



# Corporate Presentation

November 2020



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



**1** **Company** Overview

**2** **Market & Business** Overview

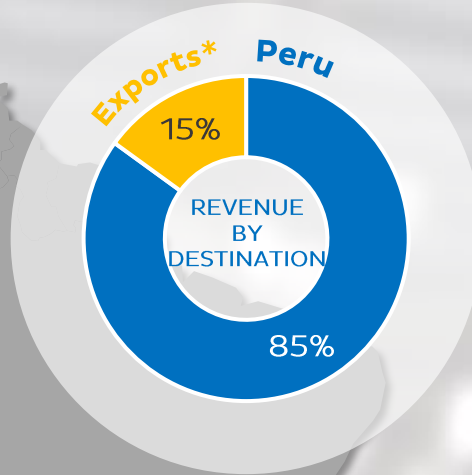
**3** **Financial** Highlights

**4** **Corporate** Governance

**#1 player in the Peruvian steel market with a growing regional footprint...**



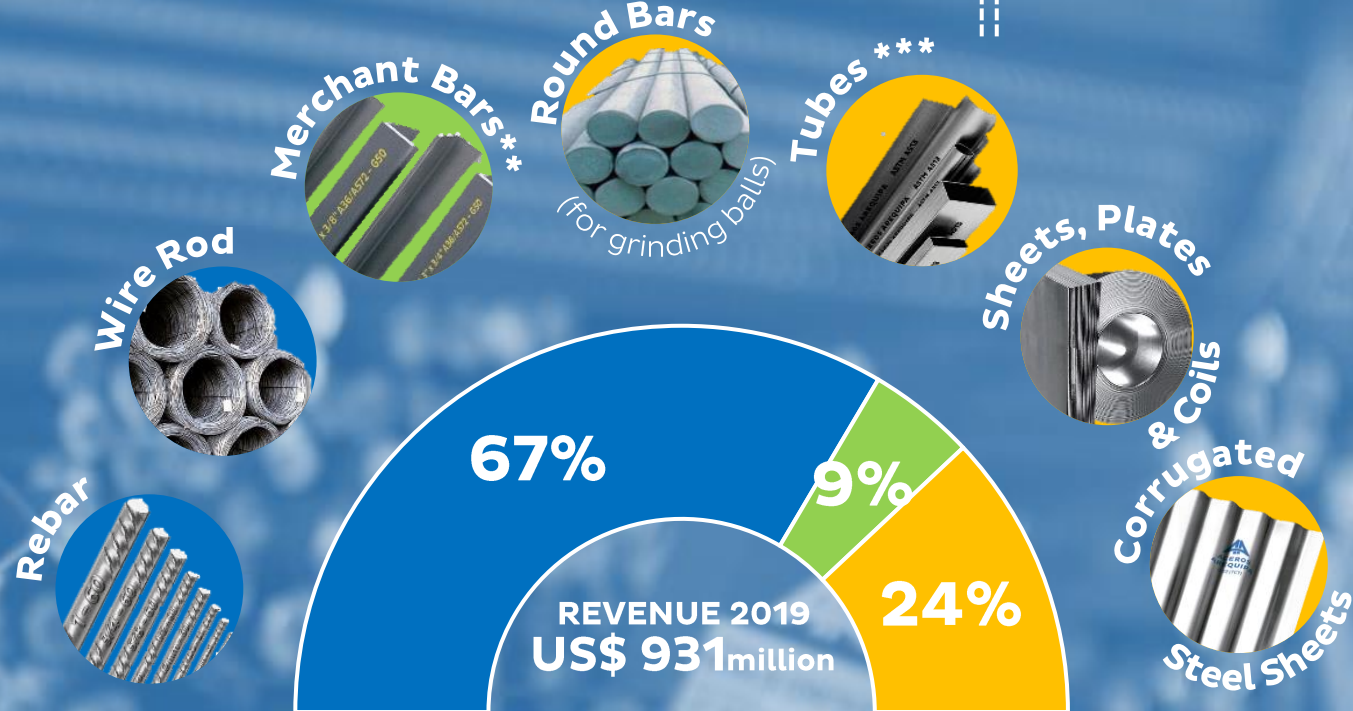
\*Exports mainly to Bolivia, USA, Colombia, Brazil, Chile, Panama and Argentina.



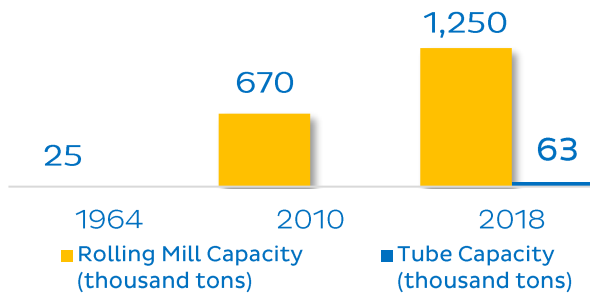
...serving all market segments with a **broad product portfolio**

PRODUCED

IMPORTED



**A story defined by growth through timely investments**



- 2013:** New Rebar Rolling Mill in Pisco
- 2016:** Production consolidation in Pisco
- 2018:** Acquisition of Comasa and its Tube capacity; **New Tube plant in Callao**
- 2021:** New Melt-Shop

\*\*Includes angles, flats, rounds, squares and steel channels. Some merchant bars are imported.  
\*\*\*The Company began its Tube production in November 2018. Some Tube varieties are still imported.



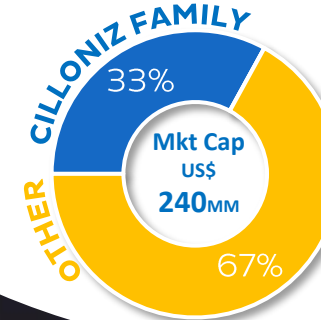
Trading at the Lima Stock Exchange  
with two types of stock

Member of  
**Dow Jones  
Sustainability Indices**  
Powered by the S&P Global CSA



**Total Market Cap US\$ 346 million\***

**Common  
Stock  
(CORAREC1)**



**Investment  
Stock  
(CORAREI1)**



## SUBSIDIARIES / AFFILIATES

Not included as part of the Consolidated Financial Statements

99.99%	99.00%	99.92%	99.90%	99.90%	100.00%	100.00%	33.65%	33.65%	10.00%
Steel products trader Tube manufacturer	Bolivian scrap supplier and strategic commercial arm of the Company	Local and regional cargo transportation services	Value-added design and engineering services for the construction industry	Value-added on-site installation services for the construction industry	Formed in November 2019 for the collection of Chilean scrap	Formed in March 2020 as a commercial arm of the Company in Colombia	Real Estate Company 21,279 m2	Real Estate Company 24,865 m2	2 hydroelectric power plants 1. El Platanal 220MW 2. Marañón 18.4MW
Revenue 2019: US\$ 137 million	Revenue 2019: US\$ 45 million	Revenue 2019: US\$ 7 million	Revenue 2019: US\$ 3 million				Note: Pre-acquisition Real Estate spin-off of Comercial del Acero	Note: Pre-acquisition Real Estate spin-off of Comercial del Acero	

\*Figures as of September 05, 2020

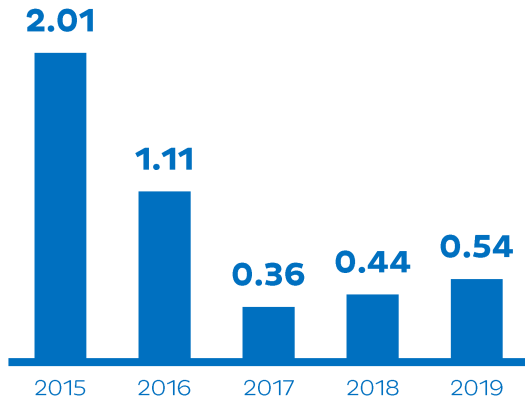
# Safety is our priority



**OHSAS 18001**  
certified since 2010

Our goal is to have **zero accidents** in our operations

**Accident rate**  
(frequency index x severity index)



# Strong focus on Quality Management



**ISO 9001**  
certified since 1997



We have an integrated management system



Our products have Peruvian, Brazilian and Bolivian quality certificates



**INACAL**  
Instituto Nacional de Calidad

Peru



Brazil



Colombia



Our metallurgical testing laboratory received an ISO/IEC 17025 accreditation, allowing us to issue quality certificates in a timely manner

# Reduced environmental impact



**ISO 14001**  
certified since 2010



**1° star** recognition in **Carbon Footprint Peru** by Minam Reporting of greenhouse gas emissions 2019

We are continuously investing in new technologies to **reduce our environmental impact**



One example is the AA **“eco-block”**. Using melt-shop slag, we are producing blocks that can be used for the construction of walls and roads

# Socially responsible



**Socially Responsible Company Award**  
(2017 / 2018 / 2019)



In 2017, 2018 and 2019, we received the “Socially Responsible Company” award, recognizing our management’s commitment with social, environmental and economic sustainability



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# Leading Peruvian Steel Company with strong Upside Potential

Sustained  
**Leadership** in all  
core lines....

#1



Rebar & Wirerod

#1

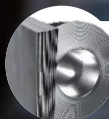


Merchant Bars



Other Long

#1



Sheets & Coils

#1

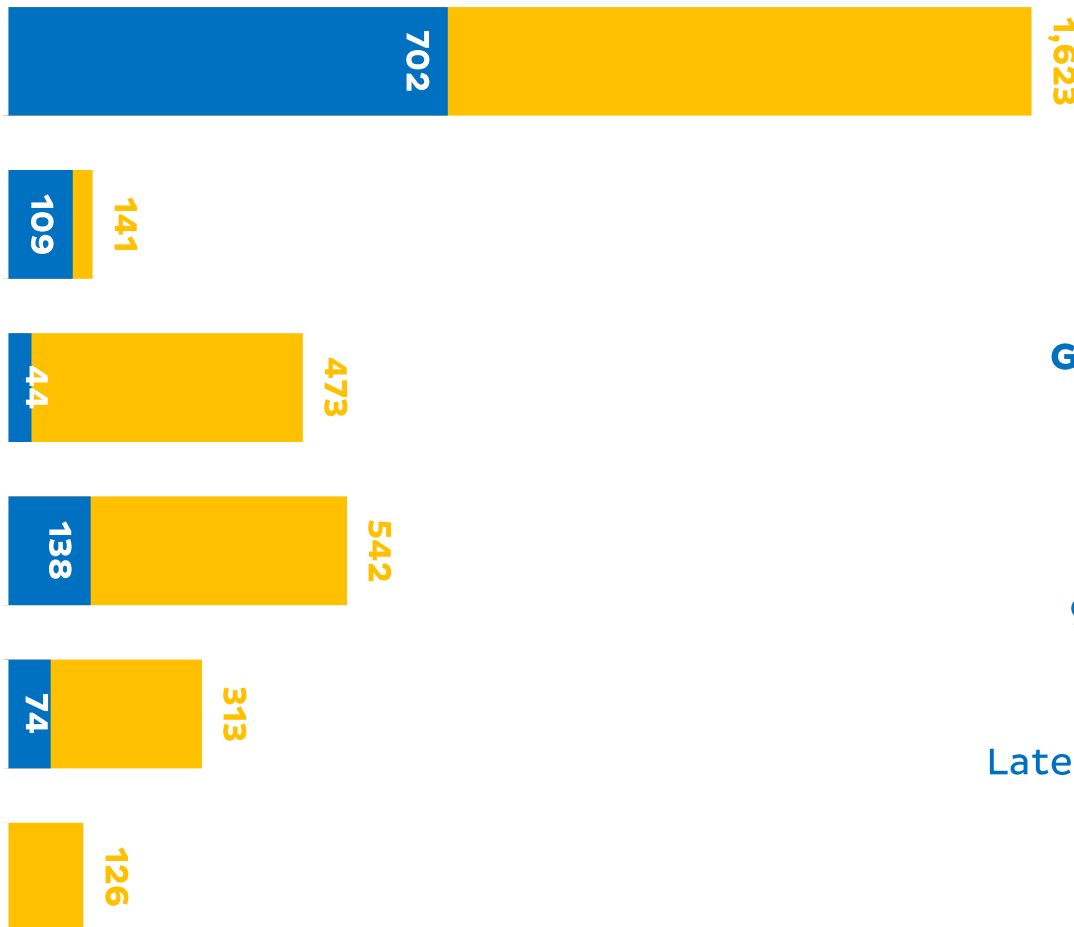


Tubes

Other

**Peruano Steel Market 2019** 3,218k tons

**Sales Volume**  (Peru) 1,069k tons



...with **growth**  
**potential** in **total**  
**market**

**Value-added services** enrich and differentiate our value proposition of Rebar & Wirerod

New Melt-Shop (2021) will allow us to produce **Round Bars used for Grinding Mining Balls** at competitive costs and to provide **new product presentations**

Comasa's acquisition (2018) will generate **market synergies** to boost **growth in sheets & coils and tubes**

Latest investment in a **Tube plant** (2018) will allow us to consolidate our leadership

SOURCE: Company estimates based on imports, production and other public information.



**SELF-CONSTRUCTION**

Homebuilding & domestic metalwork



**CONSTRUCTION COMPANIES**

Whole-range building



**INDUSTRY**

Industrial products & equipment



**MINING**

Consumables for crushing and mine support



✓ **Better reach to Self-Construction** through nationwide distribution capabilities and partnerships with small retailers

✓ **Value-added services** to provide efficiencies and minimize costs for construction companies

✓ **Comasa acquisition**  
i) Increased our market presence in the industrial segment  
ii) Complemented our portfolio and services with a steel center and tube plant

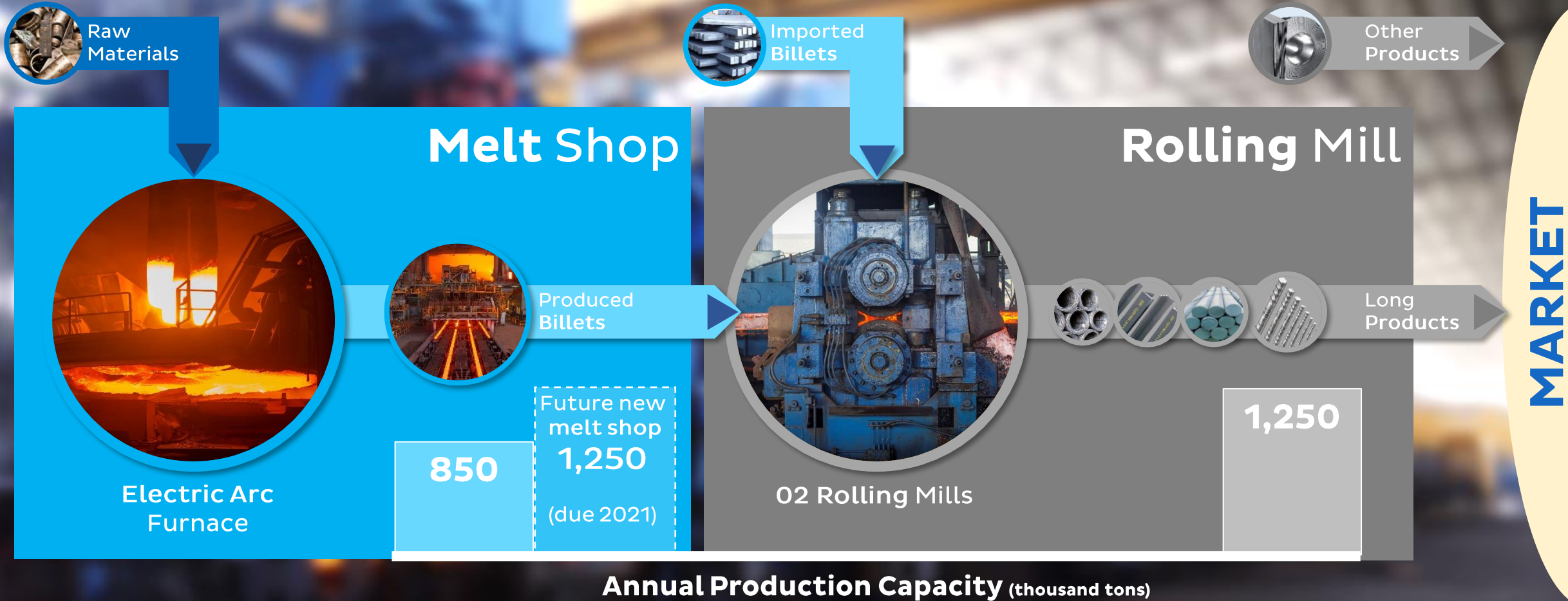
✓ **New melt-shop (2021) Opens a new market:** Round balls for grinding mining balls

**TSC** innovation.  
Design and BIM services for construction companies and industrial clients

**ACEDIM**  
Cut & bend steel products for construction

**ACERO INSTALADO**  
On-site Rebar & Wirerod Installation service





**State-of-the-art** equipment makes ours one of the most efficient plants in the region



**Track Record of strategic investments**

2013

Rolling Mill Line n°2

2018

Tube plant

2020

New Melt-shop



**Largest long-steel products producer** in Peru



**Product availability** vs importers



**Competitive energy costs**



# RAW MATERIALS FLEXIBILITY



## Further initiatives & developments

New Melt-Shop will require less shredded scrap and be able to use more HMS



Investment in regional scrapyards



Self-supply of raw minerals through iron mining claims



Investment in Pig Iron production capacity







**1** **Company** Overview

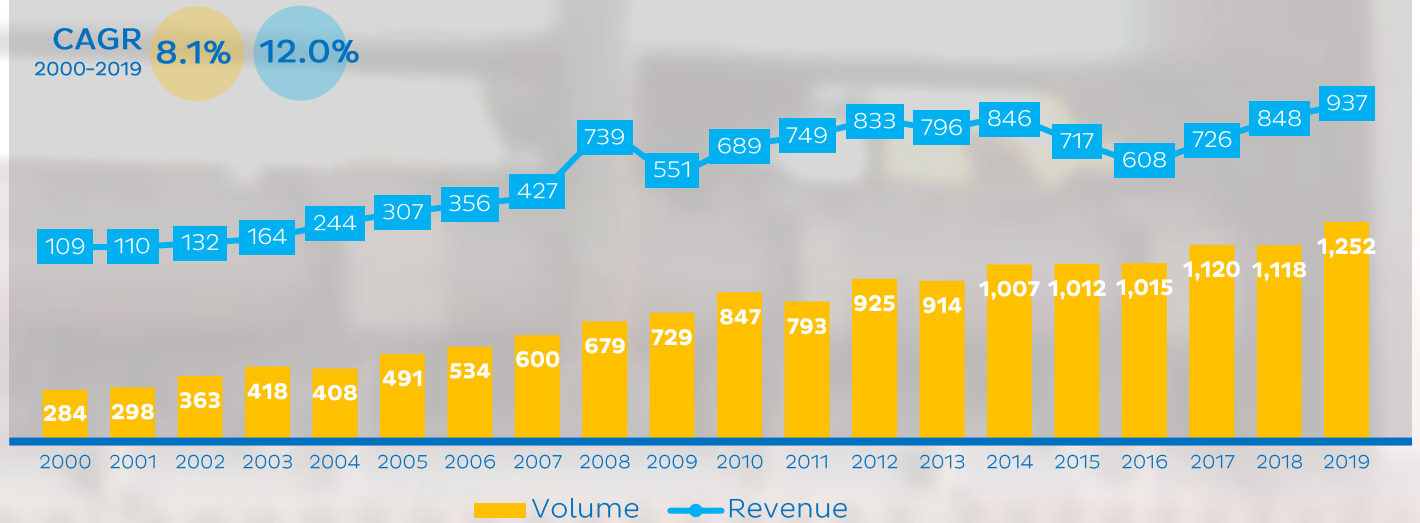
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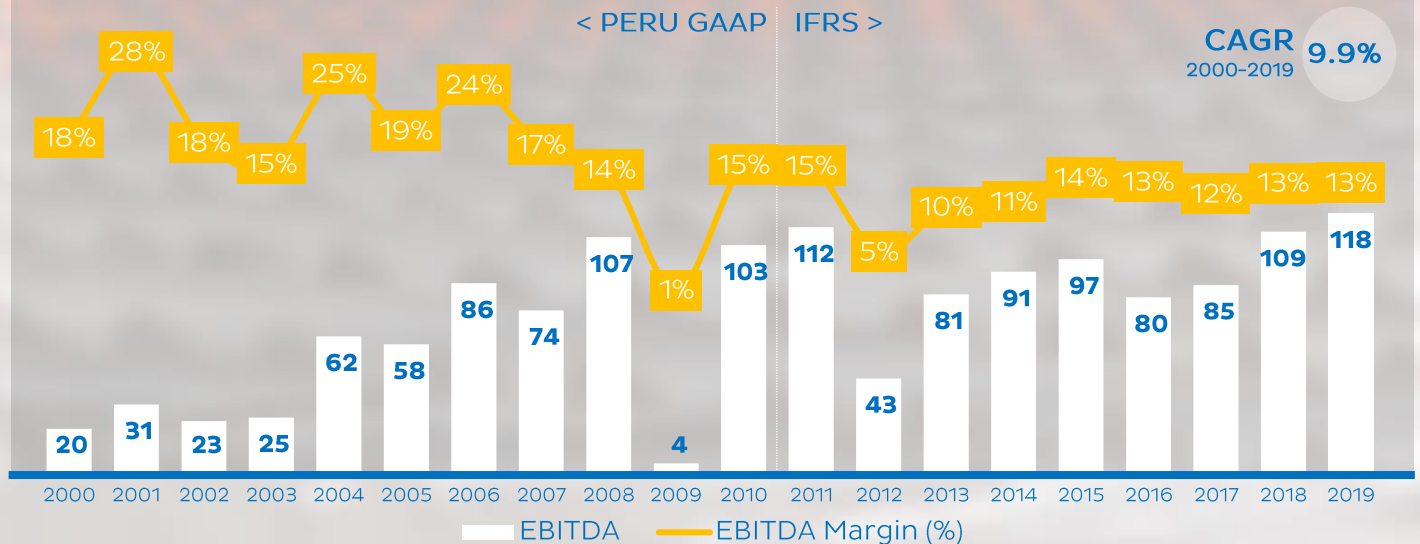
**4** **Corporate** Governance

**A track record of growth and value generation...**

## Volume (thousand tons) & Revenue (US\$ million)



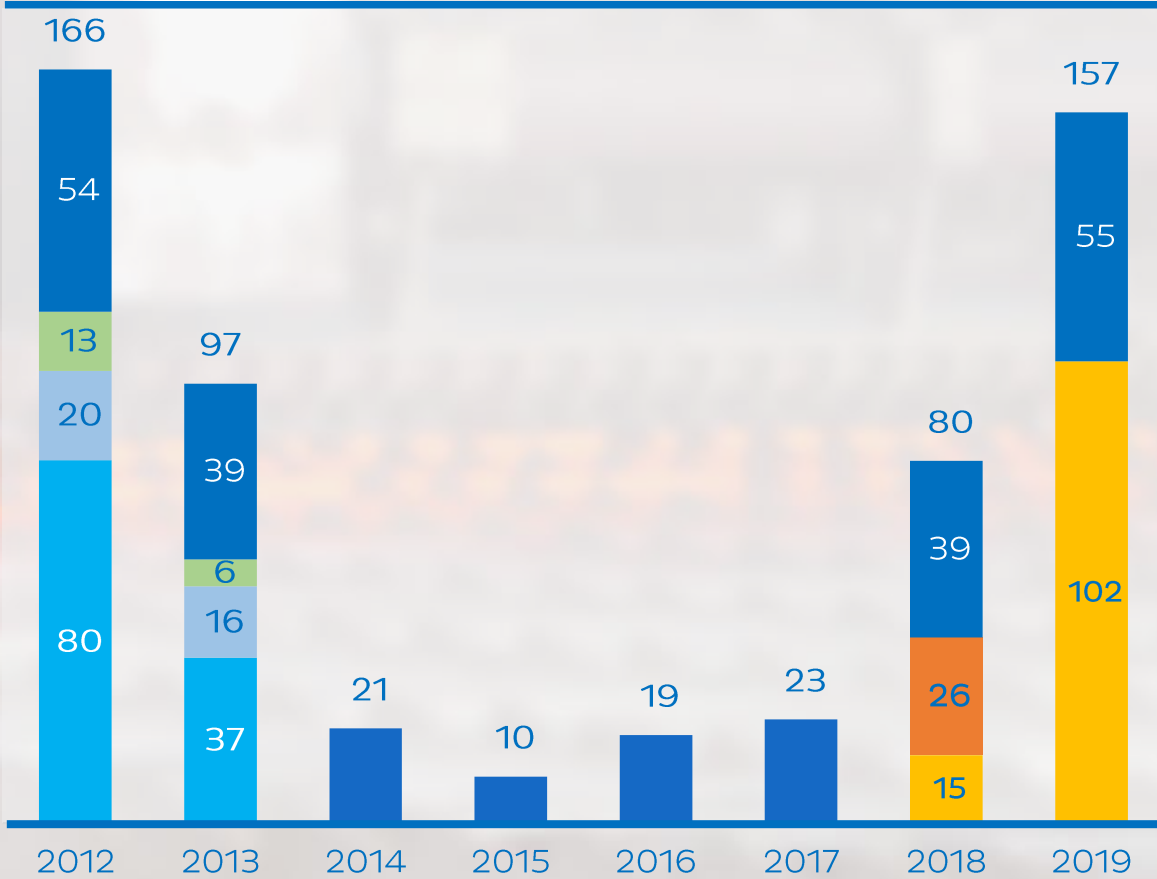
## EBITDA (US\$ million) & EBITDA margin (%)



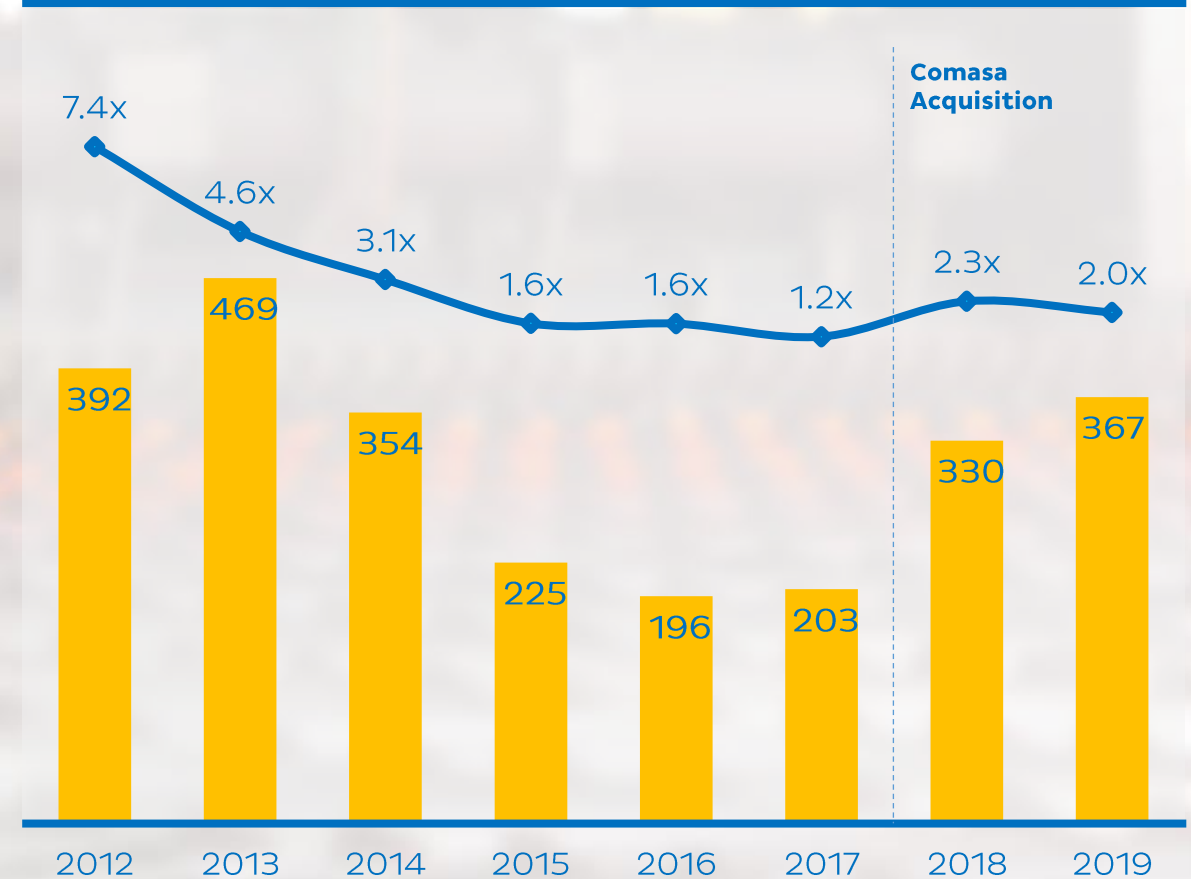
\*Starting 2011, the Company reports under IFRS, previously it reported under Peru GAAP

# ...while continuing to implement a roadmap of timely investments...

**CAPEX** (US\$ million)



**Total Debt** (US\$ million) & **Net debt / EBITDA** (US\$ million)



- Rolling mill - Line n2
- Warehouses (Pisco)
- SAP - ERP
- New Melt-Shop
- Comasa
- Other CAPEX

■ Total Debt ◆ Net debt / EBITDA



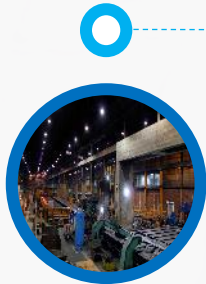
# Growth strategy for the next ten years

2018

2019

2020-22

2023-28



Tube Plant



Rolling Mill Line 1 modernization (Merch. Bars + Round Bars)



New Melt-Shop



Mini Blast Furnace – Pig Iron capacity



Tecnología y Soluciones Constructivas (TSC)



Distribution Center Bolivia Santa Cruz / La Paz



Distribution Center in Lurin, Lima



Rolling Mill Line 3



COMASA



Patios de chatarra internacionales



Offices in Chile and Colombia



Corporación Aceros Arequipa



Subsidiaries

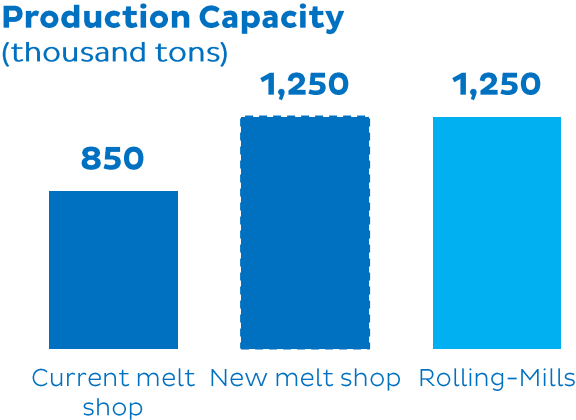
The new melt-shop will **dramatically reduce dependance on imported billets** and minimize costs

The project includes new:

- Electric arc furnace (EAF)
- Continuous casting machine
- Fume treatment plant
- Water treatment plant

**Total Investment US\$ 208 million**

New melt shop will **match current rolling mill capacity...**



**...Eliminating the need to import higher priced billets**

Note 1: Capacity figures represent nominal capacity  
Note 2: Current melt shop will be shutdown until needed

Reduction of **transformation costs**

Energy savings    Electrode consumption    Maintenance

Scrap shredding    Ferroalloys consumption

Increased **raw material flexibility**

Production of **high carbon steel** to grow market in the mining industry



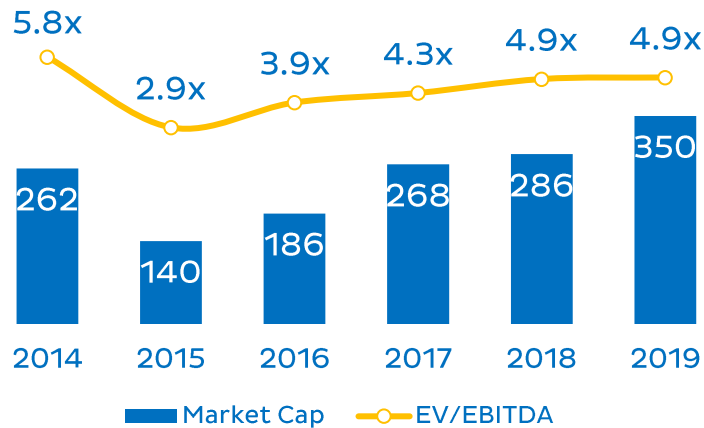


continued to trade at attractive multiples as of december 2019

Dividend payout policy of 40% of annual net profit

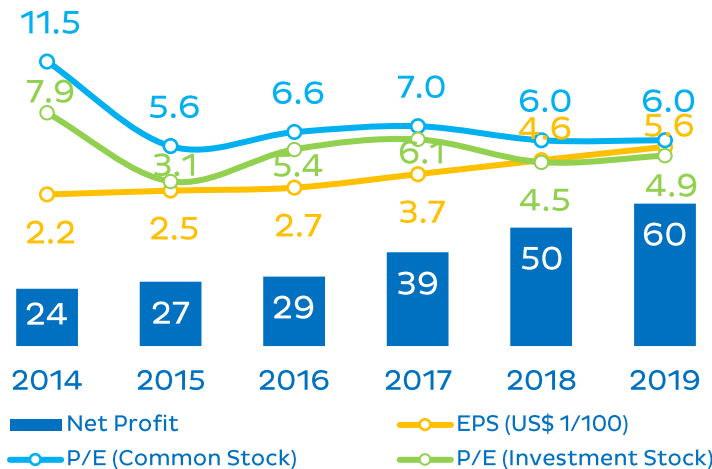
Amount is fully paid after two advance payments of 10% and 24% during the period

### Market Valuation (US\$ million)



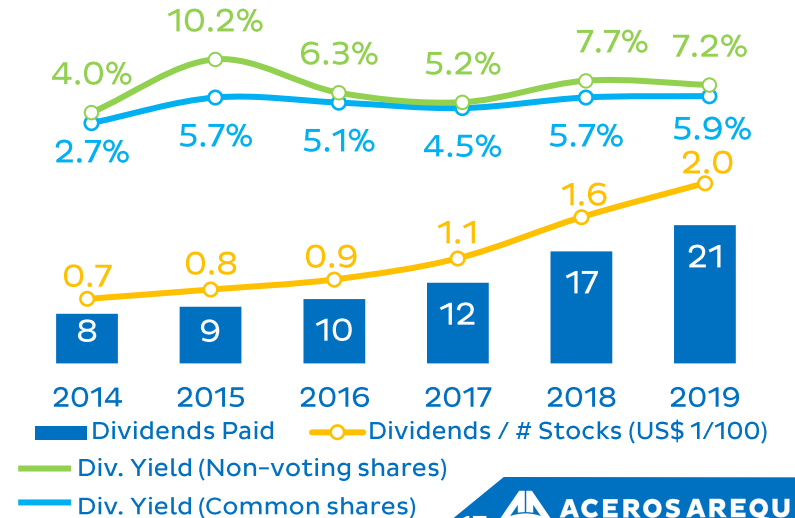
### Net Profit (US\$ million)

CAGR<sub>14-19</sub>: 20%



### Dividends paid (US\$ million)

CAGR<sub>14-19</sub>: 23%



Note: Market Cap does not consider Treasury stock

Note: Net Profit of 2018 not considering badwill





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# Corporate Governance



**Ricardo Cillóniz C.**

CHAIRMAN

MBA - Michigan State University



**Tulio Silgado**

CEO

Kellogg School of Management



**Ricardo Guzmán**

CFO, IRO

MBA - University of Chicago Booth School of Business

## Board Members

\*Independent

Ricardo **Cillóniz C.** (P)  
Fernando **Carbajal\*** (VP)  
José Antonio **Baertl**  
Pedro **Blay**  
Ricardo **Bustamante**  
Renee **Cillóniz**

Giselle **Ferrand\***  
Manuel **Montori\***  
Enrique **Olazabal\***  
Pablo **Peschiera**  
Diego **Urquiaga\***  
Andreas **Von Wedemeyer**

## Management Team





# Corporate Governance



Fair treatment

**Dividend Policy**  **40%** of Net Profit After advancements of 10% & 24%



Shareholder Meeting **Regulations**



Corporate Information Policy





**3 Special Comitees**

ETHICS	AUDIT & RISK MANAGEMENT	HUMAN RESOURCES
--------	-------------------------	-----------------



Risk Management Policy

**Big 4 Audit Firms** Can be appointed **5 years**

**12** members  **17%** Women  **44%** Independent



# ¿Why Aceros Arequipa?

**1 Market leader** in Peru, with local & regional upside



**Market Growth**  
infrastructure gap in Peru is still high



**Market Share Gain**

- New products
- Synergies of recent & potential acquisitions
- Value-added services

**2 Efficient** Operational Model



**Nationwide distribution** with increasing reach to other countries



**State of the art-equipment**

- Tube plant (2018)
- Rolling mill (2013)



**#1 Scrap buyer in Peru**, an atomized market with low volatility



**Further investments**

- Melt-Shop
- Scrapyards
- Pig Iron Capacity

**3 Track record** of growth and value creation



**Sustained growth** CAGR '00-'18  
Revenue: 12%  
EBITDA: 10%



**Attractive valuation metrics**

**4 Solid professional team** in an efficient structure



**Focus on people** counting with a qualified team of professionals



# Corporate Presentation

September 2020