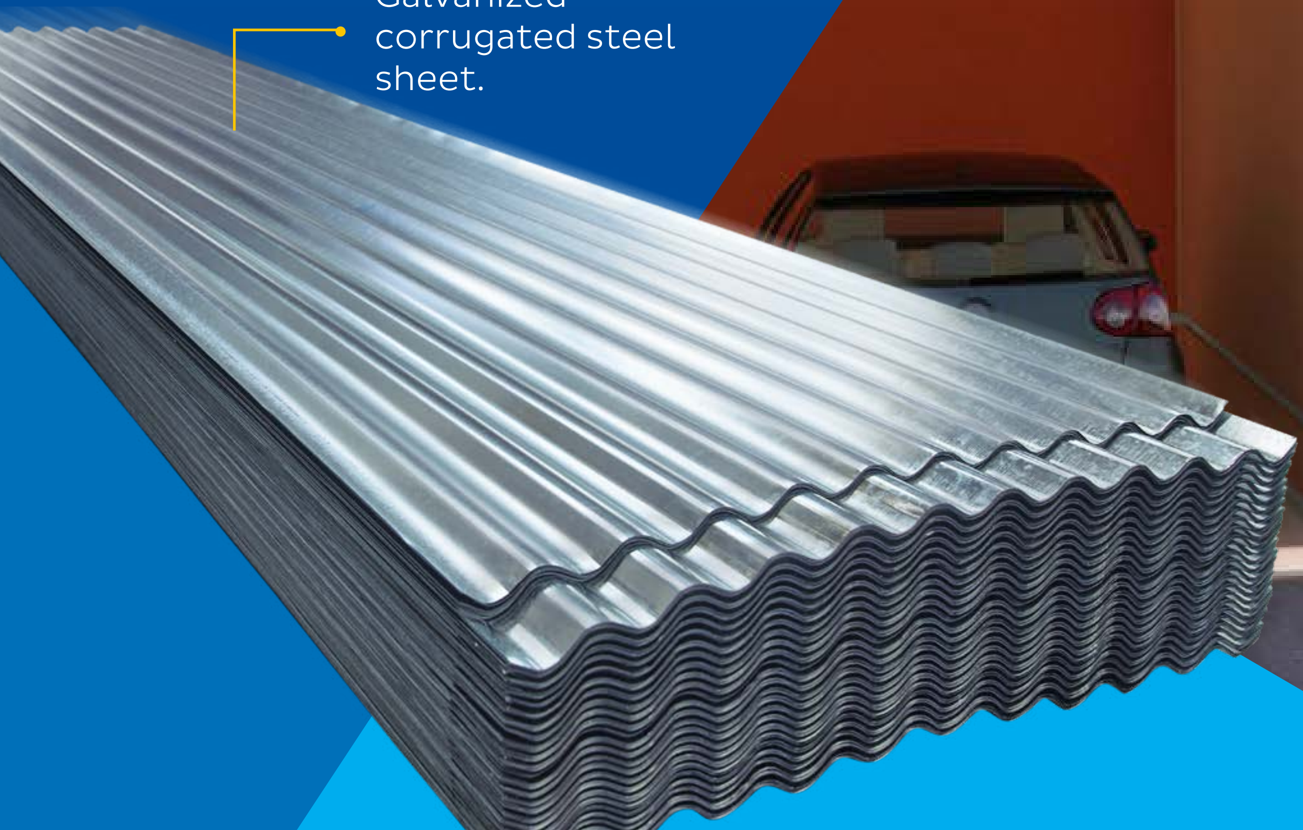
Electrowelded pipes

Hot-rolled, cold-rolled and galvanized.

Coils and Plates

Hot-rolled, cold-rolled and galvanized.

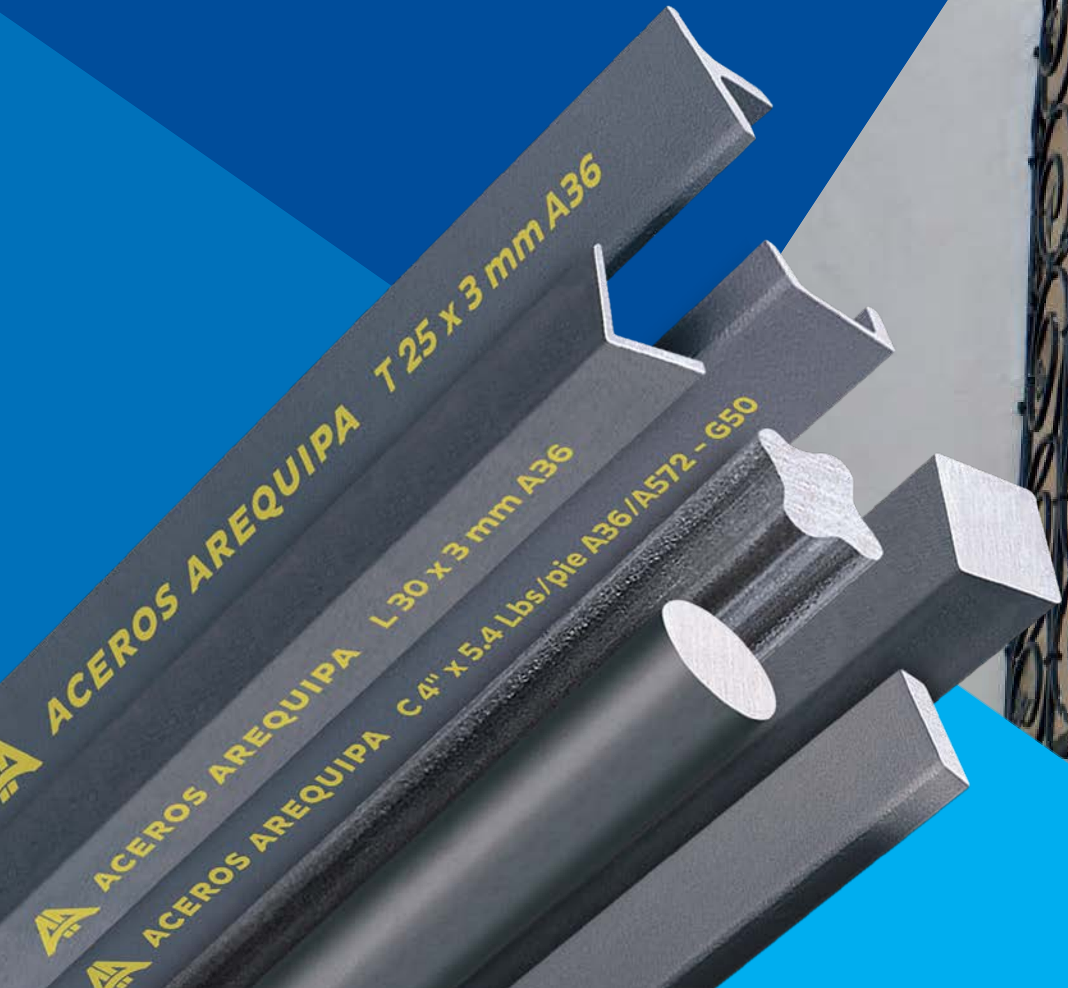
Galvanized corrugated sheets



Galvanized corrugated steel sheet.

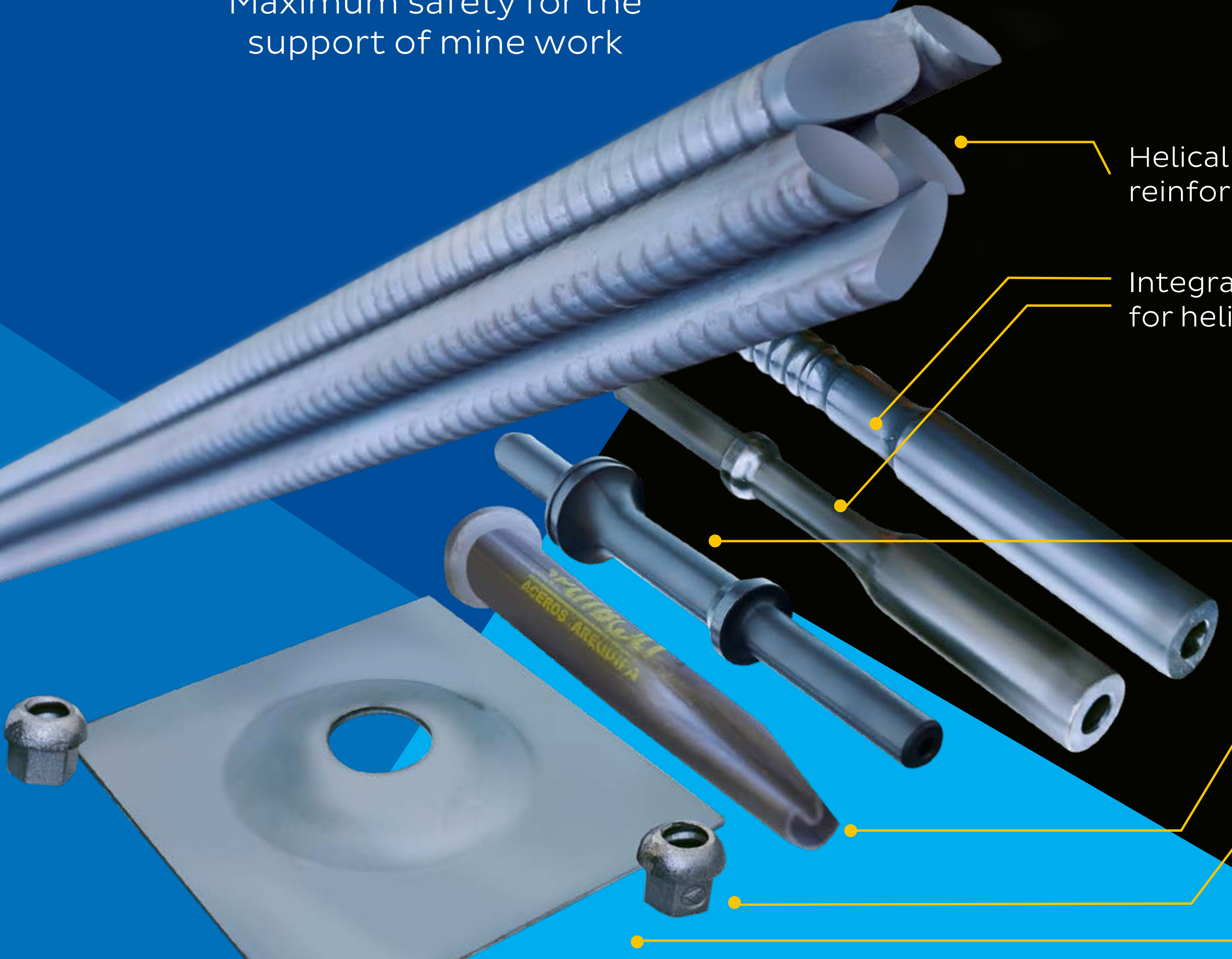
Profiles

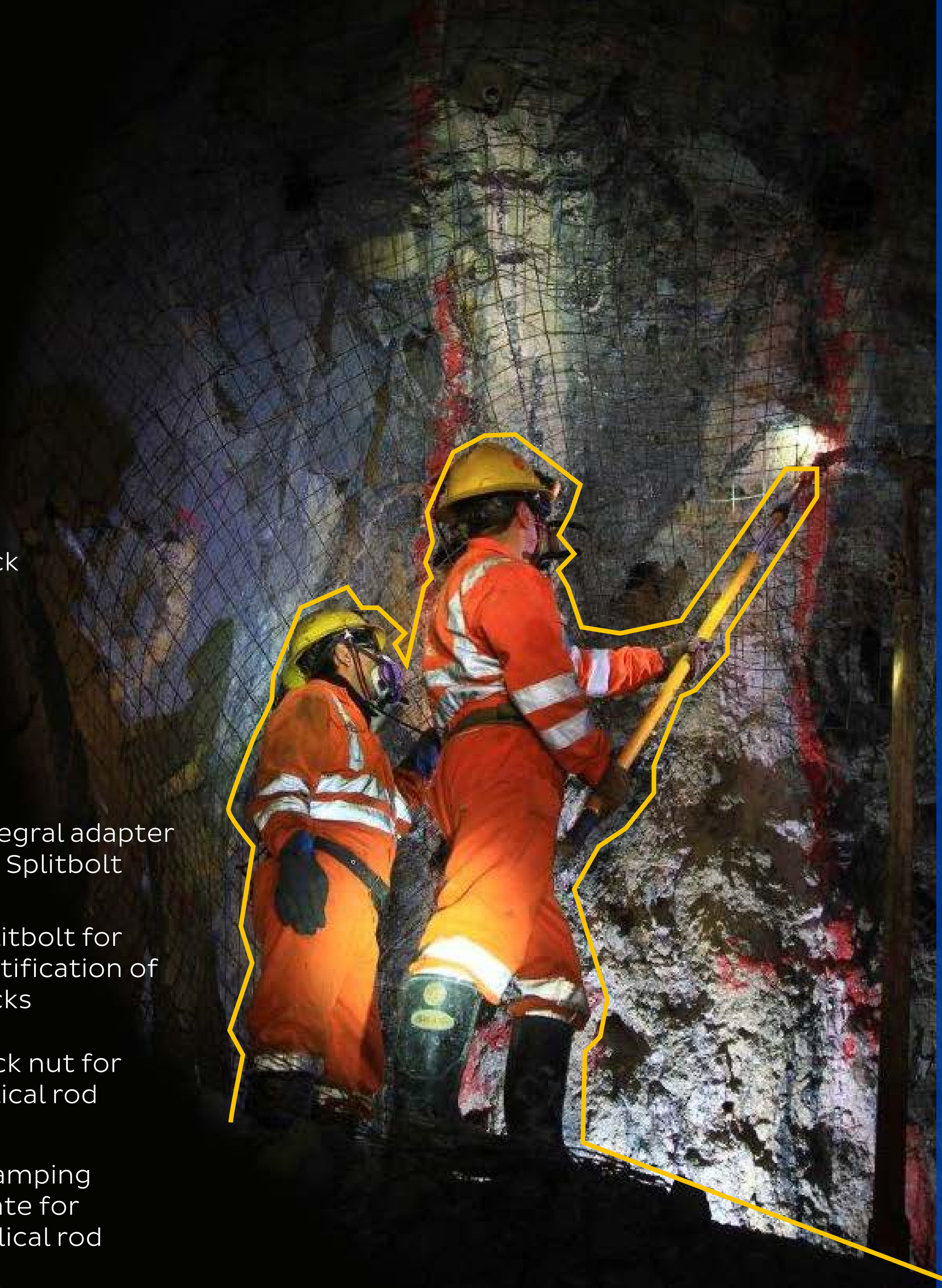
Accurate measurements
for your projects



Rock Support

Maximum safety for the support of mine work





Tools Line

We offer a whole range of tools for working steel

Board of Directors

The Company's Board of Directors was elected for a three-year term at the Annual Shareholders' Meeting held on March 28, 2016.

Chairman
Mr. RICARDO CILLÓNIZ CHAMPÍN

Vice-Chairman
Mr. FERNANDO CARBAJAL FERRAND

Directors
Mr. JOSE ANTONIO BAERTL MONTORI
Mr. PEDRO BLAY HIDALGO
Mr. RICARDO BUSTAMANTE CILLÓNIZ
Mrs. RENEE CILLÓNIZ DE BUSTAMANTE
Mr. MANUEL MONTORI BURBANK
Mr. ENRIQUE OLAZÁBAL BRACESCO
Mr. PABLO PESCHIERA ALFARO
Mr. BELISARIO ROSAS RAZZETO
Mr. DIEGO URQUIAGA HEINEBERG
Mr. ANDREAS von WEDEMEYER KNIGGE

- **Mr. FERNANDO CARBAJAL FERRAND**, business administrator by profession. He served as Manager for Latin America of the North American companies STP Corporation and First Brands Corporation; and as Vice President for Latin America of the company Honeywell International. He is currently President of Plásticos Nacionales S.A., Director of Inmobiliaria Terrano S.A. and Transportes Barcino S.A. He has been a member of the Board of Directors of Corporación Aceros Arequipa since March 13, 1998.

- **Mr. JOSE A. BAERTL MONTORI**, Bachelor in Agricultural Sciences of Universidad Agraria La Molina. Previously, he was Manager at Laminadora del Pacífico S.A., and Manager at Castrovirreyna Cía. Minera S.A. and Volcán Cía. Minera until 1982. In 2018, he was Chairman of the Board of Directors of Agrícola La Venta S.A.C. He is Director at Transportes Barcino S.A. He has been a member of the Board of Directors of Corporación Aceros Arequipa since March 13, 1998.

- **Mr. PEDRO BLAY HIDALGO**, industrial engineer from Pontificia Universidad Católica del Perú, with an MBA from Cornell University and a Masters in International Business from Thunderbird School of Global Management. He serves as Director at Comfer S.A., and Transportes Barcino S.A. He has been a member of the Board of Directors of Corporación Aceros Arequipa since March 28, 2016.

- **Mr. RICARDO BUSTAMANTE CILLÓNIZ**, , agricultural engineer by profession, studied at the California Polytechnic State University and took the PAD at the Universidad de Piura. Since 1995, he has served as General Manager and founder of Fundo San Fernando S.A. and since 2005 he is General Manager and founder of Agrícola La Joya S.A.C. He is Director at Transportes Barcino S.A. He has been a member of the Board of Directors of Corporación Aceros Arequipa since December 22, 2011.

- **Mrs. RENEE CILLÓNIZ DE BUSTAMANTE**, with studies in commerce, serves as General Manager at Renemar S.A. She is Director at Fundo San Fernando S.A. and Transportes Barcino S.A. She is a member of the Board of Directors of Corporación Aceros Arequipa since July 22, 2005.

- **Mr. MANUEL MONTORI BURBANK,** is a lawyer graduated from Universidad de Lima and holds a MBA from Harvard Business School. He is currently Deputy Chief Executive Officer at Altozano Desarrollo y Construcción. He has been Chairman of the Board of Directors of Citileasing Peru and member of the Board of Directors 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 Director at Transportes Barcino S.A. He has been a member of the Board of Directors of Corporación Aceros Arequipa since March 23, 2017.

- **Mr. ENRIQUE OLAZÁBAL BRACESCO**, lawyer by profession from Pontificia Universidad Católica del Perú, has experience in the area of legal advice to companies of national and international prestige. For many pears, he was a member of Estudio Romero, Abogados, of which he became one of the four main partners. He personally advised, among others, important national and foreign clients such as: Banco de Crédito del Perú, Compañía de Seguros Rímac, Compañía Minera Atacocha, TEXACO, BASF, Marriot Perú, among others. He has experience in managing arbitration proceedings. He is Director at Transportes Barcino S.A. He has been a member of the Board of Directors of Corporación Aceros Arequipa since March 13, 1998.

- **Mr. PABLO PESCHIERA ALFARO**,holds a B.S. in Mechanical Engineering from the University of California, Berkeley, and a MBA from Stanford University. He is a business consultant and entrepreneur. He has been and is Director at several companies in the industrial, construction, trade, services and agricultural sectors. He is currently Director at Transportes Barcino S.A., 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. He has been Chairman of the Board of Directors of Redondos S.A. and Director at COSAPI S.A. He is Chairman of the Investment Committee of Fondo HMC Capital High Yield Perú FI. He has been a member of the Board of Directors of Corporación Aceros Arequipa since February 28, 2008.

- **Mr. BELISARIO ROSAS RAZZETO,** with studies in agriculture and business administration, served, for the last 25 years, as Manager at major agricultural and commercial companies. Currently, he is Director of agro-industrial and commercial companies as well as at Transportes Barcino S.A. He has been a member of the Board of Directors of Corporación Aceros Arequipa since March 13, 1998.

- **Mr. DIEGO URQUIAGA HEINEBERG**, Bachelor of Science in Animal Science from California Polytechnic State University and Master of Business Administration from Universidad de Piura. Zootechnician and Business Administrator by profession, he has been Manager at various national and multinational companies, in the industrial, food and services sectors. He is currently an independent entrepreneur. He is Director at Transportes Barcino S.A. He has been a member of the Board of Directors of Corporación Aceros Arequipa since November 27, 2003.

- **Mr. ANDREAS von WEDEMEYER KNIGGE**, obtained the Dipl.-Kfm. degree in business administration at the University of Hamburg, Germany. He holds the position of Chief Executive Officer and General Manager at Corporación Cervesur S.A.A. He is President of the various companies that compose Corporación Cervesur, as well as Chairman of the Board of Directors of Euromotors S.A., Altos Andes S.A., Euro Camiones, Euroinmuebles and Renting S.A.C. He is Chairman of the Board of Directors of La Positiva Seguros y Reaseguros; La Positiva Vida Seguros y Reaseguros and La Positiva Entidad Prestadora de Salud - EPS. He is Director at Corporación Financiera de Inversiones (CFI), Ferreycorp S.A.A., and Ferreyros S.A., Transportes Barcino S.A., as well as at Alianza Compañía de Seguros y Reaseguros and Alianza Vida Seguros y Reaseguros (Bolivia), among others. He is Past-President of the National Society of Industries and Director at Comex Perú. He has been a member of the Board of Directors of Corporación Aceros Arequipa since March 24, 2010.

Given that Director, Mr. RICARDO CILLÓNIZ CHAMPÍN, is part of the management team, his professional career is mentioned in the corresponding section.

It should be noted that throughout the fiscal year, the members of the Board of Directors, attending to strategic matters that have been required from them, have attended more than the 12 regular meetings, totaling 14 meetings, in line with the objectives of the Company. The November meeting of the Board of Directors was held at the Pisco plant, after which the directors observed the new equipment installed at the factory and toured the site where the new steel mill will be built. On the other hand, the Audit and Risk Committee and the Appointments, Remuneration and Human Resources Committee, which are composed of members of the Board of Directors, met a total of 9 times throughout the year.

Additionally, and because they are considered to be of interest, mention is made of those persons who, during the last few years, have been part of the Board of Directors of the ex-Aceros Arequipa S.A. and were Directors of Corporación Aceros Arequipa S.A. as of December 2018.

José Antonio Baertl Montori	since March 1988
Fernando Carbajal Ferrand	since March 1985
Ricardo Cillóniz Champín	since March 1985
Enrique Olazábal Bracesco	since March 1985
Belisario Rosas Razzeto	since March 1985

Management Team

Management Team

The members of the management team of Corporación Aceros Arequipa S.A. are detailed below; given that an important part of its members were part of ex-Aceros Arequipa S.A., their seniority in the position will also consider the period worked at the aforementioned business name.

Mr. RICARDO CILLÓNIZ CHAMPIN, civil engineer with a Master's Degree in Business Administration from Michigan State University. He held the position of Managing Director since January 1988. He is Director at Rímac-Internacional Cía. de Seguros y Reaseguros, Intradevco Industrial S.A., Transportes Barcino S.A., Celepsa S.A., among others. As of January 1, 2007, he filled in the position of Chief Executive Officer.

Mr. TULIO SILGADO CONSIGLIERI, agricultural engineer from the Universidad Nacional Agraria, with studies at the Kellogg School of Management, among others. He has been General Manager since January 2015. Previously, he was General Managing Director at Cerámica San Lorenzo from 1994 to 2015. Director at Cerámicas Cordillera Chile and Director at Cerámica San Lorenzo Colombia. Sales Manager for Central America and the Caribbean at ICI (Imperial Chemical Industries), General Manager at ICI Dominicana and Agrochemical Manager at ICI Peru from 1987 to 1994. He is currently Director at companies such as Fundo Buenos Aires Quilmana SAC, Fruto del Monte SAC and Fábrica Peruana Eternit.

Mr. AUGUSTO CORNEJO CAÑEDO, electrical-mechanical engineer, Master in Administration with a major in Business Management and Doctor in Business Sciences from the Universidad San Luis Gonzaga de Ica. He holds the position of Central Production Manager since January 2016. Previously, he served as Manager of Rolling and Finishing Plants and Superintendent of Rolling.

Mrs. PATRICIA CARRILLO VILLARÁN, economist with a Master's Degree in Business Administration. She served as Supply Chain Manager from October 2013 to May 2018.

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Mrs. MARIANA TALAVERA RUBINA, engineer in Business Management from the Universidad Nacional Agraria La Molina. She has held the position of Supply Chain Manager since June 2018. Previously, she held local management positions in purchasing and supply chain areas at companies such as Kimberly Clark, Intralot del Perú and ABInbev and the regional purchasing management position at Kimberly Clark.

Mr. GONZALO ARROSPIDE DEL BUSTO, , business administrator, with graduate studies at ESAN and Northwestern University in the United States. He has held the position of Commercial Manager since December 1998; he previously worked at Cerámica Lima S.A. as Commercial Manager.

Mr. RICARDO GUZMÁN VALENZUELA, business administrator with a major in finance at The University of Texas at Austin, with an MBA at the University of Chicago Booth School of Business. He has been the Company's Corporate Finance Manager since July 2011 and has held the position of Administration and Finance Manager since April 2017. Previously, he was Executive Director in Corporate and Investment Banking at BBVA and was responsible for mergers and acquisitions in Peru. Previously, he worked in Corporate Finance for various financial institutions.

Mr. DIEGO ARRÓSPIDE BENAVIDES, industrial engineer from the Universidad de Lima and Master in Operations Management from the UPC. He has held the position of Strategic Purchasing Manager since July 2017. Previously, he held managerial positions in the areas of purchasing and logistics at companies such as Engie Energía Perú, Peruana de Combustibles, BBVA Continental and British American Tobacco.

Mr. MARCELO ZEVALLOS SÁNCHEZ, lawyer from the Universidad de Lima, with diploma courses in Strategic Management of Organizations at Universidad de Lima and in Human Capital Management at Tecnológico de Monterrey. He has held the position of Human Management Manager since July 2017. Previously, he worked as Human Management Manager for the business unit in Peru of the NUTRESA Group of Colombia, as Human Resources Manager at Mondelez Perú S.A., as Human Resources Manager at Kimberly Clark Perú SRL. and as Senior Legal Advisor also at Kimberly Clark Perú S.A.

Mr. RAFAEL CÁCERES GALLEGOS, electronic engineer, has held the position of Information Technology Manager since September 1999. Previously, he worked as Manager at @Phone S.A. Until 1998 he worked as Operations Manager at Americatel Perú S.A.

Mr. FERNANDO BUSTAMANTE CILLÓNIZ, mechanical engineer from Boston University, with an MBA from the Universidad de Piura. He holds the position of Strategic Control Manager since 2010. Previously, he served as an Internal Consultant, Head of Marketing for the Profiles Line, Corporate Coordinator for Total Quality Management (TQM), and as Head of PCI and Supply Warehouse. Also, he is currently Director at Fundo San Fernando.

Mr. RICARDO CILLÓNIZ REY, industrial engineer from the Universidad de Lima, with an MBA from Kellogg School of Management and a Master's Degree in Engineering from McCormick School of Engineering. He has held the position of Project and Mining Manager since November 2010. Previously, from 2005 to 2010, he served as Consulting Manager at Bain and Company - United Kingdom. In addition, he held positions at Deutsche Bank - London and South Pacific Business Development. Also, he is currently Director at Agroindustrias AIB S.A. and Intradevco Industrial S.A.

Mr. JUAN PEDRO VAN HASSELT, lawyer from the Pontificia Universidad Católica del Perú, with a Master's Degree in Law from George Washington University. He held the position of Legal Affairs Manager from September 2014 to March 2018. Previously, he held the position of Legal Manager at Haug S.A., Compañía Minera Atacocha S.A., Doe Run Perú S.R.L., TIM Perú S.A.C., Procter & Gamble Latin America and was a member of the Court of INDECOPI.

Mr. FRANCISCO ALAYZA CAMARERO, lawyer from the Universidad de Lima and Master in Finance and Corporate Law from ESAN. He has held the position of Legal Affairs Manager since April 2018. Previously, he held managerial positions in Legal and Compliance areas at companies such as Inversiones Centenario, Komatsu-Mitsui, Praxair and as Legal Director - LATAM at ESCO.

Mr. HUMBERTO BARRAGÁN HERRERA, , is a certified public accountant from the Pontificia Universidad Católica del Perú - PUCP. He holds a postgraduate degree in internal audit, management control and quality management from the Universidad de Lima, as well as a postgraduate degree in finance and international accounting standards from Universidad ESAN. He was External Financial Auditor at KPMG, Internal Auditor at Aliaxis Latinoamérica (a group engaged in the industry of piping, fittings, plastic valves and related products for residential, commercial and industrial construction) based in Costa Rica; Internal Auditor at the road infrastructure construction company in Peru of the H&H Group of Ecuador and Internal Auditor of electric power transmission companies in Peru of the Business Group ISA of Colombia. He was a part-time professor in the Faculty of Accounting Sciences of the PUCP. He has been Internal Audit Manager since December 2013.

Degree of relationship by affinity or consanguinity between Directors and Management Team:

1. Renee Cillóniz de Bustamante and Ricardo Bustamante Cillóniz are related within the first degree by consanguinity.

2. Ricardo Cillóniz Champín and Ricardo Cillóniz Rey are related within the first degree by consanguinity.

3. Ricardo Cillóniz Champín and Renee Cillóniz de Bustamante are related within the second degree by consanguinity.

4. Ricardo Bustamante Cillóniz and Fernando Bustamante Cillóniz are related within the second degree by consanguinity.

6. Ricardo Cillóniz Champín and Ricardo Bustamante Cillóniz are related within the third degree by consanguinity.

Supplemental Information

1. CAPITAL STOCK

A.	Capital stock (*): 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 share:	S/ 1.00
E.	Shares held by national investors: Shares held by foreign investors:	93.75% 6.25%
F.	Shareholding in other companies:	

Company	Share (%)	Nationality
COMERCIAL DEL ACERO S. A.	100.00	Peruvian
TRANSPORTES BARCINO S. A.	99.92	Peruvian
CORPORACION ACEROS AREQUIPA DE IQUITOS S.A.C.	99.90	Peruvian
TECNOLOGÍA Y SOLUCIONES CONSTRUCTIVAS S.A.C.	99.90	Peruvian
CORPORACION ACEROS DEL ALTIPLANO S.R.L.	99.00	Peruvian
INMOBILIARIA COMERCIAL DE ACERO ARGENTINA S.A.C.	33.65	Peruvian
INMOBILIARIA COMERCIAL DE ACERO CAJAMARQUILLA S.A.C.	33.65	Peruvian
COMPAÑÍA ELECTRICA EL PLATANAL S. A.	10.00	Peruvian

2. PRODUCTION

A. Installed capacity: 1’200,000 TM
B. Level of utilization: 83%
C. Work shifts: 3
D. Variation in capacity and its causes: The mentioned capacity is nominal

3. SALES

A. Net sales: S/ 2,623’078,826

Local sales: S/ 2,155’714,258 (82.2%)

Sales abroad: S/ 467’364,568 (17.8%)

B. Main products::

Construction bars and wire rod:	S/ 1,961,565,176
Profiles and smooth bars :	S/ 281,652,436
Sheets, coils and others :	S/ 379,861,214

4. PERSONNEL

Group	Quantity of personnel
Executives	39
Heads	112
Employees	412
Workers	504
Total general	1,067

Comparing these figures with the previous year, a decrease of 62 collaborators (-6%) can be observed as a greater decrease in the groups of executives (-10%) and heads (-5%). In 2017, there was a decrease of 6% compared to 2016.

Of the total personnel, 113 collaborators (10%) are under the hired personnel regime, the remaining 954 are qualified as permanent personnel.

5. SECURITIES

According to General Management Resolution CONASEV No. 061-98-EF/94.11, the common and investment shares of Corporación Aceros Arequipa S.A. were registered in the Public Register of Stock Market as of February 23, 1998, and their evolution during fiscal year 2018 is shown below:

A. Listing of common shares:

Month	Opening	End	Maximum	Minimum	Average
January	0.83	0.96	0.96	0.83	0.86
February	0.90	0.90	0.90	0.88	0.90
March	0.88	0.88	0.90	0.88	0.89
April	0.88	0.96	0.96	0.87	0.91
May	0.96	0.99	1.00	0.96	0.99
June	1.00	0.98	1.01	0.98	0.99
July	0.98	0.99	0.99	0.96	0.98
August	1.00	0.95	1.00	0.95	0.97
September	0.97	0.96	0.98	0.96	0.97
October	0.95	0.90	0.95	0.90	0.92
November	0.91	0.92	0.93	0.91	0.92
December	0.92	0.94	0.94	0.91	0.92

B. Listing of investment shares:

Month	Opening	End	Maximum	Minimum	Average
January	0.720	0.750	0.800	0.710	0.747
February	0.740	0.710	0.750	0.700	0.725
March	0.700	0.750	0.780	0.670	0.735
April	0.760	0.830	0.830	0.740	0.797
May	0.830	0.830	0.860	0.830	0.839
June	0.830	0.770	0.830	0.720	0.790
July	0.760	0.780	0.780	0.730	0.756
August	0.780	0.690	0.780	0.680	0.733
September	0.700	0.680	0.710	0.660	0.676
October	0.680	0.630	0.690	0.610	0.638
November	0.650	0.680	0.690	0.640	0.667
December	0.690	0.700	0.720	0.660	0.678

C. Book value of the share at fiscal year end: S/ 1.83

6. SHAREHOLDERS:

	Share	Origin
- Shareholder A	14.91%	National
- Shareholder B	10.96%	Bahamas
- Shareholder C	8.53%	National
- Shareholder D	8.50%	National
- Shareholder E	5.47%	National

	Share	Origin
- Shareholder F	5.15%	National
- Shareholder G	2.82%	National
- Shareholder H	2.31%	National
- Shareholder I	2.27%	National
- Shareholder J	1.98%	National

Common shares

Holding	Number of shareholders	Share percentage
Lower than 1%	413	26.48
Between 1% and 5%	13	20.00
Between 5% and 10%	4	27.65
Higher than 10%	2	25.87
Total	432	100.00

Investment shares

Holding	Number of holders	Share percentage
Lower than 1%	2,508	65.11
Between 1% and 5%	13	27.11
Between 5% and 10%	1	7.79
Higher than 10%	0	0.00
Total	2,522	100.00

5 Chapter

Annexes

ACEROS AREQUIPA

Corporación Aceros Arequipa S.A.

Separate financial statements as of December 31, 2018 and 2017 together with the opinion of independent auditors

CORPORACIÓN ACEROS AREQUIPA S.A.

Separate financial statements as of December 31, 2018 and 2017 together with the opinion of independent auditors

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OPINION OF INDEPENDENT AUDITORS

EY
Building a better working world

To the Shareholders of Corporación Aceros Arequipa S.A.

We have audited the attached separate financial statements of Corporación Aceros Arequipa S.A., which comprise the separate statement of financial position as of December 31, 2018 and 2017, and the separate statement o f comprehensive income, statement of changes in equity and statement of cash flows for the years then ended, as well as significant accounting policies and other explanatory notes.

Management's Responsibility for Separate Financial Statements

Management is responsible for the reasonable preparation and presentation of these separate financial statements in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, and for the internal control that Management determines is necessary to allow the preparation of separate financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audits. We conducted our audits in accordance with the International Standards on Auditing approved for application in Peru by the Board of Deans of the Peruvian Public Accountants Association. Those 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 of clerical error.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosed information in the separate financial statements. The procedures selected depend on the auditor's judgment, including assessing the risks of clerical error in the separate financial statements, whether due to fraud or error. In making this risk assessment, the auditor considers the Company's relevant internal control over the reasonable preparation and presentation of the separate financial statements to design audit procedures according to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes assessing whether the accounting principles used are appropriate and whether the accounting estimates made by Management are reasonable, as well as evaluating the overall presentation of the separate financial statements.

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

Opinion

In our opinion, the separate financial statements referred to above show reasonably, in all material respects, the separate financial position of Corporación Aceros Arequipa S.A. as of December 31, 2018 and 2017, and its separate financial performance and cash flows for the years then ended, in accordance with the 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 participation 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 15, 2019.

Lima, Peru
February 15, 2019

Paredes, Burga & Asociados

Endorsed by:

Mireille Silva
C.P.C.C. Registration No. 18381

SEPARATE STATEMENT OF FINANCIAL POSITION

As of December 31,2018 and 2017

Assets	Note	2018 S/(000)	2017 S/(000)
Current assets			
Cash and cash equivalents	2.2(a) and 5(a)	228,988	318,194
Trade accounts receivable, net	2.2(b.1) and 6(a)	335,005	267,235
Accounts receivable to related parties	2.2(b.1) and 7(b)	61,631	36,219
Current portion of other accounts receivable	2.2(b.1) and 8(a)	30,499	15,331
Inventories, net	2.2(e) and 9(a)	927,685	695,209
Prepaid expenses	2.2(p) and 10(a)	5,213	3,070
		1,589,021	1,335,258
Assets held for sale	2.2(t) and 1(d)	63,161	74,952
Total current assets		1,652,182	1,410,210
Non-current assets			
Investment in subsidiaries and associates	2.2(f) and 11(a)	330,936	241,939
Other short-term accounts receivable	2.2(b.1) and 8(a)	9,129	8,615
Accounts receivable to related parties	2.2(b.1) and 7(b)	13,725	8,549
Property, plant and equipment, net	2.2(g) and 12(a)	1,434,984	1,351,902
Exploitation rights and others, net	2.2(m) and 13	27,651	-
Intangibles, net	2.2(h) and 14(a)	40,127	43,727
Other assets, net	2.2(i) and 15(a)	37,465	37,855
Total non-current assets		1,894,017	1,692,587
Total assets		3,546,199	3,102,797

Liabilities and shareholders' equity	Note	2018 S/(000)	2017 S/(000)
Current liabilities			
Current portion of financial liabilities	2.2(b.3) and 16(a)	545,141	291,232
Trade accounts payable	2.2(b.3) and 17(a)	434,753	349,479
Accounts payable to related parties	2.2(b.3) and 7(b)	21,320	16,172
Other accounts payable	2.2(b.3) and 18(a)	61,188	47,944
Current income tax	2.2(q) and 19(d)	17,381	11,565
Total current liabilities		1,079,783	716,392
Non-current liabilities			
Long-term financial liabilities	2.2(b.3) and 16(a)	341,842	356,343
Other long-term liabilities	2.2(b.3)	7,761	-
Deferred income tax liabilities, net	2.2(q) and 19(a)	157,597	177,818
Total non-current liabilities		507,200	534,161
Total liabilities		1,586,983	1,250,553
Shareholders' equity	20		
Capital stock		890,858	941,875
Investment shares		190,052	200,936
Treasury shares		(7,644)	(69,545)
Statutory reserve		165,074	152,169
Revaluation surplus		220,482	224,207
Retained earnings		500,394	402,602
Total shareholders' equity		1,959,216	1,852,244
Total liabilities and shareholders' equity		3,546,199	3,102,797

Las notas a los estados financieros separados adjuntos son parte integrante de este estado separado.

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31,2018 and 2017

	Note	2018 S/(000)	2017 S/(000)
Net sales	2.2(o) and 21	2,623,078	2,359,788
Selling cost	2.2(p) and22	(2,200,892)	(2,019,535)
Gross profit		422,186	340,253
Operating income (expenses)			
Cost of goods sold	2.2(p) and 23	(76,173)	(83,872)
Administrative expenses	2.2(p) and 24	(76,880)	(72,689)
Other income	2.2(o) and 26	21,543	17,098
Other expenses	2.2(p) and 26	(58,452)	(37,752)
		(189,962)	(177,215)
Operating profit		232,224	163,038
Financial income	2.2(o) and 27	8,388	4,603
Financial expenses	2.2.(j) and 27	(33,074)	(32,244)
Exchange rate difference, net	2.2(d) and 30	(1,745)	1,769
Income sharing of subsidiaries and associates	2.2(f) and 11(6)	16,383	29,971
		222,176	167,137
Profit before income tax			
	2.2(q) and 19(c)	(58,942)	(39,240)
Income tax expenses			
		163,234	**127,897**
Net profit			

Las notas a los estados financieros separados adjuntos son parte integrante de este estado separado.

Other comprehensive income	Note	2018 S/(000)	2017 S/(000)
Fair value of land	2.2(g)	-	(20,752)
Sale of property and realization of revaluation surplus, net of its tax effect	2.2(g)	(15)	(19,728)
Other	2.2(f) and 11(c)	4	13
Other comprehensive income for the year,net of income tax		(11)	(40,467)
Total comprehensive income for the year, net of income tax		163,223	87,430
Basic and diluted net earnings per share	29	0.15	0.12
Weighted average of outstanding shares (in thousands of units)	29	**1,085,597**	**1,085,597**

SEPARATE STATEMENT OF CHANGES IN EQUITY
For the years ended December 31,2018 and 2017

	Capital Stock S/(000)	Investment Shares S/(000)	Treasury Shares S/(000)	Statutory Reserve S/(000)	Revaluation Surplus S/(000)	Retained Earnings S/(000)	Total S/(000)
Balance as of January 1, 2017	**941,875**	**200,936**	**(37,391)**	**142,175**	**264,674**	**299,629**	**1,811,898**
Net profit for the year	-	-	-	-	-	127,897	127,897
Fair value of land, note 1(d.3)	-	-	-	-	(20,752)	-	(20,752)
Sale of property and realization of revaluation surplus,note 12(d)	-	-	-	-	(8,576)	-	(8,576)
Sale of property of subsidiary and realization of revaluation surplus	-	-	-	-	(11,152)	-	(11,152)
Other	-	-	-	-	13	-	13
Total comprehensive income for the year	-	-	-	-	**(40,467)**	**127,897**	**87,430**
Payment of dividends, note 19 (f)	-	-	-	-	-	(40,130)	(40,130)
Appropriation to statutory reserve, note 19 (e)	-	-	-	9,842	-	(9,842)	-
Transfer of dividends due, note 19 (e)	-	-	-	152	-	-	152
Transactions with treasury shares, note 19 (c)	-	-	(32,154)	-	-	25,048	(7,106)
Balance as of December 31, 2017	**941,875**	**200,936**	**(69,545)**	**152,169**	**224,207**	**402,602**	**1,852,244**
Net profit for the year	-	-	-	-	-	163,234	163,234
Sale of property and realization of revaluation surplus, note 1 (d.2)and20(d)	-	-	-	-	(3,714)	3,714	-
Sale of property of subsidiary and realization of revaluation surplus, note 20(d)	-	-	-	-	(15)	-	(15)
Other	-	-	-	-	4	-	4
Total comprehensive income for the year	-	-	-	-	**(3,725)**	**166,948**	**163,223**
Payment of dividends, note 20(f)	-	-	-	-	-	(56,366)	(56,366)
Appropriation of statutory reserve, note20(e)	-	-	-	12,790	-	(12,790)	-
Transfer of dividends due, note20(f)	-	-	-	115	-	-	115
Reduction of investment shares and treasury shares, note20(a), (b)and (c)	(51,017)	(10,884)	61,901	-	-	-	-
Balance as of December 31, 2018	**890,858**	**190,052**	**(7,644)**	**165,074**	**220,482**	**500,394**	**1,959,216**

Las notas a los estados financieros separados adjuntos son parte integrante de este estado separado.

SEPARATE STATEMENT OF CASH FLOWS
Forthe years ended December 31,2018 and 2017

	Note	2018 S/(000)	2017 S/(000)
Operation activities			
Collection for sale of goods		2,555,239	2,264,239
Payment to suppliers of goods and services		(2,300,886)	(1,812,010)
Payment of remuneration and social benefits		(176,557)	(181,830)
Tax payment		(79,721)	(66,258)
Other collection in cash related to the activity		27,652	24,337
Net cash from operation activities		**25,727**	**228,478**
Investment activities			
Dividends received	11(c)	13,486	3,717
Sale of property, plant and equipment	26	12,513	14,560
Interest received	27	8,388	4,604
Purchase of subsidiary, net	11(b)	(84,584)	-
Purchase of property, plant and equipment	12(a)	(120,434)	(62,419)
Purchase of intangibles	14(a)	(4,803)	(3,863)
Purchase of other assets	15(a)	(10)	(27)
Net cash used in investment activities		**(175,444)**	**(43,428)**
Financing activities			
Increase of financial liabilities	16(o)	1,254,753	686,333
Payment of financial liabilities	16(o)	(1,096,124)	(696,974)
Interest payment	27	(33,075)	(32,243)
Dividends paid to shareholders	20(f)	(56,366)	(40,130)
Net cash (used in) from financing activities		**69,188**	**(83,014)**

	Note	2018 S/(000)	2017 S/(000)
Decrease (increase) of cash and cash equivalents		(80,529)	102,036
Exchange rate difference of cash and cash equivalents		(8,677)	(10,432)
Cash balance and cash equivalents at the beginning of the year		318,194	226,590
Cash balance and cash equivalents at the end of the year	5(a)	228,988	318,194
Transactions that do not generate movements of funds:			
Acquisition of assets under financial lease	12(a)	75,687	6,035
Transfer of advance payments to property, plant and equipment		-	3,635
Dividends received	11(c)	-	4,871
Transfer of treasury shares	20(a)	-	32,154
Fair value of land		-	20,752
Sale of property and realization of revaluation surplus		3,714	8,576
Sale of land of subsidiaries		15	11,152
Income sharing of subsidiaries and associates	11(e)	16,383	29,971

Las notas a los estados financieros separados adjuntos son parte integrante de este estado separado.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

As of December 31,2018 and 2017

1. Economic Activity

(a) Identification -

Corporación Aceros Arequipa S.A. (hereinafter “the Company”) is a Peruvian corporation incorporated on December 31, 1997 as a result of the merger of Aceros Arequipa S.A. and its subsidiary AcerosCalibrados S.A. The Company is a corporation listed in the Lima Stock Exchange and its registered office is CarreteraPanamericana Sur No. 241, Paracas, Ica.

(b) Economic Activity -

The Company is engaged in the manufacture of corrugated iron, construction wire rod, steel profiles and other steel by-products substantially traded in the country and a minor portion of its production is exported to Bolivia and other countries. For this purpose, the Company has a steel mill and two rolling lines located in the city of Pisco.

On November 25, 2016, the Board meeting approved the definitive suspension of the production activities of the Arequipa plant, see section (d) below, and in order to improve the efficiency of its production processes and face global competitors, the Company’s Management decided to concentrate the total production in its Pisco plant, in which, in a Board meeting held on January 25, 2018, it was agreed to construct a new electric furnace with a capacity of 1,250,000 MT/year with a planned investment of approximately US$180,000,000, with an expected commissioning by mid-2020.

(c) Financial Statements -

The separate financial statements as of December 31, 2017 and for the year then ended were approved and authorized for publication at the Shareholders’ Meeting held on March 26, 2018. The separate financial statements as of December 31, 2018 will be approved by the Board of Directors and

Shareholders of the Company during the first quarter of 2019.

In addition, 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, not including the effects of consolidation with those of its subsidiaries.

The Company has also prepared consolidated financial statements in accordance with IFRS 10, which are presented separately. For a proper interpretation of the separate financial statements in accordance with IFRS, they should be read in conjunction with the consolidated financial statements. The consolidated financial statements as of December 31, 2018 and 2017, show the following balances for the most significant items:

	2018 S/(000)	2017 S/(000)
Current assets	**2,032,045**	**1,428,590**
Total assets	**3,841,126**	**3,117,138**
Current liabilities	**1,302,104**	**715,881**
Total liabilities	**1,833,394**	**1,264,894**
Shareholders' equity	**2,007,732**	**1,852,244**
Total income from ordinary activities	**2,789,681**	**2,365,180**
Net profit for the year	**211,750**	**127,897**

(d) Assets held for sale -

In connection with the decision to definitively suspend the production activities of the Arequipa plant, mentioned in section 1(b) above, the Company publicly announced its decision to sell some real property. Consequently, they have been classified as assets held for sale. In accordance with IFRS 5 "Non-Current Assets held for Sale and Discontinued Operations", related assets and liabilities are presented in the separate statement of financial position at cost orfair value less selling costs.

Assets held for sale as of December 31, 2018 and 2017 are shown below:

	2018 S/(000)	2017 S/(000)
Inmuebles – Arequipa (d.1) y (d.4)	63,161	58,991
Inmuebles – Callao (d.2)	-	10,471
Inmuebles - Pisco (d.3)	-	5,490
	63,161	**74,952**

(d.1)As of December 31, 2018, and as a consequence of the closing of the plant in Arequipa, this balance mainly includes land for an amount of approximately S/52,564,000; as well as the transfer of land included in item Property, Plant and Equipment to assets held for sale for an amount of approximately S/10,597,000.

(d.2)In 2018, the Company sold the land in Callao for an amount of approximately S/10,471,000; in this regard, the Company transferred the revaluation surplus to retained earnings for an amount of approximately S/3,714,000. In 2017, for the sale of the three plots of land and buildings and a donation of a plot of land in Callao and Pisco for a total amount of S/15,315,000, the Company decreased the revaluation surplus by S/4,298,000.

(d.3)In 2018, the Company transferred two plots of land located in the provinces of Pisco and Paracas from assets held for sale to property, plant and equipment for approximately S/4,486,000 and S/1,004,000, respectively.

(d.4)In 2017, the Company appraised its land located in the city of Arequipa to measure its fair value and compare it with its book value in accordance with IFRS 5 “Assets held for Sale”.In this regard, a decrease in the value of approximately S/20,752,000 net of its tax effect was determined, for which reason the revaluation surplus held as a reserve for said land was reduced.

The Company has evaluated the recoverable value of those assets and has determined that their fair value, less expenses to sell them, exceeds their historical cost. In this regard, the Company maintained the cost of the properties in the separate statement of financial position in the short term on December 31, 2018.

Furthermore, as of December 31, 2018 and 2017, the lands forming the balance of properties held for sale contains a revaluation surplus of approximately S/4,603,000 and S/8,317,000, respectively, which is presented net of deferred income tax under the item“Revaluation Surplus” in the separate statement of changes in equity.

2. Summary of Significant Accounting Policies

2.1 Preparation Bases –

2.1.1 Statement of Compliance -

The separate financial statements have been prepared in accordance with the International Financial Reporting Standards (hereinafter “IFRS”) issued by the International Accounting Standards Board (hereinafter “IASB”) in force as of December 31, 2018.

2.1.2 Measurement Basis -

Under such standards, there is no obligation to prepare separate financial statements; however, in Peru, companies are required to prepare them in accordance with applicable legal regulations. Consequently, 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 proper interpretation of the separate financial statements in accordance with IFRS, they should be read in conjunction with the consolidated financial statements of the Company and its Subsidiaries which are presented separately.

The separate financial statements have been prepared on the basis of historical cost, from the Company's accounting records, except for land 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 (S/000), except where otherwise noted.

2.1.3 Preparation and Presentation Bases -

The accounting policies adopted are consistent with those applied in previous years; except for the new revised IFRS and IAS that are mandatory for periods beginning on or after January 1, 2018 and that the Company has already adopted.However, due to the Company's structure and the nature of its operations, the adoption of such standards did not have a material effect on its financial position and results; therefore, it has not been necessary to amend the Company's comparative financial statements.

2.2 Summary of Significant Accounting Policies -

The following describes the Company's significant accounting policies for the preparation of its separate financial statements:

(a) Cash and Cash Equivalents -

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

(b) Financial Assets -

Initial Recognition and Measurement -

Financial assets are classified, upon initial recognition, as measured at depreciation cost, at fair value with changes in other comprehensive income, and at fair value through profit or loss.

The classification of financial assets upon initial recognition depends on the characteristics of the

contractual cash flows of the financial asset and the Company's business model for managing them. With the exception of trade accounts receivable that do not contain a significant financial component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at fair value plus, in the case of a financial asset that is not at fair value through profit or loss, transaction costs. Accounts receivable that do not contain a significant financial component or for which the Company has not applied the practical expedient are measured at the transaction price determined in accordance with IFRS 15.

For a financial asset to be classified and measured at depreciation cost or fair value with changes in other comprehensive income, it needs to result in cash flows that are "principal and interest payments (PIP) only" arising from the current principal amount.

This assessment is referred to as the PIP test and is performed at the level of each instrument.
The Company's business model for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will result from collecting the 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 depreciation cost (debt instruments).
(ii) Financial assets at fair value with changes in other comprehensive income with carryforward of accumulated gains and losses (debt instruments).
(iii) Financial assets at fair value with changes in other comprehensive income that are not carried forward to gains and losses when derecognized (debt instruments).

(iv) Financial assets at fair value through profit or loss.

Financial Assets at Depreciation Cost (debt instruments) -
This category is the most relevant for the Company.
The Company measures financial assets at depreciation cost if the following conditions are met:

(i) The financial asset is held for the purpose of holding financial assets to collect contractual cash flows; and
(ii) The contractual terms of the financial asset give rise on specific dates to cash flows that are only principal and interest payments on the outstanding principal amount.

Financial assets at depreciation cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profits or losses when the asset is derecognized, modified or impaired.

The Company's financial assets held at depreciation cost include trade accounts receivable and loans to third parties.

Financial Assets at Fair Value with Changes in OtherComprehensive 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 for the purpose of having the right to collect contractual cash flows and then sell them; and
(ii) The contractual terms of the financial asset give rise on specific dates to cash flows that are onlyprincipal and interest payments on the outstanding principal amount.

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

Financial Assets designated at Fair Value with Changes in Other Comprehensive Income (equity instruments) –
Upon initial recognition, the Company elects to irrevocably classify its equity instruments as equity instruments designated at fair value with changes in other comprehensive

income when they meet the definition of equity under IAS 32 “Financial Instruments: Presentation” and are not held for trading. Classification is determined on an instrument-by-instrument basis.

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

The Company does not own equity instruments.

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets that are required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for sale or repurchase in the short term. Derivatives are classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not only principal and interest payments are classified and measured at fair value through profit or loss, regardless 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 separate statement of comprehensive income.

Derecognition -
A financial asset (or, if appropriate, part of a financial asset or part of a group of similar financial assets) is derecognized, i.e. removed from the separate statement of financial position, when:

(i) The contractual rights to receive the cash flows generated by the asset have expired; or
(ii) The Company has transferred its rights to receive the cash flows generated by the asset, or has assumed an obligation to pay to a third party all of those cash flows without significant delay, through

an intermediation agreement; and (a) the Company has transferred substantially all the risks and rewards of ownership of the asset; or (b) the Company has neither transferred nor retained substantially all the risks and rewards of ownership of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive the cash flows generated by the asset, or an intermediation agreement has been entered into, the Company assesses whether and to what extent it has retained the risks and rewards of ownership of the asset. When the Company has neither transferred nor retained substantially all the risks and rewards of ownership of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset for accounting purposes. In that case, the Company also recognizes the related liability. The transferred asset and related liability are measured in a manner that reflects the rights and obligations that the Company has retained.

Impairment of Value of Financial Assets -
The Company recognizes a provision for expected credit loss (ECL) for all debt instruments not held at fair value through profit or loss. ECL is based on the difference between contractual cash flows due under the contract and all cash flows the Company expects to receive, discounted at a rate that approximates the original effective interest rate. Expected cash flows will include cash flows from the sale of guarantees held or other guarantees received.

ECL is recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, the ECL is recognized for losses resulting from events of default that are possible within the following 12 months (“12-month ECL”). For credit exposures for which there has been a significant increase in credit risk since initial recognition, an impairment loss is required for expected credit losses over the remaining life of the exposure, regardless of the timing of default (“lifetime ECL”).

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

The Company considers a financial asset to be in default when contractual payments are 90 days past due. However, in certain cases, the Company may consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive contractual amounts due before the Company enforces the guarantees received. 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, upon initial recognition, as financial liabilities at fair value through profit or loss, loans, accounts payable, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are initially recognized at fair value and, in the case of loans and accounts payable, net of directly attributable transaction costs.

Financial liabilities include trade accounts and sundry accounts payable, debts and loans that accrue any interests.

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 incurred with the purpose of trading in the near future; gains or losses related to these liabilities are recognized in profit or loss. This category also includes derivative financial instruments taken by the Company that are not designated as effective hedging instruments as defined in IFRS 9.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated as such at the date of initial recognition only if the criteria defined in IFRS 9 are met.

The Company has not designated financial liabilities at fair value through profit or loss.

Debts and Loans that accrue Interest -
Upon initial recognition, debts and loans that accrue interest are subsequently measured at depreciation cost using the effective interest rate method. Gains and losses are recognized in the separate statement of comprehensive income when liabilities are derecognized, as well as through the interest accrual process using the effective interest rate method.

The depreciation cost is calculated taking into account any discount or premium on the acquisition and any fees or costs that are an integral part of the effective interest rate. Amortization of the effective interest rate is recognized as financial cost in the separate statement of comprehensive income.

This category generally applies to current and non-current debts and loans that accrue interest. See note 16 for more information.

Derecognition -
A financial liability is derecognized when the obligation has been paid or cancelled or has fallen due. When an existing financial liability is replaced by one from the same lender under substantially different conditions, or when the terms of an existing liability change substantially, such swap or modification is treated as a derecognition of the original liability and recognition of a new liability. The difference in the respective carrying amounts is recognized in the separate statement of comprehensive income.

Set-off of Financial Assets and Liabilities -
Financial assets and financial liabilities are offset so that the net amount is reported in the separate statement of financial position, if there is a current legally enforceable right to offset the recognized amounts, and if there is an intention to settle them for the net amount, or to realize the assets and write off liabilities simultaneously.

(d) Derivative Financial Instruments and Accounting Hedges -
Derivative financial instruments are initially recognized at fair values at the date the derivative contract is entered into and are subsequently re-measured at 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 hedge exposure to changes in the fair value of recognized assets or liabilities, or unrecognized firm commitments;
(ii) Cash flow hedges, when they hedge the exposure to changes in cash flows attributed to either a particular risk associated with a recognized asset or liability or a highly probable expected transaction, or to the exchange rate risk of an unrecognized firm commitment;
(iii) Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wants to apply hedge accounting, the objective of risk management and the strategy for carrying out the hedge.

Until January 1, 2018, documentation included the identification of the hedging instrument, the hedged item or transaction, the nature of the hedged risk and how the Company would assess the effectiveness of the hedge against changes in the fair value of the hedging instrument by offsetting changes in the fair value of the hedged item or changes in cash flows attributable to the hedged risk. The Company expects hedges to be highly effective in offsetting changes in fair value or changes in cash flows, and evaluates them on an ongoing basis to determine whether they have actually been highly effective over the periods for which they were designated.

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

(i) There is an economic link between the hedged item and the hedging instrument.

(ii) The credit risk effect does not dominate changes in value resulting from the economic link.

(iii) The hedge ratio of the hedge relationship is the same as the amount of the hedged item that the Company actually hedges and the amount of the hedging instrument that the Company actually uses to hedge the amount of the hedged item.

Hedges that meet all criteria for hedge accounting are recorded as cash flow hedges

Cash flow Hedges -

The effective portion of the gain or loss on a hedging instrument is recognized as other comprehensive income in the cash flow hedge reserve, while the ineffective portion is immediately recognized in the separate statement of comprehensive income. The ineffective portion related to foreign currency contracts is recognized as financial expense.

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

Effective 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 separate component of equity under the concept of hedge reserve cost.

For any cash flow hedge, the cumulative amount in other comprehensive income is transferred to income for the year as a reclassification adjustment in the same period or periods during which the hedged cash flows affect income.

If cash flow hedges are discontinued, the cumulative amount in other comprehensive income should remain in other accumulated comprehensive income if the hedged cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to net income for the year as a reclassification adjustment. After discontinuation, once the hedged cash flows occur, any amount remaining in other accumulated comprehensive income should be recorded taking into account the nature of the underlying transaction.

As of December 31, 2018 and 2017, the Company has no derivative financial instrument transactions for which hedge accounting is used.

(e) Classification of Items in Current and Non-current -

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

An asset is classified as current when the entity:

- expects to realize the asset or intends to sell or consume it in its normal operating cycle;
- holds the asset primarily for trading purposes;
- expects to realize the asset within twelve months after the reporting period;
- the asset is cash or cash equivalents unless cash is restricted

and cannot be exchanged or used to write off a liability for a period of at least twelve months after the end of the reporting period.

All other assets are classified as non-current.

A liability is classified as current when the entity:
- expects to write off the liability in its normal operating cycle;
- holds the liability primarily for trading purposes;
- the liability must be written off within 12 months after the end of the reporting period; or
- does not have an unconditional right to defer write-off of the liability for at least twelve months after the end of the reporting period.

All other liabilities are classified as non-current.

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

(f) Transactions in Foreign Currency -

(i) Functional currency and presentation currency -
The Company has defined the Sol as its functional and presentation currency.

(ii) Transactions and balances in foreign currency -
Transactions in foreign currency are those carried out in a currency other than the functional currency. Transactions in foreign currency 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 on the date of the separate statement of financial position. Exchange gains or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities into foreign currency at the exchange rates prevailing on the date of the separate statement of financial position are recognized in item"Exchange rate differences, net" in the separate statement of comprehensive income. Non-monetary assets and liabilities determined in foreign currency are translated into the functional currency at the exchange rate in effect on the date of the transaction.

(g) Inventories -

Inventories are valued at the cost or net realizable value, whichever is the lesser. Costs incurred to bring each good to its current location and condition are accounted for as follows:

- Goods, ancillary materials, supplies and spare parts - At acquisition cost, using the weighted average method.

- Finished goods and inprocess - At raw material cost, direct labor, other direct costs, manufacturing overhead and a proportion of fixed and variable manufacturing costs based on normal operating capacity, following the weighted average method. Also excluded are financing costs and exchange rate differences.

- Inventories receivable - At the specific cost of acquisition.

Net realizable value is the selling price of inventories in the normal course of business, less costs to put inventories for sale and marketing and distribution expenses.

The estimate forimpairment is determined based on an analysis of inventory conditions and turnover. The estimate is recorded charged against the net income for the year in which it is determined.

(h) Investments in Subsidiaries and Associates -

Investments in subsidiaries and associates are recordedat the equity participation method. Under this method, investments are initially recorded at the cost of the contributions made. Subsequently, their book value is increased or decreased in accordance with the Company's share in equity movements and in the profits or losses of subsidiaries and associates, recognizing them in the corresponding equity accounts and in the comprehensive income for the year, as appropriate.

Under the equity participation method, dividends from subsidiaries and associates will be recognized in the separate financial statements as a reduction of 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 ability to maintain these investments in the long term. In this regard, the Company considers that the timing difference will be reversed through dividends to be received in the future, which are not subject to the Company's income tax. There is no legal or contractual obligation for the Company's Management to be forced to sell its investments in these associates (which would result in the capital gain being taxable under current tax legislation).

(i) Property, Plant and Equipment -

Except for land measured under the revaluation model, property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The initial cost of an asset comprises its purchase price or construction cost, the costs directly attributable to putting the asset into operation. Such cost includes the cost of replacement components and borrowing costs for long-term construction projects, if the requirements for recognition are met. The present value of the expected cost of dismantling the asset and restoring the site where it is located is included in the cost of the respective asset.

Since 2013, land is presented at its revalued value, estimated on the basis of appraisals performed by independent appraisers.

When significant components of property, plant and equipment need to be replaced, the Company derecognizes the replaced component and recognizes the new component with its useful life and respective depreciation. All other repair and maintenance costs are recognized in the separate statement of comprehensive income as incurred.

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

	Years
Buildings and other constructions	50–75
Plant and equipment	2–36
Miscellaneous equipment	4-10
Transport units	5
Furniture and fittings	5

An item of property, plant and equipment and any significant part thereof is derecognized at the time of sale or when no future economic benefits are expected from its use or sale. Any gain or loss when the asset is derecognized (calculated as the difference between the net income from the sale of the asset and its carrying amount) is included in the separate statement of comprehensive income when the asset is derecognized.

A revaluation increase is recognized in the separate statement of comprehensive income and is accumulated in shareholders' equity in "revaluation surplus", unless such increase corresponds to the reversal of a revaluation decrease for the same asset previously recognized in the separate statements of income, in which case the increase is recognized in said statement. A revaluation decrease is recognized in the separate statements of comprehensive income, except to the extent that the decrease offsets a revaluation increase for the same asset previously recognized in the asset revaluation reserve. At the time of the sale of the revalued asset, any revaluation reserve related to that asset is transferred to retained earnings.

The residual values, useful lives and depreciation methods of the assets are reviewed and adjusted prospectively at each year-end date, if necessary.

(j) Intangible Assets -

Intangible assets substantially comprise the cost of acquisition of licenses and the costs of implementation and developmentof the SAP system. Purchased software licenses are capitalized on the basis of the costs necessary to acquire them and to operate the specific software. Licenses have a definite useful life and are stated at cost less 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 acquisitions of concessions and exploration expenditures.

This standard prescribes that mining entities must establish an accounting policy that specifies that expenditures from their exploration and evaluation activities will be recognized as assets and then apply this policy consistently. In establishing the policy that Management decides to apply, it may 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 a mining company to maintain its past accounting policies even if they are not consistent with the Conceptual Framework.

In this context, the Company has established as its accounting policy that which consists in recognizing as assets the acquisition of concessions, 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 states that administrative or pre-operating expenses not directly related to exploration activities are recognized as expenses when incurred.

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

(l) Borrowing Costs -

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to become available for expected use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are accounted for in the period in which they are incurred. Borrowing costs include interest and other costs incurred by the entity in connection with the execution 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 of time in exchange for consideration. To evaluate whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset, which may be specified explicitly or implicitly, and must be physically different or substantially represent the total capacity of a physically different asset. If the supplier has a substantive right to replace the asset throughout the period of use, then the asset is not identified;

- The Company has the right to obtain substantially all the economic benefits from the use of the asset during the entire period of use; and
- The Company has the right to direct the use of the identified asset throughout the period of use. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases, where all decisions about how and for what purpose the asset is used are predetermined, the Company has the right to direct the use of the asset if:

1) The Company has the right to operate the asset; or
2) The Company has designed the asset in a manner that predetermines how and for what purpose it is to be used.

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

Right-of-useAssets -
The right-of-use asset is initially measured at cost, which comprises the initial amount of the adjusted lease liability for any lease payment made on or before the inception date, plus the initial direct costs incurred and an estimate of the costs of decommissioning the underlying asset or restoring the underlying asset or the site where it is located, less any incentive received for the lease.

The right-of-use asset is depreciated on a straight-line basis over the shortestterm 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 is any indication of impairment.

Right-of-useLiabilities -
The lease liability is initially measured at the present value of the lease payments that are not paid at the inception date, discounted using the interest rate implicit in the lease or if the rate cannot be easily determined, the incremental debt rate is applied.

Lease payments comprise: fixed or variable payments that depend on a ratio or rate. When leases include termination or extension options that the Company considers are reasonably certain to be exercised, the cost of the option is included in lease payments.

Subsequent measurement of liabilities is made when there is a change in future lease payments resulting from a change in a ratio 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 income if the right-of-use asset has no accounting balance.

Exceptions to Recognition -
The Company does not recognize right-of-use assets and lease liabilities for short-term leases of plant and equipment with a lease term of 12 months or less and leases of low-value assets, including computer equipment. The Company does not recognize lease payments associated with these lease contracts as an expense on a straight-line basis over the lease term.

(n) Impairment of Non-financial Assets -

At each reporting period-end date, the Company evaluates whether there is any indication that an asset may be impaired. If such an indication exists, or when an annual impairment evidence 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 selling costs of either an asset or a cash-generating unit and its value in use and is determined for an individual asset, unless 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 cash-generating unit exceeds its recoverable amount, the asset is considered to be impaired and its value is reduced to its recoverable amount. In assessing the value in use of an asset, estimated 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.

Recent market transactions, if any, are taken into account in determining fair value less selling costs. If such type of transactions cannot be identified, an appropriate valuation model is used. These calculations are checked against valuation multiples, prices of shares for listed subsidiaries and other available fair value indicators.

Impairment losses corresponding to continuing operations, including inventory impairment, are recognized in the separate statement of comprehensive income in those expense categories that correspond to the function of the impaired asset.

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

(o) Provisions -

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. When the Company expects provisions to be reimbursed in whole or in part, for example, under an insurance contract, the reimbursement is recognized as a contingent asset but only when this reimbursement is virtually certain. The expense related to any provision is presented in the separate statement of comprehensive income, net of any related reimbursement. If the effect of the time value of money is significant, provisions are discounted using a current pre-tax market rate that reflects, where appropriate, the specific risks of the liability. When the discount is recognized, the increase in the provision for the passage of time is recognized as a financial cost in the separate statement of comprehensive income.

The Company recognizes a liability to make cash dividend distributions to its shareholders when the distribution is duly authorized and not at the discretion of the Company. In accordance with the Company’s policies, the distribution of dividends is authorized when approved by the Shareholders’ Meeting. The corresponding authorized amount is recorded directly charged against shareholders’ 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 economic benefits will be provided to the Company.

(q) Revenue from Contracts with Customers -

The Company is engaged in the marketing of corrugated iron, construction wire rod, steel profiles and other steel by-products. Revenue from contracts with customers are recognized when control of the goods or services is transferred to the customer in an amount that reflects the value the Company expects to receive in exchange for the goods or services. The Company has concluded that it is a Principal in its sales contracts because it controls the goods or services before transferring them to the customer.

- Sale of corrugated iron, construction wire rod, steel profiles and other steel by-products -
  Revenue from the sale of corrugated iron, construction wire rod, steel profiles and other steel by-products is recognized at a point in time when control of the asset is transferred to the customer, which generally occurs upon delivery of such goods.

- Performance obligation -
  The Company has a single performance obligation for the sale of corrugated iron, construction wire rod, steel profiles and other steel by-products, which is executed upon delivery of goods.
- Rights of return -
  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. The variable consideration is estimated at the inception of the contract and is restricted until it is highly probable that a significant reversal of revenue will not occur at the time the uncertainty associated with the 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 best predicts the amount of variable consideration the Company will receive. The requirements of IFRS 15 on the restriction of variable consideration estimates are also applied to determine the variable consideration amount that can be included in the transaction price.

- Interest revenue -
  Interest is recognized as it accrues, using the effective interest rate method.
  Effective interest rate method -
  Under IFRS 9, interest revenue is recorded using the effective interest rate ("EIT") method for all financial instruments measured at amortized cost or for financial instruments designated at fair value through profit or loss. Interest revenue on financial assets that accrue interest measured at fair value with changes in other comprehensive income according to IFRS 9. The EIT is the rate that exactly discounts the estimated future cash flows over the expected life of the financial instrument or, when applicable, a shorter period, to the net book value of the financial asset.

  The EIT (and, therefore, the amortized cost of the asset) is calculated taking into account any discounts, premiums and costs that are an integral part of the effective interest rate. The Company recognizes interest revenue 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 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 revenue. The adjustment is subsequently amortized through interest in the separate income statement.

(r) Recognition of Costs and Expenses -

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

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

(s) Taxes -

Current Income Tax -

Current income tax assets and liabilities are measured at the amounts expected to be recovered or paid to the Tax

Authority. The tax rates and tax regulations used to calculate such amounts are those in effect at the end of the reporting period in Peru.

Current income tax that relates to items that are recognized directly in assets is also recognized in shareholders' equity and not in the separate statement of comprehensive income. Management regularly assesses positions taken in tax returns with respect to situations in which applicable tax rules are subject to interpretation, and makes provisions where appropriate.

Deferred Income Tax -

Deferred income tax is recognized using the liability method on timing differences between the tax rates of assets and liabilities and their respective carrying amounts at the date of the separate statement of financial position.

Deferred income tax liabilities are recognized for all taxable timing differences except:

- when the deferred income tax liability arises from the initial recognition of a goodwill, or an asset or liability in a transaction that does not constitute a business combination and that, at the time of the transaction, did not affect either accounting profit or taxable loss; or
- when the timing of the reversal of timing differences related to investments in subsidiaries can be controlled and it is probable that such timing differences will not be reversed in the near future.

Deferred income tax assets are recognized for all deductible timing differences and for the future set-off of unused tax credits and taxable losses, to the extent that it is probable that future taxable income will be available against which those unused tax credits or taxable losses can be offset, except:

- when the deferred income tax asset related to the timing difference arises from the initial recognition of an asset or liability in a transaction that does not constitute a business combination and that, at the time of the transaction, did not affect either accounting profit or taxable profit or loss; or
- when deferred income tax assets are recognized only to the extent that it is probable that timing differences related to investments in subsidiaries will be reversed

in the near future and that it is probable that future taxable income will be available against which to attribute those deductible timing differences.

The carrying amount of deferred income tax assets is reviewed at each reporting period-end date and reduced to the extent that it is no longer probable that sufficient taxable income exists to allow the use of all or part of those assets. Unrecognized deferred income tax assets are revalued at each reporting period-end date and are recognized to the extent that it becomes probable that future taxable income will allow such assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates expected to be applicable in the period in which the asset is realized or the liability is written off, based on the tax rates and tax laws that were approved at the date of the separate statement of financial position, or which approval procedure is nearing completion.

Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset income tax current assets against income tax current liabilities, and if the deferred taxes relate to the same taxable entity and tax authority.

General sales tax -

Revenues from ordinary activities, expenses and assets are recognized excluding the amount of the general sales tax, except:

- when the general sales tax (IGV) incurred on an acquisition of assets or services is not recoverable from the tax authority, in which case the IGV is recognized as part of the acquisition cost of the asset or as part of the expense item, as appropriate;

- accounts receivable and payable that are already expressed with the amount of the IGV included.

The net amount of the IGV that may be recovered from or payable to the tax authority is included as part of other accounts receivable or payable in the separate statement of financial position.

(t) Earnings per Share -

Basic and diluted earnings per share have been calculated based on the weighted average of outstanding common shares and investment shares as of the date of the separate statement of financial position. Shares issued by capitalization of earnings are considered as if they were always issued.

As of December 31, 2018 and 2017, the Company has no dilutive financial instruments and, therefore, basic and diluted earnings per share are the same.

(u) Information by Segments -

Management has organized the Company on the basis of a single product, steel by-products. The goods produced and marketed by the Company result from a single production process, share the same marketing channels, are substantially destined to the same geographic market and are subject to the same legislation. As of December 31, 2018, sales of goods (9.9 percent of total sales) and exports (17.8 percent of sales) are not considered representative for designation as separate operating segments and consequently such information is not required for a proper understanding of the Company's operations and performance. In addition, mining related activities to date are restricted exclusively to the acquisition of permits and concessions and certain initial exploration expenditures of projects.

Accordingly, Management understands that the Company is currently engaged in a single business segment. The Board of Directors has been identified as the Company's operating decision maker. The Board of Directors is the Company's body responsible for allocating its resources and assessing its performance as a single operating unit

(v) Assets held for Sale -

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

The criteria for classifying held for sale are met only when the sale is highly probable and the group to be disposed of is held for immediate sale as it 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 cancelled. 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 of 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 significant geographic area of operations.
- It is part of a single coordinated plan to provide a separate line of business or important geographic area of operations.
- It is a subsidiary acquired solely with the intention of selling it.

There are facts and circumstances that could extend the period for completing 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 continuous operations and are presented in a single amount of profit or loss, net of discontinued operations taxes in the separate statement of comprehensive income.

(w) Repurchase of Capital Stock (treasury shares) -

When the capital stock recognized as equity is repurchased, the amount paid, including direct costs attributable to the transaction, is recognized as a deduction of the separate equity. Own shares repurchased are classified as treasury shares and are presented as a deduction from equity. When treasury shares are sold or subsequently reissued, the amount received is recognized as a share premium.

(x) Business Combination and Negative Goodwill

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

When the Company acquires a business, it evaluates the embedded financial assets and liabilities for appropriate classification and designation in accordance with the contractual terms, economic circumstances and conditions applicable at the acquisition date. 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 equity interest previously held by the acquiror in the acquiree is measured again at fair value at the acquisition date, and any resulting gain or loss is recognized in consolidated income. These records are considered in the determination of goodwill (capital gain). On the other hand, if the fair value of the investment acquired is less than the net asset acquired, negative goodwill is generated and must be recognized in the statement of comprehensive income.

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

However, the uncertainties and professional judgment that these assumptions and estimates have, could result in amounts that require a material adjustment to the book value of assets and liabilities.

The most significant estimates considered by Management in connection with the separate financial statements relate to:

- Estimated impairment of accounts receivable - note 2.2 (b)
- Estimated useful life of assets for depreciation and amortization purposes - note 2.2 (i) and (j)
- Estimated inventory impairment - note 2.2 (g)
- Impairment of value of non-financial assets - note 2.2 (n)
- Provision for contingencies - note 2.2 (p)
- Income tax - note 2.2 (s)
- Right-of-use estimate - note 2.2 (m)

Management considers that the estimates included in the separate financial statements were made on the basis of its best knowledge of the relevant facts and circumstances at the date of their preparation. However, the profit and loss may differ from the estimates included in the separate financial statements

4. Changes in Accounting Policies and International Standards not yet in force

4.1. Changes in Accounting Policies and Disclosures

The Company applied IFRS 9 and IFRS 15 for the first time. The nature and effect of the changes as a result of the adoption of these new accounting standards have not been significant. In addition, the Company decided to early adopt IFRS 16 which was issued by the IASB but is not effective as of December 31, 2018.

- IFRS 9, "Financial Instruments"

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and measurement for annual periods beginning on or after January 1, 2018, including all three aspects of accounting for financial instruments: classification, measurement and impairment.

(a) Classification and Measurement -

Under IFRS 9, debt instruments are measured after fair value through profit or loss, amortized cost, or fair value through other comprehensive income. The classification is based on two criteria: the Company's business model for managing assets; and whether contractual cash flows represent only principal and interest payments on the outstanding principal amount.

The assessment of the Company's business model was made on the date of initial adoption, January 1, 2018. The assessment of whether contractual cash flows on debt instruments comprise only principal and interest, was made based on facts and circumstances at the date of initial recognition of assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Company. The Company continued to measure at fair value all financial assets previously held at fair value under IAS 39.

The Company has not designated financial liabilities at fair value through profit or loss. There are no changes in the classification and measurement of the Company's financial liabilities.

Al momento de adopción de la NIIF 9, la Compañía no efectuó reclasificaciones significativas al 1 de enero de 2018 ni tuvo ningún impacto significativo que tenga que ajustar a los estados financieros separados.

(b) Impairment

The adoption of IFRS 9 has replaced the incurred loss approach in IAS 39 with an expected credit loss (ECL) approach. IFRS 9 requires the Company to recognize a provision for ECL for all debt instruments not held at fair value through profit or loss.

The adoption of IFRS 9 did not basically change the accounting for the impairment losses for financial assets.

- IFRS 15, "Revenue from Customer Contracts"
  IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model for recording revenue arising from contracts with its customers and requires that revenue be recognized in an amount that reflects the payment that an entity is entitled to receive in exchange for transferring the goods to a customer.

  IFRS 15 requires entities to exercise judgment, taking into account all relevant facts and circumstances when applying each step of the model to contracts with their customers.

  The standard also specifies the recording of incremental costs to obtain a contract and the costs directly related to completing a contract. In addition, the standard requires additional disclosures.

The Company adopted IFRS 15 using the modified retroactive adoption method with the initial adoption date being January 1, 2018. Under this method, the standard can be applied to all contracts at the date of initial application or only to contracts that have not been completed at that date. The Company elected to apply this standard only to contracts that have not been completed by January 1, 2018.

The cumulative effect of initially applying IFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, comparative information has not been modified and continues to be reported under IAS 11, IAS 18 and related interpretations.

At the time of adoption of IFRS 15, the Company did not make significant reclassifications as of January 1, 2018; accordingly, there was no effect on such standard.

- IFRS 16, Leases

  IFRS 16 introduces new criteria for recognizing, measuring, presenting and disclosing leases and requires lessees to recognize all leases under a single model similar to the accounting for finance leases in IAS 17. The standard includes two exceptions for lessees: a) leases in which the underlying asset is of low value and b) short-term leases. At the inception date of each lease contract, the lessee must recognize a right-of-use asset that represents its right to use the underlying leased asset and a lease liability that represents its obligation to make lease payments. In addition, interest expense and depreciation of the right to use the asset are required to be recognized separately.

  For the transition to IFRS 16, the Company has decided to adopt early IFRS 16 as of January 1, 2018, applying the retroactive approach that, in accordance with IFRS 16, indicates that under this approach it is not necessary to restate comparative information. Consequently, the Company has changed its accounting policy for lease contracts as detailed in note 2.2(m).

  The main impact of the application of IFRS 16 for the Company is the recognition of right-of-use assets of contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Company did not apply the standard to contracts that had not been identified as leases applying IAS 17 and IFRIC 4.

  Furthermore, the Company used the exceptions to the standard in lease contracts where the lease term ends in twelve months at the date of initial adoption and where lease contracts where the underlying asset is of low value.

  Consequently, the effects of such accounting policy change is a right-of-use asset and its respective financial liability at its present value of S/19,890,000 and its deferred income tax effect amounted to S/5,868,000 as of December 31, 2018, see notes 13 and 16, respectively.

4.2. International Standards issued but not yet in force

The new and amended standards and interpretations that have been issued but have not been issued yet are effective until the date of issuance of the Company's separate financial statements. The Company will adopt these new and amended standards and interpretations, if applicable, when they become effective.

(a) **IFRIC 23 – Uncertainty over income tax treatment**

The interpretation addresses the accounting for income tax when the tax treatment involves an uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties that might arise. The interpretation specifically addresses the following:

- If an entity has to consider tax uncertainties independently.
- The assumptions an entity makes about whether the tax treatment will be examined by the tax authorities.
- How an entity determines taxable profit, tax bases, unused tax losses, unused tax credits and tax rates.
- How the entity considers changes in facts and circumstances.

An entity should determine whether to consider each tax uncertainty independently or in conjunction with one or more tax uncertainties. The approach that best estimates the resolution of the uncertainty should be followed. The interpretation is effective for annual periods beginning on or after January 1, 2019, but certain exemptions are permitted at transition.

The Company's Management is currently analyzing the possible effects of this standard.

(b) **Amendments to IFRS 10 and IAS 28: Sales or contributions of assets between an investor and its associate/joint venture**

The amendment discusses the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture is recognized in full. However, any gain or loss resulting from the sale or contribution of assets that do not constitute a business is recognized only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that adopts the amendments early must apply them prospectively. The Company will apply these amendments when they are in force.

(c) Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in associates and joint ventures to which the equity method is not applied, and that, basically, form part of the net investment in those associates and joint ventures (long-term interests). This clarification is relevant because it implies that the credit loss model expected in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take into account any losses of the associate or joint venture or any impairment losses of the net investment recognized as adjustments to the net investment in the associate or joint venture arising from the application of IAS 28 Investments in Associates and Joint Ventures.

The amendments will be applied retrospectively and are effective as of January 1, 2019, with earlier application permitted.

(d) IAS 23: Borrowing Costs

The amendments clarify that an entity treats as part of general loans any loan originally made to develop a qualifying asset when substantially all the activities necessary to prepare that asset for its intended use or sale have been substantially completed.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, and earlier adoption is permitted. Because the Company's current practices are aligned with these amendments, the Company does not expect any effect on its separate financial statements.

(e) **IAS 12: Income Taxes**

The amendments clarify that the income tax consequences of dividends are more directly related to past transactions or events that generated distributable profits rather than distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies these amendments for annual reporting periods beginning on or after January 1, 2019, and earlier adoption is permitted. When an entity first adopts these amendments, it applies them to the tax consequences of dividends recognized on or after the beginning of the earliest comparative period. Because the Company's current practices are aligned with these amendments, the Company does not expect any effect on its separate financial statements.

It is not expected that other IFRS or IFRIC interpretations not yet in force will have a significant impact on the separate financial statements.

5. Cash and Cash Equivalents

(a) The item breakdown is shown below:

	2018 S/(000)	2017 S/(000)
Cash and petty cash	18	276
Current accounts (b)	33,236	44,190
Savings accounts (b)	669	241
Time deposits (c)	195,065	273,487
	228,988	318,194

(b) Bank current accounts and savings accounts are denominated in U.S. dollars and soles, are held in local and foreign banks and are freely available. Savings accounts yield interest at market rates.

(c) As of December 31, 2018, corresponds to deposits in foreign currency of US$57,900,000 (equivalent to S/195,065,000), which accrue interest at effective annual rates ranging from 2.48 to 2.60 with maturity in the first days of January 2019. As of December 31, 2017, corresponds to deposits in local currency for S/7,000,000 and deposits in foreign currency for US$82,300,000 (equivalent to S/266,487,000), which accrued interest at effective annual rates of 3.05 percent for deposits in soles and between 1.25 and 1.43 percent for deposits in U.S. dollars that are recognized in item Financial Income for S/4,848,000 as of December 31, 2018 (S/2,294,000 as of December 31, 2017).

6. Trade Accounts Receivable from Third Parties, net

(a) The item breakdown is shown below:

	2018 S/(000)	2017 S/(000)
Invoices receivable (b)	323,808	267,225
Portfolio bills (c)	20,896	9,949
	344,704	277,174
Less – Estimate of expected loss impairment of accounts receivable (d)	(9,699)	(9,939)
	335,005	267,235

(b) Trade accounts receivable from third parties are current due, denominated primarily in U.S. dollars. Most of these accounts are secured by bank letters of guarantee in the amount of approximately S/56,149,000.

(c) Portfolio bills generate interest rates in foreign currency of 8.73%.

(d) As of December 31, 2018 and 2017, the aging of the balance of trade accounts receivable is as follows:

	2018			2017		
	Trade accounts receivable S/(000)	**Expected credit loss** S/(000)	**Total** S/(000)	**Trade accounts receivable** S/(000)	**Expected credit loss** S/(000)	**Total** S/(000)
Not due -	268,910	-	268,910	227,439	-	227,439
Due -		-				
From 1 to 30 days	60,696	-	60,696	38,867	-	38,867
From 31 to 180 days	5,399	-	5,399	929	-	929
More than 180 days	-	9,699	9,699	-	9,939	9,939
	335,005	9,699	344,704	267,235	9,939	277,174

(e) The movement in the estimate of expected loss on accounts receivable was as follows:

	2018 S/(000)	2017 S/(000)
Opening balance	9,939	7,158
Additions, note 23	2,815	3,163
Recoveries, note 26	(905)	(382)
Write-offs	(2,150)	-
Closing balance	9,699	9,939

In Management's opinion, the estimate of expected loss on accounts receivable as of December 31, 2018 adequately hedges the credit risk of these items at those dates.

7. Transactions with Related Companies

(a) During the years 2018 and 2017, the Company has carried out, mainly, the following transactions with related companies:

	2018 S/(000)	2017 S/(000)
Transaction, income (expense)		
- Sale of construction bars, wire rod and other, note 21		
Tradi S.A. (Related company)	156,127	124,566
Comercial del Acero S.A. (Subsidiary)	44,723	47,217
Corp. Aceros Arequipa de Iquitos S.A.C. (Subsidiary)	26,223	18,318
Corp. Aceros del Altiplano S.R.L. (Subsidiary)	25,433	3,340
Comfer S.A. (Related company)	41	56
Transportes Barcino S.A. (Subsidiary)	40	-
	252,587	**193,497**
- Acquisition of goods and services		
Transportes Barcino S.A. (Subsidiary)	(23,062)	(24,183)
Corp. Aceros del Altiplano S.R.L. (Subsidiary)	(34,409)	(20,008)
Comercial del Acero S.A. (Subsidiary)	(1,585)	(501)
Tradi S.A. (Related company)	(176)	(72)
Comfer S.A. (Related company)	(77)	(65)
Tecnología y Soluciones Constructivas S.A. (Subsidiary)	(475)	-
	(59,784)	**(44,829)**
- Purchase of fixed assets		
Transportes Barcino S.A. (Subsidiary)	-	(10,388)

(b) As a result of these and other minor transactions, below is the balance of accounts receivable and payable to related companies for the years ended December 31, 2018 and December 31, 2017:

	2018 S/(000)	2017 S/(000)
Accounts receivable		
- Trade		
Tradi S.A. (Related company)	24,041	20,842
Corp. Aceros del Altiplano S.R.L. (Subsidiary)	16,333	4,734
Corp. Aceros Arequipa de Iquitos S.A.C. (Subsidiary)	11,003	6,491
Comercial del Acero S.A. (Subsidiary)	5,677	2,164
Transportes Barcino S.A. (Subsidiary)	667	13
Tecnología y Soluciones Constructivas S.A. (Subsidiary)	652	-
	58,373	**34,244**
- Non-trade		
Compañía Eléctrica El Platanal S.A. (e) (Associate)	4,536	4,872
Corp. Aceros del Altiplano S.R.L. (f) (Subsidiary)	9,190	3,677
Corp. Aceros Arequipa de Iquitos S.A.C. (g) (Subsidiary)	1,722	1,975
Tecnología y Soluciones Constructivas S.A. (g) (Subsidiary)	1,535	-
	16,983	**10,524**
Total	**75,356**	**44,768**
Current portion	61,631	36,219
Non-current portion (e) and (f)	13,725	8,549
	75,356	**44,768**

	2018 S/(000)	2017 S/(000)
Accounts payable		
- Trade		
Transportes Barcino S.A. (Subsidiary)	1,706	2,931
Comercial del Acero S.A. (Subsidiary)	1,365	26
Corp. Aceros del Altiplano S.R.L. (Subsidiary)	735	1,079
Corp. Aceros Arequipa de Iquitos S.A.C. (Subsidiary)	146	72
Tradi S.A. (Related company)	8	16
	3,960	**4,124**
- Non-trade		
Dividends payable	1,435	266
Remuneration to Board of Directors and Management	15,925	11,782
	17,360	**12,048**
	21,320	**16,172**

The balances receivable and payable are of current maturity, do not accrue interest and do not have specific guarantees.

As of December 31, 2018 and 2017, it has not been required to record a provision for impairment of balances receivable from related parties.

(c) Tradi S.A. and Comfer S.A. meet the requirements of the accounting standards to be considered related to the Company due to the relationship of their shareholders. However, the Company has no direct interest in the equity of these companies, nor any interference in the management of their operations. Accordingly, in the opinion of Management, the Company and these companies are not part of an economic group.

(d) The Company conducts its operations with related companies under the same conditions as with third parties, therefore, there are no differences in pricing policies or in the tax settlement basis; with respect to methods of payment, these do not differ from policies granted to third parties.

(e) The account receivable from Compañía Comercial Eléctrica El Platanal S.A. corresponds to dividends receivable for the year 2017, which the Company's Management estimates will be recovered from 2020.

(f) The Company has accounts receivable from its subsidiaries for loans granted for working capital that accrue interest at annual effective rates ranging from 4.04% to 7.50% and do not have a specific maturity, which is why the Company's Management estimated that they should be presented as long-term accounts receivable.

(g) The Company has accounts receivable from its subsidiaries for loans granted for working capital that accrue interest at annual effective rates ranging from 2.27% to 5.65% and do not have a specific maturity.

8. Other Accounts Receivable

(a) The item breakdown is shown below:

	2018 S/(000)	2017 S/(000)
Tax credit for general sales tax (b)	23,974	4,010
Claim for payment of income tax 2009 (c)	7,896	7,896
Judicial withholding (d)	4,400	4,122
Claim to third parties	2,427	2,319
Loans to employees and workers	354	1,550
Works for taxes project (e)	-	1,539
Security deposits	290	1,392
Discounts	230	574
Advance payments to suppliers	50	52
Other accounts receivable	1,219	1,704
	40,840	**25,158**
Less – Provision for impairment of other accounts receivable (f)	(1,212)	(1,212)
	39,628	**23,946**
For maturity:		
Current portion	30,499	15,331
Non-current portion (c)	**9,129**	**8,615**
	39,628	**23,946**

(b) Corresponds to the General Sales Tax paid by the Company in the acquisition of goods and services. It should also be noted that the increase in the tax credit declared in 2018 is mainly explained by the disbursements made for the investment being made in the Steel Mill located in Pisco and the acquisition of goods and services from the operation of the business. In Management's opinion, this General Sales Tax will be recovered in the short term. See note 1(b).

(c) As of December 31, 2018 and 2017, they correspond to collection rights to the Tax Administration plus interest, which, in the opinion of Management and legal advisors, are recoverable due to the fact that the Tax Court ruled in favor of the Company in October 2018. The Company's Management considered this claim to be filed at long-term.

(d) In 2018, through a resolution of the Judiciary, a judicial withholding of one of the Company's current accounts of approximately S/4,400,000 was made as a consequence of breach of contract due to non-payment of goods acquired from a supplier. The Company's Management and its legal advisors consider that such resolution will be favorable to the Company.

(e) Corresponds to works for taxes of the project to improve the education service at a school in the province of Pisco for which the District Municipality of Paracas has signed an agreement with the Company under Law No. 29230. This service improvement includes the construction and remodeling of the infrastructure, and the expenses may be compensated with the future income tax. As of December 31, 2018, the balance for works for taxes project has been offset against the income tax for the period.

(f) This provision includes mainly advance payments granted to suppliers in previous periods which services were not provided. In Management's opinion, it is not necessary to establish an additional provision for impairment of other accounts receivable as of December 31, 2018.

9. Inventories, net

(a) The item breakdown is shown below:

	2018 S/(000)	2017 S/(000)
Goods	112,670	100,160
Finished goods	206,221	195,649
Goods in process	273,350	93,512
Raw material	111,929	104,918
Ancillary materials, supplies and spare parts	112,906	98,699
Inventories in transit (b)	114,597	102,475
	931,673	**695,413**
Less -	(204)	(204)
Provision for impairment (c)	(3,784)	-
Provision for obsolescence (c)	**(3,988)**	**(204)**
	927,685	**695,209**

(b) As of December 31, 2018, inventories in transit include mainly raw material, goods and miscellaneous supplies imported by the Company that are pending clearance. It is estimated that these inventories in transit will be customs cleared in the first quarter of 2019.

(c) The movement in the provision for inventory impairment for the years ended December 31, 2018 and 2017 was as follows:

	2018 S/(000)	2017 S/(000)
Opening balance	204	2,333
Provision, note 22	4,894	2,881
Write-offs	(1,110)	(5,010)
Saldo final	**3,988**	**204**

In 2018, the Company's Management conducted an evaluation mainly of its spare parts and supplies related to damaged and/or slow moving items. As a result of this evaluation, a provision for obsolescence of approximately S/3,784,000 was estimated. In 2017, deteriorated goods were destroyed. In Management's opinion, the provision for inventory impairment adequately covers the risk of impairment as of December 31, 2018. See note 2.2(g).

10. Prepaid Expenses

(a) The item breakdown is shown below:

	2018 S/(000)	2017 S/(000)
Prepaid insurances (b)	2,536	104
Prepaid expenses (c)	1,537	2,297
Essalud allowance	922	530
Other	218	139
Total	**5,213**	**3,070**

(b) As of December 31, 2018, mainly corresponds to insurances including comprehensive general liability coverage, among others; which are effective from January 1, 2018 to June 30, 2019.

(c) As of December 31, 2018, this balance mainly includes an amount of approximately S/820,000 (S/1,432,000 as of December 31, 2017) corresponding to the renewals of licenses for the various software held by the Company and which will accrue in the year 2019.

11. Investments in Subsidiaries and Associates

(a) The item breakdown is show below:

		Percentage of equity interest (%)		Total equity as of December 31		Equity	
Company	**Activity**	**2018**	**2017**	**Cost** S/(000)	**2018** S/(000)	**2018** S/(000)	**2017** S/(000)
Investment in subsidiary							
Comercial del Acero S.A. (b)	Marketing of steel products	99.99	-	93,894	220,454	162,018	-
Transportes Barcino S.A. (c)	Transport service	99.92	99.92	16,961	43,642	56,860	66,313
Corp. Aceros del Altiplano S.R.L.	Purchase of raw material / Sale of steel products	99.00	99	580	3,324	3,324	1,866
Corp. Aceros Arequipa de Iquitos S.A.C.	Sale of steel products	99.9	99.9	3	(208)	(208)	117
Tecnología y Soluciones Constructivas S.A.C. (d)	Design service	99.9	-	1,158	1,158	1,158	-
				112,686		**223,152**	**68,296**
Investments in associates							
Comercial del Acero S.A. (b)		-	33.65	9,310	-	-	69,317
Compañía Eléctrica El Platanal S.A. (e)	Marketing of steel products	10	10	63,125	711,373	71,137	68,634
Inmobiliaria Comercial de Acero Argentina S.A.C. (e)	Electric power generation	33.65	33.65	3,746	84,702	28,502	27,726
Inmobiliaria Comercial de Acero Cajamarquilla S.A.C. (e)	Real estate	33.65	33.65	1,073	24,205	8,145	7,946
Other	Real estate			-		-	20
				77,254		**107,784**	**173,643**
						330,936	**241,939**

(b) On August 31, 2018, by means of a Takeover Bid, the Company acquired 66.35 percent of the shares representing the capital stock of Comercial del Acero S.A. As a result of the Takeover Bid, the Company has been able to acquire 114,301,556 common voting shares at a price of S/ 0.74 per share and for this acquisition it has disbursed approximately S/84,584,000. With the acquisition of said shares, added to the share previously held by the Company, the Company has achieved a shareholding representing 99.99% of the capital stock of Comercial del Acero S.A. Likewise, as a result of the purchase of the shares of Comercial del Acero S.A., on July 23, 2018, usual guarantees for this type of transactions were provided.

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

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

The values of the assets and liabilities of said company at the date of acquisition were as follows:

	Book value as of 08.31.2018 (Not audited) S/(000)
Assets	
Cash	7,798
Trade accounts receivable and other accounts receivable	95,190
Inventories	228,231
Prepaid expenses and others	2,180
Property, plant and equipment, net	25,308
	-
	358,707
Liabilities	
Financial liabilities	119,374
Trade accounts payable and to related parties	14,101
Other accounts payable	9,800
Deferred income tax liabilities, net	-
	143,275
Total net assets	**215,432**

The fair values of intangible assets that were identified at the acquisition date were estimated using the revenue approach, based on the present value of the benefits attributable to the asset or costs avoided as a result of ownership of 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 achieving cash flows and the time value of money. The following methods based on the revenue approach were used by the Company's Management to estimate the fair values of identified intangible assets 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% on sales.
- For the valuation of the customers relationship, the value approach used corresponds to the Multi-Period-Excess-Earnings-Method method. The discount rate applied was 15.66% on sales.

(c) The equity value includes S/13,077,000 of higher land value due to revaluation surplus.

(d) As of December 31, 2018, the Company, through a Shareholders' Meeting held on September 27, 2018, 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 incorporation of Tecnología y Soluciones Constructivas S.A.C. The economic purpose of this company is to provide differentiated services and steel solutions to serve the construction sector inside and outside the country.

(e) The Company, in association with the unrelated Peruvian company UNACEM (merger of Cementos Lima S.A. and Cemento Andino S.A.), has a shareholding of 100 percent of Compañía Eléctrica El Platanal S.A. – CELEPSA, through a share of 10 and 90 percent, respectively. CELEPSA develops and operates the concession of Generación Eléctrica G-1 El Platanal through a 220 MW hydroelectric power plant, using the waters of the Cañete river. Likewise, as of December 31, 2017, Comercial del Acero S.A., by means of the Shareholders' Meeting held on December 7, 2017, approved the spin-off of two equity blocks that were transferred to Inmobiliaria Comercial de Acero Argentina S.A.C. and Inmobiliaria Comercial de Acero Cajamarquilla S.A.C., which, at the end of 2017, had not started operations yet. The economic purpose of the spin-off process is to develop a housing complex with commercial development and sale areas. As of December 31, 2018, these companies provide real estate leasing services to their related company Comercial del Acero S.A.

The balance of the transferred equity block has been recognized in the Company as the acquisition cost of the shares received. In this regard, such transfer has been made at book value. The divested equity block comprises:

2017

	Inmobiliaria Comercial del Acero Argentina S.A.C. (Not audited) S/(000)	**Inmobiliaria Comercial del Acero Cajamarquilla S.A.C. (Not audited)** S/(000)
Current and non-current assets	104,454	27,033
Liabilities	22,088	3,438
Net assets	82,366	23,595

(f) The movement of the item for the years ended December 31, 2018 and December 31, 2017 is shown below:

	2018 S/(000)	**2017** S/(000)
Opening balance	**241,939**	**238,801**
Income sharing of subsidiaries and associates	16,383	29,971
Dividends committed of subsidiaries and associates	(13,150)	(8,588)
Purchase of shares from subsidiaries (b)	84,584	-
Repurchase of shares from subsidiaries	-	(7,106)
Revaluation surplus of subsidiary and associate	(15)	(11,152)
Other comprehensive income of associate	4	13
Contributions to new subsidiary	1,212	-
Other	(21)	-
Closing balance	**330,936**	**241,939**

(g) The most relevant information of the subsidiary and associates as of December 31, 2018 and 2017, is as follows:

	Comercial del Acero S.A.		Trasportes Barcino S.A.		Corp. Aceros del Altiplano S.R.L.		Corp. Aceros Arequipa de Iquitos S.A.C. (Not audited)	
	2018 S/(000)	**2017** S/(000)	**2018** S/(000)	**2017** S/(000)	**2018** S/(000)	**2017** S/(000)	**2018** S/(000)	**2017** S/(000)
Current assets	400,130	318,659	10,646	23,351	22,473	8,123	12,660	8,684
Non-current assets	25,033	25,597	46,554	46,621	6,184	2,762	1	1
Current liabilities	202,628	136,472	6,422	7,379	15,487	5,307	12,869	8,568
Non-current liabilities	2,081	1,791	7,136	9,357	9,846	3,712	-	-
Shareholders' equity	220,454	205,993	43,642	53,236	3,324	1,866	(208)	117
Income	484,266	423,812	24,952	27,052	64,850	22,123	23,250	19,636
Net profit	23,847	33,719	675	15,281	1,375	533	(317)	66

	Tecnología y Soluciones Constructivas S.A.C. (Not audited)		Compañía Eléctrica El Platanal S.A.		Inmobiliaria Comercial del Acero Argentina S.A.C. (Not audited)		Inmobiliaria Comercial del Acero Cajamarquilla S.A.C. (Not audited)	
	2018 S/(000)	**2017** S/(000)	**2018** S/(000)	**2017** S/(000)	**2018** S/(000)	**2017** S/(000)	**2018** S/(000)	**2017** S/(000)
Current assets	1,429	-	80,153	82,538	421	-	171	-
Non-current assets	5,173	-	1,080,304	1,116,949	107,349	104,498	27,729	27,051
Current liabilities	5,444	-	154,390	112,063	981	-	257	-
Non-current liabilities	-	-	294,694	401,078	22,087	22,105	3,438	3,438
Shareholders' equity	1,158	-	711,373	686,346	84,702	82,393	24,205	23,613
Income	915	-	309,176	298,538	3,684	-	1,048	-
Net profit	(56)	-	25,515	33,221	2,335	-	610	-

12. Property, plant and equipment, net

(a) Movement of cost and accumulated depreciation are shown below:

	Land S/(000)	Buildings and other structures S/(000)	Plant and equipment S/(000)	Miscellaneous equipment S/(000)	Transport units S/(000)	Furniture and fittings S/(000)	Construction in progress S/(000)	Total S/(000)
Cost								
Balance as of January 1, 2017	357,562	425,920	1,231,094	41,195	5,301	13,623	63,861	2,138,556
Additions (b)	13,047	-	9,328	5,734	1,230	11	42,739	72,089
Sales and withdrawals, note 26	(5,202)	(228)	(16,608)	(5,901)	(431)	(292)	(424)	(29,086)
Transfers	-	7,791	4,880	45	791	731	(14,238)	-
Held-for-sale assets	1,836	-	-	-	-	-	-	1,836
Balance as of December 31, 2017	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)	(52,353)	(19,005)	(2,137)	(1,763)	-	(75,365)
Transfers	-	8,724	39,093	(3,525)	-	95	(44,387)	-
Transfers to held-for-sale assets, note 1(d.1)	(10,597)	-	-	-	-	-	-	(10,597)
Balance as of December 31, 2018	392,763	443,623	1,259,789	47,960	4,754	12,426	132,239	2,293,554
Accumulated depreciation								
Balance as of January 1, 2017	-	77,763	637,098	33,457	3,220	11,326	-	762,864
Additions (d)	-	14,299	65,488	1,941	745	407	-	82,880
Sales and withdrawals, note 26	-	(68)	(7,645)	(5,846)	(401)	(291)	-	(14,251)
Balance as of December 31, 2017	-	91,994	694,941	29,552	3,564	11,442	-	831,493
Additions (d)	-	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
Net book value as of December 31, 2017	367,243	341,489	533,753	11,521	3,327	2,631	91,938	1,351,902
Net book value as of December 31, 2018	392,763	336,772	543,194	21,445	2,411	6,160	132,239	1,434,984

(b) Additions related in the period 2018 correspond mainly to the acquisition of land located in Lurin for approximately S/29,394,000, the transfer of land from held-for-sale assets of real estate for approximately S/5,490,000, plant and equipment as well as to construction in progress related to production projects including the New Steel Mill, see note 1(b), for approximately S/44,355,000 and 88,595,000, respectively (in 2017, corresponds mainly to construction in progress related to production projects and sale warehouses. Also, the Company acquired two plots of land located in Arequipa and Trujillo, respectively. From these land acquisitions, the Company acquired land from one of its subsidiaries for approximately S/10,388,000).

(c) The item property, plant and equipment includes assets acquired under finance lease agreements. As of December 31, 2018 and 2017, the cost and corresponding accumulated depreciation of these assets are broken down as follows:

	2018			2017		
	Cost S/(000)	**Accumulated depreciation** S/(000)	**Net cost** S/(000)	**Cost** S/(000)	**Accumulated depreciation** S/(000)	**Net cost** S/(000)
Buildings	156,489	(24,830)	131,659	156,489	(20,443)	136,047
Plant and equipment	243,988	(73,615)	170,373	264,854	(66,159)	198,695
Transport units	998	(200)	798	998	-	998
Construction in progress	81,532	-	81,532	-	-	-
	483,007	(98,645)	384,362	422,341	(86,592)	335,740

(d) As of December 31, 2018 and 2017, the Company has recorded under the item "Land" a higher assigned value of approximately S/220,482,000 and S/224,207,000, respectively. This higher assigned value is presented net of its deferred income tax under the item "Revaluation surplus" in the separate statement of changes in equity. Also, during 2018, the Company donated a plot of land to the Municipality of Pisco and to a third party. In this regard, the revaluation surplus was reduced by S/4,707,000 and its application of the deferred income tax liability by S/1,389,000.

(e) Depreciation expense for the year has been recorded in the following items of the separate statement of comprehensive income:

	Note	2018 S/(000)	2017 S/(000)
Selling costs	22	72,626	74,552
Cost of goods sold	23	7,729	7,567
Administrative expenses	24	837	761
		81,192	**82,880**

(f) In July 2010, a Trust Fund was constituted as a guarantee made up of plant and property of the Pisco Plant, in support of loans granted by Banco de Crédito del Perú S.A. As of December 31, 2018, the Company maintains in said fund personal property and real property for an approximate value of S/736,537,000. See note 16 (m).

(g) As of December 31, 2018, based on Management's projections of expected results for the coming years, there are no indicators that the recoverable value of property, plant and equipment is less than its book value. Therefore, it is not necessary to constitute any provision for impairment of these assets at the date of the separate statement of financial position.

13. Right of Use and Others, net

Corresponds mainly to the contracts held by the Company for the various leases of properties and miscellaneous equipment, which have maturities ranging from 51 to 60 months. This recognition has been made in accordance with the policy described in 2.2(m). The right-of-use value was determined based on the future flows of the payment schedule using a discount rate of 5.75%.

14. Intangibles, net

(a) The item breakdown and movement are shown below:

	SAP system (b) S/(000)	Other S/(000)	Total S/(000)
Cost			
Balance as of January 1	68,974	24,091	93,065
Additions	378	3,130	3,508
Sales and withdrawals	-	(44)	(44)
Transfer	104	(104)	-
Balance as of December 31, 2017	**69,456**	**27,073**	**96,529**
Additions (b)	-	4,803	4,803
Sales and withdrawals	(661)	-	(661)
Transfer	3,922	(3,922)	-
Balance as of December 31, 2018	**72,717**	**27,984**	**100,671**
Balance as of January 1	25,962	19,545	45,507
Additions (c)	7,307	32	7,339
Sales and withdrawals	-	(44)	(44)
Balance as of December 31, 2017	**33,269**	**19,533**	**7,742**
Additions (c)	7,077	665	
Balance as of December 31, 2018	**40,346**	**20,198**	**60,544**
Net book value as of December 31, 2017	36,187	7,540	43,727
Net book value as of December 31, 2018	**32,371**	**7,756**	**40,127**

(b) Corresponds to the implementation, development and start-up of the integrated computer system "SAP" for the support of its operations.

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

	Note	2018 S/(000)	2017 S/(000)
Selling costs	22	3,027	3,748
Cost of goods sold	23	1,851	2,013
Administrative expenses	24	2,864	1,578
		7,742	7,339

15. Other Assets, net

(a) The item breakdown and movement are shown below:

	2018 S/(000)	2017 S/(000)
Cost		
Opening balance	39,089	40,016
Additions	10	27
Derecognitions	(122)	(954)
Closing balance	38,977	39,089
Accumulated depreciation	1,234	953
Opening balance	278	281
Additions		
Closing balance	1,512	1,234
Net book value	37,465	37,855

(b) As of December 31, 2018, it mainly includes the cost of acquisition of mining concessions and claims in different locations in Peru, acquired in previous years. Management carried out various studies and studied the probability of future recovery of its investment in these concessions and estimated that there is no impairment at the end of December 2018. As of December 31, 2018 and 2017, the Company has derecognized certain assets equivalent to S/122,000 and S/954,000, respectively.

CONTENT

EXIT

16. Financial Liabilities

(a) The item breakdown is shown below:

Type of liability	Guarantee	Interest rate annual weighted average (%)	Maturity	Host currency	Original amount (000)	2018 S/(000)	2017 S/(000)
Banco de Crédito del Perú S.A. (e)	Acquired fixed assets	Between 5.00 and 5.50	2020	S/	298,324	97,489	158,293
Banco Internacional del Perú S.A.A. – Interbank (f)	Acquired fixed assets	7.80	2018	S/	13,621	-	3,998
Banco Internacional del Perú S.A.A. – Interbank (f)	Acquired fixed assets	3.90	2021	US$	1,197	3,359	3,884
Banco Santander Perú S.A. (g)	Acquired fixed assets	7.10	2018	S/	11,594	-	4,130
Maquinarias S.A. (h)	Acquired fixed assets	7.25	2021	S/	14,988	4,988	8,371
Renting S.A.C. (h)	Acquired fixed assets	1.25	2022	US$	307	831	996
Banco de Crédito del Perú S.A. (i)	Acquired fixed assets	5.36	2028	US$	101,735	46,988	-
Banco de Crédito del Perú S.A. (i)	Acquired fixed assets	6.57	2025	US$	78,265	2,424	-
Operating lease (j)							
Right-of-use leases	**Without specific guarantees**	5.75	2023	S/	-	19,890	-
						175,969	**179,672**
Promissory notes (k)							
BBVA Banco Continental S.A.	Without specific guarantees	1.34	2019	US$	12,500	42,238	150,893
BBVA Banco Continental S.A.	Without specific guarantees	Between 2.70 and 3.47	2019	S/	120,000	120,000	-
Banco de Crédito del Perú S.A.	Without specific guarantees	Between 2.90 and 3.29	2019	US$	26,300	88,868	54,841
Banco de Crédito del Perú S.A.	Without specific guarantees	4.25	2019	S/	18,500	18,500	-
Scotiabank Perú S.A.A.	Without specific guarantees	Between 2.70 and 3.30	2019	US$	26,300	88,867	-
Banco Internacional del Perú S.A.A.	Without specific guarantees	6.75	2019	S/	33,320	33,320	-
Banco Santander Perú S.A.	Without specific guarantees	6.75	2019	S/	33,320	33,320	-
Banco ICB Perú Bank	Without specific guarantees	3.65	2019	S/	29,700	29,700	-
						454,813	**205,734**
Loans (l)	With specific guarantees	Libor + 3.65%	2022	US$	25,000	74,083	73,480
Banco de Crédito del Perú S.A.	With specific guarantees	5.80	2022	US$	27,779	82,035	81,277
Banco de Crédito del Perú S.A.	With specific guarantees	5.98	2022	S/	85,750	75,460	78,033
Banco de Crédito del Perú S.A.	With specific guarantees	6.67	2024	S/	33,500	24,623	29,379
Banco de Crédito del Perú S.A.						256,201	262,169
Total						**886,983**	**647,575**
Less current portion						**(545,141)**	**(291,232)**
Non-current portion						**341,842**	**356,343**

(b) As of December 31, 2018 and 2017, the schedule for the amortization of financial liabilities, net of accrued interest, is as follows (the prepaid installments in Banco de Crédito del Perú are considered in the short term on account of the financing of the leasing of the new steel mill).

	2018 S/(000)	2017 S/(000)
2018	-	291,232
2019	545,141	86,431
2020	138,290	84,714
2021	92,030	86,626
2022	98,647	92,979
2023	7,925	4,773
2024	4,950	820
	886,983	**647,575**

(c) Future minimum payments of finance leases as of December 31, 2018 and 2017 are as follows:

	2018		2017	
	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 More	63,542	59,444	80,694	73,330
than 1 and up to 5 years	117,824	116,525	111,487	106,342
Total payments to be made	181,366	175,969	192,181	179,672
Less interest payable	(5,397)	-	(12,509)	-
Total	**175,969**	**175,969**	**179,672**	**179,672**

(d) Finance lease liabilities are secured by the transfer of title deeds of the assets acquired, which revert to the lessor in the event of default, including mainly acquired fixed assets. See note 12(c).

(e) On December 2, 2011, the Company entered into a Finance Lease contract for the implementation, equipment and commissioning of the new rolling mill with Banco de Crédito del Perú S.A., for an amount of up to US$100 million. On December 27, 2012, the Company entered into 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 annual effective interest rate of 5.50 percent. On September 11, 2013, the Company entered into an addendum to the contract modifying the amount to US$121 million. The activation date of this operation was during the third quarter of 2013. On the same date, a surface right contract was signed, by virtue of which a surface right was created on the land where the new rolling mill would be installed, in favor of the bank. In order to guarantee the full and timely payment of the guaranteed liabilities, this debt was adhered to the Creditor Framework Agreement, considering the assets that make up this finance lease as Assets Committed.

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

(f) In June 2017, a finance lease contract in the amount of USD 1.2 million was entered into for the acquisition of machinery, payable in 48 monthly installments at an annual effective rate of 3.90%.

(g) On January 15, 2013, a finance lease contract for the modernization of continuous casting was entered into with Banco Santander for an amount of up to US$5.2 million, payable in 60 monthly installments at an annual effective rate of 5.85%, an amount which was paid at maturity in 2018.

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

In November 2017, the Company signed a service contract with supplier Renting S.A.C. in order to be used solely for the development of its corporate purpose. The contract has a duration of 60 months and the cost of the vehicles is approximately US$307,000.

(i) On September 14, 2018, two finance lease contracts were entered into for the construction of a new steel mill at the Pisco plant with Banco de Crédito del Perú for a total amount of US$180 million, divided into two contracts of US$101,735 million for the construction of civil works and US$78,265 million for machinery and equipment, with annual effective financing rates of 5.36% and 6.57%, payable in 10 years, for civil works and 7 years for machinery, considering a grace period of 6 years for civil works and 3 years for machinery counted from the date of signing. Also, both contracts are executed in two currencies (Soles/Dollars).

(j) Corresponds to the lease contracts for rights of use that the Company maintains. This liability has been calculated based on the duration of the contracts held by the Company, which range from 51 to 57 months, and a discount rate of 5.75%. See note 13

(k) Promissory notes -
The promissory notes have a current term and are renewable at maturity. The book value of promissory notes is substantially similar to the corresponding fair values since the impact of the discount is not significant. Promissory notes are used for working capital, and the Company's Management expects to pay them at maturity.

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

The Creditor Framework Agreement is the agreement that regulates the guarantees granted for the Pisco plant with respect to the companies that provide loans to the Company. This agreement provides the guidelines for the award of such guarantees and each company that finances the Company and receives assets from the Pisco plant as collateral will become part of this agreement.

- On January 18, 2016, an addendum was signed with Banco de Crédito del Perú S.A. to modify the long-term loan agreement (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 respect, US$25 million of Tranche I were converted to S/85.7 million at a rate of 9.05 percent. In October 2018, an addendum was signed to the agreement by which the rate was modified from 9.05 percent to 5.98 percent and which expires in 2022.

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

- On February 27, 2017, the Company entered into a loan agreement with Banco de Crédito del Perú S.A. for S/33.5 million. The payment terms of this loan are through 84 installments at an annual rate of 6.67%.

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(m) As security for the loans detailed in paragraph (l) above, the Company entered into an escrow agreement in which the Company acts as trustor, Banco de Crédito del Perú S.A. as representative of the trustees and La Fiduciaria S.A. as trustee, pursuant to which the Company transferred to the trustee the trust ownership of the Pisco production plant (excluding assets committed to other financial entities) and the insurance policies relating to such assets, see note 12(f).

Pursuant to the foregoing paragraph, trust funds are irrevocably constituted as long as the guaranteed liabilities remain in force, for which the Company, in its capacity as trustor and in accordance with the provisions of Article No. 241 of the Banking Law, transfers in trust ownership to La Fiduciaria S.A., the trust assets that constitute the trust funds. The purpose of this contract is that the trust funds serve entirely as a guarantee of the total payment of the guaranteed liabilities mentioned in sections (e) and (j) above.

(n) Interest accrued as of December 31, 2018 and 2017 on financial liabilities amounts to approximately S/33,074,000 and S/32,244,000, respectively, which are presented in item “Financial expenses” in the separate statement of comprehensive income, see note 27.

(o) As of December 31, 2018 and 2017, the movement of financial liabilities was as follows:

	2018 S/(000)	2017 S/(000)
Opening balance as of January 1	647,575	653,948
Obtain bank loans	1,254,753	686,333
Payment of bank loans	(1,096,124)	(696,974)
Exchange rate difference	80,779	4,268
Total	**886,983**	**647,575**

(p) The Company undertakes to comply with certain financial ratios such as:

- Financial leverage ratio, not higher than 1.3
- Debt service coverage ratio, not lower than 1.2
- Debt coverage ratio, not higher than 3.0
- Interest coverage ratio, not lower than 4.5
- Liquidity ratio, not lower than 1

The Company has been and continues to be in compliance with those financial ratios as of December 31, 2018 and 2017. In order to guarantee the full and timely payment of the obligation, this debt was adhered to the creditor framework agreement.

17. Trade Accounts Payable

(a) The item breakdown is shown below:

	2018 S/(000)	2017 S/(000)
Foreign invoices payable (c)	115,589	145,472
Local invoices payable	266,420	181,241
Advance payments from customers	52,744	22,766
Total	**434,753**	**349,479**

(b) Trade accounts payable arise mainly from the acquisition from unrelated third parties of goods, raw material, materials, supplies and spare parts for production, are denominated in local and foreign currencies, have mainly current maturities and no guarantees have been provided for these liabilities.

(c) Foreign invoices payable are directly financed with unrelated suppliers, which generate average annual interest rates of 1.25 percent, and are of current maturity.

18. Other Accounts Payable

(a) The item breakdown is shown below:

	2018 S/(000)	2017 S/(000)
Employees’ share	29,679	21,604
Vacation pay	13,129	14,175
Severance pay	4,689	2,726
Miscellaneous provisions	5,494	1,423
Interest payable	3,557	1,595
Other taxes and withholdings	2,759	2,828
Private pension fund to pay	1,072	1,174
Other accounts payable	871	2,419
	61,188	**47,944**

(b) The headings comprising this item have a current maturity, do not accrue interest and no specific guarantees have been granted for them.

19. Deferred Income Tax Liabilities, net

(a) The item breakdown and movement according to the items that originated it are shown below:

	As of January 1, 2017 S/(000)	(Debit) / payment to the separate statement of comprehensive income S/(000)	(Debit) / payment to the separate statement of changes in equity S/(000)	As of December 31, 2017 S/(000)	(Debit) / payment to the separate statement of comprehensive income S/(000)	As of December 31, 2018 S/(000)
Deferred assets						
Estimate of inventory impairment	688	(63)	-	625	551	1,176
Vacation accrued and unpaid	3,581	367	-	3,948	(239)	3,709
Other	1,910	(65)	-	1,845	594	2,439
	6,179	**239**	**-**	**6,418**	**906**	**7,324**
Deferred liabilities						
Finance lease transactions	(86,164)	(9,226)	-	(95,390)	(7,396)	(102,786)
Land surplus	(94,443)	-	12,272	(82,171)	1,554	(80,617)
Higher value of property, plant and equipment	(34,380)	8,881	-	(25,499)	7,030	(18,469)
Exploration and evaluation expenses	(5,778)	(114)	-	(5,892)	244	(5,648)
Miscellaneous provisions	5,947	15,399	-	21,346	15,310	36,656
Other	1,254	2,111	-	3,370	2,573	5,943
	(213,564)	**17,056**	**12,272**	**(184,236)**	**19,315**	**(164,921)**
	(207,385)	**17,295**	**12,272**	**(177,818)**	**20,221**	**(157,597)**

(b) The income tax expense shown in the separate statement of comprehensive income is broken down as follows:

	2018 S/(000)	2017 S/(000)
Current	(79,163)	(56,535)
Deferred	20,221	17,295
	(58,942)	**(39,240)**

(c) The reconciliation of the effective and legal income tax rate for 2018 and 2017 is shown below:

	2018 S/(000)	%	2017 S/(000)	%
Profit before income tax	222,176	100.00	167,137	100.00
Theoretical expense	(65,542)	(29.50)	(49,305)	(29.50)
Non-deductible permanent expenses	6,600	2.97	10,065	6.02
Income tax	**(58,942)**	**(26.53)**	**(39,240)**	**(23.48)**

(e) As of December 31, 2018, the Company has generated an income tax of S/79,163,000 to which the payments on account maintained to date have been applied, generating a liability of S/17,381,000.

20. Shareholders' equity

(a) Capital stock -

As of December 31, 2018 and 2017, the balance of this account is broken down as follows:

	2018 S/(000)	2017 S/(000)
Capital	941,875	941,875
Treasury shares (c)	(51,017)	-
	890,858	**941,875**

As of December 31, 2018, capital stock is represented by 890,858,308 fully subscribed and paid-up common shares with a par value of S/1.00 per share. As of December 31, 2017, capital stock is represented by 941,875,171 fully subscribed and paid-up common shares with a par value of one Sol per share.

On December 20, 2018, the Shareholders' Meeting approved the reduction of the Company's capital stock by the amount of S/51,016,863, through the redemption of 51,016,863 common shares held in treasury.

At the end of December 2018, the market price of the common share was S/0.94 and its trading frequency was 25.00%, in relation to the total number of trades on the Lima Stock Exchange (S/0.83 and 47.37% as of December 31, 2017, respectively).

As of December 31, 2018 and 2017, the Company's shareholding structure is as follows:

	2018		2017	
Percentage of individual equity interest	**Number of shareholders**	**Total share percentage**	**Number of shareholders**	**Total share percentage**
Higher than 10%	2	25.87	2	24.53
Between 5.01% and 10%	4	27.65	4	26.70
Between 1.01% and 5%	13	20.00	12	22.18
Lower than 1%	413	26.48	421	26.59
	432	**100**	**439**	**100.00**

(b) **Investment shares -**

As of December 31, 2018 and 2017, the balance of this account is broken down as follows:

	2018 S/(000)	2017 S/(000)
Investment shares	200,936	200,936
Treasury shares (c)	(10,884)	-
	190,052	**200,936**

As of December 31, 2018, the investment share account is represented by 190,051,980 shares with a par value of S/1.00 per share (200,935,704 shares with a par value of S/1.00 per share as of December 31, 2017). The market price per investment share as of December 31, 2018 was S/0.70 and its trading frequency was 100 percent in relation to the total number of trades on the Lima Stock Exchange (S/0.72 and 100 percent as of December 31, 2017, respectively).

On December 20, 2018, the Shareholders' Meeting approved the reduction of the investment shares through the redemption of 10,883,724 shares held in treasury for the sum of S/10,883,724.

The investment shares confer on their holders the right to the distribution of dividends in accordance with their par value. These shares will be held until the Company agrees to their redemption with their holders.

(c) **Treasury shares -**

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

In 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 as 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. Such transaction generated an upward result of approximately S/6,936,000, which is presented in "Retained Earnings" 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, as 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. Such transaction generated an upward result of approximately S/25,048,000 which is presented in "Retained Earnings" in the separate statement of changes in equity.

On December 20, 2018, the Shareholders' Meeting approved the reduction of 61,900,587 treasury shares, which generated a balance of 7,644,468 investment shares held in treasury.

(d) Revaluation surplus -

As of December 31, 2018 and 2017, 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) Statutory reserve -

According to the General Law of Companies, it is required that a minimum of 10 percent of the distributable profit of each fiscal year be transferred to a statutory reserve until such reserve equals 20 percent of the capital stock. The statutory reserve may compensate losses or may be capitalized, and in both cases there is an obligation to replace it. The Company records the appropriation to the statutory reserve when it is approved by the Shareholders' Meeting.

At the Shareholders' Meeting held on March 26, 2018, the appropriation to the statutory reserve for S/12,790,000 was approved charged against income for 2017.

At the Shareholders' Meeting held on March 23, 2017, the appropriation to the statutory reserve for S/9,842,000 was approved charged against income for 2016.

In 2018, and in accordance with the General Law of Companies, the Company paid the statutory reserve for those dividends pending payment older than three years. The amount recorded by the Company for this item is approximately S/115,000 (S/152,000 as of December 31, 2017).

(f) **Distribution of dividends -**

At the Shareholders' Meeting held on March 23, 2017, the payment of a cash dividend of S/35,431,000 was approved, charged against retained earnings from previous years, from which the interim dividend distributed in cash must be deducted and which was approved on July 21, 2016 for an amount of S/8,127,000, as well as the dividend approved on October 27, 2016 for S/10,100,000. The remaining amount of S/17,204,000 (S/0.0160298 per share) was fully paid in May 2017.

Also, at the Board meeting held on July 20, 2017, it was agreed to advance dividends corresponding to retained earnings of 2014 for S/6,955,000 (S/0.00648022 per share), an amount that was fully paid in September 2017.

At the Board meeting held on October 26, 2017, it was agreed to advance dividends corresponding to retained earnings of 2014 for S/15,971,000 (0.01488075 per share), an amount that was fully paid in December 2017.

At the Shareholders' Meeting held on March 26, 2018, the payment of a cash dividend of S/46,043,000 was approved, charged against retained earnings of 2014, amount from which the interim dividend distributed in cash must be deducted and which was approved on July 20, 2017 for an amount of S/6,955,000, as well as the dividend approved on October 26, 2017 for S/15,971,000. The remaining amount of S/23,117,000 (S/0.021539 per share) was fully paid in May 2018.

Furthermore, at the Board meeting held on July 19, 2018, it was agreed to advance dividends corresponding to retained earnings of 2014 for S/10,666,000 (S/0.009938 per share), an amount that was fully paid in September 2018.

At the Board meeting held on October 25, 2018, it was agreed to advance dividends corresponding to retained earnings of 2014 for S/22,584,000 (0.021042 per share), an amount that was fully paid in December 2018.

21. Net Sales

The item breakdown is shown below:

	2018 S/(000)	2017 S/(000)
Local sales to third parties	1,903,126	1,756,884
Sales abroad to third parties	467,365	409,407
Local sales to related parties, note 7(a)	252,587	193,497
	2,623,078	**2,359,788**

22. Selling costs

The item breakdown is show below:

	2018 S/(000)	2017 S/(000)
Initial inventory of ancillary materials, supplies and spare parts, note 9(a)	98,699	95,715
Initial inventory of raw material, note 9(a)	104,918	52,748
Initial inventory of goods, finished goods and goods in process, note 9(a)	389,321	427,083
Personnel expenses, note 25(b)	109,281	100,266
Purchase of goods	264,787	271,026
Purchase of raw material	1,305,648	1,023,615
Purchase of supplies	302,491	206,197
Manufacture expenses	295,444	286,115
Depreciation for the year, note 12(e)	72,626	74,552
Freight cost	66,832	68,527
Amortization for the year, note 14(c)	3,027	3,748
Final inventory of goods in process, note 9(a)	(273,350)	(93,512)
Final inventory of finished goods, note 9(a)	(206,221)	(195,649)
Final inventory of goods, note 9(a)	(112,670)	(100,160)
Final inventory of ancillary materials, supplies and spare parts, note 9(a)	(112,906)	(98,699)
Final inventory of raw material, note 9(a)	(111,929)	(104,918)
Inventory impairment, note 9(c)	4,894	2,881
	2,200,892	**2,019,535**

23. Cost of Goods sold

(a) The item breakdown is shown below:

	2018 S/(000)	2017 S/(000)
Services provided by third parties (b)	39,223	45,361
Personnel expenses, note 25(b)	20,420	21,442
Depreciation for the year, note 12(e)	7,729	7,567
Miscellaneous management expenses	3,217	3,328
Estimate for expected loss of accounts receivable, note 6(e)	2,815	3,163
Amortization for the year, note 14(c)	1,851	2,013
Taxes	918	998
	76,173	**83,872**

(b) As of December 31, 2018 and 2017, corresponds mainly to services, such as rental of commercial premises, advertising services, marketing services, sales personnel outsourcing services, among others.

24. Administrative Expenses

(c) The item breakdown is shown below:

	2018 S/(000)	2017 S/(000)
Personnel expenses, note 25(b)	51,816	50,254
Services provided by third parties (b)	19,556	18,293
Amortization for the year, note 14(c)	2,864	1,578
Miscellaneous management expenses	1,018	1,075
Depreciation for the year, note 12(e)	837	761
Taxes	789	728
	76,880	**72,689**

(d) As of December 31, 2018 and 2017, corresponds mainly to services for legal advice, surveillance service, software support service, maintenance service, among others.

25. Personnel Expenses

(a) The item breakdown is shown below:

	2018 S/(000)	2017 S/(000)
Personnel remuneration	99,384	96,746
Profit-sharing	29,951	21,561
Bonuses	15,083	15,650
Vacation	13,639	14,443
Contributions	10,130	10,361
Employees' social benefits	10,673	10,342
Other	2,657	2,859
	181,517	**171,962**

(b) The personnel expenses distribution is shown below:

	2018 S/(000)	2017 S/(000)
Selling cost, note 22	109,281	100,266
Cost of goods sold, note 23	20,420	21,442
Administrative expenses, note 24	51,816	50,254
	181,517	**171,962**

26. Other Operating Income and Expenses

(a) The item breakdown is shown below:

	2018 S/(000)	2017 S/(000)
Other income -		
Sale of fixed assets	12,513	14,560
Sale of disused materials	1,686	-
Return due to overcollection of electric		-
and gas service	1,612	-
Reimbursement due to import expenses	1,504	1,522
Return of customer balances	1,500	-
BackOffice service to subsidiaries	1,031	-
Reimbursement of penalties	33	741
Other	1,664	275
	21,543	**17,098**

	2018 S/(000)	2017 S/(000)
Other expenses -		
Cost of disposal of plant and equipment, note 12(b)	(31,847)	(14,835)
Personnel incentives (c)	(8,225)	(8,089)
Legal advice services	(5,555)	-
Derecognition of fixed assets	(4,345)	-
Provisions for labor contingencies	(3,800)	-
Disassembly and transfer service in Plant in Arequipa	(2,943)	-
Administrative sanctions	-	(9,273)
Supplier advance payment impairment, net 8(e)	-	(3,110)
Other	(1,737)	(2,445)
	(58,452)	**(37,752)**

(b) As of December 31, 2018 and 2017, corresponds to sales and derecognition of damaged and obsolete plant and equipment located in production facilities.

(c) As of December 31, 2018 and 2017, corresponds to disbursements related to the termination of employees.

27. Financial Income and Expenses

The breakdown of these items is shown below:

	2018 S/(000)	2017 S/(000)
Financial income		
Interest on invoices receivable	3,540	1,891
Interest on time deposits, note 5(c)	4,848	2,294
Other financial income	-	418
	8,388	**4,603**
Financial expenses		
Interest on financial liabilities, note 16(n)	(33,074)	(32,244)
	(33,074)	**(32,244)**

28. Tax Situation

(a) Management considers that it has determined the taxable subject-matter under the general income tax regime in accordance with current tax legislation, which requires to add to and deduct from the income, shown in the separate financial statements, those items that the 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 the Peruvian tax regime. As of December 31, 2018 and 2017, the income tax rate was 29.5 percent over taxable income after deducting workers' profit-sharing which is calculated at a rate of 10 percent over taxable income.

Legislative Decree No. 1261, enacted on December 10, 2016, establishes the dividend tax rate for natural persons and legal entities not domiciled at 5% 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 in which the tax return is submitted. The Company's income tax returns for years 2014 to 201_ are pending review by the Tax Authority. Due to the possible interpretations that the Tax Authority may give to the legal regulations in force, it is not possible to determine, so far, whether or not the reviews made will result in liabilities for the Company. Therefore, any higher tax or surcharge that may result from eventual tax reviews would be applied to the net income for the year in which it is determined. However, in the opinion of the Company's Management and its legal advisors, any eventual additional tax assessments would not be significant for the separate financial statements as of December 31, 2018.

(d) In order to determine the income tax, transfer prices of transactions with related companies and with companies residing in low-taxation or nil-taxation territories must be supported by documentation and information on the valuation methods used and the criteria considered for their determination. Based on an analysis of the Company's operations, Management and its legal advisors consider that, as a result of the application of these regulations, no significant contingencies will arise for the Company as of December 31, 2018.

(e) Temporary Net Assets Tax (TNAT) -
It taxes third category income generators subject to the general income tax regime. As of 2012, the tax rate is 0.4% applicable to the amount of tax net assets exceeding S/1 million.

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

29. Basic and Diluted Net Earnings per Share

The calculation of the weighted average number of shares and basic and diluted earnings per share is shown below:

	Shares issued					Valid days up to year-end		Weighted average of shares		
	Common	Investment	Treasury Common	Treasury Investment	Total	Common	Investment	Common	Investment	Total
Balance as of January 1, 2017	941,875,171	200,935,704	(18,863,032)	(18,528,192)	1,105,419,651			923,012,139	190,686,327	1,113,698,466
Acquisition of investment shares	-	-	(32,153,831)	-	(32,153,831)	319	319	(28,101,567)	-	(28,101,567)
Balance as of December 31, 2017	**941,875,171**	**200,935,704**	**(51,016,863)**	**(18,527,192)**	**1,073,265,820**			**894,910,572**	**190,686,327**	**1,085,596,899**
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**			**894,910,572**	**190,686,327**	**1,085,596,899**

The calculation of earnings per share as of December 31, 2018 and 2017 is shown below:

	As of December 31, 2018			As of December 31, 2017		
	Earnings (numerator) S/(000)	Shares (denominator) (000)	Earnings per share S/	Earnings (numerator) S/(000)	Shares (denominator) (000)	Earnings per share S/
Basic and diluted earnings per share of common and investment shares	163,234	1,085,597	0.15	127,897	1,085,597	0.12

30. Contingencies and Guarantees granted

(a) Contingencies –

(a.1) As of December 31, 2018, the Company has the following contingent tax proceedings:

- Various labor proceedings related to its operations referred to lawsuits for payment of profits and reimbursement of social benefits.

- The Company has filed a claim against the file related to the 1998 General Sales Tax; the file is assigned to the Fourth Division of the Tax Court and is pending resolution. As of December 31, 2018, the amount is approximately S/2.8 million.

- As a result of the review by the Tax Authority of the years 2004, 2005 and 2006, the Company received determination and fine resolutions for income tax and general sales tax, with a total amount of approximately S/21.7 million being subject to challenge. As of December 31, 2018, the appeals filed by the Company are pending resolution by the Tax Court.

- On December 29, 2011, the Company received determination and fine resolutions for income tax and general sales tax from 2007 to 2009 amounting together to S/21.7 million, a debt that was offset by the Tax Authority with the balance in favor of income tax for 2009, the refund of which was requested by the Company. The Company has filed a partial claim against these resolutions for an approximate amount of S/7.9 million, which refund has also been requested. The proceeding is pending resolution by the Tax Authority.

- On June 27, 2017, an appeal was filed against the denial by default of the claim filed against the determination resolution for income tax for the period 2011, the debt in the values updated as of December 31, 2018 amounts to approximately S/3.2 million.

In the opinion of Management and its legal advisors, the Company has sufficient arguments to obtain favorable results in the proceedings mentioned in the previous points.

(a.2) On February 7, 2014, the Company acquired the property called 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 of 8,560.54 m2, registered in Registry File No. 21186464 of the Cañete Registry.

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

In spite of the aforementioned exclusion, the owners of the overlapping property have initiated a number of actions against the Company and some officials, claiming the total area of the land acquired by the Company. The civil lawsuit includes as its main claims: (i) the nullity of the legal act of purchase and sale executed in 1999 by those who sold the property to the company; and, (ii) action to recover possession of the property. As ancillary claims, the nullity of the registration entry and an indemnity of US$20,920,000, among others, have been requested; this dispute is in the Judiciary. By resolutions of August 10, 2015, the Court has dismissed the defenses raised by the Company referring to the lack of legitimacy, statute of limitations, inaccurate and ambiguous petition. As of the date of this report, it is pending that the Court resolves the aforementioned defenses as well as the dismissal of the claim for compensation filed by the plaintiff.

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

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(a.3.) In February 2017, as the undue billing by the natural gas supplier in Ica, Contugas S.A.C., was maintained, in relation to the services rendered within the framework of the Natural Gas Distribution and Supply Contract, entered into on December 21, 2011, the Company filed a claim with OSINERGMIN to declare that

Contugas should comply with invoicing the Company for natural gas distribution, transportation and supply services, according to the quantities actually consumed, in accordance with the billing procedure for the concession of the Natural Gas Distribution System by Ductwork in the department of Ica, and considering an Average Cost of Transportation that does not include inefficiencies and additional costs assumed by Contugas as a consequence of contracts executed with third parties. Likewise, it was also requested that Contugas be ordered to re-invoice the aforementioned services according to the billing procedure indicated above, amount that, as of December 31, 2018, is approximately US$54,832,000, including IGV.

The claim was admitted for processing in April 2017. Contugas dismissed said claim contradicting the grounds of fact and law raised by the Company and, in addition, raised a defense of lack of subject-matter jurisdiction, the purpose of which was for OSINERGMIN to abstain from knowing the dispute, as it was, in its opinion, a claim on unregulated contractual matters.

The Ad-Hoc Collegiate Body decided: (i) to declare unfounded the defense of lack of subject-matter jurisdiction filed by Contugas; and, (ii) to order the suspension of the processing of the current dispute resolution procedure, as long as the appeal for relief related to the judgment dated December 21, 2016, issued by the Fifth Court Specialized in Constitutional matters of the Supreme Court of Justice of Lima, concludes in the last resort.

It should be noted that the court proceeding referred to in the preceding paragraph is the one linked to the precautionary measure mentioned above, from which the Company was excluded, being followed only by Contugas against OSINERGMIN, EGASA and EGESUR. Despite the fact that the result of said court proceeding should not affect the Company, the Ad-Hoc Collegiate Body decided to suspend the processing of the claim, erroneously considering that what was resolved in said court proceeding involving third parties may have an impact on the regulatory agency's criteria. By virtue of the foregoing, in July 2017, the Company filed an appeal against the point referred to the suspension of the processing of the referred dispute resolution procedure.

In the same manner, on May 10, 2018, the Company was informed that the Ad-Hoc Collegiate Body of the Regulatory Agency for Investment in Energy and Mining - OSINERGMIN has declared founded, in all its points, the claim of the Company against Contugas, declaring concluded the first administrative proceeding as established in Article 45 of the Consolidated Law of OSINERGMIN's Regulations for Dispute Resolution approved by Resolution No. 223-2013-OS/CD.

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

(b) Guarantees granted -

As of December 31, 2018, the Company maintains S/2,537,000 and US$7,000,000 in bonds, mainly in favor of the Tax Authority, for tax and customs matters.

31. Financial Risk Management, Objectives and Policies

The Company's main financial liabilities are financial liabilities, trade accounts payable, to related parties and other accounts payable. The main purpose of these financial liabilities is to fund the Company's operations. In addition, it maintains cash and short-term deposits, trade accounts receivable, to related parties and other accounts receivable arising directly from its operations. The Company is exposed to credit, market and liquidity risk.

The Company's Management oversees the management of these risks. The Company's Management is supported by the Finance Management that advises on these risks and on the most appropriate corporate financial risk management framework for the Company. Finance 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 Company's policies and risk preferences.

Management reviews and approves the policies for managing each of the risks, which are summarized below:

Credit risk -

Credit risk is the risk that a counterparty will not be able to meet its liabilities in relation to a financial instrument or sales contract, resulting in a financial loss. The Company is exposed to credit risk from its operating activities (mainly accounts receivable) and from its bank deposits.

Credit risk related to accounts receivable: customer credit risk is managed by Management, subject to duly established policies, procedures and controls. Outstanding accounts receivable balances are regularly reviewed to ensure recovery; also, the Company has a broad customer base.

Credit risk related to bank deposits: credit risks on bank balances are managed by Management in accordance with the Company's policies. Excess cash investments are made with first-tier financial institutions. The maximum exposure to credit risk as of December 31, 2018 is the book value of the cash balances shown in note 5.

Accordingly, in the opinion of Management, the Company does not have any concentration representing a significant credit risk as of December 31, 2018.

Market risk –

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

The sensitivity analyses in the following sections refer to the positions as of December 31, 2018 and 2017. They are also based on the fact that the net amount of debt, the fixed interest rate ratio, and the position in foreign currency instruments remain constant.

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

(i) Exchange rate risk -

Exchange rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate due to changes in exchange rates. Finance Management is responsible for identifying, measuring, monitoring and reporting the Company's exposure to global currency risk. Currency risk arises when the Company has mismatches between its active, passive and off-balance sheet positions in the different currencies in which it operates, which are mainly Soles (functional currency) and U.S. dollars. Management monitors this risk through the analysis of the macro-economic variables of the country.

The Company's activities, mainly its indebtedness, expose it to the risk of fluctuations in the exchange rates of the U.S. dollar vis-à-vis the Sol. In order to reduce this exposure, the Company makes efforts to maintain an appropriate balance between assets and liabilities denominated in U.S. dollars. It should be noted that the Company's revenues are received in U.S. dollars (or the equivalent in Soles at the exchange rate of the day), a significant portion of its production costs are related to the U.S. dollar and short- and medium-term indebtedness is mainly agreed in U.S. dollars. In spite of this alignment among revenues, costs and debt, by maintaining the accounting in Soles, the debt as well as the liabilities payable in foreign currency are adjusted with any variation in the exchange rate. Management permanently evaluates economic hedging alternatives that can be adapted to the Company's reality.

Transactions in foreign currency are carried out at the free market exchange rates published by the Superintendency of Banking, Insurance and Pension Fund Administrators.

As of December 31, 2018, the weighted average exchange rates of the free market for transactions in U.S. dollars were S/3.369 per US$1 for purchase and S/3.379 per US$1 for sale, respectively (S/3.238 per US$1 for purchase and S/3.245 per US$1 for sale as of December 31, 2017, respectively).

As of December 31, 2018, the Company has no derivative financial instruments and has the following assets and liabilities in thousands of U.S. dollars:

	2018 S/(000)	2017 S/(000)
Assets		
Cash and cash equivalents	66,239	94,433
Trade accounts receivable, net	114,932	91,514
Accounts receivable to related parties	12,193	8,844
Other accounts receivable	-	382
	193,364	**195,173**
Liabilities		
Trade accounts payable	(86,869)	(77,372)
Financial liabilities, current and non-current	(127,015)	(113,268)
	(213,884)	(190,640)
Active (passive) position, net	**(20,520)**	**4,533**

During the 2018 period, the Company has recorded a net loss for exchange rate difference of approximately S/1,745,000 (net profit of approximately S/1,769,000 as of December 2017), which is presented in the separate statement of comprehensive income.

The following table shows the U.S. dollar sensitivity analysis (the only currency other than the functional currency in which the Company has significant exposure as of December 31, 2018 and 2017) in its monetary assets and liabilities and its estimated cash flows. The analysis determines the effect of a reasonably possible change in the U.S. dollar exchange rate, considering the other constant variables in the separate statement of comprehensive income before income tax. A negative amount shows a potential net reduction in the separate statement of comprehensive income, while a positive amount reflects a potential net increase.

Sensitivity analysis	**Change in exchange rate %**	**Profit (loss) before taxes**	
		2018 S/(000)	**2017** S/(000)
Devaluation -			
Dollar	(5)	3,564	667
Dollar	(10)	7,127	1,334
Revaluation -			
Dollar	+5	(3,564)	(667)
Dollar	+10	(7,127)	(1,334)

(ii) Interest rate risk -

As of December 31, 2018 and 2017, the Company has financial instruments accruing fixed and variable interest rates in leading financial institutions in the country. The Company's operating cash flows are substantially independent of changes in market interest rates and, in the opinion of Management, the Company does not have a material exposure to interest rate risks.

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

	Increase / decrease in basic points	Effect on profit before income tax S/(000)
2018		
Soles	+/- 50	1,590
	+/- 100	3,179
2017		
Soles	+/- 50	967
	+/- 100	1,935

(iii) Price risk -
In general, the Company is subject to the risk of fluctuations in the prices of steel by-products manufactured, marketed and transformed by the Company, with domestic prices being influenced by changes in international steel prices. Therefore, Management keeps 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 income statement as of December 31, 2018 and 2017 if the domestic price had increased/decreased 5 percent and all other variables had remained constant.

	Price increase / decrease	Effect on profit before income tax S/(000)
2018	+5%	92,463
	-5%	(92,463)
2017	+5%	83,183
	-5%	(83,183)

(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 funds when they are withdrawn.

The consequence would be a default in 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 maintaining surplus liquidity, which allows the Company to carry out its activities normally.

Liquidity risk management involves maintaining sufficient cash and availability of financing through an adequate number of committed sources of credit and the ability to settle mainly indebtedness transactions. In this regard, the Company's Management focuses its efforts on maintaining sufficient resources to meet its disbursements.

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

	As of December 31, 2018			
	Up to 3 months S/(000)	**From 3 to 12 months** S/(000)	**From 1 to 5 years** S/(000)	**Total** S/(000)
Financial liabilities:				
Capital amortization	326,757	218,384	341,842	886,983
Interest payment flow	5,377	14,173	23,474	43,024
Trade accounts payable	434,753	-	-	434,753
Accounts payable to related parties	21,320	-	-	21,320
Other accounts payable (*)	66,190	-	-	66,190
Total liabilities	**854,397**	**232,557**	**365,316**	**1,452,270**

	As of December 31, 2017			
	Up to 3 months S/(000)	**From 3 to 12 months** S/(000)	**From 1 to 5 years** S/(000)	**Total** S/(000)
Financial liabilities:				
Capital amortization	227,250	63,982	356,343	647,575
Interest payment flow	6,359	17,209	45,112	68,680
Trade accounts payable	349,479	-	-	349,479
Accounts payable to related parties	16,172	-	-	16,172
Other accounts payable (*)	45,116	-	-	45,116
Total liabilities	**644,376**	**81,191**	**401,455**	**1,127,022**

(*) Tax liabilities or advance payments to customers are not included.

Capital management -

The Company's objectives in managing capital are to safeguard the Company's ability to continue as a going concern in order to generate returns to its shareholders, benefits to other stakeholders and maintain 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 debt.

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

	2018 S/(000)	2017 S/(000)
Financial liabilities	886,983	647,575
Trade accounts payable, to related parties and other accounts payable	542,403	425,160
Less: Cash and cash equivalents	(228,988)	(318,194)
Net debt (a)	1,200,398	754,541
Shareholders' equity	1,959,216	1,852,244
Total capital and net debt (b)	**3,159,614**	**2,606,785**
Leverage ratio (a/b)	**38%**	**29%**

During the years ended December 31, 2018 and 2017, there were no changes in the objectives, policies or processes related to capital management.

31. Fair Value of Financial Instruments

Fair value is defined as the amount for 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 that gives or imposes on an entity the contractual right or obligation to receive or deliver cash or another financial instrument. Fair value is defined as the amount at which a financial instrument can be exchanged in a transaction between two willing parties, other than a forced sale or liquidation, and the best evidence of its value is its quoted price, if any.

The methodologies and assumptions used depend on the terms and risks inherent to 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 approximate their fair value.

- Accounts receivable, because they are net of their allowance for bad debts and, mainly 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 liabilities, since these liabilities are subject to fixed and variable interest rates, Management considers that their book balance approximates their fair value.

- In the case of trade and other accounts payable, since these liabilities have a current maturity, Management considers that their book balance approximates their fair value.

Based on the criteria described above, Management considers that there are no significant differences between the book value and fair value of the Company's financial instruments as of December 31, 2018 and 2017.

32. Information per operating segments

As described in note 2.2(u), the Company has only one operating segment called “Steel By-products”.

The only operating segment managed by the Company is reported in a manner consistent with the internal report (Board of Directors) that is reviewed by the Chief Executive Officer, the chief operating decision maker, responsible for allocating resources and assessing the performance of the operating segments.

The Board of Directors assesses the results of the business on the basis of the separate financial statements representing its sole operating segment and on the basis of the management information generated by the information systems.

For the years ended December 31, 2018 and 2017, sales by type of product, that are not an operating segment, were as follows:

	2018 S/(000)	2017 S/(000)
Construction bars and wire rod	1,961,565	1,632,038
Profiles and smooth bars	281,652	246,940
Sheets, coils and others	379,861	480,810
	2,623,078	**2,359,788**

Also, sales developed in the following localities:

	2018 S/(000)	2017 S/(000)
Peru	2,155,714	1,950,381
Other countries	467,364	409,407
	2,623,078	**2,359,788**

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

Sales to major distributors are not concentrated because they individually represent less than 10 percent of the Company’s total sales.

PERÚ Ministerio de Economía y Finanzas

SMV. Superintendencia del Mercado de Valores

REPORT ON COMPLIANCE WITH THE CODE OF GOOD CORPORATE GOVERNANCE FOR PERUVIAN COMPANIES (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 that regulate Good Corporate Governance, which are fundamental to the achievement of the objectives stated, as well as to the creation of value for our stakeholders.

With the purpose of maintaining and strengthening the Company’s internal control system and guiding the behavior of the collaborators toward the achievement of business objectives, the Audit and Risk Committee of the Board of Directors has been promoting the definition and implementation of Business Policies and Codes that define criteria and establish an action framework that guides the management of all collaborators in specific aspects. Once approved by the Board of Directors, they become non-negotiable and mandatory guidelines for behavior.

During 2018, the Board of Directors approved updates to the Code against Acts of Fraud and Corruption (meeting of May 31), also applicable to its subsidiaries. Said document defines the policies and guidelines against acts of fraud and corruption, money laundering and financing of terrorism, the regulatory framework for its prevention model.

It should be noted that the Company and its subsidiaries govern their actions within an Ethical Culture based on values, the Code of Ethics and the Code against Acts of Fraud and Corruption. Since May 2017, the Company has had the Aceros Arequipa Ethical Line. Through this means of communication, collaborators, clients and suppliers can anonymously and confidentially disclose irregularities or situations that go against the values and the Code of Ethics of Aceros Arequipa and subsidiaries, which may arise in the different processes of the companies.

Furthermore, during the fiscal year, the Audit and Risk Committee has worked considerably to guarantee the independence of the external auditor of the financial statements of the Company and its subsidiaries and their review before they are submitted to the Board of Directors and the Annual Shareholders' Meeting for final approval.

Finally, with respect to the Appointments, Remuneration and Human Resources Committee, it was once again responsible for structuring the bonds program for the Company's Management corresponding to fiscal year 2018. Also, it was in charge of reviewing and monitoring initiatives related to talent management, especially related to key positions at the managerial level of the organization.

REPORT ON COMPLIANCE WITH THE CODE OF GOOD CORPORATE GOVERNANCE FOR PERUVIAN COMPANIES (10150)

Company name:

CORPORACIÓN ACEROS AREQUIPA S.A.

Fiscal year:

2018

Website:

www.acerosarequipa.com

RPJ

"Company name or business name of the reviewing company: (1)

(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).

REPORT ON COMPLIANCE WITH THE CODE OF GOOD CORPORATE GOVERNANCE FOR PERUVIAN COMPANIES (10150)

Company name:

CORPORACIÓN ACEROS AREQUIPA S.A.

Fiscal year: 2018

Website: www.acerosarequipa.com

RPJ:

Company name or business name of the reviewing company: (1)

(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).

Information on compliance with the Good Governance Principles for Peruvian Companies

	Complete
PILAR 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
PILAR 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
PILAR 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

	Completo
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
PILAR IV: Risk and Compliance	
Principle 25: Risk management system environment	YES
Principle 26: Internal audit	YES
Principle 27: External auditors	YES
PILAR V: Transparency of Information	
Principle 28: Information policy	YES
Principle 29: Financial Statements and Annual Report	YES
Principle 30: Information on shareholding structure and resolutions among shareholders	YES
Principle 31: Corporate governance report	YES

SECTION C

SECTION B:

Evaluation of compliance with the Principles of the Code of Good Corporate Governance for Peruvian Companies

PILAR I: Right of Shareholders

Principio 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**

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.

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)	

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 shareholders (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 selected for their professional career, honorability, sufficiency and economic independence and disassociation from the company, its shareholders or directors.

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		THE COMPANY HAS A SHAREHOLDER SERVICE AREA, WHICH E-MAIL IS: accionistas@aasa.com.pe

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	
Other / Detail	IMPORTANT FACTS	

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	Explicación
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.

If your answer is yes, detail the mechanisms in place for shareholders to express their opinion on the development of the company.

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

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		

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

Date of approval	28/03/2016
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.

	Dividends per share			
	Reporting fiscal year		Fiscal year prior to the reporting fiscal year	
Per share	In cash	In shares	In cash	In shares
Class: Common and investment	S/. 0.05251914		S/. 0.03739055	
Class				
Investment Share				

Principle 6: Change of control or takeover

Question I.9	Yes	No	Explanation
Does the company have policies or agreements not to adopt anti-absorption 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		

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

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 non-delegable 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.

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		

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	Place of Shareholders' Meeting		Universal Shareholders' Meeting		Quórum %	No. of attending shareholders	Share (%) of total voting shares		
			Special	Meeting	Yes	No			Through powers of attorney	Direct exercise (*)	You did not exercise your right to vote
22/02/2018	26/03/2018	Av. Antonio Miro Quesada N°425, piso 1 Magdalena del Mar		x			83	29	49	34	
29/08/2018	27/09/2018	Av. Antonio Miro Quesada N°425, piso 1 Magdalena del Mar	x				70	15	47	24	
06/12/2018	20/12/2018	Av. Enrique Meiggs N°329, Carmen de la Legua Reynoso Callao	x				73	12	48	26	

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

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		Post	
Telephone		Social networks	
Corporate website	x	Other / Detail	

Quetion 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

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. Indicate the number of requests submitted by shareholders during the fiscal year to include agenda topics to be discussed at the Shareholders' Meeting, and how they were resolved:

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	

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 address	Corporate website	Post	Other	

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		

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		

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		

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

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 (***)	No. of shares	Share (%)
DIRECTORS (EXCLUDING INDEPENDENT)					
RICARDO CILLÓNIZ CHAMPIN	CIVIL ENGINEER WITH A MASTER'S DEGREE IN BUSINESS ADMINISTRATION.	13/03/1998			
	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., a company that is part of the Economic Group.				

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JOSÉ ANTONIO BAERTL MONTORI	BACHELOR IN AGRICULTURAL SCIENCES	13/03/1998		45,914,974	5.15
	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	24/03/2010			
	He is also Director at Corporación 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 Compañía de Seguros y Reaseguros S.A., Alianza Vida Seguros y Reaseguros (Bolivia), SNI and Comex Perú, 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.				
RENEE CILLÓNIZ DE BUSTAMANTE	MERCHANT	22/07/2005		132,835,249	14.91
	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.	28/02/2008			
	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., a company that is part of the Economic Group.				

PEDRO BLAY HIDALGO	INDUSTRIAL ENGINEER, HOLDS A MBA AND A MASTER'S DEGREE IN INTERNATIONAL BUSINESS	28/03/2016			
	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., a company that is part of the Economic Group.				
RICARDO BUSTAMANTE CILLÓNIZ	AGRICULTURAL ENGINEER	22/12/2011			
	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	23/03/2017			
	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	13/03/1998			
	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.				

ENRIQUE OLAZABAL BRACESCO	LAWYER	13/03/1998			
	He is also Director at Transportes Barcino S.A., a company that is part of the Economic Group.				
DIEGO URQUIAGA HEINEBERG	ZOOTECHNICIAN AND BUSINESS ADMINISTRATOR, BACHELOR OF ANIMAL SCIENCE and MASTER OF BUSINESS ADMINISTRATION.	27/11/2003			
	He is also Director at Transportes Barcino S.A., a company that is part of the Economic Group.				
BELISARIO ROSAS RAZZETO	BUSINESS ADMINISTRATOR AND AGRICULTURAL ENGINEER.	13/03/1998			
	He 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.

% of total shares held by Directors	25. 43

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
	4	2	6

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	

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.

Question III.3

	Yes	No	Explanation
Does the company disclose the names of the Directors, their status as independent and their resumes?	x		GENERAL INFORMATION ON ALL BOARD MEMBERS (DEPENDENT AND INDEPENDENT) IN THE REPORT.

Indicate by what means the company discloses the following information about the Directors:

	E-mail address	Corporate website	Post	Does not inform	Other / Detail
Name of Directors		x			REPORT
Their status as independent or not		x			REPORT ON COMPLIANCE WITH THE CODE OF GOOD CORPORATE GOVERNANCE
Resumes		x			SUMMARIZED IN THE REPORT

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.

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	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.

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 shareholders.

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, indicate whether the company carried out induction programs for new members who had joined the company.

Yes		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)	0.29	Delivery of shares	
Independent directors	0.21	Delivery of options	
		Delivery of money	
		Other (detail)	Not applicable

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:

	Si	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		

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		

Indicate which of the following conditions the company takes into consideration to qualify its Directors as independent.

	Yes	No
Do not be a Director or employee of a company of the same business group, unless three (3) or five (5) years have elapsed, respectively, since the termination of said relationship.		x
Do not be an employee of a shareholder with a share equal to or higher than five percent (5%) in the company.	x	
Do not have more than eight (8) continuous years as an Independent Director of the company.		x
Do not have, or have had in the last three (3) years, a commercial or contractual, direct or indirect, and significant relationship (*) with the company or any other company of the same group.	x	
Do not be a spouse, or do not be related in the first or second degree by consanguinity, or in the first degree by affinity, to shareholders, members of the Board of Directors or of the Senior Management of the company.	x	
Do not be a director or member of the Senior Management of another company where any Director or member of the Senior Management of the company is part of the Board of Directors.	x	
In the last eight (8) years, do not be a member of the Senior Management or an employee, whether in the company, in companies of the same group or in the shareholders of the company.	x	
In the last three (3) years, do not be a partner or employee of the External Auditor or of the Auditor of any company of the same group.	x	
Other / Detail	HOLDING LOWER THAN 5% OF CAPITAL	

(*) The business list is expected to be significant when either party has issued invoices or made payments in excess of 1% of its annual revenues.

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		

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		

CONTENT

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a. Indicate the following in relation to the meetings of the Board of Directors held during the fiscal year:

Number of meetings held	**14**
Number of meetings in which a notice of meeting has not been made(*)	**1**
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	**0**
Number of Regular Directors who were represented at least once	**4**

(*) In this field, the number of meetings held under the last paragraph of Article 167 of the General Law of Companies must be reported.

b. Indicate the percentage of Directors attending Board meetings during the fiscal year.

Name	% of attendance
RICARDO CILLÓNIZ CHAMPIN	100
FERNANDO CARBAJAL FERRAND	100
PEDRO BLAY HIDALGO	100
JOSÉ ANTONIO BAERTL MONTORI	100
RICARDO BUSTAMANTE CILLÓNIZ	100
RENEE CILLÓNIZ CHAMPIN	100
ENRIQUE OLAZABAL BRACESCO	100
PABLO PESCHIERA ALFARO	100
BELISARIO ROSAS RAZZETO	100
DIEGO URQUIAGA HEINEBERG	100
ANDREAS VON WEDEMEYER KNIGGE	92.2
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	

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-evaluation		External evaluation		
	Date	Dissemination (*)	Date	Entity in charge	Dissemination (*)
Self-evaluation	16/04/2018	No			

(*) Indicate Yes or No, if the evaluation was informed to the shareholders.

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 allocat-ed a budget?		x	THEY DO NOT HAVE AN ALLOCATED BUDGET.

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		

Pregunta 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:

COMMITTEE 1	
Name of Committee:	AUDIT AND RISK COMMITTEE
Date of creation:	11/09/2012
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.

Main duties:	**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

Main duties:	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.

Committee Members (*): Full name	Date		Position held in the Committee
	Start (**)	End (***)	
Andreas von Wedemeyer Knigge	11/09/2012		CHAIRMAN
Pablo Peschiera Alfaro	11/09/2012		
Diego Urquiaga Heineberg	11/09/2012		
Ricardo Bustamante Cillóniz	28/04/2016		
% Independent Directors with respect to the total of the Committee			25
Number of meetings held during the fiscal year:			5
It has delegated powers in accordance with Article 174 of the Gen-eral 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:	23/07/2013
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.

Committee Members (*): Full name	Date		Position held in the Committee	
	Start (**)	End (***)		
Fernando Carbajal Ferrand	23/07/2013		CHAIRMAN	
Enrique Olazabal Bracesco	23/07/2013			
Pablo Peschiera Alfaro	23/07/2013			
Belisario Rosas Razzeto	23/07/2013			
% Independent Directors with respect to the total of the Committee			75	
Number of meetings held during the fiscal year:			4	
It has delegated powers in accordance with Article 174 of the Gen-eral 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:	21/02/2017
Main duties:	Conduct negotiations for the possible acquisition of a significant percentage of a group of companies (including Comercial del Acero S.A.) and carry out possible legal and financial audits of such companies.

Committee Members (*): Full name	Date		Position held in the Committee			
	Satart (**)	End (***)				
Joswé Antonio Baertl Montori	21/02/2017					
Fernando Carbajal Ferrand	21/02/2017					
Diego Urquiaga Heineberg	21/02/2017					
Andreas von Wedemeyer Knigge	21/02/2017					
Enrique Olazabal Bracesco	21/02/2017					
Manuel Montori Burbank	22/06/2017					
% Independent Directors with respect to the total of the Committee			66.7			
Number of meetings held during the fiscal year:			18			
It has delegated powers in accordance with Article 174 of the Gen-eral 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:	

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 Gen-eral 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:

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 Gen-eral 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.

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	**Position**	**Area**
Fernando Bustamante Cillóniz (Chairman)	Manager	Strategic Management Control
Marcelo Zevallos Sánchez	Manager	Human Management
Ricardo Guzmán Valenzuela	Manager	Administration & Finance
Humberto Barragan Herrera	Manager	Internal Audit

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.

If the company has a Code of Ethics, indicate the following:

a. It is available to:

	Yes	No
Shareholders	x	
Other persons to whom it applies	x	
The general public	x	

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			
Nombres y Apellidos	**Position**	**Area**	**Person to whom you report**
Fernando Bustamante Cillóniz (Chairman)	Manager	Strategic Management Control	General Manager
Marcelo Zevallos Sánchez	Manager	Human Management	General Manager
Ricardo Guzmán Valenzuela	Manager	Administration & Finance	General Manager
Humberto Barragan 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	**8**

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?	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			

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	8.89

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: Shareholder (*)	Director	Senior Management	Full Name of Shareholder / Director / Manager	Type of Relationship (**)	Additional Information (***)
Ricardo Cillóniz Champin	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 Bustamante Cillóniz (1)	2nd degree by consanguinity	(1) Strategic Control Manager
Ricardo Cillóniz Champin	x		x	Ricardo Cillóniz Rey (2)	1st degree by consanguinity	(2) Project and Mining Manager
Ricardo Cillóniz Champin		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.

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 Champin	Presidente Ejecutivo	01/01/2007	

(*) Corresponds to the first appointment 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.

CONTENT
EXIT

Full Name	Type of Relationship	Brief Description

Principle 23: Related party operations

Question III.19	Si	No	Explicación
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
a. 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:

Aspects	Area in charge
Valuation	
Approval	
Disclosure	

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
COMERCIAL DEL ACERO S.A.	Economic Group	Acquisition of 66.35% of the common shares (through a previous Takeover Bid)	84,583,151

(*) For the purposes of relationship, the relationship criteria contained in the Regulations on Indirect Ownership, Relationship and Economic Groups will be applied.

d. Specify whether the company sets limits for carrying out operations with related parties:

Yes		No	
			x

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		

a. Indicate the following information regarding the remuneration received by the General Manager and senior management (including bonuses).

Position	Remuneration (*)	
	Fixed	Variable
General Manager	0.05	0.02
Senior Management	0.26	0.06

(*) 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 Management	Managers
Delivery of shares		
Delivery of options		
Delivery of money	x	x
Other / Detail		

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.

Does the company have a risk management delegation policy that establishes the risk limits that can be managed by each level of the company?

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

If yes, please provide the following information:

Full name	Date of exercise of the position		Area / body to be reported
	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		

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)

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		

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.**

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	487
PAREDES, BURGA & ASOCIADOS S. CIVIL DE R.L.	Expert advice (Ethical Line)	14

(*) 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	

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		

Indique la siguiente información de las sociedades de auditoría que han brindado servicios a la sociedad en los últimos cinco (5) años.

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	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	
PAREDES, ZALDIVAR, BURGA & ASOCIADOS S.CIVIL DE R.L., REPRESENTANTES DE E Y INTERNATIONAL	EXTERNAL AUDIT ON FS	2014	100	

(*) Include all types of services, such as financial information reports, accounting expert evidence, operational audits, system audits, tax audits or other services.
(**) Of the total amount paid to the audit company for all items, indicate the percentage that corresponds to remuneration for financial audit services.

Question IV.8

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	x	No	

If 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.

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		

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		

Question V.2

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

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 share
Less than 1%	413	26.48
Between 1% and 5%	13	20
Between 5% and 10%	4	27.65
More than 10%	2	25.87
Total	432	100

Holding of non-voting shares (if applicable)	Number of holders (at the fiscal year end)	% of share
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 share
Less than 1%	2508	65.11
Between 1% and 5%	13	27.11
Between 5% and 10%	1	7.79
More than 10%	0	0
Total	2522	100

Percentage of treasury shares over capital stock:	0

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	

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
Indicate in which of the following document(s) of the company, the following matters are regulated:

		Principle	Bylaws	Internal Regulations (*)	Manual	Other	Not regulated	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		
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		

		Principle	Bylaws	Internal Regulations (*)	Manual	Other	Not regulated	Not applicable	Name of document (**)
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	

		Principle	Bylaws	Internal Regulations (*)	Manual	Other	Not regulated	Not applicable	Name of document (**)
10	Mechanisms for making available to shareholders information on topics contained in the agenda of the Shareholders' Meeting and proposals for resolutions	10					x		
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
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

		Principle	Bylaws	Internal Regulations (*)	Manual	Other	Not regulated	Not applicable	**Name of document (**)**
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. 20º
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					

		Principle	Bylaws	Internal Regulations (*)	Manual	Other	Not regulated	Not applicable	**Name of document (**)**
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					

		Principle	Bylaws	Internal Regulations (*)	Manual	Other	Not regulated	Not applicable	Name of document (**)
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					
27	Policy of determination, monitoring and control of possible conflicts of interest	22				x			Ethics Committee
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					

		Principle	Bylaws	Internal Regulations (*)	Manual	Other	Not regulated	Not applicable	Name of document (**)
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 interest1

PERÚ Ministerio de Economía y Finanzas

SMV. Superintendencia del Mercado de Valores

We have nothing to add.

1 Other information of interest not discussed in the previous sections is included, which helps the investor and the various stakeholders to have a broader 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.

Furthermore, the company may indicate whether it has voluntarily adhered to other international, sectorial codes of ethical principles or good practices, indicating the code and the date of adherence.

PERÚ Ministerio de Economía y Finanzas

SMV. Superintendencia del Mercado de Valores

CORPORATE SUSTAINABILITY REPORT (10180)

CORPORATE SUSTAINABILITY REPORT (10180)

Corporate name:

CORPORACION ACEROS AREQUIPA S.A.

Year:

2018

Website:

www.acerosarequipa.com

“Corporate name or business name of the reviewing company: 1”

RPJ

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	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

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		YES, THE OPERATIONS OF CORPORACION ACEROS AREQUIPA S.A. 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 – 5S”

If yes, indicate the standard and date of adherence:

Standard	Date of adherence
Environmental certification ISO 14001:2015 –Environmental management systems	07/09/2016
2017 Sustainability Report, under the GRI standards	30/04/2017
World Steel Association	23/01/2018
Socially Responsible Company Distinction	15/12/2017
Agreement with Perú Responsable - MINTRA	15/12/2017
SOS Company Recognition	18/09/2017
ISO 9001-2015	07/09/2016
ISO 17025	11/01/2017
AOTS – 5S	07/11/2017
ASQ. QUALITY	09/06/2017
OHSAS 18001-2007	07/09/2016

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 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		CAASA HAS 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.

a. If the answer to question A.2 is affirmative, indicate the corporate 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).	CHIEF EXECUTIVE OFFICE CAASA GENERAL MANAGEMENT

b. Does the company quantify the greenhouse gas emissions generated in its activities (carbon footprint)?

Yes	x	No	

If yes, indicate the results obtained:

Year 2018

- Carbon monoxide: gross value of CO2 equivalent 60,194.13 tons
- Nitrogen oxides: 63.64 tons
- Sulfur dioxide: 16.38 tons

c. Does the company quantify and document the total use of power used in its activities?

Yes	x	No	

If yes, indicate the results obtained:

Power consumption	2018 total kWh (000)
Total	611 685 805 kWh

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: 2018 per month; Volume: M3

Total annual use: 1,424,849

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:

43.71 tons of disused oil generated in CAASA's maintenance operations and shops, which was recycled through the Solid Waste Operator (EO-RS).

46.40 tons of disused wood, donated for later reuse.

6,000 tons of ecogravilla (steel slag) donated to CITRUSCO for the construction of access roads.

89.24 tons for donations to the NGO Ciudad Saludable: 13 tons of paper, 24 tons of cardboard and 3 tons of plastic; 49.24 tons of copper materials have been commercialized with an authorized EO-RS.

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.	BOARD OF DIRECTORS
Internal Occupational Health and Safety Regulations / Code of Ethics.	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	Document
Alta Dirección	ANUAL
Comité de Seguridad y Salud en el Trabajo	MENSUAL

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%.

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.

If so, indicate the corporate body that approves the plan and the frequency with which it evaluates compliance with the plan:

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	0.02

Question A.5

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 CAASA.

a. If the answer to question A.5 is affirmative, indicate the corporate document regulating this policy and the body that approves this document.

If so, indicate the corporate body that approves the plan and the frequency with which it evaluates compliance with the plan:

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 have criteria for the selection of suppliers that include ethical aspects and compliance with labor legislation?

Yes	x	No	

d. Does the company have a purchasing or hiring policy that selects suppliers that comply with sustainable management or environmental standards?

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		IT HAS INSTRUCTIONS THAT ALLOW GOOD COMMUNICATION WITH CUSTOMERS AND AFTER-SALES SERVICE.

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	

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
Customer and post-sales service (commercial area inquiries)	Commercial Management Board of Directors

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:

CONTENT

EXIT

Resolution SMV No. 033-2015-SMV/01

Additional Annex to Section IV of the Report, subsection (10180), “Corporate Sustainability Report”, which is part of the Manual for the Preparation of Annual Reports, Quarterly Reports and other information documents and which content is developed in Section Three of the Common Standards for the Determination of the Content of Information Documents, both approved by General Management Resolution No. 211-98-EF/94.11, with the following text:

CORPORATE SUSTAINABILITY REPORT (10180)

Corporate name:

CORPORACION ACEROS AREQUIPA S.A.

Year:

2018

Website:

www.acerosarequipa.com

Corporate or business name of the reviewing company[1]

[1]This 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 B:

This section details the stakeholders of CORPORACIÓN ACEROS AREQUIPA S.A. (CAASA) and the actions taken during 2018 linked to the impact of its operations on the social (labor practices, community and client relations and product responsibility) and environmental (materials, energy, water, emissions, pouring and waste) areas. Its content complements the information provided in Section A.

CAASA is an iron and steel company with Peruvian capital and collaborators, mainly engaged in the production and commercialization of steel products, from the metal transformation process to end products such as construction bars, galvanized steel corrugated sheets, stranded wire rod, among others. Our main operations are in Peru. Specifically, the main production plant is located in the province of Pisco, department of Ica.

CORPORATE MANAGEMENT

CAASA managed is based on the following values and competencies:

Values

- We feel passion for work
- We focus on relevant matters
- We work in teams

Competencies

- I propose innovations
- I act with leadership
- I work with commitment
- I invest in relations

Sustainability and Social Responsibility Management

CAASA has a Social Responsibility Policy aimed at creating a socially responsible culture and leadership, which contributes to the creation of value in a sustainable manner, through good corporate governance practices, and which strengthens the transparent dialogue with our stakeholders.

Our programs seek to promote sustainable socio-environmental development processes in an innovative and committed manner. At the same time, we seek to work on shared responsibilities in the community, the government, companies and social organizations in order to generate processes of social change in the preservation of the environment and natural resources.

At CAASA we have a constant liaison with the actors in the area of influence of the Pisco plant, from the local government to school students. The communities or villages around the plant are one of the main stakeholders we work with.

The means of communication we use with stakeholders are the following:

- Face-to-face meetings with communities with the aim of developing spaces for communication and peaceful coexistence.
- CAASA's ethical line, through which complaints can be made.
- CAASA's website, which constantly informs about the activities carried out by the company.
- The magazine Gente de Acero, which is issued quarterly, reports on the achievements and progress of the corporate management.
- Monthly press releases in the media of the area of influence informing about the activities of the company in a transparent manner.

In terms of strategic alliances for sustainability, we report that, since 2017, we have been part of the Peru 2021 Non-profit Organization and we participate in the Socially Responsible Company Distinction. In addition, we have signed a Framework Agreement for Institutional Cooperation with the "Responsible Peru" Program of the Ministry of Labor and Employment Promotion, through which both institutions agree to carry out alliances and joint actions for promotion, cooperation, coordination, training, among other efforts that result in the implementation of projects and/or programs of corporate social responsibility, with emphasis on employment, employability and entrepreneurship.

HUMAN CAPITAL
(Section A.3.)

CAASA manages its human capital based on a Human Management Policy, which prioritizes the establishment of conditions for training and retaining collaborators based on clear relationships, of respect, and commitment to the company's goals. We manage a model of competencies and constant performance assessment, promoting organizational values, compliance with the Internal Labor Regulations, the Code of Ethics, and the Occupational Health and Safety Regulations.

The company also respects current labor regulations, the right to free labor union and collective bargaining, and additional social benefits.

Quality Management
Together with our collaborators, we carry out continuous improvement projects in search for excellence in our production processes, safety management and environmental impact. Thus, we have ISO 9001, ISO 14 001 and OHSAS 18 001 certifications, and we have enthusiastically

adopted the 5S methodology, a Japanese management technique based on five simple principles with the objective of achieving better organized, more orderly and cleaner workplaces on a permanent basis in order to achieve greater productivity and a better working environment.

In addition, we work with Quality Circles and Progress Groups, organizational activities to develop high impact and low cost programs. Within the framework of this initiative, we received a distinction from the Pontificia Universidad Católica in collaboration with the American Society for Quality (ASQ) in the IV International Quality Congress PUCP-ASQ, thanks to the project "Optimization of the Discharge and Chipping of Rods in the Cooling Plate of the Roller Train No. 2". We also received a distinction from the National Institute of Quality (INACAL), for our entry into the Peruvian System of Accreditation of Conformity Assessment Bodies. Intertek, CAASA's supplier, maintains an accreditation granted by INACAL based on compliance with the requirements established in the NTP ISO/IEC 17025:2006 standard "General Requirements for the Competence of Testing and Calibration Laboratories".

Local Employment

We encourage the hiring of personnel from the province in which we are located. Thus, of the 795 workers, assistants, analysts and supervisors, 515 (approximately 65%) come from the department of Ica; and of the 834 collaborators who work in the Pisco plant, there are 39 leaders with positions of managers, deputy managers, heads or superintendents, 7 of which come from the same department. In the case of employees under the modality of outsourcing or labor intermediation, 17.2% of the personnel come from the Ica region.

SOCIETY AND COMMUNITY

Social and Community Development

(Section A.4.)

We are committed to the social and sustainable development of the communities that are directly or indirectly related to our operation. To this end, we develop tools and programs that support our commitment, in alliance with other internal and external actors:

- Environmental care training programs
- Programs focused on health prevention and care
- Education and technology programs through scholarships and virtual libraries
- Programs focused on the improvement of urban beautification and green areas

- Waste management programs
- Participation in technology and infrastructure investment
- Works for taxes program

HEALTH PREVENTION AND CARE

Dental Program

In response to the dental health concerns and needs of the population adjacent to our operation, on July 12 and 13, 2018, we launched dental campaigns in the human settlements of Del Pilar, Los Paracas, San Tadeo, Murga, in the city of Pisco.

Dental care such as evaluation, odontogram, fluoridation, treatments and extractions were performed in coordination with the San Juan de Dios Hospital of Pisco and Los Paracas Health Center, in addition to the support provided by O.K. MEDICA E.I.R.L.

The health personnel served the population in an optimal manner within the facilities of Los Paracas Health Center, in addition to the pre-school and elementary level students of the San Tadeo school, Los Paracas, Pisco.

Dr. Alexander Peña, MINSA Head of Planning visited San Juan de Dios Hospital in Pisco. 1,005 treatments were given to 335 people, and 235 packages containing a toothbrush, a toothpaste and a notebook were delivered.

Another dental activity was carried out on November 15 and 16, 2018 at C.E.I. 210 “Angelitos de Dios”, located in the district of Santa Cruz, province of Pisco. On this occasion, dental activities were performed on 260 people: Evaluation, odontogram, fluoridation, treatments and extractions. In addition, students and teachers were trained in good tooth care and tooth brushing techniques.

It should be noted that, before providing care, the respective authorizations were requested from the parents of the children in order to be able to provide them with care. The parents also received some of the care. The activity had the visit of the District Attorney of Pisco, as well as staff from the Municipality of Paracas and the local press.

EDUCATION AND TECHNOLOGY

Virtual Libraries

In line with the support to education, we have been implementing, year after year, the virtual libraries as teaching tools that contribute to optimize the learning process of local students in our area of influence, where knowledge obtained in the classrooms is reinforced.

INVESTMENT IN INFRASTRUCTURE

Donation of land for construction of the new Municipality of Pisco

As part of our Social Responsibility Policy and strengthening our commitment to the development of the city of Pisco, we donated a 17,000 m² land to the province of Pisco for the construction of its new municipal facilities. We also donated 4,000 m of land to the NGO COPRODELI in order to build basic housing modules for the inhabitants of that locality.

VOLUNTEERING

As part of our volunteering activities, we cleaned the beaches with our collaborators of the Pisco plant.

For CAASA, volunteering is an expression of corporate social responsibility that aims to facilitate the mobilization of talent, time and energy of our collaborators in favor of the social development of the community. Our corporate volunteering program recognizes and promotes the social initiatives that CAASA collaborators carry out or want to carry out, both in Lima and Pisco.

Its characteristics are as follows:

- All collaborators participate (both places).
- It integrates the collaborators' families.
- It is an unpaid activity.
- The activity must benefit the community.
- The activities take place outside office hours (Saturdays or holidays).
- It has the logistical support of CAASA.
- Allied institutions participate.
- It has an advisory committee.
- Surveys are carried out to measure the program (internal and external fronts).
- Training and exchange of volunteering experiences are carried out, which helps the program grow and continue to develop.

ENVIRONMENT AND SOCIETY
(Sections A.2. and A.4.)

We ensure that a production process is obtained with the least possible environmental impact. To this end, we are governed by our Integrated Quality, Environment and Occupational Health and Safety Management System Policy, and we make investments in projects that optimize the use and re-use of resources, which is why our main raw material is reused from waste, especially industrial waste. We also reduce the consumption of non-renewable fuels and reuse all domestic wastewater in the irrigation of green areas. It should be noted that we have two systems for treating the fumes emitted in our production processes

Donation of ecogravilla (processed slag)

Thanks to our constant liaison with local governments and communities surrounding our operations, we were able to identify the urgent need for better land access roads. To this end, we promoted the issuance of a favorable technical opinion from the Ministry of Transport and Communications on the slag from electric furnaces, so that they can be considered as alternative material in road maintenance works, provided that they comply with the pertinent technical specifications. Thanks to this initiative, we were able to donate 15,000 MT.

Water Care Brigade Members

In 2018, we continued the execution of the "Water Brigade Members" project in agreement with the National Water Authority and the Local Water Authority, Ica. The direct beneficiaries were students, teachers, administrative personnel and directors of 10 local schools, as well as parents, whose mission is to promote the participation of students, directors, teachers and administrative personnel, raise awareness among the educational community, through dissemination and monitoring campaigns of proper use of water, preparation of banners, three-page leaflets on responsible use and care of water, at schools and in the community. The methods and techniques were intended to serve as a basis for teachers to fulfill their responsibilities and for parents to apply them to their families and local environment.

The following topics were discussed:

- Duties of the National Water Authority
- Water Resources Act
- The New Water Culture
- Water Footprint and Blue Certificate
- Suggestions for water care at school and at home
- Topics on environmental care (Corporación Aceros Arequipa)

Save the Hummingbirds

On the other hand, in September we executed the project: "Save the Hummingbirds" at the José de la Torre Ugarte School in Pisco, with the support of the institution Grupo Aves del Perú. This activity consisted in talks addressed to teachers and brigade members of the Ecological Police of the mentioned school.

SUPPLIERS

(Section A.5.)

LOCAL EMPLOYMENT

We encourage our suppliers to hire personnel from the province in which we are located.

It is important for us that our neighboring communities feel part of CAASA; for this reason, we promote the hiring of personnel from the region where we are, thus, benefiting the area of influence of the company.

Of a total of 795 workers, assistants, analysts and supervisors, 515 (approximately 65%) come from Ica, the region where the province of Pisco is located, the area where we operate.
Also, of the 834 collaborators who work in the Pisco plant, there are 39 leaders with positions of managers, deputy managers, heads or superintendents. Of the 39 leaders, 7 come from the Ica region, which represents 17.9% of the total number of collaborators in the areas adjacent to Pisco.

Likewise, in terms of outsourcing or labor intermediation, this corresponds to 17.2% of the personnel of the Ica region.
Additionally, considering the percentage of local collaborators hired by our suppliers, 87% are people from the locality of Pisco.

CLIENTS

(Section A.6.)

In addition to devoting ourselves to provide excellent service to our large clients, we also care about our direct consumers, construction professionals, whom we continually train in the proper use of the steel materials we provide, as well as in good building practices. We also have a website called “Building Safely”, in which we provide information on safety and health in the handling of steel: http://www.construyendoseguro.com/.

ACEROS
AREQUIPA